

2022

Sustainability Report

China Mengniu Dairy Company Limited





About This Report

Reporting Period

This report covers the period from 1 January 2022 to 31 December 2022, with some content and data going back to previous years as appropriate.

Organizational Coverage

Unless otherwise specified, the disclosure scope of this report is consistent with the scope of the 2022 annual report of China Mengniu Dairy Company Limited, including its affiliated branches, subsidiaries and affiliates.

Publication

China Mengniu Dairy Company Limited Sustainability Report (2022) is the eleventh non-financial report issued by the Company.

References

This report was prepared in accordance with Appendix 27 *Environmental, Social and Governance Reporting Guide* ("ESG Reporting Guide") of The Stock Exchange of Hong Kong Limited ("HKEX") *Main Board Listing Rules* and with reference to the *Global Reporting Initiative (GRI)'s Sustainability Reporting Standards* ("GRI Standards"). This report responds to and adheres to following Reporting Principles.

Materiality:The report has identified key stakeholders and their ESG topics in the preparation process and making targeted disclosures in this report according to the relative importance of their concerns.

Balance:This report objectively discloses both positive and negative information, ensuring that the content reflects our sustainable development performance within the given time frame without bias.

Quantitative:This report adopts quantitative information

to disclose the key performance indicators ("KPI") in the environmental and social aspects. The measurement standards, methods, hypothesis and/or calculation tools, and the source of conversion coefficient used for the KPIs are explained in their respective paragraphs.

Consistency: The data disclosed in this report follows the same statistical method as previous years, and explanations have been made for individual changes to ensure the principle of consistency.

Abbreviations

For ease of presentation and readability, China Mengniu Dairy Company Limited is also referred to as "Mengniu", the "Group", the "Company" and "We" in this report.

Data Sources

All information and data quoted in this report are from official documents, statistical reports, and financial reports of the Company. The material in this report has been provided by Mengniu employees and partners, and is only used for the disclosure of Mengniu's sustainability management progress, not for commercial purposes.

Language Versions

This report is available in simplified Chinese, traditional Chinese, and English. In case of inconsistency, please refer to the simplified Chinese version as it shall prevail.

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Message from the CEO

Upholding GREEN Sustainable Development Strategy and Co-creating a Resilient Future of the Dairy Industry



Jeffrey, Minfang Lu
CEO and Executive Director

The year 2022 is a year full of challenges and courage to move forward. The overlapping of various global uncertainties has posed a serious challenge to the sustainable development of mankind. Mengniu, as the "national team" of China's dairy industry, endeavors to promote the "Creating a New Mengniu" strategy to drive the high-quality development of the whole industry chain, boost the revitalization of the dairy industry and meet people's aspiration for a better life.

In the past year, Mengniu fully addressed its "born to excel" spirit in business development, demonstrated strong resilience in business development with constant growth of its core business performance and successfully became one of the top seven in the global dairy industry. This not only validates the correctness of the Mengniu strategy and the team's strong execution, but also strengthens the Company's determination to drive sustainable development together with industry partners.

Through the efforts of recent years, Mengniu has gradually established an ESG management system, clarified the ESG strategic path, continuously improved ESG key issues, and formed a cross-organizational and departmental force for sustainable development. We have achieved outstanding results and been recognized by domestic and international authorities for several times. In



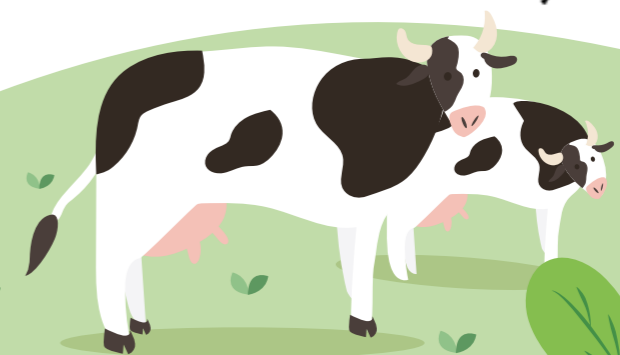
2022, Mengniu MSCI ESG rating was upgraded to A level. In addition, Mengniu was included as the constituent of Hang Seng Sustainability Corporate Index, ranked first in the SASAC Central Enterprise ESG "Pioneer 50" Index, and won the "CDP 2022 Environmental Leap Forward Progress Award".

This year, Mengniu continued to improve the GREEN Sustainable Development Strategy System, optimized the collaborative network for sustainable development, clarified phased strategic goals, and further promoted the implementation of GREEN Sustainable Development Strategy issues. We also transmitted the concept and methods of ESG governance and corporate social and environmental responsibility to our value chain partners. Meanwhile, Mengniu insisted on innovative practices, built a number of zero-carbon emission factories, zero waste to landfill management factories, and carried out innovative sustainable projects to continuously lead the industry, such as green packaging, biodiversity protection, responsible supply chain management, and green marketing. Mengniu commits to implementing the goal to achieve carbon neutrality in the value chain by 2050 and elevates forest protection to a critical action, unswervingly upholds the green and sustainable development path with ecology as priority.

The path of sustainable development is still long and arduous. From the perspective of the dairy industry, we perceive two fundamental sustainability issues. On the one hand, the livestock industry, as one of the main sources of agricultural carbon emissions, accounts for 15% of the global total carbon emissions, but so far, there is no particularly effective carbon reduction program. On the other hand, the global food security crisis has yet to be completely resolved, and the nutritional needs of developing countries are still rising. Dairy products continue to be responsible for meeting human nutritional needs.

Therefore, we will not only find a balance between commercial and social, environmental benefits, but also assist creating a dairy production and consumption model that does not exceed the carrying capacity of resources and the environment through technological innovation and sustainable consumption, so as to achieve sustainable dairy access and the strategic goal of "Creating A New Mengniu by 2025".

In the future, adhering to the GREEN Sustainable Development Strategy with five pillars of Governance-Sustainability, Responsibility-Common Prosperity, Environment-Carbon Net-Zero, Ecosystem-Collaborative & Accountable and Nutrition-Supreme & Inclusive as directions, Mengniu will take technological innovation and consumer advocacy as driving force to become a more sustainable enterprise, and collaborate with the industrial chain ecosystem to protect the common health of mankind and the planet.



Statement of the Board

Mengniu recognizes the importance of environmental, social and governance (ESG) issues for the long-term and stable operation of the Company, highly values sustainable development management, and has established an effective ESG governance mechanism. The Board of Directors has set up the Sustainable Development Committee as the highest decision-making body for the Group's sustainable development work, to review the Company's ESG strategy, goals and risk management, reviews and monitors the progress of achieving ESG goals, ensure the integration of ESG concept with Company operations, and explore a new sustainable development model combining ESG with the Company's business model. Under the leadership of the Sustainable Development Committee of the Board of Directors, the Sustainable Development Executive Committee, the Secretariat of the Sustainable Development Executive Committee, the Sustainable Development Promotion Office and the task force on key topics are responsible for the implementation of ESG matters.

Mengniu has established timely and transparent communication and response channels with stakeholders, actively paid attention to stakeholders' demands, regularly evaluated important ESG topics, and formulated the Mengniu "GREEN Sustainable Development Strategy" (the "GREEN strategy") and integrated the GREEN strategy into daily operations. The Sustainable Development Committee participates in the evaluation of the identification results of important ESG topics, regularly reviews the GREEN Sustainable Development Strategy of Mengniu, and guides the undertaking of the GREEN strategy and the Company's

overall strategy. This year, in response to important ESG topics such as low-carbon development and responsible procurement, the Company established a cross-function task force to regularly report progress to the Sustainable Development Committee.

Mengniu has set ESG goals linked to its business during the implementation of its the Green Strategy, and managed and tracked the progress on the implementation of the ESG goals. The Sustainable Development Committee periodically monitors and reviews the achievement of relevant ESG goals in the GREEN strategy.

Mengniu attaches great importance to the potential significant impacts that ESG risks and opportunities may have on the Company, continuously evaluates the possibility and extent of such risks and opportunities, and develops plans and measures to mitigate ESG risks associated with the business operations. The Board of Directors participates in the evaluation of ESG risks and opportunities, and oversees the effective operation of the Company's ESG risk management and internal control systems.

This report discloses in detail the progress and effectiveness of Mengniu's ESG work in 2022, which has been reviewed and approved by the Board of Directors on March 29, 2023.



Corporate Profile

China Mengniu Dairy Company Limited (Stock Code: 2319) is a leading dairy company, ranking among the top seven dairy companies in the world. Founded in 1999 and headquartered in Hohhot, Inner Mongolia Autonomous Region, China, the Company was listed in Hong Kong, China in 2004 and was a constituent of the Hang Seng Index and Hang Seng China Enterprises Index, and was reelected as a constituent of the Hang Seng Corporate Sustainability Index in 2022.

Mengniu focuses on providing nutritious, healthy and delicious dairy products to Chinese and global consumers, forming a rich product matrix including liquid milk, ice cream, milk powder, cheese and other categories. In 2022, the Company's revenue reached RMB 92,593 million.

Mengniu has established 41 bases in China and overseas bases in New Zealand, Indonesia and Australia, with a total of 68 plants worldwide and a combined annual production capacity of more than 10 million tonnes. Mengniu has also made efforts to integrate high-quality resources and has made strategic investments in large dairy groups such as China Modern Dairy and China Shengmu, etc. Mengniu also actively deploys high-quality milk sources overseas, owning raw milk processor Burra Foods and organic infant food seller Bellamy's in Australia.

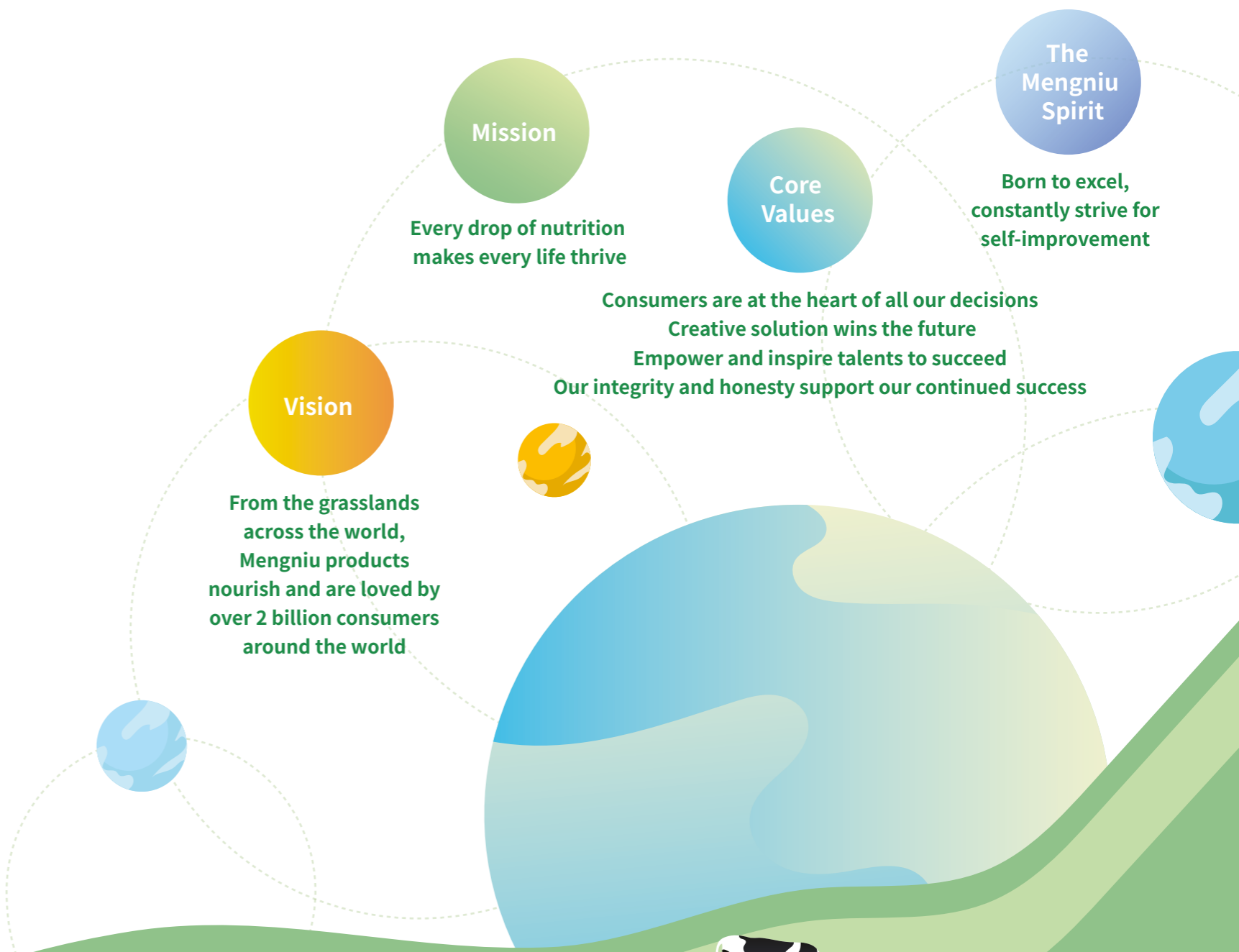
Mengniu has established multinational R&D centers in North America and Europe, and has carried out strategic cooperation with many well-known scientific research institutions at home and abroad to jointly tackle key problems in forage planting, breeding and processing, basic dairy science, product innovation and other fields, and has made great progress in intelligent manufacturing, raw milk preservation, probiotics, quality control technology and other fields. The Company continuously improves its quality management system of the entire industry chain "from pasture to milk cup", covering breeding, production, processing, logistics and other links with digital and intelligent means, with full closure monitoring of production and dynamic inspection of the whole process, to ensure that every product is of excellent quality and superior quality.

Mengniu's first-class quality and brand value are widely recognized at home and abroad. Mengniu is the official global sponsor of FIFA World Cup, the official partner of China Football Association's China Team, the official partner of China Football Super League, the strategic partner of China's aerospace industry, the official dairy partner of Shanghai Disney Resort, and the official partner of Beijing Universal Resort.

Mengniu aligns with the United Nations Sustainable Development Goals (SDGs) and has gradually improved its "GREEN Sustainable Development Strategy", focusing on five directions: Governance-Sustainability, Responsibility-Common Prosperity, Environment-Carbon Net-Zero, Ecosystem-Collaborative & Accountable, and Nutrition-Supreme & Inclusive, to comprehensively promote GREEN Sustainable Development Strategy, to boost the revitalization of the dairy industry, to assist rural revitalization and realize common prosperity through revitalization of the dairy industry. Mengniu releases industry-leading dual-carbon strategic goals of achieving carbon peak by 2030 and carbon neutrality in the whole industry chain by 2050, actively helps the country achieve its dual-carbon goals, and promotes the sustainable development transformation of the upstream and downstream of the industrial chain.

During the 14th Five-Year Plan period, Mengniu, standing at a new stage of development, will lead in the construction of a new paradigm of development of China's dairy industry and formulate its strategic plan of "Creating a New Mengniu", striving to develop into a Mengniu beloved by consumers, an international Mengniu, a Mengniu with strong sense of responsibility, a Mengniu with strong cultural gene, and a digitalized Mengniu. Looking to the future, Mengniu will continuously meet the customers' needs for a better life with high-quality products and services, promote the high-quality development of China's dairy industry and build itself into an icon of Made in China.

Corporate Culture



Mengniu GREEN Sustainable Development Strategy

Mengniu has always taken "Promise a Healthier World" as its vision, and taken "More Nutritious Products, A Better Life, A More Sustainable Planet" as our sustainability mission. Combining with its own business and the sustainable development goals of the United Nations, Mengniu has formed the "GREEN Sustainable Development Strategy", which includes five strategic pillars, subdivided into 15 topics and 28 actions, covering a total of 178 sustainable development indicators. In 2022, in order to better promote the implementation of the strategy, the secretariat of the Sustainability Development Executive Committee worked closely with various departments to refine each of the 28 strategic actions, clarify the main responsible departments and cooperating departments, as well as the overall objectives, annual objectives and key initiatives of each action in the next three years, so as to ensure the implementation of the GREEN strategy.



Governance-Sustainability

- ESG Governance
- Risk Management
- Business Ethics

With the strategic pillar of "Governance-Sustainability", Mengniu aims to enhance the Company's risk management and control capabilities, improve corporate business practices, enhance corporate governance capabilities, and implement effective sustainable development management.

Responsibility-Common Prosperity

- Employee Well-Being
- Rural Revitalization
- Charity

With the strategic pillar of "Responsibility-Common Prosperity", Mengniu focuses on enhancing the social value, promoting the healthy life of human beings, caring for the people in underdeveloped areas and undeserved groups in society, and joining hands with employees to achieve common prosperity.

Environment-Carbon Net-Zero

- Dual-Carbon Action
- Green Operation
- Recycle

With the strategic pillar of "Environment-Carbon Net-Zero", Mengniu focuses on improving Mengniu's environmental performance, devoting itself to responsible production and rational use of resources, realizing low-carbon production and dealing with climate change issues.

Ecosystem-Collaborative & Accountable

- Sustainable Procurement
- Sustainable Agriculture
- Biodiversity Conservation

With the strategic pillar of "Ecosystem-Collaborative & Accountable", Mengniu focuses on building a responsible dairy industry chain, driving upstream and downstream partners in the industry chain to jointly build a green industry chain, carrying out responsible procurement, promoting the development of green agriculture and protecting biodiversity prosperity.

Nutrition-Supreme & Inclusive

- Nutrition and Health
- Excellent Quality
- Good Services

With the strategic pillar of "Nutrition-Supreme & Inclusive", Mengniu is committed to meeting the diverse consumer needs and continuously improving the nutritional and health attributes, product quality and food safety of its products.

2022 Performance Highlights

Honors

- MSCI ESG rating was upgraded from BBB to A, ranking first in China's food industry.
- Re-elected as a constituent of the Hang Seng Corporate Sustainability Index, with a score of A+.
- Participated in the "ESG Pioneer 50 Index of Central Enterprises" of SASAC and won the top prize among 426 listed companies held by central enterprises.
- Won the first KPMG China Future ESG Award - ESG Practice Award 2022.
- As the only dairy enterprise selected to win the Inner Mongolia Charity Award for Enterprise Donor Award.
- Received the "CDP 2022 Leap Forward Award" for its excellent management of climate change, water resources and forests.
- Won the 17th People's Corporate Social Responsibility Award for Green Development.
- Received the "2022 National Quality Benchmark Award" from the China Quality Association.
- Awarded the "China Dairy Industry Enterprise Award for High Quality Development", "First Prize for Technical Invention", "Grand Prize for Technical Progress" and two "First Prize for Technical Progress" by China Dairy Industry Association.
- As the only enterprise led by a production company, we won the third prize of the first "Science and Technology Award for Conformity Assessment" of China Certification & Accreditation Association.
- Mengniu's biodiversity case was selected in the Business Biodiversity Conservation Cases released by the 15th Conference of the Parties (COP15) of the United Nations Convention on Biological Diversity (CBD).
- Awarded the "Sustainable China Industry Development Initiative" 2022 Industry Case of the Year by APEC.
- Awarded the "2022 Workplace Excellence" certification by the Employer Branding Institute, an employer branding organization.
- Awarded the "Social Capital and Sustainability Industry Excellence Award" by the Hong Kong Home Affairs and Youth Affairs Bureau.
- The Mengniu rural revitalization case won the "Xinhua Credit Jinlan Cup" ESG Outstanding Contribution Case.



Join the Global Initiatives

Mengniu joined the United Nations Global Compact (UNGC) to support and comply with the ten principles of the Global Compact, adopted a more responsible operation and continuously developed innovative solutions to achieve greater public benefit with business.



Mengniu joined the Pathways to Dairy Net-Zero (P2DNZ) global climate initiative jointly launched by the Food and Agriculture Organization of the United Nations (FAO), the International Dairy Federation (IDF) and the Global Dairy Platform (GDP). Mengniu is committed to accelerating action on climate change and reducing greenhouse gas emissions in the dairy industry, and systematically building a low-carbon dairy industry worldwide.



Mengniu joined the Consumer Goods Forum (CGF) and actively participated in promoting key issues in the consumer goods industry such as food safety, social and environmental sustainability, health, and end-to-end value chain, contributing Chinese wisdom to the sustainable development of the consumer goods industry.



Mengniu joined the Supplier Ethical Data Exchange (Sedex) platform, aiming to build a responsible supply chain by reference to international concepts and practices, and further to promote the sustainable development of the supply chain.



ESG Highlights

Governance-Sustainability



- Incorporated ESG indicators into the annual performance appraisal contract of managers and formulated differentiated ESG assessment weights according to relevant ESG responsibilities.
- Set up a **cross-departmental special working group** on key ESG topics.
- Held 38 meetings with ESG-themed investors and rating agencies to comprehensively convey the high-quality development results, ESG strategies and long-term value creation of Mengniu to the capital market.
- Carried out internal risk management empowerment training, and simultaneously carried out risk control management empowerment to holding companies to establish an effective safeguard mechanism.
- Incorporated the compliance clause into the contract template, which led to the consensus of business partners to jointly sign the Compliance Commitment Letter.
- **20,000+** employees completed the compliance management system confirmation and compliance duty performance commitment.
- Comprehensively upgraded and issued the *Integrity Compliance Manual (international edition)*, covering the concept of integrity compliance to all overseas Sharing and Holding Companies.
- Mengniu formulated and issued the *Guidelines for Corporate Governance Compliance*.
- Formulated and issued the *Environmental Protection Compliance Manual*.
- Formulated and issued the *Regulations on Compliance Management of Personal Information Protection*, the *Handbook of Compliance Guidelines for Personal Information Protection* and the *Annex Guidelines for Compliance Operation of Personal Information Protection of APP/Mini Programs*.
- Formulated and issued the *China Anti-Corruption and Anti-Money Laundering System of Mengniu*.
- Signed the *Belt and Road Corporate Integrity Initiative*.
- Conducted 28 special supervisions on corruption-prone and easily-prone processes, proposed 10 rectification suggestions, and improved 21 systems.
- **33,131** employees signed the *Integrity Commitment Letter*.
- Conducted integrity audits on **2,310** newly promoted and evaluated employees, and issued pre-appointment integrity reminders to **1,148** newly recruited (promoted) employees.

Responsibility-Common Prosperity



- The proportion of female executives has reached **26.32%** (Group assistant vice president and above).
- The employee training coverage rate has reached **91.45%**, with a total training time of **4,021,519.84 hours**.
- Launched the "**Happiness 365+ Employee Care Work System**", and the employee care work was upgraded comprehensively.
- The occupational skills certification work covered **25** bases nationwide, with a coverage rate of **83%**, and **3,000+** professional talent certification plans were completed, which can effectively improve the competitiveness of employees and the skill level of workers.
- Led the planting of **6 million+** mu and **12 million+** tonnes of high-quality forage grass nationwide, drove the breeding of **1.7 million+** dairy cows, and directly and indirectly pushed forward **4 million+** herdsmen nationwide to increase their income.
- Established **10+** planting, breeding and processing dairy industry parks nationwide, and built **30+** new pastures with strategic partners nationwide, and directly and indirectly promoted the employment and income of **60,000+** herdsmen.
- The "Inclusive Nutrition Plan" donated **3.97** million boxes of high-quality student milk to **277** schools in **20** provinces across the country, covering **179,200** student person-time.
- Distributed nearly RMB **32** billion of milk payments nationwide to support the high-quality development of the raw milk industry.
- Cooperated with financial institutions to invest RMB **7.60** billion in support of upstream pastures.
- Carried out **29** public welfare training sessions on pasture technology upgrading, covering **330,000** times of people participation.
- Precisely helped **156** pastures to improve the refinement and scientific level of feeding management.
- Annual charitable donation expenditure reached **RMB 106 million**.
- Annual employee volunteer activities reached **20,000** hours, and the times of volunteers participation reached **10,000**.
- Mengniu was the **only** dairy enterprise winning the **Inner Mongolia Charity Award Donor Company Award**.
- **8** factories were awarded the honorary title of "Healthy Enterprise" at the provincial and municipal levels; **13** employees were awarded the honorary title of "Professional Health Talent" at provincial and municipal levels.

Environment-Carbon Net-Zero



- Mengniu's Qijing Factory was certified by Germany's TÜV Rheinland and China's Guangzhou Emissions Exchange, becoming **the first internationally and domestically dual certified zero-carbon emission factory in the dairy industry**.
- Yashili Reeborne Jingzhi of Mengniu infant formula milk powder 700g and 750g obtained **carbon neutrality product certificates** for its Stage 1, Stage 2 and Stage 3 product, achieving **relatively zero greenhouse gas emissions**.
- Mengniu promoted ISO 50001 Energy Management System Certification coverage, and achieved **100%** certification of Mengniu's own factories.
- By the end of 2022, Mengniu has promoted a total of **57** replacements of coal-fired boilers, adopted **71** water conservation measures, used **30** clean energy sources, achieving a carbon reduction of about **180,000** tonnes.
- By the end of 2022, Mengniu has installed more than **14.6MW** of solar photovoltaic capacity, representing a year-on-year increase of more than **8.96%**.
- Awarded "Environment Leap Forward Award" by CDP global environmental information research center.
- **49** plants obtained GB/T24001-2016 /ISO14001: 2015 Environmental Management System Certification.
- The Company invested more than **200 million** in ecological and environmental protection, completed **21** key environmental protection renovation projects, and supervised the discharge of pollutants in 38 sewage treatment plants of the Group to meet the sewage discharge standards.
- Mengniu's unit product freshwater consumption decreased by **1.54%** year-on-year in 2021, with an annual water saving of **859,745** tonnes (including social water saving of **421,557** tonnes).
- The Company's water reuse volume was about **2.257** million tonnes, with a reuse rate of **7.5%**.
- **5** factories were newly awarded with the title of provincial water conservation enterprise and **1** factory was newly awarded with the title of municipal water conservation benchmark enterprise.
- By the end of 2022, **27** factories have been certified as "National-level Green Factory".
- Mengniu Qingyuan, Shangzhi factories obtained the "Zero-Waste Factory" certification issue by TÜV Rheinland, becoming **the first company in the dairy industry domestically to obtain waste zero to landfill management**.
- Mengniu is committed to achieving **100% technically friendly packaging materials** by 2025, and strives to be the first in the industry to achieve low-carbon packaging across all product lines.

Ecosystem-Collaborative & Accountable



- Revised the *Supplier Code of Conduct (COC)* to cover the sustainability requirements of the Sedex Responsible Business Platform and the requirements of Mengniu's GREEN Sustainable Development Strategy.
- The internal audit covered **100%** of the suppliers of raw and auxiliary materials.
- Joined the Sedex responsible business platform. **All the strategic suppliers of raw and auxiliary materials completed self-assessment questionnaires**. Among them, **21** strategic suppliers of raw and auxiliary materials completed the third-party audit of SMETA.
- Conducted training programs for suppliers on quality management, ESG management, publicity and implementation of procurement systems, anti-corruption and clean administration, and other aspects. The coverage rate of supplier training reached **100%**.
- In 2022, **82%** of Mengniu's raw paper for product inner packaging is FSC forest certified, and **100%** of paper for product outer packaging cartons is made from recycled paper.
- All palm oil products purchased by Bellamy's, a subsidiary of Mengniu, have been certified by **RSPO "Identity Preserved Supply Chain Model"**.
- Participated in the preparation of and published the pasture-related group standards: *Heat Stress Prevention and Control Standard for Dairy Cattle* and *Specification for Quality and Production of Whole Corn Silage*.
- The Shanghe Farm from China Modern Dairy of Mengniu was awarded the *Farm Animal Welfare Products certification* for its many management practices in the field of animal welfare.
- **Nine** pastures of its subsidiary China Shengmu were awarded the title of "S-level dairy farm" in Modern Dairy Industry Evaluation, and **five** were awarded China Good Agricultural Practice (GAP) certification.
- Conducted **300+** special training sessions on veterinary medicine, covering **5,000+** farmers and employees.
- A total of **18** cooperative farms were awarded the title of "National Demonstration Farm for Reduction of Veterinary Antibiotics".
- Developed and published the *Forest Conservation Policy* to continuously reduce the risk of deforestation and has committed to achieve the goal of zero deforestation by 2030.
- Mengniu's biodiversity reservation case was selected in the *Corporate Biodiversity Conservation Cases* released by the 15th Conference of the Parties to the Convention on Biological Diversity (COP15).

Nutrition-Supreme & Inclusive



- Developed the *Mengniu Product Sugar Control Guidelines* and *Basic Nutrient Standards for Mengniu Products* to comprehensively promote nutrition and health research, aiming to provide nutrition and health products of better quality.
- Launched **194** new products and continued to create a variety of organic, low-sugar, low-sodium, low-fat, reduced artificial ingredients, addressing nutritional deficiencies products and products in smaller size.
- Conducted **130** lectures for school diet education, covering **48** cities of **20** provinces nationwide.
- Cooperated with **16** top universities and research institutions at home and abroad to establish a world-leading "High-Tech Research Institute and Highly Intelligent Production Base" and an overseas R&D center, with **30+** R&D partners worldwide.
- In cooperation with Jiangnan University, being the world's first to develop the key technologies of structural fat MLCT and new OPO enzymatic synthesis, driving the overall technology level of Chinese breast milk research to the **international leading** position.
- Awarded the "**2022 National Quality Benchmark Award**" by the China Association for Quality.
- Awarded the "**China Dairy Industry Enterprise Award for High-Quality Development**", "**First Prize for Technical Invention**", "**Grand Prize for Technical Progress**" and two "**First Prize for Technical Progress**" by the China Dairy Industry Association.
- The Company's products are **100%** traceable to the origin of the raw milk and raw materials.
- **20** laboratories of Mengniu were granted CNAS accreditation certificates, with the testing capacity of up to **1,926** items.
- Carried out the seven system certifications of ISO 9001, GMP, HACCP, FSSC 22000, BRC, IFS and SQF, covering **63** Mengniu factories.
- Formulated the *Three-Year (2022-2024) Strategic Plan for Safety and Quality*, established the Company's first "1332" quality culture strategy and achieved **A+** in BRCGS' Food Safety Culture Excellence Quality Culture Excellence assessment.
- Conducted quality empowerment training for employees, covering **100%** of quality positions.
- Nine categories of products were certified by the **EU food standards**.
- Formulated and launched the *Mengniu Breast-milk Substitutes Responsible Marketing Policy*.
- Continuously strengthened responsible marketing promotion, organized a total of **10** responsible marketing training sessions to standardize marketing promotion activities.



Governance- Sustainability

Mengniu strives to create sustainable corporate governance by integrating ESG concepts into its corporate management, setting GREEN strategy goals. Mengniu actively responds to the concerns of stakeholders and effectively protects the rights and interests of shareholders. Under the "Governance-Sustainability" pillar of the GREEN strategy, Mengniu has set three topics of ESG governance, risk management and business ethics, to continuously improve board governance effectiveness, optimize ESG performance assessment methods, consolidate the Group risk management system, enhance the business ethics management standards, and actively create a good internal and external governance environment.



ESG Governance



Risk Management



Business Ethics

SDGs We Focused in this Section



Highlights in 2022

ESG Governance

- Established clear **2025 targets and specific initiatives** for **15 issues** under the framework of the GREEN Sustainable Development Strategy.
- Incorporated ESG indicators into management's annual performance contract, and developed **differentiated ESG appraisal weightings** based on relevant ESG responsibilities.
- Upgraded the ESG Executive Committee Secretariat, set up the **Sustainable Development Promotion Office**, and established a **cross-departmental task force** on key ESG issues.
- Organized **38 meetings** with ESG investors and rating agencies to fully convey Mengniu's high-quality development results, ESG strategy and long-term value to the capital market.

Risk Management

- Carried out internal risk management empowerment training, and simultaneously conducted risk control management empowerment training for holding companies to establish an effective safeguard mechanism.
- Incorporated compliance clauses into contract templates, which led to the consensus of business partners to jointly sign the Compliance Commitment Letter.

Business Ethics

- **More than 20,000** employees completed the compliance management system confirmation and compliance duty performance commitment.
- Comprehensively upgraded and issued the **Integrity Compliance Manual (international edition)**, covering the concept of integrity compliance to all overseas sharing and holding companies.
- Formulated and issued the **Guidelines for Corporate Governance Compliance**.
- Formulated and issued the **Environmental Protection Compliance Manual**.
- Formulated and issued the **Regulations on Compliance Management of Personal Information Protection**, the **Handbook of Compliance Guidelines for Personal Information Protection** and the **Annex Guidelines for Compliance Operation of Personal Information Protection of Apps/Mini Programs**.
- Formulated and issued the **Anti-Corruption and Anti-Money Laundering System of China Mengniu**.
- Signed the **Belt and Road Corporate Integrity Initiative**.
- Conducted **28** special supervisions on corruption-prone and easily-prone processes, proposed **10** rectification suggestions, and improved **21** systems.
- **33,131** employees signed the **Integrity Commitment Letter**.
- Conducted integrity audits on **2,310** newly promoted employees and employees with excellent performance, and issued pre-appointment integrity reminders to **1,148** newly recruited (promoted) employees.

ESG Governance

Mengniu strictly adheres to the requirements of relevant national laws and regulations such as the *Company Law of the People's Republic of China* and the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited*, and continuously optimizes the Company's governance structure in combination with the Company's development situation, in order to improve the level of governance and optimize corporate operations, and protect the interests of all shareholders.

The Board consists of nine directors, responsible for formulating and implementing the Group's strategy, supervising and monitoring the development of the Company's business. The Board has five professional committees, namely Audit Committee, Nomination Committee, Remuneration Committee, Strategy and Development Committee, and Sustainability Development Committee, to review professional matters and ensure the rational allocation of internal resources and the efficient operation of the Company.

Board Diversity

Mengniu believes that board diversity helps enhance its effectiveness, promote the long-term development of the Company and effectively safeguard the rights and interests of shareholders. Based on the principle of "Talent-oriented Employment", the Company has formulated the *Board Diversity Policy*, which follows a series of diversity criteria in nominating candidates, including gender, age, cultural and educational background, race, profession, industry and management experience, skills, knowledge and tenure of service, to ensure that the Board can provide professional independent opinions and judgments on important matters such as business strategy and risk control from multiple perspectives.

The Board of Directors consists of 3 executive directors, 3 non-executive directors, and 3 independent non-executive directors. Independent non-executive directors account for one-third of the total number of the Board of Directors of the Company and do not directly participate in the management of the Company, which effectively reduces the risk of conflict of interest and gives full play to the role of checks and balances. The Board includes 1 female director. The Board of Directors has professional capabilities in marketing, human resources, finance, investment, legal affairs, responsible economics and sustainable development, and has rich industry experience to provide professional advice for corporate development as well as ensure the efficient operation of the Board.

Sustainable Development Governance System

Mengniu has gradually improved its three-level governance system for sustainable development with the Board of Directors as the highest decision-making level, and has set up the Sustainable Development Committee, the Sustainable Development Executive Committee and its Secretariat and the Sustainable Development Promotion Office, which are responsible for decision-making, supervision and promotion, coordination and implementation of the Company's ESG strategy respectively, ensuring that the ESG strategy is effectively promoted and the Company's ESG performance is gradually improved.

Governance

As of the date of this report, Mengniu has set up the Sustainable Development Committee at the level of the Board, chaired by Non-executive Director Mr. Simon Dominic Stevens, with other members including three executive directors, namely Chief Executive Officer Mr. Jeffery Minfang Lu, Vice President Ms. Yan Wang, Vice President and Chief Financial Officer Mr. Ping Zhang, and independent non-executive director Mr. Hengjian Li. The Sustainable Development Committee is responsible for the Group's ESG strategy, objectives and risk assessment, and reviewing ESG-related disclosures.

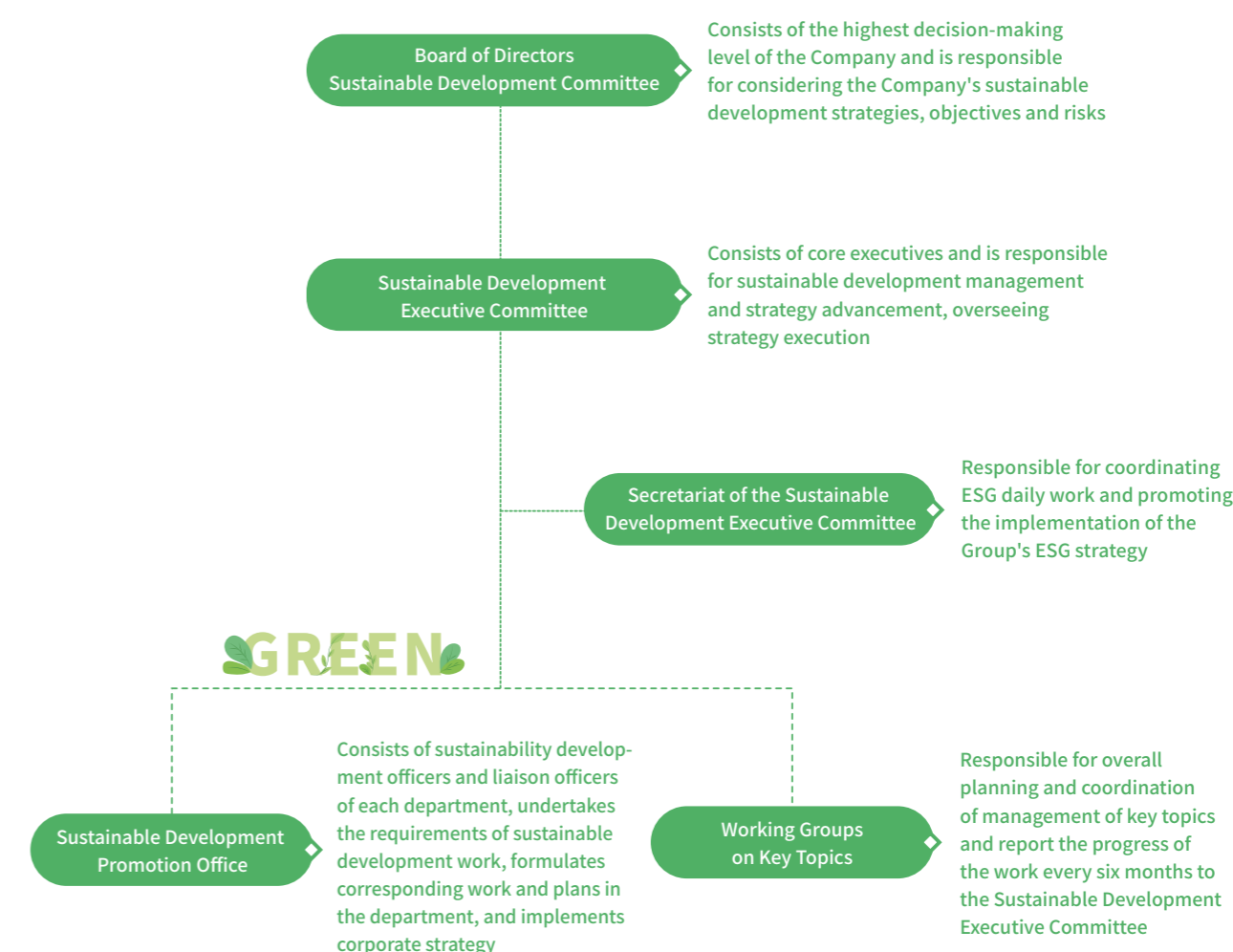
Management

Mengniu Sustainable Development Committee has established the Sustainable Development Executive Committee, composed of senior executives of the Company, which is responsible for promoting the Group's sustainable development management and strategy, supervising the progress of the strategy implementation, examining the annual work plan, and reviewing ESG related disclosures. The Secretariat of the Sustainable Development Executive Committee, as a coordinating department, is responsible for coordinating the planning, promotion and implementation of ESG work.

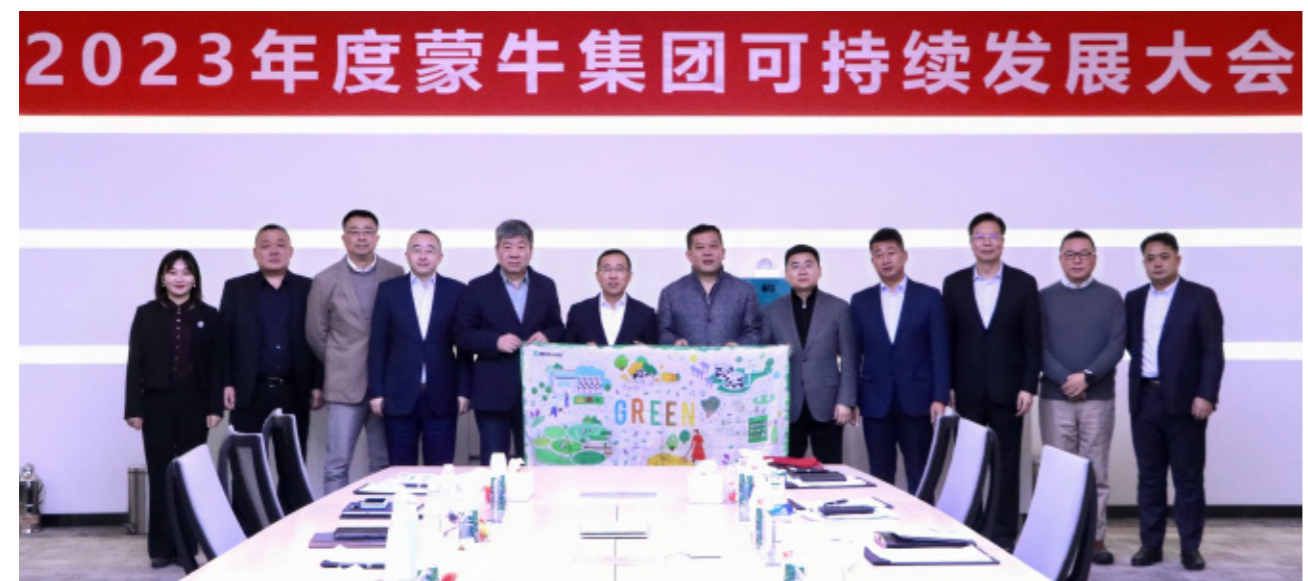
Execution

This year, Mengniu established the Sustainable Development Promotion Office, covering 24 first-level departments of the Group, and formally appointed 24 sustainability officers and 24 sustainable development liaison officers. In response to the ESG key topics of the Company, the Group formed a cross-departmental special working group to promote effective improvement of the topics. The Sustainable Development Promotion Office discussed and formulated the annual sustainable development goals and plans with all departments of the Company, maintained communication with internal and external stakeholders of the Company, and actively responded to inquiries from relevant parties.

In 2022, the Company's Sustainable Development Executive Committee decided to incorporate relevant personnel from seven departments into the Secretariat of the Sustainable Development Executive Committee, including the Strategic Management Department, the Safety and Quality Management Department, the Procurement Management Department, Milk Source Division, Human Resources Management Department, Normal Temperature Business Unit and Low Temperature Business Unit, to improve the synergy efficiency and promote the GREEN Sustainable Development Strategy.



Combined with the business characteristics and sustainable development goals, the Company incorporated ESG KPI into the annual performance contract of the management, and formulated differentiated ESG assessment weightings based on the relevant responsibilities of senior management in various ESG matters to encourage management to promote the Company's sustainable development. At the beginning of 2023, Mengniu held the Sustainable Development Conference, where the Sustainable Development Executive Committee listened to the ESG work report for 2022 and the work plan for 2023, and made decisions on key sustainable development issues. At the meeting, the Sustainable Development Executive Committee granted annual recognition and awards to individuals and teams with outstanding performance in sustainable development work, and awarded GREEN strategy theme silk scarves. The silk scarf is made of recycled plastic bottles, with elements of Mengniu's GREEN culture to convey Mengniu's green and sustainable development concept.



Mengniu Sustainable Development Conference
Group Photo of Senior Executives Attended



Mengniu GREEN Sustainable Development Strategy Theme Scarf

Sustainable Development Management Innovation

To deepen the awareness of the top management on the work of sustainable development, the Company cooperated with third-party professional organizations to organize ESG-themed training for directors and senior management sharing the cutting-edge trends and practices of sustainable development from ESG regulation, ESG investment, climate change and other aspects. To promote the awareness and ability of sustainable development among all employees of the Company, we produced a "Sustainable Development Course" training video, which was released on the Company's "Zhide" online learning platform for all employees to learn.

Mengniu Sustainable Value Co-Creation



In September 2022, the Company successfully held the "2022 Sustainable Value Co-Creation" activity, with the active participation of sustainable development officers and liaison officers of all departments. Through various activities such as the combination of online and offline experiences, the combination of immersive experiences and enterprise visits, and top-level expert lectures, the Sustainable Value Co-Creation deepened participants' understanding of the Group's GREEN Sustainable Development Strategy and built the consensus on sustainable development.

Stakeholder Communication

Mengniu established a regular and multi-channel communication mechanism to actively respond to the focuses of stakeholders. The Company has fully considered the nature of business, operating conditions and industry development and identified stakeholders including employees, consumers, shareholders and investors, government and regulatory bodies, suppliers, distributors and communities. By promptly responding to stakeholder inquiries through diverse communication channels, the Company has fully identified sustainability risks and opportunities and continually improved ESG strategies and practices.

During the reporting period, Mengniu complied with relevant laws and regulations to issue regular reports, and disclosed its major dynamics in a compliant manner. In terms of investor communication, Mengniu strictly complies with the relevant laws and regulations of the securities market, and pays high attention to information disclosure and investor communication. In 2022, Mengniu actively communicated with the capital market in diverse forms such as emails, teleconferences and face-to-face meetings. Mengniu held over 200 investor meetings and sell-side analyst meetings throughout the year, and 38 ESG-themed meetings with ESG-themed investors and rating agencies, effectively delivering the high-quality development achievements, business strategy, ESG strategy and long-term value of Mengniu to the capital market.

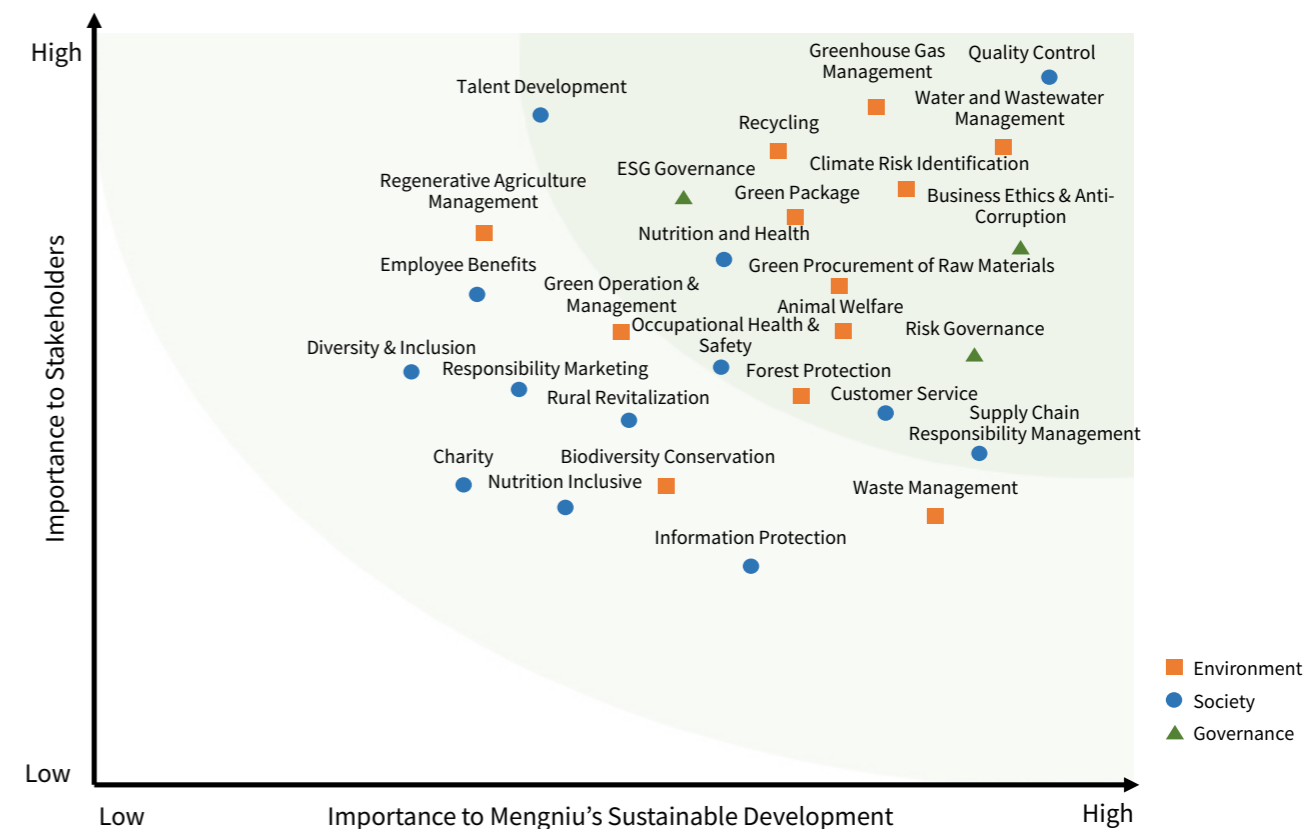
Stakeholders	Topics	Communication and Response Channels
Consumers	<ul style="list-style-type: none"> Nutritious and healthy products High quality products Perfect customer service Smooth communication channels Diversified product selection 	<ul style="list-style-type: none"> Information disclosure and dissemination Transparent factory Interactive activities Consumer service hotline
Shareholders and investors	<ul style="list-style-type: none"> Business risk prevention Asset preservation and appreciation Responsible procurement Low-carbon development New markets and new opportunities Steady increase in return on investment 	<ul style="list-style-type: none"> Enterprise annual report and announcement Roadshow Special meetings Investor relations website
Government and regulatory agencies	<ul style="list-style-type: none"> Compliance operation Paying taxes in accordance with the law Business ethics Biodiversity conservation Contributing to local economic development 	<ul style="list-style-type: none"> Regulatory assessment Special meetings
Employees	<ul style="list-style-type: none"> Health and safety Diversity and inclusion Career development Wage and welfare security Work and life balance 	<ul style="list-style-type: none"> Manager's mailbox Congress of workers and staff Training exchange
Suppliers	<ul style="list-style-type: none"> Open, fair and just procurement Honesty and trustworthiness Information confidentiality 	<ul style="list-style-type: none"> Supplier conference Supplier assistance Supplier training
Distributor	<ul style="list-style-type: none"> Mutual benefit and win-win Growing together 	<ul style="list-style-type: none"> Dealer conference Dealer satisfaction survey Decision management committee Customer communication platform
Community	<ul style="list-style-type: none"> Helping rural revitalization Community development and well-being Anti-epidemic and disaster relief Overseas responsibilities Driving local economic development 	<ul style="list-style-type: none"> Providing employment opportunities Promoting the development of local related industries Improving local infrastructure development Charity

Materiality Analysis

The Company forms a material topic matrix through confirming the topics focused by stakeholders that have a significant impact on its own sustainable development, which helps the Company identify and manage topics related risks and opportunities, thus effectively responding to stakeholder expectations.

In 2022, under the guidance of the Sustainable Development Committee, the Company conducted a materiality issue analysis according to the four steps of material topic identification, research interview, screening and evaluation, and audit confirmation, and ultimately chose 28 strategic topics that are most conducive to the Company's achievement of ESG objectives, and formed an ESG major topic matrix to carry out targeted management and actions based on the matrix information.

Mengniu 2022 ESG Materiality Matrix



Risk Management

Effective and adequate risk management and internal control are important guarantees for Mengniu's sustainable development. In terms of risk management, Mengniu strictly complies with relevant laws and regulations related to the Company's business such as the *Food Safety Law of the People's Republic of China*, the *Anti-Monopoly Law of the People's Republic of China* and the *Anti-Unfair Competition Law of the People's Republic of China*, and forms a legal and regulatory library for major compliance risks, and updates it in accordance with changes in laws and regulations.

Risk Management Framework

Mengniu has put in place three lines of defense of risk management organization structure under the leadership of the Board to clearly define the hierarchy and corresponding responsibilities of risk management work. The Risk Management Committee is the highest deliberative and decision-making body for risk management, with the CEO of the Group as the chairman, the vice president of the Group in charge of risk and audit as the vice chairman, and the members composed of the head of major business units and functional departments. The Risk Management Department is a daily operational agency specially established by the Risk Management Committee, which regularly reports to the Board on the control of important risks and the effectiveness of the operation of the risk management system, and accepts the work review and supervision of the Audit Committee.

The first line of defense

The first line of defense is mainly composed of various business departments, responsible for the daily operation and management of the Company, as the risk responder and principal responsible party, independently identify the major risks in the business process, and design corresponding risk response plans.

The second line of defense

The second line of defense is composed of the internal control and risk management committee, risk management department and the Group's functional departments, which are mainly responsible for planning and supervising risk management work and improving the risk management system.

The third line of defense

The third line of defense is composed of the internal audit and discipline inspection and supervision departments. The internal audit supervises and evaluates the Company's risk management and internal control systems and gives improvement suggestions; the discipline inspection and supervision department accepts multi-channel reports and promptly follows up the investigation of events.

Based on business needs and the internationally accepted COSO¹ risk management framework, Mengniu has established a closed-loop risk management model of "risk identification first, business self-management, audit supervision and follow-up", and integrated risk management into the business management process. The Company has established the Group Risk Management Manual and Mengniu Risk Management System, through six implementation rules and risk management tools including risk identification, risk assessment, risk response, risk monitoring, risk response evaluation and risk management report, to identify and evaluate risks, focus on the Group's major risk management and control, formulate risk response measures in advance, and ensure the achievement of goals.

In the process of identifying major risks, Mengniu insists on carrying out risk assessment in the way of "business self-assessment identification, professional risk prediction, and overall evaluation by senior executives" to ensure the objectivity, accuracy and focus of personnel at all levels in their judgment of major risks. In 2022, Mengniu adjusted the Group's major risk areas into seven major aspects: strategic risk, financial risk, market risk, supply chain risk, legal and compliance risk, quality and food safety risk, and sustainable development risk. We strengthened internal control by implementing the main responsibility, formulating response target strategies, improving the risk warning mechanism, and carrying out annual response effect evaluation, and conducting the entire process prevention and control through three phases, which are the pre-prevention, in-event control and post-emergency response. The Risk Management Committee regularly reviews the effectiveness of risk assessment and response, resolves problems in implementation, and ensures the implementation of response measures. The Company sorted out key business areas and key management modules from the three perspectives that are strategy, operation and support, combined with the principle of "key control + important risks + effective coverage", coordinated planning of key work, and carried out audit supervision.

6 implementation rules for risk management

Risk identification, risk assessment, risk response, risk monitoring, risk response evaluation and risk management report.

7 significant risk areas

There are 7 major aspects: strategic risk, financial risk, market risk, supply chain risk, legal and compliance risk, quality and food safety risk, and sustainable development risk.

3 phases on risk prevention and control

Conduct the entire process prevention and control through three phases, which are pre-prevention, in-event control and post-emergency response.

1. COSO: Committee of Sponsoring Organizations of the Treadway Commission.

Risk Management Empowerment Training

To improve the risk management awareness and precautionary level of all employees, and implement the risk management mechanism, the Company carried out empowerment training on risk management concepts and methods for employees at all levels, unified cognition and standardized behavior, and improved the risk management awareness and prevention level of all employees.

In 2022, the Company upgraded its risk response, risk monitoring, and response evaluation management methods, and times of people participation of online training reached 30,000; 7 excellent risk management practice cases were evaluated and selected, the experience and practices were summarized, and they were promoted and applied through the "Voice of Mengniu" platform.

Mengniu carried out risk management empowerment for holding companies, and conducted several empowerment trainings to the management of four participating holding companies, namely China Shengmu, China Modern Dairy, Yashili and Bellamy's, on building structures, mechanisms, evaluating risks and raising awareness, promoting the deep integration of risk management and business, and initially forming a risk management list and mechanism for the pastoral segment.

China Shengmu, a subsidiary of Mengniu, based on the Mengniu risk management mechanism, integrated the needs of management and took "focusing on major risk management" as the goal, established the risk management framework, clarified the responsibilities at each level, identified major risk points, set up risk management and response mechanisms, and gradually enhanced risk management awareness and ability.

Yashili undertook the Mengniu risk management system, in accordance with the requirements of the significant risk management of Mengniu, implemented the *Comprehensive Risk Management System* and its operational rules, and refined the work into five key steps to carry out annual risk identification, evaluation, response, monitoring and review and reporting work.

Business Ethics

Mengniu strictly follows the laws and regulations such as the *Civil Code of the People's Republic of China*, the *Supervision Law of the People's Republic of China*, the *Criminal Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Company Law of the People's Republic of China*, the *Anti-Monopoly Law of the People's Republic of China*, and the *Anti-Money Laundering Law of the People's Republic of China*, continually improves and optimizes its internal compliance management system, including the *Code of Integrity and Compliance*, the *Anti-Monopoly Compliance Management Regulations*, the *Anti-Commercial Bribery Compliance Management Regulations*, the *Business Partner Compliance Management Regulations*, and the *Disciplinary Inspection and Punishment Work Regulations*, and signs the 'Belt and Road' Corporate Integrity Initiative. In 2022, the Company comprehensively upgraded and issued the *Integrity and Compliance Manual (international edition)* and formulated the *Corporate Governance Compliance Manual*, *Environmental Protection Compliance Manual*, the *Regulations on Compliance Management of Personal Information Protection*, the *Handbook of Compliance Guidelines for Personal Information Protection* and the *Annex Guidelines for Compliance Operation of Personal Information Protection of App/Mini Programs*, etc., to provide more complete behavior norms and guidelines for compliance control.

The Company has established a compliance management committee composed of core executives, with the Company president as director, responsible for the organizational leadership and coordination of the Company's compliance management. In 2022, the Company formulated and issued the *Rules of Procedure for the Compliance Management Committee*, which promoted the Compliance Management Committee to perform its duties in accordance with the law, improved the efficient operation and scientific decision-making level of the Compliance Management Committee, and further improved Mengniu's compliance management organization system by clarifying the scope, procedure, decision-making mechanism and resolution implementation of the Compliance Management Committee, and promoted Mengniu's sustainable and high-quality development.

In 2022, the Company formulated and issued the *Measures for the Management of Compliance Commissioners*, which formed a comprehensive and strong linkage compliance management organization system. The Company also established a team of 237 compliance commissioners of Mengniu Group to promote the improvement of compliance commissioners' ability and professional training synchronously, by doing so, the Company effectively guaranteed the implementation of compliance management policies of the Group and provided a solid organizational guarantee for the efficient operation of Mengniu compliance management system.

Anti-Corruption Management

The Company attaches great importance to compliance in business operations, and strengthens and improves anti-bribery compliance management in the process of business operations. The Company pursues a "zero tolerance" attitude towards any commercial bribery and does not provide any form of support for commercial bribery. The Company attaches great importance to the construction of anti-corruption system, and sets up a team system of full-time and part-time regulatory personnel, as well as a joint supervision system of discipline inspection and audit departments, and implements the principle of "audit first, discipline inspection follow-up".

The Company focuses on anti-commercial compliance as a key compliance area, actively conducts comprehensive compliance risk assessment work. Through effective compliance risk identification and prevention, the Company ensures the continuous and steady development of all business activities. In meanwhile, the Company will integrate the anti-commercial bribery compliance review mechanism into the contract review process, and comprehensively upgrade the release of the *Anti-Corruption Agreement*. In 2022, the Company assessed all business corruption risks, conducted 28 special supervisions on corruption-prone and easily-prone processes such as bidding, purchasing, R&D, marketing and sales, and raw milk acquisition, proposed 10 rectification suggestions, and improved 21 systems. For the identified issues, the Company took action according to the *Supervision Program of Major Asset Loss, Major Operating Loss, Major Litigation and Corruption Cases of Mengniu Group*. In 2022, the Company issued a total of 26 case bulletins internally. There were no settled cases of corruption this fiscal year.

The Company has joined the Trust and Integrity Enterprise Alliance Dishonest List System, and would implement the "blacklist" management of dishonesty for those who accept bribes and misappropriation. In terms of anti-commercial bribery compliance training, the Company focused on more than 600 key personnels in the field of anti-commercial bribery compliance management, and conducted special compliance points empowerment training. In 2022, the Company conducted integrity audits on 2,310 newly promoted and evaluated employees, and issued pre-appointment integrity reminders to 1,148 newly recruited (promoted) employees, with a total of 33,131 integrity commitment letters signed. In terms of partner management, while continuing to promote the signing of the *Anti-Corruption Agreement* with our partners, the Company has formulated the *Implementation Measures for the Anti-Corruption Agreement* according to the typical corruption cases investigated in the past, and refined and clarified the types and applicable situations of sanctions imposed on partners for violations.

For more information, please refer to Chapter "Ecosystem-Collaborative & Accountable"-Sustainable Procurement Supply Chain Responsibility Management.



Reporting and Compliant Management

This year, the Company further improved the reporting and handling mechanism, combined with the *Provisions on the Management of Reporting and Disposal of Questions and Clues*, and optimized the reporting management process. The discipline inspection departments of the Group, the divisions and the Sharing and Holding Companies shall assign special personnel to handle letters and visits, which shall be handled at different levels according to the management authority; the non-discipline inspection departments and personnel shall deliver the letters and visits to the discipline inspection department of the Group for unified handling.

Business Ethics Reporting Channels

The Company has established channels for both internal and external reporting of violations, through the establishment of open and diverse channels for complaints and reports of violations, to protect the legitimate rights and interests of the Company, employees and third parties. In addition to the complaint and reporting channels of the Company's official website, WeChat official account, the *Anti-Corruption Agreement*, typical case announcement, node notice, integrity reminder, and integrity training materials, new reporting methods such as customer email, nailing work group, customer service platform and publicity materials have been added.

The Company's employees and partners are all familiar with the letters and visits procedure of Mengniu. In 2022, the Company received and processed 150 letters and visits cases, and through employees' reports, five cases of suspected violations of the law and criminal acts were identified, involving illegal business operations, duty encroachment, illegal guarantees, illegal capital transactions with partners, etc., which have been transferred to the public security organs for investigation.

Phone: 0471-7393612
Report Email: mnjw@mengniu.cn
Mailing address: Disciplinary Committee Office, Mengniu Dairy Milk Source Building 311, Shengle Economic Zone of Horinger, Hohhot, Inner Mongolia, postal code 011517

Whistleblower Protection Mechanism

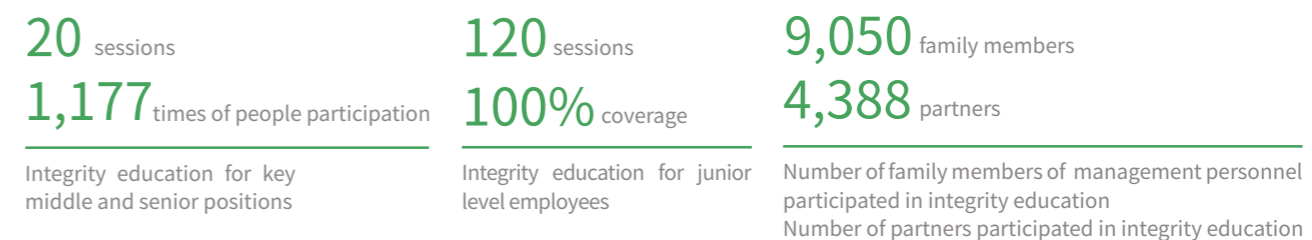
Mengniu makes every effort to provide protection and legal assistance to whistleblowers. To protect the legal rights and interests of whistleblowers, Mengniu has established and improved the protection mechanism for whistleblowers through the *Integrity Compliance Handbook* (International Edition) and the *Management Regulations on Letters and Visits Reporting and Problem Clues Disposal* and other management measures. Mengniu stipulates that no department or individual of the Company shall obstruct or suppress the whistleblower's report or suppress the reporting materials under any pretext, in order to ensure the smoothness of the reporting channel and the safety of the whistleblower. Mengniu keeps the whistleblower's name, work unit, home address, telephone, mailbox and other personal information and the contents of the report strictly confidential, and includes the relevant materials of the report in the confidential documents for management. Mengniu encourages real-name reporting, but when receiving a report from the whistleblower or verifying the situation with the whistleblower, Mengniu will never publicly disclose the identity of the whistleblower and strictly protect the personal safety of the whistleblower. Mengniu will seriously deal with cases of retaliation against whistleblowers in accordance with relevant systems, and those suspected of committing crimes will be handed over to judicial organs for handling according to law.

Business Ethics and Cultural Construction

Mengniu continues to create an atmosphere of integrity and compliance, and strives to enhance the integrity and compliance awareness of all employees. Mengniu disseminates compliance knowledge through various channels such as WeChat official accounts, DingTalk announcements, desktops, and road flags. Mengniu has led all employees to confirm the compliance system and sign compliance performance commitments. A total of 32,970 people have completed the signing of the special compliance commitment.

In 2022, Mengniu launched 22 online and offline compliance training sessions targeting all employees, managers, senior management, and new employees, covering key areas of risk management such as integrity, anti-monopoly, anti-commercial bribery, senior management duties, personal information protection, business partner compliance, and insider information compliance, with a cumulative learning volume of 550,000 times of people participation. Among them, "Business Partner Compliance", "Personal Information Protection Compliance", "Integrity Compliance Manual" and other entire personnel training courses have ranked first in the monthly "most popular courses" of Mengniu Learning Platform for many times.

Mengniu constantly strengthened the culture of integrity to create a clean and fair working atmosphere. The Company carried out warning education and training for directors, conveyed the spirit of anti-corruption work, notified and investigated typical cases, and strengthened the sense of integrity of directors. In 2022, the Company conducted 20 sessions of integrity education for middle and senior key personnel management personnel, covering 1,177 times of people participation; For grassroots employees, the Company provided "warning and education at every meeting" and conducted 120 sessions of integrity warning and education through pre-shift meetings, work meetings and internal propaganda, covering more than 43,000 people, with a 100% coverage rate; In addition, the Company carried out integrity education for 9,050 family members of management personnel and 4,388 partners, which effectively strengthened the integrity awareness of family members of management personnel and partners, and reduced the number of violations of rules and regulations in this year.



Responsibility-Common Prosperity

Mengniu fully makes use of industry advantages, actively undertakes the national rural revitalization and common prosperity strategy, devotes itself to public welfare undertakings, and is committed to creating an industry-leading employer brand. Under the pillar of the GREEN strategy "Responsibility-Common Prosperity", Mengniu strives to improve employees' happiness, helps promote the balanced development of urban and rural areas, benefits the vulnerable groups, and fully implements corporate social responsibility by setting up three topics of employee well-being, rural revitalization and charity.

Employee Well-Being

Rural Revitalization

Charity

SDGs We Focused in this Section



Highlights in 2022

Employee Well-Being

- Employed **47,329 employees**, including **27,861** male employees and **19,468** female employees.
- The proportion of female executives has reached **26.32%** (Group assistant vice president and above).
- The employee training coverage rate reaches **91.45%**, with a total training duration of **4,021,519.84** hours.
- The average monthly activity rate of the "Worth-It" online learning platform was **78%** throughout the year (Average monthly activity rate of 75% in 2021), leading the entire industry, and **45** class hours per person per year.
- Won the Boao Award of China Enterprise Online Learning Conference, "**National Digital Learning Application Benchmark TOP10**".
- Launched the "**Happiness 365+ Employee Care Work System**", and the employee care work was upgraded comprehensively.
- The occupational skills certification work covered **25** bases nationwide, with a coverage rate of **83%**, and more than **3,000** professional talent certification plans were completed, which can effectively improve the competitiveness of employees and the skill level of workers.
- **49** factories were certified with the Occupational Health and Safety Management System GB/T 45001-2020/ISO 45001: 2018.
- **7** factories passed the first-level on-site assessment of safety production standardization, and **2** factories were awarded as national safety culture construction demonstration enterprises.
- Awarded the title of "**Excellent Organizational Unit**" in the first Inner Mongolia Autonomous Region Enterprise Team Safety Construction Demonstration Activity, and **3** grassroots teams were honored as "Excellent Team for Safety Construction" at the provincial level.
- **8** factories were awarded the honorary title of "Healthy Enterprise" at the provincial and municipal levels; **13** employees were awarded the honorary title of "Professional Health Talent" at provincial and municipal levels.
- Received the honorary title of "**Outstanding Contribution Unit to National Skilled Talent Cultivation Work**" by the Ministry of Human Resources and Social Security of the People's Republic of China.
- Received the authoritative award of "**2022 Excellent Case of Enterprise Talent Development • Innovative Practice Case**" from the training magazine.

Rural Revitalization

- Led the planting of more than **6 million** mu and **12 million** tonnes of high-quality forage grass nationwide, drove the breeding of more than **1.7 million** dairy cows, and directly and indirectly pushed forward more than **4 million** herdsmen nationwide to increase their income.
- Established **more than 10** planting, breeding and processing dairy industry parks nationwide, and built **more than 30** new pastures with strategic partners nationwide, and directly and indirectly promoted the employment and income of **more than 60,000** herdsmen.
- The "Inclusive Nutrition Plan" donated **3.97 million** boxes of high-quality student milk to **277** schools in **58** cities of **20** provinces across the country, covering **179,200** student person-time.
- Distributed nearly **RMB 32 billion** of milk payments nationwide to support the high-quality development of the raw milk industry.
- Cooperated with financial institutions to invest **RMB 7.60 billion** in support of upstream pastures.
- Carried out **29** public welfare training sessions on pasture technology upgrading, covering **330,000** person-time.
- Precisely helped **156** pastures to improve the refinement and scientific level of feeding management.
- Donated **NMB 10 million** to Luozha County, Tibet for pair assistance.

Charity

- Annual charitable donation expenditure reached **RMB106 million**.
- Annual employee volunteer activities reached **20,000** hours, and the volunteer participation reached **10,000** person-time.
- Mengniu was **the only dairy enterprise** winning the **Inner Mongolia Charity Award Donor Company Award**.
- Donated **NMB 10 million** to the earthquake-stricken area of Luding County, Ganzi Tibetan Autonomous Prefecture, Sichuan Province, to support the local earthquake relief work.

Employee Well-Being

Adhering to the development strategy of "people-oriented", Mengniu is committed to creating an equal and inclusive workplace environment, protecting the rights and interests of employees, perfecting the compensation and benefits system, establishing a broad talent development platform, providing a healthy and comfortable working environment, and continuously enhancing the happiness and sense of the belonging of employees. Mengniu also cooperates with industry partners to empower innovative talent development and make contributions to the sustainable development of dairy talents.

Compliance Employment

Mengniu strictly abides by the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China* and other relevant laws and regulations. Through the establishment of a series of measures, such as the *Recruitment Management Measures*, the *Labor Contract Management Measures*, the *Remuneration Management Measures*, the *Welfare Management Measures*, the *Management Manual on Performance System*, the *Incentive Management Program*, the *Employee Reward and Punishment System*, the *Leave and Working Hour Management System* and the *2022 Rank Promotion Plan*, Mengniu improves the standardized management level of recruitment, promotion, salary, welfare, working hours and other processes of employment, and explicitly prohibited the recruitment of child labor and the use of forced labor.

Mengniu believes that creating an equal, inclusive, diverse, and anti-discriminatory workplace environment can help the Company attract talents, and can promote innovation and advancement from a richer perspective. In 2022, Mengniu revised and released the new version of the the *Employee Code of Conduct* and launched the the *Guidelines for Preventing Unethical Behavior in the Workplace* to avoid discrimination or differential treatment due to ethnic, religious, gender, age, nationality, heredity, disability or other forms in the recruitment, onboarding promotion and resignation of employees, and to protect the equal rights of employees with consistent processes and standards. Mengniu's global workplaces all practice the Group's value of diversity and inclusion, promote mutual understanding among employees of different nationalities and cultural backgrounds, and build cross-cultural communication bridges. Mengniu's Indonesian plant fully respects the cultural beliefs of local employees, sets up a prayer room in the plant and gives employees Ramadan subsidies.

Talent Development

Mengniu has established an all-round talent training system, formulated career development plans for employees, established clear career development paths, and continuously created and optimized a management system covering the entire life cycle of talent development. Mengniu places a high value on the training of professional talents, exports technical talents to the whole industry by creating a variety of learning platforms and strengthens the talent reserve of the industry.

Talent Platform

Based on the strategy on developing a quality workforce in the new era, Mengniu was awarded the qualification of professional skill level certification by the Human Resources and Social Security Department of the Inner Mongolia Autonomous Region in 2019. Mengniu was also approved by the Ministry of Human Resources and Social Security of the People's Republic of China as the "National Highly Skilled Talent Training Base" and established the Global Dairy Training Center. Mengniu is committed to building the global dairy training center into an international talent cooperation platform. On the one hand, Mengniu trains and introduces world-class dairy talents for China, and on the other hand, Mengniu extends the successful experience and development model of China's dairy industry to other countries and regions. In 2022, the Global Dairy Training Center provided high-value empowerment for the industry chain around the trend of digital intelligence, carbon peak and carbon neutrality and dairy industry, covering Mengniu for more than 1 million times. In addition, Mengniu Global Dairy Training Center completed the professional skills certification plan for more than 3,000 people, effectively improving the competitiveness of employees and the skill level of workers. By the end of 2022, the Mengniu Dairy Professional Skills Level Certification work has covered 25 bases nationwide.

Mengniu established the "Abias Research Institute" to cultivate innovative young talents. Since its establishment, the Research Institute has worked with universities, scientific research experts, and innovative enterprises to explore the fields of talent development, health technology, and sustainable development. Based on the Abias Research Institute, Mengniu will build a Global-100 school-enterprise cooperation alliance, and has signed contracts with nearly 20 well-known universities both domestically and internationally, and will set up the "Manglai Award" to encourage innovative and forward-looking young talents, so as to promote the sustainable future of the dairy industry with talent empowerment.

Employee Training

In 2022, Mengniu Group continued to practice the strategic goal of "creating a new Mengniu". In order to ensure the efficient implementation of the Group's strategy and consolidate Mengniu's "6 + 1" organizational capability, Mengniu continued to carry out organizational capacity building in the fields of digital intelligence, investment and mergers and acquisitions, upgrade the rank system, broaden the career development channels of employees, iterate professional qualification standards, constantly build professional capabilities, and strengthen the attraction and retention of professional and operational talents. In order to help Mengniu build its talent advantage, Mengniu has established a talent development system and accelerated the construction of six future-oriented talent teams.

Cultivation of Leading Management Talents:

Mengniu has created two sets of project systems, "succession" and "competence", for the management group. For example, the Blue Sea project adopted a 721 full-cycle training, with strict entry and strict exit, to train nearly 400 core management reserve talents, output key position reserves and continuously improve the thickness of the succession ladder. The Benteng Project continued to carry out talent online learning and offline intensive training to help new managers achieve rapid transformation, unify the language and tools of Mengniu managers, covering more than 3,000 current managers, and comprehensively improving the job competency of managers.

Cultivation of Elite Professional Talents:

According to business needs, Mengniu has established a unified professional talent training system, strengthened employees' professional abilities, focused on key talents such as front-end of milk source, quality, technology, market branding, and sales terminals, built a comprehensive professional sequence, continuously built a professional curriculum system, improved professional abilities, cultivated high-precision professional talents, and achieved internal growth of talents. Mengniu has covered more than 1,600 professional talents throughout the year and accumulated over 230 professional courses.

Cultivation of Top-notch Young Talents:

With innovation + leadership as the core, based on certain indicators and standards of young talents, Mengniu has selected and cultivated more than 800 outstanding young talents as the key strategic talent reserves, and added the Star Plus Plan and Graduate Program to comprehensively absorb high-potential outstanding graduates and enable them to become the backbone and strategic reserve talents of Mengniu quickly.

Cultivation of Scarce High-End Talents:

In addition to continuously cultivating talents internally, Mengniu also focuses on the introducing and reserving talents required for the layout of new business tracks. In 2022, Mengniu established a strategic talent reserve of more than 400 people, attracted top doctoral and postdoctoral talents from global leading universities and large enterprises with its rich expert resources, innovative management mode, and unique platform advantages. Mengniu also introduced more than 140 strategic scarce talents from around the world to participate in the most pressing issues in the Company's strategy, products, and management, lead the industry to build brand, create a digital technology system, and inspire diverse business innovation vitality, providing sufficient high-end talent reserves with an international perspective for the sustained development of the Group's traditional dairy business and innovative business.

Cultivation of Breakthrough Entrepreneurial Talents:

Mengniu provides entrepreneurial talents with a platform for capacity building, such as the Entrepreneurial Talent Training Camp, and Project Incubation, and also establishes a sound system to help the growth of entrepreneurial talents. Focusing on the dimensions of thinking mode, behavior mode, single-point breakthrough, combination innovation and agile iteration, Mengniu has empowered more than 100 innovative and entrepreneurial talents. In the 2022 Innovation Competition, Mengniu signed up for 1,866 projects, 43 projects were selected from three tracks, 27 projects were incubated through professional empowerment and one-to-one counseling, and after 10 months of validation and incubation, 21 courses were learned online and polished by offline workshops, generating the annual TOP10 innovation projects.

Cultivation of Strategic and International Talents:

Mengniu has conducted international talent training for more than 500 overseas employees to accelerate the language upgrading and cultural integration of international talents. Mengniu has also designed an "international talent management mechanism" to build a high-quality overseas talent supply system.

In 2022, Mengniu optimized the talent training system in an all-rounded way, focusing on the training of the above six types of talents, so that every employee can receive systematic and targeted training. At the same time, Mengniu continued to promote the training of new employees, helping them fit into the company quickly. The online learning map covered 100% of new employees. Mengniu strengthened the construction of internal trainer team, enabling core managers and lecturers to support key talent training projects. Mengniu deepened the construction of core general capabilities in the workplace and achieved 100% coverage in multiple forms such as online and offline open classes, unbounded training camps and featured live broadcasting projects. We "nourish" talent growth and accelerate the thriving of talents.

Huqitu Online Learning Platform

Mengniu established the Huqitu online learning platform, focusing on improving the ability of talents at the end of the value chain. It has carried out more than 40 key sales projects throughout the year, covering more than 800 sales personnel, and 11 market projects, covering more than 400 market personnel.

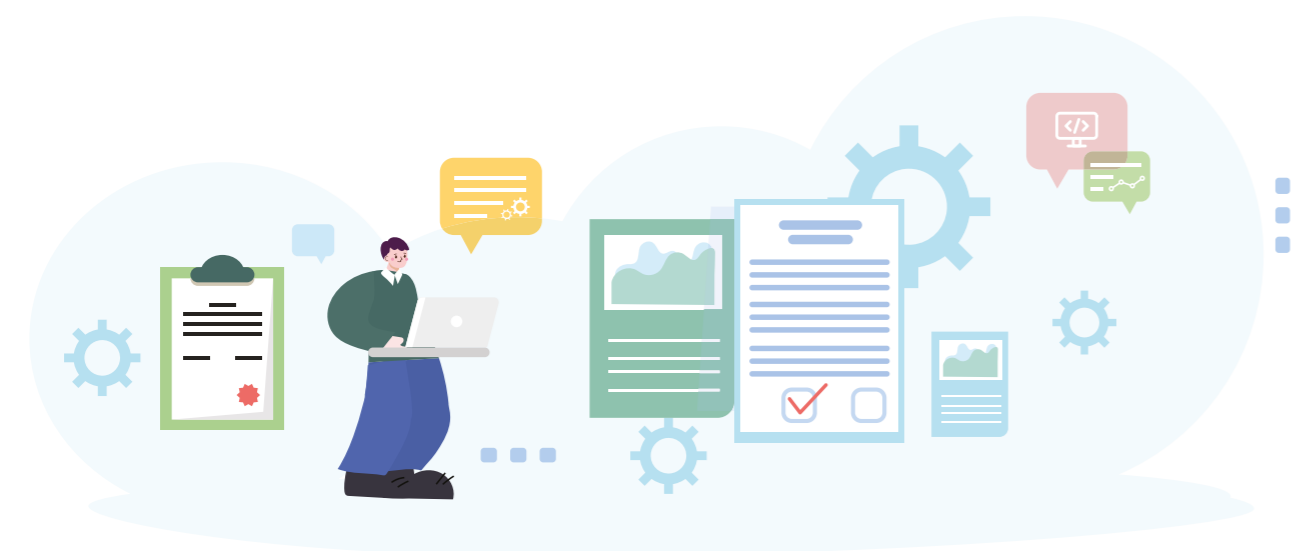
Huxiuqi Learning Center

Mengniu founded the Huxiuqi Learning Center to focus on cultivating elite professional talents in the supply chain. Throughout the year, Mengniu carried out 19 key talent training programs and provided 232 online courses, covering more than 7,000 technical, quality and safety and environmental personnel.

"Worth-It" Online Learning Platform

Mengniu's "Worth-It" online learning platform strongly supports the construction of Mengniu's strategic talent pool with the best talent development strategy, the most advanced training concept and the most flexible learning mode, through digitalization layout from the aspects of value delivery, operation mode, organizational mechanism and personnel training.

- In 2022, the annual average monthly active rate of the "Worth-It" online learning platform was 78% (the monthly active rate in 2021 was 75%), and the average learning time reached 45 class hours per person per year.
- In 2022, the "Worth-It" platform conducted 66 training sessions during the COVID-19 epidemic by virtual classrooms, solving the pain point of inability to conduct on-site training.
- In 2022, Mengniu won the Boao Award of "National Digital Learning Application Benchmark TOP10" by China Enterprise Online Learning Conference.



Career Development

Mengniu has formulated the "LOVE+ Talent Standard" to set up a unified and universal measure scale, which comprehensively measures talents from five dimensions, including leadership, professionalism, values, performance and potential. Through the map of professional qualifications and experience, Mengniu has defined the knowledge, ability and key experience required for each professional position, providing clear career development goals and guidance for talents. With the help of scientific and comprehensive talent evaluation methods and talent review, Mengniu guides employees to identify personal shortcomings, identify gaps, focus on development needs, and formulate individual development plans (IDPs) for employees. At the same time, Mengniu helps employees plan their personal career development path from three aspects, including practical experience, mentoring and training.

In 2022, Mengniu optimized its promotion mechanism by strengthening the employment orientation of "promoting the capable, encouraging the excellent, demoting the mediocre and eliminating the unqualified", standardizing the promotion review process, and specifying the review dimensions and details to create a fair, transparent and professional promotion atmosphere, promote the orderly flow of talents, strengthen the construction of talent team and accelerate the cultivation of compound talents.

We implement a three-channel development strategy for the M/P/O series (management series, professional series, and operational series) to provide more opportunities for career advancement for various types of talent. At the same time, we offer more opportunities for career advancement to the participants of our management trainee program, also known as "future star", and establish a promotion strategy for them to encourage their growth. Additionally, we offer exceptional promotion opportunities to outstanding talents who lead innovation and digitalization.

Talent Incentive

The Company is committed to establishing a sound compensation management system and a variety of incentive mechanisms. Mengniu adheres to the principle of value-oriented salary management, builds a salary and welfare system, and provides competitive salary level for employees. Mengniu has continued to optimize its incentive policies, driven by both material and spiritual incentives, and adopted differentiated incentives for employees. The incentive mechanism takes performance as the important guide. Through the combination of different modes, such as current incentive, long-term incentive, innovation incentive and spiritual incentive, it encourages employees to continuously improve themselves.



Employee Benefits

In the view of Mengniu, "people" is the core force driving the company's development. Mengniu has always adhered to the employer value proposition of "Come together! Let's be outstanding", giving every employee the opportunity to grow and maintain passion in an inclusive, respectful, and diverse environment from the first day of joining Mengniu. This enables individuals to achieve self-fulfillment, improves organizational effectiveness and gains overall employer recognition. At the same time, Mengniu places great importance on the interests and happiness of its employees and their families, continuously providing humanistic care and creating a strong corporate culture of caring for employees. The Company is committed to providing a full employee lifecycle experience and has designed and launched the "Mengniu Life Full Lifecycle Care Map" to create a care system for employees throughout their entire career journey. The system provides warm and guaranteed services at key moments and processes, meeting employees' critical needs. By enriching the employee experience and providing the ultimate care, Mengniu has won the loyalty of talented individuals, enhanced their sense of belonging, happiness, and corporate cohesion, and built a warm and responsible employer brand image.

Key Moments

The Company sends timely wishes, services, and welfare care for employees at key moments such as employment, promotion, birthday, seniority, marriage, and childbirth, providing love and warmth for every moment.

Key Processes

The Company provides warm-hearted services and diverse guidance for employees at key process nodes such as job application, onboarding, job transfer, resignation and retirement, comprehensively enhancing employees' sense of belonging.

Key Needs

By adopting the "Services find people" concept, the Company proactively provides consultation services for employees with needs, creating a 360 degree new experience in the workplace.

On the basis of providing competitive, life-cycle services, Mengniu has established the "SHINE" one-stop welfare platform, which introduces and provides a full-scenario welfare experience, explores employees' needs, simplifies the process of enjoying welfare benefits through digital means, promoting the development of talent, assisting in achieving the strategic goals, and comprehensively enhancing employee happiness. The platform contains four main sections:

- Employee Benefits: Provides 9 types of holiday welfare benefits to enhance the sense of ceremony and happiness for each employee and their family members.
- Employee Leaves: Encourages work-life balance with 14 types of holidays and vacations.
- Employee Relief: Provides optional medical examinations and commercial insurance packages for employees and their families to ensure that every employee can work in good health and peace of mind.
- Employee Care: Places the happiness of employees' lives in an important position by the providing 9 types of living allowances.



Happiness 365 + Employee Care Work System

In 2022, Mengniu upgraded and launched the "Happiness 365+ Employee Care Work System", focusing on three groups, implementing six major plans, and carrying out five activities to meet the needs of different employee groups.

3 Groups



Female Employee Care

Mengniu carried out the theme activity of "women are strong and beautiful" on Women's Day. All female employees can fully feel the Company's care and blessings during the festival by pushing "great women stories", receiving wishes sent by core executives, empowering women's health, presenting books and various caring activities carried out by grass-roots labor unions.



Youth Care

Mengniu held the 3rd Youth Culture Festival, through a series of activities such as senior executives' youth message, "Young Marx Project" training class, and "Vigorous Youth" cultural festival. Mengniu held the 4th Season Happiness Party, with the participation of nearly 600 young employees, effectively building a good communication channel among young employees. Mengniu carried out youth symposiums, post achievements, youth games and other activities to build a platform for young workers to grow up.



Exclusive Care

For areas with serious epidemic situation, Mengniu purchased all kinds of living and epidemic prevention materials for employees, conducted live classes on psychological health, and guided employees to cope with the epidemic in a healthy attitude, with a total investment of more than RMB 7 million. In addition, Mengniu helped 79 seriously ill employees and their families, with a fund of RMB 1.525 million.

6 Major Plans

Baby Plan

Mengniu distributed 12,938 cans of milk powder to the newborn babies of 12,804 employees within one year old, and upgraded the baby plan to care for the third child in November, with a total investment of RMB 1.86 million; in addition, Mengniu carried out care activities for the "children of Mengniu employees" on Children's Day to care for the healthy growth of children.

Filial Piety Plan

Mengniu delivered 114,248 cartons of milk to the parents of employees aged 60 and above during the Spring Festival, May Day, Mid-Autumn Festival and Double Ninth Festival, with a care fund of RMB 5.10 million, and carried out various festival activities to encourage employees to "express their love and accompany" to their parents.

Health Plan

Mengniu provided annual physical examination for employees; Mengniu launched *Mengniu Employee Health Plan*, which comprehensively guided employees to eat, live and work healthily in the form of pictures, texts and videos, and jointly launched light food and reduced-fat meal in more than 30 factories across the country to improve the sub-health status of the workplace in multiple dimensions. At the same time, Mengniu actively carried out "vigorous office" activities to encourage employees to do exercises after work and continuously improve their fitness awareness.

Dormitory Plan

Mengniu has set up employee dormitories in various plants across the country, integrating accommodation, leisure, and entertainment functions to meet the daily living needs of employees. In 2022, the Company built new dormitories and upgraded dormitory facilities in many factories to continuously enhance the happiness of employees.

Employee Loyalty Plan

Mengniu has formulated the *Mengniu Employee Loyalty Plan*. In 2022, Mengniu carried out more than 200 caring activities in the form of Loyalty Day and birthday party, covering more than 5,000 employees.

Assistance Plan

Mengniu provided point-to-point and one-to-one care for employees in difficulty. In 2022, Mengniu helped employees with difficulties more than 156 person-time, with a total assistance fund of about RMB 270,000.

5 Activities

Spring Festival Benefits

Mengniu carried out Spring Festival caring activities for more than 40,000 employees, with a fund of more than RMB 5.60 million in total, so that all employees could really feel the Company's care.

Mid-Autumn Benefits

With the theme of "Happy Mengniu Mid-Autumn Benefit", Mengniu carried out a series of care activities within the group, with a fund of more than RMB 4.20 million in total.

Summer Benefits

Mengniu carried out the activity of caring for the front-line workers working in high temperature, and distributed 10,130 gifts, with a care fund of nearly RMB 920,000 in total.

Winter Benefits

Mengniu carried out caring work for workers in cold workplaces, and expressed care to 8,764 workers in cold workplaces, with a care fund of about RMB 1.40 million in total.

Wedding Benefits

Mengniu sent wishes to nearly 200 Mengniu newlyweds and invested more than RMB 200,000 in care fund in total.

Talent Services

The company creates a comfortable working environment for employees and continuously improves the talent service mechanism. In terms of talent service matters such as employees applying for Beijing work residence permits, settling in Beijing, and government talent selection, the company has clarified the standards and procedures, and formulated service methods of talent assistance in conjunction with Beijing talent policies. To retain and motivate R&D talents, if R&D talents are selected for national or Beijing major talent projects, the company can assist employees in prioritizing procedures such as settling down in Beijing, children attending school, and motor vehicle license plates. In 2022, the company assisted 48 employees in settling down in Beijing; at the same time, in order to solve the problems of cross provincial travel difficulties for employees stationed in Beijing and high urban rental costs, the company applied to the corresponding departments for talent rental housing projects according to relevant policies and has been approved. In 2022, the company helped 24 employees solve the rental problem, helping each employee to stay at ease.

Employee Communication

Mengniu hopes to establish harmonious employee relationship and effectively avoid and timely resolve the conflicts arising in the process of employment. Therefore, Mengniu has helped employees establish smooth communication channels to resolve disputes through collective negotiation, Workers' Representative Congress, and labor dispute coordination committees, etc. In addition, Mengniu regularly carries out activities such as employee representative inspection, employee thought survey, employee symposium, employee mailbox, employee hotline, and President and Secretary Reception Day to listen to the employees' voices, understand their difficulties, and sincerely solve the employees' urgent problems.

Democratic Management

Mengniu strictly complies with the requirements of the *Labor Law of the People's Republic of China* and other relevant laws and regulations, follows the *international recognized human rights policies* as outlined in the United Nations Universal Declaration of Human Rights, the *internationally recognized human rights policies* as outlined in the core conventions of the International Labor Organization, and formulates the *Mengniu's Employee Code of Conduct*, the *Employee Handbook* and other systems, actively carries out democratic management work, highlights the subject status of employees in the enterprise, and allows employees to become the "protagonists" of enterprise development. In accordance with the requirements of the *Constitution of the Chinese Trade Unions*, the *Trade Union Law of the People's Republic of China*, and the *Provisions on the Work of Enterprise Trade Unions (for Trial Implementation)*, Mengniu continues to deepen enterprise democratic management, strives to implement the system of workers' representative congress, explores effective ways for workers to participate in management, effectively safeguards the rights of workers to be informed, to participate, to express themselves, and to supervise, fully taps into the enthusiasm, initiative, and creativity of the workers, and truly enhances the quality and effectiveness of democratic management development in the enterprise.

The 7th Mengniu Employee and Trade Union Representative Conference

In 2022, Mengniu held the 7th Employee and Trade Union Representative Conference, which deliberated and passed 14 regulations related to employees' interests, awarded the advanced collectives and excellent individuals in the trade union work, and comprehensively launched the mass organization work systems of the "Mengniu Happiness + Seven-heart Project", aiming to build a happy home of Mengniu and to gather the wisdom and strength of the employees to promote the high-quality development of the enterprise. The conference collected 218 representative proposals, and the trade union was responsible for coordinating and advancing the solution.



Mengniu Collective Consultation Conference on Salary

Mengniu Group trade union lawfully convened the 2022 Collective Consultation Conference on Salary, with the representatives of the enterprise side and the representatives of the employees side listening to the report of the performance of the *2021 special collective agreement on salary*. The meeting explained and clarified the draft of the *Mengniu Group 2022 Special Collective Agreement on Salary*, discussed the salary and welfare related systems, further safeguarded the legitimate rights and interests of both the enterprise and the employees, and played a positive role in building a harmonious and stable labor relationship.



16 trainings

Total number of training sessions related to labor rights protection²



23,340 persons

Total number of participants in training related to labor rights protection

2. Trainings related to labor rights protection include the empowerment trainings of employees' right enforcement and protection.

Occupational Health and Safety

Mengniu complies with the relevant laws and regulations on occupational health and safety, such as the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases* and the *Regulations on Occupational Health Supervision and Management in Workplace*, and continuously improves the management of occupational health and safety. In 2022, based on the *Occupational Health Management System*, the *Mengniu Group 2022-2024 EHS Three-Year Plan* and the *2022 Mengniu Group EHS Key Work Plan* the Company issued to ensure that the risk is continuously controlled and the safety and environmental situation is maintained stable.

As a responsible production enterprise, Mengniu pays high attention to occupational safety issues. The Company has established a Safety Production Committee, with the Company CEO as director, the vice president in charge of safety production as vice director, and the first responsible person from each functional management department and business unit as committee members. A three-level safety management organization structure is established at the Group, business unit and plant levels to undertake responsibility step by step. The safety management departments of the Group, business unit and plant are all equipped with full-time management personnel.

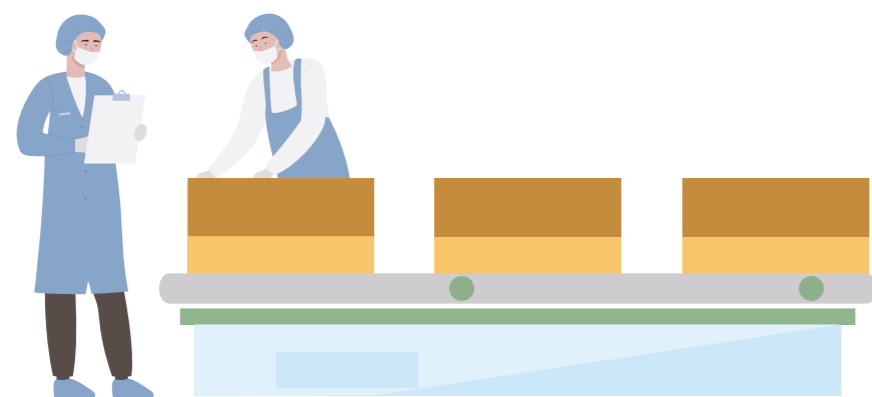
In 2022, 49 factories of Mengniu obtained the certification of Occupational Health and Safety Management System GB/T 45001-2020/ISO 45001:2018; 7 factories of Mengniu passed the first-level on-site evaluation of safety production standardization for enterprises.

Safety Risk Prevention

The company adheres to risk prevention and bottom-line management, implements multiple measures to supervise and regulate compliance, and improves the safety management system. On the one hand, we focus on key risk prevention and control, including online approval and control before, during, and after hazardous operations, full-cycle safety risk management for contractors, typical risk review of electrical circuits and important risk prevention and control measures for extreme weather conditions. On the other hand, we strengthen the implementation of bottom-line responsibilities, formulate 56 transformation actions for the 15 Necessary Measures, propose requirements for the implementation of the *Safety Production Law*, participate in standardization review training, implement a "dual prevention mechanism" that runs parallel to the safety risk grading and control mechanism and the hidden danger investigation and governance mechanism, and organize special safety investigations and empowering for overseas operating units. At the same time, we continue to strengthen the construction of safety informatization, achieving 100% coverage of the dual prevention mechanism and online management system for dangerous operations in the main business.

Safety Culture Construction

Mengniu is committed to promoting the construction of safety culture while continuously deepening the work of security risk prevention and control. To strengthen the safety awareness of the employees and enhance their professional safety skills, we carry out a variety of safety culture theme activities and propagate safety production administration methods and risk prevention measures. In the meantime, the Company applies to be awarded safety culture model enterprises and standardized safety teams to build up a safe production defense line of the Company and to form a positive cycle of mutual promotion and joint protection between the Company and the employees.



"Safety Production Month" Theme Activity

In order to implement the awareness of safe production and build a long-term mechanism for safe production, the Company launched the Safety Production Month theme activity. During the event, leaders at all levels took the lead in making safety production commitments, promoting safety production principles and practicing safety production. All factories carried out in-depth learning on safety production and conducted themed speeches, consultation, painting activities on safety production and safety drills. Through the active participation of all employees, safety awareness has been deeply rooted in the hearts of employees and a strong safety culture atmosphere is formed within the Company.

"Ankang Cup" Labor Skills Competition

In 2022, Mengniu launched the "Ankang Cup" knowledge competition with the theme of "Implementing Safety Production and Safeguarding Enterprise Development", focusing on the requirements of the safety production, safety risk prevention and control, and system mechanism construction. The competition incorporated safety knowledge from 22 aspects, including dangerous operations, mechanical protection, fire and electricity, hazardous chemicals safety, and on-site traffic into the competition questions. The competition also featured creative designs such as "Talented Individuals Thriving Show", "Safety Bingo" and "Safety Scene Play". Through themed speeches, quiz competitions, safety scene plays other forms of activities, employees were able to deeply learn and master safety knowledge, promoting innovative development in enterprise safety production and labor protection, while effectively creating a safe and stable production environment for the Company.



Occupational Health Management

Mengniu is committed to improving the corporate environment and raising the level of health management. Mengniu has established a collaborative linkage mechanism of horizontal and vertical coordination within the Company to continuously stabilize the achievements of occupational health management. Mengniu strives to achieve the coordinated development of enterprise construction and employee health by building a healthy enterprise in three aspects: healthy population management (occupational disease and chronic disease prevention, special protection for female employees), healthy environment management (workplace, life, entertainment and public health environment), and health culture promotion (improving employee health literacy, disseminating corporate culture and fulfilling social responsibility). Mengniu carried out occupational hazard improvement projects, and summarized special treatment cases of occupational hazards in Mengniu to continuously improve the Company's occupational health conditions.

Law of the People's Republic of China on Prevention and Control of Occupational Diseases Popularization Week

In close connection with the reality of occupational health management and the characteristics of occupational hazards, Mengniu carried out a series of publicity and education activities with the theme of "all for the health of workers", popularized the knowledge of occupational disease prevention and control, and raised all employees' attention to attach importance to the occupational health of workers.



Occupational Health and Safety Training

To enhance the occupational health and safety awareness of EHS personnel and improve the professional ability of management personnel, Mengniu Huxiuqi Learning Center has formulated a series of safety production and occupational health theme training courses in accordance with the laws and regulations such as the *Work Safety Law*, the *Environmental Protection Law* and the *Provisions on Safety Training of Production and Operation Entities*. Our training courses are aimed at professional and management personnel at the Group, business unit, and factory levels. The courses cover four dimensions of regulations, management, technology and practice, including policy and regulation learning, major risk prevention and control, occupational hazard prevention and control and other aspects. They help safety personnel establish a professional knowledge system, comprehensively enhance their professional ability in occupational health and safety, and lay a solid foundation for effective implementation of health and safety work, continuing to strengthen the bottom line of safety.

Regulation Training

Including trainings on safety production policies, occupational health related regulations, occupational health knowledge, occupational health work plan of the Group, occupational hazard factors and protective measures to junior, intermediate and senior EHS and metrology engineers, factory legal persons, factory directors and business unit EHS directors.

Management Training

Popularization of management responsibilities and methods for occupational safety and health including introduction and practice of safety leadership, overview of safety line responsibility, basic knowledge of confined space and requirements of safety management, emergency management system and capacity building, occupational health standardization foundation construction, etc.

Technical Training

Focusing on the Group's major risks and individual occupational disease protection, including the management and control of major risks such as liquid ammonia, the selection and use of occupational disease personal protective equipment, and the detection and management of occupational hazards.

Practice Training

Including EHS procedures and practical business skills of new and reconstruction projects to strengthen the EHS engineer professional abilities and ensure the orderly progress of EHS practice.



Ammonia-related Pressure Vessel Leakage Accident Government-enterprise Joint Exercise

Honors



- In 2022, 2 factories of Mengniu were awarded as the national demonstration enterprises for the construction of safety culture.
- In 2022, Mengniu won the Recognition of Advanced Enterprises of "Safety Production Month" Theme Activity in Hohhot City.
- In 2022, Mengniu won the Outstanding Organization Award of "Zhonghuan Cup" knowledge quiz on *Safety Production Law* in Hohhot City.
- In 2022, Mengniu was awarded the title of "Excellent Organization for Safety Construction" and 3 grass-roots teams were awarded the title of "Excellent team for Safety Construction" by local government.
- In 2022, 8 factories of Mengniu were awarded the title of "Healthy Enterprise" at provincial and municipal levels.
- In 2022, 13 employees of Mengniu were awarded the title of "Professional Health Talent" at provincial and municipal levels.

Performance Indicators

Employment-Related Performance Indicators

Indicator	Indicator Unit	2022 Data
Total number of employees	Person	47,329
Total number of male employees	Person	27,861
Total number of female employees	Person	19,468
Total number of full-time employees	Person	47,297
Total number of part-time employees	Person	32
Total number of minority employees	Person	3,676
Total number of disabled employees	Person	65
Total number of employees aged 30 and below	Person	16,282
Total number of employees aged 31-50 (including 50)	Person	30,034
Total number of employees aged above 50	Person	1,013
Total number of employees at overseas	Person	2,420
Total number of employees in Hong Kong, Macao and Taiwan	Person	7
Total number of employees in the Chinese mainland	Person	44,902
Total number of employees with master's degree or above	Person	1,581
Total number of employees with bachelor's degree	Person	17,453
Total number of employees with college's degree	Person	15,469
Total number of employees with high school education or below	Person	12,826
Total number of male employees in senior management	Person	14
Percentage of male employees in senior management	%	73.68
Total number of female employees in senior management	Person	5
Percentage of female employees in senior management	%	26.32
Total number of male employees in middle management	Person	2,495
Percentage of male employees in middle management	%	73.77
Total number of female employees in middle management	Person	887
Percentage of female employees in middle management	%	26.23
Employee turnover rate	%	15.47
Turnover rate of male employees	%	16.56
Turnover rate of female employees	%	13.75
Turnover rate of employees aged 30 and below	%	22.60
Turnover rate of employees aged 31-50 (including 50)	%	11.19
Turnover rate of employees aged 50 and above	%	10.62
Turnover rate of employees at overseas	%	0

Indicator	Indicator Unit	2022 Data
Turnover rate of employees in Hong Kong, Macao and Taiwan	%	14.29
Turnover rate of employees in the Chinese mainland	%	15.47
Total training hours of employees	Hour	4,021,519.84
Average training hours of employees	Hour	84.97
Total ratio of trained employees	%	91.45
Total training hours of male employees	Hour	2,345,192.47
Average training hours of male employees	Hour	84.17
Percentage of male employees trained	%	91.76
Total training hours of female employees	Hour	1,676,327.37
Average training hours of female employees	Hour	86.11
Percentage of female employees trained	%	91.65
Total training hours of senior management employees	Hour	1,165.38
Average training hours of senior management employees	Hour	61.34
Percentage of senior management employees trained	%	100
Total training hours of middle management employees	Hour	277,782.00
Average training hours of middle management employees	Hour	82.14
Percentage of middle management employees trained	%	93.87
Total training hours of ordinary employees	Hour	3,742,572.47
Average training hours of ordinary employees	Hour	85.20
Percentage of ordinary employees trained	%	88.85
Number of employees' complaints and reports	Case	2
Number of complaints resolved	Case	2

The statistical scope of data related to employee turnover is within Mengniu's principal business.

Occupational Health and Safety Performance Indicators

Indicator	Indicator Unit	2022 Data
Occupational disease cases	Case	0
Employee deaths related to work-related incidents	Person	0 (0 for three consecutive years)
Employee death rate due to work-related incidents ³	%	0 (0 for three consecutive years)
Total investment in safety measures	10,000	7,528.94
Full-time safety personnel	Person	210
Lost work hours due to work injuries	Hour	5,399
Employee physical examination coverage rate	%	100
Occupational health and safety training coverage rate	%	100

Work-related death information reflects the date of employees who died as a result of safety production accidents and the scope is within Mengniu's principal business.

3. Employee death rate due to safety production accidents = Number of death related to safety production accidents / Total number of employees*100%

Rural Revitalization

To undertake the national rural revitalization and common prosperity strategy, Mengniu formulated the *14th Five-Year Plan for Rural Revitalization Action Plan* and made full use of the long-chain industrial advantages of dairy industry in the first, second and third industries, forming a dairy-based rural revitalization model featuring industrial revitalization, inclusive nutrition and multiple assistance. To provide more jobs for farmers and herdsmen in rural areas, improve their employment skills and income levels, provide better educational growth conditions for rural children and comprehensively promote rural revitalization and sustainable development through Party building, financial assistance, and educational revitalization.

Industrial Revitalization

In 2022, Mengniu upgraded and released the Dairy Ecosystem "2025 Value Sharing" strategy. Through covering six aspects of value, such as technological upgrading, digital innovation, feed cost reduction, procurement integration, financial support and linkage development, Mengniu worked together with the upstream and downstream of the industry chain to help China's dairy industry develop in a "precise, efficient and green" way. By extending planting, expanding breeding, industrial park linkage and other forms, Mengniu promoted the integration of three industries in rural areas, improved farmers' industrial participation and benefits, realized the collaboration and promotion of farmers with the development of dairy industry chain, and promoted farmers' income and wealth with the construction of high-quality ranch bases, consolidated the achievements of poverty alleviation and promoted the implementation of rural revitalization strategy.

In 2022, Mengniu held the Dairy Ecosystem "2025 Value Sharing" Release Conference, inviting more than 500 representatives from government authorities, industry experts, financial institutions, and Mengniu's industrial chain partners to attend the conference. This activity aims to actively implement the national dairy industry revitalization strategy, help to improve the quality and efficiency of the dairy industry and the competitiveness of the industry, and further strengthen the cooperation relationship of the industrial chain of Mengniu, to achieve the win-win growth of the industry chain.



In 2022, Mengniu promoted the planting of more than 6 million mu and 12 million tonnes of high-quality forage grass nationwide, led the breeding of more than 1.7 million dairy cows, distributed nearly RMB 32 billion of milk payments, directly and indirectly pushed forward more than 4 million herdsmen nationwide to increase their income.



In recent years, Mengniu has laid out and established more than 10 planting, breeding and processing dairy industry parks nationwide. In 2022, Mengniu and its strategic partners built more than 30 new pastures directly and indirectly increasing the employment and income of more than 60,000 farmers.



In 2022, Mengniu invested in the construction of China Dairy Industry Park and promoted the employment of local migrant workers through project construction and industrial chain investment. In the construction phase of the Green Future Dairy Industry Chain Demonstration Base, the Company gave priority to absorbing local rural labor, solving nearly 2,000 people's employment, and becoming an important force to drive industrial revitalization of the countryside.



Inclusive Nutrition

Mengniu continually deepens the Inclusive Nutrition Plan through Mengniu Inclusive Nutrition Fund to implement public welfare projects such as Future Star Student Assistance Program, One Cent Donation Project, Bell Ringer Rural Primary School Principal Empowerment Program and Hope Clinic Project to help the development of local rural revitalization.

In 2022, Mengniu conducted the Milk Donation Program of Inclusive Nutrition Plan in 277 schools in 58 cities of 20 provinces across the country, donating more than 3.97 million boxes of milk and covering 179,200 student person-time. In the past five years, Mengniu has benefited nearly one million student person-time in 28 provinces, autonomous regions and municipalities across the country.



277 schools

The number of schools donated by Inclusive Nutrition Project

more than **3.97** million boxes

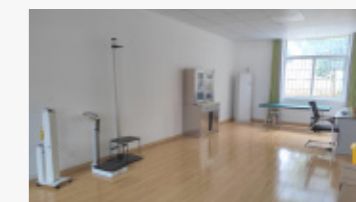
The number of milk product donated by Inclusive Nutrition Project

179,200 person-time

The number of students covered by Inclusive Nutrition Project

Mengniu Hope Clinic Project

To improve the sanitary environment of rural schools and ensure the healthy growth of the youth, Mengniu established Hope Clinics in 10 rural primary and secondary schools in Wuhan city, which effectively improved the public health service level of local rural schools and strengthened the education and popularization of adolescent health and hygiene knowledge.



Rural Primary School Principal Empowerment Program

In January 2022, Mengniu's Future Star Student Milk Brand teamed up with Southern Weekly, a renowned media in China, to launch the Bell Ringer Empowerment Program to deliver health management concepts and methods to village primary school principals from a professional perspective and to stress the importance of nutrition to children in rural schools. In December 2022, China Youth Development Foundation, Mengniu Group, Southern Weekly and 21st Century Education Research Institute jointly released the Investigation and Research Report on Nutrition and Health Education of Rural Primary Schools in Central and Western Regions. The report analyzed the current situation and needs of nutrition and health education in rural primary schools and proposed systematic policy recommendations to attract public attention.



Multiple Assistance

Guided by Party building work, Mengniu promotes the rural revitalization through solving funding issues with financial institutions, improving dairy farmers' capabilities by technology training, developing professional talents through education and helping rural construction by fund donation.

In the past three years, the party committee of Mengniu Group has jointly promoted the establishment of 62 Party branches in cooperative pastures, established 657 Party building bases with Mengniu characteristics, and formed a Party building alliance with 189 cooperative units such as government, banks, and cooperative pastures. Mengniu has also held 139 Party building activities.

To solve the problem of difficult and expensive financing for Mengniu's upstream suppliers, Mengniu has conducted in-depth cooperation with financial institutions such as China Bank, Agricultural Bank of China, Zhesang, Industrial Bank and China Merchants Bank in the past ten years. In the year of 2022, Mengniu provided RMB 7.6 billion to support the upstream pastures to meet various financial needs, such as the purchasing of cows, forage and equipments, transformation and upgrading, breeding of high-quality breeds and information construction solving the problem of cash flow difficulty for farmers and herdsman.

Mengniu continued to implement technical assistance and animal husbandry personnel training with universities and institutions such as China Agricultural University and the National Dairy Industry Technology System to help pastures achieve continuous improvement in efficiency. In 2022, Mengniu launched 29 public training sessions on pasture technology improvement, reaching 330,000 person-time participation. Mengniu also precisely helped 156 pastures to improve the refinement and scientific level of feeding management throughout the year. In addition, Mengniu launched the second phase of the Advanced Talent Training Class for Modern Dairy Farms, comprehensively enhanced the professional and technical abilities of herdsman and farmers.

At the "Inner Mongolia Rural Revitalization Summit Forum", Mengniu and Helingeer County, Naiman Banner, New Barag Right Banner, Inner Mongolia Agricultural University and Ruipu Biology Company signed an agreement to establish the Ruipu Biology Rural Revitalization Alliance, launched the full chain upgrade, and deepened cooperation in multiple fields such as grass industry, animal husbandry, dairy industry, and talent cultivation to help rural revitalization.

Mengniu donated RMB 10 million to Lhozhag County in Tibet and donated RMB 300,000 to Xiwulanbulang Village of Wuchuan County, which was used for the renovation and upgrading of the village exhibition hall and the hardening and transformation of alleys and roads.

62 Party branches

657 Party building bases

Established 62 Party branches and 657 Party building bases with cooperative pastures.

RMB **7.6** billion

Cooperated with financial institutions to provide RMB 7.6 billion to support upstream pastures.

29 trainings, **330,000** person-time

156 pastures

Launched 29 training sessions on pasture technology improvement, covering 330,000 person-time, helped 156 pastures.

Honors

With the outstanding contribution of high-quality industrial development to rural revitalization, Mengniu won the "Xinhua Credit's Golden Orchid Cup" ESG Outstanding Contribution Case Award hosted by China Economic Information Service and the "2022 Annual Responsibility Practice Rural Revitalization Award" by The Paper.cn.



Charity

In order to standardize the development of the Group's public welfare undertakings and improve the social responsibility development system, Mengniu has set up the Inner Mongolia Mengniu Public Welfare Foundation. With the mission vision of "Nutrition Benefits All Life, Every Life Should Excel", the foundation focuses on nutrition empowerment, balanced development, environmental protection and other fields, and carries out charitable projects through knowledge research, systematic funding and public Advocacy.

Mengniu also revised the *China Mengniu Public Donation Management System* to optimize the emergency donation mechanism and effectively respond to disaster relief emergency donations while standardizing the management of donations. In addition, Mengniu has formulated standards for employee volunteer service activities and carried out systematic volunteer service activities.

In 2022, Mengniu spent more than RMB 106 million on charitable donations. In the future, Mengniu will continue to take on systematic and strategic public welfare and charity work to undertake its corporate social responsibility.

In 2022, the number of Mengniu volunteers exceeded 10,000 times of people participation and the time spent on volunteer service was nearly 20,000 hours.



Public Welfare Care

Mengniu actively practices social welfare, promotes nutrition and health, cares for all social groups, fulfills corporate social responsibility, and makes every life thrive with every drop of nutrition.

Youth Football Public Welfare of Project Hope

Mengniu leverages the power of public welfare to promote the physical and mental health of young children, helping to develop China youth football undertaking and empower the future of Chinese football undertaking.

Mengniu, together with the China Youth Development Foundation, organized the "2022 Project Hope-Mengniu World Cup Youth Football Public Welfare Activity". The activity selected 247 football teenagers from Xinjiang, Tibet, Qinghai, Sichuan, Jiangxi and other regions to participate in the "Mengniu Youth Football Summer Camp", and finally selected 11 football teenagers to participate in Qatar World Cup. In addition, Mengniu also launched football donation campaign, which sent 10,000 high-quality footballs, well-equipped campus football training equipments and Mengniu student milk to hundreds of primary and secondary schools in 57 cities of 23 provinces across the country to help the development of campus football.



Supporting Healthy Growth of Young Children

Mengniu officially launched the "Mengniu Inclusive Nutrition Project" three-year public welfare plan at the "2022 China Student Nutrition and Health Development Conference". Mengniu planned to donate student milk valued RMB 30 million to schools nationwide in the next three years to further promote the continuous innovation and development of the nutrition and health undertakings for children and adolescents.

Mengniu's Public Welfare on Respecting the Old and Cherishing the Young

In 2022, Mengniu organized the "Small Wishes and Big Warmth" activity to make dreams come true for nearly 400 disadvantaged children. For the fourth consecutive year, Mengniu donated nearly 6,000 books, clothes, and other materials to Mengzi City, Honghe Hani and Yi Autonomous Prefecture, Yunnan Province. In addition, Mengniu launched a care program for elderly people with no family and disabled elderly people, benefiting nearly a thousand elderly people.



Disaster Relief and Support

In 2022, an earthquake of magnitude 6.8 occurred in Luding County, Ganzi Tibetan Autonomous Prefecture, Sichuan Province, which severely affected Ganzi Prefecture and Shimian County, and damaged water, electricity, transportation and communication infrastructures. After the disaster, Mengniu immediately took relief actions and donated RMB 10 million to the earthquake-stricken area to fully support the earthquake relief work and help the affected area to restore as soon as possible.



Overseas Corporate Citizenship

As the most influential dairy enterprise in China, Mengniu also shoulders the mission of leading China dairy to the world in the process of internationalization. Mengniu has actively participated in the Dairy Nourishes Africa (DNA) project initiated by the Global Dairy Platform (GDP). The project focuses on dairy processors and addresses local nutrition security, people's livelihoods and economic growth by promoting the transformation of the local dairy value chain. In 2022, based on the previous successful pilot, the DNA project expanded its scale in Tanzania, and cooperated with the largest local dairy processor to provide local consumers with high quality and low-price dairy products, while ensuring the interests of local small farmers.

Mengniu actively carries out public welfare and charity activities in New Zealand, Australia, Indonesia and other places where we operates overseas, focusing on community public welfare, low-carbon environmental protection, nutrition and health, etc.

Yashili of Mengniu, provided support for cancer research and treatment through various ways such as organizing fundraising and participating in sponsorship. This year, Yashili donated to the New Zealand Child Cancer Foundation to support the treatment of children with cancer.



Yashili proactively fulfilled corporate responsibility and participated in the 2022 New Zealand Primary Industries Summit to discuss the challenges and opportunities of industrial development with industry experts. At the conference, Ag Research (a team that breeds low methane emitting sheep) sponsored by Yashili was awarded the "Science and Research Award".



Bellamy's of Mengniu is committed to social welfare activities. Bwllamy's donated milk powder and infant food to nurseries and kindergartens in the northern part of Melbourne, and cooperated with the Royal Children's Hospital in Melbourne to donate milk powder and infant food to Ronald McDonald House, providing nutritional supplements to sick infants and toddlers.



Honors

Mengniu was the only dairy enterprise winning the Inner Mongolia Charity Award.



Environment- Carbon Net-zero

Mengniu, as China's leading dairy company, believes that the health of human and favorable environment is inextricably linked. Adhering to the concept of "Promising a Healthier World", Mengniu is committed to establishing an environmentally friendly production system, and promise to achieve carbon neutrality across the entire industry chain by 2050. Under the pillar of "Environment-Carbon Net-Zero" of GREEN strategy, Mengniu has comprehensively carried out greenhouse gas management, water resources management, waste management, packaging material recycling and other actions to minimize the impact on the environment by setting up three topics, namely, "Dual-Carbon Action", "Green Operation" and "Recycle".



**Dual-Carbon
Action**



**Green
Operation**



Recycle

SDGs We Focused in this Section



Highlights in 2022

Dual-Carbon Action

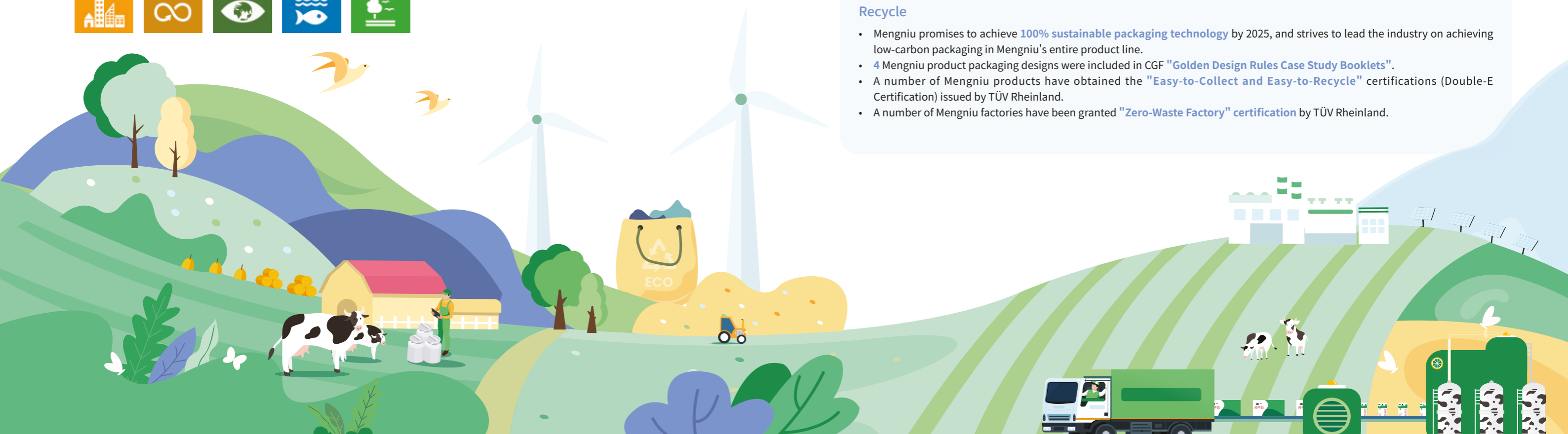
- Mengniu's Qujing factory was certified by Germany's TÜV Rheinland and China's Guangzhou Emissions Exchange, becoming **the first internationally and domestically dual certified zero-carbon emission factory in the dairy industry**.
- Yashili Reeborne Jingzhi of Mengniu infant formula milk powder 700g and 750g obtained **carbon neutrality product certificates** for its Stage 1, Stage 2 and Stage 3 product, achieving **relatively zero greenhouse gas emissions**.
- Mengniu promoted ISO 50001 Energy Management System Certification coverage, achieving **100%** certified of Mengniu's factories.
- By the end of 2022, Mengniu has promoted cooperating pastures to replace **57** coal-fired boilers, adopt **71** water conservation measures, and apply **30** clean energy projects, achieving a carbon emission reduction of about **180,000** tonnes.
- By the end of 2022, Mengniu has installed more than **14.6MW** of solar photovoltaic capacity, increased by **8.96%** compared with 2021.
- Included in the **"2022 Business Climate Action Cases"** jointly released by C Team and the Center for Environmental Education and Communications of Ministry of Ecology and Environment.

Green Operation

- By the end of 2022, **27** factories have been certified as "National-level Green Factory".
- Awarded **"Environment Leap Forward Award"** by Global Environmental Information Research Center (CDP).
- **49** plants obtained GB/T24001-2016 /ISO14001: 2015 Environmental Management System Certification.
- Mengniu has invested **more than RMB 200 million** in ecological and environmental protection, completed **21** key environmental protection renovation projects, and supervised the discharge of pollutants in **38** sewage treatment plants of the Group to meet the sewage discharge standards.
- Mengniu's freshwater consumption per unit product decreased by **1.54%** compared with 2021 and annual water saving reached **859,700** tonnes (including **421,600** tonnes in social water savings).
- Mengniu's water reuse rate was **7.5%**, with a water reuse volume of approximately **2.257** million tonnes.
- In 2022, **5** factories were newly awarded with the title of provincial water conservation enterprise and **1** factory was newly awarded with the title of municipal water conservation benchmark enterprise.

Recycle

- Mengniu promises to achieve **100% sustainable packaging technology** by 2025, and strives to lead the industry on achieving low-carbon packaging in Mengniu's entire product line.
- **4** Mengniu product packaging designs were included in CGF **"Golden Design Rules Case Study Booklets"**.
- A number of Mengniu products have obtained the **"Easy-to-Collect and Easy-to-Recycle"** certifications (Double-E Certification) issued by TÜV Rheinland.
- A number of Mengniu factories have been granted **"Zero-Waste Factory" certification** by TÜV Rheinland.



Dual-Carbon Action (TCFD Chapter)

We use the framework suggested by TCFD⁴ to disclose Mengniu's climate related information. Low carbon development is the development path commonly recognized by all sectors of the global community, and it is also the common action taken by different stakeholders to address climate change. As a leading dairy company in China, Mengniu highly recognizes the importance of low-carbon development and adheres to the concept of "Promising a Healthier World". Under the framework of the Company's "GREEN" strategy, Mengniu has set the strategic goals of achieving "carbon peak by 2030 and carbon neutrality by 2050", comprehensively carried out greenhouse gases emission management such as carbon calculation and climate risks and opportunities identification, continuously explored action plans in responding to climate change, as well as fulfilled environmental responsibilities with upstream and downstream enterprises in ecological protection, thus influencing and driving the whole industrial chain to achieve low-carbon development.

Governance

We have established a dual-carbon governance structure composed of governance, management and executive level, and clarified the supervision and management responsibilities of each level for dual-carbon matters.

Governance Level

The Board of Directors of Mengniu oversees climate change related matters of the Company, makes decisions on the Group's climate change policies and strategic planning, supervises the process and results of identifying climate change and low-carbon development risks and opportunities, reviews and monitors climate change-related goals, as well as listens to the management's report on climate change related matters and makes recommendations.

Management Level

Mengniu's core senior management conduct overall deployment and systematic promotion of the Group's low-carbon related work, coordinate the formulation of major policies and strategic plans, identify risks and opportunities related to climate change and low-carbon development, manage climate change-related goals, and clarify the climate change-related functions of the Group's different business departments. The core management of Mengniu Group is the highest leadership and decision-making body of the Group's carbon emission management work. Also, Mengniu has established a well-structured "The Group-Business Units-Factories" three-level management system with clearly defined responsibilities. The Group's Safety and Quality Management Department is responsible for the overall coordination of the Group's carbon peak and carbon neutrality matters, formulating the guidelines and strategic plans for low-carbon development, including the *Mengniu Group Low-Carbon Development Plan (2023-2025)*, *Mengniu Group Carbon Emission Management Method* and *Mengniu Group Carbon Emission Accounting Technical Guide*, to guide and deploy carbon emission management and build up a carbon emission management system. The Group's Safety and Quality Management Department unifies, coordinates, deploys, guides and supervises the carbon emission management of each business unit, and allocates carbon emission targets to each business unit and carries out evaluation assessment, to form a management system with methodology, strategy, planning and process, and steadily promotes the dual-carbon action.

4. Task Force on Climate-Related Financial Disclosures.

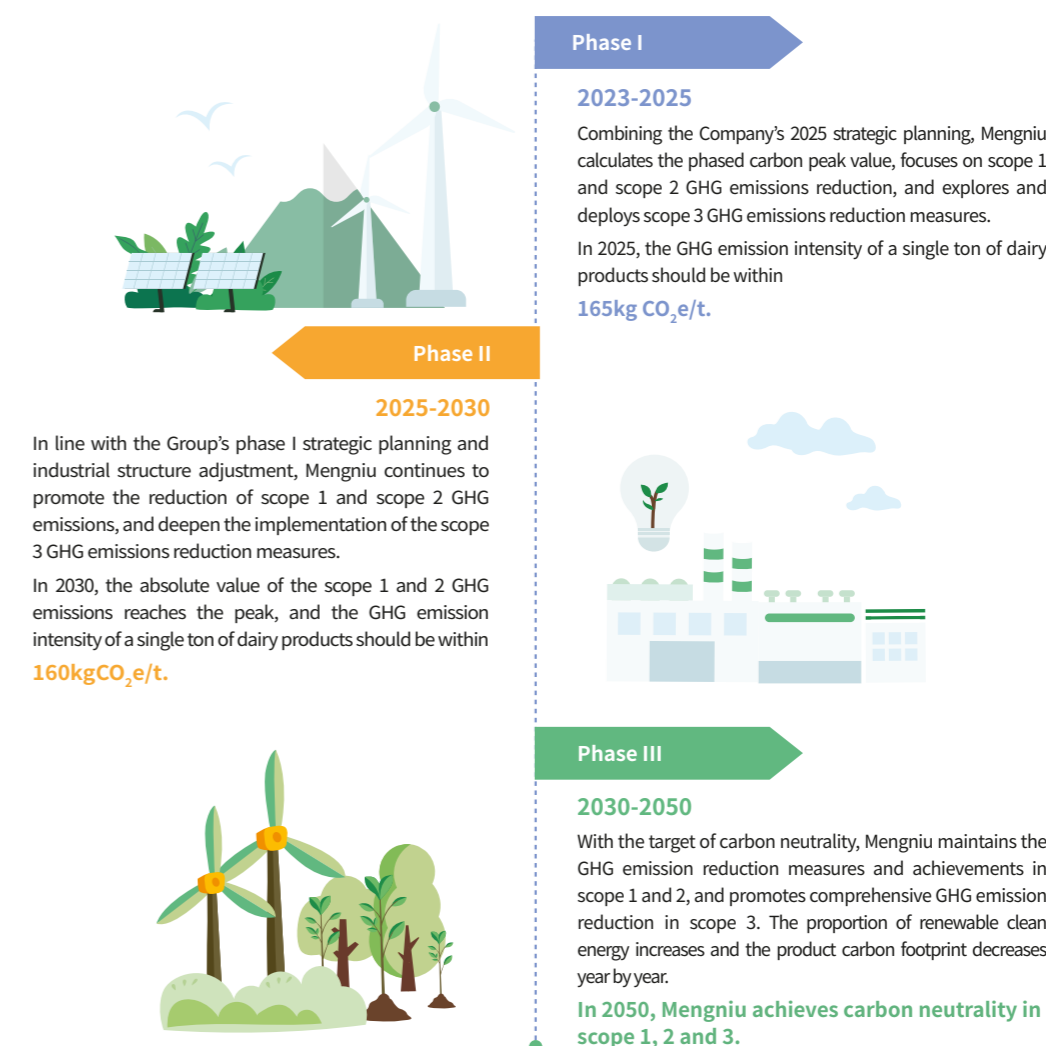
Executive Level

Mengniu's business units execute the Group's low-carbon development policy, undertake the Group's low-carbon development plan, formulate the business unit's low-carbon development implementation plan and related management documents, refine and decompose reduction targets, deploy and implement carbon reduction and emission reduction measures, as well as quantify reduction effects, meanwhile, business units report their carbon reduction progress and achieved status of carbon targets to the Group, forming a top-down and "full-coverage" dual-carbon action mechanism. Moreover, Mengniu's factories implement business units' low-carbon development measures, collect factory-level carbon emissions data, ensure the achievement of business units' carbon targets, and report the results of carbon reduction efforts to business units.

Strategy

Mengniu has established a climate change response strategy. We have set carbon reduction targets, planned and fulfilled key carbon reduction pathways. At the scope 1 and scope 2 aspects, we actively carry out our own carbon emission management, practice emission reduction, energy conservation, and renewable energy utilization projects. In terms of scope 3, we carry out value chain collaboration on carbon reduction. We collaborate with partners to implement carbon reduction practices, and reduce product carbon footprints. At the same time, we carry out climate change scenario recognition, climate change risk and opportunity analysis, and climate impact evaluation on the Company in terms of operation and finance.

Mengniu's Dual-Carbon Strategic Planning



Scope 1 and 2 GHG Management

Based on the Group's dual-carbon target and strategic plan, Mengniu has clarified the focus of carbon reduction in production-related scope 1 and 2. Mengniu regards improving the utilization rate of production capacity, improving the utilization rate of energy, recycling surplus energy and optimizing energy structure as the core contents of production-related carbon reduction.

Improving the Utilization Rate of Production Capacity

Capacity utilization has a crucial impact on the efficiency of energy use in production activities and is an important measure to reduce production-related carbon emissions. Mengniu has improved the utilization rate of production capacity by shortening process transfer time, optimizing material pipeline transportation, and investing in automated and intelligent production equipment.

Improving the Energy Utilization Rate

Mengniu explores energy-saving opportunities in each stage of the production process and integrates energy-saving measures into the entire production process, by doing so, Mengniu has improved the energy utilization rate in our production through installing intelligent control equipment, reducing equipment idling, reducing transmission loss, optimizing equipment parameters, and upgrading energy-saving equipment.

Recycling Surplus Energy

Multi-level utilization of surplus energy is of great significance for energy saving and emission reduction in our production, and is an important part for us to implement refined energy management. Therefore, Mengniu continues paying close attention to and implementing the management and technical measures of condensate water recovery, forms of heat recovery and other effective recovery of surplus energy and its reutilization.

Optimizing Energy Structure

Optimizing energy structure is a crucial method to assist companies in achieving a low-carbon transformation. Based on its operational and regional circumstances, Mengniu has implemented the deployment of distributed energy and solar photovoltaic power generation, while undertaking energy structure optimization efforts through measures such as biogas recovery and outsourcing of green energy.

Internationally and Domestically Dual-Certified Zero-Carbon Emission Factory

Mengniu's Qijing factory received the Carbon Neutrality and Zero-Carbon Emission Factory Certificate from Germany's TÜV Rheinland and the Carbon Neutrality Certificate from China's Guangzhou Emissions Exchange. The plant incorporates green building materials, low-carbon raw materials and accessories, and clean energy during its design, construction, and operation to achieve sustainable development. Currently, about 100% of the plant's electricity comes from green sources.

- Green design and construction: The factory has integrated the concepts of green and low-carbon into its design, rationally planned the layout of workshops and lighting zones, and used green and environmentally friendly building materials.
- Energy-saving technology: The factory has established an intelligent energy management system and utilizes high-efficiency kinetic energy equipment to implement various energy-saving and emission-reduction projects.
- Clean energy: The factory has expanded its clean energy channels and increased the proportion of clean energy used.



Emission Reduction Empowerment

Mengniu has undertaken carbon emission accounting capacity building, with ongoing implementation of the "Learning While Doing" carbon emission accounting empowerment program, covering all carbon emission accounting personnel in the company, ensuring that they possess the skills required for carbon emission accounting and monitoring. In 2022, the Company conducted 12 training sessions on environmental protection and low-carbon themes, covering more than 200 full-time carbon management personnel from the Group, Business Units and factories.

12 Sessions

Training sessions on environmental protection and low-carbon themes

more than 200 Full-time Carbon Management Personnel

Training coverage

Energy Conservation and Consumption Reduction

Mengniu practices green production and continuously reduces energy consumption while improving energy utilization efficiency at each factory through two dimensions: emission reduction and efficiency enhancement. The Company has established an Energy Conservation and Emission Reduction Committee, chaired by the President, with the Group's Vice President responsible for energy strategy and performance management, and the Business Unit Leaders are responsible for achieving decomposition targets and tracking improvement. In 2022, Mengniu's comprehensive energy consumption per million yuan revenue is 24.02 MWh.

Systematic Management

The Company promoted ISO 50001 Energy Management System Certification and achieved 100% coverage of its own factories; applied TPM energy-saving and cost-reduction tools, and formed an energy-saving and cost-reduction team to promote the lean management of the energy system; innovatively applied visualized tools to identify energy risks, and outputted 4 visualized risk maps of solar energy, wind energy, water resources and mechanical and electrical equipment energy efficiency improvement, so as to prevent and control energy compliance risks.

Technological Diversification

Adhering to the concept of "Reducing energy consumption and increasing green value"⁵, the Company promoted the application of new energy-saving and carbon-reducing technologies around the ideas of "Exploration-pilot-promotion". In 2022, 66 energy and water conservation technologies and 4 new energy conservation and carbon reduction technologies were explored and exported. Mengniu completed 51 energy-saving renovation projects throughout the year, achieving annual energy saving of about 2,970.3 tonnes of standard coal.

Scaling Improvement of Evaporative Cooling Coil

Mengniu Room Temperature Business Unit took Taian, Gaoke and Maanshan factories as pilot projects to solve the problems of lower heat exchange effect and higher exhaust pressure caused by the scaling of evaporative cooling coils, improve the heat exchange efficiency and ensure the safe operation of the refrigeration system. The factory installed a new descaling equipment on the heat exchanger of the evaporating refrigeration workshop, achieving 8% to 10% power saving in the evaporative cooling system.

Boiler Flexibility Enhancement Project

Mengniu's Room Temperature Business Unit conducted a boiler flexibility enhancement project at its Baotou factory, which includes improving the reliability and safety of the gas boiler system, ensuring accurate steam metering, increasing the intelligence of the control system, and enhancing the energy efficiency, stability, safety, and environmental friendliness of equipment operation.

Air Conditioning System Optimization

Mengniu Room Temperature Business Unit's air conditioning system used return air circulation control to supplement the minimum fresh air volume, which reduced system energy consumption by about 10% while maintaining clean indoor air.

Supply-Demand Matching of Compressed Air System

Mengniu Room Temperature Business Unit's compressed air system reduced the target pressure by 8% by balancing fresh air supply and demand, achieving an energy conversion efficiency improvement of over 4%.

"No smoke" Blue Sky Factory

The Maanshan Factory of Mengniu Chilled Product Business Unit launched the "Waste Heat to Treasure-Creating a 'No Smoke' Blue Sky Factory Project", pioneered the waste heat recovery technology and obtained national patent authorization. The project is based on the workshop's usage needs and, through in-depth research and careful polishing, has achieved the goal of recycling all the waste condensate water and white smoke in the workshop's waste heat main pipe, effectively solving the problem of heat energy waste. According to calculations, this project can save around 4,300 tonnes of steam per year and reduce emissions of 1,090 tonnes of CO₂ equivalent.

Optimization of Standby Cleaning Time of Equipment

The Qingyuan Plant of Mengniu Fresh Milk Business Unit optimized the running time of the high energy-consuming sterilization machine and adjusted the standby cleaning time from 8 hours to 12 hours without compromising the product quality, thus reducing the cycle time of sterile water and the number of cleanings, saving energy and reducing the annual emission of about 737 tonnes of CO₂ equivalent.

5. Green value, the sum of the financial, environmental, social, benefits that a green product or service can provide to the consumers.

Refrigerator Replaced by External Circulation of Cold Storage

Mengniu Chilled Product Business Unit, in view of the fact that the outdoor temperature in the northern China is relatively low in winter, used fans to introduce outdoor cold air to circulate the cold storage for cooling and stops using Freon refrigerators to save electricity.

Mengniu Smart Energy System

In 2022, the Company upgraded its smart energy system to help reduce energy costs and support energy regulation and decision-making. The project optimized the 8 major functional modules of the system covering 61 units, including improving the loading speed of each module and realizing efficient utilization of modules. It also accelerated data access progress, improved data collection efficiency, and achieved precise docking of the energy cockpit system and dynamic visualization of energy data.

In 2022, Mengniu Chilled Product Business Unit established a smart energy system, focusing on three aspects: digital CIP⁶, digital devices and digital energy. Mengniu Chilled Product Business Unit established a digital analysis model to shift from experience decision-making to data decision-making, and to achieve automatic data collection and analysis. This provided data support for reducing energy costs and supported the company's digital transformation. At the same time, the Room Temperature Product Business Unit upgraded the energy sub-systems in the the workshop, implementing centralized control, automatic data collection, and intelligent comprehensive analysis of energy information to optimize management processes and continuously improve energy conversion efficiency.

Mengniu Green Building

In early 2023, Mengniu's Ningxia factory was awarded the LEED Gold Certification for green building by the U.S. Green Building Council. As an authoritative third-party assessment and certification, LEED Certification has great significance in improving the reputation of the building, saving its operation and maintenance costs, and advocating a green and low-carbon lifestyle. The Ningxia project adopted green building technologies such as the solar power generation technology, the reclaimed water recovery technology, the highly reflective materials, and so forth to ensure that the Ningxia project is in line with international standards. Our LEED Gold Certification for green building is the first of its kind in the domestic dairy industry, and has become an important milestone for Mengniu's in green and low-carbon development, marking that Mengniu has outstanding and excellent performance in terms of energy saving, water saving, reducing carbon dioxide emissions, improving indoor living quality and materials in the design and construction.



Renewable Energy Application

Optimizing energy structure is an important approach for Mengniu to achieve low-carbon transformation. Mengniu actively promotes the application of green energy. Based on its own operating and regional conditions, Mengniu has developed distributed photovoltaic, improved the installed capacity of distributed photovoltaic, and optimized the energy structure through measures such as biogas recovery and green energy outsourcing. By the end of 2022, Mengniu's installed capacity of solar photovoltaics exceeded 14.6 MW, representing a year-on-year increase of more than 8.96%. In 2022, Mengniu set a target for renewable energy utilization, aiming to increase its solar photovoltaic installed capacity by 40% by the end of 2025 compared to 2022.

New Energy Conversion and Transformation of Lighting Facilities

The Danyang Plant of Ice Cream Product Business Unit implemented a new energy conversion project for its lighting facilities, installed 24 sets of low-voltage solar-powered energy-saving devices in the main road area of the factory, which convert solar energy into electricity. The project contributed to an annual electricity savings of approximately 5,000 kilowatt-hours, while also reducing the factory's carbon emissions.

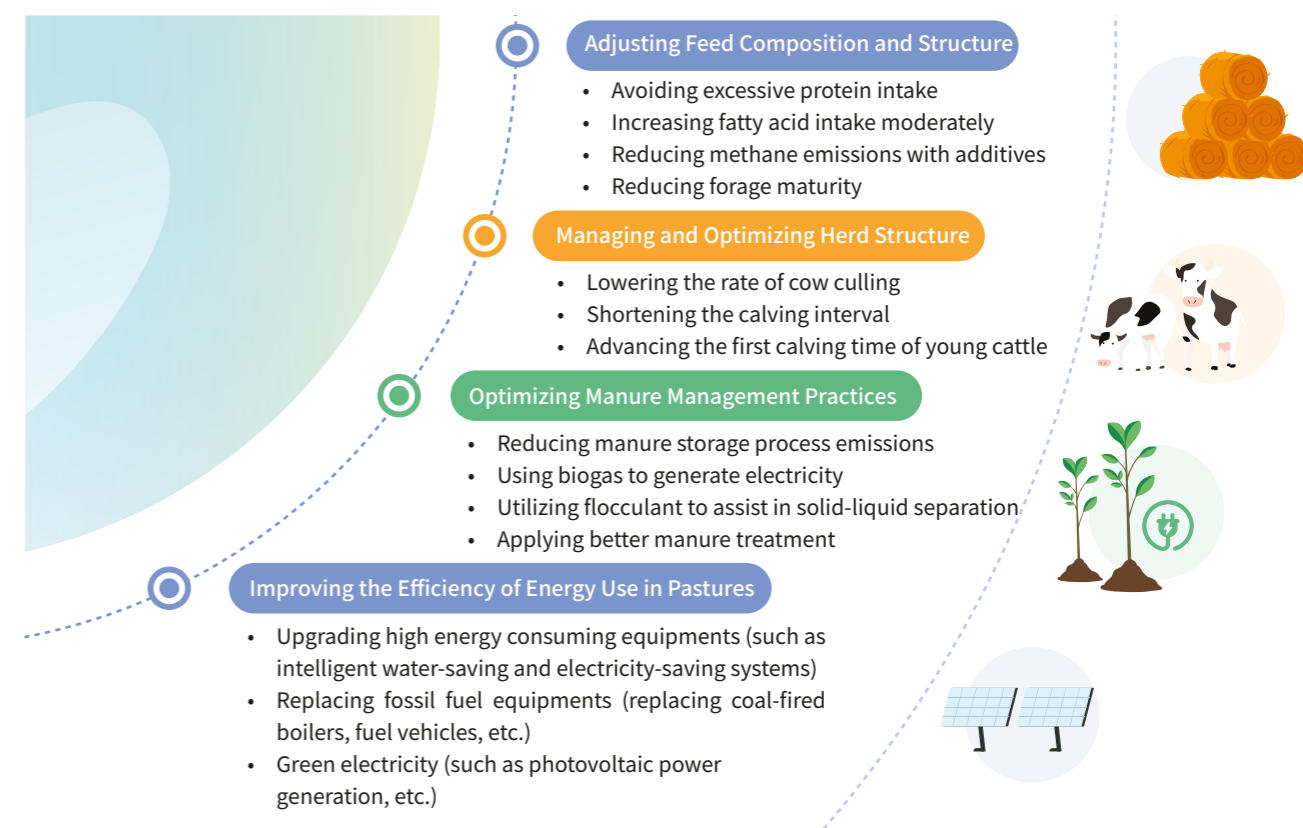
6. Cleaning in Place, CIP

Scope 3 GHG Management

Mengniu pays close attention to the environmental impacts of the value chain, incorporates the value chain carbon reduction into its dual-carbon strategy, leads the important components such as the pasture end and product end of the value chain to explore low-carbon development together.

Low-Carbon Pastures

The carbon emission from the raw milk production of pasture is the main source of carbon emission in Mengniu's value chain. Mengniu has developed a carbon management planning and designed carbon reduction paths for pastures, which includes adjusting feed composition and structure, managing and optimizing herd structure, optimizing manure management and improving energy utilization efficiency of pastures. Mengniu also provided carbon reduction-related support for pastures.



In terms of energy-saving and emission reduction technology transformation in pastures, Mengniu has launched low-carbon breeding training programs in pastures to encourage pastures to reduce the use of coal-fired boilers, upgrade water-saving systems, and use clean energy to replace traditional fossil energy, thus contributing to the power of Mengniu for the carbon reduction and low-carbon transformation of the industrial chain. By the end of 2022, Mengniu has promoted a total of 57 replacements of coal-fired boilers, adopted 71 water-saving measures, and implemented 30 clean energy projects in cooperating pastures, bringing a carbon reduction of about 180,000 tonnes.

At the same time, we continue improving the management of farm feed procurement and proposing water pollution management requirements for farm feed suppliers. We require suppliers to develop appropriate management plans for pollutants (wastewater, waste gas, noise, solid waste and so on) emitted during production, activities, or services and to take effective measures to meet national or local emission standards or relevant environmental protection standards. Furthermore, we actively promoted local feed procurement projects, giving priority to local resources and purchasing corn kernels, silage corn, pressed corn, straw and other products from the surrounding area of the farm to reduce carbon emissions from feed transportation and promote local economic development.

GHG Management of China Shengmu

China Shengmu of Mengniu, has integrated carbon reduction into the management of raw milk production and other operational aspects, established a carbon management team and mechanism, and completed the "Carbon Emissions Baseline Inventory". Shengmu has made a commitment to reduce global climate by 1.5 degrees in line with the "Paris Agreement" and set up corresponding emission reduction paths. From the aspects of green breeding, green planting, green transportation, and green processing, Shengmu is aiming to build a green low-carbon eco-system driven by the dual elements of "[Planting, Rearing and Processing] carbon reduction and [Agriculture, Forestry and Meadow] carbon sequestration". Currently, all the traditional boilers in Shengmu's pasture have been replaced by air source heat pumps using clean energy and the proportion of clean energy used in production and operations will be further increased in the future.

In 2022, China Shengmu achieved significant carbon reduction efforts, with an expected carbon emission of 626,000 tonnes and an actual carbon emission of 660,000 tonnes, achieving a target completion rate of 94%. At the same time, the carbon emissions intensity of China Shengmu have been reduced to 1.03kgCO₂e/kg milk, a decrease of 7.2% compared to 2021. The carbon emissions from green breeding, manure management, and energy use have been reduced to 321,400 tonnes, 141,200 tonnes, and 110,200 tonnes, respectively.



GHG Management of China Modern Dairy

China Modern Dairy of Mengniu, focuses on the carbon emission reduction efficiency of the entire chain in top-level design and strategy planning. From soil management of planting land and research on gastrointestinal fermentation technology, to the introduction of manure collection and anaerobic fermentation system, and photovoltaic energy, as well as the efficient breeding and production of cows, China Modern Dairy has achieved breakthroughs and emission reduction throughout the entire chain. China Modern Dairy's manure treatment system and recycling model reduce the use of outsourced padding and energy while achieving low-carbon environmental protection, and reduce carbon emission by at least 40% in the manure treatment and comprehensive energy utilization process. The manure treatment system and recycling model of China Modern Dairy has been recognized as an outstanding case for reducing carbon emissions from breeding activities in the agricultural food industry and is highlighted in the report Corporate Climate Target Setting, Action and Global Collaboration Towards a Net-Zero Future-Accelerate 2030 Agenda For Sustainable Development Through Global Development Initiative published by the United Nations Global Compact (UNGC).



China Modern Dairy conduct comprehensive carbon calculation, covering all pastures and new business sectors that under its operation control. China Modern Dairy have gathered momentum for the continuous implementation of carbon reduction strategy through adopting a "Create the Demonstration Pasture" strategy, and making horizontally comparison among different pastures to inspire their growth; establishing a support system to improve data collection efficiency and enhance professional capabilities in dual-carbon work; conducting trainings related to carbon emission reduction, and developing Life Cycle Assessment (LCA) of carbon emission. At present, in addition to newly acquired pastures, China Modern Dairy's existing pastures have decreased the carbon emission intensity in three units of manure management, energy utilization, and gastrointestinal fermentation, by 10.4%, 2.0% and 2.7%, respectively, achieving a balance between carbon reduction and efficient production, as well as a virtuous cycle of emission reduction investment and production efficiency output.

In April 2023, China Classification Society Certification Co., Ltd. conducted greenhouse gas verification on China Modern Dairy of Mengniu and issued the certificate of verification on greenhouse gas emission. According to the verification result, compared to 2021, the carbon emission per cow, per kilogram raw milk, and per kilogram of corrected milk in China Modern Dairy in 2022 have decreased by 4.8%, 1.3% and 1.4%, respectively.



Mengniu Case Included in 2022 Business Climate Action Cases

In 2022, the Center for Environmental Education and Communications of Ministry of Ecology and Environment and the China Champions for Climate Action jointly released the 2022 Business Climate Action Cases, which was officially released at the China Pavilion Enterprise Day Activity of the 27th United Nations Climate Change Conference (COP27).

Mengniu's case of *Building a Green Ecological Circle and Promoting Zero Carbon Development in the Dairy Industry* was included in the case collection. This case introduces how Mengniu implemented carbon reduction actions in factories and pastures, including energy-saving transformation, fine management, renewable energy utilization, changing feed structure and feeding methods, increasing forestry carbon sinks and soil carbon sinks.

China Modern Dairy of Mengniu, also displayed a miniature model of the manure treatment system and other green transformation and climate innovation contents at the China Pavilion Enterprise Day, comprehensively demonstrating the concept of green recycling industry and the whole industry treatment chain of "feed planting-dairy farming-manure treatment-manure return to the farmland (biogas power generation) -feed planting".



Low-Carbon Transportation

The Company has an extensive logistics transportation network, covering the transportation of upstream raw materials and downstream products. The Company has paid attention to carbon emissions in the logistics transportation process, gradually upgraded logistics vehicles to electric vehicles, replaced fossil fuels with biomass fuels and optimized the structure of transportation logistics to establish a more efficient and low-carbon logistics system.

Procurement of Green Logistics Service Providers

Mengniu Room Temperature Business Unit requires road transportation service providers to commit to the deployment of new energy electric vehicles and increase their use in areas with suitable natural conditions and transportation distances.

Adoption of Intensive Transportation Methods

Mengniu is accelerating the shift of medium and long-distance freight transportation from road to rail and water transportation, vigorously developing multimodal transportation such as rail-water, road-rail, and road-water, increasing the share of railway and waterway in comprehensive transportation, and continuously reducing energy consumption and carbon emissions.

Mengniu Fresh Milk Business Unit has increased railway transportation, integrated transportation resources during transportation, which reduces transportation distance, increases loading capacity as well as reducing shipping frequency and energy consumption.

Project of Urban Electric Truck

Mengniu Chilled Product Business Unit encourages and promotes urban logistics partners to use new energy refrigerated electric trucks in certain regions on a pilot basis to reduce energy consumption and carbon emissions.

Low-Carbon Packaging

Mengniu actively collaborates with the leading packaging material suppliers to develop and promote the application of low-carbon packaging, and strives to achieve full coverage of low-carbon packaging while ensuring packaging quality for all of our product.

Mengniu's First Label-Free Product

In 2022, Mengniu launched its first label-free product, Mengniu Yoyi C 0 Sucrose, which met the Golden Design Rules of the Consumer Goods Forum (CGF)⁷ and was selected in the "Golden Design Rules Case Study Booklets", making it a pioneer in carbon reduction and environmental protection packaging.

Carbon footprint reduction: the carbon footprint reduced 44.6%*

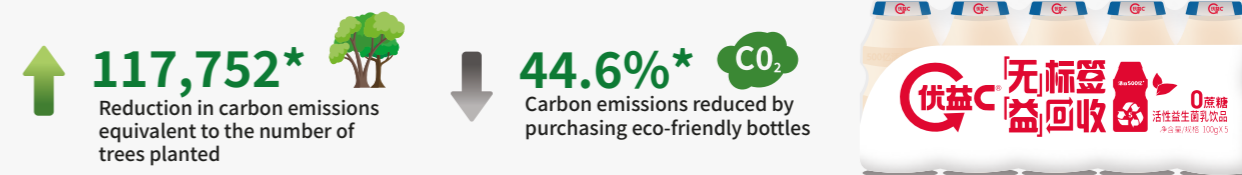
Plastic reduction: Upgrading the production process to eliminate the use of PET plastic bottle labels

Ink reduction: Designing a semi-transparent white bottle body to remove the use of ink

Easy to recycle: Optimizing packaging structure, changing PS material to PP material, making it easier to be recycled



7. Golden Design Rules: Product packaging design principles launched by the Consumer Goods Forum, aims to accelerate the process of "less plastic, better



* Data from "Mengniu Yoyi C 0 Sucrose Product Bottle Label Removal Carbon Reduction Calculation Report"

For more information, please refer to Chapter "Environment-Carbon Net Zero"-Recycle.

Low-Carbon Products

Mengniu inspects the environmental impact of its products from the whole life cycle perspective. Based on market demand and business development needs, Mengniu researches and develops green and low-carbon products, finds and expands suppliers with low-carbon material supply capabilities, and follows the trend of low-carbon economic development. Mengniu will increase the proportion of plant-based milk products as an important step according to our dual-carbon strategy, and keep up with industry trends by conducting market insights, increasing R&D intensity and product reserves, to seize future market opportunities.

Yashili's Milk Powder Products Obtained Carbon Neutrality Certification

Mengniu's Yashili infant formula milk powder brand Reeborne Jingzhi obtained carbon neutrality product certificates for its Stage 1, Stage 2 and Stage 3 product, achieving relatively zero greenhouse gas emissions.

The carbon footprint accounting of this product follows the requirements of ISO 14067:2018 *Greenhouse Gases-Carbon Footprint of Products-Requirements and Guidelines for Quantification* and PAS 2050:2011 *Specification for the Assessment of the Life Cycle Greenhouse Gas Emissions of Goods and Services*, covering greenhouse gas emissions throughout the product's life cycle includes greenhouse gas emissions from upstream raw material extraction and processing, raw material transportation, product manufacturing, product sales and transportation, product use and product disposal stages. The factory of Yashili reduces carbon emissions by undertaking energy conservation and reduction projects, using environmentally friendly plastics and carton packaging, and purchasing raw materials from suppliers certified with green electricity and biomass steam certificates, while offsetting carbon emissions from products by purchasing carbon offset credits.



Calculation of Carbon Footprint of Yoyi C Products



Mengniu pays attention to product carbon footprints, considering possibilities for carbon reduction in all stages and continuing to reduce carbon footprints of Mengniu's product. This year, the Company measured the carbon footprint of Yoyi C Zero Sucrose Active Probiotics Milk Beverage. The carbon footprint of this product is 301.81gCO₂e per bottle, which is measured in accordance with ISO 14067:2018 *Greenhouse Gases-Carbon Footprint of Products-Requirements and Guidelines for Quantification* and PAS 20050:2011 *Specification for the Assessment of the Life Cycle Greenhouse Gas Emissions of Goods and Services*, covering stages of raw materials sourcing, manufacturing, distribution and trial, use and final disposal.



Climate Change Scenarios

According to the business operations, Mengniu assessed the potential climate-related risks that the Company may face in the future based on the Shared Socioeconomic Pathways (SSP) adopted by the Intergovernmental Panel on Climate Change (IPCC).

For the objective situation of group operations and potential external environment such as natural ecology and socioeconomic environment in the future, Mengniu identified influential factors in terms of warming, sea level, extreme climate, climate policies, energy technology changes, land utilization and dietary habits, and chose SSP1 (strict path) and SSP5 (high emissions path) to carry out climate scenario analysis.

Category		SSP 1 Scenario	SSP 5 Scenario
 Natural ecology ⁸	Warming	By 2040, global mean temperature will be risen by 1.6° C compared with the pre-industrial period (2.0° C by 2100)	By 2040, global mean temperature will be risen by 1.7°C compared with the pre-industrial period (5.2°C by 2100)
	Sea level	By 2040, sea level will be increased by 0.1 meters compared with the pre-industrial period (0.4 meters by 2100)	By 2040, sea level will be increased by 0.1 meters compared with the pre-industrial period (0.7 meters by 2100)
	Extreme climate	The frequency and intensity of extreme climate will be increased to a certain degree	The frequency and intensity of extreme climate will be increased significantly
 Socioeconomic environment	Climate policy	Several countries, regions and economies will issue progressively tighter low-carbon related policies and regulations, make long-term net zero emissions or carbon neutrality target commitments, and manage global environmental issues	Due to the influence of energy structure, policy, economy and other factors, countries are climate policy and management of local environmental issues
	Energy technology changes	Reduce the use of fossil fuels and shift to renewable energy sources	Rely on fossil fuels without actively pursue alternative energy sources
	Land utilization	Establish strict regulations to prevent behavior that may affect the environment and ecology	Formulate moderate regulations to gradually reduce the rate of deforestation
	Dietary habits	Dietary preference is on less meat type diet	Meaty diet

Climate Change Risk and Opportunity Analysis

Mengniu analyzed the potential impact on its operations under the SSP1 and SSP5 climate scenarios and identified the potential physical and transition risks under different climate scenarios. Based on the actual impact of the business occurrence from related physical risks and opportunities, Mengniu conducted assessment and proposed risk response measures.

Risk Identification and Response of Entity Risk for Mengniu Business Under SSP5 Scenario

Under the SSP5 scenario, greenhouse gas emissions prior to 2100 will remain at a high level, which could potentially exacerbate extreme weather events. Therefore, in this scenario, Mengniu will face more challenges from physical risks. Mengniu identified and analyzed the potential impacts, impact cycles, and response measures under acute and chronic physical risks.

Risk	Risk Description	Risk Response
 Acute physical risk	<p>Extremely cold weather:</p> <ul style="list-style-type: none"> The energy consumption of maintaining a constant temperature increase during the operation of the factory The energy consumption of maintaining the constant temperature environment of animals increases The cost related to the loss and maintenance of gas supply pipeline facilities increases The operation risk of field station operators and outdoor workers increases <p>Typhoon:</p> <ul style="list-style-type: none"> Severe damage to power or water supply facilities for production, causing some factories' production lines and other operations to stop operating. The construction cost increase as factories and pastures are designed to cope with strong wind Problems such as raw milk sourcing and production interruption occur in the supply chain, and the Company involves in supply interruption, compensation and legal liability <p>Extreme precipitation and flooding:</p> <ul style="list-style-type: none"> The risk of flooding of pastures and factories located in low-lying areas increases The physical impact of extreme precipitation on animals in raw milk supply chain affects raw milk production and quality Causing serious damage to the facilities of the enterprise <p>Extremely hot weather:</p> <ul style="list-style-type: none"> May affect the water and electricity consumption of production factories interference with normal production Increased heat stress reaction in cattles leads to limited raw milk production and affects milk production and quality The difficulty of keeping raw milk fresh increases in the process of transportation The possibility of food contamination and food-borne diseases increases The operating cost of ventilation, refrigeration and air conditioning in the field station increases The risk of field station operators and outdoor workers increases <p>Financial impact:</p> <p>According to calculations, in 2022, Mengniu invested approximately RMB600,000 in the use and rental of generators due to the shortage of electricity caused by the dry weather. Meanwhile, to adjust its production strategy, Mengniu transferred goods from other production locations to ensure the supply of products, which also incurred some costs.</p>	<ul style="list-style-type: none"> Formulating prevention and control measures for safety and supply risks in winter under extremely cold conditions Formulating a typhoon emergency relief plan Raising the flood control steps to improve the ability to resist natural disasters Formulating emergency rescue plans for flood control and lightning protection Interconnected with the urban management information platform, greatly improving the timeliness of information acquisition Predicting and managing extreme precipitation events in advance, taking precaution measures, and relocating milk sources In response to the high temperature weather, factories will adjust their production strategy and activate the generator to ensure the electricity supply Developing a heat stroke emergency response plan Providing an adequate water source for cattles Ensuring the availability of high-quality feed Using more cattle sheds and shading structures
 Chronic physical risk	<p>Sea level rise:</p> <p>The risk of write-off and early retirement of existing assets located in high-risk coastal areas increases, and the migration of some residential, investment and commercial activities to inland areas affects existing markets</p> <p>Climate warming:</p> <ul style="list-style-type: none"> Fresh milk samples with regional dry period have higher degree of contamination, which increases food safety hazard The risk of heat wave, drought, and fire increases Energy consumption of gas supply facilities in winter may reduce 	<ul style="list-style-type: none"> The location, planning and design of new projects need to consider the impact of sea level rise Continuously monitor the rising trend of sea level Forming a complete cold-chain transportation supply chain Increasing the frequency of maintenance and inspection of transportation facilities

8. Data source: The Sixth Assessment Report of Working Group (WGI) of the Intergovernmental Panel on Climate Change (IPCC), CMIP6 climate models and Fossil-fueled development (SSP5): An energy and resource intensive scenario for the 21st century

Risk Identification and Response of Transformation Risk for Mengniu Business Under SSP1 Scenario

Under the low-emission scenario, global macro policies and climate-related policies are becoming stricter, and the trend of social transition to low carbon may bring potential policy restrictions to enterprises, affecting their operations and revenues. In this context, Mengniu may face more challenges from the risks of transition. Based on its actual operations, Mengniu identified the transition risks posed by climate change, including policies and laws, technology, market, and reputation.

Risk	Risk Description	Risk Response
 Policies and laws	Energy structure and energy use: <ul style="list-style-type: none"> In the long term, the Country's energy mix will shift to a predominantly non-fossil energy source, while shifting energy use to low emission sources The risks and financial impacts related to policy changes depend on the nature and time frame of the policy changes 	<ul style="list-style-type: none"> Adopting high energy efficiency solutions Encouraging more measures to improve water efficiency Promoting more sustainable land and pasture use.
	Carbon pricing: <p>The government charges fees to carbon emitters, transfers the environmental impacts (i.e., external costs to the environment and society) caused by the emissions to the emitters and encourages them to change their business activities to reduce carbon emissions</p>	<ul style="list-style-type: none"> Implementing a corporate carbon-related asset management control mechanism Shifting energy use to low-emission sources Promoting comprehensive energy solutions
 Technology	Environmental information disclosure: <p>As climate change intensifies, measures such as carbon trading, carbon taxes, and environmental protection taxes will be implemented, and regulatory authorities will have higher requirements for the accuracy of environmental data reported by enterprises</p>	<ul style="list-style-type: none"> Disclosing energy consumption, carbon emissions and other data in a high-quality and transparent manner according to the rules and reporting guidelines of the regulatory agency
	Risks in technological aspect: <p>The government generally encourages technological improvements or innovations in transitioning to a low-carbon, high-efficiency economic system, which could have a significant impact on our businesses</p> <p>Financial impact:</p> <p>According to our calculation, Mengniu invested more than RMB 15 million in energy-saving facilities in 2022, mainly for energy-saving mechanical and electrical equipment upgrading, water treatment scale inhibition technological upgrading, energy consumption online monitoring, waste heat recovery, steam pipeline upgrading, etc</p>	<ul style="list-style-type: none"> Making active use of emerging technologies such as renewable energy, battery storage, and carbon capture and storage Reducing the carbon footprint of products Increasing green labels
 Market	Customer preference shift: <p>Consumers are becoming more conscious of environmental protection, the low-carbon and environmental protection attributes of products become increasingly important criteria for consumption</p>	<ul style="list-style-type: none"> Implementing a diversified product strategy to provide more products with labels such as "natural", "organic" and "locally produced" Providing environmentally conscious products that can be understood by consumers
 Reputation	Failure to respond to the concerns of relevant parties: <p>More and more stakeholders are concerned about the climate response performance of listed companies, including but not limited to regulatory authorities, shareholders, partners, customers, the public, etc. If the Company does not take proper measures to conduct climate-related response appropriately, such as failing to timely identify legal requirements or failing to communicate with stakeholders on climate matters, may leads to the risk of damage to the Company's reputation</p>	<ul style="list-style-type: none"> The senior management of the Company attaches importance to the management and supervision related to climate change, and pays attention to the development of climate-related policy trends Incorporating the "addressing climate change" into the Company's GREEN strategy, implementing climate change response measures based on the Company's current situation, and planning future response strategies Disclosing climate-related information in accordance with the TCFD framework Strengthening communication with investors and consumers

Transitional Opportunities to Address Climate Change

We have carried out climate change opportunity identification and gradually planned corresponding impact assessment and response measures for the Company.

Opportunity	Opportunity Description
Resource efficiency	Through green operations such as energy saving and emission reduction, water resource management and waste management, Mengniu can directly reduce the Company's operating cost in the medium and long term, and curb global greenhouse gas emissions to a certain extent.
Source of energy	<p>According to the International Energy Agency (IEA), in order to achieve global emission reduction targets, countries need to transition their primary energy sources to lower-emission renewable sources such as wind energy, solar energy, hydropower, geothermal energy and biofuels, etc. For the dairy industry, increasing the use of clean energy, including the development and use of solar and biomass energy, can quickly reduce future production costs.</p> <p>Financial impact: According to calculations for this year, Mengniu purchased more than 7.7 million kWh of green electricity in 2022, with a purchase cost of about RMB 5 million. Mengniu also invested about 14.6MW in photovoltaic power generation projects this year. According to the current cooperation method of photovoltaic power generation projects, Mengniu did not purchase equipment for the time being.</p>
Adaptability	For the dairy industry, responding to the corresponding risk management in climate change, finding green technology alternatives, improving production efficiency, designing new production processes and developing new products are all considerations for future development, only in this way can the Company diversify its products, marketing activities and enhance the resilience of traditional dairy enterprises.
Products and services	Promoting the development of green products vigorously, continuously innovating and developing new low-carbon products can effectively improve the industry competitive position of enterprises or organizations, such as plant-based products, etc. In addition, it can also effectively adapt to changes in consumer preferences. While reducing carbon emissions in its own industrial chain, it can also develop potential carbon reduction partners and raise industry barriers.

Risk Management

Mengniu has incorporated the potential climate risk into its risk assessment system, evaluated climate impacts and developed response measures. The senior management of the Company is responsible for conducting the risk assessment, and the Board of Directors of Mengniu reviews the results of the risk identification.

Indicators and Targets

Total GHG Emissions and GHG Emission Intensity in Scope 1 and Scope 2 of Mengniu 2018-2022

Year	Total GHG Emissions (ten thousand tonnes of CO ₂ equivalent)	GHG Emission intensity (kgCO ₂ equivalent/kg product)
2018	110	0.174
2019	116	0.168
2020	127	0.169
2021	136	0.171
2022	143	0.168

In 2022, the Group's total GHG emission in scope 1 and 2 was 1.43 million tonnes, and the intensity was 0.168kgCO₂e/kg product. From 2018 to 2021, the total GHG emission of the Group increased year by year, and the GHG emission intensity of products fluctuated within a reasonable range. The main reason for the increase in total GHG emission is the increase in production of the Group in 2022 under the overall strategy of "Creating a New Mengniu by 2025". Mengniu is committed to continuously innovating and promoting new technologies and methods for energy saving and consumption reduction, adjusting the energy consumption structure and increasing the proportion of renewable energy use. In 2022, the GHG emission intensity decreased on an annual basis.



Mengniu GHG Emission Targets

Mengniu has set carbon targets of achieving carbon peak by 2030 and carbon neutrality by 2050, and set quantitative targets for GHG emissions per tonne of dairy products in different phases.

Phase I In 2025, the GHG emission intensity of a single ton of dairy products should be within 165kg CO₂e/t.

Phase II In 2030, the absolute value of the scope 1 and 2 GHG emissions reaches the peak, and the GHG emission intensity of a single ton of dairy products should be within 160kg CO₂e/t.

Phase III We continuously promote 15 key measures. And the proportion of renewable and clean energy increases year by year, and the carbon footprint of products decreases year by year. In 2050, Mengniu achieves carbon neutrality in scope 1, 2 and 3.



Green Operation

Mengniu actively shoulders its responsibility for environmental protection, identifies and complies with the requirements of national laws and regulations related to environmental protection. Mengniu work continuously to reduce its negative impact on the environment by improving its own green operation system, setting various environmental protection targets, as well as conducting related environmental protection measures.

Green Operation Management

Mengniu firmly abides by the requirements of the *Environmental Protection Law of the People's Republic of China*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste* and other laws and regulations. In accordance with 196 national comprehensive and special environmental protection laws and regulations in 22 categories, Mengniu has formulated environmental protection management policies such as *Mengniu Manual on Environmental Protection*, *Procedures for Environmental Risk Assessment and Control Planning*, *Administrative System for Environmental Accident Reporting and Handling*, *Administrative System for Environmental Management of Construction Projects*, and *Mengniu Guidebook for Environmental Protection Compliance*, aiming to ensure environmental compliance during its production and operation process.

Mengniu Manual on Environmental Protection as the guideline for Mengniu's green operation, has specified the environmental protection responsibilities of each functional department and business unit of the Group to ensure that the discharge of various pollutants conforms to the requirements of relevant national environmental protection laws, regulations and standards and avoid environmental pollution accidents. The Manual has regulated the environmental management requirements including sewage treatment, unorganized emissions, plant boundary noise, solid waste, and other aspects, and also stated the criteria of environmental management performance assessment for each related department.

Environmental System Certification

The Company continues promoting its environmental management system certification coverage. With the help of third-party profession, Mengniu has conducted a comprehensive diagnosis of the existing problems and promoted effective improvement according to relevant regulations and mechanisms, regulatory inspection of ecological environmental protection, and other requirements, in combination with the characteristics of the dairy industry. With the focus on major risks, Mengniu is aiming to practically improve the level of safety and environmental management. In 2022, a total of 49 factories of Mengniu were certified to ISO 14001:2018, with no serious non-conforming items were found during the audit. For general non-conforming items, we have completed 100% rectification, which have been confirmed by the third party supervising the audit.

Environmental Risk Management

Mengniu has conducted environmental protection risk analysis for its operations, visited and investigated its factories and pastures under Mengniu's control, and identified eight types of environmental risks, including wastewater, waste gas, feces, and solid waste, and divided these risks into 4 levels, 8 categories, and 12 risk items according to the degree of impact. Mengniu has also established the "Environmental Risk Map" to realize dynamic management based on mapped and visualized hierarchical classification.

To standardize the management of the "Environmental Risk Map", the Company has developed the *Mengniu Dairy Administrative Measures for Environmental Risk Map* in combination with the actual operation of the environmental map of each business unit to define risk rectification, process supervision, risk closure, and management assessment, to promote the standardization, scientificity, and normalization of Mengniu environmental risk management process.

Risk Category	Environmental Risk Item	Risk Degree
Wastewater	Lack of facilities for pollution-prevention and control	Primary risk
	Treatment facilities for dephosphorization, and denitrification	Secondary risk
Waste gas	Elimination of coal-fire boilers Odour from sewage water plant and ranch	Secondary risk
Manure	Treatment of ranches manure	Quaternary risk
Monitoring	Compliance of environmental testing	Constant assessment
Solid wastes	Compliant treatment of hazardous waste General solid wastes	Tertiary risk
Noises	Factory noises	Quaternary risk
Radiation	Radiation safety and management	Tertiary risk
Management	Three simultaneous in Environmental projection Discharge permit The environmental management system certification Emergency management Specialized environmental protection personnel	Quaternary risk

Environmental Protection Management Action

The Company has established a hierarchical control list for ecological and environmental protection to enhance the control of factories in key ecological and environmental protection areas. The Company reinforced the control requirement especially for factories located in key area and ensure fund investment, carried out improvement and enhancement of ecological and environmental protection in strict compliance with the latest laws, regulations and standards. In 2022, the Company invested more than RMB 200 million in ecological environmental protection, completed 21 environmental protection renovation projects, and supervised the discharge of pollutants in 38 sewage treatment plants of the Group to meet the sewage discharge standards.

For environmental emergencies, each business unit of the Company has prepared and documented the "Environmental Emergency Response Plan", formulated training plans and drill plans for emergency response plans. Also, each business unit conducts emergency response drills and training for environmental risks on a regular basis, as well as improves emergency response facilities and materials, and regularly inspects the integrity and effectiveness of emergency response materials, facilities and equipment.

Environmental Compliance Training

As the compliance requirements for environmental protection are becoming stricter, the Company is facing growing pressure for environmental protection. To enable employees at all levels to understand the basics of environmental compliance, the Company has set up a special training on the "Basics of Environmental Protection Compliance" to publicize the environmental protection knowledge throughout the life cycle of a project from initiation, construction, operation to decommissioning, and compiled the *Environmental Protection Compliance Guidelines Manual* to provide a practical reference for employees.

Launching "Mengniu's Talents on Action" Platform to Promote Employees to Practice GREEN Strategy

To encourage employees to practice green and low-carbon ideas, the Company launched "Mengniu's Talents On Action" platform in September 2022. This platform has set a checkpoint activity for 10 major daily behaviors of sustainability in 4 categories including green commuting, green office, green living, and green public welfare, to transform the Group's GREEN strategy into employees' daily activities. It has also adopted such incentive methods as issuing Green value, Green medal, point ranking, and annual commendation to encourage more employees and departments to participate in the activity.

According to the *Citizen Carbon Reduction Scientific Evaluation Guide (Consultation Paper)*, it is estimated that the Company would avoid or reduce green house gas emissions of 11,030 kgCO₂e from its business activities in 2022 by launching the carbon reduction actions of employees on the platform of "Mengniu's Talents On Action". Among the carbon reduction value, 145 kgCO₂e of scope II emission will be reduced through power saving measures such as turning off lights and 10,885 kgCO₂e of scope III emission will be reduced through employee's green commuting, office consumables saving and other measures. In addition, through value chain carbon reduction measures including employee activities such as clean-dish action, using own cup, bottle recycling, used clothing donation, and other employees' independent carbon reduction actions, the platform have avoided or reduced greenhouse gas emissions in the value chain of 26,764 kgCO₂e.



Water Use Management

Focusing on the concept of "Prioritizing Water Conservation and Balanced Development", Mengniu has taken "Defining City, Land, People And Industry Based On Water" as the management principle, to pushed forward all-rounded management of water resource. According to the *Guidelines for the Evaluation of Water-Saving Enterprises*, we have advanced the building of a water-saving enterprise from both management and technical aspects. By improving management measures in our policies, systems, personnel, and metering equipment, and promoting technical measures such as process water saving, cooling water recycling, and concentrated water recycling, we have received a total of 5 provincial-level water-saving enterprises certification and earned a title of municipal water-saving benchmark enterprise in 2022.

Sustainable Development Committee oversees the Company's water resource issue. Meanwhile, Mengniu has established the Energy Conservation and Emission Reduction Committee of which the Group's President serves as the the chairman and the Vice President in charge of managing water related strategies and performance, allocating targets for each business unit, signing letters of commitment with leads of each business unit, and specifying monthly achievement in performance contracts, and tracking improvements.

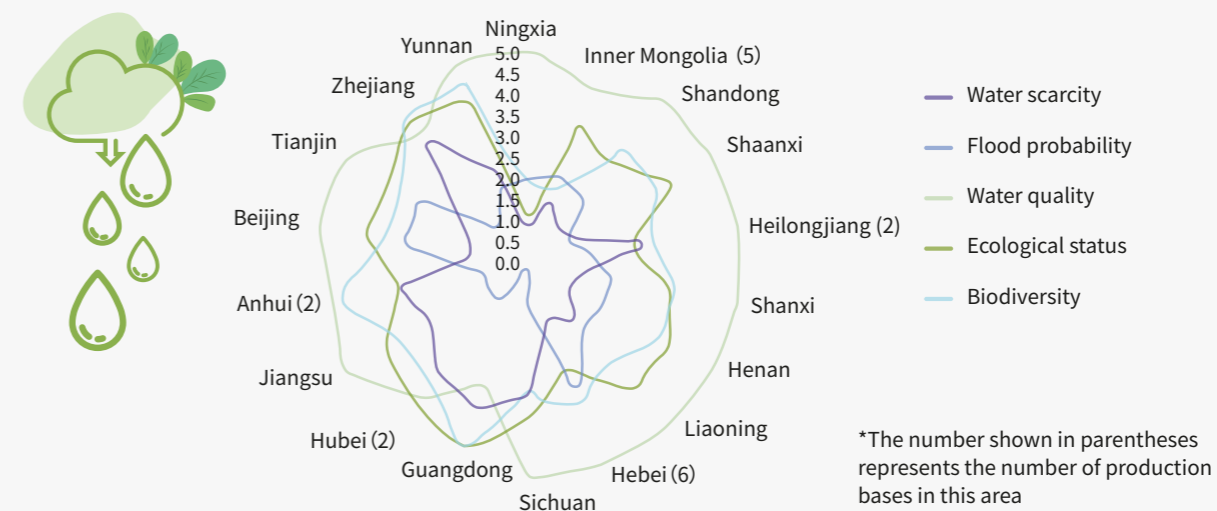
In 2022, Mengniu consumed 28.2433 million tonnes of water, discharged 28.062 million tonnes of reclaimed water, saved 859,700 tonnes of water (including 421,600 tonnes in social water savings). Meanwhile, Mengniu reused about 2.257 million tonnes of reclaimed water, with a reclaimed fresh water reuse rate of 7.5% and a utilization rate of 8% for alternative water resources.

Mengniu's water consumption intensity in 2022 was 305.02 tonnes of water consumed per million yuan revenue. The Company has set a goal to achieve a 6% reduction in fresh water consumption per tonne of dairy product in 2025 compared to 2020. In 2022, Mengniu's fresh water consumption per tonne of dairy product decreased by 1.54% compared to 2021 and 3.53% compared to 2020.

We continue reducing the pressure on local water resources influenced by our production operations by drawing water resource map and water flow map, putting into practice the 3U water-saving strategy, implementing water conservation demonstrations, and other activities. In 2022, the Company did not encounter any problem in seeking suitable water sources.

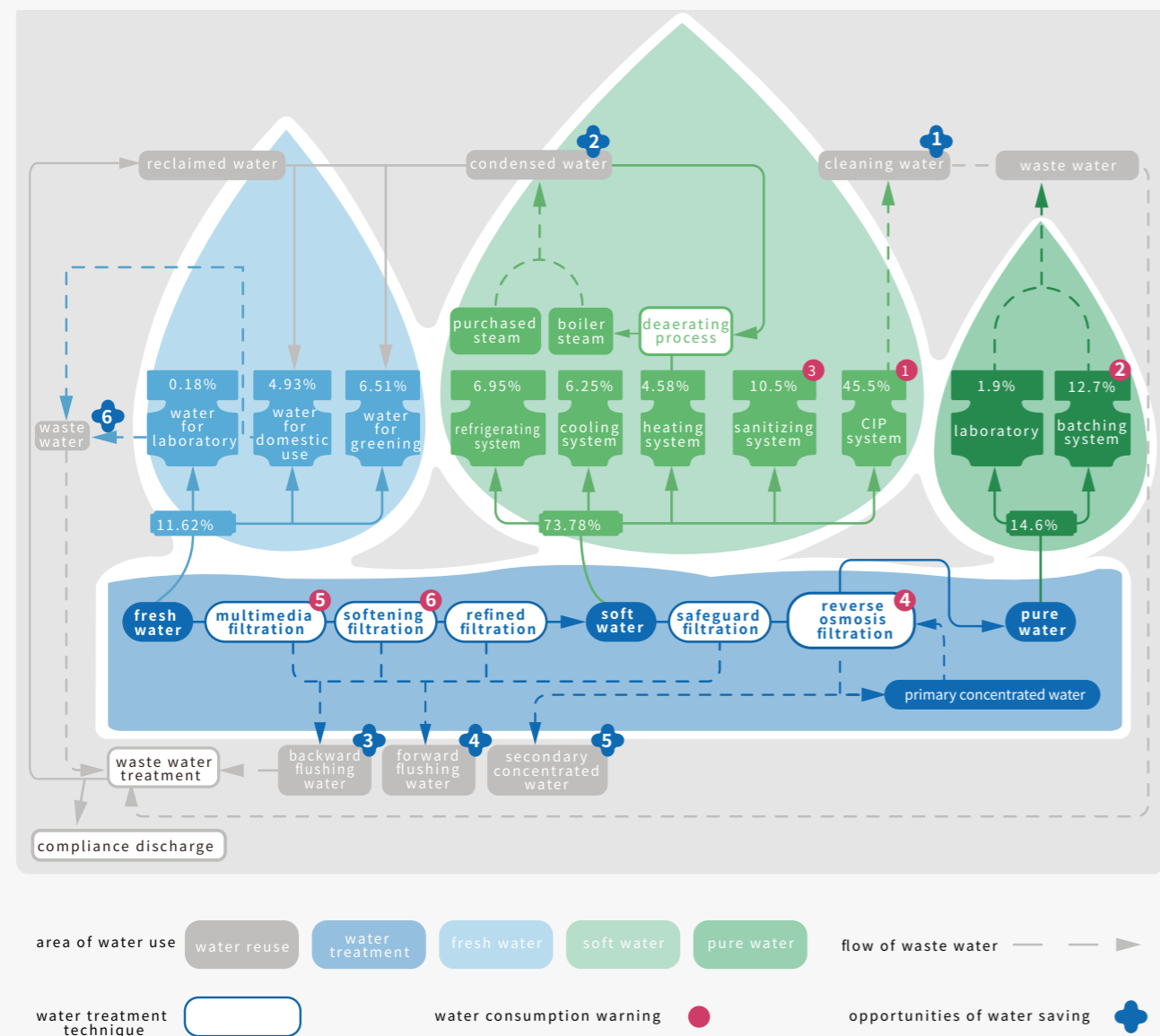
Water Resources Distribution Map

The Company has established a water resources distribution map and arranged the order of priority for water use, providing decision-making guidance for its new, renovation, and expansion projects. In 2022, based on the existing two dimensions of water scarcity and water quality, Mengniu added new dimensions of water resource evaluation, including flood probability, ecological status, and biodiversity into considerations, forming a five-dimensional risk map for the watersheds of each Mengniu's factories and further enhancing the level of water resource management of the Company.



Water Flow Map

We started from the whole process of water resource utilization and drew the water flow map to systematically carry out water conservation management, explore water-saving potential, form water resource risk warning maps, and guide the implementation of water-saving technology upgrades.



3U Water-Saving Strategy

Mengniu has implemented the 3U Water-Saving Strategy for the refined management of water resource. By sticking to the principles of "Save Use", "Recycle Use" and "Common Use", we have included the Total Productive Maintenance (TPM) methodology into our water-saving management, unified the cognition of water-saving, and explored and introduced new technologies, methods and techniques. This year, we implemented 15 water-saving renovative measures to systematically explore the water-saving potential and achieve optimum efficiency of water resource utilization. In 2022, A TPM pilot factory received JIPM⁹ Excellence Award Category B certification.

9. Japan Institute of Plant Maintenance, JIPM

Water Use Management of Room Temperature Business Unit

- In 2022, Mengniu Room Temperature Business Unit achieved an average water utilization rate of over 50%. More than 90% of the factories achieved full recycling of the multi-media forward flushing water; More than 90% of factories recycled the cooling water of degassing tanks; More than 60% of the factories adopted the purified water RO (Reverse Osmosis) membrane for recycling and reuse; More than 70% of factories recycled the cooling water of aseptic tanks; More than 50% of factories recycled the cooling water of pumps; More than 40% of the factories recycled the flushing water.
- Recycling of milk concentrated water: In the process of the dehydration of milk, all the concentrated water that meets the requirements and standards for the water replenishment of the cooling tower is recycled to the power refrigeration system through pipelines, and then the water of all the condensers of the system and the cooling tower are connected to the water supply pipes, with excess water used for water replenishment of the cooling tower. In this way, we reduced water consumption by about 14,000 tonnes during the year.
- Recovery of cooling water from UHT degassing tanks and crankcases of homogenizers: All factories have achieved a recovery rate of 80% for the cooling water from degassing tanks and homogenizers, reducing 1.2 million tonnes of cooling water discharge in total in the year.
- Recovery of flushing water and reverse osmosis concentrated water of multi-media tanks: Tongliao and Tai'an factories have been equipped with recycled water reverse osmosis device to recover the forward flushing water from the multi-media tanks and the concentrated water produced by purified water RO (Reverse Osmosis) units. The treated water can reach the quality standards for softened water and is recycled to the softened water storage tank, achieving a recovery rate of more than 50% and a daily water recovery of more than 200 tonnes.
- Reuse of reclaimed water: The Luannan factory has recycled the treated sewage to the power factory as cooling water to improve the utilization efficiency of water resources; the Bameng plant has worked with surrounding power plants in reusing reclaimed water.

Water Use Management of Chilled Product Business Unit

- Mengniu Chilled Product Business Unit has identified water loss with a digital energy system, conducted technology and management upgrades for water recycle. Including concentrated water, CIP water, and cooling water, and also sorted out the use of recycled water to avoid concentrated discharge after recovery.
- CIP renovation and upgrade of Chilled Product Business Unit Meishan factory: The factory has realized the reuse of reclaimed flushing water by equipping water recovery tanks, saving about 60 tonnes of water per day; meanwhile, it has optimized the number of the backward flushing water treatment equipment and adjusted the time interval for backward flushing from 72 hours to 168 hours, saving about 30 tonnes of water per backward flush.

Water Use Management of Ice Cream Product Business Unit

- Mengniu Ice Cream Product Business Unit has sorted out and analyzed monthly water consumption and organized relevant functional departments to refine and comb the workshop cleaning process, aiming to discover energy waste points and solve problems such as water loss and low water production rate in plants. In 2022, five types of excessive cleaning problems were identified during the sorting and analysis process and all of these problems were solved and optimized.
- Reuse of reclaimed water: The reclaimed water from the factories has been recycled for greenery watering, toilet flushing, and other purposes, saving about 6,500 tonnes of water.

AWS¹⁰ Water Management Certification Program Pilot

- In 2022, Mengniu benchmarked international sustainable water management standards, selected two typical factories to implement the AWS certification project, and systematically improved the level of water resource management while exploring water-saving potential.

10. AWS, Alliance for Water Stewardship: is a global membership partnership of companies, non-governmental organizations and other public sectors. The organization uses and promotes frameworks for sustainable water use and certifies and rewards good water management performance.

Waste and Wastewater Management

Mengniu regards waste and wastewater management as an important environmental action and follows various environment-related regulatory requirements. The Company has also formulated management policies such as the *Mengniu Dairy Solid Waste Environmental Management System* and the *Mengniu Self-Monitoring Management System for Pollutant Discharge*, constructed and maintained pollution prevention and control facilities, and monitored and managed the pollutant discharges. Meanwhile, Mengniu treats non-hazardous waste and hazardous waste through qualified service providers to ensure compliance disposal. In 2022, the sewage treatment capacity of Mengniu reached 30.179 million tonnes, Mengniu's hazardous waste intensity was 0.004 tonnes of hazardous waste generated per million yuan revenue, and general waste intensity was 0.55 tonnes of general waste generated per million yuan revenue.

Online Monitoring System for Sewage

In 2022, the Company continued optimizing the online environment monitoring platform, supervised whether the pollutant discharge from the Group's wastewater treatment stations met the standards through a unified control platform, and guaranteed that the terminal effluent met national and local standards for the concentration and total volume of pollutant discharge, thereby ensuring legal and compliant discharge.

Refines Sewage Treatment Process

The Company has adopted an efficient treatment process to ensure compliance with wastewater discharge standards.

The Room Temperature Business Unit has renovated the sewage treatment capacity of the sewage plant under the condition that the production scale and capacity have been expanded. After the completion of the renovation, the treatment indicator of sewage is better than the regulatory requirements, and the treatment capacity of the sewage plant has increased by 2,000 tonnes per day.

The Chilled Product Business Unit has implemented reduction measures from the source of sewage, utilized the biogas generated from the anaerobic system of the sewage plant to heat a 90° C hot water boiler and adopted low-temperature sludge drying technology to reduce the sludge water content from 80% to less than 35%. This measure significantly reduced the sludge water content, which reduced the volume of the sludge by more than 80%, making the compliance risk of sludge disposal was also reduced.

Zero-Waste Management System

In 2022, Mengniu optimized its waste management and launched the certification of waste zero-waste management system. The Shangzhi factory of Mengniu Room Temperature Business Unit and the two Qingyuan factories, which have integrated four business units of "room temperature, chilled, ice cream and fresh milk", improved the planning of the waste management module based on ISO 14001 Environmental Management System and obtained the first batch of "Zero-Waste Factory" Certification issued by TÜV Rheinland, an independent third-party testing, inspection and certification organization based in Germany.

Based on the original waste management, the factories have realized management of the whole process from project approval to system. The management system traced the flow of all waste, checked and audited the waste compliance management, sorted out the proof materials of waste discharges, and established related database. Meanwhile, these factories have identified and tracked their waste reduction, recycling, energy use and other conversion processes, and managed recyclable waste to further avoid landfill or incineration without energy recovery.



Zero-Waste Office

In 2022, Mengniu Chilled Product Business Unit launched the zero-waste office project to raise employees' cognition of climate change and strengthen their awareness of environmental protection in the office scenario. The zero-waste office project follows the principles of source reduction, reuse and recycling, and engages all employees in terms of sustainable office environment, low-carbon public operations, and green work and lifestyle. We identified 5 major scenarios, implemented 38 projects, and adopted specific measures, such as cancelling disposable bottled water offered in meetings and reducing the number of takeout meals, to advocate low-carbon offices and lifestyle in an all-rounded manner. Meanwhile, we collaborated with the "Zero Waste Office Program" jointly launched by Vanke Foundation and Shenzhen DuckGaGa Creative Philanthropy Center to sort out and publicize the typical cases of zero-waste offices.



Zero Waste Day - Employee Family Day

Mengniu Ice Cream Product Business Unit organized an environmental protection family day themed "Practicing Waste Recovery and Prioritizing Low Carbon" to publicize the environmental protection concept of waste reduction to employees' families and advocate contribution to ecological protection in working and living.



Zero Waste Day - stationery made from discarded packaging during the employee family day

Honors

Mengniu received the "CDP 2022 Environmental Leap Forward Award" for its excellent management of climate change, water resources and forests.



Recycle

Under the concept of lifecycle design and production, Mengniu reduces the use of resources, manage the influence of packaging on the environment throughout the whole lifecycle, and put the concept of sustainable developmen into practice, by optimizing packaging materials, adding recycling labels, recycling packaging, and taking other management measures.

Green Packaging

We practice the CGF Golden Design Rules and follow the 5R principle (Redesign-Reduce-Reuse-Recycle-Recovery) and are dedicated to practicing the design and application of green packaging by taking measures such as using recyclable packaging materials and minimizing packaging. We keep strengthening scientific research and innovation to continuously reduce packaging waste, thus minimizing end landfill.

Compared with other food packaging, dairy packaging requires more effective light insulation, heat insulation, impact resistance, microbial invasion resistance, aseptic filling and other necessary functions. In addition, customers' demand for function upgrading such as easy to drink during travels, easy to open and pour, repeat sealing, also needs to be met. As a result, dairy packaging is more complex in terms of material selection and scheme design. Mengniu is committed to realizing 100% sustainable packaging technology by 2025, strive to lead the industry on achieving low-carbon packaging in Mengniu's entire product line, and continuously reduce the environmental impact of waste.

Green Packaging Practices of Room Temperature Business Unit

- During the design of the packaging of Just Yoghurt's Yummy Version prefabricated cups, full consideration has been given to its environmental protection feature. As a result, one-piece injection molding is adopted for scoop and retaining ring to eliminate the use of wrapping film, which is expected to reduce the use of 750kg of plastic.
- Reducing the blocker content of PET bottles to improve recycling value.
- Reducing non-recyclable packaging materials and replacing with easily recyclable materials, such as replacing foamed plastic with paper gaskets.
- Adopting plant-based packaging and using plant-based lids made from sugar cane to reduce the use of PE material.



Green Packaging Practices of Chilled Product Business Unit

- Minimizing the use of PS sheets for the circular cups, and saving 314 tonnes of PS sheets by improving equipment.
- Minimizing the packaging of PP cups of Daily Fresh Yogurt and reducing 5.7 tonnes of PP usage.



Mengniu's product packagings' design included in CGF "Golden Design Rules Case Study Booklets"



Future Star 180ml Student Milk Beverage

- The label material has been changed from PVC to PETG.
- By replacing PVC with PETG, we can reduce the emission of toxic gas caused by landfill and incineration, and PETG is more environmentally friendly.
- The PETG label is easier to be peeled off from the HDPE bottle, which is good for recycling.
- The HDPE bottle is made of single material without any additives, which can be 100% recycled.



Mengniu Yoyi C 340ml/330ml

- The bottle cap is made of PE and has been changed from a variety of specifications of 3.5g to 4.5g to a uniform specification of 3.2g.
- The bottle is made of PE and has been changed from a variety of specifications of 27g to 29g to a uniform specification of 23.4g.
- The label material changed from 45UM PVC to 45UM PET;
- No less than 16% of recycled plastic has been added to the outer packaging film, reducing its thickness by more than 10%, thereby decreasing the use of virgin materials.



Mengniu Shiny Meadow Fresh Milk 250ml

- The back label material has been changed from aluminized BOPP to double-transparent BOPP, and the double-layer printing has been changed to single-layer printing to reduce the ink printing area.
- The material of self-adhesive label has been changed from composite material to single material, which has reduced the area of ink printing and lowered the complexity of recycling, thereby reducing the environmental pollution caused by ink.



Mengniu Yoyi C 100g

- The PS material, which is not conducive to recycling, has been changed to PP material, which is easy to recycle.
- The bottle label of PETG material has been removed, and the product information is directly engraved on the bottle to reduce the use of plastic.



Honors:

- Mengniu's multiple products won the "Outstanding Contribution Award for Best Practice Case" of the Golden Design Rules at the Consumer Goods Forum (CGF).
- The Mengniu "low-carbon Yoyi C" case was awarded the "China Green Point Case 2022" by the China Business Network, becoming a pioneering demonstration of low carbon and environmental-friendly packaging.



For more information, please refer to Chapter "Environment-Carbon Net-Zero" - Dual-Carbon Action - Low-Carbon Packaging.

Recycling

Packaging recycling is an important issue for Mengniu and even all the consumer goods companies in practicing environmental protection. Mengniu is committed to using more recycled materials and promoting the recycling of packaging to realize the conversion of packaging waste into recycled resources, thus reducing the environmental pollution caused by packaging. Meanwhile, we are also actively working on certification of sustainable product packaging, developing package recycling programs, and holding education events themed on green and environmental protection, aiming to promote the development of a circular economy.

Mengniu Launched The "Double Certification" to Promote Plastic Recycling

In 2020, Mengniu became a member of the Green Recycled Plastics Supply Chain Joint Working Group jointly established by the China Petroleum and Chemical Industry Federation and the China National Resources Recycling Association. As a representative of the dairy industry, Mengniu participated in the formulation of the *General Rules for Assessing Easy-to-Collect and Easy-to-Recycle Designs of Plastic Products*, which fills the gap of the standards for the easy-to-collect and easy-to-recycle design of plastic products in China.

In the past two years, Mengniu continued making efforts to optimize the packaging design to make plastic packaging easier to collect and recycle. In 2022, the Company launched the "Double Easy Standard" certification for packaging, covering 2 product lines and 10 factories. At present, the packaging of Mengniu Fruit Milk Drink and Yoyi C has been awarded the "Double" certification by TÜV Rheinland.



Recycling Action

Room Temperature Business Unit

- Using post consumer recycled PCR¹¹ materials for non-contact packaging, such as outer wrapping films.
- Developing and promoting green recycling projects; for major packaging materials (tetra pack, pillow, PET, etc.), linking upstream, downstream, and external resources to research and develop green recycling projects.
- Room Temperature Business Unit has achieved that recyclable packaging accounts for over 95% of total packaging weight.
- A total of 172,500 times of PP circulation boxes were used throughout the year, with a cumulative carbon reduction of 93.5 tonnes, equivalent to saving 620 trees from cutting down.

11. PCR: an environment-friendly packaging material that is made from recycled plastics

Chilled Product Business Unit

- PCR are fully applied for encapsulation of products, and the amount of recycled plastics is not less than 16%.
- The annual cumulative use of PP circulation box achieved 550,000 times, with a cumulative carbon reduction of 423.6 tonnes.



Fresh Milk Business Unit

Adding recycling labels to the packaging of the various products of Modern Meadow to facilitate package recycling, and holding consumer education program on packaging recycling of Shiny Meadow products.

Shiny Meadow of Mengniu, together with LOVERE, launched the "Circular and Recycle Program" to clean and sort the recycled PET bottles, transform them into pellets and then spin them into yarn, and finally into sun hats, raincoats, and other equipment paying a tribute to the guardians of the earth.

Through such a warm, green-themed public outreach action, Shiny Meadow hopes to enable the public to deeply recognize the possibilities of recycled waste PET, call on more people to protect the global environment in daily life, and also fully interpret the responsibility of an industry leader in protecting the ecological environment.



Turn into particles | Turn into yarn | Turn into weather coat and sun hats | Shelter the guardians from the wind and rain



Ecosystem- Collaborative & Accountable

Mengniu is committed to practicing the concept of sustainable development together with partners in the industry chain to create more social and environmental value while realizing commercial value. Under the "Ecosystem-Collaborative & Accountable" pillar of the GREEN strategy, the Company has formulated three topics of sustainable procurement, sustainable agriculture and biodiversity conservation, aiming to build a responsible supply chain, explore green ecological agriculture, protect the natural environment, and cooperate with upstream and downstream partners to jointly realize the sustainable development of the industry ecosystem.



SDGs We Focused in this Section



Highlights in 2022

Sustainable Procurement

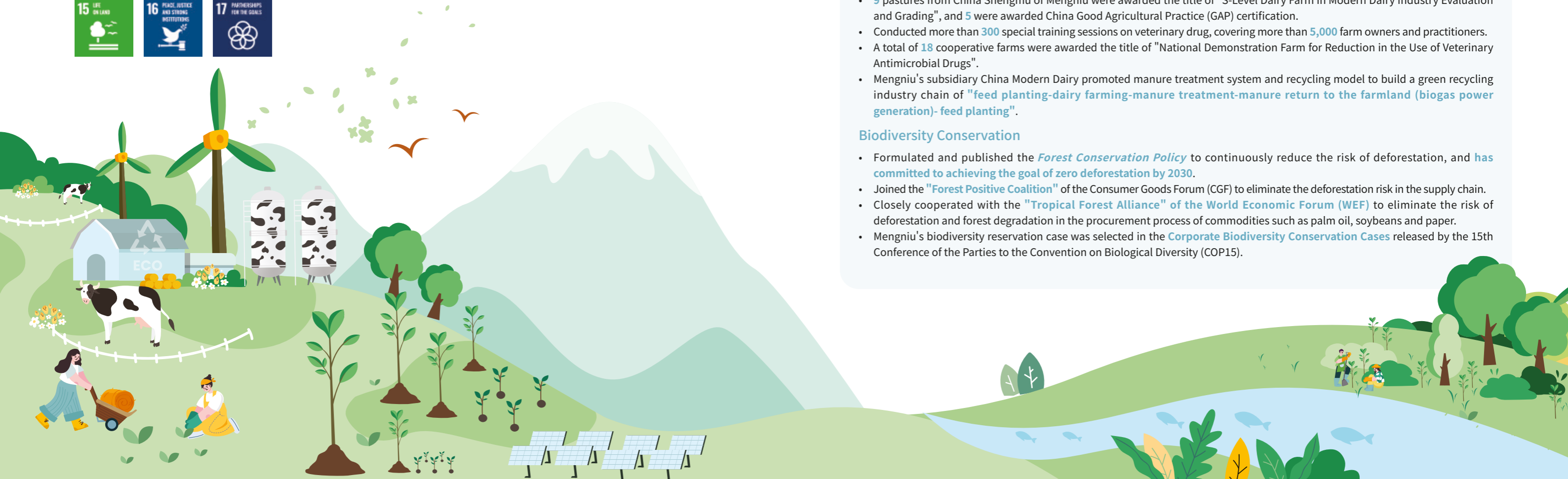
- The total number of suppliers was **1,346**, including **1,333** suppliers in the Chinese mainland and **13** overseas suppliers.
- Revised the *Supplier Code of Conduct (COC)* to cover the sustainability requirements of the Sedex Responsible Business Platform and the requirements of Mengniu's GREEN Sustainable Development Strategy.
- The internal audit coverage rate for suppliers of raw material and auxiliary material has reached **100%**.
- Joined the responsible business platform Sedex, and **all the strategic suppliers of raw material and auxiliary material completed self-assessment** the self-assessment questionnaire. Among them, **21** strategic suppliers of raw material and auxiliary material completed **the third-party audit of SMETA**.
- Conducted training programs for suppliers on quality management, ESG management, procurement policies anti-corruption and other aspects. The coverage rate of supplier training reached **100%**.
- All raw material and auxiliary materials purchased have obtained **ISO 9001, FSC 22000, BRCGS** and other international standard system certifications.
- **82%** of virgin paper for inner packaging has obtained the Forest Stewardship Council(FSC) certification, **100%** of the carton boxes for external packaging are made from recycled paper.
- All palm oil products purchased by Bellamy's, a subsidiary of Mengniu, have been certified by **RSPO "Identity Preserved Supply Chain Model"**.

Sustainable Agriculture

- Participated in the compilation and publication of the pasture-related group standards: *Heat Stress Prevention and Control Standard for Dairy Cattle (T/DACS 007-2022)* and *Regulations for quality and production of whole corn silage (T/DACS 006-2022)*.
- The Shanghe Farm from China Modern Dairy of Mengniu was awarded the *Farm Animal Welfare Products certification* for its management practices in the field of animal welfare.
- **9** pastures from China Shengmu of Mengniu were awarded the title of "S-Level Dairy Farm in Modern Dairy Industry Evaluation and Grading", and **5** were awarded China Good Agricultural Practice (GAP) certification.
- Conducted more than **300** special training sessions on veterinary drug, covering more than **5,000** farm owners and practitioners.
- A total of **18** cooperative farms were awarded the title of "National Demonstration Farm for Reduction in the Use of Veterinary Antimicrobial Drugs".
- Mengniu's subsidiary China Modern Dairy promoted manure treatment system and recycling model to build a green recycling industry chain of "**feed planting-dairy farming-manure treatment-manure return to the farmland (biogas power generation)- feed planting**".

Biodiversity Conservation

- Formulated and published the *Forest Conservation Policy* to continuously reduce the risk of deforestation, and **has committed to achieving the goal of zero deforestation by 2030**.
- Joined the "**Forest Positive Coalition**" of the Consumer Goods Forum (CGF) to eliminate the deforestation risk in the supply chain.
- Closely cooperated with the "**Tropical Forest Alliance**" of the **World Economic Forum (WEF)** to eliminate the risk of deforestation and forest degradation in the procurement process of commodities such as palm oil, soybeans and paper.
- Mengniu's biodiversity reservation case was selected in the **Corporate Biodiversity Conservation Cases** released by the 15th Conference of the Parties to the Convention on Biological Diversity (COP15).



Sustainable Procurement

Mengniu continues promoting the construction of a responsible supply chain, expanding its sustainability requirements to the upstream and downstream of supply chain, and keeps improving its level of management to suppliers. In 2022, Mengniu joined the responsible business platform Sedex¹², aiming to build a responsible supply chain by benchmarking international concepts and practices, and further to promote the sustainable development of the supply chain. Meanwhile, we strongly advocate green procurement of raw materials, share the responsibility of environmental protection with upstream and downstream enterprises, and strive to build a green supply chain. As of December 31, 2022, the total number of Mengniu's suppliers was 1,346¹³, including a total of 1,333 suppliers in the Chinese mainland and 13 overseas suppliers.



Supply Chain Responsibility Management

Mengniu adheres to the procurement principles of "open, fair, and equitable", continually improves its supplier management system and assesses the ESG risks of suppliers to reduce the environmental and social risks in the supply chain. Meanwhile, we continue publicizing and implementing the principle of integrity procurement, conducting supplier empowerment training, and guiding suppliers to fulfill their social and environmental responsibilities.

Whole-Process Management of Suppliers

We have formulated a number of supplier management rules and regulations, clarified the responsibilities of each department, and implemented hierarchical and differentiated management of in 4 modules including from supplier admission, daily management, improvement, performance and optimization aiming to build a complete quality management system covering the whole life cycle of procurement and supply. In 2022, by integrating 9 existing procurement management systems and taking in account nearly 100 opinions from business departments, the Company completed the revise of the *Mengniu Dairy Quality Management System for Purchasing Materials*, which covers 4 modules, 17 management steps and 17 specific operation procedures.

In addition, according to the *Mengniu Dairy Quality Management System for Purchasing Materials*, we have put forward an explicit requirement that all suppliers of raw material and auxiliary materials shall have at least one quality management system certification, including but not limited to ISO 9001, ISO 22000, FSSC 22000, and BRCS. In 2022, 100% of the raw material and auxiliary material suppliers obtained quality management system certification.

Quality management system certification-ISO 9001, ISO 22000, FSSC 22000, BRCS; 100% of the raw material and auxiliary material suppliers obtained quality management system certification.

12. Sedex (Supplier Ethical Data Exchange platform): It is a responsible business platform with global authority and is dedicated to enhancing the responsible and sustainable development of global supply chains and promoting the coordinated and balanced development of the commercial, social and environmental performance of supply chains.

13. The number of suppliers refers to the number of raw material and auxiliary material, and raw milk suppliers having actual transactions with Mengniu in current year. Shanghai Miaoke Landuo Food Technology Co., Ltd. was incorporated into financial statements of China Mengniu Dairy Company Limited in December 2022; currently its supplier number is not included in the scope of this report.

Supplier Management Process

Admission Management

Admission regulations: All new suppliers are required to go through the supplier admission procedures before cooperating with Mengniu. Supplier admission is valid for 3 years, during which, suppliers are also required to execute re-admission work.

On-site assessments: In accordance with the primary screening criteria and more than 120 detailed assessment criteria covering quality assurance, production management, personnel management, warehousing, and logistics, the on-site assessments will be conducted at the premises of suppliers to verify whether they meet the admission requirements.

Assessment Items	Main Assessment Content
Unacceptable items	Laws, regulations and requirements for food safety management
Quality planning	Policies and objectives, leadership and commitment, system establishment, food safety management
Quality assurance	Compliance management, document management, internal audit, change management
Quality prevention	Food protection, food quality fraud, emergency response
Procurement and supply	Supplier management, raw material and auxiliary material management, chemical management, outsourcing management
Infrastructures	Factory location planning, workshop infrastructures, sanitary fixtures, air, water and energy, waste disposal, safety and environmental protection
Production management	Design and development, process management, cleaning and sterilization, product planning, traceability management, cross contamination, pest control
Equipment management	Equipment configuration, equipment maintenance, measurement management
Warehousing logistics	Storage management, release management, transportation management
Inspection management	Laboratory facilities, inspection equipment, inspection drugs, inspection methods, inspection accuracy, sample retention management
Non-conforming product management	Disposal of non-conforming products, complaint and customer communication, recall management
Personnel management	Personnel qualification, personnel training, social responsibility
Quality informationization	Digitization on quality information



Daily Management

File management: In order to ensure the validity of supplier information, we update supplier qualifications, the directory and other file materials in our supplier information management system on a regular basis.

Verification and inspection upon arrival: We inspect the arrived materials according to material standards and quality control plans to verify their compliance.

Prevention and Improvement

Material improvement: We grade the risk level of suppliers based on risk factor assessment and risk assessment models, and develop material and supplier control principles to control the pre-existing risks of upstream suppliers.

Daily evaluation: We implement daily evaluation according to supplier evaluation principles to improve the supplier management level.

Project improvement: We set up project and implement specified improvement measures in accordance with the prerequisites and management principles of the project.

Quality audit: In the process of cooperation, we establish annual supplier audit plan and carry out quality inspection based on the quality risk level of suppliers.

Performance and Optimization

Quality performance evaluation: We conduct performance evaluation for materials provided by cooperative suppliers according to the *Standards for Evaluating the Quality Performance of Suppliers* and the evaluation dimensions include material index, quality evaluation, quality disposal, and other aspects.

Quality performance results: We regard the results of quality performance evaluation as the main basis for performance grading, daily evaluation, quality improvement and enhancement of suppliers, and formulate corresponding reward and punishment mechanism and management measures to implement differentiated supplier management. The performance evaluation is conducted once a year.

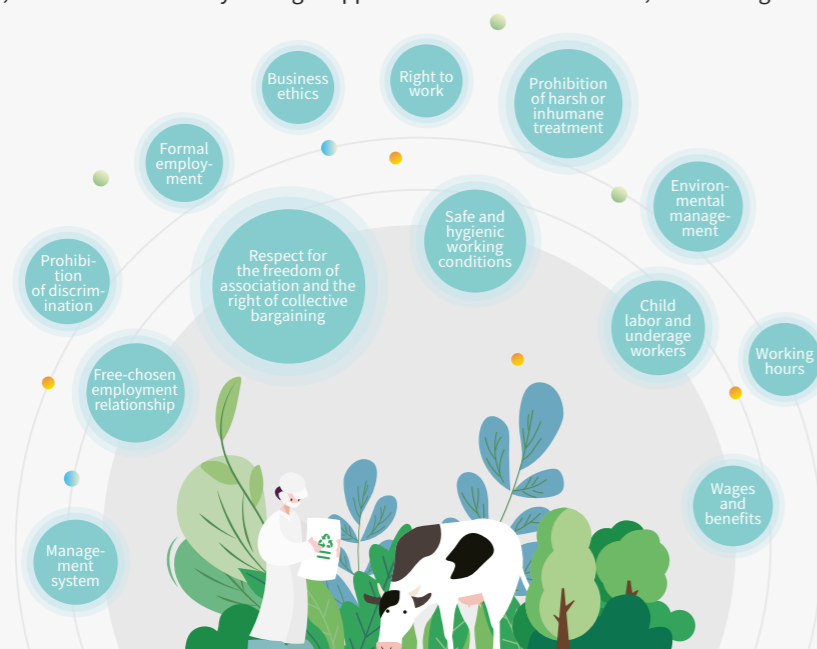
Supplier optimization: According to the *Supplier Management Rules*, we continually optimizing our supplier management capability by adopting 6 progressively strict performance control mechanisms, including quality assessment, supplier interview procurement ratio adjustment, suspension and rectification of procurement cooperation termination and withdrawal of procurement cooperation and supplier blacklisting.

In addition, Mengniu has formulated the *Product Traceability Management System*, established a traceability management mechanism covering the whole process from the reception of raw material, and auxiliary materials, and raw milk to sales outlets, and built a SAP traceability system covering all suppliers, so as to ensure that raw materials of our products can be traced back to the place of origin.

In 2022, in accordance with the various sustainable development requirements of the responsible business platform Sedex and in combination with the Mengniu GREEN sustainable development strategy, the Company revised the *Code of Conduct for Suppliers (COC)* and required all upstream and downstream partners to sign with their suppliers and gradually reach agreements on environmental protection, health and safety, labor rights, human rights, business ethics and other aspects specified under the *Code of Conduct for Suppliers (COC)*.

Code of Conduct for Suppliers (COC)

The *Code of Conduct for Suppliers (COC)* of Mengniu covers the Ten Principles of the United Nations Global Compact (UNGC), the *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, the *OECD Guidelines for Multinational Enterprises*, the *Core Conventions of the International Labor Organization* and other international standards and criteria, and aims to effectively manage suppliers from the environmental, social and governance aspects.



Major Issues of Mengniu Code of Conduct for Suppliers (COC)

Supplier Risk Assessment

The Company has established the *Mengniu Responsibility Supply Chain ESG Risk List* and incorporated the ESG management content of supply chain into bidding documents, assessment and evaluation, and other control links. We also regularly carry out assessment and identification on the environment, health and safety, labor rights and ethical risks of the supply chain. Based on the assessment results, we develop ESG training and improvement plans for suppliers in a targeted way, require suppliers to make rectifications within a specified time period, and follow up on their improvements in a timely manner.

ESG Risk Identification

In the process of supplier ESG risk identification, risk management interface personnel of each business department to conduct risk impact factor analysis about business objectives, risk management processes, and risk mitigation execution processes, so as to conduct specific risk identification.

ESG Risk Assessment

In the risk assessment process, we sort out key risk points from the identified risk items according to the *Procurement Risk Sorting and Identification Form*, and assess the risk level of each risk point by reference to the *Procurement Risk Assessment Criteria and Assessment Form*.

ESG Risk Response

In the risk response process, we conduct risk response analysis to clarify the coping strategies for major risks, and the department or personnel assuming the main responsibility for such major risks shall develop response plans. In 2022, we sorted out 9 high risk items, including resource protection, waste management, green packaging materials, healthy and safe working environment, wages and benefits, anti-corruption, and anti-unfair competition by ESG risk identification and assessment, and formulated corresponding risk response plans according to risk level.

In addition, we actively carry out supplier audits, aiming to further lower the ESG risks of the supply chain. We regularly conduct supplier access audits and daily audits, and the audit items include, but are not limited to, checking suppliers' environmental impact assessment reports, pollutant discharging licenses, the dosage of food additives in raw materials, components of packaging materials leading to food safety hazards, prevention of child labor, and other contents as required by laws and regulations. In addition, we have incorporated the content of guidelines and conventions issued by international authorities to which we adhere into the supplier audit process, and set supplier assessment standards that are stricter than regulatory requirements. By the end of 2022, the internal audit rate of our raw material and auxiliary material suppliers reached 100%.

In 2022, we utilized the responsible business platform Sedex to assess the sustainable development and social responsibility management systems of our core suppliers of raw material and auxiliary materials. We have required all our strategic suppliers of raw material and auxiliary materials to fill in and update the Sedex SAQ¹⁴ questionnaire on the Sedex platform, aiming to grade the sustainable development capacity and risk level of suppliers by pre-screening supplier risks and assessing the maturity of their environmental and social management systems. Based on the grading results, we have organized suppliers to conduct sampling audits or third-party on-site audits. In the future, we will continue promoting suppliers to implement third-party responsible supply chain audits SMETA¹⁵ (Sedex Members Ethical Trade Audit), thereby further reducing the ESG risks in our supply chain.



14. Sedex SAQ (Self-Assessment Questionnaire): It's a supplier self-assessment questionnaire issued by the Sedex platform, which integrates the risk levels of suppliers' sustainable development and the maturity of their management systems and classifies suppliers by star-rating criteria. The higher the star rating of a supplier, the lower the risk level of sustainable development is, and the higher the maturity of the management system is.

15. SMETA (Sedex Members Ethical Trade Audit) social responsibility supply chain audit: It is a supplier audit standard adopted by the Sedex platform, which contains detailed requirements for suppliers on protection of labor rights, occupational health and safety, environment and business ethics.

Supplier Empowerment Training

Mengniu continues providing targeted resources and assistance to suppliers. We not only provide guidance for suppliers in the procurement process, such as process reviews and performance interviews, but also hold supplier training sessions on topics such as supplier life cycle quality management, agricultural product quality improvement, dairy farming, supply chain financing, and sustainable development to continuously empower suppliers. In addition, we also develop special improvement plans for suppliers with poor ESG performance to promote the mutual growth of our supplier partners and Mengniu. By the end of 2022, the coverage rate of Mengniu's supplier training reached 100%.

- Conducted 17 training sessions on the quality management of starch, sugar, grease and other raw materials, covering 157 suppliers.
- Conducted training on the evaluation rules for packaging materials and raw materials, covering 280 suppliers.
- Conducted training on the *Mengniu Dairy Quality Management System for Purchasing Materials*, covering more than 400 suppliers.
- Conducted 39 special training sessions on dairy cattle feeding management, nutrition formulation, reproduction and breeding, farm management, and other topics.
- Conducted more than 300 special training sessions on veterinary drugs, covering over 5,000 farm owners and practitioners.

Anti-Corruption in the Supply Chain

Mengniu has been actively advocate the culture of integrity in the supply chain and build an institutionalized supplier integrity management system. On the basis of following the *Regulations for Business Partner Compliance Management* and the *Measures for Implementing Sunshine Agreement*, the Company ensures incorrupt procurement by signing *Sunshine Agreement* with suppliers. As of 2022, 100% of Mengniu's suppliers had signed the *Sunshine Agreement*. Meanwhile, we regularly carry out anti-corruption supervision and audit of suppliers, investigate and deal with violations of law and regulations in a timely manner.

To further enhance suppliers' awareness of integrity and avoid procurement risks, we have established the *Supplier Blacklist Management System* and explicitly stipulated that suppliers who have been confirmed to commit falsification, malicious bidding, malicious breach of contract, violations against the principle of good faith, breach included in the terms of the *Sunshine Agreement* or any other situations that caused significant financial, brand-related, reputational losses to Mengniu will be included in the Company's blacklist after confirmation. Among them, suppliers blacklisted for violating the *Sunshine Agreement* will be permanently banned, while other blacklisted suppliers will be banned for five years. In addition, we have set up channels for reporting and complaining about supplier-related integrity issues, and announced the reporting methods through email, meetings, service platforms and other channels.



Raw Milk Supplier Management

Safe and high-quality milk sources are fundamental to the production of superior dairy products. For raw milk suppliers, Mengniu has implemented strict management processes by formulating management documents covering raw milk quality management, standardized pasture operations, green farm operations, and other aspects.

Relying on the *Ranch Quality and Safety Management System*, Mengniu has implemented standardized management of the entire process for all cooperative farms. In 2022, to constantly improve raw milk quality management, Mengniu revised *Mengniu Ranch Quality and Safety Management Policy*, specified 6 key management dimensions, including pasture quality management, pasture access management, daily pasture management, and farm optimization management, and established 12 subdivided management modules, including pasture primary selection and access, dairy cattle feeding management, dairy cattle health management, raw milk production management, storage and refrigeration management, and farm input quality supervision. In addition, to strictly standardize the operation processes of pastures, we have also formulated the *Mengniu Standard Operating Procedures (SOPs)* and the *Technical Service Regulations of Milk Source Business Divisions for Basic Ranch*, covering various processes such as pasture design, disease prevention and control, reproduction and breeding, forage management, herd management and milk parlor management.

Green Procurement of Raw Materials

Mengniu is committed to improving the sustainable development capacity of its supply chain. Mengniu practices the concept of green procurement of raw materials, traces the origin of raw materials, gives priority to raw material suppliers with sustainability-related certification, as well as promotes suppliers to conduct certification for the raw materials they provide, to continuously reducing potential deforestation risk. Mengniu has formulated and published the *Forest Conservation Policy*, and strive to achieve the goal of Zero Deforestation by 2030, aiming to eliminate the risk of deforestation in our supply chain.

In 2022, we evaluated and sorted out the commodities involved in deforestation risks in the bulk commodity procurement process by benchmarking ourselves against international dairy companies and carrying out exchanges and cooperation with international authoritative organizations such as the "Rainforest Alliance" of World Economic Forum (WEF)¹⁶, the "Forest Positive Coalition" of Consumer Goods Forum (CGF)¹⁷ and the Roundtable Sustainable Palm Oil (RSPO)¹⁸.

16. The "Rainforest Alliance" of World Economic Forum (WEF): It is an international rainforest conservation organization that advances the sustainable management of rainforests and the development of communities around forests by promoting cooperation between businesses and governments.

17. The "Forest Positive Coalition" of Consumer Goods Forum (CGF): It is a sustainable forestry management and conservation organization in the international consumer goods industry. Members of the Working Group are committed to sourcing and using the sustainable sources of timber, palm oil, and other forest commodities.

18. RSPO (Roundtable of Sustainable Palm Oil): It is an international organization consisting of palm oil producers, traders, consumers and environmental protection organizations, with the aim of maintaining the sustainability of palm tree (oil palm) cultivation, processing and trade links, and progressively achieving the sustainable development of palm oil products.

Timber Products



Mengniu gives priority to purchasing timber products that have obtained internationally recognized sustainability certifications such as FSC¹⁹, PEFC²⁰ and CFCC²¹ forest certification, and actively uses recycled paper products.

In 2022, 82% of virgin paper for inner packaging has obtained the Forest Stewardship Council (FSC) certification; 100% of the carton boxes for external packaging were made from recycled paper.

Soybean Products



The upstream pastures of Mengniu use soybean meal, which is a by-product generated after extracting soybean oil from soybeans and can be used as cattle feed. Mengniu has actively communicates with its soybean meal suppliers to jointly explore methods to gradually trace the origin of soybeans in the future and prioritize the purchase of soybeans that are free from deforestation risks. Meanwhile, Mengniu has been actively explores and promotes the use of alternative feed of soybean meal to reduce its use. For example, we have increased the use of alternative feeds such as rapeseed meal, cottonseed meal and puffing soybean powder as lactating cattle feeds, and increased the proportion of feeds such as sesame meal for breeding cattle.

Improving the Proportion of Traceable Soybean Meal and Practicing Green Procurement of Raw Materials

COFCO International, a major supplier of soybean meal to Mengniu's Ai Yang Niu (aiyangniu.cn) platform, has partnered with major multinational grain merchants to achieve 100% origin traceability of directly sourced soybeans in 61 cities in Brazil's Cerrado region, and has committed to realize full traceability of all directly sourced soybeans to their farms in Brazil by 2023, and to establish a soybean supply chain with "Zero Deforestation and Zero Vegetation Destruction" before 2030 in the environmentally sensitive areas of Latin America such as the Amazon, Cerrado and Gran Chaco by implementing such measures including realizing product-to-farm traceability of agricultural products and monitoring grain sourcing transactions.

In 2022, all soybean meal feed from China Shengmu was resourced from organic soybean planting areas without deforestation risk and land conversion risk.

Palm Oil



Part of Mengniu's products adopt palm oil as a raw material for production. In 2022, Mengniu's revenue from products added with palm oil accounted for approximately 3.52% of the Company's main business income. Mengniu is committed to gradually increase the procurement ratio of palm oil products with RSPO certification to continuously reduce the deforestation risk. During the year, all palm oil products purchased by Bellamy's, a subsidiary of Mengniu, have been certified by RSPO "Identity Preserved Supply Chain Model".

19. FSC (Forest Stewardship Council): It is an international management organization for forest sustainable development that encourages companies to implement sustainable forest management models by certifying forest management and timber products, so as to protect biodiversity and the rights of the communities where forests locate.

20. PEFC (Program for the Endorsement of Forest Certification): It is an international non-profit, non-governmental organization that strives for sustainable forest management through independent third-party forest certification.

21. CFCC (China Forest Certification Council): It is the governing body of China's forest certification system.

Sustainable Agriculture

Mengniu is committed to combining the ecological cycle of pastures with agricultural economic development and developing sustainable agriculture. By building a pasture animal welfare management system and promoting maximum resource reuse on the pasture, Mengniu continues building an ecologically-friendly agricultural recycling economy to reduce the impact on the ecological environment while ensuring high quality milk supply.

Animal Welfare

We believe that ensuring the healthy growth of cattle is crucial to producing high quality milk. We played an influential role in the construction of animal welfare standard system and strictly controlled the use of veterinary drugs in cooperative farms to continuously improve the welfare of their cows.

Animal Welfare Standard System Construction

Mengniu has been actively involved in the compilation and promotion of animal welfare standards in the industry. We have compiled and released the *Welfare Promotion and Implementation System for Dairy Cattle in Farm* which defined 6 aspects of animal welfare standards for cattle: physiological welfare, environmental welfare, health welfare, behavioral and psychological welfare, calf welfare and culled cattle welfare, as well as care standards for cattles suffering from injuries and crippling and formed key welfare points and operation specifications covering different stages of dairy farming. Based on the cattle welfare and care standards, we continued urging pastures to implement cattle welfare breeding and integrated animal welfare measures with pasture production practices to promote the healthy and sustainable development of the industry.

At the same time, Mengniu deepened industry communication and cooperation, and continuously participating in the compilation of animal welfare-related group standards. Based on the group standard *Farm Animal Welfare Requirements- Dairy Cows* compiled and released in 2021, Mengniu jointly drafted and released the group standards *Regulations for Quality and Production of Whole Corn Silage* (T/DACS 006-2022) and *Heat Stress Prevention and Control Standard for Dairy Cattle* (T/DACS 007-2022) with Dairy Association of China and several enterprises and organizations in 2022, and promoted their implementation in partner farms. In terms of silage quality control, we promoted a rating assessment system for whole plant corn silage during the production in terms of process quality, physical sensory, nutritional composition and health index risk. We then implemented standardized management based on the assessment results. For cattle welfare, we clarified the configuration, installation, operation and management requirements for heat stress prevention and control facilities in the dairy farming process by getting involved in the standard development work, and standardized the standard system for cattle nutrition adjustment strategy, production management strategy, and heat stress assessment, aiming to reduce the impact of heat stress in the dairy farming industry and protect the production performance and feeding economic benefits of cattle.



Farm Animal Welfare Practices

Modern Dairy obtained the certification of Farm Animal Welfare Product

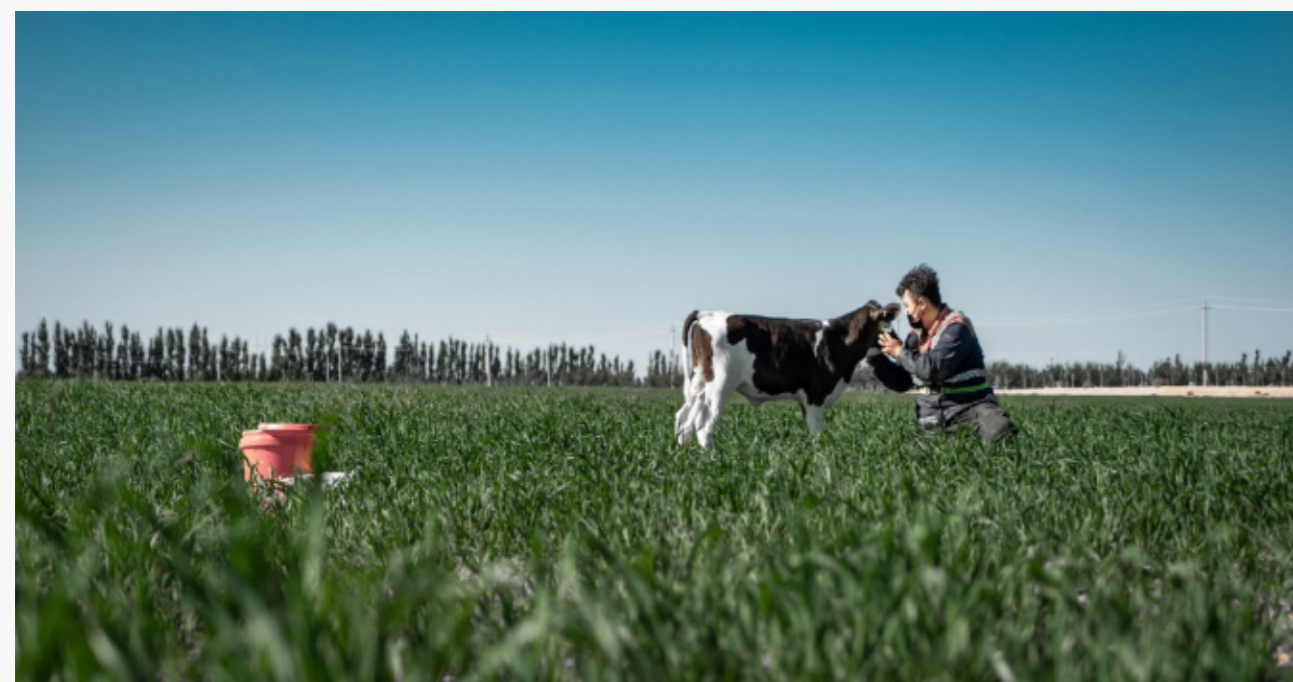
Modern Dairy of Mengniu, set up the *Cow Comfort Management System*, focusing on reducing herd stress factors, solving various problems in the barn environment, reducing various energy losses of cattle caused by uncomfortable environment and achieving a healthy and productive status of cattle. It also made clear requirements on cattle bedding comfort, exercise yard comfort, manure, water tank, ventilation management, spraying and light time. In the process of cattle transportation, Modern dairy required transport vehicles to keep a steady speed below 80 km/h and avoid emergency braking. In addition, it set up a supervisor accompanying each vehicle or a group of fellow vehicles to check the slipping situation of cattle every 2 hours and pick up the slipping cattle in time.

In 2022, Modern Dairy's Shanghe pasture was awarded the *Farm Animal Welfare Product* certification according to the China Association for the Promotion of International Agricultural Cooperation's *T/CAI 004-2021 Farm Animal Welfare Requirements-Dairy Cows* group standard, based on its various management practices in animal welfare such as cattle feeding, barn health management and cattle psychological health.

China Shengmu Awarded S Grade Farm

China Shengmu, a subsidiary of Mengniu, highly values animal welfare and adopts a low-density, low-stress, high-quality feeding method and is committed to providing the most comfortable living environment for cattle. China Shengmu has taken numerous management measures to improve animal welfare on the pasture, including ensuring that each cattle receives an average area of 60-80 square meters for activities in pasture; dedicated staff cleaning the barn daily to keep the cow's growing environment clean; setting up a regular schedule to effectively prevent mastitis and other diseases; and equipping equipment and facilities such as exercise yards, sand mats, fans, cattle body brushes, cold wear, windbreaks, lighting equipment, and sprinklers to ensure healthy and comfortable life for cattle.

In 2022, 9 dairy farms of China Shengmu were awarded "S-Level Dairy Farm in Modern Dairy Industry Evaluation and Grading" and 5 dairy farms were certified by China Good Agricultural Practice (GAP). The number of selected dairy farms led the domestic industry.



Management of Veterinary Drug Use

Mengniu insists on the veterinary drug (including antibiotics) control principle of "Reduced Use and No Antibiotics", guiding the standardized use of veterinary drugs on pastures and requiring all veterinarians on farms to strictly comply with the *Animal Epidemic Prevention Law* and sign the *Mengniu Commitment for the Use of the Veterinary Anti-Microbial Drugs*.

Three Principles of Veterinary Drug Management

Strictly prohibit the use of drugs banned in China or internationally, and post the banned list to the cooperative farm.

Restrict and gradually stop the use of veterinary drugs on which quantity limits are imposed in China and internationally which pose risks.

Regulate the use of other types of veterinary drugs and ensure that use is in strict compliance with the product labels and instructions in terms of the scope of animals, indications, usage and dosage, withdrawal period, etc.

Five Measures for Veterinary Medicine Management

All veterinary drugs purchased must be compliant veterinary drugs and subject to registration before being put in storage.

Veterinarians must be qualified to practice and sign a "Quality and Safety Assurance Commitment", promising to use drugs strictly abiding by laws, regulations and other rules.

Dosed cattle must be marked differently and quarantined separately, and the withdrawal period for milk must be practiced in strict accordance with the instructions for veterinary drugs, and testing for veterinary drug residues must be carried out at the end of the withdrawal period.

Pastures are required to establish a comprehensive list of veterinary drugs moved in and out of storage, to store veterinary drugs by category, and assign dedicated roles to manage them.

Carry out laboratory monitoring of veterinary drug residues on the milk sources collected on the same day, and conduct harmless disposal of unqualified raw milk.



Veterinary Drug Management Training and Empowerment

Mengniu continues carrying out special control actions on veterinary antimicrobial drugs, and develop a code of practice for the use of drugs on farms. In 2022, we conducted regular training on the use of veterinary drugs focusing on laws and regulations related to veterinary drugs, the safe use of veterinary drugs, the management of dosed cattle and the detection and identification of risky veterinary drugs to guide cattle in the scientific and standardized use of veterinary drugs. By the end of 2022, we have conducted more than 300 training sessions on veterinary drugs, covering more than 5,000 farm owners and practitioners.

In addition, we continued promoting the reduction of antimicrobial drugs on pastures. In 2022, 4 cooperative pastures won the title of "National Demonstration Farm for Reduction in the Use of Veterinary Antimicrobial Drugs" and a total of 18 farms were awarded this title.



18 cooperative pastures won the title of "National Demonstration Farm for Reduction in the Use of Veterinary Antimicrobial Drugs"

Regenerative Agriculture Management

Mengniu adheres to the development concept of "Ecology First and Green Development", highly advocates the construction of ecologically-friendly pastures, actively promotes the recycling of natural resources on pastures, explores and practices renewable agriculture.

Mengniu required raw milk suppliers to strictly comply with the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on Environmental Impact Assessment*, the *Law of the People's Republic of China on the Prevention and Control of Soil Pollution*, the *Water and Soil Conservation Law of the People's Republic of China*, and other laws and regulations. Mengniu formulated the *Review Rules for Milk Supplier Access* to integrate environmental protection requirements into the whole life cycle management process of pastures, including pasture certification, selection, audit, performance management and feed selection and make clear of the requirements. In addition, we formulated the *Farm Environmental Protection Management Regulations* to promote the reduction of environmental impacts of pastures and facilitate the construction of low-carbon emission pastures.

At the same time, we continued improving the management of farm feed procurement and proposing water pollution management requirements for pasture feed suppliers, requiring suppliers to develop appropriate management plans for pollutants (wastewater, waste gas, noise, solid waste and so on) emitted during production, activities or services and to take effective measures to meet national or local emission standards or relevant environmental protection standards. Furthermore, we actively promoted local feed procurement projects, giving priority to local resources and purchasing corn kernels, silage corn, pressed corn, straw and other products from the surrounding area of the pasture to reduce carbon emissions from feed transportation and promote local economic development.

We encouraged suppliers to establish a base²² management system covering environmental factors, regularly monitor and investigate the quality of soil, water and air, periodically monitor the quality of base raw materials and routinely summarize and evaluate the status and results of base management. We also established a management system for pesticides, veterinary drugs and other chemicals, set up a list of qualified suppliers and selected suppliers from the list for procurement. In addition, we strictly arranged the safety dosing interval of drugs and the dosage of drugs, strictly scheduled quarantine periods and do not use pesticides, veterinary drugs and other agricultural inputs banned by China.



Resourceful Utilization of Manure

Mengniu considers promoting the resourceful use of manure on pastures as an important part of our efforts to achieve regenerative agriculture. We continuously guide our partner pastures in the effective use of dairy manure to reduce the use of artificial fertilizers, reduce manure emissions and improve soil quality at the pasture site. Meanwhile, we encouraged pastures to use manure and cooperate to support the resource utilization of manure on pastures. Mengniu's cooperative farms have all realized the resourceful utilization of manure.

22. Base refers to dairy cow breeding and production areas such as farms, pastures and factories.

Modern Dairy Realized Comprehensive Utilization of Manure

Modern Dairy of Mengniu continuously promoting the resourceful recycling of manure, setting the goal of no waste discharge and building a green recycling industrial chain of "Feed planting-Dairy farming-Manure treatment-Manure return to the farmland (Biogas power generation)-Feed planting". It collects cattle manure, adopting resource-based comprehensive utilization of anaerobic fermentation treatment mode. The output of biogas power is generated for heating, the digestate is dried and returned to the lying bed, and liquid fertilizer methane is used in the field to plant forage, striving to build energy self-sufficiency, resource recycling of modern and efficient pastures.

In 2022, the RNG (Renewable Natural Gas) renewable natural gas cogeneration project carried out by Modern Dairy in cooperation with Central Southern China Electric Power Design Institute Co., Ltd. of China Power Engineering Consulting Group was put into production. The project adopted cow manure as raw materials, after resource was processed into methane, and through the generator set for power generation. While meeting the daily demand for electricity and steam, the remaining power generation were connected to the power grid for external supply to achieve from "Manure Treatment" to "Clean and Efficient" green transformation.



China Shengmu Achieved 100% Harmless Return of Manure to the Fields

Based on its industrial advantage of "Integrating Seeding and Breeding", China Shengmu of Mengniu, returned dairy manure to the fields in accordance with the maximum holding capacity of the land, so as to restore degraded soil and improving soil health while achieving efficient, reasonable and sustainable utilization of manure resources. In 2022, China Shengmu has returned organic fertilizer to 220,000 mu of fields, reducing the use of chemical fertilizer by about 7.5 million tonnes, achieving 100% harmless return of manure to fields and enabling recycled and regenerative agriculture.



Biodiversity Conservation

Biodiversity conservation is an important part of Mengniu's practice of sustainable development. We promoted the vision of biodiversity conservation of "From the Nature for the Future" by carrying out forest conservation actions, implementing biodiversity conservation practices and promoting biodiversity consensus.

Forest Protection Action

Mengniu strictly abides by the *Forest Law of the People's Republic of China*, the *Regulations on the Implementation of the Forest Law of the People's Republic of China* and other laws and regulations, as well as forest protection regulations in relevant local policies. We formulated and issued the *Forest Protection Policy* to continuously reduce the risk of deforestation. In 2022, all construction sites managed by Mengniu involved no deforestation risk.

Reducing the Risk of Deforestation and Contributing to Forest Positively

Mengniu participated in the CGF Consumer Goods Forum's "Forest Positive Coalition" to eliminate deforestation risks in the supply chain and worked closely with the "Tropical Forest Alliance" of the World Economic Forum (WEF) to eliminate the risks of deforestation and forest degradation in the procurement of commodities such as palm oil, soybeans and paper to promote the transition to zero deforestation risk of the industry. Mengniu promises to gradually increase the proportion of sustainable certification for paper bags and palm oil and to increase the proportion of traceable soybean meal to set a benchmark for global corporate biodiversity conservation.

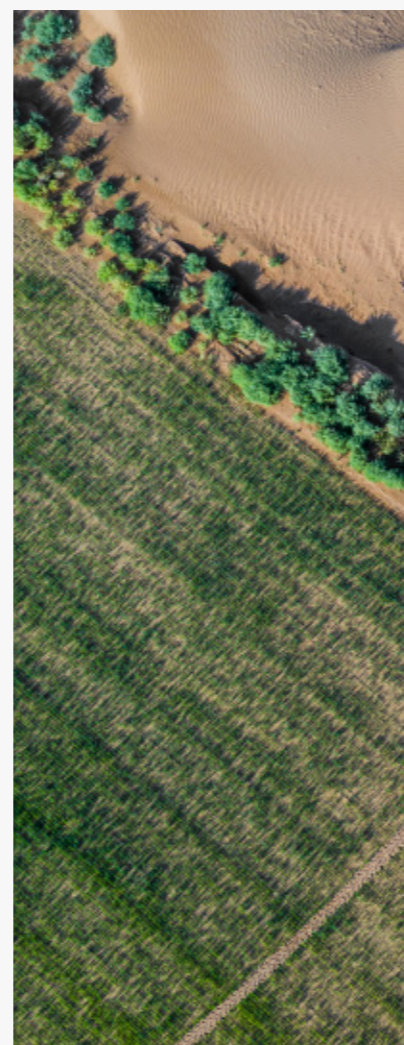
Jointly Supporting the Earth Greening and Protecting Initiative

In 2022, Mengniu, together with China Environmental Protection Foundation, All-China Environment Federation, China Three Gorges Corporation and other social organizations, institutions and enterprises, issued the initiative of *Support Greening and Protecting the Earth to Help China Contribute to Global Environmental Governance*, actively responding to China's goal of "Planting 70 Billion Trees in 10 Years" and fully encouraging and supporting all sectors of society to participate in the greening and protection of the earth, contribute to the protection of global biodiversity and jointly respond to climate change. In 2022, Mengniu promoted its partner farms to plant more than 200,000 trees.

Planting to Build an Organic Desert Ecosystem

China Shengmu of Mengniu, insists on the concept of "Plant Grass or Trees as Appropriate", promotes industrial sand control and is committed to creating an ecological environment of "Coexistence of Business and Nature". China Shengmu built an organic ecosystem in the desert by planting trees and building organic pastures, turning the desert into an oasis, improving the local ecological environment and biodiversity and enhancing the ability of the desert region to adapt to climate change.

At the same time, China Shengmu continuously reinforced the water saving management of the whole industrial chain, increased infrastructure investment, built water storage reservoirs, brought the Yellow River water discharged into the organic planting base located in desert during the flooding period into the organic planting base, planted trees and grasses in the desert and balanced the use of groundwater.



For more information, please refer to the Chapter "Ecosystem-Collaborative & Accountable"-Sustainable Procurement-Green Procurement of Raw Materials.

Actions on Biodiversity Conservation

Mengniu values the impact of its business development on biodiversity and integrates biodiversity conservation into its production operations. In 2022, Mengniu actively participated in international biodiversity conferences, carried out a number of biodiversity public welfare advocacy activities, and leveraged its brand influence to work with consumers to raise awareness of biodiversity conservation.

Mengniu Biodiversity Conservation Strategy

One vision: From the Nature For the Future



Three methods: Striving to reduce threats to biodiversity

Sustainably using biodiversity resources

Building consensus on biodiversity



Five actions: To implement ecological conservation and preservation of milk source areas

To practice environment-friendly green production

To develop sustainable planting and breeding

To promote the whole industrial chain to move towards carbon neutrality

To reach a consensus on biodiversity among relevant parties



Eight commitments:

Take positive actions to promote ecosystem restoration of cooperative farms.

All operation sites are conserved ecologically in an effective and equal manner.

Reduce pollution from various sources such as wastewater, waste gas and waste residue.

Actively respond to climate change and reduce greenhouse gas emissions.

Sustainably utilize biodiversity and promote productivity enhancement in farming and animal husbandry.

Create a sustainable dairy supply chain and reduce upstream biodiversity risks.

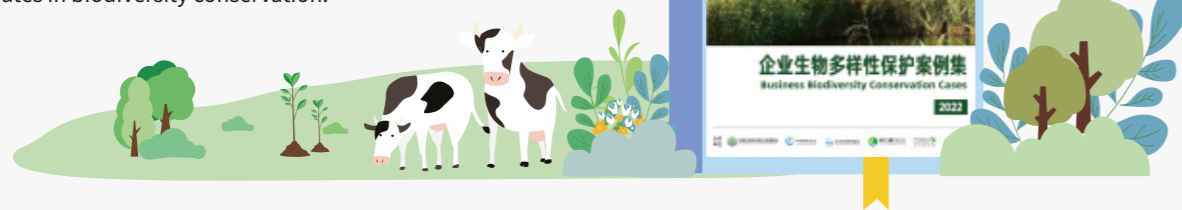
Advocate consumers to buy green products and reduce food waste.

Strengthen public awareness of biodiversity conservation together with stakeholders.



Mengniu Selected in the COP15 Business Biodiversity Conservation Cases

In December 2022, the second phase of the 15th Conference of the Parties (COP15) to the United Nations *Convention on Biological Diversity* (CBD) was held in Montreal, Canada. During the meeting, the China Corner Meeting, themed "Accelerating Business Action for Biodiversity Conservation in China", released the *Business Biodiversity Conservation Cases*, and Mengniu's Ulan Buh Desert Organic Farm project was selected as an industry best practice in the case collection, providing reference cases to guide Chinese corporates in biodiversity conservation.



Bellamy's "Blue Planet" Public Welfare Project for Biodiversity Conservation

Bellamy, a subsidiary of Mengniu, joined with the China Environmental Protection Foundation to create the "Blue Planet" biodiversity conservation public welfare education project. The project is aimed at preschool children and elementary school students by establishing an ecological teaching base to carry out educational and entertaining interactive experiences and ecological education practice activities.

In 2022, the "Blue Planet" public welfare project held 20 activities and recruited about 400 groups of families to participate in the offline courses. The activities combined online live public classes and offline practical classes, guiding children to join organic agriculture popular science, farm practice and other thematic courses to learn about organic agriculture and biodiversity conservation.



Milk Deluxe's Biodiversity Conservation Action of "Guarding Ulan Buh"

In 2022, Mengniu's Milk Deluxe and the China Environmental Protection Foundation jointly launched the "Guarding Ulan Buh" project, carrying out a series of public welfare actions focusing on the biodiversity of the desert region, aiming to develop the Ulan Buh Desert into a rich oasis where "People and Nature Live Together in Harmony". By organizing scientific volunteers to set up infrared cameras in the field and conducting community interviews, we monitored birds and wild animals living in the key survey areas of the Ulan Buh Desert and produced several biodiversity reports of wild animals and their habitats.



By the end of 2022, we have completed the first *Survey Record of "Guarding Ulan Buh" in August 2022*, which revealed that the Vormela Peregusna, listed on the *IUCN Red List of Threatened Species*, the Vulpes Corsac, a class II national key protected wild animal, and the Platalea Leucorodia, a national key protected animal, have all appeared in the oasis of the Ulan Buh Desert. There were also a variety of national key protected wild animals, such as Aquila Nipalensis, Larus Relictus, Felis Bieti, Cygnus Olor, Bubo Scandiaca, which were frequently found in the oasis, changing the stereotype of the lack of desert species.

In addition, we launched a limited edition package of Milk Deluxe "Desert Animals & Desert - Organic World Earth Day" on the World Earth Day, guiding consumers to pay attention to the issue of biodiversity conservation.



Shengmu's "Nature Education on Desert" Public Welfare Research Project

Shengmu organic brand, a brand of Mengniu, together with the China Siyuan Foundation for Poverty Alleviation, launched the "3060 Carbon Neutral Forest Adoption Program - Nature Education on Desert Public Welfare Project", cooperating in the "Nature Education on Desert". The project allowed children from all over the country to hike, travel, explore and plant trees in the Shengmu Ulan Buh Desert Base to experience desert management by themselves, learn practical desert knowledge and build awareness of desert protection.



Nutrition- Supreme & Inclusive

Mengniu is committed to providing consumers around the world with nutritious and delicious dairy products of excellent quality, and to bringing nutritious and healthy living to every family. Guided by the GREEN strategy, the three issues including nutrition and health, excellent quality and good services are set to cater for the various health needs, to continuously guarantee the improvement of product quality and lead a better life.

 Nutrition and Health

 Excellent Quality

 Good Services

SDGs We Focused in this Section



Highlights in 2022

Nutrition and Health

- Developed the *Mengniu Product Sugar Control Guidelines* and *Basic Nutrient Standards for Mengniu Products* to comprehensively promote nutrition and health research, aiming to provide better quality nutrition and health products.
- Launched **194** new products and continued to create a variety of organic, low-sugar, low-sodium, low-fat, reduced artificial ingredients, addressing nutritional deficiencies products and products in smaller size.
- Conducted **130** lectures for school diet education, covering **48** cities of **20** provinces nationwide.
- Cooperated with **16** top universities and research institutions at home and abroad to establish a **world-leading** "High-Tech Research Institute and Highly Intelligent Production Base" and an overseas R&D center, with **over 30** R&D partners worldwide.
- In cooperation with Jiangnan University, being the world's first to develop the key technologies of structural fat MLCT and new OPO enzymatic synthesis, driving the overall technology level of Chinese breast milk research to the international **leading position**.

Excellent Quality

- Awarded the "**2022 National Quality Benchmark Award**" by the China Association for Quality.
- Awarded the "**China Dairy Industry Enterprise Award for High-Quality Development**", "**First Prize for Technical Invention**", "**Grand Prize for Technical Progress**" and **two** "**First Prize for Technical Progress**".
- The Company's products are **100%** traceable to the origin of the raw milk and raw materials.
- **20** laboratories of Mengniu were granted CNAS accreditation certificates, with the testing capacity of up to **1,926 items**.
- Carried out the seven system certifications of ISO 9001, GMP, HACCP, FSSC 22000, BRC, IFS and SQF, covering **63** Mengniu factories.
- Formulated the *Three-Year (2022-2024) Strategic Plan for Safety and Quality*, established the Company's first "**1332**" quality culture strategy and achieved **A+** in BRCGS' Food Safety Culture Excellence Quality Culture Excellence assessment.
- Conducted quality empowerment training for employees, covering **100%** of quality positions.
- Applied for **319** new patents and granted **203** new patents in the year.
- **Nine categories** of products were **certified by the EU food standards**.

Good Services

- Formulated and launched the *Mengniu Breast-milk Substitutes Responsible Marketing Policy*.
- Continuously strengthened responsible marketing promotion, organized a total of **10** responsible marketing training sessions to standardize marketing promotion activities.
- **100%** complaint resolution rate of the Company.
- Carried out systematic construction of information protection and data security, achieved **0** major data leakage incidents, **0** major information security accidents and **0** consumer privacy and data security-related complaints.



Nutrition and Health

Mengniu actively responded to the "Healthy China 2030" Blueprint and formulated policy documents such as the *Mengniu Nutrition and Health Policy (2021-2025)*, the *Basic Nutrient Standards for Mengniu Products* and the *Mengniu Product Sugar Control Guidelines* to promote nutrition and health comprehensively. Mengniu established a product nutrition and health evaluation model, set up nutrition and health indicators, and built a comprehensive nutrition score evaluation system to promote the development of nutritious and healthy foods, while strengthening the control of product nutrients based on conducting nutrition and health research and improving relevant standards.

Basic Nutrient Standards for Mengniu Products

After a lot of research and investigation, we formulated the *Basic Nutrient Standards for Mengniu Products (the "Standards")*, aiming to provide scientific and reasonable technical support for innovative product development and product improvement and upgrading. The Standards includes product categories, added nutrients and nutrient thresholds for different groups of people. The involved product categories are pure/fresh milk, modulated milk, fermented milk, modulated milk powder, processed cheese and milk containing beverages. The Standards are the basic requirements that must be met by the Company's nutrition and health products and are applied to specific product quality standards as the basis for daily product release.

Based on the health effects of each nutrient, the product characteristics of dairy products and the relevant national standards, the Standards divided the nutrients into limiting nutrients and gaining nutrients, with the limiting nutrients being added sugar and sodium, while the gaining nutrients being protein and calcium. According to the recommended intake frequency of the products, the products were classified into daily serving products and non-daily serving products based on the intake recommendations for dairy products in the Chinese Dietary Guidelines. For daily serving products, the maximum limit of limiting nutrients and the minimum limit of gaining nutrients were specified, while only the maximum limit of limiting nutrients was specified for non-daily serving products.

Healthy Products

Mengniu implemented the *14th Five-Year Plan for Food Safety Standards, Monitoring and Evaluation* issued by the National Health Commission of the People's Republic of China in 2022 and promoted the "minus goal" of "reducing oil, salt and sugar" and the "plus effect" of nutritious and healthy food. We continue to broaden our product categories, upgrade our product nutrition formulas, and introduce organic, low sugar, low sodium, low fat, and low artificial ingredients, address nutritional deficiencies, alternative protein products and products in smaller size to meet the nutritional needs of different people. In 2022, Mengniu launched a total of 194 new products.

In 2022, the company referred and used external authoritative standards, sorted out the company's product nutrition standards and updated the nutrition product information.

Revenue Share of Nutrition and Health Products in 2022



Notes:

- Low-sodium and low-fat products are products classified according to *GB28050-2011 National Standard on Food Safety National Label Standards for Pre-packaged Food*.
- Organic products are products certified as organic products in China.
- Smaller size products are products with packaging less than or equal to 200g or 200ml products.
- Low or no artificially added ingredients products are products without artificial flavors, including artificial preservatives, artificial colors, artificial sweeteners, and etc, or less artificial flavors added compared with ordinary food products.
- Enriched nutrient products are products classified according to *GB14880-2012 National Food Safety Standard for the Use of Nutritional Fortification Substances in Foods*.

Liquid Milk



Milk Deluxe Low-Fat Milk
60% less fat than whole milk



Xinyangdao Zero Lactose Milk
Using EHT enzyme hydrolysis technology 0 lactose
Four series of full-fat, low-fat, skimmed and low-fat high-calcium



Just Yogurt
Danish strain fermentation
Simple and pure taste Less artificial addition



Yoyi C lactobacillus beverage - 0 sucrose and high calcium
Self-developed, China Patent probiotics
Contains 50 billion active probiotics, 0 fat, 0 sucrose



Mengniu Selected Pasture Pure Milk
China's first QR code traceable milk



Shiny Meadow Organic Fresh Milk
Preferred Ulan Buh Desert organic milk source
3.6g native protein per 100ml fresh milk



Champion Yogurt 0 Sucrose
100% raw milk fermented
3g protein per 100ml
1 billion CFU BB-12 probiotics per 100g yogurt



Go Chang Lactobacillus Beverage
Sugar content ≤ 5%, 0 fat
6 kinds of lactic acid bacteria fermentation
No added flavors, colors, preservatives, etc



Modern Meadow High Calcium Milk
125mg of high calcium per 100ml, with vitamin D3 added



Little Shiny Meadow Fresh Milk
4.0g of premium fresh milk protein per 100ml
30% less calories than 4.0g whole milk
Organic membrane filtration imported from Europe and America



National Healthy Food - Champion Yogurt
First health yogurt in China
Rich in strong active BB-12 bifidobacteria
Certified by the National Medical Products Administration as a functional health food

Milk Powder



Bellamy's Platinum Organic A2 Milk Powder
Selected organic A2 milk source
Rich in probiotics BB12, prebiotics GOS&FOS
Dual organic certification by NASAA and ACO in Australia



Bellamy's Organic Kids Milk Powder
With "active" lactoferrin, FOS prebiotics and betaglucan
1,300mg calcium and 50mg lactoferrin per 100g milk powder



Yourui Yitian The Middle-aged and The Elderly Milk Powder
Low GI food certification, phytosterol esters added
950mg of calcium per 100g, fortified with raw milk
Enriched with Vitamin D

Ice Cream



Deluxe Ejiao Walnut Milk Ice Cream
With raw milk as a main ingredient
Added with Ejiao and red dates



Deluxe Low-fat Coffee-flavored Ice cream
Protein content >7% and fat content <3%
Added Colombian freeze-dried instant coffee powder



Mood for Green Green Shasha Cane Sugar-Free Ice Cream
Pure green bean taste
No cane sugar

Cheese and Other Dairy Products



Ai Shi Chen Xi Organic Cheese Sticks
World's first organic cheese stick
51% cheese content
No flavor, pigment, preservative added
Triply certified organic by China, Denmark and EU



Mengniu Room Temperature Cheese Sticks
High calcium formula, 25% less sugar and sodium



Mengniu Low-Salt Butter
First self-made butter in China
Boxed fresh, in line with the low-salt standard
Chemical additives, preservatives and impurities free

Others



Probiotic Powder Products
100 billion highly active probiotic per sachet
over 85% survival rate of stomach acid resistance
effectively improving intestinal environment

Small Portion Products

Mengniu keeps on innovating products, strengthens the research and development of products in smaller packages and has developed a variety of products with a capacity of less than 220g, such as Future Star student milk, Shengmu organic children's milk, Lurpak 10g butter granules and Ice+ 4-pack small popsicles, to make it easier for consumers to store and carry and to avoid waste caused due to inability to finish eating in one time



Nutrition Education

Nutrition education is the most fundamental, economical and effective strategy and measure to solve public nutrition and health problems. Mengniu continued to implement the "Healthy China 2030" blueprint, actively carried out diversified nutrition education activities, promoted dairy nutrition and health education and tried to spread healthy lifestyles and concepts to the majority of consumers to improve the knowledge of nutrition and health of the entire nation and solve public nutrition and health problems.

Mengniu Nutrition Education Activities

Mengniu held the China Student Nutrition and Health Development Conference and the China Intestinal Industry Conference, established the Light Fresh Milk Festival and the Light Fresh Milk Shelf and popularized scientific nutrition knowledge among employees, distributors and consumers through public welfare industry classes, live broadcasts, public articles and short nutrition and health science videos to motivate all parties to practice the concept of nutrition and health.



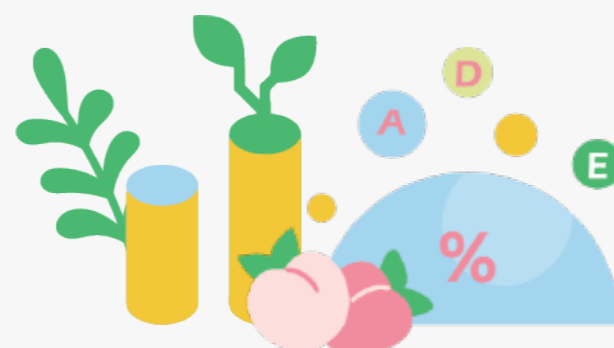
China Student Nutrition and Health Development Conference



Light Fresh Milk Festival and Light Fresh Milk Shelf

NiuBay Nutrition Academy

In 2022, Mengniu created the "NiuBay Nutrition Academy" project, which focused on nutrition, health, probiotic knowledge, quality life and other topics. It was the first time in the industry to provide users with strong visual and interactive category education in the form of an online academy through live video. It could directly understand users' needs and preferences while accurately delivering category values. The project has carried out 7 online thematic live broadcasts, outputting more than 50 short science videos across the platform, with a total of 200,000 views all over the Internet.



Diet Education

In order to promote diet education, Mengniu cooperated with COFCO Nutrition and Health Research Institute and Capital Healthcare and Nutrition Cuisine Society to carry out diet education activities in schools. With the slogan "Health Station for Nutritious New Generation", the campaign promoted traditional culture, popularized nutrition and health knowledge and strengthened scientific diet education to primary and secondary school students in the form of online and offline expert lectures. At the same time, Mengniu collaborated with the COFCO Nutrition and Health Research Institute and the Capital Health and Gourmet Society to conduct training for nutritionists and nutrition instructors, and actively cultivate talents for diet education. In 2022, a total of 130 lectures were held online and offline for school diet education, covering 20 provinces and 48 cities nationwide.



Producing the Documentary "A Journey of Probiotics Discovery"


Mengniu, together with Professor Zhang Heping, the pioneer of China's probiotic industry and the chief expert of Mengniu's probiotic research team, and his team, traveled over 30,000 kilometers and visited more than 20 counties and cities in 6 provinces to co-produce the documentary "A Journey of Probiotics Discovery", which focused on the theme of "searching for probiotics suitable for Chinese people", showing the extraction and R&D process of local probiotics in China and raising the attention of all people to probiotics and intestinal health.



Nutrition Research

Mengniu regards scientific research and innovation as the core driver of enterprise development and continuously increases its investment in research & development to improve its research & development competence. Mengniu has cooperated with 16 top universities and research institutions at home and abroad, including China Agricultural University, Tsinghua University, Peking University and Chinese Academy of Sciences. The company has established a world-leading "High-Tech Research Institute and Highly Intelligent Production Base" and an overseas R&D center. It has more than 30 research & development partners worldwide. In 2022, Mengniu continued to cooperate with China Agricultural University, Tsinghua University, China Academy of Inspection and Quarantine and other institutions to carry out collaborative projects, deepened nutritional research fields such as protein, oligosaccharide and probiotics, expanded research & development achievements through technological innovation and launched new products to meet the nutritional and health market trends and consumer needs.

2022 Mengniu Nutrition Research Project


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Research on Breast Milk and Infant Nutrition


Dedicated to scientific research on maternal and infant health and breast milk in China, we created a Chinese breast milk protein database based on Mengniu's "8-city China Breast Milk Study" to analyze breast milk protein and amino acid data from different regions and lactation stages in China. Mengniu's Ruibuen brand adopted the new UPU core technology of full-valent breast milk structural fat, which for the first time achieved a fat similarity of more than 90% with Chinese breast milk, breaking the record in the field of breast milk innovation research and was selected as a national key research project in the 13th Five-Year Plan.

In cooperation with Jiangnan University, the Company conducted in-depth research on the large-scale preparation of new core ingredients for infant dairy products and developed the world's first key technologies for the enzymatic synthesis of structural fat MLCT and new OPO. The research result was a key output of the National Key R&D Program of the 13th Five-Year Plan "Research on the Creation and Common Key Technology of Special Needs Dairy Products Based on China's Breast Milk Components". In addition, it also supported the implementation of the related sub-projects of the National Key R&D Program of the 14th Five-Year Plan "Research on the Development of Special Needs Dairy Products Based on China's Breast Milk Components" and drove the overall technical level of Chinese breast milk research to an international leading position.


In cooperation with the School of Public Health of Tsinghua University, we conducted a research project on the impact of the organic diet on infant health in early life to study the impact of eating organic foods in early life.

We also conducted research on the nutritional needs of infants and young children at the supplementary food stage to improve the nutritional value of infant products.
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The Middle-Aged and the Elderly Nutrition Research

Focusing on the nutritional health of the middle-aged and the elderly, cooperated with China Agricultural University to research and evaluate the role of selenium-enriched goat milk and subsequent functional milk powder in the immune effect and body vitality of the organism.
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Probiotics Research

The research was based on *Lactobacillus paracasei* PC-01 and *Bifidobacterium lactis* Probio-M8, which are independent intellectual property rights of Mengniu, to investigate the effect of *Lactobacillus paracasei* PC-01 on indigestion and the mechanism of *Bifidobacterium lactis* Probio-M8 on nutritional absorption, and to provide scientific basis for improving the functional value of dairy products and product communication, and to promote the functional and nutritional improvement of dairy products.
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Product Research

We cooperated with Institute of Animal Sciences of Chinese Academy of Agricultural Sciences to strengthen the implementation of high-quality milk quality technology system control the quality of raw milk at source, optimize the dairy processing process, restore the natural active nutrients of milk, improve the quality of fresh milk products and meet the market demand for safe and healthy, green and low-carbon, nutritious and fresh products.

In the Indonesian market, based on market insight and consumer preference surveys, we developed products that matched the actual local demand and the taste that preferred by local consumers.

Honors

- In July 2022, the 5th Food Science and Technology Innovation Forum & Healthy Food Development Forum 2022 was held in Nanjing, where "Shiny Meadow Key Technology and Product Innovation" won the Product Innovation Award.
- In September 2022, the China National Food Industry Association (CNFIA) released the 2022 "CNFIA Science and Technology Awards", in which Mengniu's fermented milk functional upgrading, quality structure optimization key technology research and industrialization application projects won the first prize, low-temperature fresh milk category combination innovation and key technology integration project and the research and development of Yoyi C 0 sucrose active probiotic beverage won the second prize.
- The Key Technology Research and Industrialization of Active Probiotics Project won the "First Prize for Technical Progress" by the China Dairy Industry Association.

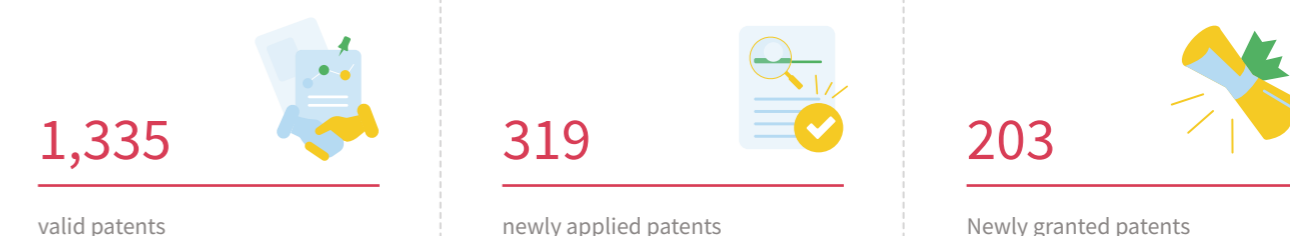


Intellectual Property Protection

Mengniu followed the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China*, the *Copyright Law of the People's Republic of China* and other laws and regulations, continuously improved the intellectual property management system, successively issued the *Management Measures for the Protection of Intellectual Property Rights*, and formulated the *Trademark Management System*, the *Trade Secrets Management System*, the *Patent Management System*, the *Copyrights Management System* and other system documents to strengthen the protection of the Company's trademarks, patents, copyrights and other intellectual property rights. We have established a "navigation mechanism" for intellectual property creation oriented to high-value brand innovation and supported by the digital technology platform, an "escort mechanism" for dynamic early warning of peers, a "voyage mechanism" for timely analysis of the environment of the destination countries for overseas market expansion and a "pilot mechanism" for full collaboration between the IP management department and the business department to maximize the combined effect of various types of IP.

The Company developed the intellectual property protection strategy and respect the intellectual property rights of others while actively working on intellectual property protection. The Company embedded intellectual property protection into the product innovation process, carried out intellectual property search and infringement risk analysis at each key stage and timely protected the innovation achievements. The Company established and continued to improve the intellectual property informatization system, utilizing professional patent database resources to facilitate patent search and technical investigation by technicians. To ensure the steady progress of patent protection, the Company has increased its IP budget and introduced professional talents to assure the integration of patent management into the project development process and improve the quality of patent applications. To popularize intellectual property knowledge, the Company distributed 600 copies of intellectual property leaflets in Beijing factories and Horinger factories and organized a special intellectual property quiz contest on the "Worth-It" learning platform, in which 18,256 people participated.

Mengniu closely followed the industry policies related to intellectual property rights and conducted training on basic patent knowledge to reinforce employees' awareness of intellectual property protection. Meanwhile, Mengniu actively participated in global intellectual property industry conferences. In October 2022, Mengniu participated in IPBC Asia 2022 Asia IP Business Forum as an invited speaker to showcase the excellent international image of China's innovative dairy brands on the international IP professional field platform. By the end of 2022, there are 1,335 valid patents, and 319 patents are newly applied, 203 patents are newly granted this year.



Excellent Quality

Mengniu adheres to the concept of "Quality Is The Greatest Decency" and implements the quality management of the whole industrial chain. In 2022, Mengniu formulated the *Three Year Strategic Plan for Safety and Quality* and continuously improve the 4Q management system, adhere to the bottom line of quality, covering all 63 of its own factories, fully implement quality assurance-related work, improve and enhance product quality with scientific and strict quality management standards and devote to providing consumers with "perfect products" of excellent quality.

Quality and Food Safety Standards

Mengniu actively participates in the preparation and revision of national and industry standards, actively provides technical support, and leads the industry to further implement the strategy of quality strengthening, standardization and healthy China strategy. In 2022, Mengniu took the lead in drafting more than 10 standards and participated in drafting 16 standards, including one ISO international standard; the national food safety standards Fermented Milk and Modulated Milk; the industry standards Quality of Oat Grass for Feeding, Sterilized Milk Process Standard and Frozen Beverage Slush; group standards such as Heat Stress Prevention and Control Standard for Dairy Cows (T/DACS 006-2022) and Quality Specification for Whole-Crop Corn Silage Production (T/DACS 007-2022) were completed and published in 2022.

In 2022, eight key standards were published, including three national standards such as Statistical Methods for Production Process Quality Control Control Charts Part 7: Multiple Control Charts, one industry standard Milk Fat Spheres Milk (Whey) Protein Powder (QB/T 5805-2022) and four group standards such as Fermented Milk for Student Drinking Milk and Pasteurized Milk for Student Drinking Milk of China Dairy Association. Mengniu actively followed up on the revision of important regulations such as the Dairy Product Production License Review Rules, provided feedback to enterprises and the industry, and participated in the preparation of the Dairy Nutrition Standard System Planning Report for the construction project of the standard system for high-quality development in Inner Mongolia Autonomous Region. Meanwhile, Mengniu assisted in the preparation of the national working group on standardization of food nutrition and health management (SWG25), provided technical support for the operation of the working group, assisted in the research and construction of the working group's standard system, and contributed to the promotion of the group's nutrition and health transformation and the promotion of the construction of a healthy China.

Quality Management and Control

Mengniu strictly abides by the *Food Safety Law of the People's Republic of China*, the *Product Quality Law of the People's Republic of China* and other relevant laws and regulations and has set up a series of systems and management methods, including the *General Rules for Quality Management of Mengniu Dairy*, *Quality Target Management System of Mengniu Dairy*, *Process Quality Control*

Management System of Mengniu Dairy, *Quality Management System of Mengniu Dairy Product Storage and Transportation* and *Quality Management System of Mengniu Dairy Sales*. In 2022, Mengniu improved the quality document management mechanism, revised and updated 32 group management systems and 262 business unit and factory management systems and refined the requirements for new product quality design control, quality changes, and quality management of procured materials to improve quality management and control.

Product Life-Cycle Quality Assurance

Mengniu continuously improves the quality management system, controls the product design, product raw materials, product quality inspection and product recall, introduces the quality management process "From Pasture To Milk Cup", improves the food safety emergency plan system and manages and supervises the full product life cycle.

Product Design Stage

Adhering to the quality management concept of "all risks are eliminated before they are exposed, and all competitions begin at the time of design", by learning from benchmarks, Mengniu issued the "Mengniu Dairy New Product Quality Design (QID) Management System" and thereby built a comprehensive quality management system that is fully aligned with international tier 1 food enterprises and has Mengniu characteristics and tailored to local conditions. This management system comprehensively upgraded from risk management, quality management, claim management, process technology management and other dimensions, so that product quality and safety risks can be eliminated through product design, meeting consumers' demand.

Product Raw Material Quality Control Stage

Mengniu established a cross-departmental front-end raw material expert group mechanism to strictly control the quality of each batch of raw material and auxiliary materials. By reviewing international, domestic regulations and risk studies, quality indicators, and setting early warning lines for indicators, as well as implementing a product inspection matrix, we identify and evaluate food safety risks along the entire chain of raw and auxiliary materials from suppliers to factories, raise the access threshold for raw material and auxiliary material suppliers, refine the audit process and reinforce daily monitoring. The Company's major suppliers obtained ISO 9001, ISO 22000 and other food safety-related certifications.

Product Quality Inspection Stage

The Company conducts regular product quality inspections. At present, the Company has 40 laboratories and 1 intelligent quality center, of which 20 laboratories gained CNAS certification and reached the testing capacity of up to 1,926 items. In 2022, the Company carried out effective reviews of the whole chain management, including daily food safety reviews and special reviews, committed to providing consumers with perfect products and consumption experiences.

Product Trace and Recall

To effectively protect consumers' health and safety, Mengniu has formulated the *Mengniu Product Traceability Management System*, *Product Recall Management System* and other documents. The traceability information covers 8 processes and 16 steps of the whole industrial chain, achieving 100% coverage of key quality traceability information of the value chain. In 2022, the Company upgraded the traceability system, based on SAP and other information systems, expanded the traceability information database, improved the traceability and recall mechanism of three-level control, designed and developed online one-click traceability functions and standardized system operations to achieve online traceability of raw material and auxiliary materials, thus 100% company products can be traced to the origin of raw milk and raw material and auxiliary materials.

The Company clearly stipulates that each department shall immediately stop selling and initiate recalls of relevant unsafe products after being informed that the products are unsafe. According to the degree of harm and urgency of the unsafe products, we divide the recalls into three levels, clearly specifying the recall process, response time and subsequent analysis and improvement procedures. Level 1 recalls shall be initiated within 24 hours, with a written report formed daily and completed within 10 working days; level 2 recalls shall be initiated within 48 hours, with a written report formed at least every 5 working days and completed within 20 working days; level 3 recalls shall be initiated within 72 hours, with a written report formed at least every 10 working days and completed within 30 working days. In case of unexpected situations that may lead to the escalation of the recall during the level 2 and 3 recalls, the responsible department head must immediately report to the Business Unit's food safety management team to carry out the relevant work efficiently. In 2022, no product recalls happened in Mengniu.



Quality and Food Safety Certification

Mengniu continues to promote third-party management system and product certification related to quality and food safety standards, and to protect product quality and safety by establishing an information exchange platform with certification bodies and sharing findings from domestic and international quality management audits:

- In 2022, the Company carried out seven major system certifications including ISO 9001, GMP, HACCP, FSSC 22000, BRCGS, IFS and SQF, covering 63 factories, with a 100% certification pass rate. Among them:

100% ISO 9001 certification rate for factories.

100% HACCP certification rate for dairy factories.

100% BRCGS and IFS system certifications rate for 5 fresh milk factories.

100% SQF certification rate for 4 milk powder factories.

- Continued to promote the product certification of food EU standards, upgraded and complemented the certification of 114 raw material indexes and 38 product indexes, covering nine categories of sterilized milk, modified milk, fermented milk, pasteurized milk, dairy/flavored beverages, frozen drinks, processed cheese, infant formula milk powder and dried milk. All certified products passed the assessment and met EU standards.
- Kept on promoting and maintaining the approval for the use of the China student milk label, covering the three categories of sterilized milk, modified milk and fermented milk.
- Continuously promoted organic product certification and certified and maintained valid organic certificates for a total of 14 products in 2022, including pure milk, skim milk, fresh milk, children's milk, cheese and other products.

Quality and Food Safety Culture

Mengniu firmly believes that food safety is the guarantee to construct consumers' trust in the brand and highly values the construction of a quality culture and organizes various quality and food safety culture promotion activities to improve the quality culture atmosphere and raise food safety awareness.

In 2022, Mengniu comprehensively benchmarked international and domestic quality culture-related standards and studies, referred to the quality culture practices of advanced enterprises, then considered the actual business situation and upgraded Mengniu takes the quality vision and quality policy as the core and the "1332" quality culture strategy as the extension. quality vision and quality policy as the core, and the "1332" quality culture strategy as the outreach, to take the quality culture work to a new level.



Mengniu "1332" Quality Culture Strategy

1 major goal

Inherit the precipitation of Mengniu's characteristic quality culture to create a quality culture with continuous excellence and Mengniu characteristics.

3 major measures

Strengthen quality awareness through education and training and communication and publicity.

Solidify quality awareness by establishing quality culture management methods and tools and setting up quality culture theme activities.

Carry out quality culture maturity assessment and continuous improvement to deepen the quality culture system.

3 major guarantees

Ensure that the core concept and construction orientation of quality culture are in line with business practice.

Establish a cross-departmental quality culture working group to ensure the efficient implementation of quality culture work.

Establish an incentive mechanism for quality culture work.

2 major foundations

Systematic corporate culture and 4Q quality management system with continuous iteration and efficient operation are the foundations of quality culture.

With the deployment of the quality culture strategy, Mengniu has achieved breakthroughs in improving product quality and food safety culture.

- In 2022, the Company innovatively carried out online and offline joint quality culture maturity evaluation and completed the systematic assessment of internal quality culture. Based on the excellent food safety culture assessment tool of the Global Supply Chain Assurance Standard BRCGS, the Company customized the food safety + quality culture assessment module and achieved the international leading level of A+ in outstanding quality culture assessment score. At the same time, we collaborated with third-party organizations to develop a special quality culture maturity assessment program and five factories completed on-site quality culture evaluations during the year, making us the first company in China to systematically conduct quality culture system evaluations and thus establishing a solid foundation for Mengniu's future quality culture work.
- In 2022, Mengniu held the first "World Quality Innovation" quality innovation evaluation activity to select Mengniu quality management method innovation projects, quality technology innovation projects and achievement innovation projects, aiming to fully implement the core values of the enterprise, create a strong quality culture atmosphere and enhance quality management and technology innovation.
- During the "3·15" World Consumer Rights Day in 2022, Mengniu held a short video contest called "Visible World Quality" to convey Mengniu's world quality management and excellent quality culture to consumers through event selection. The 12 best pieces were released on the Company's official platforms, with more than 1.52 million views and 220,000 likes.

Quality Empowerment Training

To guarantee product quality and continuously improve the professional skills of employees, Mengniu regularly conducts training related to quality and safety. In 2022, Mengniu Huxiuqi Learning Center carried out the "General Course + Public Course Empowerment Program" and other key training programs such as "Quality 100", "Rock Plan" and "Starlight Plan". Within the year, Mengniu held 125 sessions of "General Course + Public Course Empowerment Program" and 13 sessions of key programs, covering 100% of quality personnel, with a total training investment of RMB 1 million.

Mengniu cares about the ability improvement of suppliers. For more information, please refer to Chapter "Ecosystem-Collaborative & Accountable"-Supplier Training.



"Rock Plan" Scene



"Quality 100" Training



"Starlight Plan"



General Public Course

Honors

In September 2022, the China National Food Industry Association (CNFIA) released the 2022 "CNFIA Science and Technology Award", and Mengniu's raw milk quality assurance and control key technology research and application project won the second prize and was highly recognized.

In October 2022, Mengniu was awarded the "2022 National Quality Benchmark Award" by the China Association for Quality for its relentless exploration and practice of digital management of "intelligent quality" in the whole industry chain.

In November 2022, Mengniu won the "China Dairy Industry Enterprise Award for High-Quality Development", "First Prize for Technical Invention", "Grand Prize for Technical Progress" and two "First Prize for Technical Progress", five prizes in total at the annual meeting of China Dairy Industry Association, keeping leading the high-quality development of the industry.



Good Services

As a responsible company, Mengniu adheres to the core value of "consumers are at the heart of all our decisions", actively protects the legal rights and interests of consumers, opens up consumer communication channels, reinforces the protection of consumer information security, carries out responsible marketing and is committed to providing better services and bringing better service experience to consumers.

Responsible Marketing

Mengniu believes that providing consumers with scientific and accurate nutrition and health information is the basis for solving the problem of unhealthy diets. We have set up a refined management system in advertising and marketing, focused on brand positioning and implemented responsible marketing in practice.

Mengniu strictly abides by the *Advertisement Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China* and other laws and regulations. It has established management systems such as the *Advertising Slogans and Trademarks Review and Filing System*, *Advertising and Publicity Review and Management System*, *Product Claims Management System* and *Mengniu Group Responsible Marketing Business Principles* to regulate advertising and marketing behaviors. For breast-milk substitutes, Mengniu strictly requires the marketing methods to comply with the relevant statements of the International Code of Marketing of Breast-milk Substitutes and formulated the *Mengniu Breast-milk Substitutes Responsible Marketing Policy* in the context of Mengniu's relevant business, which applies to Mengniu employees and partners involved in the marketing, distribution and sales of breast-milk substitutes.



To ensure the authenticity and compliance of advertising and marketing content, Mengniu clarifies the risk assessment process and risk level, intensifies the audit of advertising and marketing materials and requires the legal affairs and publicity auditors of the business unit to review the marketing plan and activity details and confirm that they are properly before use. In terms of product packaging, we actively explore the implementation of clean product labeling to meet the increasing consumer demand for clean labeling and review product packaging through the product life cycle management system to reasonably display nutrition and health information on product packaging to ensure compliance with nutrition and health instructions.

In 2022, we continued to strengthen responsible marketing promotion and conducted special training for relevant employees of the marketing department, covering responsible marketing, advertising and intellectual property protection, such as *World Cup Rights and Interests Use and Prevention of Invisible Marketing*, *Risk Prevention of Enterprise Conventional Copyright Infringement* and *Trademark Review and Examination Standards of Trademark Bureau*, and organized 10 training sessions on responsible marketing were organized to regulate marketing and promotional activities.

Consumer Services

Mengniu continuously enhances the protection of consumers' rights and interests, while improving its service and product quality while. We strictly comply with the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* and have established the *Mengniu Dairy Terminal Market Feedback Management System* to regulate the acceptance and feedback of consumer complaints, open up consumer communication channels and effectively protect the legitimate rights and interests of consumers.

The Company set up an independent department to receive consumer complaints through multiple communication channels, such as consumer hotline, MicroBlog, WeChat and email. We treat and handle consumer complaints seriously, provide feedback on consumer complaints within a specified period of time and analyze complaint information in depth in order to continuously improve our products and services.

At the same time, Mengniu conducts dealer satisfaction research and consumer satisfaction research and accesses consumers' feelings, suggestions and specific needs on products through online questionnaires and product reviews on e-commerce platforms to continuously improve consumer satisfaction.

In 2022, the Company received 35,930 complaints, including 22,580 product quality-related complaints, 10,898 service-related complaints and 2,452 other types of complaints, with a 100% complaint resolution rate.

Information Protection

Mengniu values information and privacy protection, focuses on the core objective of "making data use safer", devotes itself to safeguarding consumer privacy and carries out systematic construction of information protection and data security.

The Company formulated the *Personal Information Protection Compliance Management Regulations, Personal Information Protection Compliance Guidebook, APP/Mini Program Personal Information Protection Compliance Operation Guidelines, IT Account Management System* and other systems and management methods to strengthen the standardization of the full life cycle management of the group's data of all area, establish a prior review mechanism for personal information protection assessment, conduct personal information protection compliance risk assessment before the project is launched for projects involving consumer privacy protection, focusing on key management requirements for data compliance, embedding compliance review points into the contract review management mechanism to strengthen personal information protection.

Mengniu established a network security working group in accordance with the network security organization responsibility system, founded a data committee and set up a network security working group in accordance with the network security organizational responsibility system, specifying network security work gate departments and clarifying the responsibilities of each department. Meanwhile, the Company continuously improved the process and management document system construction of the group's information security system according to the ISO 27001 information security management system standard, covering the 14 control domains certified by ISO 27001. Mengniu strengthens consumer privacy and information security protection through authentication, authorization, auditing, data encryption and desensitization, etc. It also conducts quarterly account audits of information system, standardizes account authorization management and provides timely feedback to business departments for correction, which strongly protects information security.

In order to enhance the Group's emergency handling capability for information leakage incidents, Mengniu has established an emergency management system and set up an emergency monitoring group, an emergency analysis group, an emergency handling group, an emergency liaison group and an external collaboration group under the emergency command group to strengthen the reporting and management of security incidents. They work closely with each other to handle relevant emergency incidents, promptly learn and evaluate the situation of important business systems, and make every effort to prevent leakage incidents from occurring and reduce security risks.

During the year, we had no major data breaches, no major information security incidents, and no consumer privacy and data security-related complaints.



In 2022, Mengniu strengthened its information security protection capability through network security attack and defense drills and emergency drills to normalize network security. At the same time, we carried out special compliance training on personal information protection, promoted training at multiple levels on multiple platforms such as Voice of Mengniu, Security in Drops, and desktop posters. We launched 23 video courses and carried out publicity 206 times to comprehensively raise awareness of information protection among all employees.

In the year of 2022, the Company set up 4 key sub-goals with the strategic goal of "no major information security incidents at the Group level and business continuity guarantee of core systems over 99%". All relevant goals were achieved. In the future, Mengniu will continue to establish an information security management system as the basis and build a management platform focusing on channel online, consumer online, supply chain online and management online. We will also set up a three- to five-year plan to strengthen information security in all aspects.



0 major data breaches incident

0 major information security incident

0 consumer privacy and data security related complaint

Content Index of HKEX ESG Reporting Guide

Scope	Issue	Disclosure Requirements	Pages
Governance Structure	-	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	P8-9
Reporting Principles	-	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report: Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	P3
Reporting Boundary	-	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	P3
Environmental	A1 Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	P56-57, P71-73, P76
		A1.1 The types of emissions and respective emissions data.	P127
		A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P127
		A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P127
		A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P127
		A1.5 Description of emissions target(s) set and steps taken to achieve them.	P56-70
		A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	P76-77

Scope	Issue	Disclosure Requirements	Pages
Environmental	A2 Use of Resources	General Disclosure	P71, P73, P76-78
		Policies on the efficient use of resources, including energy, water and other raw materials.	
		A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	P59, P127
		A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P73, P128
		A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	P59-60
		A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	P73-75
		A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	P128
	A3 The Environment and Natural Resources	General Disclosure	P71-73, P76
		Policies on minimising the issuer's significant impacts on the environment and natural resources.	
		A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P71-77
A4 Climate Change	General Disclosure	P56	
	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		
	A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	P66-69	
Social	B1 Employment	General Disclosure	P34
		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	
		B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	P46
		B1.2 Employee turnover rate by gender, age group and geographical region.	P46-47

Scope	Issue	Disclosure Requirements	Pages
Social	B2 Health and Safety	General Disclosure	P42-44
		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.	
		B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	P47
		B2.2 Lost days due to work injury.	P47
		B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	P42-45
		B3 Development and Training	General Disclosure
		Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	
		B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	P47
		B3.2 The average training hours completed per employee by gender and employee category.	P47
	B4 Labor Standards	General Disclosure	P34
		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	
		B4.1 Description of measures to review employment practices to avoid child and forced labor.	P34
		B4.2 Description of steps taken to eliminate such practices when discovered.	P34
	B5 Supply Chain Management	General Disclosure	P84-89, P93-94, P96
		Policies on managing environmental and social risks of the supply chain.	
B5.1 Number of suppliers by geographical region.		P83-84	
B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.		P84-89, P91-96	
B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.		P87	
	B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	P89-90	

Scope	Issue	Disclosure Requirements	Pages	
Social	B6 Product	General Disclosure	P102-103, P106, P109-111, P115-116	
		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, labelling and privacy matters relating to products and services provided and methods of redress.		
		B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P111	
		B6.2 Number of products and service related complaints received and how they are dealt with.	P115	
		B6.3 Description of practices relating to observing and protecting intellectual property rights.	P109	
		B6.4 Description of quality assurance process and recall procedures.	P110-111	
		B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	P116	
		B7 Anti-Corruption	General Disclosure	P29-31, P88
		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.		
		B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	P30	
B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	P30-31			
B7.3 Description of anti-corruption training provided to directors and staff.	P31			
B8 Community Investment	General Disclosure	P48, P51		
	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.			
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, Labor needs, health, culture, sport).	P48-53		
B8.2 Resources contributed (e.g. money or time) to the focus area.	P48-53			

Content Index of Global Reporting Initiative (GRI) Standards

Statement of use:

China Mengniu Dairy Company Limited has reported with reference to the GRI Standards for the period from 1 January 2022 to 31 December 2022.

GRI 1: Foundation 2021

GRI Standard	Disclosure	Pages
1. The organization and its reporting practices	1-1 Organizational details	P10
	1-2 Entities included in the organization's sustainability reporting	P3
	1-3 Reporting period, frequency and contact point	P3
2. Activities and workers	2-6 Activities, value chain and other business relationships	P10
	2-7 Employees	P34-47
3. Governance	2-9 Governance structure and composition	P22-24
	2-10 Nomination and selection of the highest governance body	P22
	2-11 Chair of the highest governance body	P22
	2-12 Role of the highest governance body in overseeing the management of impacts	P8-9, P28
	2-13 Delegation of responsibility for managing impacts	P8-9
	2-14 Role of the highest governance body in sustainability reporting	P8-9
	2-15 Conflicts of interest	P25-26
	2-16 Communication of critical concerns	P22
	2-17 Collective knowledge of the highest governance body	P8-9
	4. Strategy, policies and practices	2-22 Statement on sustainable development strategy
2-23 Policy commitments		P41, P84, P115
2-25 Processes to remediate negative impacts		P30-31, P34
2-27 Compliance with laws and regulations		P129-131
5. Stakeholder engagement	2-29 Approach to stakeholder engagement	P25-26
	2-30 Collective bargaining agreements	P41

GRI Standard	Disclosure	Pages
3-1	Process to determine material topics	P27
3-2	List of material topics	P27
3-3	Management of material topics	Please Refer to the Table Below

GRI Standard	Disclosure	Pages
GRI 201: Economic Performance		
GRI 3: Management approach disclosure	Management approach on economic performance	P10
Topic-specific disclosures	201-1 Direct economic value generated and distributed	P10
	201-2 Financial implications and other risks and opportunities due to climate change	P56-70
GRI 203: Indirect Economic Impacts		
GRI 3: Management approach disclosure	Management approach on indirect economic impacts	P48-53
Topic-Specific disclosures	203-1 Infrastructure investments and services supported	P48-53
GRI 204: Procurement Practices		
GRI 3: Management approach disclosure	Management approach on procurement practices	P84-90
GRI 205: Anti-Corruption		
GRI 3: Management approach disclosure	Management approach on anti-corruption	P29-31, P88
Topic-Specific disclosures	205-2 Communication and training about anti-corruption policies and procedures	P30-31
	205-3 Confirmed incidents of corruption and actions taken	P30-31
GRI 301: Materials		
GRI 3: Management approach disclosure	Management approach on materials	P89-90
Topic-Specific disclosures	301-1 Materials used by weight or volume	P127-128
	301-3 Recycled input materials used	P80-81
GRI 302: Energy		
GRI 3: Management approach disclosure	Management approach on energy	P58-60
Topic-Specific disclosures	302-1 Energy consumption within the organization	P127
	302-3 Energy consumption outside of the organization	P59
	302-4 Reduction of energy consumption	P59-60

GRI Standard	Disclosure	Pages
GRI 303: Water and Effluents		
GRI 3: Management approach disclosure	303-1 Interactions with water as a shared resource	P73-76
	303-2 Management of water discharge-related impacts	P76
Topic-Specific disclosures	303-5 Water withdrawal	P73, P128
GRI 304: Biodiversity		
GRI 3: Management approach disclosure	Management approach on biodiversity	P96-99
Topic-Specific disclosures	304-2 Significant impacts of activities, products and services on biodiversity	P96-99
GRI 305: Emissions		
GRI 3: Management approach disclosure	Management approach on emissions	P56-65
Topic-Specific disclosures	305-1 Direct (Scope 1) GHG emissions	P127
	305-2 Energy indirect (Scope 2) GHG emissions	P127
	305-4 GHG emissions intensity	P69, P127
	305-5 Reduction of GHG emissions	P127
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	P127
GRI 306: Waste		
GRI 3: Management approach disclosure	306-1 Waste generation and significant waste-related impacts	P76-77
	306-2 Management of significant waste related impacts	P76-77
Topic-Specific disclosures	306-3 Waste generated	P127
GRI 307: Environmental Compliance		
GRI 3: Management approach disclosure	Management approach on environmental compliance	P96-99
GRI 308: Supplier Environmental Assessment		
GRI 3: Management approach disclosure	Management approach on supplier environmental assessment	P84-87, P89-90, P94
Topic-Specific disclosures	308-1 New suppliers that were screened using environmental criteria	P84-86
	308-2 Negative environmental impacts in the supply chain and actions taken	P84-90, P94-96

GRI Standard	Disclosure	Pages
GRI 401: Employment		
GRI 3: Management approach disclosure	Management approach on employment	P34
Topic-Specific disclosures	401-1 New employee hires and employee turnover	P46-47
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	P38-40
GRI 403: Occupational Health and Safety		
GRI 3: Management approach disclosure	403-1 Occupational health and safety management system	P42-45
	403-2 Hazard identification, risk assessment, and incident investigation	P42
	403-5 Worker training on occupational health and safety	P42-45
	403-6 Promotion of worker health	P42-45
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	P42-45
Topic-Specific disclosures	403-8 Workers covered by an occupational health and safety management system	P42-45
Topic-Specific disclosures	403-9 Work-related injuries	P47
GRI 404: Training and Education		
GRI 3: Management approach disclosure	Management approach on training and education	P34-37
Topic-Specific disclosures	404-1 Average hours of training per year per employee	P47
	404-2 Programs for upgrading employee skills and transition assistance programs	P35-37, P40
	404-3 Percentage of employees receiving regular performance and career development reviews	P37
GRI 405: Diversity and Equal Opportunity		
GRI 3: Management approach disclosure	Management approach on diversity and equal opportunity	P34
Topic-Specific disclosures	405-1 Diversity of governance bodies and employees	P22, P34
GRI 406: Non-discrimination		
GRI 3: Management approach disclosure	Management approach on non-discrimination	P34

GRI Standard	Disclosure	Pages
Topic-Specific disclosures	406-1 Incidents of discrimination and corrective actions taken	P34
GRI 407: Freedom of Association and Collective Bargaining		
GRI 3: Management approach disclosure	Management approach on freedom of association and collective bargaining	P41
GRI 408: Child Labor		
GRI 3: Management approach disclosure	Management approach on child labor	P34
GRI 409: Forced or Compulsory Labor		
GRI 3: Management approach disclosure	Management approach on forced or compulsory labor	P34
GRI 412: Human Rights Assessment		
GRI 3: Management approach disclosure	Management approach on human rights assessment	P41
Topic-Specific disclosures	412-2 Employee training on human rights policies or procedures	P41
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	P41, P84-86
GRI 413: Local Communities		
GRI 3: Management approach disclosure	Management approach on local communities	P48-53
Topic-Specific disclosures	413-1 Operations with local community engagement, impact assessments, and development programs	P48-53
GRI 414: Supplier Social Assessment		
GRI 3: Management approach disclosure	Management approach on supplier social assessment	P84-87
Topic-Specific disclosures	414-1 New suppliers that were screened using social criteria	P84-86
GRI 416: Customer Health and Safety		
GRI 3: Management approach disclosure	Management approach on customer health and safety	P110-114
Topic-Specific disclosures	416-1 Assessment of the health and safety impacts of product and service categories	P102-103, P110-111
GRI 417: Marketing and Labeling		
GRI 3: Management approach disclosure	Management approach on marketing and labeling	P115
Topic-Specific disclosures	417-1 Requirements for product and service information and labeling	P115
GRI 418: Customer Privacy		
GRI 3: Management approach disclosure	Management approach on customer privacy	P116

Mengniu's Sustainability Performance Data

Economic Performance

Indicator	Unit	2020 Data	2021 Data	2022 Data
Operating revenue	RMB100 million	760.35	881.42	925.93
Total assets	RMB100 million	801.46	981.01	1,178.13
Profit Attributable to Owners of the Company	RMB100 million	35.25	50.26	53.03
Production capacity	10,000 tonnes	990	1,166	1,291
Completion ratio of economic contracts	%	100	100	100
Signing ratio of Anti- Bribery Contract	%	100	99.80	100
Traceability of nonconforming products	%	100	100	100
Pass rate of ex- factory product quality inspection	%	100	100	100
Ex- factory batches of products subject to quality and safety monitoring	%	100	100	100
Percentage of products recycled due to safety and health factors during product transportation and sales	%	0	0	0
TMP and silage coverage	%	100	100	100
Mechanized milking ratio	%	100	100	100
Raw milk random sampling pass rate	%	100	100	100
Ratio of large-scale intensive ranch milk sources	%	100	100	100

Social Performance

Indicator	Unit	2020 Data	2021 Data	2022 Data
Labor contract signing rate	%	100	100	100
Social insurance coverage	%	100	100	100
Response rate to employee requests	%	100	100	100
Completion rate of procurement contracts	%	100	100	100
Response rate to consumer complaints and recommendations	%	100	100	100
Total expenditure on charity	RMB10,000	76,000	4,584.50	10,672.80
Total tax paid	RMB100 million	36.91	40.89	40.14

Environmental Performance

Indicator	Unit	2020 Data	2021 Data	2022 Data	
Exhaust gas	Total exhaust emissions	Cubic metres	1,700,946,666.78	2,210,671,704.11	2,209,681,754.36
	SO ₂ emissions	Tonne	35.90	150.30	150.36
	NOx emissions	Tonne	141.95	1,489.99	1,460.85
	Soot emissions	Tonne	25.96	238.57	238.63
Wastewater	Wastewater discharge	10,000 tonnes	2,863.80	2,718.32	2,806.19
	COD discharge	Tonne	1,063.87	893.81	1,085.75
	BOD discharge	Tonne	222.48	246.93	233.87
	Ammonia nitrogen	Tonne	154.40	204.24	306.84
Carbon dioxide emissions	10,000 tonnes	127.00	136.00	142.57	
Scope 1 emissions	10,000 tonnes	21.00	26.00	25.37	
Scope 2 emissions	10,000 tonnes	106.00	110.00	117.20	
Carbon dioxide emission per tonne of production	kg/Tonne	169.00	171.00	168.31	
Total hazardous waste	Tonne	242.23	382.81	385.66	
Total general waste	Tonne	28,912.44	40,200.24	51,212.24	
Compliance disposal rate of solid waste	%	100	100	100	
Grid electricity consumption across regions	kWh	848,749,516.09	816,797,963.40	818,780,565.50	
Coal consumption	Tonne	7,502.82	0.00	0.00	
Gasoline consumption	Liter	15,101.86	11,196.38	12,000.00	
Diesel consumption	Liter	14,894.51	55,124.81	10,342.00	
Purchased steam	Tonne	880,833.12	859,756.92	832,324.04	
Natural gas consumption	10,000 standard cubic meters	6,811.11	7,188.65	7,191.54	
Generation of solar power	10,000 kWh	466.05	869.75	850.97	
Steam production from biomass energy	Tonne	309,541.33	289,575.22	189,801.01	
Direct energy consumption	GWh	792,724.37	778,994.34	778,870.65	
Indirect energy consumption	GWh	1,511,395.38	1,463,588.32	1,444,933.32	
Total comprehensive energy consumption	GWh	2,304,119.75	2,242,582.66	2,223,803.97	
Total water consumption	Tonne	29,093,882.70	28,643,224.80	28,243,256.34	
Reduction of COD discharge	Tonne	44,710.65	41,227.21	42,288.66	
Water saved	10,000 tonnes	201.10 (including 468,000 tonnes of social water savings)	147.94 (including 890,800 tonnes of social water savings)	85.97 (including 42.15 tonnes of social water savings)	
Reclaimed water rate	%	7.63	9.68	7.50	

Packaging material usage in 2022

Indicator	Category	Unit	2022 Data
Packaging material usage	Plastic	Tonne	323,284
	Timber	Tonne	42
	Paper	Tonne	1,016,000
	Glass	Tonne	380
	Metal	Tonne	16,000

Note on calculation methodology:

- For the conversion of air pollutants, reference is made to the calculation formula in the Emission Coefficients and Material Calculation Methods for Industries Not Included in the Emission Permit Management (for Trial Implementation) issued by the Ministry of Environmental Protection
- The calculation formula for sulfur dioxide emissions is: $PSO_2=Q \times \eta \times 0.85 \times 2 \times 10$
- The calculation formula for nitrogen oxide emissions is: $PNOX=Q \times \mu$
- Where: PSO_2 is sulphur dioxide emissions (kg); Q is fuel consumption (tonne); η is sulphur content of fuel (%); $PNOX$ is NOX emissions (kg); Q is fuel consumption (tonne); μ is pollutant discharge coefficient.
- Total comprehensive energy consumption is calculated according to the General Principles for Calculation of Combined Energy Consumption (GB/T2589- 2020) based on the consumption of energy sources including gasoline, diesel, natural gas, electricity and externally purchased thermal power.
- According to the internationally recognized WBCSD/WRI greenhouse gas accounting system, standard under the "IPCC 2006 National Greenhouse Gas Inventory Guidelines 2019 Revision" and the ISO 14064- 1 standard, the emission amount is determined by calculating the active data and the corresponding emission factor. Scope 1 emissions refer to greenhouse gas emissions directly generated by burning fuels in factories, such as self- owned boilers, vehicles, and the direct energy involved includes natural gas, diesel, gasoline, biogas, etc.; Scope 2 emissions refer to greenhouse gas emissions from purchased electricity and steam, which cover the carbon dioxide, methane emissions involved in the actual production process of all Mengniu Group's normal temperature, low temperature, ice products, fresh milk, milk powder and cheese self-operated factories (*Mengniu production process does not involve the other four types of greenhouse gases in the Kyoto Protocol: nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride). In particular, some smaller sales/distribution centers are excluded from the calculation of scopes 1 and 2 due to their low energy consumption and emissions. The measurement complies with the Guidelines for Accounting Treatment and Reporting of Greenhouse Gas Emissions of Food, Tobacco, Alcohol, Beverage and Refined Tea Enterprises (Trial) (2015) of the PRC. The GWP (Global Warming Potential) and emission factor were selected with reference to the IPCC Sixth Assessment Report.

The List of External Laws and Regulations and Internal Systems

ESG indicator	Internal system	Laws and regulations
A1 Emissions	Mengniu Manual on Environmental Protection Procedures for Environmental Risk Assessment and Control Planning Mengniu Dairy Solid Waste Environmental Management System Administrative System for Environmental Management of Construction Projects	Environmental Protection Law of the People's Republic of China the Law on Prevention and Control of Environmental Pollution by Solid Waste the Law of the People's Republic of China on Environmental Impact Assessment the Law of the People's Republic of China on Prevention and Control of Soil Contamination
A2 Use of resources	Biodiversity Report of China Mengniu Dairy Company Limited Packaging Sustainable Recycling Design Guidelines in Chilled Product Business Unit Mengniu Dairy Administrative Measures for Environmental Risk Map	the Water and Soil Conservation Law of the People's Republic of China the Forest Law of the People's Republic of China Regulations on the implementation of the Forest Law of the People's Republic of China Norm of Water Intake for Dairy Products
A3 The Environment and Natural Resources	Mengniu Manual on Environmental Protection Biodiversity Report of China Mengniu Dairy Company Limited	the Environmental Protection Law of the People's Republic of China
A4 Climate Change	Mengniu Group Low-Carbon Development Plan (2023-2025) Mengniu Group Carbon Emission Management Method Mengniu Group Carbon Emission Accounting Technical Guide	Opinions of the CPC Central Committee and the State Council on Completely, Accurately and Comprehensively Implementing the New Development Concept and Doing a Good Job in Peak Carbon Dioxide Emissions
B1 Employment	Recruitment Management System Salary Management System Welfare Administration System Performance Management System Manual Study Development Management System Special Collective Contract on Protection of Rights and Interests of Female Employees	the Labor Law of the People's Republic of China the Labor Contract Law of the People's Republic of China the Trade Union Law of the People's Republic of China Work of the Trade Union Regulation (on Trial)

ESG indicator	Internal system	Laws and regulations
B2 Health and Safety	Occupational Health Management System	the Labor Law of the People's Republic of China
	Mengniu Group 2022-2024 EHS Three-Year Plan	the Labor Contract Law of the People's Republic of China
	2022 Group EHS Key Work Plan	the Production Safety Law of the People's Republic of China
	Administrative System for Environmental Accident Reporting and Handling	of China
B3 Development and Training	Administrative System for Environmental Management of Construction Projects	the Fire Prevention Law of the People's Republic of China
		Law of the People's Republic of China on Prevention and Control of Occupational Diseases
		Regulations on Occupational Health Supervision and Management in Workplace
B4 Labor Standards	Study Development Management System	
	Employee Code of Conduct	Universal Declaration of Human Rights
	Guidelines for Preventing Unethical Behavior in the Workplace	International Conventions on Human Rights
	Special Collective Contract on Protection of Rights and Interests of Female Employees	the Labor Law of the People's Republic of China
B5 Supply Chain Management		the Labor Contract Law of the People's Republic of China
		the Constitution of the All- China Federation of Trade Unions
		the Trade Union Law of the People's Republic of China
	Material Quality Procurement Management System of Mengniu Dairy	the Bidding Law of the People's Republic of China
	Supplier Code of Conduct (COC)	General Rules of the Civil Law of the People's Republic of China
	Product Traceability Management System	
	ESG Risk List of Mengniu Responsible Supply Chain	
	Supplier Blacklist Management System	
	Ranch Quality and Safety Management System	
	Mengniu Standard Operating Procedures (SOPs)	
	Ranch Operation Technical Guidance Manual	
	Dairy Cattle Welfare Promotion Implementation System	
	Detailed Rules for Selection Review of Milk Suppliers	
Code of Conduct for Business Partner		
Anti-Commercial Bribery Compliance Commitment		
Sunshine Agreement		
Quality Safety Guarantee Statement		
Food Safety Commitmen		

ESG Indicator	Internal System	Laws and Regulations
B6 Product Responsibility	Mengniu Nutrition and Health Policy (2021- 2025)	Animal Epidemic Prevention Law
	Basic Nutrient Standards for Mengniu Products	the Administrative Measures for Food Recalls
	Mengniu Principles and Commitment for the Use of Veterinary Anti-Microbial Drugs	International Code of Marketing of Breastmilk Substitutes
	the Dairy Cattle Welfare Promotion Implementation System	Sales Administration Measures for Breastmilk Substitutes in China
	Advertising Review and Management System	the Law of the People's Republic of China on the Protection of Consumer Rights and Interests
	Management Measures for the Protection of Intellectual Property Rights	GB 28050- 2011 National Food Safety Standard- Standards for Nutrition Labelling of Pre- packaged Foods
	Trademark Management System	the Outline for the "Healthy China 2030" Initiative
	Trade Secret Management System	
	Dispute Management System	
	Copyright Management System	
	Overseas Intellectual Property Management System	
	Brand Name Management System	
	Administrative Measures for Food Recalls of Mengniu Group	
	Review and Filing System on Slogan and Trademarks	
Product Claim Management System		
Mengniu Group Responsible Marketing Business Principles		
Customer Feedback Management System		
Personal Information Protection Compliance Management Regulations		
Personal Information Protection Compliance Guidebook and appendix APP/Mini Program Personal Information Protection Compliance Operation Guidelines		
Mengniu Group Anti-Food Waste Guideline		
Biodiversity Report of China Mengniu Dairy Company Limited		
B7 Anti-Corruption	Compliance Management Provisions	Civil Code of the People's Republic of China
	Integrity Compliance Manual	the Supervision Law of the People's Republic of China
	Integrity Compliance Commitment	the Criminal Law of the People's Republic of China
	Code of Conduct for Business Partner	the Anti- monopoly Law of the People's Republic of China
	Anti-Commercial Bribery Compliance Commitment	the Anti- Money Laundering Law of the People's Republic of China
	Sunshine Agreement	the Anti- Unfair Competition Law of the People's Republic of China
B8 Community Investment	Anti- monopoly Compliance Commitment	
	Provisions on the Management of Reporting and Disposal of Questions and Clues	
	Rural Vitalization Programme of Mengniu Dairy	
	Public Donation Management System	
Governance	Notice on Further Regulating the Volunteer Service	
	Activities of Mengniu Group the Assistance Scheme of the "Born for Greatness" Fund	
	Mengniu Group Sustainability System Management Approach	Civil Code of the People's Republic of China
	Mengniu Risk Management System	the Criminal Law of the People's Republic of China
	Mengniu Risk Management Framework	the Supervision Law of the People's Republic of China
Manual for Risk Management of the Group	the Company Law of the People's Republic of China	
Mengniu Group's Anti-Food Waste Guidelines		



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