



SUSTAINABLE FINANCE FRAMEWORK

CHINA MENGNIU DAIRY COMPANY LIMITED

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1. Introduction

China Mengniu Dairy Company Limited (Stock Code: 2319) (the “**Company**”, or “**Mengniu**”, and together with its subsidiaries, the “**Group**”) is a leading dairy company, ranking among the top ninth dairy companies in the world. Founded in 1999 in Hohhot, Inner Mongolia Autonomous Region, China, the Group was listed in Hong Kong 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 diversified product matrix including liquid milk products, ice cream, milk formula, cheese and other categories. We have well-recognised brands such as Milk Deluxe, Just Yoghurt, Champion, Yoyi C, Shiny Meadow, Mood for Green, Reeborne, Bellamy's, Milkground, and M-ACTION. It has a leading market share in segments such as high-end pure milk, chilled yoghurt, high-end fresh milk, cheese and liquid protein. In addition to Mainland China, Mengniu products have also entered international markets in Southeast Asia, Oceania, etc. In 2024, Mengniu recorded revenue of RMB 88.67 billion throughout the year.

Mengniu has a total of 45 production bases in China and production bases in Indonesia, Australia, the Philippines and New Zealand, with a combined annual production capacity of 13.99 million tons. 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 carried out strategic cooperation with many well-known scientific research institutions at home and abroad to jointly tackle key problems in forage planting, breeding and processing, basic dairy science, product innovation and other fields, and has made great progress in intelligent manufacturing, raw milk preservation, probiotics, quality control technology and other fields. The Group continuously improves its quality management system of the entire industry chain "from pasture to milk cup", covering breeding, 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 recognised at home and abroad. Mengniu is the global partner of Olympic, the official global sponsor of FIFA World Cup, the official partner of the Chinese Football Association China National Team, the strategic partner of China's aerospace industry, the official dairy partner of Shanghai Disney Resort, the official partner of Beijing Universal Resort.

Mengniu aligns with the United Nations Sustainable Development Goals (SDGs), 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 realise 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, actively helps the country achieve its dual-carbon goals and promotes the sustainable development transformation of the upstream and downstream of the industrial chain.



Mengniu has been recognized as a pioneer for its efforts in sustainable developments. Mengniu's MSCI ESG rating maintained at AA level in September 2024 as a leading position in Chinese dairy industry, the Hang Seng Corporate Sustainability Index rating was upgraded to A+ in 2020 and maintained at the level ever since, the S&P Global ESG Score reached 60/100 points in 2024, while CDP assigned scores of B for climate change, water security and forests. Mengniu also ranked 1st among Asian companies in the Collier FAIRR Protein Producer Index. Mengniu is a constituent of HSI ESG Enhanced Index and HSI ESG Enhanced Select Index.

During the 14th Five-Year Plan period, Mengniu, standing at a new stage of development and implementing new development concepts, 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 digitalised Mengniu and to 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.

2. GREEN Sustainable Development Strategy

Mengniu has always taken "Promising a Healthier World" as its vision, and taken "More Nutritious Products, A Better Life, A More Sustainable Planet" as our core mission. Combining with its own business and deeply benchmarking against the sustainable development goals of the United Nations, Mengniu has formed the "GREEN Sustainable Development Strategy", which includes 5 pillars, subdivided into 16 topics and 21 key actions.

In 2024, in response to the Company's "One Core, Two Wings" strategic layout and to effectively address the evolving demands of rating agencies, investors, the supply chain, and consumers, Mengniu has iteratively upgraded its GREEN strategy by consolidating the 26 key actions into 21, further focusing on the priorities of sustainable development and enhancing management efficiency and execution effectiveness.

Meanwhile, all departments of the Group are collaborating efficiently. Guided by the 2023 to 2025 goals, we benchmark against international practices and continuously perform 21 key actions to ensure the full implementation of the GREEN strategy and promote in-depth integration of sustainable development principles into corporate operations.





Mengniu actively responds to sustainable development and climate changes issues and has officially started the journey of leading the entire industry chain towards carbon neutrality. In 2024, Mengniu joined several global sustainability initiatives, including:

- the United Nations Global Compact (UNGC) community, supporting and following the Global Compact Ten Principles by adopting more responsible operating model and constantly developing innovative solutions to bring greater commercial benefits to the public;
- the Pathways to Dairy Net Zero (PDNZ) global climate initiative jointly promoted by Food and Agriculture Organization of United Nations (FAO), International Dairy Federation (IDF), Global Dairy Platform (GDP) etc.;
- the strategy advisor committee of the “Business for Nature” sponsored by World Business Council for Sustainable Development (WBCSD);
- the Roundtable on Sustainable Palm Oil (RSPO), committing to reducing the risk of deforestation on the value chain, and promoting the production, trade and consumption of sustainable palm oil;
- the Consumer Goods Forum (CGF) Golden Design Rules Acceleration Program to drive circular economy implementation;
- the Supplier Ethical Data Exchange (Sedex) platform, promoting sustainable supply chain development.

2.1 Governance - Sustainability

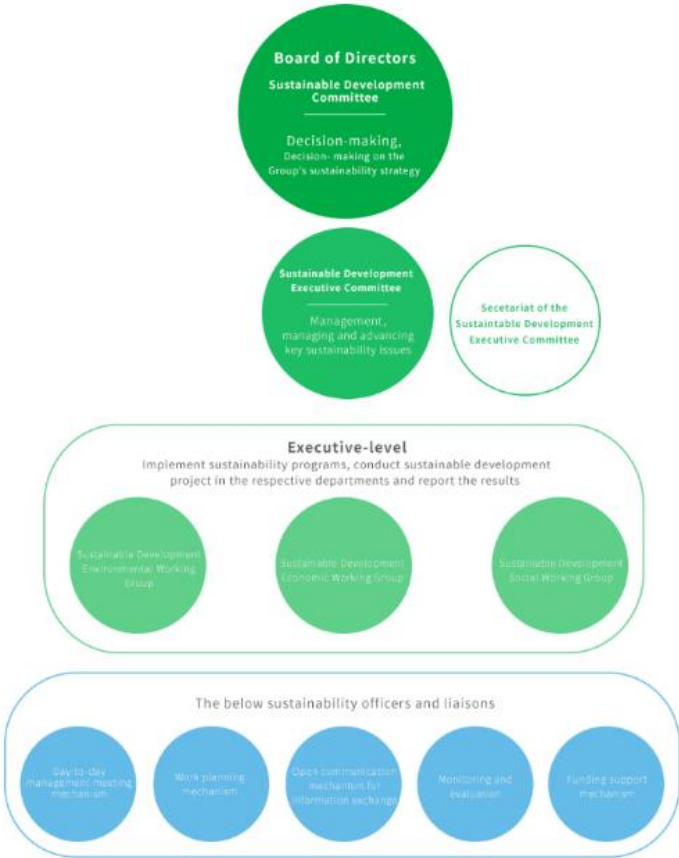
Mengniu recognises the importance of environmental, social and governance issues for the long-term and stable operation of the Group, highly values sustainability management, and has established an effective sustainable development governance mechanism. The Board of Directors has set up the Sustainability Committee as the highest decision-making body for the Group's sustainability work, to review the Group's sustainable development strategy, goals and risk management, review and monitor the progress of achieving sustainable development goals and explore a new sustainability model combining sustainable development 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, and the task force on key topics are responsible for the implementation of sustainable development matters.

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

A three- level sustainability development system



Mengniu has set goals linked to its business during the implementation of the GREEN Strategy, and managed and tracked the progress on the implementation of the goals. The Sustainability Committee periodically monitors and reviews the achievement of relevant goals in the GREEN strategy. Mengniu attaches great importance to the potential significant impacts that sustainable development 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 sustainable development risks associated with the business operations. The Board of Directors participates in the evaluation of sustainable development risks and





opportunities, and oversees the effective operation of the Group's risk management and internal control systems.

Mengniu continuously improves its internal control and risk management, strictly adhering to laws and regulations related to its operations. We have established a risk management system that involves all employees, conducting risk identification and control in response to internal and external environmental changes. We update risk response strategies in a timely manner, assign responsibilities at all levels, and effectively prevents and controls risks.

In 2024, Mengniu conducted a dual materiality assessment for sustainable development. Through four steps—topics identification, research interviews, questionnaires, and validation—we analysed the impact of various sustainability issues on the Group's sustainable development and the level of stakeholder concern. After consolidation and prioritisation, we selected 21 strategic issues most conducive to achieving the Group's sustainability goals. These issues formed a sustainability dual materiality matrix, guiding targeted management and actions based on the matrix insights.



2.2 Responsibility - Common Prosperity

Mengniu actively fulfil its corporate social responsibility, providing comprehensive support for employ health and development. Leveraging the advantages of the dairy industry chain, the Company contributes to rural revitalization and shoulders the era's responsibility of promoting



common prosperity. Under the "Responsibility-Common Prosperity" pillar of its GREEN strategy, we focus on the three key topics of creating an exceptional workplace, advancing rural revitalization and engaging in charitable activities. By constantly improving employees well-being, driving the development of the industry chain, and carrying out public welfare initiatives, Mengniu is taking concrete actions to build a more prosperous future.

Rural Revitalization. Mengniu has established a comprehensive rural revitalization framework encompassing industrial revitalization, cultural revitalization, inclusive nutrition, and party-building collaboration, driving rural economic and social development. By creating a full industry chain from "a blade of grass to a glass of milk," we have built a closely-knit benefit-sharing mechanism with farmers and herders, helping them increase their income and achieve wealth growth. Meanwhile, we have been providing nutritional support for a long time to economically underdeveloped regions, improving national nutrition and health standards.

Industrial Revitalization. Mengniu is actively advancing the implementation of its "2025 Value Sharing" strategy for the dairy ecosystem, deeply rooting itself in agriculture and animal husbandry, and earnestly addressing the interests of farmers and herders. By leveraging technology to enhance the professional skills of farmers and herders, collaborating with financial institutions to resolve funding challenges, and strengthening the connection of interests with upstream and downstream farmers and herders, Mengniu promotes the integrated development of the primary, secondary, and tertiary industries. This approach increases the participation and benefits of farmers and herders within the industrial chain.

Inclusive Nutrition. Mengniu remains committed to its "Inclusive Nutrition Plan," continuously donating milk to underdeveloped regions and remote mountainous areas to help local young students improve their nutritional status and physical fitness, thereby promoting balanced and high-quality education. Over the past 20 years, the project has benefited 25 million students across 28 provinces, autonomous regions, and municipalities in China.

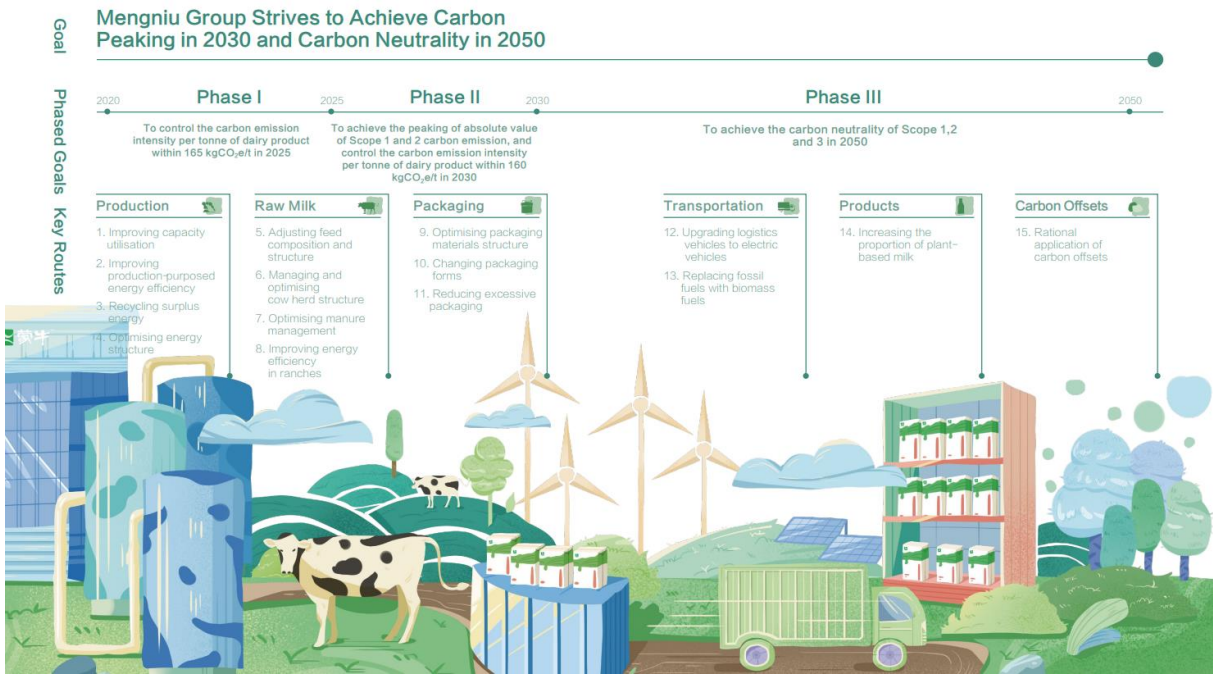
In 2024, Mengniu's Inclusive Nutrition Plan supported the healthy growth of young people through milk donations, sports public welfare, and educational empowerment. The project has covered 66 districts and counties in 39 cities across 19 provinces, benefiting 118,243 individuals.

2.3 Environment-Carbon Net-Zero

Adhering to the concept of green development, Mengniu built a green production system that covers the entire industry chain and collaboratively promotes the green transformation of the industry chain. Under the pillar of "Environment-Carbon Net-Zero" in its GREEN strategy, Mengniu focuses on four key areas: climate change, sustainable water management, circular economy, and green operation. Together with industry chain partners, Mengniu actively addresses climate change, supports the development of a circular economy, and safeguards the sustainable environmental benefits of the planet.

Dual-carbon climate strategy of Mengniu. In order to cope with global climate change and respond to the national dual-carbon target, Mengniu has established a "dual-carbon" governance structure, and set a dual-carbon strategic plan of "achieving a carbon peak by 2030 and achieving carbon neutrality by 2050". Focusing on raw milk, production, packaging, transportation, products and other links, Mengniu integrate climate-related risk response and opportunity action considerations into the Group's strategic planning and daily operational decisions. Mengniu is also working with upstream and downstream partners in the value chain to explore innovative solutions to climate change, to improve climate resilience in the Group's operations and upstream and downstream value chains, and to explore diversified green and low-carbon transition.





Mengniu continues to promote the usage of renewable energy and has established Smart Energy System to achieve energy conservation and consumption reduction. Mengniu attaches extra importance to the reduction of food waste and integrates it into every sector in the production and operation, and is committed to promoting the all- round way management of water resources focusing on the concept of "prioritizing water conservation and balanced development". Last but not least, Mengniu is committed to designing green packaging and using more renewable materials with sustainable certification.

In 2024, Mengniu assessed greenhouse gas emission sources across the upstream and downstream of our value chain, expanding its efforts to inventory and calculate carbon emissions from partner ranches. The inventory focuses on direct emissions (Scope 1) and indirect emissions (Scope 2) from ranches. Emissions from dairy ranches are one of the primary sources of carbon emissions in Mengniu's value chain. Mengniu actively promotes carbon reduction at the dairy ranch level by adjusting feed composition and structure, managing and optimizing herd structures, improving manure management, and enhancing ranches energy efficiency. Based on data availability and the significance of emission sources, we have begun calculating Scope 3 greenhouse gas emissions for key categories. We have completed the carbon emissions accounting for raw milk purchased from two core raw milk suppliers: Modern Dairy and China Shengmu. Mengniu will develop tailored emission reduction strategies for each carbon source subject to specific circumstances of the relevant ranch and emission reduction performance, and guide ranches to implement them. Mengniu aims to complete carbon emission inventories for 100% of its partner ranches by 2028.

Low-carbon and energy conservation technology. Mengniu has extended its energy conservation and emission reduction initiatives to 100% of its in-house manufacturing operations. By implementing measures such as equipment upgrades and production process optimization, the Company has successfully reduced energy consumption and decreased carbon emissions.



Case Study: The China's First "Lighthouse Factory" in the Dairy Industry

Mengniu's Ningxia Factory has been successfully certified as a 'Lighthouse Factory,' making it the first dairy facility in China and the first liquid milk factory globally to receive this prestigious title.

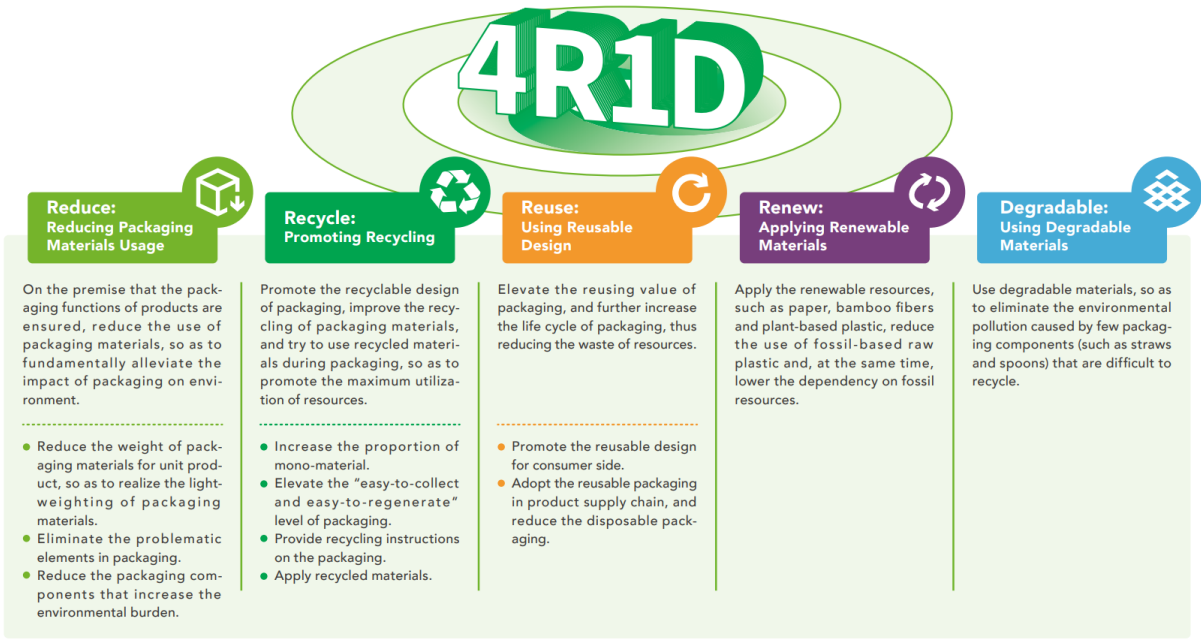


During the construction phase, the factory adhered to relevant certification standards, conducting thorough analysis and evaluation from research and site selection to planning and design. It strictly managed material selection and green construction practices, adopting green building technologies such as solar power generation and reclaimed water recycling. The office building project at the Ningxia Factory achieved a 20%-40% reduction in carbon emissions compared to similar buildings, with an annual emissions carbon reduction of approximately 2,000 tons. It has also obtained the LEED Gold Certification from the U.S. Green Building Council. In terms of operations, the Ningxia Factory employed a smart energy system to optimize equipment quantity and reduce abnormal energy losses, achieving an overall 43% reduction in energy consumption. The factory utilized advanced technologies such as magnetic levitation, intelligent packaging control, and automated loading systems. Additionally, it pioneered the development of a smart 'lights-out' laboratory and established the dairy industry's first fully automated 'lights-out' material warehouse. These innovations integrated highly automated production processes with efficient energy utilization.

Circular Economy – Green Packaging Design Strategy. Focusing on the three major goals of “controlling environmental pollution, conserving the Earth's resources and achieving net-zero emissions target”, Mengniu adheres to the concept of circular economy and takes into consideration its own operational situation to upgrade its “4R1D” packaging strategy with reference to the Consumer Goods Forum's (CGF) Golden Design Rules and other mainstream packaging design principles. While promoting the recycling of packaging materials by reducing the usage of packaging materials and adopting recyclable and reusable designs, Mengniu explores the application of renewable and easily degradable materials, and prioritizes the full lifecycle management of packaging, so as to fundamentally minimize the burden of packaging on the environment.

Green Packaging Value Chain. Mengniu takes the sustainable attributes of raw materials into consideration to select upstream packaging raw material suppliers and prioritizes the use of packaging materials that have obtained relevant international and domestic green certifications. When purchasing wood and paper packaging materials, Mengniu prioritizes the purchase of products that have obtained sustainability certifications such as FSC (Forest Stewardship Council), PEFC (Program for the Endorsement of Forest Certification) and CFCC (China Forest Certification Council) forest certification. In 2024, **89.37%** of the virgin paper used in inner packaging has obtained the FSC certification. Meanwhile, all the outer carton packaging were made from recycled paper. Mengniu set the goal of achieving a 100% sustainability certified paper used in inner packaging by 2030. In labelling use, Mengniu works closely with its suppliers to utilize PETG to replace PVC and other environmentally harmful materials. Currently, the percentage of PVC removed from bottle labels has reached **99%**.





2.4 Ecosystem – Collaborative & Accountable

Mengniu collaborates with upstream and downstream partners to uphold sustainable development principles, balancing economic, social, and environmental benefits while co-creating commercial value. Under the GREEN strategy's "Ecosystem-Collaborative & Accountable" pillar, the Company focuses on sustainable procurement, sustainable agriculture, and biodiversity conservation to build a responsible supply chain and foster a sustainable industrial ecosystem.

Mengniu is committed to building a responsible supply chain, expanding the influence of its sustainable procurement standards, and promoting industry-wide sustainability. To further reinforce its commitment to responsible supply chain, the Company refines supply chain responsibility management, and extensively implements supply chain ESG risk management, advances sustainable sourcing and traceability of raw milk and materials, and strives for a "zero deforestation" goal. For raw milk traceability, we aim for 100% traceability of all dairy products back to their milk sources. Mengniu released the Mengniu Responsible Dairy Sourcing and Management Policy, requiring all farms to conduct responsible dairy procurement and management across four dimensions: product safety and quality management, animal welfare, environmental protection, and industry chain support. Compliance with the policy is verified.

Mengniu actively promotes the development of eco-circular agriculture in upstream farms to support their green and low-carbon transformation. We continue to deepen ecological cooperation with farms to jointly create a new paradigm of sustainable agriculture that respects natural resources and enhances animal welfare.

Mengniu adheres to its vision of "From the Nature for the Future" , committed to biodiversity conservation. We maintain sustainable use of ecological resources, implementing various biodiversity protection measures to reduce impacts and ensure the effectiveness of conservation strategies. In 2024, Mengniu released the dairy industry's first "Taskforce on Nature-related Financial Disclosures Report (TNFD Report) , disclosing its natural resource management practices in production and supply chains.



2.5 Nutrition – Supreme & Inclusive

Mengniu is committed to providing global consumers with nutritious, delicious, and high-quality dairy products, promoting healthy lifestyles for millions of households. Under the "Nutrition-Supreme & Inclusive" pillar of our GREEN strategy, Mengniu focuses on three themes, namely nutrition and health, exceptional quality, and premium service to meet diverse consumer needs and enhance product quality and service standards, bringing wonderful experience for customers.

Mengniu actively responds to an outline for the "Health China 2030" initiative, formulating nutrition and health policies and releasing the Mengniu Nutrition and Health to advance the Group's initiatives in the field of nutrition and health, and call on industry partners to jointly address public nutrition and health challenges. In 2023, we issued the Mengniu Product Nutrition Standards, focusing on enhancing beneficial components like calcium and protein, reducing added sugars, simplifying ingredients, and addressing nutritional deficiencies in key groups such as children and the elderly.

Mengniu consistently prioritises R&D innovation as a key strategy for the group development, continuously increasing R&D investment, expanding the R&D team, and enhancing R&D capabilities. Mengniu currently has over 400 full-time researchers, with over 80% holding master's or doctoral degrees, including over 120 with doctoral or senior professional titles and over 60 overseas returnees. The Company has established nine R&D bases at home and abroad, and formed long-term collaborative innovation partnerships with many renowned universities and research institutions in China to build a synergistic R&D ecosystem integrating industry, academia, and research.



3. Sustainable Finance Framework

Rationale for Establishing a Sustainable Finance Framework

At Mengniu, we are strongly committed to enhancing sustainability in our entire operations and value chain. This Sustainable Finance Framework (the “Framework”) is an important step in aligning our financing strategy with our sustainability commitments, as outlined in our GREEN Sustainable Development Strategy. The Framework will also offer a further opportunity to communicate with investors and other market participants on our commitments to be “more nutritious, smarter and greener” to pilot the high-quality development of the dairy industry. The aim will also be to diversify Mengniu’s investor base and engage in a sustainable dialogue with socially responsible investors.

Alignment with Market Principles

China Mengniu Dairy Company Limited and its subsidiaries intend to use this Framework as the basis to issue Green, Social or Sustainability Bonds, Convertible Bonds and Loans (“**Sustainable Financing Instruments**”). The Sustainable Financing Instruments will fund Eligible Projects which will create environmental and/or social benefits. The Framework follows the sustainable finance principles listed below, or as may subsequently be amended:

- the International Capital Market Association (“**ICMA**”) Green Bond Principles (“**GBP**”) 2025¹; Social Bond Principles (“**SBP**”) 2025² and Sustainability Bond Guidelines (“**SBG**”) 2021³; (and together with the GBP and SBP, the “ICMA Principles”) and/or
- the Loan Market Association (“**LMA**”) Green Loan Principles (“**GLP**”) 2025⁴ and Social Loan Principles (“**SLP**”) 2025⁵, (and together with the GLP and the ICMA Principles, the “Principles”).

Recognizing the importance of common definition of sustainable activities, Mengniu will endeavour to align projects to appropriate national and international environmental taxonomies, where relevant and feasible, including:

- The Green Bond Endorsed Projects Catalogue (2021 Edition) (“China Catalogue”) ⁶ issued jointly by the People’s Bank of China (PBoC), the National Development and Reform Commission (NDRC) and the China Securities Regulatory Commission (CSRC)
- The Hong Kong Taxonomy (2024 Edition) (“HK Taxonomy”) ⁷ for Sustainable Finance issued by the Hong Kong Monetary Authority (HKMA)
- The Multi-Jurisdiction Common Ground Taxonomy (2024 Edition) (“M-CGT”) ⁸ issued by the International Platform on Sustainable Finance (IPSF)

In aligning with the above principles and guidelines, the Mengniu Sustainable Finance Framework is presented through the four core components of the GBP, SBP, SBG, GLP and SLP as well as their recommendation for external review:

- a) Use of Proceeds;

¹ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

² <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

³ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

⁴ https://www.lma.eu.com/application/files/1917/4298/0817/Green_Loan_Principles_-_26_March_2025.pdf

⁵ https://www.lma.eu.com/application/files/1317/4307/3886/Social_Loan_Principles_-_26_March_2025.pdf

⁶ <http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4236341/index.html>

⁷ <https://brdr.hkma.gov.hk/eng/doc-ldg/docId/20240503-2-EN>

⁸ https://finance.ec.europa.eu/document/download/e83394d0-daf1-487e-b1bf-922731767a10_en?filename=241113-common-ground-taxonomy-multi-jurisdiction-activity-tables_en.pdf



- b) Process for Project Evaluation and Selection;
- c) Management of Proceeds;
- d) Reporting.

Bond(s) and loan(s) issued under this Framework may take the form of public transactions or private placements, in bearer or registered format, and may take the form of senior unsecured or subordinated issuances. Such bond(s) and loan(s) entered under this Framework will be standard recourse-to-the-issuer obligations and investors will not bear the credit risk of the underlying allocated eligible asset exposures.


3.1 Use of Proceeds

The Group and its subsidiaries will allocate an amount at least equivalent to the net proceeds of the Sustainable Financing Instruments issued under this Framework to finance and/or re-finance, in whole or in part, one or more, new or existing green, and/or social project ("Eligible Projects"). The Eligible Projects may include assets, capital expenditures, operational expenditures, research & development expenses⁹. Mengniu is aware of the specific need for capital investments in addressing climate change and social impact. However, recognizing that a significant part of the climate impact from Mengniu takes place on farms, Mengniu is mindful about addressing these as well. Due to the complex nature of managing livestock, many of these expenditures are operational in nature.

In case of investments made via Mengniu's subsidiaries, joint ventures and associates, including joint ventures entered into by its subsidiaries, only Mengniu's share of the investments will be applicable as an allocation to Eligible Projects. To prevent the risk of double counting, Mengniu will only allocate proceeds to the portion of the Eligible Projects that have not been already financed and/or refinanced by one or several other issuers (Mengniu's subsidiaries and owned entities), including under their respective Sustainable Financing Framework.


A maximum 3-year look-back period would apply for refinanced projects and Mengniu expects each issuance under this framework to be fully allocated within 2 years from the date of issuance. The Group will, where possible, disclose to stakeholders the expected share of financing versus refinancing for any Sustainable Financing Instrument under this Framework.

Eligible Green Categories

GBP Categories, Environmental Objectives & UN SDG mapping	Eligibility Criteria	Green Taxonomy Mapping
Renewable Energy Key Objectives: <ul style="list-style-type: none"> Climate Change Mitigation 	<ul style="list-style-type: none"> Expenditures related to the construction, development, acquisition, maintenance, and operation of renewable energy projects including: <ul style="list-style-type: none"> Solar (PV and Concentrated Solar Power with a minimum 85% of power generation derived from solar sources) Wind energy Bioenergy facilities to generate the electricity, boiler heating and cooling 	China Catalogue <ul style="list-style-type: none"> 3.2.2.1 Construction and operation of wind generators 3.2.2.2 Construction and operation of solar energy utilization facilities

⁹ R&D expenditures under the Framework will not exceed 10% of the total bond proceeds



	<p>energy by using biogas/biomass¹⁰ with direct GHG emissions below 100gCO₂/kWh</p> <ul style="list-style-type: none"> - Renewable energy power purchase agreements (PPAs) or purchases of Renewable Energy Certificates (RECs)¹¹ if sourcing from long-term PPAs are not available 	<ul style="list-style-type: none"> • 3.2.2.3 Construction and operation of biomass energy utilization facilities <p>HK Taxonomy</p> <ul style="list-style-type: none"> • Electricity generation using concentrated solar power technology; Solar photovoltaic technology; From wind power <p>M-CGT</p> <ul style="list-style-type: none"> • D1.1 Electricity generation using solar photovoltaic technology • D1.2 Electricity generation using concentrated solar power (CSP) technology • D1.3 Electricity generation from wind power • D1.6 Electricity generation from bio-energy
<p>Clean Transportation</p> <p>Key Objectives:</p> <ul style="list-style-type: none"> • Climate Change Mitigation 	<ul style="list-style-type: none"> • Expenditures related to the acquisition, operation, maintenance and upgrades of zero tailpipe emission vehicles and dedicated infrastructure. Example projects include: <ul style="list-style-type: none"> - Vehicles for passenger and heavy fleet freight transportation and charging infrastructure, such as fully electrified road transportation <p>For the avoidance of doubt, infrastructure dedicated to the transportation of fossil fuel will be excluded</p>	<p>China Catalogue</p> <ul style="list-style-type: none"> • 5.5.4.1 Construction and operation of charging, battery replacement, hydrogen refuelling and gas refuelling facilities <p>HK Taxonomy</p> <ul style="list-style-type: none"> • Construction and operation of personal mobility devices

¹⁰ Mengniu ensures that biomass inputs are from sources that do not interfere with biodiversity, should not involve the burning of peat, or compete with food production. Only residues and wastes will be included as feedstocks.






¹¹ For the avoidance of doubt, only hourly-matched bundled RECs will be included.






		<p>M-CGT</p> <ul style="list-style-type: none"> • F2.1 Infrastructure enabling low-carbon road transport
<p>Energy Efficiency</p> <p>Key Objectives:</p> <ul style="list-style-type: none"> • Climate Change Mitigation 	<ul style="list-style-type: none"> • Expenditures related to the construction, operation, and maintenance of energy-efficient facilities and infrastructure in the office building or production plant that improve energy efficiency by at least 20%. Example projects include: <ul style="list-style-type: none"> - Energy efficient equipment such as air-cooling equipment in refrigeration systems, air compressor and energy saving motor systems - Modernization of lighting systems including LED lighting - HVAC infrastructure, energy management systems, smart meters, sensors, measurement tools, air conditioning energy saving upgrade, cold storage upgrade, off-grid power units (such as small-scale electricity generation from renewable resources), energy storage batteries ¹², transformers <p>For the avoidance of doubt, improvement activities that result in the lock in of fossil fuel technologies will be excluded</p>	<p>China Catalogue</p> <ul style="list-style-type: none"> • 1.1.2.2 Energy efficiency improvement of motor system • 1.1.2.4 Optimization of energy system • 1.1.3.1 Renovation of green lighting <p>M-CGT</p> <ul style="list-style-type: none"> • D1.10 Storage of electricity • F3.1 Green lighting upgrades
<p>Circular Economy Adapted Products, Production Technologies and Processes</p> <p>Key Objectives:</p> <ul style="list-style-type: none"> • Transition to a Circular Economy 	<ul style="list-style-type: none"> • Expenditures related to resource-efficient packaging designed to be recycled and packaging made from recycled content. Example projects include: <ul style="list-style-type: none"> - Facilities for enabling sustainable packaging, for example the equipment and processes that allow for the use of recycled boxes and packaging through the company's value chain - Recyclable packaging material paper certified by the Forest Stewardship Council (FSC) or the Sustainable Forestry Initiative (SFI) • Expenditures related to bio-waste management by processing bio-waste (i.e. anaerobic digestion or composting etc.) resulting in the production and utilisation of biogas, biomethane, digestate, compost, organic fertilizer 	<p>China Catalogue</p> <ul style="list-style-type: none"> • 2.2.1.2 Treatment of livestock and poultry husbandry waste and pollution • 2.3.1.3 Recycling and treatment of packaging waste • 3.2.2.3 Construction and operation of biomass energy utilization facilities

¹² For the avoidance of doubt, storage solutions will be fully dedicated to storing energy generated by renewable sources



<p>Sustainable Water and Wastewater Management</p> <p>Key Objectives:</p> <ul style="list-style-type: none"> Sustainable Use and Protection of Water and Marine Resources <div data-bbox="225 640 427 837">    </div>	<ul style="list-style-type: none"> Expenditures related to sustainable water and wastewater management, such as water reuse and recycling, efficiency, and conservation. Example projects include: <ul style="list-style-type: none"> Recycling facilities to promote reuse water in production process Water reclamation system Wastewater collection and treatment facilities Physical (thickening, dewatering) and biological (digestion, composting) treatment of sludge coming from wastewater treatment or reuse of those sludges <p>For water supply related facilities and infrastructure, the net average energy consumption for abstraction and treatment will not exceed 0.5 kWh per cubic meter produced water supply. And/or the water leakage level of infrastructure leakage level (ILI) will not exceed 1.5.</p>	<p>China Catalogue</p> <ul style="list-style-type: none"> 1.4.1.2 Rainwater collection, treatment and utilization 2.1.2.1 Wastewater treatment of major industries 2.4.1.1 Water saving and efficient use of water during production <p>HK Taxonomy</p> <ul style="list-style-type: none"> Sewage sludge treatment – anaerobic digestion <p>M-CGT</p> <ul style="list-style-type: none"> E1.1 Sewage sludge treatment – anaerobic digestion E1.2 Construction, extension and operation of waste water collection and equipment E3.1 Construction, extension and operation of water collection, treatment systems
<p>Green Buildings</p> <p>Key Objectives:</p> <ul style="list-style-type: none"> Climate Change Mitigation <div data-bbox="225 1682 427 1778">   </div>	<ul style="list-style-type: none"> Expenditures related to the design, construction, retrofit, upgrade, or renovation of new or existing commercial, residential buildings or production plants that have received, or expect to receive based on its design, construction and operational plans, certification according to third-party verified green building standards, such as: <ul style="list-style-type: none"> China's Green Building Evaluation Label (Three star or above) Leadership in Energy and Environmental Design ("LEED") V4.0 or V4.1 (Gold or Platinum) 	<p>China Catalogue</p> <ul style="list-style-type: none"> 5.2.1.1 Construction of ultra-low energy consumption buildings 5.2.1.2 Green buildings 5.2.1.5 Energy conservation and environmental-friendly renovation of existing buildings <p>HK Taxonomy</p>



	<ul style="list-style-type: none"> - Building Research Establishment Environmental Assessment Method ("BREEAM") (Excellent or Outstanding) - China Green Warehouse Evaluation Label (Three star)¹³ <p>For the avoidance of doubt, fossil fuel and dairy farm related infrastructure will be excluded</p>	<ul style="list-style-type: none"> • Renovation of existing buildings • Construction of new buildings <p>M-CGT</p> <ul style="list-style-type: none"> • F1.1 Construction of new buildings • F1.2 Renovation of existing buildings
<p>Environmentally Sustainable Management of Living Natural Resources and Land Use</p> <p>Key Objectives:</p> <ul style="list-style-type: none"> • Protection and Restoration of Biodiversity and Ecosystems   	<ul style="list-style-type: none"> • Expenditures related to acquisition, use of materials and products, and activities that contribute to the sustainable management of living natural resources and land use as well as the natural ecosystem protection or restoration. Example projects include: <ul style="list-style-type: none"> - Procurement of certified sustainable sourcing products, including raw milk. Certification schemes include EU Organic certification ¹⁴ , ACO / NASAA organic standards ¹⁵ , and other equivalent internationally recognized certifications 	

¹³ China Association of Warehousing and Distribution Evaluation Standard.

<http://www.cawd.org.cn/index.php/article/detail/id/1321.html>

¹⁴ EU Organic label regulated by Council Regulation (EC) No. 848/2018 at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32018R0848>

¹⁵ Australian Certified Organic (ACO), "Australian Certified Organic Standard", at: <https://austorganic.com/industry/certification-and-standards/standards/acos/> and The National Association for Sustainable Agriculture Australia (NASAA), "Organic Certification Standards", at: <https://nccocertifiedorganic.com.au/organic-certification-standards/>



Eligible Social Categories

SBP Categories Social Objectives & UN SDG mapping	Eligibility Criteria
Food Security and Sustainable Food Systems Key Objectives: <ul style="list-style-type: none"> Equitable Participation Into the Society   	<ul style="list-style-type: none"> Expenditures related to programs and activities to support equitable access to low cost, high quality and nutritious dairy and food products, as well as other opportunities, services, and resources. Example of projects include¹⁶: <ul style="list-style-type: none"> Activities that aim to support vulnerable group people to advance their socio-economic position. For example, programs to provide free or subsidised milk help advance their socioeconomic position Programs with a focus on providing nutritional support to the Target population Target population Preschool children and teenagers from low-income ¹⁷ rural or ethnic-minority communities, underserved populations, and migrant workers' children and elderly
Access to Essential Services – Vocational Training Key Objectives: <ul style="list-style-type: none"> Access to essential services and improve the living skills 	<ul style="list-style-type: none"> Expenditures related to projects that seek to develop and support sustainable local dairy sectors. Example projects include¹⁸: <ul style="list-style-type: none"> Education, knowledge and awareness building for local dairy farmers and herdsman to develop sustainable long-lasting value chains with a view to upgrade production methods, improve productivity, reduce waste etc. Initiatives include technical support on nutrition practices and standard operating procedures trainings. Target Population Local dairy farmers and herdsman
Employment Generation Through the Provision of Financial Supports to Small and Medium Enterprises Key Objectives: <ul style="list-style-type: none"> Promote Inclusive Finance and Job Creation  	<ul style="list-style-type: none"> Financing programs to support Small and Medium-Enterprises (SMEs), as defined by the local jurisdiction, in the sector to prevent / alleviate unemployment stemming from socioeconomic crisis and to generate employment. Example projects include: <ul style="list-style-type: none"> Supply chain financial services to upstream SMEs and to upstream pasture partners, farmers and herdsman to support various financial needs Subsidies and financial supports to upstream SMEs subjected to pandemic or natural disaster damages Target population Micro and small enterprises ¹⁹ , and pasture partners, farmers and herdsman

¹⁶ In-kind donations of food products at costs, provided that allocation to in-kind donations make up no more than 10% of the total allocations from any given Sustainable Financing Instrument issuances. Programs will be free and accessible to the target population regardless of their ability to pay.

¹⁷ Low-income household is defined in Measures for the Determination of Urban Low-Income Households (《城市低收入家庭认定办法》) by China's Ministry of Civil Affairs and other authorities.

¹⁸ Programs will be free and accessible to the target population regardless of their ability to pay.

¹⁹ SMEs are defined in Criteria for Classifying Small and Medium-sized Enterprises (《中小企业划型标准规定》) by China's Ministry of Industry and Information Technology, National Bureau of Statistics, National Development and Reform Commission, and Ministry of Finance.



Exclusion List

For the avoidance of doubt, financing related to the following activities are excluded from the financing by Mengniu's Sustainable Financing Instruments:

- Projects related to development, operation, and maintenance of new or existing fossil fuel-based electricity generation facilities, fossil fuel including but not limited to, coal, oil or natural gas;
- Projects related to trade and production of conflict minerals;
- Projects related to large hydropower projects with capacities > 20MW;
- Projects related to the production or trade of alcoholic beverages;
- Projects related to the production or trade of tobacco products;

3.2 Project Evaluation and Selection Process

The Project Evaluation and Selection Process will ensure that the proceeds of any Mengniu's Sustainable Financing Instrument are allocated to finance or refinance Eligible Green and/or Social Projects that meet the criteria and objectives set out above in section 3.1, Use of Proceeds.

The Secretary Department of Sustainable Development Executive Committee (the "Secretary Department") of Mengniu, comprising of Corporate Affairs, Investor Relations, and Finance Departments, is responsible for the assessment and selection of Eligible Projects nominated by relevant Working Groups²⁰, functional departments and project team, based on the eligibility criteria outlined in section 3.1. In addition, all projects allocated funding from the issuance proceeds will follow an internal process that includes final review and approval by Sustainable Development Executive Committee. The Sustainable Development Executive Committee will oversee the environmental and social risk assessment and management of potential Eligible Projects financed under the Framework.

The Secretary Department may be supplemented from time to time, or expanded, by the inclusion of representatives from other relevant teams.

The Secretary Department will:

- Meet at least once a year and monitor the eligible projects in each reporting period
- Ratify Eligible Green and/or Social Projects, which are initially proposed by the individual business units and project teams. The business units and project teams are responsible for evaluating and selecting projects by taking into consideration the following requirements, such as ensuring the project does not fall under any controversies, exclusion list, and performed a comprehensive risk assessment and due diligence, including environmental and social risks due diligence, based on the local environmental and social related laws and regulations as well as the Mengniu's internal environmental and social risk management practices
- Ensure that projects comply with Mengniu's internal environmental and risk management policies as well as applicable local governmental regulations
- Undertake regular monitoring of the asset pool to ensure the eligibility of Green and/or Social Projects with the criteria set out in Mengniu's Framework Section 3.1, Use of

²⁰ Including Working Group on Sustainable Environment, Working Group on Sustainable Society, etc.



Proceeds, whilst replacing any ineligible Green and/or Social Projects with eligible new Green and/or Social Projects

- Facilitate regular reporting on any Sustainable Financing Instrument in alignment with the Reporting commitments
- Manage any future updates to this Framework
- Ensure that the approval of Eligible Green and/or Social Projects will follow the Group's existing project approval processes

Identification and Mitigation of Environmental and Social Risks

The Sustainable Development Executive Committee will oversee the environmental and social risk assessment and management of potential Eligible Projects financed under the Framework, leveraging its existing sustainability and risk management framework. This is in addition to ensuring that Eligible Projects meet applicable national and international environmental and social standards and regulations.

Mengniu's environmental and social risk policies define the minimum standards for its business activities, including activities that are financed with the net proceeds of Sustainable Financing Instruments issued under this Framework. Application of these policies aim to identify and manage perceived environmental and social risks associated with the Eligible Projects. Examples of relevant codes and policies are listed below²¹:

- Code of Conduct for Business Partners
- Mengniu Responsible Marketing Policy of Beast-Milk Substitutes
- Mengniu Forest Protection Policy
- Mengniu Animal Welfare Policy
- Mengniu Nutrition and Health Policy
- Mengniu Sustainable Palm Oil Policy
- Mengniu Anti-Commercial Bribery and Anti-Corruption Policy
- Mengniu Responsible Dairy Sourcing and Management Policy
- Mengniu Responsible Marketing Policy

3.3 Management of Proceeds

The proceeds of each Mengniu's Sustainable Financing Instrument will be deposited in Mengniu's general funding accounts and earmarked for allocation towards the Eligible Projects. Mengniu will maintain a Sustainable Finance Register to track the use of proceeds for the Sustainable Financing Instrument.

The Sustainable Finance Register will contain the following information:

- I. Sustainable Financing Instrument details: ISIN (if applicable), Pricing Date, Maturity Date and etc.
- II. Allocation of Proceeds:
 - a. The Eligible Green and/or Social Projects List, including for each Eligible Project, the Eligible Project category, project description, project location, amount disbursed, settled currency, etc.
 - b. Amount of unallocated Proceeds

²¹ Mengniu's ESG Commitments and Policies are available at: <https://www.mengniuir.com/en/esg.aspx>



Any proceeds temporarily unallocated will be invested according to the Group's standard liquidity policy in cash or cash equivalents and will be managed in line with the Exclusion Criteria listed in the Framework.

During the life of the Sustainable Financing Instruments issued under this Framework, if the designated projects cease to fulfil the eligibility criteria, the net proceeds will be re-allocated to replacement projects that comply with the eligibility criteria as soon as reasonably practicable.

3.4 Reporting

On an annual basis, Mengniu will publish an allocation report and an impact report on its Eligible Green and/or Social Projects, as detailed below. This reporting will be updated annually until full allocation of the net proceeds of any Sustainable Financing Instrument issued, or until the Sustainable Financing Instrument is no longer outstanding. Furthermore, additional reports are intended to be produced on a timely basis in case of material developments.

In the process of considering investments for allocation under the Sustainable Financing Instruments, the Group will discount the portion of the Eligible Green and/or Social Projects that have been financed and/or refinanced by one or several other issuers under their respective Green or Sustainable Finance Frameworks to avoid the double counting issue.

Allocation Reporting

- a. List of Eligible Green and/or Social Projects
- b. The amount of Proceeds allocated to each Eligible Project category
- c. Breakdown of the amount of Proceeds allocated to refinancing vs new financing
- d. When possible, descriptions of the Eligible Projects financed, such as project locations, amount allocated, etc.
- e. Selected examples of projects financed
- f. Amount of unallocated Proceeds

Impact Reporting

The Group will provide reporting on the environmental and social benefits of the Eligible Projects. Subject to data availability and confidentiality, impact reporting may cover the following impact reporting metrics listed below, and where available, taking reference from the relevant indicators suggested in the ICMA Harmonized Framework for Impact Reporting²². In addition, calculation methodologies and key assumptions will be disclosed if feasible.

Eligible Green Project Categories	Impact Reporting Metrics
Renewable Energy	<ul style="list-style-type: none"> Capacity of renewable energy plant(s) constructed or rehabilitated in MW Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent (where possible)

²² <https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2024.pdf>
<https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/ICMA-Handbook-Harmonised-Framework-for-Impact-Reporting-for-Social-Bonds-September-2024-250924.pdf>



Clean Transportation	<ul style="list-style-type: none"> • Number of electric vehicles acquired • Number of charging stations installed • Annual GHG emissions reduced (tCO₂e)
Energy Efficiency	<ul style="list-style-type: none"> • Estimated avoided GHG emissions (tCO₂e) • Expected energy saved (in MWh) • Percentage annual energy efficiency gain relative to an established baseline
Circular Economy Adapted Products, Production Technologies and Processes	<ul style="list-style-type: none"> • Share of certified packaging material (%) • Reused and recycled components (tons) • Share of recyclable packaging material (%) • Total packaging materials reduced (tons) • Waste prevented, minimized, reused or recycled (tons) • Estimated avoided GHG emissions (tCO₂e) • Improved bio-waste treatment practice in % of total volume
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Annual volume of water consumption reduced or saved (m³) • Annual volume of wastewater treated or avoided (m³) • Annual volume of water treated or recycled (m³) • Capacity of facilities being built (m³)
Green Buildings	<ul style="list-style-type: none"> • Level of certification by property • Estimated avoided GHG emissions (tCO₂e) • Annual energy savings (MWh pa)
Environmentally Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> • Volume, spend or percentage of certified ingredients / products

Eligible Social Project Categories	Impact Reporting Metrics
Food Security and Sustainable Food Systems	<ul style="list-style-type: none"> • Number of people reached with affordable and nutritious dairy products
Access to Essential Services – Vocational Training	<ul style="list-style-type: none"> • Number of direct beneficiaries reached from relevant projects (#)
Employment Generation through the Provision of Financial Supports to Small and Medium Enterprises	<ul style="list-style-type: none"> • Number of SMEs/individuals benefitted • Number of financial supports to SMEs

4. External Review

4.1 Second Party Opinion

China Mengniu Dairy Company Limited has appointed Moody's Ratings to assess this Sustainable Finance Framework and its alignment with the GBP, SBP, SBG, GLP and SLP and issue a Second Party Opinion accordingly.

The Second Party Opinion will be made publicly available on the Group's official website.



4.2 Post Issuance External Verification

In order to provide timely and transparent information about the reporting of the funds from Sustainable Financing Instruments issued under this Framework, the Group intends to engage a third-party reviewer to provide an annual assessment on the alignment of the allocation of funds with the Framework's criteria.

5. Amendments to this Framework

The Secretary Department will review this Framework on a regular basis, including its alignment to updated versions of the principles as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of the Group and Moody's Ratings. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external reviewer. The updated Framework, if any, will be published on our website and will replace this Framework.

