

[Press Release]



Mengniu Releases 2022 ESG Report, Setting Industry Sustainability Benchmark

(Hong Kong, 27 April 2023) On 26 April, **China Mengniu Dairy Company Limited and its subsidiaries (together as “Mengniu” or the “Group”)** (Stock Code: 2319) released its 2022 Sustainability Report (hereinafter referred to as the "Report"). The Report shows that Mengniu adheres to the Environmental, social, and governance (ESG) concept throughout the whole industry chain, continues to promote the implementation of the "GREEN" sustainable development strategy, and is helping China achieve its common prosperity and dual-carbon strategic goals. In 2022, Mengniu’s MSCI ESG rating was upgraded to A level.

Mengniu’s Chief Executive Officer Lu Minfang stated that Mengniu not only promotes the implementation of its own "GREEN" strategy, but also transmits the concept and methods of ESG to the upstream and downstream of the industrial chain. Mengniu has established a number of zero-carbon emission factories and zero waste to landfill management factories and has carried out projects such as green packaging, biodiversity protection, responsible supply chain management, and green marketing. By creating a more resilient industrial chain, Mengniu continues to lead the sustainable development of the industry.



Mengniu’s 2022 Sustainability Report

Playing the Green Card: Practicing Sustainable Development Throughout the Entire Industry Chain

The "Milking the Planet" report released by the Institute for Agriculture and Trade Policy (IATP) shows that the dairy industry is one of the main contributors to the global increase in greenhouse gas (GHG) emissions, with "emissions reduction from the raw milk" being a major area of concern. Mengniu developed a carbon management plan and designed carbon reduction paths for pastures, which includes adjusting feed composition and structure, managing and optimizing herd structure, optimizing manure management, and improving the energy utilization efficiency of pastures. Mengniu also provided carbon reduction-related support for pastures. For example, China Shengmu implemented carbon reduction measures in the three areas of green breeding, manure management, and energy use, while China Modern Dairy made efforts to reduce carbon emissions throughout the entire chain. These two companies, which represent major raw milk suppliers, achieved a significant year-on-year decline in GHG emission intensity last year. In addition, Mengniu worked with cooperative pastures to achieve a carbon reduction of approximately 180,000 tons by assisting in equipment upgrades, energy substitution, and other measures.

On the production side, Mengniu has implemented a green production strategy focused on the "energy" card. Through four measures, namely improving the utilization rate of production capacity, improving the utilization rate of energy, recycling surplus energy, and optimizing energy structure, Mengniu achieved significant carbon reduction on the production side. For instance, Mengniu's Qijing Factory became the first internationally and domestically dual-certified zero-carbon emission factory in the dairy industry, thanks to the use of green building materials, low-carbon raw materials and accessories, and clean energy to achieve low-carbon and sustainable development. In 2022, Mengniu added five national-level green factories, bringing its total number of green factories to 27.



Mengniu Arla (Inner Mongolia) Dairy Products Co., Ltd. – Plants

Beyond the production side, upstream dairy pastures and the packaging industry are also major contributors of carbon emission. Mengniu carries out value chain collaborations focused on carbon reduction, working with with partners to implement carbon reduction practices and reduce product carbon footprints.

In terms of green packaging, under the concept of lifecycle design and production, Mengniu reduces the use of resources and manages the influence of packaging on the environment throughout the whole lifecycle by optimizing packaging materials, adding recycling labels, recycling packaging, and taking other management measures. Mengniu is committed to realizing 100% sustainable packaging technology by 2025, striving to lead the industry on achieving low-carbon packaging in Mengniu's entire product line. In terms of raw material procurement, Mengniu practices the concept of green procurement of raw materials, traces the origin of raw materials, and gives priority to raw material suppliers with sustainability-related certification. Mengniu formulated and published the Forest Protection Policy, striving to eliminate the risk of deforestation and achieve the goal of Zero Deforestation by 2030.

Sharing the Fruits of Development: Undertaking Responsibilities as the "National Team" of the Dairy Industry

A good social reputation and brand recognition can provide a steady stream of vitality for a company's sustainable development. By actively taking on social responsibility, Mengniu deeply cultivates in the "social responsibility" dimension of ESG, sharing the fruits of development with society through charitable activities and industry support for agriculture. It has spread the benefits of development in fields, schools, and villages, bringing significant intangible benefits to its long-term development.

In 2022, Mengniu continued to practice public welfare activities, with student milk donation as the focus, adhering to its mission that "every drop of nutrition makes every life thrive." Through activities such as the Future Star Student Assistance Program and the One Cent Donation Project, Mengniu conducted the Milk Donation Program of Inclusive Nutrition Plan in 277 schools in 58 cities of 20 provinces across the country, donating more than 3.97 million boxes of milk with 179,200 servings of milk for students. At the "2022 China Student Nutrition and Health Development Conference," Mengniu pledged to donate student milk valued at RMB30 million to schools nationwide in the next three years. In addition, Mengniu has always been present on the front lines of public welfare activities such as earthquake relief and caring for children and the elderly.



2022 China Student Nutrition and Health Development Conference

According to the Report, in 2022, Mengniu's donation expenditure exceeded RMB106 million, with its volunteer service activities involving more than 10,000 volunteers and its service time reaching nearly 20,000 hours. With its outstanding contributions to public welfare and charity, Mengniu was the only dairy enterprise to win the Inner Mongolia Charity Award Donor Company Award.

In addition, Mengniu made full use of the long-chain industrial advantages of the dairy industry in the first, second and third industries, forming a dairy-based rural revitalization model featuring industrial revitalization, inclusive nutrition, and multiple assistance. In 2022, Mengniu promoted the planting of more than 6 million mu and 12 million tonnes of high-quality forage grass nationwide, led the breeding of more than 1.7 million dairy cows, distributed nearly RMB32 billion of milk payments, directly and indirectly pushed forward more than 4 million herdsmen nationwide to increase their income, proposing the "Mengniu Plan" to alleviate local structural poverty.

With the outstanding contribution of high-quality industrial development to rural revitalization, Mengniu won the "Xinhua Credit Golden Orchid Cup" ESG Outstanding Contribution Case Award hosted by China Economic Information Service and was selected as a "Classic Case of Rural Revitalization" by the Rural Revitalization Research Center of "China Top Brands" magazine.

Building Internal Strength: Widening the ESG Value Moat

ESG is becoming a crucial consideration in market investment, with a substantial market size. According to an estimate from Bloomberg Intelligence, global ESG assets are expected to reach USD 53 trillion by 2025, accounting for one-third of the total global assets under management.

As the ESG market continues to heat up, the long-term governance ability of enterprises is becoming increasingly critical. This is an inherent requirement of ESG: creating a good internal and external governance environment is essential for companies to achieve long-term success in the ESG market.

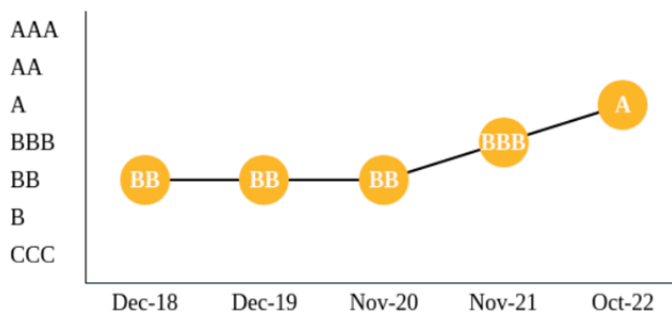
In 2022, in the execution layer of the sustainable development governance system, Mengniu upgraded the Secretariat of the ESG Executive Committee by incorporating relevant personnel from seven departments to improve the synergy efficiency. Mengniu also established the Sustainable Development Promotion Office, covering 24 first-level departments of the Group. Mengniu also formed a cross-departmental special working group to promote effective improvements related to key ESG topics.

In fact, ESG has become a "fast lane" for enterprises' transformation and upgrading, as it measures their future "certainty." ESG represents sustainable development, and therefore it inevitably creates positive underlying value. Mengniu, which adheres to a long-term development approach, provides a great example.

Mengniu's outstanding contributions in the ESG field have been recognized by international authoritative institutions and the market. In 2022, Mengniu's MSCI ESG rating was upgraded to A level, the highest rating in the Chinese food industry. In addition, Mengniu remained as a

constituent stock of the Hang Seng Sustainability Corporate Index and won the "CDP 2022 Environmental Leap Forward Progress Award." As a result, Mengniu, which has entered the "first echelon" of the ESG market, has also achieved further business value enhancement.

ESG Rating history



ESG Rating history shows five most recent rating actions

Mengniu's MSCI ESG Rating in recent years

On March 29th, Mengniu released its 2022 annual report. Despite a year of uncertainty, Mengniu achieved a remarkably resilient performance, with full-year revenue of RMB92.59 billion, a year-on-year increase of 5.1%, and an operating profit of RMB5.42 billion, a year-on-year increase of 11.6%, achieving growth in both revenue and net profit.

"ESG and many other issues that may not directly create commercial value determine whether high-quality and sustainable development can be achieved," said Lu Minfang. "We will not only find a balance between commercial benefits and social and environmental benefits, but also assist in creating a dairy production and consumption model that does not exceed the carrying capacity of resources and the environment through technological innovation and sustainable consumption. We will strive to become a more sustainable enterprise and collaborate with the industrial chain ecosystem to protect the common health of mankind and the planet."

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About China Mengniu Dairy Company Limited

China Mengniu Dairy Company Limited and its subsidiaries mainly manufacture and distribute quality dairy products in China. It is one of the leading dairy product manufacturers in China, with MENGNIU as its core brand. Mengniu offers diversified products including liquid milk products, ice cream, milk formula and cheese. Mengniu ranked 7th in the 2022 "Global Dairy Top 20" list published by Rabobank. As at the end of 2022, the Group's annual dairy production capacity reached 12.91 million tons. In March 2014, Mengniu became a Hang Seng Index constituent, making it the first blue chip Chinese dairy product manufacturer. In 2022, Mengniu's MSCI ESG rating improved to an A grade, the highest rating in the Chinese food industry, and it was included as a constituent stock in sustainable development indexes such as the Hang Seng Corporate Sustainability Index Series. For more information, please visit www.mengniuir.com.

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