

MENGNUI SUSTAINABLE PALM OIL POLICY

Mengniu Group is the world's leading Chinese dairy company focused on providing nutritious, healthy and tasty dairy products to Chinese and global consumers. Mengniu is committed to the highest standards of corporate governance and recognizes that good corporate governance is crucial to implementing its business strategies while generating sustainable shareholder value and enhancing corporate reputation and transparency through industry-leading practices. Acknowledging the risk to deforestation, peatland and exploitation associated with palm oil production, Mengniu has developed a clear Sustainable Palm Oil Policy. (Hereinafter referred to as "this Policy".)

Mengniu developed and released the GREEN Sustainability Strategy and "Forest protection Policy", committing to work towards No deforestation in the palm oil supply chain and contribute to the global target against climate change and the protection of biodiversity. Mengniu is committed to gradually having its supply chain free from deforestation and/or peat development from the December 2015 cut-off date. Further compliance to this policy is assessed through Code of Conduct.

Objective

Any stakeholders and suppliers participating in the Mengniu Value Chain shall ensure commitment towards compliance with this policy with the addition of compliance to applicable local and international law.

Scope of Mengniu Sustainable Palm Oil Policy

This policy outlines the key requirements to be complied with by all Mengniu operations worldwide, including its subsidiaries or investments, regardless of stake, and all Mengniu palm oil suppliers. A "Supplier" is anyone, individual or company, who supplies Mengniu with physical palm oil, palm kernel oil and derivatives or with whom we have a trading relationship, as well as their sub-tier suppliers. This includes but is not

limited to traders, refineries, mills plantation of palm oil, palm kernel oil and its derivatives used by Mengniu. This policy is applicable at a global level to all sites, ranches, workers and employees (inclusive of contracted, temporary and migrant workers) of Mengniu's operations and suppliers, as well as sub-contractors and subsidiaries.

Mengniu requires this policy to be communicated by all suppliers within own operations as well as extending these requirements throughout the supply chain. Mengniu commits to working with all suppliers throughout the supply chain to support suppliers toward achieving compliance of all requirements.

Key Commitments

This policy is developed to address sustainability risks in its supply chain. To ensure implementation is consistent across the supply chain, specific topics have been identified that are relevant to Mengniu and its stakeholders. These also reflect the challenges that are of utmost importance in the Mengniu operations, stakeholders involved and surrounding communities. The highest potential to minimise harm and contribute towards sustainable development is ensured through adherence to the following key topics:

1. Mengniu commits to No deforestation and conversion of forest and peatland with an emphasis on the elements below:

- No conversion of High Conservation Value (HCV) areas.
- No conversion of High Carbon Stock (HCS) forests.
- HCVs and HCS forests in supplier managed area are identified and protected or enhanced.
- Fire is not used for preparing land and is prevented in the managed area.
- No new planting on peat, regardless of depth and all peatlands are managed responsibly with Best Management Practices for Management and Rehabilitation of Peatlands developed by Roundtable on Sustainable Palm Oil (RSPO) or as defined by peatland experts.

2. Mengniu commits to No Exploitation of Workers, Indigenous, Local Communities and all stakeholders with an emphasis on the elements below:

- Mengniu shall follow and uphold key international human rights standards within operations.
- Respect the legal and customary rights of Indigenous Peoples and community, to maintain control over management activities within or related to the Management Unit to the extent necessary to protect their rights, resources and lands and territories. Delegation by Indigenous Peoples or community of control over management activities to third parties requires Free, Prior and Informed Consent (FPIC).
- Respect legal land tenure rights.
- All complaints and conflicts are resolved through an open, transparent and consultative process.

3. Mengniu commits to upholding fundamental human rights in the its business at a global level of operations and supply chain. This commitment is aligned with the UN Guiding Principles on Business and Human Rights (UNGPs). Further emphasis on the elements below are covered as part of this commitment:

- Labour Standards and rights
 - Freely chosen employment relationship
 - Freedom from Forced, Bonded or Prison Labour
 - No Child Labour
 - Freedom of Association and Right to Collective Bargaining
 - Minimum Wage
 - Employment contracts and working hours
 - Equal Employment Opportunities
 - Zero tolerance to harassment and workplace violence
 - Minimum age, remuneration, working time and rest day
- Occupational Safety and Health: Emergency, workplace and housing.

- 4. Mengniu commits to ensuring support for smallholder inclusivity as part of the Mengniu supply chain with measures taken through support programs inclusive of sustainable management of farms, good agricultural practices, and improved livelihoods**

- 5. Mengniu commits towards ensuring a responsible supply chain through traceability to known sources of all raw materials is adhered to in the value chain. Efforts in ensuring visibility of the value chain shall include provision of supporting suppliers in providing traceability data**

- 6. Mengniu commits towards biodiversity conservation and protection through participating in landscape level and supply chain initiatives**

Policy Implementation, Monitoring and Reporting

All Mengniu suppliers are required to have policies and standard operating procedures that meet this policy requirements. Compliance to this policy is borne by the supplier through provision of relevant documentation, which shall be provided for review by Mengniu when requested. This policy shall be reasonably communicated to all relevant employees as well as sub-contractors and subsidiaries for awareness and compliance.

The policies and standard operating procedures implemented by Mengniu suppliers shall be assessed as a basis of demonstration of compliance to this policy within a timeline as per deemed suitable by Mengniu. In the event a supplier is unable to ensure compliance, Mengniu may carry out mitigating requirements, include but not limited to, providing relevant training to the supplier to help it gradually comply with this Policy, and if the supplier consistently fails to comply with this Policy, Mengniu will replace the supplier.

Mengniu Grievance Mechanism and Management

Mengniu is committed towards protecting internal and external stakeholders to raise any grievances against suspected violations of local and international laws, regulations as well as this policy. Suspected violations shall be reported to Mengniu through Mengniu's official communication channels. Grievances reported to Mengniu shall be identified and handled with confidentiality assured in accordance to the Mengniu Grievance Procedure.