

China Shengmu Environmental Statement

China Shengmu places environmental protection as a crucial element of its business development strategy, committed to realizing the industry's thriving vision of "sustainable and co-development." The company continuously implements its desert governance, integration of planting and breeding, and organic cycling of the desert organic milk industry chain, constantly practicing ecological, circular, water-saving, regenerative, and organic agricultural development models. By vigorously building "low-zero carbon farms" and developing "low-zero carbon raw milk," Shengmu strives to seek green development solutions across the industry chain to promote achieving the "net-zero goal" and the synergy of "benefiting nature."

Scope of Application

This policy applies to China Shengmu Organic Dairy Co., Ltd. and its subsidiaries/affiliates in all aspects of production, operation, and business facilities, products and services, distribution and logistics, energy management, waste management, and water resource management. We expect third parties, including agents, distributors, independent contractors, contract workers, and suppliers, to act in a manner consistent with the principles and values of our environmental statement when conducting business with China Shengmu.

Governance

Shengmu actively engages in environmental protection efforts, emphasizing harmony between humans and nature in production processes. The company has established a comprehensive green management system, providing feasible green solutions to achieve the industry's "dual carbon" goals.

The Board of Directors is deeply involved in discussions on carbon reduction, emission reduction, and the use of green energy, promoting related work within Shengmu's environmental governance scope from top to bottom. For key environmental issues such as climate change, the Board's responsibilities include:

- Reviewing and guiding climate-related strategies
- Supervising and guiding the formulation of green transformation plans
- Monitoring the implementation of green transformation plans
- Supervising the setting of corporate carbon reduction targets
- Monitoring the progress towards achieving corporate carbon reduction targets
- Reviewing and guiding climate risk management processes

The Board of Directors has established a Strategy and Sustainable Development Committee, consisting of the Chairman of the Board, the President of the company, and two other directors. This committee is responsible for overseeing and evaluating

the progress and effectiveness of the company's climate change and other sustainable development projects and reporting to the Board of Directors biannually.

The Sustainable Development Department, under the Strategy and Sustainable Development Committee, is responsible for collecting materials on energy conservation, emission reduction, carbon emission management, and desert governance from various functional departments before the Board meetings. After the proposals are approved, the Sustainable Development Department collaborates with the relevant functional departments to formulate detailed implementation plans, supervise the execution progress, and assess the effectiveness.

Commitments and Actions

1.

Environmental Compliance

2.

- Comply with environmental protection laws, regulations, and standards where the company operates.
- Establish an environmental management system and continuously promote ISO14001 certification for the farms.
- Identify and control environmental factors from grass planting, feed procurement, fine management of the dairy cows' lifecycle, and raw milk transportation, taking measures to manage various environmental indicators like energy, water resources, and emissions, thereby reducing environmental impact and continuously improving environmental performance.

3.

Climate Action

4.

- Align with China's "dual carbon" strategic goals and the Paris Agreement. In 2021, the company submitted emission reduction targets to the Science-Based Targets initiative (SBTi) and committed to reducing global climate warming by 1.5°C.
- Develop carbon baseline audit procedures for methane emissions from cattle fermentation, manure management, and energy consumption, conducting regular energy consumption measurements, statistics, and audits.
- Emphasize the harmony between humans and nature in the production process, actively deploy renewable energy use, and continuously review and improve risk management in climate change.

5.

Carbon Emission Management in Breeding

6.

- Improve the nutritional structure of dairy cows' diets to adjust the rumen environment and inhibit methane emissions.
- Enhance feed efficiency through facility upgrades to improve ventilation and cow comfort, reducing carbon emissions.

7.

Energy Management

8.

- Promote the use of new energy electric vehicles to reduce fossil fuel usage and increase the proportion of new energy.
- Install distributed photovoltaic systems on barn roofs to increase green electricity use and support energy transition in traditional livestock farming.

9.

Resource Conservation

10.

- Advocate for circular economy concepts, reduce over-reliance on natural resources, find opportunities to reduce ecological damage, improve resource use efficiency, and pursue sustainable commercial prosperity by balancing natural benefits and business development.

11.

Waste Management

12.

- Recycle cow manure for land fertilization and bedding material, significantly improving manure utilization and reducing greenhouse gas emissions.
- Comply with waste management requirements for general solid waste, hazardous waste, construction waste, and household waste, handled by independently recognized third-party agencies.

13.

Water Resource Management

14.

- Install intelligent water meter monitoring systems for real-time water use monitoring, detecting, and correcting water wastage promptly.
- Optimize wastewater reuse in milk parlors, reducing groundwater extraction and wastewater discharge.
- Install total filtration equipment for oxidation ponds to reduce environmental risks and improve water resource utilization efficiency.

15.

Ecosystem Protection

16.

- Minimize the impact of business activities on biodiversity and ecosystem services, promoting biodiversity conservation and restoration.
- Ensure that value chain enterprises avoid operating near globally or nationally significant biodiversity conservation areas and prevent any form of illegal deforestation or damage to natural forests.

17.

Ecological Restoration

18.

- Implement the concept of "where grass grows, where forests grow" based on the "low coverage sand control theory" to build a systematic sand industry system and create a three-dimensional ecosystem of trees, shrubs, and grasses to prevent desertification and reduce land degradation.

19.

Biodiversity Restoration

20.

- Restore desert ecosystems to create regional microclimates, leading to increased biodiversity. Plants like alfalfa, oats, corn, and dandelion, and animals such as lizards, foxes, hares, and gazelles have become common, with birds like waterfowl, egrets, and owls also establishing themselves in the desert oasis.

Environmental Education and Training Management

Through various publicity, education, and training activities, Shengmu aims to raise awareness of environmental protection and sustainable development among employees, partners, and the public. We encourage public participation in environmental protection, resource conservation, biodiversity protection, and sustainable development actions and strengthen cooperation with related organizations and communities to promote green initiatives.

We commit to organizing at least five environmental training sessions annually, including:

- Training on national environmental protection laws, regulations, standards, and company policies.
- Training on environmental risk identification and assessment, performance of significant environmental objectives.
- Training on energy management, water resource management, solid waste management, and environmental safety management.
- Training on emergency response plans for environmental pollution incidents and pollution accident handling measures.
- Training on environmental knowledge, new technologies, and new processes.
- Training to enhance suppliers' environmental management capabilities and awareness of forest protection and biodiversity conservation.

Disclosure and Reporting Initiative

China Shengmu understands the challenges of addressing environmental issues within complex global supply chains, many of which are interconnected and cannot be solved in isolation. Therefore, we encourage business partners to disclose the challenges they encounter in meeting this standard so we can collaboratively address these issues and strengthen management systems to ensure continuous improvement.