



2022
Environmental, Social and
Governance Report



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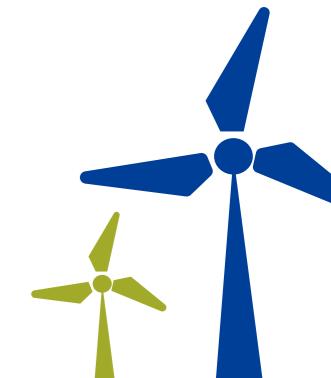
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ABOUT THIS REPORT

This report truly reflects China Feihe Limited's proactive efforts to fulfill its environmental, social and governance (ESG) responsibilities, and promote balanced and sustainable development. The business plans, development strategies and other forward-looking statements involved do not constitute substantive commitments to investors.



Reporting Period:

This report covers January 1 to December 31, 2022, with some parts earlier or later than the time above.



Reporting Scope:

It covers China Feihe Limited and its subsidiaries. The scope of the subsidiaries is consistent with that in our financial reports.



Data Sources:

Data in this report comes from internal statistics, documents, reports, third-party investigations and interviews. The currency unit is RMB (yuan).



References:

The report is prepared based on the *Environmental, Social and Governance Guide* ("ESG Guide") in Appendix 27 of the *Main Board Listing Rules* of the Hong Kong Stock Exchange Limited ("HKEX"). It responds to and complies with the non-compliance interpretation requirement in the Guide in relation to the materiality of issues, the quantitative nature of data, the balance of data and the consistency of disclosure. Unless otherwise specified, this report uses the same data statistics method as that adopted for the 2021 Feihe ESG Report without any significant changes.



Reporting Entity:

For ease of presentation and reading, China Feihe Limited refers to "Feihe", "the Company" and "we" in this report.



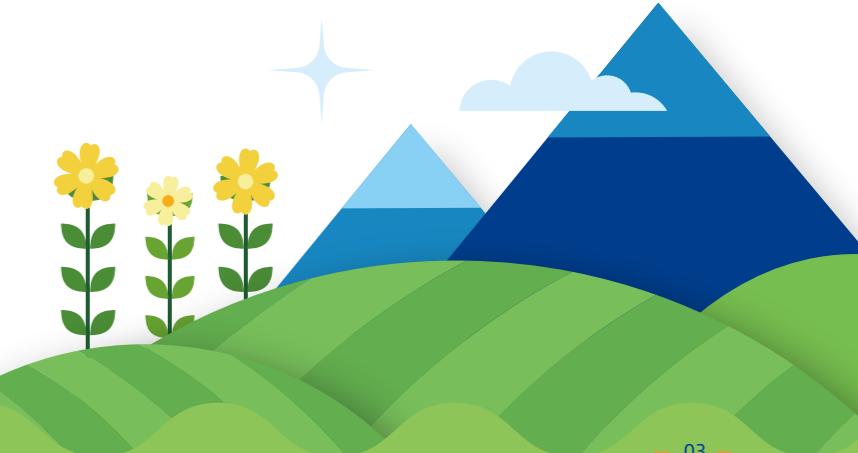
Form of Report:

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



Access to this Report:

The electronic version of the report can be viewed and downloaded at <http://www.feihe.com>. Download this report by following the steps below: Open the official website of Feihe, following under Investor Relations, Disclosure, Environmental, Social and Governance Report.



MESSAGE FROM THE CHAIRMAN

As the sun and the moon continue their orbit, we welcome a new year. The year 2022 is of great significance to the Communist Party of China and the State. The successful convening of the 20th CPC Party Congress has sounded a call for unity and hard work toward building a modern socialist country and promoting the rejuvenation of the Chinese nation. At the same time, Feihe has accomplished six decades of remarkable progress. Despite facing unexpected international and domestic challenges, we have remained composed and adhered to a long-term development philosophy, and strengthened research and innovation. Feihe has achieved a strategic upgrade that leads the industry and obtained new remarkable performance, enhancing its business resilience and competitiveness. We have also deepened our understanding and practice of ESG, becoming increasingly conscious of our responsibilities to society, environment, and partners, and are more committed to pursuing a path of prioritizing ecology and seeking green and low-carbon sustainable development. Feihe's unique brand value and philosophy have increasingly won the trust and order of more consumers. The past sixty years have not only laid a solid foundation for Feihe's journey towards a century-old undertaking, but also marked a new beginning for the advancement of its values.

Feihe has always regarded technological innovation as the core driver of sustainable development. In 2022, through our continuous investment in research and development, we achieved impressive results and gained national recognition for our technological capabilities. We took the lead in the national "14th Five-Year Plan" key research and development project, and led the development of China's new generation of infant and toddler formula milk powder. Based on this, we have achieved a strategic upgrade of "fresh and active nutrition", and accurately restored the active nutrition group in breast milk. This breakthrough has enabled us to create milk powder more suitable for Chinese babies, driving quality improvement and innovation in the industry while contributing to the healthier growth of Chinese infants and toddlers. Feihe is also keeping up with the new round of technological revolution, and continues to promote the digitization and intelligent upgrade of the whole industry chain. Our "3+2+2" digitization strategy is being implemented with remarkable efficiency, and we are making steady progress in the construction of world-class intelligent manufacturing demonstration factories. With efficient and flexible production, we provide consumers with "fresher products, more professional services, and satisfaction of more accurate demands".

Feihe has always made caring for mothers and babies a top concern for sustainable development. We have upgraded

our intelligent platforms, such as Star Mom and Star Mom Premium, to provide Chinese mothers and tens of millions of Feihe users with more understanding, compassionate and intelligent "bosom friend-style companionship". Our platforms also provide high-quality nutrition and health products and solutions tailored to meet the needs of the entire family. As part of our ongoing commitment to social responsibility, Feihe is addressing a range of issues, including the hidden loss of parent-child companionship. Feihe initiated the "5.28 China Baby Day" together with the community and the industry, published the *China Baby Self-Care Guide* with authoritative institutions to promote the standardization of infant care in China, and launched the first digital collection exclusively for Chinese babies. Feihe strives to draw attention to both the mental and physical health of babies with a wealth of issues and activities.

Feihe has always made product quality the cornerstone of its sustainable development. Safety and quality are the most fundamental safeguards for Feihe's products. As the first exclusive industrial cluster for infant formula in China, we have established a reputation for excellent performance in product quality, customer service, and R&D innovation. In 2022, we optimized our internal quality management system, adopting scientific management methods to refine and scrutinize every step of the quality testing process. At the same time, we have graded the quality of our suppliers and strengthened the identification of risks in raw and auxiliary materials to achieve the management goal of full traceability and source control.

Feihe has always made the shared prosperity with its partners a top priority for sustainable development. Feihe insists on driving upstream and downstream partners to survive and prosper together based on industrial development, boosting the value of black land and people's income, and advancing the revitalization and development of the local economy. To improve product turnover and freshness, relieve inventory pressure, and enhance market health, Feihe has implemented a comprehensive freshness strategy. We vigorously promote the construction of a responsible supply chain by improving our supplier management system and assessing the ESG risks of our suppliers at various stages. By doing so, we are reducing environmental and social risks in our supply chain. At the same time, we continue to strengthen corporate governance capacity and execution efficiency by reforming our organization system and cultivating young cadres from top to bottom. Our teams are adept at innovation and have strong competence. We value our employees as family and prioritize their growth and development. We have built a Y-shaped professional and management development channel, creat-

ing a fair and open competition mechanism, a comprehensive development training system and an internal environment. We prioritize humanistic care, actively build harmonious labor relations, and carry out various cultural activities and safety training to enhance the sense of belonging and cohesion among our staff.

Feihe has always taken assuming responsibility as a value proposition for sustainable development. Feihe has joined hands with the State-owned Assets Supervision and Administration Commission of the State Council, the Chinese Academy of Social Sciences and the China Association for Quality to compile the *China Corporate Social Responsibility Report Guide 5.0*, and wrote and published group standards such as the *Corporate ESG Evaluation Guide* and *Corporate ESG Management System Requirements* to promote the ESG construction of Chinese enterprises. With its excellent performance in corporate governance, product safety and quality, Feihe was upgraded from BBB to A in MSCI's ESG rating for 2022, the highest rating currently received by a Chinese food company. We are actively carrying out carbon footprint evaluations and greenhouse gas emissions inspections. Based on the layout of large-scale pastureland, we use livestock and poultry manure and corn straw as raw materials to produce organic fertilizer and bio-gas. The use of produced organic fertilizers in farmland can significantly increase the organic content of over 100,000 mu of black soil. This practice has significant social, economic, and environmental benefits and effectively promotes comprehensive carbon emissions reduction while contributing to the national "carbon peaking and neutrality" strategy. Feihe has always been devoted to charitable activities and has continued to carry out "eye charities", COVID-19 prevention and control, poverty alleviation, and other public welfare activities. In 2022, Feihe continued to contribute to the construction of a strong nation through high-quality public welfare actions. We donated materials and funds over RMB 38 million in total for various public welfare activities. These efforts have laid a solid foundation for rural revitalization and national development, highlighting Feihe's patriotism and sense of responsibility as a national enterprise.

As we head into 2023, Chinese enterprises and brands are gearing up to seize new opportunities and reach greater heights in the era of modernization with Chinese characteristics. At Feihe, we pride ourselves on our responsible approach to growth and development, staying in tune with our country and environment, families and partners, users and channels, and achieving mutual success together. As we look ahead, we're excited to build on our strengths in four key business

areas: pregnancy and infant, children and adolescents, adult nutrition, and healthy food. We will continue to push the boundaries of innovation, creating a family of functional products for all ages that provide nourishment for a healthier life. Our dedication to building and enhancing our brand remains a top priority, with a focus on connecting with consumers' hearts and emotions, and exceeding their expectations with outstanding quality, cutting-edge technology, and valuable products to continuously enhance the luster of the national brand represented by Feihe. We will always follow the national strategy, fulfill our social responsibilities, actively support rural revitalization, adhere to the green, low-carbon, and ecological circular development model, and forge a stronger "common prosperity industry chain". On the road to sustainable and high-quality development, we will strive to build a world-class enterprise!



Leng Youbin Chairman

March 2023

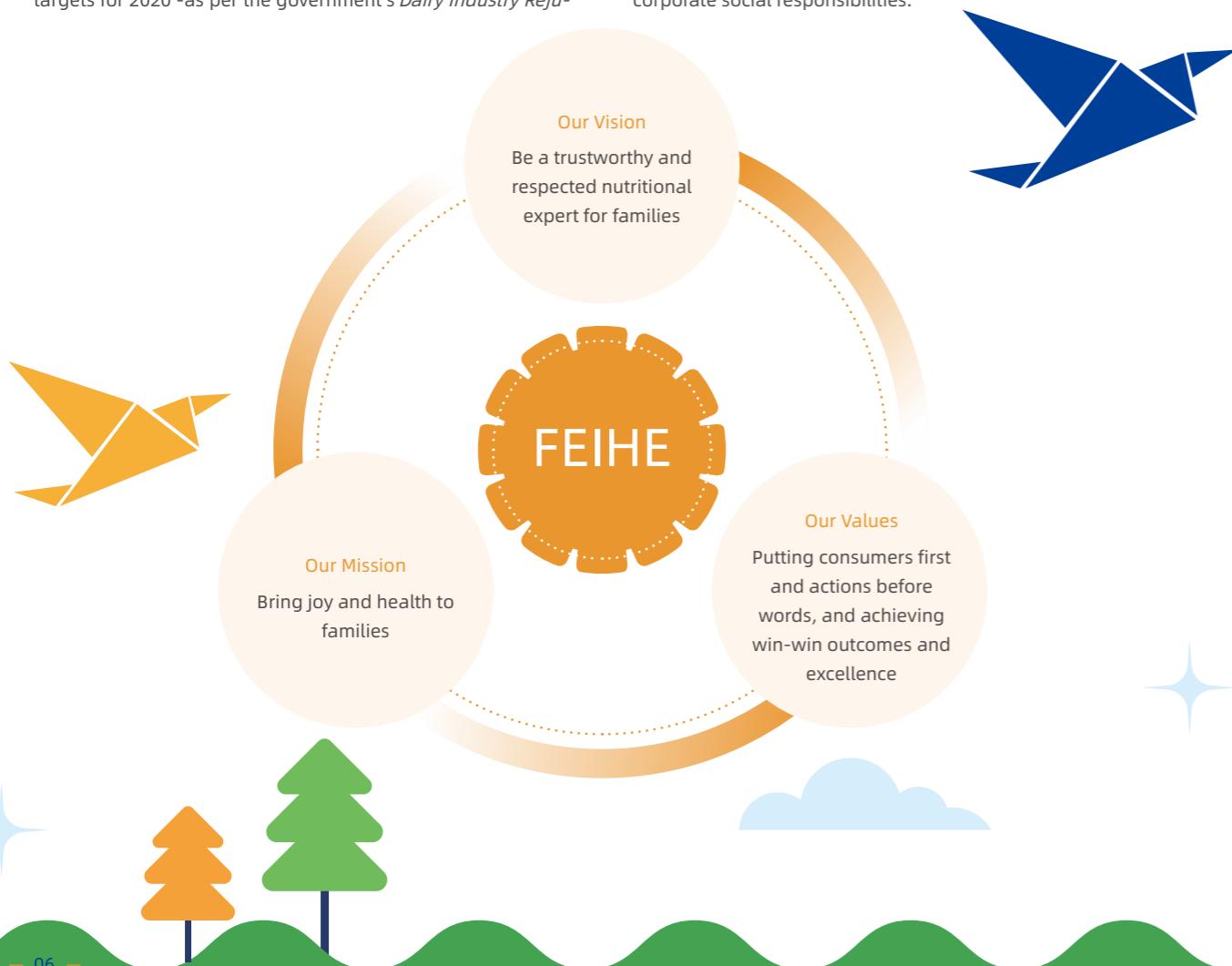
ABOUT FEIHE

Feihe, which was established in 1962 and based in Qiqihar, in Northeast China's Heilongjiang province, Feihe is among China's longest-operating dairy brands. In November 2019, we were listed on the Hong Kong Stock Exchange and registered the biggest IPO in the formula milk industry. Over the past 60 years, we have been a pacesetter and innovator: improving techniques, processes, and formulas in the manufacturing of milk powder for infants and toddlers in China. We thoroughly study the nutritional elements of breast milk and determine which are vital to babies' growth. The underlying aim of everything we do is to offer ever "fresher and more suitable" milk for Chinese parents and their children.

Feihe built the first integrated industrial cluster in the baby formula sector. We now control everything from planting forage, processing fodder for cows, raising cows at scale and manufacturing milk to after-sales service. We have achieved targets for 2020 -as per the government's *Dairy Industry Reju-*

venation Guidelines in terms of forage-planting, private farm construction and the self-sufficiency rate of raw milk. One hundred percent of our baby formula is made from our farms' fresh raw milk.

We are consumer-oriented, put actions before words, seek win-win outcomes and have an endless passion for excellence. Embedded in our DNA since our inception, these core values continue to guide our journey. Our employees understand their responsibilities and work hard to fulfill them, day in, day out. By studying the nutritional components of breast milk, we focused on manufacturing better formulas for Chinese babies. We are a trustworthy and respected nutritional expert that brings joy and health to families. In 2022, Feihe redefined its strategic positioning as "Freshly extracted active nutrition, more suitable for Chinese babies". Besides formula, we will produce premium quality milk powder and fulfill our corporate social responsibilities.



Seeing our Efforts Rewarded



Outstanding Dairy Processing Company 2022

Dairy Association of China

High-quality Development Enterprise Award

Dairy Association of China

2022 China Corporate Social Responsibility Development Index - Top 3 Dairy Products Industry

Corporate Social Responsibility Blue Book (2022) research group, Chinese Academy of Social Sciences

2021-2022 Food Safety Conference Socially Responsible Enterprises

Organizing Committee of the 20th China Food Safety Conference

The 7th Zhitong Finance Listed Company Award - Most Socially Responsible Listed Company

Zhitong Finance / Tonghuashun Finance

2022 ESG Green Company Star

Investment Times, Biaodian Finance

2022 Social Responsibility Award of the Year

Gelonghui

2022 People's Corporate Social Responsibility Award-Rural Revitalization Award

people.cn / People's Daily

The 18th China Corporate Social Responsibility Forum-Responsible Enterprise of the Year 2022

China News Weekly, China News Agency



Science and Technology Innovation Award - First Prize of Technological Progress Award

Chinese Institute of Food Science and Technology

2022 (19th) Top 10 Influential Brands of China's Science and Technology Innovation

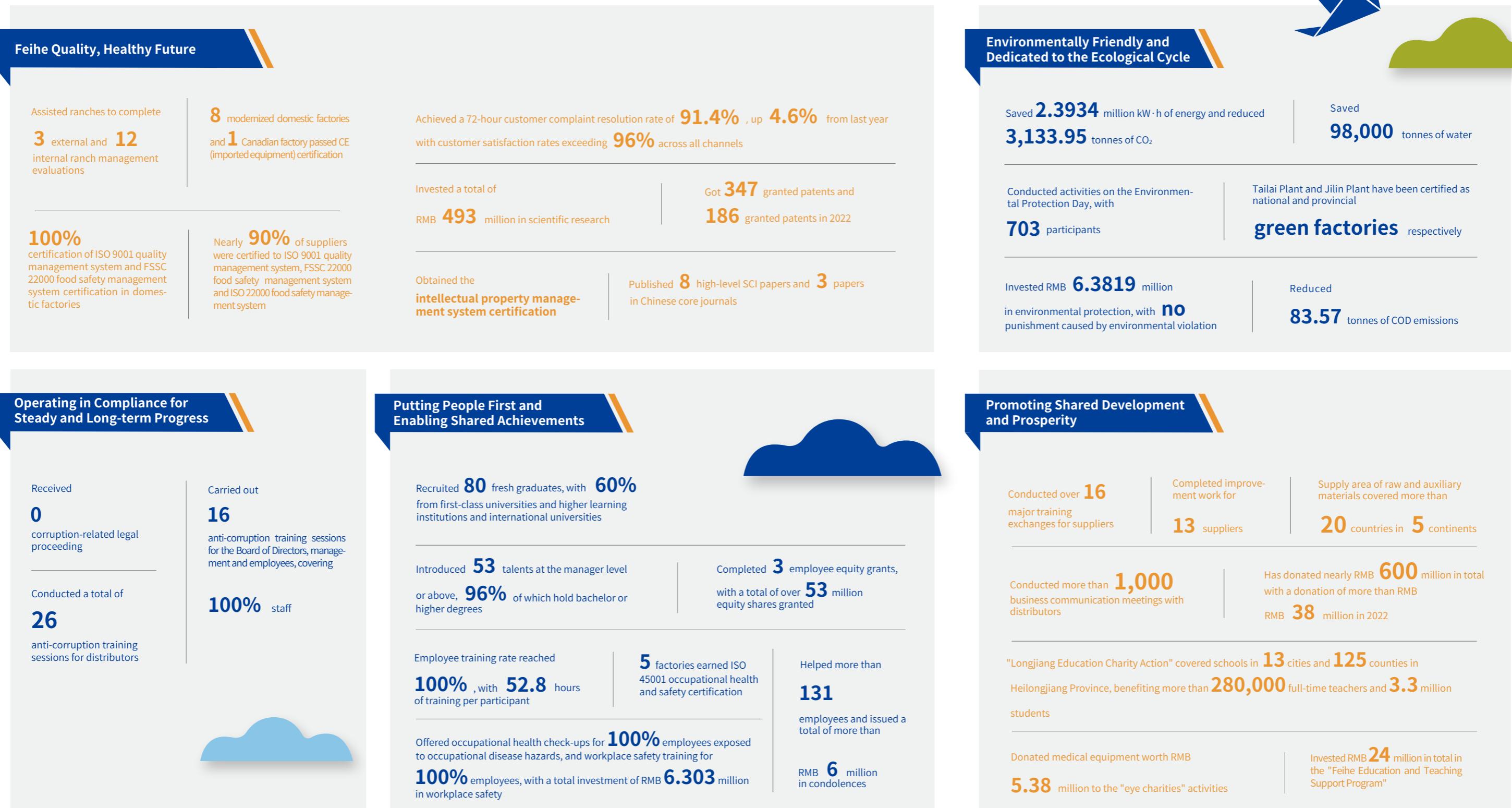
World Brand Lab

First Prize of Technological Progress Award (Research on Lactoferrin Extraction Technology and Its Industrial Application)

China Dairy Industry Association

China National Committee of the International Dairy Federation

Key performances in 2022



SUSTAINABILITY MANAGEMENT

Philosophy of Sustainability

Feihe has incorporated responsibility and commitment into the DNA of its corporate development and attaches great importance to sustainable development management. With the values of "putting consumers first and actions before words, and achieving win-win outcomes and excellence", we pursue sustainability in five key areas: quality innovation; shared industry prosperity; ecological cycle; people-oriented responsibility; love and care. We form a sustainable development model led by the principle of "more suitable", help harmoniously balance economic, environmental and social benefits, and work together with all stakeholders to move towards the future of sustainable development.



Communication with Stakeholders

The opinions of stakeholders from all sectors have significant influence on the sustainable development work of Feihe. As we press ahead with our ESG goals, the concerns and demands of stakeholders are a high priority on our agenda. We continuously improve the stakeholder management mechanism, maintain communication with stakeholders through diversified channels, and regularly understand the suggestions and feedback of stakeholders. We incorporate them into corporate governance and improve the Company's sustainability management over time.

Major stakeholders	Expectations and demands	Our response
Governments and regulators	Operate in accordance with laws and regulations Pay taxes in full and on time	Accept supervision and assessment Participate in meetings and training organized by government and industry associations
Shareholders and investors	Improve returns on investment Enhance information disclosure Build greater market value	Convene the general meeting of shareholders Disclose information and make regular announcements Organize investor relations activities
Consumers	Produce high quality products Provide innovative services Create convenient communication channels	Conduct basic scientific research Invest in research and development Provide online and offline communication channels Enhance visualized traceability across the industry
Industrial chain partners	Abide by business ethics Seek win-win outcomes for shared growth	Communicate regularly with suppliers Train and evaluate distributors
Industry peers	Engage in fair competition Boosting the industry	Partake in appraisal Propose guidelines Collaborate and conduct research with universities
Environmentalists	Protect the environment Use resources responsibly	Build green factories Go green in the workplace Conserve energy and reduce emissions
Employees	Safeguard basic rights and interests Provide career growth Ensure a work-life balance	Build a multi-tiered training structure Create more opportunities for promotion Offer diversified bonuses for employees
Communities	Boost local economies Engage with the community Help those in need	Provide nutritious and healthy products to those in poverty Participate in charitable activities Focus on the health of mothers and babies

Materiality Assessment

To prepare this report, we followed the *Environmental, Social and Governance Guide* ("ESG Guide") in Appendix 27 of the *Main Board Listing Rules* of the Hong Kong Stock Exchange, identified ESG issues and made materiality assessment to ensure comprehensive coverage of the information disclosed in the report and the concerns of stakeholders. We actively interacted and communicated with all stakeholders, and made comparing analyses of topics as disclosed in the ESG report of companies of the same industry to identify the material ESG issues and define the boundary of this report.

The materiality assessment process is as follows:



In 2022, in order to ensure accurate and comprehensive information disclosure, the Company reviewed material issues, reassessed, analyzed and adjusted them based on issues in the industry, media monitoring results, and changes in ESG development trends to further identify Feihe's 2022 ESG material issues in better response to sustainable development trends and stakeholders' demands.

The material ESG issues of Feihe in 2022 are determined as follows:



Board Statement

Feihe attaches importance to the environmental, social and governance (ESG) issues that are crucial to our sustainability with a commitment to high-level corporate governance; we strive to align ourselves to the best international and local corporate governance practices for the interests of shareholders, other investors, customers, suppliers, employees and the public.

The Board of Directors is the highest decision-maker responsible for ESG matters. It takes full responsibility for the ESG strategy and reports, formulates and reviews policies and routine matters related to sustainability as well as the environment, social and corporate governance. Also, it oversees important ESG matters that may affect the Company's business or operation and the rights and interests of shareholders and other stakeholders.

The Board of Directors evaluates, judges and ranks substantive issues that have a significant impact on the Company, discusses and determines sustainability priorities based on the external sustainability environment and the company's development strategy; it plays the regulatory role to review the progress and supervise the implementations.

This report details the Company's ESG progress in 2022 and was deliberated and adopted by the Board of Directors on March 28, 2022.

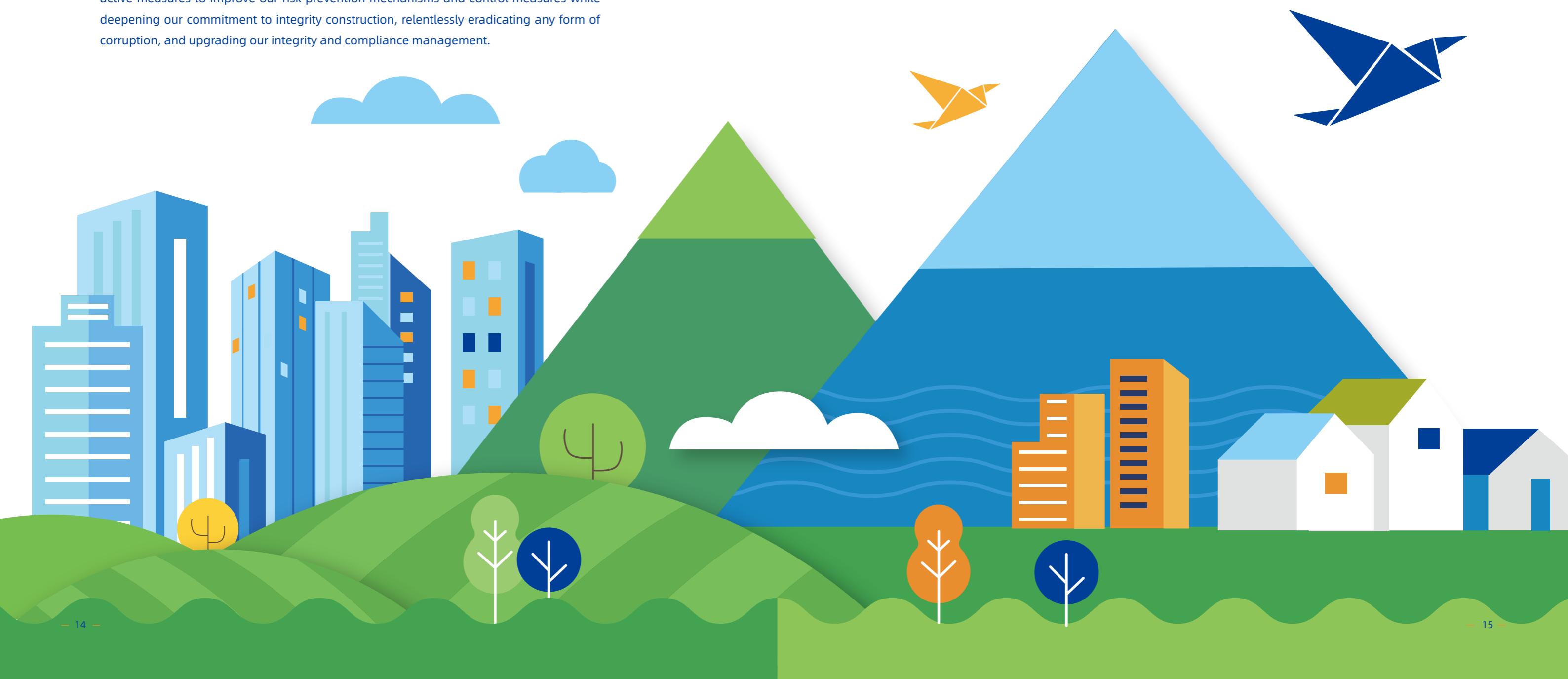
1. OPERATING IN COMPLIANCE FOR STEADY AND LONG-TERM PROGRESS

① Establishing a Sound Governance Structure

② Strengthening Risk Control

③ Fighting Corruption and Advocating Integrity

Feihe regards integrity and compliance management as the cornerstone of its sound operation. We adhere to law-based governance, continuously improve the compliance management policy and system, and enhance corporate governance capability. We take proactive measures to improve our risk prevention mechanisms and control measures while deepening our commitment to integrity construction, relentlessly eradicating any form of corruption, and upgrading our integrity and compliance management.



Establishing a Sound Governance Structure

Feihe has diligently complied with national laws and regulations, domestic and overseas regulatory requirements, including all relevant provisions of the *Company Law of the People's Republic of China*, *Cayman Islands Companies Law* and the *Corporate Governance Code* of Appendix 14 of the *Main Board Listing Rules* of the Hong Kong Stock Exchange. We have comprehensively deployed and promoted the construction of a compliance management system. We have built a management structure including decision-makers,

supervisors and executive personnel, with clear responsibilities for decision-making, supervision and execution, forming an operation mechanism with effective checks and balances. Under the Board of Directors, Feihe has established an Audit Committee, Remuneration Committee, Nomination Committee, and ESG Committee. Each committee is responsible for offering decision-making references and suggestions on major management matters to ensure the efficient operation of the Board of Directors.



Structure of the Board of Directors

Feihe continues to improve its corporate governance structure and emphasizes the independence of the Board of Directors, ensuring the utmost protection of the interests of shareholders and equity holders. The Company places emphasis on Board diversity and has established a *Board Diversity Policy* to ensure a balance of skills, experience, and diverse perspectives among Board members. By doing so, we aim to enhance the Board's effectiveness and maintain the highest standards of corporate governance. Our Board consists of 11 directors, including 4 executive directors, 3 non-executive directors and 4 independent non-executive directors who operate independently from the controlling shareholder in terms of management, operation and finance. During the reporting period, the Company's Board of Directors held four meetings, with a director attendance rate of 96%.

Board Members

Name	Age	Gender	Position	Experience/Skill
Mr. LENG Youbin (冷友斌)	54	Male	Executive Director, Chairman and Chief Executive Officer	Industry Expert
Mr. LIU Hua (劉華)	50	Male	Executive Director, Vice Chairman and Chief Financial Officer	Industry Expert, Financial Expert
Mr. CAI Fangliang (蔡方良)	54	Male	Executive Director and President	Industry Expert
Ms. Judy Fong-Yee TU (涂芳而)	47	Female	Executive Director, Vice President and Company Secretary	Industry Expert, Legal Expert
Mr. GAO Yu (高煜)	49	Male	Non-Executive Director	Financial Expert
Mr. CHEUNG Kwok Wah (張國華)	58	Male	Non-Executive Director	Industry Expert
Mr. Kingsley Kwok King CHAN (陳國勁)	46	Male	Non-Executive Director	Financial Expert
Mr. FAN Yonghong (范勇宏)	55	Male	Independent Non-Executive Director	Financial Expert
Ms. LIU Jinping (劉晉萍)	51	Female	Independent Non-Executive Director	Medical Expert
Mr. Jacques Maurice LAFORGE	67	Male	Independent Non-Executive Director	Industry Expert
Mr. SONG Jianwu (宋建武)	59	Male	Independent Non-Executive Director	Journalism Expert

As outlined in our amended and restated memorandum and *Articles of Association*, the Board of Directors is responsible for a variety of key functions. These include implementing resolutions passed at the general meeting of shareholders, formulating development strategies and investment plans, evaluating our governance, risk management and internal controls, and ensuring that we comply with all relevant laws and regulations.



Strengthening Risk Control

Feihe has built a comprehensive risk management system, including a risk identification and response mechanism, a focus on cultivating a risk management culture, and the effective implementation of risk management practices. By summarizing the rules in operation practice, we respond to possible risks in production and operation, utilizing risk management and audit supervision to prevent major mistakes or losses and establish an efficient risk prevention and control mechanism.

Risk Management

Feihe has established a risk management framework and related risk management system. The Audit Committee is responsible for overseeing the risk management and internal control system to ensure the effectiveness of the risk control system. Our *Crisis Management System* of Feihe Dairy prioritizes risk prevention and focuses on early warnings, and clarifies the responsibilities of crisis management organization. In the event of a crisis, our crisis management team works to diffuse risks, assesses the damage caused, and draws lessons to avoid similar issues in the future.

To implement internal control and improve systems and processes, the Company formulated the *Basic Standards of Internal Control* and other systems. We have defined the organization and responsibilities of the three lines of defense and established a closed-loop risk identification, assessment, and response management mechanism. To ensure the effective operation of our risk management and internal control system, we continue to strengthen our risk warning capability, and establish a monitoring mechanism for major risk indicators based on data analysis and special auditing. In 2022, Feihe constantly updates its risk framework in response to changes in the Company's internal and external environment, organizes quarterly risk identification and analysis for all employees, formulates risk event response measures and monitors the effectiveness of closed-loop management.



- Build a company-wide framework for strategic risk, market risk, operational risk, financial risk and legal risk, covering 34 primary risks, 127 secondary risks and 284 tertiary risks
- Collect quarterly risk events under the risk framework from all employees, practice first line of defense values, and improve their risk awareness
- Design and quantify procurement contract risk indicators around contract management, with ongoing risk reporting and monitoring of improvements through quarterly assessment of indicator data results

Risk identification

- Classify the risk events and deal with them with different strategies and closed-loop management methods
- Regularly monitor the implementation to ensure that the risk is under control

Risk assessment and response

Audit and Supervision

Feihe has established an internal audit system at the corporate governance level and is continuously working towards enhancing and refining the internal control system. Our *Management Rules of Authorized Approval*, *Basic Guidelines for Internal Control* and *Evaluation Methods for Internal Control* ensure the internal control system is operating effectively in daily management. With regard to the internal audit system, the Company has formulated the *Feihe Dairy Group Audit System*, which outlines the audit and supervision scope for directors, senior management, various functional departments, wholly-owned or holding and participating companies with significant influence, and establishes relevant penalties for non-compliance at different levels.

The Reward and Punishment Management System of Feihe Dairy is designed to guide and deter violations by linking them to performance appraisals of departments or personnel to prevent moral hazard among employees. In 2022, the Company revised the *Group Authorization and Approval Rules*, which comprehensively updated the detailed list of approval authority for each system, and strengthened the mechanism of responsibility for dedicated leaders in specific areas. Guided by the basic principle of participating in each process and fulfilling their responsibilities in accordance with regulations, we clarified the management requirements of standardized use of the approval process and efficient communication, and continuously improved the standardized and reasonable authorization and approval mechanism.



Special assessment of fixed asset management

We Carried out special assessments of fixed asset management to optimize the approval process and improve management efficiency in asset entry, inventory, and disposal processes. At the same time, we updated the *Group Fixed Assets Management System* to further ensure asset safety and consistency between the account and the assets.



Special assessment of information security management

We Carried out regular basic account setting and authority assessments in the information system. This allows us to effectively reduce security risks in the application system, optimize background management requirements, and improve the refined management of authority configuration.



Special assessment of product development and management

We Carried out special assessments of the trial production management process, during which we clarified product development and trial production management requirements, refined trial production material handling standards, and formulated business refinement management processes for complex scenarios. In this way, we further improved the efficiency of cross-departmental operations.

To enhance the objective independence and professionalism of the supervision work, the Company has invited a third-party internal control consultant to review relevant internal controls in major business processes. The primary goal of this initiative is to ensure the effectiveness of our internal control systems, identify any system deficiencies and opportunities for improvement as well as making recommendations on remedial measures and reviewing the implementation and enforcement of the measures.

Fighting Corruption and Advocating Integrity



Feihe continues to promote professional ethics and integrity building, integrating integrity practices into the entire process of corporate governance. The Company strictly complies with the *Company Law of the People's Republic of China*, the *Inspection Law of the People's Republic of China*, the *Criminal Law of the People's Republic of China*, the *Anti-Money Laundering Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Anti-Monopoly Law of the People's Republic of China* and other national policies and regulations as well as relevant laws and regulations in the regions where it operates, as well as the *Intra-Party Supervision Regulations of the Communist Party of China*, and the *Disciplinary Action Regulations of the Communist Party of China*. Our Anti-Fraud System of Feihe Dairy, Inquiry Measures for Employees' Violations and the Audit System Management of Feihe Dairy and other internal policies continuously improve compliance performance and business ethics management.

The Company has taken a strong stance against fraudulent acts that damage the company's economic interests or result in improper economic benefits. The Company has defined various types of fraudulent acts and behavior descriptions of relevant corruption incidents and corresponding punitive measures. To encourage proper and legal behavior among all employees and subsidiaries and ensure that employees and partners are "deterred, unable and unwilling" to engage in corruption, we have added anti-corruption as a metric for assessing overall performance. The Company imposes internal economic and/or administrative punishment for fraudulent activities based on their severity, and transfers suspect to the judicial authority as required. During the reporting period, the Company did not receive any legal proceedings related to corruption.

In addition, Feihe is committed to creating a transparent procurement environment. To this end, the Company has added transparent commitment clauses in supplier and distributor contracts. These clauses aim to maintain a fair and orderly market competition order and ensure a clean and self-disciplined cooperative relationship. We require our suppliers to comply with anti-corruption and anti-unfair competition related laws and regulations, strictly adhere to the principles of openness, impartiality, fairness and honesty, and strictly prohibit improper trading practices for trading opportunities or improper benefits. Feihe conducts audits on suppliers periodically, and any violations of the relevant agreements will result in the suspension or termination of the cooperation.

In order to ensure the effective implementation of our systems and processes, we carried out implementation checks for each key business area and core business. Through this process, we effectively identified relevant risks and hidden dangers and formulated measures aimed at improving business efficiency and upgrading management measures. At the same time, the Company conducted special assessments and preliminary risk identification for fixed asset management, product development management, intangible asset management, intellectual property protection and information security management. We established an internal control system process framework, and systematically implemented internal control management systems in corresponding areas.

Anti-Corruption Promotion

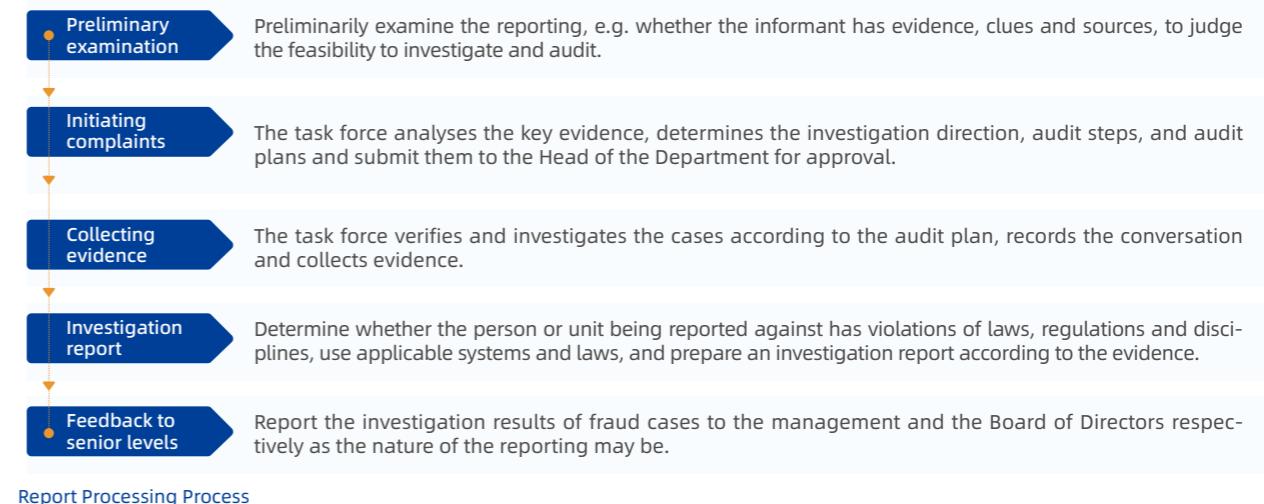
The Company has improved its anti-corruption governance structure, with the Audit and Internal Control Center serving as a permanent institution responsible for the daily and continuous supervision of fraud within the company and its subsidiaries.

Anti-fraud responsibilities of Audit and Internal Control Center

Investigate fraud cases.	Submit handling opinions and report to the management, the Board of Directors and the Board of Supervisors.	Engage all functional departments and subsidiaries in annual fraud risk assessment and self-assessment.	Accept whistleblows on fraud.	Publish anti-fraud prevention.
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Reporting Process and Whistleblower Protection

Feihe has taken significant measures to effectively prevent and combat fraud, promote a compliant business environment, and encourage employee supervision. Feihe has developed a comprehensive reporting and monitoring system that includes a smooth reporting channel for employees and partners to report corruption through telephone, email, and letter. A dedicated team will conduct a comprehensive investigation into the reported matters or the compliance risk matters found in the regular assessment, and take corresponding punitive and control measures in a timely manner. The Company is committed to protecting the legitimate rights and interests of whistleblowers and case investigators and strictly adheres to an information confidentiality system throughout the reporting and investigation process.



Anti-Corruption Training

Feihe is dedicated to promoting a culture of integrity. The Company has taken proactive measures to strengthen daily anti-corruption education and cultivate awareness of integrity and compliance among all employees and stakeholders. We invited key customers in each region to participate in online policy promotion and compliance training meetings online to implement various policies. In 2022, the Company conducted a total of 16 anti-corruption training sessions for all staff, including the board of directors, management and employees, with the coverage rate reaching 100%. In addition, we conducted a total of 26 special anti-corruption training sessions for distributors.

2. FEIHE QUALITY, HEALTHY FUTURE

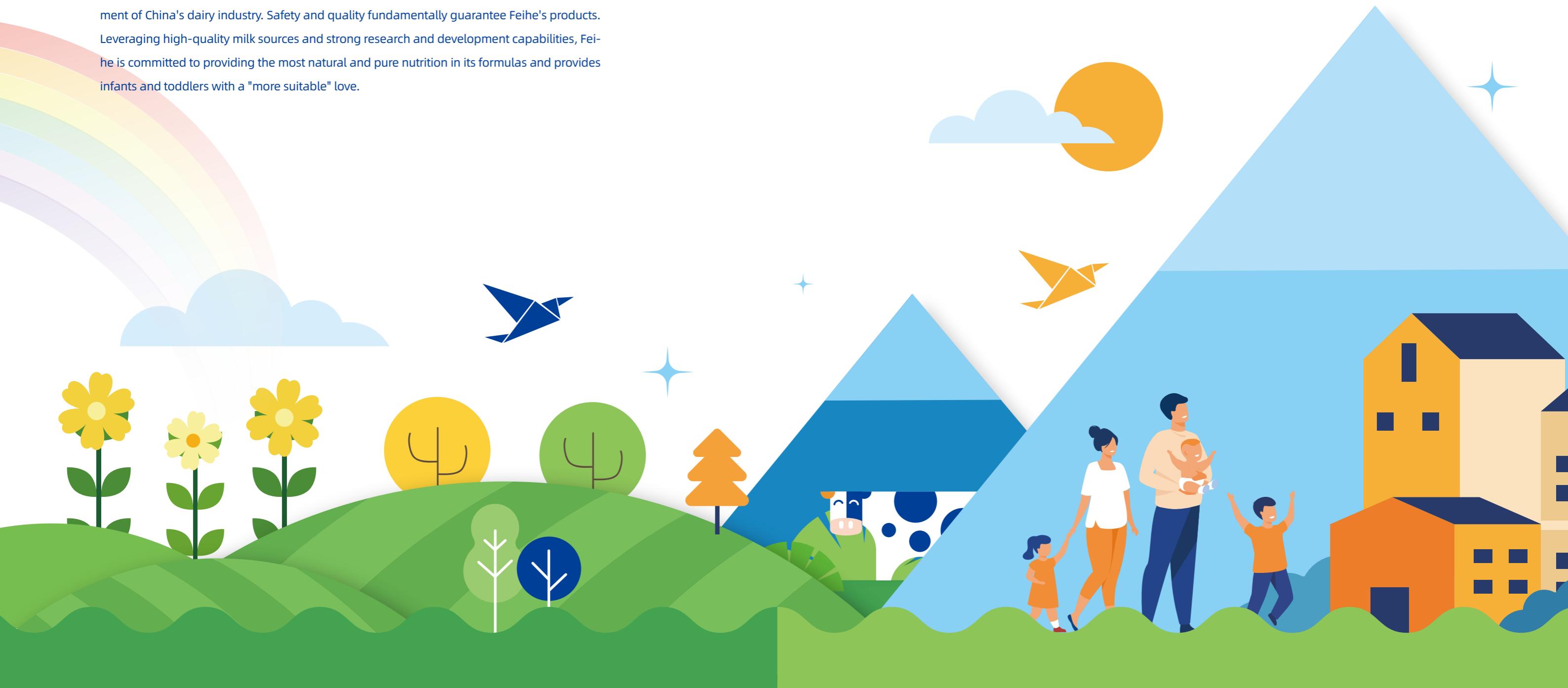
① Strict Control of Product Quality

② Enhancing Service Experience

③ Boosting Product Innovation

④ Creating Intelligent Ecology

Feihe is dedicated to the infant formula field. We devote ourselves to the research of Chinese breast milk and constantly make breakthroughs. We are dedicated to conducting continuous product research and development and independent innovation to empower the development of China's dairy industry. Safety and quality fundamentally guarantee Feihe's products. Leveraging high-quality milk sources and strong research and development capabilities, Feihe is committed to providing the most natural and pure nutrition in its formulas and provides infants and toddlers with a "more suitable" love.



Strict Control of Product Quality



Ensuring high-quality milk sources is the key to the quality of Feihe products. We constantly optimize our quality management system and strictly control product quality through on-site management, drug control, and supplier pasture audits.

Quality Management System

In 2022, in accordance with relevant regulations and laws such as the *Food Safety Law of the People's Republic of China*, based on production standards including the *National Food Safety Standard: Infant Formula (GB 10765-2021)* and the *National Food Safety Standard: Formula for Older Infants (GB10766-2021)*, *National Food Safety Standard: Toddler Formula (GB 10767-2021)*, we added 15 quality management procedure documents such as the *Quality Control Plan Management Procedure*, the *Food Protection Management Procedure*, the *Microbiological Internal Assessment and Evaluation Procedure*, the *Cleaning and Disinfection Management Procedures* and seven operation guidance documents such as the *Compressed Air Quality Specification*, the *Specification for Sensory Release Evaluation of Raw Materials and Products*, the *Dry Cleaning Management Specification* to standardize the management of production, storage and transportation processes.

We continue to optimize our quality and food safety management system, improve quality inspection standards in all aspects of production and distribution, and standardize the quality inspection process to ensure the quality of milk from our pastures.



Milk Quality Inspection Processes



- On the basis of national food safety standards including GB 10765, GB 10766, GB 10767, and GB 19301, we monitor the whole process including raw milk, raw and auxiliary materials, the environment, packaging, products to be packaged, finished products and energy, and fully inspect each batch of products to ensure the quality and safety meet the national and industrial internal control standards.
- We mainly inspect conventional chemicals, nutrients, pollutants, mycotoxins, pesticide residues, veterinary drug residues, microorganisms, etc.
- We monitor, track and analyse the manufacturing environment, process, circulation channels and product stability on the shelf to ensure the continuous, safe and stable quality of samples.
- We chose SGS-CSTC Standards Technical Services Co. Ltd., Intertek and AIB Food Technical Consulting Company Limited (Shanghai) to carry out third-party inspections and evaluations according to international standards.
- Our factory regularly uses big data analysis to comprehensively inspect the quality of the pasture under its jurisdiction and identifies the hazards in the whole process.
- The Improvement Project Team under the Milk Source Management Department rectifies existing problems, and reinforces good practice.

We follow the European Hygienic Engineering and Design Guidelines (EHEDG), European Dairy Plant Design Standards, Germany Institute for Standardization norms and relevant domestic guidelines to promote the construction and certification of quality and food safety systems, and achieve 100% certification coverage of ISO 9001 quality management system and FSSC 22000 food safety management system for our domestic factories. During the reporting period, 8 modernized domestic factories and 1 Canadian factory earned the imported equipment (CE) certification, and we introduced a full set of German GEA production lines.

In addition, we place great importance on the implementation of WCM(World Class Manufacturing) . We focus on building six key pillars: focused improvement pillar¹ (FI), autonomous maintenance pillar² (AM), production maintenance pillar³ (PM), quality maintenance pillar⁴ (QM), environment, health, and safety pillar⁵ (EHS) and education and training pillar⁶ (E&T). During the reporting period, we have completed 188 improvement projects and reported a revenue of RMB 48.99 million. We also continue to export talent through our programs, including 42 Yellow Belt internal trainers⁷ and 38 TWI-JI internal trainers⁸.

In 2022, we focused on improving the expertise of our quality system personnel, devising comprehensive strategies for upskilling personnel in various positions, and organizing training related to quality control, food safety and technology. During the reporting period, we conducted 183 quality and food safety training sessions, with 2,854 participants and a cumulative duration of 479 hours.

Completed improvement projects

188

Reported a revenue of RMB

48.99 million

Conducted quality and food safety training sessions

183

Participants

2,854

On-site Management

Feihe factory conducts monthly on-site inspections on microbial control of fresh milk, forage and feed management, veterinary medicine management, and withdrawal time control in pastures under its jurisdiction. We form audit teams to conduct comprehensive audits of supplier pasture environments and systems every year. The audit team provides feedback to the pastures, and monitors and verifies the rectification progress, ensuring a safe milk source from pastures. In 2022, Feihe completed three external and 12 internal pasture audits, and identified 219 problems, among which 206 were rectified.

In 2022

Feihe completed **3** external and **12** internal pasture audits, and identified **219** problems, among which **206** were rectified



¹FI pillar: Focused Improvement pillar-effectively control costs, reduce switching, improve efficiency, shorten the lead time for delivery, better completion of deliveries and support the fresh strategy.

²AM pillar: Autonomous maintenance pillar-organize front-line operators to participate in early-stage checks for abnormal problems and simple maintenance tasks.

³PM pillar: Production maintenance pillar-establishes a preventive maintenance system to improve plant reliability and reduce repair costs.

⁴QM pillar: Quality maintenance pillar-defines the state of the foundation and the variability of the production process to ensure product quality and improve customer satisfaction through continuous process optimization.

⁵EHS pillar: Environment, health, and safety pillar-establish environmental compliance and accident prevention systems to reduce carbon emissions and create a comfortable and healthy working environment.

⁶E&T Pillar: Education and training pillar-establish a training system to continuously improve skills and export talents.

⁷Yellow Belt internal trainer: internal trainer who is primarily responsible for offering coaching and training on group pathways.

⁸TWI-JI internal trainer: Training Within Industry-Job Instructions (TWI-JI) - faster and more efficient skills and methods guidance and training.

Managing Veterinary Medicine

Feihe strictly complies with *GB 31650.1-2022 National Food Safety Standard: Maximum Residue Limits for 41 Veterinary Medicines in Food* and has developed a risk monitoring plan for raw milk with reference to the risk early warnings of chemical contaminants in milk and dairy products issued by the EU, WHO, FDA, Canadian Food Inspection Agency and other international organizations. This plan is used to guide the quality control and management of raw milk and dairy products within our factory. In addition, Feihe has established a veterinary medicine control system such as *Operating Specifications and Process for Vets Team, Veterinary Medicine Purchase List and Allowed Use in Lactating Cows* to strictly manage veterinary medicine and cattle health.

Our pasture strictly adheres to a rigorous protocol for the use of medicines, which includes purchasing medicine from the approved veterinary medicine list. The pasture regularly conducts

veterinary medicine inventory to determine the use, inventory, and amount of incoming medicine to ensure that veterinary medicine are used accurately with detailed classifications. It is strictly prohibited to cross-use veterinary medicines between lactating and non-lactating cows. Furthermore, prescription medicines must be administered by a qualified veterinarian in each pasture. We also closely monitor the feeding, regurgitation, feces, and other changes in sick cattle, adjusting the treatment method as needed. If antimicrobial agents (except cephalosporin in suspension) are used during treatment, cows are transferred to a designated quarantine area and are only allowed to return to the main pen after they have been tested to ensure their milk is free of antibiotics and they have fully recovered from their illness. At the same time, the third party also conducts sampling inspections of antibiotics every year to reduce the risk of antibiotic residues in raw milk.

Ensuring Animal Welfare

We formulate animal welfare management measures. We adopt TMR⁹ feeding to maintain a balanced diet for our animals, and we provide a clean and comfortable living environment that caters to their socializing needs. We also trim their hooves, and protect them from diseases and parasites. In addition, we play music and provide massage for them to enhance their life quality. In addition, we conduct regular animal welfare training and technical exchanges to enhance the skills and animal welfare awareness of our staff.



⁹Total Mixed Ration (TMR) is a feeding technique that mixes roughage, concentrates, minerals, vitamins and other additives to provide sufficient nutrition to meet the needs of cows.

Supplier Audit and Management

Feihe strictly complies with the ISO 9001 Quality Management System, ISO 22000 Food Safety Management System, FSSC 22000 Food Safety Management System, HACCP Food Safety Control System and *Good Agricultural Practice GB/T 2014*, etc. We maintain rigorous control over our suppliers, optimizing access, auditing, daily management, evaluation, and assessment processes to continuously enhance the quality and food safety management of our supply chain. As of 2022, nearly 90% of Feihe's suppliers have achieved ISO 9001, FSSC 22000, or ISO 22000 certification.



Nearly
90%

of Feihe's suppliers have achieved ISO 9001, FSSC 22000, or ISO 22000 certification

We conduct systematic evaluations on the suitability, adequacy, and effectiveness of the food safety management systems of our suppliers during the entry and review process. Those who fail the evaluation are excluded from the Feihe Qualified Supplier List. At the same time, we refer to the requirements of national food safety regulations, and formulate 279 raw and auxiliary material standards based on the *Supplier Approval and Re-evaluation Procedures and Procurement Contract Management Standards*. We ensure products provided by our suppliers are in line with our material quality standards by including supplier quality commitments in procurement contracts.

Our daily management practices are designed to effectively avoid and control the potential risks of chemical contaminants and pathogenic bacteria from entering finished products through raw and auxiliary materials. During the reporting period, we completed 34 updates of the risk monitoring plan for raw and auxiliary materials.

We evaluate our suppliers using a three-dimensional evaluation index, covering quality, delivery and service, and grade them based on their annual performance scores. Suppliers with outstanding performance receive priority treatment and a greater share of orders, while those with poor delivery quality are investigated and required to make improvements, and suppliers who are unable to meet our requirements are eliminated from our list.



Product Recall

Feihe strictly abides by the *Food Safety Law of the People's Republic of China*, the *Food Recall Management Measures* and other laws and regulations, and has established internal systems such as the *Product Recall Management Procedure* and the *Unqualified Product Control Procedure* to clarify the product recall process and the main responsibilities of each department. We conduct a recall drill once a year to enhance our emergency response capabilities. This helps us ensure that recall procedures are initiated promptly in the event of any food safety

hazards being detected in our products. At the same time, we have standardized our product safety risk management process, conducting batch-by-batch testing of our products before they leave the factory, and carrying out annual product type inspections for all products. If any abnormality is found during these inspections, we immediately investigate any deviations, assess the risks and determine the best disposal plan to legally dispose of non-conforming products. In 2022, we reported no product recall.

Enhancing Service Experience



Feihe attaches great importance to meeting the needs of our customers. We are committed to providing customers with an excellent service experience by building diversified channels to protect consumer rights and interests, improving the consumer complaint mechanism, and emphasizing customer privacy and information security.

Consumer Engagement

Feihe is committed to building an integrated, standardized, automated, collaborative, scene-based and data-driven all-channel digital intelligent service model. With this model, we provide comprehensive services to our customers through multiple platforms and build consumer trust. We opened the official account of Star Mom, and held events such as the 47°N rare milk source exploration and China Baby Day activities, to provide consumers with scientifically backed parenting guidance, as well as customized family nutrition and health services.

47°N rare milk source exploration

In 2022, Feihe held a rare milk source exploration activity with the theme of "Presenting Leading Freshness with 60 Years of Dedication". We invited experts from all sectors to show the customs, landscape, technology and brand spirit of the 47°N from the perspectives of nature, humanities and technology. The event highlights Feihe's 60 years of devotion to nurturing China's babies, taking from nature and giving back to nature. The activity engaged 5.5 billion posts on social media with 10.71 million comments. 130,000 offline activities on themed traceability are held and attracted 339,000 new customers.



"Presenting Leading Freshness with 60 Years of Dedication" Event Poster



Feihe's service on the official account of Star Mom

Based on the core user pool on the official account of Star Mom, Feihe gathered 500+ experts from Harvard Medical School, Beijing Children's Hospital and other well-known hospitals and institutions at home and abroad to provide more scientific and professional parenting and nutrition science and customization services through mini-program, live-streaming, and video channels, etc. Adhering to the "user first" concept, we continue to improve the professional service capability of the platform and form an integrated ecological membership system. As of December 31, 2022, Star Mom has attracted 58 million members in China, and 25 million followers.

Star Mom has attracted

58 million members

Followers

25 million



Star Mom Class Poster



528 · China Baby Day

On May 28, 2022, Feihe held a baby day event with the theme of "Shine in the Future with Drops of Nutrition", and created the first exclusive digital collection "Baby Day - Sparkling Star Dreams" with Tencent News and Song Ting, a world leading crypto artist. The collection is a digital artwork with the blessing of Chinese mothers, which attracted the attention of nearly 4 million people on the day of launch and over 110,000 consumers participated in the online application activity.

Attracted the attention of nearly

4 million

people on the day of launch

Over

110,000

consumers participated in the online application activity



"Shine in the Future with Drops of Nutrition" Baby Day Event

At Feihe, we are committed to creating open communication channels with our customers and proactively addressing their expectations and demands. In 2022, we established a user feedback mechanism to collect comments and suggestions from consumers. This enables us to continuously optimize our business processes, improve service efficiency, and enhance the user experience. During the reporting period, we collected a total of 201 feedback and completed 66 service and business process optimizations.

Collected feedback a
total of

201

Completed service and busi-
ness process optimizations

66

Protection of Consumers' Rights and Interests

At Feihe, we take our responsibility to consumers very seriously and welcome complaints through all available channels. In 2022, we supplemented and improved internal systems such as *Feihe Dairy Group Complaint Handling Management Procedures*, *Complaint Sample Photography*, *Acquisition, Packaging and Mailing Requirements*, *Risk Identification and Tracking Management Mechanism*, and *Complaint Handling Time Limit Management Mechanism*. We also updated our complaint handling process, clearly defined the responsibilities and authority of each department, identified and tracked potential risks associated with complaints, and responded promptly to consumer complaints. These efforts have resulted in the formation of a closed loop and efficient complaint management. During the reporting period, we identified 53 issues in five main areas: complaints about gifts, points, products, sales and services, and address a total of 36 issues. We also opened official accounts on various social media platforms such as Weibo, Xiaohongshu and TikTok to monitor public opinion in real-time, respond to customers' inquiries and provide solutions within 24 hours of receiving a complaint to ensure that all cases are closed within 72 hours. In 2022, we achieved a 72-hour complaint closure rate of 91.4%, an increase of 4.6% from last year.

We also carry out customer satisfaction research mainly through customer service, customer complaints, and official public accounts. This enables us to gain valuable insights into our customers' views and opinions on our products, services, and management, allowing us to make necessary improvements. In 2022, the customer satisfaction rates of all channels exceeded 96%.

In addition, we have formulated internal advertising regulations according to the *Advertising Law of the People's Republic of China* and other relevant laws and regulations, standardized product promotion and responsible sales systems, and conducted compliance audits on the marketing slogans and advertising content. We have also formulated the *Product Packaging Design Process* to ensure that all product packaging information is accurate, truthful, and valid. At the same time, we have provided internal training courses on product knowledge, nutrition and parenting and sales tactics to ensure that consumers will not be misled by marketing, providing them with reliable and accurate nutrition and health information.

The customer satisfaction rates of
all channels exceeded

96%

Achieved a 72-hour complaint clo-
sure rate of

91.4%



Privacy and Information Security

We abide by the *Cybersecurity Law of the People's Republic of China* and created the *Information Security Management System*, the *Information Confidentiality Management System*, and the *Regulations for Personal Information Protection Management (for trial implementation)* to clarify the principles of privacy and information security management and the responsibilities of each department. In 2022, we issued the *Security Loopholes Management Rules (for trial implementation)* and the *Network and Information Security Incident Emergency Response Plan (for trial implementation)* to integrate prevention and contingency measures into the information security man-

agement system to effectively safeguard corporate information security. Based on ISO 27001 information security management system and information security level protection, we have upgraded our security in industrial control, the internet, applications, terminals and data, enhancing the security and stability of our information system through optimization and upgrading. During the reporting period, we registered no major information security incidents and received two information security notifications, which were promptly investigated and properly handled to mitigate any potential risks.

In 2022, Feihe enhanced information security in the following four main aspects:

- 1 Established terminal security management platform to improve the security protection capability of office network terminals in the headquarters and each factory.
- 2 Optimized the security inspection work mechanism, and carried out eight security inspections.
- 3 Improved security threat monitoring mechanism and security protection strategy.
- 4 Strengthened the network security capability of the internal production system, carried out one special inspection of the industrial control system, and optimized nine workstations of the industrial control system.

In 2022, we conducted three network security training sessions and one security emergency drill with the aim of improving information security management and raising awareness among all employees about information security protection. The training sessions were designed to equip participants with security protection skills and to spread professional knowledge. These sessions had a total of 579 participants.

网络安全意识培训

开始时间: 2022-06-15 16:00
负责人: 管理员
共 296人参加 发布日期: 2022-06-15

培训内容 班级管理 小组管理

阶段1 任务1 【签到】 网络安全意识培训

Online Cybersecurity Training

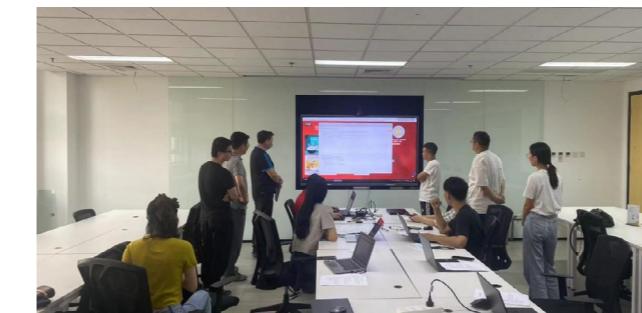
网络攻击常见方法介绍

开始时间: 2022-09-16 13:42
负责人: 管理员
共 135人参加 发布日期: 2022-09-16

培训内容 班级管理 小组管理

阶段1 任务1 【签到】 网络攻击常见方法介绍-签到

Safety Emergency Drill



Boosting Product Innovation



Feihe continuously improves its intellectual property management system, respects R&D achievements, and encourages continuous innovation. We enhance independent innovation capability and contribute to innovative and high-quality development. During the reporting period, we invested a total of RMB 493 million in scientific research.

Invested a total of RMB
493 million
in scientific research

To enhance the creation, application, and protection of intellectual property rights, we conducted intellectual property training sessions aimed at strengthening the capacity building of our intellectual property talents and enhancing the effectiveness of our intellectual property protection efforts. During the reporting period, we conducted 12 IPR training sessions, with a total of 35 hours and over 600 participants.

Conducted
12
IPR training sessions



Feihe Intellectual Property Training

Intellectual Property Protection

Feihe has implemented the *Enterprise Intellectual Property Management Standards (GB/T 29490-2013)* throughout the Company. Our *Feihe Group Intellectual Property Management System* and *Intellectual Property Manual* serve as guidelines for the management, usage, and protection of our intellectual property rights, such as patents, trademarks, and copyrights. We prioritize safeguarding our own intellectual property rights while maintaining a zero-tolerance policy for infringement of others' intellectual property rights. To support the development of the Group's intellectual property, we have established a team of intellectual property experts, including three patent engineers who are experienced in intellectual property management and qualified to serve as full-time patent agents.

Patent Type	Applications in 2022	Number of Granted Patents in 2022	Total Number of Granted Patents
Invention	83	4	23
Utility Model	110	134	232
Industrial Design	41	48	92
Total	234	186	347

Feihe's Patents in 2022

Scientific Research Results

Feihe attaches great importance to science and technology innovation, actively integrating and leveraging the advantages of its scientific research capabilities to create a supportive innovation ecosystem. We keep optimizing the *Feihe Group Intellectual Property Reward Management System* by adjusting the reward amount, refining the reward criteria, and improving the reward mechanism and process. We encourage employees to declare their innovative achievements, and contribute to injecting more innovative vitality into the company.

During the reporting period, we published eight high-level SCI (Science Citation Index) papers and three papers in key Chinese journals. These papers cover a wide range of topics, including the functional nutrition composition of breast milk, clinical feeding of formula milk powder, functional ingredients of powdered formula and flavor of breast milk and powdered formula. Our objective is to reinforce the core advantages of our products, address common challenges in the industry, proactively contribute to the development of China's dairy industry, and lead the high-quality development of the industry.

In 2022, we started research on osteopontin (OPN) preparation technology and detection method, with a focus on immunity, brain power and mother-infant delivery. Our efforts to promote the industrialization of lactoferrin have resulted in the successful establishment of the first domestic automated production line of lactoferrin. By localizing the technology chain, we have addressed the cost challenges associated with domestic lactoferrin production.



Automated Lactoferrin Production Line



We also conduct assessments of potential intellectual property risks associated with each business module during actual business operations and formulate corresponding countermeasures. In 2022, we performed both internal and external audits of our system and manager assessments. As a result of these audits, we successfully passed the certification review conducted by Zhongzhi (Beijing) Certification Co., Ltd., and obtained the Intellectual Property Management System Certification.



Intellectual Property Management System Certification Certificate

Creating Intelligent Ecology



Feihe is committed to leveraging the power of digital technology to drive development across all aspects of the company. We have completed and applied the "3+2+2" planning strategy, centered on the core capabilities of intelligent manufacturing of digital factories, an ERP-based business system, and a digital intelligent unified office platform. Our intercommunicated systems, facilitated by the business middle office and the information middle office, allowing for the extension of big data and algorithms throughout the entire business process. By transitioning our supply chain system from business-driven to data-driven, we are actively upgrading our industry value chain with information technologies and data intelligence based management.

Our intelligent supply chain capabilities and world-class manufacturing factories have garnered recognition from both domestic and international authorities and institutions. In 2022, Feihe was selected as one of the "2022 National Model Supply Chain Innovation and Application Enterprises" by the Department of Circulation Industry Development of the Ministry of Commerce. It was also included in the first 30 "Digital Pilot Enterprises" selected by the Ministry of Industry and Information Technology, and became the only dairy company on the list.

Smart Manufacturing

- Building the whole industry value chain ranging from raw milk receiving to e-commerce around the factory; building an interconnected and shared intelligent network to achieve the goal of digital intelligent transition and upgrading both upstream and downstream.
- Building automatic control of the whole production process, leading to information-based and digital intelligent control of product quality and boosting productivity.
- In 2022, the intelligent manufacturing model has achieved its phased goals and is operating smoothly. Feihe (Tailai) Dairy Co., Ltd. has been rated as an intelligent factory. We form a comprehensive intelligent management system in multiple layers such as automation control, equipment data integration, execution control, process intelligence, and intelligent data.

Table Feihe Smart Manufacturing Model



We adopted various types of advanced industrial production equipment, sensors, PLC¹⁰ control, transmission networks, and IoT gateways to collect, convert, gather, process, and calculate data, as well as perform necessary control. Through a unified interface (such as OPC¹¹, UA¹²) and according to the transmission protocol (such as industrial Ethernet transmission protocol), we connect to the automation control system.



Through equipment monitoring and control systems (e.g. SCADA¹³, HMI¹⁴, etc.), we realized functions such as data acquisition, equipment control, measurement, parameter regulation and various types of signal alarms. For example, SCADA is a computer-based automatic control system and automatic monitoring system that monitors and controls the network of operating equipment on site.



This consists of production execution systems such as MES¹⁵, LIMS¹⁶ and WMS¹⁷ that meet different industrial requirements and are responsible for tasks acquisition and assignment, and process execution. In this process, it is necessary to request the various parameters, variables, states and data required from systems or industrial equipment layer devices in the automation control layer to communicate with the field equipment, to realize automated data collection or even intelligent collection as well as reverse control via networks and various interfaces. We build a production execution system to comprehensively manage the production process, effectively realize quality control and process traceability, and use multiple systems to cover the whole process management from production to warehousing.



Through the enterprise data bus, the production system works together with the Enterprise Resource Planning system (ERP), Product Lifecycle Management system (PLM), Customer Relationship Management system (CRM), and Quality Management System (QMS) to enable collaborative management of the entire production process.



After layers of data collection, processing, storage, analysis and utilization, it can finally provide data foundation for the business decision layer (data middle office). The business decision layer effectively integrates the existing data in the enterprise, and comprehensively displays and analyzes lean production data and smart supply chain data, which can be used to guide production and supply chain management and support enterprise business decisions.

¹⁰PLC: Programmable Logic Controller, A new generation of industrial control devices based on the traditional sequence controller with the introduction of microelectronics, computer technology, automatic control technology and communication technology.

¹¹OPC: OLE for Process Control, refers to the establishment of an interface standard for communication between industrial control system applications to create a uniform data access specification between industrial control equipment and control software.

¹²UA: User-Agent, which identifies the application's operating system, version category and logo, CPU model, browser kernel and language, hardware information and related models, browser rendering engine, browser language, etc. through the server.

¹³SCADA: Supervisory Control And Data Acquisition, a data acquisition and monitoring control system.

¹⁴HMI: Human Machine Interface, a medium for interaction and information exchange between the system and the user, which enables the conversion between the internal form of information and the human-acceptable form.

¹⁵MES: Manufacturing Execution System is a real-time computer software system, which can manage information, resources, behavior, inventory and distribution operations more perfectly and improve efficiency according to operational business rules and algorithms.

¹⁶Laboratory information management system is an information management system that combines information technology with laboratory management requirements.

¹⁷WMS: Warehouse Management System is a real-time computer software system, which can manage information, resources, behavior, inventory and distribution operations more perfectly and improve efficiency according to operational business rules and algorithms.



- Leveraging the power of the Internet of Things, cloud computing, and big data analysis to establish an interactive system between cyberspace and the physical world, which is highly reliable, scalable and real-time.
- Collecting production information to provide real-time field data, timely sharing information to enable intelligent fool-proofing and error prevention and accurately predicting events; integrating the real-time management and manufacturing; fully combining data from management and control systems; transforming quality inspection into quality assurance, and tracing the whole process; promoting custom formula design and production based on user needs, and improving business efficiency.
- Integrating sales and e-commerce system, enabling our manufacturing facilities to quickly adapt to changes in demand while improving overall quality and efficiency.



- Breaking the information silos between systems and business lines; centrally integrating data resources to form unified data and then summarize diversified data indicators into business scenarios in the business process; building a multi-dimensional e-commerce evaluation system that enables data collection, penetration, sharing, and front-end visualization, and visualize the sales, consumers and marketing performance to guide the operation.
- Carrying out data asset operation and cross-border application based on the "people, goods and channels" model utilized in the retail industry, building a data asset operation system, establishing an operation evaluation system for the life cycle of data assets, and conducting quantitative assessments of asset activity.



- Using ERP and data center to restructure the e-commerce business platform, and newly develop marketing tools such as seckill and promotion of the single product.
- Building the general capacity of e-commerce businesses; flexibly supporting all kinds of new businesses and combining online and offline channels by seamlessly integrating them with ERP and intelligent nutrition advisors.
- Seamlessly connecting with mainstream third-party online platforms to manage goods and inventory across different channels; enabling inventory in multiple warehouses or in multiple channels, contract performance in multiple warehouses and risk controls in multiple dimensions, and expanding e-commerce business.
- Completing the construction of the intelligent central warehouse in Harbin and establishing a national leading warehouse management system and automated stereo storage system.
- Realizing the batching of customer service systems, AI intelligence and digitization of the whole chain to greatly improve the efficiency of customer service operation and reduce costs and increase efficiency.



3. PUTTING PEOPLE FIRST AND ENABLING SHARED ACHIEVEMENTS

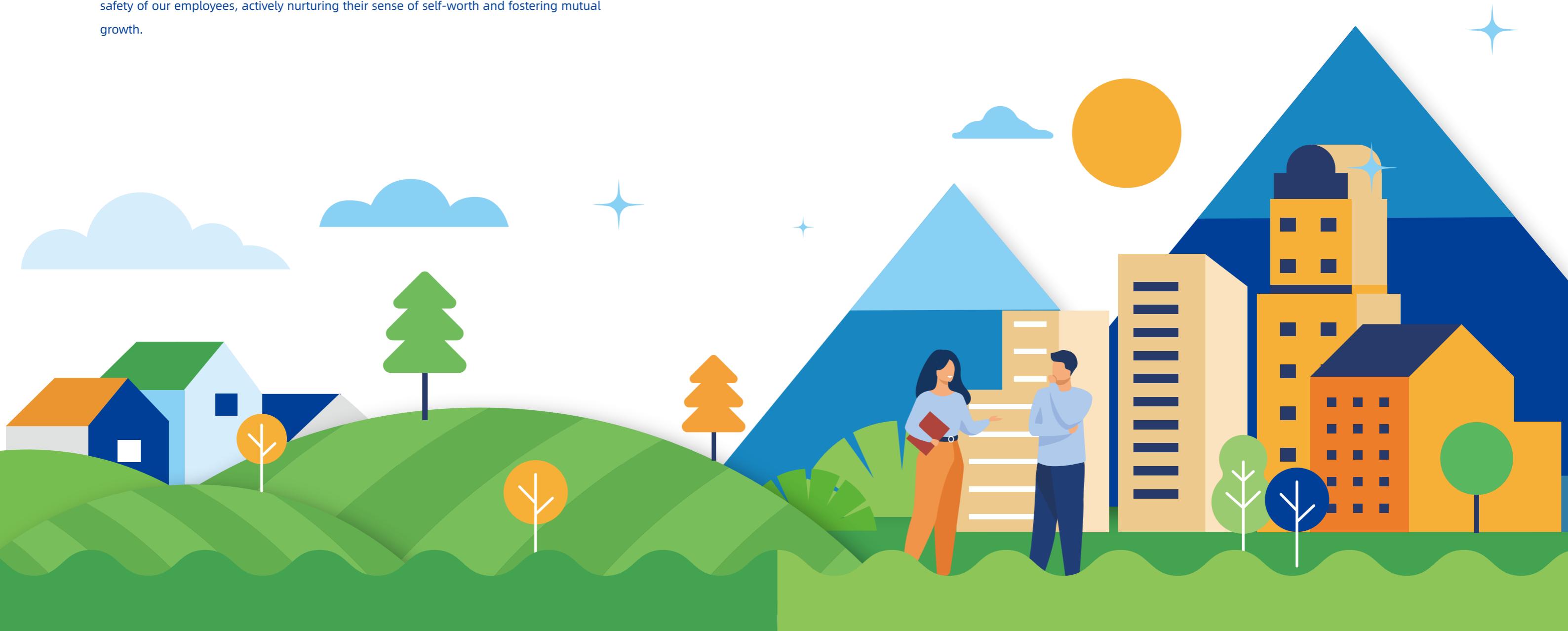
① Protecting the Rights and Interests of Employees

② Driving Employee Development

③ Occupational Health and Safety

④ Caring for Employees

At Feihe, we hold our employees in the highest regard, and always place the protection of their rights and interests at the core of our talent work. We clearly define the growth, promotion and career development path of each employee, and are committed to providing employees with rich and diversified learning opportunities and a warm and harmonious working atmosphere. We attach great significance to ensuring the occupational health and safety of our employees, actively nurturing their sense of self-worth and fostering mutual growth.



Protecting the Rights and Interests of Employees



We strictly abide by the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Special Provisions on Labour Protection of Female Workers*, the *Social Insurance Law of the People's Republic of China*, and other relevant laws and regulations applicable to the place of operation. Our human resources management framework comprises 24 policies and measures covering employee relations, recruitment, training, performance, remuneration and benefits, and we have revised 19 of them in 2022. We firmly protect the legal rights and interests of candidates and employees and fulfill the basic employment responsibilities of the enterprise.

Composition of Full-time Employees in 2022¹⁸

Employees by gender	Male employees	3,834	Person
	Female employees	3,025	Person
Employees by type	Full-time employees	6,859	Person
	Part-time employees	0	Person
Employees by age	Employees aged below 30	2,416	Person
	Employees aged 30 - 50	4,285	Person
	Employees aged above 50	158	Person
Employees by region	Employees overseas	389	Person
	Employees in Hong Kong	1	Person
	Employees in Chinese mainland	6,859	Person
Employees by education background	Employees holding master's degree or above	185	Person
	Employees holding bachelor's degree	2,323	Person
	Employees holding associate degree	2,833	Person
	Employees holding a high school diploma or below	1,518	Person
Total employees		7,249	Person

¹⁸The number of employees by gender, employment type, age and education does not include the number of overseas and HongKong employees of Feihe.

Turnover Rate in 2022¹⁹

Turnover by gender	Turnover of male employees	20.59	%
	Turnover of female employees	19.84	%
Turnover by age	Turnover of employees aged below 30	30.89	%
	Turnover of employees aged 30 - 50	14.79	%
	Turnover of employees aged above 50	15.79	%
Turnover by region	Turnover of employees in the Chinese mainland	20.25	%



Feihe strictly follows the "Seven Principles" in talent recruitment, and is committed to providing equal work opportunities for talents. We also arrange suitable positions for them based on their talents and characteristics, so as to achieve the best use of talents.

We continuously optimize our recruitment channels, leveraging internal and external sources such as recruitment websites, job fairs, campus recruitment, and other industry-specific channels to attract exceptional talent and foster high-quality development. In 2022, we carried out campus recruitment with the theme of "Looking for the Extraordinary, We Are Perfect for Each Other" and participated in campus recruitment activities in Heilongjiang Province. We have also refined our management trainee recruitment and training program, proactively providing employment opportunities for recent graduates. During the reporting period, we recruited 80 graduates, of which 60% were from first-class universities or international universities. In addition, we implemented the social talent introduction program and introduced 53 people at the manager level or above, of which 96% hold a bachelor's degree or higher.

F Star management trainee program

In the F Star program, "F" refers to Feihe and the future. It is a systematic training plan designed by Feihe for the management trainees, which supports and guides them with a four-step four force model. During the process, the management trainees are able to find out their own positioning and strengthen skills through practice projects. They are evaluated and trained in a comprehensive manner through phased debriefings, and some will be selected to support the future development of Feihe as the main force.

In 2022, the F Star Program added special activities such as F Star Night School, Product Knowledge Contest, Debate Contest, and Short Video Contest to help the growth and development of management trainees. During the reporting period, we completed three centralized training sessions, one cloud training session, seven sharing and exchange sessions, and two debriefing sessions.



Induction training for management trainees

Rotation learning and debriefing of management trainees

¹⁹Employee turnover data does not include the overseas and HongKong employee turnover data of Feihe.

Driving Employee Development



Feihe constantly improves the remuneration and benefits system, clarifies the growth, promotion and career development path of each employee, and carries out comprehensive and multi-level training activities to improve the professional skills and professionalism of employees.

Remuneration Incentives

As per the *Remuneration Management Mechanism and Management Measures*, Feihe ensures scientific and fair remuneration management by setting separate fixed and variable income percentages for different systems and reasonable remuneration ranges for different levels of personnel, and ensures internal fairness of employee remuneration through differentiated, dynamic and cyclical performance evaluation. At the same time, we carry out annual industry remuneration surveys so that internal remuneration increases are higher than the industry average, ensuring the external competitiveness of staff remuneration and attracting the best talent in the industry.

At Feihe, our performance management approach closely aligns with our annual strategic objectives. We ensure that each department and employee's objectives align with the company's strategic objectives by breaking down the strategic goals at all levels. Through objective management, process management, evaluation management and result application for the organization and individuals, we continue to motivate the organization, optimize performance, and improve employee capabilities and quality.

Objective Management

Feihe employs a top-down approach to break down objectives, a bottom-up objective management system supported by employees to ensure consistency between employees' and organizational goals.

Process Management

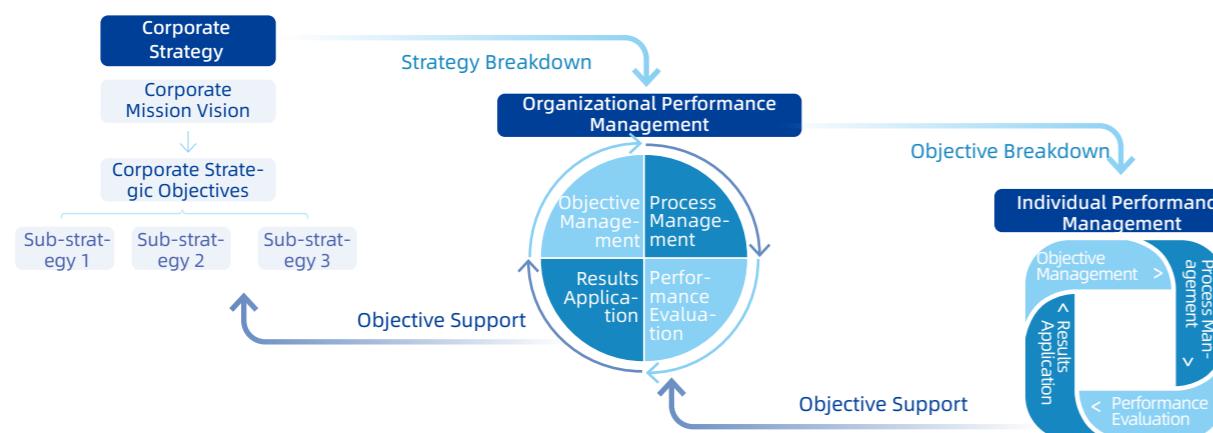
Each business division and each department conduct process follow-up on performance through monthly review meetings, quarterly meetings, regular department meetings, and daily reports. We summarize experience for excellent performances, analyze the gaps and reasons for incomplete assessment indicators, formulate improvement measures, and help employees make continuous progress through process coaching.

Performance Evaluation

Organizational performance assessments are conducted on a quarterly basis, while employee performance assessments are carried out on a monthly, quarterly, or annual basis, based on the characteristics of their positions. According to the assessment cycle, appraisers evaluate the assessed organization and employees based on the assessment index, and also initiate performance interviews to develop, enhance and improve employee performance and capability.

Results Application

The performance results are reflected in the current remuneration, as well as value allocation considerations, including medium and long-term stock incentives, grade adjustment, remuneration adjustment, training, merit evaluation, etc.

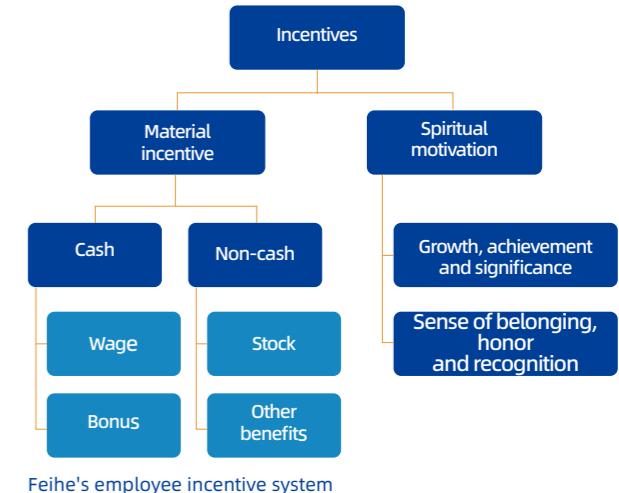


Feihe performance assessment system

Feihe has implemented a long-term incentive plan utilizing stock incentives as the primary driver, covering both middle and high-level employees, as well as some exceptional primary managers. This approach has proven highly effective in promoting team cohesion, motivation, and a sense of belonging among our workforce. In 2022, we completed three stock grants according to the long-term incentive plan, and granted more than 53 million share options.

Granted share options more than

53 million



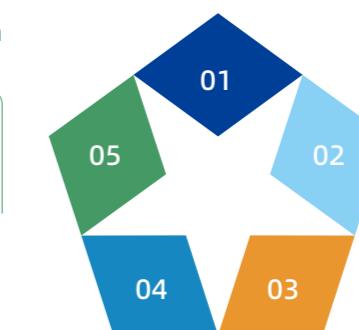
Feihe's employee incentive system

Promotion Mechanism

Feihe attaches great importance to the construction of the talent ladder, and continues to optimize the promotion mechanism based on the qualification system. Utilizing our "five principles of promotion," we have created a growth channel that provides clear guidance, defined standards, and a standard process for career advancement. We also carefully evaluate the overall structure of each level, establishing a special promotion channel for exceptionally outstanding talent who have made significant contributions to the Company, enabling skip-level promotions.

Valuing performance and output

Focus on assessing the value, contribution, results and outputs of employees at their work based on their abilities.



Combining sequential promotion and cross-ranking promotion

In principle, employees are promoted in sequential order. However, employees making contributions or possessing excellence and capability can be promoted across the rankings.

Promoting internal talents and outsiders

Comprehensively evaluate the personnel structure at all levels of departments, and adjust the proportion of outsiders and internal talents according to the structure and business needs.

Promotion and demotion

Comprehensively assess employees' performance and ability on the basic job qualification, and promote and demote them.

Job transfer through promotion

Employees can be promoted by transferring to different career directions apart from their planned career ladder and adjusting the growth channel and job category for all-round development.

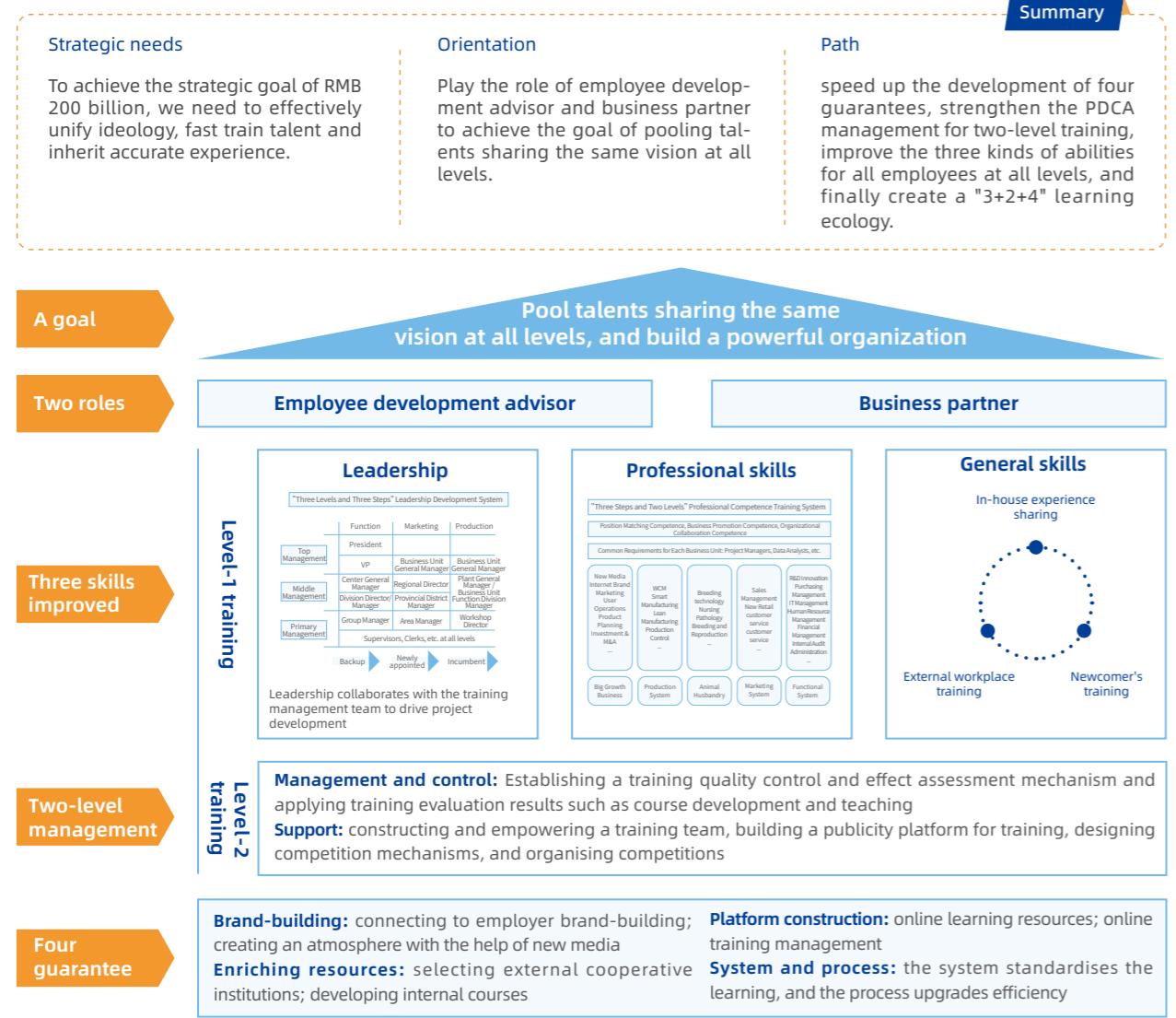
Feihe's Five Promotion Principles

In 2022, we refined the evaluation criteria for qualification at each level, clarified the requirements for different levels and positions, and improved the professional quality and skills of our employees. We optimized our employee promotion mechanisms, placing significant emphasis on "pressure response," "value contribution," and "developability" when assessing candidates for promotion. We also emphasized the importance of creating value for the Company while leveraging the required professional ability for each position. We set up training courses for employees before and after their promotion, and continuously followed up on their IDP²⁰ to help them adapt quickly to new positions. In 2022, we promoted 120 people to the manager level and above. 13% of middle-level managers and above in functional departments at the headquarters were promoted and transferred to different positions; 8% of business department managers and above were newly promoted.

Employee Training

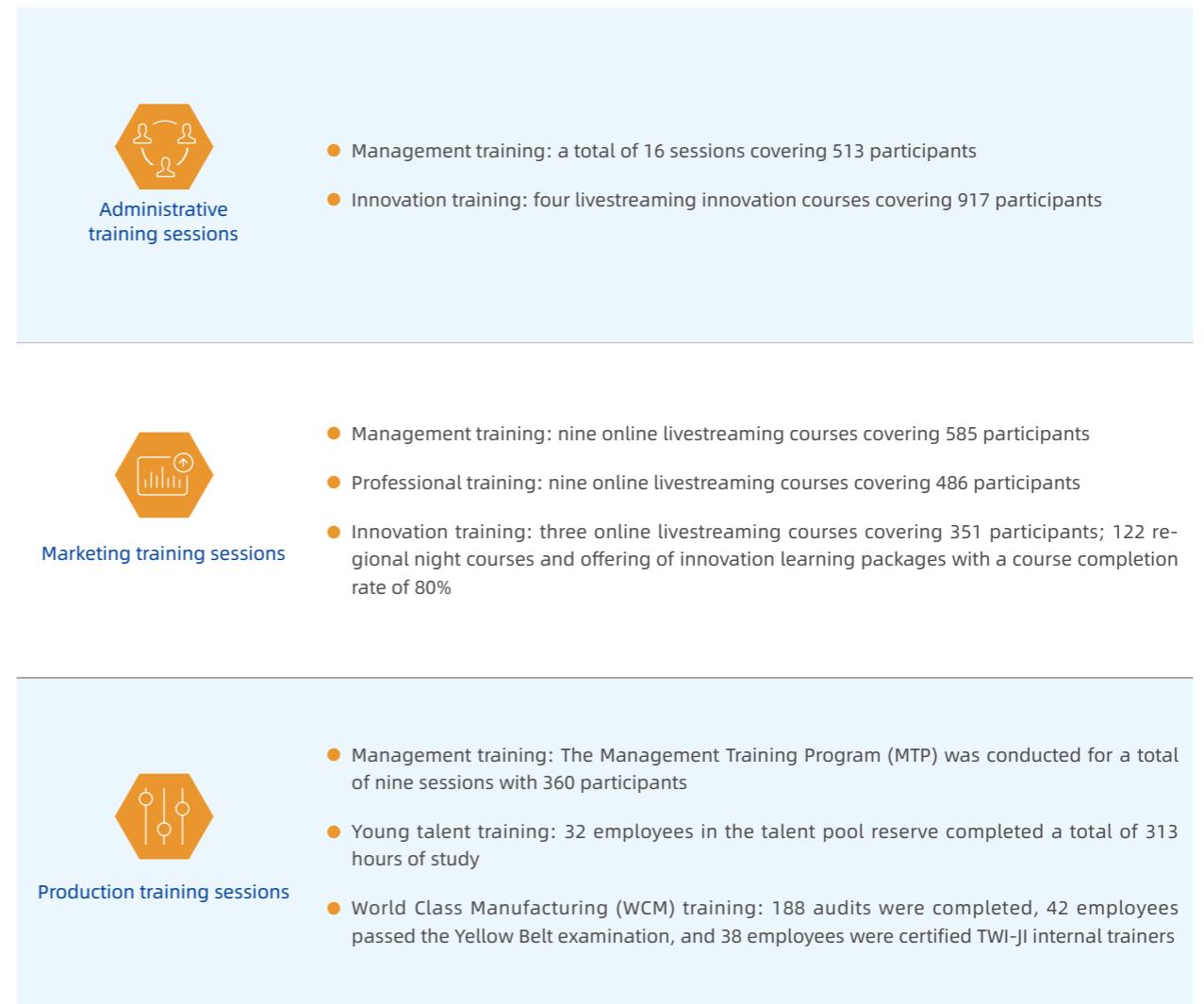
Feihe takes responsibility of cultivating talents and are committed to continually improving our internal training mechanisms. We built a three-dimensional training system for employees at all levels, which includes induction, on-the-job, promotion and certification training related to production, marketing and functions, and were dedicated to building a sound talent ladder. At the same time, we focused on improving training methods, and made efforts in the analysis of training needs, and the training results precipitation and publicity, and other key links, and built an online training platform to strengthen the training effect.

Training system - Feihe "3+2+4" learning ecology



²⁰ Individual Development Plan (IDP) is a tool to help employees achieve personal and professional development. Its main purpose is to help employees achieve their short and long-term career goals, as well as to improve their current job performance.

We offer targeted training in the three major work areas.



In 2022, employees in Feihe received a total of 6,859 training opportunities and 100% of them attended the training. Our employees were trained for 362,155.2 hours in total and 52.8 hours on average.

Training for Full-time Employees in 2022²¹

	Training Percentage (%)	Average Training Hours per Employee
Employee trained by gender	Male	100
	Female	52.8
Employee trained by type	Senior management	100
	Middle management	100
	Entry-level employee	52.3

²¹ Employee training data does not include training data for overseas and HongKong employees of Feihe.

Feihe MTP Management Practice Camp

In 2022, we launched Management Training Program (MTP) courses for middle managers of all systems, aiming to improve the management awareness and capability of middle managers. During the reporting period, we completed 23 online and offline courses, summarized more than 20 management cases, and printed the *Feihe MTP Management Record Manual*.

Completed online and offline courses

23

Summarized management cases more than

20



Feihe Management Improvement and Innovation Practice Project

Functions

The meaning of leadership is reflected in how you use your own abilities to tap into the potential of others.
—Liu Guirong, Quality Center

Marketing

Use your goals as a guide to move in the right direction in a planned and step-by-step manner.
—Hao Qiao, Sales Department/North 1 Region

The simpler the management, the better, but not at the expense of quality!
—Zhu Ningbiao, Finance Center

The achievements of good results must lie in good process control.
—Wang Tiejun, Sales Department/North 1 Region

How to treat problems and anomalies: it is impossible to be without anomalies, but it is necessary to control the response and processing speed of anomalies, and the feedback and resolution of anomalies should form a closed loop.
—Hu Dandan, Supply Chain Center

Though the goal might be unattainable, performance paves the road.
—Wang Jian, Information Technology Center

Performance appraisal can help managers to observe the desired behaviour of the managers.
—Zheng Kecheng, Sales Department/East 1 Region

A failed team has no successful member, while a successful team makes everyone successful! By increasing the cohesion in the team, and focusing on the goal, we can create infinite possibilities for the dream!
—Li Wenying, Quality Center

A person's efforts are additive, while a team's efforts are multiplicative.
—Shao Hailong, Sales Department / Central 2 Region

The goal must be reached with efforts. When you move yourself, you can move others; when you are firmly convinced, the team can be firmly convinced!
—Mu Xichao, Sales Department / North 1 Region

Production

It takes an excellent self to lead an extraordinary team.
—Chen Pengfei, Production Department

Only when the subordinates are more excellent can we say that the management is successful.
—Xu Jiawang, Production Department

Resolving staff disagreements requires first avoiding cattle - penning cattle - leading cattle - bolting cattle
—Lan Guojian, Husbandry Company

If the benefits far outweigh the costs and risks, we should take action; To act or not to act, don't just make half efforts or compromise.
—Zhang Jing, Husbandry Company

Management is a kind of practice, and its essence lies not in knowledge but in action. Its verification is not in logic but in results.
—Liu Baozhu, Production Department

Management is a kind of practice, and its essence lies not in knowledge but in action. Its verification is not in logic but in results.
—Liu Baozhu, Production Department

Learners, inherit the future.
—Wu Langyang, Production Department

Change is the best law of adaptation.
—Qing Xi, Husbandry Company

I listen and I forget, I see and I remember, I do and I understand.
—Li Kai, Production Department

Listen to both sides and you will be enlightened; heed only one side and you will be benighted.
—Sun Qing, Husbandry Company

Selected Management Quotations from Outstanding Students

Feihe online learning platform - Shining Star Feihe Academy

In 2022, Feihe launched the online learning platform Shining Star Feihe Academy. It aims to help accumulate and inherit knowledge, motivate employees to learn with light interaction, and lay the groundwork for an organization whose members are willing to learn. During the reporting period, more than 5,000 Feihe employees learned online in Shining Star Feihe Academy.

Course composition

- Over 1,700 courses provided by outsiders on leadership, professional skills and general skills
- More than 1,400 in-house courses on internal expertise, revised external knowledge, industry report, etc.
- Regularly offers open classes for all employees at all system levels according to targeted learning plans and recommendations of employees to meet the learning needs of employees

Platform functions

- Regularly carries out learning atmosphere fostering activities, including World Book Day activities, Teachers' Day activities, etc.
- Offers sharing, livestreaming, points rewarding and other functions to create popular interaction functions
- Uses the functions of signing in for training and exam evaluation to keep track of employees' learning and strengthen training management



Interface of Shining Star Feihe Academy, Feihe's online learning platform

Employee Engagement

At Feihe, we prioritize listening to our employees, actively building communication channels for employees' communication and feedback, and enhancing employees' cohesion and sense of belonging. In 2022, we established a dedicated communication platform for our employees, including a column called "Employees Say" and a public feedback mailbox to facilitate internal communication. During the reporting period, we collected more than 10 feedback emails from employees, and all of them were resolved in a timely manner, ensuring that our employees received satisfactory responses to their concerns.

In 2022, we held two group-wide staff representative meetings. At these meetings, our managers presented the Company's strategy, and heads of business units and departments provided special motion reports. Participants engaged in group discussions related to strategy implementation and thematic proposals, offering valuable opinions and suggestions. Employees participated deeply in the Company's business management. The proposals were finally implemented after they are circulated among all employees.

Occupational Health and Safety



Feihe places the utmost importance on the health and safety of our employees, making it a top priority in all of our operations. We follow national laws and regulations such as the *Workplace Safety Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, the *Fire Protection Law of the People's Republic of China*, and the *Regulations on Safety Supervision of Special Equipment* and other relevant national laws and regulations, and annually update EHS-related internal rules and regulations. In 2022, we updated management measures such as *Fire Protection System Control Management and Emergency Procedures*, *Environmental Protection, Health and Safety Incident/Accident Reporting and Investigation Procedures*, and invested RMB 6,300,300 in workplace safety to continuously improve the workplace safety management responsibility system. In addition, we continue to promote the certification of our workplace safety system. During the reporting period, five of our eight factories obtained ISO 45001 occupational health and safety certification.

In 2022, there was one workplace accident and we lost 64 days or 1,536 hours due to work-related injury, with an hours-lost rate per million of 0.13%. There were zero work-related fatalities. At the same time, we ensured that 100% of our employees exposed to occupational hazards underwent occupational health checks. There were no new employees suffering from occupational diseases.

Occupational health checks cover employees exposed to occupational hazards

100%

Factories obtained ISO 45001 occupational health and safety certification

5

Table Occupational Health at Feihe²²

Indicator	Unit	2020	2021	2022
Number of work-related fatalities	Person	0	0	0
Rate of work-related fatalities	%	0	0	0
Number of working days lost due to work-related injury	Day	170	646	64

In addition, in order to create a safety culture and raise employees' awareness of workplace safety, we conduct a variety of safety training and promotion activities, offering a total of 156 hours of training per employee, with 100% coverage. All employees (with the management team as the core) have signed an annual safety responsibility letter. Through monthly behavior observation and safety sharing activities, we proactively identify and rectify violations and safety hazards, cultivating a culture of safety within our factory.

Feihe's Safety Culture Activities²³

Activity	Times	Participants
Safety Month Activities - Comply with the Workplace Safety Law, Be the First Responsible Person	8	1,997
Occupational Health Week - All for the Health of Workers	8	1,358
Environment Protection Day - Building a Clean and Beautiful World Together	6	703
Fire Control Day - Guarantee Fire Safety to Ensure High-quality Development	8	1,280
Emergency Drill - Mechanical Injury, Vehicle Injury, Chemical Burn, Chemical Leak, Ammonia Leak, Fall from Height, Limited Space Rescue, Electric Shock Injury, Fire Emergency, Emergency Evacuation	172	3,106

Training per employee

156 hours

Coverage

100%



Safety Month Activities



Safety Month Activities



Safety Month Activities



Occupational Health Week Activities



Occupational Health Week Activities



Occupational Health Week Activities



Environmental Protection Day Activities



Fire Control Day Activities



²² Occupational health-related data does not include data on Feihe employees in overseas and HongKong regions.

²³ Data relating to safety training and activities does not include data for overseas and HongKong employees of Feihe.

Dual Prevention Mechanism

Based on the ISO Plan-Do-Check-Act (PDCA) method and the requirements of national laws and regulations on occupational health and safety, Feihe has established a dual prevention mechanism consisting of risk grading and control, as well as hidden danger investigation and management, unified risk identification forms and scoring standards, refined and updated the risk identification list, and conducted different levels of risk control according to the assessment results.

In 2022, we developed a comprehensive risk identification

process and methodology for each of our factories under the coordination of the Production Department. We identified key risks, formulated corresponding rectification plans, and implemented necessary rectification actions. In the EHS system workshop, we conducted risk alignment and unification for the main departments of our factories, including the production department, the technical engineering department, laboratory and storage and transportation department. The output of this exercise served as a reference for each factory to improve their respective risk control lists.

Workplace Safety Management

In accordance with national laws and regulations and industry standards, Feihe has established the *Responsibility System for Prevention and Control of Occupational Hazards*, the *Feihe Dairy Safe and Civilized Construction Management Measures*, and other internal management standards. We implemented a one-vote veto system for major casualties to ensure workplace safety and compliance. We also carried out pre-employment training for each production work category and strictly require operators of special equipment to be licensed before starting work. For high-risk operations, we conducted risk prediction and verification of on-site operation standardization in advance, and implemented a permit system for special

operations to minimize the risk of production operations.

In terms of risk control, we use graphene insulation boards with a Class A fire control rating for the external walls of our cafeteria, thereby eliminating fire hazards. In terms of safety inspection, we conduct a daily safety inspection, quarterly special inspection and a comprehensive safety risk inspection before festivals. We inspect personnel protective equipment usage, fire safety, temporary electricity safety, and other relevant safety factors. We require prompt rectification of all identified risks within three days.



Caring for Employees

Feihe attaches great importance to employees' sense of belonging and happiness, and carries out various employee care activities to protect the physical and mental health of all employees.

Caring for Employees

We are committed to creating employee care activities with Feihe characteristics. We made every effort to protect the material needs of our employees during the COVID-19 pandemic and provided them with special care on holidays. We hold a variety of recreational activities to offer humanistic care and deliver Feihe's warmth with love.

We established the Love Foundation in 2003 to support the families of employees experiencing financial difficulties. We organized heart-warming activities to provide assistance to families of front-line employees at the grassroots level who face special hardship, such as those with a per capita income below the local minimum remuneration level, immediate family members suffering from serious illnesses, or those affected by major disasters. During the reporting period, we provided assistance to 131 families of employees facing hardship. As of December 31, 2022, the Love Foundation has granted nearly RMB six million in allowances, of which nearly RMB 1.5 million was granted during heart-warming activities.

Based on the characteristics of the maternal and infant industry, we carried out special employee care activities on Women's Day, Mother's Day, Father's Day and Valentine's Day to show appreciation for the hard work and dedication of our confident and shining women and hardworking "Feihe mothers and fathers".

Provided assistance families
of employees facing hardship

131

The Love Foundation
has granted nearly RMB

6 million
in allowances



Characteristic employee care activities on holidays

In addition, during the COVID-19 pandemic period, Feihe provided necessities for employees and condolence subsidies, with a total of more than 2,300 condolence visits and a distribution of subsidy and necessity packages worth more than RMB 1 million.

Condolence visits more than

2,300

Necessity packages worth more than RMB

1 million



Purchase Anti-pandemic Necessities



Feihe also holds a variety of cultural and sports activities, such as badminton tournaments, yoga classes, "Feihe Cup" fat burning competition, etc., to enrich the cultural life of employees, to protect the physical and mental health of employees, and to inject new vitality into the Company.



Various Cultural and Sports Activities



Developing Corporate Culture

Feihe attaches importance to the cultural development and inheritance of the team. We build a new culture system with a core focus on "putting consumers first, actions before words, and achieving win-win outcomes and excellence", creating a healthy and dynamic corporate culture atmosphere in the new era.



Feihe's 60th Anniversary Cultural Behavior Discussion

In 2022, Feihe held a 60th Anniversary Cultural Behavior Discussion activity. The aim is to optimize the content description of the cultural behavior guide system, accelerate Feihe's strategic culture-focused behavior transformation, and improve organizational capabilities. In the activity, employees shared examples of positive and negative behaviors that match Feihe's values in their actual work. They jointly completed the compilation of the *Feihe Culture Manual*, which provides an in-depth interpretation and refinement description of Feihe's values, aligning Feihe's values and employees' work behaviors in knowledge and practice.



Feihe's 60th Anniversary Cultural Behavior Discussion Activity and Results



"Me and My Feihe" 60th Anniversary Theme Essay Contest

In 2022, Feihe held an essay contest for all employees, aiming to review its development history and convey the spirit of Feihe. The essay contest was carried out through multiple channels, and employees from all systems were mobilized to submit essays. A total of 1,087 essays were submitted, exceeding the target by 264%, and finally 30 outstanding essays were selected. We compiled a beautiful booklet of nearly 50,000 words, *Moments over the Past Six Decades*, as a special tribute to Feihe's 60 years of development. It serves as the epitome of countless hard workers at Feihe.

Essays were submitted a total of Exceeding the target by

1,087

264%



Moments over the Past Six Decades Commemorative Essay Collection

4. ENVIRONMENTALLY FRIENDLY AND DEDICATED TO THE ECOLOGICAL CYCLE

- ① Key Environmental Performance
- ② Implementing Carbon Peaking and Neutrality Actions
- ③ Improving Environment Protection System
- ④ Fulfilling the in Green Production
- ⑤ Practicing Green Construction
- ⑥ Advocating Green Office

Climate change is a significant global challenge that mankind is facing today. Feihe upholds the concept of green development, contributes to the national dual carbon goals, and follows energy transition trends. We comprehensively plan the low-carbon development path, continuously strive to reduce the negative impact of our production and operation processes, endeavor to generate environmental benefits throughout our value chain, and practice corporate environmental responsibility in an all-around and multi-dimensional way.



Key Environmental Performance



Feihe's Key Environmental Performance in 2022

Indicator	Unit	2020	2021	2022
Waste gas	Total exhaust emissions	m³	1,711,320,300	1,127,569,862.05
	SO₂ emissions	Tonne	26.22	59.78
	NOₓ emissions	Tonne	144.69	101.85
	PM emissions	Tonne	18.17	15.98
	Smoke emissions	Tonne	5.28	16.19
Waste water	Total domestic and industrial waste water discharge	10,000 tonnes	191.26	267.49
	COD emissions	Tonne	148.08	100.60
	BOD emissions	Tonne	27.00	25.22
	Ammonia nitrogen emissions	Tonne	10.47	17.84
Green-house gas(GHG) emissions	Total	10,000 tonnes	15.55	56.92
	Scope 1	10,000 tonnes	8.52	46.41
	Scope 2	10,000 tonnes	7.13	10.51
	Greenhouse gas (GHG) emissions per unit	Tonne/RMB ten thousand	0.084	0.25
				0.087
Hazardous waste	Abandoned laboratory flasks	Tonne	9.45	11.85
	Liquid discharge	Tonne	11.72	13.77
	Waste engine oil	Tonne	1.33	2.30
Hazardous waste total and density	Total	Tonne	22.50	27.92
	Density	Tonne/RMB ten thousand	0.0000121	0.0000123
Domestic solid waste	Office wastepaper	Tonne	0.73	22.77
	Kitchen waste	Tonne	65.91	32.18
	Other	Tonne	763.68	629.59
Total industrial solid waste	Ash	Tonne	430.142	377.63
	Slag	Tonne	8,554.61	5,154.06
	Sludge	Tonne	3.01	6.20

	Indicator	Unit	2020	2021	2022
General solid waste total and density	Total	Tonne	9,871.34	6,222.43	2,438.49
	Density	Tonne/RMB ten thousand	0.0053	0.0027	0.0012
	Electricity	10,000 kWh	8,791.88	9,496.59	6,883.22
	Coal	Tonne	32,897.17	20,345.03	3,991.22
	Diesel	Liters	91,109.89	59,656.50	48,467.47
	Natural gas	10,000 standard m³	3,884.03	4,809.75	5,065.68
	Steam	Tonne	541,714.26	787,070.69	737,467.56
Energy consumption	Total comprehensive energy consumption	10,000 tonnes of standard coal	15.59	17.69	17.16
	Comprehensive energy consumption per unit	Tonne standard coal/RMB ten thousand	0.084	0.078	0.081
Water consumption	Total office and industrial water consumption	10,000 tonnes	188.19	325.70	326.32
	Water consumption per unit	Tonne/RMB ten thousand	1.012	1.430	1.531
	Reduction of COD emissions	Tonne	1,998.40	1,144.61	83.57
Packaging material consumption	Paper, cardboard	Tonne	20,208	18,924	18,065.16
	Iron	Tonne	29,550	22,549	37,526.02
	Plastic	Tonne	7,884	7,152	9,844.82
	Total	Tonne	57,696	48,626	65,436.01

Notes:

1. Data collected was based on domestic businesses in the People's Republic of China.
2. After adjustment, we traced and updated some of the data for 2021.
3. Comprehensive energy consumption calculations are based on the *General Principles for Calculation of Total Production Energy Consumption GB/T2589-2008*, which refers to the usage of fuel oil, diesel, natural gas, electricity, steam, coal and water.

4. GHG emissions are calculated according to the *Guidelines for Greenhouse Gas Emission Accounting and Reporting for Food, Tobacco, Wine, Beverages and Refined Teas Enterprises (For Trial Implementation)* issued by the National Development and Reform Commission. Scope I emissions include emissions from fossil fuel combustion and Scope II emissions include those attributable to externally purchased electricity and thermal power.

5. Notes on the statistical method:

In 2022, the environmental data disclosed by Feihe came from seven factories, namely, Heilongjiang Feihe Dairy Products Co.Ltd, Gannan Factory, Longjiang Factory, Jilin Factory, Baiquan Factory, Tailai Factory and Shanxi Factory.

6. Calculation method:

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 Environment Protection of the PRC.

The formula for calculation of SO₂ emissions: $PSO_2 = Q \times \eta \times 0.85 \times 2 \times 10$.

The formula for calculation of NOₓ emissions: $PNO_x = Q \times \mu$.

Where: PSO_2 is sulphur dioxide emissions (kg); Q is fuel consumption (tonne); η is sulphur content of fuel (%). PNO_x is NOₓ emissions (kg); Q is fuel consumption (tonne); μ is pollutant discharge coefficient.

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

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

Implementing Carbon Peaking and Neutrality Actions



Feihe has fully implemented the guiding ideology that "lucid waters and lush mountains are invaluable assets" and is proactively responding to the national commitment to peaking carbon dioxide emissions before 2030 and achieving carbon neutrality before 2060. Feihe assumes the responsibility of leading the decarbonization transformation of China's dairy industry. We actively conduct climate change risk identification and response, and continuously carry out carbon reduction practices throughout the industrial chain.

Climate Risk Identification

Feihe has identified the risks posed by climate change to the enterprise, including both transformation and physical risks, and has taken response actions accordingly. To further strengthen its climate risk management capabilities, Feihe will continue to assess relevant risks and develop response plans based on the initial identification.

Risk Category	Risk	Risk Description	Response
Transition risk	Policy risk	<ul style="list-style-type: none"> The future national energy mix will shift to non-fossil energy sources, and energy use will shift to low-emission sources. The risks and financial impact associated with policy changes depend on the nature and timing of the policy changes. As climate change becomes increasingly urgent, regulators are placing greater emphasis on accurate environmental data disclosure by companies, especially with the implementation of carbon trading and environmental taxes. 	<ul style="list-style-type: none"> Adopt energy-efficient solutions, encourage implementation of more water-efficient measures, and promote sustainable land and pasture management practices. Publicly disclose historical data on energy consumption and carbon emissions with high quality each year in accordance with the rules and reporting guidelines of the regulator.
	Market risk	<ul style="list-style-type: none"> As a result of factors such as government publicity and advocacy, carbon neutrality commitments and energy planning, there has been a rise in awareness among residents, industrial customers and investors on the energy demand side regarding the use of clean energy. Consequently, there has been a shift toward considering green and environment-friendly options more in consumption/purchase. 	<ul style="list-style-type: none"> Adopt a diversified product strategy, offer more products with the "natural", "organic" and "locally produced" labels, and actively provide environmentally friendly products that resonate with our consumers; Develop a strategic sourcing plan and reduce raw material procurement costs and risks.
	Technology risk	<ul style="list-style-type: none"> Governments generally encourage technological improvements or innovations that help in transitioning to a low-carbon, energy-efficient economic system, and these developments can significantly impact organizations. 	<ul style="list-style-type: none"> Actively apply emerging technologies, such as renewable energy, and increase energy efficiency.
Physical risk	Acute physical risk	<ul style="list-style-type: none"> The intensification of extreme weather events such as typhoons, hurricanes, floods, heavy rainfall and extremely hot weather may damage factory discharge facilities, threaten the safety of the water environment, and affect the stability of production and operation. 	<ul style="list-style-type: none"> Set up an emergency management organization and prepare an emergency plan for climate change; Prepare a list of emergency supplies for flood and typhoon control, and emergency supplies such as generators and submersible pumps. Interconnect with the city management information platform to greatly improve the timeliness of information acquisition, predict extreme precipitation events in advance and conduct reasonable management, risk avoidance and transfer of milk sources.
	Chronic physical risk	<ul style="list-style-type: none"> Persistent high temperatures and water shortages can increase the risk of heat stroke for employees and affect factory productivity. 	<ul style="list-style-type: none"> Develop emergency plans for high temperatures, prepare heatstroke prevention equipment, and strengthen employee training in heat awareness. Supply sufficient water to cows, ensure the provision of high-quality feed, and use more cowshed and shade structures.

Greenhouse Gas Emissions Management

As a leader in the dairy industry, Feihe is actively engaged in global initiatives to address climate change and is committed to creating long-term stable, corporate value while promoting harmonious development of the environment and society. We take multiple measures to reduce greenhouse gas emissions in our business operations. We invest significant resources in renewable energy, energy-saving technology and other emission reduction areas to improve production efficiency, optimize energy structure and effectively reduce greenhouse gas emissions.

- Organized carbon inventory training: Feihe organized EHS system personnel to attend the training related to carbon inventory organized by a third party and obtained the internal auditor certificate (ISO 14064-2018).
- Carried out carbon inventory: Feihe carried out annual carbon inventory, collected carbon inventory statistics, counted and calculated emissions, and delivered greenhouse gas emission reports for each factory to implement the energy management system.
- Stepped up clean energy construction: Longjiang and Kedong factories have completed the installation of photovoltaic projects; Gannan and Tailai factories have completed the site survey of photovoltaic projects; Kedong factory has introduced biogas from fermented cow dung and straw as fuel, with the volume totaling 1.67 million cubic meters.



Improving Environment Protection System



Feihe continues to improve the environmental system. We strictly comply with the *Law of the People's Republic of China on Environment Protection* and the *Law of the People's Republic of China on Environmental Impact Assessment* and other laws and regulations. Based on the national laws, we have formulated various general management systems related to the environment, including the *Procedures for Reporting and Investigation of Environment Protection, Health and Safety Accidents*, the *Control Procedures for the Identification and Evaluation of Environmental Factors*, the *Control Procedures for the Operation of Environmental Management*, the *Environmental and Occupational Health and Safety Management System Manual*, *Hazardous Waste Management System*, and *Exhaust Emission Management Procedures Document*.

Based on the environmental system, Feihe has established a systematic factory environment management system through the implementation of the ISO 14001 system, which incorporates EHS management structure and risk identification management into daily control. In 2022, Feihe was committed to establishing sustainable green factory and reducing the impact on the environment in the production stage.

2022 Feihe's Application for Green Factory Certification

National Green Factory Certification	Tailai Factory
Provincial Green Factory Certification	Jilin Factory Kedong Factory, Gannan Factory, Longjiang Factory and Baiquan Factory (materials submitted, application not yet approved)

Feihe headquarters and factories implemented regulations for the management of water, electricity and natural gas consumption in production, service, office, and living areas. At the same time, we established and improved assessment mechanisms to evaluate departments that use excessive amounts of water and electricity. The aim is to eliminate wasteful consumption of various energy sources such as electricity, water, oil, and to prevent running, overflowing, dripping, and leakage.

We work closely with local ecology and environment bureaus to implement environmental protection supervision and management in all of our projects, ensuring that the construction and operation processes are legal and compliant. We conduct environmental impact assessments and strictly implement measures for sand control and soil conservation during construction and operation. Our ecological restoration and improvement

work was completed in full with high quality, and we have passed the environment protection acceptance. In 2022, Feihe's investment in environmental protection totaled RMB 6.3819 million, and we received no punishment due to environmental compliance violations.

In the future, Feihe will reasonably set medium and long-term environmental targets that are tailored to the Company's specific conditions. These targets will include emission, energy, and water consumption targets, and will be achieved through the implementation of appropriate emission and consumption reduction initiatives. We will also continue to promote the implementation of environmental targets, regularly review the achievement of each target, and dynamically adjust and optimize the set targets and emission reduction measures according to the actual situation.

Emission Targets	Energy Targets	Water Consumption Targets
<ul style="list-style-type: none"> Strengthen carbon emission monitoring in production and daily operations, actively carry out energy saving and emission reduction actions, reduce greenhouse gas emissions and lower total carbon emissions Standardize emission management processes and standards, innovate green production processes and dispose of emissions properly Increase the recycling of packaging materials, reduce per unit disposal of both hazardous and non-hazardous waste generated in the manufacturing process and constantly improve the level of waste management 	<ul style="list-style-type: none"> Optimize production and R&D facilities to improve productivity Build an energy-efficient clean energy system and comprehensively promote the application of new energy sources such as photovoltaic power 	<ul style="list-style-type: none"> Actively implement water conservation measures and apply advanced technologies to increase the comprehensive utilization rate of water resources Strengthen water conservation publicity and advocacy, and raise employees' awareness of water conservation



Fulfilling the in Green Production



Feihe upholds the concept of green production, optimizes risk control in the production process, and is committed to establishing a sustainable green factory. We strictly implement the three wastes management system and vigorously promote the fine management of water and energy to improve the efficiency of resource utilization and minimize the impact of production and operation on the environment.

Energy Conservation and Consumption Reduction

Feihe strictly abides by the *Law of the People's Republic of China on Energy Conservation* and other laws and regulations, constantly increases the efficiency of resource utilization and explores energy conservation and emission reduction technologies. To increase the efficiency of energy use, we take active steps to phase out outdated equipment and processes with high energy consumption and emissions, and introduce and promote the application of new equipment, new technologies, new processes and new materials for energy conservation and environment protection.

Energy Conservation and Consumption Reduction Actions by Feihe Factories in 2022

Kedong Factory	Gannan Factory
<ul style="list-style-type: none"> Boiler heat recovery A3 Project Deaerator heat recovery A3 Project Air compressor energy consumption reduction project 	<ul style="list-style-type: none"> Electricity consumption rush-hour energy conservation Boiler cleaning for natural gas conservation Waste heat recovery Transformer capacity reduction technology reform

Saving a total of

2,393,400 kw·h

Reducing equivalent emissions

3,133.97 tonnes of CO₂

The Company has implemented a systematic approach to resource management, establishing specialized statistical ledger to track electricity, natural gas, gasoline, and other resource usages, while monitoring and regularly reviewing energy consumption across all aspects of operations. To reduce carbon emissions in the production process, a total of 61 dedicated groups were set up in Feihe factories in 2022, saving a total of 2,393,400 kWh and reducing 3,133.97 tonnes of CO₂ equivalent emissions. Among them, 169.7 tonnes of steam were saved through the CIP skill reduction group at the Baiquan Factory, and the natural gas reduction group and CO₂ reduction group were established at the Tailai Factory, with annual savings of 29,131 cubic meters of natural gas and 128.19 tonnes of CO₂.

Longjiang Factory energy conservation and emission reduction action

In 2022, Feihe Longjiang Factory carried out a workshop condensate water recovery and renovation project. Condensate water collection tanks were installed in the factory, so that the condensate water was pumped into the water purification unit to warm up the softened water. This not only reduced energy consumption but also increased the amount of pure water produced from 22 tonnes/hour to 30 tonnes/hour.

Pure water produced
22 tonnes/hour Increased
30 tonnes/hour



Longjiang Factory condensate water recovery and renovation project

Water Resources Management

Feihe strictly abides by the *Water Law of the People's Republic of China* and constantly strengthens water conservation management throughout the entire process of water source, extraction and utilization in production units. In its daily work, Feihe actively takes measures such as multiple uses, water recycling and processes adjustment to continuously reduce the unit consumption of water and improve the overall efficiency of water resources utilization. At the same time, each factory is equipped with an independent sewage treatment factory and is connected to the city sewage pipeline. The sewage is discharged to the city sewage treatment factory after treatment to avoid the negative impact of sewage on the environment.

In 2022, Feihe factories actively carried out water conservation measures and achieved fruitful results, with a total water conservation of about 98,000 tonnes in each factory.

Highlights in Water Conservation Measures of Feihe's Factories

- Carried out water treatment and pure water preparation capacity improvement project to reduce fresh water usage, saving about 7.88 tonnes of water in 2022
- Carried out fire control water test time reduction project, with test time reduced from 40 minutes to 10 minutes, saving about 1.2 tonnes of water in 2022
- Carried out the project of reducing water consumption in production to reduce the frequency of cleaning and water consumption, saving about 3.15 tonnes of water in 2022
- Carried out the project of using evaporator condensate water for milk cart pre-cleaning to save water for milk cart cleaning, saving about 1.48 tonnes of water in 2022
- Carried out deuterium oxide reuse projects, including cleaning, cool water tower, boiler tank deuterium oxide reuse, etc., saving about 0.24 tonnes of water in 2022

Jilin Factory

- Set up a water treatment water production rate improvement team to increase water production per hour from 28 tonnes to 33 tonnes, saving about 90 kWh of electricity per day after improvement
- Formed the evaporator start-up and shutdown standardization group to reduce the evaporator start-up time from 67 minutes to 40 minutes and save water, electricity and other related energy consumption, saving about 77 kWh of electricity per day after improvement

Kedong Factory

- Established CIP (Cleaning In Place) energy conservation and emission reduction team to reduce full cleaning before production to reduce consumption, saving 83,020 kWh of electricity, 1,155 tonnes of water, 78,399.99 cubic meters of natural gas and 11.375 tonnes of acid and alkali in 2022

Baiquan Factory

- Carried out a centralized condensate water recovery project in peripheral scattered areas, saving 815 tonnes of steam in a heating season

Gannan Factory

- Carried out water recycling project for the top water before mixing, saving 8,760 tonnes of water per year

Longjiang Factory

Emissions Management

Feihe has integrated its green development into all stages of production and operation. We have standardized our emission management processes, set out standards and innovated our green production processes. In our commitment to pollution prevention and control, we strictly monitor and control the production and discharge of wastewater, exhaust, waste in the production process, so as to properly dispose of all emissions.

Wastewater Discharge

Feihe strictly abides by the *Law of the People's Republic of China on the Prevention and Control of Water Pollution* and the *Law of the People's Republic of China on Environmental Impact Assessment*. We conduct professional treatment and comprehensive utilization of production wastewater and domestic sewage in strict accordance with relevant national laws and regulations and local environmental protection regulations, including the *Law of the People's Republic of China on Environmental Impact Assessment* and the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*.

We have installed advanced sewage treatment equipment to reduce the impact of water pollution on the environment, improve water quality, and the surrounding environment for enterprises, cities, rural areas, etc. We also use online sewage monitoring equipment to obtain real-time and accurate data on water quality, provide a favorable scientific basis to strengthen the management of the water environment, control the sources of pollution and conduct scientific environment planning, thereby effectively controlling water pollution and protecting the entire water environment. In 2022, Feihe's COD emission reduction reached 83.57 tonnes.



COD emission reduction reached

83.57 tonnes

Waste Discharge

Feihe strictly complies with the *Law of the People's Republic of China on Environmental Prevention and Control of Solid Waste Pollution* and the *Law of the People's Republic of China on Environmental Impact Assessment*, and follows the prevention and control principles of reduction, recycling and harmlessness. We take effective measures to manage various types of waste in a compliant way. During the construction and operation phases, we minimize the generation and discharge of waste and strive to reduce the negative impact on the environment to the maximum extent possible.

In 2022, Feihe issued the *Solid Waste Discharge Procedure Document*. Regarding measures on the management of hazardous waste, each branch has formulated corresponding procedure documents to implement the hazardous waste management process, and re-identified hazardous waste and updated the hazardous waste control list in accordance with the *National Hazardous Waste List (2021)*.

Feihe's specific solid waste treatment measures

- It strictly prohibits the direct dumping of hazardous chemical waste into the sewer. Each department is required to store hazardous waste in designated barrels or bins.
- The EHS department conducts monthly on-site inspections of the ledger with the custodian of the hazardous waste depot of the storage and supply department to update the company-level hazardous waste list. When the storage of hazardous waste reaches 80% of the storage capacity of the depot, the depot custodian submits the *Hazardous Waste Transfer Plan Form* to the EHS department and applies for hazardous waste transfer treatment.
- The barrels/boxes are labeled with hazardous waste recycling labels. When the waste reaches a certain capacity, the hazardous waste storehouse custodian of the storage and transportation supply department will sort and place the hazardous waste according to the labels, fill in the *Hazardous Waste Entry and Exit Ledger* and then transport them to the hazardous waste recycling station for recycling and storage.
- The EHS department will entrust a qualified third-party company to transport and dispose of the hazardous waste after the local environment protection bureau handles the hazardous waste disposal forms, and the solid waste will be treated harmlessly on a regular basis.

We manage the whole process of general solid waste generated in the factory according to the Company's procedure document. We ensure that the waste is sorted into recyclable and non-recyclable categories, aiming to improve the waste recycling rate. We actively promote the concept of waste sorting and disposal to all employees and place waste collection bins in public areas to encourage waste sorting.

Feihe waste disposal measures

- Domestic waste: It was piled up in the garbage bin on site, and was cleared out of the site by the local municipal sanitation vehicle at a fixed time every week.
- Construction waste: The construction unit classified and piled the construction wastes in a unified way, and the on-site construction personnel recycled and reused the waste materials after continuous selection. Those that cannot be used, such as gravel, were all used for back-filling the road in the factory area.
- Non-reusable waste: It was collected by the construction unit in a unified way and repurchased by the waste recycling station.



Gannan Galacto-oligosaccharides (GOS) packaging improvement and upgrade

In 2022, after communicating with the procurement department, Gannan Factory changed the packaging of GOS from 15 kg per barrel to 1 ton per barrel and made the packaging recyclable to reduce the waste of raw and packaging materials and improve the utilization rate of packaging materials.



Upgraded transportation method for barrels of oil

In 2022, Feihe reduced the waste caused by the transportation and use of barrels of oil by using tank trucks for transportation and storage tanks for storage. This increased transportation and storage efficiency while reducing the negative impact on the environment.



Oil tank truck transportation

Exhaust Management

Feihe strictly follows the laws and regulations such as the *Law of the People's Republic of China on Environment Protection*, the *Law of the People's Republic of China on Prevention and Control of Air Pollution*, the *Law of the People's Republic of China on Environmental Impact Assessment*, and regional atmospheric emission standards. The Company continues to uphold the concept of sustainable development and requires all factories to comply with the *Exhaust Emission Management Procedure Document* to ensure that exhaust emissions meet the standards. In addition, we actively explore new technologies for air pollution management, effectively identify and control each exhaust gas in the production process, and increase the level of air pollution management.

We formulate management systems such as *Environmental and Occupational Health and Safety Management System Manual*, *Environmental Management Operation Control System*, *Exhaust Emission Management System*, *Environmental Factor Identification and Evaluation Control System*, etc. We regularly carry out third-party exhaust emission testing and issue monitoring reports for daily exhaust emission compliance in each factory.

Practicing Green Construction



Feihe also formulated regulations related to environmental protection for engineering construction in addition to daily production. These regulations include specific management measures for noise control, reduction of vehicle emissions, dust management, and other environmental issues. Each factory is required to strictly implement these measures.

Noise Management

Feihe fully considers the impact of noise on the surrounding living environment. In terms of machinery selection, we select low-noise machinery or equip them with noise reduction devices to effectively reduce noise pollution at the source.

Feihe noise management measures

Machinery generating intense noise on the construction site must be sealed in sheds to reduce the spread of intense noise.

Produce strong noise finished products, semi-finished products processing, production and operation, also try to put in factories, workshops to complete, reduce the noise generated by the construction site processing production.

In densely populated areas, work hours are strictly controlled: night work does not occur later than 22:00, and morning work does not occur earlier than 06:00. If continuous operation or night operation is unavoidable under special circumstances, noise reduction measures must be taken as much as possible. Before construction, we warn nearby residents and send notices of construction to related departments and bureaus.

Vehicle Management

Feihe ensures that all construction vehicles comply with national inspection requirements and pass the 2022 exhaust tests to obtain certificates of conformity. Other than heavy vehicles, such as cranes and concrete tankers, we require the use of electric drives to reduce vehicle exhaust emissions. At the same time, We prioritize the maintenance of construction machinery and transportation vehicles, and strictly prohibit the use of overloaded diesel-fueled construction machinery to minimize emissions of exhaust and particulate matter.

Dust Management

We adopt hardening construction in all living areas, office areas, material storage areas and temporary construction roads on the construction sites to avoid dust generation. During the construction period, we cover exposed ground, earthwork, gravel and cement with dustproof nets and suppress them with water sprinkling carts on roads and construction areas from time to time throughout the day. We cover residue-laden trucks with screening to avoid scattering them on roads and wash cars at construction area exits to avoid bringing mud to the road and polluting the environment.

Advocating Green Office



Feihe has fully promoted the concept of a low-carbon office, and established the philosophy of environmental protection and conservation. We promote recycling and develop a simple and moderate, green and low-carbon lifestyle and office habits for employees.

Feihe's low-carbon office measures

Saving office electricity

Save office electricity and promote the use of energy-saving lamps as well as solar street lamps and solar water heaters.

Install multiple switches, to turn on lights only in sections where they are needed; Equipment, such as computers and printers, is turned off during lunch breaks and after work.

Set the central air conditioning to the temperature of 23 degrees in office space; use no air conditioning in winter.

Promote conservation to employees at morning meetings.

Advocate employee to turn off lights when leaving rooms.

Air conditioners are used less frequently and increase the equipment temperature if possible.

Place reminders for energy conservation.

Arrange personnel on duty in the office to check all electrical equipment every day after work and turn off them in time.

Advocating paperless office

01 Promote paperless office, save single-side-printed paper for printing on the other side, to reduce our consumption of paper.

02 Introduce an office automation system.

03 The office purchases duplex printers to save paper in the office.

04 For non-essential standard documents that need to be printed, the page and font size are set to improve the content capacity of the paper.

05 Advocate video conferencing: put into use video conference rooms in the company to reduce the number of trips.



Feihe green office duplex printing sign

In 2022, in order to enhance employees' awareness of environmental protection, Feihe held Environment Protection Day activities themed "Building a Clean and Beautiful World" with 703 participants. The activities mainly included thematic painting, environment protection food recording, factory cleaning, banners hanging, etc.

Participants

703



Environment Protection Day activities themed "Building a Clean and Beautiful World"



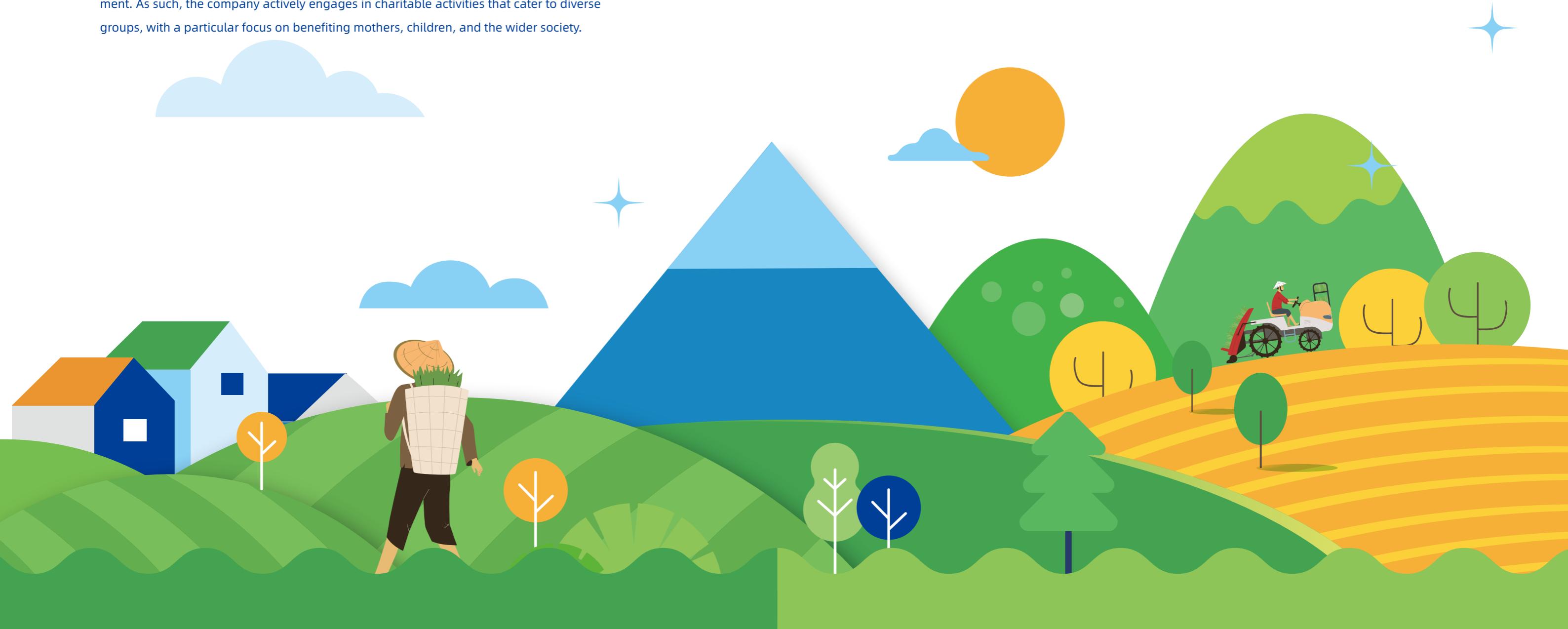
5. PROMOTING SHARED DEVELOPMENT AND PROSPERITY

① Enhancing Responsible Procurement

② Caring for Health of Mother and Baby

③ Building a Better Home

Feihe has extended its own sustainable development requirements to the upstream and downstream supply chains, conducts scientific and effective management and communication with suppliers and distributors, and actively promotes the construction of a responsible supply chain. At the same time, Feihe places significant emphasis on fulfilling its social responsibility as a prerequisite and basis for long-term corporate development. As such, the company actively engages in charitable activities that cater to diverse groups, with a particular focus on benefiting mothers, children, and the wider society.



Enhancing Responsible Procurement

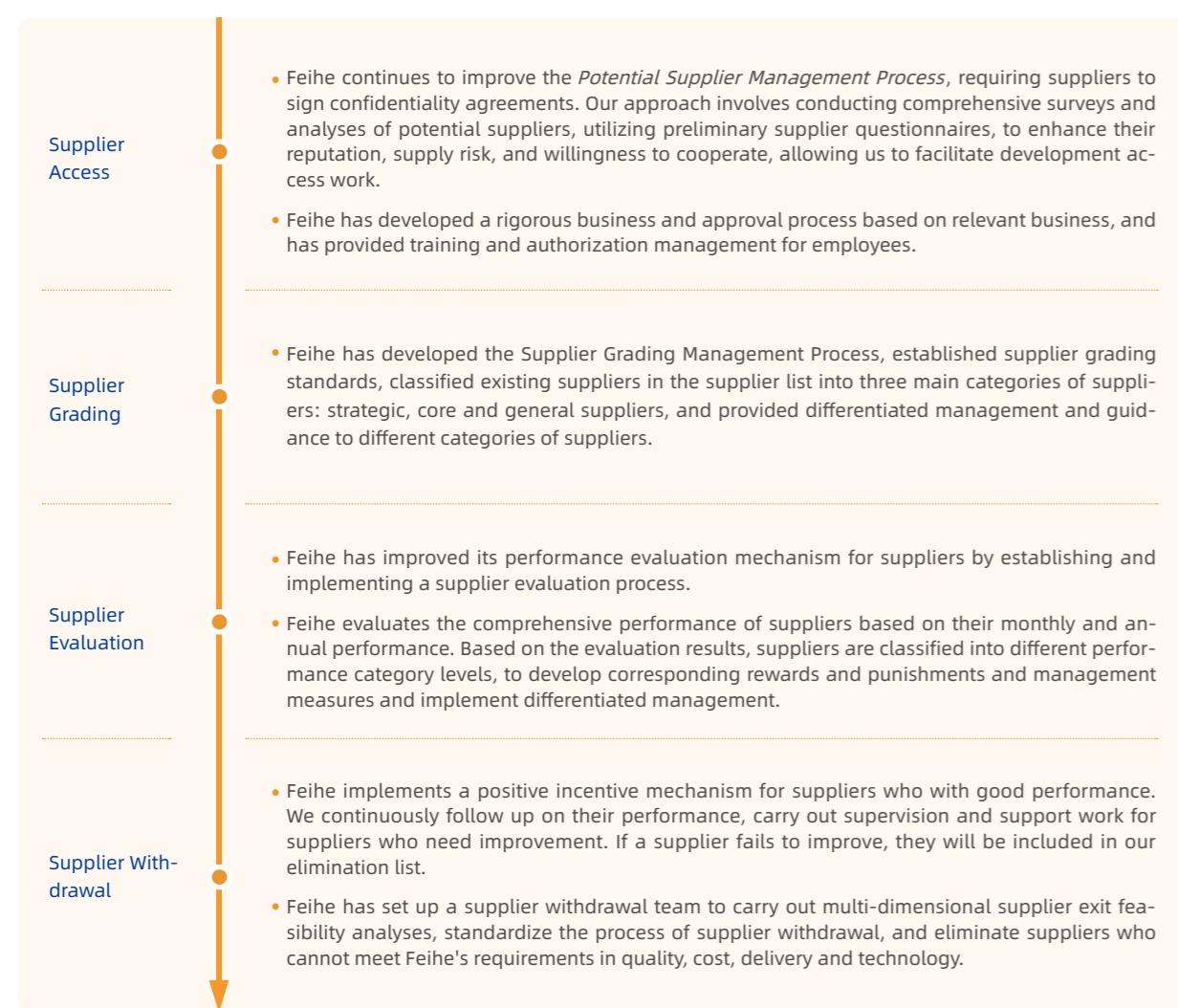


Feihe adheres to the principle of "open, fair and just" procurement and consistently enhances the supplier management system. To mitigate environmental and social risks in the supply chain, we assess the ESG risks of suppliers at all stages. At the same time, we proactively encourage suppliers to fulfill their social and environmental responsibilities by fostering procurement integrity and administering supplier empowerment training.

Supplier Management

Feihe has developed and implemented internal rules and regulations such as *Supplier Performance Evaluation and Improvement*, *Strategic Supplier Development and Management Process*, etc. These initiatives aim to implement graded and differentiated management of suppliers from supplier access, daily management, performance evaluation, and to establish a perfect quality management system for the whole life cycle of procurement and supply.

The Whole Process of Supplier Management



As of December 31, 2022

Total number of suppliers	Number of Chinese mainland suppliers	Number of overseas suppliers
211	138	73

Feihe continues to promote supplier system certification and prioritize suppliers who have obtained relevant certifications. At the same time, we require all partners to comply with regulations on environment protection, health and safety, labor rights and interests, and business ethics, and to sign a commitment letter with us on environment protection, business ethics, and other codes of conduct. Through the implementation of the code, we effectively communicate the requirements of Feihe's sustainable development to our upstream and downstream partners, establish a shared understanding of sustainability, promote the adoption of a unified code of conduct, and effectively promote the sustainable development of the entire supply chain.

The main topics in the *Supplier Code of Conduct*



Supplier Training

Feihe attaches importance to supplier communication and training. This includes exchanging industry information, analyzing market situations, interacting on innovation information, conducting project management training, and sharing professional technology knowledge. Our aim is to empower the company's development and establish a robust ecological chain. In 2022, we conducted more than 16 large-scale training exchanges for our suppliers. At the same time, we implemented improvement plans through factory-based guidance, on-site audits, and special improvement projects across various dimensions such as hardware and equipment, personnel management, implementation, and risk management of suppliers. In 2022, we have completed improvement work for 13 suppliers by carrying out supplier focus management to further ensure the continuous improvement of supply ecology and capability.

Conducted large-scale training exchanges for our suppliers more than

16

Completed improvement work for

13 suppliers



Supplier Risk Management

Feihe continues to coordinate and plan the global procurement layout. We adopt a diversified supply model, which involves working with key suppliers in multiple regions and factories, to ensure a diversified supplier base for key materials. In 2022, Feihe raw and auxiliary materials were sourced from more than 20 countries across five continents; key imported materials such as desalinated whey powder, skimmed powder, lactoferrin, lactose, etc., were sourced from the Netherlands, Germany, France, Finland, Ireland, the United States, Denmark, New Zealand and Australia. At the same time, we continuously adjust our supply model in response to changes in the dairy supply and demand market, as well as the international economic and political situation to disperse the protection risks.

Feihe conducts annual supplier risk identifications and assessments of environmental risks, labor health and safety risks, and ethical risks, and strengthens supplier risk control through strict requirements and on-site visits.

Feihe supplier risk control measures include the following



- Our procurement structure is composed of a development group, an order group, and a management group. The procurement department formulates a strict business and approval process, based on relevant business practices, and provides comprehensive training and conducts authorization management to employees;
- We require confidentiality agreements to be signed during the pre-development period of new suppliers and projects to protect our proprietary information, such as the Company's formula and technology;
- Our contracts are signed only after rigorous online inquiries, price comparisons, bidding, and negotiations to ensure that we are adhering to regulations and that the process is open and transparent;
- We include anti-corruption clauses in our contracts that require suppliers to comply with all relevant laws, regulations, codes of conduct, and standards. We also clearly list the channels and methods to report fraud in the contract.

Distributor Management

Feihe is committed to establishing a sustainable development platform, and strives to build a sustainable industry chain. We recognize the importance of cultivating strong partnerships with our distributors, and strive to achieve mutual benefits and win-win outcomes. In 2022, Feihe developed the *2022 Distributor Management System*, and adopted six assessment principles to evaluate the cooperation and daily management of distributors. These principles include business channels, business strength, business philosophy, self-governance, industry experience and willingness to cooperate. Feihe also increased the background investigation of the on-site distributors through the independent third-party institutions at the entry stage, allowing us to gain insights into the actual situation of distributors in all aspects.

To improve the service level and development capabilities of our distributor network, Feihe developed the *2022 Distributor Star Management Program*, and established the distributor rating system. The system evaluates and ranks distributors based on three indicators: quarterly sales, service and market health. The Company held business communication meetings with

distributors who are ranked low and conducted targeted counseling to help them improve their performance. In 2022, Feihe selected a total of 109 five-star distributors and recognized their outstanding achievements.

In our efforts to establish a sustainable industry chain, Feihe collaborated with distributors to create a sustainable development platform. To ensure effective distributor cooperation and daily management, we require comprehensive assessments of qualifications, including business qualifications, capital status, business channels, business philosophy, industry experience, and willingness to cooperate, to achieve mutual benefits and win-win outcomes. In 2022, Feihe conducted more than 1,000 business communication meetings with distributors. During the COVID-19 pandemic, we collaborated with distributors to visit markets and carry out integration activities to overcome challenges together.

As of December 31, 2022, we had a total of 2,715 partner distributors, including 1,270 regular distributors, 619 self-owned and regular distributors, and 826 self-owned store distributors.

Caring for Health of Mother and Baby



The database has breast milk samples included

2,115



Breast milk database

已发表文章	
文章标题	发布年份
Comprehensive Human Milk Patterns Ar...	2021年
Effect of an infant formula containing sn...	2022年

已发表文章副本	
文章标题	发布年份
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Comprehensive Human Milk Patterns Ar...	2021年
Effect of an infant formula containing sn...	2022年

As an advocate of breastfeeding, Feihe is committed to addressing the specific needs of mothers and babies. We have launched a variety of nutrition and parenting-related courses awareness-raising activities to support the health of mothers and babies, guarding the healthy growth of Chinese babies.

Table Feihe's courses related to mother and baby health

Feihe Product Knowledge

Explain that "breast milk is the best food for babies", and positively guide consumers to insist on breastfeeding their babies

Feihe Nutrition and Childcare

Introduce knowledge of the growth and development indicators of infants and toddlers from 0 to 36 months, key nutrition and feeding guidelines, and common breastfeeding problems



Feihe carried out mother and baby knowledge popularization livestreaming

In December 2022, Feihe teamed up with renowned experts to create a nationwide live event to guide pregnant mothers on how to choose and use medication after COVID-19 infection, and how to improve the immunity of babies during the COVID-19 pandemic, to protect the health of pregnant mothers and babies. The event was well received by mother users, with a total of 13,328 viewers.



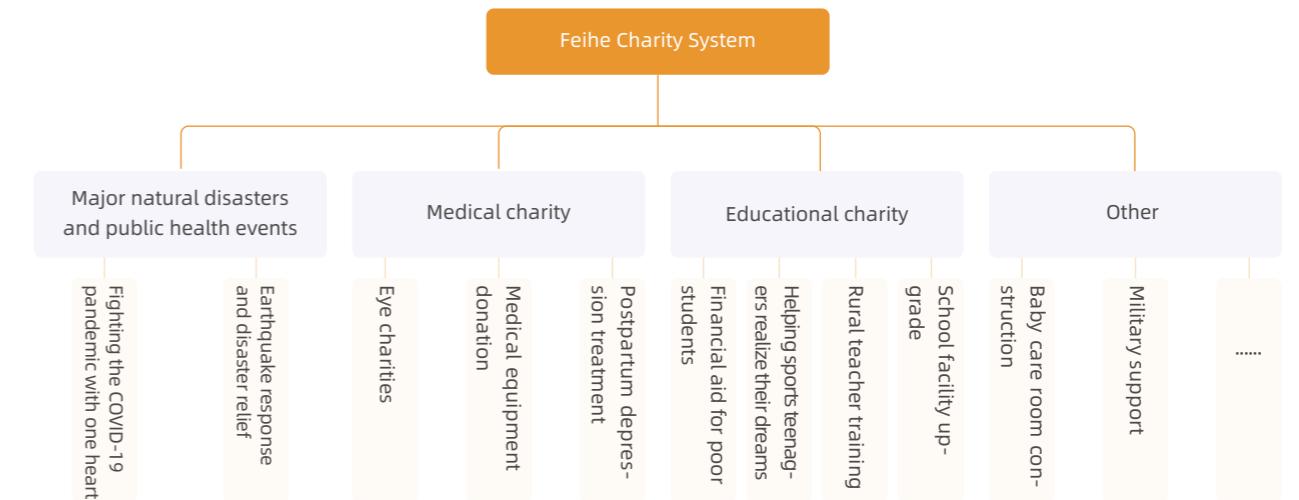
Feihe new customer development activities livestreaming nationwide



Building a Better Home



Feihe always upholds the corporate social responsibility concept of "trying our best to give back to society", while pursuing high-quality development. In recent years, Feihe has focused on major public health events, natural disasters, medical care, education, and other areas, and has carried out a series of multi-dimensional charitable activities. As of December 31, 2022, Feihe has donated a total of nearly RMB 600 million, with a donation of more than RMB 38 million in 2022.



Pandemic Response and Disaster Relief

Feihe has taken practical actions to fulfill its social responsibility. In the face of the new pandemic, the earthquake and other major public health events, as well as major natural disasters, Feihe has courageously shouldered its social responsibility and established a comprehensive emergency relief rapid response mechanism to assist affected areas. We have provided timely nutritional support to those affected and supported the resumption of work and production in the affected areas, reflecting our dedication to social responsibility as a Chinese company.



Feihe donated milk powder

In April 2022, due to the COVID-19 prevention and control, there was a shortage of infant formula and other mother and baby products in Shanghai. After understanding the situation, Feihe donated more than 400 cases of milk powder to Shanghai Children's Health Foundation, Shanghai Children's Medical Center and many other institutions at the first time, which ensured the food of nearly 1,000 babies.

Donated milk powder

400 cases



Feihe donated more than 400 cases of milk powder



Feihe assisted in COVID-19 prevention and control in Heilongjiang

In early winter of 2022, Feihe actively responded to the call of Heilongjiang Provincial Charity Federation, Qiqihar Municipal Charity Federation and other social organizations to fight the COVID-19 pandemic by purchasing emergency supplies worth more than RMB 200,000 as well as Feihe nutrition products in various places to support the COVID-19 infected areas. In addition, Feihe donated supplies to various social organizations in Heilongjiang, such as sending supplies and nutrition products to Qiqihar Medical College, donating COVID-19 prevention and control supplies worth RMB 600,000 to Shuangcheng District, Harbin City, and donating RMB 4 million to assist in the building of a nucleic acid testing laboratory in Bei'an, Heihe City.



Feihe donated COVID-19 prevention and control supplies



Earthquake relief in Luding County, Ganzi Prefecture, Sichuan Province

In September 2022, a 6.8-magnitude earthquake struck Luding County, Ganzi Prefecture, Sichuan Province. Feihe quickly launched an emergency relief plan and donated nutrition products worth 1 million yuan to the China Red Cross Foundation for earthquake relief.



Feihe rushed to aid disaster relief in Luding County

Medical Charity

Feihe actively carried out medical health poverty alleviation actions, including three projects, the "eye charities", medical equipment donations and postpartum depression treatment to promote the development of community-level medical and health care. Feihe's "Eye Charities" initiative has already provided over 20,000 charity medical consultations and nearly 2,300 surgeries. The program has been implemented in 14 regions across 10 provinces in China.

"Eye Charities" initiative has already provided charity medical consultations over

20,000

surgeries

2,300



"Eye Charities · Feihe Charity Activities" charity activity

In August 2022, Feihe joined hands with the Eye Charity Organizing Committee to carry out the Eye Charity-Feihe Charity Activities (Kedong Station) charity consultation activities. The event invited Professor Zhao Peiquan, Director of Ophthalmology of Xinhua Hospital affiliated to Shanghai Jiaotong University School of Medicine, as the leader, and famous ophthalmologists and professors from Shanghai and Peking University Alumni Association and philanthropists from all sectors. We conducted six-day charity consultations and surgery for cataract patients in Kedong County, and donated medical equipment worth RMB 5.38 million to the First People's Hospital of Kedong County.



Eye Charity-Feihe Charity Activities (Kedong Station)



Educational Charity

Feihe places great emphasis on talent development and fully supports the advancement of education. We are dedicated to providing underprivileged students with access to quality education. As of December 31, 2022, Feihe has carried out a series of public charity activities to support education and teaching, with a total donation of nearly RMB 100 million and assistance to more than 100 schools in 13 provinces and more than 30 regions.

Feihe carried out many educational charity activities

In March 2022, Feihe donated 758 cases of milk powder worth more than RMB 500,000 to Nangqian County, Yushu Prefecture, Qinghai Province to help students.



Donation in Nangqian County, Yushu Prefecture



In January 2022, Feihe and Qiqihar U12 ice hockey team signed a strategic cooperation agreement, providing sponsorship worth RMB 1.5 million to the Qiqihar U12 ice hockey team to build a top youth ice hockey team in China, with actions to support the cause of "Building a Country Strong in Sports".



Signing ceremony between Feihe and Qiqihar U12 ice hockey team

In July 2022, the Feihe Helping Longjiang Education Charity Action was officially launched in Harbin City, Heilongjiang Province. The initiative covered general high schools, junior high schools, elementary schools, preschools and special education schools in 13 cities and 125 counties in Heilongjiang Province, benefiting more than 280,000 full-time teachers and principals and more than 3.3 million students.



The launching ceremony of Feihe Helping Longjiang Education Charity Action

In November 2022, the inauguration ceremony of Feihe Love Book House was held in Guanzhuang Village, Qianshan City, Anhui Province, donating nutrition formula and other materials worth RMB 100,000 to the local community.



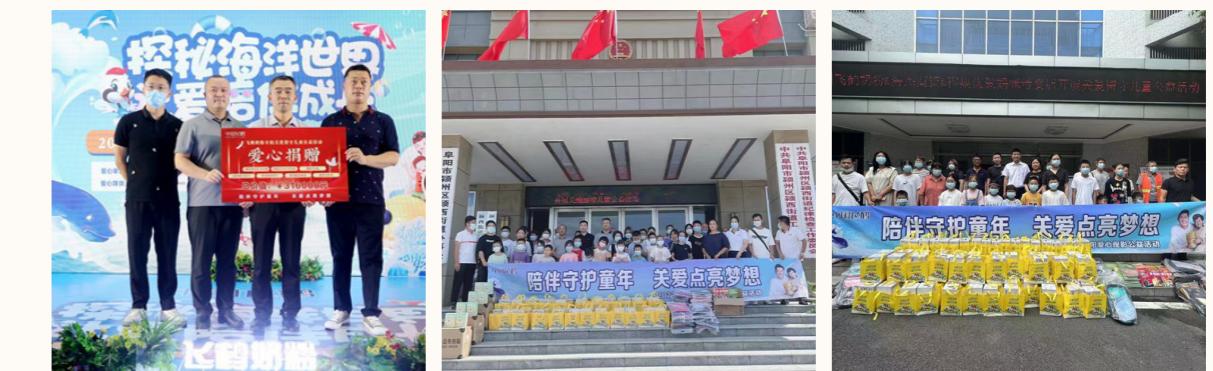
The inauguration ceremony of Feihe Love Book House

In May 2022, Feihe's "Warmth of the Sun, Great Love without Borders" 2022 annual education charity campaign was launched in Liuzhou City, Guangxi Zhuang Autonomous Region, with a total of 7,200 boxes of milk powder worth nearly RMB 400,000.



Donation to Dudong Town, Sanjiang County

In July 2022, a donation ceremony of Feihe's charity activities themed Care for Left-behind Children was held in Fuyang City. The charity project was launched to donate school bags, stationery, books and Feihe's nutrition products worth RMB 316,000 to left-behind children.



Feihe's charity activities themed Care for Left-behind Children

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FEEDBACK FORM



Dear readers,

Greetings to you!

We would like to extend our gratitude to you for reading the 2022 Environmental, Social and Governance Report of China Feihe Limited despite your busy schedule. We look forward to your comments and suggestions on the report and our work. Thank you!

1. Which type of stakeholder do you belong to for Feihe?

- Government and supervisory institution Shareholder and investor Consumer
 Industrial chain partner Industry Environment Employee Community
 Other (please specify) _____

2. Your overall evaluation of this report ?

- Excellent Good Fair Poor

3. How clear, accurate and complete do you think the information and data disclosed in this report is ?

- Excellent Good Fair Poor

4. How comprehensive do you think this report is in reflecting the governance responsibilities undertaken by Feihe ?

- Excellent Good Fair Poor

5. How comprehensive do you think this report is in reflecting the environmental responsibilities undertaken by Feihe ?

- Excellent Good Fair Poor

6. How comprehensive do you think this report is in reflecting the social responsibility undertaken by Feihe ?

- Excellent Good Fair Poor

7. What do you think of the design and layout of this report ?

- Excellent Good Fair Poor

8. Do you have any comments or suggestions on Feihe's environmental, social and governance work and the preparation of the report ?

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