

中国飞鹤
CHINAFEIHE



2023
**Environmental,
Social and
Governance Report**



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ABOUT THE 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, 2023, 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 C2 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 2022 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 digital 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

Time serves as a testament to progress, while years reflect the resilience of our endeavors. Reflecting on the year 2023, amidst a challenging global economic recovery and accelerated transformative shifts, Feihe remains committed to its core mission. As China's economy continues its upward trajectory, Feihe pursues a steadfast strategy focused on long-term growth, fortified by an unwavering dedication to building our capabilities. Throughout our six-decade journey, we have consistently aimed for the stars, shouldering significant responsibilities, and embodying the ethos that "Customer Comes First, Actions Speak Louder than Words". Our culture of "Mutual Achievement, Continuous Improvement", underscores our relentless pursuit of excellence, navigating from one triumph to the next with unwavering resolve.

Throughout the past year, we have actively pursued strategies and initiatives aimed at ensuring Feihe's sustainability, consistently championing the integration of social, economic, and environmental benefits. Our efforts have contributed to China's carbon neutrality objectives, facilitating the modernization of harmonious coexistence between humanity and the natural world. We attended the APEC Workshop On Coordinated Transformation For Digital And Green Development, where we were chosen as an excellent case; we actively participated in the United Nations Sustainable Development Goals Summit; we represented Chinese enterprises at the United Nations COP28; these events allowed us to demonstrate the strength of Chinese corporations in achieving sustainable development goals. Acknowledging the significance of stakeholder demands and concerns, we prioritize open communication through diverse channels to ensure alignment with their requirements and objectives. By doing so, we optimize the Company's trajectory towards sustainability. Feihe's dedication to environmental, social, and governance principles was underscored by the accolades received in 2023, including the prestigious titles of "ESG Pioneer Enterprise", "ESG Development Impact Enterprise", and "2023 Business Power - ESG Green Pioneer Enterprise".

A robust corporate governance framework is fundamental to ensuring the long-term sustainability of a company. Guided by a philosophy of sustainable development, we have fortified our risk management systems and monitoring mechanisms, leveraging internal control measures to mitigate potential risks. Furthermore, we have intensified our focus on business ethics and anti-corruption management, laying the foundation for the Company's pursuit of high-quality development. Simultaneously, we have seamlessly integrated ESG principles into various facets of corporate governance. This includes the establishment of an ESG management team under the purview of the board of directors, the formation of dedicated environmental, social, and governance committees, and a deliberate effort to enhance board diversity, thereby safeguarding the Company's long-term sustainability.

As a leading player in the infant formula industry, our primary focus remains on in-depth research into Chinese breast milk, ensuring our products provide reliable safety and quality assurance to both customers and partners. Our core mission revolves around supporting the healthy development of Chinese infants. We uphold the highest standards of quality by continually refining our product quality management processes, including regular risk assessments. Through the implementation of state-of-the-art systems like the Manufacturing Management System (WCM) and a digitalized Quality Management System (QMS), we maintain a meticulous approach to product quality management. With the development of a product visualization and traceability system, enhanced our ability to provide personalized and reassuring services to Chinese mothers through various interactive channels. We continue to lead innovation, design future-focused resources worldwide, set up world-class research platforms, launch the "Brain Development Strategy", analyze nutrition demand for different targeted populations, contribute to the development of the first Osteopontin (OPN) detection method standard in history, and together generate new productivity in the dairy sector.

We are proactively addressing the risks posed by climate change and actively participating in the national "dual carbon" initiative. With a clear commitment to achieving comprehensive carbon neutrality by 2050, we are implementing scientifically sound emission

reduction measures. This includes conducting thorough carbon footprint assessments for our products and verifying greenhouse gas emissions. Internally, we are strengthening supervision and due diligence within our environmental management systems, optimizing resource allocation, and improving energy efficiency. Several of our factories have been recognized as green factories at both national and provincial levels. In parallel, we are dedicated to combating pollution by continually developing environmentally friendly production methods. We adhere to strict emission control procedures and guidelines, regulating the creation and release of waste gas, wastewater, and other by-products during production. The concept of green development is ingrained into every phase of our manufacturing and operations, reflecting our unwavering commitment to environmental stewardship.

We foster a culture of collective effort among all employees, driven by the noble ideal of doing our best and giving back to society". Embracing our mission and corporate social responsibility, we are committed to supporting social progress. Internally, we prioritize the well-being of our staff members, providing them with a nurturing work environment and ample opportunities for growth and development. We grow and evolve together with our employees, recognizing their invaluable contributions to our shared success. Externally, we actively participate in public welfare initiatives such as flood relief, education support, and rural revitalization. By significantly enhancing the quality of education in resource-poor areas and supporting the "wealth-sharing industry chain", we fulfill our duty as a responsible enterprise and demonstrate our patriotism.

Looking ahead, we remain steadfast in our pursuit of sustainable development, guided by the directives of the Party and national policies. We are committed to implementing the goals outlined in the 20th National Congress and the 14th Five-Year Plan. Collaborating with various stakeholders, we advocate for development philosophies centered on green, low-carbon, and circular economies. Leveraging Feihe's strengths, we aim to contribute to the creation of a new development pattern and a modern industrial system. With a forward-thinking mindset and a pragmatic approach, we embrace change and uncertainty, striving to make meaningful contributions to society. Through rapid advancement, we endeavor to establish Feihe as a prominent national brand, poised to thrive in the forthcoming era of national enterprises.

Leng Youbin Chairman
March 2024



BOARD STATEMENT

Feihe attaches high importance on sustainable management and has established and continues to improve its environmental, social, and governance (ESG) framework. We are committed to creating a sustainable corporate governance structure, actively addressing the concerns of shareholders and other investors, customers, suppliers, employees, and the public, and effectively safeguarding the interests of all stakeholders, including shareholders and other investors, customers, suppliers, employees, and the public.

The Board of Directors is fully engaged in determining ESG 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 and with active communication and engagement with stakeholders; it plays the regulatory role to review the progress and supervise the implementations.

This report details the Company's ESG progress in 2023 and was deliberated and adopted by the Board of Directors on March 28, 2024.



ABOUT FEIHE

Company Profile

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. Feihe has gradually expanded its business to include baby formula, integrated farms, and scientific research, continuously expanding its production scale and moving from China to the world. In November 2019, we were listed on the Hong Kong Stock Exchange and registered the biggest IPO in the formula milk industry.

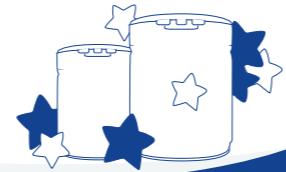
For 60 years, Feihe has been dedicated to research on Chinese babies constitution and breastfeeding nutrition, leading the industry in developing various technologies, formulas, and processes to enhance the adaptability of infant formula to Chinese babies' constitution. We thoroughly study the nutritional 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. In the future, Feihe will continue to adhere to its strategic positioning as "Smart Babies Drink Feihe". Besides formula, we will produce premium quality milk powder and fulfill our corporate social responsibilities.

Corporate Culture



2023 Rewards

Products and services



Quality Gold Award in the Infant Formula Milk Powder Quality Competition
Nomination Award in the China Quality Award

China Dairy Industry Association

Certification of China Milk Source

Discovery Channel

Longbiao Quality Assessment Report

China Certification & Inspection Group (CCIC) Heilongjiang Branch
Heilongjiang Branch
Heilongjiang Province Brand Strategy Promotion Association

Awards at the 2023 MONDE SELECTION

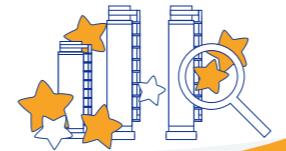
Gold/Silver/Bronze

MONDE SELECTION

Excellent Service Award from the Good Life Alliance

JD Retail

Technology R&D



Chinese Dairy Industry Technological Innovation Exemplary Enterprise

China Dairy Industry Association

Second Prize of Technological Progress Award—Application of Membrane Sterilization and Aseptic Addition Technology in Ambient Temperature Milk with Active Lactoferrin

China Dairy Industry Association
China National Committee of the International Dairy Federation

Digital Ecology



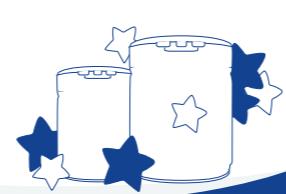
2022-2023 TOP 10 Vanguard Enterprise Supply Chain Digitization Award

Blue Whale Hunwater Information Technology Co., Ltd

2023 Annual Advanced Demonstration Case of Digital Transformation in the Consumer Goods Industry

China Light Industry Information Center

Employee Management



51job Outstanding Employer Award 2023

51job

2023 Campus Recruitment Excellence Practice Award

Yonyou Dayee Cloud Recruitment, Digital HR Summit

Best Employer Management Practice Award 2023

Beisen Cloud Computing Co., Ltd.

Social Responsibility



People's Corporate Social Responsibility Award-Rural Revitalization Award

people.cn / People's Daily

Responsible Enterprise of the Year 2023

China Corporate Social Responsibility Forum

Outstanding Rural Revitalization Cases 2023

China Newspaper Industry

Outstanding Responsibility Report of the Year 2023

China Enterprise Social Responsibility Annual Conference (South Weekend)

Typical Cases of Green, Low-Carbon, and Sustainable Development in China's Dairy Industry

China Dairy Industry Association

ESG Pioneer Enterprise of the Year 2023

NetEase

ESG Development Impact Enterprise of the Year 2023

Hexun

Title of "National Advanced Private Enterprise in Employment and Social Security"

All-China Federation of Industry and Commerce
All-China Federation of Trade Unions Ministry of Human Resources and Social Security of the People's Republic of China

Top 100 Pioneers among China's ESG-Listed Companies

China Central Radio and Television Station

Business Power - ESG Green Pioneer Enterprise of the Year 2023

Shijie Economic Weekly Market Research Institute of Shijie

Public Welfare Project "Assisting Rural Revitalization Plan" 2023 - Loving Enterprises

Communist Party Committee of Samzhubzê District, Xigazê City, Tibet Autonomous Region People's Government of Samzhubzê District Xigazê City Tibet Autonomous Region

Key Performances in 2023



Strengthening Compliance Operations

Received 0 corruption-related legal proceeding	Carried out anti-corruption training sessions covering 100% staff	Conducted a total of 17 anti-corruption training sessions for distributors
Marketing-related reports with a completion rate of 100%	Supplier anti-corruption clause contract signing rate 100%	Organized employees to watch the Trust and Integrity Enterprise Alliance live courses more than 20
With cumulative learning exceeding 400 participants	Organized 2 information security training sessions	With over 3,000 participants engaging in information security drills



Deepening in the Nutrition Field

Total research investment reached RMB 0.61 billion	Applied for 1,939 trademarks	Including 1,427 registered trademarks	512 trademarks under application
Conducted 11 intellectual property training sessions	With a cumulative duration of 30 hours	Over 700 Participants	
Accumulated 226 authorized patents	With 130 authorized patents obtained in 2023	Published 5 SCI papers related to breast milk	Applied for 4 invention patents
The breast milk database has incorporated over 2,300 breast milk samples		Conducted testing for over 9,800 types of active components in breast milk	



Building a Low-Carbon Future

Conducted Environmental Protection Day activities, reaching 631 participants	Total water savings of 75,000 tonnes	Total environmental investment of RMB 3.5368 million
With no penalties incurred due to environmental violations	COD reduction amounting to 28.71 tonnes	The proportion of recyclable materials in the packaging materials used in production is 96%



Focus on Excellence in Quality

All factories have achieved ISO 9001 Quality Management System and FSSC 22000 Food Safety Management System certification, achieving 100% certification coverage	Over 95% of raw material suppliers have passed ISO 9001, FSSC 22000, and ISO 22000 certifications
Organized 153 quality and food safety training events	With a cumulative training duration of 514.4 hours
6 laboratories have been accredited by the China National Accreditation Service for Conformity Assessment (CNAS)	With the highest number of accredited items being 104
The total membership of the Star Mom Club has exceeded 65 million	Covering 71 testing standards
With a 55% increase in user activity compared to the previous period	Customer complaint closure rate within 72 hours reached 91.4%
	Product recall incidents occurred No



Enhancing Employee Well-being

Recruited 10 mid-to-high-level digital talent	65 Key position talents	Female employees account for 43% of the total workforce
Average safety training per employee is 8 hours	With 100% coverage in safety training	Timely pre-employment, during-employment, and post-employment health examinations reached 100%
The occupational health examination rate for employees in hazardous positions is 100%	Employee training coverage reached 100%	Occupational disease/suspected occupational disease detected 0
6 Factories obtained ISO 45001 occupational health and safety certification	With an investment of RMB 3.3736 million in safety production	With an average of 53 hours of training per person
	Supported over 500 employees	Providing gifts and condolences amounting to over RMB 15 million



Carrying Out Social Responsibilities

Over 95% of raw material suppliers have obtained ISO-related certifications	Engaged in 6 visits with senior executives of distributors	Conducted over 100 business exchanges
Donated a total of RMB 27 million in cash and goods in 2023	Invested over RMB 65 million in the "Longjiang Education Charity Action"	
Covering 13 cities and 125 counties in Heilongjiang Province	Benefiting more than 280,000 in-service full-time teachers	Over 3.3 million Students

SUSTAINABILITY MANAGEMENT

Feihe integrates corporate responsibility and dedication into its core values, prioritizing sustainable management and actively championing sustainability across five pivotal domains: quality innovation, industry prosperity, ecological balance, people-centric initiatives, and care and accountability. We promote a sustainable development paradigm guided by the principle of "more suitable", fostering the harmonious alignment of economic, environmental, and social advantages, and collaboratively progressing towards a sustainable future with all stakeholders.

ESG Governance

The Company's Board of Directors serves as the highest authority and decision-making body for ESG matters, ensuring robust oversight of ESG-related policies, objectives, and disclosures to establish effective ESG risk management and internal control systems. Operating under the Board, the Environmental, Social, and Governance (ESG) Committee is tasked with spearheading the development of company ESG strategies, frameworks, principles, and policies. This committee oversees ESG issues that may impact the Company's business or operations, as well as the interests of shareholders and other stakeholders. The Company's management team is entrusted with setting ESG goals and action plans, while relevant executive levels are assigned to coordinate the implementation of these plans and drive progress across various ESG initiatives.

Communication with Stakeholders

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 C2 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.

- 01 Identify relevant issues** 21 issues concerning environment, society and, corporate governance were identified. They were collected from a broad range of sources, including the HKEX ESG Guide, GRI Standards, internal policies and strategies, peer practices and an ESG rating system.
- 02 Research significance** Questionnaires were distributed to stakeholders, including employees, suppliers, consumers, investors, distributors, governments, regulators, community representatives, partners, industry associations and the media. They were asked to evaluate the significance of the identified issues.
- 03 Evaluate impact on operations** Senior management assessed the impact of the identified issues on our core business segments.
- 04 Rank the issues** The issues were ranked based on their significance to stakeholders and to Feihe. This ranking was represented in the form of a matrix, which provides a crucial foundation for our ESG strategies, goals and disclosure.

In 2023, 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 2023 are determined as follows:

High	Medium	Low
1 GHG emissions and energy management	10 Waste management	20 Ecological conservation
2 Green procurement of raw materials	11 Water resource management	21 Charity activities
3 Green packaging and recycling	12 Response to climate change	
4 Employee rights and welfare	13 Occupational health and safety	
5 Food quality and safety	14 Career development and training	
6 Responsible marketing	15 Intellectual property protection	
7 Service quality management	16 Supplier management	
8 Opportunities for nutritional innovation	17 Customer privacy management	
9 Compliant operation and production	18 Business ethics and anti-corruption	
	19 Risk management	



Sustainability Activities

In 2023, Feihe participated in multiple international conferences on sustainability, effectively communicating our experiences and accomplishments in sustainable development to the global community. Notably, we showcased innovative solutions for implementing circular economy practices in livestock farming within cold climate regions, as well as strategies for fostering low-carbon development in the dairy industry.

Table Attendance at International Conferences by Feihe in 2023		
In June 2023	In September 2023	In December 2023
Feihe was invited to participate in the Asia-Pacific Economic Cooperation (APEC) Seminar on Collaborative Transformation and Development of Digital Greenization. Feihe was recognized for its outstanding case study titled "Promoting Transformation and Upgrading of China's Dairy Industry through Collaborative Transformation and Development of Digital Greenization".	Feihe was invited to attend the official side event "Industrial Sustainable Innovation 2023" of the UN SDGs Summit. Feihe shared its sustainable innovation practices and committed to the "Business in Action – Consensus on Sustainable Industrial Development" initiative. This initiative encompasses areas such as resource utilization, renewable energy adoption, technological innovation, inclusive development, and sustainable international cooperation.	Representing Chinese enterprises, Feihe was invited to attend the China Pavilion High-level Side Event at the United Nations COP28. Feihe showcased concepts and achievements such as the "Ecological Circulation Model in the Whole Industry Chain", demonstrating China's corporate ingenuity and determination in carbon reduction efforts.

In addition, throughout 2023, Feihe actively engaged in the development of various ESG standards and guidelines, offering professional support for ESG education and the establishment of ESG evaluation standards. We remain committed to advancing the creation of a Chinese-characteristic ESG system.

Feihe's Participation in ESG Standard Formulation

- Feihe collaborated with units such as the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) to compile the *Environmental, Social, and Governance (ESG) Basic Course Materials*.
- Feihe participated in the formulation of the *China Corporate Social Responsibility Reporting Guidelines 5.0 (CASS-CSR 5.0)*.
- Feihe Participated in the development of two group standards, named as the *Corporate ESG Evaluation Guidelines* and the *Corporate ESG Management System Requirements*.

01 Strengthening Compliance Operations

Feihe regards compliance management as fundamental pillars for ensuring our operations run smoothly. We rigorously implement risk management practices, uphold business ethics, and consistently refine and strengthen our governance system and capabilities. Furthermore, we attach importance to information security protection, continuously enhancing our information security mechanisms, and swiftly and effectively mitigating any potential information security risks.

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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*, the *Cayman Islands Companies Law*, and the *Corporate Governance Code of Appendix C1 of the Main Board Listing Rules of the Hong Kong Stock Exchange*. We have built a management structure including decision-makers, supervisors, and executive personnel, with clear responsibilities for each level to form an operation mechanism with effective checks and balances, achieving efficient operation.

Under the Board of Directors, the highest authority and decision-making body of the Company, 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, collaborating effectively to fulfill their respective functions, to ensure the efficient operation of the Board of Directors.

Structure of the Board of Directors



Executive directors

4

Nonexecutive directors

3

Independent non-executive
directors

4

Feihe is committed to enhance its corporate governance structure and emphasizes the independence of the Board of Directors, to maintain an objective and impartial attitude in the decision-making process, thereby laying a solid foundation for the Company's long-term development. The Company has established a *Board Diversity Policy*, appointing individuals based solely on merit and considering objective criteria when selecting candidates to fully meet the requirements of board diversity, including but not limited to gender, age, cultural and educational background, professional experience, and length of service. 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 95%.

The Company's Board of
Directors held meetings

4

With a director attendance
rate of

95%

Board Members

Mr. LENG Youbin

- 55
- Male
- Executive Director, Chairman and Chief Executive Officer
- Industry Expert

Mr. LIU Hua

- 51
- Male
- Executive Director, Vice Chairman and Chief Financial Officer
- Industry Expert, Financial Expert

Mr. CAI Fangliang

- 55
- Male
- Executive Director and President
- Industry Expert

Ms. Judy Fong-Yee TU

- 48
- Female
- Executive Director, Vice President and Company Secretary
- Industry Expert, Legal Expert

Mr. GAO Yu

- 50
- Male
- Non-Executive Director
- Financial Expert

Mr. CHEUNG Kwok Wah

- 59
- Male
- Non-Executive Director
- Industry Expert

Mr. Kingsley Kwok King CHAN

- 47
- Male
- Non-Executive Director
- Financial Expert

Mr. FAN Yonghong

- 56
- Male
- Independent Non-Executive Director
- Financial Expert

Ms. LIU Jinping

- 52
- Female
- Independent Non-Executive Director
- Medical Expert

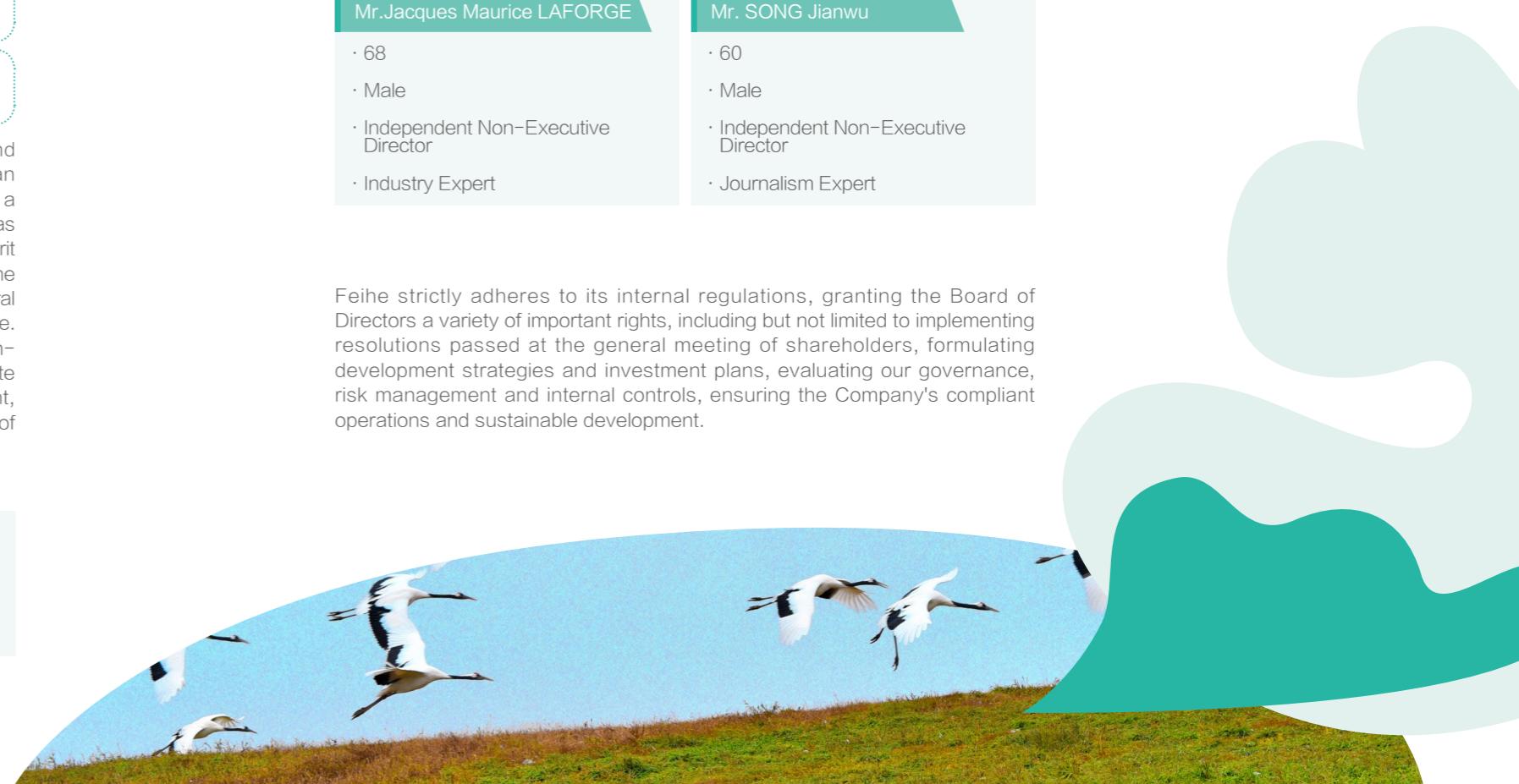
Mr. Jacques Maurice LAFORGE

- 68
- Male
- Independent Non-Executive Director
- Industry Expert

Mr. SONG Jianwu

- 60
- Male
- Independent Non-Executive Director
- Journalism Expert

Feihe strictly adheres to its internal regulations, granting the Board of Directors a variety of important rights, including but not limited to implementing resolutions passed at the general meeting of shareholders, formulating development strategies and investment plans, evaluating our governance, risk management and internal controls, ensuring the Company's compliant operations and sustainable development.





Risk Control

Risk Internal Control

Feihe consistently upholds that sustainable growth hinges on the establishment of a comprehensive and responsible risk management framework. We prioritize our core business activities, elevate corporate management standards and awareness of risk prevention, advocate for the establishment and upkeep of robust internal control systems, and actively participate in internal audit processes. These efforts serve as a solid defense, safeguarding the Company's stable operation and facilitating its long-term growth trajectory.

Feihe follows the *Basic Standards of Internal Control* and the *Group Internal Control Assessment Methods* as the guiding principles for our internal risk control framework. By utilizing internal control measures effectively, we can play a preventive role in risk management. We conduct regular inspections and evaluations of the effectiveness of internal controls within each business process, thereby achieving improvements and enhancements to the risk management system.

The Audit Committee of Feihe is responsible for risk management and oversees the implementation of the risk control system comprehensively. Under the Committee, a crisis management team is established to swiftly and effectively address various crises, minimizing potential risks to the greatest extent possible. In the event of a crisis, our crisis management team works to assess the damage caused comprehensively and draws lessons to avoid similar issues in the future.

Feihe has established a closed-loop management mechanism encompassing three lines of defense: risk identification, assessment, and response, continuously enhancing our risk warning capabilities. To ensure the effectiveness of our risk management and internal control system, we have established a monitoring mechanism for major risk indicators, integrating data analysis and specialized auditing. In 2023, Feihe updated its risk framework in response to changes in the Company's internal and external environment, further strengthened the effectiveness of closed-loop management, and ensured that risk response measures were effectively implemented and achieved the expected results.



We provide comprehensive and systematic explanations to all departments within the Company regarding the closed-loop risk identification mechanism, risk identification methods, risk assessment criteria, and risk response strategies. During quarterly evaluations of risk identification and control effectiveness, we conduct targeted one-on-one Q&A sessions to ensure that every employee is well-versed in risk awareness. This approach aims to build a robust barrier against potential risks.

Audit and Supervision

The Company has formulated the *Feihe Dairy Group Audit System*, the *Reward and Punishment Management System of Feihe Dairy*, which outlines the audit and supervision scope for directors, senior management, various functional departments, and wholly-owned or holding and participating companies with significant influence. Specific departments or personnel involved in compliance incidents are directly linked to individual performance assessments, guiding employees to actively fulfill their job responsibilities.

In 2023, we conducted six comprehensive audits to ensure the compliance of our Company's operations, covering the authenticity and reasonableness of business operations, the compliance of system processes, and the effectiveness of internal management. These audits spanned across various departments and units, including the supply chain, production, IT, and research and development. Additionally, we conducted special reviews focusing on fixed asset management, information system continuity, intellectual property, and IT. These initiatives were aimed at comprehensively enhancing the Company's governance level and bolstering our capabilities in risk prevention.

Feihe Special Audit

- Special assessment of fixed asset management**
 - We conducted a comprehensive review of the annual inventory of company fixed assets, with a focus on inventory scope, discrepancies between accounting records and physical assets, and assessed the suitability of the fixed asset management system. Simultaneously, we conducted checks on the daily management of assets, identified any issues or deficiencies, and implemented improvement measures to ensure the security and appreciation of assets.
- Information System Continuity Management**
 - We developed business continuity management regulations, clearly defined responsibilities, risk management requirements for system upgrades and maintenance, emergency management plans, etc. Also, establish clear rules for classifying relevant safety incidents and implementing punitive measures, effectively ensuring the stable operation of the StarMom Optimal Selection platform.
- Intellectual Property Assessment**
 - **Patent analysis:** We conducted a comprehensive review of company patents, assessed their market value and technological advantages, and established an intellectual property system.
 - **Trademark protection:** We evaluated the Company's trademark registration, usage, and protection status, and enhanced the trademark system.
 - **Intellectual property risk prevention:** We analyzed potential risks the Company may face in terms of intellectual property and proposed risk prevention measures.
- IT Assessment**
 - **System security:** We conducted security assessments of the Company's IT systems to ensure their security.
 - **Account permissions:** We reviewed permissions for internal and external personnel, effectively reducing system security risks and management costs.
 - **Project management:** We evaluated the effectiveness of project management, covering aspects such as project planning, resources, and costs. We identified potential risks and management issues, and provided targeted improvement suggestions to ensure the smooth implementation and operation of projects.

In 2023, Feihe carried out two Key Control Point (KCP) inspections for each department, integrating them into the department's annual performance assessment. We provided immediate feedback on issues identified during the inspections, and devised corresponding corrective measures. We conducted subsequent reviews to assess the effectiveness of the corrective actions, ensuring the consistency and reliability of the Company's management practices.

Business Ethics

Feihe has always regarded professional ethics and integrity building as core elements of corporate development, implementing them in every aspect of corporate governance. The Company 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 *Anti-Monopoly Law of the People's Republic of China* and other national policies and regulations, 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.

Integrity Management

Feihe has established a combat corruption and uphold integrity framework to combat corruption and uphold integrity, with the Board of Directors serving as the highest decision-making body responsible for supervising related efforts. The Board of Directors has established an Audit and Internal Control Center as a permanent institution for anti-fraud efforts. It is tasked with comprehensively overseeing and implementing daily anti-fraud measures within the Company and its subsidiaries, ensuring adherence to laws, regulations, and ethical standards in all business activities.

The Company takes a firm stance against fraudulent activities that undermine its economic interests or result in improper economic gains. We have formulated corresponding punitive measures for instances of corruption. To promote proper and lawful conduct among all employees and subsidiaries and ensure that they are "deterred, unable and unwilling" to engage in corruption practices, we have integrated anti-corruption efforts as a metric for assessing overall performance. We impose internal economic and/or administrative penalties for fraudulent activities based on their severity. Investigation outcomes pertaining to business ethics and anti-corruption matters are directly reported to the Company's CEO and Chairman for review. If illegal activities are suspected, they are promptly referred to judicial authorities as required. During the reporting period, the Company did not face any legal proceedings related to corruption.

Integrity Training

Feihe is actively fostering a culture of integrity and compliance, instilling a strong sense of integrity and adherence to regulations among all employees and stakeholders through continuous reinforcement of anti-corruption and integrity education initiatives. To ensure effective implementation of various policies, the Company regularly invites external lecturers to conduct compliance training sessions covering topics such as auditing methods, big data analysis, detection of fraudulent cases, and investigations. This ensures a comprehensive approach to integrity management. In 2023, the Company continuedly conducted a total of 30 anti-corruption-related training sessions, targeting the Board of Directors, management, and ordinary employees, with a training coverage rate of 100%. Additionally, we prioritize integrity management among distributors and conducted a total of 17 special training sessions on anti-corruption and integrity for them.

The Company continuedly conducted a total of anti-corruption-related training sessions

30

Anti-corruption-related training coverage rate of

100%



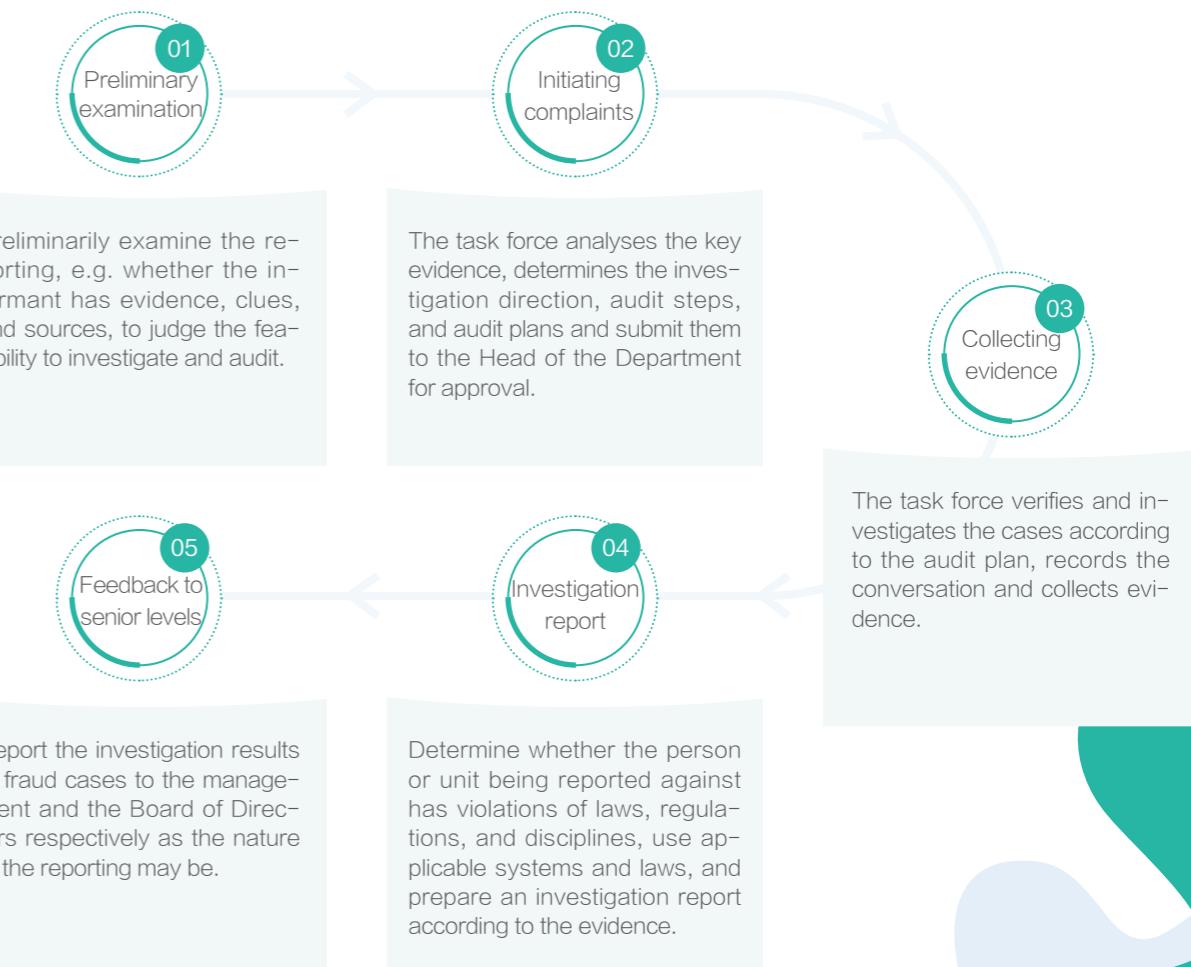
Feihe's anti-corruption external lecturer training scene

Reporting Process and Whistleblower Protection

Marketing-related reports with a completion rate of

100%

Report Processing Process



Anti-Corruption in the Supply Chain



In 2023

Feihe achieved a signing rate for supplier contracts containing anti-corruption clauses

100%

Feihe is committed to fostering an open and transparent procurement environment, ensuring fair and orderly cooperation with suppliers. We explicitly require suppliers to adhere to relevant anti-corruption and anti-unfair competition laws and regulations, maintaining principles of openness, fairness, impartiality, and integrity. We strongly oppose any improper transactional behavior aimed at gaining business opportunities or seeking undue benefits. To reinforce these principles, we have established a dedicated anti-corruption team within our supply chain and have signed a *Supplier Code of Conduct* with suppliers and distributors. We have included anti-corruption commitment clauses in contracts to uphold a cooperative relationship of clean and self-disciplined between both parties. In 2023, Feihe achieved a 100% signing rate for supplier contracts containing anti-corruption clauses.

Feihe has established an internal control task force within the procurement department, implementing systems for process management and responsibility system management. This initiative focuses on comprehensive risk control throughout the department's processes, accompanied by advocacy and training endeavors. Additionally, we have established mechanisms for segregating responsibilities and rotating personnel to effectively mitigate corruption risks in various positions.

In 2023, Feihe officially became a member of the Sunshine Integrity Alliance, spearheaded by leading enterprises across diverse industries and the Criminal Law Science Research Center of Renmin University of China. Through this alliance, we engage in idea exchange and advocate for a culture of integrity and compliance, actively cultivating a transparent and ethical business environment. Throughout the reporting period, we took part in events such as the "2023 Enterprise Investigation Practice Seminar" and the 6th (2023) Corporate Integrity and Compliance Summit, actively contributing to the steadfast development of the industry.



Enterprise Investigation Practice Seminar Site

We organize viewing sessions for the Sunshine Integrity Alliance live courses, totaling more than sessions

20

With over participants benefiting

400

Feihe conducts regular integrity training sessions focusing on procurement matters. Internally, we promote stringent adherence to business boundaries and regulations, instilling in our employees the principles of unwillingness, incapability, and unwillingness to violate compliance issues. Externally, we actively engage in anti-corruption advocacy with suppliers and distributors, offering training on topics such as violations, punishment standards, and past cases. Additionally, we organize viewing sessions for the Sunshine Integrity Alliance live courses, totaling more than 20 sessions, with over 400 participants benefiting from the accumulated learning.



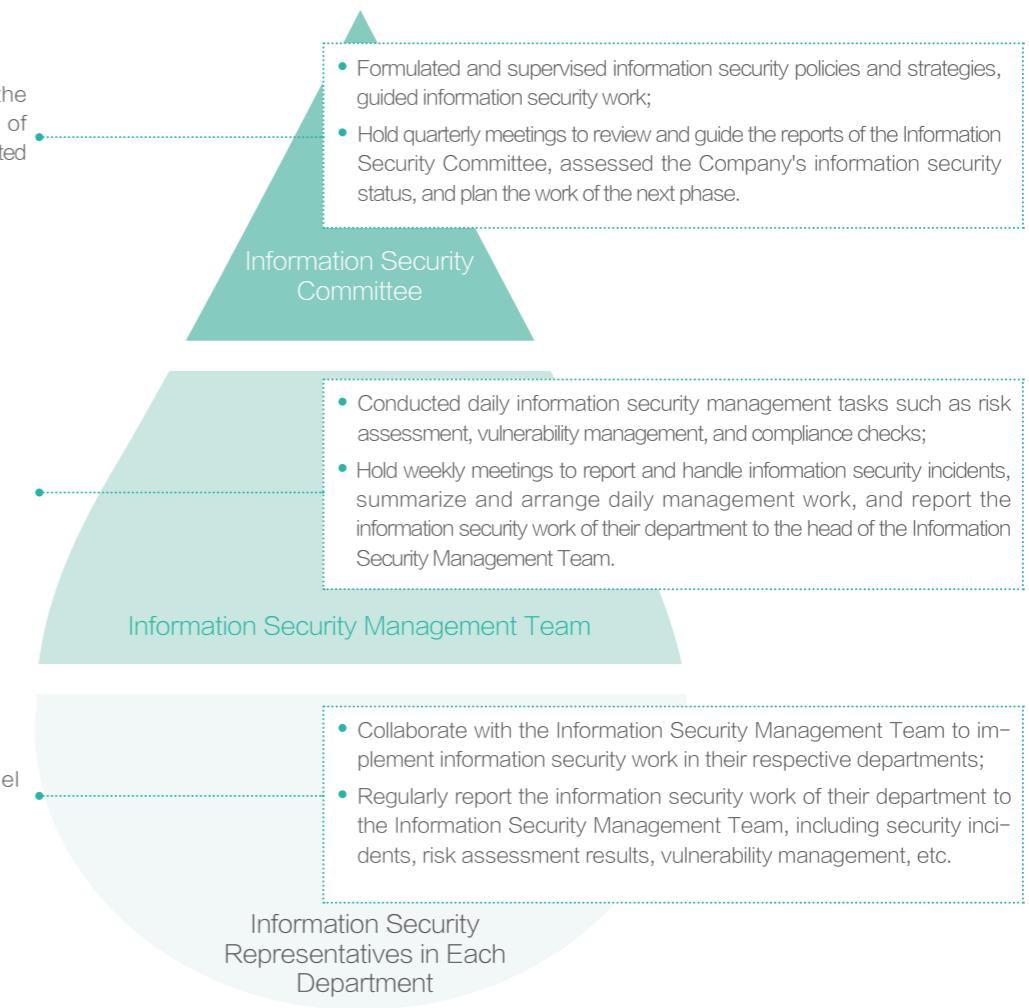
Information Security

Information Security Management System

Feihe Information Security Management System

Senior leadership of the Company and heads of information security-related departments

Feihe prioritizes the protection of customer privacy and information security. We have established a comprehensive information security management system, implementing various measures to effectively enhance our capacity to handle network security incidents and shield against external risks.



Throughout the reporting period

The Company **did not** encounter any significant network security incidents



Feihe's Information Security Management Measures

The Company implemented physical access controls and physical security monitoring for the production environment to ensure that only authorized personnel can enter critical areas.

Strict access restrictions are imposed on data to ensure that only authorized personnel can access sensitive data and resources. Key information encryption measures are adopted to protect important data.

We enhanced the internal network security capabilities of the production system, conducted specialized inspections of industrial control systems twice, and optimized and adjusted 364 workstations of industrial control systems.

We established a comprehensive risk management and security auditing mechanism, conducting regular security checks and assessments on cloud platforms to promptly identify and rectify security vulnerabilities. In 2023, four security checks were conducted, resulting in the identification and rectification of 258 vulnerabilities.

We developed emergency response plans and recovery plans to ensure timely response and data/system recovery in the event of security incidents.

In 2023, the Company conducted audits on the basic security, network architecture security, data security, information security risk management, information security emergency management, and information security management systems of public cloud platforms, private cloud platforms, and internal production systems. These audits were instrumental in effectively preventing information security risks.



Information Security Training

Information Security Training in 2023

Special training on network and information security emergencies

110 persons

Information security system training

500 persons

Development of emergency plans, preparation of emergency resources, establishment of emergency command systems, conducting emergency drills, post-incident disposal, and summarization.

Communication of system content, answering system-related queries, explanation of the process for postponing the repair of system security vulnerabilities.

Feihe organized attack-defense drill

In April 2023, Feihe conducted a 5-day attack-defense drill involving more than 3,000 employees to enhance their emergency response capabilities. During the drill, one group of participants attacked the production system, identifying system vulnerabilities and gaining access to system data permissions. Meanwhile, another group monitored the attack situation and promptly handled any attack events. This exercise uncovered security vulnerabilities and risks within the organization, leading to the implementation of effective measures for repair and improvement, ultimately achieving the desired objectives.



Kickoff meeting for the attack-defense drill activity

02 Focus on Excellent Quality

Feihe is dedicated to establishing a Chinese infant formula brand that is globally competitive. We prioritize product quality and safety by meticulously controlling the quality of milk sources and production processes. This commitment ensures that every can of infant formula meets both national standards and consumer demands, thereby safeguarding the healthy growth of Chinese babies.

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Product Quality

Quality Management System

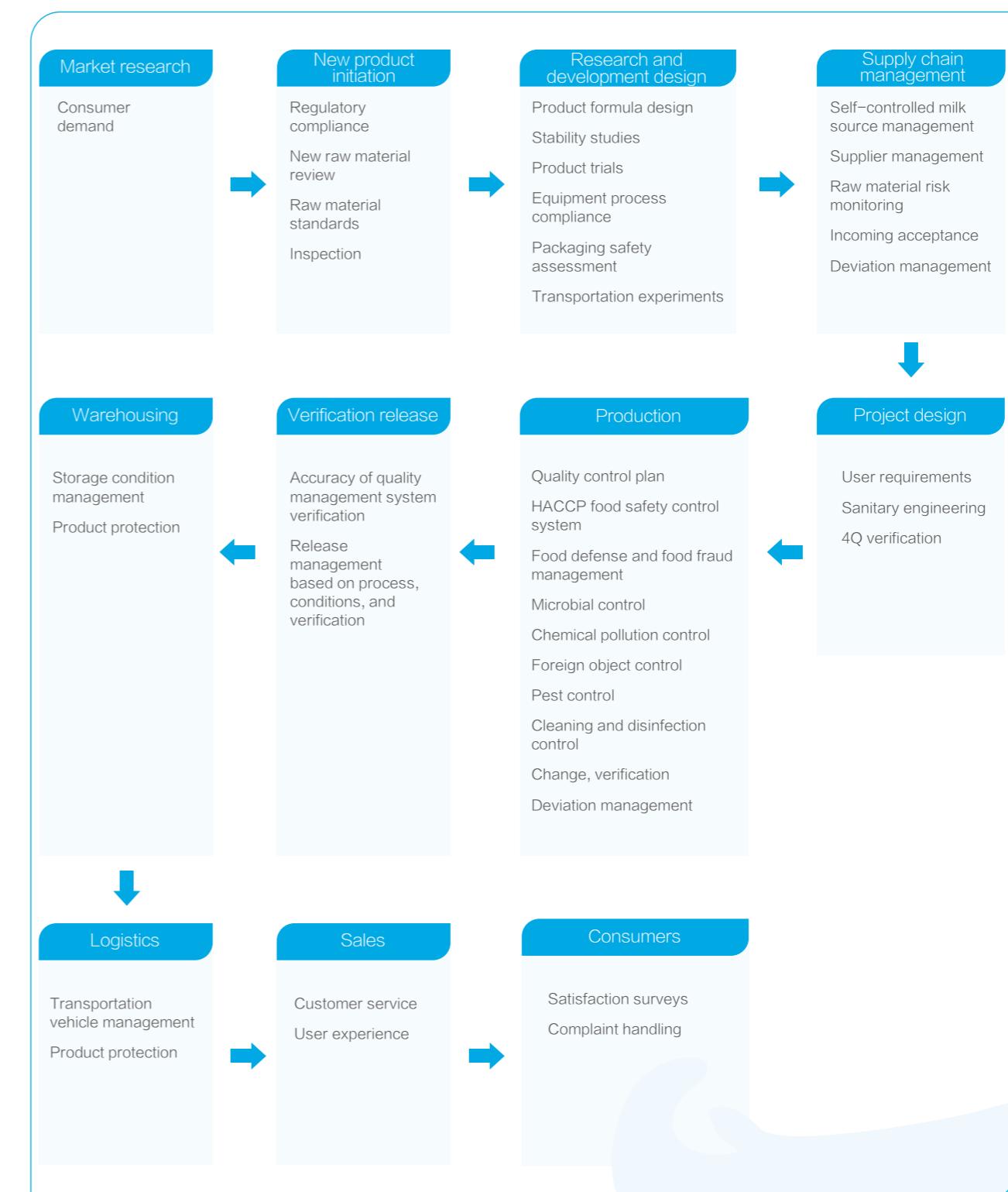
Feihe upholds the quality management policy of "customer-centric, all-inclusive, earning trust, pursuing excellence, and steady progress". We consistently enhance our quality management system through meticulous on-site management, stringent control of drug residues, and regular audits and evaluations of suppliers and pastures. These measures guarantee that our products consistently meet the highest quality standards.

Feihe strictly adheres to the *Food Safety Law of the People's Republic of China* and relevant regulations and laws, including production standards such as 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) and others. We continuously refine our quality and food safety management system. In 2023, we introduced a range of quality management procedure documents, such as the *Emergency Preparedness and Response Management Procedure*, *Production Line Shutdown and Restart Release Management Procedure*, *Foreign Object Prevention/Visual Inspection Equipment Verification and Confirmation Management Specification*, *Quality Training Management Specification*, and others. Additionally, we updated documents including the *Management Review Control Procedure*, *Complaint Investigation and Analysis Management Procedure*, *Group Quality Award Management Measures*, and standards for raw material risk monitoring. These efforts aim to elevate quality standards across all stages of production and distribution, while further standardizing quality inspection processes to ensure the integrity of raw milk sources from pastures. The Company has established a comprehensive product quality management process, incorporating quality design, process management, risk management, and the PDCA cycle¹, enabling proactive management of quality and food safety.



¹ PDCA Cycle: The quality management process is divided into four stages, namely Plan, Do, Check, and Act. Work is organized according to planning, implementation, checking the results of implementation, and incorporating successful practices into standards while addressing unsuccessful ones in the next cycle.

Full-cycle Quality Management Process



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)², autonomous maintenance pillar³ (AM), production maintenance pillar⁴ (PM), quality maintenance pillar⁵ (QM), environment, health, and safety pillar⁶ (EHS)⁶ and education and training pillar⁷ (E&T). These pillars are instrumental in continuously enhancing equipment efficiency and personnel management capabilities, thereby fostering the ongoing improvement of Feihe's product quality. In 2023, Feihe optimized the QM pillar pathway by refining the management process of pre-indicators at various stages in the factory, streamlining change processes, and implementing sensory evaluation systems. The goal is to consistently prioritize risks and complaints, establishing a zero-defect system. Among these initiatives, we introduced a digitalized Quality Management System (QMS) that integrates quality management throughout the entire process, from supplier evaluation, material procurement, receipt, storage, production, and inspection, to release. This ensures precise data analysis, automatic deviation alerts, and the closed-loop management of deviation prevention measures validation.

We proactively adopt and abide by the European Hygienic Engineering & Design Group (EHEDG) guidelines, European Dairy Plant Design Standards, and Germany Institute for Standardization norms and relevant domestic guidelines (DIN). During the reporting period, Feihe has consistently exceeded EU standards in the quality of fresh milk, with total bacterial counts controlled to 1/20 of the EU standard and somatic cell counts controlled to 1/2 of the EU standard. Moreover, we have incorporated state-of-the-art international equipment, such as Germany's GEA, which has enhanced workshop cleanliness to meet the

international purification standard of 100,000 levels. This ensures the creation of optimal conditions for maintaining product quality stability.

During the reporting period, our domestic factories have achieved ISO 9001 quality management system and FSSC 22000 food safety management system certification. These certifications encompass the production processes of baby formula milk powder, milk powder, liquid milk, and other related products. Additionally, the Kedong and Shaanxi factories have obtained HACCP⁸ Certification and GMP⁹ Certification which encompass the production processes of baby formula milk powder, milk powder, and liquid milk. The Kedong and Gannan factories have obtained FSVP¹⁰ certification and CGMP¹¹ certification with the certification scope covering the production of baby formula milk powder.

We continue to conduct risk assessments concerning quality and safety, thereby assembling an adept food safety risk management team. Comprised of members with pertinent expertise, this team collaborates to enhance the adequacy, sufficiency, and effectiveness of the quality and food safety management systems through collective endeavors.



² FI 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.

³ AM pillar: Autonomous maintenance pillar—organize front-line operators to participate in early-stage checks for abnormal problems and simple maintenance tasks.

⁴ PM pillar: Production maintenance pillar—establishes a preventive maintenance system to improve plant reliability and reduce repair costs.

⁵ QM pillar: Quality maintenance pillar—defend the state of the foundation and the variability of the production process to ensure product quality and improve customer satisfaction through continuous process optimization.

⁶ EHS 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.

⁷ E&T pillar: Education and training pillar—establish a training system to continuously improve skills and export talents.

⁸ HACCP: A food safety control system that identifies critical control points through hazard analysis.

⁹ GMP: Basic guidelines for drug production and quality management, applicable to the entire process of pharmaceutical formulation production and key processes affecting the quality of finished products in active pharmaceutical ingredient (API) production.

¹⁰ FSVP: Foreign supplier verification program.

¹¹ CGMP: Current good manufacturing practice standards for the production of human food.

Milk Quality Inspection Processes

Process inspection

- ★ 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.

Environmental inspection

- ★ We monitor, track, and analyze the manufacturing environment, process, circulation channels and product stability on the shelf to ensure the continuous, safe and stable quality of samples.

Third-party appraisal

- ★ We chose SGS-CSTC Standards Technical Services Co. Ltd., Eurofins, Mérieux NutriSciences, Intertek and AIB Food Technical Consulting Company Limited (Shanghai) to carry out third-party inspections and evaluations according to international standards.

Identification and improvement

- ★ 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 prioritize the professional development of personnel within our quality system by implementing comprehensive competency improvement plans tailored to employees in various positions. These plans encompass training sessions that address system standards, professional technical knowledge, inspection skills, and the sharing of experiences in quality and food safety management practices. Throughout the reporting period, we conducted

a total of 153 quality and food safety training sessions, accumulating a duration of 514.4 hours. These sessions were attended by over 4,000 employees across functional groups, factory quality, and key production positions. Additionally, we successfully executed 130 improvement projects and continue to foster talent through our programs, including 41 Yellow Belt internal trainers and 30 TWI-JI internal trainers.

Feihe's WCM quality pillar improvement seminar

In April, 2023, Feihe's WCM quality pillar improvement seminar was held at the Longjiang Factory with the aim of addressing issues related to synergy, innovation, and consistency in the operation of the quality pillar. The seminar reviewed the practical results achieved in pilot factories, clarified the direction and focus for future development, discussed the importance of WCM quality pillars in addressing challenges, and improving quality management and consumer satisfaction.

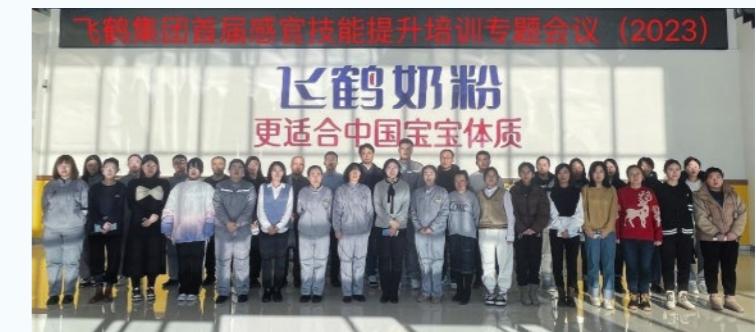


Feihe's WCM quality pillar improvement seminar



Feihe's inaugural sensory skill enhancement training

In January 2023, Feihe organized a specialized training session aimed at enhancing sensory skills. During this event, sensory inspectors from various factories underwent training sessions that included explanations of sensory evaluation methods, practical exercises, and discussions to address operational inconsistencies and ambiguities in standards. Through this training, participants gained hands-on experience with sensory evaluation workflows and improved their overall competency in sensory inspection.

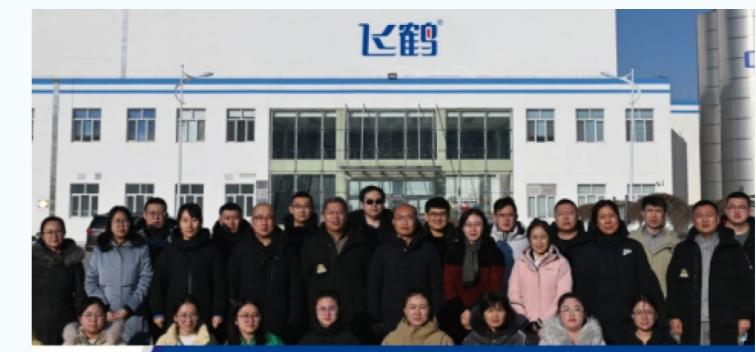


Feihe sensory skills enhancement training



Feihe's inaugural QMS training seminar

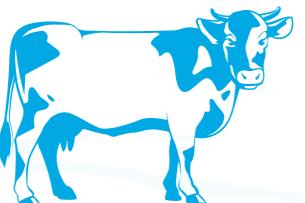
In January, 2023, Feihe organized its inaugural QMS on-site verification seminar. The seminar focused on discussing and exchanging ideas regarding quality control issues, including consistency checks on records, on-site parameter verification, and personnel question and assessment. The aim was to ensure effective implementation of quality control across all factories. During the seminar, 27 execution highlights were identified at the Longjiang factory and shared with other factories. Additionally, over a hundred discussion items were raised during the QMS rationality comparison process, providing direction for further updates and implementation of QMS across factories.



Feihe's inaugural QMS training seminar

Product Testing

We have established a product testing laboratory that encompasses over 200 testing items throughout the entire industry chain, ensuring precise examination of nutritional components, trace elements, and harmful risk factors in milk powder. Notably, six of our laboratories have obtained accreditation from the China National Accreditation Service for Conformity Assessment (CNAS), covering 104 items across 71 testing standards. These standards include various categories such as dairy products, infant and toddler foods, animal and vegetable oils, and nutritional fortifiers. Additionally, our laboratories actively participate in proficiency testing programs organized by FAPAS¹², LGC¹³ and ACAS¹⁴, amounting to a total of 946 assessments. Each of these assessments has received satisfactory evaluations, underscoring the accuracy and reliability of Feihe's testing laboratories.



6

our laboratories have obtained accreditation from the China National Accreditation Service for Conformity Assessment (CNAS)



CNAS certification

Feihe laboratory testing items (excerpt)

Nutritional index	Metallic elements index	Microbial index	Risk monitoring and pollutant residues	Veterinary drug residues
Protein, Fat, Lactose, Moisture, Vitamins, Niacin (Nicotinamide), Folic Acid, Lactoferrin, Osteopontin (OPN), etc.	Sodium, Potassium, Copper, Magnesium, Iron, Zinc, etc.	Total Colony Count, Coliforms, Staphylococcus aureus, Salmonella, Cronobacter, Molds, Yeasts, Bifidobacteria, etc.	Nonylphenol, Bisphenol A, Di-n-butyl phthalate (DBP), Di(2-ethylhexyl) phthalate (DEHP), Diisononyl phthalate (DINP), etc.	Sodium Cyanide, Penicillin, Amoxicillin, Cephalosporins, Enrofloxacin, Oxytetracycline, etc.

Milk Source Management



To ensure the safety of cow diet and living quality, as well as the safety of the milk source from its origin, Feihe has consistently worked towards establishing a comprehensive milk source management system. This endeavor involves the construction of pastures, exclusive pastures, and feed processing plants, alongside reinforcing veterinary medicine management and on-site supervision. Our pasture is strategically situated in the Golden Milk Source Belt at 47°N latitude, forming a specialized industry cluster that integrates grass planting, dairy cow breeding, production processing, and after-sales services. The self-owned pasture achieves 100% self-sufficiency in milk sources, encompassing dairy cow breeding, health care and prevention, milking, and fresh milk transportation.

The Company has implemented a product traceability system that provides customers with essential details such as the product's origin. Additionally, through visualized projects, we have achieved full-chain traceability, enabling users to observe the live production process of milk powder via remote cameras. Every month, Feihe factories inspect the pastures on-site, checking for issues with withdrawal period control, feed management, veterinary medicine management, and fresh milk microbiological indicators. An audit team is established annually to carry out in-depth examinations of supplier pasture environments and system architecture. To guarantee the security of the milk sources, the pastures receive the inspection results, and any necessary corrective action is monitored.

Furthermore, we prioritize animal welfare by using TMR¹⁵ feeding to ensure a balanced diet for our animals, trimming their hooves, and safeguarding them from diseases and parasites. We provide a clean and comfortable living environment that addresses their socialization needs. Additionally, we incorporate music and provide massages to enhance their quality of life. Moreover, we conduct regular animal welfare training and technical exchanges to enhance the skills and awareness of our staff regarding animal welfare.

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 strictly manage veterinary medicine and cattle health.

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. The third party also conducts sampling inspections of antibiotics every year to reduce the risk of antibiotic residues in raw milk.

¹² FAPAS: determine the capabilities of food testing and analysis laboratories can verify inspection methods for chemical components, microorganisms, etc., in food items such as meat, edible oils, baby food, vegetables, and so on.

¹³ LGC: The LGC Laboratory Capability Verification Program covers professional areas such as food, beverages, and the environment. It provides solutions for laboratories worldwide to conduct measurement comparisons with international standards, self-monitoring of laboratories, and improvement of measurement quality.

¹⁴ ACAS: Chinese Academy of Inspection and Quarantine Test and Evaluation Center.

¹⁵ TMR: Total Mixed Ration (TMR) is a feeding technique that involves thoroughly mixing roughage, concentrates, minerals, vitamins, and other additives to provide sufficient nutrition to meet the needs of dairy cows.

Supplier Quality Management

Feihe supplier complies with advanced management system standards such as the ISO 9001, ISO 22000, FSSC 22000, HACCP and GB/T 20014, etc., both domestically and internationally. In 2023, more than 95% of Feihe's raw material suppliers have been certified with ISO 9001, FSSC 22000, and ISO 22000, covering all raw material suppliers and core packaging suppliers.

Supplier Quality Management Measures

- Quality Access and Audit**
- ★ We conducted systematic evaluations of the suitability, adequacy, and effectiveness of suppliers' food safety management systems. Suppliers that did not pass the audit were not permitted to enter Feihe's qualified supplier list.
- ★ We revised documents such as *Supplier Access and Reassessment Procedure* and *Supplier Audit Procedure*, conducting comprehensive assessments of suppliers' quality and food safety management systems during the qualification access phase to ensure suppliers meet required standards.
- ★ We referenced domestic and international standards to establish risk control standards for raw materials and packaging materials, requiring suppliers to provide third-party quality testing reports and conduct monitoring of these materials at each factory.
- ★ We established a supplier management position and regularly conducted monitoring of raw materials and packaging materials, as well as random supplier quality audits, comprehensively checking suppliers' system management, pest control, foreign object management, etc.

- Daily Management**
- ★ We implemented an extensive internal control system for quality to guarantee rigorous oversight in all areas, ranging from procurement to production. We identified and prevented potential risks, effectively avoiding and controlling potential risks of chemical pollutants and pathogens entering finished products, thereby ensuring product quality.

- Evaluation and Assessment**
- ★ We established supplier quality evaluation indicators and graded suppliers based on annual performance scores. Outstanding suppliers were given priority in procurement and offered increased order quantities. For suppliers with poor delivery quality, we conducted investigations, implemented corrective actions, and eliminated suppliers whose performance improvements did not meet requirements.

- Quality Training**
- ★ In 2023, we optimized the supplier quality management process, which improved the level of supplier quality and food safety management. We provided special training to packaging material suppliers based on their current level of supplier quality control and quality impact, while canning plant suppliers received QMS standardization training.

Product Recall

Feihe has always adhered to the bottom line of food safety, strictly abiding by relevant laws and regulations such as the *Food Safety Law of the People's Republic of China* and the *Food Recall Management Measures*. Additionally, the Company has established a series of internal management systems including the *Product Recall Management Procedure* and *Unqualified Product Control Procedure*, to delineate the product recall process and the primary responsibilities of each department. To bolster emergency response capabilities, we have assembled a Product Recall Emergency Response Team, detailing team members and their responsibilities, compiling an external emergency contact list, and assigning relevant personnel to immediately engage with stakeholders following a recall event. Moreover, the Company conducts regular simulated recall drills each year to ensure that the recall procedure can be promptly initiated in the event of any food safety hazards.

Feihe places great emphasis on product safety risk management, with a professional team conducting risk assessments and conducting rigorous testing on every batch of products before they leave the factory. Additionally, we carry out annual product type inspections for all products. If any abnormality is found during these inspections, we immediately investigate any deviations, and determine the best disposal plan to legally dispose of non-conforming products.

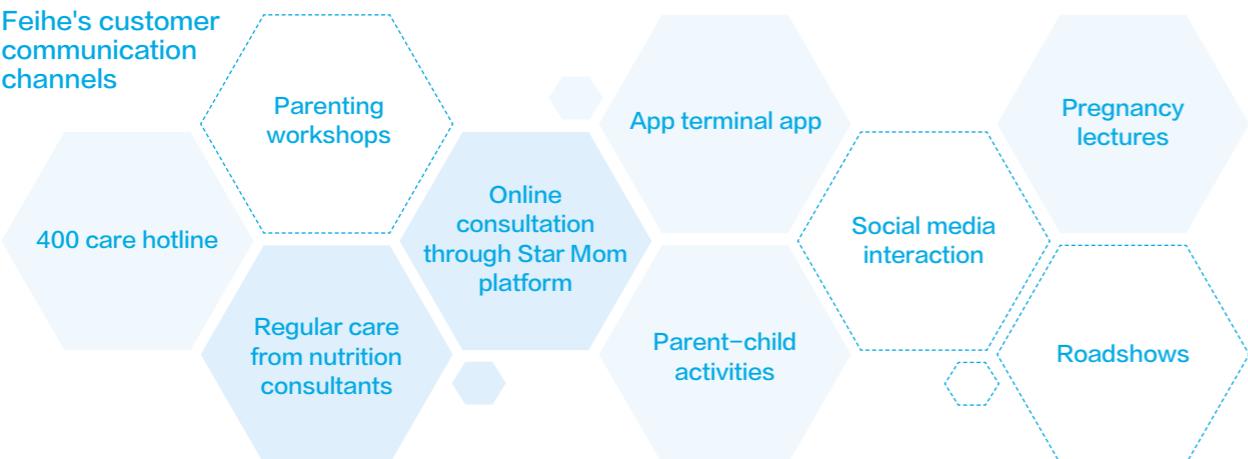
In 2023, we reported no product recall.



Customer Service

Customer Communication

Feihe's customer communication channels



Feihe attaches great importance to meeting the needs of our customers. We are dedicated to delivering an exceptional service experience by establishing diversified channels to safeguard consumer rights and interests. We continuously enhance the consumer complaint mechanism to ensure that customer feedback can be promptly and effectively heard and addressed.

Feihe places customer satisfaction at the forefront and has established various platforms including roadshows, events, apps, and hotlines. Through platforms such as Star Mom, we provide personalized nutrition and health services, along with scientific parenting advice. With a remarkable 55% increase in user activity, Star Mom boasts over 65 million members as of 2023. Throughout the year, we successfully hosted over ten online events, facilitating in-depth communication with customers and fostering trust.

Feihe values the management of customer service personnel and has established customer service systems and standards, including the *Customer Feedback Incentive Program* and *Performance and Monthly Reward Program*, to enhance the overall quality and service level of after-sales service personnel. The Company equips professional after-sales service personnel in the after-sales service center and service points, who undergo rigorous training to meet qualification standards and receive regular updates on business knowledge. Moreover, each customer service representative holds advanced certificates in infant care and nutrition, ensuring the delivery of professional and high-quality after-sales service to customers.

Feihe 528 Baby Day Event

In May 2023, Feihe held the "528 Baby Day" event. Through a user-generated content (UGC) video voting selection format, the event attracted over 30,000 new members within 20 days and actively engaged more than 540,000 participants, receiving over 10,000 video submissions. On 528 Baby Day itself, Feihe organized activities centered around brain development strategies, attracting 24.65 million participants, and setting a new historical record.

Participants of "528 Baby Day" activities

540,000

Participants in Brain Development Strategy activities

24.65 million



Feihe 528 Baby Day Event page

Innovative customer service model

Feihe has innovated its customer service model through the Star Mom preferred platform, introducing an innovative online and offline integrated service model for maternal and child retail stores. This has helped maternal and child stores smoothly transition into comprehensive family life experience stores. The baby online event in Zhengzhou, Henan Province, serves as a successful practitioner of this model, having operated its family consumer business as an independent business line, greatly enhancing the shopping experience for consumers.



Baby Online event scene

Consumers' Rights and Interests



Our customer satisfaction rate has reached an impressive

98%

Responsible Marketing

Feihe has always adhered to a responsible approach towards consumers, employing systems like the *Complaint Verification and Reporting Process* to swiftly identify and track complaint risks, ensuring timely issue resolution. We have established clear KPIs, such as customer response time and complaint handling efficiency, to ensure customer contact and issue resolution within 24 hours of complaint receipt. In 2023, our closure rate within 72 hours reached 91.4%, marking a 4.6% increase from the previous year. Moreover, we successfully identified and improved 46 complaint risks related to products, sales, and services in 2023, resolving 34 risk issues with a closure rate of 73.9%.

Furthermore, we have enhanced our after-sales management by implementing rapid compensation rules, ensuring that 100% of after-sales issues are addressed according to the rules, thereby streamlining the processing flow. To better comprehend consumer needs, we continually conduct customer satisfaction surveys through various channels, encompassing customer service, complaints, and official accounts. Our customer satisfaction rate has reached an impressive 98%.

We devised strategies in accordance with the *Advertising Law of the People's Republic of China*, the *Food Safety Law of the People's Republic of China*, and other relevant laws and regulations. This includes the establishment of the *Product Packaging Design Process* and the standardization of product promotion and responsible sales systems to ensure the authenticity and efficacy of product packaging information. To ensure the legality and compliance of marketing activities, we have implemented a rigorous review process for advertising and promotion design. This process encompasses marketing slogans, advertisements, posters, and promotional event content, ensuring thorough scrutiny before publication. Additionally, we collaborated closely with the China Advertising Association and jointly initiated the "No promotion for Stage 1 formula, no advertising for Stage 1-2 formula" initiative. In 2023, we organized a total of 4 online and offline promotional seminars for the advertising compliance review process. These seminars covered topics related to market, brand, and channel marketing, thereby standardizing employee responsibilities in marketing behavior.

Distributor Management

We attach great importance to distributor management and are dedicated to cultivating long-term and stable cooperation relationships, fostering a sustainable industry chain. To this end, we have implemented the *Distributor Management System* and the *Distributor Star Management Program*, which delineate the rights and obligations of both parties, ensuring fairness, justice, and transparency throughout the cooperation process. We employ six assessment principles to evaluate distributors, including business channels, business strength, business philosophy, self-governance, industry experience, and willingness to cooperate. This ensures that distributors meet the requirements for brand development, and allows us to adjust cooperation strategies promptly when necessary. Moreover, we have established a distributor service platform to provide comprehensive support and services, assisting them in enhancing their business development capabilities.

We regularly convene distributor conferences to solicit their opinions and suggestions, collaboratively formulate market promotion plans, and devise sales strategies. In our commitment to enhancing the professionalism and sales capabilities of distributors, we conduct regular training activities. These sessions feature industry experts and internal professional teams who provide training on product knowledge, sales skills, and market trends for our distributors.

We had a total of partner distributors

2,811

As of December 31, 2023, had a total of 2,811 partner distributors, including 1,387 regular distributors, 538 self-owned and regular distributors, and 886 self-owned store distributors.



Feihe mid-year distributor conference for network distribution

In August, 2023, we held the mid-year distributor conference for network distribution in Beijing. The main topics covered marketing incentive mechanisms, reward systems, product review systems, and transparent factory traceability. Through sharing and exchanges at the distributor conference, we continued to optimize its network distribution business, providing distributors and consumers with more efficient and high-quality services.



Distributor Conference Scene

Douyin Traceability Season Event

In August, 2023, we invited the core distributors to participate in the Douyin Traceability Season event on our Douyin platform. The goal was for distributors to gain a better understanding of our manufacturing process and quality assurance, as well as to establish a closer relationship with Feihe, thereby increasing their trust and sense of belonging to the products.



Feihe and distributors participated in the Douyin Traceability Season event



Intelligent Ecology

Feihe is advancing its digital transformation by implementing the "3+2+2"¹⁶ digital development strategy. This strategy focuses on leveraging the business middle office and information middle office to facilitate vertical and horizontal integration among diverse systems, thereby encompassing the entire business process with big data and algorithm applications. This transformation marks a shift in the supply chain system from business support to data intelligence, thus fostering the advancement of information technologies and management based on data intelligence.

In 2023, our information middle office made significant strides in data asset closed-loop management, categorizing high-frequency usage indicators, and enhancing data quality. Concurrently, the business middle office spearheaded innovation in the digital terminal product sales model, bolstered the overall capabilities of the settlement center, and improved after-sales and customer service processing capabilities, resulting in heightened service efficiency.

Feihe is implementing full-process automation control in production, effectively establishing an information-based and digitalized management mode for product quality control, thereby enhancing production efficiency. Throughout the reporting period, the Company has successfully implemented MES¹⁷ in seven major factories including Kedong, Gannan, Longjiang, Qiqihar, and Harbin. This enables full-process management from raw material receiving to finished product warehousing, ensuring automated control throughout the production process. These advancements contribute to improved production efficiency and ensure the stability of product quality.

Feihe Smart Manufacturing Model

Industrial equipment layer

We adopted various types of advanced industrial production equipment, sensors, PLC¹⁸ 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 OPC¹⁹, UA²⁰) and according to the transmission protocol (such as industrial Ethernet transmission protocol), we connect to the automation control system.

Automation control layer

Through equipment monitoring and control systems (e.g. SCADA²¹, HMI²², 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.



Business execution layer

This consists of production execution systems such as MES, LIMS²³ and WMS²⁴ 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.

Operation management layer

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.

Business decision layer

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.

With a remarkable intelligent supply chain and world-class manufacturing capabilities, Feihe has garnered recognition from both domestic and international authorities. In 2023, the Company was acknowledged as an exemplary case of digitalization and green development, earning a place as one of the inaugural members of the "Industrial Internet Platform Empowering Industrial Cluster Partner Program". Additionally, Feihe attained the highest-level certification as one of the pioneering "3-star enterprises in digital transformation maturity" nationwide, underscoring its exceptional accomplishments in the concerted advancement of digitalization and green initiatives.

¹⁶ The "3+2+2" strategy refers to our core capabilities in digital factory intelligent manufacturing, ERP-based business system construction, and the digitized and intelligent unified office platform. Through the business middle office and information middle office, the Company achieved vertical and horizontal integration among various systems, covering the entire business process with big data and algorithm applications.

¹⁷ MES: Manufacturing Execution System, a management system designed for shop floor production.

¹⁸ PLC: Programmable Logic Controller, in the traditional sequence controller based on the introduction of microelectronics technology, computer technology, automatic control technology and communication technology and the formation of a new generation of industrial control devices.

¹⁹ OPC: OLE for Process Control, an interface standard established for communication between industrial control system applications, creating a unified data access specification between industrial control equipment and control software.

²⁰ UA: User-Agent, used for identifying the operating system, version category and identifier, CPU model, browser engine and language, hardware information and related model, browser rendering engine, and browser language through a server.

²¹ SCADA: Supervisory Control And Data Acquisition(SCADA) a system for data collection and monitoring control.

²² HMI: Human Machine Interface a medium for interaction and information exchange between the system and users, converting information from internal form to a form that humans can accept.

²³ LIMS: Laboratory Information Management System, an information management system that combines database-centric information technology with laboratory management requirements.

²⁴ WMS: Warehouse Management System, a real-time computer software system that efficiently manages information, resources, behaviors, inventory, and distribution operations according to operational rules and algorithms, thereby improving efficiency.

03 Deeply Engaged in the Nutrition Field

Feihe is deeply committed to developing the concept of "Fresh and Active Nutrition", with a primary focus on the health and well-being of Chinese infants. We are dedicated to offering high-quality dairy products that are both nutritious and delicious. By investing heavily in research and innovation, we continuously achieve significant advancements to address the diverse health requirements of consumers, ultimately enhancing their quality of life.

Breast Milk Research	50
Nutritional Achievements	52
Innovation Capability	55





Breast Milk Research



As of December 31, 2023

Our breast milk database has amassed over samples

2,300

Feihe adheres to the recommendations of the World Health Organization and UNICEF, with a particular emphasis on advancing breast milk research. Through our independent research initiatives and thorough data analysis, we aim to gain a comprehensive understanding of the characteristics and distinctions of Chinese breast milk, providing a theoretical basis for product formulation design. Building upon the pursuit of formulas "Smart Babies Drink Feihe", we strive to replicate the essential nutritional components found in breast milk through innovative processing techniques, thereby ensuring the production of higher-quality infant formula.

Feihe has established a robust breast milk database platform, completed the construction of a breast milk database queue, and established sample repositories across multiple cities. We have collected and analyzed over 1,800 cross-sectional samples²⁵ and more than 500 queue samples²⁶, allowing for the visualization of breast milk data and the sharing of related resources. As of December 31, 2023, our breast milk database has amassed over 2,300 samples and has conducted tests on over 9,800 active components, including proteins, lipids, oligosaccharides, metabolites, ions, peptides, flavor substances, and exosomes, positioning us as leaders in terms of component variety within the industry.

Simultaneously, the Company has achieved significant milestones in breast milk testing technology, developing 17 testing methods capable of detecting 579 nutritional indicators. This technological advancement provides a more precise and scientifically sound basis for the development and production of infant formula. By adhering to Feihe's methodology, breast milk testing now requires only 11.6 milliliters of samples, significantly enhancing sample utilization efficiency compared to the industry's typical requirement of over 100 milliliters.

In 2023, Feihe conducted extensive research on various aspects of breast milk, including casein phosphopeptides, flavor substances, mineral patterns, and vitamins specific to Chinese breast milk. This research culminated in the publication of 5 related SCI papers and the filing of 4 invention patents.



Feihe initiates brain development research Program

In May 2023, Feihe launched the "Early Life Brain Science Research Program" through the "Peking University Medical - China Feihe Nutrition and Life Health Development Research Center". This program aimed to conduct a comprehensive analysis of the active nutritional components found in breast milk that are associated with brain and neurodevelopmental psychology. The goal was to establish a solid foundation for the development of infant milk powder formulas tailored to meet the requirements of infant physical and brain development.

In October 2023, Feihe intensified its focus on brain development and nutrition research, making it the core of its research and development innovation efforts. Leveraging scientific research platforms, the Company embarked on a brain development strategy aimed at systematically studying key nutritional components crucial for brain development. Concurrently, Feihe continued to translate research findings into product innovations, with the objective of offering superior fresh and active nutrition to support the cognitive growth of Chinese infants. Additionally, we participated in writing and publishing the scientific review *Evidence of Early Life Brain Development and Nutrition Science in the First 1,000 Days of Life*. This publication comprehensively elaborates on the scientific evidence pertaining to nutritional substances essential for brain and neural development during early life. It offers a thorough overview of the process of early life brain development, the corresponding functional milestones, and the significant influencing factors involved.

²⁵ Cross-sectional sample: Refers to a sample of breastmilk collected from the same lactating mother once during the lactation period.

²⁶ Queue, sample: Refers to multiple milk samples collected from the same lactating mother during the lactation period.



Feihe conducts clinical feeding trials

In 2023, we launched a clinical research project titled "Feihe Cognitive Formula Stage 1 and Stage 2 Infant Formula Double-Blind, Randomized, Controlled Clinical Study", which was effectively completed within the year. This study involved the recruitment of 330 volunteers to partake in feeding trials, aimed at assessing the impact of Feihe's cognitive formula infant formula, enriched with components such as "phospholipids + polyunsaturated fatty acids", on infant cognitive abilities. The evaluation outcomes revealed that infants in the cognitive formula group exhibited superior cognitive performance compared to those in the control group, approaching levels observed in breastfeeding scenarios. These findings offer compelling scientific evidence in support of our product development endeavors.

In 2023

This study involved the recruitment of volunteers to partake in feeding trials

330



Nutritional Achievements



Vitamin World nutritional packs for men and women of different age groups

- Vitamin World offers gender-specific nutritional packs tailored for different age groups. Each pack contains over 40 essential nutrients carefully formulated to precisely supplement the specific nutritional needs of each age group. These packs are suitable for individuals who prioritize dietary nutrition, especially those with inadequate intake of vitamins and minerals.



FIRMUS chewable milk powder cheese

- To meet the nutritional needs of children's growth and development, we have introduced the FIRMUS chewable milk powder cheese series, characterized by high protein, high calcium, zero added sugar, and no food additives.
- We have also developed the FIRMUS Children's Formula Liquid Milk, fortified with vitamins A, D, E, as well as calcium, iron, zinc, and other essential nutrients, aiming to supplement children's daily nutrition, ensuring they receive an adequate intake of nutrients.



Aiben premium middle-aged and elderly formula milk powder

- Aiben high-end formula milk powder focuses on low glycemic index (GI) as its core concept. It emphasizes increasing the content of protein, vitamin C, and calcium while reducing the fat content.
- The product is designed from a nutritional health perspective, adhering to the principles of 0 added sugar, 0 preservatives, 0 artificial colors, and so on. It aims to better meet the nutritional needs of middle-aged and elderly populations.



We have completed

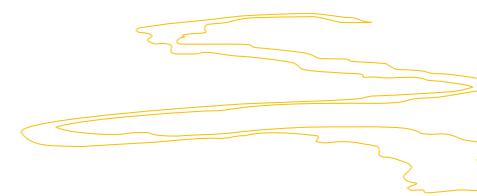
The research and development of special medical use formula foods targeting specific life cycles

10

Feihe develops special medical use formula foods

We have completed the research and development of 10 special medical use formula foods targeting specific life cycles and physiological states where nutritional needs vary.

- For premature or low birth weight infants, we have strengthened the protein/energy ratio, added medium-chain fatty acids, reduced the proportion of lactose in carbohydrates, and fortified vitamins A, D, iron, zinc, and polyunsaturated fatty acids. This helps premature infants maintain nutritional and metabolic balance, aiding in rapid catch-up growth.
- For infants with milk protein allergies, we have developed special medical use amino acid formulas to help babies quickly alleviate milk protein allergy symptoms, promote growth and development, and reduce the risk of allergies during growth.
- For children and adults with malnutrition, we have developed comprehensive nutritional foods, fortified with energy, protein, vitamins, minerals, and other nutrients, to provide comprehensive nutrition needed for full recovery after illness.



Feihe develops various nutrient ingredient preparation technologies

We independently developed and overcame the technical challenges of osteopontin (OPN) extraction, establishing a pilot line for bone bridge protein extraction, with the purity of the trial product reaching over 50%. We collaborated with units such as the national alliance for dairy sci-tech innovation to jointly formulate the *Determination of OPN in Infant Food and Dairy Products by High-Performance Liquid Chromatography* group standard. This solved the problem of the lack of detection methods for OPN in dairy products and infant formula foods. The technology has been successfully implemented in the Feihe Super-Premium AstroBaby Zhuoyao product line.



We have applied for invention patents for this technology

12

Patents already granted

6

In 2023

Scientific research publications in SCI journals

2



Feihe conducts infant and child body constitution classification research

We successfully finished the *Chinese Infant and Child Body Constitution Classification Research Project* in 2023, in collaboration with Beijing University of Chinese Medicine. For the first time, this initiative linked traditional Chinese medicine constitutional theory with paediatric nutrition, categorizing infants and toddlers aged 0 to 3 into different constitutional types and providing tailored nutritional recommendations. This study established a theoretical framework for personalized and customized nutrition. The study resulted in two scientific research publications in SCI journals, three articles in Chinese core journals, a copyright for constitution recognition software, and two books.



Feihe is deeply invested in the development of organic products, offering a range of high-quality options to address nutritional needs more scientifically. For instance, our focus on researching and utilizing specialty fresh corn varieties, along with the application of specialty soybean trait enhancement technologies, has yielded significant results. This includes the development of eight new corn varieties, two sets of fresh corn cultivation technologies, three high-quality forage varieties, and other notable achievements. Additionally, we have introduced organic milk powder products such as the Super-Premium Organic Zhenzhi infant formula, Zhenzhi organic children's formula, and Organic Chunrui infant formula, all of which have received organic food certifications.

We have taken proactive steps to develop small-portion products, launching a series of individually packaged items across our adult and infant formula product lines. This initiative aims to reduce food waste while simultaneously catering to the diverse dietary preferences of our customers.

Obtained New Corn Varieties

8

Fresh Corn Cultivation Techniques

2

High Quality Forage Species

3

“ Children's snack products packaging

The Zhuoran Chew Milk Powder Cheese series adopts a unique "Independent mini packaging + bag packaging" design, ensuring freshness even after opening.

“ Dairy products packaging

Lady iron calcium rich milk powder and gold zinc rich multivitamin student milk powder are packaged in 25g specifications.

“ Vitamin World products packaging

Vitamin World Men's and women's Age Nutrition Packaging are composed of white cardboard outer boxes and paper-aluminum inner bags, ensuring convenient supplementation of daily required nutrients.

Vitamin World x Feihe joint lactoferrin children's modulated milk powder continues to use 3g/pack mini packaging, ensuring children's daily intake of lactoferrin.



Innovation Capability

Feihe places a strong emphasis on technological research and development (R&D) to enhance its independent innovation capability and drive innovative and high-quality development. The Company has established key infrastructure, including the Dairy Engineering Academician Workstation, the Infant Formula Milk Powder Full Industry Chain Innovation Center, and Clinical Feeding Trial Sites, all of which contribute to creating a conducive environment for innovation.

Feihe prioritizes the development of a strong R&D team, which currently consists of 65 full-time professionals with extensive industry experience and deep product knowledge. Notably, over 89% of our R&D staff hold postgraduate degrees, including 8 individuals with PhDs. Many team members have gained valuable insights from their experiences studying and working overseas. This high-caliber R&D team is integral to Feihe's efforts in technological innovation, providing a solid foundation for the Company's long-term growth. In 2023, Feihe's total investment in research amounted to RMB 0.61billion, covering a wide spectrum of areas including basic research, product innovation R&D, resource assurance for R&D, as well as the development of infant formula products, specialty medical products, children's products, and adult nutrition products. This significant investment underscores our unwavering commitment to driving innovation and excellence across all aspects of our operations.

Feihe has implemented the *Enterprise Intellectual Property Management Standards* (GB/T 29490-2013) throughout the Company and has established the *Trademark Protection Management Measures and Intellectual Property Incentive Measures*. These measures outline the management, usage, and protection of our intellectual property rights, including patents, trademarks, copyrights, and other intellectual property. We prioritize the protection of our intellectual property rights while maintaining a zero-tolerance stance towards infringement of others' rights. To support the high-quality development of intellectual property rights, we have assembled 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.

In 2023, Feihe established an exclusive patent database to enhance patent utilization efficiency and streamline internal patent retrieval processes. Through demand research, database selection and learning, custom field setting, and system construction, we successfully integrated over 700 publicly available patents, forming over 1,000 data tags. This initiative laid a solid foundation for the exploration and expansion of the value of patents.

Feihe's Patents in 2023

Patent Type	Applications	Number of Granted Patents
Newly added invention patents in 2023	64	22
Newly added utility model patents in 2023	115	73
Total new design patents added in 2023	47	35
Total new patents added in 2023	226	130
All invention patents	243	55
All utility model patents	383	315
All design patents	148	127
Total patents overall	774	487

As of December 31, 2023, the Company has applied for 1,939 trademarks, with 1,427 already registered and 512 pending registrations.

To comprehensively enhance the creation, utilization, and protection of intellectual property rights, Feihe actively conducts intellectual property training and strengthens the capacity building of intellectual property talent teams. During the reporting period, the Company organized a total of 11 intellectual property training sessions, with a cumulative duration of 30 hours, and attracted more than 700 participants.

Feihe conducts trademark knowledge training

In December, 2023, Feihe invited a former national examiner to conduct a trademark basic knowledge training session. The training focused mainly on the basic rules of trademark examination, avoidance of prohibited trademarks, and proper use of trademarks, accompanied by case studies for analysis.



Feihe Trademark knowledge training session site

Industry-Academia-Research Collaboration

Feihe actively promotes external cooperation, enhancing the integration of industry, academia, and research to establish a unified research platform. This approach allows us to leverage and integrate scientific research strengths, fostering an environment conducive to innovation. We remain at the forefront of industry scientific and technological advancements by engaging in research partnerships with fifteen leading research institutions across nine countries. Furthermore, we actively establish international alliances in cutting-edge research and technology. We focus on the development of academicians' workstations and postdoctoral workstations, engaging in collaborative projects and research with numerous authoritative research institutions, universities, hospitals, and other entities both domestically and internationally.

Feihe and Boston Children's Hospital established a brain development foundation

In September 2023, Feihe and Boston Children's Hospital at Harvard Medical School Teaching Hospital established the "Harvard Boston Children's Hospital-Feihe Pediatric Brain Development Foundation" with the aim of gathering outstanding teams on an open platform to conduct systematic research on key nutritional components for brain development. This initiative is designed to create an internationally leading platform for neuroscience research.



Feihe brain development research exchange event

Feihe's Key Industry-Academia-Research Projects

Feihe's collaboration with Jiangnan University

- Feihe collaborates with Jiangnan University on a comparative study of infant gut microbiota between Chinese and foreign populations. Leveraging the distinctive technology of Jiangnan University's academic team, Feihe has initiated the "Chinese Infant Gut Microbiota Atlas Project" to gain in-depth insights into the composition and functions of infant gut microbiota.
- Feihe and Jiangnan University jointly established the "Maternal and Infant Probiotics Joint Innovation Research Center", collaborating on the establishment of a Chinese maternal milk, pregnant women, and infant probiotics library, as well as strain selection and industrialization-related research. The aim is to research the application of Chinese infant-derived probiotics in infant formula products.

Feihe's collaboration with Shanghai Jiao Tong University

- Feihe leverages the stem cell research expertise of Shanghai Jiao Tong University to establish a developmental platform for organoids. By simulating human-like organs such as the infant's small intestine and brain, we conduct research on the absorption, metabolism, and nutritional effects of infant formula milk powder. This research aims to identify effective components found in breast milk, leading to the creation of formula milk powder that closely mimics the nutritional composition of breast milk.
 1. Establish characteristic profiles of breast milk's long-chain fatty acids for different regions in China, consolidating the authority in breast milk research.
 2. Analyze the differences in long-chain fatty acids between domestic and international brands of infant formula milk powder and the characteristic profiles of breast milk's long-chain fatty acids, providing a theoretical basis for product development.
 3. Construct a cohort of 500 mothers and newborns to study the correlation between long-chain fatty acids in breast milk and dietary/genetic factors, and their impact on infant intestinal health, while offering data and methodological support.
 4. Develop in vitro and in vivo experimental models to investigate the immunomodulatory effects of long-chain fatty acids in breast milk on infant intestinal immunity regulation mechanisms.

Feihe leverages the stem cell research expertise of Shanghai Jiao Tong University to establish a platform for the development of Feihe-like organs. By simulating human-like organs such as infant intestines and brains, we conduct research on the differences in absorption, metabolism, and nutritional effects of infant formula milk, discovering effective components in breast milk and creating formula milk that is closer to the composition of breast milk.

Feihe and Northeast Agricultural University conducted collaboration

- Feihe and Northeast Agricultural University are collaborating to research key technologies in milk-based ingredient production. This collaboration aims to address the bottleneck issue of major nutritional ingredients in infant formula milk in China, including lactoferrin and whey products. We focus on meeting specific population needs by developing multifunctional dairy products that enhance immune function, boost brain vitality, improve gut ecology, enhance calcium absorption, and protect vision.

Feihe's commitment to technological innovation has been recognized by the China Dairy Industry Association, which honored us with the title of "China Dairy Industry Technological Innovation Model Enterprise". Moreover, we were awarded the second prize for technological advancement by the association and the China National Committee of the International Dairy Federation for our project titled "Application of Membrane Sterilization and Aseptic Addition Technology in Active Lactoferrin Enriched Ambient Temperature Milk". These accolades underscore Feihe's leadership in technological innovation within the dairy products industry.

04 Improving Employee Welfare

Feihe adheres to a people-oriented philosophy, considering safeguarding employee rights as a core priority in talent management. We prioritize clearly defining growth, promotion, and career advancement paths for each individual. Moreover, we are dedicated to offering rich and diverse learning opportunities to fully empower our employees to realize their potential and self-worth. We are committed to creating a healthy and safe working environment for employees and continuously enhancing their sense of belonging and happiness by genuinely caring about their welfare. Together with our employees, we walk hand in hand to build a sustainable development path.

The Rights and Interests of Employees	60
Employee Development	63
Health and Safety	70
Caring for Employees	74



The Rights and Interests of Employees



During the reporting period

The coverage rate of the *Collective Contract of Heilongjiang Feihe Dairy Co., Ltd.* reached

100%

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 encompasses 16 comprehensive policies and measures that address employee relations, recruitment, training, performance evaluation, remuneration, and benefits. These policies and measures are designed to ensure the full protection of our employees' legal rights and interests.

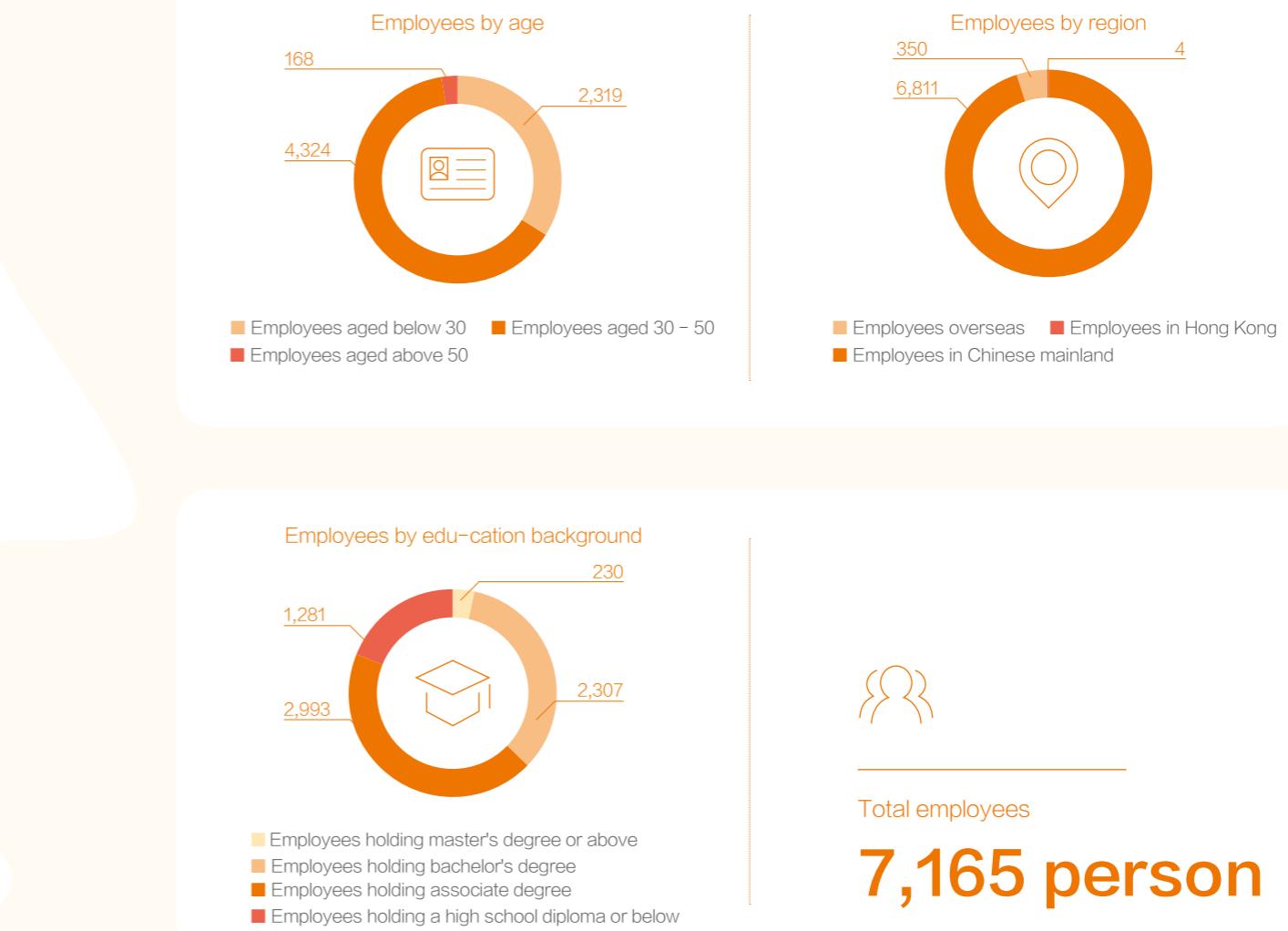
We strictly follow the *Law of the People's Republic of China on the Protection of Minors*, the *Regulations on the Prohibition of Child Labor* and other relevant laws and regulations. Through comprehensive background checks on all employees, we ensure the elimination of any form of child labor and the prevention of forced labor. In the event of any such occurrences, we take immediate and serious action in accordance with the law, and if necessary, involve judicial authorities for accountability. Our recruitment policies prioritize transparency and fairness, providing equal employment opportunities to all individuals without discrimination based on gender, ethnicity, region, religious beliefs, or cultural background. Our aim is to cultivate a workplace environment that is harmonious and inclusive for all. In 2023, there were no incidents of forced labor, child labor employment, or employee complaints about human rights.

We abide by laws and regulations such as the *Labor Law of the People's Republic of China*, the *Trade Union Law of the People's Republic of China*, and the *Labour Contract Law of the People's Republic of China*. Through equitable negotiation between the Company and the trade union, we have established collective contracts to safeguard employees' legal rights and foster harmonious labor relations. During the reporting period, the coverage rate of the *Collective Contract of Heilongjiang Feihe Dairy Co., Ltd.* reached 100%.

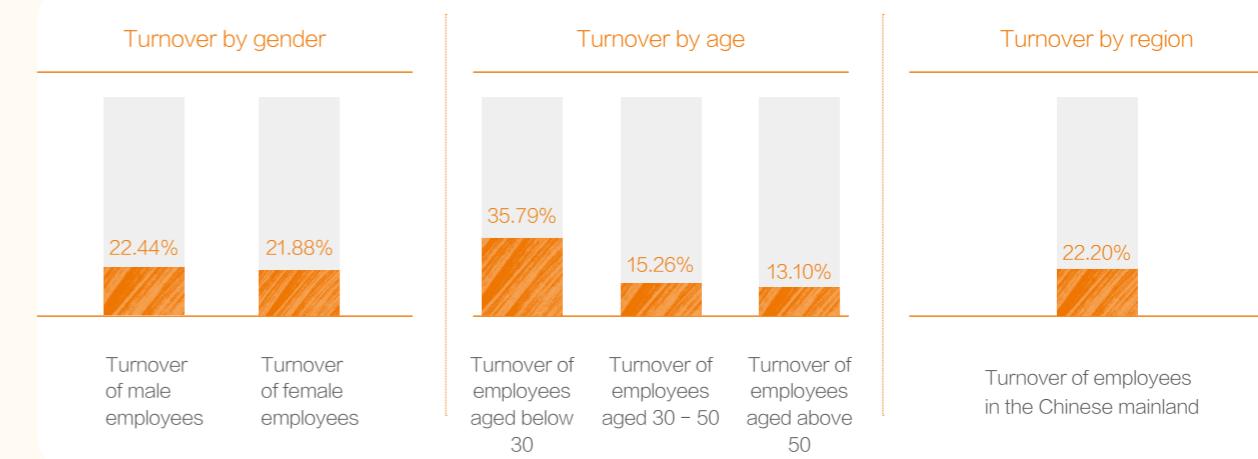
Composition of Full-time Employees in 2023²⁷ (Unit:Person)



²⁷ The number of employees by gender, employment type, age and education does not include the number of overseas and Hong Kong employees of Feihe.



Turnover Rate in 2023 (Unit:%)



²⁷ The number of employees by gender, employment type, age and education does not include the number of overseas and Hong Kong employees of Feihe.

Feihe strictly follows the "Seven Principles" in talent recruitment and is committed to providing equal and fair work opportunities for talents. We also arrange suitable positions for them based on their talents and characteristics, so that each employee can fully unleash their potential and achieve mutual development for both them and the Company.

Feihe continues to refine its recruitment channels and strategies, attracting excellent talents through various channels such as social recruitment, campus recruitment, and internal referrals, injecting fresh vitality into the company. In 2023, we conducted in-depth analyses of talent profiles and market dynamics, aligning our recruitment efforts with evolving business needs. We vigorously pursued talent acquisition activities, successfully onboarding 65 key position talents and 10 mid-to-high-end talents.

Feihe's "Seven Principles" in talent recruitment



Refusal of employee's relatives	Comprehensive examination	Equal opportunity
Internal priority	Internal referral	Fair competition and recruit on a selective basis
Suitable jobs		

Our recruitment processes incorporate stringent and professional screening standards to support the Company's digital development strategy. Emphasis is placed not only on candidates' qualifications but also on their alignment with Feihe's organizational culture, ensuring a seamless fit and long-term contribution to our digital transformation endeavors.

Additionally, we actively participated in campus recruitment activities, tailoring our approach to match job requirements with the strengths of different universities. Utilizing comprehensive assessment methods such as evaluations, structured interviews, leaderless group discussions, and case analyses, we aim to enhance assessment accuracy and ensure optimal alignment between campus recruits and the Company's needs.

Campus recruitment

In 2023, Feihe conducted campus recruitment activities, precisely matching needs with universities. Through seminars, job fairs, and other forms, we visited universities such as China Agricultural University, Northeast Agricultural University, and University of International Business and Economics, attracting student attention and receiving resumes. During the reporting period, Feihe hired 140 recent graduates through campus recruitment.



Feihe campus recruitment interview scene

Employee Development

Remuneration and Performance

Feihe prioritizes the career development needs of our employees and consistently enhances our remuneration and performance system to nurture talent pipelines. We provide clear and well-defined career advancement paths to our employees. We take training talents as our responsibility, actively conducting training activities covering various aspects and forms to comprehensively enhance employees' professional skills and expertise.

Feihe adheres to scientific and equitable principles in compensation and performance management. Our approach involves implementing a differentiated compensation structure tailored to employees' job roles within our comprehensive compensation and performance management system. This includes clearly delineating the proportions of fixed and variable income components. Through a dynamic and periodic performance evaluation system, we closely tie employee compensation to performance outcomes to enhance work motivation. Every year, we conduct industry salary surveys to gauge the compensation levels for various positions in the industry, ensuring that our employee compensation remains competitive externally.

Our performance management practices are intricately linked with annual strategic goals, ensuring alignment between departmental and individual objectives with the Company's overarching strategic objectives. We employ objective management, process management, evaluation management, and result application to comprehensively and systematically manage both organizational and individual performance. This approach not only effectively motivates internal dynamics within the organization but also facilitates continuous improvement in employees' personal abilities and qualities. Ultimately, it provides robust talent support for Feihe's long-term development.

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 assessment is conducted on a quarterly basis using a combined approach of "evaluation plus assessment". The primary focus is on performance goal assessment, supplemented by evaluating the performance of responsibilities not covered by core indicators, and contributions beyond duties (such as the completion of significant projects).

Results Application

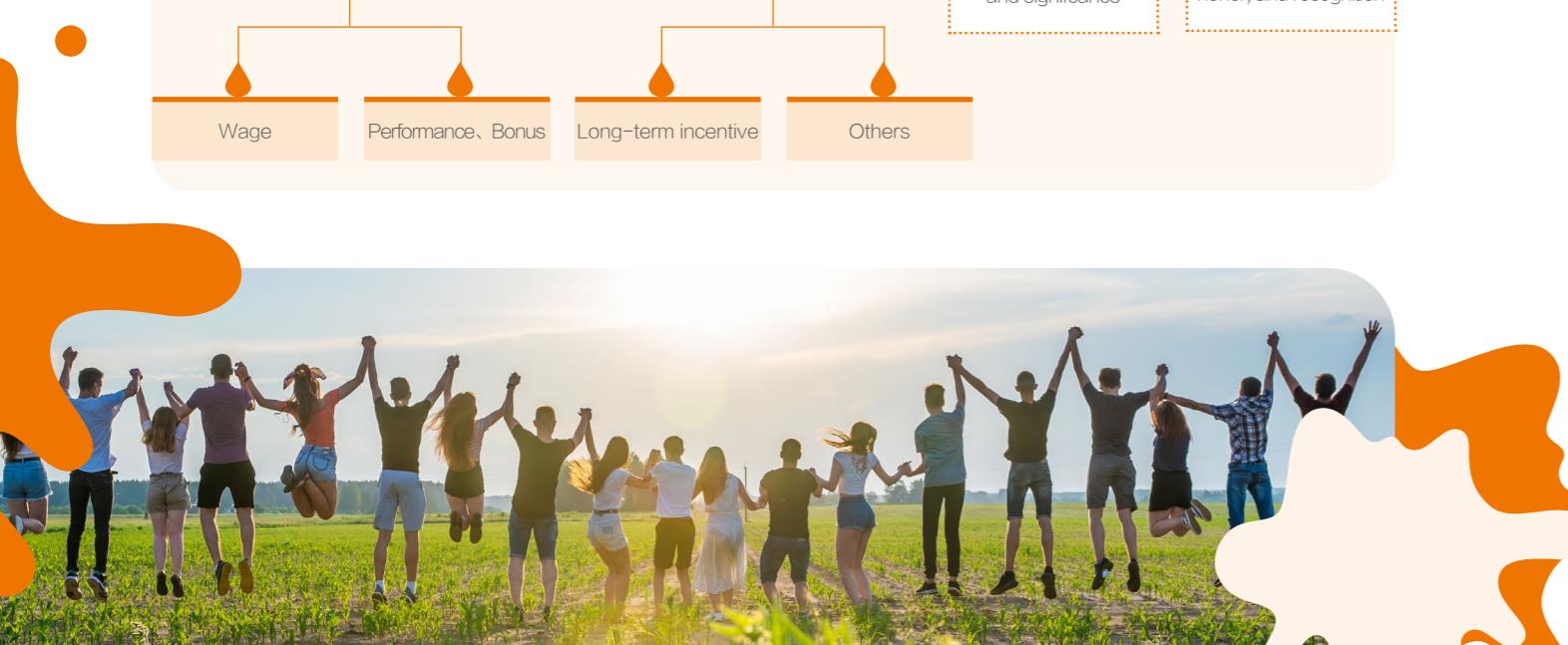
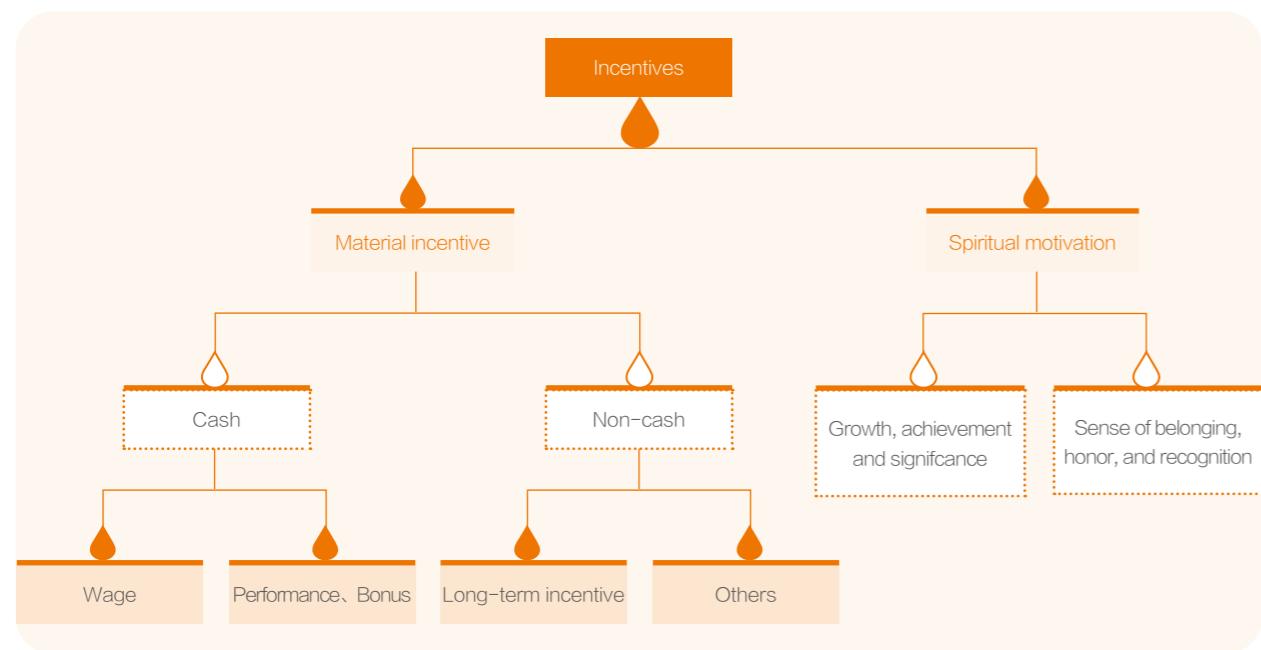
The performance results are reflected in the current remuneration, as well as value allocation considerations, including medium and long-term stock incentives, grade adjustment, remuneration adjustment, training, merit evaluation, etc.

Feihe performance assessment system



In 2023, in our ongoing effort to boost employee enthusiasm and creativity, we embraced the principle of "sharing, creating together, sharing responsibilities, and achieving mutual success". We revamped our income distribution mechanism by introducing a Restricted Stock Unit (RSU) plan. This long-term incentive tool is designed to benefit employees at various levels and positions within the Company.

Feihe's employee incentive system



Promotion Mechanism

To uphold fairness, impartiality, and transparency within our internal competitive framework, Feihe has implemented a promotion mechanism grounded in qualification standards. Guided by the "Five Principles of Promotion", we conduct thorough evaluations of key indicators within the qualification system to identify individuals with management potential.

Feihe's Five Promotion Principles

- Valuing performance and output**
Focus on assessing the value, contribution, results and outputs of employees at their work based on their abilities.
- 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.
- Job transfer through promotion**
Encourage the adoption of a "zigzag" growth path, which involves vertical development leading to horizontal development before returning to vertical development, gradually achieving promotion after job rotation.
- Promotion and demotion**
Comprehensively assess employees' performance and ability on the basic job qualification and promote and demote them.
- 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.



During the reporting period

Promoted people to the manager level

31

Middle-level managers and above in functional departments at the headquarters were promoted and transferred to different positions

38%

Business department managers and above were newly promoted

24%

At the same time, we have refined the evaluation criteria for qualification at each level, placing significant emphasis on "pressure response", "value contribution", and "developability" when assessing candidates for promotion. We also set up training courses for employees before and after their promotion, and continuously followed up on their IDP²⁸ to help them adapt quickly to new positions. During the reporting period, we promoted 31 people to the manager level and above. 38% of middle-level managers and above in functional departments at the headquarters were promoted and transferred to different positions; 24% of business department managers and above were newly promoted.

²⁸ IDP: Individual Development Plan, which is a tool designed to help employees achieve personal and professional development goals.

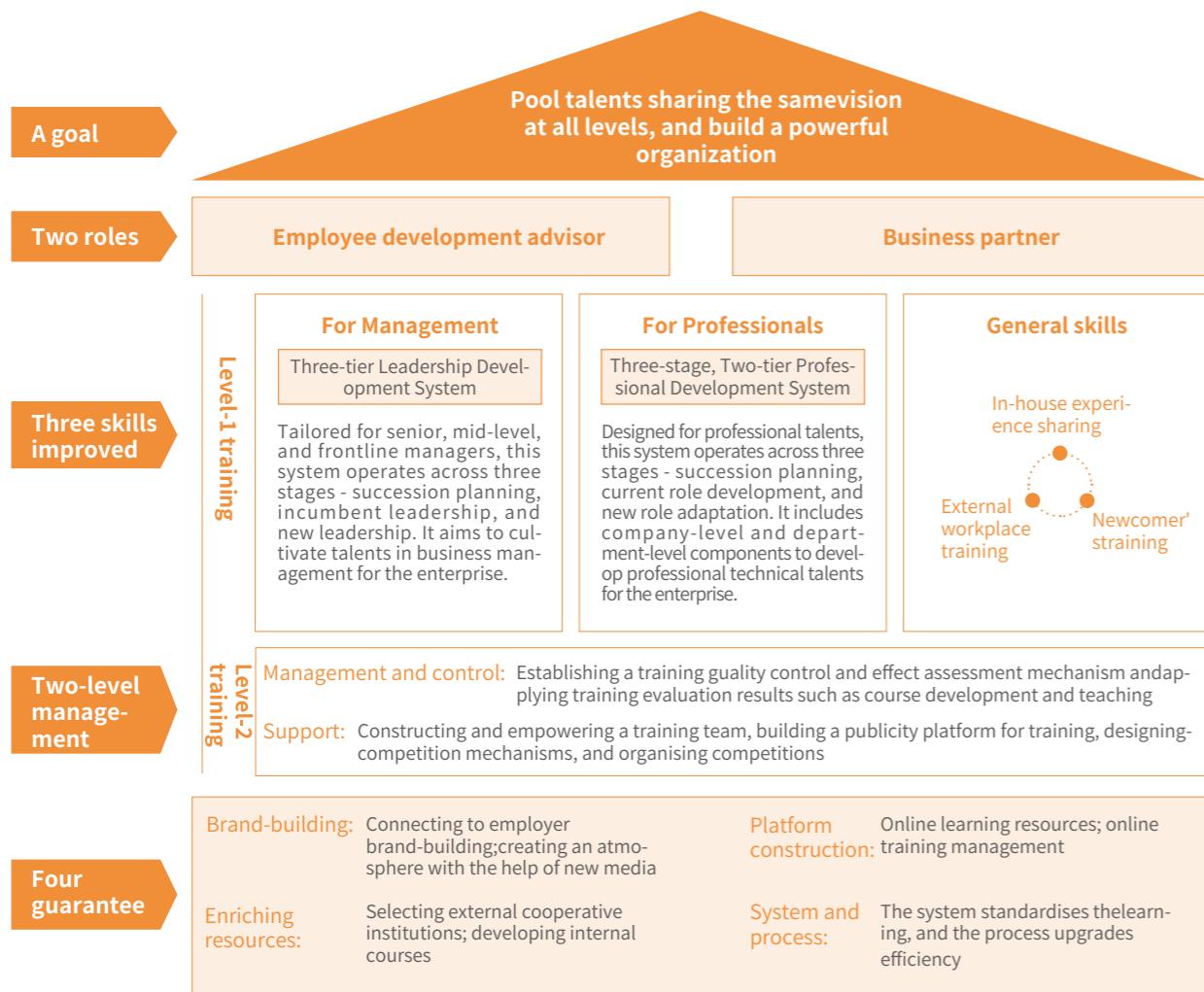
Employee Training

Feihe updates its training processes and systems, guided by an internal training strategy. To ensure comprehensive and diverse training for executives and staff, we have developed a three-dimensional training system covering production, marketing, and functional domains. Starting with foundational elements such as outcome sedimentation, training needs analysis, and promotion, we continually enhance the caliber and effectiveness of our training efforts, with the overarching objective of fostering " Pooling talents sharing the same vision at all levels".

In addition, we offer employees more accessible and efficient learning opportunities and resources through the online training platform "Shining Star Feihe Academy". This platform provides personalized learning plans and recommendations tailored to employees at different hierarchical levels, granting access to over 1,400 internal knowledge courses and over 1,700 external knowledge courses.

We have established a comprehensive employee training system to enhance the three major capabilities of employees, strengthen the management and support of secondary training, accelerate the construction of the four major guarantees of the training system, and fully develop the Feihe "3+2+4" learning ecosystem.

Feihe 3+2+4 employee training system



In 2023, the Company conducted targeted training related to professional capabilities based on the systematic division of three major work areas. The training programs and performance are as follows:

Production training sessions	Marketing training sessions	Administrative training sessions
<ul style="list-style-type: none"> Management training: The Management Training Program (MTP) was conducted for a total of 12 sessions with 480 participants; Quarterly themed trainings on "Secrets of Growth" and "Lean Practices for Production Managers" were conducted, with a total of 150 participants. 	<ul style="list-style-type: none"> Management training: Eight courses were held with 303 participants. 	<ul style="list-style-type: none"> Management training: A total of 4 sessions covering 150 participants.
<ul style="list-style-type: none"> World Class Manufacturing (WCM) training: 130 audits were completed, 41 employees passed the Yellow Belt examination, and 32 employees were certified TWI-JI internal trainers. 	<ul style="list-style-type: none"> Professional training: In total of 11 offline marketing professional trainings were conducted, with 713 participants, and 7 online live courses were held with 4,974 participants, achieving a course completion rate of 96.38%. 	<ul style="list-style-type: none"> Young Talent Pipeline Training: Covered 25 reserve personnel in the talent pool, with a total of 313 learning hours completed.
	<ul style="list-style-type: none"> Innovation training: One online livestreaming courses covering 43 participants. 	<ul style="list-style-type: none"> Innovation training: One lives-treaming innovation courses covering 45 participants.

Feihe Employee Enhancement Training Courses

"Eight Management Skills by Drucker"	<ul style="list-style-type: none"> Managers learn a scientifically effective management language and method tool system Achieve team growth together 	
"Leading Business Strategies"		
"Building High-Growth Teams" etc.		



Scene from "FBIF Innovation Food Forum" event



Training scene for "Leading Business Strategies"



Training scene for "Building High-Growth Teams"



"Feihe's 'Great' Experience and Insights"

- Shares corporate stories such as "Six Decisions", "Four Pillars and Eight Columns", "Full Industry Chain", etc.



Training scene for "Feihe's 'Great Experience and Insights'"

"From Service to Enjoyment – Achieving Win-Win"

- Conveys personal work experiences and insights to grassroots employees:
- Expressing the spirit of hard work through eagerness for progress.
 - Demonstrating craftsmanship spirit through daring innovation.
 - Reflecting the model worker spirit through willingness to contribute.



Training scene for "From Service to Enjoyment – Achieving Win-Win"

"Fresh Harvest of Active Nutritional Knowledge" Lecture

In March 2023, to effectively consolidate organizational wisdom and promote efficient collaborative information sharing, Feihe conducted the "Fresh Harvest of Active Nutritional Knowledge" live online course. The course invited Feihe's Chief Scientist to explain concepts related to active nutrition, how to identify active nutrients, and the value of active nutrients for babies. The lecture covered departments such as production, marketing, and functions, with over 1,500 participants.

In 2023, Feihe launched several talent reserve projects, including the Youth Talent Pool, the Elite Regional Manager Training Camp for the Marketing System, the Talent Pool for Production System Managers/Deputy Managers, and the Gold Bull Project for the Livestock System. These initiatives are geared towards "enhancing practical work capabilities" by assigning challenging tasks such as project implementation and job rotations to participants. Feihe also actively monitors talent performance, key performance contributions, and other indicators to facilitate rapid growth and strengthen our talent reserve.



Functional Young Talent Pool Expansion Team Building Project



Talent Pool "Project Management Practical Methods" Training



Production MTP Management Efficiency Improvement Project Closing Ceremony

In 2023

Employees in Feihe received a total of training opportunities

6,811 person

Training coverage

100%

Were trained for in total

361,664 hours

On average

53 hours

Training for Full-time Employees in 2023²⁹

	Training Percentage (%)	Average Training Hours per Employee
Employee rated by gender	Male	100% 53.10
	Female	100% 53.10
Employee rated by type	Senior management	100% 25.60
	Middle management	100% 75.60
	Entry-level employee	100% 58.20

²⁹ Employee training data does not include training data for overseas and Hong Kong employees of Feihe.



Health and Safety

Safety Management System

During the reporting period

Factories obtained ISO 45001 occupational health and safety certification

6

Invested RMB in safety production

3.3736 million

In 2023, Feihe successfully achieved the following safety and health management goals as planned:

Indicator	Target Value	Actual Achievement
Serious injury and fatality rate	0	0
Safety education coverage rate	100%	100%
Safety hazard rectification rate	100%	100%
LTIFr ³⁰	1.1	0.66
Timely pre-post-employment and post-employment health examination rate	100%	100%
Occupational disease/suspected occupational disease detection	0	0

In 2023, the Company experienced a total of five safety incidents resulting in occupational injuries. The cumulative lost workdays due to injuries amounted to 356.5 days, equivalent to 2,852 hours. The lost time injury rate per million work hours (LTIFr) was calculated at 0.66, and no fatal accidents occurred. Additionally, all employees in positions with potential occupational hazards underwent occupational health examinations, achieving a 100% coverage rate. There were no suspected cases or confirmed cases of occupational diseases among the employees.

Occupational Health at Feihe³¹

Indicator	Unit	2021	2022	2023
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	646	64	356.5

³⁰ LTIFr: Lost time injury frequency rate.

³¹ Fire Control Day Activities Occupational health-related data does not include data on Feihe employees in overseas and Hong Kong regions.

Dual Prevention Mechanism

Based on the ISO Plan-Do-Check-Act (PDCA) method and in compliance with national laws and regulations concerning occupational health and safety, Feihe has established a robust dual prevention mechanism. This mechanism encompasses risk grading and control, as well as hidden danger investigation and management practices. To ensure the continuous stability of safety production, we have implemented a rigorous safety inspection system. This system includes daily safety patrols, weekly on-site inspections conducted by departments, and monthly factory-level inspections led by the plant manager. Additionally, prior to each extended holiday period, we conduct comprehensive safety risk assessments covering various aspects such as the utilization of personal protective equipment, fire safety, and temporary electrical safety. Following these inspections, the Department EHS Coordination Committee oversees the compilation and organization of identified issues, while the EHS department conducts monthly factory-level inspections and generates written reports. We meticulously follow up on issue resolution within designated timeframes outlined by relevant departments to ensure swift and effective mitigation of all safety hazards.

Workplace Safety Management



During the reporting period

The coverage rate of annual employee physical examinations reached

100%

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. To ensure workplace safety and compliance, we have instituted a one-vote veto system for major incidents. We provide tailored pre-job training for different types of production work to equip employees with essential safety operational skills. Additionally, we enforce a special operation permit system, requiring employees operating special equipment to hold relevant qualification certificates, ensuring their competence. Prior to high-risk operations, we conduct advance risk predictions and verify on-site operational norms to minimize production risks and safeguard employee safety.

Adopting a proactive management approach, we conduct annual risk identification and assessments. Based on the latest assessment outcomes, we update occupational hazard lists, noise radar maps, and other relevant materials and control measures to enhance employee occupational health management. Additionally, we address 40 occupational health hazards annually through group and specialized work improvements, targeting factors such as high temperatures, noise, and dust.

Additionally, we organize a weight loss competition for employees, encouraging them to maintain their physical health through scientific exercise and proper diet. Over 150 employees participate in this activity annually. For extreme weather conditions, we issue alerts to remind employees to prioritize travel safety, arrange work schedules sensibly, and make necessary preparations. During the reporting period, the coverage rate of annual employee physical examinations reached 100%.

Enhancing Safety Awareness

In 2023

The average safety training hours per employee at Feihe totaled

8 hours

With a safety training coverage rate of

100%

Feihe's Safety Culture Activities

Activity	Theme	Times	Participants
Work Safety Month Activities	Everyone speaks safety, everyone knows emergency response	19	2,281
Occupational Health Week	Improving work environment and conditions to protect the physical and mental health of workers	14	1,171
Fire Control Day	Prevention as the priority, with life being paramount	14	1,423
Emergency Drill	<p>Emergency drills for limited space operations</p> <ul style="list-style-type: none"> Fire evacuation Boiler gas leaks Vehicle accidents Ammonia leaks Fall from heights Electrical accidents Food poisoning Heat stroke Chemical burn Hazardous chemical leaks Machinery injuries Dust explosions 	181	2,820

To build a corporate safety culture and further enhance employees' awareness of safety production, we have implemented a range of safety training and promotional activities. These include EHS training for new hires, monthly plant-level inspections, specialized inspections conducted before extended holidays, and the swift rectification of identified issues, followed by thorough result reviews. Additionally, we conduct monthly Behavior-Based Safety (BBS) observations and share insights on the work environment to enhance operational protection skills during production processes and further promote the construction of a factory safety culture. In 2023, the average safety training hours per employee at Feihe totaled eight hours, with a safety training coverage rate of 100%.



Safety Month Activities



Occupational Health Week Activities



Emergency Drill



Caring for Employees

Caring for Employees



Feihe Mid-Autumn Festival Event



Feihe Movie Night



Feihe Sports Competition



"Marching Together, Embracing Spring" themed Women's Day event

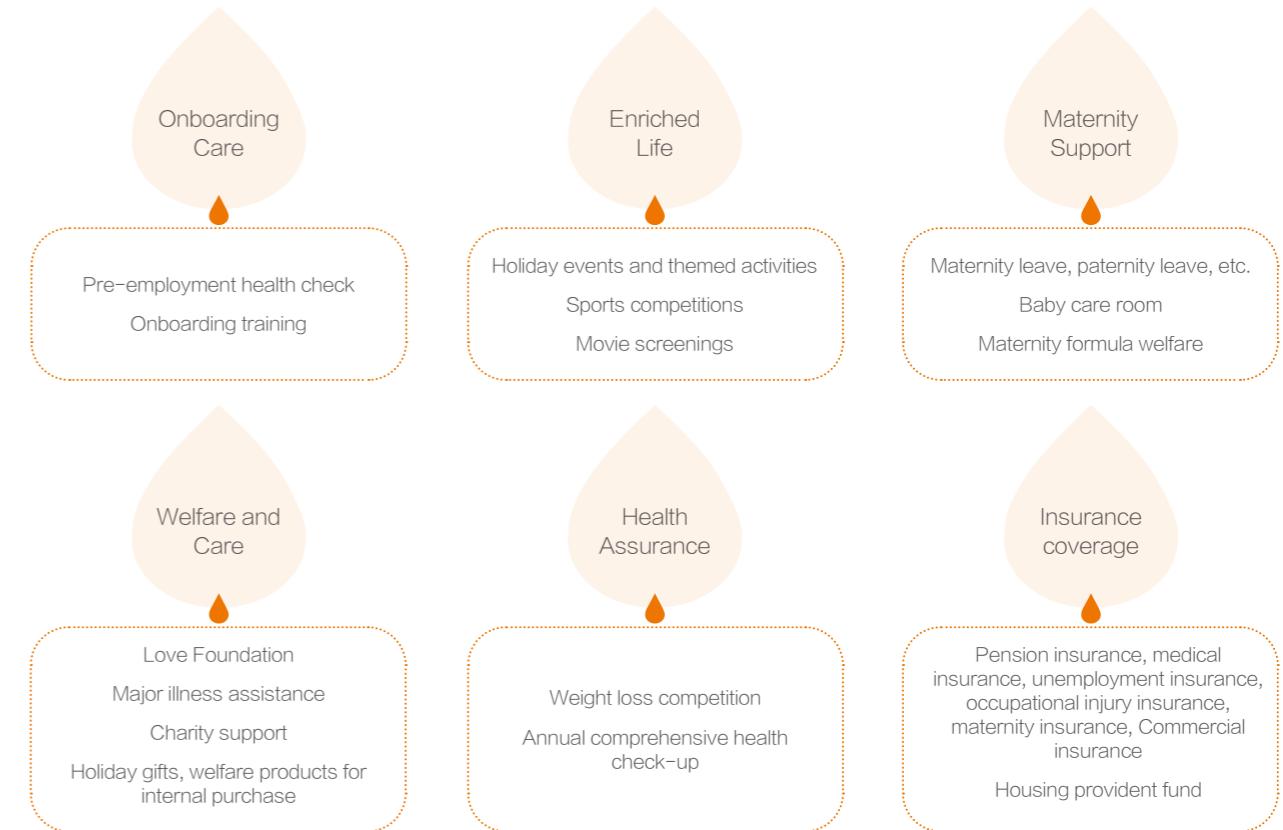


Feihe established the Love Foundation in 2003 and organizes warmth-giving activities annually to care for and assist employees facing economic difficulties, such as those with a per capita income below the local minimum remuneration level, immediate family members suffering from serious illnesses, or those affected by major disasters. In 2023, Feihe assisted a total of 6 families of employees in need, providing them with consolation funds totaling over RMB 200,000. As of December 31, 2023, Feihe has assisted over 500 employees, disbursing over RMB 15 million in gift/consolation funds.

Feihe prioritizes the well-being of its employees, actively organizing a diverse range of enriching activities and providing effective assistance to employees in need, demonstrating its commitment to corporate humanitarian care. Additionally, the Company maintains open communication channels with its employees, ensuring timely responsiveness to their voices and enhancing their sense of identification and belonging with Feihe.

Feihe organizes various employee care activities imbued with corporate characteristics, actively fostering a warm and harmonious working environment. We organize interactive events on significant holidays (such as Chinese New Year, Mid-Autumn Festival, Mother's Day, Father's Day, Children's Day, etc.) to enhance emotional exchanges among employees. In 2023, we organized a Mid-Autumn Festival employee care event with over 2,700 participants in offline activities and full coverage of all employees through online promotion. Additionally, we organize diverse cultural and sports activities such as movie nights and sports events to enrich employees' leisure time and promote a sense of warmth and camaraderie within Feihe.

Non-monetary Benefits for Feihe Employees



Employee Engagement



During the reporting period

Employee Feedback Resolution Rate

100%

An open and effective communication mechanism serves as the foundation for ensuring employees' equal participation in decision-making and management processes. Feihe is dedicated to facilitating internal information flow, ensuring employees' rights to know, participate, express, and supervise, thereby enhancing their cohesion and sense of belonging. To facilitate this, we have established an "Employees Say" column and email inbox to receive feedback from employees. Upon receiving feedback, we conduct prompt situation assessments and provide initial responses within 24 hours, with final responses for complex issues delivered within 3 days. During the reporting period, we successfully resolved feedback from 21 employees.

In 2023, we regularly convened company-wide staff meetings to review completed work, plan the direction of future projects, and commend outstanding teams and employees. Additionally, for systems and management methods affecting employee interests, we organized periodic meetings to gather feedback from employee representatives.

To comprehensively improve employee satisfaction, we conducted Q12 Gallup surveys³² during the reporting period in functional departments such as the Production Business Unit. The average satisfaction score was 4.3 out of 5 points, indicating positive organizational culture and employee engagement levels. Based on survey results, we assessed performance across four dimensions: basic needs, management support, teamwork, and learning and growth. The assessment results indicated positive organizational culture and employee engagement levels.

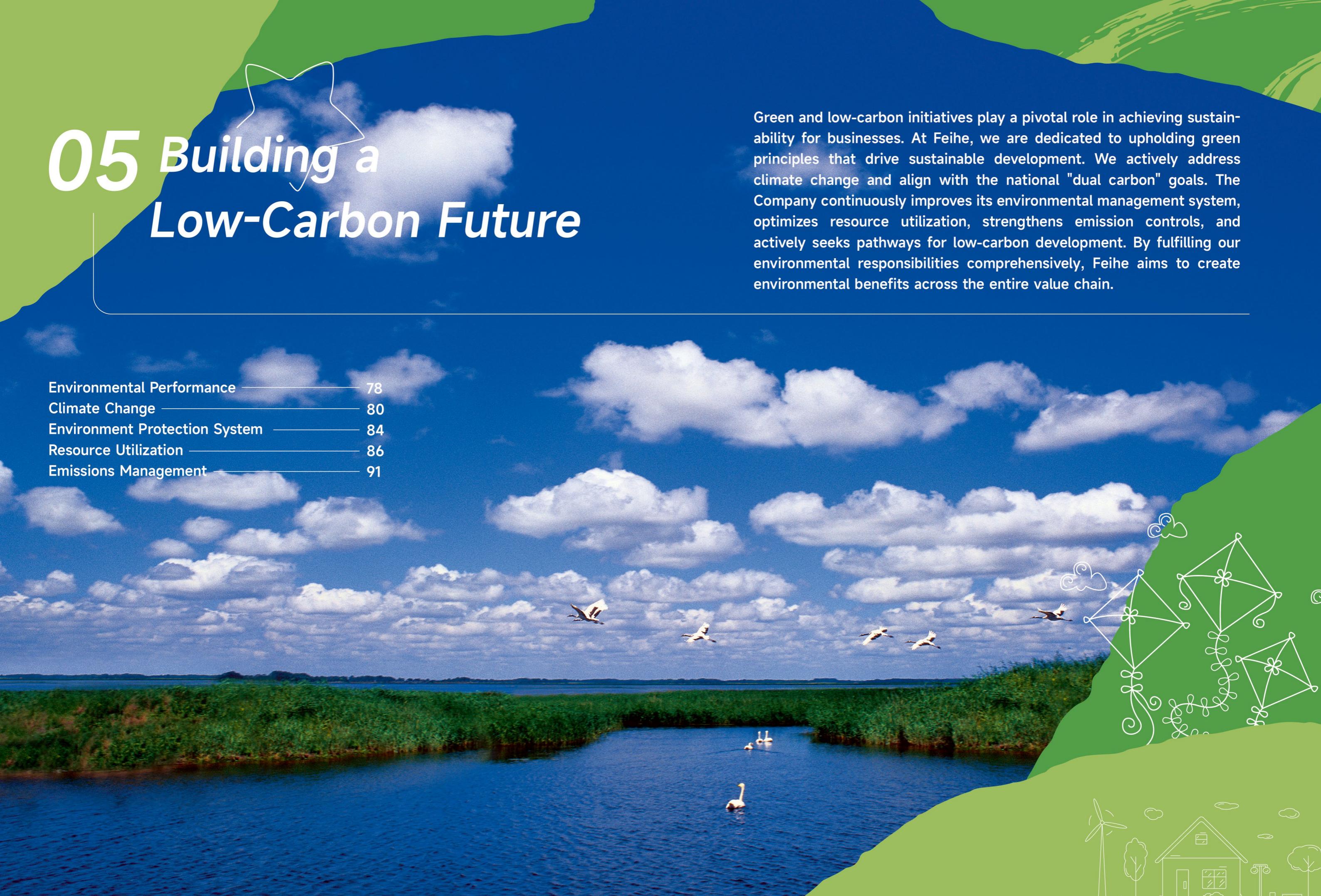
Furthermore, the survey highlighted areas for improvement in "Recognition and Praise in the Past 7 Days". In response, we conducted an "Effective Motivation" course to enhance managers' awareness and skills in motivating employees.

³² Gallup Q12 assessment method is designed to measure employee engagement and work environment as leading indicators, reflecting indicators such as employee retention, profitability, efficiency, and customer satisfaction.

05 Building a Low-Carbon Future

Green and low-carbon initiatives play a pivotal role in achieving sustainability for businesses. At Feihe, we are dedicated to upholding green principles that drive sustainable development. We actively address climate change and align with the national "dual carbon" goals. The Company continuously improves its environmental management system, optimizes resource utilization, strengthens emission controls, and actively seeks pathways for low-carbon development. By fulfilling our environmental responsibilities comprehensively, Feihe aims to create environmental benefits across the entire value chain.

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Environmental Performance

Feihe's Key Environmental Performance in the past three years

Indicator		Unit	2021	2022	2023
Waste gas	Total waste gas emissions	m³	1,127,569,862.05	621,748,140.50	663,921,366.12
	SO₂	Tonne	59.78	5.14	22.08
	NOₓ	Tonne	101.85	25.52	50.87
	PM	Tonne	15.98	6.65	2.31
Waste water	Smoke	Tonne	16.19	5.93	1.96
	Total domestic and industrial waste water discharge	10,000 tonnes	267.49	274.11	315.49
	COD	Tonne	100.60	80.52	72.19
	BOD	Tonne	25.22	23.52	23.08
CO₂ emissions	Ammonia nitrogen	Tonne	17.84	4.00	6.54
	Total	10,000 tonnes	23.28	18.79	21.94
	Scope 1	10,000 tonnes	14.75	11.93	12.16
	Scope 2	10,000 tonnes	8.54	6.86	9.78
Hazardous waste	Green-house gas(GHG) emissions per unit	Tonne/RMB ten thousand	0.102	0.088	0.112
	Abandoned laboratory flasks	Tonne	11.85	8.94	13.39
	Waste liquid	Tonne	13.77	11.01	12.58
	Waste engine oil	Tonne	2.30	3.25	3.49
General waste	Waste battery	Tonne	/	/	9.89
	Total	Tonne	27.92	25.44	39.35
	Density	Tonne/RMB ten thousand	0.0000123	0.0000119	0.0000201
	Domestic solid waste	Kitchen waste	Tonne	32.18	36.95
Energy consumption	Other	Tonne	629.59	1,156.87	0.00
	Ash	Tonne	377.63	114.89	/
	Slag	Tonne	5,154.06	1,051.05	/
	Sludge	Tonne	6.20	94.17	143.70
Water consumption	Waste paper	Tonne	22.77	29.57	/
	Waste wooden pallets	Tonne	/	/	80.53
	Total	Tonne	6,222.43	2,483.50	266.88
	Density	Tonne/RMB ten thousand	0.00273	0.00114	0.00014
Total comprehensive energy consumption	Purchased electricity	10,000 kWh	9,496.59	6,883.22	11,100.22
	Solar power generation electricity	10,000 kWh	/	/	198.7
	Coal	Tonne	20,345.03	3,991.22	/
	Diesel	Liters	59,656.50	48,467.47	55,835.16
Total comprehensive energy consumption	Petrol	Liters	/	/	1,257.53
	Natural gas	10,000 standard m³	4,809.75	5,065.68	5,548.66
	Biomass-to-natural gas consumption	10,000 standard m³	/	/	566.03
	Steam	Tonne	787,070.69	737,467.56	860,971.35
Water consumption	Total comprehensive energy consumption	10,000 tonnes of standard coal	17.69	17.07	19.82
	Total comprehensive energy consumption per unit	Tonne standard coal/RMB ten thousand	0.078	0.080	0.101
Water consumption	Total office and industrial water consumption	10,000 tonnes	325.70	326.32	406.81
	Water consumption per unit	Tonne /RMB ten thousand	1.430	1.531	2.083

	Indicator	Unit	2021	2022	2023
Packaging material consumption	Paper	Tonne	18,924.00	18,065.16	27,176.72
	Metal	Tonne	22,549.00	37,526.02	26,079.63
	Plastic	Tonne	7,152.00	9,844.82	9,674.35
	Total	Tonne	48,626.00	65,436.01	62,930.70
Office wastepaper	Office wastepaper	Tonne	/	/	32.62
	Environmental protection investment	RMB ten thousand	/	638.19	353.68

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 and 2022.
3. Comprehensive energy consumption calculations are based on the General Principles for Calculation of Total Production Energy Consumption GB/T 2589-2008, 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 2023, the environmental data disclosed by Feihe came from eight factories, namely, Heilongjiang Feihe Dairy Products Co., Ltd, Gannan Factory, Longjiang Factory, Jilin Factory, Baiquan Factory, Tailai Factory, Shanxi Factory and Harbin Factory, with Harbin Factory being the newly added statistical unit. Due to the expansion of the statistical scope, some data showed a certain year-on-year increase.
6. Calculation method:
For the conversion of air pollutants, reference is made to the calculation formula in the Emission Coefficient 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: PSO₂ is sulphur dioxide emissions (kg); Q is fuel consumption (tonne); n is sulphur content of fuel (%). PNOX is NOₓ emissions (kg); Q is fuel consumption (tonne); 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.

Climate Change

Climate Change Risk Identification and Response

Risk Category	Risk	Risk Description	Response
Transition risk	Policy risk	<ul style="list-style-type: none"> The government's continuous advocacy for a low-emission energy resource usage structure imposes certain limitations on the existing production systems of enterprises. Regulatory agencies are continually refining carbon emission management mechanisms and issuing relevant policies, which place higher demands on the accuracy of environmental data disclosure reported by enterprises. 	<ul style="list-style-type: none"> Adhering to the principle of efficient and low-emission energy resource usage, encouraging various production departments to develop more sustainable energy use plans and resource utilization methods. Annually following up on the latest disclosure rules and guidelines from superior regulatory agencies, implementing public disclosure of data information such as energy consumption and carbon emissions.
	Market risk	<ul style="list-style-type: none"> With the widespread adoption of sustainable development concepts, customers and consumers are increasingly inclined to invest in enterprises that practice environmental protection and choose green, low-carbon products. 	<ul style="list-style-type: none"> Adopting a diversified product strategy, continuously increasing the proportion of "natural", "organic", and "locally produced" products. Conducting responsible marketing to enhance consumers' understanding of the environmental impact of products. Formulating strategic procurement plans, selecting green and environmentally friendly raw materials, and creating a green value chain.
	Technology risk	<ul style="list-style-type: none"> Transitioning to a low-emission, high-efficiency economic system through technological improvements or innovations may lead to a gradual decline in production efficiency within the reporting period for enterprises. 	<ul style="list-style-type: none"> Actively exploring the application of renewable energy sources, innovative equipment, and emerging technologies in existing production lines.

Feihe recognizes the extensive impact of climate change on business operations and has systematically conducted climate change risk identification and response efforts. We are dedicated to collaborating with the entire industry chain to reduce carbon emissions and contribute to the national goals of peaking carbon dioxide emissions by 2030 and achieving carbon neutrality by 2060, thereby contributing to the dairy industry's endeavors.

Feihe focuses on addressing climate risks in two main aspects: transformation risks and physical risks encountered in its operations. We persistently refine and enhance response measures, continually improving our capability to identify and address climate risks. Feihe has completed initial identification and response efforts for climate risks and intends to further evaluate the impact of these risks in the next phase, integrating response measures into a systematic plan.

Physical risk	Acute physical risk	<ul style="list-style-type: none"> Extreme weather conditions such as typhoons, floods, and heavy rainfall threaten the water environment, stimulate cows, damage production equipment, disrupt production processes, and impact various stages of production manufacturing.
	Chronic physical risk	<ul style="list-style-type: none"> Global climate warming affects the product quality of fresh milk products, posing potential food safety risks.

- Establishing an emergency management organization, regularly updating emergency plans for extreme weather, and organizing emergency drills for extreme weather.
- Inspecting the deployment of emergency materials based on the emergency material list, regularly maintaining emergency equipment such as generators and submersible pumps.
- Maintaining smooth communication with the urban management information platform to timely obtain extreme weather or natural disaster warnings, scientifically organizing personnel evacuation, and transferring milk sources and equipment.

- Optimizing the cow breeding environment to enhance milk source quality.
- Improving the product transportation system, increasing transportation efficiency, and reducing the possibility of product deterioration.
- Increasing product quality inspection stages to control product quality throughout the entire life cycle.



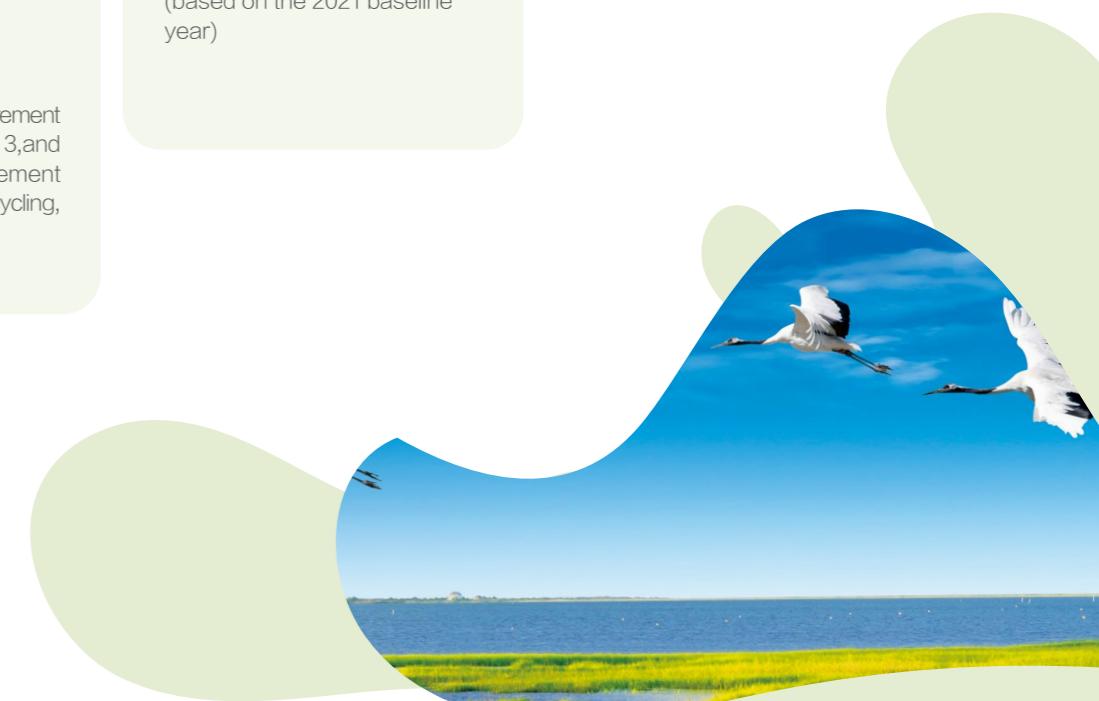
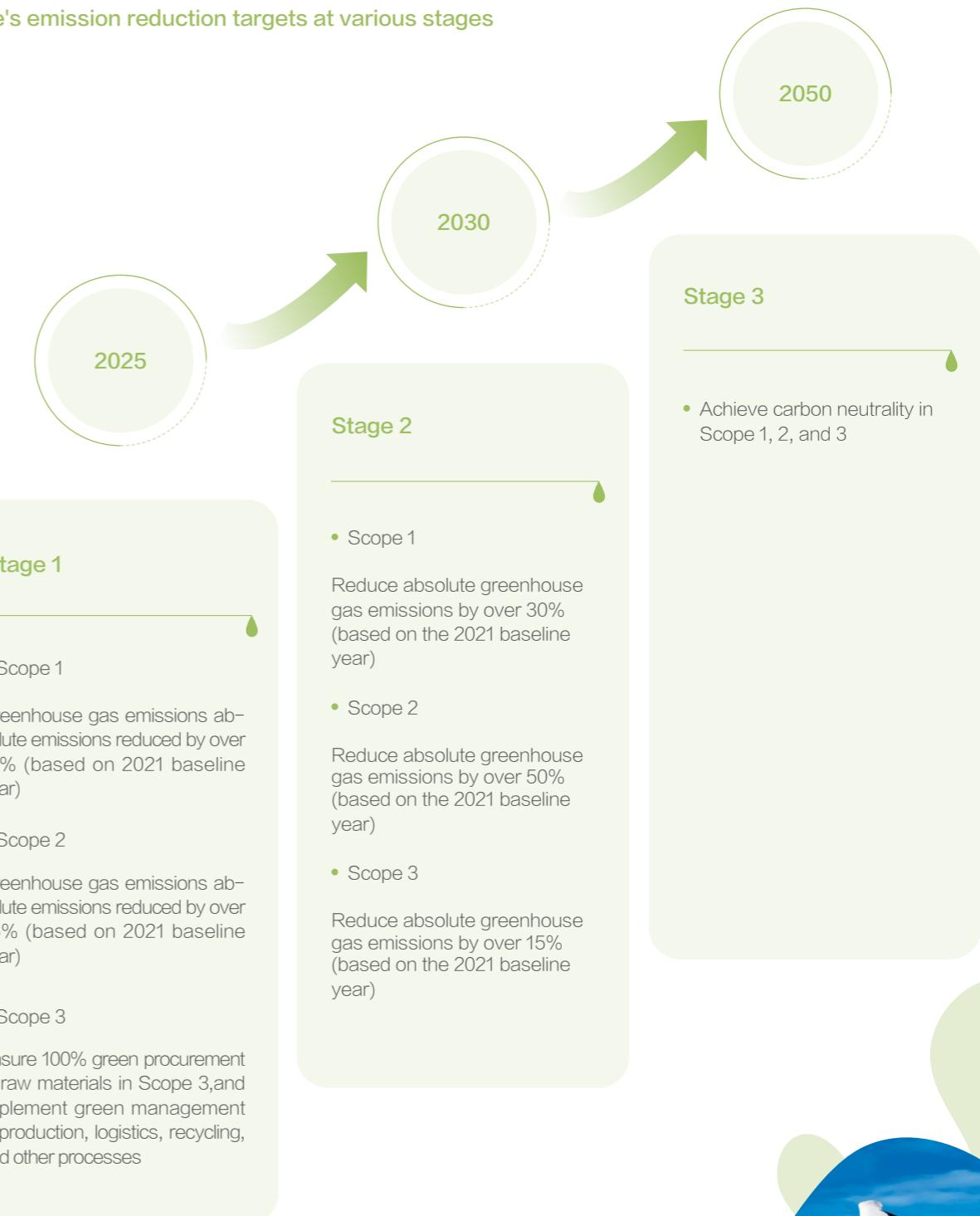
Indicators and Goals

To better address climate risks, Feihe has set three action goals: reduce greenhouse gas emissions, enhance natural disaster response capabilities, and promote sustainable development. We have outlined specific measures under each goal to achieve targeted climate risk management.



In addition, Feihe has formulated goals related to carbon neutrality, aiming to achieve Scope 1, Scope 2, and Scope 3 carbon neutrality by 2050. We plan to break down greenhouse gas emission reduction targets into stages to effectively implement emission reduction plans.

Feihe's emission reduction targets at various stages



Environment Protection System



Feihe continues to optimize its environmental management system and advance institutional construction. The Company has established a board-level Environmental, Social, and Governance (ESG) Committee, which oversees and supervises environmental-related matters. The Production Business manages specific operational matters, leading the EHS management teams at various factories to implement the recommendations and plans of the ESG Committee. This ensures the practical implementation of environmental protection efforts.

Feihe strictly complies with the *Environmental Protection Law of the People's Republic of China* 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 internal management systems, including 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*. In 2023, Feihe updated and revised the *Procedures for Reporting, and Investigation of Environment Protection, Health and Safety Accidents*, and the *Risk Identification, Risk Assessment, and Control Measures Determination Procedure*, further enhancing environmental management compliance for relevant stakeholders.

Feihe is firmly committed to upholding environmental management systems. Each year, we diligently enhance our environmental management system following the ISO 14001 environmental management model (PDCA). With a focus on our production processes, we regularly update and assess the significant environmental factors impacting each of our factories. This meticulous approach allows us to refine our environmental risk control measures and emergency plans continuously, ensuring a high standard of scientific and systematic management across all aspects of our EHS operations. As of December 31, 2023, 6 out of Feihe's 8 operational factories have obtained ISO 14001 environmental management system certification, while another factory has passed the external audit and is awaiting certificate issuance. Additionally, the Kedong Factory and Jilin Factory were newly recognized as national-level green factories within the current year.

2023 Feihe's Application for Green Factory Certification

National Green Factory Certification	Kedong Factory, Jilin Factory
Provincial Green Factory Certification	Gannan Factory

Feihe conducts an annual carbon emission audit in accordance with ISO 14067: Greenhouse gases – Carbon footprint of products – Requirements and guidelines. This process involves inspecting, calculating, and verifying carbon emission data for each manufacturing facility to produce greenhouse gas emission reports. Additionally, we perform a detailed life cycle carbon footprint assessment for Feihe Milk Powder/Zhuo Rui Stage 3, covering stages like raw material procurement, processing, transportation, production, and usage. The carbon footprint for each unit of the product is determined to be 6.589 kilograms of CO₂ equivalent.



Certificate of Carbon Footprint for Feihe Milk Powder Zhuo Rui Stage 3



Total investment in environmental protection amounted to RMB

3.5368 million

Feihe maintains a vigilant watch over the environmental impact of its manufacturing processes, project developments, and day-to-day operations. We collaborate closely with local ecological environment bureaus to supervise and manage environmental protection efforts. Utilizing a scientifically rigorous scoring methodology, we analyze environmental impacts, considering eight key aspects such as water, air, natural resources, and waste. Based on these evaluations, Feihe devises appropriate impact control methods aimed at maximizing local ecological preservation. In 2023, our total investment in environmental protection amounted to RMB 3.5368 million, and we incurred no penalties for environmental infractions.

To provide clarity on the direction for future environmental management improvements, Feihe continues to refine various environmental objectives. We define environmental goals in quantitative terms to facilitate regular verification of goal achievement and make targeted adjustments to relevant environmental management measures.

Feihe Environmental Management Objectives



Resource Utilization



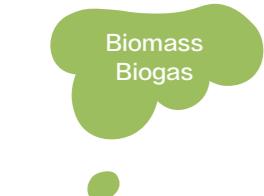
Energy Conservation and Consumption Reduction

Achievements of New Energy Applications in Feihe Factories in 2023



Solar Photovoltaic

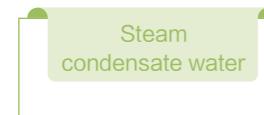
- Tailai Factory generated a total of 1,932.87 MWh of electricity using solar photovoltaic.
- Approximately 2 MWh of electricity are saved daily, resulting in a total annual reduction of about 1,500 tonnes of carbon dioxide emissions.



Biomass Biogas

- Kedong Factory utilized 5.3169 million cubic meters of biomass biogas.
- Gannan Factory utilized 0.3464 million cubic meters of biomass biogas.
- The total annual reduction in carbon dioxide emissions amounted to about 11,116.80 tonnes.

Utilization of Energy Resources in Feihe's Production Processes in 2023



Steam condensate water

Recovery of condensate water produced by boilers, which is then used for steam generation after heat deoxygenation, resulting in water and heat energy savings.



Process condensate water

Recovery of 2nd and 3rd effect condensate water, treated through membrane processes, used for refrigeration and boiler replenishment, with daily water savings of nearly hundreds of tonnes.



Boiler flue gas heat

Recovery of residual heat from boiler flue gas for heating and boiler replenishment, expected to achieve a one-time temperature recovery of 20 °C, resulting in an annual natural gas saving of 220,400 cubic meters and operational cost savings of RMB 771,400 per year.



Dry tower environment air heat

Recovery of dry tower environment air, filtered through low, medium, and high efficient filtration, used for dry tower inlet air production, with expected natural gas savings of 29,000 cubic meters per year and operational cost savings of RMB 101,500 per year.

Feihe adheres to the concept of sustainability to drive its production operations forward. We are committed to exploring the use of green and clean energy sources, along with innovative water-saving technologies. Our approach includes extensive utilization of recyclable packaging materials and the promotion of refined resource and energy management practices. Through these efforts, we effectively implement energy conservation measures.

Feihe strictly abides by the *Energy Conservation Law of the People's Republic of China* and other laws and regulations. We are committed to gradually phasing out outdated equipment and processes that consume excessive energy and emit pollutants. Feihe actively promotes the adoption of clean energy and environmentally friendly equipment. We continuously explore innovative production processes and technologies for energy conservation and emission reduction, aiming for significant improvements in energy efficiency across our operations.

By the end of 2023

Various factories had established a total of special teams

25

Savings of

75,030 tonnes

Reduction in electricity consumption

1,236.2 MWh

Decrease in natural gas usage by

413,868 cubic meters

Feihe's headquarters and its various factories continuously enhance management regulations concerning the consumption of resources such as water, electricity, natural gas, and gasoline. Utilizing specialized statistical ledgers and on-site management models, we implement scientific and meticulous resource utilization management. Additionally, through an assessment mechanism linking energy usage with departmental performance, every employee is incentivized to participate in energy conservation and emission reduction initiatives. This approach effectively eliminates all forms of energy wastage, leaks, and inefficiencies while implementing measures for water and electricity conservation.

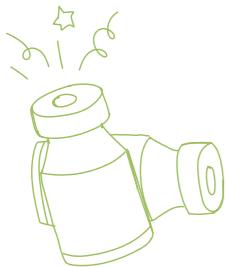
In early 2023, Feihe formulated an annual energy-saving and emission-reduction plan based on annual production planning and a review of past energy consumption losses. By the end of 2023, various factories had established a total of 25 special teams. These teams collectively achieved impressive results, including a reduction of 1,236.2 MWh in electricity consumption, savings of 75,030 tonnes of water, and a decrease in natural gas usage by 413,868 cubic meters. Notably, the Gannan Factory's tonne powder electricity consumption reduction team alone reduced power consumption by 1,044 MWh, equivalent to a reduction of 811.08 tonnes of carbon dioxide emissions.

Harbin Factory adopts "factory within factory" model to significantly reduce carbon emissions from transportation

In 2023, the Harbin Factory implemented the "factory within factory" model for procuring packaging materials, following the successful experiences of factories such as Gannan, Longjiang, Kedong, and Tailai. The Harbin factory collaborated with suppliers like COFCO and APTAR to set up packaging material production lines within the factory premises, thereby greatly reducing the transportation distance of packaging materials. In 2023, the Harbin Factory accumulated savings of 11,425 kilometers in transportation distance, resulting in a reduction of approximately 9.06 tonnes of carbon dioxide equivalent emissions from transportation vehicles.



Water Resources Management



Feihe strictly abides by the *Water Law of the People's Republic of China* and consistently strengthens water conservation management across all stages of water sourcing, extraction, and utilization in production units. In our daily operations, we actively implement measures such as multiple uses, water recycling, and process adjustments to continually reduce water consumption per unit and enhance overall water resource efficiency. Furthermore, we are committed to exploring the application of water resource reuse technologies, including groundwater treatment through processes such as softening and membrane filtration, while actively developing alternative water sources.

In 2023, Feihe's various factories vigorously implemented water-saving measures, with most factories establishing dedicated teams focused on reducing water consumption per tonne of product. Through targeted water-saving initiatives, our factories collectively achieved significant results, saving approximately 75,000 tonnes of water.

Highlights in Water Conservation Measures of Feihe's Factories

Kedong Factory

- Implemented improvements in cooling machine and air compressor cooling tower replenishment, by cutting off and sealing the outdoor cooling tower replenishment pipelines. Installed liquid level switches and float balls in indoor water tanks to maintain water level and automatically replenish water, ensuring the required water for cooling machines and achieving water savings of 15,960 tonnes.
- Established a team to reduce water consumption per tonne of product, resulting in water savings of 8,854 tonnes.

Tailai Factory

- Implemented a special action to extend the evaporator cleaning interval, continuously monitoring the time for intermediate water rinsing based on low conductivity values and adjusting the duration of intermediate water rinsing for evaporators, reducing water rinsing time by 600 seconds and achieving water savings of 775 tonnes.
- Established a team to reduce water consumption per tonne of product, resulting in water savings of 11,632 tonnes.

Longjiang Factory

- Implemented a series of water-saving projects, achieving a daily water saving of 173.45 tonnes.
- Established a team to reduce water consumption per ton of product, resulting in water savings of 37,291 tonnes.



Significant progress in water conservation at Longjiang Factory

In 2023, Feihe's Longjiang Factory implemented a series of measures to carry out water conservation projects. The factory upgraded facilities such as energy gas furnace sensors, pretreatment RO³³ water pipelines, and softening water pipelines. They adjusted the pretreatment CIP³⁴ parameters and evaporator acid cleaning flow rate and utilized first-stage concentrate water for cooling tower replenishment, achieving a comprehensive daily water savings of 173.45 tonnes. Since the initiation of the water conservation project, Longjiang Factory has saved a total of 37,291 tonnes of water during the reporting period.

Vehicle Management

Feihe maintains strict control over the construction vehicles employed in our project engineering endeavors, ensuring compliance with emission standards through rigorous tail gas testing and qualification certificate acquisition. We prioritize the adoption of electric-powered vehicles whenever feasible, aiming to curb automotive exhaust emissions at the source. Furthermore, our commitment extends to the regular maintenance and repair of construction equipment, such as cranes, and transport vehicles like concrete mixer trucks, to mitigate additional exhaust gas and particulate matter emissions resulting from overload work.

Packaging Recycling

Feihe emphasizes the environmental benefits associated with product packaging within the social context. We actively optimize packaging design during the raw material supply process by fostering effective coordination and communication with suppliers. This approach enhances the utilization rate of packaging materials and minimizes packaging waste. Additionally, we prioritize the use of recyclable materials for primary packaging materials used on our production lines. In 2023, 96% of the packaging materials utilized in Feihe's production were recyclable.

Feihe's Highlights of Optimizing Packaging Material Usage in 2023

Lightweighting of E-commerce packaging

- Classified express paper boxes by specifications, reducing the thickness of small-sized boxes from 5 layers of corrugated paper to 3 layers.
- Classified express paper boxes based on transportation distance, reducing the thickness of boxes within 1,000 km to 3 layers for those with weight-bearing requirements.

Non-dry adhesive label replacement

- Utilized laser coding technology to print consumer QR codes on easy-to-tear milk powder can covers, reducing the thickness of double-layer non-dry adhesive labels used for printing QR codes to a single layer.

Exploration of recyclable logistics box application

- Conducted a feasibility assessment on the circulation and reuse of logistics boxes between the factory, self-owned logistics warehouses, and external suppliers, starting with the Longjiang Factory as a pilot.

³³ RO: Reverse Osmosis, which refers to a membrane filtration/reverse osmosis water treatment system.

³⁴ CIP: Clean-in-Place, which refers to cleaning equipment or pipelines in place without disassembly or removal.

Green Office

Feihe is committed to fostering a green and low-carbon workplace model across the Company. We establish standardized air conditioning temperatures in office areas, implement segmented and zonal power switch management based on office requirements, and enhance online office systems to promote paperless practices. Additionally, we continually advocate for office utility savings and recycling initiatives. Furthermore, Feihe installs energy-saving signage in office locations, implements a duty management system to monitor office electricity usage, and integrates energy-saving components into morning meetings and other events. These efforts actively cultivate a green mindset and office habits among employees. Feihe is dedicated to creating an environmentally responsible firm that values both practice and ideology.

Feihe Environmental Day series events

In 2023, Feihe organized a series of environmental day events with the theme "Building a Harmonious Coexistence between Humanity and Nature in Modernization" to reinforce employees' environmental consciousness and cultivate green awareness. The Company's headquarters and various factories actively responded and combined local conditions, demonstrating subjective initiative by conducting environmental day activities in diverse forms such as environmental theme training, knowledge competitions, and more. In 2023, Feihe conducted a total of 14 sub-events during the environmental day series, involving 631 employees.



Exhibition of Environmental Day event achievements

Emissions Management



Wastewater Discharge

Feihe prioritizes emission management with a green environmental ethos and a diligent sense of responsibility. We persistently enhance the standardization and scientific management of various emissions, such as wastewater, exhaust gases, trash, noise, and dust. This is achieved through the continuous improvement of manufacturing processes and the adoption of innovative technologies. Our unwavering commitment guarantees that all emissions are properly handled.

Feihe strictly abides by the *Water Pollution Prevention and Control Law of the People's Republic of China* and the *Law of the People's Republic of China on Environmental Impact Assessment*. We maintain stringent control over the treatment, utilization, and discharge processes of production wastewater and domestic sewage, in full compliance with these legal requirements, as well as other relevant national laws, regulations, and local environmental protection standards.

Feihe invests in advanced sewage treatment equipment to mitigate the adverse impact of production wastewater and domestic sewage on the environment. Each of our factories is equipped with independent sewage treatment plants, connected to municipal sewage pipelines. Following treatment, wastewater is discharged into municipal sewage treatment plants to ensure proper treatment and environmental compliance. Additionally, we employ online monitoring equipment to conduct real-time control of water quality, effectively reducing the risk of water pollution and safeguarding the overall water environment. In 2023, Feihe achieved a significant reduction of 28.71 tonnes in Chemical Oxygen Demand (COD).

Waste Discharge

Feihe strictly complies with the *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes* and the *Law of the People's Republic of China on Environmental Impact Assessment*. We have implemented internal management systems such as the *Solid Waste Discharge Procedure Document*, following the prevention and control principles of reduction, recycling, and harmlessness. Our commitment ensures effective management of various types of waste in full compliance with regulations.

To improve the recycling rate of waste materials, Feihe systematically categorizes general solid waste generated by each factory based on recyclability and implements comprehensive management according to uniform standards. We actively promote waste sorting and disposal concepts to all employees, ensuring the separation of domestic waste and construction waste. Feihe establishes classified garbage collection bins and recycling procedures to appropriately handle general solid waste generated during production operations.

Feihe places particular emphasis on the management of hazardous waste. We regularly update the control list in accordance with the national hazardous waste list, upgrade hazardous waste management processes, and minimize environmental risks associated with hazardous waste discharge.



Feihe's specific solid waste treatment measures

- It strictly prohibits the direct dumping of hazardous chemical waste into the sewer, aiming to prevent water environmental pollution incidents.
- In each production unit, clearly labeled dedicated storage barrels or boxes are set up for recycling hazardous waste. Once the amount of recycled waste reaches a certain level, it is uniformly sent to the storage and transportation department's hazardous waste storage room.
- 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* before storing the waste.
- 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 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.
- 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.

Waste Gas Management

Feihe strictly follows the laws and regulations such as the *Environmental Protection Law of the People's Republic of China*, the *Atmospheric Pollution Prevention and Control Law of the People's Republic of China*, the *Law of the People's Republic of China on Environmental Impact Assessment* and complies with regional atmospheric emission standards. The Company has established management systems including the *Environmental and Occupational Health and Safety Management System Manual*, the *Environmental Management Operation Control System*, the *Waste Gas Emission Management System*, and the *Environmental Factor Identification, Evaluation, and Control System* to rigorously control waste gas emissions.

The mandates strict adherence to the *Exhaust Emission Management Procedure Document* across all factories to ensure compliance with exhaust emission standards. We have installed online monitoring equipment for gas boilers with a capacity of 20 tonnes or more, enabling automated sampling, analysis, and data upload to identify and control various waste gases emitted during production processes. This ongoing effort is aimed at bolstering our atmospheric pollution management practices company-wide. To ensure compliance with waste gas emissions, Feihe conducts regular third-party inspections of daily emissions from each factory. These monitoring reports provide unbiased and objective oversight of our waste gas emission practices. In 2023, Feihe maintained a clean record with no violations of emission standards.

Noise Management

Feihe is committed to effectively managing noise generated during construction and production activities to minimize its impact on the environment. We prioritize the use of low-noise construction equipment and incorporate noise reduction features into machinery whenever possible. Additionally, we employ enclosed sheds for high-noise machinery to contain noise propagation and minimize its spread.

In addition, we implement a dual-control approach, managing both the location and timing of construction operations with significant noise emissions. Our aim is to conduct noisy production activities within designated areas within our facilities to mitigate disturbances to the surrounding environment. In densely populated areas, we strictly adhere to regulated work hours, ensuring that nighttime operations conclude by 22:00 and morning activities commence no earlier than 06:00. In cases where continuous or nighttime operations are necessary, we implement pre-approved noise reduction measures and engage in proactive communication and coordination with local communities to maintain environmental harmony.

Dust Management

Feihe employs a comprehensive approach to managing dust control throughout its construction projects. We utilize hardened construction techniques to minimize dust generation, supplemented by the deployment of sprinkler trucks and dust-proof nets to mitigate the environmental impact of dust emissions. Our dedicated site security personnel inspect anti-pollution coverings and ensure the cleanliness of construction vehicles, particularly those transporting soil, to prevent incidents of environmental pollution such as carrying mud onto roads. Through these proactive measures, Feihe minimizes the impact of dust in all construction areas, safeguarding the ecological environment beyond the construction scope.



06 Fulfilling Social Responsibility

Feihe upholds its dedication to social responsibility by extending these principles to our suppliers. We prioritize the enhancement of supplier ESG management practices, ensuring that our supply chain operates in alignment with our values. Furthermore, we actively engage in a variety of social welfare activities and host diverse charity events, underscoring our profound commitment to making a positive impact in our community and beyond.

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Responsible Procurement

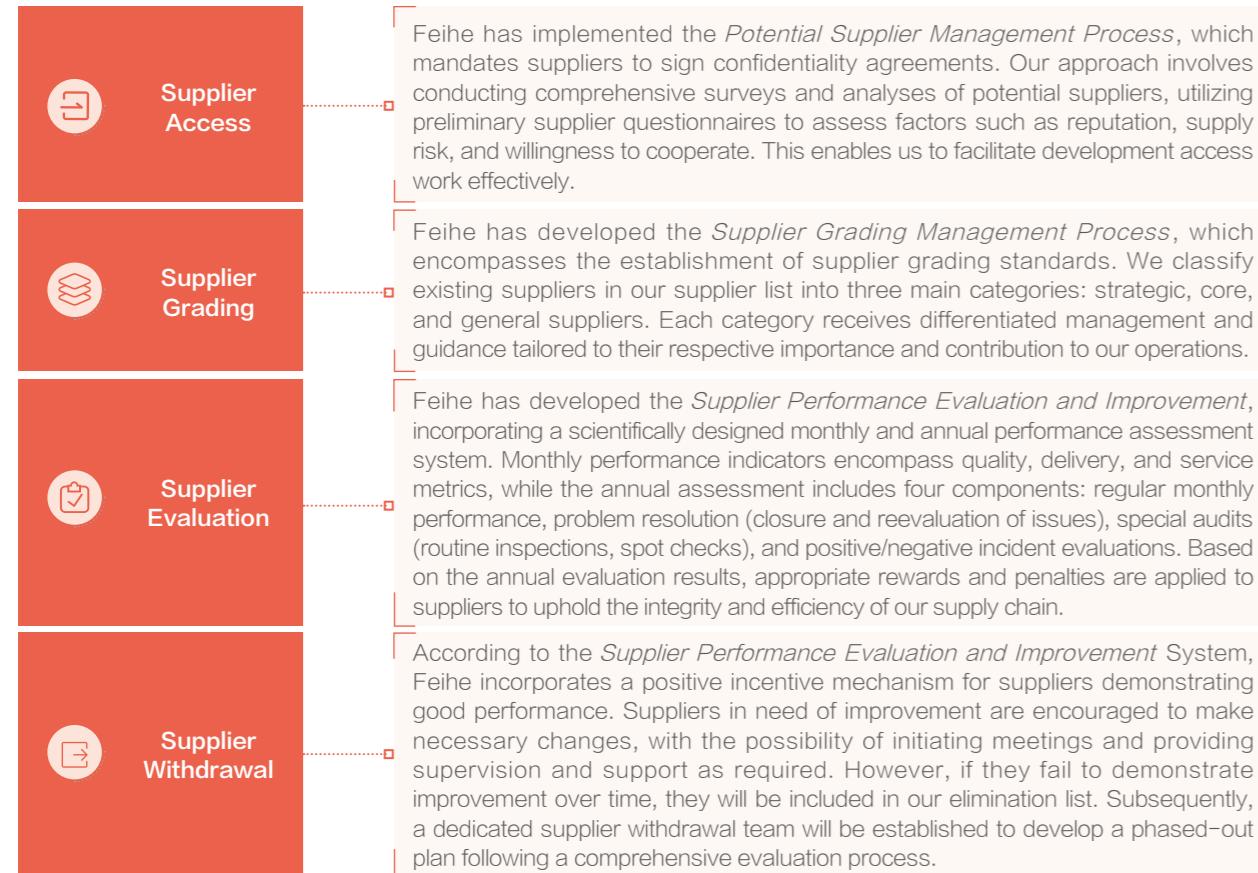


Feihe remains committed to the principle of "open, fair, and just" procurement practices, continually enhancing our supplier management system. We prioritize the strengthening of risk assessment and management processes for our suppliers while fostering improved communication and cooperation with them. Our aim is to cultivate a sustainable supply chain.

The Whole Process of Supplier Management

Feihe has developed and continuously improved supplier management systems such as the *Potential Supplier Management Process*, the *Basic Agreement Signing Process*, and *Supplier Performance Evaluation and Improvement*. It has established a whole-life circle of procedure and supply, covering potential supplier access, daily management, performance evaluation, and supplier exit procedures.

The whole process of supplier management



By the end of 2023

Total of suppliers

162

By the end of 2023, Feihe had a total of 162 suppliers, with 122 suppliers based in mainland China.

Distribution of Feihe's suppliers in 2023

Overseas supplier

40

Suppliers from the Chinese mainland

122

Supplier Risk Management

Ensuring a stable supply chain is one of Feihe's key focuses in supplier management. We mitigate our overall supply chain risk by optimizing supplier distribution, integrating resources, and fostering deeper strategic cooperation with our partners.

Feihe Supplier Risk Management Measures

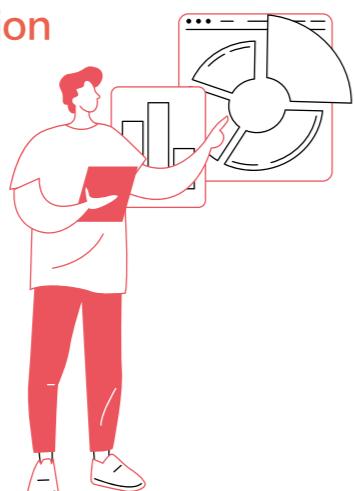
Management approach	Management action
Optimize supplier layout	<ul style="list-style-type: none"> Adjust supply models in a timely manner to diversify and mitigate risks based on changes in the dairy product supply-demand market and international economic and political situations.
Promote domestication of raw materials	<ul style="list-style-type: none"> Prioritize cooperation with domestic resources to maintain supply chain stability. Achieve self-production of the first domestically produced milk iron protein. Hydrolyzed egg yolk powder and OPO have been domestically produced and fully meet product requirements.
Supplier resource integration	<ul style="list-style-type: none"> Deeply participate in the operation and integration of upstream resources to optimize supply and increase profits.
Deepen strategic supplier cooperation	<ul style="list-style-type: none"> Sign strategic cooperation agreements with suppliers to maintain good supply cooperation and achieve mutual benefit.
Supplier risk assessment	<ul style="list-style-type: none"> Conduct annual supplier risk identification and assessment, including environmental risks, labor health and safety risks, and ethical risks.
Supplier audit	<ul style="list-style-type: none"> Establish a dedicated team to conduct supplier audits covering raw material quality, factory management, etc. Audit formats include field inspections, on-site visits, regular audits, etc. Achieve a 100% completion rate for the three-year supplier audit plan.
Supplier compliance management	<ul style="list-style-type: none"> In 2023, the Company conducted 2 procurement compliance audits, covering procurement matters, bidding and quotation procedures, contract signing, acceptance, and payment, etc.; reported issues violating company procedures and processes, and clearly defined corrective requirements; followed up on the corrective actions in subsequent checks.

Supplier ESG Management

Main topics in the Supplier Code of Conduct

Environment	Health and Safety	Labor Rights	Business Ethics
★ Compliance with environmental laws and regulations	★ Occupational disease prevention	★ Anti-discrimination	★ Anti-corruption
★ Environmental management	★ Safe and healthy working environment	★ Human rights guarantees	★ Anti-unfair competition
★ Resource conservation		★ Eliminate child labor	★ Anti-commercial bribery
★ Waste management		★ Prohibit forced labor	★ Gifts and hospitality

Supplier communication and training



Feihe places great importance on communication and training with our suppliers, conducting ongoing multi-level engagement through various activities, including high-level mutual visits and business exchanges. These interactions encompass discussions on topics such as product quality enhancement, supply chain management optimization, and ESG factory construction. We ensure timely and effective communication channels through dedicated problem communication groups, project team meetings, on-site inspections, and special innovation communication sessions.

In 2023, Feihe organized over a hundred communication sessions with suppliers, laying a robust foundation for sustained collaboration and mutual development.

Health Care

Feihe continues to focus on the needs of various social groups and actively leverages its influence with the belief of "lighting up happiness with love". We convey health care to society through various activities, such as paying attention to the needs of special children, proactively donating milk powder to remote areas, and caring for retired veterans.

Feihe's "528 Baby Fun and Happy Gala" Live Broadcast Program

On May 2023, we partnered with Hunan Television to host the "528 Baby Fun and Happy Gala" live broadcast program, showcasing the energetic and forward-looking spirit of Chinese babies through various song and dance performances. One of the highlights was the performance by the Tianjin Little Dolphin Hearing Disabled Children's Choir, who sang the parent-child duet "Wake Up Your Ears", allowing the public to witness the miraculous life of these "little dolphins" stepping out of the silent world, thereby promoting social attention and support. On that day, the program's online viewership exceeded 100 million, making it the top-rated program on Hunan Television & Mango TV and ranking first on the variety influence chart. It also received praises from mainstream media such as *Guangming Daily* and *China Youth Daily*.

Feihe donates milk powder to Shigatse District, Tibet

On June, 2023, we donated milk powder worth about RMB 400,000 to Sangzhu District, Shigatse City, Tibet. This contribution received high recognition and strong support from the Shigatse Municipal Committee and Government. During the event, Wang Dongyue, Executive Deputy Secretary of the Sangzhu District Committee and Executive Deputy District Chief of the Government, presented Feihe with the "Compassionate Enterprise" honorary plaque.

Donates supplies to Xinyu Charity Home

Charitable initiative garnered enthusiastic responses

with over netizens applauding Feihe's goodwill gesture

100,000

In December 2023, we learned about Xinyu Charity Home in Xi'an, Shaanxi Province, which provides free food and accommodation to impoverished families visiting for medical treatment. Taking proactive action, we donated milk powder and other essential supplies to Xinyu Charity Home, alleviating their burden and providing nutritional support to the sick children. This charitable initiative garnered enthusiastic responses, with over 100,000 netizens applauding Feihe's goodwill gesture.

Feihe Cares for Veterans Action

Feihe has established public welfare institutions such as the "Feihe Dairy Retired Military Personnel Service Center" and the "Feihe Dairy Retired Military Personnel Volunteer Service Corps" to provide social care for veterans. In 2023, we donated Feihe nutritional products to the Heilongjiang Province Honor Veterans Hospital, as well as to certain counties and districts such as Tiefeng District, Longsha District, and Kedong County, with a total value exceeding RMB 200,000.

Furthermore, Feihe has formulated the "Priority Placement Plan for Retired Military Personnel", providing 1,200 priority employment positions annually for retired military personnel seeking independent employment. In recent years, Feihe has successfully placed over 2,000 retired military personnel (and their dependents), earning multiple honors including the Advanced Unit for Service Guarantee for Retired Military Personnel, National Cooperative Enterprise for the Employment of Retired Military Personnel awarded by the Ministry of Veterans Affairs and the Political Work Department of People's Republic of China Central Military Commission.



Heilongjiang honorary veterans rehabilitation hospital donation ceremony



Comforting scene for retired veterans

Charity Activities

Feihe adheres to the philanthropic philosophy of "Doing one's best to give back to society", taking tangible steps to support rural revitalization, conduct social welfare activities, and foster educational development. In 2023, Feihe donated goods and funds totaling approximately RMB 27 million.

Flood Relief

In response to significant natural disasters, Feihe has consistently demonstrated its commitment to social responsibility by developing comprehensive disaster emergency plans and promptly engaging in disaster relief efforts. We prioritize providing support for maternal and infant nutrition, recognizing the critical importance of ensuring the well-being of vulnerable populations during times of crisis.

Feihe's assistance to the flood disaster in Zhuozhou

In 2023, due to severe rainstorms in the North China region, Zhuozhou, Hebei Province, was hit by floods, resulting in a shortage of infant formula for many babies and young children. Upon receiving this news, Feihe immediately activated its emergency plan and urgently allocated infant formula and "Aiben" adult milk powder, swiftly transporting them to Zhuozhou. The supplies were then distributed in an orderly manner at the relocation sites, providing nutritional support to the children and adults in the disaster-stricken area.



Zhuozhou flood rescue vehicle

Feihe Assists in flood relief and post-disaster reconstruction in Heilongjiang Province

In August 2023, multiple areas in Harbin City, Heilongjiang Province, including Shuangcheng District, Shangzhi City, and Wuchang City, were affected by severe flooding caused by the super Typhoon Khanun. Since the onset of the flood, Harbin branch has been following a unified arrangement to organize its employees to be stationed in Xiqin Township 24 hours a day. They have been helping with tasks such as mass evacuation, centralized relocation center management, and village vigilance in relocated areas, all to assist in flood relief efforts. After the floodwaters receded, Feihe donated RMB 1.5 million worth of supplies to Shuangcheng District, Shangzhi City, and Wuchang City in Heilongjiang Province to support post-disaster reconstruction efforts.



Shangzhi flood rescue vehicle

Educational Charity

Feihe places special emphasis on the advancement of education and is dedicated to supporting impoverished students in accessing high-quality education opportunities. We have joined hands with the Heilongjiang Provincial Department of Education to launch the "Feihe Supporting Longjiang Education Charity Action" and jointly implement the "Heilongjiang Basic Education Teacher Elite Training Program" (2023-2025) to enhance the quality of teachers in basic education. Through organizing the "Feihe Cup" provincial competition for the enhancement of primary and secondary school teachers' abilities, we promote training through competition and learning through training. We have also introduced renowned teachers from Beijing Normal University, East China Normal University, and other universities to conduct specialized training courses for "seed" teachers and principals. Feihe has invested more than RMB 65 million in this project for three consecutive years to support the improvement of the quality of teachers' abilities in the province's basic education system. The Feihe Supporting Longjiang Education Charity Action covers 13 cities and 125 counties/districts in Heilongjiang Province, benefiting over 300,000 teachers and an estimated 3.3 million students.



Opening Ceremony of the Heilongjiang Basic Education Teacher Elite Training Program Workshop

Feihe supports the "Excellent Teacher Program" summer research and learning trip for normal students

In July 2023, Feihe sponsored the first summer research and learning trip of the "Excellent Teacher Programme" for normal students, which began in Beijing. The event drew about 60 normal students from ten universities across the nation. The programme includes a variety of activities such as observation visits, subject discussions, teaching training, and research trips to Beijing, Daqing, and Qiqihar. These programmes aimed to strengthen students' original aspirations to become teachers while also contributing to rural rehabilitation.



Excellent teacher program event site

Rural Rehabilitation

As of December 31, 2023

Boosted the income of farmers

150,000

Added value to over of farmland in Heilongjiang Province

one million acres

We are committed to transforming the industry chain into a "wealth-sharing chain" to facilitate comprehensive rural development. Through the integration of agricultural and pastoral industry clusters, we have adopted a model that encompasses "factory + ranch + cooperative + farmers", aiming to stimulate rural employment and income growth through initiatives such as land transfer, job creation, and technical training. This approach aligns with our goal of fostering sustainable development and ensuring that "Industries enrich the farmers, industries retain the population".

In 2023, the Company launched a theme public welfare campaign titled the "Return to Northeast China Series", highlighting our efforts in rural revitalization through real-life success stories of local workers and farmers. As of December 31, 2023, Feihe has cumulatively created 170,000 job opportunities, boosted the income of 150,000 farmers, and added value to over one million acres of farmland in Heilongjiang Province.

Cumulatively created job opportunities

170,000



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Aspect B4: Labour Standards	Aspect B5: Supply Chain Management	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	P60–P62
		B4.1 Description of measures to review employment practices to avoid child and forced labour.	P60
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		General Disclosure Policies on managing environmental and social risks of the supply chain.	P96–P98
		B5.1 Number of suppliers by geographical region.	P96–P97
		B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	P96–P98
		B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	P96–P98
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FEEDBACK FORM

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Aspect B6: Product Re-sponsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	P32-P47
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P41
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Social	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P24-P26
	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	P25
	B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	P25
	B7.3 Description of anti-corruption training provided to directors and staff.	P24
	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P100-P102
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P100-P102
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Dear readers,

Greetings to you!

We would like to extend our gratitude to you for reading the 2023 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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