



2021

Environmental, Social and
Governance Report

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About This Report

This report truly reflects China Feihe Limited's proactive efforts to fulfill its environmental, social and governance (ESG) responsibilities, and promote balanced and sustainable development. The business plans, development strategies and other forward-looking statements involved do not constitute substantive commitments to investors.



Reporting Period:

This report covers January 1 to December 31, 2021, with some parts earlier or later than the time above.



Reporting Scope:

It covers China Feihe Limited and its subsidiaries. The scope of the subsidiaries is consistent with that in our financial reports.



Data Sources:

Data in this report comes from internal statistics, documents, reports, third-party investigations and interviews. The currency unit is RMB (yuan).



Reporting Reference:

This report was prepared in accordance with the *Environmental, Social and Governance Reporting Guide* ("ESG Reporting Guide") in Appendix 27 to the *Main Board Listing Rules* by Stock Exchange of Hong Kong Limited ("HKEX") and in particular with its "comply or explain" requirements regarding the reporting principles of materiality, quantitative, balance and consistency, and with reference to the Global Reporting Initiative (GRI)'s *Sustainability Reporting Standards* ("GRI Standards").



Reporting Entity:

For ease of presentation and reading, China Feihe Limited refers to "Feihe", "the Company" and "we" in this report.



Form of Report:

This report is available in traditional Chinese, and English. In case of inconsistency, please refer to the traditional Chinese version as it shall prevail.



Access to this report:

The electronic version of the report can be viewed and downloaded at <http://www.feihe.com/>. Download this report by following the steps below: Open the official website of Feihe, following under Investor Relations, Disclosure, Environmental, Social and Governance Report.

Message from the Chairman

As 2021 ended, the coronavirus is continuing to gain pace, the world economy is struggling to recover from the pandemic, the international situation is ravaged by conflict, extreme weather happens regularly, and the global supply chain risks are heightening. In the face of the profound changes in the living environment, competition landscape and logic of growth, every responsible economy and individual is more looking to and committed to building a sustainable and high-quality development path to a better and green new future than in the past. At China Feihe, which is about to celebrate its 60th anniversary, we stick to the original aspiration of revitalizing Chinese dairies and protecting the milk for Chinese babies, and adhere to long-termism and sustainability. Hence, we reached the business goal set for 2021, further reinforced the industrial ecology, and fulfilled social responsibility with the excellent quality and warmth which Chinese brands have.

Feihe pursues the value of "mother's career and future career", and provides high-quality products and services for mothers and infants with conscience and ingenuity. In 2021, we joined hands with 12 academicians and experts in the industry and cooperated with top universities and institutions to jointly build a number of high-level research platforms integrating production, university, research and application. We improved the research theoretical system which evidences "More Suitable for Chinese Babies" and refined the "fresher and more suitable" milk powder formula and technology. We promoted the digital upgrading of the whole industry value chain, built the example as a world-class smart factory, and pioneered the "second-class" manufacturing monitoring and management; we have developed a brand-new smart supply chain, comprehensively increased the digital collaboration with the external ecosystem, and quickly integrated the online and offline resources. We have continued to consolidate and expand the integrated industrial cluster of agriculture, dairy and manufacturing; we further combined high-quality milk sources upstream, and have reserves of milk sources for cow milk and goat milk, which provides a solid supply of high-quality products, and basically stable development. Facing the future, we have reformed the Group's organizational system, improved strategic decision-making and organizational management mechanisms, and improved the capability and execution efficiency of corporate governance.

Chinese enterprises have opened the era of green

development against the backdrop of the national strategy of "carbon neutrality and carbon peaking". As a leader and pioneer in the industry, Feihe firmly prioritises ecological, green, and low-carbon sustainable development. In terms of production, we vigorously promote the "coal-to-gas" project in plants, and use clean energy to reduce emissions; we are the first in the industry to establish the "factory-in-factory" model, which effectively reduces transportation costs, and lowers energy consumption and exhaust emissions. We introduce the "Biological Natural Gas and Organic Fertiliser Recycling and Comprehensive Utilization Project"; we make bio-methane and organic fertiliser with straw and cow manure as raw materials, treat and recycle straw and manure harmlessly, and create a template of the closed-loop green ecological model across the whole industry value chain. In 2021, Feihe was listed as an excellent case in the *Blue Book of Corporate Philanthropy (2021)* issued by the Chinese Academy of Social Sciences and included in the first *Basic Textbook on Environment, Social and Governance (ESG)* in China.

Amid steady and green development, Feihe has always adhered to the corporate spirit of "Doing our Best to Repay the Society", actively assumed the social responsibilities and delivered brand value and warmth. We have continued the charitable activities such as education assistance, support to the underdeveloped, aid to disaster-hit areas, caring for mothers and infants and pandemic control. We have donated more than RMB 500 million to all sectors of society. We leverage the advantages of the whole industrial cluster to become the regional economic powerhouse by driving the shared prosperity of partners upstream and downstream, boosting local economic development, increasing people's income, and adding value and protection of black land. In 2021, Feihe won the 11th National "China Charity Awards" issued by the Ministry of Civil Affairs; we are rated as "2021 Responsible Enterprise" by China News Agency and China News Weekly; we were granted the "Leading Enterprise for Fulfilling the Social Responsibility" at the 19th China Food Safety Conference.

For our shared future, our power in strategy, technology, products, channels, organizations and digitization strongly convinces us that we can confidently meet challenges, keep our integrity and innovate with the times, and lead the industry to forge ahead in a new journey. We will enhance our core competitiveness, and continue to consolidate our research advantages in breast milk, infant and child

nutrition and health in China; we will promote the research of precise nutrition in the full life cycle, and develop energy products more suitable for Chinese people for the needs of consumers and channels. We will build a strong growth platform, create a new model of all-channel operation, and intelligently evolve to and transform towards digital supply, production, consumption and service.

We will more comprehensively and thoroughly implement and promote the sustainability strategy. Whether combining planting and breeding or during production and processing, or to consumers and services, we practice the carbon neutrality and peaking action across the whole chain and process and build a sustainable supply chain to form a closed loop of green, low-carbon and cycling development. We will embrace the digital changes in greater depth, and further upgrade the digitization and intelligence; we will continue to reduce costs, improve quality and efficiency, and build a supply chain of smart and fresh value. We will create a new industrial ecology, which closely connects partners upstream and downstream for shared social value and social responsibility, and jointly drive the high-quality and sustainable development of the industry.

2022 marks the 60th anniversary of the establishment of Feihe. We will follow the core values of "putting consumers first and actions before words, and achieving win-win outcomes and excellence", practice the mission of "bringing joy and health to families", and strive to be a trustworthy and respected nutritional expert for families. We will forge ahead to Feihe's centennial, and show the spirit of the times and the powerful image of Chinese brands in the revitalization of China-made milk.

Leng Youbin
Chairman
May 2022



About Feihe

Company Profile

Feihe, which was established in 1962 and based in Qiqihar, in Northeast China's Heilongjiang province, Feihe is among China's longest-operating dairy brands. In November 2019, we were listed on the Hong Kong Stock Exchange and registered the biggest IPO in the formula milk industry. Over the past 60 years, we have been a pacesetter and innovator: improving techniques, processes, and formulas in the manufacturing of milk powder for infants and toddlers in China. We thoroughly study the nutritional elements of breast milk and determine which are vital to babies' growth. The underlying aim of everything we do is to offer ever "fresher and more suitable" milk for Chinese parents and their children.

Feihe built the first integrated industrial cluster in the baby formula sector. We now control everything from planting forage, processing fodder for cows, raising cows at scale and manufacturing milk to after-sales service. We have achieved targets for 2020 -as per the government's *Dairy Industry Rejuvenation Guidelines* in terms of forage-planting, private farm construction and the self-sufficiency rate of raw milk. One

hundred percent of our baby formula is made from our farms' fresh raw milk.

We are consumer-oriented, put actions before words, seek win-win outcomes and have an endless passion for excellence. Embedded in our DNA since our inception, these core values continue to guide our journey. Our employees understand their responsibilities and work hard to fulfill them, day in, day out. By studying the nutritional components of breast milk, we focused on manufacturing better formulas for Chinese babies. We are a trustworthy and respected nutritional expert that brings joy and health to families. Going forward, we will sharpen our strategic positioning of "More Suitable for Chinese Babies". Besides formula, we will produce premium quality milk powder and fulfill our corporate social responsibilities.

Be a trustworthy and respected nutritional expert for families

Our Vision

Bring joy and health to families

Our Mission

Putting consumers first and actions before words, and achieving win-win outcomes and excellence

Our Values

Seeing our Efforts Rewarded

Society

- Leng Youbin, Chairman of Feihe, was awarded the Star of Good Faith 2020
- Leng Youbin, Chairman of Feihe, was named as Top 10 Business Integrity Examples 2021
- 11th China Charity Awards
- The Responsible Enterprise in 2021 the Summit Forum on CSR in China

Innovation

- First Prize of "Technological Progress Award" of China Dairy Industry Association
- Leng Youbin, Chairman of Feihe, was named as National Outstanding Professional and Technical Talent
- Science and Technology Award by 2021 China General Chamber of Commerce
- Aiben milk powder series for adults won the R&D Innovation Breakthrough Award of China Glycemic index (GI) International Conference

Digitization

- Big Data-Driven Innovative Application Project was listed into the "2021 Big Data Industry Development Pilot Demonstration Project" of the Ministry of Industry and Information Technology

Key performances in 2021

Premium Experiences with Feihe Products

Assisted the pasture to complete **37** improvement projects

reviewed pasture management
5 external **10** internal ones

Achieved CE (Communate Euoppene) certification for imported equipment
6 factories in China **1** in Canada

202 suppliers passed the ISO 9001 quality management system, FSSC 22000 food safety management system certification and ISO 22000 food safety management system certification

7 subsidiaries widely used WCM for production

Completed **69** improvement projects through the pillars

reported a revenue of RMB **49.41** million

2 factories fully covered with intelligent systems

Devotion to Philanthropic Causes

Donated RMB **16.047** million in 2021

Increased the value of more than **1** million mu of farmland in the province

created **150,000** jobs

boosted the income of **150,000** farmers

Donated RMB **176** million of globally top medical equipment to 11 hospitals in Gannan, Kedong and other counties

Donated RMB **2.93** million to the "eye charities " activity

benefited **1,466** people with eye diseases

Invested more than RMB **24** million in Feihe Student and Education Assistance Program for Poverty Alleviation

Promoting Shared Development and Prosperity

Held **90** plus campus fairs and job fairs

recruited **184** management trainees

Imported **53** managers or above level

92% were professional and technical talents

33% hold master's degree and above

6% were doctors

Trained **100%** of employees

with **51.2** hours per person

100% of employees exposed to occupational hazards were subject to occupational health checks

100% of employees were subject to safety training

invested RMB **18.7325** million in workplace safety

Women accounted for **44.9%** of our employees

39.8% of the management

Helped more than **400** employees

distributed gifts and allowances worth over RMB **14** million

Invested RMB **425** million in R&D

with **105** patents authorised

Dedication to the Ecological Cycle

50% of factories earned ISO 14001 and ISO 45001 certifications

Saved **167,400** tons of water with water-efficient projects

13 activities on Environmental Protection Day

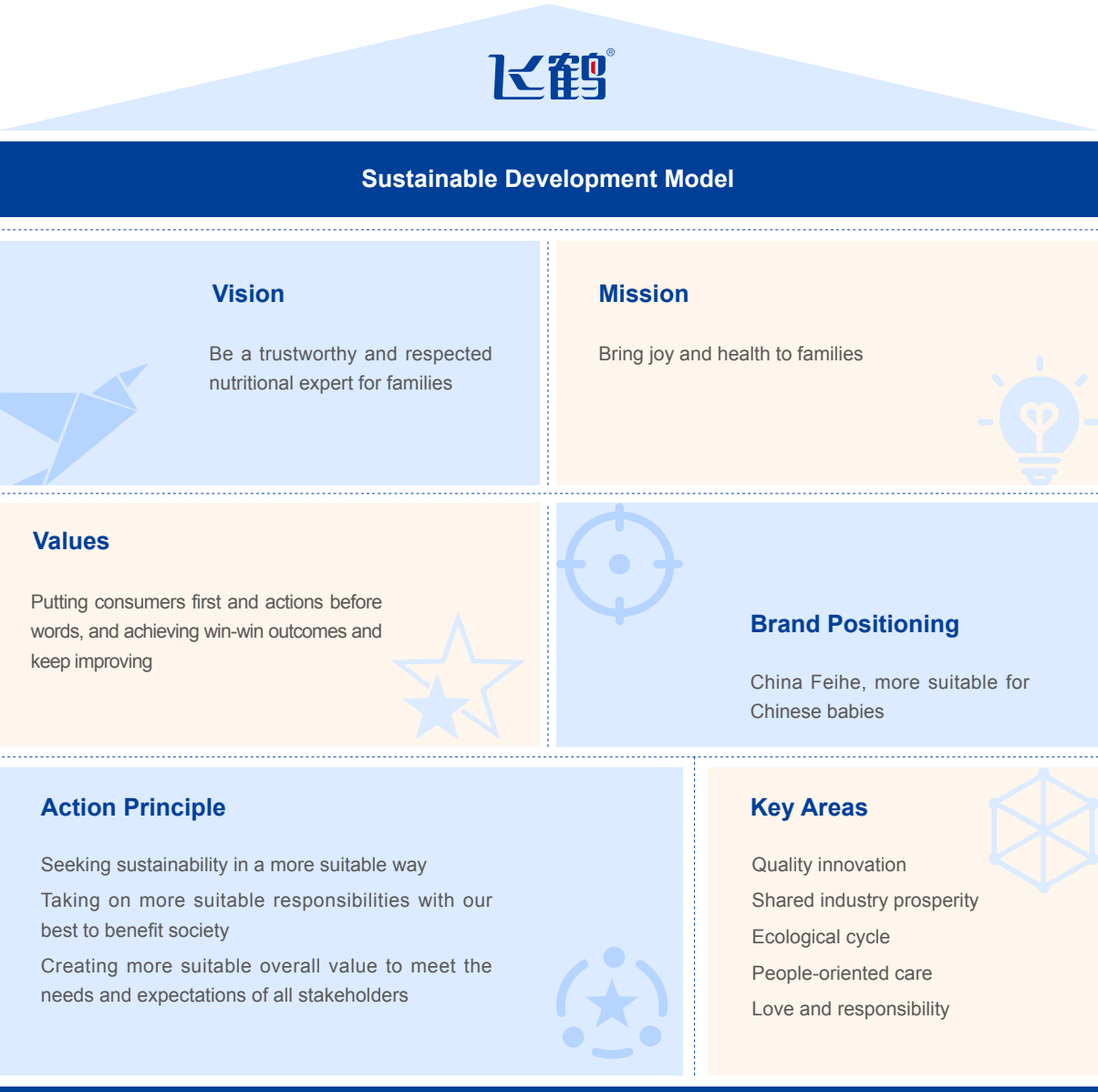
attracting **2,386** employee

Saved **6,921.71** tce of energy with energy-efficient projects

Sustainability Management

Philosophy of Sustainability

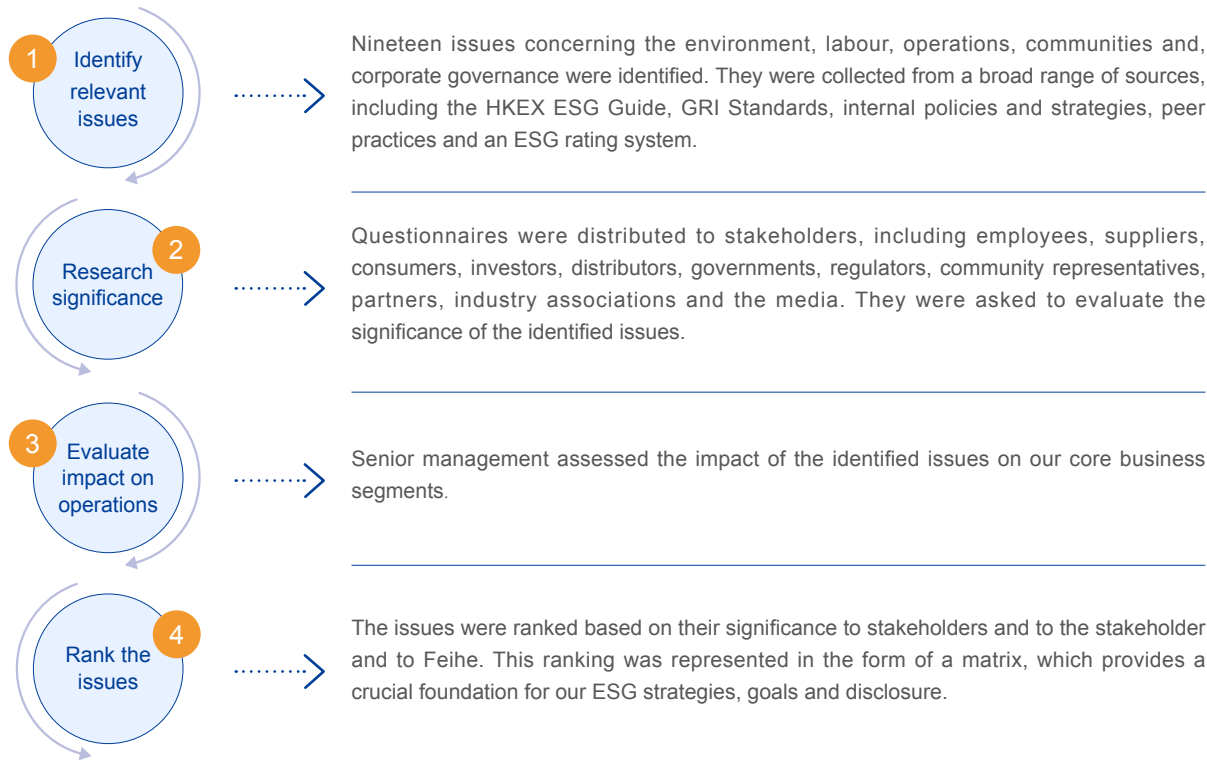
Feihe has incorporated responsibility and commitment into the DNA of its corporate development and attaches great importance to sustainable development management. With the values of "putting consumers first and actions before words, and achieving win-win outcomes and excellence", we pursue sustainability in five key areas: quality innovation; shared industry prosperity; ecological cycle; people-oriented responsibility; love and care. We form a sustainable development model led by the principle of "more suitable", help harmoniously balance economic, environmental and social benefits, and work together with all stakeholders to move towards the future of sustainable development.



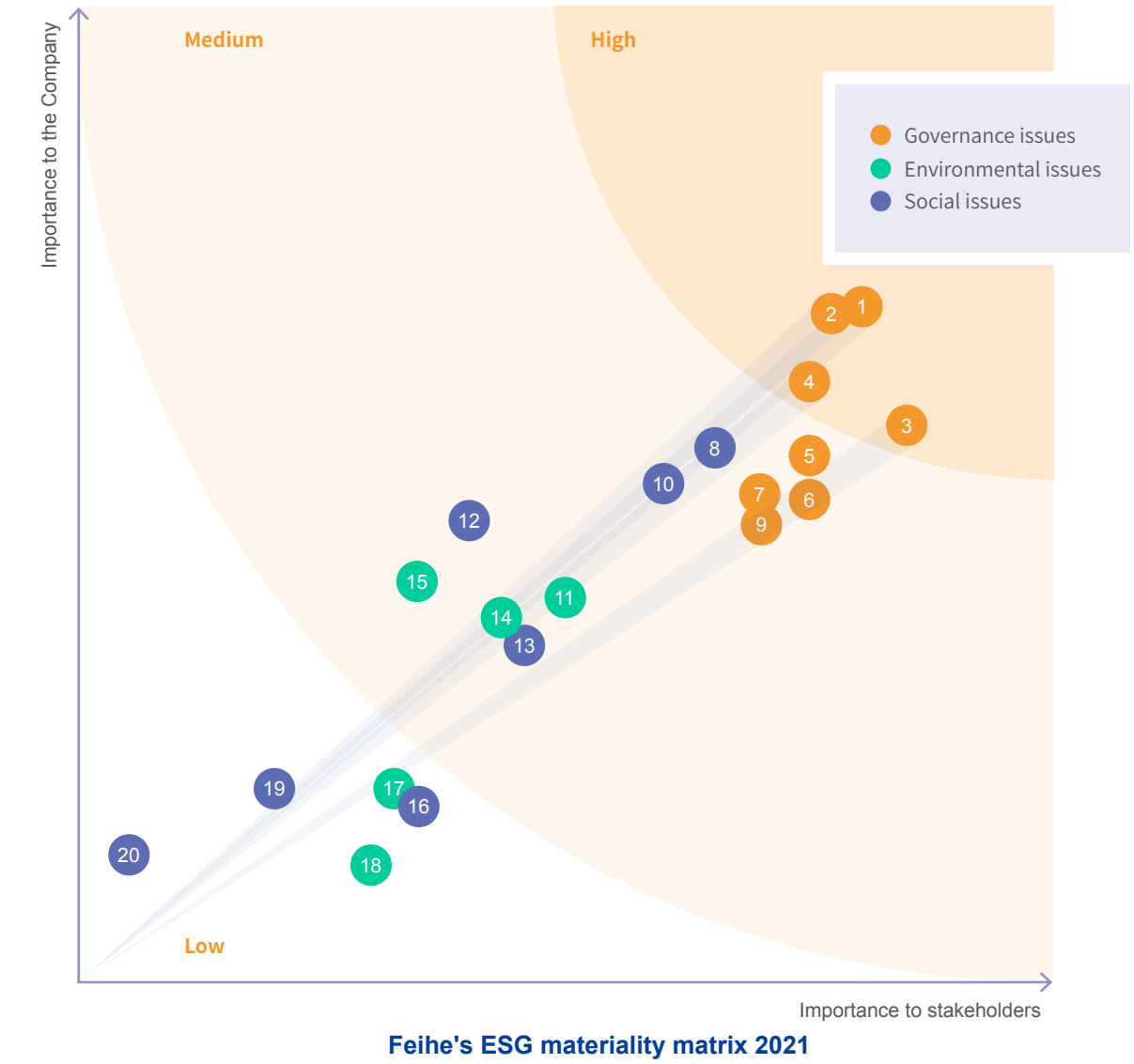
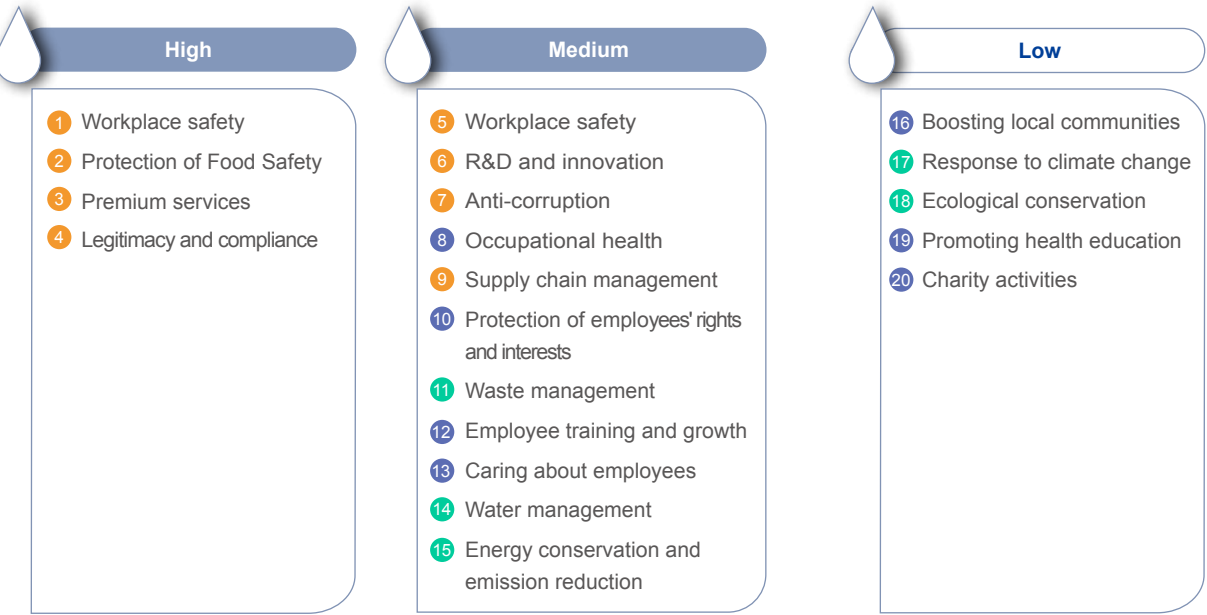
Materiality Assessment

To prepare this report, we follow the *Environmental, Social and Governance Guide Main Board Listing Rules* in Appendix 27 to the *Main Board Listing Rules* by HKEX, actively interact and communicate with all stakeholders, and make comparing analyses of topics as disclosed in the ESG report of companies of the same industry. We identify the material ESG issues to define the boundary of this report.

The process was as follows:



In 2021, we reviewed the substantive topics and reassessed, analysed and adjusted them in combination with the macro policy and directions of sustainability, as well as our significant strategic direction and the demands of stakeholders, so as to better respond to the sustainability trend and the demands of stakeholders. The material ESG issues of Feihe in 2021 are determined as follows:



Board Statement

Feihe attaches importance to the environmental, social and governance (ESG) issues that are crucial to our sustainability with a commitment to high-level corporate governance; we strive to align ourselves to the best international and local corporate governance practices for the interests of shareholders, other investors, customers, suppliers, employees and the public.

The Board of Directors is the highest decision-maker responsible for ESG matters. It takes full responsibility for the ESG strategy and reports, formulates and reviews policies and routine matters related to sustainability as well as the environment, social and corporate governance. Also, it oversees important ESG matters that may affect

the Company's business or operation and the rights and interests of shareholders and other stakeholders.

The Board of Directors evaluates, judges and ranks substantive issues that have a significant impact on the Company, discusses and determines sustainability priorities based on the external sustainability environment and the company's development strategy; it plays the regulatory role to review the progress and supervise the implementations.

This report details the Company's ESG progress in 2021 and was deliberated and adopted by the Board of Directors on March 28, 2022.

1 *Compliance Operations*

- Corporate Governance
- Risk Control
- Tackling Corruption



Compliance is the cornerstone of the steady operation of a company and plays a very important role in increasing corporate value. We focus on corporate compliance governance and attach high importance risk management and internal control. Under the criterion of national laws and regulations and domestic and foreign regulatory requirements, we further implement systems and take improved anti-risk prevention and control measures. We also enhance the integrity and improves our modern governance system and capacity.

Corporate Governance

We follow laws and regulations in the places we operate, including the *Company Law of the People's Republic of China* and *Cayman Islands Companies Law*, and all applicable provisions of the *Environmental, Social and Governance Reporting Guide* in Appendix 27 to the *Main Board Listing Rules* by HKEX. We build a management structure including decision-makers, supervisors and executive personnel, which also specifies their respective responsibility, leading to an effective check and balance.

Our Board of Directors comprises eleven directors, including four executive directors, three non-executive directors and four independent non-executive directors, who are independent of holding shareholders in the areas of management, operations and finance. Beneath the board is the Audit Committee, Remuneration Committee and Nomination Committee and Nomination Committee. They take charge of management matters.

The board's responsibilities are determined as per our amended and restated memorandum and *Articles of Association*. The board implements resolutions passed at the general meeting of shareholders, formulates development strategies and investment plans, evaluates our governance, risk management and internal controls, and ensures we follow and practice relevant laws and regulations.

Risk Control

Feihe places importance on corporate risk control. Under the improved risk management policies, we inspect internal control and identify and resist operational risks in multiple dimensions. By summarizing the operation practices, we deal with the possible risks in production and operation in terms of risk management and audit to improve the risk control points in each business.

Risk Control System

The Company has formulated appropriate policies and strategies to review the effectiveness of the risk control system, and the Audit Committee is responsible for the risk management and internal control system. In the risk control system, our *Crisis Management System of Feihe Dairy* prioritises risk prevention and focuses on early warnings, the crisis management system clarifies the responsibilities of crisis management organization. The crisis management team defuses risks and, should crises occur, we examine the damage they cause and draw lessons to avoid them in the future.

Our *Basic Guidelines for Internal Control* defines the organization and responsibilities in the three lines of defense. In 2021, we further established the implementation strategy, including the risk classification standards, the risk assessment standards, the quarterly process of risk identification, and risk response. It also defined the departmental responsibilities in the three lines of defense for the closed-loop management.



Risk identification

Build a company-wide framework for strategic risk, market risk, operational risk, financial risk and legal risk, covering 34 primary risks, 125 secondary risks and 279 tertiary risks.

Collect bimonthly risk events under the risk framework from all employees, the first line of defense, and improve their risk awareness.



Risk assessment and response

Classify the risk events in 2021, and deal with them with different strategies and closed-loop management methods.

Regularly monitor the implementation to ensure that the risk is under control.

Audit and Supervision

We have an internal control system and an internal audit system for corporate governance. Our *Management Rules of Authorised Approval*, *Basic Guidelines for Internal Control* and *Evaluation Methods for Internal Control* ensure the internal control system effectively runs in daily management. To guide and avoid violations, our *Reward and Punishment Management System of Feihe Dairy* links the violations of departments or personnel to the performance appraisal to prevent the moral hazard among employees.

In 2021, we comprehensively updated the detailed list of approval authority of each system in the rules, clarified leaders' responsibility for their businesses with more responsibility in the process, and established a more standardised and proper approval process and authority. In addition, we revised the internal control system in terms of supplier management, intangible asset management, intellectual property protection, information confidentiality, etc. We evaluated the current internal control and preliminarily identified risks in product innovation, marketing, supplier selection and contract, and information security. In this way, we established the internal control process framework, and systematically implemented the internal control management system in different fields.

In terms of an internal audit system, our *Audit System of Feihe Dairy* specifies that directors, senior managers, functional departments, wholly-owned or holding companies and joint-stock companies with significant influence should be audited and supervised, and sets punishments for violations at different levels.

On the basis of the internal audit, in order to further strengthen the supervision of the company's internal control and improve the objective independence and professional level of supervision, the company hired a third-party internal control consultant to review the relevant internal control measures in the main business processes to ensure their effectiveness, explore the deficiencies in the system and identify improvement opportunities, put forward suggestions on remedial measures and review the implementation and implementation of measures.



Tackling Corruption

Feihe rigorously follows laws and regulations such as the *Company Law of the People's Republic of China*, the *Inspection Law of the People's Republic of China*, the *Criminal Law of the People's Republic of China*, the *Anti-Money Laundering Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Anti-Monopoly Law of the People's Republic of China*, the *Intra-Party Supervision Regulations of the Communist Party of China*, and the *Disciplinary Action Regulations of the Communist Party of China*. Our *Anti-Fraud System of Feihe Dairy*, *Inquiry Measures For Employees' Violations* and the *Audit System Management of Feihe Dairy* prevent or penalise illegal behaviour such as corruption and money-laundering. Anticorruption has been added as a metric for assessing our overall performance and that of our subsidiaries, to encourage all employees to behave properly and legally. The Company continues to promote anti-corruption systems, promises to operate in good faith, and maintains a clean and upright business environment; we establish integrity supervision for clean operation and healthy development.

Anti-corruption Promotion

Our Audit and Internal Control Center is a permanent anti-corruption department, responsible for the daily oversight of the headquarters and subsidiaries.



Our *Anti-Fraud System of Feihe Dairy* stipulates types of behaviour deemed corrupt for suppliers and distributors and outlines penalties for corruption. We intend that, with the implementation of the system, employees and partners will be "deterred, unable and unwilling" to engage in corruption, and will uphold the integrity of which we are proud. The Company imposes internal economic and/or administrative punishment on fraud depending on the seriousness and transfers the suspects to the judicial authority. Our *Audit Management System* has made clear the behaviors and punishments of corruption events for suppliers and distributors.

The Company's reporting system protects informants. To offer more reporting channels, a sound internal complaint mechanism, with methods for implementation and oversight, prevents personnel from engaging in fraud and corruption. Employees and partners can report cases via hotline, email and letter. On receiving a complaint, we begin a review and set up a taskforce to investigate. The taskforce collects evidence, files a report, follows up and provides feedback. The personal information of informants and investigators is kept strictly confidential.

In 2021, we handled cases of corruption-related violations, involving fake expenses, dereliction of duty by executives, and under-the-table transactions with distributors. The offenders were penalised appropriately.

Reporting Process



Anti-corruption Training

The Company attaches great importance to the integrity education of employees and stakeholders. The anti-corruption and anti-bribery training raises our employees' awareness of compliance. We aim to guide employees and stakeholders to do business with integrity, honesty and transparency. In 2021, we invited distributors from large regions, provinces, and districts and key customers to participate in online policy and compliance training to implement the policies. In 2021, we hosted 27 strategy lectures on implementing an annual audit management system and special training on distributor anti-corruption, to educate our directors, executives, employees and distributors.



Health promotion meeting on Northern Henan Province



Policy education



Internal training on safety system

2 Premium Experiences with Feihe Products

- Superior Quality
- Premium Services
- Harnessing Digital Power



Safety and quality fundamentally guarantee Feihe's products. We produce freshness from the very source by selecting the optimal milk source belt. In addition, we continue to lead the high-quality development of the industry and practise the commitment of leading freshness with advanced technology.

Superior Quality

Ensuring superior milk sources is the key to the quality of Feihe products. We unremittingly pursue "fresher and more suitable" high-quality milk powder. Feihe has established strict product standards, such as *Management Requirements of Milk Source* and the *Management Requirements of Organic Milk Source*, including supplier pasture audit and on-site management. We take multiple measures to strictly control the product quality.

Supplier Audit and Management

Pasture quality management is an important part of our supplier quality management system. We strictly abide by ISO 9001, Hazard Analysis Critical Control Points (HACCP), GAP, GB/T 2014 and Food Safety System Certification (FSSC) 22000. On the basis of the original fresh milk procurement control procedures and milk source management, we strengthened the supplier control in 2021. All pastures for milk supply were required to be certificated by the GAP, and we added two management processes: pasture management and annual milk source planning.

On-site Management

Feihe factory conducts on-site inspections on fresh milk microbial control, forage and feed management, veterinary medicine management and withdrawal time control in the pasture under its jurisdiction every month. Factory feeds back the results to the pasture, and tracks and checks the rectification to ensure a safe milk source in pastures. We perfect audit standards for pastures and form up an audit team every year to comprehensively audit the pasture environment and system of suppliers. In 2021, Feihe assisted the pastures to complete 37 improvement projects and completed 5 external and 10 internal evaluations throughout the year. Internal pastures involved 86 problems and all were qualified after the audit. We have terminated the milk supply from external pastures that were discovered with problems.

Assisted the pasture to complete
37
improvement projects

86
problems involved in internal pastures and all qualified after the audit

5
external pastures evaluated

10
internal pastures evaluated



Managing Veterinary Medicine

To ensure the health of cows and the safety of milk sources, and eliminate the medicine risk, Feihe strictly complies with *GB 31650-2019 National Food Safety Standard: Maximum Residue Limit of Veterinary Drugs in Food*; we also formulate the risk monitoring plan for raw milk with reference to risk early warning of chemical pollutants in milk and dairy products issued by the European Union, WHO, FDA, and Canadian Food Inspection Agency. The monitoring plan is for factories to establish quality monitoring plan for raw milk and dairy raw materials which monitors chemical pollution such as veterinary drug residues and hormones. Feihe also established the *Operating Specifications and Process for Vets Team*, and *Veterinary Drug Purchase List* together with the suppliers to strictly manage veterinary drugs and cattle health. The use of veterinary drugs should be approved and purchased according to the regulations, and diagnosis and treatment, dosage and inventory are registered to ensure accurate use.

In terms of the use of antibiotics, we control it by types of used drugs in pastures and the risk level and classify the cows taking drugs into the antibiotic risk of cows at the source. Moreover, we test and monitor the raw milk delivered from the pasture every day. Also, the third party also conducts sampling inspections of antibiotics every year to reduce the risk of antibiotic residues in raw milk.

Ensuring Animal Welfare

We formulate animal welfare management measures to provide cows with a hygienic, healthy and comfortable pasture. We also improve employees' skills and raise their awareness of animal welfare through the training on animal welfare; we regularly conduct technical exchanges to know the advanced philosophy. Specially, we introduce total mixed ration technology to balance diets. With a clean diet and comfortable living environment, we satisfy cows' socialising needs, trim their hooves, keep them hygienic, and eliminate their diseases and insect pests. In addition, we play music for them; massage brushes and shower heads are installed in the rest area. These measures protect and enhance the life quality of cows.

Quality Assurance

To prevent and control potential quality risks in raw milk, we have formulated a series of quality management systems and work processes such as the *HACCP Plan*, *Quality Control Plan*, *Food Safety Protection Plan*, *Management Procedure of Mitigation Against Food Fraud*, *Guidelines for Cleaning and Disinfecting Production Equipment*, *Sales Terminal Product Quality Management Procedure*, and *Traceability Procedures* in accordance with the *Food Safety Law of the People's Republic of China*. Our factory has used such tools as the Manufacturing Execution System (MES) of the World Class Manufacturing (WCM), the Warehouse Management System (WMS), and the EV System for Equipment Management. We prepared the *General Warehouse Unit Transportation Management System* and *General Warehouse Unit Storage Management System* to standardise production, storage and transportation processes.

Quality Control System

We improve the product quality and safety management based on the *National Food Safety Standard: Infant Formula (GB 10765-2021)* and the *National Food Safety Standard: Formula for Older Infants (GB 10766-2021)*. Our quality safety management covers the whole supply chain. We follow the European Hygienic Engineering and Design Guidelines, European Dairy Plant Design Standards, Germany Institute for Standardisation norms and relevant domestic guidelines. Our 6 factories in China and 1 in Canada achieved CE (Communate Europene) certification for imported equipment. A full set of German GEA production lines was introduced and the production process was automated. We and our plants have more than 500 quality managers. We chose SGS-CSTC Standards Technical Services Co. Limited and AIB Food Technical Consulting Company Limited (Shanghai) to carry out third-party inspections and evaluations according to international standards. Besides, on the basis of national food safety standards including GB 10765, GB 10767, and GB 19301, our laboratory monitors the whole process including raw milk, raw and auxiliary materials, the environment, packaging, products to be packaged, finished products and energy, and fully inspects each batch of products to ensure the quality and safety meet the national and industrial internal control standards. We mainly inspect conventional chemicals, nutrients, pollutants, mycotoxins, pesticide residues, veterinary drug residues, microorganisms, etc. In addition, we also monitor, track and analyse the manufacturing environment, process, circulation channels and product stability on the shelf to ensure the continuous, safe and stable quality of samples. Our factory regularly uses big data analysis to comprehensively inspect the quality of the pasture under its jurisdiction and identifies the hazards in the whole process. The Improvement Project Team under the Milk Source Management Department rectifies existing problems, reinforces good practices, and improves the quality of milk sources from the pasture.

In 2021, our 202 suppliers were certificated by the ISO 9001 quality management system, FSSC 22000 food safety management system certification and ISO 22000 food safety management system.

In 2021, we created seven management procedures such as *Allergen Management Procedure*, *HACCP Management Procedure*, *Environmental Monitoring and Control Procedure*, *Internal Audit Management Procedure*, and seven quality and safety management specifications such as *Guidelines for HACCP Templates*, *Specifications for the Retention and Shelf Life Evaluation of Infant Formula Milk Powder*, and *Guidelines for the Verification Management of Oscillating Screen* to enhance quality and safety management system.

In addition, we continue to widely use WCM in the production of 7 subsidiaries. We mainly build six key pillars: focused improvement pillar (FI), autonomous maintenance pillar (AM), production maintenance pillar (PM), quality maintenance pillar (QM), environment, health, and safety pillar (EHS) and education and training pillar (E&T). We have completed 69 improvement projects through the pillars and reported a revenue of RMB 49.41 million.



Outlining Recall Procedures

In accordance with the *Food Safety Law of the People's Republic of China*, the Administrative Measures for Food Recall, we have formulated the *Management Procedure for Product Recall* and *Nonconforming Product Control Procedure*. The procedures define the product recall process and the main departmental responsibilities, which are strictly implemented by us. According to the *Management Procedure for Product Recall*, organised by the Quality Center of the Group, each factory simulates recall drills every year and improves the emergency response so that the recall procedure can be started as soon as food safety hazards are found. In addition, we standardise the process to investigate internal food safety risks and inspect all types of products every year. If any abnormality is revealed, we immediately investigate deviations, assess risks and determine the disposal plan to legally dispose of nonconforming products. In 2021, we reported no product recall.

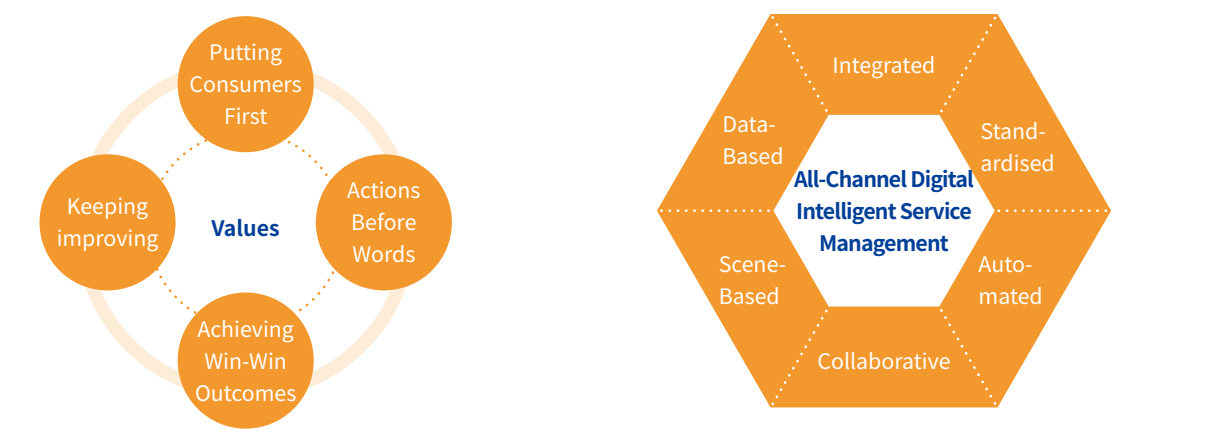
Premium Services

We continue to improve our service and product quality. Meanwhile, we also pay more attention to consumers' demands and understand them with more diversified communication channels, and perfect complaint channels for consumers to improve the consumer experience.

Consumer Engagement

Feihe attaches great importance to effective communication with consumers. We make consumers efficiently and conveniently engaged in communication channels by interacting with them both on the online platform and offline channels.

In 2021, we were committed to Putting Consumers First, Actions Before Words, and Achieving Win-Win Outcomes and Keeping Improving. We upgraded intelligent customer service to communicate with customers on self-developed platforms and three-party e-commerce platforms. The integrated, standardised, automated, collaborative, scene-based and data-based all-channel digital intelligent service management could transform the service-oriented call center; also it can build a comprehensive customer contact and service center for online and offline issues. The platform served consumers in depth and provided faster customer service and a better user experience.



Case

Feihe's service on the official account of Star Mom

Based on the core user pool on the official account of Star Mom, Feihe produces custom content and equity services for child care, family nutrition and health for its members through mini-program, live-streaming, microblogs, and video channels, etc. By the end of 2021, Star Mom has attracted 45 million members in China, and 20 million followers. As a mother and baby service platform with such scale, we always put consumers first by striving to offer professional service on the platform, upgrading the membership system, and prolonging the service cycle of members to build consumers' trust in our brand.



Case

Tracing to the source to 47°N Fresh Land

In 2021, the 47°N Fresh Land campaign was a rare milk source exploration that was co-branded with Disney's classic IP, the first attempt in the industry to create a zero-distance immersive experience for consumers with virtual travel in the live streaming. We also set up pop-up shops in many cities, which offered an offline immersive experience, including Fancy Farmland, Funny Pasture and Fresh Factory. The activities engaged 5.28 billion posts on social media, re-posted by 240 million comments, and more than 130,000 followers on all platforms. In addition, there were more than 186,000 roadshows across the country to have close engagement with consumers.

5.28billion
posts engaged on social media

240million
comments reposted



Case

Feihe TV programme - Pioneering Parenting Concepts

As the first interactive programme co-created with users, the Pioneering Parenting Concepts guided users with newer and more scientific parenting methods explained by industry experts on accurate topics. In particular, the Pioneering Parenting Concepts III once again sparked online debates among young parents and inspired them to rethink their parenting. Season 3 reported 900 million views; it was also mentioned by 2.7 billion posts and commented on by more than 26 million users. After the programme, we invited Kaishu, the new celebrated host, to build a mental path on our brands for over 16 million users.

Season 3 reported
900million views

Mentioned by
2.7billion posts



Protection of Consumers' Rights and Interests

We resolutely safeguarded the rights and interests of consumers. Being responsible to consumers, we revised *Management Procedure for Handling Customer Complaints* in 2021 and *Consumer Consultation & Complaint Risk Identification and Management Process*. Furthermore, we clarified the complaint handling responsibility at different levels, opened all channels to accept complaints, and tracked the risks to make the process sound and make users more satisfied. In 2021, we received 25,608 consumer complaints, with 100% of them handled.

We formulate internal advertising regulations in accordance with the *Advertising Law of the People's Republic of China* to standardise the product publicity and practice responsible sales. We review the compliance of the slogans and contents of advertising. We also formulate the *Product Packaging Design Process* to ensure the authentic, compliant information on the packaging is effectively communicated.

Privacy and Information Security

We abide by the *Cybersecurity Law of the People's Republic of China* and created the *Information Management System* and the *Information Security Management System*. The latter two documents clarify the information security organisations, technical roadmaps, department responsibilities, and the mechanisms and principles of information security. We updated the *Information Confidentiality Management System* in 2021, which specified how users' personal information should be protected and how departments take their responsibilities. In this way, we complete the standard of grading users' personal information and further increase internal supervision requirements of confidential information. We have worked towards ISO 27001 standard and built greater information security. Based on our business and retail characteristics, we have upgraded our security in industrial control, the internet, applications, terminals and data, enhancing the security and stability of our information system through optimization and upgrading. In 2021, we registered no major information security incidents.

In 2021, we mainly improved information security from the following three aspects: 1) the Group's IDC and factory network links were successfully transformed towards IPSEC VPN. The changes reduced the direct connection between non-business networks and IDC systems; they also avoided the cross-transmission of viruses and malicious codes. Meanwhile, there was redundant deployment on the backbone of links; the operation and maintenance management, code audit, database audit and log audit systems which are newly deployed enabled the IDC data center to operate safely and stably; 2) information security in the production system was strengthened, especially those in industrial control production such as industrial control host and production branch. The zoning and isolation of the office network and industrial control network effectively protected the information security in the industrial control host; 3) Star Mom 3.0, the online operation platform, was completed in response to national regulatory and compliance requirements. The platform system became safer by upgrading the advanced cloud security center, encrypting data, collecting and analyzing logs, and logging in through MFA.

In 2021, we hosted two training on information security awareness and conventional security knowledge; we regularly invited external experts and professional partners to educate our information security personnel and security managers on the latest trends and skills to raise the security awareness, making them better positioned to do their job.



Harnessing Digital Power

Digital development, a new generation of information infrastructure, has been included in the outline of the national 14th Five Year Plan. Our digital transformation is continued to be guided by the goal of "3+2+2" IT planning. This strategy puts business systems with intelligent manufacturing at the digital plant and enterprise resource planning at the core. The intercommunicated systems through the business middle office and the information middle office can extend the big data and algorithms to the whole business process. The supply chain system is transitioning from being business-driven to data-driven. The industry value chain is upgrading towards being managed with information technologies and data intelligence.

Intelligent Manufacturing



- With the factory as the center, build the whole industry value chain ranging from raw milk receiving to e-commerce; build an interconnected and shared intelligent network to achieve the goal of digital intelligent transition and upgrading both upstream and downstream.
- Built automatic control of the whole production process, leading to information-based and digital intelligent control of product quality and boosting productivity.
- In 2021, the new intelligent manufacturing model was widely promoted and applied. At present, 2 factories have been fully covered with intelligent systems, and 3 factories are advancing.
- The 5-layers new model enables all-dimensional connections between systems, accurately controls key parameters, realises digital and visual management, and improves the efficiency and management at the factory.

Automation control layer	Use international advanced PLC and SCADA to control over 90% of automatic equipment, effectively manage and control the operation, and make the production process automatically controlled
Device data integration layer	Install and deploy sensors, scanners, upper computers, etc. to comprehensively collect the production data, and analyse them through big data; guide the production process and equipment optimization with analysis results
Executive control layer	Build a production execution system to comprehensively manage the production, and trace the quality control and process; use multiple systems to cover the full process management from manufacturing to warehousing
Process intelligence layer	The production system works together with ERP, the enterprise resource planning system and PLM, the R&D management system, through the enterprise data bus, to collaboratively manage the whole production process
Intelligent data layer	Comprehensively manage and analyse business data and production data through the enterprise big data platform to guide production, marketing and decision-making

Smart Factory



- Comprehensively using the Internet of Things, cloud computing, and big data analysis to form an interactive system between cyberspace and the physical world, which is highly reliable, scalable and real-time.
- Providing real-time field data by collecting information of production, timely sharing information and accurately predicting events; integrate the realtime management and manufacturing; fully combine data from management and control systems; transform quality inspection into quality assurance, and trace the whole process; promote custom formula design and production based on user needs, and improve business efficiency.
- Integrating sales and e-commerce system, so That the factory can quickly adapt to demand and improve quality and efficiency.

Business Center

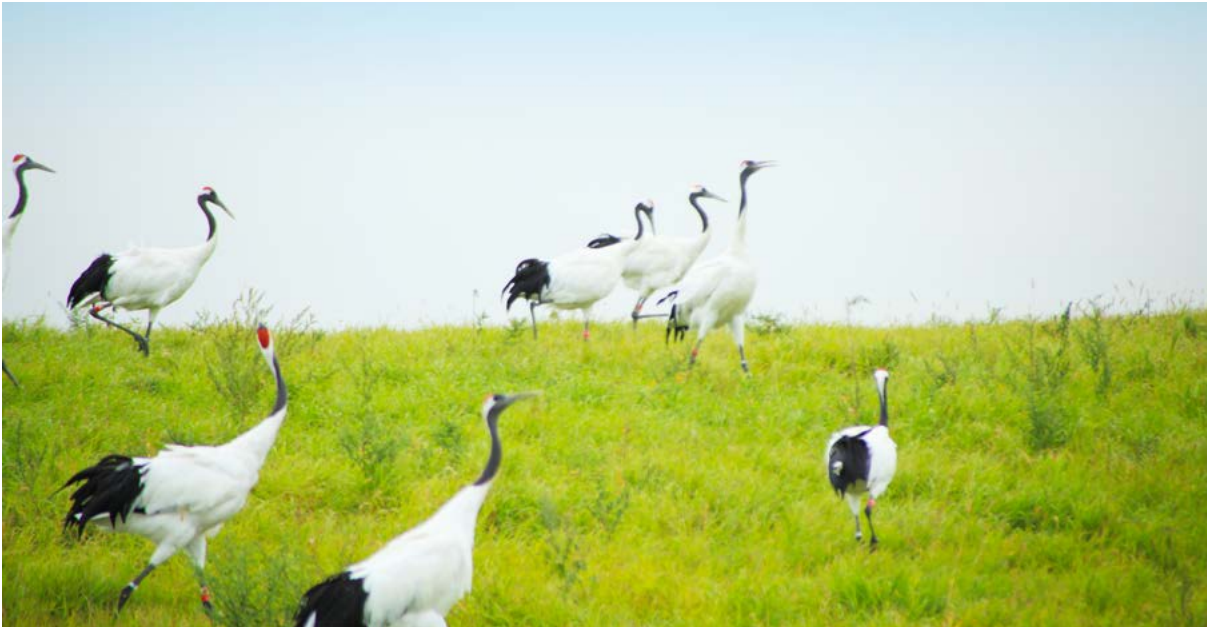


- Using ERP and data center, restructure the e-commerce business platform, and newly develop such marketing tools as seckill and promotion of the single product.
- Seamlessly connecting with mainstream third-party online platforms to manage goods and inventory in different channels; enable inventory in multiple warehouses or in multiple channels, contract performance in multiple warehouses and risk controls in multiple dimensions, and expand e-commerce business.
- Building the general capacity of e-commerce businesses; flexibly support all kinds of new businesses and combine online and offline channels by seamlessly integrating them with ERP and intelligent nutrition advisors; quickly launch new businesses and seize opportunities in the market.

E-commerce Data Center

Based on the all-channel data analysis and index in the e-commerce business scenario, we develop and launch Feihe's real-time e-commerce display screen on double 11 and Feihe's comprehensive e-commerce display screen.

We break the information island between systems and business lines. Furthermore, we centrally integrate data resources to form unified data and then sum up diversified data indicators into business scenarios in the business process. We build a multi-dimensional e-commerce evaluation system to visualise the sales, consumers and marketing performance to guide the operation.



3 *Promoting Shared Development and Prosperity*

- Employee Growth
- Creating a Mutually Beneficial Industry Chain
- Pioneering in the Industry

Feihe is committed to building a sustainability path with employees and industry partners while achieving mutual benefit and win-win. We invest in innovation and R&D, improve products and services, and practice corporate social responsibility.



Employee Growth

Talent fundamentally powers our development. We constantly optimise the talent employment, management and training mechanism to protect the legitimate rights and interests of all employees. We strive to create a broad platform for employees' career development, providing shared value for both sides to make common progress.

Recruiting Responsibly

We strictly abide by the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Special Provisions on Labour Protection of Female Workers*, the *Social Insurance Law of the People's Republic of China*, the *Provisions on the Prohibition of Using Child Labour*, and local policies and rules in relation to labour and social security. We respect and safeguard the legitimate rights and interests of employees, recruit equally diversified talents, and prohibit discrimination based on gender, ethnicity, religion, age or region. Our human resources management covers 25 policies and measures on employee relations, recruitment, training, performance, remuneration and benefits, on the basis of laws. And 9 of them were revised in 2021 in relation to performance management, incentive management, benefits management, labour relations management. In 2021, there were no incidents of illegal use of child labour, forced labour, or employee complaints about human rights.

Composition of Full-time Employees in 2021

Employees by gender	Male employees	3,756
	Female employees	3,059
Employees by type	Full-time employees	6,815
	Part-time employees	0
Employees by age	Employees aged below 30	2,277
	Employees aged 30 - 50	4,366
	Employees aged above 50	172
Employees by region	Employees overseas	1
	Employees in Hong Kong	0
	Employees in Chinese mainland	6,814
Employees by education background	Employees holding bachelor's degree	2,091
	Employees holding associate degree	3,034
	Employees holding a high school diploma or below	1,512
	Employees holding master's degree or above	178
Total employees		6,815

Turnover Rate in 2021

Turnover by gender	Turnover of female employees	17.4	%
	Turnover of male employees	15.0	%
Turnover by age	Turnover of employees aged below 30	24.3	%
	Turnover of employees aged 30 - 50	11.7	%
	Turnover of employees aged above 50	11.3	%
Turnover by region	Turnover of employees in the Chinese mainland	16.3	%

Our recruitment and hiring system covers internal and external recruitment. We use internal recruitment to capitalise on our rich talent pool while continuing to expand external recruitment channels. We attract outstanding talents through means such as recruitment websites, job fairs, campus recruitment and headhunting. To ensure fair recruitment and equitable development opportunities, Feihe follows seven recruitment principles to provide equitable talent development opportunities based on objectivity and suitability. Furthermore, to help employees unleash their potential at work and gain a sense of accomplishment, the Company arranges suitable positions for them based on their abilities and characteristics, so as to make the best use of their talents.



In 2021, we upgraded our campus recruitment concept - "Perfect for each other in the new era" - and enhanced our F Star management trainee programme. We encourage "honesty and integrity, courage to take responsibility, cooperation, enthusiasm for learning and knowledge of the business" in our management trainees. We have broadened channels and methods and achieved more targeted, diverse and efficient learning. In terms of university-enterprise cooperation, we have launched a diversified cooperation system to link the close relationship and strengthen our brand as an employer by providing on-the-job internships, joint R &D projects, special training, and sponsorship. Against the backdrop of pandemic control, we continued to add multiple positions in campus recruitment. Feihe participated in the all-media interactive live programme - A Job For You - created by China Education Television to help college students in job hunting, innovation, and entrepreneurship, providing job opportunities for graduates. We also visited many colleges and universities across the country for online and offline publicity and communication.

In 2021, we recruited more than 184 management trainees via 90 plus campus fairs and job fairs, 50% of whom graduated from universities of Project 985 or Project 211 and international universities.

 Case

F Star management trainee programme in Feihe

In the F Star management trainee programme, "F" refers to Feihe and the future. It is a systematic training plan designed by Feihe for the management trainees, which supports and guides them with a four-step four force model; in the process, trainees are able to find out their own positioning and strengthen skills through practice projects. They are also comprehensively evaluated during their periodic work reports and some will be selected to support our future development. After onboarding, they have to go through on-the-job training, performance tracking and empowerment through online training, offline training, monthly sharing, quarterly review, and experience exchange. During the training, we completed 22 training, including induction training sessions and those provided by the subsystem, and 3 debriefing sessions.



Introduction training for management trainees

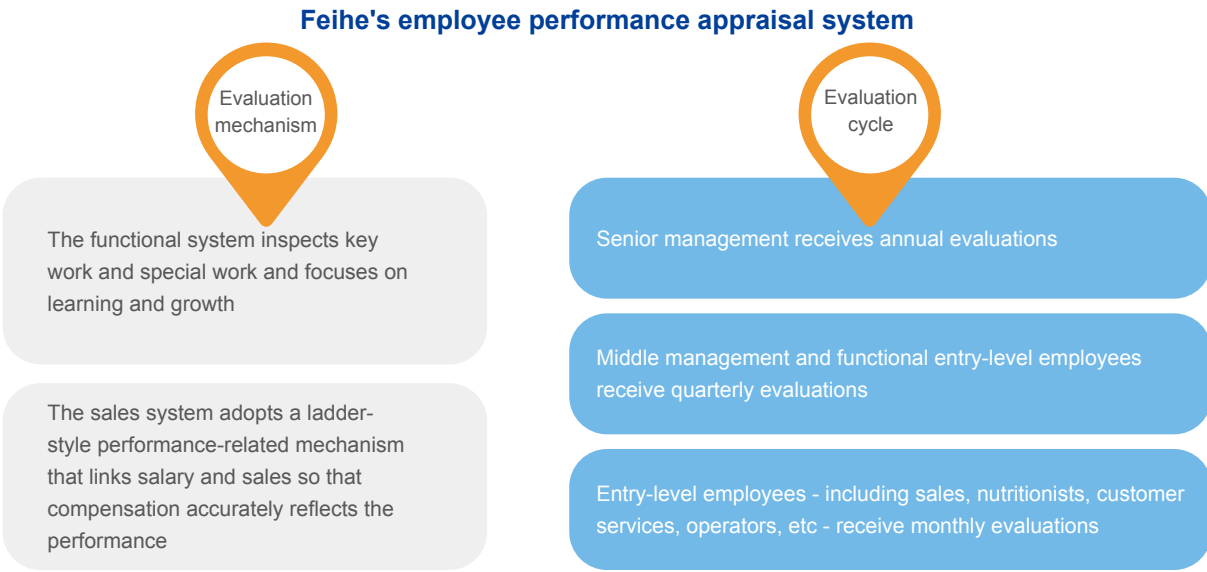
In 2021, we practiced the outsider bringing plan. We imported 53 managers or above level, of which 92% were professional and technical talents, 33% hold master's degrees and above, and 6% were doctors.

Employee Development and Training

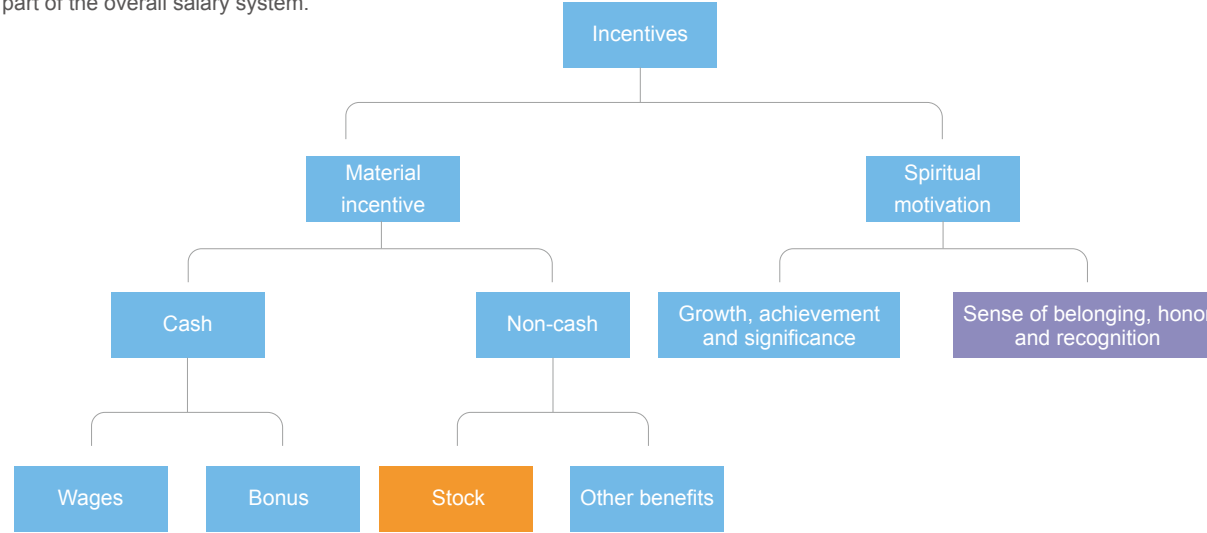
We have always paid attention to the well-being of employees and strive to grow together and inspire their enthusiasm and creativity.

Paying Incentives

As per our *Remuneration Management Mechanism and Management Measures*, we participate in fast-moving consumer goods industry remuneration annual surveys. This provides a guide to average remuneration for positions in the industry. We ensure that our annual increases exceed industry averages, to keep us competitive in the market for talent. Our employee remuneration includes fixed income and bonuses. We also periodically evaluate personnel's performance, to assess the effectiveness of our remuneration system.



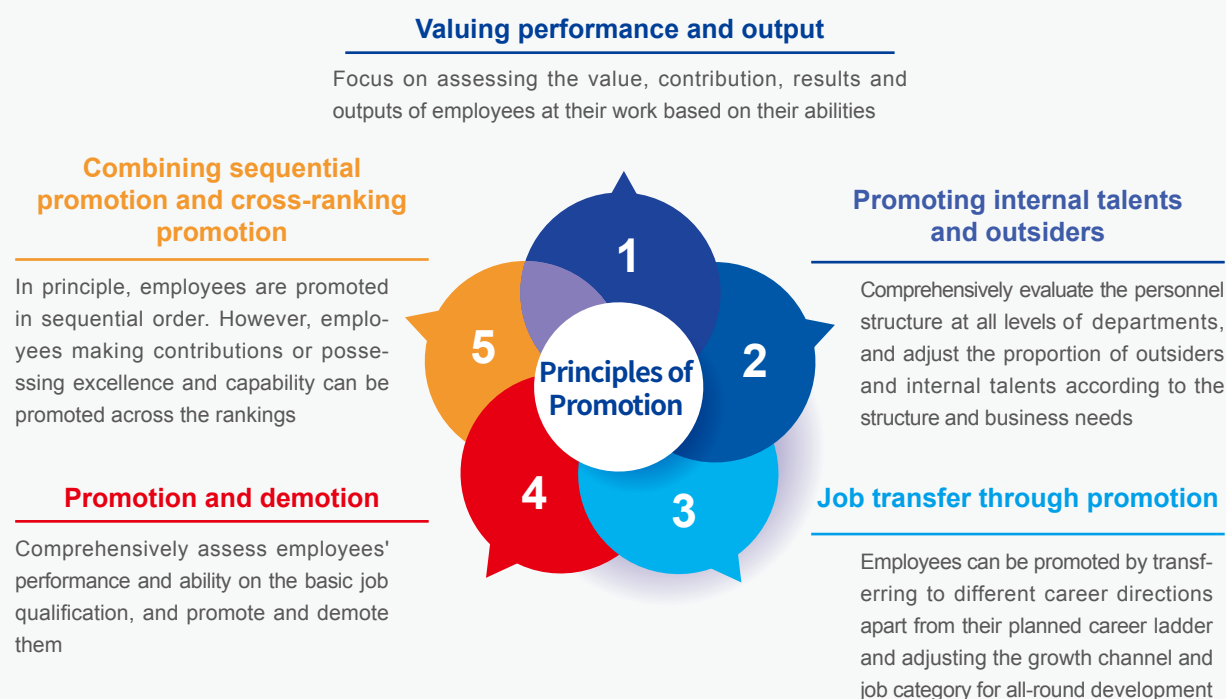
In 2021, under the concept of "co-ownership, co-creation, shared responsibility and win-win", we innovated the income distribution by creating a long-term stock-based incentive plan for employees at more levels and positions. This plan not only covered senior managers but also benefited middle-level and entry-level managers with outstanding performance, which has been greatly recognised by the majority of employees. As a usual incentive means, the stock-based incentive is an important part of the overall salary system.



Providing Promotion Opportunities

To create a fair and open competition and build a hierarchical talent team, we promote employees based on the qualification system. We evaluate the key indicators of the qualification system and select the management. We also guide employees to keep learning and improve themselves, by establishing a positive career channel for them.

Our employee promotion combines five principles to create an inclusive growth channel with clear guidance, defined standards, and a standard process.



In 2021, we completed 2 major improvements in the employee promotion system:

Optimised the qualification system, and identified and evaluated talents more accurately and objectively by combining standard valuation of talents at the same level and the differentiated evaluation in departments.

Promoted 99 managers and above; 29% of middle-level

Training Employees

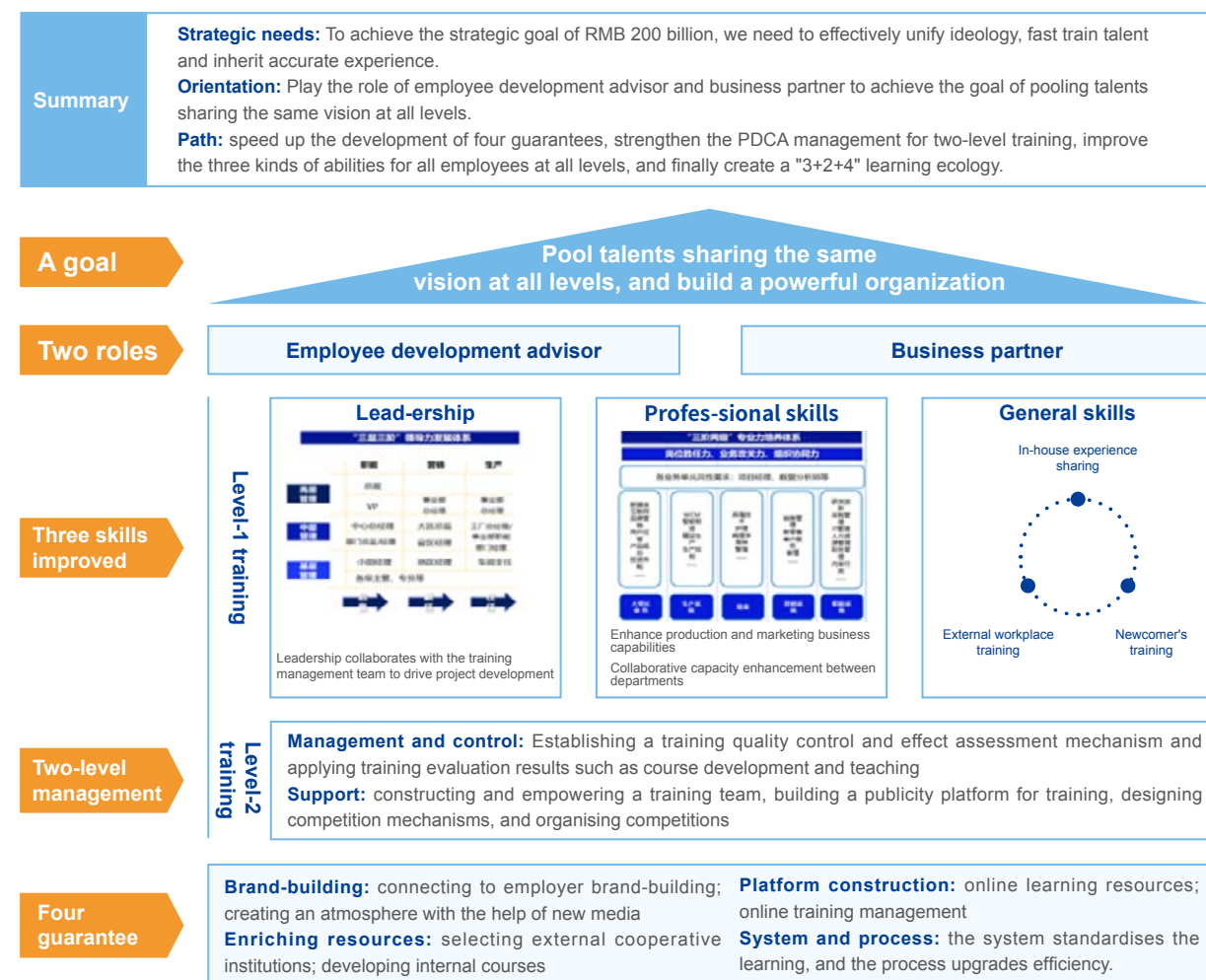
Our improved training organization and three-dimensional training provide employees at all levels with induction, on-the-job, promotion and certification training related to production, marketing and functions. We aim to pool talents sharing the same vision at all levels to build a team willing to learn. We attach importance to the effectiveness and improve the content and efficiency by considering training

managers and above in functional departments at the headquarters were promoted and transferred to different positions; 47% of business department managers and above were newly promoted; 50% of middle-level managers such as the general manager of the production plant and the workshop director were transferred for rotation training.

demand analysis, learning resources, training operation standards and training result evaluation.

The Company speeds up the development of four guarantees, strengthens the PDCA management for two-level training, and improves the three kinds of abilities for all employees at all levels. Finally, we create a "3+2+4" learning ecology.

Training system - Feihe "3+2+4" learning ecology



The Company offers targeted training in the division of the three areas.

Administrative training sessions	marketing training sessions	production training sessions
There were learning maps for 37 key positions in	There were 18 courses on mother and infant products qualification certification I and II	There were 387 courses at the Mo College, including
12 departments	Nearly 10,000 nutrition	306 in technology and
57 model courses	advisors participated in the training	81 in management. A total of
875 employees participated in the training	96% of whom obtained the certification	2,360 employees participated in the training

In 2021, employees in Feihe (China) received a total of 6,543 training opportunities and 100% of them attended the training. Our employees were trained for 335,156.1 hours in total and 51.2 hours on average.

Training for Full-time Employees in 2021

		Training Percentage (%)	Average Training Hours per Employee
Employee trained by gender	Male	54.81	49.3
	Female	45.19	49.0
Employee trained by type	Senior management	0.44	15.1
	Middle management	5.11	70.7
	Entry-level employee	94.45	48.2



Case

Shining Star Feihe Academy, Feihe's online learning platform

In 2021, Shining Star Feihe Academy, Feihe's online learning platform was internally available to more than 4,700 employees. Shining Star Feihe Academy aims to help can accumulate and inherit knowledge, motivate employees to learn with light interaction, and lay the groundwork for an organization whose members are willing to learn.

Composition	Over 500 courses provided by outsiders on leadership, professional skills and general skills
	More than 1,200 in-house courses on internal expertise, revised external knowledge, industry report, etc
	3-minute Business School, Book Thinking Course
	Updated and offered open classes for all employees at all system levels according to targeted learning plans and recommendations of employees
Operation	Recommend good classes every two weeks
	Video-recorded more than 5,000 offline training and hosted over 50 live streaming on Shining Star Feihe Academy
	Regularly carried out learning atmosphere activities, including Tanabata Festival, teacher's day and other festival activities
Function	Sharing, PK quizzes, and live streaming were popular among employees
	Functions such as sign-in, examination evaluation and reports recorded employees' learning and strengthen our training management.

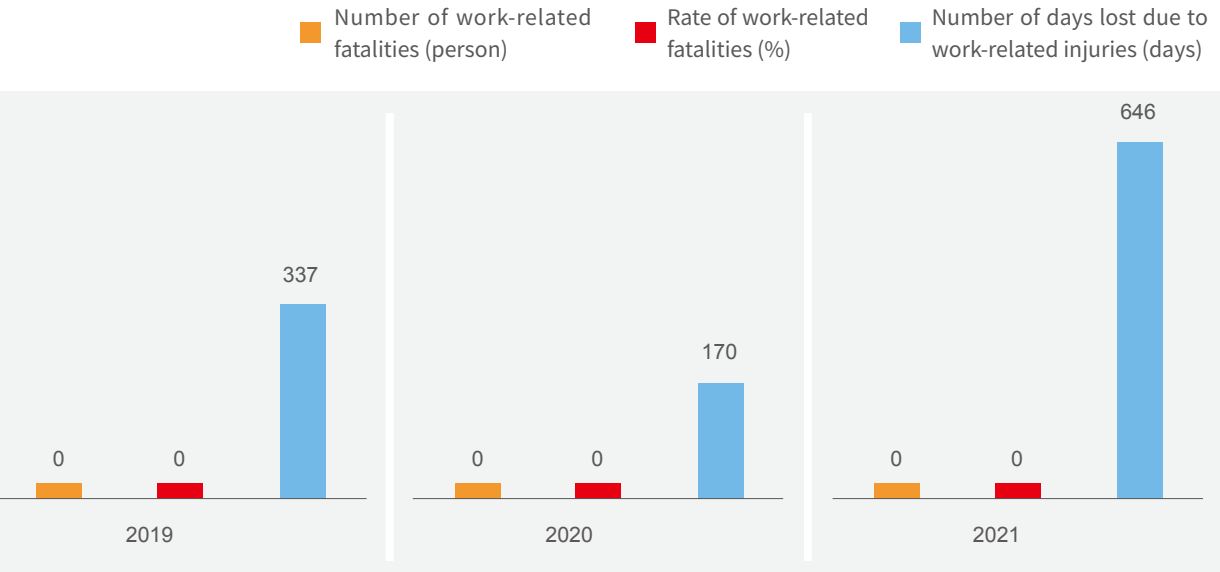
Engaging Employees

We attach great importance to employee communication and have different platforms to gather their opinions. In 2021, we held an annual general meeting of employees and four quarterly employee representative meetings. We timely communicated our policies, guidelines and instructions to all employees, answered questions about employee relations, and familiarised employees with our strategy to enhance morale toward the same vision. We also produced one-on-one discussions, symposiums and research to give targeted guidance to new employees and entry-level employees; we advised on career development planning and surveyed them to listen to their opinions. Furthermore, the Company encouraged rich and diverse team-building activities among all systems and departments to create a relaxed and pleasant environment. In 2021, we conducted employee surveys, as part of our Feihe Corporate Culture Rebuilding project. Results showed an overall high level of morale, with our staff scoring higher than the industry averages for loyalty, engagement and satisfaction.

Ensuring Occupational Health and Safety

We follow national laws and regulations such as the *Workplace Safety Law of the People's Republic of China*, the *Fire Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and the *Regulations on Safety Supervision of Special Equipment*. We highly value safety management and update our environmental, health and safety (EHS)-related laws and regulations annually. In 2021, we formulated the *Procedure for Risk Identification, Evaluation and Controls*, the *Management Procedure for Compliance Duties and Evaluation*, and the *Safety Management System for Confined Space*. In this way, we improved the workplace safety management responsibility and worked within the safety boundaries.

In 2021, our employees received 15.15 hours of safety training on average. There were 6 workplace accidents and we lost 646 days or 5,1680 hours due to work-related injury, with an hours-lost rate per million of 1.18%. There are zero work-related fatalities. In the Company, 100% of employees exposed to occupational hazards were subject to occupational health checks, and 100% of employees were subject to safety training. There were no new employees suffering from occupational diseases. Our total investment in workplace safety reached RMB 18.7325 million.



We continue to build the ISO14001 and ISO45001 systems. In 2021, Tailai Factory earned ISO14001 and ISO45001 certifications. By the end of 2020, three of our seven factories had earned ISO14001 and ISO45001 certifications. Another one factory's application was approved.

Our factory safety managers are also responsible for our branches and office areas. Staff participate in training,

emergency drills and fire drills at our factories and are required to sign the Letter of Safety Responsibility. By observing behavior and daily sharing knowledge and experiences, we can widely and quickly detect and stop violations of rules, thereby rectifying and eliminating non-compliance and hidden dangers, and ensuring safe operations.

Adding Safeguards

We have a dual prevention mechanism that grades risks and investigates hazards. It is based on ISO management - plan, do, check, act - and national occupational health and safety laws and regulations. Our *Procedure Documents for Work Safety Risk Identification and Management* and *Procedure Documents for Troubleshooting and Treatment of Hidden Risks in Work Safety Accidents* are complemented by risk identification tables and risk rectification procedures. These practically standardise workplace safety.

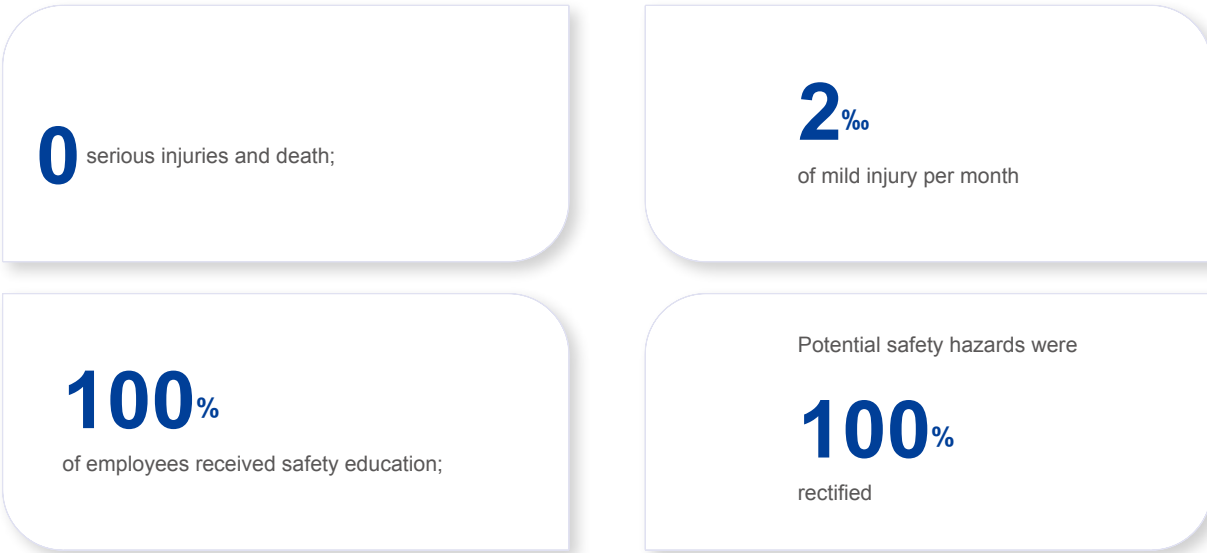
We continue to promote the two-pronged safety mechanism, unify the risk identification tables and scoring standards, refine the risk identification lists, and implement risk management and control at different levels based on assessment results. In 2021, we issued the *Procedure for Risk Identification, Evaluation and Controls*. The mandate required us to increase employee engagement in risk identification with defined KPIs.

Bolstering Workplace Safety

To help create a safe, healthy and happy workplace, we formulate the *Responsibility System for Prevention and Control of Occupational Hazards* in accordance with national laws and regulations and industry standards; we also promote safety training and build an occupational health and safety protection and training system. We do our best to protect employees with comprehensive safety awareness strengthening. hazard detection. occupational health checks, personal protective equipment and special training.

To raise employees' awareness of occupational health and safety and self-protection, we offer pre-job training in different types of production duties, and special equipment operators must report to duty with the necessary certificates. For highly dangerous work, we undertake risk prediction, conduct on-site inspections of high-risk operations, and implement a permit-to-work system for special works to maximise the risk.

In 2021, we achieved the following targets as scheduled:



We assessed the departments' KPIs with safety management. The constructors were required to sign the Safety Responsibility Commitment with builders who did so with professional construction teams, which had to sign the commitment with employees. We inspected the safety on the project site at least once a month.

In 2021, our 73 safety training lasted for 270 hours and attracted 1,718 participants.

Case

Promoting a safety culture

In June 2021, to create a culture of safety and raise employees' awareness, we held 67 safety activities in the Safety Month themed "Implementing safety responsibilities for safe development", which covered 5,277 employees; in the Occupational Health Week themed "creating China with occupational health", we had 33 activities for 6,108 participants. Our subordinate factories launched 45 activities on Firefighting Day under the theme of "implementing firefighting responsibility to prevent safety risks", attracting 3,415 people.

Throughout 2021, Feihe held 24 emergency drills, covering 1,848 employees.

Emergency drill	Content	Sessions	Participants
Special emergency plan	Fire emergency drill	13	613
	Plan for mechanical injury accidents	8	112
	Emergency drill for the explosion	5	192
	Emergency drill for injuries caused by vehicle/forklift	9	93
	On-site drill for disposal plan of hazardous chemical leakage	15	175
	On-site drill for scalding disposal plan	9	97
	On-site drill for disposal plan of poisoning and suffocation	5	36
	On-site drill for disposal plan of vehicle-aided operation	2	15
	On-site drill for disposal plan of collapse	1	9
	On-site drill for disposal plan of frostbite	1	6
	On-site drill for disposal plan of falling from height or hitting by objects	11	101
	Emergency drill for confined space accident	3	22
	Emergency drill for ammonia leakage	3	20
	Emergency drill plan for food poisoning	4	62
	On site disposal scheme drill of natural gas leakage accident	6	59
	Special emergency plan drill for special equipment accidents	2	11
	On-site drill for disposal plan of electric shocks	11	89
	On-site disposal plan of office fires	2	40
	Emergency drill for boiler explosion	5	43
	Emergency drill for sterilization pot accidents	1	12
	Drill on the excessive discharge of sewage treatment wastewater	3	13
	Drill on hazardous waste leakage	1	3
	Risk assessment of high-risk operation (hot work, climbing)	1	15
	On site disposal plan for heatstroke casualties	2	10

Caring for Employees

Feihe attaches importance to the sense of work and happiness of employees and is committed to creating a good work-life balance for employees. We enhance the coherence with cultural and recreational activities.

Valuing Female Employees

We ensure the benefits of female employees. In 2021, women accounted for 44.9 % of our employees and 39.8% of the management. In 2020, Heilongjiang Feihe Dairy Women's Federation was established, with its member structure rearranged.

On 8 March 2021, we launched the online event "a tribute to women's power" on our internal publication Heming, which received more than 300 comments from employees. Exquisite Feihe Ranch gift boxes were presented to female employees at our departments and business units.



Developing Corporate Culture

Feihe develops and inherits the culture for employee teams. The corporate culture system, with a focus on upgrading corporate values, covers four dimensions - spirit, behavior, system and material. We also host activities, offer benefits and care and publicise the cultures to comfort employees and create a healthy and dynamic corporate atmosphere in the new era.

Case

Celebrating the Spring Festival with employees all over the world

During the Spring Festival in 2021, we cared for the employees who had to stay in their jobs and could not return home during the Spring Festival, which was advocated by the national initiative. We celebrated the Spring Festival with 26,000 employees all over the regions, factories and business units, in particular those who remained where they worked.



We earnestly care for and helps employees whose families encounter great economic difficulties due to force majeure, disasters, or major diseases. Our foundation can help solve their urgent needs and enhance their ability to resist risks. Our visits to employees on the eve of the Spring Festival every year bring a warm and peaceful Spring Festival for low-income employees' families. In the 18 years since its establishment, the foundation has helped more than 400 employees and distributed gifts and allowances worth over RMB 14 million.



Case

Promoting family time

In 2021, we carried out five family day activities at our production sites, covering 223 employee families. On Production Family Day, employees' families visited our factory to enjoy happy and warm family time.



Case

"My Story with Feihe" - Example for Entry-level Employees

To set examples for entry-level employees who demonstrate the spirit of Feihe, "My Story with Feihe" - Example for Entry-level Employees in 2021 was open to nearly 30,000 grass-roots employees from the production, marketing and industrial cluster. The criteria include whether they put consumers first, act before words, achieve win-win outcomes and have excellence. At last, 11 examples for entry-level employees stood out after selection, re-evaluation, voting by all employees and final evaluation. They were granted awards at the year-end meeting.



Case

Promotional video "Your Pain Will be Rewarding"

In December 2021, "Your Pain Will be Rewarding", Feihe's first promotional video was officially released at the end of the year. The film focused on our front-line workers and explains hard work as happiness, which was widely commented and discussed by all walks of life. It also effectively raised employees' sense of mission and pride.



Creating a Mutually Beneficial Industry Chain

While providing customers with high-quality products and services, we continually upgrade our management of suppliers and distributors. We uphold mutual benefits and common progress with our partners, aid the industry in an open and shared manner, and empower the sustainable development of China's dairy industry.

Managing Supplier Relationships

Suppliers play an important role in product quality assurance. Feihe continues to enhance supplier management with a better system, supervises suppliers in their full life cycle, and ensures the product quality at the source.

In 2021, we established and improved 36 supplier management processes.

Selecting and Developing Suppliers

Improved the *Potential Supplier Management Process* and Basic Agreement Signing Process, required confidentiality agreements before cooperating with suppliers; investigated and analysed potential suppliers through preliminary questionnaires; fully evaluated their reputation, supply risk and willingness to cooperate, and then allowed their entry.

Classifying Suppliers

Developed the *Supplier Graded Management Procedures*, classifying suppliers on the name list by grading standards into three types: strategic suppliers, core suppliers and general suppliers for differentiated management and guidance.

Managing Suppliers

Established grading and performance strategies, improved *Supplier Performance Evaluation and Improvement*, and *Strategic Supplier Development and Management Process*, which specifies to



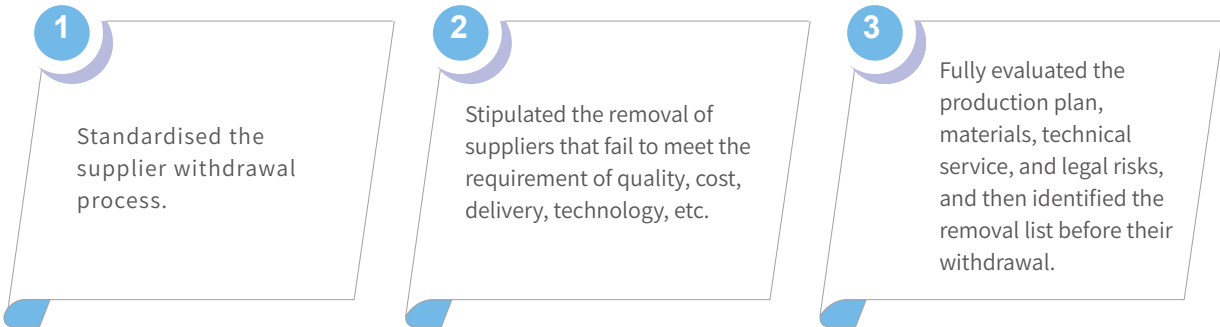
Evaluating Suppliers

Enhanced the *Supplier Performance Evaluation Standard Process* and *Supplier Performance Evaluation and Improvement Process*; increased supplier performance evaluation mechanism, supplier reward and punishment mechanism and supplier grading system; improved the product and service.

- Evaluated suppliers' comprehensive performance monthly and annually in terms of 10 assessment indicators such as quality, delivery, service, audit and contribution;
- Incentivised excellent suppliers with increased purchase;
- Supervised disqualified suppliers to improve, and communicated with them to offer assistance if necessary;
- Included suppliers with poor performance for a long time into the elimination list and made an elimination plan after comprehensive evaluations;
- Graded suppliers based on the results of annual performance evaluation, innovation, influence and resources; identified strategic suppliers that can grow with us.

Suppliers Withdrawal

Set up the *Process for Suppliers Withdrawal*, which established a supplier withdrawal working group, and conducted feasibility analysis; dynamically managed and created a supplier pool suitable for us to enhance competitiveness.



During the reporting period, we had 202 suppliers, including



Managing Distributors

To build a sustainable industry value chain, the Company works with distributors to create a sustainable and mutually beneficial platform. For distributor cooperation assessment and management, as per our 2021 Distributor Management System, we rigorously assess our distributors. This covers business qualifications, capital status, business channels, business philosophy, industry experience and willingness to cooperate. On passing our assessment, distributors sign a contract, pay a deposit and state their annual sales target.

To enhance distributors' service and growth capabilities, we launched the 2021 Distributor Star Management Programme. This aims to unleash the potential of distributors and help them develop together with us.

Case | 2021 Partner Annual Conference

In 2021, Feihe's Partner Annual Conference was held online under the theme - "joining forces to overcome difficulties". We expressed our willingness to tide over the difficulties with partners, which heartened them in long-term cooperation with Feihe.



Case | 2021 business communication meeting

We held business communication meetings with key KSC systems and SC systems once a quarter to deepen communication with the SC system, and enhance customer stickiness and buoy performance. In 2021, we held 1,758 business communication meetings covering 979 systems.



Pioneering in the Industry

As an industry leader, we actively revitalise dairy with much investment in product innovation, R &D, and transformation. In 2021, we invested RMB 425 million in R&D. At present, Feihe Research Institute has 72 full-time R&D personnel, including 1 professor, 8 associate professors and 8 with doctor's degrees; 81.9% of the members hold master's degrees or above.

Leading the Way in Research in 2021

Undertook "research and commercialization of large-scale green production technology of large energy milk-based materials", a project under the National key research and development programme for the 14th Five-Year Plan. The project strives to solve the technical problems in the large-scale green efficient production of large energy milk-based materials and unblock the core technical bottleneck in preparing new core ingredients of infant formula dairy products on a large scale through integrated innovation. The project is based on the contained core technology in making the core ingredients of infant formula dairy products in China and caters to the major needs of the industry. The results of the project reveal the law of quality in change and regulation mechanism in processing and storing the core ingredients. It is a new breakthrough in the technology of large green production and in the preparation technology of new ingredients. The project brings good economic, social and environmental benefits for the industry.

Earning Recognition in 2021

The project "Breast Milk Research and Use in China" was awarded first prize in the China Dairy Industry Association's Technology Progress category in 2021



- Selected as the powerful intellectual property pilot in Heilongjiang Province in 2021
- The project - "big data driven innovative application" was selected into "the national big data pilot model" by the Ministry of Industry and Information Technology of the People's Republic of China
- Selected into "the pilot model of manufacturing and Internet integration" by the Ministry of Industry and Information Technology of the People's Republic of China for "consumer service capability"
- Feihe (Tailai) Dairy Co., Ltd. was selected as the "intelligent manufacturing factory in dairy" of the 2021 model factory in the intelligent manufacturing pilot by the Ministry of Industry and Information Technology of the People's Republic of China

Protecting Intellectual Property

Feihe attaches importance to intellectual property management and system. In 2021, our *Intellectual Property Management Manual of Feihe Group* was officially put into operation after being revised on the basis of internal feedback and business evaluation results. Feihe and the Group made overall planning for intellectual property management and carried out comprehensive strategic planning for patents and trademarks. The Group officially set up an intellectual property team, including three patent engineers who are experienced in intellectual property management and qualified for the full-time patent agency, to fast develop the intellectual property of the Group.

Our patent applications hit a record high in 2021. We applied for 171 patents in total, including three international patents filed according to the Paris Convention and the Hague Agreement. At home, Feihe had applied for 38 invention patents, 97 utility model patents, and 26 design patents; we had 105 authorised patents, including 3 invention patents, 74 utility model patents and 28 design patents. By the end of 2021, we had applied for 383 patents, including 111 invention patents, 173 utility model patents and 99 design patents; we had authorised 177 patents, including 23 invention patents, 103 utility model patents and 51 design patents.



Collaborating with Universities and Research Institutions

Innovation is a driving force of the infant formula milk powder industry, which utilises cutting-edge technology. Capitalising on rich intellectual resources at universities and research institutions, we pursue in-depth industry-university-research integration and train talents for Feihe and for the industry. This creates key competitive edges and drives high-quality development of China's dairy industry. In 2021, we were engaged in industrial research, R&D and innovation at Heilongjiang Feihe Infant Nutrition and Health Technology Innovation Center, Heilongjiang Milk Powder Series Product Engineering Technology Research Center and Heilongjiang Enterprise Technology Center to commercialise results and develop industrial technicians.

 Case

Postdoctoral workstation



We were approved to newly build a postdoctoral workstation and recruited the first postdoctoral in partnership with Northeast Forestry University in 2021 to research goat milk. At present, the project proposal has been completed and is advancing orderly to the next planned step. Postdoctoral research workstation is an effective way for enterprises to gather high-level talent teams and combine industry, university and research cooperation; it is also an important engine to boost companies' independent innovation toward leapfrog development. Furthermore, the workstation works as a new bridge connecting high-tech talents and enterprises.

 Case

Feihe's breast milk and infant milk powder research project



In 2021, we researched the project of "analysis of nutritious components of breast milk in China and development and commercialization of milk-based infant formula". The project has achieved results both in scientific research and sales. The project collected 712 breast milk samples throughout the year and detected macronutrients and trace elements. We have applied for a patent and published 14 papers, among which 10 are included in Science Citation Index and 4 are included in Engineering Index. After being put into operation and sold, the products based on the project earned us an income of RMB 750 million, achieving great results.

 Case

Lead the dairy innovation by joining hands with colleges and universities



In 2021, Feihe, Heilongjiang Ligao Tech Co., Ltd., Northeast Agricultural University and Northeast Forestry University jointly researched the project of "development and commercialization of key ingredients and nutritious formula of dairy products". As a result, our new nutritious milk powder for preventing osteoporosis - "Aiben dietary bone formula" was sold on the market in September 2021. The project also designed the formula milk powder for pregnant women and other special groups to reduce blood pressure; 8 invention patents have been applied to the fruitful results. The project innovated milk powder technology and enhanced industrial R&D, empowering the dairy industry.

4 *Dedication to the Ecological Cycle*

- 💧 The Main Review of Feihe's Key Environmental Performance in 2021
- 💧 Enhancing our Environmental Protection
- 💧 Compliance and Green Production
- 💧 Safe Construction
- 💧 Promoting Energy Conservation and Emission Reduction

Feihe attaches importance to ecological harmony and practices environmentally-friendly policies. Specifically, we integrate the concept of environmental sustainability into regular production, operation and construction through a continuously better environmental protection management system and stricter green production. Meanwhile, Feihe vigorously advocates energy conservation and emission reduction and advances towards a circular economy through innovation and environmental protection campaigns.

The Main Review of Feihe' s Key Environmental Performance in 2021

Feihe's Key Environmental Performance in 2021 is as follows:

Feihe's Key Environmental Performance in 2021

Indicator		Unit	2019	2020	2021
Waste gas	Total waste gas emissions	m³	1,123,405,191.00	1,711,320,300	1,127,569,862.05
	SO₂ emissions	Tonne	107.15	26.22	59.78
	NOₓ emissions	Tonne	113.38	106.02	101.85
	PM emissions	Tonne	20.06	6.25	15.98
	Smoke emissions	Tonne	38.34	5.28	16.19
Waste water	Total domestic and industrial wastewater discharge	10,000 tonnes	96.23	191.26	267.49
	COD emissions	Tonne	52.82	148.08	100.60
	BOD emissions	Tonne	10.97	19.48	25.22
	Ammonia nitrogen emissions	Tonne	0.99	10.47	17.84
CO₂ emissions	Total	10,000 tonnes	36.21	15.55	56.92
	Scope 1	10,000 tonnes	11.95	8.52	46.41
	Scope 2	10,000 tonnes	24.26	7.13	10.51
	Greenhouse gas (GHG) emissions per unit	Tonne/RMB million	0.0026	0.00084	0.0025
Hazardous waste	Abandoned laboratory flasks	Tonne	5.58	9.45	11.85
	Liquid discharge	Tonne	7.73	11.72	13.77
	Waste engine oil	Tonne	2.14	1.33	2.30
Hazardous waste total and density	Total	Tonne	15.45	22.50	27.92
	Density	Tonne/RMB million	0.0010	0.0010	0.0053
Domestic solid waste	Office wastepaper	Tonne	5.52	0.73	22.77
	Kitchen waste	Tonne	75.70	65.91	32.18
	Other	Tonne	547.50	763.68	629.59
Total industrial solid waste	Ash	Tonne	2,196.02	430.14	377.63
	Slag	Tonne	9,050.41	8,554.61	5,154.06
	Sludge	Tonne	5.20	3.01	6.20
General solid waste total and density	Total	Tonne	11,880.34	9,871.34	6,222.43
	Density	Tonne/RMB million	0.87	0.53	0.27

Indicator		Unit	2019	2020	2021
Energy consumption	Electricity	10,000 kWh	5,132.70	8,791.88	9,496.59
	Coal	Tonne	45,453.16	32,897.17	20,345.03
	Diesel	Liters	57,859.82	91,109.89	59,656.50
	Natural gas	10,000 standard m³	1,863.86	3,884.03	4,809.75
	Steam	Tonne	476,469.22	541,714.26	787,070.69
	Total comprehensive energy consumption	10,000 tonnes of standard coal	12.49	15.59	17.69
	Comprehensive energy consumption per unit	Tonne standard coal/RMB million	0.0009	0.00084	0.00078
Water consumption	Total office and industrial water consumption	10,000 tonnes	142.75	188.19	325.70
	Water consumption per unit	Tonne/RMB million	104.03	299.68	5,587.30
	Reduction of COD emissions	Tonne	7,199.49	1,998.40	1,144.61
Reduction	Reduction of CO₂ emissions	Tonne	68,709.39	206,600.00	83,248.53
	Reduction of water consumption	10,000 tonnes	1.28	10.72	12.76
Packaging material consumption	Paper, cardboard	Tonne	8,919.38	20,208.00	18,924.00
	Iron	Tonne	16,573.48	29,550.00	22,549.00
	Plastic	Tonne	4,485.70	7,884.00	7,152.00
	Total	Tonne	30,032.46	57,696.00	48,626.00

Notes:

1. Data collected was based on domestic businesses in the People's Republic of China.
2. Comprehensive energy consumption calculations are based on the *General Principles for Calculation of Total Production Energy Consumption GB/T2589-2008*, which refers to the usage of fuel oil, diesel, natural gas, electricity, steam, coal and water.
3. GHG emissions are calculated according to the *Guidelines for Greenhouse Gas Emission Accounting and Reporting for Food, Tobacco, and Wine (For Trial Implementation)* issued by the National Development and Reform Commission. Scope I emissions include emissions from fossil fuel combustion and Scope II emissions include those attributable to externally purchased electricity and thermal power.
4. Notes on the statistical method:
In 2019, the environmental data disclosed by Feihe came from seven factories, namely, Heilongjiang Feihe Dairy Products Co.Ltd, Gannan Factory, Longjiang Factory, Zhenlai Factory, Jilin Factory, Baiquan Factory, and Tailai Factory.
5. Calculation method:

For the conversion of air pollutants, reference is made to the calculation formula for sulphur dioxide emissions in the *Emission Coefficients and Material Calculation Methods for Industries Not Included in the Emission Permit Management (for Trial Implementation)* issued by the Ministry of Environmental Protection of the PRC.

$PSO_2 = Q \times \eta \times 0.85 \times 2 \times 10$
The formula for calculation of NO_x emissions: $PNO_x = Q \times \mu$
Where: PSO₂ is sulphur dioxide emissions (kg); Q is fuel consumption (tonne); n is sulphur content of fuel (%). PNO_x is NO_x emissions (kg); Q is fuel consumption (tonne); u is pollutant discharge coefficient.
Combined energy consumption is calculated according to the *General Principles for Calculation of Combined Energy Consumption (GB/T25892008)* based on the consumption of energy sources including gasoline, diesel, natural gas, electricity and externally purchased thermal power.GHG emissions are calculated according to the *Guidelines for Greenhouse Gas Emission Accounting and Reporting for Food, Tobacco and Wine (For Trial Implementation)* issued by the National Development and Reform Commission, where Category I emissions include emissions from fossil fuels consumed by the Group, including gasoline, diesel, and natural gas and Category II emissions include those attributable to externally purchased electricity and thermal power.
GHG emissions are calculated according to the Guidelines for Greenhouse Gas Emission Accounting and Reporting for Food, Tobacco and Wine (For Trial Implementation) issued by the National Development and Reform Commission, where Category I emissions include emissions from fossil fuels consumed by the Group, including gasoline, diesel, and natural gas and Category II emissions include those attributable to externally purchased electricity and thermal power.

Enhancing our Environmental Protection

We attach importance to its environmental protection system. We abide by the *Environmental Protection Law of the People's Republic of China* and the *Environmental Impact Assessment Law of the People's Republic of China*. Our own universal management systems for environmental protection include the *Procedures of Environmental Protection, Health, and Security Incidents Reporting and Investigation*, the *Procedures of Environmental Factor Recognition, Assessment, and Management*, the *Procedures of Environmental Management and Operations* and the *Environmental Emergency Response Plan of Feihe (Gannan) Dairy Co., Ltd.* Our business department updated and issued targeted documents. Subsidiaries converted these documents into company-level documents and incorporated them into their EHS document list. Our effective updated system documents include the *Manual of the Environmental and Occupational Health and Safety Management System*, the *Hazardous Waste*

Management System, the *Procedures of Environmental Factor Recognition, Assessment, and Management*, the *Procedures of Environmental Management and Operations*, the *Procedures for Environmental and Safety Control of Stakeholders*, the *Procedures of Exhaust Emissions*, and the *Procedures of Environmental Protection, Health, and Security Incidents Reporting and Investigation*.

Based on the sound environmental protection system, we have established a factory management system by implementing the ISO 14001 system and incorporated EHS management structure and risk identification into management and control. In 2021, we experienced no environmental compliance violations.

In 2021, Tailai Factory earned ISO14001 and ISO 45001 certifications. Jinlin Factory will be certified in the first half of 2021.



Compliance and Green Production

We adhere to the concept of green production and strictly manage waste gas, waste water and industrial residue to minimise the environmental impact caused by the production. Our factories regularly maintain equipment and constantly monitor the operation of boilers and sewage treatment plants to ensure their normal operation. In terms of the treatment of the three wastes, we dispose of hazardous wastes in accordance with laws and regulations and have a sound internal system for disposal. We set

monthly targets for wastewater and waste gas and ensure that discharges fully meet expected standards. In terms of noise management, we manage the noise within factory boundaries in accordance with laws and reach goals set at the beginning of the year. In 2021, Jilin Factory was awarded "Provincial Green factory" by Jilin Province and Tailai Factory was awarded "Provincial Green Factory" by Heilongjiang Province.

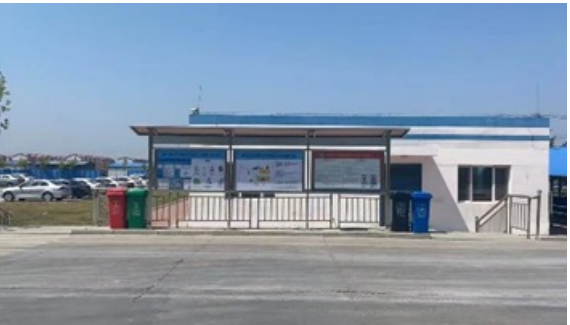
Disposing of Solid Waste

We have enhanced our waste management, properly disposing of waste generated in operations and reducing environmental damage. Our factories strictly abide by relevant laws and regulations, and our own procedures and documents, when managing at-source rectification, temporary storage in warehouses and outbound disposal and wastes are disposed of in a pollution-free manner by a registered and qualified third party on a regular basis. In 2021, we updated hazardous waste treatment methods (Q/HFR-02-SS-005), further refining the management and control of waste to reduce the impact on the environment.

In 2021, during the project construction, we stacked domestic garbage in the on-site dustbin, and the local municipal sanitation vehicle cleared them out of the site at a fixed time every week; The construction waste was classified and stacked by the constructors. The on-site construction

personnel continuously selected the waste materials and recycled them. The unusable materials, such as gravel, were intensively treated to backfill the foundation on the road in the plant; The nonreusable waste was collected by the constructors and repurchased by the waste recycling station.

We manage the general solid waste generated by the factory in the whole process in accordance with the Company's procedures. All factories use technical transformation and conduct team works to reduce the waste of raw materials and packaging materials. At the same time, solid wastes are carefully classified into recyclable and nonrecyclable ones to improve recycling as much as possible. In addition, all employees are informed to sort out waste. We place different waste bins in public areas for waste classification.



Reducing Exhaust Emissions

Adhering to the concept of sustainable development, we require our factories to discharge exhaust gas in accordance with the *Procedures of Exhaust Emissions*, to comply with emission requirements. We also reduce exhaust emissions through technical improvements and group

learning activities. In 2021, we updated exhaust emissions management methods (Q/HFR-02-SS-004), further refining the management and control of waste to reduce the impact on the environment.

Disposing of Wastewater

We apply advanced sewage treatment equipment to improve the impact of water pollution and water quality. It also can reduce the impact of sewage and effectively better the surrounding environment for enterprises, cities, rural areas and other places.

water environment management, controlling pollution sources and scientific environmental planning, so as to effectively control water pollution and protect the overall water environment.

We use online sewage monitoring equipment, an important part of environmental monitoring. Water quality monitoring can timely and accurately reflect the current water quality. It also provides a favorable scientific basis for strengthening

Each factory has an independent sewage treatment plant, which is connected with the urban sewage pipeline and discharged to the urban sewage treatment plant after treatment.



The Qiqihar project uses the separation process of water and sewage. It separates the discharge of polluted water with high concentrations and those with low concentrations during designing the system to reduce the polluted water with high concentrations to be treated, and then achieve energy conservation and environmental protection.



Safe Construction

We impose environmental protection regulations on project construction. We have detailed measures for noise control, vehicle exhaust gas reduction and dust management, and require all factories to strictly observe them.

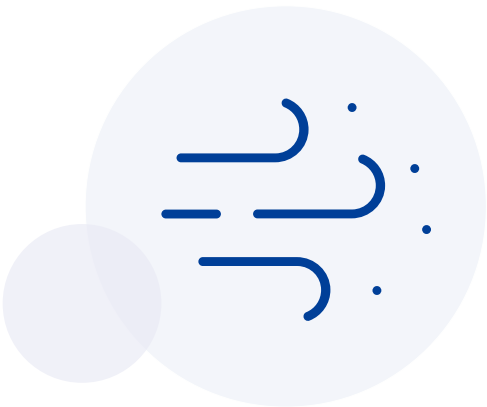
Managing Noise

In terms of machinery selection, we select low-noise machinery or equip them with noise reduction appliances. Machinery generating intense noise on the construction site (such as blenders, electric saws, electric planers and grinders) must be sealed in sheds to reduce the spread of intense noise. The processing and manufacturing of finished and semifinished products - such as prefabricated components, doors and windows - must, as far as possible, be completed in factories and workshops to reduce noise

on the construction site, as required by Feihe. In densely populated areas, work hours are strictly controlled: night work does not occur later than 22:00, and morning work does not occur earlier than 06:00. If continuous operation or night operation is unavoidable under special circumstances, noise reduction measures must be taken as much as possible. Before construction, we warn nearby residents and send notices of construction to related departments and bureaus.

Managing Vehicle and Exhaust Emissions

All construction vehicles must meet national inspection requirements, pass annual exhaust tests and obtain certificates of conformity. Other than necessary heavy vehicles (such as cranes, concrete tankers, loaders, and dump trucks), we require vehicles such as climbers and forklifts to use electric drives to reduce exhaust emissions. We diligently maintain machinery and vehicles and prohibit the overloading of machinery fuelled by diesel as fuel to reduce exhaust gas and particulate matter emissions.



Controlling Dust

We adopt hardening construction in all living areas, office areas, material storage areas and temporary construction roads on the construction sites. To prevent the spread of dust, we cover exposed ground, earthwork, gravel and cement with dustproof nets and suppress them with water-sprinkling carts on roads and construction areas. We cover residue-laden trucks with screening to avoid scattering on roads and wash cars at construction area exits to eliminate pollution.

Promoting Energy Conservation and Emission Reduction

Conserving Energy

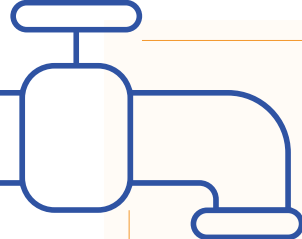
Our projects follow energy-saving principles through measures such as heat recovery. We focus on controlling energy-intensive facilities in accordance with regulations during production and operation. We inspect machines regularly to prevent issues such as dripping and leakage. We organise events across departments to promote energy-saving awareness among employees by exchanging ideas

We regard innovation as the core driving force of enterprise development, adhere to the concept of green development, and attach great importance to energy conservation. On the basis of compliance in regular production, we are committed to the practice of energy saving and emissions reduction and innovatory environmental protection innovation measures. We apply new technologies and new models in production and in offices; we reduce energy consumption through technological transformation and group activities. Besides regular operations, we hold the Environmental Day promotes the green office concept, to raise employees' environmental awareness.

and experiences. In 2021 the energy-saving team in each factory implemented technological improvements, including continuous automatic sewage discharge of boilers, heat recovery of continuous automatic sewage discharge of boilers, improved gas steam ratio, supply by the single boiler, added insulation, heat recovery, etc. These measures saved steam and electricity and reduced emissions.

Saving Water

As the dairy industry is a water-intensive industry, we attach great importance to water conservation. We have obtained water usage permits in strict accordance with national policies and regulations. We strictly manage water usage and use a resource allocation map to identify loss and eliminate waste.



In construction

We strictly use water for the project construction, prohibit the use of deep groundwater and install water meters to monitor usage.

In production

We recycle and reuse condensed water from the process to save water.

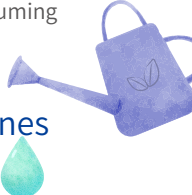
In daily activities

We have upgraded water-consuming facilities in areas such as cafeterias and bathrooms and widely apply water-saving appliances to reduce wastage.

In 2021, our factories saved about 155,800 tons of water with the efforts of improvement activities, including water saving by cooling tower, increased water production by pure water machine, reduced water consumption per ton of powder, and the transformation of mechanical sealing water; Meanwhile, from May to October, we saved about 11,600 tons of water by using the treated wastewater to irrigate the lawn.

Saving water by upgrading water-consuming facilities about

155,800 tonnes



Using treated wastewater to irrigate lawns saves about

11,600 tonnes



Supporting Carbon Neutrality

As the consumer of natural resources, the global dairy faces the challenges in balancing the impact of climate change, regulations and solutions to consumer demand, thus sharing the same interest in reducing greenhouse gas emissions across the supply chain. China Feihe is committed to partaking in the global action on climate change. We have invested a wealth of resources in R&D projects, which have begun to pay off. We will fully discuss how to increase productivity and lower greenhouse gas emissions. China Feihe will continue to make investments to seek innovative emission-reducing technologies and practices.

In response to China's goals to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060, we participated in the review group for the development of the China National Light Industry Council's Evaluation Standard for Green Factory in Dairy Industry organised by the China National Light Industry Council, to offer opinions and comments on relevant standard terms as a company. The project is currently in the consultation process. We also independently developed technological measures to reduce emissions.

Figuring out our carbon status for efficient efforts in carbon peaking and carbon neutrality

- ▼
- ⦿ In 2021, we held energy system training and promoted the development of energy systems in Tailai Factory; each factory conducted its carbon inventory.

Deploying clean energy to transform

- ▼
- ⦿ We reduce carbon emissions from fossil energy by increasing the proportion of renewable energy during production and operation. In 2021, we discussed green energy issues with multiple photovoltaic and green energy suppliers. Longjiang Factory has signed a photovoltaic project agreement with a third party who would fund and build the installed capacity of 5.335MW. The project will commence at the beginning of 2022 and optoelectronics will be available at the end of 2022; Other factories have also started negotiations on photovoltaic projects, such as the 5.7MW photovoltaic project in Kedong Factory, the 5.6MW photovoltaic project in Gannan Factory, the 3.12MW photovoltaic project in Tailai Factory and the 4.3MW photovoltaic project for Jilin Factory and Zhenlai Factory. Those cooperation projects are expected to be signed in 2022.

Monitoring emissions in real-time to reduce emissions through multiple channels

- ▼
- ⦿ In 2021, we updated the *Waste Gas Emission Management Procedure*. All factories strictly followed the exhaust emission standards, which were regularly tested by third parties. The gas-fired boilers in Kedong Factory, Gannan Factory and Longjiang Factory have been installed with online waste gas monitoring to see the emission at any time.

Meanwhile, we reduce energy consumption and waste gas emission. We build plants in plants to shorten the distance to transport materials, replace barreled oil with oil tank trucks to reduce heating hours and transporting distance in the plant, and conduct group activities and other measures.

Case

Photovoltaic panels were installed on the exterior wall of the main production workshop and office building for the Qiqihar project



In the Qiqihar project, the south exterior wall of the main production workshop and the office building are installed with photovoltaic panels. While maintaining the same project cost, the convenient and useful photovoltaic panels can save energy by generating power. The clean safe devices are widely used, maintenance-free, with less cost of installation, maintenance and operation, hence they are truly low-carbon and green.

Greening our Offices

We extend the environmental protection to office management and save energy first in the offices. We implement "production schedule" management to effectively connect departments and processes. We encourage employees to save water, paper and electricity and to reduce the environmental impact of their consumption. Our final goal is to lead more people to live green life.

Our green office policy includes:



Encouraging saving power at the office

- > Promote energy-saving lamps to save electricity in the office;
- > Advocate employee to turn off lights when leaving rooms;
- > Install multiple switches, to turn on lights only in sections where they are needed. Equipment, such as computers and printers, is turned off during lunch breaks and after work;
- > Air conditioners are used less frequently and increase the equipment temperature if possible;
- > Set the central air conditioning to the temperature of 23 degrees in office space; use no air conditioning in winter;
- > Place reminders for energy conservation;
- > Promote conservation to employees at morning meetings;
- > Arrange personnel on duty in the office to check all electrical equipment every day after work and turn off them in time.





Advocating paperless office

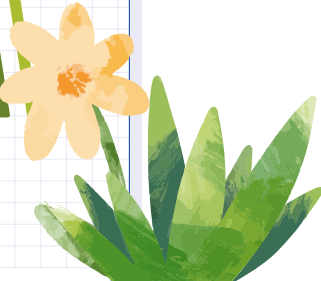
- > Promote paperless office, save single-side-printed paper for printing on the other side, to reduce our consumption of paper;
- > Introduce an office automation system;
- > The office purchases duplex printers to save paper in the office.





Promoting video conferencing

- > Encourage the use of video conferencing to reduce business trips.



Celebrating Environmental Day

To enhance employees' environmental awareness, and respond to Environment Day 2021's theme of "Harmonious coexistence between humans and nature", we organised our own campaign. The activities mainly included painting for environmental protection, cleaning plants' surroundings, environmental knowledge competition, etc. Our departments promoted environmental protection to employees at morning meetings, with an emphasis that discarded electronic products should not be discarded at will. And we shared posters and slogans in WeChat groups, including "work together towards a greener and inclusive energy future" to guide employees to pay attention to and care for the environment. About 2,386 employees were engaged in the activity.

Environment Day activities			
Environment Day	Content	Sessions	Participants
Harmonious coexistence between humans and nature	Hanging banners	6	928
	Painting for environmental protection	1	55
	Garbage sorting	1	457
	Environmental knowledge competition	1	45
	Environment Day activities around "Harmonious coexistence between human and nature"	1	380
	Distributing brochures	1	28
	Cleaning plants' surroundings	1	40
	The slogan "work together towards a greener and inclusive energy future" to publicise green ideas	1	453



5 Devotion to Philanthropic Causes

- Care for Health
- Rural Revitalization
- Combating COVID-19



We are an enthusiastic supporter of the charity. Under our strategy, we hold diversified charity activities in three fields: care for health, targeted poverty alleviation and combating the pandemic. We care about the health of mothers and babies, continue to deeply participate in poverty alleviation, and contribute to anti-pandemic efforts. In 2021, we were active in social charity and donated RMB 16.047 million throughout the year.

Care for Health

As a leader in infant milk powder, we have been focused on the practical needs of mothers and infants and innovated the education, medical treatment and health. In 2021, we helped each Chinese family solve problems in parenting and help build the proper values of children rearing through a variety of activities. We also provide comprehensive services for postpartum woman and do our best to boost the happiness of each family.

Case

Feihe donated nutritional materials to flood-hit Zhengzhou

A rare rainstorm in Zhengzhou, Henan touched the people all over the country. The heavy rains and standing water have disrupted transportation, increasingly leading to food shortages. Especially the middle-aged and elderly, babies and other special groups were in urgent need of adequate nutrition.

On July 23, 2021, China Feihe immediately distributed hundreds of boxes of nutritious food to the children, pregnant women and the elderly groups stranded in the station and major hospitals in Zhengzhou. The donation provides enough food and nutritional supplement to babies in spite of inconvenient transportation and material shortage.



Case

Feihe's mother-and-baby room phase II project started

In June 2021, the inauguration ceremony of the mother-and-baby room phase II project sponsored by China Feihe and *Women of China*, a magazine for women, was held in Beijing under the theme of "Small space, full of love".

China Feihe is committed to solving the difficulties for working mothers to nurse babies in the workplace and

better helping the healthy development of mothers and babies. The phase I mother-and-baby room, built by the China Academy of Urban Planning and Design, China Mobile and CCCC Infrastructure Maintenance Group, has been officially put into use. The phase II project will help build mother-and-baby rooms in more companies to benefit working mothers with more practical care.



Rural Revitalization

We always keep our social responsibility in mind, takes poverty alleviation as one of our missions, and uphold the concept of "developing the Company, giving back to society and supporting poverty alleviation". We support industrial development, healthcare and education, aim for breakthroughs in the overall poverty alleviation drive, and contribute our wisdom to targeted efforts.

To achieve poverty alleviation via industrial development, we implement an innovative industrial cluster development model to promote the development of upstream forage planting and milk source development and incorporate local professional farms (agricultural companies) and pastures into the industrial cluster chain. Currently, we work closely with a professional agricultural company at the front end of the industrial chain, nine supporting agricultural companies, and eight modern core factories, with a total planting area of 600,000 mu (40,000 hectares). We also cooperate with two 200,000-ton fodder-processing factories for fodder processing and production. The Feihe Industrial Cluster has turned the land of poor households in Heilongjiang into fodder land, so those households enjoy direct rental income. This initiative increased the value of more than 1 million mu (0.67 million hectares) of farmland in the province, created 150,000 jobs, and boosted the income of 150,000 farmers. It promoted the transfer of rural labour and the transformation of the industrial structure.

In terms of poverty alleviation with healthcare, to facilitate medical treatment in poor areas, we donated basic medical facilities to hospitals in many regions. The Company donated medical equipment worth millions to hospitals in Gannan and Kedong, contributing to the development of local medical services.

The research team of the Chinese Academy of Social Sciences published the latest *Blue Book on Corporate Philanthropy in 2021 Based on the Perspective of the Third Distribution ("the Blue Book")*. The report deeply researches the characteristics of Chinese corporate philanthropy in different stages by collecting the branded charity projects of 15 enterprises. China Feihe was selected as an excellent example in the *Blue Book*, representing the recognition by the industry for our contributions to innovative assistance models across the industry value chain and helping rural revitalization.

At the 13th *Blue Book on Corporate Social Responsibility* Event and the 2021 Winter Summit of ESG China Forum in Beijing, the first *Textbook on Environment, Social and Governance (ESG)* in China was released at the conference, in which Feihe was selected as an excellent case.



The total agricultural acreage reached

0.6million mu

Drive the increase of cultivated land in Heilongjiang Province above

1million mu

Since the 19th National Congress of the CPC decided to deploy and prioritise rural revitalization, the strategy has become an overall and historic task related to the full building of a modern socialist country. In recent years, rural revitalization has achieved all-around development in China thanks to joint efforts which are led by the government, partaken by enterprises, powered by technology and supported by the public. In this process, relying on our full industry value chain, we fully drive partners upstream and downstream to move forward and build a chain of shared prosperity.

In the industry value chain upstream, Feihe standardises agricultural development by transferring lands, offering job opportunities and conducting skill training, thus increasing farmers' incomes and promoting industrial development; in terms of the factory, we pioneer the factory-in-factory model, which not only provides more jobs for those in need but also boost the development of local logistics and transportation and related industries. Meanwhile, we also continue to open the access to learning and sharing to partners, so that they can improve their technical level and management capabilities for better development.

It has been proved that our innovative industrial assistance model has stimulated the local economy. We have created 150,000 jobs for the communities, improved the incomes of 150,000 farmers, and increased the value of more than 1 million mu (66,666.67 hectares) of arable land in Heilongjiang. We coordinated the growth of different industries as an important engine for the regional economy.

Our charity footprint has covered all walks of life. In addition to industrial assistance, we also alleviate poverty through medical and health services. We donated RMB 176 million of globally top medical equipment to 11 hospitals in Gannan, Kedong and other counties in succession and engaged top medical experts in China in charitable activities. Our donation of RMB 2.93 million for the "Charity Bright Tour" activity has benefited 1,466 people with eye diseases. To improve education in underdeveloped areas, we have also initiated the Feihe Student and Education Assistance Program for Poverty Alleviation. The program has invested more than RMB 24 million in upgrading school infrastructure, training teachers, and giving grants to poor students. It aims to protect underdeveloped students' right to education, help enhance teaching standards and improve quality education.

As a responsible enterprise, we have been earnestly fulfilling our social responsibility. The inclusion into the model cases of charity in the *Blue Book* is a recognition and a new starting point. We will continue to deepen the model of poverty alleviation via industrial development and move forward in such fields to power rural revitalization and socio-economic development.



Feihe creates jobs for the society

150,000

Donated top medical equipment to multiple hospitals in 11 counties

RMB 176 million

Accumulated donations for the "Charity Bright Tour" campaign

RMB 2.93 million

Cumulative investment in upgrading school infrastructure, organizing teacher training, etc

RMB 24 million



Case

"China Well-off Milk Campaign" in Anhui to help poor students and promote rural revitalization



Our Rural Revitalization Contribution Plan, a part of China's Well-off Milk Campaign themed "Warm sunshine to spread boundless love" was held in Guanzhuang Town, Qianshan City, Anhui Province on October 13, 2021. At the scene, we announced that we would donate 7,200 cases of student formula milk power

worth RMB 396,000 to primary and secondary schools in Guanzhuang Town. Also, we would set up a paired assistance base for rural revitalization to provide high-quality nutrition so that children could the healthily grow up and the education was better reformed here.



Case

"Feihe Student and Education Assistance Program for Poverty Alleviation" in Yuannan again to protect teenagers with Feihe's responsibility



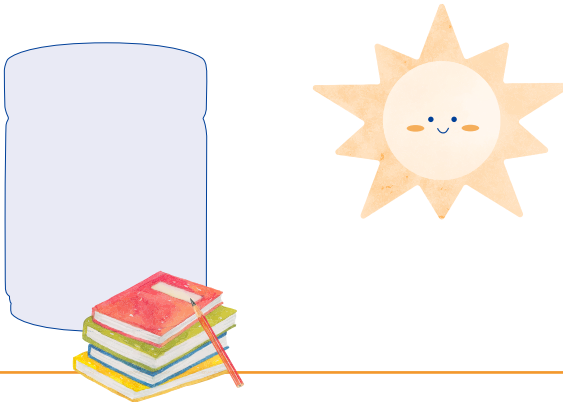
Our "Feihe Student and Education Assistance Program for Poverty Alleviation", a part of China's Well-off Milk Campaign themed "Warm sunshine to spread boundless love" was held in Jiahe Township, Jiangcheng County, Pu'er, Yunnan Province on June 22, 2021. Following our donation to an ethnic minority orphanage school in Lijiang, Yunnan last year, our education assistance program helped Jiahe Hope School in Jiangcheng County.

As a member of the top 20 in China's dairy industry (D20), we actively responded to the call for "China's Well-off Milk Campaign". From 2017 to 2021, with the theme of "Warm sunshine to spread boundless love", the program spread love to primary and secondary school students all over the country. In total, we donated more than RMB 4 million of student milk powder to 66 schools from 8 provinces and 20 regions. We used our joint efforts to realise the dream of a healthy China, which presented the powerful potentials of a Chinese dairy company.

Donated 600 cases of student formula worth

RMB 39,6000

The total price of donated milk powder for students exceeds RMB 4 million



Combating COVID-19

In 2021, the COVID-19 continued to rage. Feihe used its strengths in products, resources, logistics and transportation to ensure a supply of nutrition to frontline medical workers and to protect the health of mothers and infants. We drove upstream and downstream enterprises to rise to the challenges together, to maintain the stability of the Chinese infant milk powder market, and to bolster the momentum of China's rapid control of the pandemic and its economic and social recovery, showing the responsibility of a leading dairy company with practical actions.

Case

China Feihe donated anti-pandemic materials to Wangkui, Heilongjiang

On January 29, 2021, the 2 million funds and products worth RMB 2.04 million donated by China Feihe has been transported to the anti-pandemic areas in

Wangkui County, Suihua City, Heilongjiang Province to supply pandemic prevention materials and nutrients.

Case

China Feihe donated anti-pandemic materials including ambulances to Heihe City

On November 6, 2021, as required by the actual need, China Feihe donated two negative pressure ambulances and nutritional products worth RMB 1 million to Heihe city to help fight the pandemic with practical actions. Feihe was willing to share hardship

with local people in the hometown. At the site, Zhao Hongliang, chairman of China Feihe Natural Dairy, commented that Heihe City would win the battle against the pandemic soon and resume production and life.



Recognition

On September 5, 2021, we were awarded the "China Charity Awards" for our outstanding contribution to combating the COVID-19 at the 11th National "China Charity Awards" conference. The China Charity Award is the top influential award in China's charity issued by the Ministry of Civil Affairs every two years.



On October 29, 2021, the 17th Summit Forum on CSR in China hosted by China News Service and China Newsweek was held in Beijing, which was themed "Evolved Responsibility For Common Prosperity". we were awarded the "2021 Responsible Enterprise" on the best CSR list due to our efforts in charity, such as helping the weak and the needy, offering education and medical services, especially contributions to combating the COVID-19.



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ESG Indicator		Location
Environmental		
Aspect A1 : Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	P56-P59,P61
KPI A1.1	The types of emissions and respective emissions data.	P54
KPI A1.2	Total greenhouse gas emission (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	P54
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	P54
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	P54
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them	P57-P59
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	P57
Aspect A2 : Use of Resource		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	P60
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	P55
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	P55
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	P60
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	P60
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	P55
Aspect A3 : The Environmental and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	P56-P63
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P56-P63
Aspect A4 : Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	P61

ESG Indicator		Location
KPI A4.1	KPI A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	P61
Social		
Aspect B1 : Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	P32,P35-P37,P44
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	P32
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	P33
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	P40-P42
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	P40
KPI B2.2	Lost days due to work injury	P40
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	P40-P42
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	P36-P39
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	P38
KPI B3.2	The average training hours completed per employee by gender and employee category.	P38
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	P32
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	P32-P33
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	P32-P33

ESG Indicator		Location
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	P46-P48
KPI B5.1	Number of suppliers by geographical region.	P47
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	P46-P47
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	P46-P48
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	P46-P47
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	P22-P24,P27
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P24
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	P27
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	P50
KPI B6.4	Description of quality assurance process and recall procedures.	P24
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	P27
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P18-P19
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	P18
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P18-P19
KPI B7.3	Description of anti-corruption training provided to directors and staff.	P19
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P66-P71
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P66-P71
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	P66-P70



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