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I am Mengniu

2017 China Mengniu Dairy Company Limited
Sustainability Report (ESG Report)
HKSE: 2319

About This Report

Period

This report covers the period from January 1, 2017 to December 31, 2017. Some contents and data are from previous years.

Organizational Coverage

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

Previous Issues

Our Corporate Social Responsibility Report (2017) is the fifth in a series of sustainability and CSR reports. Previous issues include:

- China Mengniu Dairy Company Limited Corporate Social Responsibility Report (1999-2007)
- China Mengniu Dairy Company Limited Corporate Social Responsibility Report (2008-2013)
- China Mengniu Dairy Company Limited Sustainability Report (2014-2015)
- China Mengniu Dairy Company Limited Sustainability Report (2016)

References

- The Stock Exchange of Hong Kong Limited: Environmental, Social and Governance Reporting Guide
- ISO 26000: Guidance on Social Responsibility (2010)
- GB/T 36001-2015, Guidance on Social Responsibility Reporting
- CASS: Social Responsibility Reporting Guidelines of the Food Industry
- RHB 901-2016: Guidance on Social Responsibility of the Dairy Industry
- Reporting compliance with the GRI Standards

Abbreviations

For convenience, China Mengniu Dairy Company Limited is also referred to as Mengniu, 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.

Feedback

If you have any questions or suggestions on this report, please write to Corporate Social Responsibility Department, China Mengniu Dairy Company Limited.

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Contents

CEO's Statement	02		
About Mengniu	04		
Corporate Culture	06		
Corporate Governance	07		
Sustainable Development	10		
Topic: The Same World, The Same Happiness	16		
			Nutrition and health 18
			Food Safety 20
			Nutrition Upgrading 26
			Innovation in Services 32
			Good Health and Well-being 36
			Mutual Growth 38
			Shareholders' satisfaction 40
			Employee Growth 42
			Win-Win Partnership 45
			Environmentally-Friendly 50
Performance Report	66		Water Resources Management 52
Outlook	73		Energy Management 53
Index of Report Indicators	74		Carbon Footprint 54
Factual Statement	75		Animal Welfare 54
Expert Comments	76		Emissions Management 56
Reader's Feedback Form	78		Targeted Poverty Alleviation 58
			Nutrition Generalization 60
			Rural Area Revitalization 62
			Supporting the Army 63
			Charitable Events 64



CEO's Statement

As one of China's leading dairy product companies, Mengniu is in the process of building a world-class dairy product company. In 2017, for the first time Mengniu entered the ranks of the top 10 dairy companies globally. A key part of that is developing a strategy for sustainable development. We are assembling a comprehensive agenda on sustainable development, promoting the concept of sustainable development, integrating it into our business operations, and at the same time, focusing on nutrition and health, growth, environmental protection, and poverty alleviation. All of these projects and programs are inspired by the United Nations 2030 Sustainable Development Agenda. The 2030 Agenda establishes a 15-year action plan based on eliminating poverty and hunger in all their forms, protecting the planet from degradation, ensuring that all human beings can enjoy prosperity and technological progress that occurs in harmony with nature, and fostering peaceful, just and inclusive societies. We are making every effort to elevate our performance on sustainable development. One of our current objectives is to formulate our own 2030 sustainable development agenda, to contribute to sustainable development globally.

Mengniu has implemented a new sales management system based on regional business units, key account service teams, and central business units, which have taken over the traditional sales and channel development aspects of underperforming distributors. At the same time, we have integrated key management functions. These include production, supply and sales; human and financial resources; and accountability for collaborative development, resource utilization, operational management efficiency, and product quality. In terms of our R&D and innovation, we focus on product upgrades that target the nutrition and health, and other high-end needs of our customers for product diversification. The dairy products we provide to domestic and foreign consumers are fresh, safe and healthy, and of the highest quality. We have made progress in the internationalization of our brand, with such milestones as our strategic cooperation agreement with Beijing Global Resorts in March 2017, and serve as the first dairy brand to be the global official sponsors of the 2018 FIFA World Cup.

We base our human resources management on the concept of "select, use, educate, and stay", which means we select the best people for different roles in the Company, make the best use of them, provide ample training opportunities, and implement measures to encourage loyalty. One example of the latter is our "Employee Happiness Plan", in which we have upgraded the food in our cafeteria, worked to provide comfortable and safe working environments in both our offices and dairy facilities, provide free milk powder to our employees with newborn infants, support employees with economic and financial problems, and provide cultural and sports programs. In terms of protecting the planet from degradation, we integrate the management of our global resources, and partner with upstream and downstream ranchers, suppliers, and distributors to ensure our goals are aligned both for financial success and nurturing our plant and animal resources. As for ensuring that all human beings have access to technology in harmony with nature, we can point to our "Xiniuren" high-end learning platform, our "University of Ranchers", a program launched in 2014 to provide theoretical and practical training to ranchers, and through other projects, we are committed to building a sustainable dairy ecosystem and improving the competitiveness of China's dairy industry. As of the end of 2017, our experts working with the "University of Ranchers" made a total of

230 on-site visits, with nearly 8,000 participants, and helped more than 1,000 pastures to reduce costs and increase efficiency. This project won the "Asian Corporate Social Responsibility Award - Social Empowerment Award", from the Asia Responsible Entrepreneurship Awards presented at the International CSR Summit in Bangkok on June 2, 2017, helping to secure an international reputation for best practice.

Mengniu has integrated green concepts into its operations as well as its entire product and supply chain. Among other initiatives, it has conducted its own independent checks of its carbon footprint, carried out accounting greenhouse gas emissions in the production process, identified opportunities for carbon reduction, and set up pilot accounting projects for carbon emissions in actively sought for carbon emission reduction opportunities, and established pilot projects for carbon emissions check in its headquarters in the Shengle Economic District, Helin Geer, in Huhhot, Inner Mongolia, as well as in its offices in Wuhan and Tianjin. With regard to the animals that we use in our production change, we are committed to their welfare. We are working with the China-Denmark Center in building value chain in the dairy industry, as part of our Cattle "Happiness" Plan. Among our achievements in 2017, by the end of the year we were able to eliminate 23 coal-fired boilers producing a total of 271 tons of steam. These were converted to natural gas boilers or biomass boilers. The energy consumption per ton of output decreased by 1.9%. Water consumption per ton of output decreased by 2.05%.

In our Corporate Social Responsibility efforts, we can point to many milestones and achievements. In 2017, we took the lead in joining the D20 Corporate Milk Welfare Charity Initiative, organized by the Chinese Ministry of Agriculture in conjunction with China's top 20 dairy companies. Per capita consumption of milk and dairy products in China is still only one-third of the world average and half the Asian average, and only 20 million of China's 140 million students in primary and middle school in rural areas have access to dairy products. In addition to our efforts with the D20, we have worked to address the problem by launching the "Mengniu Nutrition Comprehensive Plan" in 209 rural schools in 157 districts and counties in 24 provinces, municipalities, and autonomous regions across China, letting the next generation of more than 40,000 people feel the warmth and care from Mengniu. Some of our other philanthropic and community projects have looked to more classic disaster relief, including relief work and post-crisis reconstruction after the Kashgar earthquake in Xinjiang Province, and the Jiuzhaigou earthquake in Sichuan Province.

Mengniu is ready to embrace the culture of sustainability that has inspired the world. We will make no compromise on products, quality, execution, or values as we continue our journey. Our aim is to become a champion of sustainability in the dairy industry, providing our customers with products that are fundamental to living a green, healthy life.

Chief Executive Officer and
Executive Director

Lu Minfang

About Mengniu

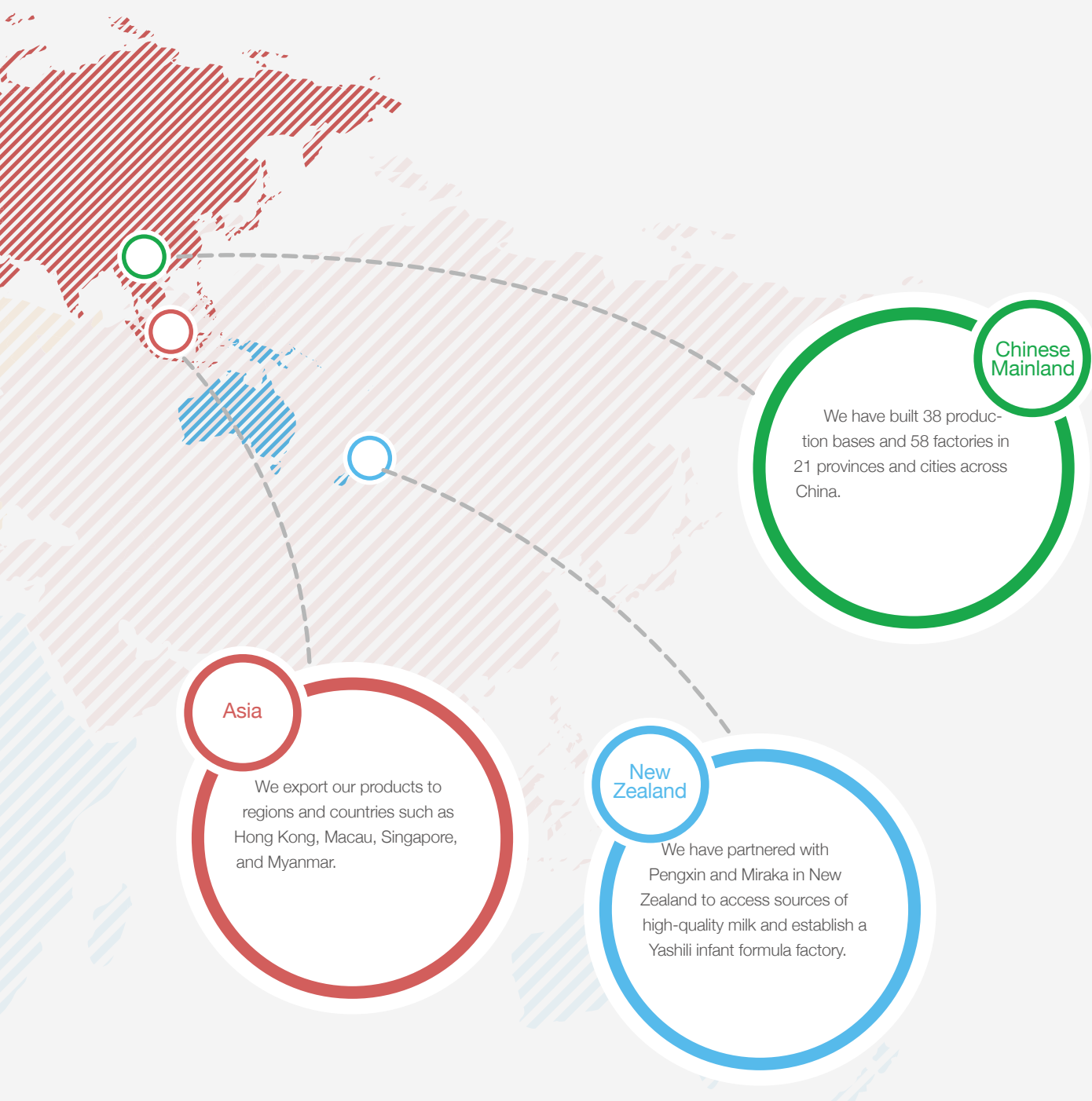
China Mengniu Dairy Company Limited (SEHK: 2319) was listed on the Hong Kong Stock Exchange (HKEx) in March 2014 and has been a component stock of Hang Seng Index since March 2014, becoming the first blue chip Chinese dairy producer on the leading index. We provide consumers with diversified dairy products, including liquid milk (UHT milk, milk beverages, and yogurt), ice cream, milk powder and other products, such as annual plant protein beverages for dairy products and cheese. As of December 2017, our annual production capacity for dairy products was 9.22 million tons.

U.S.A

We are partners in the “Mengniu – University of California, Davis Nutrition and Health Innovation Research Institute”.

Europe

We have strategic collaborations with Danone and Arla Foods and have acquired high-quality milk sources in countries such as Denmark, Germany, and Austria.



Chinese Mainland

We have built 38 production bases and 58 factories in 21 provinces and cities across China.

Asia

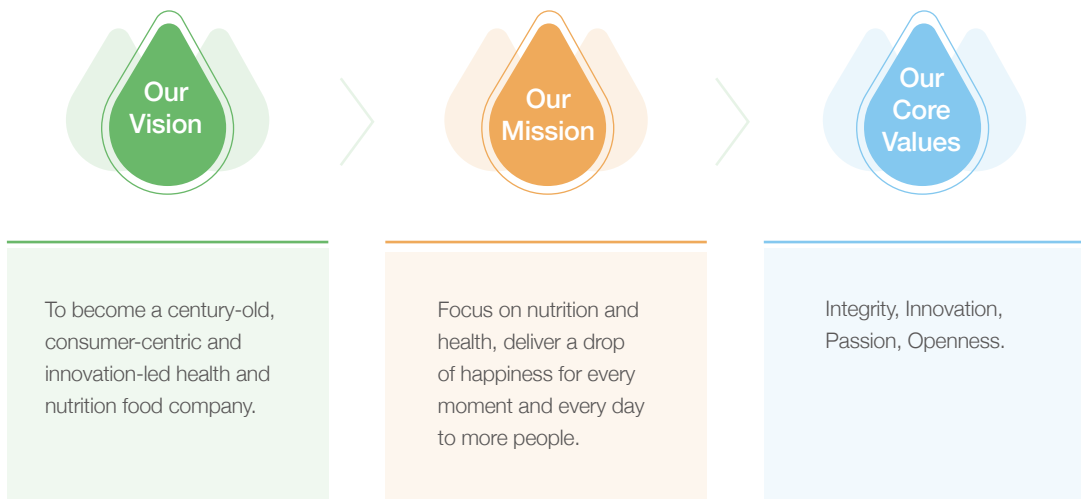
We export our products to regions and countries such as Hong Kong, Macau, Singapore, and Myanmar.

New Zealand

We have partnered with Pengxin and Miraka in New Zealand to access sources of high-quality milk and establish a Yashili infant formula factory.



Corporate Culture





Corporate Governance

Mengniu is committed to seeking best-practice standards in our enterprise management system; establishing a multi-layered corporate governance structure; clarifying rights, responsibilities and decision-making procedures at each level; and ensuring stable and efficient operations based on a rational governance structure and strict risk control measures.

Governance Structure

With the assistance of China COFCO, Paris-based Danone, Denmark-based Arla Foods, Mengniu has established a diversified governance structure aimed at creating synergies and sound corporate governance across the organization.

The Board of Directors consists of 10 directors, including 2 Executive Directors, 4 Non-executive Directors and 4 Independent Non-executive Directors. Among these, one director is a woman, and four are independent. The Board of Directors is responsible for formulating the Company's overall strategy and policies, setting performance and management objectives, assessing business performance and monitoring management performance. The Board of Directors has four board committees, including the Audit Committee, Remuneration Committee, Nomination Committee, and Strategy and Development Committee. The board committees supervise specific functions and assist in meeting the Board's responsibility to ensure rigorous and efficient decision-making. Lu Minfang is the chief executive officer and Executive Director of the Company.



ESG Governance Principles

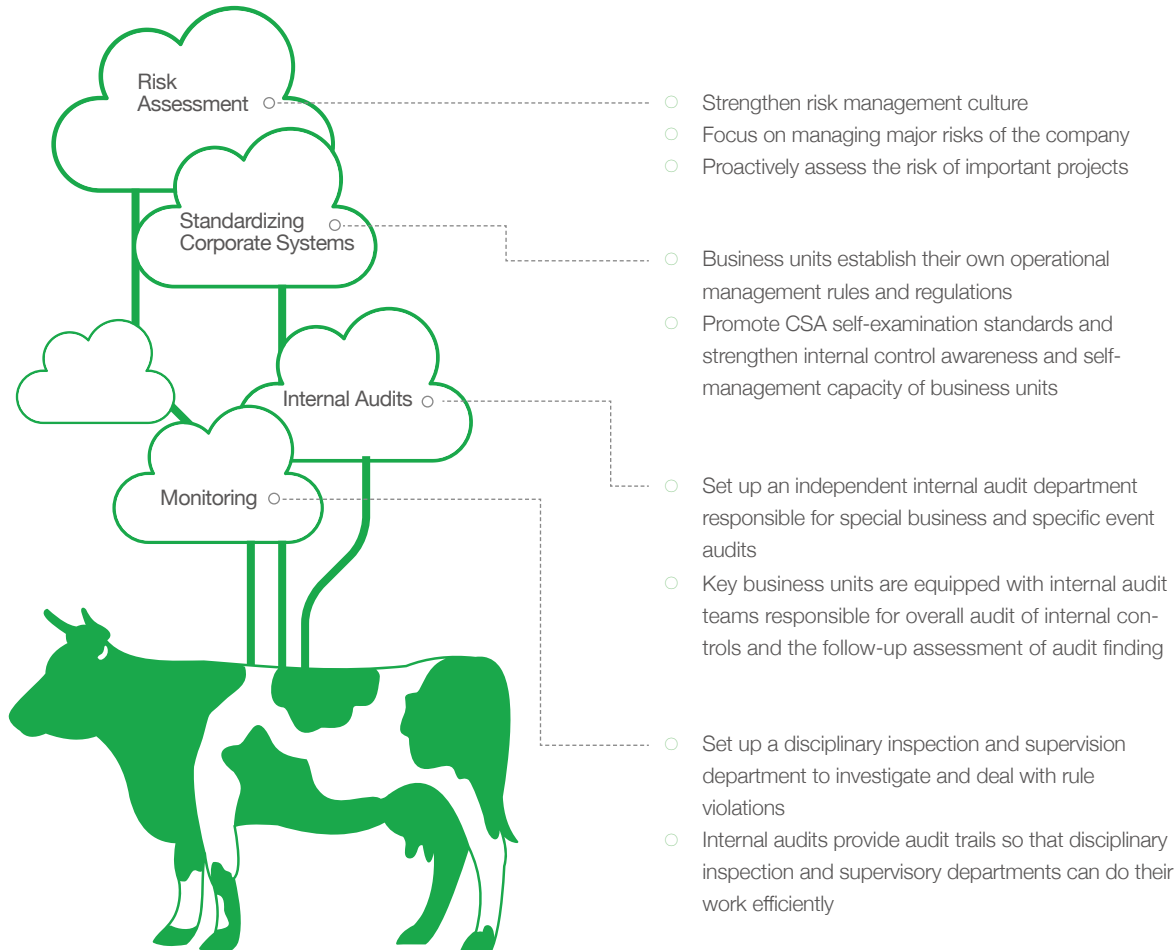
Mengniu is committed to a model of sustainable development based on its mission of "focusing on nutrition and health, bringing happiness to more people every day." As a company listed on the Hong Kong Stock Exchange, save as disclosed in its annual report, Mengniu has complied with all the applicable provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules and has followed the guidelines for ESG reporting.

The Board of Directors believes that the balance between the development of the company's business and sustainable development of the economy, society, and the environment is a matter of utmost importance. It is committed to maintaining a high level of corporate governance and properly managing operational risks. It is committed to making decisions in an honest and responsible manner, ensuring ethical operations while taking into account economic, social and environmental conditions.

Risk Control

We base our risk control strategy on a sound and efficient internal control mechanism, with strong internal controls and auditing, effective risk prevention and control in operations, and a system to protect the rights and interests of small and medium shareholders.

We have established three lines of defense in risk management. Business units are the first line of defense; functional management departments are the second line of defense; and internal audit is the third line of defense. We promote the first line of defense to improve internal control. We use the second line of defense to improve management by strengthening supervisory functions. In the third line of defense, we use internal audit controls to protect the value of the enterprise.



Sustainable Development

Strategies for Sustainable Development 2030

Mengniu has benchmarked the United Nation Sustainable Development Goals (SDGs) 2030 and implemented SDG guidelines for strategy and operational management. Our goals are to build a world-class dairy products company, focused on nutrition and health, shared growth with mutually complementary policies towards preventing environmental degradation and alleviating poverty. Bearing these goals in mind, we will strive to contribute to the realization of global sustainable development goals and serve as a model for sustainable development.

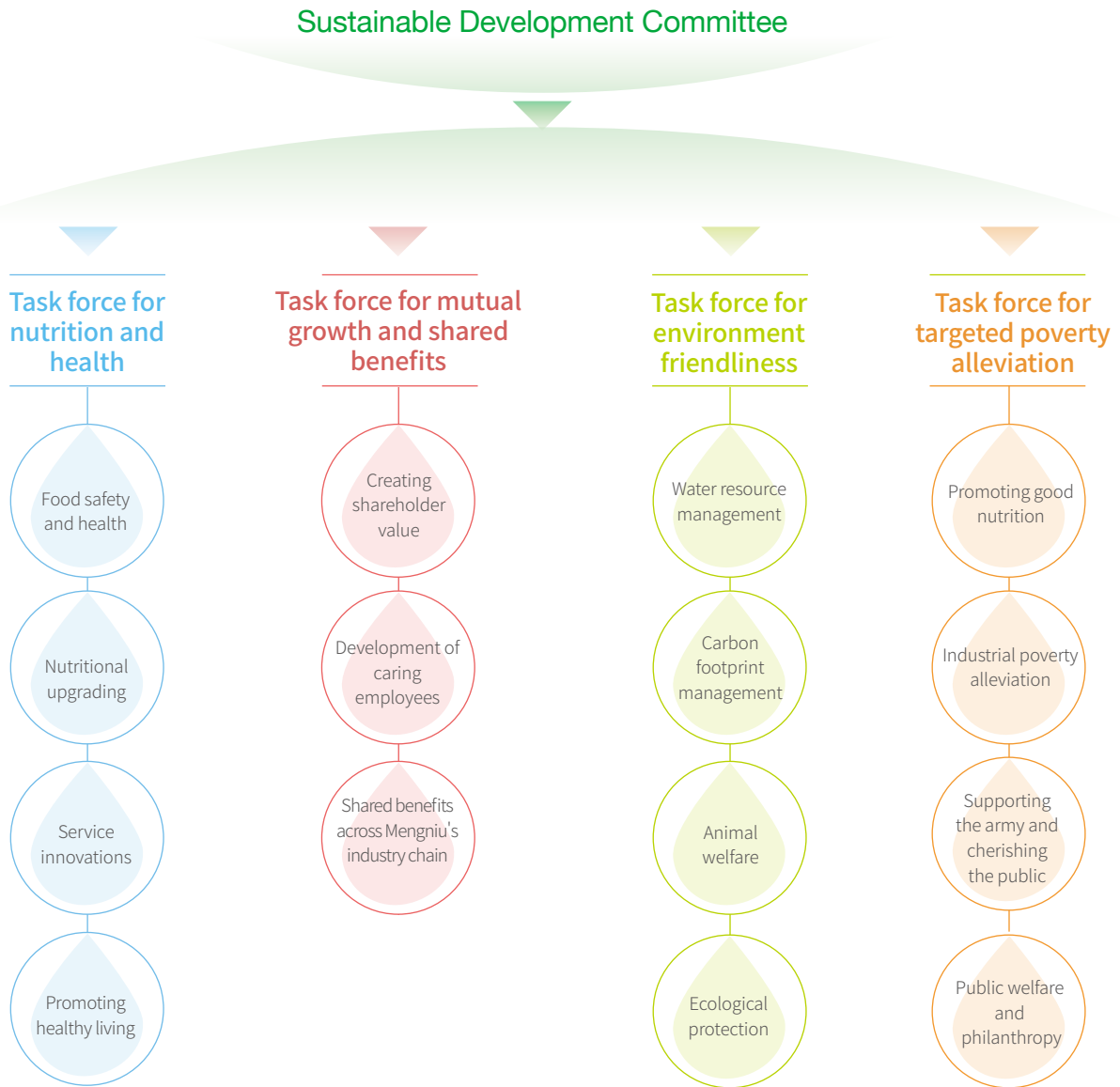


Our Approach to Sustainable Development

Mengniu has established a Sustainable Development Committee, with our president as director and all of our departmental directors as deputy directors. Mengniu Group's General Affairs Department conducts daily work and tasks of the committee, which has four task forces – nutrition and health, mutual growth with shared benefits, environmental friendliness, and targeted poverty alleviation.

The Sustainable Development Committee is responsible for setting direction, encouragement, identifying the impact of the company and its value chains on global sustainable development goals, and establishing priorities for the sustainable development. The task forces are responsible for promoting annual sustainable development projects, coordinating implementation of the company's sustainable development system, managing sustainable development related information, and creating a culture of sustainable development.

Our president is responsible for the preparation of the sustainable development report while the leaders of all units and departments are responsible for disclosure of relevant information.



Communication with Shareholders to Identify Priorities

In order to truly understand the expectations and concerns of stakeholders and respond promptly to stakeholder demand, we organized a system for stakeholder communication. As part of the communications program, we identified and analyzed priorities both for the company and for stakeholders in sustainable development. These actions are aimed at responding flexibly and promptly to stakeholder expectations.

We use the following procedures to establish priorities for our overall agenda of Sustainable Development:

Identifying the agenda:

We our agenda for sustainable development according to focus, industry characteristics, and social responsibility standards.

Surveys and interviews:

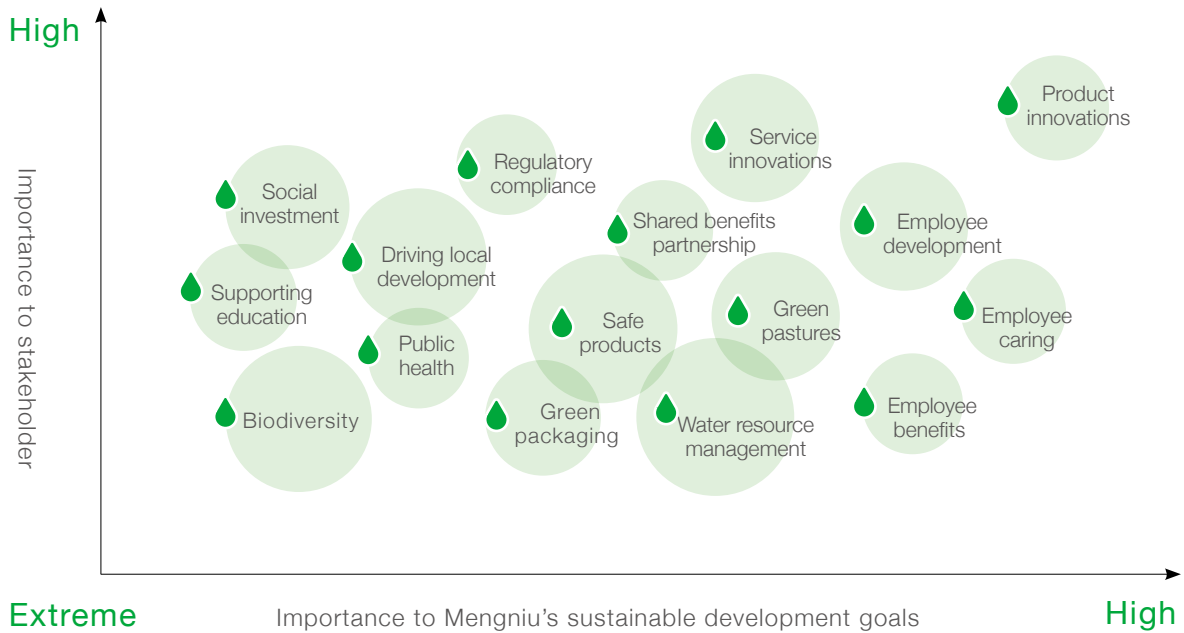
We conduct stakeholder surveys including shareholders, consumers, suppliers and geographic communities around our production facilities to identify their concerns.

Short list and evaluation:









We short-list priorities according to global sustainable development goals, stakeholder concerns, and importance to Mengniu.

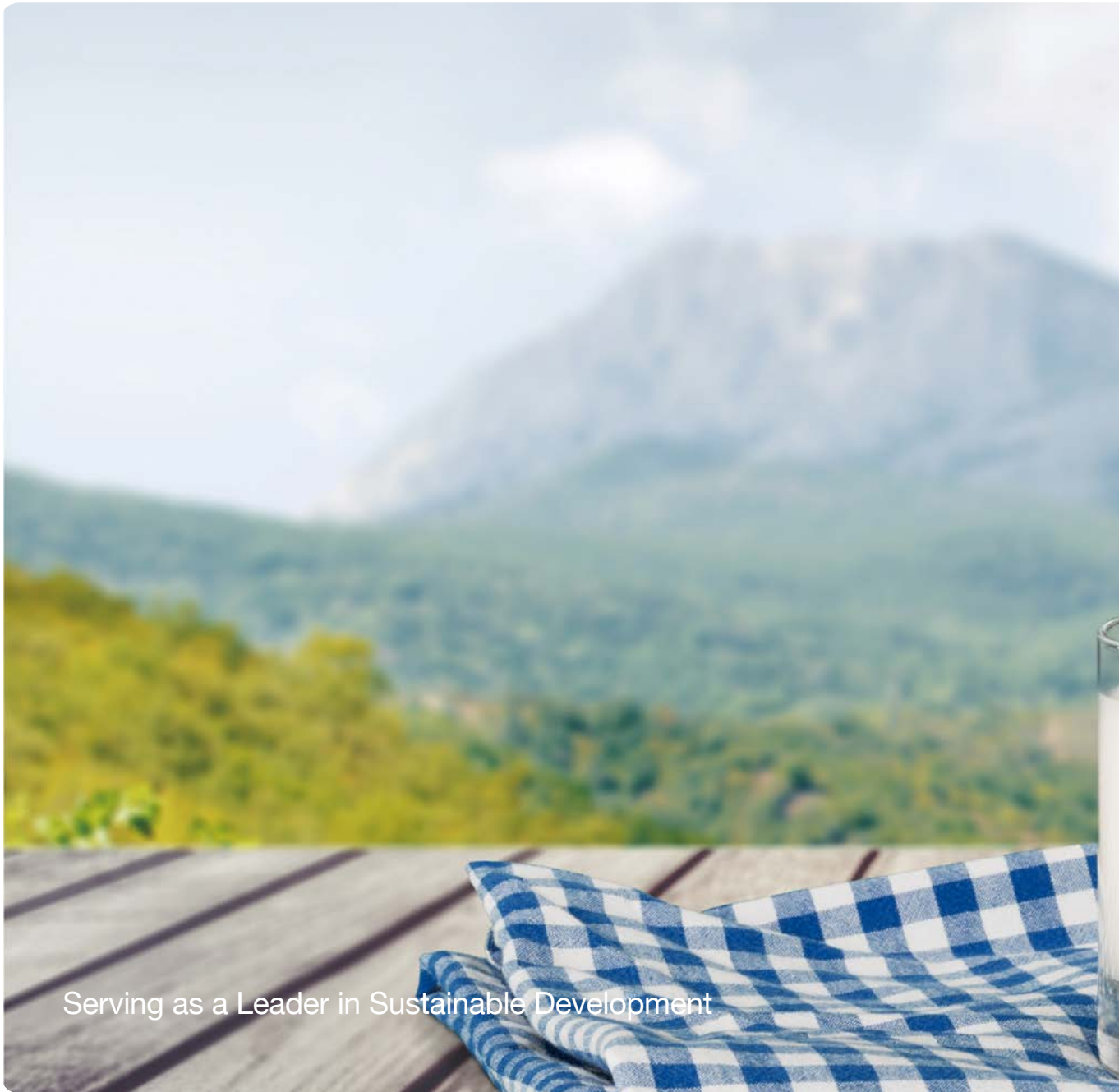
Identifying priorities:

Our management and experts evaluate and choose the most significant priorities and the overall agenda for disclosure.



Stakeholder Communications

Shareholder	Common goals	Expectations	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	Healthy and sustainable development of Mengniu Creating more value	Annual 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	Demonstration effects and contribution to dairy industry development by Mengniu	Supervision and assessment Active taxation Special meetings
 Consumers	Innovation and nutritious products Complete customer service Smooth communication channels	Comfortable and enjoyable shopping experiences based on convenience	Company Weibo Company WeChat Transparent factories Interaction
 Suppliers	Open, fair and just procurement Integrity and honesty Confidentiality	Advanced professional cattle breeding programs to contribute to the domestic industry	Supplier meetings Supplier assistance
 Distributors	Mutual benefit and shared growth	Support from Mengniu; closer relationships with Mengniu; and shared growth and benefits with Mengniu	Distributor meetings Distributor satisfaction surveys Decision management committee Customer communications platform
 Environment	Environmental protection Low-carbon production	Effective use of resources, energy conservation, emission reduction Mengniu as a "green messenger" practicing ecological protection, and bringing the concept of green ecology to consumers	Government's environment related information communication platform Company Weibo
 Employees	Health and safety Salary and benefits Career development platform Work-life balance	Decent work in a happy and harmonious working environment, that provides a sense of well-being	Management communication emails Worker's Congress Training and communications
 Communities	Promoting employment Driving local economic development Poverty alleviation	Using the influence of large-scale dairy enterprises to encourage participation in community development	Increase employment Drive local development of related industries Local infrastructure construction Targeted poverty alleviation Philanthropy



Serving as a Leader in Sustainable Development

Information disclosure

We regularly publish sustainable development reports to publicly disclose the Company's sustainable development management strategies, practices and performance. We have won the award of "The GoldenBee Excellent Leadership of Corporate Social Responsibility Report" for three consecutive years, presented by GoldenBee Consulting with a five-star assessment for two consecutive years (2015-2016). In addition, we have been listed as No.1 in GoldenBee's Index of Corporate Social Responsibility for Dairy Industry for two consecutive years and became the first dairy company to receive a five-star assessment. Our 2016 Sustainable Development Report won the 2017 ARC International Report Cover Design Gold Award from MerComm Inc. International Awards Programs.

Integrated management

We have developed an innovative system of integrated management of international high-quality resources across the entire industry chain with the goal of building a world-class dairy product company and better serving Chinese consumers. This system won the First Prize of State-level Enterprise Management Modernization Innovations in 2017.



Demonstration effects and promotion

The Sustainable Milk Source, Mengniu's approach to supply chain social responsibility management, won the "Ram Charan Management Practice Award" in awards commissioned by the Chinese edition of Harvard Business Review. Our ESG management experience was included in the book *ESG Management and Information Disclosure Practice* published by the Enterprise Management Publishing House in November 2017 and became the only dairy company selected in the book.

Industry leader

By leveraging our sustainable development management and practical experiences, we have been developing national "Guidelines for the Implementation of Social Responsibility of Dairy Industrial Enterprises", as a deputy head unit (appointed by the China Dairy Products Industry Association) for national dairy standards development, together with the China Dairy Products Industry Association and the China National Institute of Standardization. It is expected that these guidelines will promote the sustainable development of China's national dairy industry.



The Same World, The Same Happiness



“Both milk and football can bring health and happiness to people. Being a global sponsor of the FIFA World Cup shows that Mengniu's brand and product quality is highly recognized by FIFA. This is a great business opportunity for Mengniu to promote globalization and, more importantly, to showcase the Chinese dairy industry to the whole world. This is not only a proud moment for Mengniu, but also for the Chinese dairy industry as a whole.”

-- Lu Minfang,
Chief Executive Officer and
Executive Director of Mengniu

International strategy to drive growth

We adhere to our international strategy to drive growth and we are committed to building a world-class dairy product company. We will seek to capture the strategic opportunities of the Belt and Road initiative, cooperate with and integrate the world's top resources to research and develop new technologies and new products, as well as build a global innovation ecosystem for the sustainable development of the dairy industry. At the same time, Mengniu focuses on people's desire to pursue a healthy life, adhering to the core that sports are necessary for people, and helping the development of sports and national fitness.

Mengniu is an official global sponsor of the Russia World Cup 2018. This is the first time FIFA cooperates with a dairy brand as its global sponsor and Mengniu is the first food and beverage Chinese brand to sponsor the World Cup.



Mengniu is an official global sponsor of the FIFA World Cup



Leading products

Our full range of products, including 27 brands and 4 categories of milk, drinkable yogurt, pre-packaged ice cream and powdered milk, were awarded the titles of being the official drinkable yogurt and pre-packaged ice cream of the FIFA World Cup and the official milk and powdered milk of the FIFA World Cup for Greater China.



New-packaged Mengniu products for World Cup

Focusing on sports and health

We continue to focus on sports and health and promote the development of youth sports. We have taken initiatives to respond to the national call to promote mass football, especially youth football, to help a larger number of Chinese youth enjoy the fun of football and turn football culture into positive energy to help Chinese people to realize their Chinese dreams.



Nutrition and health



Goal

- I am Mengniu, pursuing higher quality



Strategy

- Improve the quality and safety management system, create milk with strict standards and excellent craftsmanship
- Focus on R&D and innovation, providing consumers with higher quality, more nutritious, healthier and diversified dairy products
- Broaden diversified sales channels, safeguard consumer rights, promote healthy lifestyles, and increase consumer satisfaction



Implementation

- Implement a Total Food Security Quality Management (TFSQM) to apply systematic control over the whole industry chain
- Signed "Letter of Intent on Developing Strategic Cooperation in Excellent Quality Testing and Certification" with the China Academy of Inspection and Quarantine
- Improve the business unit's internal responsibility system in terms of quality management, emphasizing that all business departments shall control quality in their respective business area
- Signed an agreement with Massey University for cooperation in food nutrition and health research, and dairy product development
- Carry out consumer health education activities to improve national health knowledge



Performance

- Sampling pass rate of raw milk sample is 100%
- Won the 2016-2017 Food Safety Demonstration Project Award
- Re-listed on Interbrand 2017 Best Chinese Brand
- For three consecutive years, Mengniu was selected as the most valuable Chinese brand of BrandZ™ Top Twenty.
- Selected as the "No.2 Consumers Most Buy Brand" in the Food & Beverage Industry "2017 Brand Footprint Report"



Food Safety

To build a “fit-for-aerospace” management system, technical standards, and a talent team to fully meet spaceflight-level quality in four major sectors (pasture, testing, research and development, and factory), and to protect the health of 1.4 billion people, Mengniu became the “China’s space industry strategic cooperation partner” In 2017.

Management System

Organization

- Implement the organizational structure with the help of a new business unit to achieve a balance between the four independent business segments of room temperature, low temperature, ice cream, and milk powder.
- Improve the quality management of the business department’s internal responsibility system. Each business unit implements comprehensive quality management within its scope of business and be fully responsible as part of the business department.
- Redefine the responsibilities of the room temperature quality management department, and assist in reforming the responsibilities of the low temperature and ice cream product management department.
- Continuously optimize quality and strategy for normal temperature products, guide and supervise production units to promote the effective operation of the entire chain quality system.

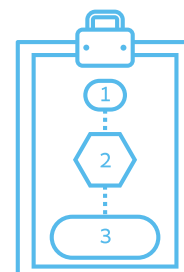
Regulatory management

- Upgraded the overall quality management system to Mengniu’s Total Food Security Quality Management (TFSQM) to systematically control the entire supply chain.
- Implemented the ISO 9001 quality management system, the FSSC 22000 food safety system, the ISO 14001 environmental management system, and the OHSAS 18001 occupational health and safety management system to improve the quality management process and fully integrate production, supply, and sales.
- Introduced and improved the international pasture management system of Arla Foods in Denmark, Danone in France and AsureQuality in New Zealand.
- Over 200 of our experts have examined 661 focal points, and as a result, we have transformed the Arla Gaarden pasture management system into MN Gaarden ranch management system.
- Introduced Denmark Ranch Standard Operating Procedures (SOP) and creatively formed SOPs that apply to Chinese ranches, which involves 18 first-degree modules, 108 second-degree modules, and 469 focal points.
- Focused on disinfection zones, cowsheds, milking parlors, refrigeration rooms, laboratories, feed stores, and veterinary drug rooms in the core area of pasture production and formulated standardized operation procedures.
- Established a three-level food safety risk monitoring and prevention system of “Group-Business Unit-Factory” to achieve monitoring, analysis, and prevention management of source-to-end quality indicators.



Evaluation improvement

- We cooperated with 3M, an international top microbiological testing company, to take the lead in conducting environmental microbiological monitoring to identify high-risk and easily-contaminated control points and effectively prevent and control risks.
- We cooperated with SGS, an international certification company, to apply international advanced quality assessment resources to establish overseas OEM quality assessment rules, and audit overseas OEM factory.
- We benchmarked Danone's FSI (food safety standard). We changed from the assessment of the full factor maturity of the factory to focus on food safety key, to explore key modules, strengthen high risk points of food safety management, and promote the improvement of food safety management index.
- We have established strategic cooperative relationship with AsureQuality, COFCO, and PWC NewZealand, and introduced the international authentication system of food quality and safety.
- Signed "Letter of intent on the strategic cooperation in carrying out inspection and certification strategy cooperation in serving space quality" with the Chinese Academy of Inspection and Quarantine, and strengthened scientific research cooperation in various production steps such as inspection, HACCP (Food Safety Hazard Analysis and Critical Control Point) certification, and "same production line, same standard, and same quality" certification, laboratory technology to ensure the full implementation of the "fit-for-aerospace" standard.



Information management and control

- Build an information-based, digitalized whole-process management system.
- Applied an SAP system to achieve automatic quality decision, turn sequence control, quality traceability, and record quality management.
- Fully upgraded LIMS (Laboratory Information System) to create the "Mengniu e+ Lab Informatization System", the first in the world, to combine inspection management and quality control, and fully implemented inspection of electronic original records and instrument connected automatic data collection.
- Set up "Mengniu Cloud", digital "a real-time monitoring platform for food safety quality" and a consumer behavior database to provide more accurate data for factory management operations, milk sourcing, quality assurance and marketing.
- We improved our traceability system based on the latest Internet technology, which can obtain information on product culture operations, raw materials transport, base processing, and finished product transportation to ensure the safety of dairy products, and mitigate risks effectively.

Technical Standards

Milk Source

- All of our raw milk suppliers are standardized ranches and scaled farms providing us with premium quality sources.
- All dairy cows are fed based on total mixed ration (TMR), which gives dairy cows balanced nutrition.
- All ranches are covusing silage, which helps enhance the health of the cows and its milk production.
- We treat cow's breast before and after milking, and discard milk from the first three times of milking.
- We use turntable auto machine to milk cows under aseptic operation.
- We refrigerate the milk under 4°C through a cold exhaust system for 2 hours after milking, so as to keep the milk fresh.
- The original milk is sealed and kept in milk tanks through closed pipelines, and is transported to factory within 24 hours.



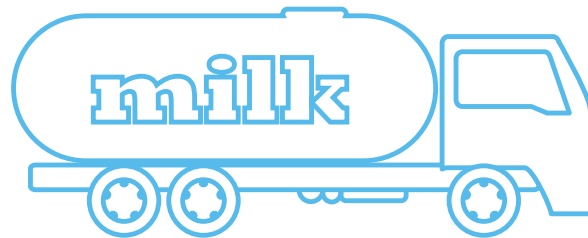
R&D

- Promote products and R&D technologies to meet the nutritional needs of the human body.
- Study the basic physiological characteristics of strains, immune stimulation, and intestinal microbial regulation to develop more stable and safe application strains.



Production

- We use techniques such as filtering, separating, and removing impurity of original milk to enhance purity.
- We adopt homogenization to produce our milk – to break fat globules so that our milk will have even concentration.
- We have introduced the internationally advanced UHT for sterilization, which uses temperature as high as 137°C to kill germs.
- We have adopted aseptic packaging, and test every batch of our products, and have a qualified rate of 100%.



Storage and transportation

- We set up different storage sections based on the characteristics of different products.
- We adopt cold chain methods to transport our products under ideal temperature at 2-6°C.
- We use GPS to make specific plans to reduce time in transportation so that our milk will remain fresh.
- We have carried out in-depth cooperation with SF Express in cold chain logistics, and implemented visual monitoring for the whole process of cold chain transportation.

Talent Team

Increased awareness



- We popularized the “Food Safety Law” to raise the awareness of food quality and safety of all employees, strengthened employee self-discipline, and ensured the quality and safety of dairy products.
- We practice “the four strictest”: the most stringent standards, the most rigorous management, the most severe punishment, and the most serious accountability to strengthen the awareness of our employees with respect to quality and safety of milk sources.
- We take quality as a core value and create an atmosphere that motivates all Mengniu employees to strive to become a craftsman in milk production.

Audit and supervision



- The source supplier/farm, end-users must undergo a rigorous food safety access review before they can cooperate with us.
- Established a communication platform for fruit products and prefabricated packaging suppliers, held quality communication meetings on a regular basis, conducted on-site interviews and communication with suppliers who face a lot of problems, set up project teams, conduct on-site assistance and communication every month to improve quality of raw materials.
- Strengthened the supervision of the entire chain quality with information and data methods, and real-time monitoring and early warning through the data monitoring platform to effectively eliminate human error.

Skills training



- Relying on the Mengniu Star Project and the Rancher University Project, we educate ranchers and staffs at all levels on required expertise in dairy farming, disease prevention and control, breeding and reproduction, pasture design, etc., to improve raw milk quality.





Nutrition Upgrading

In line with the trend of high-end, nutritional, and healthy consumer demand in China, we continue to focus on product R&D and innovation, and continue to introduce innovative products that meet consumer needs and preferences.

Pure + Upgrade

We select high-quality milk sources, upgrade the pure milk protein content, further enrich the nutritional content of the product, and bring consumers fresher experiences. The milk protein content is 3.2g/100ml.



Fresh Factory Milk originates from fresh sourcing, it provides fresh quality, fresh nutrition. Its production follows 74 pasture seeding standards, 158 fresh milk processing standards and 360 strict inspection standards to ensure that each drop of milk is nutritionally fresh. We ensure that fresh milk is transferred from raw milk to transport shelves at 2-6°C through cold chain transportation, allowing fresh milk to reach home from pastures.



Shiny Meadow, featured in the original ranch milk source certified by GAP Grade 1 Farm, is strictly "customized" to create a high quality exclusive dairy farm. We original created a lock-in period of only 2 hours from milking to complete processing, to ensure the freshness and retain more of the original nutrition, giving consumers a smooth, fresh and delicious taste.

Milk Deluxe, is selected exclusively from quality pastures and elite breed dairy cows. It contains 3.6g/100ml of natural milk protein which is 20.3% higher than the national standard and 120mg of natural high calcium which meets the national high calcium milk standard. We launched high-end series such as Deluxe Hi-Milk, Deluxe -M-PLUS high-protein milk, and Milk Deluxe Sir 6. In 2017, Milk Deluxe became the only designated milk at the Boao Forum for Asia for the eleventh year and won the organic product certification issued by the Italian product certification agency CCPB, which fully complies with EU organic product standards.



Modern Farming Xian Yu pure milk is produced from our own large-scale ranch and own raw milk. The entire process is within our own aquaculture and processing integration, which is 2 hours from milking to complete processing to ensure the freshness and quality of milk. Raw milk (the total number of somatic cells and colonies) is superior to the EU standard and has become the designated dairy product of the "Belt and Road" ecological agriculture and food safety forum.

Function Upgrade

We optimized formulas, upgraded yoghurt skills and professional functions, improved nutritional attributes, enriched consumer brand interactions, and brought consumers more personalized product experiences.



Just Yogurt, a light buttermilk flavor yogurt using World Cup packaging, portable design, light taste, light texture. The first pure sour milk light-release fermentation technology brings consumers refreshing taste anytime and anywhere.

In 2017, Just Yogurt sponsored the movie “Kongshoudao”, which is in line with the film’s vision. Be pure and true, and the return to pure and true philosophy is also essential.



YoYiC -LC37 A low temperature active lactic acid bacteria, using lactic acid bacteria extract 500 times higher than the national standard and adopts leading global technology to ensure the consumer’s intestinal health, a small bottle of YoYiC -LC37 can supplement the daily probiotics needed for adult.



Champion buttermilk yogurt, a combination of high quality buckwheat and oats, with popular fruits - avocado / mango, adds Bifidobacterium Lactobacillus BB-12 imported from Denmark. It is delicious, nutritious, with more social properties.



Milk Deluxe flavored Yogurt uses French Danone’s unique patented smoothing process to create the excellent texture of velvety softness. Defining the top yoghurt with superior quality brings new taste bud surprises and high-end quality experience to consumers. In 2017, it became the only designated dairy product in the Top 10 Lawrence Champions Awards.



Danone Bio Kaquzi French meal replacement yoghurt, contains selected pumpkin seeds, Australian oats, American almonds and cranberries, combined into a balanced compound crisp brittle, with a rich source of B intestinal bacteria patented in France for raw fermented milk, to increase people feelings of satiety. At the same time, it can improve gastrointestinal digestive function, allowing consumers to enjoy a new French style.



European Charcoal flavored fermented milk, uses selected high-quality raw milk, after slow-retarding retort sterilization temperature, adding bifidobacterium lactis V9 fermentation, to promote better absorption by the body. It also gives consumers a rich and smooth silky smoky flavor.

ZUO- flavored yoghurt targets young people. Using bitter, spicy, and salty flavors to represent different feelings and emotions of the teens. The unrequited love bitterness of dark chocolate, spicy friendship of ginger and red dates, and the salty tears of sea salt and kumquat bring consumers different taste experiences.



Fruit Milk Drink- Fruit yoghurt, using Danish lactic acid bacteria, based on normal temperature raw yoghurt, with North American imports of blueberry fruit, sweet strawberry fruit, dedicated to add variety of authentic fruit into a pure silky delicious yogurt, so that consumers taste the rich yoghurt with a special "grain" feeling.

Inner Mongolia Solid Yogurt, selected high quality raw milk that retains the most original nutrients in milk, and incorporated live bacteria. It uses modern technology to restore traditional techniques - the fermentation is done in the original cans, with ingenuity, to restore the true taste.



Future Star Children's Nutritional Flavoured Yogurt is fermented using probiotic bacteria imported from Denmark. Combining yogurt, banana juice, strawberry Juice, and oatmeal to create a tasty yogurt with balanced and refined nutrition, which allow the nutrients to be easily absorbed and is good for children's intestines.

Ice Cream Upgrade

We continued to upgrade our packaging and taste. We use top-quality overseas ingredients to bring consumers an international quality experience.



Russian Milk Ice Cream restores the traditional local flavor of Russian ice cream. It has a rich milky and delicate taste, giving consumers a more unique taste experience.



In the Deluxe brand ice cream, we optimize product formula, choose high-quality pure milk, and select the world's high quality food as ingredients. We have selected fresh vanilla from Madagascar, imported 100% Belgian chocolate, and cream directly from Australia. On the basis of nutrition and deliciousness, the product pursues quality, intension and sense of well-being, creates delicious food for consumers, and allows consumers to enjoy an international quality experience without leaving home.



Milk Powder Upgrade

We select pure milk sources, upgrade milk formulas, and provide natural nutrients for your baby's healthy growth every day.



Reeborne Organic Baby Milk: we carefully select the world's best milk sources - European Alpine, Austrian organic pasture, with Wantai organic certification guarantee; the milk goes through a MSD multi-level drying process to provide safer, more assured, more natural, purer, and better quality nutrients, to provide the baby with organic nutrition and sources, so that the baby grows healthier,

Dumex Diamor- All-imported milk sources, whole lactose formula, no added sugar, maltodextrin and ethyl vanillin, ensuring the refined quality; special European dual patented prebiotic combination to support the baby's intestinal health; unique OPO structural fat to promote the absorption of key nutrients; patented microencapsulation technology DHA&ARA better prevents loss of DHA nutrients, providing the baby with more nutrients needed for brain development.



Yashily Jingpo Infant formula milk powder: it is based on New Zealand's golden milk in our own overseas production base in New Zealand. The unique INFAT dynamic vitality system contains five international patents which can improve the growth of the baby's own probiotic bacteria six times and help release the internal vitality of the intestinal tract. This helps the baby be very energetic.



Cheese upgrade

We upgraded the protein and calcium content to bring more nutrition to children and help them grow well.



Lao Qu Bei shell cheese: we added high quality cheese powder, so that the taste is richer, more delicious and more nutritious. It is easy to carry with you and it is convenient for children to enjoy.

The Future Star Children Grow Cheese Gold Cup Series Products contain high-quality milk protein to help the formation and growth of tissue and contain more than twice the calcium than peer products to help children's bones and teeth development. It is a good companion for children's growth and a good partner for health.



Innovation in Services

We engaged in more transparent communication and interaction with consumers through diversified purchasing channels and the buildup of entertainment and sports platforms.

Convenient Purchasing Channels

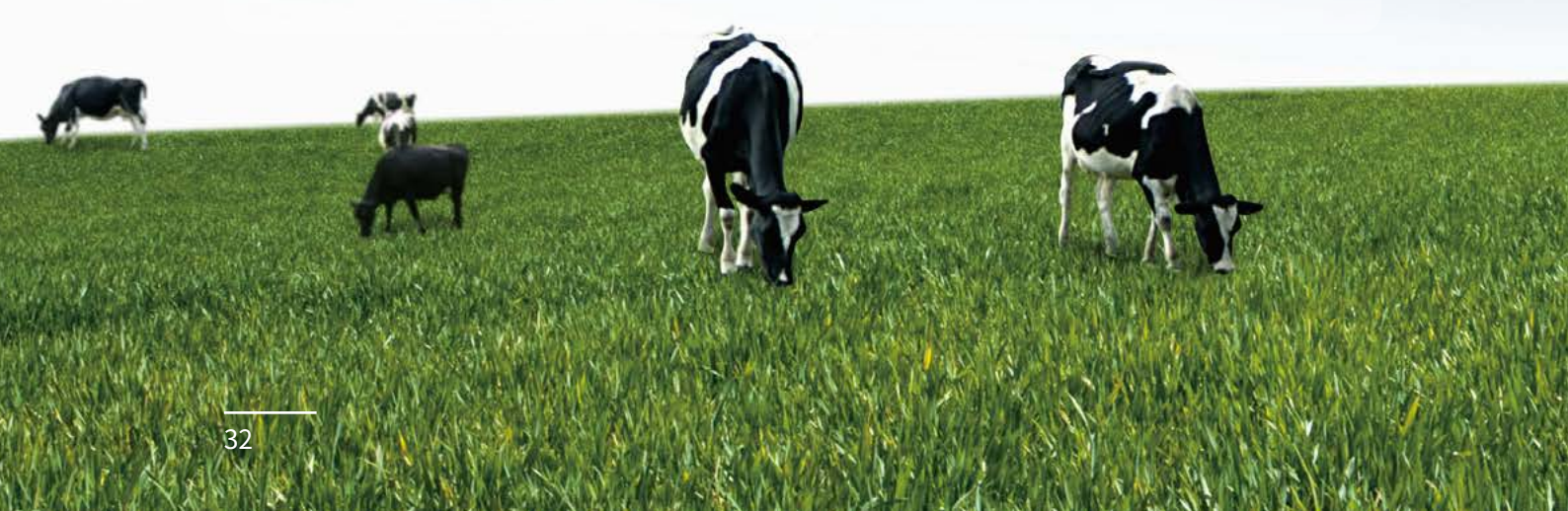
- We have cooperated with four mainstream E-commerce platforms including T-mall, JD, Sunning, and Womai.com. Meanwhile, we cooperated with 4 innovative e-commerce platforms such as Yunji, Pinduoduo, Vipshop and Chuchujie.
- We have expanded our overseas selling channels in Singapore, Myanmar, Cambodia, and other regions, including Hong Kong and Macau.
- We cooperated with JD and established cooperative warehouses in Beijing and Shanghai to improve the efficiency of order processing.
- We signed a framework cooperation agreement with Alibaba LST, Alibaba's B2B retail arm. By leveraging Alibaba's advantages in channel and technology, we can deepen sales channels and expand retail outlets coverage in both urban and rural markets, and help our first-tier distributors directly reach out to village and county markets.

Protection of Consumers' Rights and Interests

- According to the "Law of the People's Republic of China on the Protection of Consumers' Rights and Interests" and the "Regulations on Supervision and Administration of Dairy Quality and Safety", we guide consumers to view food safety issues in a rational way and enhance public awareness of food safety.
- We continuously improve our communication ability to respond to consumers, realizing 100% response rate to consumer complaints and suggestions and resolving consumer concerns in a timely manner.
- On March 15, or World Consumer Rights Day, we invited consumers to visit our Mengniu Factory as part of our concrete actions to protect consumer rights.
- According to the "Law of the People's Republic of China on the Protection of Consumers' Rights and Interests," we strictly protect consumers' personal information and ensure the safety of their purchasing experience.

JD Tracing and Anti-Counterfeit Alliance

We have joined the JD Tracing and Anti-Counterfeit Alliance, which achieves traceability and anti-counterfeiting for online and offline retail dairy products. After shopping on JD.com, users simply open the JD.com APP, find orders, click on "One-click tracing" or directly scan the product's code to trace information. This can protect the brand reputation of Mengniu and consumers' rights more effectively, and continue to enhance the purchasing experience of Mengniu products at JD.com.







Expand communication channels

- Mengniu has set up official accounts on Weibo and WeChat as well as a national service hotline for consumers to reach out for supervision, feedback and lodging complaints.

Exploring our “Aeronautic Quality Factory”

- We launched a fun tour of our factory based on the theme of “aeronautic quality, healthy China”. Visitors are invited to our milk factory in a more in-depth manner and a more special perspective to experience the intelligent production process, and join the quiz and interactive games to get the title of “Experience Officer of Aeronautic Quality”.
- 27 factories that are open to visitors receive more than 1 million visitors each year.



Consumers visit the "Aeronautic Quality Factory"



“Looking at the hard-working front-line staff who stayed in their positions, for a moment I even mistakenly thought that I had come to the rocket launch and command center!”

— — Visiting consumer of the “Aeronautic Quality Factory”



In-depth connection with consumer value

- Mengniu has become an official sponsor for the 2018 FIFA World Cup Russia and launched a number of World Cup team customized products. During the World Cup, lucky consumers will be invited to the game to share the passion and joy of the summer in Russia.
- Mengniu has deepened its cooperation with Shanghai Disney Resort to provide visitors from around the world with high quality dairy products and tailor-made Disney ice cream.
- Mengniu sponsored the Boao Forum for Asia and the BRICS Summit as the sole dairy brand of the “designated products during the BRICS summit in Xiamen in 2017” to provide exclusive high-standard nutritious and healthy dairy products to all guests.
- Mengniu signed a strategic partnership agreement with Universal Beijing Resort and became the resort’s exclusive official dairy and ice cream products partner.
- At the 26th Golden Rooster and Hundred Flowers Film Festival, Mengniu provides the high quality and high-grade nutritional enjoyment for Chinese filmmaker. At the same time, a miniature version of Mengniu town was set up on site to bring a series of exclusive activities for consumers, such as special movie-watching and factory movie-watching experience, so as to display the quality of Mengniu’s pasture and quality management at a close.



Good Health and Well-being

Mengniu cares about the desire of Chinese people to pursue a healthy life, by making efforts to popularize sport for all members of the community, assist the development of mass sports and national fitness, develop consumer health education activities, and devote Mengniu's strength to promoting the health of Chinese people.

Promote Winter Sports

Mengniu has launched public awareness campaigns for winter sports education, by collaborating with Netease to invite winter Olympic athletes and shoot quiz videos regarding seven sport such as ice hockey, skiing, ice skating, curling, sledging, etc. The live videos have attracted over 10 million viewings.

Mengniu was the strategic partner of the 2017 Beijing Youth Skiing Competition. We set up a "milk station" on the side of the stadium offering diversified "warm" nutritional products for players, keeping hot milk nutrition coming "full-course, non-stop".



Promote Basketball

Mengniu cooperated with the NBA to launch the Mengniu 2017 National Collegiate Basketball Challenge. The event covered 16 cities and 256 faculties from 32 schools, and the team of the School of Economics and Management of Fuzhou University won the championship of the Mengniu 2017 National Collegiate Basketball Challenge. Mengniu's innovative cooperation model with the NBA provides basketball court for many basketball fans, expanding the appeal of the sport, thus creating a platform for young people who love basketball to realize their dreams.



10-City Space Run

Mengniu advocates the organic combination of nutrition and sports, promotes the aeronautic spirit, aims to promote the physical strength of Chinese people as its dedication to China's Space Day. Mengniu launched the "10-City Space Run" event, assigning Wenchang, the city where Tianzhou 1, the rocket carrying China's first cargo spacecraft, was launched, as the main venue, simultaneously accompanied by 10 more cities including Wuhan, Xi'an and Harbin. The event attracted approximately one hundred thousand participants through online and offline channels and reaching a total distance of 419,722 kilometers, exceeding the distance of 384,000 kilometers between the earth and the moon and therefore achieving the "Reaching for the Moon" plan.



Mengniu Launches the "Ten City Space Run" Campaign

Exchange calories

In line with the theme of Inner Mongolian Horinger County's 8th Herbaceous Peony International Cultural and Tourism Festival, Mengniu planned and held a large-scale charity running experience, the "Colorful Herbaceous Peony & Calorie Exchange Festival". 542 young participants shared their charitable spirit and love and demonstrated the best of themselves, winning 8,856 packs of Mengniu milk for the students at the Central Elementary School in Heilaoyaoxiang, Horinger.

Mengniu initiated the "Heart Follows Love" hiking competition in the spring of 2017, encouraging employees to participate in charity activities. The event was carried out simultaneously in the districts and factories of Mengniu's room temperature, low temperature, ice cream, and milk powder business divisions, attracting nearly 3,000 employees. After each participants finished his or her route, Mengniu donated one box of milk for the impoverished children. Mengniu has donated nearly 600 boxes of milk through this event.

Consumer Health Education

Mengniu hosted the "Benefiting Good Nutrition" 2017 health charity campaign and invited the director of the China Nutrition Society, Ms. Xinying Lin, to explain to consumers the role of milk in daily life and the status of lactose intolerance in the country, popularize milk health knowledge, and eliminate people's common misconceptions about milk.

Mengniu held the Summit of 2017 World Digestive Health Day to impart the knowledge of digestive health and advocate a balanced diet concept of life to raise people's awareness of digestive health.



Summit of 2017 World Digestive Health Day

Mengniu's Champion and the China Nutrition Society jointly initiated the establishment of the Champion Health Academy, which uses Toutiao Hao, the popular news and content platform, to focus on the topic of popular healthy diets, impart the knowledge of probiotics, and promote healthy lifestyles.

Mengniu held a series of educational activities under "Shaping smart mothers, guarding healthy families", in an aim to help Chinese mothers cultivate their awareness of managing family health, establish healthy health management, and improve the health of Chinese families. Mengniu and the China Women's Development Foundation strived to promote family health education for mothers across the country, by providing health management manuals and scientific & healthy family management concepts to a wider range of consumers to help Chinese mothers build healthy families.



Mutual Growth



Goal

- I am Mengniu, pursuing better improvement



Strategy

- Establish a sound and effective internal control mechanism, mobilize all resources, deepen overseas presence, and continuously enhance value creation capabilities
- Safeguard the rights and interests of employees, optimize the cultivation of talent, and create a "Employee Happiness Program"
- Strengthen the centralized management of the supply chain system, drive accountability throughout the supply chain, and create a safe, green, high-quality responsible supply chain



Implementation

- Actively introduce strategic investors such as COFCO, Danone and Arla Foods to diversify the shareholder base and internationalize the governance structure
- Echoing the national "One Belt and One Road" initiative, Mengniu will integrate its international resources and deepen its overseas deployment
- Improve the Company's 100-series talent training system, advance its leadership development, establish a comprehensive online learning platform to provide differentiated training content for employees at different levels
- Continuously promote the "University of Ranchers" program, "Star Ranchers" and "Golden Key of Milk Cow" projects to enhance the expertise of pasture staff and Mengniu partners
- Join hands with the dairy industry to promote the "One Belt and One Road" initiative in the dairy industry



Performance

- Revenue was RMB 60.16 billion, up 11.9% year-over-year
- Net profit was RMB 2.05 billion
- Made the "Global Dairy Top 20" list and ranked among the top 10 for the first time
- Organized over 230 events under the "University of Ranchers" program and provided training to over 8,000 ranch owners
- Convened an annual meeting of customers, reviewed its market performance in 2017 together with more than 7,000 partners, and discussed strategies for business activities in 2018



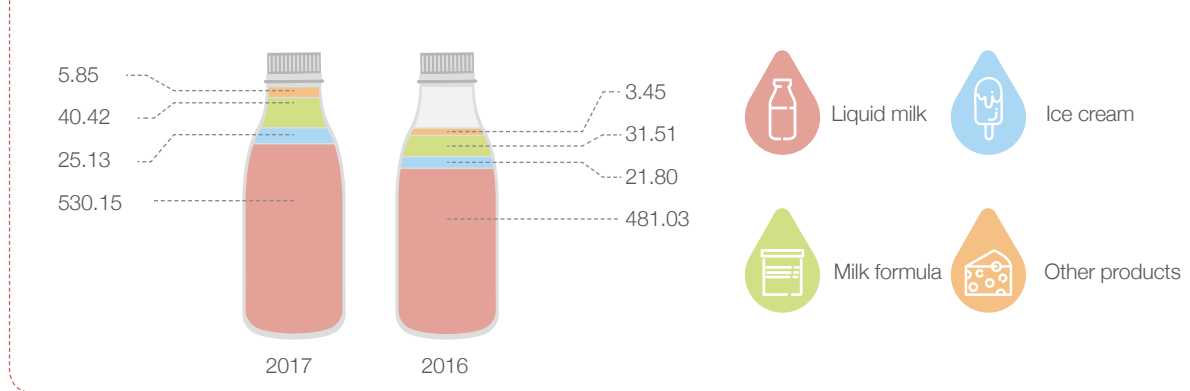
Shareholder satisfaction

We will comprehensively promote and improve the implementation of internal controls, integrate advantages and resources to adjust the business layout, and deepen overseas deployment. We will enhance communication with investors, continue to improve operational transparency, and bring about satisfactory returns to shareholders.

Optimize business strategy

We've made efforts to strengthen the integration of high-quality resources, balance and coordinate development across all business segments, and promote the development of new businesses. We make better use of pasture resources nationwide under China Modern Dairy, obtain a stable supply of raw milk to support the development of our low-temperature yogurt business, and improve the business strategy of the low-temperature milk business.

Revenue by Product Mix (RMB100 million, data as of the end of 2017)



Business Structure



Overseas Presence

Following the national “One Belt and One Road” initiative, we will take advantage of our resources in both international and domestic markets to deepen our overseas presence and explore new markets in Southeast Asia. We will take advantage of our high-quality milk resources around the world and integrate along the entire value chain as we strive to create sustainable brands with innovation.



Awarded the **“Most Valuable Company in the Consumer and Service Sector”** at the Golden Hong Kong Stocks Awards 2017

Made the **“Global Dairy Top 20”** list published by Rabobank and ranked among the **top 10** for the first time

Enhanced information disclosure

Mengniu has improved its disclosure of information and communication with investors. Such activities include regular meetings with investors to provide updates on the Company’s latest news, newsletters to inform readers about operating results, large-scale roadshows, and regular updates to the investor relations website. By doing so, we make sure that investors can access the company’s latest news and reports as we look to safeguard our healthy and stable relationships with investors.

Mengniu supports shareholder rights, and tries to constantly improve its mechanisms to communicate with shareholders and review their proposals. Shareholders may submit independent resolutions on important issues at shareholder meetings, including the election of directors, and the Company carefully considers shareholder voting when making decisions. Mengniu endeavors to provide efficient channels for inquiries and suggestions, and tries its best to respond to shareholder inquiries and comments in a timely manner.



Employee Growth

By adhering to a “people-oriented” philosophy, we have established a sound system to protect employee rights, improved training to promote the development of employees at all levels, carefully cared for the lives of employees, and promoted the Company as a people-first organization. We are committed to the concept of “remembering our original intention and winning the championship” and working together with our people to grow.

100 % of our staff have medical coverage

Occupational Health and Safety

Mengniu has established a sound occupational health and safety management system to create a safe and comfortable working environment for employees. We advocate healthy lifestyles, strengthen occupational health management, and pay close attention to employees’ physical and mental health.



Safety Standardization

- We have created first-rate of safety and standardization of the enterprise as a key to strengthen our safety, and to improve our management level
- Twenty-six enterprises have passed the first-level enterprise evaluation of safety production standardization, which is the largest number of first-level enterprises that have established safety production standardization in the dairy production industry
- We won the title “National First-level Demonstration Enterprise of Safety Production Standardization in Light Industry” and played an exemplary leading role



Safety Culture

- To play the role of the safety culture in the safety management of the enterprise, so as to compensate the failure of the safety technology management tool to completely change the safety behavior of the person
- 22 business factories have been named model enterprises. In particular, 6 of them have won the “National Demonstration Enterprise” designation and 16 business factories have won the “Provincial Demonstration Enterprise” designation
- We will continue to promote the building of the safe family and the safe culture corridor. Letting management become a culture, utilizing culture to control safety, so that the environment changes ideas, ideas lead behavior

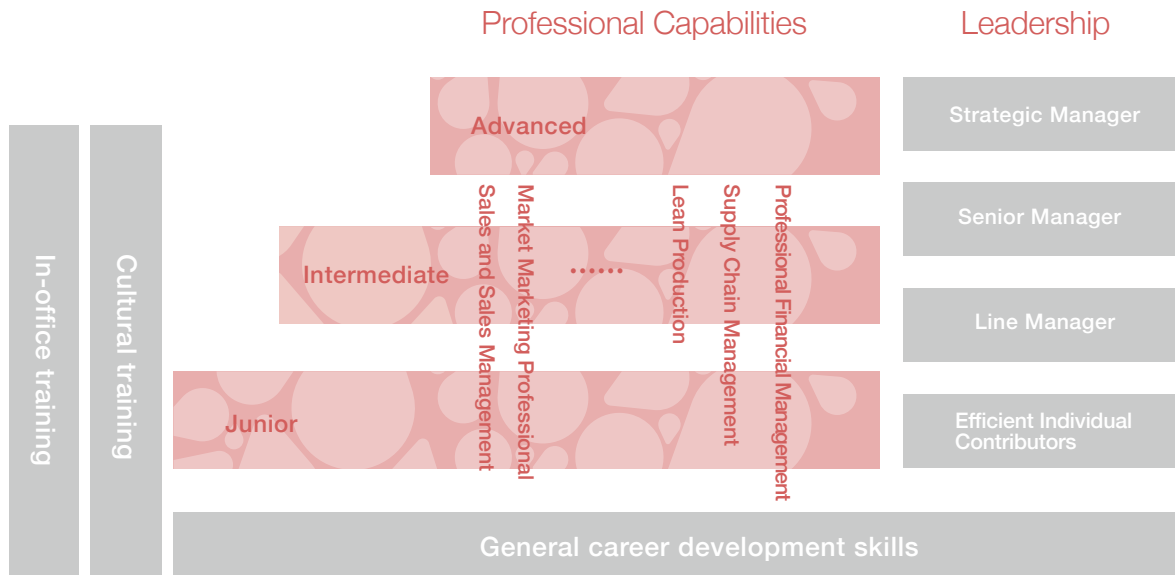


Safety Informatization

- Providing a landing path for new intelligent manufacturing mode and safe production technology
- Real-time monitoring of safe operation data, forecasting and warning of safety hazards and abnormal data
- Play the role of risk control, data analysis and scientific decision-making

Nurture the Craftsman of Milk

We are committed to nurturing “Craftsmen of Milk” by adhering to an artisan spirit, pursuing excellence in quality, and producing milk efficiently . We have improved our talent training system to help employees at all levels enhance their capabilities. In 2017, the training time per capita was 36.92 hours.



Case: Developing Internet Learning Platform “Zhi De”, Providing Customized Training Anytime and Anywhere

In order to help employees advance their careers through continuing education, we have developed a customized learning platform called “Zhi De”. The software pools a variety of different courses, provides online and offline training using a variety of learning methods, and supports access through many digital channels, including mobile app, Wechat, PC, and iPad, facilitating convenient and flexible options for training.

Mengniu uses a share incentive plan to retain and motivate key employees that have high performance and high potential.

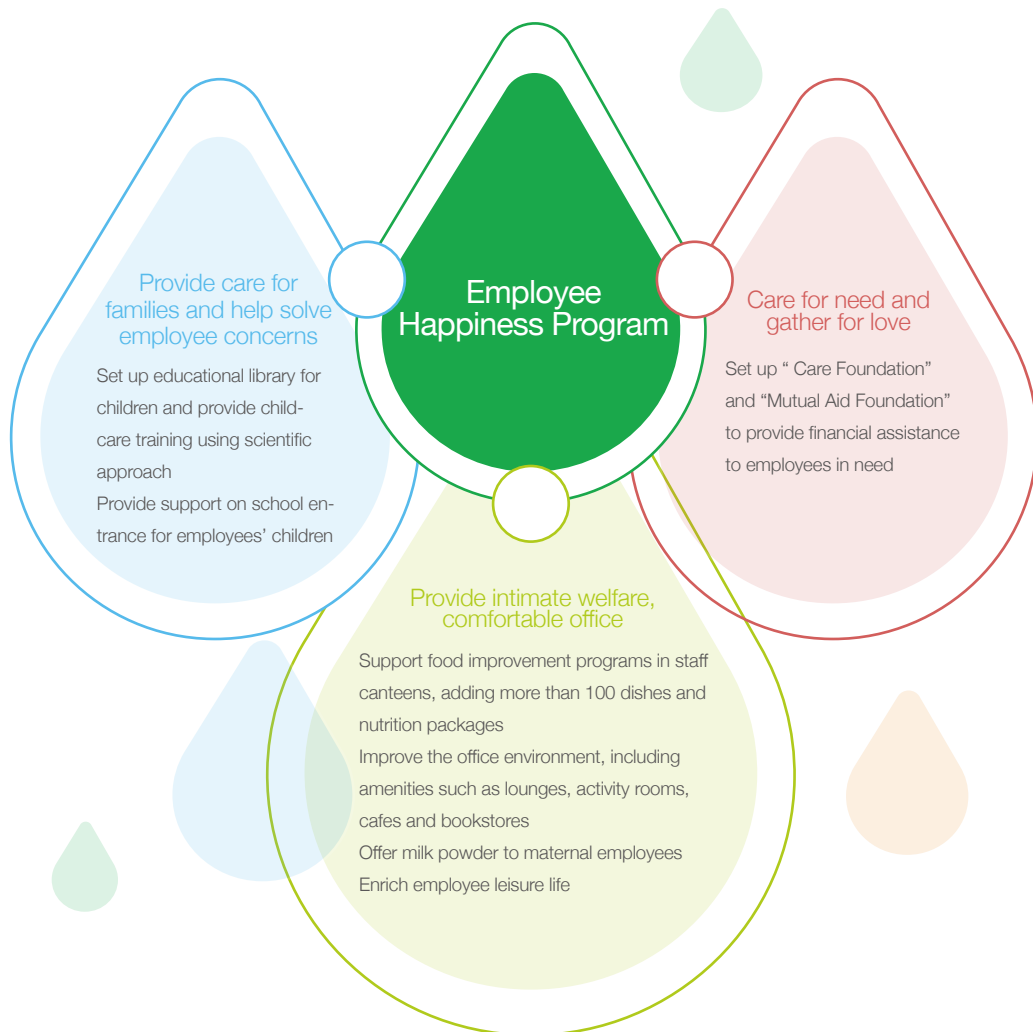
Mengniu regularly hosts a technical skills contest to enhance the enthusiasm and technical capabilities of its staff. In 2017, Mengniu held its third Staff Skills Contest. Participants from various regions learned from each other and jointly enhanced their professional knowledge and capabilities.

Create a Happy Home

Mengniu rolled out an “Employee Happiness Program” in 2016 to provide diversified benefits and help the lives of employees and their family members. The Company seeks to create an employee-first corporate culture that helps to increase the health and happiness of employees.



Colorful life with various sports activities



Win-Win Partnerships

As a leading dairy brand in China, Mengniu, along with responsible partners in the supply chain, has been dedicated to the continued development of the industry as well as to the promotion of nutrition and health. By building a socially-responsible supply chain and promoting innovations in management and technology, we believe we can achieve win-win results with our partners.

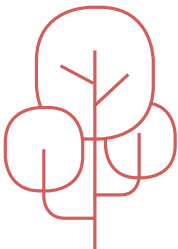
Building a Responsible Supply Chain

The Company is working to integrate its supply chain resources, enhance the centralized management of its supply chain and conduct localized procurement. The Company is also exploring the implementation of technology to trace products at each stage of the supply chain as it attempts to build a supply chain that is safe, green and of high quality.



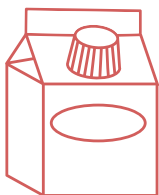
Safer

- Establish a strict admittance and evaluation system and add dishonest suppliers to a blacklist. In 2017, 23 non-complying suppliers were placed on our blacklist.
- Promote the use of an international advanced food quality and safety certification that covers the entire dairy industry
- Promote product traceability to more efficiently control farming safety risks



Greener

- Fully review performance related to environmental protection, energy conservation, and pollution and emission reduction when selecting suppliers
- Help suppliers enhance ranch management and build ranches



Better Quality

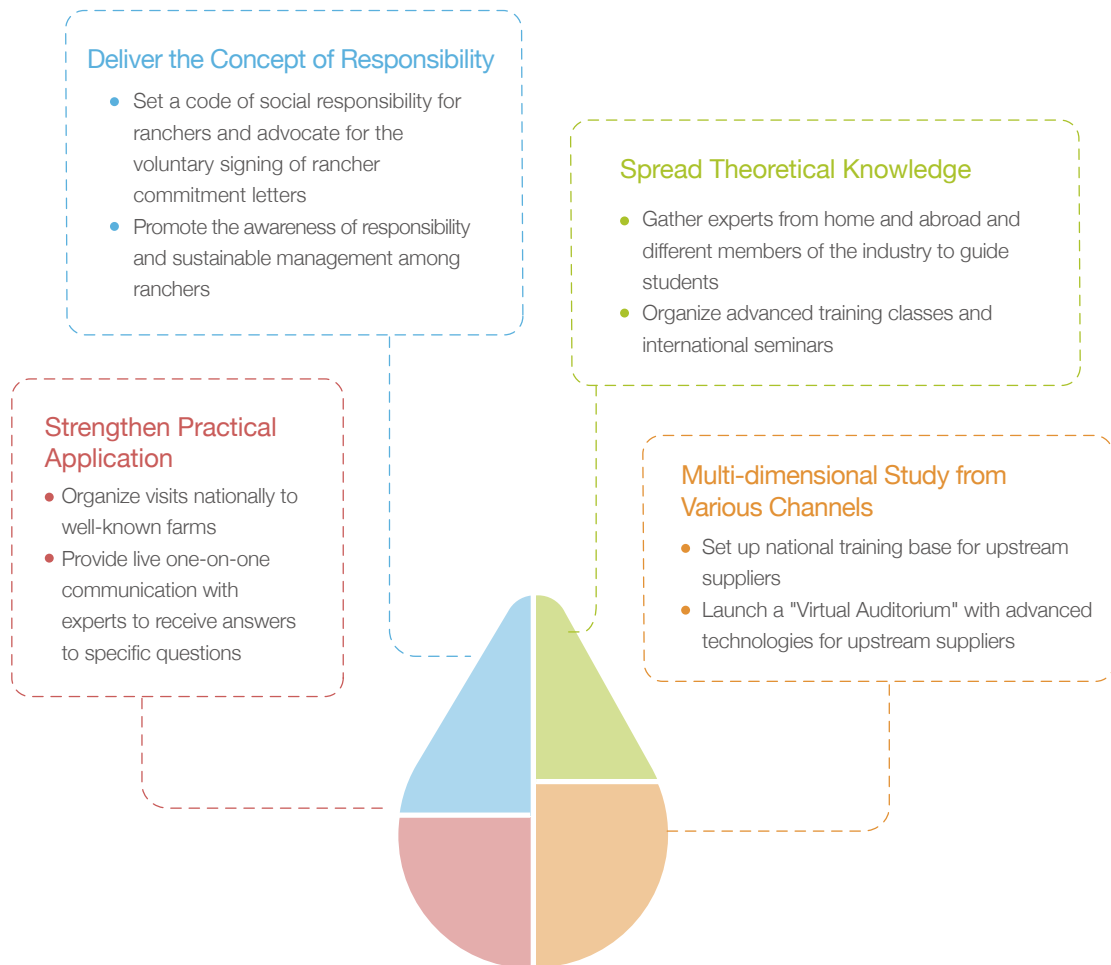
- Establish a "full-lifecycle" management system and improve the level of quality at every part of the supply chain
- Build an evaluation system for suppliers to better measure performance

Ranchers University

Background Reading:

“Ranchers University” is a social responsibility program in which Mengniu works with authorities and institutions, including the National Dairy Industry Technology System and China Agricultural University, to gather the most experienced expert resources to help raise awareness of scientific farming practices among ranchers and technicians, implement technical improvements, and improve the overall operating standards at ranches with systematic training, and technical and financial support.

Our company, along with our top partners from the industry and global industry experts, uses Ranchers University to promote mutual development with dairy farmers and suppliers in the surrounding areas, and build a sustainable ranch ecosystem with partners in the industry.





Have received training for free

4,000 Farm Workers

Since the start of the “Ranchers University” program, over 4,000 farm workers have received training for free and the Virtual Auditorium has covered over 40,000 sessions. In total, we have covered 470 topics related to innovation and ranch technology, and helped over 2,300 ranches improve in 24 key areas, including herd structure, feeding management, and many others.



Ranchers University has offered

230 sessions

As of the end of 2017, Ranchers University has offered 230 sessions, reaching 8,000 people, of which nearly 3,000 were from Inner Mongolia. Relying on new technologies, including precision feeding and others, we have helped over 1,000 ranches reduce the cost per kilo of milk and promoted operating efficiency, cost reduction, and improve benefits worth of over 800 million RMB.



In 2017, Mengniu Ranchers University was honored with a “Social Responsibility Award- Social Welfare Award for Asian Enterprises” in the social responsibility program category. The award demonstrates international recognition of Mengniu’s focus on social responsibility.



“There is no perfect ranch but only endless progress. The weaknesses identified by the experts from the program are quite down-to-earth. The solutions provided are very practical for ranch management. On the other hand, it is also our responsibility to share the technology and management experience of Greenfields Dairy with our partner ranches.”

— — Yang Ku, COO of Greenfields Dairy, a partner of Mengniu Ranchers University



“Our ranch has introduced premium breeding technologies, including water tank temperature controls, total mixed ration (TMR) feeding, data management software for the cow barns, etc. Today, experts have provided valuable data as reference and intelligent cost-savings plans for ranch operations, which are very important to help our ranch remain competitive. In the future, we will continue to make use Mengniu’s resource platform to introduce more new technology and scientifically improve cow breeding and milk production.”

— — Niu Chunlei, Rancher

Promote Dairy Industry Development

We continue to work on our goal of becoming a globally competitive first-class dairy producer that combines technical innovation with industrial development, introduces superior international resources, and promotes the construction of Dairy Industry Alliance to help all enterprises in the dairy industry.



We are committed to building a 'Dairy Industry Alliance' around the world and getting through the global dairy value chain. Through international and regional resource replacement and industrial structure complementarity, a multi-level and all-round development pattern will be formed. We will achieve joint development, sharing and inclusive development in the dairy industry.

——Lu Minfang
Chief Executive Officer and Executive Director
of Mengniu



Upgrading Management Capabilities

Promote the deployment of internationally-recognized management practices and techniques at Chinese ranches.

- Work with Arla Foods to promote international advanced management experience and standards in China's ranches

Bring the Chinese Dairy Industry in line with international standards

- Cooperating with Danone, Arla Foods and other strategic partners to keep pace with international standards, help comprehensively upgrade the quality of the Chinese dairy industry, and continuously promote the application of the latest technology and quality control systems across the industry

Open a new era of intelligentized management in the dairy industry

- Cooperating with Siemens on the development of a Laboratory Information Management System (LIMS) to revise the quality control information system for dairy products and promote technological transformation in food-related and other industries
- Industrial transformation led by technical innovations



Industrial transformation led by technical innovations

Promote the use of international advanced food quality and safety certifications for the first time on more ranches

- Cooperating with AsureQuality, an organization owned by the New Zealand government that provides food safety and biosecurity services to food-related businesses worldwide, to promote the use of food quality and safety certifications on more ranches

Use digital solutions to enhance quality supervision of the industry

- Implementing supply-side reform through innovation and R&D and facilitating the digital transformation of the dairy industry in China



Share development opportunities through international communication

Promote the “One Belt, One Road” initiative within the dairy industry

- Advocating for cooperation among enterprises in the dairy industry to promote dairy product standards, eliminate market barriers, and optimize the allocation of resources and capital

Lead the development of the “One Belt, One Road” initiative within the dairy industry

- Working with JSC “Meat & Dairy Company,” a leading government-owned exporter of meat and dairy products in Belarus, on multiple mutually beneficial trade cooperation agreements

Combine independent R&D with international intelligence

- Uniting with partners from Denmark, the U.S. and France to build an innovative R&D system to upgrade the Chinese dairy industry

Be the first one for whole industry chain layout

- Developing a global business that spans the entire dairy industry value chain, from the production to sale of milk products, using innovative R&D and quality control across various categories



Environment-friendly



Goal

- I am Mengniu, pursuing greener development



Strategy

- Use water resources more economically and efficiently, and promote water recycling
- Increase the proportion of clean energy usage and reduce the use of traditional fossil energy
- Reduce carbon emissions from our business and promote the reduction of carbon emissions from our partners in the supply chain
- Adhere to high standards for animal welfare and guarantee the health and rights of cows
- Enhance management of exhaust, effluent and solid waste to reduce the effluence of pollutants on the environment



Implementation

- Introduce an international advanced environmental management system to identify and effectively manage factors that might influence the environment in the Company's R&D, production and sales
- Implement a system to monitor ranch water quality, and review reports annually
- Adopt an ISO 50001 Energy Management System and enhance the management of power across every part of the Company's business
- Conduct carbon verification independently, account for greenhouse gas emissions in the production process, and actively seek opportunities to reduce carbon emissions
- Implement a "Cows'Happiness Plan" with the Chinese-Danish Center
- Establish an online monitoring system for sewage to collect and monitor emissions from factories in real time



Performance

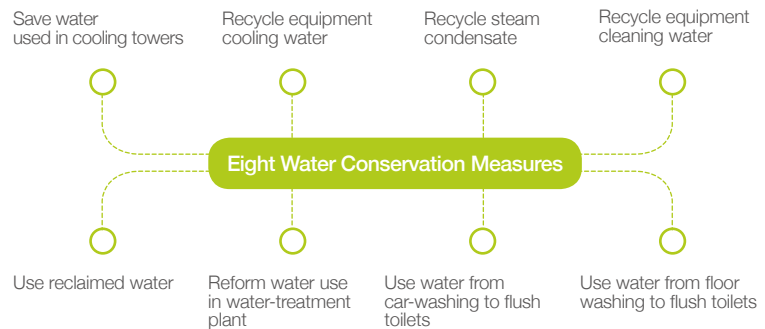
- Increasing investment in water resources management and sewage treatment capacity to 26.62 million tons
- The Company used 3.18 million KWH of electricity that was generated by solar power, which saved the equivalent of 1,273.84 tons of standard coal
- The Company's total emission of CO₂ was 1.21 million tons in 2017



Water Resource Management

Supervision

- Making plans and targets for water conservation each year and improving eight measures for public water conservation
- Implement an annually-reviewed monitoring system that produces reports on water quality at ranches
- Introduce tools to monitor, identify and regularly track the usage of water resources



Expand Sources of Water

- Implement a rainwater collection system to capture at least 10,000 tons of rainwater every year.



Reduce Spending

- Save water resources and promote the application of water-saving technologies, such as a comprehensive system to balance, optimize and reform the use of water by processes and equipment that consume a large amount of water.
- Deeply promote the use of NEPTUNE 2.0 cleaning technology. This technique is the upgrade version of the Danone cleaning technology NEPTUNE1.0. From the four stages of design, installation, operation and updating, the 2.0 version ensures the qualification and efficiency of cleaning processes, and makes the inspection of safety problems in the workshop more systematic and rigorous.
- Further perfect the 3U (Save Use, Recycle Use, Common Use) water resource management strategy and implement it in factories nationwide to improve the utilization of water resources. By implementing the 3U strategy, factories throughout the nation will independently establish over 40 water-saving measures with increasing investments in water resource management. Water consumption per ton of product is close to international advanced level.



Recycling

- Improve the utilization of water resources by recycling steam condensate, equipment cooling water, reclaimed water, etc. In 2017, the water consumption of a single ton of products in Mengniu factory decreased by 2.05%.
- Further cooperate with power plants by supplying reclaimed water to power plants for cooling water, or other industrial uses. In 2017, the recycling rate of reclaimed water reached 9.9%.

Energy Management

Renewable Energy

Solar Energy

- Introduce solar power generation and heating technologies, and make use of workshop roofs and factory lawns to build grid-connected solar power systems. In 2017, electricity generated by solar power reached 3.18 million KWH, which saved the equivalent of 1273.84 tons of standard coal.

Biomass Energy

- Replace fossil fuels with renewable biomass briquettes to provide steam for production.

Wind Energy

- Collect natural cold air in winter for refrigeration of industrial water to replace liquid ammonia compressor, plate heat exchanger applying ammonia and freon refrigerator. Use wind energy to facilitate the industrial water refrigeration process and replace the use of ammonia refrigeration system, ammonia converter and freon refrigerant.



Biogas

- Increase the utilization rate of renewable green energy by recycling biogas, adjusting the energy mix and reducing the use of fossil fuels. We save 500 tons of standard coal and reduce 1,360 tons of CO₂ emissions annually.

Thermal Energy

- Conduct steam energy-saving diagnosis and heat balance test to reduce heat loss.
- Replace traditional plate heat exchanger with high-efficiency steam to heat water and save energy.
- Use clean-in-place (“CIP”) processes, new cleaning agents and advanced cleaning technologies to improve steam utilization rate.
- Set up heat energy recycling center to promote the recycling of excess heat from air conditioners, air compressors, refrigerants and sewage plants.

Electrical Energy

Systematic Energy Conservation

- Adopt ISO 50001 Energy Management System and enhance the management of power across every part in the business.
- Conduct energy-saving analyses and energy efficiency tests to improve the utilization of electricity.

Process Power Conservation

- Reduce electricity usage with increased use of stand-by modes for certain manufacturing machines.
- Use CIP processes to reduce the use of electricity.
- Take advantage of low temperatures in the North in the winter by using energy saving technology that uses outside air for cooling to reduce electricity usage.

Equipment Power Conservation

- Replace normal motors with high-efficiency motors.
- Reach agreement with equipment suppliers on new types of customized energy-saving equipment, such as environmentally-friendly high-efficiency refrigerators. Prioritize the launch of green, environmentally-friendly and energy-saving refrigerators that use R290, a more environmentally-friendly type of refrigerant, to reduce electricity costs.

Carbon Footprint



Carbon Investigation

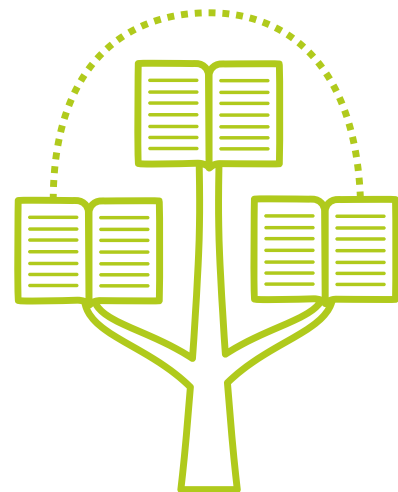
- Investigate the quantitative indicators of greenhouse gas emissions, develop tools to measure carbon footprint, and create the first carbon emission reduction plan in the Chinese dairy industry.
- Verify carbon use independently, comprehensively account for greenhouse gas emissions in the production process, and actively seek opportunities for carbon emission reduction. Carry out carbon dioxide emission pilot tests in the Company's Horing county headquarters, and Wuhan and Tianjin. The total emission of CO₂ in 2017 was 1.21 million tons.

Reduce Carbon Emissions

- Implement the Company's strategy of "selling dairy products at the production site, producing dairy products at the sales site", precisely plan warehouse layouts to reduce transportation mileage and carbon emissions.
- Promote environmentally-friendly modes of transportation, and actively develop railway, ocean and rail transportation resources. Encourage strategic cooperation with railway head offices and develop high-speed rail transport, "mini" container usage, and other modes of transport to promote the replacement of road transportation with rail and reduce overall carbon emissions related to transportation.
- Full-range GPS technology is used to monitor vehicles on the road in order to achieve a visualized and controllable transportation, optimize delivery routes, and reduce mileage and carbon emissions.
- Promote energy-saving and emission reduction initiatives at suppliers, conduct their greenhouse gases emissions management, and help guide their greenhouse gas data collection.

Animal Welfare

- Initiate a "Cows'Happiness Plan" with the Chinese-Danish Center.
- Select regions with soft soil, high-quality water sources and suitable climates to ensure healthy and comfortable living environments for cows.
- Conduct scientific calculations on pasture carrying capacity, limiting the number of cows to ensure the best quality milk production in varying conditions.
- Promote projects that are focused on upgrading water tanks, fans, showers, cow beds, play fields and silos at ranches.
- Adhere to high standards for animal welfare, guarantee the health and rights of cows, improve the happiness index for cows, and guarantee the production of more nutritious milk.





A Day in the Life of Mengniu's Happy Cows

- 7:00** ○ We ramble on specially prepared fields at the ranch, enjoying time in the early morning sun. We wear pedometers on our feet to record steps, which helps indicate our overall health.
- 8:00** ○ We queue up to take showers. Mengniu workers have installed shower systems to help wash away dung and prevent germs.
- 12:00** ○ Mengniu hires nutritionists to meticulously prepare high-quality nutritious set meals. Diet of total mixed rations (TMR) are provided all day to help us grow healthier.
- 13:00** ○ This is the happiest moment for me. We walk to the milking hall to queue up for the milking machines. Udders are scrubbed and disinfected after and milk is extracted by vacuum. There is also automatic cluster removal equipment. Milking is limited to three times per day, which is comfortable and easy.
- 15:00** ○ Hoof trimming is most joyful. To prevent overgrowth and wear, the ranch examines and trims our hoofs regularly, adjusting the thickness of our hoofs and removing excessive keratin and other gunk that affects our walking.
- 17:00** ○ Our barn has good ventilation and lighting. We are free to sleep or lie on dry, neat and comfortable sand beds.
- 19:00** ○ We start to scratch ourselves. It is so comfortable!



Emissions Management

Waste Gas



- We have implemented an Energy Management System and Environmental Protection Management System to help us actively use technology to conserve energy and reduce gas emissions. Waste gas emissions at our plants meet national, local and company-level standards.
- We have conducted real-time online monitoring of waste gas emissions of boilers and published monitoring data on our internal network.
- We replaced a coal-fired boiler with one that uses alternative biomass briquettes to reduce waste gas emissions. By the end of 2017, 23 biomass boilers were installed, totaling 271 T/h. All boilers have been converted to natural gas or biomass boilers to reduce air pollutant emissions.
- We have constructed methane-fueled power plants that use the biomass produced by dairy cows.



Waste Water

Waste Water Management

- We conduct real-time online monitoring of waste water discharge and publish monitoring data on our internal network.
- All of the Company's factories are equipped with waste water treatment plants and we published a comprehensive operating manual for waste water treatment.
- We organize training on waste water treatment every year to improve operator expertise and ensure the effective operation of waste water treatment plants.
- We have adopted a comprehensive process to manage waste water and conduct waste water treatment at the water source. In 2017, total waste water discharge was 26.63 million tons and chemical oxygen demand ("COD") discharges were reduced by more than 1890.07 tons. The COD emission of Yashili was 194 tons.

Waste Water Reuse

- We collect waste water from cattle barns, fields, and milking plants and conduct multi-level biofiltration, phytofiltration and physical filtration.
- We use phosphate-free detergents, microfiltration techniques and other new materials and technologies for the advanced treatment of waste water. Processed waste water is then recycled and used in plant vegetation and road cleaning.
- Waste water is treated in the waste water treatment plants and passes national first-class discharge standards. The waste water is used for plant vegetation and irrigation after treatment.

Solid Waste

- We have implemented a solid waste storage and disposal system to handle general solid waste and hazardous solid waste. Hazardous solid waste is passed over to qualified institutions for disposal. All hazardous waste is disposed of in compliance with national regulations.
- We have built facilities that separate rain water and waste water, and facilities that separate dry and wet waste to minimize the impact of pollutants and emissions from ranches on the surrounding environment.
- We have hired qualified third-parties to dispose or recycle hazardous waste, such as waste containers, modulator tubes, batteries, cartridges and medical supplies.
- We have built facilities for the temporary storage of solid waste at appropriate locations and collect the records of hazardous solid waste disposal. In 2017, 100% of disposed solid waste was in compliance with national regulations.





Targeted Poverty Alleviation



Goal

- I am Mengniu, pursuing more contribution



Strategy

- Promote Mengniu Inclusion Nutrition Plan to help improve the diet of impoverished students
- Focus on industry-oriented poverty alleviation to promote digital and intelligent ranching and further develop a “community of common destiny” with farmers
- Support the national army with free products
- Increase investments in charitable events and support the development of a variety of different charitable programs



Implementation

- Carrying out Mengniu Inclusion Nutrition Plan by providing free milk to impoverished students across China
- Developing "Rancher Says" knowledge sharing platform to help alleviate poverty among livestock farmers
- Donated a total of RMB500,000 of milk to the aircraft carrier Liaoning, and to impoverished soldiers and their families
- Cooperated with 389 charity institutions to organize charitable events across nine areas of public welfare, including education, health, environment and community development



Performance

- Total tax payments: RMB 3.67 billion
- Total charitable contributions: RMB 19.70 million
- We have provided milk to more than 40,000 students in 209 village schools, 157 districts/counties and 24 provinces for 15 consecutive years through Mengniu Inclusion Nutrition Plan. We were ranked #1 among D20 enterprises in Dairy Association of China in the “Milk Benefits Student Ranking”





蒙牛

学生奶

一杯奶 健康每一天

THE
DA

蒙牛
2018 FIFA 世界杯全球官方赞助商
FIFA WORLD CUP
RUSSIA
2018

学生奶

一杯奶 健康每一天

Nutrition Inclusion

Mengniu has established an effective charity model that targets groups in need, and strictly controls the donation process to better carry out its social commitment on nutrition inclusion.

Milk Benefits Student Charity Program

Mengniu developed its “Inclusion Nutrition Plan” in response to the “China Well-off Milk Action” plan that was initiated by the Ministry of Agriculture and the Dairy Association of China. We have implemented strict controls over the sourcing, production, transportation, storage, distribution, and consumption of milk to ensure food safety and guarantee that every student gets a box of high-quality milk every day. Mengniu has partnered with Foping County of Shaanxi Province, Yuexi and Zhaojue County of Sichuan Province and Kangbao County of Hebei Province to provide milk for primary school students in these areas. We hope that our poverty alleviation efforts can help benefit more places and more people in need.

Mengniu carried out a series of activities to promote the importance of health and nutrition in order to increase students’ awareness of healthy eating and living habits.



As of the end of 2017, we had provided 6 million packs of milk to 209 schools in 157 districts/counties in 24 provinces, benefiting more than 40,000 impoverished students.



We received the 2017 Corporate Honor Award for Best Volunteer Service from “New Weekly” and were ranked #1 among D20 enterprises in China’s dairy industry in the “Milk Benefits Student Ranking”.



Case: “Inclusion Nutrition Benefits Fuping County”

Fuping County of Shaanxi Province is a nationally designated poverty alleviation county. According to the donation agreement conducted by the Cyberspace Administration of China, the Fuping County Government and Mengniu, Mengniu will donate a total of 50,000 boxes of milk to 10 primary schools in Fuping County by 2020. Milk donation is just a start; Mengniu will continue to develop educational charity programs based on Fuping County's education needs.



The signing ceremony of Mengniu and Fuping County



Case: Bringing in Partners to Participate in Inclusion Nutrition Plan

Huining County of Gansu Province is famous for being the “hometown of the best college entrance examinees” in the northwest region, but it is also one of the most poverty-stricken counties in the nation. The harsh natural environment and the intense education atmosphere forms a sharp contrast. Mengniu donated 7,200 boxes of milk to preschool children at Baicaoyuan Central Kindergarten, Huining County, Gansu Province to help preschool children in some of the most remote areas. Meanwhile, Mengniu's local partners were inspired by the donation and formed one-on-one help to support local education development by donating clothes and school supplies.

Milk Benefits Students on the Plateau

Mengniu, the Women's Federation of Qinghai Province and Jiangsu TV donated 60,000 packs of Just Yogurt, valued at more than RMB300,000, to the plateau.

Rural Area Revitalization

Mengniu leveraged its advantages and actively supported the construction of infrastructure in rural areas to help ranches transition, upgrade and ultimately contribute more to local economic development.

Supporting the Construction of Infrastructure

Love Well

Since 2009, Mengniu has invested RMB10 million in the construction of Love Wells, which helps bring spring water to farmers and herds-men in drought-stricken regions. As of the end of 2017, 72 Love Wells were in use in 156 districts throughout Inner Mongolia, benefiting 200,000 farmers and herds-men.



Help Achieve Poverty Alleviation by Raising Livestock

Mengniu insists on helping teach people techniques to achieve sustainable development and poverty alleviation. Mengniu fully utilized the internet and information technology to develop “Somebody Says,” a unique knowledge sharing platform that is integrated with Wechat. Dairy farmers can send questions to experts in various formats, such as text, pictures or audio, on their smartphones anytime and anywhere. It has been a little over a year since “Somebody Says” was first launched. Since then, more than 2,000 sets of questions and answers have been completed, serving more than 200,000 people. The content on “Somebody Says” has been expanded from dairy cow raising to all aspects of animal husbandry.

Assist Local Economic Development

Mengniu actively explored new ideas and methods to help with local economic development. Mengniu partnered with the Wuqiang County Government and Agricultural Bank of China’s Hengshui Branch to establish a modern high-end milk ranch project (The Project) in Hengshui, Hebei Province. The Project generates periodic dividends and allows impoverished households to participate in a business, which effectively combines poverty alleviation and modern agriculture. In 2017, there were 19 sizable dairy cow raising enterprises with 23,000 dairy cows in the county. More than 5,000 impoverished populations have benefited from the project.

Supporting the Army

Mengniu continued to deepen its relationship with the army through a series of activities, including general support activities and milk donations.

Love Breakfast Milk

The photograph of a soldier eating frozen milk was very touching. Mengniu urgently mobilized material resources, arranged staff for support and initiated a “Love Breakfast Milk” charity program.



Soldier Consuming Frozen Breakfast Milk



Supplied **12,000** packs of breakfast milk



Travelled **11,000** km round-trip



Drove over **300** km in the snow



Trudged to an altitude of **4,200** m



Donations

Mengniu has actively supported the army and carried out various activities to back its development. Since September 2017, Mengniu has provided milk, family subsidies and milk cards to soldiers on the Chinese aircraft carrier Liaoning, amounting to RMB500,000. This not only motivated employees’ patriotism, but also strengthened our bond with the army.

Blood Donation

Mengniu actively organized voluntary blood donation events for its employees. Mengniu established its first and the largest emergency blood donation team at the Hellingee production center in 2007. As of 2017, Mengniu has organized over 100 blood donation events in more than 30 factories. During the past 10 years, more than 4,000 employees have donated nearly 1.4 million milliliters of blood. Mengniu was awarded the “National Blood Donation Promotion Award” and recognized as “Hohhot City Outstanding Volunteer Team”.

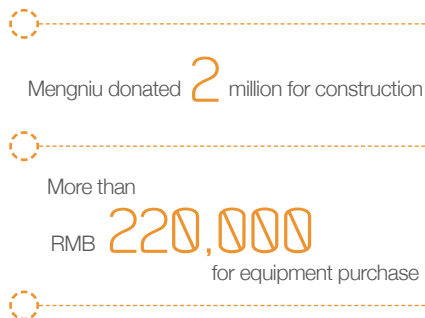


A volunteer at Mengniu Blood Donation Registration Center



Charitable Events

While pursuing its own development goals, Mengniu actively participated in charitable events and organized a series of targeted and systematic charity-themed programs, some of which included education programs in rural areas, disaster relief and volunteer services. Mengniu is committed to creating a systematic charity platform.



Mengniu Hope School

Mengniu donated RMB2 million for construction and more than RMB220,000 for equipment purchase to build the Mengniu Hope School, which is located at the First Middle School of Mount Emei City. There are 13 classrooms, 5 small offices, 2 large offices, 1 computer room, 1 party member activity room, and a science and technology activity room in the main building. The new building effectively eased the shortage of office space at the school and improved students' learning conditions.



Disaster Relief

In response to natural disasters, Mengniu has established an emergency plan for disaster assistance, allocating both internal and external resources to ensure that the Company will make an effective emergency response.

On May 11, 2017, an earthquake of magnitude 5.5 struck in Tashkurgan County of the Kashi region in Xinjiang, causing damages to nearby roads, electricity and communication facilities. After learning about the incident, Mengniu immediately distributed 32,000 packs of breakfast milk as relief to the disaster area.

On August 8, 2017, an earthquake of magnitude 7.0 struck Jiuzhaigou in the Sichuan Province and caused serious road damage and material shortage. Mengniu initiated its disaster emergency plan and formed a disaster relief team to deliver more than 30,000 packs of Mengniu products as relief, including milk, Milk Deluxe, Just Yogurt, Suansuanru and Zhenguoli.



Mengniu Disaster Relief Team Heading to Earthquake-stricken Area

Performance Report

A.Environmental

Indicators	Performance	Indicator number	Pages
Level A1.Emissions			
<p>General disclosure:</p> <p>Information on:</p> <p>(a)the policies; and</p> <p>(b)compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p>	<p>In accordance to the "Energy Management System," "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution," and "Environmental Protection Management System," we actively carry out technological transformations to mitigate emissions of hazardous and non-hazardous wastes, such as exhaust gases and greenhouse gases. All emissions from the power plants meet the national, local and company's internal emission standards.</p>	Level A1: Emissions	56,66
<p>The types of emissions and respective emissions data</p>	<p>In 2017,the total CO₂ emissions were 1.21 million tons. We focused on promoting the reduction of soot and sulfur dioxide by eliminating the use of coal-fired boilers.</p> <p>The major non-hazardous solid wastes produced during the production and operation process were office waste paper. Wastewater included water from cleaning equipment, milk tankers, and workshop floor, demineralized water discharge, and boiler waste water.</p> <p>Major hazardous wastes produced during the production and operation process included discharge of pharmaceutical bottles used in quality inspection laboratories, liquid waste, workshop waste oil, and cotton yarn waste.</p>	A1.1	54, 56-57, 66
<p>Greenhouse gas emissions in total (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</p>	<p>Carbon dioxide was the major greenhouse gas produced in coal-fired and gas-fired boilers in pastures and factories. In 2017,the total CO₂ emissions were 1.21 million tons.</p>	A1.2	54,66

Indicators	Performance	Indicator number	Pages
Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	In Mengniu, discharge of pharmaceutical bottles used in quality inspection laboratories, liquid waste, workshop waste oil, and cotton yarn waste accounted for a total of 77.8 tons. In Yashili, the total hazardous waste emissions were 11 tons.	A1.3	66
Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	<p>Wastewater from cleaning equipment, milk tankers and workshop floor, demineralized water discharge, and boiler waste water were 26.63 million tons in total. Non-hazardous waste included office waste paper.</p> <p>All factories are equipped with sewage treatment plants, all of which are monitored online. The water treatment complies with the national emission standards. In 2017, total wastewater treatment capacity reached 26.63 million tons, and the COD emission reduction was 1890.07 tons. Yashili's COD emission reduction was 194 tons.</p>	A1.4	57,66
Description of measures to mitigate emissions and results achieved.	<p>We focused on reducing the soot and sulfur dioxide emissions through eliminating the use of coal-fired boilers. All coal-fired boilers will be phased out in 2018. The factory restaurants are equipped with advanced fume filtration system to ensure that the fume emissions discharged from restaurants meet the respective standards.</p> <p>We implemented the strategy of "manufacturing at marketing place, marketing at manufacturing place", scientifically designing the layout of warehouses, promoting environmentally-friendly transportation systems, replacing road transport with railways, and reducing carbon emissions during transportation. Full-range GPS technology is used to monitor vehicles on the road in order to achieve a visualized and controllable transportation, optimize delivery routes, and reduce carbon emissions from storage, transportation and logistics milestones. We promoted energy-saving and emission-reduction throughout the life cycle of suppliers, conducted supplier greenhouse gas emissions management, and guided suppliers to collect greenhouse gas data.</p>	A1.5	54, 56-57, 67
Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	<p>Major hazardous wastes produced during the production and operation process include discharge of pharmaceutical bottles used in quality inspection laboratories, workshop waste oil, and cotton yarns waste. All of them are subject to environmental protection laws and regulations, and are delivered to qualified factories for compliance treatment. Temporary waste storage facilities were set up at appropriate locations. Records of hazardous waste were created and collected.</p> <p>We reduced the soot and sulfur dioxide emissions by eliminating the use of coal-fired boilers. Factory restaurants are equipped with advanced fume filtration system to ensure that fume emissions discharged from restaurants meet the respective standards.</p> <p>General solid waste generated during the production and operation process will be recycled and reused by recycling companies. The Group has established a modern office platform including the financial SAP system and contract approval platform to promote a paperless office. The Group has also reduced paper usage by reusing printed paper and using reusable consumables (such as toner cartridges) to reduce waste generated from office supplies.</p>	A1.6	56-57,67

Indicators	Performance	Indicator number	Pages
Level A2: Use of Resources			
<p>General Disclosure:</p> <p>Policies on the efficient use of resources, including energy, water and other raw materials.</p>	<p>We established the Energy Management Work Leading Group, which is headed by the president of the Group, and set up the Safety Quality Management Department to take full charge of the Company's energy management. Various functional departments and divisions set up corresponding energy management teams. Each production plant has an energy working group, which sets up a safety and power division to responsible for specific tasks.</p> <p>In accordance with the requirements listed in the "General Principles for the Use and Management of Energy Measuring Instruments for Energy-using Organs", have standardized the Company's energy metering equipment and grade requirements. We have also set standards for the management, inspection, maintenance of energy measurement instruments, and personnel professional level of maintenance and staff professionalism.</p> <p>We adhere to the principles of "increasing income and reducing expenditure" strictly abide by the "Energy Management System", established the ISO 14001 environmental management system and the ISO 50001 energy management system, implemented the intelligent control system, built an environmental on-line monitoring systems and energy management information systems. These measures were used to promote digitalized and intelligentized management and control systems for resources, energy, and environment so as to understand the dynamic monitoring and management of resources, energy and pollutants.</p> <p>Using various tools to conduct energy management, such as energy balance graphs, energy flow maps, and energy maps, we identified high energy-consuming processes and high energy-consuming equipment to guide energy conservations and potential tapping.</p> <p>We implemented clean production by performing audits on cleaner production and energy, optimized the CIP cleaning procedures, and improved the production processes. We recycled waste through the use of recycled water, recovery of packaging materials, application of biomass fuel boilers, recovery of biogas, and the return of manure to fields. We lowered carbon energy through various measures such as the promotion of national key energy-saving technologies, renewable and clean energy applications.</p>	A2(Use of Resources)	52-53, 56,67
<p>Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).</p>	<p>Total energy consumption was 227,627.34 tons of standard coal. The energy consumption of one ton of products in Mengniu plant was reduced by 1.9%.</p> <p>Power consumption was 782.58 million KWH</p> <p>Natural gas consumption was 50.58 million standard cubic meters.</p>	A2.1	68
<p>Water consumption in total and intensity (e.g. per unit of production volume, per facility).</p>	<p>The total water consumption was 27.31 million tons, among which the water consumption per ton of products in Mengniu factory decreased by 2.05%.</p>	A2.2	68
<p>Description of energy use efficiency initiatives and results achieved.</p>	<p>In the next three years, we will continue to expand the scope of implementation of multi-energy complementary strategy. There are two ways to promote the implementation: one is to promote implementation from the group to subsidiaries (from top to the end), while another is for factories to autonomously implement it themselves. We carried out this process step by step. Firstly, we prepared a number of our factories; secondly, we conducted trials; and thirdly, we promoted successful experiences among factories. We have been conducting energy-saving and water-saving technological transformation and actively seeking national policy support funds to improve efficiency.</p> <p>We will promote the application of solar photovoltaic technology, implement biogas power generation and heating projects in more than 50% of wastewater treatment plants, make full use of biogas energy, stabilize the operation of existing biomass boilers, expand the application of clean energy, and increase the overall utilization of resources. In addition, we will promote the application of natural gas boiler energy-saving technologies, heat pump technology, energy efficiency improvement of motor systems, air compressor system energy saving, energy saving of refrigeration systems, and biogas power generation technologies.</p> <p>In 2017, the amount of solar energy generated was 3.18 million KWH.</p>	A2.3	53,68

Indicators	Performance	Indicator number	Pages
Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	<p>Fresh water is a precious resource, is also one of the committed saving resources. Our production water mainly comes from tap water, which is used after in-depth treatment. In accordance with relevant national environmental protection and natural resources policies and regulations, we seek applicable water sources in accordance with the law, use water resources in a lawful and reasonable manner, and work to reduce the use of fresh water.</p> <p>Every year, we formulate water-saving plans and goals. Currently, we have developed eight major water-saving measures, improved the 3U (efficient use, recycling use and joint use) water resources management strategy, and implemented the measures and strategies in plants nationwide, and strictly supervised the use and management of water resources.</p> <p>We have introduced enterprise's water balance testing tools to monitor and track the use of water resources regularly. We have promoted balanced-water using systems, optimized the overall water-saving solutions, and promoted the transformation of high-consumption water process equipment.</p> <p>We have deeply promoted the NEPTUNE2.0 clean technology, which optimize the equipment cleaning process and improve the 3U water resources management strategy. We have saved 498,400 tons of water with a 9.85% utilization rate of reclaimed water. The COD (chemical oxygen demand) emission was reduced by 1,811.66 tons and water consumption per ton of products decreased by 2.05%.</p>	A2.4	52,68
Total packaging materials used for finished products (in tons) and, if applicable, with reference to per unit produced.	<p>We have improved our packaging management system, prioritized the use of environmental friendly and energy-saving packaging materials and reduced the consumption of packaging materials. We have adopted renewable, aseptic, environmental-friendly packaging materials certificated by FSC® or SFI forest system, which are 100% recyclable. In 2017, Mengniu consumed 18.77 billion Tetra Pak aseptic packaging and 5.84 billion cartons (waste paper and wood pulp). Yashili uses a total of 7,034 tons of packaging materials (2.4 tons per million sales revenue).</p> <p>We have replaced plastic handles and packages for Tetra Fino with the new environmentally-friendly nonwoven fabric, implemented the "replace plastic with paper" policy. We have produced over 10 million environmentally-friendly handles per month to reduce the amount of non-degradable materials discarded into nature. We have cooperated with corn deep processing companies, such as Baolingbao, Jindan and Galactic, on researching and innovating milk jug packages, replacing the original plastic jugs with foldable recycling intermediate bulk containers (IBC). This improves the utilization rate and reduces the consumption of non-renewable resources. During the period from 2013 to 2015, the environmental benefits of using foldable recycling IBC were equivalent to planting 3,035 CO₂-absorbing fir saplings every 3 years and taking care of them until 2046.</p> <p>After placing 5 packages of Tetra Pak milk into the Reverse Vending Machine (RVM) in the supermarket, consumers could receive random gifts in return, such as free tickets for the World Cup. We used the recycled packages to make business cards, park fences, garbage cans, desks and chairs, outdoor floors as well as the resting benches and roadside bins in our factories to facilitate waste recycling</p>	A2.5	69
Level A3: The Environment and Natural Resources			
General disclosure: Policies on minimizing the issuer's significant impact on the environment and natural resources.	<p>We strictly implemented the requirements set out by the "Environmental Protection Law of China," focusing on protecting and restoring the grassland ecosystem, promoting biodiversity conservation, and protecting land resources. We strictly followed the regulations on pasture selection, adhered to high standards for animal welfare to protect the health and rights of our dairy cattle.</p>	A3 (The Environment and Natural Resources)	69
Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	<p>Wastewater from pastures and dairy cattle excrements adversely affect the soil, water, and creatures around the pastures.</p> <p>When selecting the location for developing pastures, we consider places that are more than 500 meters away from drinking water sources, densely inhabited districts such as urban residential areas, and roads and railways so as to reduce the impact on people's lives.</p> <p>We target to build large-scale and intensive pastures. In 2017, the Company did not find any species that were significantly affected by its business activities.</p> <p>We have intensified the use of factory sites by introducing three-dimensional warehouse equipment when building factory and placing the office area on the second floor of the production plant.</p>	A3.1	54,69

B.Social

Indicators	Performance	Indicator number	Pages
Level B1: Employment			
General disclosure: Information on: (a)policies; and (b)compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	<p>The Group regards its employees as a valuable resource and is committed to providing them with a comfortable working environment. The Group strictly abides by the respective laws and regulations, such as the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China. All the labor contracts were signed in accordance with law and strictly comply with labor laws, such as those that highly regulate the number of employees' work hours and rest periods.</p> <p>The Group adheres to the principle of equality and diversity in the workplace, provides equal employment opportunities for colleagues from various backgrounds and with different personality traits. The Group has reformed the 100-series talent training system to provide a fair promotion channel for employees from all departments and positions.</p> <p>The Group insists on equal pay for equal work for all men and women and provides competitive salary and benefits. The Group uses a democratic leadership style and values employees' feedbacks and participation.</p>	B1 (employment)	42,70
Total workforce by gender, employment type, age group and geographical region.	<p>Women accounted for 13% of senior management.</p> <p>By gender: 24,747 male employees, accounting for 60.15%, 16,394 female employees, accounting for 39.85%.</p> <p>By age group: 16,162 employees aged under 30, 24,374 employees aged 30-50, and 605 employees aged over 50.</p>	B1.1	42,70
Level B2: Health and Safety			
General disclosure: Information on: (a)the policies; and (b)compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	<p>We will reform the occupational health and safety management systems, such as the Occupational Health Management System and the Occupational Health Management and Control Guidelines.</p> <p>The Group has established a comprehensive safety production and management institution and facilitated the process of building a safe production team. Currently, there are 108 safety management staff, including 2 national experts, 3 provincial experts, 2 municipal experts, and 64 registered safety engineers.</p> <p>In terms of safety investment, the Group set up the Management System for the Extraction and Use of Safety and Environmental Expenses in accordance with the actual situation of the Company, standardized the procedures for cost extraction and use, and provided funds for the implementation of safety production.</p>	B2:Health and Safety	42,70
Lost days due to work injury.	There were no lost days due to work injury.	B2.2	70
Description of occupational health and safety measures adopted, how they are implemented and monitored.	<p>We have implemented corporate responsibility, established firmly risk and safety awareness, responsibility awareness, legal awareness.</p> <p>We always view safety production standardization, safety culture, and safety information as a vital starting point for promoting safe production. We constantly consolidated the safety foundation to improve the level of safety management.</p> <p>We promoted the construction of safety production risk classification management and dual prevention mechanism, insisted on controlling safety risks in prevention of hidden dangers, eliminated safety hazards to avoid accidents, implemented the "10 Red Lines for Safety and Environmental Protection of Mengniu Dairy Industry", conducted five-level in-depth search for safety production.</p> <p>We regularly identified security risks and hidden dangers through methods such as risk assessments, regulation identifications, and hidden danger investigations. We monitored the implementation of occupational health and safety measures, eliminated hidden safety hazards and prevented safety accidents through strict security risk management and control.</p>	B2.3	42,70

Indicators	Performance	Indicator number	Pages
Level B3: Development and Training			
General disclosure: Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	The Group is committed to nurturing "milk craftsmen" and providing employees with a broad development stage. We will establish a diversified training system, improve the 100-series talent training system, promote leadership development projects, establish a "zhi de/worth" 4-in-1 online learning platform, and build an employee learning and development plan that matches their career paths.	B3 (Development and Training)	43,71
Level B4: Labor Standards			
General disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer Relating to preventing child or forced labor:	We strictly abide by labor laws and other related laws and regulations, resolutely oppose the use of child and forced labor and reject all forms of employment discriminations.	B4:Labor Standards	71
Description of measures to review employment practices to avoid child and forced labor.	We regular verify the authenticity of the information in the job applications of our employee. If any illegal use of child or forced labor is found, we shall immediately terminate the employment and report to the labor department.	B4.1	71
Descriptions of steps taken to eliminate such practices when discovered.	There were no incidents involving child or forced labor during the year.	B4.2	71
Level B5: Supply Chain Management			
General disclosure: Policies on managing environmental and social risks of the supply chain.	The Company attaches importance to the coordinated development of the supply chain and is committed to building a responsible supply chain. Adhering to the procurement principles of fairness, impartiality, transparency, we conducted strict qualification reviews on suppliers, and screened suppliers with respect to quality and environmental standards. We established a life cycle management system to promote social responsibilities across the industry.	B5 (Supply Chain Management)	45,71
Level B6: Product Responsibility			
General disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	We strictly abided by the "Food Safety Law", established and improved our consumer complaints handling mechanism, and built a 4Q excellent quality control system. In accordance with quality control and technical standards, we optimized the risk management system, gradually using information management tools to provide consumers with healthy and safe dairy products. The Company complies with laws and regulations, including the Consumer Protection Law of the People's Republic of China and the Advertising Law of the People's Republic of China. We guarantee the authenticity of information shown on labels and advertisements, safeguard consumers' right to know and strictly protect consumer personal information, and actively respond to consumer complaints. Complaints are processed and reviewed to effectively protect the rights and interests of consumers.	B6 (Product Liability)	32,71
Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The percentage of recycled products sold or shipped subject to recalls for safety and health reasons was 0.	B6.1	32,71
Number of products and servicereLATED complaints received and how they are dealt with.	We set up the Mengniu official accounts on Weibo and WeChat, and 24-hour national service hotlines to provide channels for consumers feedback, and complaints, and promote supervision for consumer rights. We actively responded to consumer complaints, reviewed complaints upon completion, and effectively protected the interests of consumers.	B6.2	32, 34,71
Description of practices relating to observing and protecting intellectual property rights	We strictly abide by the "Law of the People's Republic of China on Intellectual Property Rights." We actively carry out technological innovations and promote the application of technology and product patents.	B6.3	71

Indicators	Performance	Indicator number	Pages
Description of quality assurance process and recall procedures	<p>Through the alliance chain, online and offline retail dairy product traceability and anti-counterfeiting can be achieved. After shopping on JD.com, users simply open the JD.com APP, find orders, click on "One-click tracing" or directly scan the product's code to trace information. We believe this measure can be more effective in protecting the brand reputation of Mengniu brand and consumers' right, and continue to enhance the purchasing experience of Mengniu products at JD.com.</p> <p>We established an effective recycling system. Based on the results of the trait classification of expired products, we would dispose of expired products which cannot be used anymore. For expired products that can be recycled and reused, we give them to qualified companies, such as animal feed processing companies and other cooperative companies for further process.</p>	B6.4	33,72
Description of consumer data protection and privacy policies, how they are implemented and monitored.	According to the "People's Republic of China Consumer Rights Protection Law", we have carried out technical and other necessary measures to ensure information security, preventing the leakage of consumer private information and providing a safe condition for purchases.	B6.5	32,72
Level B7: Anti-corruption			
General disclosure: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	<p>We strictly abide by the anti-corruption regulations set out in the "Company Law of the People's Republic of China" and the stipulations of disciplinary inspection and supervision stated in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and strictly manage the risks of corruption and against all kinds of corruption.</p> <p>The Company has established an "Integration Inspection and Supervision Management System". All divisions have adopted the "Discipline Inspection and Supervision Management System" to prevent anti-corruption work and punish related parties. We adhere to the standards at the most stringent level, supervision at the most rigorous level, punishment at the most severe level, and the accountability at the serious level, which is our "four mosts" to strengthen the internal control mechanism.</p>	B7 (Anti-corruption)	8,72
Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	There were no lawsuits in regards to corruption during the year.	B7.1	72
Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	A special disciplinary inspection and supervision department was set up to investigate and handle reports of various violations of discipline, malfeasance and corruption, and to disclose the ways and means of reporting to related parties such as partners and employees. We also publish the reports on our Company website, which has played a deterrent and preventive role against all kinds of violations. We hold discussions and conduct assessments regularly to assess the effectiveness of the reporting channels for continuous improvement.	B7.2	72
Aspect B8: Community			
General Disclosure: Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	We consider promoting the regional economy, culture and society development as our duties and promoting the education development and spreading energy of public welfare as important social responsibilities. We actively engage ourselves in the local community, carrying out action plans to encourage and support our employees in conducting community volunteer services to promote public welfare and community development.	B8 (Community)	62, 63, 64, 65, 72
Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Till end of 2017, we have donated a total of 6 million packs of milk to 209 schools in 157 counties of 24 provinces nationwide, with over 40,000 countryside students from poverty areas benefited. This has improved the nutrition and health level of the teens.	B8.1	60
Resources contributed (e.g. money or time) to the focus area.	Total investment in external public welfare were RMB 19.70 million.	B8.2	58

Outlook

Looking forward to 2018, we “Stay true to our initial goal, win the champion together” as our objective. We will further boost our innovation strength, focus on resources advantages, continuously deepen the reform, save the cost and increase efficiency. We will also put more efforts in R&D. At the same time, we will broaden our horizons, promote globalization while achieving success with all our partners.

Focus on quality. We will continue to produce spaceflight-quality milk with strict standards and craftsmanship, focus on product R&D and innovation, improve service quality, expand purchase channels, and build communication platforms, devoting to providing more nutritious and healthier dairy products of higher quality for our consumers.

Win-win partnership. We will strengthen our communication with investors, continuously enhance information transparency, and generate satisfactory returns for our shareholders. Adhere to the idea of “People First”, we build a comprehensive employment ordinance, reform employee development and training system, and care for employees’ living., We would like to be become an enterprise which will grow with our employees. We would like to become a responsible supply chain who innovate management and technologies while achieving win-win results with our industrial partners.

Green development. We persist to the idea of sustainable development. We reform the water resources recycling system, increase the utilization rate of clean energies, reduce the use of traditional fossil energy, mitigate the carbon emissions of our businesses, adhere to high standards for animal welfare, and guarantee health and rights of the dairy cattles. We also improves our management of exhaust gas, effluent and solid waste to lower the impacts of pollutants on environment.

Targeted poverty alleviation. We will continue to uphold the concept of “Nutrition Popularization” and more engage in alleviating targeted poverty. We will promote the development of sports for public, advocating a healthy lifestyle. We also devote more resources into charity by developing various public welfare-themed activities, building a comprehensive public welfare platform. Furthermore, we will drive the upgrade of industries related to local dairy products and back the local economic development.

Index of Report Indicators

	Index	Page
A Environmental	A1 Emissions	56,66
	A1.1	54,56-57,66
	A1.2	54,66
	A1.3	66
	A1.4	66
	A1.5	54,56-57,67
	A1.6	56-57,67
	A2 Use of Resources	52-53,56,67
	A2.1	68
	A2.2	68
	A2.3	53,68
	A2.4	52,68
	A2.5	69
	A3 The Environment and Natural Resources	69
	A3.1	54,69
B Social	B1 Employment	42,70
	B1.1	42
	B1.2	70
	B2 Health and Safety	42,70
	B2.1	70
	B2.2	70
	B2.3	42,70
	B3 Development and Training	43,71
	B3.1	43
	B3.2	43
	B4 Labor Standards	71
	B4.1	71
	B4.2	71
	B5 Supply Chain Management	45,71
	B5.1	45
	B5.2	45
	B6 Product Responsibility	32,71
	B6.1	32,71
	B6.2	32,34,71
	B6.3	71
	B6.4	33,72
	B6.5	33,72
	B7 Anti-corruption	8,72
	B7.1	72
B7.2	72	
B8 Community	62-65, 72	
B8.1	60	
B8.2	58	

Expert Comments

The China Mengniu Dairy Company Limited Corporate Social Responsibility Report (2017) is the fifth comprehensive non-financial report released by Mengniu. This report reflects Mengniu's corporate vision of being the "Century-Old Mengniu", a consumer-oriented and innovation-driven nutrition and healthy food company, and its accomplishments in sustainable development management.

Firstly, the report reflects Mengniu's innovative ideas. "I am Mengniu" is the thesis of the report, which expounds on Mengniu's understanding of social responsibility in different aspects, including nutrition, health, growth, eco-friendliness and targeted poverty alleviation. This report identifies the key aspects between business operation management and society to improve the relationship between Mengniu and its stakeholders.

Secondly, the report reflects Mengniu's innovation in management. Mengniu incorporates ESG management into its corporate strategies, and integrates SDGs into business operation management to build an ESG closed-loop management system. From the top down, Mengniu has developed a multi-angle sustainable development management approach. From the bottom up, Mengniu promotes the launch of sustainable development projects to create a competitive advantage and sustainable development.

Thirdly, the report reflects Mengniu's innovation in information disclosure. The "Performance Report" section is set up in an innovative manner in response to the ESG requirements of the Hong Kong Stock Exchange. It systematically reviews Mengniu's accomplishments in environment protection, social and corporate governance to help readers better understand the indices and corporate performance.

Fourthly, the report reflects Mengniu's innovation in design. Mengniu incorporated the trending topic of the World Cup through visualization effects accompanied with appropriate text descriptions. Refined text and vivid pictures illustrate the essence and value of each chapter, which effectively makes it easier to read.

— — Chief Advisor of China WTO Tribune Gefei Yin

The Mengniu Dairy Sustainability Report (2017) highlights the World Cup and other international content, strictly adheres to international standards, bases on the GB/T 36000 to connect with the international standard, and contributes to the realization of the UN's sustainable development goals. This reflects Mengniu's responsibility as a leading dairy product company.

Mengniu leverages on the World Cup as an opportunity to deliver the concept of being a responsible Chinese dairy company. Mengniu firmly seized the opportunities brought by the "One Belt, One Road" initiative to build a global innovation platform for a sustainable ecosystem in the dairy industry, conveying the concept of health and happiness to the world. With the theme of "One World, One Happiness", the report expounds Mengniu's internationalization strategy and its plans of advocating sports and health, showing Mengniu's values of integrity, innovation, passion and openness as the world's leading dairy company.

Mengniu showcases its internationalization towards a world-class dairy company. In cooperation with other international quality partners, we have developed a world-wide source of high-quality milk resources, built a sustainable brand with innovative power, and contributed to the sustainable development of the dairy industry with robust corporate management innovation.

Mengniu highlights its contributions to global sustainable development. Mengniu met international standards, followed the requirements of ISO 26000 and GRI/G4 Guide in the core themes of social responsibility, actively aligned itself with the UN 2030 sustainable development agenda, and implemented SDGs' requirements into strategy formulation and operation management, demonstrating Mengniu's active contribution to global sustainable development goals and its exemplary efforts towards sustainable development.

— — Researcher of China National Institute of Standardization Chen Yuanqiao

Factual Statement



Assurance Statement of Corporate Social Responsibility Report

TUV Asia Pacific Ltd. ('TUV NORD') has been commissioned by the management of China Mengniu Dairy Company limited ('Mengniu Company') to carry out an independent assurance of the Sustainable Report 2017 ('report').

Mengniu Company is responsible for the collection, analysis, aggregation and presentation of information within the Report. TUV NORD's responsibility in performing this work (assurance of the report) is in accordance with terms of reference agreed in the scope of engagement with Mengniu. Mengniu is the intended users of this statement.

This statement is based on the assumption that the data and information provided in the report is complete and true. This report is the forth comprehensive Non-financial report for Mengniu Company, and it's the second time for Mengniu to invite TUV NORD to give independent assurance.

Assurance Scope

- The report revealed the accuracy and reliability for key performance, information and management system which happened during year 2017.
- Assurance address is in No.1, Section 1 Food industry park, Tongzhou district, Beijing. We visit Mengniu CSR head quarter, which is Mengniu Beijing production base and communicated with some stakeholders.
- We evaluate the collection, analysis, aggregation of the information and data.
- Due to financial data has been audited by the third party, and published in Mengniu 2017 annual report, financial data in the report is not in our assurance scope.

Assurance of the Report was done on June 11-12, 2018

Assurance Methodology

Assurance process including following activities:

- Review the document information which provide by Mengniu Company;
- Interview the person who collected the report information;
- View the related websites and media reports, verify the data and information through sampling method;
- Refer to CSR requirement of Environment, social, and governance guideline which made by SEHK, we evaluate the report;
- Refer to AA1000AS (2008) Assurance methodology, and ISO 26000 social responsibility standard.
- Assurance activity is based on TUV NORD CSR report assurance management system.

Assurance conclusion

Mengniu Company 2017 sustainable Report provide an appropriate and objective view of the sustainability & social programs and performances during year 2017. The data in report is reliable and objective, TUV NORD didn't find the system error or substantial error.

- The revealed information is clear, easy-understand and available;
- The report takes "I am Mengniu" as theme, benchmarking the "United Nations sustainable development goals" (SDGs) 2030, from the nutrition and health, growth and win-win, environment friendly, targeted poverty reduction, response the stakeholder expectations and requirements;



- At the end of the report, a performance report is specially designed for ESG requirements, which is convenient for stakeholders to refer to standard ESG requirements and social responsibility performance of Mengniu.

Suggestion for improvement

- Through assurance and evaluation, we had following improvement suggestion on CSR practice and management:
- Suggest reveal more environment information on product package, three wastes management, prepare for the further implementation of the key indicators of environmental, social and governance guidelines;
- Suggest setting practicable action plan of social responsibility practice in related business departments, evaluate and update regularly, persistently;
- Suggest reveal performance of more subsidiaries and branch companies, which can increase balance of report.

Special statement

- This statement excluding:
- The activity outside information revealed;
- The position, idea, faith, object, future development direction, and promise which stated by Mengniu Company.

Statement of Independence and Competence

TUV NORD Group is the world's leader in inspection, testing and verification, operating in more than 70 countries throughout the world and providing services which includes management systems and product certification; quality, environmental, social and ethical auditing and training; environmental; social responsibility and sustainability report assurance.

TUV Asia Pacific Ltd. affirms its' independence from Mengniu Company and confirms that there are no conflicts of interest with the organization or any of its subsidiaries and stakeholders when performing the assurance of the Report. TUV Asia Pacific Ltd. was not involved in any manner with Mengniu Company, when the latter was preparing the Report.

TUV Asia Pacific Ltd.

A handwritten signature in black ink, appearing to read "Song Haining".

Authorized person: Song Haining
Date: 22.06.2018

A handwritten signature in black ink, appearing to read "Huang Li".

Team Leader: Huang Li
Date: 22.06.2018

Please refer to the Chinese version upon the difference between English version and Chinese.

Reader's Feedback Form

Reader's Feedback Form

Respected readers,

We would like to extend our thanks to you for reading China Mengniu Dairy Company Limited Corporate Social Responsibility Report (2017). We value your opinions on the report, and please give us your comments and suggestions to facilitate our further improvements.

Add: 1 Section 1, Food Industry Park, Tongzhou District, Beijing, China

Tel: 010-69579758

Optional Questions: (Please mark your answer by putting a tick in the corresponding box)

1. What's your overall impression on the report?

Excellent Good Fair Poor Very poor

2. How do you comment on the quality of information on social responsibilities in the report?

Very High High Fair Poor Very poor

3. What do you think of the report structure?

Very Logical Logical Fair Poor Very poor

4. How do you like the format design and presentation form of the report?

Excellent Good Fair Poor Very poor

Open Questions:

We are open to your valuable comments and suggestions on the China Mengniu Dairy Company Limited Corporate Social Responsibility Report (2017):



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