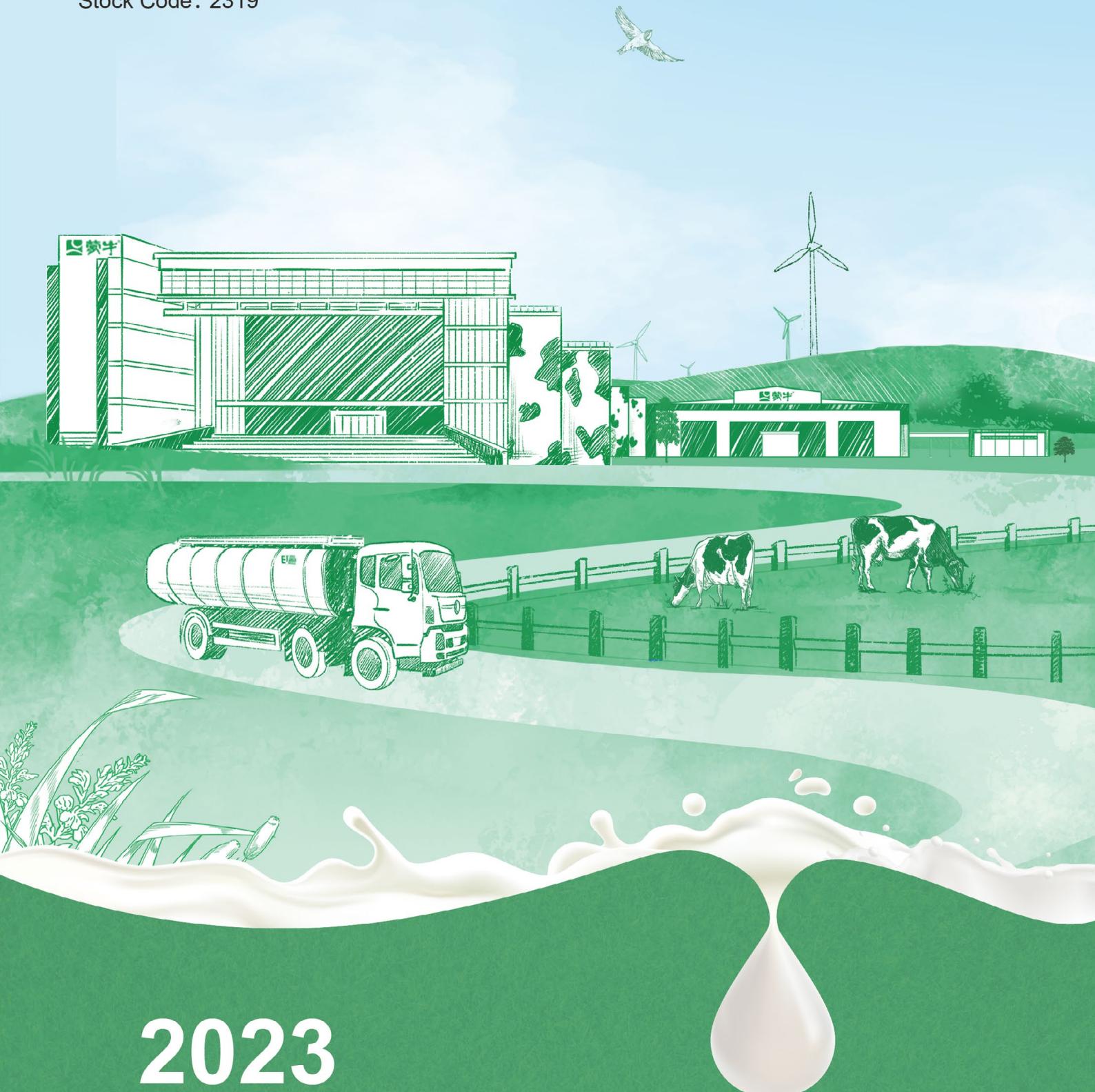




Stock Code: 2319



# 2023

## Sustainability Report

China Mengniu Dairy Company Limited

# About This Report

## Reporting Period

This report covers the period from 1 January 2023 to 31 December 2023, with some content and data going back to previous years as appropriate.

## Organizational Coverage

Unless otherwise specified, the disclosure scope of this report is consistent with the scope of the 2023 annual report of China Mengniu Dairy Company Limited, including China Mengniu Dairy Company Limited and its subsidiaries.

## Publication

*China Mengniu Dairy Company Limited Sustainability Report (2023)* is the twelfth non-financial report issued by the Company.

## References

This report was prepared in accordance with Appendix C2 *Environmental, Social and Governance Reporting Guide* ("ESG Reporting Guide") of The Stock Exchange of Hong Kong Limited ("HKEX") *Main Board Listing Rules and with reference to the Global Reporting Initiative (GRI)'s Sustainability Reporting Standards* ("GRI Standards"). This report responds to and adheres to following Report Principles.

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

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

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

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

## Abbreviations

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

## Data Sources

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

## Language Versions

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

## Report Request

Website: [www.mengniu.com.cn](http://www.mengniu.com.cn)

Investor relations website: [www.mengniuir.com](http://www.mengniuir.com)

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## Message from the Group

### To be “more nutritious, smarter and greener” to pilot the high-quality development of the dairy industry



The year 2023 marks the start of thoroughly implementing the spirits of the 20th National Congress of the Communist Party of China, and also is a year for economic recovery and development after the pandemic. As an industry-leading enterprise, we remain committed to promoting the strategy of “Creating A New Mengniu”, and put forward a “more nutritious, smarter and greener” development philosophy with an aim to accelerating the building of a world-class dairy company.

#### Catering to consumer needs with “more nutritious” dairy and nutritional products

Nutrition and health are the foundation of dairy enterprises, and also the cornerstone of Mengniu’s high-quality development. Over the years, we have devoted ourselves to basic research, independent research and development of core technologies, constantly explored new fields and created new products to provide consumers with more nutritious options. In the past year, we selected seven probiotics suitable for Chinese people and won the top patent award of Chinese dairy industry. The self-developed HMOs have been approved and certified by the two authorities in China and the United States, which broke the industry bottleneck. We launched a series of new nutritious and healthy products to meet the nutritional needs of the entire life cycle and all consumption scenarios. With the progress of science and technology as well as people’s pursuit of a healthy life, there remains huge room for imagination for the nutrition innovation of dairy products. We will continue to innovate to provide consumers with more satisfactory choices.

#### Leading industry upgrading with a “smarter” transformation

With the continuous growth of our business, we constantly upgrade to create more intelligent solutions to cope with the complex industrial chain spanning such field as agriculture, cultivation, food manufacturing, warehousing and logistics, FMCG retail, to promote the mutual integration and efficient collaboration of the dairy industrial chain. In 2023, we released the AI-driven digital intelligence dual flywheel strategy, revealing a new milestone for the digital intelligence transformation of Mengniu. We launched the world’s first full intelligent dairy factory, lightening up a new “lighthouse” for digital intelligence transformation of the dairy industry, and made known to the public the world’s first nutrition and health large language

model Mengniu GPT, making the dream of hundreds of millions of families enjoying all-day, customized nutrition and health services a reality. We will fulfill the intelligent transformation of the entire industry value chain as well as become a digital intelligence leader for the future health ecology, and boost the ecological development of the health industry. Through these endeavors, we will achieve the mission of “every drop of nutrition makes every life thrive” with science and technology.

#### Safeguarding the health of the earth in a “greener” manner

We are well aware that Mengniu’s products come from the gifts of nature, as such the Group insists on green and sustainable development, and drives the green transformation of the whole industrial chain. We have formulated the GREEN sustainable development strategy with a commitment of reaching carbon peak by 2030 and carbon neutrality by 2050, and set the goal of “zero deforestation” in the whole industrial chain by 2030 to lay the foundation for Mengniu’s high-quality development. We plant trees and turn desert into oasis in Ulan Buh Desert, creating the world’s largest organic milk source. We have built 30 national-level green factories, leading both in energy efficiency and water efficiency, and conducted water footprint, carbon footprint, zero waste certification to manage environmental impact from the whole life cycle. At the World Dairy Industry Conference, we released net-zero emission initiative for the global dairy industry together with global enterprises in the ecosystem, advocating the creation of a green and low-carbon sustainable development community and building a platform for carbon reduction exchanges and cooperation for the global dairy industry. Nevertheless, under the increasingly urgent earth crisis, Mengniu needs to put more efforts to create a more sustainable dairy production and consumption model that protects the health of the planet in cooperation with upstream and downstream industrial chain partners and consumers.

Looking forward to the future, Mengniu will continue to focus on the three key strategic approaches of “more nutritious, smarter, and greener” to build up new quality productive forces, collaboratively drive the dairy industry chain to create greater value, and comprehensively lead the high-quality development of China’s dairy industry.

Jeffrey, Minfang Lu  
Director  
March 26, 2024

## Statement of the Board

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

Mengniu has established timely and transparent communication and response channels with stakeholders, actively paid attention to stakeholders' demands, regularly evaluated ESG important topics, and formulated the Mengniu's "GREEN Sustainable Development Strategy" (the "GREEN strategy") and integrated the GREEN strategy into daily operations. The Sustainability Committee participates in the evaluation of the identification results of ESG important topics, regularly reviews the GREEN Sustainable Development Strategy of Mengniu, and guides the undertaking of the GREEN strategy and the Group's overall strategy. This year, in response to the ESG topic of green packaging, the Group set up a cross-departmental Working Group and regularly reported to the Sustainability Committee on the progress of its work, along with other ESG important issues such as low-carbon development and responsible sourcing.

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

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

This report discloses in detail the progress and effectiveness of Mengniu's ESG work in 2023, which has been reviewed and approved by the Board of Directors on March 26, 2024.



## Corporate Profile

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

Mengniu focuses on providing nutritious, healthy and delicious dairy products to Chinese and global consumers, forming a rich product matrix including liquid milk, ice cream, milk powder, cheese and other categories. We have well-recognised brands such as Milk Deluxe, Just Yoghurt, Champion, Yoyi C, Shiny Meadow, Deluxe, Reborne, Bellamy's, Milkground, and Ai Shi Chen Xi. It has a leading market share in segments such as high-end pure milk, chilled yoghurt, high-end fresh milk and cheese. Mengniu products have also entered more than ten countries and regions in Southeast Asia, Oceania, North America and other regions. In 2023, the Group's revenue reached RMB 98.62 billion, with a profit of RMB 6.17 billion.

Mengniu has established 45 production bases in China and overseas production bases in New Zealand, Indonesia, Australia and Philippines, with a combined annual production capacity of 14.04 million tonnes. Mengniu has also made efforts to integrate high-quality resources and has made strategic investments in large dairy groups such as China Modern Dairy and China Shengmu, etc. Mengniu also actively deploys high-quality milk sources overseas, owning raw milk processor Burra Foods and organic infant food seller Bellamy's in Australia.

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

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

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

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



Total of  
**51** production bases worldwide



Combined annual production capacity of  
**14.04** million tonnes

## Corporate Culture



# Mengniu GREEN Sustainable Development Strategy

Mengniu has always taken "Promise a Healthier World" as its vision, and taken "More Nutritious Products, A Better Life, A More Sustainable Planet" as our sustainability mission. Combining with its own business and the sustainable development goals of the United Nations, Mengniu has formed the "GREEN Sustainable Development Strategy", which includes five strategic pillars, subdivided into 15 topics and 28 actions. In 2023, we have consolidated 28 actions into 26 to further clarify the directions

and cores of ESG work and improve management efficiency. In order to better promote the implementation of the strategy, all departments of the Group are collaborating efficiently. Guided by the 2023 to 2025 goals and annual goals, we benchmark against international best practices and continuously perform 26 strategic actions to ensure the implementation of the GREEN strategy.



# 2023 Performance Highlights

## Honors



- MSCI ESG rating was upgraded from A to AA, the only comprehensive dairy enterprise with AA rating in China
- Selected as a constituent of the Hang Seng Corporate Sustainability Index for four consecutive years
- Ranked No.1 among Chinese companies in the Coller FAIRR Protein Producer Index
- Included in the first issue of S&P Global's Sustainability Yearbook (China Edition), and recognized by S&P Global as the "Most Progressive Company in the Industry"
- Selected for the SASAC "ESG Pioneer 100 Index of Central Enterprises", ranked No.1 in the food and beverage industry
- Selected as the "ESG Best Practice Case for Listed Companies in 2023" by the China Association for Public Companies
- Received six awards, including "Best Company Board", "Best Environmental, Social and Governance", and "Best Investor Relations Program", issued by the leading financial magazine *Institutional Investor*
- Obtained 2023 Bloomberg Green ESG 50-Enterprises
- Won honors of the "Most Influential Enterprise of the Year" and the "ESG Pioneer Enterprise of the Year" from NetEase
- Selected as one of the first batch of national Creation Units of Standardization Demonstration Base for High-quality Development of Agricultural Industry issued by the Ministry of Agriculture and Rural Affairs
- Awarded the Compliance Management System Outstanding Effectiveness Award by the China Quality Certification Center
- Selected as 2023 China's Best Employer and 2023 Best ESG Practice Employer by Forbes
- Selected in the Ministry of Ecology and Environment's 2023 Casebook of Corporate Climate Action
- Selected as "Classic Case of Rural Revitalization" by China Top Brands Rural Revitalization Research Center
- The patents related to its Yoyi C and Just Yoghurt have successively won the "24th China Patent Silver Award" and the first "Inner Mongolia Autonomous Region Patent Gold Award", becoming the first dairy enterprise in China to win the China Patent Silver Award

## Join the Global Initiatives

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

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

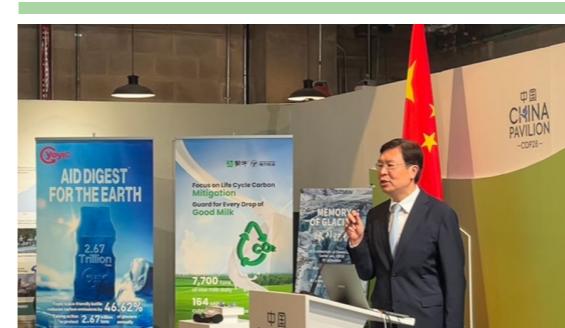
Mengniu joined the Consumer Goods Forum (CGF) and actively participated in promoting key issues in the consumer goods industry such as food safety, social and environmental sustainability, nutrition and health, and end-to-end value chain, contributing Chinese wisdom to the sustainable development of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

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

Mengniu joined the Roundtable on Sustainable Palm Oil (RSPO), committing to reducing the risk of deforestation on the value chain, and promote the production, trade and consumption of sustainable palm oil, further contributing to forest conservation.



Mengniu organized the World Dairy Industry Convention Sustainable Development International Cooperation Forum, with the theme of "Working Together Towards Net-Zero Emissions, Building a Sustainable Global Dairy Industry". Focusing on "International Cooperation on Sustainable Development", Mengniu advocated the creation of a green and low-carbon global dairy industry sustainable development community, promoted international exchanges and close cooperation, and initiated a low-carbon and sustainable transformation, to work together towards net-zero emissions.



Mengniu participated in the UN COP28 Conference. As a representative of Chinese enterprises, we participated in the Dialogue on Sustainable Development between Chinese and foreign famous entrepreneurs, and the side event themed by "Memory of Glaciers: Witnessing the Climate Crisis", etc., to share the practical experience of China's dairy industry in promoting the green, low-carbon and sustainable development, and to inform the world the green practices of China's dairy industry.



Mengniu hosted "the Sixth Global Dairy Forum" during the Sixth China International Import Expo, with the theme of "Together for A Sustainable Future". We discussed with domestic and foreign politicians, businessmen and industry experts on hot topics such as sustainable development of dairy products and net-zero emissions in the dairy industry.

# Governance-Sustainability

Mengniu strives to create sustainable corporate governance. Guided by the GREEN strategy, Mengniu integrates ESG concepts into the whole business decision-making and implementation process, and promotes the high-quality development of the whole industrial chain. Under the "Governance-Sustainability" pillar, we build an efficient ESG operation mechanism starting from the three topics of ESG governance, risk management and business ethics set to deepen the construction of risk management system, abide by the highest business ethics standards, and effectively protect the rights and interests of the majority of shareholders.

## SDGs We Focused in this Section:



ESG Governance   Risk Management   Business Ethics



## Highlights in 2023

### ESG Governance

- **Consolidated 28 ESG actions into 26** to further clarify the directions and cores of ESG work and improve management efficiency.
- **Set up Working Group on Responsible Procurement and Working Group on Green Packaging** to further improve the performance of the topics.
- **Included the sustainable development KPIs into the performance appraisal of middle management personnel**, and incorporate the sustainable development appraisal dimension into the evaluation of outstanding individual awards at the Group level.
- Received six awards, including "**Best Company Board**", "**Best ESG**", and "**Best IR Program**", etc., issued by the leading financial magazine Institutional Investor.
- Awarded "**Outstanding Legal Team of the Year**" in the food and catering industry by Business Law Journal, Asia's leading legal journal, in the area of anti-bribery and anti-corruption, and "**Outstanding Legal Team**" in the areas of cross-border compliance, in-country compliance and data compliance.
- Selected in the Legal Compliance list of WeLegal, an authoritative organization in China's legal industry, and won the **Top 30 "Most Contributing Legal/Compliance Team"** in the 2023 Team of the Year Award.
- Awarded **2023 ALB China Top 15 Corporate Legal Team** by the authoritative organization Asian Legal Business.
- Awarded the **Compliance Management System Outstanding Effectiveness Award** by the China Quality Certification Centre.
- Held **32** meetings with ESG-themed investors and rating agencies, effectively delivering the high-quality development achievements, ESG strategy and long-term value of Mengniu to the capital market.

### Risk Management

- Communicate with **all the directors of the Group** on the risk management principles and policies, and **listen to the directors' views on risk management**.
- Conducted **trainings for directors and supervisors of subsidiaries and holding companies comprising the Group on Compliance Guide for Directors and Supervisors**, clarifying their rights, obligations and legal status, to ensure compliance performance.

### Business Ethics

- Established a **compliance team covering all business lines**, to implement the business requirements of "managing business should manage compliance".
- **32 employees** have passed the assessment and obtained the **certificates of compliance internal auditor and corporate compliance officer**, to improve compliance management organizational effectiveness and performance capabilities.
- Granted ISO 37301 and GB/T35770 compliance management system certification, indicating that Mengniu has become **the world's first dairy company that obtained the SGS Compliance Management System Certificate**.
- Carries out multi-level, multi-field and multi-form compliance empowerment training for **directors, supervisors, senior management, management personnel, non-management personnel**, and etc.
- Signed the "**Belt and Road**" Corporate Integrity Initiative, and **a total of 40,937 employees** signed the integrity compliance commitment.
- Carried out **27 special supervisions of corruption risk** covering all businesses, put forward **8 rectification proposals** and improved **22 policies**.



## ESG Governance

Mengniu strictly adheres to applicable laws and regulations in the place of its operation and the listing rules, and continuously optimizes its ESG governance structure in combination with the Group's development, in order to improve the level of business management and achieve sustainable business value.

The Board of Directors (the "Board") of the Group is responsible for formulation of the Group's overall strategies and policies, setting of performance and management targets, evaluation of business performance and supervision of management's performance. The Board has five professional committees, namely Audit Committee, Nomination Committee, Remuneration Committee, Strategy and Development Committee, and Sustainability Committee, to support the Board in areas requiring specific time commitment, independent inspection and expertise.

### Board Independence and Diversity

The Board currently consists of 9 directors, including 3 executive directors, 3 non-executive directors and 3 independent non-executive directors. Independent non-executive directors account for one-third of the total number of the Board of the Group, and gives full play to the role of checks and balances and provides independent and objective opinions for the decision of the Board. The chairpersons and members of the Audit Committee and the Remuneration Committee are independent non-executive directors.

We deeply believe that the board diversity can provide an all-round and comprehensive perspectives and concepts, improve the effectiveness of the performance of the Board, promote the long-term development of the corporate, and effectively safeguard the rights and interests of shareholders. Mengniu has formulated the *Board Diversity Policy*, which, based on the principle of "Talent-oriented Employment", comprehensively considers gender, age, cultural and educational background, ethnicity, profession, industry and management experience, skills, knowledge and tenure of service, etc. in nominating candidates. The Board includes 1 female director. The Board of Directors has professional capabilities in marketing, human resources, finance, investment, legal affairs, corporate governance, corporate stakeholder relationship, evaluation of innovation mechanism, responsible business and sustainable development, etc.

### Sustainability Governance System

Mengniu has established a comprehensive and effective sustainability governance structure, covering three levels of governance, management and execution, so as to better promote the implementation of GREEN strategy, improve the overall ESG performance of the Group, and promote the harmonious and win-win development with stakeholders.

#### Governance

Mengniu has set up the Sustainability Committee at the level of the Board, chaired by Non-executive Director Mr. Simon Dominic Stevens, with other members including three executive directors, namely Vice-Chairman Mr. Jeffery, Minfang Lu, Chief Executive Officer Mr. Gao Fei, Vice President Ms. Wang Yan, and independent non-executive director Mr. Li Micheal Hankin. The Sustainability Committee is responsible for assessing the Group's GREEN sustainable development strategy, objectives and risks, and reviewing ESG-related disclosures.

#### Management

Mengniu has established the Sustainability Executive Committee in the management level, composed of senior executives of the Group, which is responsible for promoting the Group's sustainable development management and strategy, supervising the progress of the strategy implementation, and examining the annual work plan. The Secretariat of the Sustainability Executive Committee incorporates relevant personnel from 7 departments, including the Strategic Management Department, the Safety and Quality Management Department, and the Procurement Management Department, etc., who are responsible for coordinating the planning, promotion and implementation of ESG work.

In 2023, Mengniu invited experts in the field of sustainable development to carry out one-to-one interviews with senior management to communicate the external development trend of sustainable development and the sustainable development situation within the Group, to provide guidance for GREEN sustainable development strategy iteration and the priority directions of sustainable development work.

In recent years, Mengniu has included ESG factors in the Group's investment strategy. While constantly promoting green financing, Mengniu has deployed high-quality projects in the early stage and growth stage. By means of investment and incubation, Mengniu has also deployed green industries to continuously enhance its sustainable development capabilities. In 2023, we promoted the implementation of projects such as precision nutrition, life science, synthetic biology and green packaging through investment, with an aim to build a sustainable development ecosystem with complementary advantages and close relations.

#### Execution

The Mengniu Sustainability Promotion Office covers 24 first-level departments of the Group, and comprises 24 sustainability officers and 24 sustainability liaison officers. In response to key sustainable development topics, the Group has set up Working Group on Responsible Procurement Green Packaging and Working Group on Green Packaging to further improve the performance of the topics. The Sustainability Promotion Office undertakes the sustainable development requirements of the Group, discusses and formulates the annual sustainable development goals and plans with all departments, maintains communication with internal and external stakeholders, and actively responds to inquiries from relevant parties.



In 2023, Mengniu held 2 Sustainability Committee meetings, 2 Sustainability Executive Committee meetings and 1 Sustainability Conference to report the progress of sustainable development to the directors and senior management of the Group, and discuss and make decisions on key ESG issues. In January 2024, the Group held the annual Sustainability Conference, and granted annual recognition and awards to departments and project teams with outstanding performance in sustainable development in 2023.

## Gathering Consensus for Sustainable Development

In order to enhance the sustainable development awareness and capabilities of all staff, Mengniu integrated internal and external resources and actively carried out various ESG thematic co-creation, awareness publicity and training activities. We released the "Sustainable Development Course" training video on "Worth-It" online platform, with around 9,000 times of people participation by the end of 2023. 12 young employees of the Group participated in the "SDG Innovation Accelerator for Young Professionals" project organized by United Nation Global Compact (UNGC), identified business challenges related to Sustainable Development Goals (SDGs) and designed innovative solutions.



### Mengniu Sustainable Value Co-Creation

In September 2023, Mengniu held the second "Sustainable Value Co-Creation" activity to encourage all departments to broaden their thinking and build consensus on sustainable development. The activity covered industry exchanges and visits, ecological farm experience, expert roundtable discussion, environmentally friendly artwork creation, sustainability solutions roadshow and other innovative sessions. Participants and industry experts co-created for value and experienced in an immersive way, learned and practiced ESG concepts, to motivate practice of the sustainable development strategy of Mengniu through concerted cooperation and innovative exploration of the departments.

## Stakeholder Communication

Based on the nature of business, industry development and operating conditions, we identified stakeholders including employees, consumers, shareholders and investors, government and regulatory bodies, suppliers, distributors, and communities. We provide open and transparent communication channels for our stakeholders, to actively respond to the concerns and suggestions of stakeholders.

Mengniu abides by relevant laws and regulations to regularly issue reports, disclosing its major dynamics in a timely and compliant manner, while maintaining fully communication with investors. In 2023, Mengniu actively communicated with the capital market in diverse forms such as emails, teleconferences, and face-to-face meetings. Mengniu held over 200 investor meetings and sell-side analyst meetings throughout the year, and 32 ESG-themed meetings with ESG-themed investors and rating agencies, effectively delivering the high-quality development achievements, business strategy, ESG strategy, ESG practice and long-term value of Mengniu to the capital market.

### Global Investors' Exchanges with Mengniu

Mengniu actively communicates and interacts with stakeholders to enhance the transparency of the Group's sustainable development management. In 2023, Mengniu invited 50 institutional investors, brokerage analysts, ESG rating agencies and media to visit the organic pasture in Dengkou Desert and Bameng factory. The Group's senior management had in-depth exchanges with external stakeholders and attached great importance to their suggestions on the management of Mengniu's ESG issues, and conveyed the sustainable development strategy of the whole industry chain and milk source strategy map to boost investment confidence of the capital market and external recognition of Mengniu's ESG practice.



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

## Materiality Analysis

In 2023, under the guidance of the Sustainability Committee, Mengniu analyzed the impact of various ESG issues on the Group's sustainable development and the degree of stakeholder concern according to the four steps of material topic identification, research interview, screening and evaluation, and audit confirmation. After sorting and integrating, we ultimately chose 26 strategic topics that are most conducive to the Group's achievement of ESG objectives, and formed an ESG major topic matrix to carry out targeted management and actions based on the matrix information.

### Identification of Material Topics

Based on Mengniu's strategic priorities, industry characteristics, business priorities, relevant sustainability frameworks (including GRI), stock exchange requirements (including the Hong Kong Stock Exchange), rating agency focuses, domestic and foreign policies (sustainable development goals), and combined with the advices from external stakeholders, the Group determined a list of material issues.

### Stakeholder Engagement

Through various forms such as communication interviews with executives and other relevant parties, and questionnaires, we can better understand the key concerns of stakeholders.

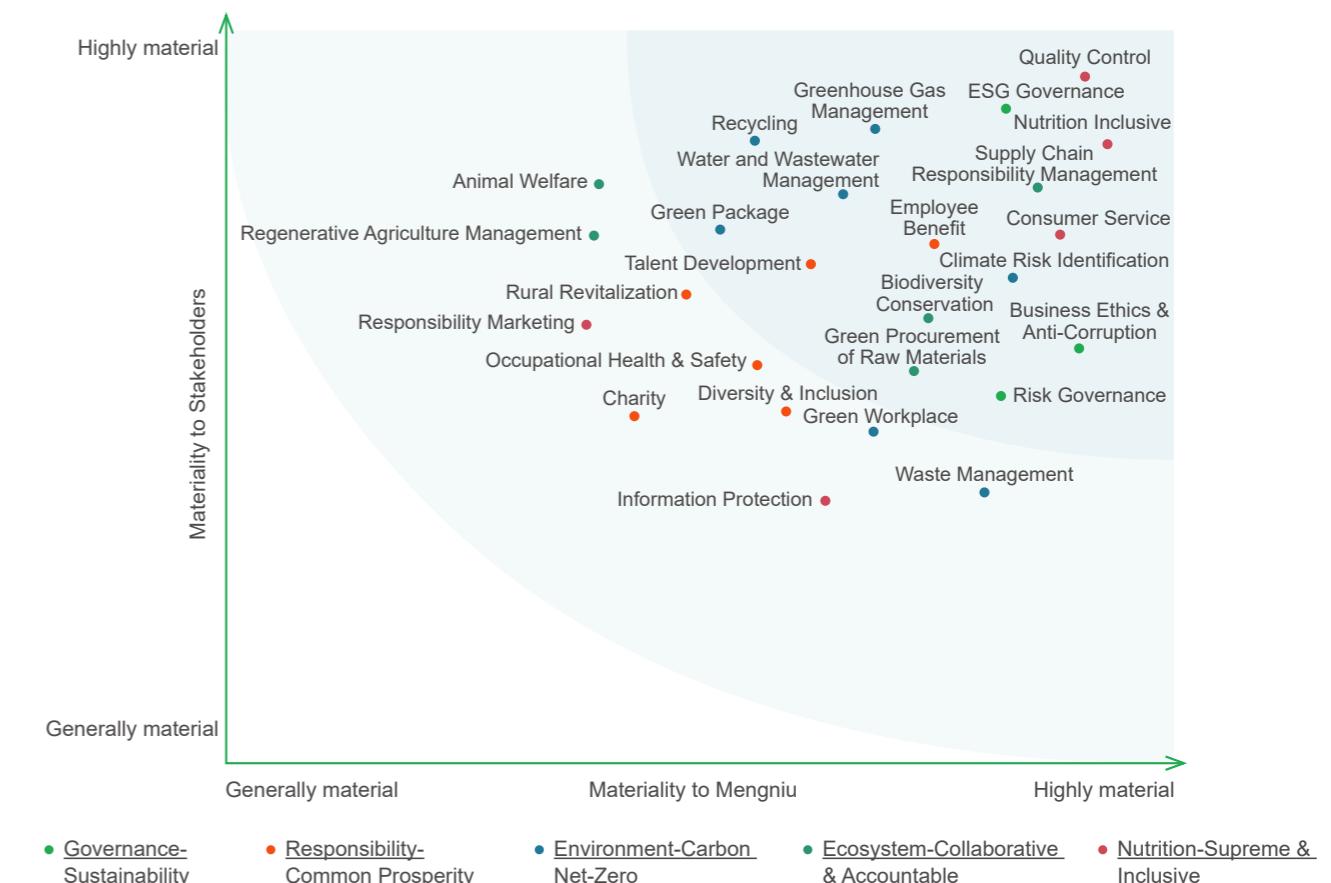
### Prioritization

Further refine the list of issues based on global and operational sustainability goals, stakeholder concerns, Mengniu GREEN strategy, and taking into account trends and recent important events related to specific issues.

### Validation

Mengniu's Sustainability Committee and experts review and select the material topics to be disclosed.

## Mengniu 2023 ESG Materiality Matrix



# Risk Management

Mengniu strictly complies with laws and regulations related to the Company's operation, and establishes a risk management system with full participation. We carry out risk identification and control in light of changes in the internal and external environment and timely update our risk response strategies to improve our risk-resistant ability.

## Risk Management Framework

With reference to the internationally accepted COSO<sup>1</sup> risk management framework and according to the business needs of the Group, Mengniu has continuously consolidated the "three lines of defense" of risk management, and clarified hierarchy and corresponding responsibilities of risk management work, wherein the Audit Committee of the Board supervises the overall risk management procedures. The Risk Management Committee that the Group set up is the highest deliberative and decision-making body for risk management, with the CEO of the Group as the chairman, the vice president of the Group in charge of risk and audit as the executive vice chairman, and the head of major business units and functional departments as its members. We incorporated significant operational risk incident indicators into relevant management performance. The Risk Management Department is a daily operational agency established by the Risk Management Committee, and regularly reports to the Audit Committee of the Board on the operation effectiveness of the risk management system and control of important risks.

**The first line**

Of defense is mainly composed of various business departments, responsible for the daily operation and management of the Group, as the risk responder and principal responsible party, independently identifying the major risks in the business process, and designing corresponding risk response plans.

**The second line**

Of defense is composed of the Risk Management Committee, risk management department and the Group's functional departments, which are mainly responsible for planning and supervising risk management work and improving the risk management system.

**The third line**

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

Mengniu has established a risk-oriented closed-loop management model of "risk identification first, business self-management, audit supervision follows up", and integrated risk management into the business management and decision-making process. We have established the *Group Risk Management Manual* and the *Risk Management System* to manage and control risks through the six major risk management processes including risk identification, risk assessment, risk response, risk monitoring, risk response evaluation and risk report, to strengthen the supervision, inspection, evaluation and assessment of risk management and response measures.

Mengniu adheres to conducting top-down risk assessment with full participation in the way of "business self-assessment identification, professional risk prediction, and overall evaluation by senior executives" to ensure the objectivity, accuracy and focus of the Group's judgment on major risks. We output the risk list every year to predict the major risks at the group level, which is finally considered and approved by the Risk Management Committee. We conduct the entire process of risk prevention and control through three phases, which are pre-prevention, in-event control and post-emergency response, to clarify the risk response targets. Every year, we evaluate the effectiveness of risk response through three dimensions of self-evaluation by the project team, evaluation by the service party and special evaluation by the risk management department, so as to provide a basis for the subsequent risk management work.

<sup>1</sup> COSO: Committee of Sponsoring Organizations of the Treadway Commission.

In terms of audit supervision, we adhere to the principle of "key control, important risks and effective coverage", sort out key business areas and key management modules from three perspectives that are strategy, operation and support, and carry out supervision and inspection in an orderly manner to effectively promote the Group's risk management level.

This year, Mengniu adjusted the Group's major risk areas into seven major aspects: strategic risk, financial risk, market risk, supply chain risk, legal and compliance risk, quality and food safety risk, and sustainable development risk. Meanwhile, in light of the changing internal and external environment, we identified emerging risks with greater impact on future business, such as food safety risks caused by nuclear wastewater pollution and industry public opinion risks brought by aspartame. We actively adopted countermeasures to alleviate and reduce the impact of emerging risks on the development of the Group.

For more information on addressing the above emerging risks, please refer to sections headed "Nutrition and Health" and "Excellent Quality" under the chapter headed "Nutrition-Supreme & Inclusive" of this report.

## Risk Management Empowerment Training

Mengniu carried out empowerment training on risk management covering directors to employees, the Group to holding companies to further create a risk management culture and improve the risk management awareness and prevention ability of all staff.

Every year, we communicate with all the directors of the Group on the risk management principles and policies, publicize the risk management concept and listen to the opinions of the directors, assess the major risks and formulate countermeasures.

In 2023, we considered risk management training course as a required course for new employees to establish their risk management value, with over 20,000 times of people participation of online training. We carried out targeted risk management practical training, for core management with 136 times of people participation, and selected 6 excellent risk management practice cases to promote experience and practice. We also carried out special risk management exchanges to achieve complementary advantages in risk management and functional management and give full play to the management force.

Mengniu simultaneously carried out the risk management empowerment for holding companies, and conducted trainings for directors and supervisors of subsidiaries and holding companies of the Group on *Compliance Manual on Duty Performance of Directors and Supervisors*, clarifying their rights, obligations and legal status, to ensure compliant performance, and reduce the responsibilities and risks brought to the Group and individuals due to violations.



## Business Ethics

"Our integrity and honesty support our continued success" is one of the core values of Mengniu. The Group follows the requirements of the laws and regulations related to business ethics, and has developed the *Integrity and Compliance Manual*, the *Corporate Governance Compliance Manual*, the *Compliance Manual on Duty Performance of Directors and Supervisors*, the *Environmental Protection Compliance Manual*, the *Anti-Commercial Bribery Compliance Manual*, the *Anti-Monopoly Compliance Manual*, *Code of Conduct for Business Partner*, the *Business Partner Compliance Manual*, the *Handbook of Compliance Guidelines for Personal Information Protection* and other internal compliance guidelines, and launched the *Regulations on Management of Personal Information Protection*, the *Anti-Monopoly Compliance Management Regulations*, the *Anti-Commercial Bribery Compliance Management Regulations*, the *Business Partner Compliance Management Regulations*, and other internal management regulations to standardize behaviors of Mengniu and stakeholders and jointly create an honest and compliant business environment.

### Business Ethics Management System

Mengniu has set up the Compliance Management Committee with the Group's CEO as the director and the core executives and chief compliance officer as its members. The Compliance Management Committee shall coordinate the compliance management of the Group, review the Group's strategic planning for compliance management, and investigate the responsibility of violations and personnel committing violations or propose handling suggestions. The Group has established a compliance team of 329 commissioners covering all business lines, issued the *Measures for the Management of Compliance Commissioners*, and offered training to empower compliance commissioners through the "*Compliance Certification Plan*". This year, a total of 32 employees of the Group have passed the assessment and obtained the certificates of compliance internal auditor and corporate compliance officer, which vigorously promoted the improvement of compliance commissioner's performance ability and compliance governance ability. In addition, we consistently implemented the *Management Measures for Compliance Assessment, Evaluation and Commendation*, linking compliance assessment with senior executives' KPI.

In 2023, Mengniu was granted ISO 37301 and GB/T35770 compliance management system certification by China Quality Certification Centre and SGS-CSTC Standards Technical Services Co., Ltd. The certification covers all compliance management activities involved in the Group's operation, marking Mengniu's compliance management level has reached both the national and international standards. This is the first time the two authoritative certification agencies to grant dairy companies compliance management system certification, indicating that Mengniu has become the world's first dairy company that obtained the certificate.

Mengniu has become the **world's first** dairy company that obtained the **compliance management system certification**

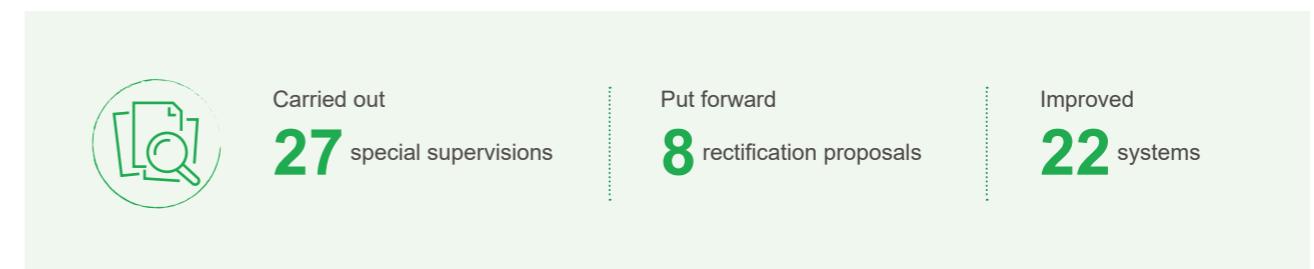
### Anti-Corruption Management

Mengniu adopts a "zero tolerance" attitude towards any form of commercial bribery and corruption. Adhering to the principle of "audit first, discipline inspection follow-up", the Group has established a joint supervision system of discipline inspection, audit, finance, compliance, human resource and other departments, and improved the working mechanism of information communication, clue transfer and achievement sharing to form a joint supervision force.

Anti-corruption is the key area in Mengniu's compliance management. Our special supervision and inspection of business corruption risk has covered the Group, all subsidiaries and all businesses. We have carried out 27 special supervisions, put forward 8 rectification proposals and improved 22 systems. In 2023, Mengniu formulated the *Work Plan for Discipline Improvement and Anti-corruption in the Sales Area* to carry out special governance in maintaining market order and create a fair market environment for competition. In addition, we strengthened special supervision over key areas and key links such as procurement, sales, marketing, research and development, and expanded the scope of supervision and inspection to overseas business departments, by taking various measures such as special supervision of sales and administrative expenses and procurement bidding, to find out integrity risks, analyze deep-seated causes, and accurately solve problems.

For those who violate the rules, we take corresponding disciplinary action according to the *Measures for Disciplinary Punishment of the Enterprise*, and transfer those suspected of violating crimes to judicial organs for investigation according to law. The Group has joined the Trust and Integrity Enterprise Alliance, and included persons involved in taking bribes, embezzlement, and other violations of laws and regulations in the "blacklist". We strengthen honesty warning education internally, regularly report typical cases, organize warning education conferences, and carry out honesty reminder talk, to constantly enhance the staff's awareness of honesty. This year, there was one concluded legal case regarding corrupt practice, and the personnel involved have been sentenced according to law.

For more information on integrity management for business partners, please refer to the section headed "Sustainable Procurement-Supply Chain Responsibility Management" under the chapter headed "Ecosystem-Collaborative & Accountable" of this report.



### Reporting and Compliant Management

We have formulated the *Provisions on the Management of Reporting and Disposal of Questions and Clues*, and the *Approval Measures for Treatment and Punishment Procedures*, and revised the *Measures for Disciplinary Punishment of the Enterprise* this year to further standardize the management mechanism for reporting and complaints. The Group, the divisions and the sharing and holding companies have designated special personnel to accept and handle complaints and reports. The reporting information received by non-disciplinary inspection departments and personnel shall be handled by the discipline inspection department of the Group.

### Business Ethics Reporting Channels

Mengniu provides an independent and 24-hour reporting hotline, and releases ways of receiving complaints and reports through multiple channels. We encourage employees, business partners and the public to report illegal and non-compliant behaviors, and work with them to create a clean and upright business environment.



Mengniu's official website, WeChat official account, the *Anti-Corruption Agreement*, typical case announcement, node notice, customer email, customer service platform, Ding Talk work group, integrity reminder, integrity training materials, integrity scoring plan and publicity materials

Through information sharing and publicity, we ensure that every Mengniu employee and business partner are familiar with Mengniu's letters and visits reporting procedure. In view of the problems found in the reporting, the Group will timely formulate measures to block the management loopholes.

Phone: 0471-7393612

Report Email: mnjw@mengniu.cn

Mailing address: Mengniu Dairy Milk Source Building 311, Shengle Economic Zone of Horinger, Hohhot, Inner Mongolia

Postal code: 011517



For directors, supervisors and senior management, the Group carried out China Mengniu Anti-Corruption Training, and required all directors, supervisors and senior management to sign the *Compliance Training Confirmation Letter* after the training. For management candidates, we publicized the key points of anti-monopoly, anti-commercial bribery and the *Integrity Compliance Manual*. For personnel in key areas of anti-commercial bribery compliance management, we carried out special compliance training on key points to further enhance the integrity awareness of employees at all levels, and constantly consolidated the defense line of business ethics management. In addition, through "Worth-It" online training platform, we released training courses such as *Anti-Commercial Bribery Compliance Management Regulations*, *Anti-Commercial Bribery Compliance Management Manual* and *Basic Compliance Knowledge on Anti-Commercial Bribery*, with a cumulative learning record of over 100,000 times of people participation this year.



With a cumulative learning record of over

**100,000** times  
of people participation this year

## Whistleblower Protection Mechanism

Mengniu provides protection for whistleblowers during each appeal and report process to resolutely safeguard the legitimate rights and interests of whistleblowers. We comply with the relevant laws and regulations, and specify "Whistleblower Protection" clause in the *Integrity Compliance Handbook*, the *Management Regulations on Letters and Visits Reporting and Problem Clues Disposal* and other management measures, require parties concerned to keep the whistleblowers and report information strictly confidential, never publicly disclose the personal and family information of whistleblower, report content, name of audit investigators and other information, and manage related reporting materials as confidential documents.

We encourage real-name reporting and accept anonymous reporting. No department or individual of the Group shall obstruct or suppress the whistleblower's report, or withhold the reporting materials. Mengniu will seriously deal with cases of retaliation against whistleblowers in accordance with relevant systems, and seriously crack down retaliation by handing those suspected of committing crimes to judicial organs according to law.

## Business Ethics and Cultural Construction

The Group continues to strengthen business ethics and cultural construction. Through training and warning education, we enhance the integrity and compliance awareness of all staff, and creates a clean and fair working atmosphere. We convey the key points of Group's compliance knowledge in a timely and efficient manner through WeChat public account, Ding Talk announcement, desktop, road flag and other ways. Mengniu has signed the "*Belt and Road*" Corporate Integrity Initiative, and a total of 40,937 employees signed the integrity compliance commitment, completing the compliance performance commitment from the Group to the staff level.



A total of  
**40,937**  
employees signed the  
integrity compliance  
commitment

## Business Ethics Training

We believe that strengthening daily training and enhancing employees' business ethics awareness will help the Group further manage risks. Mengniu carries out multi-level, multi-field and multi-form compliance empowerment training for directors, supervisors, senior management, management personnel, non-management employees and new employees, covering key areas such as anti-corruption, anti-unfair competition, integrity and compliance, anti-monopoly, performance of directors, supervisors and senior management, personal information protection, environmental protection and compliance.

## Integrity Warning Education

This year, Mengniu formulated the *Integrity Warning Education Work Plan* and the *Remind Talk Work Plan*, and organized various integrity warning education throughout the year, reminding employees and partners to always adhere to the bottom line of integrity and self-discipline.



### Performance of Integrity Warning Education in 2023

Conducted 53 sessions of integrity education for middle and senior management and young managers, covering 1,059 times of people participation;



Conducted similar warning education of the same level for overseas business department personnel, covering 38 overseas managers and employees;



Conducted integrity audit on 5,583 newly promoted and appraised employees, issued pre-appointment integrity reminders to 905 newly recruited (promoted) employees, and a total of 41,745 integrity commitment letters were signed;



For grassroots employees, the Group provided "warning and education at every meeting" and conducted 2,729 sessions of integrity warning and education through pre-shift meetings, work meetings, internal propaganda, covering all employees including all part-time and outsourced personnel;



Conducted integrity education for 6,820 family members of management personnel and 10,181 partners, effectively strengthening the integrity awareness of family members of management personnel and partners.

# Responsibility-Common Prosperity

Mengniu is committed to fulfilling its corporate social responsibility, standing firmly on responsible employer practices, and actively undertaking the era's responsibility for rural revitalization and common prosperity by leveraging its advantages in the dairy industry chain. Guided by GREEN strategy, we focus on the three key topics of employee well-being, rural revitalization and charity, constantly improve employees' happiness and sense of belonging drive the development of the industrial chain, carry out public welfare and charity activities, and create greater social value through practical actions.

## SDGs We Focused in this Section:



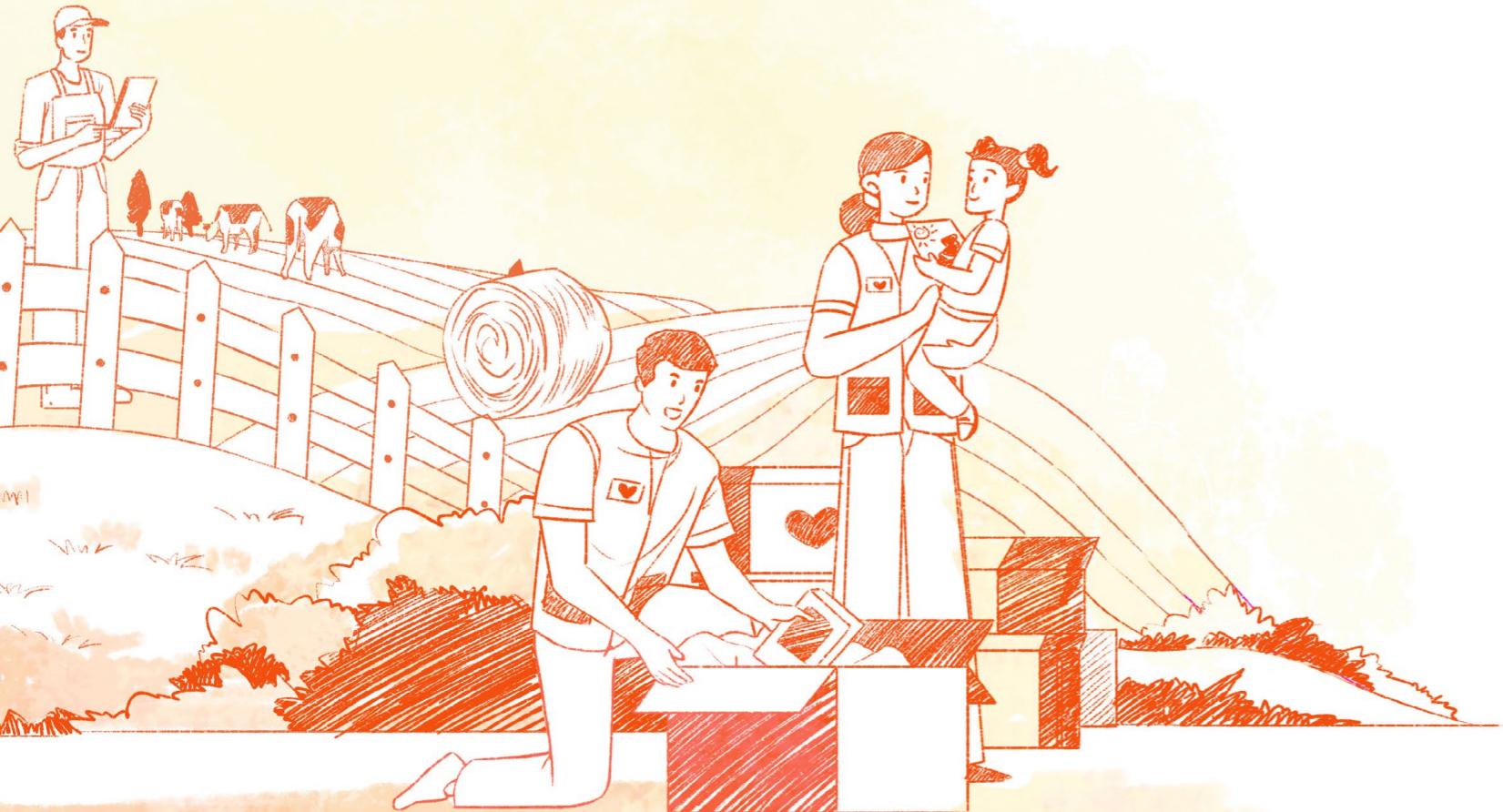
Employee Well-Being



Rural Revitalization



Charity



## Highlights in 2023

### Employee Well-Being

- Employed **46,064** employees, including **26,996** male employees and **19,068** female employees.
- The proportion of female executives has reached **26.32%** (Group assistant vice president and above).
- The employee training coverage rate reaches **92.76%**, with a total training duration of **4,081,820.76 hours**.
- Updated the regulatory requirements on discrimination and harassment** in the *Employee Handbook*.
- Selected as **2023 China's Best Employer** and **2023 Best ESG Practice Employer** by *Forbes*.
- 100% of Mengniu's self-operated factories** have passed the audit of ISO 45001 Occupational Health and Safety Management System, **6** factories have passed the first-level on-site evaluation of safety production standardization for enterprise.
- 15** entities under Mengniu have been awarded "Healthy Enterprise" at provincial and municipal levels.

### Rural Revitalization

- Made efforts in deploying **33** large pastures under construction and new pastures in industry parks, increasing our dairy cow stock by **30,000**, and equipped such pastures with high-quality forage planting demonstration areas and high-yield and high-quality forage model fields, directly and indirectly creating job opportunities and boosting incomes for about **70,000** people.
- Carried out **40** charitable breeding technology training classes, covering more than **107,000 times of people participation**.
- Provided RMB **4 billion** to support the upstream pasture partners to meet various financial needs, such as the purchasing of cows, purchasing of equipment, transformation and upgrading, breeding of high-quality breeds.
- Established a Party building alliance with over **400** partners, and held more than **300** joint Party building events by way of partnership, for stronger interest-based interconnection between farmers and enterprises and implementation of relief measures.
- Conducted the Program of Inclusive Nutrition Plan in **452** schools in **21** provinces and autonomous regions across the country, donating more than **3.704 million** boxes of milk and covering **582,000** students.
- Selected as "**Classic Case of Rural Revitalization**" by China Top Brands Rural Revitalization Research Center.
- Won the "**Xinhua Credit's Golden Orchid Cup**" ESG Outstanding Contribution Case Award by China Economic Information Service under Xinhua News Agency.

### Charity

- Carried out a total of **15** regional football league games and **10** offline football challenge games, and donated **30,000** footballs for regional distribution covering more than **5,000** teachers and students.
- 133 people** were certified as industrial culture hands-on inquiry-based learning instructors, and officially completed the first "Dream Center" located within Mengniu.
- The Mengniu Public Welfare Foundation spent **RMB 51.2475 million** on charitable initiatives.
- Recorded **more than 10,000 attendances** in volunteer service activities and provided nearly **24,000 hours** of volunteer service.
- Awarded as "**the Top 10 Enterprises**" of Action League 2023 Charity Ceremony by the Phoenix New Media.



## Employee Well-Being

Adhering to the development strategy of “people-oriented”, Mengniu is committed to creating an equal and inclusive workplace environment, attracting world-class dairy industry talents, and promoting the advanced experiences and practices of talent governance in the Chinese dairy industry. Based on a fair, reasonable and competitive salary and welfare system, we provide abundant resources to ensure employees’ health and development, and constantly improve their happiness and sense of belonging.

### Compliance Employment

Mengniu strictly abides by relevant employment laws and regulations, ensuring the legality and compliance of its employment system through institutionalized management. The Group explicitly forbids the recruitment of child labor and the use of forced labor, and prevents the occurrence of child labor employment at the source of recruitment through identity verification and other measures. If any issue of child labor is discovered, we will immediately assist in contacting the legal guardian for resolution. If any illegal employment practices are found, we will conduct thorough investigations and strictly handle them in accordance with laws and regulations as well as the Group's requirements.

### Respect for Human Rights

On the basis of strict compliance with relevant laws and regulations, Mengniu follows the internationally recognized human rights policies as outlined in the United Nations *Universal Declaration of Human Rights*, the *International Convention on Human Rights* and the core Convention of the International Labor Organization, and formulates the *Employee Code of Conduct*, *Employee Handbook* and other management documents to implement human rights protection measures.

### Equality, Diversity and Inclusiveness

In 2023, we updated the *Employee Handbook* to optimize the management requirements for discrimination and harassment, including the prohibition of any discriminatory behavior based on factors such as ethnicity, religion, gender, age, nationality, etc., as well as any form of harassment in our working environment. In the meantime, Mengniu is committed to promoting mutual understanding among employees of different nationalities and cultural backgrounds, and building a cross-cultural communication bridge. Mengniu's Indonesian factory fully respects the cultural beliefs of local employees by setting up a prayer room in the plant, giving employees Ramadan subsidies, and arranging staff worship time after proper work deployment.

### Talent Development

Mengniu attaches great importance to the cultivation and career development of its employees. In 2023, we comprehensively upgraded the Mengniu BLOOM talent philosophy, focusing on the core value of "empower and inspire talents to succeed" to fully interpret Mengniu's talent orientation. We have made it clear that managers are the primary responsible persons for talent development and are committed to fostering an internal coaching culture. Guided by the talent philosophy, we aim to support the continuous growth and development of our talents. At the same time, Mengniu actively cooperates with universities and industry partners to build a variety of learning platforms to meet the diverse learning needs of employees, propelling employees' career development and professional skills improvement, and enhancing the talent reserve in the industry.

### Talent Cultivation

In terms of talent training, the Group has optimized the talent development system, carried out full-cycle and full-dimension training for talents, and continued to build six future-oriented talent teams, in order to build Mengniu's talent advantage. Meanwhile, we have offered industry talent training in cooperation with industry partners, upgraded the online learning platform, and promoted the digital layout of talent training from the aspects of value transmission, operation mode, organizational mechanism and talent training.



Mengniu has created “succession” and “competence” training system. For successors, we developed “Blue Sea” project and cultivated more than 600 core management reserve talents, with a view to improving leading talents' management capabilities, accelerating the reserve of management talents, outputting key position reserves and continuously enhancing the succession talent pool, through online and in-person training activities, regular coaching, formulation and implementation of personal learning & development plan, job rotation, project practice and other training modes.



We developed “Benteng” Project by carrying out online learning and in-person intensive training to unify the language and tools of Mengniu managers to improve their competence. The project covered more than 3,000 current managers.

Mengniu thoroughly studies and implements the important national work instructions on skilled personnel to actively promote the training of skilled personnel. Through the two learning centers of Huqitu and Huxiuqi, a unified professional talent training system was established to strengthen the professional competence of employees, with a focus on cultivating the core advanced professionals in sales, marketing and supply chain. Mengniu has built a comprehensive professional sequence and a professional curriculum system to achieve internal growth of talents. Mengniu has covered more than 9,000 professional talents throughout the year and accumulated over 230 professional courses.



Through the “Youth Training Camp” project, Mengniu has been selecting high-potential young talents group-wide to cultivate the innovation ability and management competence of young talents in all-round way. We have produced 12 innovative projects, and provided opportunities for outstanding talents to directly access the “Blue Sea” project, therefore strengthening the reserve of young successors and promoting the vitality of talent echelon. Through the “Future Star” project, we have provided multiple jobs for fresh graduates, and provided diversified growth and development paths for graduates of different majors. Also, mentors were equipped to help them complete the rapid transformation from students to workers. We provide training on both professional and general skills required by “Future Stars” at different growth stages, and the training coverage rate was 100%.



We have launched the first phase of the strategic international talent training project, with the main purpose of cultivating and improving trainees' cross-cultural communication skills, deepening their understanding of international operation, and expanding their global vision, while focusing on sales, supply chain, finance and other core and key job groups. Through three thematic training “Cross-cultural Communication Competence Development and Promotion”, “Pressure and Emotion Management” and “Practice Study on Enterprise Going Abroad”, Mengniu has enhanced trainees' understanding of international work and life, and improved their readiness for future expatriate assignments, while accumulating practical experience for the Group's continuous international talents training and reserve.

### Cultivation of Breakthrough Innovative Talents

The various departments of Mengniu are highly coordinated, providing innovative and entrepreneurial talents with a platform for capacity building and project incubation. We escort projects, continuously enhance the organization's innovation capabilities, and constantly improve the system, comprehensively supporting the growth and development of innovative and entrepreneurial talents from platforms, resources to mechanisms. At the Group's 2023 Innovation Competition, 3,367 projects were signed up, and a total of 31 projects entered the incubation stage. After more than half a year's incubation verification by empowering, visit and learning, a total of 19 projects appeared on the stage of roadshow, and finally 11 projects stood out.

### Cultivation of Scarce High-end Talents

In addition to continuously cultivating talents within the Group, Mengniu also focuses on the introducing and reserving talents required for the layout of new business tracks. Leveraging its rich expert resources, innovative management mode, and unique platform advantages, Mengniu has attracted top doctoral and postdoctoral talents from global leading universities and large enterprises to participate in the Group's strategies, products and management, providing sufficient high-end talent reserve for the sustainable development of the Group.

### Industry Talent Development

Mengniu cultivates elite talents in the dairy industry around the aspects of the establishment of talent training system, the strengthening of professional talent ability, and the recognition of professional skill level, to comprehensively facilitate the implementation of the national strategy on developing a quality workforce. The Group has established a Global Dairy Training Center which introduced domestic and international advanced resources with an aim to build an international training, learning, exchange and cooperation platform for dairy talents. In 2019, Mengniu was awarded the qualification of professional skill level certification by the Human Resources and Social Security Department of Inner Mongolia Autonomous Region. In 2023, the Global Dairy Training Center provided high-value empowerment for the industry chain around digital intelligence, dual carbon and dairy industry trends, covering more than 1.2 million times of people participation, including employees, pasture partners and consumers. Moreover, Mengniu Global Dairy Training Center completed the professional skills certification for more than 2,000 people, effectively improving the competitiveness of employees and the skill level of workers. By the end of 2023, the Mengniu Dairy Professional Skills Level Certification work has covered 31 bases nationwide.

### Intelligent Online Learning

In 2023, Mengniu has overhauled and upgraded its online learning platform. With the digital means as the core, Mengniu promoted the digital layout of talent cultivation from many aspects, such as value transmission, operation mode, organizational mechanism and talent development, and launched party building, corporate culture, digitalization, leadership, marketing and other courses. In combination with the development strategy of excellent talents, we have connected advanced AI to our digital learning platform, which will intelligently analyze employees' learning behaviors and habits, answer their questions and interpret complex concepts through personalized learning, intelligent tutoring and other functions, thereby providing employees with a more efficient, convenient and interesting learning experience and promoting the common growth of the Group and employees.

With this excellent digital learning practice, Mengniu successfully won the Boao Award of China Enterprise Online Learning Conference, "Digital Learning Application Benchmarking Enterprise Award" for four consecutive years, the most authoritative award, highlighting Mengniu's achievements in the field of digital learning, which strengthened the Group's determination to further deepen the digital talent cultivation strategy.

## Career Development

Adhering to the performance management concept of "creating value wholeheartedly, evaluating value scientifically, sharing value reasonably", Mengniu has established a performance closed-loop management system from goal, evaluation, guidance to improvement. Besides, upholding the principle of "fairness and justice, morality first", the Group has built a three-channel promotion system of management series, professional series and operation series to better meet the development needs of employees.

The Group has established a performance target system relying on the four dimensions of the balanced scorecard, namely "financial success, customer satisfaction, efficient operation, learning and growth". At the same time, through the professional qualification and experience map, the Group has clarified the knowledge, ability and key experience required for each professional position and provided clear career development goals and guidance for talents.

The management at all levels, combined with corporate strategy, department planning, and job responsibilities, have decomposed the overall goals of the Group from top to bottom to each business line, business team and individual employee. After the communication with the department leaders to formulate the personal performance goals that can be measured, the staff confirmed and signed the performance contract. Employees regularly review the target achievement, discuss the target completion difficulties and communicate the target adjustment plan with their immediate leader.

Focusing on the three aspects of leadership, values and synergy, we carried out an all-round performance appraisal based on the feedback from individual employees, business partners, superior leaders and subordinate colleagues, and set differentiated performance appraisal cycles for different positions. We have adopted monthly appraisal for employees in sales and production positions, quarterly appraisal for employees in other business departments, and annual appraisal for employees in the administrative positions. In addition, we attach importance to the feedback from the employees on the performance appraisal results. The department leaders communicate with the employees on their performance results upon conclusion of the appraisal and timely follow up their feedback opinions. At the same time, the department leaders help employees to clarify their personal development plans, flexibly carry out one-to-one communication with employees, and help employees to achieve targeted ability improvement.

We provide more promotion opportunities for strategic talents, young talents, innovative talents and talents in key positions. For example, we have launched the "Future Star" plan for fresh graduates, as a key talent development project to support the realization of Mengniu's future strategy. We specialize in cultivating the leadership, communication and execution of young talents through the selection and cultivation of talents with broad vision, excellent learning ability and professional strengths, so as to expand Mengniu's strategic young talent pool. In 2023, a total of 204 "Future Stars" who have completed the fresh management training program were promoted, with a promotion rate of 85.7%.



## Talent Incentive

In addition to providing competitive salary for all staff, Mengniu has also established a performance-based material and spiritual dual incentive system, to commend and reward employees based on their performance more comprehensively and scientifically, and share the results of development with employees through an incentive model that combines current incentives, long-term incentives, innovation incentives and spiritual incentives. In 2023, Mengniu granted long-term incentives to middle-level and senior management in core and key positions, aiming to drive the Group to achieve long-term strategic goals and realize value sharing.

## Employee Benefits

Mengniu upholds the employee value proposition of "Come together! Let's be outstanding", recognizes and appreciates each employee that has contributed to the development of Mengniu. With the concept of "Let's be talents", Mengniu prioritizes the development of its employees, and build a well-established talent training system through accurate talent selection and effective talent incentive mechanism. With the pursuit of "Let's do great things", we create an innovative mechanism of "only imagination can do the impossible", and use the opportunities and platforms to achieve talents. With the expectation of "Let's create a better future", we actively carry out a variety of caring activities to enhance the sense of belonging, happiness and sense of achievement of the staff, thereby realizing the mutual accomplishments with the staff, and building the future hand in hand!

In 2023, we upgraded the "Mengniu Life Full Lifecycle Care Map". In addition to providing services and guidance at employee induction, promotion, transfer, retirement and other important timing, we elaborately designed new surprise and memory for employees, and launched online function of "12 things can be done in Mengniu", to guide employees record their career in Mengniu and continuously strengthen their connection with Mengniu. We also provide the gym, shuttle bus, canteen and other benefits for all the staff. According to their job responsibilities, some employees can also flexibly arrange working hours, office location, or choose part-time jobs based on their own needs.

### Happiness 365 + Employee Care Work System

In 2023, we updated the *Employee Care Work Guiding Plan of Labor Union of Mengniu Group* to clarify employee care measures and standards, and continuously optimized and implemented the "Happiness 365 + Employee Care Work System". We took various care initiatives targeted for different employees, actively pushed forward the six happiness plans in terms of baby, filial piety, health, dormitory, assistance and employee loyalty, and conducted inclusive caring activities for all employees at the Spring Festival and Mid-Autumn Festival. This year we expressed care to nearly 180,000 people with RMB 20 million care funds.

In addition, we provide "Mengniu babies" care services for working mothers, providing parenting knowledge, vacation manuals for pregnant mothers, reimbursement guidelines, psychological counseling courses and baby-related benefits since their early stage of pregnancy, and providing various certificate processing guidelines for pregnant mothers at corresponding timing. We provide maternity leave and parental leave for employees in accordance with local laws and regulations. For example, in the Beijing office area, we provide no less than 15 days of parental leave for both female and male employees.

We granted gifts of RMB 180,000 in cash to employees giving birth to the third child; besides, Mengniu maintained supplementary commercial insurance for all employees' children (under the age of 14) to provide additional protection for their children.

### "I do practical work for the staff" Series of Activities

Mengniu carried out "I do practical work for the staff" series of activities to promote the solution of the difficulties and problems of employees in the areas such as occupational health and safety, mental health, and social security.

### Female Employee Care

Mengniu has comprehensively launched the "Love Her" program, offering free screening service for the "Two Cancers" for more than 10,000 female employees nationwide, conducting HPV vaccine booking activities, and establishing 56 "Mommy Huts" across the country.



### Employee Psychological Assistance Program

Mengniu has launched the "Yuexin Care to the Grassroots Activity" by conducting "Yuexin" emotional management workshops in 7 factories including factories in Shangzhi, Tongliao and Shenyang, and conducted live lectures on positive psychology to guide employees to work with a positive, healthy and optimistic psychological state.



## Employee Communication

Mengniu attaches great importance to communicating and exchanging views with employees, and is committed to creating an efficient and transparent communication environment. We listen to and collect employee feedback and expectations through open employee feedback and complaint mechanisms and various activities. In addition, employees can appeal about disputes concerning personal performance appraisal results, workplace misconduct and other aspects, and the relevant responsible person will investigate their complaints, solve them in time and provide feedback. In 2023, we resolved 7 employee complaints.

### Communication Channels

Staff symposium

Employee voice mailbox

Public account  
"small tree hole"

Employee thought survey

CEO and Party  
Secretary reception day

### Employee Engagement Survey

Every month, Aice of Mengniu actively communicates with employee representatives on working environment, employee benefits, relationship between superior and subordinates through the staff exchange forum, to understand and meet employees' needs in time and efficiently, which significantly reduces the employee turnover rate.

Aice carries out the employee engagement survey every year, from 6 dimensions such as leadership relationship, working environment, self-development, and achievement recognition, to understand employees' concerns, listen to their suggestions, further improve employee satisfaction and loyalty, and improve work efficiency and quality. In 2023, the net recommendation value of employees was 83.2%, indicating that employees are very satisfied with working in Aice.

## Democratic Management

Mengniu strictly abides by the relevant laws and regulations, promotes the Employee Representative Congress system, respects the principal status of employees, and strengthens employees' consciousness of democracy and the democratic management, to protect employees' rights to know, participate, express and supervise, fully arouse their enthusiasm, initiative, creativity and autonomy, and promote high quality operation of the democratic management system of the Group.

### The Second Session of the 7th Mengniu Employee and Trade Union Representative Conference

Staff representatives of all business units and factories, including management personnel, grass-roots front-line employees, female staff representatives and representatives of ethnic minorities, totaling 452 staff, attended the Second Session of the 7th Employee and Trade Union Representative Conference of Mengniu Group. Staff representatives were elected by the grass-roots trade unions. At the session, 4 work reports and 10 policies related to the immediate interests of employees were deliberated and adopted, indicating our full attention paid to the needs of employees and our determination to solve practical problems for employees.

During the session, the CEO of the Group and the Chairman of the Trade Union signed four types of collective contracts, namely *Collective Contract*, *Special Collective Contract on Salary*, *Special Collective Contract on Employee Safety and Labor Protection*, and *Special Collective Contract on Protection of Rights and Interests of Female Employees*, covering labor remuneration, working hours, rest and vacation, insurance benefits, labor safety and health, special protection for female employees, education, training and other aspects. Collective contracts cover all employees of Mengniu, providing a favorable legal guarantee for safeguarding the legitimate rights and interests of employees and promoting the harmonious development of the Group.



## Occupational Health and Safety

Mengniu complies with the relevant laws and regulations on occupational health and safety, and has formulated a comprehensive occupational health and safety management system. Meanwhile, we actively listen to the opinions of employees, and has formulated *Mengniu Group 2023-2025 EHS Three-year Plan* with reference to the ISO 45001 Occupational Health and Safety Management System and the core conventions of the International Labor Organization and other international guidelines, with an aim to comprehensively promote production safety and occupational health and ensure the continuous control of safety and environmental risks.

As a responsible manufacturer, Mengniu attaches great importance to occupational safety. The Group has set up the Safety Production Committee where the Group's CEO serves as the director, the vice president in charge of safety production as the vice director, and the first responsible persons in charge of each functional management department and business unit as members. We have implemented the main accountability of safety level by level, and designated full-time management personnel in the Group, business unit and factory's safety management departments. Besides, we have incorporated our requirements for occupational health and safety into the corresponding contracts, agreements and procurement requirements of the Group. Mengniu occupational health and safety standards cover all business lines, all employees, contractors and constructors of the Group. In addition, we have formulated and improved occupational health and safety performance indicators, and combined action plans with quantitative objectives to provide clear work objectives and management indicators for safety production of the Group.

This year, Mengniu's self-operated factories<sup>2</sup> have passed the audit of ISO 45001 Occupational Health and Safety Management System, covering room temperature, chilled products, ice products, fresh milk, cheese products, Yashili and other business units. A total of 6 factories of Mengniu have passed the first-level on-site evaluation of safety production standardization for enterprise.



The coverage rate of ISO 45001 Occupational Health and Safety Management System Certification for Mengniu's self-operated factories reached

**100%**

## Safety Risk Prevention and Control

Mengniu focuses on safety risk prevention and control, and takes multiple measures to continuously improve the construction of the Group's safety management and compliance system. We have established a three-level safety management structure at the Group, the business unit and factory levels, to effectively promote the implementation of safety risk control through vertical management.

According to the risk classification management and control list, the Group has established and improved the hidden trouble detection mechanism, and adopted a combination of regular and special safety inspection to comprehensively investigate risks of production safety. We continue to carry out whole-process hazard source identification and risk assessment that covers all positions, workplaces and production activities, to achieve effective risk classification control through job risk notification, clear regional responsibilities and unified operation procedures. We also encourage all factories to independently carry out risk investigation and reporting relying on the well-established risk control mechanism, to achieve timely verification, timely rectification, and timely rewards and punishments. Additionally, in view of the possible risks in the process of safety production, the headquarters coordinate and manage the reporting of attempted incidents, so as to prevent the occurrence of production accidents from the source.

We lay emphasis on the prevention and control of security risks. In terms of liquid ammonia risk prevention and control, the Group reduced the liquid ammonia reserves and the quantity of major hazard sources through refrigerant replacement and technical transformation to reduce the inherent risks to the maximum. In terms of fire safety, we invited external experts to carry out special fire assessment of 6 grass-roots enterprises and perform warning prompt and standard investigation for external fire accident, in order to improve compliance with professional strength. The Group also conducted special actions for key risks such as traffic in the factories and gas safety, to discover and solve problems, and ensure that the risks are under control. Additionally, we insist on preliminary accident management, where the headquarters coordinate and manage the reporting of attempted incidents, and promote the lessons within the Group, so as to prevent the occurrence of production accidents from the source.

For environmental emergencies, Mengniu has formulated emergency plans for environmental emergencies according to relevant laws and regulations, and reported them to the government for the record. We continue to carry out the annual emergency drill plan for the production system and organize emergency drills designed for natural disasters, emergencies, hazardous chemical leakage and energy failure. In 2023, we carried out emergency drills on fire, personnel electric shock and falling from height, which improved the emergency response capacity of all our staff.



<sup>2</sup> Including all self-operated factories of Mengniu's Room Temperature, Chilled Product, Ice Cream Product, Fresh Milk, Yashili and Cheese Business units.

## Occupational Health Management

Mengniu attaches great importance to the health and safety of its employees, strictly comply with national laws and regulations, and strives to ensure the steady progress of occupational health management. In 2023, the Group took efforts in occupational health management in five key areas, namely source-based control, improvement in working conditions, occupational medical examination, evaluation and empowerment, and pursuit of a healthy enterprise. While focusing on building a "Healthy Enterprise", we have fostered health-conscious culture across Mengniu in three aspects: healthy population management (occupational disease and chronic disease prevention, special protection for female employees), healthy environment management (workplace, life, entertainment and public health environment), and health culture promotion (improving employees' health literacy, disseminating corporate culture and fulfilling social responsibility), to enhance prevention and control capabilities, achieve healthy and steady operation, prevent and curb work-related hazardous incidents and safeguard the health of our workforce. So far, a total of 23 entities under Mengniu have been awarded "Healthy Enterprise" at provincial and municipal levels.

## Occupational Health and Safety Culture Construction

With reference to the relevant laws and regulations, Mengniu has developed a series of training courses on production safety and occupational health for professionals at all levels according to the their personal characteristics and needs of the business, to improve the safety awareness and professional ability of EHS managers. In 2023, we developed 14 online courses on occupational health and safety management, and organized 2 face-to-face training sessions for key populations, with a total of 1,825 times of people participation of learning. Playing the role of an empowering "booster", the Group pays attention to the grassroots and frontline through multi-form, multi-level and omni-directional infiltration of the concepts of production safety and occupational health management, to foster safety and environmental professionals capable of responding and acting effectively at all times, consolidate the bottom line of safety and bravely meet the challenges of the future.

Regulation Training

Interpreting and publicizing safety production policies, occupational health-related laws and regulations, and guidelines for healthy enterprises building standards, for EHS supervisors and dedicated managers.

Management Training

Enabling contractors management and competency enhancement validation, attempted incidents control and prevention, process hazard analysis, occupational health and safety management system internal audit and management review implementation, environmental factors identification of hazardous sources, and risks and opportunities evaluation.

Technical Training

Focusing on difficulties, pain points and control methods of three types of major risks, namely liquid ammonia, fire and limited space, electrical safety accident analysis and emergency response, the key points of healthy enterprise building and excellent case sharing.

Practice Training

Learning the technical points of safety management of common hazardous chemicals, hazards and control of physical and chemical factors.

In addition, we actively organized diversified health and safety culture activities, including the "Safety Production Month" thematic activity, "Law of the People's Republic of China on Prevention and Control of Occupational Diseases Popularization Week" thematic activity, the "Ankang Cup" labor skills competition, and safety scenario simulation experience projects, etc., aiming to effectively implement the Group's safety production management and risk preventive measures, enhance employees' awareness of health and safety production, and comprehensively improve professional health and safety skills.



### Safety Scenario Simulation Experience

We conducted safety training and warning education through virtual and physical emergency drills and VR real-life experiences to enhance the staff's safety awareness, safe operation skills and emergency response capabilities.



## Performance Indicators

### Employment-Related Performance Indicators

Indicator	Indicator Unit	2023 Data
Total number of employees	Person	46,064
Total number of male employees	Person	26,996
Total number of female employees	Person	19,068
Total number of full-time employees	Person	46,051
Total number of part-time employees	Person	13
Total number of minority employees	Person	3,984
Total number of disabled employees	Person	296
Total number of employees aged 30 and below	Person	14,819
Total number of employees aged 31-50 (including 50)	Person	30,221
Total number of employees aged above 50	Person	1,024
Total number of employees at overseas	Person	2,444
Total number of employees in Hong Kong, Macau and Taiwan	Person	11
Total number of employees in the Chinese mainland	Person	43,609
Total number of employees with master's degree or above	Person	1,800
Total number of employees with bachelor's degree	Person	18,334
Total number of employees with college's degree	Person	14,616
Total number of employees with high school education or below	Person	11,314
Total number of male employees in senior management	Person	14
Percentage of male employees in senior management	%	73.68
Total number of female employees in senior management	Person	5
Percentage of female employees in senior management	%	26.32
Total number of male employees in middle management	Person	2,412
Percentage of male employees in middle management	%	74.67
Total number of female employees in middle management	Person	818
Percentage of female employees in middle management	%	25.33
Employee turnover rate	%	16.23
Employee voluntary turnover rate	%	14.13
Turnover rate of male employees	%	17.94
Turnover rate of female employees	%	13.57
Turnover rate of employees aged 30 and below	%	24.95
Turnover rate of employees aged 31-50 (including 50)	%	11.61
Turnover rate of employees aged 50 and above	%	9.57
Turnover rate of employees at overseas	%	0
Turnover rate of employees in Hong Kong, Macao and Taiwan	%	0

Indicator	Indicator Unit	2023 Data
Turnover rate of employees in the Chinese mainland	%	16.23
Total training hours of employees	Hour	4,081,820.76
Average training hours of employees	Hour	88.61
Total ratio of trained employees	%	92.76
Total training hours of male employees	Hour	2,399,535.40
Average training hours of male employees	Hour	88.88
Percentage of male employees trained	%	92.39
Total training hours of female employees	Hour	1,682,285.36
Average training hours of female employees	Hour	88.23
Percentage of female employees trained	%	93.28
Total training hours of senior management employees	Hour	1,243
Average training hours of senior management employees	Hour	65.42
Percentage of senior management employees trained	%	100
Total training hours of middle management employees	Hour	286,107.04
Average training hours of middle management employees	Hour	88.68
Percentage of middle management employees trained	%	93.56
Total training hours of ordinary employees	Hour	3,794,470.72
Average training hours of ordinary employees	Hour	88.62
Percentage of ordinary employees trained	%	92.69
Number of employees' complaints and reports	Case	7
Number of complaints resolved	Case	7

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

### Occupational Health and Safety Performance Indicators

Indicator	Indicator Unit	2023 Data
Occupational disease cases	case	0
Employee deaths due to work-related incidents <sup>3</sup>	Person	0 (for three consecutive years)
Employee death rate due to work-related incidents <sup>4</sup>	%	0 (for three consecutive years)
Total investment in safety measures	10,000	8769.25
Dedicated safety personnel	Person	248
Occupational health and safety risk assessment	Time	20
Lost work hours due to work injuries <sup>5</sup>	Hour	15,920
Employee physical examination coverage rate	%	100
Occupational health and safety training coverage rate	%	100

<sup>3</sup> Employee deaths due to work-related incidents are the number of employee deaths due to safety production accidents, with Mengniu's principal business as the scope of statistics.

<sup>4</sup> Employee death rate due to safety production accidents = Number of employee deaths due to work-related incidents / Total number of employees\*100%.

<sup>5</sup> Lost work hours due to work injuries are primarily for injuries sustained by employees as a result of traffic accidents.

## Rural Revitalization

With the 14th Five-Year Plan for Rural Revitalization Action Plan, and in combination with its industrial strength as a leading dairy company, Mengniu identified and refined its four-in-one rural revitalization system consisting of “industrial revitalization + ecological revitalization + inclusive nutrition + Party building”. Further, leveraging on the development of the entire industry chain with the slogan “from a blade of grass to a glass of milk”, we built up an interest-based connected mechanism with farmers and herdsmen to increase their income, and provided nutrition products in underdeveloped areas.

### Industrial Revitalization

In its deeper dive into the Dairy Ecosystem “2025 Value Sharing” strategy, Mengniu takes root in the farming and livestock industries and cares for farmers and herdsmen. Relying on the establishment of our milk source base featuring “millions of dairy cattle, millions of mu of pasture, millions of tonnes of milk” and the construction of the national dairy industry park cluster, we have made interest-based connections with farmers and herdsmen in the upstream and downstream industries, empowered farmers and herdsmen with technologies, united with financial institutions to ease financial difficulties, and integrated primary, secondary and tertiary industries, to increase farmers’ and herdsmen’s participation in and benefit from the industry.

### Upscaling of Planting and Rearing

In recent years, Mengniu has laid out and established more than 10 dairy industry parks nationwide, promoted the breeding of more than 1.7 million dairy cows and planting of more than 6 million mu of high-quality forage grass nationwide, directly and indirectly pushed forward more than 4 million farmers and herdsmen to increase their income.

In 2023, the Group made efforts in deploying 33 large pastures under construction and new pastures in industry parks, increasing our dairy cow stock by 30,000, and equipped such pastures with high-quality forage planting demonstration areas and high-yield and high-quality forage model fields, directly and indirectly creating job opportunities and boosting incomes for about 70,000 people.



### Technology Empowerment

Mengniu continued to implement technical assistance and animal husbandry personnel training with universities and institutions such as China Agricultural University and the National Dairy Industry and Technology System to help pastures to improve the refinement and scientific level of feeding management, and persistently increase economic benefits. In 2023, to fully empower the pastures, with the Group initiating the full coverage of technical assistance and animal husbandry personnel training, we held a total of 5 sessions of special “Cow Golden Key” demonstration activities, 2 sessions of “Pastures Successors” advanced training, and 40 sessions of charitable breeding technology training, covering more than 107,000 times of people participation.



Charitable breeding technology training

**40** sessions

Public welfare training covering a cumulative total of over

**107,000** times of people participation

### Mengniu Group Sustainability Conference among Dairy Industry Chain Partners and 2024 Pasture SOP Benchmarking and Mutual Learning Activity

In 2023, in coloration with government authorities and the National Dairy Industry and Technology System, Mengniu held the “Mengniu Group Sustainability Conference among Dairy Industry Chain Partners and 2024 Pasture SOP Benchmarking and Mutual Learning Activity” themed with “Greener, More Nutritious and more intelligent”. Such activity aimed to help the pasture partners to implement “standard management, precision breeding and cost reduction & efficiency enhancement”, enhance their comprehensive competitiveness, and achieve common prosperity of the upstream and downstream industrial chains.



## Financial Support

To solve the financing difficulties for Mengniu's upstream pastures, Mengniu has continued to conduct in-depth cooperation with financial institutions such as China Bank, Agricultural Bank of China, China Zheshang Bank, Industrial Bank and China Merchants Bank. In 2023, Mengniu launched Niuxiangrong Financing Guarantee and Mengyuan Commercial Factoring, under which we provided RMB 4 billion to support the upstream pasture partners to meet various financial needs, such as incremental cow purchase on farms, purchasing of equipment, transformation and upgrading, breeding of high-quality breeds, information construction and purchasing of forage, thereby solving the problem of cash flow difficulty for farmers and herdsmen.

## Ecological Revitalization

Upholding the concept of "lucid waters and lush mountains are invaluable assets", Mengniu made an endeavor to create a green and low-carbon ecosystem, take the lead in fostering green and low-carbon development, and promote the revitalization of rural ecology.

## Ulan Buh Desert Ecological Management

Since 2009, we have been working together with China Shengmu of Mengniu to conduct large-scale ecological management of the Ulan Buh Desert where we have created the world's first sand and grass whole-process organic circular industry chain. We have developed a recycling economic model featuring "windbreak and sand-control, grass planting and cow farming, recycling cow manure to the fields", achieving exceptional ecological efficiencies. So far, we have planted more than 98 million trees suited for sandy soils in the neck of the desert corridor, converting more than 200 square kilometers of desert into green land.



## Inclusive Nutrition

With the mission of "inclusive nutrition helping to safeguard our future" under the "Inclusive Nutrition Plan" and the vision of "enabling every single life to have health and joy", Mengniu made a number of efforts to promote nutrition and health initiatives targeted at students and safeguard the healthy growth of Chinese teenagers and children.

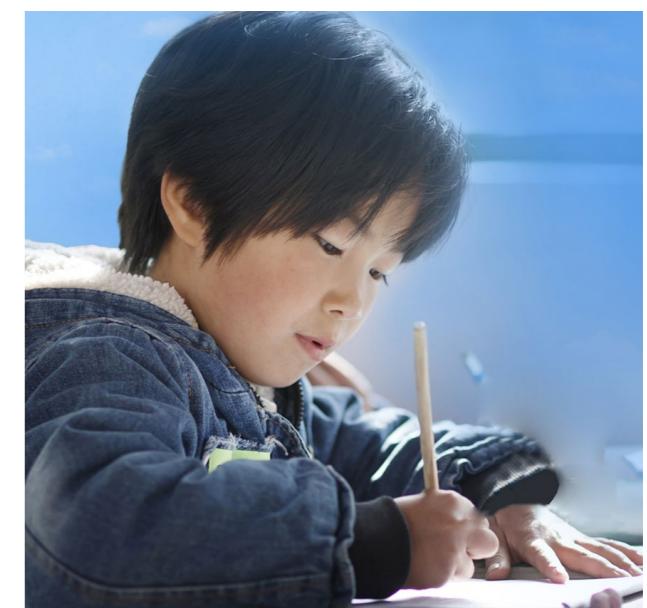
In 2023, Mengniu conducted the Milk Donation Program of Inclusive Nutrition Plan in 452 schools in 21 provinces and autonomous regions across the country, donating more than 3.704 million boxes of milk and covering 582,000 teenagers and children. For more than two decades, such program has benefited 25 million students in 28 provinces, autonomous regions and municipalities across the country.



## Future Star Student Assistance Program

With our focus on supporting education in rural area, the Group, in collaboration with China Youth Development Foundation, sponsored the "Future Star Student Assistance Program" charitable donation activity, to provide education and living grants for 1,000 students receiving compulsory education from families with relative financial difficulties, thus mitigating their financial burden and helping them to successfully complete their education.

Providing education and living grants for  
**1,000** students  
receiving compulsory education from families  
with relative financial difficulties



## Mengniu Hope Clinic Project

We sponsored the construction of Mengniu Hope Clinic Project in 10 schools in rural areas of Hubei Province, helping local schools to improve their healthcare infrastructure and enhance the comprehensive quality and professional competence of campus health center staff through training, so as to improve the healthcare conditions in rural areas and promote the healthy development of rural youth. The number of beneficiaries of the project was about 9,400.



## Party Building

Taking the Party-building guidance as the “red engine” driving rural revitalization, Mengniu actively explored joint Party building model featuring “Four Joint & Three Promotion” cross industry chain, established a Party building alliance with partners in the upstream and downstream industries. On-going measures were taken to promote partnership and joint efforts in Party building, and “I do practical things for the masses”, thus forming a promising landscape featuring Party-building-driven rural revitalization by joint Party building initiatives with upstream and downstream industries through the connection of “planting, breeding and processing”, and “production, education and research”.

In 2023, Mengniu established a Party building alliance with over 400 partners in the upstream and downstream industries across the industrial chain, and held more than 300 joint Party building events by way of partnership, including the “One enterprise brings together 100 pastures” and “Two introductions and one assistance initiatives”, for stronger interest-based interconnection between farmers and enterprises and implementation of relief measures. In addition, the Group consistently strived to innovate the promoting approaches of the Party’s theories, and contributed theoretical nourishment to the rural revitalization by organizing over 100 events, such as theoretical lectures, artistic performances, themed movie viewings, and visits to red revolutionary education bases.

## Charitable Caregiving Activities

In March 2023, Mengniu joined hands with other members of the Party-building alliance, including The Inner Mongolia Autonomous Region agriculture and animal husbandry hall, Bank of China Inner Mongolia Autonomous Region branch, to jointly carry out charitable caregiving activities and give care to the elderly in the Xiwulan Bulang Village; during Children's Day, the Group organized the “Two introductions and one assistance initiatives” Party building activities at Center School of Xiwulan Bulang Village, talking about milk knowledge to children and donating living necessities. Such initiatives supported Xiwulan Bulang Village to early achieve rural revitalization through practical actions.



## Honors



Selected as “Classic Case of Rural Revitalization” by China Top Brands Rural Revitalization Research Center



Won the “Xinhua Credit’s Golden Orchid Cup” ESG Outstanding Contribution Case Award by China Economic Information Service under Xinhua News Agency

## Charity

We established the Mengniu Charity Foundation (hereinafter “the Foundation”) with the aim to systematically perform charitable activities. In 2023, the Foundation spent RMB 51.2475 million on charitable initiatives. The volunteers of Mengniu had recorded more than 10,000 attendances in such volunteer service activities and provided nearly 24,000 hours of volunteer service.

We have formulated the *China Mengniu Public Donation Management System*, publishing and standardizing volunteer service requirements, and regulating donation management and guiding employees to conduct volunteer activities. So far, Mengniu has established more than 210 Mengniu Youth Volunteer Service Teams across the country, carrying out volunteer service activities such as charitable events and assisting the Group in production and operations in their respective regions. Such practical actions embodied our volunteer spirit of “dedication, fraternity, mutual assistance and progress”.



In 2023, the Mengniu Charity Foundation spent RMB

**51.2475** million on charitable initiatives

The volunteers of Mengniu had recorded more than

**10,000** attendances in volunteer

service activities

And provided nearly

**24,000** hours of volunteer service

## Education and Charity

Mengniu diversified the extracurricular education for teenagers by carrying out various public welfare activities such as sports education, hands-on inquiry-based learning education, and food education, to foster teenagers’ awareness of nutrition and health, and lay a favorable foundation for the healthy growth and all-round development of teenagers.

## 2023 Project Hope - Mengniu Youth Football Public Welfare Activity

In 2023, jointly with the China Youth Development Foundation, Mengniu kicked off the “2023 Project Hope - Mengniu Youth Football Public Welfare Activity” for the third time, aiming to select teenagers who love football and boost the development of China’s football cause.

During the year, the Project carried out a total of 15 regional football league games and 10 offline football challenge games, attracting more than 260 schools, and more than 5,000 teachers and students, and selecting 20 teenagers to watch the World Cup. Meanwhile, Mengniu donated 30,000 footballs to 350 schools to help popularize the football sport.



## Future Star Growth Program

In 2023, in active response to the national policy in promoting all-rounded education and industrial culture, and by leveraging on more modern and scientific hands-on inquiry-based learning (HIBL) and in combination of industrial culture with education, Mengniu was committed to raising the nutritional and health awareness, and giving vocational literacy enlightenment for primary and secondary school students to help with the healthy growth for Chinese teenagers.

### Development of HIBL Curriculum and Data-Based Platform

Amid China's active promotion of science and technology education, Mengniu tried to build a digital HIBL platform, construct a HIBL ecosystem of the dairy industry, and develop the "HIBL Future Star" mini program to better assist the all-round development of teenagers.

### HIBL Scenario Construction

In 2023, the Group cooperated with the ADream Foundation to jointly explore a creative model of charity-enabled HIBL, and launched the construction of the Adream Centers and "Going far away" HIBL travel program. With the support of many parties, the first "Dream Center" located within Mengniu was officially completed at Mengniu's Tongzhou factory in Beijing.



### Nurturing HIBL Talents

The "2023 HIBL Practice Training Camp-Mengniu Industrial Culture Research Instructor Training Course" sponsored by the Industrial Culture Development Center of Ministry of Industry and Information Technology was successfully held in Beijing. During the year, a total of 133 people were certified as industrial culture HIBL instructors, thus actively promoting the HIBL education that combines education and entertainment, passing on the industrial culture, promoting the industrial spirit, and cultivating HIBL talents.



## Food-specific Technology Camp

To better demonstrate to the adolescents Mengniu's technological innovation and digital and intelligent production processes, the Group hosted the special event of "Exploring the mystery of milk" of the 2023 Youth University Science Camp on Food Science and Technology, leading participants to have a deep understanding of Mengniu's innovative development and nutrition and health concepts. Such activities promoted the scientist spirits, such as patriotism, innovation, truth-seeking, dedication, collaboration, and education, and inspired the youth to make unremitting efforts to build a strong nation empowered by science and technology and realize the great rejuvenation of the Chinese nation.

## Chinese Student Nutrition and Health Education Public Welfare Campaign in Thousands of Schools Across Hundred Cities

In 2023, Mengniu officially launched the "Better Nutrition, Healthier Growth" Chinese Student Nutrition and Health Education Public Welfare Campaign in Thousands of Schools Across Hundred Cities. The initiative aimed to actively promote student nutrition and health education, boost healthy food culture in campuses, and cultivate healthy eating habits, improve physical fitness, and ensure the healthy growth of children and adolescents. During the year, Mengniu has conducted 120 lectures on food education nationwide, benefiting more than 8,000 students.



## Community Welfare

Mengniu organized various public welfare activities to promote nutrition and health for different groups such as the elderly and firefighters, and provided nutritional products, psychological support, as well as knowledge in nutrition assistance and occupational health.

### "Filial Piety and Respect for the Elderly" Charitable Activity

In October 2023, we donated 2,000 boxes of Milk Deluxe pure milk and 1,250 boxes of Just Yogurt to support the "Filial Piety and Respect for the Elderly" series of charitable activities organized by the Shanghai Charity Foundation, providing necessary nutritional support to the elderly in difficult living situations in Shanghai.

### Health Care Campaign for Firefighters

Mengniu supports the China Volunteer Service Federation in conducting the free clinic activities. In December 2023, a free clinic was held for the firefighters of the Fuyou Street Special Service Station of the Beijing Xicheng District Fire Rescue and Support Brigade, focusing on the health of the firefighters.



## Stray Cats Adoption Program

In March 2024, Shiny Meadow's sub-brand "Xiaoxianyu" together with the Beijing TA Foundation for Animal Protection, officially launched the "Small Kind Thoughts, Great Good Deeds, Help Stray Cats Find Homes" program. We pledged that for every bottle of "Xiaoxianyu" sold, a portion of the proceeds would be donated to help build adoption and rehoming platforms and sponsor offline adoption events nationwide, thereby helping stray cats find homes.



## Emergency Relief

Mengniu has established an efficient cross-provincial and cross-city donation communication mechanism and actively connected with external resources by collaborating with external charitable organizations, therefore facilitating the efficient delivery of emergency donations through supply-demand matching.

## Earthquake Rescue

In May 2023, a 4.5-magnitude earthquake struck Baoshan, Yunnan province, and in December, a 6.2-magnitude earthquake hit Jishishan County, Linxia Prefecture, Gansu province, causing casualties and property losses. Mengniu promptly responded by participating in earthquake relief operations, donating a total of 800 boxes of cheese, 500 boxes of milk, 544,000 packs of snacks, 1,852 sets of blankets, 1,000 sets of food and oil packages, to fully support the earthquake relief efforts.



## Rainstorm Relief

In August 2023, the Beijing-Tianjin-Hebei region experienced continuous rainfall and subsequent flooding and geological disasters due to a powerful typhoon, leading to a serious impact on the safety of people's lives and property. Mengniu swiftly launched relief work, donating over 200,000 cartons of milk, 12,000 sticks of cheese, to support disaster relief operations, and meet the needs of affected populations and rescue personnel.



## Volunteer Services

Mengniu actively carries out voluntary service activities such as nutrition and health public welfare activities, care of the wider community, and environmental protection, to fulfill corporate social responsibility, and make every life thrive with every drop of nutrition.

### Recovery Center

Mengniu has been sending its love and care to the children at the Xinyu Recovery Center in Saihan District, Hohhot City for seven consecutive years. This year, Mengniu volunteers sent milk, milk powder, milk tablets, handmade diamond paintings, brushes, urgently needed bunk beds, and other supplies to the children at the Recovery Center. Volunteers also made handmade paintings and performed talent shows with children, and carefully learned about the children's living conditions to deliver Mengniu's care and love.



### Youth Volunteering Activities

During the Commemoration Day of "Learning from Lei Feng", the "May 4th" Youth Day and the "International Volunteer Day", Mengniu volunteers visited campuses, nursing homes, welfare homes and front-line positions to carry out special groups caring activities, environmental protection, job assistance, clothing donation, tree planting and other youth volunteer activities. While doing their job well, Mengniu volunteers take serving the society as their mission and responsibility, spreading the positive energy of Mengniu's youth to the society.



## Overseas Corporate Citizenship

As one of the most internationally influential Chinese dairy enterprise, Mengniu actively fulfills its social responsibilities overseas and actively carries out charity activities in New Zealand, Indonesia and other places where it operates, constantly improving local people's livelihood and well-being, and showcasing the sense of responsibility of Chinese dairy enterprises.



Aice cooperated with the Indonesian Ministry of Youth & Sports to distribute ice cream, football, clothing and other charity materials to the public during large-scale events such as Indonesian sports festivals to support the development of sports in Indonesia.



Aice cooperated with the Indonesian Ministry of Tourism and Creative Economy to set up event booths during traditional religious festivals to distribute ice cream to tourists, enriching the tourist experience and promoting Indonesia's rich cultural and tourism resources.



Focusing on the healthy growth needs of local children in Indonesia, Aice cooperated with the Foodbank of Indonesia to distribute food and ice cream to kindergarten children and teach children to choose healthy breakfast and desserts correctly.



Aice is concerned about the post-disaster reconstruction work in Lombok island and has built volleyball courts and other facilities for schools affected by the earthquake to meet the educational needs of children.



Supporting youth football development



Promoting Indonesian tourism culture

In 2023, Yashili of Mengniu funded the construction of schools, libraries, and medical centers in New Zealand, and held themed charity sales and fundraising activities to help local charity organizations raise funds for children born with congenital heart diseases.

In 2023, Mengniu's factory in Indonesia collaborated with the local government to launch the Consumer Revitalization Program, providing industrial site visits and popularizing nutritional knowledge for local students.



## Honors

Mengniu was awarded as "the Top 10 Enterprises" of Action League 2023 Charity Ceremony by the Phoenix New Media.



# Environment-Carbon Net-Zero

Mengniu, as China's leading dairy company, adhering to the concept of "Promising a Healthier World", is committed to establishing an environmentally friendly production system, and promise to achieve carbon neutrality across the entire industry chain by 2050. Under the pillar of "Environment-Carbon Net-Zero" of GREEN Sustainable Development Strategy, Mengniu has carried out greenhouse gas (GHG) management, water resources management, waste disposal, recycling and other actions to minimize the impact on the environment by setting up three topics, namely, "Dual-Carbon Action", "Green Operation" and "Recycle".

## SDGs We Focused in this Section:



Dual-Carbon Action



Green Operation



Recycle



## Highlights in 2023

### Dual-Carbon Action

- Mengniu's Qujing Factory was certified as a **zero-carbon emission factory** for the second consecutive year.
- Beijing Factory under Mengniu's Chilled Product Business Unit was certified as a **carbon neutral management system**.
- Mengniu's Deluxe Frozen Cheese Milk Ice Cream, Deluxe Strawberry Milk Ice Cream, and Deluxe Vanilla-Flavored Milk Ice Cream have been granted the **carbon neutral certification**.
- Mengniu has promoted the completion of more than **260** carbon reduction initiatives, including coal-fired boilers replacement, water and electricity conservation, and the use of new energy vehicles, reducing GHG emissions by about **185,000 tonnes**.
- Mengniu has installed more than **22.06 MW** of solar photovoltaic capacity with an annual electricity generation of **11,267.80 MWh**.

### Green Operation

- By the end of 2023, **30** factories of Mengniu have been certified as "National- level Green Factory".
- By the end of 2023, **9** factories of Mengniu were recognized as "Zero-Waste Factory" demonstration units.
- **5** factories of Mengniu were awarded the 3-star certification of zero-waste management system.
- By the end of 2023, Mengniu's self-operated factories have achieved **100%** coverage in environmental management system certification.
- Mengniu's water consumption per tonne of dairy products has fallen by **3.8%** this year compared with that in 2020. The annual water saving was **1,062,000 tonnes** (including social water saving of **890,000 tonnes**).
- Mengniu's the third Horinger factory of Room Temperature Business Unit and Tai'an factory of Chilled Product Business Unit successfully passed the **AWS water management certification**.
- The product of Gaoke Factory of Room Temperature Business Unit, namely Milk Deluxe (Dream Cap) Organic Pure Milk, obtained the **first Water Footprint Verification Statement for organic pure milk** in China.
- Mengniu's water reuse volume was about **2.04 million tonnes**, with a reclaimed water rate of **6.44%**.
- By the end of 2023, **23** enterprises of Mengniu were granted the title of water-saving enterprises.

### Recycle

- Mengniu promises to achieve **100%** sustainable packaging technology by 2025, and strives to lead the industry on achieving low-carbon packaging in Mengniu's entire product line.
- "**PP Box Recycling Program**" was selected as an excellent case on recycling economy by the British Chamber of Commerce Shanghai in 2023.
- 4 product packaging designs of Mengniu were included in **CGF "Golden Design Rules Case Study Booklets"**.
- 2 products of Mengniu have obtained the "**Easy-to-Collect and Easy-to-Recycle**" certifications (Double-E certification) issued by TÜV Rheinland.

## Dual-Carbon Action

Led by the national “Dual Carbon” strategy, our industry has seen the commitment to green, low-carbon and sustainability as a consensus. In response to the national “Dual Carbon” goal, Mengniu has established and improved its “Dual Carbon” governance structure and set the strategic plan of “carbon peak by 2030 and carbon neutrality by 2050”, focusing on production, raw milk, packaging, transportation and products. Furthermore, we continued to strengthen our own carbon management, and worked with upstream and downstream partners in the value chain to promote green and low-carbon development of the value chain.

Mengniu will publish a Taskforce on Climate-related Financial Disclosures (TCFD) report in 2024 to make special disclosures on Mengniu’s climate change management.

### Governance Structure

Mengniu has established a dual-carbon governance structure led by the Board of Directors, with the management taking charge of, and each business unit and factory as the main execution function.



## Dual-Carbon Strategic Planning

### Mengniu's Carbon Reduction Targets

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



Combining the Company's 2025 strategic planning, Mengniu calculates the phased carbon emission trends, focuses on scope 1 and scope 2 GHG emissions reduction, and explores and deploys scope 3 GHG emissions reduction measures to lay a solid foundation for carbon peaking. In 2025, the GHG emission intensity of a single ton of dairy products should be within 165kgCO<sub>2</sub>e/t.

In line with the Group's phase I strategic planning and industrial structure adjustment, Mengniu continues to promote the reduction of scope 1 and scope 2 GHG emissions, and deepen the implementation of the scope 3 GHG emissions reduction measures. In 2030, the absolute value of the scope 1 and 2 GHG emissions reaches the peak, and the GHG emission intensity of a single ton of dairy products should be within 160kgCO<sub>2</sub>e/t.

With the target of carbon neutrality, Mengniu maintains the GHG emission reduction measures and achievements in scope 1 and 2, and promotes comprehensive GHG emission reduction in scope 3. The proportion of renewable clean energy increases and the product carbon footprint decreases year by year. In 2050, Mengniu achieves carbon neutrality in scope 1, 2 and 3.

### GHG Emissions

The table below shows the total GHG emissions and GHG emission intensity in scope 1 and 2 of Mengniu during 2018 – 2023, GHG include carbon dioxide, methane, and hydrofluorocarbons.

Year	Total GHG Emissions (ten thousand tonnes of CO <sub>2</sub> equivalent)	GHG Emission Intensity (kgCO <sub>2</sub> e/kg product)
2018	110	0.174
2019	116	0.168
2020	127	0.169
2021	136	0.171
2022	143	0.168
2023	142	0.166

Mengniu is committed to continuous innovation, promoting energy-saving and consumption-reduction technologies, adjusting the energy consumption structure and increasing the proportion of renewable energy use. During the year, the Group's total GHG emission in scope 1 and 2 was 1.42 million tonnes of CO<sub>2</sub> equivalent, and the intensity was 0.166kg CO<sub>2</sub>e/kg product, representing a decrease in both total GHG emissions and GHG emission intensity.



## Dual-Carbon Management

### Dual-Carbon Management Mechanism

The Group guides and deploys carbon management with *Mengniu Group Low-Carbon Development Plan (2023-2025)*, *Mengniu Group Carbon Emission Management Measures* and *Mengniu Group Carbon Emission Accounting Technical Guide* in place. This year, we have established *Carbon Emission Management Report* to clarify the regular reporting mechanism for GHG emission management, finalized the quarterly and annual *Key Tasks Breakdown of Low Carbon Initiatives*, and promoted the implementation of nearly 200 production carbon reduction projects.

Each business unit takes up the Group's low-carbon development plan, thus breaking down the emission reduction targets, and formulating business unit-specific low-carbon plans and management documents from three aspects of production, packaging, and transportation.

#### MRV System

For better coordination, deployment, guidance and supervision over the carbon emission management of each business unit, Mengniu has established a "1+4" carbon emission MRV (monitor, reporting and verify) system, structured an organization covering points, lines and areas, and developed online management and monitoring systems to achieve dynamic human resource management, and ensure the integrity, authenticity and reliability of GHG data by strengthening data management and personnel arrangements.

The *Carbon Emission Management Measures*, serves as a guiding document, clarifying the organizational structure to ensure the operation of the MRV system. The *Carbon Emission Accounting Technical Guide*, serves as a workflow guideline, specifying the methods, processes, requirements and standards for GHG emissions monitoring, accounting, reporting and verification.



The MRV system improves the timeliness of data collection and reduces the recurrence of accounting issues by standardizing workflow processes; improves data consistency and integrity by clarifying accounting methods; and heightens data accuracy through a three-level audit mechanism. In the initial operation of the MRV system, the Group carried out on-site carbon management-related audits in 20 factories this year, sorted out and classified issues encountered during the audit process to form a *50-question List of Carbon Emissions MRV*.

### Carbon Emission Reduction in Scopes 1 and 2

Based on the Group's dual-carbon target of "carbon peak by 2030 and carbon neutrality by 2050" and strategic plan, Mengniu has clarified the focus on carbon reduction in production related scope 1 and 2. Mengniu regards enhancing capacity utilization, improving energy efficiency, recycling surplus energy and optimizing energy structure as the core aspects of production-related carbon reduction. During the year, factories of the business units have implemented 160 energy-saving and emission reduction projects at the source and 55 carbon reduction projects through industrial collaboration, achieving a total carbon reduction of over 21,000 tonnes by saving of 21.6 million kWh of electricity and 29,000 tonnes of steam throughout the year. At the same time, we are committed to building low-carbon and zero-carbon factories to reduce the environmental impact of production operations. In 2023, Mengniu's comprehensive energy consumption was 27.14 MWh/RMB million of revenue.

#### Production-related Carbon Reduction

##### • Enhancing Capacity Utilization

Mengniu has integrated the concept of enhancing capacity utilization into the entire production process, reducing capacity loss by shortening process transfer time, applying innovative production technologies and investing in automated and intelligent production equipment.

- Application of high-efficiency enzyme technology**
- Optimization of equipment idling time**

By applying the new technology of high-efficient enzyme, the Ice Cream Product Business Unit reduced the amount of sugar used in the lactose hydrolysis process of Deluxe Milk Ice Cream, thereby shortening the production time, reducing energy loss and GHG emission.

By adjusting idle cleaning time of the equipment and waiting time for preparatory production, the Fresh Milk Business Unit reduced the equipment cleaning and equipment idling time, thereby reducing the energy loss, saving **104,785 kWh** of electricity per year.

### • Improving Energy Efficiency

Mengniu explores energy-saving opportunities in each stage of production. By doing so, Mengniu has improved the energy utilization rate in our production through installing intelligent control equipment, optimizing recycling process, adjusting cooling distribution, reducing transmission loss, optimizing equipment parameters and upgrading energy-saving equipment.



To reduce natural gas consumption, the Chilled Product Business Unit's Meishan factory has transformed gas boilers into **three** ultra-low- $\text{NO}_x$  steam boilers and operated boilers according to production needs. After the transformation, its natural gas consumption per tonne of steam was reduced by **6%**, resulting in an annual saving of approximately **75,000** cubic meters of natural gas.



**15** factories of Room Temperature Business Unit have implemented smart energy system, utilizing digital and intelligent technologies such as intelligent group control technology and efficiency analysis model, resulting in a **5%** increase of energy conversion efficiency. The Shangzhi Factory adjusts heating control using visualized data, controlling the operation of equipment according the weather and temperature, saving **31,680 kWh** of electricity annually.

### • Recycling Surplus Energy

Mengniu continues to focus on and implement the management and technical measures of condensate recovery, installation of pipe heat exchangers, utilization of waste heat from air compressors and other waste heat recovery measures, implementing refined energy management to achieve multi-level utilization of surplus energy.



The Maanshan Factory of Ice Cream Product Business Unit applied high-efficiency heat energy chillers and refrigerants to convert air energy into thermal energy to produce hot water, while also recovering waste heat from the CIP (Cleaning in Place) system to reduce energy consumption. The Tai'an Factory of Chilled Product Business Unit carried out CIP procedure optimization to optimize the CIP waste heat recovery procedure and improve cleaning efficiency, saving approximately **1,080 tonnes** of steam annually.



The Gaoke Factory of Room Temperature Business Unit recovered steam condensate for replenishing acid and alkali tanks in the workshops, saving water and steam consumption, with an annual water saving of about **6,000 tonnes** and a steam saving of about **700 tonnes**.

### • Optimizing Energy Structure

Based on its own operating and regional conditions, Mengniu deployed biomass energy utilization and distributed photovoltaic power generation and optimized its energy structure through biogas recovery, green energy outsourcing and application of green energy-saving technologies to facilitate the low-carbon transition of the Group.

We continued to promote photovoltaic power generation and direct green electricity procurement. During the year, the newly-installed capacity of photovoltaic power generation projects was 7.46MW, with the cumulative installed photovoltaic power capacity reaching 22.06MW, representing an increase of 51.09% compared to 2022, and successfully achieved the renewable energy target set in 2022. In 2023, the Group's green electricity procurement reached 10.82 million kWh, indicating a significant increase of 41% compared to 2022.

### Renewable Energy Utilization Target



Mengniu increases its installed photovoltaic power capacity by **30%**



The Wuhan Factory of Room Temperature Business Unit built a distributed photovoltaic power generation station in the idle space of the factory, with an installed capacity of 5.035MW and an estimated annual electricity generation of **4.32 million kWh**.

### Building Low-Carbon Factories

#### • Carbon Neutrality Management System Certification

Based on the Group's carbon neutral management system requirements, the Beijing Factory of Chilled Product Business Unit has formulated system documents, including the *Management Manual of Carbon Neutrality Management System* and the *Carbon Neutrality Performance and Benchmarking Control Procedures*, and established the carbon emission control procedures for the entire process, covering multiple dimensions such as management system, production and operation, compliance and control, and employee training. The factory continuously improved its carbon management performance through inspection and improvement to help the Group achieve its carbon neutrality target scientifically. During the year, the Beijing Factory of Chilled Product Business Unit obtained the certification of the group standard T/CAS 612-2022 *Carbon Neutrality Management System Requirements*, becoming the first factory in the industry to obtain the carbon neutrality management system certification.

#### • Zero-Carbon Emission Factory Certification

The Qujing Factory was certified as a zero-carbon emission factory for the second consecutive year. In 2023, the Qujing Factory of Room Temperature Business Unit received the Zero-Carbon Emission Factory Certificate from a third-party certification agency. In 2022, the factory had already received the PAS 2060 Carbon Neutrality and Zero-Carbon Emission Factory Certificate from Germany's TÜV Rheinland and the Carbon Neutrality Certificate from China's Guangzhou Emissions Exchange.



## Low-Carbon Offices

Mengniu actively promotes employees to practice sustainable development strategy, encouraging green office, green business travel and green lifestyle actions among employees, and launching a series of environmental protection activities to promote employees' awareness of low-carbon and environmental protection.

The Group has continued to promote online contract signing to enhance the signing efficiency and reduce paper usage. During the year, the Company signed approximately 980,000 contracts online.

Mengniu launched a low-carbon business travel project, which identifies employees' carbon reduction behaviors during business travel through reimbursement system orders and invoices. The Group encourages all employees to participate in low-carbon travel by giving shopping points as rewards. In 2023, there were 10,473 employees of the Group participating in this project, contributing to a carbon reduction of 184 tonnes.

### "Mengniu's Talents on Action" Mini Program

In order to improve employees' awareness of low-carbon and environmental protection, Mengniu has launched the "Mengniu's Talents on Action" Mini Program, and carried out green-themed activities such as "Creative Milk Boxes" and "Green Actions Checkpoint Activity". In 2023, there were more than 300,000 employees participating in these activities of our online mini program. According to the *Citizen Carbon Reduction Scientific Evaluation Guide (Draft for Comments)*, it is estimated that Mengniu's employees' voluntary carbon reduction actions have reduced carbon emission by 5,739 kg through this mini program. Among them, employees' activities, such as clean-dish action, using own cup, bottle recycling and used clothing donation achieved carbon reduction of 4,065 kg along the value chain.



## Value Chain Carbon Reduction

Mengniu pays attention to the environmental impacts of the value chain, incorporates the value chain carbon reduction into its dual-carbon strategy, and works together with stakeholders of the important components, such as the pasture, product and logistics, to explore low-carbon development and facilitate the green development of the industry.

### Low-Carbon Pastures

Pasture is one of the main sources of carbon emissions in Mengniu's value chain. We are dedicated to the construction of low-carbon green pastures and continuously promote pasture carbon reduction in five aspects, including energy utilization, manure treatment, herd management, feed composition and structure, and ecological carbon fixation. In 2023, Mengniu has steadily promoted construction of its low-carbon pastures and continued to promote the replacement of coal boilers, water and electricity saving, and the use of new energy vehicles. More than 260 carbon reduction initiatives have been implemented, reducing GHG emissions by approximately 185,000 tonnes.



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Reducing GHG emissions by approximately  
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### Building of "Green-Cycle Pastures"

China Modern Dairy of Mengniu has pioneered the green cycle model of "grass planting-dairy farming-manure treatment-biogas power generation-manure return to the farmland". It applied new energy technologies such as photovoltaic and biogas power generation to build "husbandry -photovoltaic complementary" pastures and "Integrating Seeding and Breeding" green cycle pastures. By promoting the efficient use of clean energy, it successfully built a win-win model of cost reduction and green electricity self-consumption, exploring a green cycle development way for the industry.

China Modern Dairy was awarded the first "Low-Carbon Pasture Innovation Demonstration Base" by the Beijing Low Carbon Agriculture Association, demonstrating its contribution on methane emission reduction, synergistic efficiency and high-quality development.





#### • Improving Energy Efficiency on Pastures

The replacement of fossil energy in pastures by Mengniu has been expedited through the increased proportion of solar energy, geothermal energy, air energy and other clean energy. Mengniu actively guided pastures to adopt distributed photovoltaic power generation, realizing the power generation mode of "self-use and excess electricity to the grid". Meanwhile, Mengniu is promoting continuous improvement of pastures' digital and intelligent energy consumption management capabilities, optimize intelligent power-saving management mode, and facilitate the adoption of intelligent sound and light control systems to save energy.

#### • Optimizing Manure Management Practices

Mengniu has continued to optimize the treatment of manure generated in its pastures to reduce carbon emission during the manure storage process. We promoted the use of new manure treatment processes in our pastures, such as the rapid manure drying system, which is able to reduce methane emissions by collecting and burn the methane gas produced by manure fermentation through closed-system treatment. Meanwhile, we actively promoted intelligent bio-fermentation cogeneration and vigorously promote biogas power generation. In 2023, Mengniu promotes the biogas power generation to 120 million kWh from the pastures, reducing GHG emissions by about 66,800 tonnes.



In 2023, Mengniu promotes the biogas power generation to

**120** million kWh from the pastures

Reducing GHG emissions by about

**66,800** tonnes

#### • Managing and Optimizing Herd Structure

Mengniu's cooperating pastures continued to optimize their herd management structure, increasing the efficiency of cow production capacity per unit by lowering the culling rate of dairy cows and scientifically advancing the first calving time of young cattle, to effectively reduce GHG emissions.

#### • Adjusting Feed Composition and Structure

Mengniu reduced GHG emissions during feeding through scientific optimization of feed composition and structure, which involved avoiding excessive protein intake, moderately increasing fatty acid intake, reducing forage maturity and using additives to reduce methane emissions.

#### • Ecological Carbon Fixation

While actively promoting decarbonization projects, we are also promoting the implementation of ecological carbon fixation in agriculture, forestry, animal husbandry and grassland in cooperating pastures. Through afforestation, returning pasture to grassland, and desertification treatment, we have effectively facilitated the carbon reduction and low-carbon transformation of our industrial chain.

## Low-Carbon Logistics

Mengniu has an extensive value chain logistics transportation network, covering the transportation of upstream raw materials and downstream products. The Company has prioritized carbon emissions in the logistics transportation process, progressively transitioning to electric vehicles for logistics operations, replacing fossil fuels with biomass fuels and optimizing the structure of transportation logistics to establish a more efficient and low-carbon logistics system. Meanwhile, we are actively developing green warehousing, supporting the construction of energy-saving and environmentally-friendly warehousing facilities, achieving green and low-carbon development in the transportation and storage stages of goods.



### • Intensive Transportation Mode

Based on the demand of distribution volume of outlets, Mengniu filters outlets that meet the standard of one-stop delivery, and adopts direct distribution from factories to avoid transhipment in warehouses and shorten the mileage of product transportation.

### • Optimizing Transportation Structure

The Room Temperature Business Unit has launched a strategic cooperation with the railroad bureau and shipping company, designed 11 railroad transportation lines, and relying on 11 high-quality routes of sea transportation, continue to promote the volume of railroad and sea transportation. In 2023, the Room Temperature Business Unit shipped a total of 2.69 million tons of products. The Fresh Milk Business Unit has initiated a pilot project on "air-to-rail" transportation of goods and medium- to long-distance cargo, collaborating with planned logistics center and partners. This endeavor has resulted in an impressive cumulative mileage of approximately 113,500 kilometers of air-to-rail transport, significantly reducing carbon emissions in the logistics and transportation process.

### • Optimizing Transportation Route

The milk carriers in all pastures are equipped with GPS positioning systems, and their transportation routes are optimized annually to reduce unnecessary routes, thereby enhancing transportation efficiency. In 2023, Mengniu's Miaoke Landuo continued to optimize its transportation route, integrated the resources and minimize interchange to reduce the total length of the transportation routes. The Chilled Product Business Unit has completed the optimization of 60 transportation routes, reducing mileage by approximately 4,690 kilometers and reducing GHG emissions by 2,400 tonnes.

### • Replacement with New Energy Vehicles

We have prioritized the utilization of new energy vehicles, providing guidance to carriers in upgrading their transportation fleet through fuel substitution and energy efficiency improvement. Furthermore, we strongly recommend that carriers give priority to electric vehicles for their future vehicle procurement and leasing decisions. During the year, the Room Temperature Business Unit has put 79 new energy vehicles into operation; the Chilled Product Business Unit upgraded 35 new energy vehicles for its urban distribution; the Ice Cream Product Business Unit completed the replacement of 38 lithium-powered forklift; Mengniu's cooperative pastures replace 28 fuel-powered milk carriers with gas-powered carriers, and 3 with electric vehicles, and 37 fuel pick-up vehicles with electric vehicles; in order to reduce energy use, Miaoke Landuo has switched the transporation vehicles for 2-25°C fresh cheese from low-temperature to room temperature transport while ensuring the temperature meets the storage requirements and is under the premise of the products' quality.

### • Green Warehouse Construction

Mengniu advocates energy-saving, land-saving, water-saving and material-saving in warehousing, and actively develops and makes full use of new energy sources. The Horinger Gaoxin Factory, Gaoke Factory of the Room Temperature Business Unit have completed the Level 1 Green Warehouse Certification by the China Warehousing and Distribution Association, reaching a three-star level.

## Low-Carbon Products

Mengniu inspects the environmental impact of its products from the entire life cycle perspective. Mengniu has launched various carbon-neutral products based on product carbon footprint calculations to lead a trend of low-carbon life and low-carbon consumption.

### • Third-party Carbon Footprint Evaluation

Mengniu actively explores opportunities for carbon reduction throughout the entire product life cycle and continuously reduce carbon footprints of its products. This year, the Company measured the carbon footprint of Shiny Meadow Organic Fresh Milk (720ml). The measurement was made in accordance with ISO 14067:2018 *Greenhouse Gases-Carbon Footprint of Products-Requirements and Guidelines for Quantification* and PAS 2050:2011 *Specification for the Assessment of the Life Cycle Greenhouse Gas Emissions of Goods and Services*, covering stages of raw materials sourcing, manufacturing, distribution and retailing, use and final disposal.



The carbon footprint of the product with new packaging has been reduced by

**46.62%**

### • Product Carbon Neutrality Certification

This year, three products under Mengniu's Deluxe, namely Deluxe Frozen Cheese Milk Ice Cream, Deluxe Strawberry Milk Ice Cream and Deluxe Vanilla-Flavored Milk Ice Cream, obtained Carbon Neutrality Certification. The carbon footprints of these products were measured in accordance with ISO 14067:2018 *Greenhouse Gases-Carbon Footprint of Products-Requirements and Guidelines for Quantification* and PAS 2050:2011 *Specification for the Assessment of the Life Cycle Greenhouse Gas Emissions of Goods and Services* covering GHG emissions throughout the product's entire life cycle includes upstream raw material extraction and processing, raw material transportation, product manufacturing, product sales and transportation, product use and product disposal stages.



# Green Operation

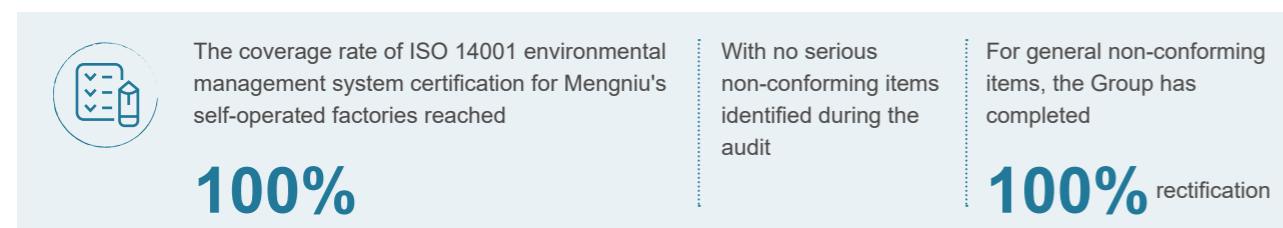
Mengniu actively shoulders its responsibility for environmental protection, identifies and complies with the requirements of national laws and regulations related to environmental protection. Mengniu works continuously to reduce its negative impact on the environment through the enhancement of its green operation system and the establishment of various environmental protection targets.

## Green Operation Management

Mengniu abides by the requirements of the *Environmental Protection Law of the People's Republic of China*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste* and other laws and regulations, and has formulated the *Mengniu Manual on Environmental Protection Management* as the guideline for Mengniu's environmental protection. On this basis, the Group integrated its environmental protection management systems, including the *Mengniu Self-Monitoring Management System for Pollutant Discharge* and the *Mengniu Dairy Solid Waste Environmental Management System*, and established the environmental protection "1+N" system, comprising "1 comprehensive management system and 11 matching special processes", further clarifying the environmental protection responsibilities of the Group, functional departments, business units and factories. Meanwhile, Mengniu developed an internal management guide and review mechanism for ecological and environmental compliance, marking a significant milestone in strengthening the compliance management and control capacity of basic-level factories through self-assessment and self-review by the Group, business units and factories and promoted the development of environmental protection system management to centralization, standardization, systematization and process-orientation. During the year, Mengniu did not experience any significant environmental incidents.

## Environmental System Certification

We continue to promote our environmental management system certification coverage. With the assistance of third-party professionals and focusing on significant risks, Mengniu has enhanced its safety and environmental management according to relevant regulations and mechanisms, as well as regulatory inspections of ecological environmental protection and other requirements.



## Environmental Risk Management

In order to effectively identify and manage environmental risks, Mengniu has established the "Environmental Risk Map". The Group further developed the *Mengniu Diary Administrative Measures for Environmental Risk Map*, to optimize risk management mechanism throughout various stages, including risk identification, risk grade assessment, risk level adjustment management, process tracking and early warning, establishing a standardized, scientific, and normalized environmental risk management process. In 2023, Mengniu continued to carry out specialized environmental protection actions, tracking risk status and timely adjusting the categorization of risk sources. The actions identified a total of 13 key ecological and environmental risks, which were subsequently incorporated into the risk map for dynamic tracking management. These risks encompass various categories such as compliant operation of pollution treatment facilities and environmental monitoring and management. Through the implementation of technological upgrades, infrastructure improvements, enhanced daily supervision and other measures, all 13 risks have been rectified and closed to ensure the stable operation of production and operation.

For environmental emergencies, each factory of the Company has prepared the "Environmental Emergency Response Plan", and conducts emergency response drills and training for environmental risks as per the planned schedule. Additionally, we consistently inspect the integrity and effectiveness of facilities and equipments.

## Environmental Protection Management Action

Mengniu has established a hierarchical control list to ensure ecological and environmental protection. Moreover, we have strengthened the regulation of factories in key ecological and environmental protection areas through reinforcing the control requirement and ensuring adequate funding investment. We continued to enhance our efforts in ecological and environmental protection, ensuring the investment of key projects, and promoting the implementation of sludge drying, rainwater and wastewater diversion, VOCs treatment, elimination of high energy consuming equipment, and wastewater pipeline network transformation. In 2023, the Company has invested RMB27.45 million in ecological environmental protection and all environmental protection indexes achieved 100% compliance.

Mengniu has been continuously enhancing the assessment of ecological and environmental protection, implementing a three-tier evaluation mechanism consisting of self-assessment at the factory level, random assessments by business units, and reassessment by the Group. This ensures the continuous improvement of the Group's environmental protection management system. Leveraging on the Environmental Risk Map and other management tools, Mengniu incorporated environmental risks identified during the audit, enabling the implementation of dynamic management. This resulted in achieving a PDCA<sup>6</sup> closed-loop control, encompassing "risk identification, plan formulation, process supervision, tracking and early warning, as well as risk rectification and closure".



The Company has invested

RMB **27.45** million  
in ecological environmental protection

All environmental protection indexes achieved

**100%** compliance

## Promotion of Environmental Control Platform

Mengniu has optimized and updated the environmental online monitoring platform, integrating data channels and establishing a group-level pollutant discharge database to achieve streamlined data. Mengniu has incorporated intelligent identification and intelligent warning functions into the monitoring platform to track and deal with abnormal data in the operation of pollution control facilities and pollutant discharge process, ensuring enhanced quality, efficiency, and compliance with environmental management.

## Energy Saving and Environmental Protection Session

In 2023, the Group conducted various energy-saving and environmental protection sessions, covering the interpretation of the "1+N" environmental protection system, Total Productive Maintenance (TPM) and other related topics. These sessions were designed to comprehensively and systematically introduce energy-saving and environmental protection-related systems, regulations, measures, strategies, practice and cases studies, so as to continuously improve employees' awareness of energy-saving and environmental protection issues, as well as their professional skills.

## Honors



Mengniu was awarded the "China Food CSR Golden Tripod Award: Green Sustainable Operation Certification".

Mengniu was awarded the "China Food CSR Advanced Enterprise Award: Green Sustainable Operation Certification".

The fourth Horinger factory of Room Temperature Business Unit was awarded the TPM Excellence Award (Category B) from Japan Institute of Plant Maintenance.

<sup>6</sup> PDCA: Plan, Do, Check, and Act.

## Water Use Management

The Group adheres to the concept of "Prioritizing Water Conservation and Balanced Development" in order to effectively address the increasingly severe global water resources situation, and implements comprehensive management strategies for water resource conservation. We are actively mitigating the impact of our production operations on local water resources through the development of comprehensive Watershed Risk Map and Water Flow Map, implementation of the water-saving strategy, effective management of water footprint, execution of impactful water conservation demonstrations and other related initiatives. Guided by the Guidelines for the *Evaluation of Water-Saving Enterprises*, we have made significant progress in water-saving enterprise building from both management and technical aspects. By improving management system, establishing profession teams, and equipping with metering instruments, we have facilitated the development and application of technological measures such as process water saving, cooling water recycling and concentrated water recycling.

In 2023, Mengniu withdrew a total of 35.20 million tonnes of water, and discharged 31.70 million tonnes of water, saved 1.06 million tonnes of water (including 0.89 million tonnes of social water savings). Meanwhile, Mengniu reused about 2.04 million tonnes of reclaimed water, with a reclaimed water rate of 6.44%. Mengniu's water withdrawal intensity in 2023 was 356.91 tonnes of water per RMB million of revenue.

Mengniu has set a goal to achieve a 6% reduction in freshwater consumption per tonne of dairy product in 2025 compared to 2020. This year, the water consumption per tonne of dairy product of Mengniu decreased by 3.8% compared to 2020. In 2023, Mengniu further carried out the building of water-saving demonstration and organized the application of water-saving benchmark enterprises. By the end of 2023, a total of 23 legal entities of the Group were honored with the title of water-saving enterprise.

## Water Resource Management Structure

Mengniu's Sustainable Development Committee is responsible for overseeing the Company's water resource management issues. Meanwhile, Mengniu has established the Energy Conservation and Emission Reduction Committee, with the Group's President serves as the chairman and the Vice President in charge of managing water related strategies and performance, as well as allocating targets of water resource management for each business unit. The Group entered into letters of commitment with the leads of each business units, tracking the achievement progress on a monthly and annual basis, and implements responsibilities through performance assessment and other measures.

## Water Risk Management

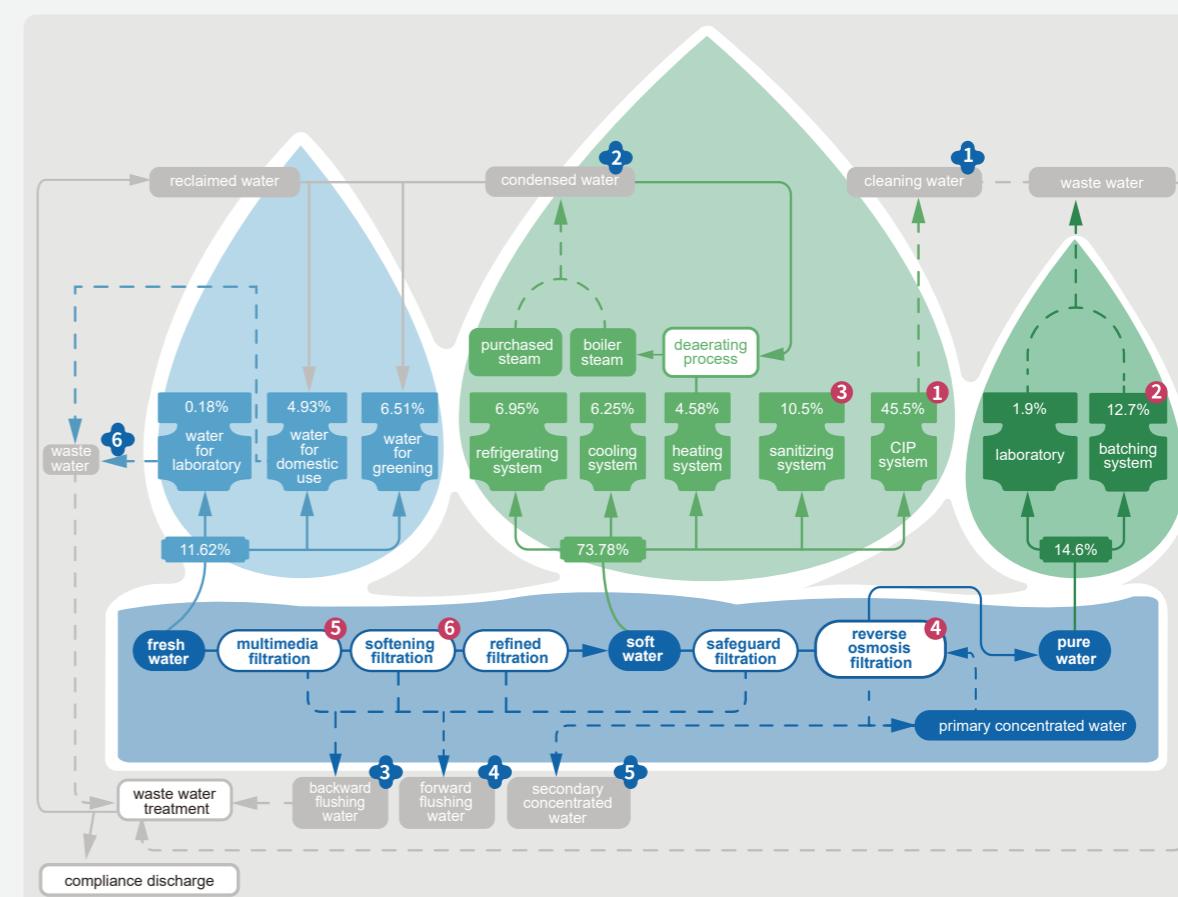
Water risk management is a paramount concern for dairy enterprises. Mengniu conducted systematic management of its own water, and developed Watershed Risk Map and Watershed Risk Map to assess the water stress levels in the surrounding areas of its factories, enabling continuous enhancement of its water risk management practices.

### Watershed Risk Map

The direct operations of Mengniu are highly dependent on freshwater resources. Considering the uneven distribution of water resources and water scarcity in partial regions, Mengniu introduced the Watershed Risk Map, and conducted water risk assessment on 63 domestic factories, based on physical risk, regulatory risk and reputation risk, which involves in 12 risk items including the importance of biodiversity, ecosystem service status, water shortage, flood, and water quality. The assessment found that Mengniu's factories located near high-risk watersheds such as the Yellow River, Yellow Sea and East China Sea, and the Liao River are exposed to higher physical risks. By identifying and assessing water risks faced by factories, we help companies to identify priorities and locations for water risk response and better respond to water risk challenges, thereby laying a solid foundation for Mengniu's sustainable development.

### Water Flow Map

Mengniu takes the entire lifecycle of water resource usage into consideration, mapping out the Water Flow Map to identify potential opportunities for water saving and water environment protection. Mengniu further improved its water saving measures, explored water-saving opportunities and form Water Resource Risk Warning Map to guide the upgrades and implementation of water-saving technology.



Legend for the Water Flow Map:

- area of water use: water reuse, water treatment, fresh water, soft water, pure water
- flow of waste water: compliance discharge
- water treatment technique: multimedia filtration, softening filtration, refined filtration, safeguard filtration, reverse osmosis filtration
- water consumption warning: ●
- opportunities of water saving: +



## 3U Water-Saving Strategy

With the “Save Use”, “Recycle Use” and “Common Use” as the Group’s water-saving strategies, Mengniu have incorporated the Total Productive Maintenance (TPM) methodology into its water-saving management. This integration has facilitated the establishment of a unified understanding of water conservation within the Group, guiding our efforts to conserve water through enhancements in our management system, formation of specialized technical teams, and utilization of intelligent metering instruments.

Each business unit of the Group have been actively exploring the introduction of new technologies, methodologies and processes to systematically investigate the potential for water conservation, and to enhance the efficiency of water resource utilization through recycling and reusing of steam condensate, motor cooling water and reverse osmosis concentrated water.

### • Factory Water Conservation Practice

**Chilled Product Business Unit**

**Reuse of reclaimed water:** The Meishan Factory optimized water recycling technology and management, along with the establishment of the Multi-Tank CIP System, which can recycle reclaimed water into water tanks for flushing and reuse, saving approximately 60 tonnes of water per day.

**Optimize water treatment equipment:** Optimizing the water treatment equipment by adjusting the time interval for backward flushing, saving approximately 30 tonnes of water per backward flush.

**Categorization of water use:** Setting different supply standards for different types of water, such as tap water and soft water, according to the specific water demand. This enables us to achieve energy-saving effects through classified management.

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**Room Temperature Business Unit**

**Implementation of the tube hardness control by softener:** Baotou and Gaoke Factories replaced the manual water output control management mode with controlling the hardness of the main tube, resulting in a reduction of resin tank cleaning frequency, achieving a reduction of 43 thousand tonnes per year in water discharge.

**Condensed water recycling:** Gaoke Factory, the third Horinger factory and Baotou Factory used the recycled condensed water to replenish the CIP station in the car wash process. The amount of water saved is approximately 6,000 tonnes per year for Gaoke Factory, 10,000 tonnes per year for the third Horinger factory and 3,000 tonnes per year for Baotou Factory.

**Replacement of air-conditioning ice water with tap water:** Chabei Factory replaced air-conditioning ice water with tap water in its air-condition renovation project to reduce ice water consumption.

### • Pasture Water Conservation Practice

Mengniu actively promotes intelligent water and electricity management projects in pastures. During the year, 64 water-saving projects were successfully implemented, covering 12% of cooperative pastures and saving a total of 2.8 million tonnes of water per year.



To save water and electricity, Mengniu promoted the adoption of intelligent heat stress control system, which controls the operation of facilities according to THI<sup>7</sup> Index and other technologies, saving more than **1.5 million tonnes** of water annually.



Mengniu promoted the adoption of intelligent wastewater reuse systems in pastures, which are capable of effectively purifying and recycling wastewater for ground cleaning and plant irrigation, saving more than **450 thousand tonnes** of water annually.



Mengniu guided certain cooperative pastures located in water-scarce areas with severe local soil erosion, aiming to reduce their reliance on wells. Mengniu further coordinated with local government and water companies to provide water for breeding, so as to avoid damage to the local ecology caused by overdraining of water.

## Pilot Verification of Product Water Footprint

Mengniu has been steadily promoting the inspection of water footprints. In 2023, the product of Gaoke Factory of Room Temperature Business Unit, namely Milk Deluxe (Dream Cap) Organic Pure Milk, obtained the first Water Footprint Verification Statement for organic pure milk in China. In addition, the Chilled Product Business Unit has established water consumption maps for each factory, sorting out the configuration of metering instruments and automatically collecting footprint data through digital technology, which is ultimately aggregated in the data center to calculate water consumption, so as to achieve comprehensive management of water footprint. Currently, all 11 chilled product factories have been covered.



## Water Management Certification

### AWS<sup>8</sup> Water Management Certification

Mengniu continues to strengthen water management, reduce water consumption and improve water utilization efficiency. In 2023, Mengniu's the third Horinger factory of Room Temperature Business Unit and Tai'an factory of Chilled Product Business Unit successfully passed the AWS certification, obtaining the AWS-000584 certificate “Gold Level” issued by TÜV Rheinland, becoming the first enterprise in the domestic dairy industry to be certified to the AWS<sup>9</sup> international sustainable water management standard. In addition, the third Horinger factory of Room Temperature Business Unit saved 57,038 tons of water in 2023, Hengshui factory and the second Jiaozuo factory of Room Temperature Business Unit are in the process of constructing the AWS water management system to continuously improve the level of water resources management.



<sup>7</sup> THI: temperature-humidity index

<sup>8</sup> AWS (Alliance for Water Stewardship) is a global membership partnership of companies, non-governmental organizations and other public sectors. The organization uses and promotes frameworks for sustainable water use and certifies and rewards good water management performance.

## Wastewater and Waste Management

Mengniu regarded wastewater and waste management as an important environmental action, strictly complied with the *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste* and the *Standard for Pollution Control on Hazardous Waste Storage* and other environmental regulatory requirements, and formulated the *Wastewater Pollutant Management Procedures* and *Solid Waste Management Procedures* to provide guidelines for the Group's wastewater and wastes disposal in compliance.

### Wastewater Management

Leveraging on the online pollutant monitoring system, Mengniu conducts real-time monitoring of wastewater discharge and pollutant concentration in its factories. Throughout the year, Mengniu optimized the online pollutant monitoring system by enhancing the clarity of the abnormal data reporting process and the disposal plan to ensure that the pollutant discharge is in line with the standard. On this basis, Mengniu continued to refine its wastewater management, and carried out various initiatives, including the pipe network renovation, to reduce environmental pollution. During the year, all of the Group's wastewater treatment plants have achieved compliance with pollutant discharge standard.

#### Pipe Network Renovation

In 2023, the Ice Cream Product Business Unit carried out the renovation of wastewater pipe network and the rainwater and wastewater diversion pipe network to improve wastewater management. The Maanshan Factory carried out a wastewater pipe network renovation project to avoid environmental pollution incidents due to broken pipe network. The Horinger Factory carried out rainwater and wastewater pipe network renovation project to realize separate collection and discharge of rainwater and wastewater, thereby reducing water pollution and maximizing the efficiency of wastewater treatment and recycling.

#### Optimizing Wastewater Treatment Process

We continued to optimize the wastewater treatment process to promote the recycling of resource. In 2023, the Group promoted the adoption of low-temperature drying technology for sludge drying in 2 Room Temperature Business Unit's plants in Bameng and Suqian. This project effectively reduces sludge disposal in wastewater treatment plants by over 80% achieves an annual cost savings of 85%.

#### Sponge City Project

In accordance with the requirements of *Shanghai Sponge City Planning and Construction Management Measures*, Mengniu's Milkground has built a sponge city rainwater system for the Shanghai Intelligent Featured Cheese Production and Processing Project. The system is capable of managing runoff, mitigating non-point source pollution, and facilitating the utilization of rainwater resources in order to minimize the impact of project development on the regional water environment. The rainwater purified by the system complies with the water quality requirements specified in the *Engineering Technical Specification for Rain Utilization in Building and Apartment Complexes*, making it suitable for green irrigation and cleaning purposes within the factory premises.

### Waste Management

The solid waste at Mengniu is strictly classified, with a comprehensive categorization of different types of waste discharge and the establishment of a management list for the entire process of waste discharge. General waste and hazardous waste are handled by qualified disposers. In 2023, all factories of the Group had signed waste disposal contracts and conduct whole-process monitoring and management of the treatment and disposal process to ensure compliant disposal.

During the year,  
**100%** of the Group's  
wastewater treatment plants have  
achieved compliance with pollutant  
discharge standard

#### Zero-waste Management System

Mengniu is committed to advocating the certification of zero-waste management system. In 2023, Mengniu's, Gaoke Factory, Qingyuan Factory, Shangzhi Factory and 2 Meishan Factory, totaling five factories, were awarded the 3-star certification of zero-waste management system.

**5** factories

were awarded the 3-star certification of  
zero-waste management system

#### Zero-waste Factory

Mengniu actively engages in the construction of "zero-waste factory" to reduce the environmental pollution of solid waste through source reduction, process control and end treatment. In 2023, 9 factories were recognized as "Zero-waste Factory" demonstration units.

**9** units

recognized as "Zero-waste Factory"  
demonstration units

#### "Zero-waste Day" Theme Activity

In 2023, Mengniu continued to carry out the "Zero-waste Day" theme activity to raise employees' cognition of resource recycling in office scenario. This activity adhered to the principles of source reduction, reuse and recycling, and incorporates the concept of "Zero-waste" into employees' behaviors from the perspectives of sustainable office environment, low-carbon public operations, and green work and lifestyle, so as to advocate a low-carbon office and lifestyle.

#### Mengniu LIFE Boot Market Thematic Activity

The Company carried out the Mengniu LIFE Boot Market Thematic Activity, aimed at promoting intra-employee item recycling, resource consumption reduction, and fostering a low-carbon and environmentally conscious mindset. During the activity, we also organized interactive games such as garbage sorting and sustainable development knowledge questions and answers to improve employees' awareness of sustainable development.

## Food Loss and Waste Reduction

Mengniu actively reduces food loss and waste. We formulated the *Mengniu Guidelines Against Food Waste*, and carried out projects and activities related to reducing food loss and waste.

#### Reduce Milk Loss

Mengniu takes reducing milk wastage as an important part of its production management. We carried out lean production, developed milk analysis models and created a milk loss map to identify milk loss points during the production of our products. We have developed targeted schemes to reduce milk loss by improving canning and packaging equipment, controlling protein targets for semi-finished products and other measures to reduce milk loss in the production line. Meanwhile, we adopted performance assessment methods, setting milk loss improvement targets and assigning the targets to production lines thus continuously reduce milk loss. In addition, we optimized the handling of finished products to avoid food waste due to product disposal.



The Chilled Product Business Unit have begun milk loss reduction efforts in 2019 and reduced the milk loss rate by **0.96%** in 2023 compared to 2019. In 2023, the consolidated milk loss rate of the Room Temperature Business Unit witnessed a decline of **0.013%** compared to 2022.

### Surplus Food Donation

The Chilled Product Business Unit continued to cooperate with downstream organizations and carried out zero-packaging food donation programmes in several factories, including Maanshan Factory and Beijing Factory, to donate food to people in need. Mengniu's Bellamy donated qualifying surplus products in Australia.



### Food Saving Advocacy

Mengniu actively shoulders its corporate responsibility and continues to play a leading role in the industry by advocating for food waste reduction and contributing to the establishment of a resource-saving society.

### Joint Action to Reduce Food Waste

In response to the national call to reduce food waste, Mengniu participated in the “Join Action to Reduce Food Waste” project initiated by the China Chain Store and Franchise Association and Walmart China, and became one of the pioneering member of the project. This project aimed to promote the reduction of food and raw material loss and the recycling of food waste by mobilizing retailers, food manufactures and other related enterprises and to form a synergy from the upstream of the supply chain to the retail end of the industry, so as to further promote the reduction of food waste.

### 5 June Environment Day

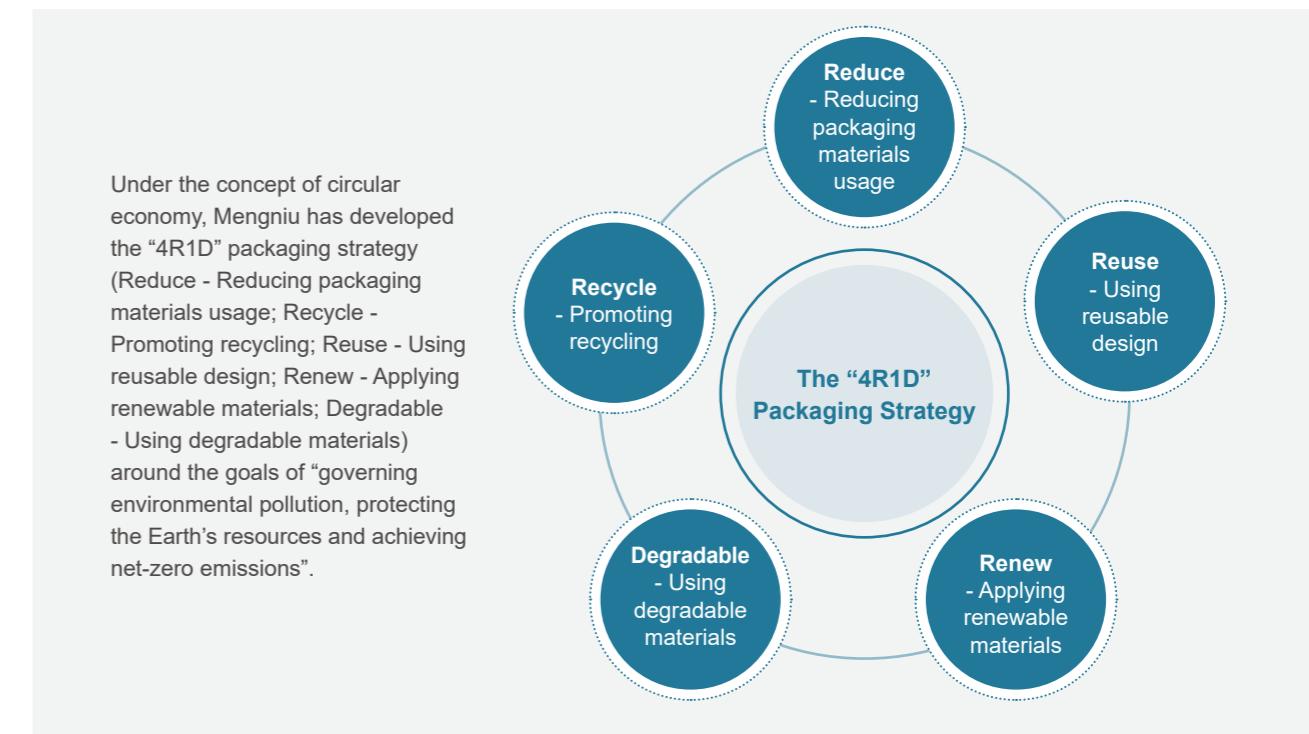
During the 5 June Environment Day in 2023, Mengniu made a widely publication of the *Environmental Code of Conduct for Citizens (for Trial Implementation)* through LED screens, slogans, and social-media to guide its employees in cultivating positive habits and promoting the concept of “green operation and life”. Meanwhile, the Company carried out activities such as “Clean-Dish Action” and “Anti-Food Waste”, actively promoting the experience and practice to combat food wastage. We encourage employees to actively participate in these activities, aiming to enhance their awareness of conserving food and living a low-carbon lifestyle.



## Recycle

Mengniu integrates the concept of recycle into the whole lifecycle of packaging research and development, design, application and disposal, and continues to reduce the environmental impact of packaging waste. We promise to achieve 100% environmentally friendly packaging materials technically ready for application by 2025, and lead the way in the industry to achieve low-carbon packaging solutions across all product lines.

### Green Packaging Design



### Reduce: Reducing Packaging Materials Usage

Under the premise of meeting the packaging functions of products, Mengniu continuously promotes lightweight packaging materials by reducing packaging weight, eliminating PVC and other problematic elements of packaging, and reducing environmentally burdensome packaging components such as printing inks, so as to alleviate the burden of packaging on the environment fundamentally.



Mengniu’s Milk Deluxe optimizes and changes packaging box type of e-commerce channels, reduces the use of gaskets and circulation boxes to make the products fit more closely with their outer boxes, improving the anti-pressure performance of packaging boxes while decreasing the costs of packaging accessories. This initiative is expected to reduce annual paper consumption by 16,588 tonnes, which is equivalent to reducing cutting down 45,446 20-year-old trees per year.



Mengniu's, Fruit Milk Drink uses new polymer barrier materials to replace the aluminum foil layer in Combi packs, reducing the amount of metal used in packaging and 30% reduction in GHG emissions.



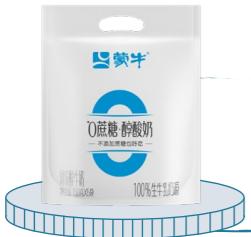
Mengniu's, Little Shiny Meadow 450ml, is designed with an innovative bottle structure that reduces the original PET bottle weight from 36g to 32g, which reduces packaging cost and enhances the bottle's anti-negative pressure performance, as well as increases the fun of the design, forming a significant difference from similar products in the market.



Mengniu's Flavored Yoghurt, changes the size of the swing lid of the circulation boxes from 90mm to 85mm, reducing approximately 160 tonnes of paper usage.

## Recycle: Promoting Recycling

Packaging recycling is an important issue for Mengniu and all consumer goods industries in practicing environmental protection. Mengniu is committed to increasing the proportion of single material packaging, using more recycled materials and labeling recycling symbols on packaging to promote the circular use of packaging and convert packaging waste into recyclable materials. Mengniu's various products on the market are packaged in recyclable materials, including PET and paper-based packaging.



Mengniu's Zero Sucrose · Pure Yogurt uses a single PE to replace the original multi-layer composite structure, which guarantees the beautiful appearance of the packaging, excellent protection performance, and improves recyclability.



Mengniu's Yoyi C Zero Sucrose Active Probiotic Beverage uses rPETG recycling and shrinkage labels, with the addition of 30% recyclable PET, reducing virgin plastic by 7.6 tonnes, and reducing GHG emission by 11%.

## Reuse: Using Reusable Design

We continue to enhance the reusable value of packaging. By implementing reusable packaging design on the consumer end and adopting reusable packaging in distribution, extending the lifecycle of packaging and contributing to the development of the circular economy.

## PP Recycled Box

Mengniu uses polypropylene (PP) as raw materials for recycled boxes packaging to realize the "greening, minimization and recycling" of the recycled boxes. Through this program, Mengniu pulls upstream suppliers, factories, recycled container service providers, trunk logistics providers, distributors, urban distribution logistics providers, merchants and stores to explore and apply circular economy together. Mengniu's Chilled Product, Room Temperature, Fresh Milk and other business units have applied PP recycled boxes to a variety of product lines, with an annual usage of approximately 740,000 boxes, significantly reducing the amount of cardboard boxes used. In 2023, Mengniu's PP recycled boxes project was awarded the "Carbon Footprint Certificate" and shortlisted for the British Chamber of Commerce Shanghai's circular economy excellence case.



## Renew: Applying Renewable Materials

Mengniu is committed to using renewable resources in packaging such as paper, bamboo fiber, plant-based plastics, to reduce the use of petroleum-based plastics and reliance on fossil resources.

## Application of Plant-based Environmentally Friendly New Materials

Desert Organic Pure Milk of Mengniu's Milk Deluxe brand adopts plant-based cap, and the paper-based bottle body does not contain a bleach-coated layer, which is approximately 3% lighter than packages made from normal packaging materials, and 8% lower carbon footprint compared to similar packages. In 2023, this packaging was awarded the M. Success China Packaging Innovation & Sustainable Development Award. In 2023, this packaging was awarded the M. Success China Packaging Innovation & Sustainable Development Award.



## Degradable: Using Degradable Materials

Mengniu uses degradable materials for packaging components such as straws and spoons, which are easy to scatter and difficult to recycle, to lower the cost of material disposal and achieve dual improvements in environmental protection and economic benefits.

## Degradable Straws Development

Mengniu has developed PLA<sup>9</sup>/PBS<sup>10</sup> straws which exhibit no significant difference in performance and quality compared to conventional PP straws within a 6-month shelf-life, meeting the compliance and key performance standard requirements.

<sup>9</sup> PLA (Poly Lactic Acid), a degradable material.

<sup>10</sup> PBS (Butylene Succinate), a degradable material.

## Recycling Practices

In addition to packaging design, Mengniu continues to optimize packaging recycling management and carry out packaging recycling practices. We use recycled plastic to make peripheral products and actively publicize the concept of packaging recycling to consumers to establish a responsible corporate image and promote the development of the circular economy.

### Mengniu GREEN Sustainable Development Strategy Theme Scarf

Mengniu uses recycled plastic bottles to make scarves, and incorporates Mengniu's GREEN sustainability culture elements into the scarves to convey Mengniu's green sustainability concept.



### Recyclable Bin Project

The Recyclable Bin Project is jointly launched by Mengniu and Tetra Pak. This project is dedicated to recycling milk tetra packs and reprocessing them into reusable stiffs and materials, such as trash bins, paper, building boards. The recyclable bins are currently introduced in 34 factories to encourage employees to sort their waste, promote recycling and reduce overall waste production within the factories.



### Driving Consumer-side Packaging Recycling with Recycling Labels

Mengniu adds recycling labels to different categories of packaging to help consumers categorize waste and promote package recycling.



## Industry Recognition and Cooperation

Mengniu enhances industry communication and cooperation, actively participates in the formulation and revision of national and industry standards related to packaging, and conducts sustainable product packaging certification to ensure the compliance with diverse standards.

Mengniu cooperates with the national supervision and management requirements, utilizes the resources and platforms of associations, societies, chambers of commerce and other groups, to actively express opinions and provide professional support, promoting the improvement of the industry's professional level. In 2023, Mengniu participated in the formulation and revision of more than 20 national mandatory standards, including the *General Standard for the Labeling of Prepackaged Food*, *General Standard for the Labeling of Prepackaged Food Nutrition* and *General technical requirements of blow mould for lightweight PET bottle*.

### Recognition

#### "Double-E Certification"

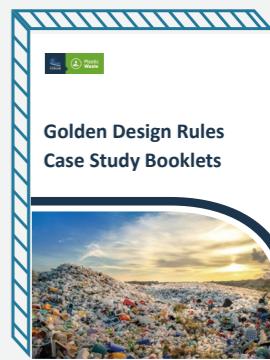
In 2020, under the leadership of the Green Recycled Plastics Supply Chain Joint Working Group, as a representative of the dairy industry, Mengniu participated in the formulation of the *General Rules for Assessing Easy-to-Collect and Easy-to-Recycle Designs of Plastic Products*, which fills the gap of the standards for the easy-to-collect and easy-to-recycle design of plastic products in China.

In 2023, the packaging of Mengniu's Fruit Milk Drink and Yoyi C has been awarded the "Easy-to-Collect and Easy-to-Recycle" certifications (Double-E certification) by TÜV Rheinland.



#### Mengniu's Product Packaging's Design Included in CGF "Golden Design Rules Case Study Booklets"

The Gold Design Rules is a set of product packaging design principle introduced by CGF<sup>11</sup> to accelerate the process of "using less plastic, better plastic", remove the disadvantages of plastics in the recycling process, and to realize the plastics circular economy. In 2023, CGF released the "Golden Design Rules Case Study Booklets", and four products were selected, including Shiny Meadow Fresh Milk series, Future Star Miaodiandian Milk Beverage 180ml, becoming the pioneering demonstration of carbon-reducing and environmentally-friendly packaging.



<sup>11</sup> CGF: The Consumer Goods Forum.

# Ecosystem-Collaborative & Accountable

Mengniu insists on practicing the concept of sustainable development together with upstream and downstream partners in the supply chain. While jointly creating commercial value, Mengniu promotes the development path of economic benefits, social benefits, and environmental benefits. Under the "Ecosystem-Collaborative & Accountable" pillar of the GREEN strategy, Mengniu focuses on three key topics of sustainable procurement, sustainable agriculture, and biodiversity conservation, and is committed to leading upstream and downstream partners to jointly create a sustainable industrial ecosystem through a series of targeted supply chain management initiatives.

## SDGs We Focused in this Section:



## Highlights in 2023

### Sustainable Procurement

- The total number of suppliers was **1,214**, including a total of **1,199** suppliers in the Chinese mainland and **15** overseas suppliers.
- All** newly engaged raw and auxiliary material suppliers have signed the Supplier Code of Conduct.
- The internal assessment coverage rate of raw and auxiliary material suppliers has reached **100%**.
- All strategic suppliers of raw and auxiliary material** have completed the Sedex SAQ questionnaire, and a total of **29** strategic suppliers completed the SMETA third party audits.
- Trainings on dairy product quality culture cultivation and quality management of purchased materials have reached **100%** of Mengniu's raw and auxiliary material suppliers.
- Conducted quality audits on a total of **254** cooperative farms and promptly resolved any issues exposed during the audits through on-site guidance and process validation.

### Sustainable Agriculture

- A total of **26** cooperative farms have obtained China Good Agricultural Practice (China GAP) certification.
- The impact level of heat stress on dairy cattle has decreased by **5%** compared to 2022.
- Silage comprehensive index has increased by **1%** compared to 2022.
- Promote the standard operating procedures for perinatal health care of dairy cows in farms, covering **80%** of our farms. Carry out comfort improvement project for dairy cows among socialized farms, covering more than **60%** of our farms.
- 26** cooperative farms won the title of "National Demonstration Farm for Reduction in the Use of Veterinary Antimicrobial Drugs", and a total of **48** farms have been awarded this title.
- All** cooperative farms have implemented the resourceful utilization of manure.

### Biodiversity Conservation

- 89.1%** of virgin paper for inner packaging has obtained the Forest Stewardship Council (FSC) certification. **All** product carton boxes for external packaging were made from recycled paper.
- Through cooperation with major multinational grain merchants, COFCO International, a major supplier of soybean meal to Ai Yang Niu (aiyangniu.cn, the procurement platform used by Modern Dairy of Mengniu), has achieved traceability to farms of all directly sourced soybeans from Matopiba, the major soybean production region in Brazil.
- Modern Dairy and China Shengmu of Mengniu, have reached agreements on intended orders of approximately **50,000 tonnes** and **12,000 tonnes** of "zero deforestation" soybeans with COFCO International, respectively, requiring that the soybeans purchased must comply with the "zero deforestation" criteria set by Mengniu and COFCO International.
- Committed to achieving near full traceability of purchased palm oil products to plantations by 2030. The proportion of palm oil procured by the Group during the year that was traceable to refineries, palm oil mills and plantations was **100%, 80% and 73%** respectively.
- Joined **World Economic Forum's "1t.org China Action"** to help achieve the initiative's mission of conserving, restoring, and growing a trillion trees globally.



# Sustainable Procurement

Mengniu takes building a responsible supply chain as an important development concept, continuously extends the influence and coverage of the Group's sustainable procurement standards in the upstream and downstream supply chains and is committed to driving the sustainable development of the whole industry. Mengniu joined the Sedex<sup>12</sup> responsible business platform, practiced the concept of leading responsible procurement to create an environmentally friendly and socially responsible supply chain jointly with upstream and downstream partners.



## Supply Chain Responsibility Management

Mengniu adheres to the procurement principles of "open, fair, equitable, and integrity" and continuously strengthens the construction of the supplier responsibility management system. We fulfill our social and environmental responsibilities with our suppliers through the development of comprehensive supplier management requirements, sound supplier management processes, effective ESG risk identification mechanisms, as well as accurate supplier empowerment support programs.

### Supplier Management Requirement

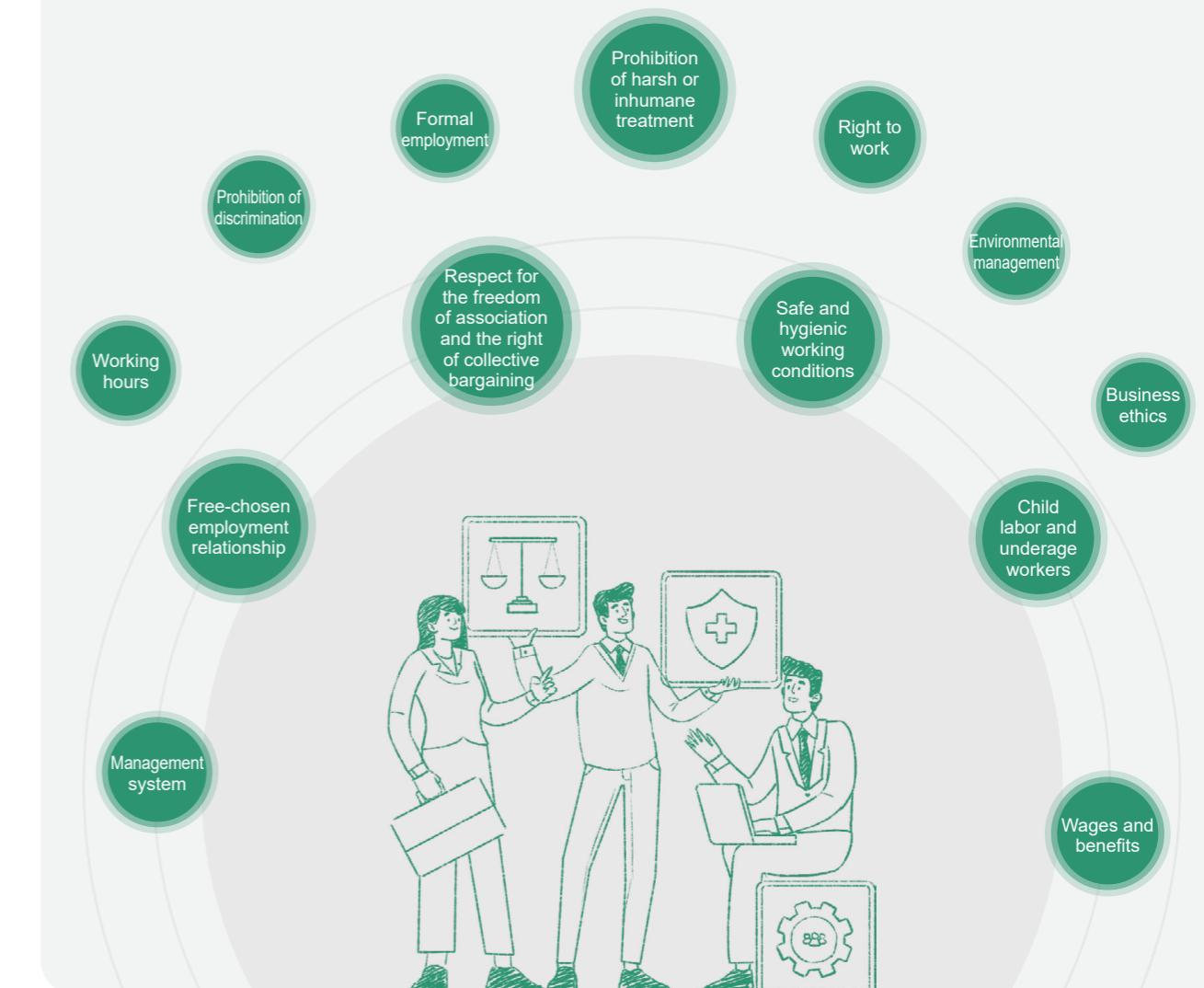
Drawing upon international sustainability initiatives and guidelines, while aligning with the Group's GREEN sustainability strategic objectives and the responsible procurement mandates set forth by the Sedex platform, Mengniu has formulated the Supplier Code of Conduct. We set signing the Supplier Code of Conduct as a prerequisite before our cooperation with suppliers and require upstream and downstream suppliers to jointly comply with requirements on environmental protection, health and safety, labor rights, human rights, and business ethics. In 2023, all newly engaged raw and auxiliary material suppliers have signed the Supplier Code of Conduct, and we plan to further expand the sign-up rate to cover all raw and auxiliary material suppliers by 2024.



All newly engaged raw and auxiliary material suppliers have signed the Supplier Code of Conduct

### Supplier Code of Conduct

The Supplier Code of Conduct covers the Ten Principles of the United Nations Global Compact, the Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework, the OECD Guidelines for Multinational Enterprises, the Core Conventions of the International Labor Organization and other international standards and criteria. Through the Supplier Code of Conduct, we aim to effectively manage and discipline suppliers from the environmental, social and governance aspects.



Major Issues in the Suppliers Code of Conduct

### Supplier Management Process

Mengniu keeps improving the whole-process management mechanism of suppliers. We have established a procurement management system and implemented graded and differentiated management of suppliers in 4 modules, including supplier selection and admission, daily management, prevention and improvement, and performance optimization. We have formulated *Mengniu Dairy Quality Management System for Purchasing Material*, to clarify the specific operating procedures that we should adopt in different procurement processes and steps, aiming at establishing a sound quality management system for the whole lifecycle of procurement.

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

### • Selection and Admission

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

### • Daily Management

File management	Verification upon arrival
We regularly update the supplier qualification, directory and other archival information through the supplier information management system to ensure the accuracy and effectiveness of supplier information.	We strictly inspect the compliance of the incoming materials with the verification standards in accordance with the material verification standards and quality control plan.

### • Prevention and Improvement

Targeted improvement	Daily evaluation	Quality audit
In accordance with supplier management rules, we have established specialized task forces for different projects to undertake targeted improvement efforts.	Based on supplier evaluation procedures, we carry out routine evaluation and assessment for suppliers, ensuring ongoing supplier management.	During cooperation, we set up annual supplier assessment plan and carry out targeted quality inspection based on the quality risk level of suppliers.

### • Performance Optimization

Quality performance evaluation	Performance optimization
We conduct performance evaluation on materials provided by our cooperative suppliers according to the <i>Standards for Evaluating the Quality Performance of Suppliers</i> , covering evaluation dimensions on material index, quality evaluation, quality disposal, and other relevant aspects. The results of this evaluation serve as the primary basis for supplier performance grading, daily evaluation, as well as quality improvement and enhancement. Consequently, we formulate corresponding rewards and penalties along with management measures to facilitate differentiated supplier management. The performance evaluation is conducted once a year.	According to the <i>Supplier Management Rules</i> , we are continuously optimizing our supplier management capability by adopting 6 progressively strict performance control measures, including quality assessment, supplier interview, procurement ratio adjustment, suspension and rectification of procurement cooperation termination and withdrawal of procurement cooperation, and blacklisting of supplier.

## Supply Chain ESG Risk Management

Recognizing that a long-term and stable supply chain is crucial for improving business performance and stability, Mengniu is dedicated to establishing a comprehensive and dynamically adjustable ESG risk management system for its supply chain. Considering various procurement processes and supplier characteristics, we have established a closed-loop risk management mechanism encompassing ESG risk identification, assessment, and response among suppliers.

### ESG Risk Identification

Mengniu establishes and maintains the *Mengniu Responsible Supply Chain ESG Risk List* and the *Procurement Risk Sorting and Identification Form* to identify key risk points within procurement activities. Additionally, we regularly utilize the Sedex platform to identify and manage supplier's environmental, social, governance and economic risks that may potentially impact the stability of Mengniu's supply chain. This ensures the continuous effectiveness of our risk inventory.

In respect of capacity building, Mengniu continues to promote the ESG risk identification capability of the procurement management department and establishes a bottom-up risk identification and reporting mechanism. We have dedicated procurement risk management personnel who periodically report to the Group's risk control department. We analyze risk influencing factors around business objectives, risk management processes and risk mitigation execution processes, and carry out targeted risk identification in procurement activities.

### ESG Risk Assessment

Prior to Assessment

Before the risk assessment, we comprehensively consider factors such as the supplier's region and industry, category and quality of the supplied material, environmental impact, commercial stability, and social responsibility with reference to the *Procurement Risk Assessment Criteria and Assessment Form*. Through the risk factor assessment process and risk assessment model, we categorize the level of ESG risk impact posed by suppliers and their materials and formulate corresponding management and control principles and assessment items to ensure targeted ESG risk assessment is carried out.

During Assessment

In the risk assessment process, we conduct a variety of supplier assessment based on the supplier's category and the level of ESG risk impact posed by their materials. For domestic suppliers, we conduct on-site assessment in accordance with the Group's assessment standards and the requirements of the Supplier Code of Conduct. The assessment contents include, but not limited to, the inspection of suppliers' environmental assessment reports, pollution permits, the dosage of food additives in raw materials, food safety hazards in packaging materials, and child labor prevention measures. For foreign suppliers, we conduct assessment through remote desk assessments to check their qualification information and certification status and engage external auditors to perform on-site assessment when necessary. For suppliers of raw materials and auxiliary materials that come into direct contact with product contents, we conduct on-site sampling of materials during the supplier qualification assessment. Before the assessment ends, we submit the samples to a third-party for indicator verification. Conformity inspections are carried out according to national product standards, registered enterprise standards, as well as Mengniu's quality standards and only materials that pass the inspection can supply to Mengniu. By the end of 2023, the internal assessment rate of our raw and auxiliary material suppliers reached 100%.

After Assessment

After the risk assessment, we identify suppliers with significant ESG risks and low business stability. If the supplier's assessment result does not meet our standards, we will offer the supplier a rectification opportunity with defined timeframe and initiate a corresponding review process. The cooperation is subject to the approval of the review. If the supplier violates the unacceptable terms in the assessment or fails to meet Mengniu's minimum ESG requirements after rectification, we will terminate the cooperation with the supplier. In addition, based on the ESG risk assessment results, we provide specified improvement plans to suppliers and assist them in enhancing their sustainable development capabilities through various empowerment training and support projects. [For more information on the empowerment training and support programs we provide to our suppliers, please refer to the section headed "Supplier Empowerment and Support" in this report.](#)

### ESG Risk Response

ESG risk management of suppliers is a pivotal aspect of Mengniu's supply chain risk management. We set up strategies to address major risks, clarify the responsibilities of key risk entities, and task risk-responsible departments or individuals with creating targeted response plans. This approach enhances the resilience and flexibility of our supply chain risk strategies. Meanwhile, we incorporate supplier ESG risk management requirements into bidding, procurement, assessment and other control processes, aiming to form a complete and effective ESG risk response mechanism.

We actively apply the Sedex platform to strengthen the ESG risk response capabilities of Mengniu and its suppliers. We require all our strategic suppliers of raw and auxiliary material<sup>13</sup> to fill in and update the Sedex SAQ<sup>14</sup> questionnaire on the Sedex platform. Through this process, we aim to classify suppliers based on their risk levels and sustainable development capabilities by conducting pre-screenings of supplier risks and assessing the maturity of their environmental and social management systems. Based on the evaluation results of the SAQ, we contact suppliers to improve their ability to cope with ESG risks. In 2023, all the Mengniu's strategic suppliers of raw and auxiliary material completed the SAQ, and none of the strategic suppliers suffered from termination of cooperation due to substandard evaluation results. In addition, we keep promoting the third party SMETA<sup>15</sup> responsible supply chain assessment. In 2023, a total of 29 strategic suppliers completed SMETA assessment. We intend to further expand the assessment scope of SMETA and work together with our suppliers to promote the construction of responsible supply chains in 2024.



In 2023, all the Mengniu's strategic suppliers of raw and auxiliary material completed the SAQ, and **none** of the strategic suppliers suffered from termination of cooperation due to substandard evaluation results

In 2023, a total of **29** strategic suppliers completed SMETA assessment

<sup>13</sup> Strategic suppliers: suppliers that have a significant impact on Mengniu based on the comprehensive evaluation with reference to the quantitative analysis of all suppliers' innovation ability, cost control ability, industry status and ESG management ability by purchasing management department of Mengniu.

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

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

## Supplier Empowerment and Support

Mengniu attaches great importance to the common development with suppliers and continues to provide specified resources and assistance for suppliers. We provide guidance to suppliers in procurement processes such as admission evaluation and daily management and organize supplier training on topics such as foreign object control, dairy farming, ESG management capability improvement, and supply chain carbon emission control to continuously empower suppliers. [For more information on the support projects provided to raw milk suppliers, please refer to the section headed "Industrial Revitalization" in this report.](#)

Furthermore, we focus on providing quality assurance trainings for suppliers. Each year, we organize all suppliers to participate in special training activities such as whole-lifecycle quality management, safe production management requirements, quality management of purchased materials, and quality culture cultivation. We also designate quality supervision representatives to certain suppliers to conduct on-site inspections of their quality control levels and cultivate their quality management capabilities.

### Special Training for Suppliers

 We conducted training on Mengniu quality culture and quality management of purchased materials. The training coverage rate for Mengniu's suppliers of raw and auxiliary material reached **100%**.

 We conducted special training activities on microbial management of raw materials and foreign matter control. The training coverage rate for Mengniu's suppliers of specific categories reached **100%**.

 We conducted **115** ESG management training and empowerment projects covering raw milk quality control, farm environmental impact management, animal welfare and other topics. The training coverage rate for Mengniu's raw milk suppliers reached **100%**.

### Special Trainings for Procurement Management Personnel

We organized special training on "Hazard Analysis, Risk Assessment, and Root Cause Analysis", with a focus on enhancing the Group procurement managers' ability to control raw material quality risks in business processes and improving communication between procurement personnel and business units regarding raw material quality management issues.

We organized specialized training on "ISO 9001 and BRCGS Global Food Safety Standards", interpreting globally recognized quality and food safety standards. This training aimed to equip procurement managers with the operational methods and management skills necessary to meet international standards and management system requirements, ensuring the prevention and control of food safety incidents during the raw material procurement stage.

## Anti-Corruption in the Supply Chain

Mengniu regards promoting anti-corruption work in the supply chain as an important way to ensure the compliance and operation of the Group. To achieve a clean and efficient supplier cooperation relationship, Mengniu has formulated a series of supply chain anti-corruption related management policies and clearly explained the specific implementation requirements of the policies through the *Anti-Bribery Compliance Guidebook*. By implementing an institutionalized management model, we realize a closed-loop management of the entire compliance process and procedures for suppliers' cooperation throughout all stages: before, during, and after collaboration, effectively preventing and mitigating the risks of corruption in the supply chain.

We continuously promote the signing of the *Sunshine Agreement* among our suppliers and mandate that all suppliers establish effective measures, such as developing anti-corruption policies that align with their unique situations, to ensure compliance with relevant laws and regulations, and adhere to Mengniu's business ethics and management requirements. Mengniu strictly prohibits all forms of bribery and corruption and conducts annual anti-corruption supervision and audits of suppliers to verify their integrity and compliance. By the end of 2023, all suppliers of Mengniu have signed the *Sunshine Agreement*. Meanwhile, Mengniu continuously reinforces the promotion of its anti-corruption and compliance culture, urges suppliers to adhere to the anti-corruption and compliance requirements for Mengniu's business partners, to promote the construction of a compliant supply chain, while elevating the level of compliant operations within the dairy industry.

For the supplier who violates the principle of integrity and the terms of the *Sunshine Agreement*, or causes significant economic, brand, reputation, or other losses to Mengniu, we will terminate the cooperation and add the supplier to blacklist. Among these, suppliers blacklisted due to violations of the *Sunshine Agreement* will be permanently banned, while other blacklisted suppliers will be banned for five years. In addition, Mengniu continuously set up channels for reporting and complaining about supplier integrity issues. We have established reporting channels such as hotlines, email, service platforms and other channels.

## Raw Milk Supplier Management

Safe and high-quality milk sources are fundamental to the production of superior dairy products. Relying on the *Mengniu Farm Quality and Safety Management Policy*, Mengniu assists farms in establishing their quality and safety system. We implement comprehensive and multi-dimensional standardized management for all cooperative farms around 6 key management dimensions, such as farm quality management, on-boarding management, daily management, and optimization. Further, the management dimensions cover 12 subdivided management modules, such as primary selection and on-boarding of farms, dairy cattle feeding management, dairy cattle health management, raw milk production management, storage and refrigeration management, and quality supervision of farm inputs. By the end of 2023, Mengniu's all newly admitted farms have implemented the management requirements specified in the *Mengniu Farm Quality and Safety Management Policy*.

We require our farms to possess relevant environmental compliance documents. We conduct a comprehensive assessment of our suppliers' environmental impact management and quality control capabilities in raw milk production. Additionally, we have formulated the *Standard Operating Procedures (SOPs) for Milk Source Farms of Mengniu*, strictly regulating the standardized operating procedures of the farm, covering various processes such as farm design, disease prevention and control, reproduction and breeding, forage management, herd management and milk parlor management. According to the operating procedures, we conduct quality assessments for cooperative farms, covering production processes, equipment cleaning, feeding processes, raw milk inspection, disease prevention and control, safety and environmental protection and other aspects. By the end of 2023, we have conducted quality assessments on a total of 254 cooperative farms and promptly resolved any issues exposed during the assessments through on-site guidance and process validation, effectively improving the quality of raw milk supply.



By the end of 2023, Mengniu's

**all newly admitted farms  
have implemented**

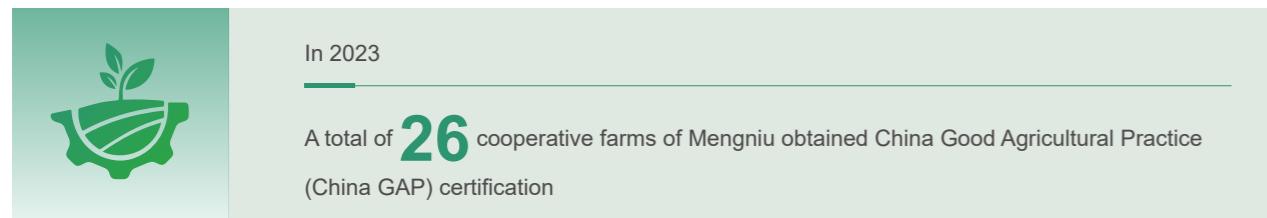
the management requirements specified in the Mengniu Farm Quality and Safety Management Policy

By the end of 2023, we have conducted quality assessments on a total of

**254** cooperative farms

# Sustainable Agriculture

Mengniu is committed to promoting the development of ecological circular agriculture in upstream farms and promoting the green and low-carbon development of farms. We strengthen ecological cooperation in farms to jointly build a sustainable agricultural model that respects natural resources and promotes animal welfare. In 2023, a total of 26 cooperative farms of Mengniu obtained China Good Agricultural Practice (China GAP) certification.



## Animal Welfare

Mengniu regards ensuring the welfare of farm animals as an important part of developing sustainable agriculture. We refer to relevant documents such as the *OIE Terrestrial Animal Health Code* and the *Farm Animal Responsibility Minimum Standards (FARMS)* to issue the *Mengniu Animal Welfare Policy*, which clarifies the guidance requirements for animal welfare at the Mengniu farms. Our objective is to collaborate with our cooperative farms to continually enhance the welfare standards for dairy cows. Furthermore, we pursue the animal welfare objective of "raising millions of healthy and content cows" through two major paths: promoting animal welfare standards and implementing veterinary drug management.

### Promotion of Animal Welfare Standards

Mengniu aspires to collaborate with its farm partners in actively promoting the effective experiences of the "Five Welfares", eradicating practices that violate the "Five Freedoms", and continuously improve animal welfare. We have formulated the *Welfare Promotion and Implementation System for Dairy Cattle in Farm* as the core standard for building an animal welfare system and guiding farms to improve animal welfare levels. Also, we encourage cooperative farms to apply the animal welfare management practices outlined in the system to gradually enhance the understanding of animal welfare issues among Mengniu and its partners while strengthening the level of animal welfare protection in farms.

Meanwhile, Mengniu participates in the compilation of animal welfare-related group standards such as *Farm Animal Welfare Requirements- Dairy Cows*, *Regulations for Quality and Production of Whole Corn Silage* and *Heat Stress Prevention and Control Standard for Dairy Cattle*, facilitating the implementation of 6 SOPs (Standard Operating Procedures), including milk hall management, calf rearing, nutritional management, breeding management, veterinary care, and equipment management. Further, we integrate animal welfare measures with farm production practices to promote the healthy and sustainable development of the industry.



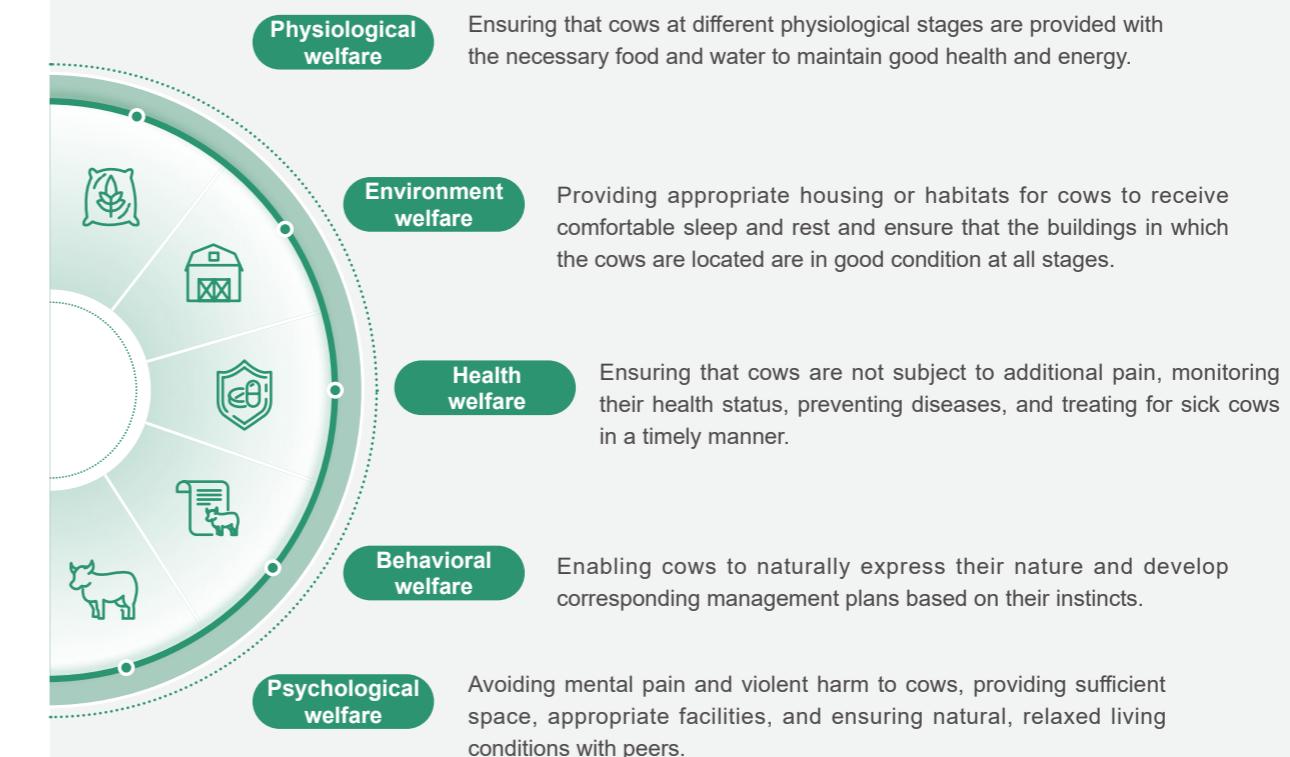
### Five Freedoms

Mengniu and farms advocate and abide by the internationally recognized "Five Freedoms" of animal welfare:



### Five Welfares

Mengniu and its farms strive to ensure that animals in the supply chain receive the "Five Welfares":





Mengniu provides guidance on animal welfare protection in cooperative farms, organizes annual animal welfare related trainings, and ensures that the trainings cover Mengniu's employees, cooperative farms, and herdsmen.

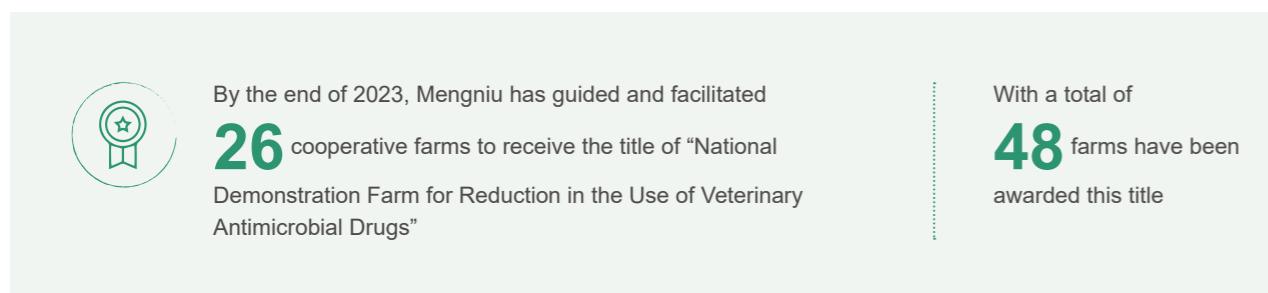
In 2023, the animal welfare level of Mengniu cooperative farms continued to improve, with notable enhancements in the following indicators:

Promote the standard operating procedures for perinatal health care of dairy cows in farms, covering <b>80%</b> of our farms	Carry out comfort improvement project for dairy cows among socialized farms, covering more than <b>60%</b> of our farms
The impact level of heat stress on cows has decreased by <b>5%</b> compared to 2022	Silage comprehensive index <sup>17</sup> has increased by <b>1%</b> compared to 2022

## Management of Veterinary Drug Use

Mengniu focuses on the principle of "Reduced Use and No Antibiotics" for veterinary drug control and carries out the "Veterinary Antimicrobial Drugs Reduction Action" for cooperative farms. All veterinarians in the farms are required to strictly comply with relevant laws and regulations on veterinary drug control and sign the *Quality and Safety Assurance Commitment*.

We have formulated the *Regulations on Quality and Food Safety Risk Management of Milk Source Business Unit* and issued the *Special Action Plan for Animal Drug Risk Prevention and Control in Dairy Business Unit's Farms*. Focusing on the themes of "standardized use", "dynamic testing", "disease reduction", "reduction" and "strong empowerment", we have implemented a series of animal drug control measures to guide the scientific and compliant use of drugs in farms. By the end of 2023, Mengniu has guided and facilitated 26 cooperative farms to receive the title of "National Demonstration Farm for Reduction in the Use of Veterinary Antimicrobial Drugs", with a total of 48 farms have been awarded this title.



<sup>16</sup> Silage comprehensive index: refers to the comprehensive quality score of silage obtained through the silage comprehensive evaluation system, taking into account the scoring items such as process quality, physical sensory, nutritional composition and health index risk of the whole corn silage production process.

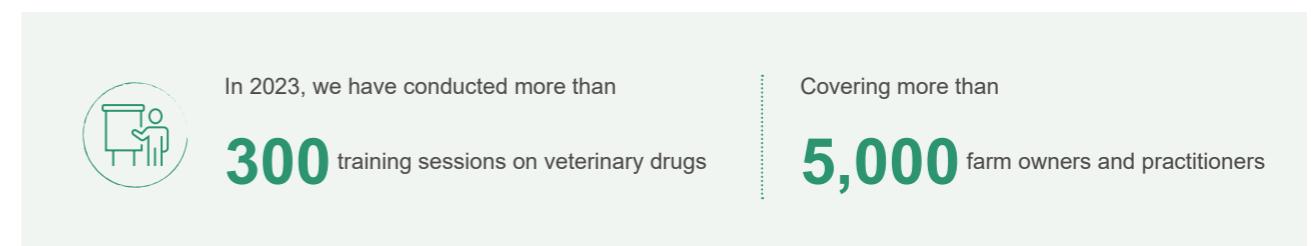
## Three Principles of Veterinary Drug Management

- Strictly prohibit controlled drugs and post the banned list of drugs to cooperative farms.
- Restrict and gradually reduce the use of veterinary drugs which with limited requirements or risks during use and search for alternative drugs.
- Regulate the use of other types of veterinary drugs and ensure that the use is in strict compliance with the product labels and instructions in terms of the scope of animals, indications, usage and dosage, withdrawal period, etc.

## Five Measures for Veterinary Medicine Management

- All veterinary drugs purchased must be compliant veterinary drugs and subject to registration before being put in storage.
- Veterinarians must be qualified to practice and sign the *Quality and Safety Assurance Commitment*, promising to use drugs strictly abiding by laws, regulations, and other rules.
- Dosed cattle must be marked differently and quarantined separately, and the withdrawal period for milk must be practiced in strict accordance with the instructions for veterinary drugs, and testing for veterinary drug residues must be carried out at the end of the withdrawal period.
- Farms are required to establish a comprehensive list of veterinary drugs moved in and out of storage, to store veterinary drugs by category, and assign dedicated roles to manage them.
- Carry out laboratory monitoring of veterinary drug residues on the milk sources collected on the same day and conduct harmless disposal of unqualified raw milk.

Meanwhile, Mengniu conducts annual trainings on the proper use of veterinary drugs, aiming to guide the scientific and standardized use of veterinary drugs on farms and strengthen the management of both veterinary drugs and other chemicals. The trainings cover laws and regulations related to veterinary drugs, the safe use of veterinary drugs, the management of dosed cattle, the detection and identification of risky veterinary drugs, and other related content. In 2023, we have conducted more than 300 training sessions on veterinary drugs, covering more than 5,000 farm owners and practitioners.



## Regenerative Agriculture Management

Mengniu explores and practices renewable agriculture from two aspects: strengthening farm environmental management and promoting the recycling of natural resources on farms.

### Strengthen Farm Environmental Management

Mengniu requires the cooperative farms to strictly comply with relevant laws and regulations on farm environmental protection. We monitor the soil, water, and air quality of the cooperative farm annually in accordance with the *Farm Environmental Protection Management Regulations* and the *Review Rules for Milk Supplier Access* and evaluate the quality and management status of raw materials in the base<sup>17</sup>. In addition, we advocate for cooperative farms to establish a tailored base management system that incorporates environmental factors, with the aim of continuously strengthening the management of pollutants such as wastewater, waste gas, noise, and solid waste generated on the farms, ultimately minimizing the negative environmental impact of the raw milk production process.

We keep strengthening the management of feed procurement on our farms, requiring feed suppliers to develop corresponding management plans for pollution (including wastewater, waste gas, noise, solid waste, etc.) generated during production, activities, or services. Furthermore, we actively promoted local feed procurement projects, giving priority to locally sourced feed such as corn kernels, silage, and corn stalks from the surrounding areas of the farms. This not only helps reduce carbon emissions from feed transportation but promotes the local economic development.

### Resourceful Utilization of Manure

Mengniu actively responds to China's 14th Five-Year Plan, continues to promote the utilization of farm manure resources, and strives to achieve a virtuous ecological cycle within the farm. We guide all cooperative farms to carry out power generation from cow manure and harmless return of manure, effectively reducing fertilizer usage while improving soil health in the farms. In 2023, all cooperative farms of Mengniu have implemented the utilization of manure resources, which can be used as bedding materials for cows, solid or liquid organic fertilizers, biomass fuels, biogas production, aquaculture feed, etc.



### China Shengmu of Mengniu "Integrating Seeding and Breeding" Program

China Shengmu of Mengniu fully leverages the industrial advantages of "Integrating Seeding and Breeding" to optimize resource allocation. It recycles manure generated during the cattle breeding process to achieve a harmonious coexistence with nature. In 2023, China Shengmu returned organic fertilizer to 250,000 mu of farmland, reduced the use of chemical fertilizer by approximately 125,000 tonnes, and achieved 100% harmless manure return to the fields, setting a good example for the development of a circular economy in the dairy industry.



### Modern Dairy of Mengniu Resourceful Recycling of Manure Practices

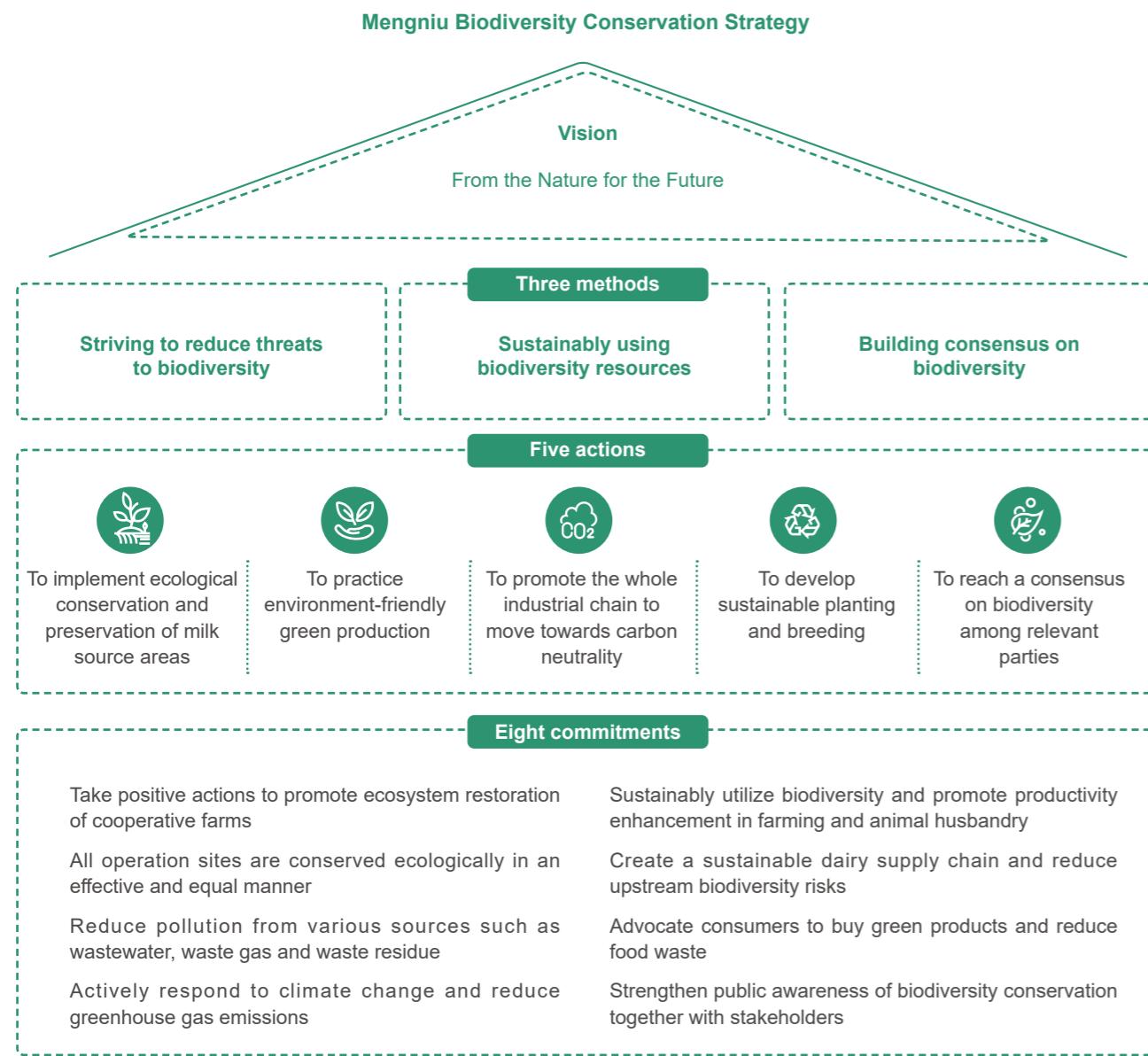
Modern Dairy of Mengniu continuously optimizes its manure management model and constructs a green industrial chain featuring a "Planting and Breeding Cycle". This cycle consists of five key steps: "Feed planting - Dairy farming - Manure treatment - Manure return to the farmland (Biogas power generation) - Feed planting". Relying on the "Planting and Breeding Cycle" model, Modern Dairy further explores the potential for resource utilization of biogas fertilizer. The remaining residue from biogas power generation and biogas slurry are returned to the field. Large field crops such as corn and wheat are planted in the surrounding areas of the farms, as well as economic crops such as tea and fruits, forming a circular organic agriculture planting path from biogas fertilizer to six types of forage, fruits and vegetables, and grains.

Meanwhile, Modern Dairy and Central Southern China Electric Power Design Institute Co., Ltd. of China Power Engineering Consulting Group jointly launched the RNG (Renewable Natural Gas) cogeneration project. This project generates electricity from manure and utilizes renewable energy sources like solar and wind power to replace conventional fossil fuels. This approach offers clean, safe, and cost-effective electricity for the farms, realizing the complementary strengths of various resources.

<sup>17</sup> Base refers to dairy cow breeding and production areas such as farms, grassland, and factories.

# Biodiversity Conservation

Mengniu has always adhered to the biodiversity conservation vision of "From the Nature for the Future" and insist the sustainable utilization of ecological resources. Through implementing diversified forest protection and biodiversity conservation actions, we strive to reduce the risk of biodiversity destruction and advance the implementation of biodiversity conservation strategies.



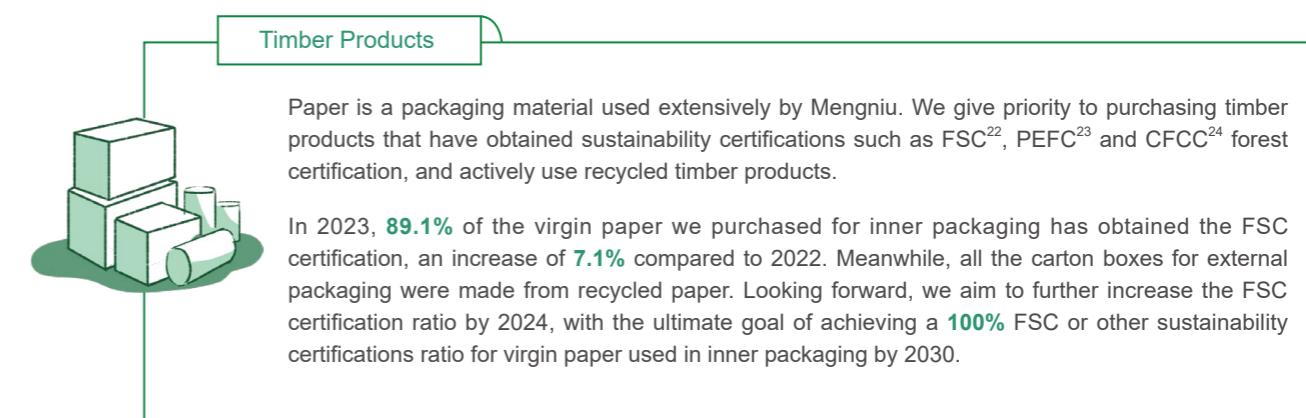
In 2023, we assessed the biodiversity and deforestation risk level of office areas, factories and farms within Mengniu's operation scope, investigated the environmental impact assessment reports and approvals of relevant facilities and sites, and confirmed that none of Mengniu's construction sites under management involved deforestation risk, and neither the facilities construction nor the operation stage involved violation of the national ecological protection red line requirements, which did not seriously affect the local biodiversity level.

# Forest Protection Action

Mengniu strictly abides by the *Forest Law of the People's Republic of China*, the *Regulations on the Implementation of the Forest Law of the People's Republic of China* and other laws and regulations, as well as forest protection regulations in relevant local policies. We formulated and issued the *Forest Protection Policy* and promised to strive to achieve "zero deforestation" by 2030. In 2023, we focused on the promotion and application of the *Forest Protection Policy* in suppliers and partner farms to reduce supply chain deforestation and forest degradation risks through two main directions, namely, controlling commodities with deforestation risk and the co-construction of forest protection in the industry.

## Commodity Control of Deforestation Risk

Mengniu combed through the deforestation risks in the supply chain and identified timber products, soybean products and palm oil as the main driving factors that may cause deforestation risk in the value chain. Therefore, we take these three commodities as management starting points to promote the construction of Mengniu's "zero deforestation" supply chain. We keep carrying out exchanges and cooperation with international organizations such as the "Rainforest Alliance" of World Economic Forum (WEF)<sup>18</sup>, the "Forest Positive Coalition" of Consumer Goods Forum (CGF)<sup>19</sup>, and the Roundtable Sustainable Palm Oil (RSPO)<sup>20</sup> to actively explore methods to reduce the risk of deforestation in the commodity procurement process. In 2023, we partnered with the Earthworm Foundation<sup>21</sup> on the topic of sustainable palm oil procurement, bringing in external expertise and digital analytics initiatives to comprehensively assess the deforestation risks of our palm oil procurement, and developing a feasible pathway to achieve the goal of "zero deforestation" for palm oil procurement.



<sup>18</sup> The "Rainforest Alliance" of World Economic Forum (WEF): It is an international rainforest conservation organization that advances the sustainable management of rainforests and the development of communities around forests by promoting cooperation between businesses and governments.

<sup>19</sup> The "Forest Positive Coalition" of Consumer Goods Forum (CGF): It is a sustainable forestry management and conservation organization in the international consumer goods industry. Members of the Working Group are committed to sourcing and using the sustainable sources of timber, palm oil, and other forest commodities.

<sup>20</sup> RSPO (Roundtable of Sustainable Palm Oil): It is an international organization consisting of palm oil producers, traders, consumers and environmental protection organizations, with the aim of maintaining the sustainability of palm tree (oil palm) cultivation, processing and trade links, and progressively achieving the sustainable development of palm oil products.

<sup>21</sup> Earthworm Foundation: It is an international, non-profit, non-governmental organization that helps companies obtain professional guidance and support on sustainable sourcing, production, and supply chain management by developing targeted solutions to the risk of deforestation.

<sup>22</sup> FSC (Forest Stewardship Council): It is an international management organization for forest sustainable development that encourages companies to implement sustainable forest management models by certifying forest management and timber products, so as to protect biodiversity and the rights of the communities where forests locate.

<sup>23</sup> PEFC (Program for the Endorsement of Forest Certification): It is an international non-profit, non-governmental organization that strives for sustainable forest management through independent third-party forest certification.

<sup>24</sup> CFCC (China Forest Certification Council): It is the governing body of China's forest certification system.

### Soybean Products



The upstream farms of Mengniu use soybean meal<sup>25</sup> as cattle feed. In 2023, soybean meal purchases accounted for approximately 7% of the total feed purchased by Mengniu's cooperative farms. We require cooperative farms to gradually reduce the consumption of soybean meal and increase the proportion of alternative feeds such as rapeseed meal, cottonseed meal and sesame meal. Meanwhile, we actively carry out the traceability enhancement project of soybean origin, continuously improving the traceability ratio of soybean meal, and prioritizing the procurement of soybeans that are free from the deforestation risk. We also continue to standardize the access standards of soybean meal suppliers and deploy business personnel to carry out on-site soybean meal quality assessments.

In addition, through cooperation with major multinational grain merchants, COFCO International, a major supplier of soybean meal to Ai Yang Niu (aiyangniu.cn, the procurement platform used by Modern Dairy of Mengniu), has achieved traceability to farms of all directly sourced soybeans from Matopiba, the major soybean production region in Brazil. Also, COFCO International has committed to establish a soybean supply chain with "Zero Deforestation and Zero Vegetation Destruction" before 2030 in the environmentally sensitive areas of Latin America such as the Amazon, Cerrado and Gran Chaco by implementing measures including realizing product-to-farm traceability of agricultural products and monitoring grain sourcing transactions.

#### Promoting "Zero Deforestation" Soybean Procurement in Farms

Mengniu, together with Modern Dairy and China Shengmu, jointly formulated the "Soybean - Zero Deforestation Joint Action Plan for Dairy Industry Chain". The plan aims to contribute to the achievement of our "zero deforestation" goal in 2030 through a series of measures, including the development of a "zero deforestation" target and pathway planning, the implementation of a soybean reduction and substitution strategy, the promotion of the "zero deforestation soybean" procurement principle, the priority procurement of soybeans from low-risk regions, and the procurement of certified soybeans.

In 2023, Modern Dairy and China Shengmu of Mengniu, have reached agreements on intended orders of approximately 50,000 tonnes and 12,000 tonnes of "zero deforestation" soybeans with COFCO International, respectively. According to the agreement, the soybeans to be purchased must comply with COFCO International's "zero deforestation" criteria and meet the procurement requirements specified in Mengniu's *Forest Protection Policy* for raw and auxiliary materials that pose a risk of deforestation. Additionally, a third-party verification report must be provided, guaranteeing that there has been no deforestation in the soybean production areas since December 31, 2020. As the first 'zero-deforestation' soybean order in China's dairy industry, this partnership serves as a powerful advocate for sustainable bulk agricultural trade practices.

### Palm Oil



Part of Mengniu's products use palm oil as a raw material for production. In 2023, Mengniu's revenue from products with palm oil accounted for approximately 1% of the Group's annual revenue. We have issued the *Sustainable Palm Oil Policy*, making Mengniu's contribution to global forest conservation goals by formulating corresponding sustainable palm oil commitments and regulating the palm oil procurement behavior of Mengniu and its suppliers. To further minimize the risk of deforestation caused by Mengniu's palm oil procurement, we have increased the transparency of our palm oil procurement activities by enhancing the traceability of palm oil and purchasing certified palm oil.

Being able to reliably trace the palm oil supply chain serves as a crucial foundation for mitigating the risk of deforestation. In our efforts to increase the traceability of palm oil, we have collaborated with the Earthworm Foundation to undertake traceability enhancement project on the origin of palm oil purchased for Mengniu's main business operations in mainland China. In 2023, we identified that the palm oil we procured originated from Malaysia and Indonesia. Specifically, 100% of the palm oil can be traced back to the refinery, 80% to the palm oil mill, and 73% to the plantation. Looking ahead, we are committed to continuously enhancing the transparency of our palm oil procurement activities and striving to achieve near-complete traceability of our palm oil purchases back to the plantations by 2030.

In terms of purchasing certified palm oil, we aim to mitigate the risk of deforestation by sourcing RSPO-certified palm oil. In 2023, we purchased 200 tons of RSPO-certified palm oil.

### Co-Construction of Forest Conservation in the Industry

#### Joining the "1t.org China Action"



China Shengmu of Mengniu has planted more than

**98 million** plants

#### "Mengniu FoRest" Environmental Protection Program

In 2023, Mengniu officially launched the "Mengniu FoRest" environmental protection program to actively respond to the national policies on making ecological progress, undertake corporate environmental responsibilities, and promote the forest positive strategy. In corporation with NBA and China Aerospace Science and Technology Corporation (CASC), Mengniu planted trees to record and commemorate the wonderful moments of sports and space explorations, thus making valuable contributions to promoting the forest restoration and protection, regional biodiversity, and desertification control.



#### Planting Trees on Unused Land to Sequester Carbon

China Modern Dairy of Mengniu continuously explores effective forest ecological protection measures, planting trees suitable for local climate and soil conditions on unused land within its farms. This achieves an annual carbon sequestration capacity of approximately 2,600 tonnes, thereby actively contributing to preserving the ecological environment around the farms and creating forest-friendly, low-carbon farms.

<sup>25</sup> By-product generated after extracting soybean oil from soybeans.



## Biodiversity Conservation Practices

Mengniu attaches great importance to biodiversity conservation along the value chain, and actively responds to the concepts and development goals specified in the white paper *Biodiversity Conservation in China*, explores the path of biodiversity conservation, gives full play to the influence of the brand, assumes more corporate social responsibility, and actively practices the biodiversity conservation strategy.

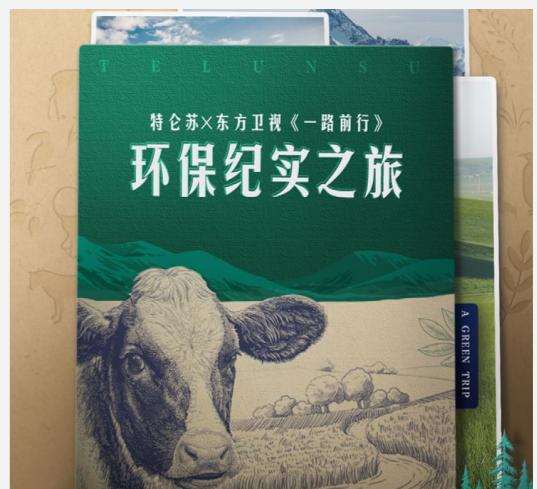
### Clean Beaches Campaign on 5 June, the Environment Day

Taking the 5 June Environment Day as an opportunity, Mengniu, in collaboration with the Hohhot Ecological Environment Bureau, Chinese Society for Environmental Sciences, Inner Mongolia University of Finance and Economics, Inner Mongolia Minzu University, Tetra Pak, and Ecolab Group, organized a beach cleanup event at the Wild Park on the Dahei River in Hohhot. The goal was to maintain clean riverbanks by promptly cleaning up and sorting through garbage such as plastic bags, food packaging boxes, and other debris scattered along the riverside. Through this event, we aim to promote and showcase Mengniu's commitment to ecological and environmental protection while encouraging more participants to engage in the public welfare undertaking of ecological and environmental protection.



### Milk Deluxe's "Milk Deluxe: All the Way Forward" Ecological and Environmental Protection Column

In 2023, Mengniu partnered with Shanghai Media Group to produce a large-scale environmental protection public welfare documentary, "Milk Deluxe: All the Way Forward". Through the combination of reality show and documentary, it explored in depth the representative regions such as Hoh Xil in Qinghai, Ulan Buh in Inner Mongolia, and Houhai Village in Hainan, and guided the audience to pay attention to the status quo of wildlife protection and biodiversity challenges in seven different ecological environments, including plateau, grassland, desert, ocean, and city. The program not only allow the audience to immerse themselves in the ongoing ecological and environmental events, but also lead them to understand and pay attention to biodiversity conservation and contribute to building a better ecological environment on the earth.



### "Nature Education" Ecological Conservation Case Collection

In 2023, Mengniu partnered with the Publicity and Education Center of the Ministry of Ecology and Environment to launch a cooperation project to collect and disseminate typical cases of ecological environmental education. The project collected ecological conservation-related cases from 106 "nature schools"<sup>26</sup>, summarizing and demonstrating the experiences and practices of past schools in areas such as climate change response, biodiversity conservation and rural revitalization, and promoting the theoretical exploration and practical development of ecological and environmental education.

<sup>26</sup> Nature school: refers to an ecological and environmental protection pilot school with "one classroom, one team of environmental protection teachers, and one set of environmental protection courses" to help young people and the public understand the importance of the ecological environment, learn the knowledge and skills of ecological environmental protection, and cultivate their awareness and action to actively participate in ecological environmental protection.

# Nutrition- Supreme & Inclusive

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

## SDGs We Focused in this Section:



## Nutrition and Health    Excellent Quality    Good Services



## Highlights in 2023

### Nutrition and Health

- Released the **Mengniu Nutrition and Health Policy**, which is committed to strengthening management transparency while advocating industry partners to jointly focus on public nutrition and health issues.
- Launched a wide range of organic, reduced sugar, low sodium, low fat, reduced artificial ingredients, nutrient-fortified and products in smaller size.
- Launched the world's first model in the nutrition and health field — **MENNIU.GPT** and “**WOW Health+**” **digital intelligence platform**, and empowered nutrition and health education and popularized scientific dietary knowledge with AI technology.
- Successively established the **Global R&D Innovation Center, SNDA Scientist Alliance** and **Global Expert Think Tank**. Through gathering global R&D ability, insisting on and promoting nutrition research and technological innovation.
- Self-developed human milk oligosaccharides (HMOs)** received approval from the National Health Commission of the People's Republic of China, making Mengniu the only Chinese company to receive the first batch of approvals.

### Excellent Quality

- Mengniu has been selected as one of the first batch of national demonstration bases of high-quality agricultural development standardization established by the Ministry of Agriculture and Rural Affairs.
- 100%** of Mengniu's products can be traced back to the origin of raw milk, raw materials and auxiliary materials.
- 24** laboratories have obtained CNAS certification and **24** laboratories have certified by ISO/IEC 17025:2018, and have the test ability of **1,561 items**.
- Carried out seven major system certifications including ISO 9001, GMP, HACCP, FSSC 22000, BRCGS, IFS and SQF, covering **63 factories**.
- Nine categories** of products were certified by the **EU food standards**.
- Participated in drafting a total of **35** national and industry standards related to product quality and food safety, **5** standards were published.
- Conducted quality empowerment training of employees, covering **100%** safety, quality and technology-related personnel.

### Good Services

- A total of **7** trainings were held to continuously strengthen the promotion of responsible marketing.
- 100%** complaint resolution rate of the Group in 2023.
- Carried out systematic construction of information protection and data security, achieved **0** major data leakage incident, **0** major information security accident and **0** consumer privacy and data security-related complaint.



## Nutrition and Health

Mengniu actively responded to the "Healthy China 2030" Blueprint and formulated a series of nutrition and health-related policies, to systematically promote the nutrition and health work of the Group. We released the *Mengniu Nutrition and Health Policy*, which is committed to strengthening management transparency while advocating industry partners to jointly focus on public nutrition and health issues. Meanwhile, Mengniu has established multi-dimensional product evaluation system models such as Nutritional Advantage Evaluation Model and Nutrient Profiling Model to scientifically assess the nutritional quality of its products, and to guide the innovation, research and development, improvement and upgrading of nutrition and health products.



### Mengniu Nutrient Profiling Model

In 2023, Mengniu developed a Nutrient Profiling Model covering all product categories, i.e. *Mengniu Product Nutrition Standard*, which considers national healthy dietary needs, synthesizes domestic and international nutrition and health policies and trends, and is based on the latest research results in the fields of nutritional sciences and public health, to provide measurable and scientific assessment guidelines for product innovation, research and development, improvement and upgrading.

We analyzed the dietary nutritional intake data of Chinese people over 3 years of age and considered the nutritional attributes, processing technology, sensory and other aspects of each product category, focused on the key nutrition and health indicators of different populations, to formulate the Standard:

- Covering categories such as pure/fresh milk, modulated milk, fermented milk, modulated milk powder, cheese and processed cheese, beverages, cereals and their products.
- Covering energy, saturated fat, trans fat, and adding key nutrients such as sugar, sodium, and dietary fiber.
- Establishing the principles for the use of food additives and functional raw materials, and setting thresholds for the nutritional grade zones of products, helping to continuously upgrade the nutrition and health attributes of products.
- Establishing specific nutrition standards for special populations (children, the elderly), to target the nutrition needs of different populations.
- Developing guidelines on portion values for Mengniu's products, to provide scientific guidance on product development and marketing, and to help consumers establish a good dietary pattern.

The Standard, as an important cornerstone for upgrading the nutrition and health attributes of Mengniu's products, provides the direction and goal of upgrading the nutritional quality of the products, and facilitates the continuous optimization and innovation of the business. In the future, Mengniu will continually optimize and upgrade the Standards based on research progress in the field of nutrition and health, and continually innovate its products scientifically, to provide consumers with better dietary choices.

## Healthy Products

Mengniu continuously optimize and improve its production processes, broaden its product categories and upgrade its product nutrition formulas to provide consumers with more nutritious and healthy food choices and a more enjoyable dietary experience. The Group has launched a wide range of innovative products such as organic, reduced sugar, low sodium, low fat, reduced artificial ingredients, nutrient-fortified and products in smaller size to meet the growing and diversified consumer demand for high quality products.



### Notes:

- Low-sodium and low-fat products are products classified according to GB 28050-2011 *National Standard on Food Safety National Label Standards for Pre-packaged Food*.
- Organic products are products certified as organic products in China, according to GB/T 19630 *Organic Products—Requirements for Production, Processing, Labeling and Management System*.
- Smaller size products are products with packaging less than or equal to 200g or 200ml products.
- Low or no artificially added ingredients products are products without artificial flavors, including artificial preservatives, artificial colors, artificial sweeteners, and etc, or less artificial flavors added compared with ordinary food products.
- Fortified nutrient products are products classified according to GB 14880-2012 *National Food Safety Standard for the Use of Nutritional Fortification Substances in Foods*.

### Liquid Milk



Milk Deluxe Desert Organic Pure Milk

Desert organic milk source  
Dual certifications for organic products from China and the European Union  
4.0g protein per 100ml of milk



Milk Deluxe Low-Fat Milk

60% less fat than whole milk



Mengniu Lactose Free Milk

0 lactose



Champion Advanced Immunity Bottle Original Flavor

The only healthcare yogurt that has been awarded as Jianzihao  
Selected BB-12 probiotics  
Helps regulate intestinal flora and enhance immunity



Yoyi C Smooth Complex Active Probiotic Milk Beverage

Self-developed, China patent probiotics  
Contain 50 billion active probiotics  
0 fat, 0 sucrose  
Adds prune juice, polydextrose 2 major sources of dietary fiber



Go Chang Lactobacillus Beverage

Sugar content ≤ 5%, 0 fat  
6 kinds of lactobacillus fermentation  
No added flavors, colors, preservatives, etc.



Three Calves High Calcium Soft Milk "DreamCap"

0 lactose, 50% more calcium added  
375mg of calcium per box  
Vitamin D added to promote calcium absorption



Xinyangdao "DreamCap" Zero Lactose Milk

Using EHT enzyme hydrolysis technology  
0 Lactose, easily absorbed



Shiny Meadow Organic Fresh Milk

Desert organic milk source  
3.6g native protein per 100ml fresh milk

### Milk Powder



Mengniu Reborne Enzhi Milk Powder

With GOS+FOS+PDX prebiotics combination, Milk fat globule membrane, lactoferrin, α-lactalbumin, hydrolysed whey protein powder and DHA, AA and other multi-dimensional nutrition  
No added sugar and flavors



Bellamy's Organic Kids Milk Powder

With "active" lactoferrin, FOS prebiotics and β-glucan  
1,300mg calcium and 50mg lactoferrin per 100g milk powder



Mengniu Yourui Bone Strength Formula Milk Powder

Each 100g of milk powder contains 1,600mg of high calcium, vitamin D and CBP, with 3g CaHmb, 1.5 times of high quality whey protein and sodium hyaluronate  
According to the unique nutritional supplement needs of the Chinese elderly population, scientifically matching protein, calcium, selenium, magnesium and other nutrients



Xiaoxianyu Lite Fresh Milk

4.0g of fresh milk protein per 100ml of fresh milk  
60% reduction in fat content



Just Yogurt

0 flavor, 0 pigment, 0 gelatin, 0 milk powder



Champion Yogurt

Contain oats and strawberries  
Probiotics survival rate ≥ 97 %  
100% raw milk fermented

### Ice Cream



Aice High Vitamin C Popsicle

Enriched with vitamin C



Deluxe High-protein Low-fat Coffee-flavored Ice Cream

Protein content >7%, fat content <3%  
Added Colombian freeze-dried instant coffee powder



Mood for Green Coconut Milk Green Shasha Flavored Ice Cream

Mung bean and coconut milk flavor, low sugar recipe

### Cheese and Other Dairy Products



#### Ai Shi Chen Xi Organic Cheese Sticks

World's first organic cheese stick,  
51% cheese content  
No flavor, pigment, preservative added  
Triply certified organic by China, Denmark and EU



#### Milkground Organic Cheese Sticks

≥66% cheese content  
9.0g high quality milk protein per 100g cheese stick  
Native high calcium for easy absorption  
No added preservatives, flavors and colors



#### Mengniu Low-salt Butter

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



#### Milkground Double Protein Cheese Sticks

15% cheese content  
Contain plant and animal proteins  
Reduce 50% fat



#### Milkground Calcium-rich Cheese Sticks

Up to 7 times milk calcium  
51% cheese content  
Rich in vitamin A, vitamin D  
Add 5% real green grape jam  
Stored at room temperature



#### Milkground Cheese

30% cheese content  
3.0g protein per 100g of cheese  
Rich in vitamin A, vitamin D, dietary fiber

### Small Portion Products

Mengniu keeps on innovating products, strengthens the research and development of products in smaller packages. Mengniu has developed multi-category capacity products in smaller packages, such as pure milk, Future Star student milk, Shengmu organic children's milk, Yoyi C yogurt drink, Just Yogurt, cheese sticks, Ice+ 4-pack small popsicles and milk tablets, to provide more choices for consumers.



### Nutrition Education

Mengniu actively expanded professional and diversified nutrition and health education channels, promoted and supported the release of professional guidance documents on nutrition knowledge, and was committed to improving the nutrition and health knowledge of the entire population, advocating that consumers practice scientific diet and healthy lifestyles, and contributing to the enhancement of national nutritional literacy.

#### Digital Intelligence Platform on Nutrition and Health

Mengniu launched the world's first model in the nutrition and health field — MENGNIU.GPT, and empowered nutrition and health education and popularized scientific dietary knowledge with AI technology to help improve public nutrition and health knowledge. The model applies high-quality material provided by several nutrition and health authorities for training, and has already passed 21 nutrition and health exams around the world, including the registered dietitian exam.

Based on MENGNIU.GPT, Mengniu released the "WOW Health+" digital intelligence platform, which provides consumers with a series of nutrition and health knowledge, including nutritional plan development, exercise plan development, personalized nutritional advice, and nutritional meal preparation, through Mengniu's AI nutritionist, to help consumers understand healthier lifestyles, and promote consumers practice nutrition and health concepts.



### Others



#### Probiotic Powder Products

100 billion high-powered active probiotic per sachet  
Over 85% survival rate of stomach acid resistance



#### M-ACTION Protein Bar

30% protein per stick  
4 weights of high quality fast and slow protein matrix scientifically formulated

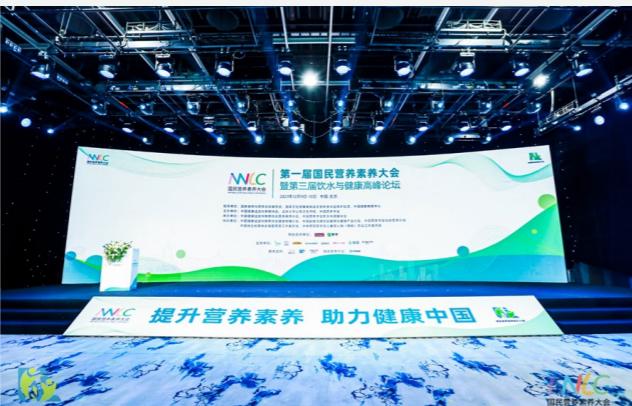


#### M-ACTION Liquid Protein PRO

Contain 25g of triple protein, 5g of branched chain amino acids, 14 vitamins and minerals per bottle  
Rich in lactogenic calcium, vitamin D and probiotics

### Release the Blue Book of Scientific Milk Drinking

During the “First National Nutrition Literacy Conference”, Mengniu and the Nutrition Literacy Branch of the China Association of Health Promotion and Education jointly released the *Blue Book of Scientific Milk Drinking*. On the basis of scientific research on the knowledge, skills and behaviors of Chinese residents in milk drinking, it provides professional guidance for the public to drink milk scientifically, eliminates the misconceptions of Chinese people in milk drinking, and helps to improve the nutrition literacy of the nation.



### Popularization Activities in “Balanced Diet and Exercise of Children”

Mengniu's brand, Future Star, cooperated with the Children Development and Research Center of China Youth Concern Committee to carry out the “2023 China Pre-school Education Quality Enhancement” project, focusing on the theme of “Balanced diet and exercise of children”, which provides scientific diet and exercise guidelines for Chinese children through a series of popularization activities. While inviting experts to popularize the professional theoretical knowledge of balanced diet and exercise, we applied songs, interactive sticker books and other more popular forms of science popularization, so as to let children value the concept of healthy life, and to cultivate the children's sense of autonomy of balanced diet and exercise with fun activities.



### Probiotics Science Popularization Activity

Probiotics help maintain the balance of intestinal flora and are crucial for improving intestinal health. We have continuously launched the "A Journey of Probiotics Discovery" project, through the recording of popular science videos and the organization of consumer interaction activities, to disseminate knowledge about Chinese probiotics strains to consumers, continuously enhancing their attention to Chinese probiotics and intestinal health.

### Sports Nutrition Class

Mengniu's M-ACTION has continually promoted special classes on sports nutrition knowledge by publishing popular science articles on its official accounts, conducting online and offline community activities, and launching live interactive courses with sports nutrition experts. In 2023, M-ACTION organized more than 10 “M-ACTION Sports Nutrition Class” offline community activities. Focusing on different groups of people, such as adults and adolescents, and different periods of time before, during and after exercise, M-ACTION popularized the knowledge of scientific exercise and nutritional supplementation, and helped consumers to establish a scientific concept of sports nutrition.



### Nutrition Education for Employees

We have organized a variety of nutrition and health empowerment activities for employees, aiming to raise the nutrition and health awareness of employees, and in turn, strengthen the education and promotion of nutrition and health to consumers.

- Carried out nutritional publicity activities around the theme of “rational diet”, popularizing the principle of a balanced and nutritious diet among our employees through nutrition and health lectures, nutritious food production and other forms of activities, to encourage our employees to practice the concept of nutrition and health.
- Cooperated with the Group's team of registered dietitians to launch a series of short videos. Through the education of product categories, explanations of nutrition and health products, and popularization of nutritional science, we enhanced the nutrition and health knowledge of our sales staff, and conveyed scientific nutrition and health concepts to consumers.

## Nutrition Research

Mengniu always place research & development (R&D) and innovation at the forefront of the Group's development strategy. We have continuously increased the investment in R&D to improve R&D competence. Mengniu has established 9 R&D institutions at home and abroad and has formed long-term and innovative partnerships with various renowned universities and research institutions in China to build up a R&D ecosystem of industry-academia-research collaboration and innovation through cooperative projects and joint platforms.

In 2023, Mengniu has successively established the Global R&D Innovation Center, SNDA Scientist Alliance and Global Expert Think Tank. Through gathering global R&D ability, insisting on and promoting nutrition research and technological innovation, we aim to provide consumers with nutritious, healthy and tasty products.



In 2023, Mengniu conducted extensive research on breast milk and infant nutrition, the middle-aged and the elderly nutrition, probiotics, sports and health, and other nutritional areas. Mengniu collaborated with external universities and research institutes to expand R&D achievements, strengthen technological innovation, and continually explore the industrialization of technological achievements.

### 2023 Mengniu Nutrition Research Projects and Achievements

- Research on Breast Milk and Infant Nutrition:** Mengniu took the lead in establishing an independent large-scale maternal and infant cohort study<sup>27</sup> in China, which has made significant scientific and technological advancements. In 2023, Mengniu released the *White Paper on Mengniu Breast Milk Study*, outlining its progress in China's breast milk study and future research directions.
- The Middle-Aged and the Elderly Nutrition Research:** Since 2016, Mengniu has collaborated with various domestic and international universities and research institutes to conduct extensive research on the composition of human milk oligosaccharides (HMOs)<sup>28</sup> with the aim of assisting the milk powder industry in achieving the localization of key fortification ingredients. In 2023, our self-developed HMOs received approval from the National Health Commission of the People's Republic of China, making Mengniu the only Chinese company to receive the first batch of approvals.
- Under the support of National Key R&D Program of the "14th Five-Year Plan":** Mengniu's Reborne brand, in cooperation with Jiangnan University and other institutions, has completed the "Key Technologies of the Enzymatic Synthesis of Structured Lipids MLCT and New OPO and Its Application in Infant Powder Formula". This achievement has passed the appraisal of the expert committee, which is helpful for the nutrient absorption and growth of infants, and has been recognized by academicians and experts from the Chinese Institute of Food Science and Technology.
- In cooperation with the School of Public Health of Tsinghua University:** we conducted a research project on the impact of the organic diet on infant health in early life.
- In cooperation with Sun Yat-sen University:** we published a white paper titled "The Health Status of the Middle-aged and the Elderly in China and Specialized Nutritional Solutions", which provides an accurate analysis of the nutrition and health issues faced by the middle-aged and the elderly.
- Mengniu's Milkground brand:** collaborated with the Chinese Nutrition Society on a project of the "Improvement of Muscle and Nutritional Effects of Cheese Intake of the Elderly with Pre-sarcopenia" to study the scientific validity of cheese as a dietary product for the elderly.

<sup>27</sup> Maternal and infant cohort research: Research on the effects of early life (Peri-Conception) exposures on pregnancy outcome and/or on filial generation in the short or long term (to adulthood).

<sup>28</sup> HMOs: It is the third largest solid component in breast milk behind lactose and fat, and plays an important role in promoting immune regulation, cognitive enhancement and intestinal stability of infants.



Probiotics  
Research

- In collaboration with COFCO Nutrition and Health Research Institute and other research institutes, we have completed the project of the "Key Technology Development and Application on Manufacturing of Dairy Product with Domestic Probiotics" and have successfully achieved self-development of domestic probiotics such as Lactobacillus paracasei PC-01, LC-37 and Bifidobacterium lactis MN-Gup, which have the functions of promoting digestion and regulating glucose and lipid metabolism. Additionally, we have optimized the production and processing technology of the products with self-developed probiotics, and its research results have been widely applied in Mengniu's Yoyi C yogurt drink series and other products.



Sports Nutrition  
Research

- Mengniu's M-Action brand and Research Institute of Public Health of Nankai University have established the Nankai University- M-Action Nutritional Research Joint Laboratory, which focuses on scientific research, technological innovation, product development, and brand iteration related to sports nutrition and health, to provide more innovative and professional sports nutritional solutions for populations participating in sports and fitness in China, so as to contribute to the construction of a "Leading Sports Nation" and a "Healthy China".
- Collaborated with the School of Medicine of Nankai University to conduct research projects on weight loss people, muscle-building people, immune cell efficacy, and other related areas in conjunction with our products.



Product  
Research

- Mengniu's independent R&D project of "Key Technological Innovation and Application of Low-temperature Processing of Fresh Milk" was evaluated by Zhongke Hechuang (Beijing) Scientific and Technological Achievement Evaluation Center, and the overall results of the project are in the leading position in China, while some of them are in the leading position around the world.
- Carried out the development and exploration of fresh milk products with intestinal comfort, and analyzed the differences in nutritional composition of different milk sources. Meanwhile, according to the classification of the population, we researched and developed fresh milk products that are more suitable for children and the elderly.
- Carried out a project of "R&D and Technological Innovation of Functional Processed Cheese", which aims to improve the effective utilization of calcium in our products by selecting calcium combinations with good potential for release in the human body through different formulation designs.



Mengniu is committed to producing "Life Nutrition Milk" to meet the future demand for dairy products and respond to nutrition and health market trends. With independent and collaborative innovative research, development and transformation, combined with precise nutritional technology, we strive to produce "Three Good Milk" with "Good Sources, Good Combinations and Good Personalized Choices" to maintain personalized health.



Good  
Sources

Based on the latest nutritional science knowledge, we will thoroughly research the quality nutrients of various milk sources, including cow's milk and goat's milk, and we are dedicated to applying innovative biotechnology to achieve the combination of quality nutrients from multiple sources. Currently, Mengniu has made significant progress in the innovative application of major nutrients such as carbohydrate, protein and fat.



Good  
Combinations

Mengniu's "Life Nutrition Milk" can be fortified with nutrients for different groups of people, including the elderly and children, as well as for special needs such as metabolic health and cardiovascular health. With milk as the carrier, a nutrient combination delivery system for specific functions will be realized. Mengniu's probiotics pool and functional probiotics screening platform can be utilized for the development and validation of core functional strains and products, the realization of specific pairing combinations of probiotics and functional raw materials, and the development of intestinal health detection technology.



Good  
Personalized  
Choices

In the future, Mengniu will integrate precise nutritional technology into the design of "Life Nutrition Milk". The customized "Life Nutrition Milk" will be produced through multi-dimensional and precise assessment of individual health status and nutritional needs, precise nutritional formulas generated by the personalized evaluation algorithm system, and automatic addition of efficacious ingredients.

## Honors

June 2023

November 2023

The 29th Annual Meeting of China Dairy Industry Association was held.

- Mengniu was awarded "Grand Prize of Technical Invention" for its "Research, Development and Application of Key Technology for Improving the Flavor and Texture of Sucrose-Free Fermented Chilled Dairy Products".
  - "Grand Prize of Technical Progress" for its "Demonstration Project of Key Technology Research and Industrialization on Emulsification Stabilization".
  - "First Prize of Technical Progress" for its "Research and Application Project of Key Technology and Related Devices of Commercially Sterile Room Temperature Cheese Stick".
  - "Second Prize of Technical Progress" for its "Research and Industrialization Application Project of Flavor Stability Control Technology of Long Shelf-life Yogurt".
  - "Second Prize of Technical Invention" for its "Research on Innovative Technology of Cereal Milk and Establishment and Industrialization of Comprehensive Quality Evaluation Model".
- The China National Food Industry Association (CNFIA) released the "2023 CNFIA Science and Technology Award".
- Mengniu was awarded the grand prizes for its "Integration and Application of Key Technologies for Processing and Quality Safety Control of Functional Fermented Dairy Products" and "Research on Taste Optimization, Nutrition Upgrading Technology of Fermented Dairy Products and Application Demonstration of Product Health Transformation".
  - The first prize for its "Demonstration Project for Research and Industrialization on Key Technology for Dynamic Quality Improvement of Long Shelf-life Yoghurt".
  - The second prize for its "Key Technology and Industrialization Application Project for the Stabilization of Long Shelf-life Minimalist Yoghurt".

## Intellectual Property Protection

Mengniu complied with the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China*, the *Copyright Law of the People's Republic of China* and other laws and regulations, formulated the *Intellectual Property Protection Management System*, the *Construction Outline of Intellectual Property Management*, the *Trademark Management System*, the *Patent Management System*, the *Copyright Management System* and other systems, and continuously improved the intellectual property management system.

Mengniu has established a strategic, prospective and effective management mechanism of intellectual property:



### Navigation Mechanism

The intellectual property creation mechanism, oriented to high-value brand innovation and supported by digitalized technology platform, to help cultivate intellectual property with higher quality and higher value.



### Escort Mechanism

The intellectual property protection mechanism, with comprehensive protection and dynamic early warning, to prevent and control intellectual property risks in a timely manner.



### Voyage Mechanism

Considering the development and expansion of overseas markets, we have analyzed the legal environment, deployed intellectual property in key countries, and established intellectual property protection mechanism of overseas markets, to ensure the compliance of intellectual property management in overseas markets.



### Pilot Mechanism

The intellectual property management mechanism, in which the intellectual property management department collaborates with the business departments, to guide the business departments to establish multiple types of intellectual property portfolios.

Mengniu carries out the hierarchical and classified management of intellectual property, and continuously improves the intellectual property information system, to enhance the management of intellectual property. We use professional patent databases and organize empowerment trainings, to improve the efficiency and accuracy of technical personnel in patent search and technical novelty search. In order to ensure the steady progress of patent protection, the Group has increased the budget for intellectual property, recruited professional talents, and embedded patent management in the project development process, to enhance the protection of innovative achievements and the quality of patent applications.

The Group respects the intellectual property of others while actively carrying out intellectual property protection. We integrate intellectual property protection throughout the entire product development process, conducting intellectual property searches and infringement risk analysis at each key stages such as project establishment, development and launching, protecting the innovations of others. By the end of 2023, Mengniu has not been involved in any patent infringement cases.

In order to enhance employees' awareness of intellectual property protection, Mengniu has popularized legal knowledge related to intellectual property among employees, and has clarified the Group's intellectual property management requirements through employee intellectual property trainings, and activities on intellectual property day. Additionally, Mengniu actively participates in international industry conferences on intellectual property to exchange management and layout strategies of intellectual property.

By the end of 2023, the Group has held a total of 1,820 valid patents. In 2023, 390 patents were newly applied and 289 patents were newly granted.

By the end of 2023  
valid patents

**1,820**

In 2023  
newly applied patents

**390**

newly granted patents

**289**

## Honors



In 2023, Mengniu's patent team was awarded the "Global IP Expert" in the "IAM Strategy 300: The World's Leading IP Strategists 2023" by World Trademark Review (WTR), a world-renowned IP media, for the internationally leading IP management strategies and thinking. Mengniu was the only Chinese company to receive the honor this year.



The head of Mengniu's patent department was awarded the "Inner Mongolia Autonomous Region's First Patent Gold Award" for its invention patents related to Yogi C and Just Yoghurt. Mengniu is the first dairy company in China to receive the China Invention Patent Silver Award which is the highest level of patent award received within the industry.



In 2023, Mengniu won the "24th China Invention Patent Silver Award" and the "Inner Mongolia Autonomous Region's First Patent Gold Award" for its invention patents related to Yogi C and Just Yoghurt. Mengniu is the first dairy company in China to receive the China Invention Patent Silver Award which is the highest level of patent award received within the industry.

## Excellent Quality

Mengniu adheres to the concept of "Quality is the Greatest Decency", continuously build the Group's quality culture, and improves the quality assurance of the entire lifecycle of its products. We continuously improve 4Q quality management system<sup>29</sup>, fully implement quality assurance related work, comply with scientific and strict quality management standards and devote to providing consumers with "perfect products" of excellent quality.

## Quality Management and Control

Mengniu strictly abides by the *Food Safety Law of the People's Republic of China*, the *Product Quality Law of the People's Republic of China* and other relevant laws and regulations. We have set up a series of systems and management methods, including the *Mengniu General Rules for Quality Management*, the *Mengniu Process Quality Control Management System*, the *Mengniu Quality and Food Safety Risk Management System*, the *Mengniu Quality Management System of Product Storage and Transportation* and the *Mengniu Sales Quality Management System*, covering the whole process of quality management. In 2023, Mengniu revised 19 quality management mechanisms to strengthen management requirements of quality documents, procured materials quality, quality and food safety audit, as well as professional and technical personnel cultivation, continuously improving quality management and control.

Mengniu conducts effectiveness review of quality management to objectively evaluate the quality management level of the Group. Through the establishment of the quality evaluation model, we conducts on-site evaluation of the quality management effectiveness of each business unit, based on the process quality management capabilities and results achieved, to help improve the quality management of the business unit, and to improve the awareness of the quality management of all the employees. For the quality management and control of our overseas business units, we revised the *2023 Food Safety Review Rules for Overseas Factories* in light of the requirements of local laws and regulations as well as the product characteristics of our overseas factories, and carried out food safety reviews of our overseas factories in order to strengthen the food safety control of our overseas business.

In addition, Mengniu has established a risk management system of product quality safety. We carry out risk management for quality and food safety events caused by emergencies, natural disasters and other factors during the entire lifecycle of the products, so as to avoid possible quality safety risks of products in advance.

<sup>29</sup> 4Q Quality Management System: Quality planning, quality control, quality assurance, and quality support.



## Product Life-Cycle Quality Assurance

Mengniu continuously improves the construction of quality management system, controls the product design, product raw materials, product manufacture and transportation, product quality inspection and product recall, to manage and supervise the product life-cycle quality.

### • Product Design Stage

Adhering to the quality management concept of "all risks are eliminated before they are exposed, and all competitions begin at the time of design", we issued the *Mengniu New Product Quality Design Management System* to build a new product quality management system covering risk management, quality management, claim management, process technology management. In 2023, Mengniu continuously improved management system, strengthened the undertaking and implementation of new product quality design management requirements at the Group, business units and factories, to avoid quality risks at the product design stage and deepening quality control.

### • Product Raw Material Quality Control Stage

Mengniu established a risk assessment mechanism of cross-departmental raw material expert group to strictly control the quality of raw material. By reviewing international, domestic regulations and risk studies, quality indicators, and setting early warning lines for indicators, we identify and evaluate food safety risks along the entire chain of raw materials from suppliers to factories. In addition, we raise the access threshold for raw material suppliers and enhance daily monitoring. In 2023, we completed Mengniu's internal risk management plan of raw material, guided our raw material suppliers to carry out risk assessment, grading the risk management in each stages and comprehensively upgrading Mengniu's risk management and control capabilities of raw material. The Group's major suppliers have obtained quality management system certifications such as ISO 9001, ISO 22000, FSSC 22000, HACCP, BRCGS, IFS, etc., of which nearly 100% of the suppliers of raw materials and food-contact auxiliary materials have obtained dual system certifications.

### • Product Manufacture and Transportation Stage

Mengniu has implemented "intelligent quality", applying digital and intelligent management to breeding, processing, logistics and other stages to improve the process quality management "from pastures to table" and enhance management efficiency. By building the information platform for the whole chain and strengthening quality data management, the company realizes intelligent management at the manufacture and transportation stage.

### • Product Quality Inspection Stage

We have set up an inspection department with the ability in line with national food safety testing standards. We conduct regular reviews of product quality through prospective testing techniques for predicting quality risks, testing techniques for nutrition and health indicators, and testing techniques in the sensory field that are perceived by the consumer. The Group builds a quality control system of test results, including the process quality control of laboratory, inter-laboratory evaluation of results and industry risk prevention, to ensure the accurate detection of quality control testing programs throughout the whole industry chain. At present, Mengniu has a total of 39 laboratories and one intelligent quality center, of which 24 laboratories have obtained CNAS<sup>30</sup> certification and 24 laboratories have certified by ISO/IEC 17025:2018 *General Requirements for the Competence of Testing and Calibration Laboratories*, and have the test ability of 1,561 items, covering 100% testing contents for the dairy, and 99% testing contents for the whole industry chain.

### • Product Trace and Recall

To effectively protect consumers' health and safety, Mengniu has formulated the *Mengniu Product Traceability Management System*, the *Product Recall Management System* and other documents. The traceability information covers 8 processes and 16 steps of the whole industrial chain, achieving 100% coverage of key information of products, including supplier information of raw and auxiliary materials, material batches and product batches. In 2023, we strengthened the construction of the one-click traceability system, continuously improved the traceability management mechanism and optimized the traceability information tools. The Group uses SAP and other information technology systems as the basis to correlate product traceability information from the source of raw and auxiliary materials to the first-tier distributors. By searching product batches and other information, it can realize online traceability of raw milk, raw materials and auxiliary materials, product manufacture and transportation stage. Currently, 100% of Mengniu's products can be traced back to the origin of raw milk, raw materials and auxiliary materials.

Mengniu will immediately stop selling and initiate recalls of relevant unsafe products when we are aware of product safety risks. According to the degree of harm and urgency of the unsafe products, we divide the recalls into three levels, clearly specifying the recall process, response time and subsequent analysis and improvement procedures. Level 1 recalls shall be initiated within 24 hours, with a written report formed daily and completed within 10 working days; level 2 recalls shall be initiated within 48 hours, with a written report formed at least every 5 working days and completed within 20 working days; level 3 recalls shall be initiated within 72 hours, with a written report formed at least every 10 working days and completed within 30 working days. In case of unexpected situations that may lead to the escalation of the recall during the level 2 and 3 recalls, the responsible department head must immediately report to the business units' food safety management team to carry out the relevant recall management work. In 2023, no product recall happened in Mengniu.



**100%**

of Mengniu's products can be traced back to the origin of raw milk, raw materials and auxiliary materials



In 2023

**0** product recall

<sup>30</sup> CNAS: China National Accreditation Service for Conformity Assessment.

## Quality and Food Safety Certification

Mengniu continuously promote management system certification, product and service certification related to quality and food safety. We share experience from domestic and international quality management audits by establishing an information exchange platform with certification bodies, to ensure product quality and safety.

- System certification: In 2023, the Company carried out seven major system certifications including ISO 9001, GMP, HACCP, FSSC 22000, BRCGS, IFS and SQF, covering **63** factories, with a **100%** certification pass rate. Among which:
  - **100%** ISO 9001 certification rate for factories.
  - **100%** HACCP certification rate for dairy factories and **100%** HACCP certification rate for Mengniu's factories.
  - **100%** BRCGS and IFS system certifications rate for **5** fresh milk factories.
  - **100%** SQF certification rate for **3** milk formula factories.
- The product certification of EU standards: Continuously conducted and maintained the validity of certificates, upgraded and complemented the certification of **114** raw material indexes and **37** product indexes, covering nine categories of sterilized milk, formulated milk, fermented milk, pasteurized milk, dairy/flavored beverages, chilled drinks, processed cheese, infant milk formula and dried milk.
- Student milk certification: Continuously conducted and maintained the approval for the use of the student milk label, covering the three categories of sterilized milk, formulated milk and fermented milk.
- Organic product certification: Continuously certified and maintained valid organic certificates for a total of **21** products, including Milk Deluxe, pure milk, skimmed milk, fresh milk, children's milk, cheese, milk formula and other products.
- A2 product certification<sup>31</sup>: Shiny Meadow A2 products and Xiaoxianyu A2 products received the first A2 dairy processing and fresh milk production certification in China.
- Product after-sales service certification: For the after-sales service of student milk, carried out and maintained the certification of *Commodity After-sales Service Evaluation System* (GB/T 27922-2011).

## Quality and Food Safety Culture

Mengniu adheres to the quality vision of "focusing on consumers, creating perfect products with craftsmanship, and becoming a quality benchmark in the global dairy industry", and has set "Trust, Outstanding, and Preferred" as the Group's quality management guideline. We have formulated and continuously improved the "1332" quality culture strategy and comprehensively carried out quality and food safety culture construction activities, aiming at strengthening the quality culture atmosphere of the Group and enhancing the food safety awareness of our employees.

We actively carry out quality culture maturity assessment. In 2023, we continuously optimized our quality culture self-assessment rules, systematically conducted internal quality culture assessments, and continued to refine the Group's quality culture based on the assessment results.

### Mengniu "1332" Quality Culture Strategy

**1 Major Goal**

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

**3 Major Measures**

- Strengthen quality awareness through education and training and communication and publicity.
- Solidify quality behavior by establishing quality culture management methods and tools and setting up quality culture theme activities.
- Carry out quality culture maturity assessment and continuous improvement to deepen the quality culture system.

**3 Major Guarantees**

- Ensure that the core concept and construction orientation of quality culture are in line with business practice.
- Establish a cross-departmental quality culture working group to ensure the efficient implementation of quality culture work.
- Establish an incentive mechanism for quality culture work.

**2 Major Foundations**

- Systematic corporate culture.
- 4Q quality management system with continuous iteration and efficient operation.

In 2023, under the guidance of our quality culture strategy, we carried out a series of "World Quality" activities in the areas of product quality and food safety culture, fully practicing the Group's quality values.

### "World Quality of Responsibility" Activity

In 2023, Mengniu launched the "Safety and Quality Certificate of Responsibility" activity, in which the Group's senior management team and business units signed a certificate of responsibility, reflecting Mengniu's determination to implement the quality responsibility.

<sup>31</sup> A2 Product Certification: A2β-Casein dairy production, processing, etc are certified by a third-party certification body for dairy producers.

### "World Quality for Consumers" Activity

With the theme of "World Quality for Consumers", Mengniu launched a series of "315 Consumer Day" activities. By conducting interactive activities through offline and online channels, we show consumers Mengniu's "world quality" management throughout the entire industrial chain. During the first "Factory Manager Reception Day" activity, Mengniu organized more than 30 factories nationwide opened to consumers, attracting more than 1,000 consumers to visit the entire manufacturing process of Mengniu's products and feel the world quality of Mengniu. During the "2nd World Quality Short Video Competition" activity, Mengniu showed the exploration and efforts on world quality to consumers, with more than 1.1 million times of views and more than 900,000 times of forwarding.



### "World Quality of Innovation" Activity

Mengniu held the "World Quality Innovation" quality innovation evaluation activity to select quality management innovation projects and quality technology innovation projects through document review and comprehensive evaluation of internal and external experts, aiming to stimulate the Group's quality management and technological innovation, and to form a strong atmosphere of quality culture.



### "World Quality of Construction" Activity

Mengniu implemented quality self-inspection requirements to each business unit with the working mechanism of "daily control, weekly inspection and monthly dispatching". The Group stimulated the practice of "World Quality of Construction" responsibility implementation, with 1,481 times of quality inspection, and reviewed the rectifications, ensuring that food safety issues were comprehensively inspected while safeguarding the implementation of quality responsibilities.

### "World Quality of Craftsmanship" Activity

Mengniu practices the quality value of "promoting the spirit of craftsmanship". We selected and recognized outstanding quality management individuals and teams, aiming to build the Group's "Quality Model", motivate all employees to learn and create a good quality culture.



## Quality and Food Safety Standards

Mengniu actively participates in the preparation and revision of national and industry standards related to product quality and food safety, continuously promoting the industry to further implement the "Product Quality Strategy", "Standardization Strategy" and "Healthy China Strategy".

In 2023, Mengniu participated in drafting a total of 35 national and industry standards, including:



The Sensory Analysis-Guidance on Substation for Sensory and Consumer Product Claims, the Quality Requirement for Milk Beverage, the Technical Specification for Quality Control and Management of Food Production, etc.



The Microbial food cultures preparations (QB/T 4575-2023), the Milk Fat Spheres Milk (Whey) Protein Powder (QB/T 5805-2023), the Processing Standard for Sterilized Milk, the Processing Practice for Modified Milk, the Quality of Oat Hay for Feeding, the Smart Manufacturing- Dairy Industry Applications- Dairy Dosing Mistake-proof System Design Guidelines, the Membrane Filtration Milk (Membrane Separation Milk),etc.

In 2023, 5 standards drafted with the participation of Mengniu were published, including:



The Milk Fat Spheres Milk (Whey) Protein Powder (QB/T 5805-2023), the Determination of Purines in Agricultural Products and Derived Products-high Performance Liquid Chromatography (NY/T 4355-2023), the Determination of Betaine in Foods of Plant Origin by High Performance Liquid Chromatography (NY/T 4356-2023), the Determination of Chlorophyll in Foods of Plant Origin by High Performance Liquid Chromatography (NY/T 4357-2023), the Determination of Resistant Starch in Foods of Plant Origin by Spectrophotometry Method (NY/T 4358-2023).

## Quality Empowerment Training

In order to solidify the Group's quality management achievements and continuously ensure product quality, Mengniu builds a training system for professionals and regularly conducts trainings related to quality safety.

In 2023, Mengniu Huxiuqi Learning Center carried out three-level empowerment trainings for the Group, business units and factories, launching 2,383 courses covering 12 professional categories under the three themes of safety, quality and technology, with 100% coverage of safety, quality and technology-related personnel. For the key quality safety personnel, the Group conducted 27 empowerment trainings of "5+N", including 9 trainings of "Five 100", covering more than 500 managers of factory legal person, quality, safety and environment, technology and energy; 18 trainings of "N topics" covering more than 300 core business personnel of data, systems, regulations, intelligent manufacturing, comprehensively empowering quality management and building a talent team of safety, quality and technology.

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



## Honors

- June 2023 Mengniu's Research and Establishment of Quality Digital Intelligence System in the Smart Manufacturing Chain of Milk and Dairy Products won the "First Prize for Technological Progress" awarded by the China Dairy Industry Association.
- August 2023 Mengniu has been selected as one of the first batch of national demonstration bases of high-quality agricultural development standardization established by the Ministry of Agriculture and Rural Affairs.
- October 2023 In the "2023 National Light Industry Quality Management Innovation and Improvement Activity" organized by the China National Light Industry Council and the China Federation of Trade Unions for Finance, Trade, Light Textiles, and Tobacco, Mengniu's fresh milk quality management team was selected as the "2023 National Light Industry Excellent Quality Management Team". Additionally, Mengniu's inspection team and quality management team were both awarded the title of "2023 National Light Industry Reliable Quality Team".
- October 2023 The Mengniu Frozen Beverage Ultra-Clean Filling Line Development and Innovation Project, Development and Application of Intelligent Sensory Detection System for Straws, and Rheometer Viscosity Testing Method Development Project have been awarded the Jin Ge Innovation Project by the National Technological Innovation Base (Dairy Industry).
- November 2023 Mengniu's Research and Large-scale Application of Digital and Intelligent Quality Control Technologies Based on Raw Milk Food Safety was awarded the "2023 China Quality Association Quality Technology Second Prize".

## Good Services

Mengniu adheres to the core value of "consumers are at the heart of all our decisions", implements responsible marketing practice, standardizes the nutrition and health attributes claims of products. Meanwhile, Mengniu actively protects the legal rights and interests of consumers, opens up consumer communication channels, reinforces the protection of consumer information security, committing to providing better services and bringing better service experience to consumers.

## Responsible Marketing

Mengniu strictly abides by the *Advertisement Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Food Safety Law of the People's Republic of China*, *Administrative Provisions on Food Labelling* and other laws and regulations. We have established management systems such as the *Advertising Slogans and Trademarks Review and Filing System*, the *Advertising and Publicity Review and Management System*, the *Product Claims Management System*, the *Mengniu Group Responsible Marketing Business Principles* and the *Business Promotion Management Regulations* to regulate advertising and marketing behaviors. Based on the *International Code of Marketing of Breast-milk Substitutes* of the World Health Organization, we have issued the *Mengniu Responsible Marketing Policy of Breast-Milk Substitutes*, which applies to Mengniu and partners involved in the marketing, distribution and sales of breast-milk substitutes, and promises that all advertising and marketing materials for Mengniu products will not undermine breast-feeding practices.

Mengniu clarifies the review process of advertising and marketing materials. We require audit specialists of each business unit to review and confirm that the materials are proper to use, to ensure the authenticity and compliance of advertising and marketing content. In terms of product packaging, we conduct compliance audits for product labels through our product lifecycle management system, to audit and uniformly manage nutrition and health information in product labels.

We actively promote nutrition and health claims of our products and explore clean labelling of products, to provide consumers with easily identifiable and understandable nutrition and health information of our products.

- We follow the *Standard for nutrition labelling of pre-packaged foods* (GB7718-2011) and the *General Rules for the Nutrition Labelling of Pre-packaged Foods* (GB28050-2011), etc. All of our products' nutrition labeling use standardized tables to indicate the energy, content values of core nutrients and other nutrients, as well as the nutrient reference values (NRV<sup>32</sup>), so as to ensure that the nutrition and health information on product packaging is displayed in a compliant manner, and to guide consumers to make scientific dietary choices. For sports nutrition food, we follow the *General Rules for the Labeling of Pre-packaged Food for Special Dietary Uses* (GB13432-2013), and the *National Food Safety Standard - General Rules for Sports Nutrition Foods* (GB24154-2015) and other related standards. Based on professional research on sports diets and nutrition, we label the consumption method of products and the daily or per-meal serving amount, to provide consumers with consumption guidance of products.

- In terms of front-of-pack (FOP) labelling, we follow the requirements of relevant laws and regulations in our operation regions, and reasonably use FOP labelling on pre-packaged food to simplify the display of nutrient content or nutritional quality of products, helping consumers to identify and select nutrition and health products quickly. Meanwhile, Mengniu actively participates in the preparation for national standards for FOP labelling of pre-packaged food. In 2023, the *Guidelines for Iconic Nutrition Labeling for Pre-packaged Food*, of which Mengniu was the main drafting unit, received the approval of the Standardization Administration.

- We actively explore the implementation of clean labeling of products and are committed to providing consumers with more natural, concise and easily understandable ingredient lists to meet the demand for transparency and authenticity of nutrition and health information of products.

<sup>32</sup> NRV: Nutrient Reference Values, representing the percentage of nutrients to daily demand in 100 grams/100 milliliters/per serving of food.

In 2023, we continuously strengthened the promotion of responsible marketing by conducting specialized trainings covering responsible marketing, advertising and intellectual property protection, such as trademark design and review, interpretation of trademark law, product packaging review and Olympic sports marketing. A total of 7 trainings were held with approximately 2,000 participants, covering 100% of intellectual property and marketing related personnel.

## Consumer Services

Mengniu continuously pays attention to the protection of consumers' rights and interests, while provide consumers with high-quality products, to continuously improve the service quality. We strictly comply with the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* and have established the *Mengniu Terminal Market Feedback Management System* to regulate the acceptance and feedback of consumer complaints and effectively protect the legitimate rights and interests of consumers.

The Group continuously broadens consumer communication channels by setting up various communication methods such as consumer hotline, Weibo, WeChat and email. We have set up an independent department to receive consumer complaints. All complaints are forwarded timely to the person responsible for handling the complaints, and feedback of consumer complaints will be provided within the stipulated time. For complaints that have not yet been closed, we will continue to follow up until the complaint is closed. For complaints that have been closed, we carry out spot checks and return visits. By the end of 2023, the consumer satisfaction rate of complaint handling reached 94%. Meanwhile, we analyze the complaint information in depth to continuously improve our products and services.

Mengniu conducts dealer satisfaction research and consumer satisfaction research and accesses consumers' feelings, suggestions and specific needs on products through online questionnaires and product reviews on e-commerce platforms and other channels, forms improvement and enhancement plan to continuously improve consumer satisfaction.

In 2023, the Group received 33,660 complaints, including 21,952 product quality-related complaints, 9,938 service-related complaints and 1,770 other types of complaints, with a 100% complaint resolution rate.

## Information Protection

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

In 2023, we had no major data breach, no major information security incident, and no consumer privacy and data security-related complaint.

## Management System

We formulated the *Personal Information Protection Compliance Management Regulations*, the *APP/Mini Program Personal Information Protection Compliance Operation Guidelines*, the *Data Security Management Regulations* and other systems and management methods, which serve as guidelines for the Group's code of conduct on information confidentiality to strengthen the standardized management of full lifecycle of the group's data of all area. In order to enhance work efficiency and promote the standardization and process development of data compliance work, we formulated 15 practical tools such as the *Mengniu Group Data Processing Agreement* and 10 practical guidelines such as the *Mengniu Group Personal Information Protection Impact Assessment Guidelines*. In 2023, the Group formulated the *Information Security Management System* based on the *Information Security, Cybersecurity and Privacy Protection-Information Security Management System Requirements* (ISO/IEC 27001:2022), the *Information Security, Cybersecurity and Privacy Protection-Information Security Controls* (ISO/IEC 27002:2022) and the Network Security Level Protection System 2.0 standard, the system set up 93 control items, covering 4 themes and 15 security operation capability domains. Meanwhile, we set up an internal audit team to carry out audits on the system effectiveness of each department, in accordance with the requirements of the *Information Security Management System*.



## Data Compliance

In accordance with the network security organization responsibility system, Mengniu established a network security working group, specified network security work responsibility departments and clarified the responsibilities of each department. Mengniu's CDO (Chief Digital Officer) is responsible for overseeing the cyber security strategy of the Group. Mengniu strengthens consumer privacy and information security protection through authentication, authorization, auditing, data encryption and desensitization, etc. In terms of Mengniu's Apps and mini program for consumers, we conduct compliance checks on personal information protection and support the business in conducting regular risk self-inspection by developing self-inspection forms for risk items. For projects involving consumers' personal information, we have established a prior review mechanism for personal information protection assessment to identify potential data security risks in the projects. Meanwhile, we focused on key management requirements for data compliance before the conduction of projects, embedding compliance review points into the contract review management mechanism to strengthen personal information protection.

## System Construction

In order to enhance the Group's emergency handling capability for information leakage incidents, Mengniu has established an emergency management system and set up an emergency monitoring group, an emergency analysis group, an emergency handling group, an emergency liaison group and an external collaboration group under the emergency command group to strengthen the management of security incidents reporting. They work closely with each other to handle relevant emergency incidents, promptly learn and evaluate the situation of important business systems, and try to prevent leakage incidents from occurring and reduce security risks. Meanwhile, Mengniu is committed to building a systematic, practical and regular network security comprehensive protection system. As of 2023, Mengniu has participated in national-level cybersecurity attack and defense drills for four consecutive years, reaching the goal of no defeat in the drills.

## Awareness Improvement

We clarify the process for employees to report information security incidents. Upon discovering a suspected information security incident in the work, employees should immediately report it to the network security working group for assistance through face-to-face reporting, email reporting, instant messaging reporting or telephone reporting. We incorporate the *code of conduct* related to information security and privacy protection into the *Employee Handbook* and classify the types of disciplinary actions according to the severity of the violation, including warning, demerit, demotion, dismissal, and termination of contract.

Mengniu attaches importance to the improvement of employees' awareness of information protection. In 2023, we carried out information security thematic training for all employees by releasing a series of video lessons on Worth-It platform to disseminate security knowledge on email security, password security, network security protection, personal information protection, etc., with the coverage rate of employees' learning and training assessment reaching 100%.

## Honors

- May 2023 Mengniu's Compliance Management Department of Legal Affairs Department was honoured with the "Highly-commended-Data Protection & Privacy" of In-House Counsel Awards from China Business Law Journal, a leading legal journal.
- June 2023 Mengniu received ISO 37301:2021/GBT 35770-2017 compliance management system certification from the China Quality Certification Centre (CQC) and SGS Standards Technical Services Limited (SGS) respectively, with data compliance included as an important compliance module.

# Content Index of HKEX ESG Reporting Guide

Mandatory Disclosure Requirements		Pages
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritize and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	P7-8
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report: Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	P2
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	
"Comply or explain" Provisions		
Subject Areas	Aspects	Pages
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	A4 Climate Change General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	P57-60 P57-68
B1 Employment	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 compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region. B1.2 Employee turnover rate by gender, age group and geographical region.	P31-36 P41-42 P41-42
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	B3 Development and Training General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. <i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</i> B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management). B3.2 The average training hours completed per employee by gender and employee category.	P32-33 P42 P42
	B4 Labor Standards General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor. B4.1 Description of measures to review employment practices to avoid child and forced labor. B4.2 Description of steps taken to eliminate such practices when discovered.	P31 P31 P31
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	B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	P85-101
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	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P122
	B6.2 Number of products and service related complaints received and how they are dealt with.	P129
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	P119-120
	B6.4 Description of quality assurance process and recall procedures.	P120-122
	B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	P129-130
	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.	P25-26
	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.	P26
	B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	P26-27
	B7.3 Description of anti-corruption training provided to directors and staff.	P27-28
B8 Community Investment	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.	P43, P48
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	P43-54
	B8.2 Resources contributed (e.g. money or time) to the focus area.	P43-54

## Content Index of Global Reporting Initiative (GRI) Standards

Statement of use: China Mengniu Dairy Company Limited has reported with reference to the GRI Standards for the period from 1 January 2023 to 31 December 2023.

### GRI 1: Foundation 2021

GRI Standard	Disclosure	Pages
1. The organization and its reporting practices	1-1 Organizational details 1-2 Entities included in the organization's sustainability reporting 1-3 Reporting period, frequency and contact point	P9 P2 P2
2. Activities and workers	2-6 Activities, value chain and other business relationships 2-7 Employees 2-9 Governance structure and composition 2-10 Nomination and selection of the highest governance body 2-11 Chair of the highest governance body 2-12 Role of the highest governance body in overseeing the management of impacts 2-13 Delegation of responsibility for managing impacts 2-14 Role of the highest governance body in sustainability reporting 2-15 Conflicts of interest 2-16 Communication of critical concerns 2-17 Collective knowledge of the highest governance body 2-22 Statement on sustainable development strategy	P9 P31-40 P17-18 P17 P17 P7-8, P23 P7-8 P20-21 P17, P20 P7-8 P11-12 P37, P85, P128
3. Governance	2-18 Policy commitments 2-25 Processes to remediate negative impacts 2-27 Compliance with laws and regulations	P29, P33 P140-142
4. Strategy, policies and practices	2-23 Approach to stakeholder engagement 2-30 Collective bargaining agreements	P20-21 P37

GRI Standard	Disclosure	Pages
3-1	Process to determine material topics	P22
3-2	List of material topics	P22
3-3	Management of material topics	Please Refer to the Table Below

GRI Standard	Disclosure	Pages
<b>GRI 201: Economic Performance</b>		
GRI 3: Management approach disclosure	Management approach on economic performance	P9
Topic-specific disclosures	201-1 Direct economic value generated and distributed	P9
	201-2 Financial implications and other risks and opportunities due to climate change	P57-68
<b>GRI 203: Indirect Economic Impacts</b>		
GRI 3: Management approach disclosure	Management approach on indirect economic impacts	P43-54
Topic-specific disclosures	203-1 Infrastructure investments and services supported	P43-54
<b>GRI 204: Procurement Practices</b>		
GRI 3: Management approach disclosure	Management approach on procurement practices	P85-101
<b>GRI 205: Anti-corruption</b>		
GRI 3: Management approach disclosure	Management approach on anti-corruption	P25-28, P92
Topic-specific disclosures	205-2 Communication and training about anti-corruption policies and procedures	P27-30
	205-3 Confirmed incidents of corruption and actions taken	P26
<b>GRI 301: Materials</b>		
GRI 3: Management approach disclosure	Management approach on materials	P75-80
Topic-specific disclosures	301-1 Materials used by weight or volume	P139
	301-3 Recycled input materials used	P78-82
<b>GRI 302: Energy</b>		
GRI 3: Management approach disclosure	Management approach on energy	P57-68
Topic-specific disclosures	302-1 Energy consumption within the organization	P139
	302-3 Energy consumption outside of the organization	P60
	302-4 Reduction of energy consumption	P60-68
<b>GRI 303: Water and Effluents</b>		
GRI 3: Management approach disclosure	303-1 Interactions with water as a shared resource	P71-74
Topic-specific disclosures	303-2 Management of water discharge-related impacts	P73-75
	303-5 Water withdrawal	P71-74, P139
<b>GRI 304: Biodiversity</b>		
GRI 3: Management approach disclosure	Management approach on biodiversity	P99-104
Topic-specific disclosures	304-2 Significant impacts of activities, products and services on biodiversity	P100-101
<b>GRI 305: Emissions</b>		
GRI 3: Management approach disclosure	Management approach on emissions	P57-68

GRI Standard	Disclosure	Pages
Topic-specific disclosures	305-1 Direct (Scope 1) GHG emissions	P58, P138
	305-2 Energy indirect (Scope 2) GHG emissions	P58, P138
	305-4 GHG emissions intensity	P58, P138
	305-5 Reduction of GHG emissions	P60-68
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	P138
<b>GRI 306: Waste</b>		
GRI 3: Management approach disclosure	306-1 Waste generation and significant waste-related impacts	P75-77
Topic-specific disclosures	306-2 Management of significant waste related impacts	P75-77
	306-3 Waste generated	P139
<b>GRI 307: Environmental Compliance</b>		
GRI 3: Management approach disclosure	Management approach on environmental compliance	P69-70
<b>GRI 308: Supplier Environmental Assessment</b>		
GRI 3: Management approach disclosure	Management approach on supplier environmental assessment	P86-90
Topic-specific disclosures	308-1 New suppliers that were screened using environmental criteria	P86-90
	308-2 Negative environmental impacts in the supply chain and actions taken	P86-90
<b>GRI 401: Employment</b>		
GRI 3: Management approach disclosure	Management approach on employment	P31
Topic-specific disclosures	401-1 New employee hires and employee turnover	P41-42
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	P35-36
<b>GRI 403: Occupational Health and Safety</b>		
GRI 3: Management approach disclosure	403-1 Occupational health and safety management system	P37-40
	403-2 Hazard identification, risk assessment, and incident investigation	P37-40
	403-5 Worker training on occupational health and safety	P39-40
	403-6 Promotion of worker health	P37-40
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	P37-40
	403-8 Workers covered by an occupational health and safety management system	P37-40
	403-9 Work-related injuries	P42
<b>GRI 404: Training and Education</b>		
GRI 3: Management approach disclosure	Management approach on training and education	P32-33

GRI Standard	Disclosure	Pages
Topic-specific disclosures	404-1 Average hours of training per year per employee	P42
	404-2 Programs for upgrading employee skills and transition assistance programs	P32-33, P36
	404-3 Percentage of employees receiving regular performance and career development reviews	P34
<b>GRI 405: Diversity and Equal Opportunity</b>		
GRI 3: Management approach disclosure	Management approach on diversity and equal opportunity	P31
Topic-specific disclosures	405-1 Diversity of governance bodies and employees	P17, P31
<b>GRI 406: Non-discrimination</b>		
GRI 3: Management approach disclosure	Management approach on non-discrimination	P31
Topic-specific disclosures	406-1 Incidents of discrimination and corrective actions taken	P31
<b>GRI 407: Freedom of Association and Collective Bargaining</b>		
GRI 3: Management approach disclosure	Management approach on freedom of association and collective bargaining	P37
<b>GRI 408: Child Labor</b>		
GRI 3: Management approach disclosure	Management approach on child labor	P31
<b>GRI 409: Forced or Compulsory Labor</b>		
GRI 3: Management approach disclosure	Management approach on forced or compulsory labor	P31
<b>GRI 412: Human Rights Assessment</b>		
GRI 3: Management approach disclosure	Management approach on human rights assessment	P31
Topic-specific disclosures	412-2 Employee training on human rights policies or procedures	P31
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	P31, P86-88
	<b>GRI 413: Local Communities</b>	
GRI 3: Management approach disclosure	Management approach on local communities	P43-54
Topic-specific disclosures	413-1 Operations with local community engagement, impact assessments, and development programs	P43-54
<b>GRI 414: Supplier Social Assessment</b>		
GRI 3: Management approach disclosure	Management approach on supplier social assessment	P86-90
Topic-specific disclosures	414-1 New suppliers that were screened using social criteria	P86-90
<b>GRI 416: Customer Health and Safety</b>		
GRI 3: Management approach disclosure	Management approach on customer health and safety	P107-118, P120-127
Topic-specific disclosures	416-1 Assessment of the health and safety impacts of product and service categories	P107, P120-122
<b>GRI 417: Marketing and Labeling</b>		
GRI 3: Management approach disclosure	Management approach on marketing and labeling	P128-129
Topic-specific disclosures	417-1 Requirements for product and service information and labeling	P128
<b>GRI 418: Customer Privacy</b>		
GRI 3: Management approach disclosure	Management approach on customer privacy	P129-130

## Mengniu Key Sustainability Performance Data

### Economic Performance

Indicator	Unit	2021 Data	2022 Data	2023 Data
Revenue	RMB100 million	881.42	925.93	986.24
Total assets	RMB100 million	981.01	1,178.13	1,152.20
Profit Attributable to Owners of the Company	RMB100 million	50.26	53.03	48.09
Production capacity	10,000 tonnes	1,166	1,291	1,040
Traceability of nonconforming products	%	100	100	100
Pass rate of ex- factory product quality inspection	%	100	100	100
Ex- factory batches of products subject to quality and safety monitoring	%	100	100	100
Percentage of products recycled due to safety and health factors during product transportation and sales	%	0	0	0
Raw milk random sampling pass rate	%	100	100	100

### Social Performance

Indicator	Unit	2021 Data	2022 Data	2023 Data
Labor contract signing rate	%	100	100	100
Social insurance coverage	%	100	100	100
Response rate to employee requests	%	100	100	100
Completion rate of procurement contracts	%	100	100	100
Response rate to consumer complaints and recommendations	%	100	100	100
Total expenditure on charity	RMB10,000	4,584.50	10,672.80	5,124.75
Total tax paid	RMB100 million	40.89	40.14	48.41

### Environmental Performance

Indicator	Unit	2021 Data	2022 Data	2023 Data
Exhaust gas	Total exhaust emissions	Million cubic metres	944.63	945.07
	SO <sub>2</sub> emissions	Tonne	23.62	23.63
	NO <sub>x</sub> emissions	Tonne	85.02	85.06
	Soot emissions	Tonne	18.89	18.90
Wastewater	Wastewater discharge	10,000 Tonnes	2,718.32	2,806.19
	COD discharge	Tonne	893.81	1,085.75
	Reduction of COD discharge	Tonne	41,227.21	42,288.66
	BOD discharge	Tonne	246.93	233.87
GHG	Ammonia nitrogen	Tonne	204.24	306.84
	Total GHG emissions	10,000 Tonnes	136.00	142.57
	Scope 1 emissions	10,000 Tonnes	26.00	25.37
	Scope 2 emissions	10,000 Tonnes	110.00	117.20
	GHG emission per tonnes of products	Kg/Tonne	171.00	168.31

Indicator	Unit	2021 Data	2022 Data	2023 Data
Solid waste	Total hazardous waste	Tonne	382.81	385.66
	Total non-hazardous waste	Tonne	40,200.24	51,212.24
	Compliance disposal rate of solid waste	%	100	100
Energy consumption	Gasoline consumption	Liter	11,196.38	12,000.00
	Diesel consumption	Liter	55,124.81	10,342.00
	Purchased steam	Tonne	859,756.92	832,324.04
	Natural gas consumption	10,000 standard cubic meters	7,188.65	7,191.54
	Grid electricity consumption across regions	MWh	816,797.96	818,780.57
	Generation of solar power	MWh	8,697.50	8,509.70
	Steam production from biomass energy	Tonne	289,575.22	189,801.01
	Direct energy consumption	MWh	778,994.34	778,870.65
	Indirect energy consumption	MWh	1,463,588.32	1,444,933.32
Water use	Total comprehensive energy consumption	MWh	2,242,582.66	2,223,803.97
	Total water withdrawal	Million Tonnes	28.64	28.24
	Water saved	10,000 Tonnes	147.94 (including 890,800 Tonnes of social water savings)	85.97 (including 421,500 Tonnes of social water savings)
Indicator	Reclaimed water rate	%	9.68	7.50
				6.44

Indicator	Category	Unit	2023 Data
Packaging materials	Plastic packaging	Tonne	177,455.94
	Wood/Paper fiber packaging	Tonne	1,070,575.33
	Metal packaging	Tonne	25,589.62
	Glass packaging	Tonne	242.46

## Notes on Calculation Methodology:

- The data of exhaust gas, wastewater, GHG emissions, solid waste, energy consumption and water use covers all of Mengniu Group's self-operated factories, including Room Temperature, Chilled Product, Ice Cream Product, Fresh Milk, Yashili and Cheese business unit.
- Based on the continuous evaluation of our own production and operation, we have calculated the emissions of exhaust gases for 2023, 2022, and 2021 based on the Technical Specifications for Application and Issuance of Emission Permits-Boilers.
- Total comprehensive energy consumption is calculated according to the General Principles for Calculation of Combined Energy Consumption (GB/T 2589-2020) based on the consumption of energy sources including gasoline, diesel, natural gas, electricity and purchased heat.
- According to the internationally recognized WBCSD/WRI greenhouse gas accounting system, standard under the "IPCC 2006 National Greenhouse Gas Inventory Guidelines 2019 Revision" and the ISO 14064-1 standard, the emission amount is determined by calculating the active data and the corresponding emission factor. Scope 1 emissions refer to GHG emissions directly generated by burning fuels in factories, such as self-owned boilers, vehicles, and the direct energy includes natural gas, diesel, gasoline, etc.; The main types of GHG involved in the production process of Mengniu's self-operated factories include carbon dioxide, methane, and hydrofluorocarbons. The GHG monitoring method complies with General guideline of the GHG emissions accounting and reporting for industrial enterprises GB/T 32150-2015. The GWP (Global Warming Potential) and emission factor were selected with reference to the IPCC Sixth Assessment Report.
- In 2023, we conducted a group-wide inventory of packaging materials, clarified and refined the method of packaging materials counting and had introduced a wider range of product packaging materials in the inventory scope.

## List of External Laws and Regulations and Internal Systems

ESG indicator	Internal system	Laws and regulations
A1 Emissions	Mengniu Manual on Environmental Protection	Environmental Protection Law of the People's Republic of China
	Procedures for Environmental Risk Assessment and Control Planning	the Law of the People's Republic of China on Environmental Impact Assessment
	Administrative System for Environmental Management of Construction Projects	the Law of the People's Republic of China on Prevention and Control of Soil Contamination
	Mengniu Self-Monitoring Management System for Pollutant Discharge for Pollutant Discharge	the Water Pollution Prevention and Control Law of the People's Republic of China
	Mengniu Dairy Solid Waste Environmental Management System	the Law on Prevention and Control of Environmental Pollution by Solid Waste
	Procedures for Wastewater Pollutant Management	the Standard for Pollution Control on Hazardous Waste Storage
A2 Use of Resources	Packaging Sustainable Recycling Design Guidelines in Chilled Product Business Unit	the Water and Soil Conservation Law of the People's Republic of China
	Environmental Risk Map	the Forest Law of the People's Republic of China
	Mengniu Diary Administrative Measures for Environmental Risk Map	Regulations on the implementation of the Forest Law of the People's Republic of China
	Mengniu Guidelines Against Food Waste	Norm of Water Intake for Dairy Products the Evaluation of Water-Saving Enterprises
A3 The Environment and Natural Resources	Mengniu Manual on Environmental Protection	the Environmental Protection Law of the People's Republic of China
	Environmental Emergency Response Plan	the Environmental Code of Conduct for Citizens (for Trial Implementation)
A4 Climate Change	Mengniu Group Carbon Emission Management Method	Opinions of the CPC Central Committee and the State Council on Completely, Accurately and Comprehensively Implementing the New Development Concept and Doing a Good Job in Peak Carbon Dioxide Emissions
	Mengniu Group Low-Carbon Development Plan (2023-2025)	
	Mengniu Group Carbon Emission Accounting Technical Guide	
	Carbon Emission Management Report	
	Key Tasks Breakdown of Low Carbon Initiatives	
B1 Employment	Recruitment Management System	
	Salary Management System	
	Welfare Administration System	
	Performance Management System Manual	
	Study Development Management System	
	Collective Contract	
B2 Health and Safety	Special Collective Contract on Salary	
	Special Collective Contract on Protection of Rights and Interests of Female Employees	
	Occupational Health Management System	
	Mengniu Group 2023-2025 EHS Three-Year Plan	
	2023 Group EHS Key Work Plan	
B3 Development and Training	Administrative System for Environmental Accident Reporting and Handling	
	Administrative System for Environmental Management of Construction Projects	
	Special Collective Contract on Employee Safety and Labor Protection	
	Safety Training Provision for Production and Business Enterprise	
	Study Development Management System	
B4 Labor Standards	Employee Code of Conduct	
	Employee Handbook	
	Guidelines for Preventing Unethical Behavior in the Workplace	
	Special Collective Contract on Protection of Rights and Interests of Female Employees	
	International Conventions on Human Rights United Nations Universal Declaration of Human Rights the Labor Law of the People's Republic of China the Labor Contract Law of the People's Republic of China the Constitution of the Chinese Trade Unions the Trade Union Law of the People's Republic of China	

ESG indicator	Internal system	Laws and regulations	ESG indicator	Internal system	Laws and regulations
B5 Supply Chain Management	<ul style="list-style-type: none"> <li>Mengniu Dairy Quality Management System for Purchasing Material</li> <li>Supplier Code of Conduct</li> <li>Standards for Evaluating the Quality Performance of Suppliers</li> <li>Supplier Management Rules</li> <li>Mengniu Responsible Supply Chain ESG Risk List</li> <li>Procurement Risk Sorting and Identification Form</li> <li>Procurement Risk Assessment Criteria and Assessment Form</li> <li>Mengniu Farm Quality and Safety Management Policy</li> <li>Standard Operating Procedures (SOPs) for Milk Source Farms of Mengniu</li> <li>Welfare Promotion and Implementation System for Dairy Cattle in Farm</li> <li>Quality and Safety Assurance Commitment</li> <li>Regulations on Quality and Food Safety Risk Management of Milk Source Business Unit</li> <li>Special Action Plan for Animal Drug Risk Prevention and Control in Dairy Business Unit's Farms</li> <li>Farm Environmental Protection Management Regulations</li> <li>Review Rules for Milk Supplier Access</li> </ul>	<ul style="list-style-type: none"> <li>the Bidding Law of the People's Republic of China</li> </ul>	B7 Anti-corruption	<ul style="list-style-type: none"> <li>Integrity and Compliance Manual</li> <li>Integrity compliance commitment</li> <li>Business Partner Compliance Management Regulations</li> <li>Anti-monopoly Compliance Manual</li> <li>Business Partner Compliance Manual</li> <li>Anti-Corruption Agreement</li> <li>Anti-Monopoly Compliance Management Regulations</li> <li>Anti-monopoly Compliance Commitment</li> <li>Provisions on the Management of Reporting and Disposal of Questions and Clues</li> <li>Compliance Manual on Duty Performance of Directors and Supervisors</li> <li>Integrity Warning Education Work Plan</li> <li>Remind Talk Work Plan</li> </ul>	<ul style="list-style-type: none"> <li>Civil Code of the People's Republic of China</li> <li>the Supervision Law of the People's Republic of China</li> <li>the Criminal Law of the People's Republic of China</li> <li>the Anti-monopoly Law of the People's Republic of China</li> <li>the Anti-Money Laundering Law of the People's Republic of China</li> <li>the Anti-Unfair Competition Law of the People's Republic of China</li> </ul>
B6 Product Responsibility	<ul style="list-style-type: none"> <li>Mengniu Nutrition and Health Policy</li> <li>Mengniu Product Nutrition Standards</li> <li>Mengniu Commitment on the Use of Antimicrobial Drugs in Animals</li> <li>Intellectual Property Protection Management System</li> <li>Outline for Intellectual Property Management Construction</li> <li>Patent Management System</li> <li>Copyright Management System</li> <li>Trademark Management System</li> <li>General Principles of Quality Management for Mengniu Dairy</li> <li>Mengniu Dairy Process Quality Monitoring and Management System</li> <li>Mengniu Dairy Quality and Food Safety Risk Management System</li> <li>Mengniu Dairy Product Storage and Transportation Quality Management System</li> <li>Mengniu Dairy Sales Quality Management System</li> <li>Mengniu Dairy New Product Quality Design Management System</li> <li>Mengniu Product Traceability Management System</li> <li>Product Recall Management System</li> <li>Advertising Review and Management System</li> <li>Business Promotion Management Regulations</li> <li>Advertising Slogan and Trademark Review and Registration System</li> <li>Product Claim Management System</li> <li>Mengniu Group's Principles for Responsible Marketing Operations</li> <li>Mengniu's Responsible Marketing Policy for Breast Milk Substitutes</li> <li>Mengniu Dairy Terminal Market Feedback Management System</li> <li>Personal Information Protection Compliance Management Regulations</li> <li>Compliance Guidelines for Personal Information Protection in Apps/Mini-Programs</li> <li>Data Security Management Regulations</li> <li>Information Security Management System</li> <li>Mengniu Group's Guide to Anti-Food Waste</li> </ul>	<ul style="list-style-type: none"> <li>Animal Epidemic Prevention Law</li> <li>Food Recall Management Measures</li> <li>International Code of Marketing of Breastmilk Substitutes</li> <li>China's Management Measures for the Sale of Breast Milk Substitutes</li> <li>Law of the People's Republic of China on the Protection of Consumers' Rights and Interests</li> <li>Outline of the "Healthy China 2030" Initiative</li> <li>Patent Law of the People's Republic of China</li> <li>Trademark Law of the People's Republic of China</li> <li>Copyright Law of the People's Republic of China</li> <li>Food Safety Law of the People's Republic of China</li> <li>Product Quality Law of the People's Republic of China</li> <li>Advertising Law of the People's Republic of China</li> <li>Food Labeling Management Regulations</li> </ul>	B8 Community Investment	<ul style="list-style-type: none"> <li>14th Five-Year Plan for Rural Revitalization Action Plan</li> <li>China Mengniu Public Donation Management System</li> <li>Notice on Further Regulating the Volunteer Service</li> <li>Activities of Mengniu Group the Assistance Scheme of the "Born for Greatness" Fund</li> </ul>	<ul style="list-style-type: none"> <li>Charity Law of the People's Republic of China</li> </ul>
			Governance	<ul style="list-style-type: none"> <li>Guidelines for Corporate Governance Compliance</li> <li>Mengniu Group Sustainability System Management Approach</li> <li>Mengniu Risk Management System</li> <li>Mengniu Risk Management Framework</li> <li>Manual for Risk Management of the Group</li> </ul>	<ul style="list-style-type: none"> <li>Civil Code of the People's Republic of China</li> <li>the Criminal Law of the People's Republic of China</li> <li>the Supervision Law of the People's Republic of China</li> <li>the Company Law of the People's Republic of China</li> </ul>



China Mengniu Dairy Company Limited

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