



Mengniu Sustainable Financing Framework

June 2022

1. Company description

China Mengniu Dairy Company Limited (“Mengniu” or the Company; stock code: 2319) and its subsidiaries (collectively, the “Group”) manufacture and distribute quality dairy products in China. With its core brand, MENGNIU, the Company has become one of the leading dairy product manufacturers in China. Since its establishment, Mengniu has formed a multi-category product matrix such as liquid milk, ice cream, milk powder, cheese, and other categories, with star products such as Milk Deluxe (“特仑苏”), Shiny Meadow (“每日鲜语”), Just Yoghurt (“纯甄”), Fruit Milk Drink (“真果粒”), Champion (“冠益乳”) and Future Star (“未来星”). Mengniu has established 41 production bases in China and 3 overseas bases in New Zealand, Australia and Indonesia, and 68 factories in total worldwide with a combined annual production capacity of over 10 million tonnes. Mengniu has been listed on the Main Board of the Hong Kong Stock Exchange since June 2004. In March 2014, Mengniu was included in the Hang Seng Index, becoming the first blue-chip Chinese dairy company. In 2021, Mengniu was ranked among the Top 500 Most Valuable Global Brands by Brand Finance for the third consecutive year.

Mengniu has enjoyed advantageous market position at each major component of the dairy product value chain. Upstream, Mengniu sources 100% of raw milk from standardized ranches and scaled farms. Mengniu has made strategic investments in three major dairy groups, namely, Fuyuan International, China Modern Dairy and Shengmu with a view to integrating high-quality resources. Meanwhile, Mengniu actively deploys overseas high-quality milk sources and owns raw milk processor Burra Foods and organic baby food supplier Bellamy's in Australia. Midstream, Mengniu possesses advanced automated manufacturing processes and facilities, explaining the Company's strong product portfolio. Downstream, Mengniu continues to increase the coverage of offline stores, achieving growth in both the number of POS and sales volume. In addition, the Company also accelerates the development of online sales channel including e-commerce, O2O home delivery and community group marketing.

Mengniu has been recognized as a pioneer for its efforts in sustainable developments. Mengniu's Hang Seng ESG Rating has been upgraded to A+ in 2020 from A-, and has maintained at the level ever since. In March 2022, Mengniu was included as a constituent of HSI ESG Enhanced Index and HSI ESG Enhanced Select Index. In addition, Mengniu was upgraded to BBB by MSCI ESG Ratings in November 2021, highest in China's food industry. Mengniu also ranked 1st among Chinese dairy companies in the Collier FAIRR Protein Producer Index.

2. Approach to sustainability

2.1 Vision and strategy

Mengniu's sustainability vision is to “Promise a healthier world by producing more nutritious products, enabling of a better life and contributing to a more sustainable planet”. It is the fundamental requirement and prerequisite for everything we do. From 2019 to 2021, Mengniu completed its first three-year ESG strategy and achieved milestone results. In pursuit of the United Nations Sustainable Development Goals (UN SDGs) and based on Mengniu's own business practices, Mengniu upgraded and formed the 5 strategic pillars under the “**GREEN Sustainable Development Strategy**” (“GREEN Strategy”), i.e. Governance, Responsibility,

Environment, Ecosystem and Nutrition, which are subdivided into 15 topics and 28 specific actions, covering 178 sustainability indicators in total.

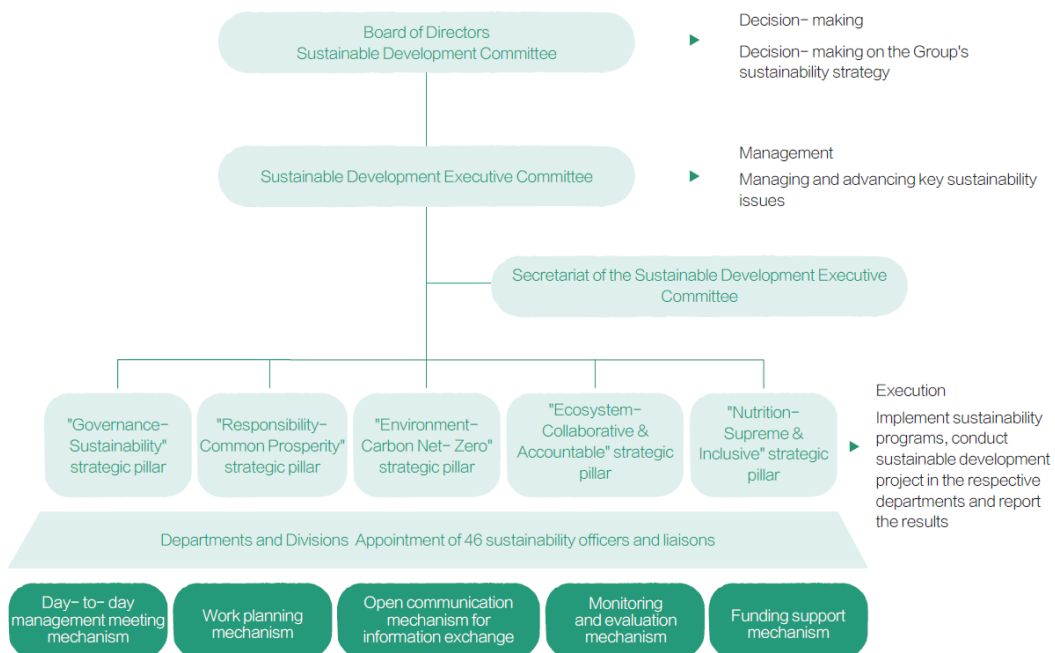
Mengniu actively responds to China's "2030 & 2060 dual carbon goals" and 1.5°C target of the Paris Climate Agreement, set the strategic goal of "achieving carbon peak by 2030 and carbon neutrality by 2050", and have officially started the journey of leading the entire industry chain towards carbon neutrality. In 2021, Mengniu joined several global sustainability initiatives, including:

- the Pathways to Dairy Net Zero (PDNZ) climate initiative jointly promoted by Food and Agriculture Organization of United Nations (FAO), International Dairy Federation (IDF), Global Dairy Platform (GDP) and other organizations with a view to build a low-carbon dairy industry worldwide;
- the strategy advisor committee of the "Business for Nature" sponsored by World Business Council for Sustainable Development (WBCSD);
- 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.

2.2 Practices and initiatives

Governance – Sustainability

Mengniu sets three topics of ESG governance, risk governance and business ethics under Governance pillar, integrates ESG into the Company's development strategy, and keeps improving the ESG governance structure and operation mechanism. Mengniu released the Mengniu Group Sustainability System Management Approach, which forms a three-level sustainability management system.



The Sustainable Development Executive Committee reports to the Board of Directors Sustainable Development Committee, which is the Company's highest decision-making body for sustainability work and is responsible for formulating the Company's sustainability strategies, and managing key sustainability issues and risk profile of Mengniu.

The Mengniu Sustainable Development Executive Committee has five working groups under the GREEN Strategy with the participation of the divisions and functions that lead 28 Mengniu initiatives, which are responsible for setting the corresponding work objectives and plans, implementing the Company's strategies and maintaining communication with internal and external stakeholders.

Mengniu values risk management and internal control, and has established risk management framework and fundamental norms with a focus on Mengniu's major risk management and control and the continuous optimization of the risk management model.

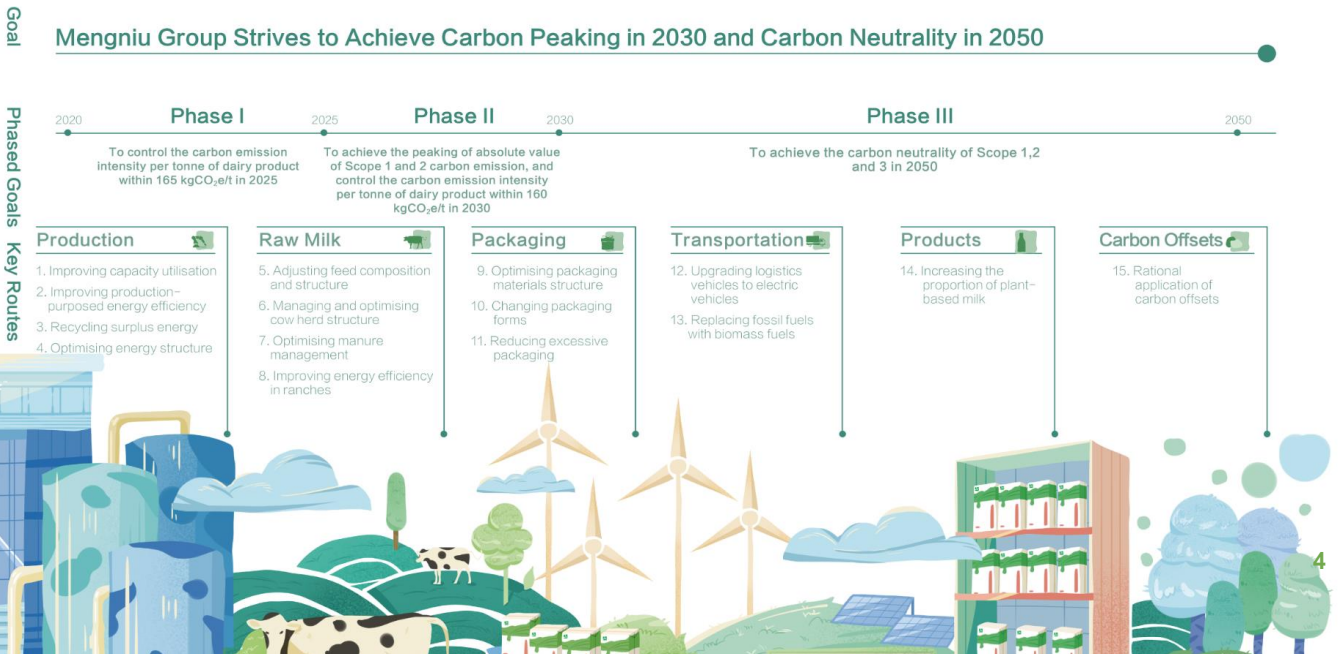
Responsibility – Common Prosperity

Mengniu is also endeavored to making its own development keep up with the pace of social development. We inherit the national strategy of rural revitalization and common prosperity, make full use of industrial advantages, and strive to assume more social responsibilities. Mengniu strives to enhance employee well-being, promote economic development in underdeveloped areas, and provide nutrition and other supports to social disadvantaged groups.

Mengniu gives full play to its advantages in industrial resources and organically integrated the construction of dairy industrial parks with rural revitalization, laying the foundation for revitalizing the rural economy. Together with China Youth Development Foundation, Mengniu has carried out public welfare programs such as "Milk Donation", "Food Education" and "Teacher Empowerment" through Mengniu Inclusive Nutrition Fund to help primary and middle school students supplement their nutrition.

Environment – Carbon Net-zero

Mengniu formulated three topics of dual-carbon actions, green operation and recycling for this pillar. In 2021, Mengniu released the Dual-Carbon Climate Strategy and targets of “carbon peaking in 2030 and carbon neutrality in 2050”. The roadmap to achieve the 2050 carbon neutrality consists of three phases of goals and key routes as below.



In 2021, Mengniu completed the inventory counting and correction of Scope 1 and 2 greenhouse gas emissions starting from 2018 for all 63 factories of the Group and conducted an estimate of Scope 3 emissions. Mengniu formulated an effective strategy for reducing carbon emissions and established a three-level management structure of "Group–Business Division–Factory". We highly recognized the Science Based Targets initiative (SBTi) and took participation in the initiative as a phased task under the Dual-Carbon Actions. We will make a reasonable schedule and scheme for participating in the SBTi after the new guidelines are released.

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.

Ecosystem – Collaborative & Accountable

Mengniu is committed to join hands with partners on the industry chain to create more social and environmental values during realizing its business value. Mengniu strengthens supplier management, continues to promote the construction of a responsible supply chain, and expands its sustainable development requirements to upstream and downstream supply chains. Meanwhile, we vigorously advocate green procurement of raw materials, jointly fulfill the environmental responsibility of ecological protection with upstream and downstream enterprises, and build a green supply chain.

During the procurement process, we gave priority to suppliers certified by relevant international standards. The raw materials and auxiliary materials purchased by Mengniu have obtained FSSC 22000¹, FDA registration², ISO 9001³, ISO 14001⁴, ISO 22000⁵, HACCP⁶, BRC⁷ and other standard system certifications.

We prioritize the use of sterile recyclable packaging materials certified by the Forest Stewardship Council (FSC) or Sustainable Forestry Initiative (SFI) program. Mengniu has pledged to achieve 100% sustainable packaging technology by 2025.

Mengniu considers biodiversity conservation as one of its important issues in its sustainable development strategies. Mengniu's vision on biodiversity is *From the Nature For the Future*. Mengniu proposes to achieve its biodiversity conservation goals via three "pathways": *Endeavor to Reduce the Threats to Biodiversity, Sustainable Utilization of Biodiversity Resources, Promote Consensus on Biodiversity*. Through these pathways, Mengniu has made accordingly 8 commitments on biodiversity in response to *Post-2020 Global Biodiversity*

¹ Food Safety System Certification (FSSC 22000) is a global and auditable standard under the food safety management system

² Food and Drug Administration (FDA). Food, drugs, cosmetics, and medical devices certified by FDA are safe and effective for the human body

³ International Standard for Quality Management System

⁴ International Standard for Environmental Management System

⁵ International Standard for Food Safety Management Systems

⁶ Hazard Analysis and Critical Control Point (HACCP) is the certification for the management system of hazard analysis and critical control point targeted at food production companies to ensure the safety of food in the production process

⁷ British Retail Consortium (BRC). The certification focuses on the safety and risks facing the consumers

Framework published by UN in July 2021. Such commitments span across a variety of topics including ecosystem conservation and restoration throughout the value chain, contamination reduction, promotion of green consumption habits and biodiversity awareness.

By end of 2020, Mengniu Shengmu has planted more than 97 million desert trees in the core area of the desert corridor, more than 1.5 million consumers have been attracted to participate in biodiversity conservation activities. In 2020, Mengniu implemented 18 projects for contamination reduction, and 70% of Mengniu's cooperative pastures were involved in its healthy breeding campaign.

Nutrition – Supreme & Inclusive

Mengniu is committed to providing nutritious, healthy and delicious dairy products to consumers around the world, nourishing two billion consumers with superior products. Mengniu has been continuously launching more innovative products, and continuously increasing the health attribute of products and associated investments to satisfying various nutrition and health needs of different groups of people. In June 2021, Mengniu released the Mengniu Nutrition and Health Policy (2021-2025) to promote nutrition and health in a comprehensive manner and build a world-class nutrition and health brand image.

Nutrition education is the most fundamental, economical and effective strategy and measure to solve public nutrition and health problems. Mengniu implements the Outline of the Healthy China 2030 Plan, conducts education and dissemination of knowledge about basic nutrition, population nutrition and dairy scientific nutrition, and improves the level of national nutrition and health knowledge.

Mengniu attaches great importance to scientific research and innovation, and continues to conduct in- depth nutrition research in cooperation with scientific research institutions at home and abroad. At present, Mengniu has built the world-leading High-Tech Research Institute and High-Intelligence Production Base, bringing together the expertise of 16 domestic and international universities and research institutions. Mengniu also built an overseas research and development (R&D) center, having more than 30 R&D partners around the world.

3. Sustainable Financing Framework

In accordance with our sustainability strategy and approach, we have developed this Sustainable Finance Framework (the "Framework") to demonstrate how Mengniu and/or its entities intends to issue Sustainable Financing Instruments to fund projects, assets and developments which will create environmental and social benefits.

The Framework follows the Principles below, or as may subsequently be amended:

- ICMA Green Bond Principles 2021 ("ICMA GBP")⁸
- ICMA Social Bond Principles 2021 ("ICMA SBP")⁹

⁸ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp>

⁹ The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

- ICMA Sustainability Bond Guidelines 2021 (“ICMA SBG”, and together with the ICMA GBP and ICMA SBP, the “ICMA Principles”) ¹⁰
- LMA, APLMA, and LSTA Green Loan Principles 2021 (“GLP”) ¹¹
- LMA, APLMA, and LSTA Social Loan Principles 2021 (“SLP”, and together with the GLP and the ICMA Principles, the “Principles”) ¹²

Sustainable Financing Instruments cover Green Bonds, Social Bonds, Sustainability Bonds, Green Loans, Social Loans and Sustainability Loans for Eligible Projects as defined in the Framework:

- Green Bonds, in accordance with ICMA GBP
- Social Bonds, in accordance with ICMA SBP
- Sustainability Bonds, in accordance with ICMA SBG
- Green Loans, in accordance with GLP
- Social Loans, in accordance with SLP
- Sustainability Loans, in accordance with GLP and SLP

The Sustainable Financing Instruments may be in any currency or tenor and with other terms and conditions including covenants, to reflect the financing strategy and plan of Mengniu as well as the outcome of the commercial discussions between the Issuer/Borrower and Manager/Arranger/Lender. The relevant transaction may be done in any jurisdiction and market reflecting Mengniu’s current and future business needs.

Mengniu’s Sustainable Finance Framework is presented through the following four core components, aligned with the Principles:

- i) Use of Proceeds
- ii) Process for Project Evaluation and Selection
- iii) Management of Proceeds
- iv) Reporting

3.1 Use of proceeds






Mengniu commits to allocating an amount equal to the net proceeds from each Sustainable Financing Instrument to finance or refinance, in whole or in part, one or more new or existing Eligible Projects which provide clear environmental and/or social benefits.






Eligible Projects include assets, investments, capital expenditure and operational expenditure associated with the eligibility criteria outlined below, made by Mengniu or any of its subsidiaries. Refinancing of eligible operational expenditures will have a look-back period of no longer than 36 months from the time of issuance. Mengniu commits to fully allocating the net proceeds of each Sustainable Financing Instrument on a best effort basis within 24 months of issuance.






¹⁰ The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg>

¹¹ The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>


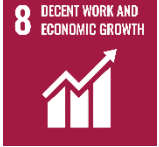
¹² The Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/social-loan-principles-slp/>

ICMA Principles Category	Eligibility Criteria	UN SDG Mapping
Green Projects Categories		
Environmentally sustainable management of living natural resources and land use	<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 - Acquisition of company with at least 90% of the revenue derived from certified sustainable products, for example, the acquisition of Bellamy's Organic <p style="text-align: center;"><i>Certification schemes include but are not limited to: EU EC Reg. n. 848/2018 organic standards, ACO / NASAA, and equivalent, internationally recognized certifications to be disclosed</i></p> 	 
Climate change mitigation	<ul style="list-style-type: none"> ● Expenditures related to research, development, implementation, operation, and maintenance of initiatives and programs aiming to manage and reduce greenhouse gas emissions, specifically methane emissions. Example projects include: <ul style="list-style-type: none"> - Research of altering feeding practices, such as use of supplements and additives, adjusting silage ratios and forage mixtures to reduce protein in the cow's diet - Research and implementation of improving manure management, and converting methane from manure to bioenergy and fertilizer 	 
Renewable energy	<ul style="list-style-type: none"> ● Expenditures related to the construction, development, acquisition, maintenance, and 	

	<p>operation of renewable energy projects including solar, wind, and biomass (lifecycle emissions below 100g CO₂e/kWh). Example projects may include, but are not limited to:</p> <ul style="list-style-type: none"> - Installation of photovoltaic power station - Installation of biomass boilers - Installation of biogas facilities utilizing manure and other organic pollutants - Renewable energy power purchase agreements (PPAs) or purchases of Renewable Energy Certificates if sourcing from long-term PPAs are not available 	
<p>Energy efficiency</p>	<ul style="list-style-type: none"> ● Expenditures related to construction, operation, and maintenance of energy-efficient facilities and infrastructure in the office building or production plant that improve energy efficiency by at least 15%. Example projects include: <ul style="list-style-type: none"> - Energy efficient air compressor - Energy saving motor system - Auto-adjusting LED lighting 	 
<p>Sustainable water and wastewater management</p>	<ul style="list-style-type: none"> ● Expenditures related to sustainable water 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 treatment facilities 	 
<p>Eco-efficient and Circular economy adapted products, production technologies and processes</p>	<ul style="list-style-type: none"> ● Expenditures related to resource-efficient packaging designed to be recycled and packaging made from recycled content. Example project include: <ul style="list-style-type: none"> - Recyclable packaging material paper certified by the Forest Stewardship Council (FSC) or the 	

	Sustainable Forestry Initiative (SFI)	
Green buildings	<ul style="list-style-type: none"> Expenditures related to the design, construction, retrofit, upgrade or renovation of office space or production plants that improve at least 30% of the energy efficiency of the buildings, or to meet regional, national or internationally recognized green building standards or certifications, such as: <ul style="list-style-type: none"> China's Green Building Evaluation Label (Two star or above) Leadership in Energy and Environmental Design ("LEED") V4.0 or V4.1 (Gold or Platinum) Building Research Establishment Environmental Assessment Method ("BREEAM") (Excellent or Outstanding) 	 
Social Projects Categories		
Access to low-cost, high nutrition products	<ul style="list-style-type: none"> Expenditures related to programs and initiatives that increase the access to low cost, high nutrition products for preschool children and teenagers from low-income rural or ethnic-minority communities, and areas seriously affected by the COVID-19 pandemic. Examples projects include¹³: <ul style="list-style-type: none"> Programs with a focus on providing nutritional support to the Target Population Education and training activities supporting the healthy growth and 	 

¹³ 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

	development of the Target Population	
Employment generation through SME financing	<ul style="list-style-type: none"> ● Financing programs to support Small and Medium-Enterprises (SMEs), as defined by the local jurisdiction¹⁴, 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 - Subsidies and loans financing to upstream SMEs subjected to pandemic or natural disaster damages 	 

Exclusions: Any expenditures related to fossil fuel technologies are explicitly excluded from allocation to any Eligible Project.

3.2 Project evaluation and selection

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 assessment and selection of Eligible Projects nominated by relevant Working Groups¹⁵ and functional departments, based on the eligibility criteria outlined in Use of Proceeds section. In addition, all project 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 will meet at least once a year and monitor the Eligible Projects in each reporting period. It is also responsible for:

- The exclusion and replacement of projects which no longer fulfil the eligibility criteria
- Updating this Framework to take into consideration changes in corporate strategy, technology and market developments

If projects at the subsidiary level are included in the Eligible Projects for the Sustainable Financing Instrument issued under this Framework, they will need to be reflected at Mengniu’s equity shareholding.

¹⁴ 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. 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

¹⁵ Including Working Group on Sustainable Environment, Working Group on Sustainable Society, etc.

3.3 Management of proceeds

Mengniu’s Finance Department will be responsible for the management and allocation of proceeds. Mengniu will establish a Sustainable Financing Register in relation to Sustainable Financing Instruments issued by Mengniu for the purpose of monitoring the Eligible Projects and the allocation of the net proceeds from such instruments to Eligible Projects.

Mengniu will over the duration of the outstanding Sustainable Financing Instruments build up and maintain an aggregate amount of projects in the Sustainable Financing Register that is at least equal to the aggregate net proceeds of all outstanding Sustainable Financing Instruments issued by Mengniu.

Pending allocation, any unallocated net proceeds from the Sustainable Financing Instruments may be temporarily invested in cash, cash equivalents, and/or other short-term liquid instruments as per Mengniu’s corporate treasury policy. Funds will not knowingly be placed in investments that include greenhouse gas intensive projects.

In the case of divestment or if a project no longer meets the eligibility criteria listed above, we intend to reallocate the funds to other Eligible Projects.

3.4 Reporting

Annually, until all the net proceeds have been fully allocated, and on a timely basis in case of material developments, Mengniu intends to make public and keep readily available the below Allocation Reporting and Impact Reporting in our Sustainability Report for each Sustainable Financing Instrument issued.

- a. **Allocation Reporting:** Mengniu will provide below information for the net proceeds of all the Sustainable Financing Instruments during the period
 - The aggregate amount allocated to various Eligible Projects by category
 - The remaining balance of funds which have not yet been allocated and type of temporary investment
 - The proportion of net proceeds allocated to financing vs. refinancing
 - Examples of Eligible Projects

- b. **Impact Reporting:** Where feasible, Mengniu will report on the environmental and/or social impacts resulting from Eligible Projects. Subject to the nature of Eligible Projects and availability of information, Mengniu aims to include the following Impact Indicators:

ICMA Category	Potential KPI and Reporting Metrics
Green Project Categories	
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> • Annual greenhouse gas emissions reduced/avoided (mtCO₂e) • Number of research projects (#) • Volume, spend or percentage of certified ingredients / products
Climate change mitigation	<ul style="list-style-type: none"> • Number of research projects (#) • Annual greenhouse gas emissions reduced/avoided (mtCO₂e)
Renewable energy	<ul style="list-style-type: none"> • Annual electricity procured & generated from renewable energy (MWh)

	<ul style="list-style-type: none"> • Annual renewable energy generation (MWh) • Annual greenhouse gas emissions reduced/avoided (mtCO₂e)
Energy efficiency	<ul style="list-style-type: none"> • Annual Energy savings (MWh) • Annual greenhouse gas emissions reduced/avoided (mtCO₂e)
Sustainable water and wastewater management	<ul style="list-style-type: none"> • Annual volume of water consumption reduced or avoided (m³) • Annual volume of water treated or recycled (m³)
Eco-efficient and circular economy adapted products, production technologies and processes	<ul style="list-style-type: none"> • Reused and recycled components (tons) • Share of recyclable packaging material (%) • Total packaging materials reduced (tons) • Waste prevented, minimized, reused or recycled (tons)
Green buildings	<ul style="list-style-type: none"> • Office space which is green certified (m²), by certification type and level • Annual Greenhouse gas emissions reduced/avoided (mtCO₂e) • Number and type of green building certifications • Annual reduction in water consumption (ton)
Social Project Categories	
Access to low-cost, high nutrition products	<ul style="list-style-type: none"> • Number of direct beneficiaries reached from relevant projects (#)
Employment generation through SME financing	<ul style="list-style-type: none"> • Number of SMEs/individuals benefitted

4. External review

Mengniu has engaged Sustainalytics to review and provide a Second-Party Opinion, which confirms that the Framework is in line with the Principles.

The Second-Party Opinion and this Framework will be made available to investors via Mengniu's official website: http://www.mengniuir.com/c/ir_social.php