

Mengniu Sustainable Water Management Policy

Mengniu regards water resource management as one of the core issues in sustainable development. Mengniu establishes a governance framework for sustainable water management and builds a comprehensive sustainable water management system that covers its operations and the entire value chain. It conducts water risk assessments and refines water-saving measures and recycling strategies in production through improving its institutional standards and technological innovations. Meanwhile, it collaborates with its supply chain partners to build a green value chain by promoting water resource protection and conservation, as well as protecting freshwater ecosystems together, to support the achievement of Goal 6 of United Nations Sustainable Development Goal (SDGs): Clean Water and Sanitation.

Scope

This Policy applies to all departments and operation sites of Mengniu Group and its branches and subsidiaries.

Contents

1. Sustainable Water Governance

- The Sustainability Committee under the Mengniu Board of Directors supervises sustainable water management initiatives and formulates strategic plans. The Energy Conservation and Emission Reduction Committee is also established, with the President of Mengniu as the chairman, and the Vice President taking charge of water resource utilization strategy and relevant performance management. Each business unit signs responsibility agreements and makes efforts to ensure accomplishment of water conservation goals.

- Mengniu builds a three-tier management structure (i.e., Group–Business Units–Factories) to strengthen water management and advance a shift in its water utilization philosophy from water conservation to sustainable utilization of water . It integrates external requirements (e.g., dual control of water resource and water consumption quotas for dairy production) with internal demands for energy conservation and consumption reduction, to ensure the strict implementation of water quality testing, provision of measuring instruments, and water volume alerts, etc.
- Mengniu sets up a working group on sustainable water management, incorporating internal departments and value chain partners closely related to sustainable water management into its organizational structure. Starting with water management in the operation of Mengniu, the working group extends its water management initiatives to value chain stakeholders, including identification of and response to water risk, water management of supply chain, and footprint certification of water for products.

2. Sustainable Water Management in Operation Sites

- Mengniu implements the principle of “determining urban development, land use, population size, and industrial production based on water availability”, takes “strengthening management foundation and promoting diversified technologies” as main direction, to carry out life-cycle water resources management, including water withdrawal, water use, and water conservation, etc.
- Based on the eight major water-saving measures under the 3U Water Resource Strategy, Mengniu integrates lean management methodologies into water management. It explores and adopts new technologies, methods, and processes and continuously identifies and assesses opportunities to improve water use efficiency, then applies the best available technologies and techniques across all production and operational activities.

- Mengniu conducts water risk assessments for all its self-operated factories, evaluating factors such as dependency on water resources and the potential impacts of water use, to continuously optimize water risk management and underpin the sustainable water management initiative. Key evaluating indicators include baseline water stress, groundwater levels, water availability, water use sustainability, water quality, and the potential impact on local stakeholders.
- Mengniu conducts water footprint assessment and verification to understand the water usage of Mengniu and its products. It establishes an internal water footprint calculation model, identifying key points of water consumption and conservation, allowing for the refinement of the water footprints of both Mengniu and its products and pinpointing of water-saving opportunities throughout the entire lifecycle. Concurrently, all business units are promoted to complete water footprint calculation for their main products.
- Mengniu develops ambitious water resource utilization targets and conducts long-term performance tracking of water management through the monitoring of water management indicators. Its targets are as follows:
 - Increase water recycling rate by 5% by 2030 compared to 2023;
 - Reduce water withdrawal per ton of product by 10% by 2030 compared to 2023.
- Regular training is provided to all employees to raise awareness and enhance practical capabilities in water resource management, improve specialized water-saving skill and encourage employees to develop innovative water conservation solutions in their daily work.
- Mengniu commits to providing safely managed water, sanitation, and hygiene facilities (WASH) in the workplace, ensuring a safe drinking water supply and personal hygiene conditions.

3. Sustainable Water Management in Value Chain

- Mengniu strengthens water conservation management among raw milk suppliers, raw and auxiliary material suppliers, through comprehensive review and in-depth analysis of water usage in various production processes for different types of suppliers. It actively promotes all suppliers to carry out water conservation management and implement water conservation projects, and collects information and performance data on suppliers' water conservation projects.
- Mengniu encourages suppliers to conduct water risk assessments, identify and evaluate the water stress they face and develop response strategies.
- Mengniu establishes water use targets across the value chain. Its current targets are as follows:
 - Core suppliers of raw milk plan to reduce water intensity per unit of raw milk by 10% by 2030, using 2022 as the baseline year;
 - Mengniu promotes the establishment of quantitative water use targets among core suppliers of raw and auxiliary materials, and works collaboratively with them to regularly monitor and evaluate their progress toward these targets.

4. Sustainable Water Management in Communities

- Mengniu remains committed to the sustainable management of water resources in the communities where its factories are located. Regular water risk assessments are conducted for all its self-operated facilities. In addition, it promotes water conservation awareness campaigns in all factories and implements related initiatives such as rainwater collection and reclaimed water reuse to support local water resource protection.
- Mengniu is committed to improving the water sourcing and usage environment in its operation sites and partner ranches. All operation sites of Mengniu should discharge treated wastewater that strictly meet standards in accordance with local regulations. Mengniu actively guides the ranches to strengthen manure management and to conduct proper handling of manure to prevent any negative impact on the water safety of surrounding communities.

5. Stakeholder Communication

Mengniu continues to enhance the transparency of its sustainable water management practices and disclose the progress to the public on a regular basis.

Mengniu actively engages with external stakeholder to maintain an industry leadership position in sustainable water management, while conducting regular reviews and timely updates of this Policy.

6. Policy Supervision and Reporting

The contents of this Policy are supervised by the Mengniu Sustainability Committee, and the progress of the main activities and the achievement of targets shall be reported to the Sustainability Committee.

This Policy may be supplemented or adjusted in accordance with local laws and regulations, with stricter standards applied where necessary.