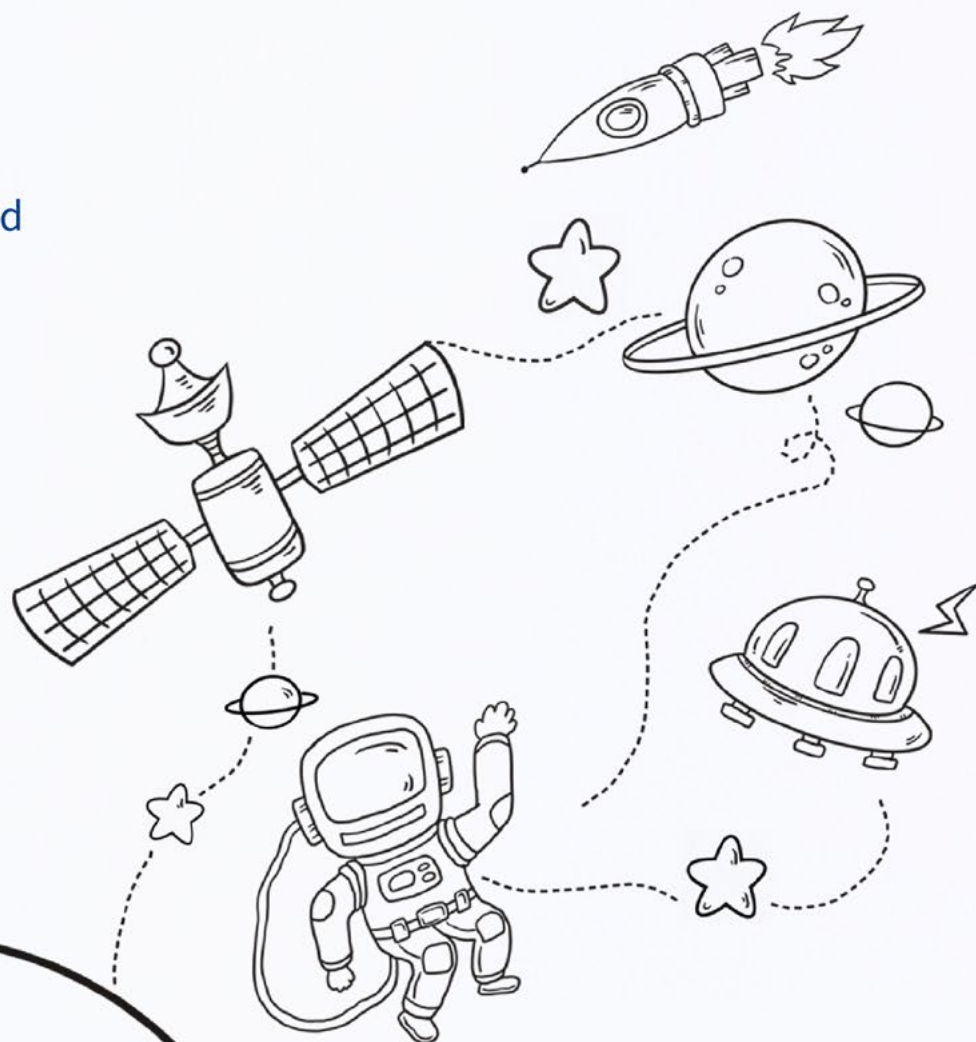




China Feihe Limited

Stock code: 6186



2020

Environmental, Social
and Governance Report





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About This Report

This report illustrates China Feihe Limited's vigorous 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 do not constitute substantive commitments to investors.

Reporting Period:

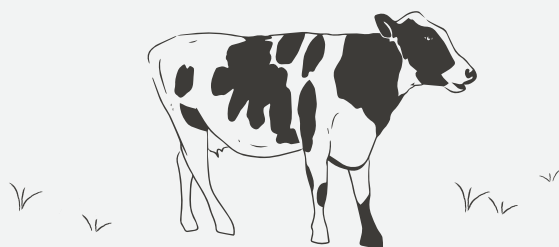
This report covers 1 January to 31 December 2020, unless otherwise stated.

Reporting Scope:

It covers China Feihe Limited and its subsidiaries. The scope of the subsidiaries is identical to 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 Guidelines:

This report was prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) of the Stock Exchange of Hong Kong Limited (“HKEX”) Main Board Listing Rules 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 is interchangeable with “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 simplified 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



2020 was an extraordinary year for Feihe and people around the world. Amid the COVID-19 pandemic, citizens faced huge threats to their health, and the global economy experienced great turbulence. Challenges not seen in a century forced countries, businesses and individuals to reflect on societal shifts, find ways to cope and devise innovative solutions so that we can embark on a sustainable path.

At Feihe, we stuck to our founding mission and fulfilled our responsibilities: to produce high-quality formula milk for Chinese people and to protect their physical and psychological wellbeing.

In 2020, we recorded enviable business achievements. We are proud to be a local enterprise that knows Chinese babies well, hence the unique value proposition as being “More Suitable for Chinese Babies”, we researched breast milk nutrition, upgraded our product designs, formulas and processes, and guided proprietary innovation in the nation’s baby formula sector.

In 2020, we made the “Core of China Dairy”, built high-level internal and external research platforms, and launched a postdoctoral workstation. We made further headway in fundamental research, and unveiled three major research outcomes in breast milk, bolstering the scientific basis for product R&D across the sector.

We accelerated our digital transformation, applying new technologies to manufacturing, R&D, distribution and service. Consequently, the entire production process, from milking to processing, is now automated, integrated, and smart. This makes the industrial chain safer and more efficient.

We intensified the quality and safety management of every process to guarantee controllable operations throughout. And we put in place rigorous management standards for pastures, plants and supply chains. All of these efforts serve to create premium quality products

for consumers.

Feihe quickly responded to the unexpected pandemic and led as an example doing what it could to fulfill social responsibilities. For example, we set up a virus prevention and control group immediately after the pandemic hit, and encouraged frontline employees to return to work, in safe conditions, to ensure there were sufficient supplies for babies. With our partners, we invited experts to offer online courses to inform the public about virus prevention and control. And we opened a hotline dedicated to parents and a free online consultation channel, both of which were available 24/7.

We donated RMB 200 million – including supplies – to the Red Cross Society of China, utilised our global supply chains to purchase medical supplies and assisted frontline medical workers. Consequently, we won national awards for our outstanding efforts to combat the virus, including the Special Contribution Award of the China Red Cross Society, the Enterprise of the Year Award for Socially Responsible Enterprises, the China Philanthropic Enterprise Award and the Role Model Enterprise of China Dairy Industry Spirit.

This year also marked a milestone for sustainable development. President Xi Jinping made a solemn commitment at the 75th Session of the United Nations General Assembly that China will peak its carbon emissions before 2030, and achieve carbon neutrality before 2060. President Xi’s remarks guided the way forward for sustainable development in China and beyond.

Here at Feihe, we take an ecological approach to sustainability and pursue green, low-carbon and high-quality growth. Our industrial model has ecological harmony at its heart. We harness digital and smart technologies to assist environmentally friendly production and manufacturing. By building more green

pastures and green plants, we offer more green products for our consumers. We hope to contribute our due share to achieving the carbon peaking and neutrality goals.

Feihe aims to be a society-friendly enterprise while working hard to be environmentally friendly. We have been operating under the guidance of a nationwide perspective, while also helping to revive the rural area. Aiming to alleviate poverty through industry revitalisation, nutrition and education, we launched charitable activities such as the China Well-off Milk Campaign, the Charity Bright Tour, and Feihe Schooling and Education Aid, laying a solid foundation for winning the battle against poverty. Going forward, we will continue to contribute to rural revitalisation, adhere to our mission, and do our utmost to give back to our hometown and society.

The 14th Five-Year Plan is off to a good start. Faced with new opportunities and challenges, we will commit to our mission of bringing hope and joy to families, seek win-win outcomes for Feihe and society, and drive long-term development on a valuable and sustainable path. A steady performance moves us forward, and excellence knows no bounds.

Leng Youbin
Chairman
June 2021



About Us

Company Profile

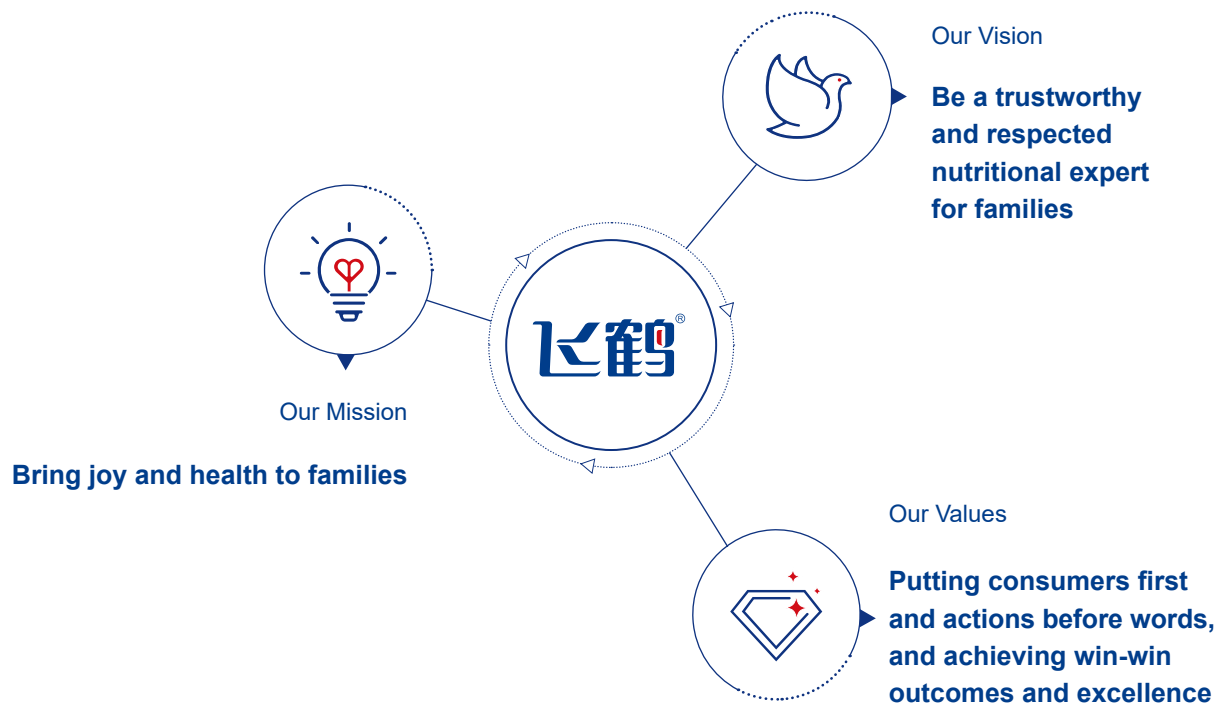
Feihe, which was established in 1962 and based in Qiqihar, in Northeast China's Heilongjiang province, Feihe is among the China's longest-operating dairy brands. In November 2019, we were listed in the Hong Kong Stock Exchange and registered the biggest IPO in the formula milk industry.

Over the past 59 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 more qualified and nutritious 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 per cent 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.



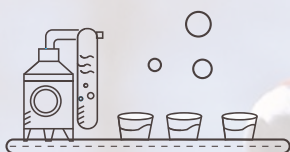
As our business constantly evolves and Feihe upgraded the corporate culture in 2020. By studying the nutritional components of breast milk, we focused on manufacturing better formula for Chinese babies. We are a trustworthy and respected nutritional expert that brings joy and health to families.

Going forward, we will sharpen our strategic positioning. Besides formula, we will produce premium quality milk powder and fulfill our corporate social responsibilities.

Seeing Our Efforts Rewarded

Quality

- Gold Medal for Quality from China Dairy Industry Association
- TPM Award for World-Class Manufacturing from the Japan Institute of Plant Maintenance



Innovation

- 2020 Innovator and Pioneer Award from the Third China Dairy Industry Capital Forum
- Our *Research into the Adipose Tissue Structure of Baby Formula and Industrialisation of Outcomes* project won First Prize for Scientific Advances from the China Dairy Industry Association



Society

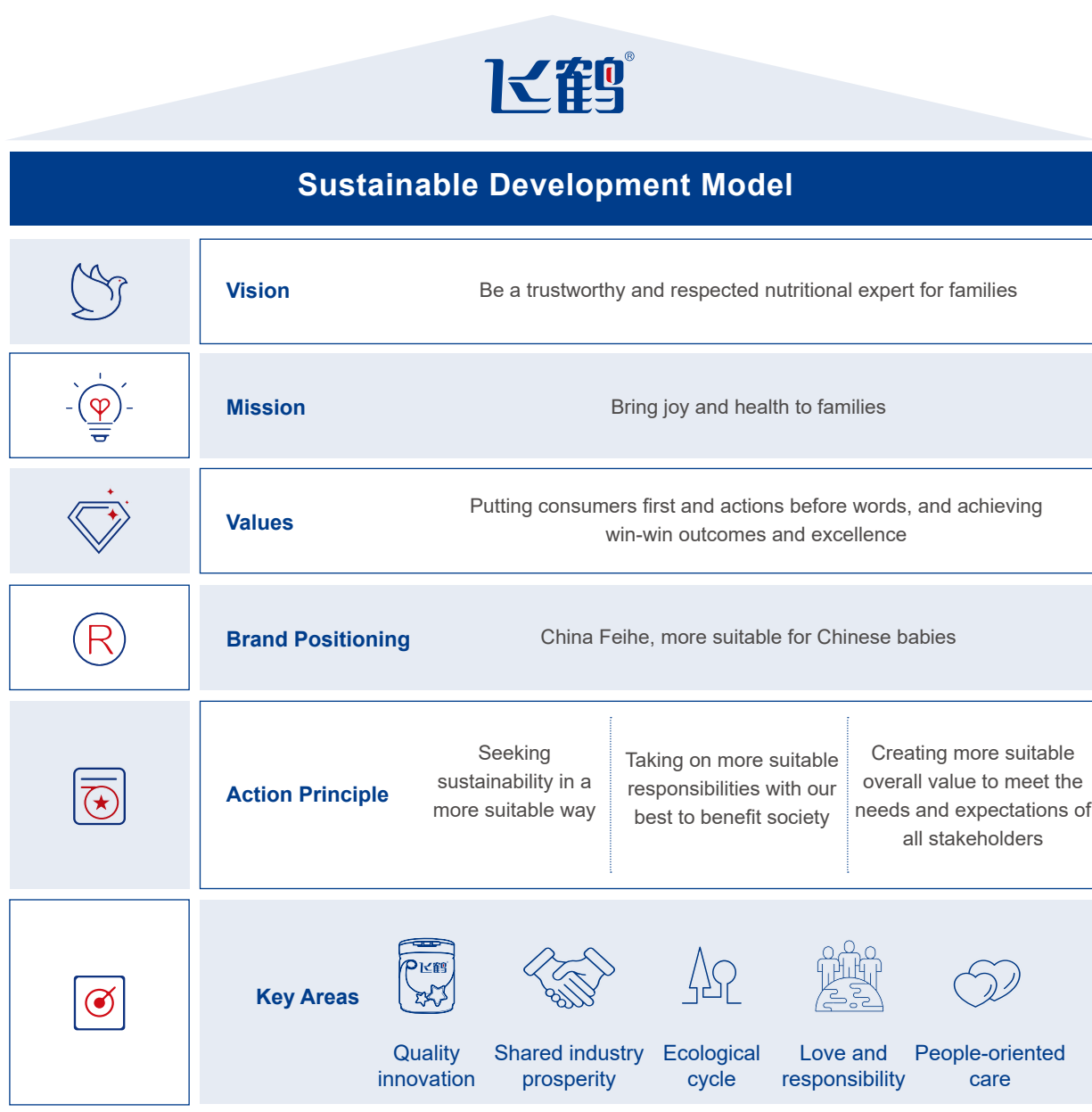
- 2019 Model Brand for Poverty Alleviation at the 9th China Charity Festival
- Annual Award for Social Responsibility from *China Business Journal*
- Social Responsibility Award for People's Enterprise (Enterprise of the Year) from People.cn
- 2020 Angel for Humanitarian Contributions from the Red Cross Society of China



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. Our mission is to bring joy and health to families, while our vision is to be a trustworthy and respected nutritional expert for families. We put consumers first and actions before words, achieve win-win outcomes and excellence. Form a sustainable development model led by the “more appropriate” principle, which provides direction and guidance for sustainable development work.



Communication

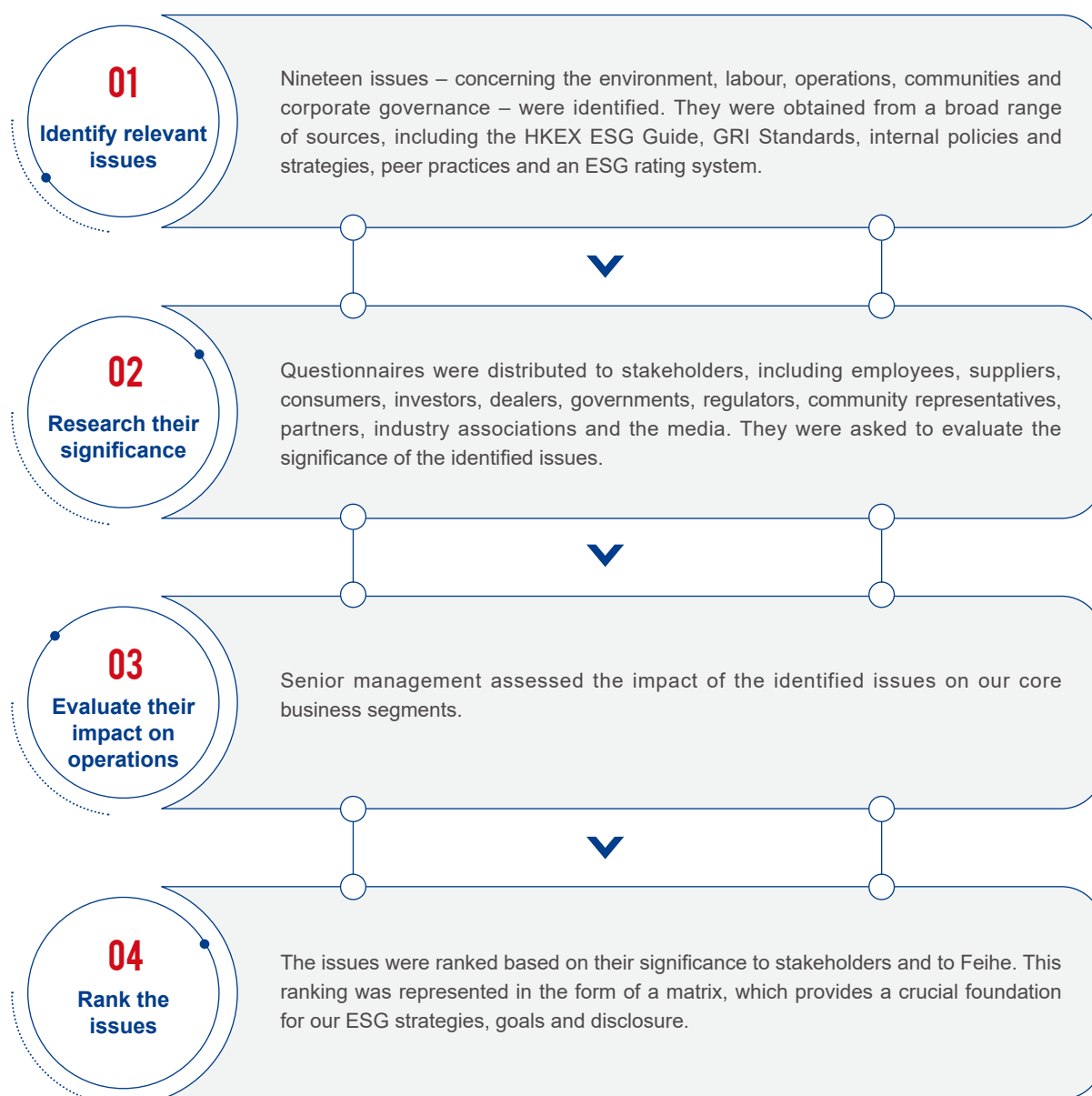
As we press ahead with our ESG goals, transparent and thorough communication is high priority on our agenda. We have improved communication mechanisms, collected feedback, listened to each segments' opinions, understood their areas of interest and endeavoured to satisfy their reasonable expectations and demands, to continuously grow and improve through time.

Segments	Their expectations and demands	Our response
 Governments and regulators	<ul style="list-style-type: none"> • Operate in accordance with laws and regulations • Pay taxes in full and on time 	<ul style="list-style-type: none"> • Accept supervision and assessment • Participate in meetings and training organised by government and industry associations
 Shareholders and investors	<ul style="list-style-type: none"> • Improve returns on investment • Enhance information disclosure • Build greater market value 	<ul style="list-style-type: none"> • Convene the general meeting of shareholders • Disclose information and make regular announcements • Organise investor relations activities
 Consumers	<ul style="list-style-type: none"> • Produce high quality products • Provide innovative services • Create convenient dialogue channels 	<ul style="list-style-type: none"> • Conduct basic scientific research • Invest in research and development • Provide online and offline communication channels • Enhance traceability across the industry
 Industry chain partners	<ul style="list-style-type: none"> • Abide by business ethics • Seek win-win outcomes for shared growth 	<ul style="list-style-type: none"> • Communicate regularly with suppliers • Train and evaluate dealers
 Industry peers	<ul style="list-style-type: none"> • Engage in fair competition • Boost the industry 	<ul style="list-style-type: none"> • Partake in appraisal • Propose guidelines • Collaborate and conduct research with universities
 Environmentalists	<ul style="list-style-type: none"> • Protect the environment • Use resources responsibly 	<ul style="list-style-type: none"> • Build green factories • Go green in the workplace • Conserve energy and reduce emissions
 Employees	<ul style="list-style-type: none"> • Safeguard basic rights and interests • Provide career growth • Ensure a work-life balance 	<ul style="list-style-type: none"> • Build a multitiered training structure • Create more opportunities for promotion • Offer diversified bonuses for employees
 Communities	<ul style="list-style-type: none"> • Boost local economies • Engage with the community • Help those in need 	<ul style="list-style-type: none"> • Provide nutritious and healthy products to those in poverty • Participate in charitable activities • Focus on the health of mothers and babies

Materiality Assessment

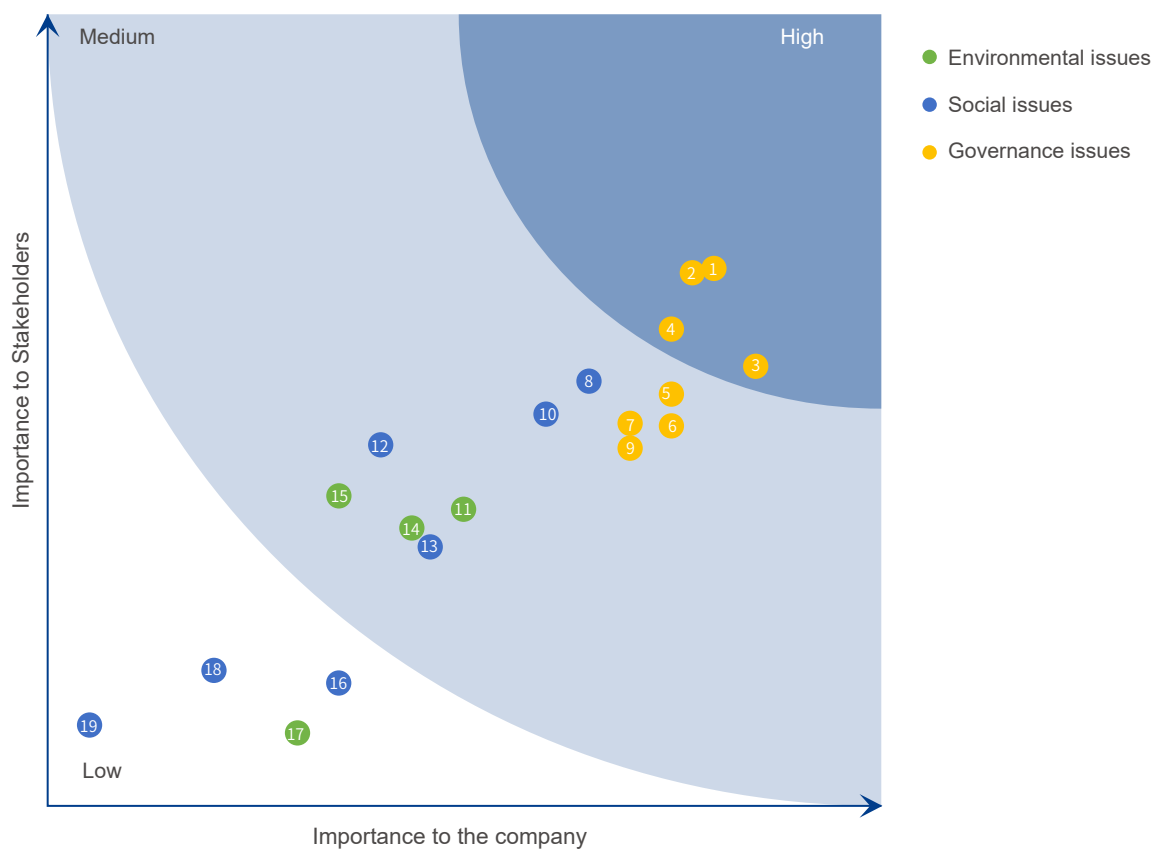
To prepare this report, we followed the Environmental, Social and Governance Guide in Appendix 27 of the Hong Kong Stock Exchange Listing Rules, actively communicated with all stakeholders, and make comparing analysis with headlines as disclosed in ESG report of companies of the same industry. Establishing the material ESG issues provided a basis for this report.

The process was as follows:



This process is repeated every two years.

Feihe ESG materiality matrix 2020



High	Medium	Low
<ul style="list-style-type: none"> 1 Workplace safety 2 Food safety and production 3 Premium services 4 Legitimacy and compliance 	<ul style="list-style-type: none"> 5 Workplace safety 6 R&D and innovation 7 Anticorruption 8 Occupational health 9 Supply chain management 10 Protection of employees' rights and interests 11 Waste management 12 Employee training and growth 13 Caring about employees 14 Water management 15 Energy conservation and emission reduction 	<ul style="list-style-type: none"> 16 Boosting local communities 17 Ecological conservation 18 Promoting health education 19 Charity activities



Compliance Operations

Feihe is committed to building a strong corporate culture of compliance, improving corporate governance and risk control, and combating corruption, and introducing a wide range of compliance measures including reward and penalties mechanisms. We strive to prevent compliance risks, quality risks and corruption caused by inadequate management. Our policies adhere to all applicable laws and regulations to ensure that we can avoid compliance risks to the greatest possible extent through effective corporate governance, risk control and anti-corruption.





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Putting Corporate Governance Into Action

We follow relevant laws and regulations, including the *Company Law of the People's Republic of China* and *Cayman Islands Companies Law*, and all applicable items and provisions of Appendix 14 *Corporate Governance Code and Corporate Governance Report* of the Hong Kong Stock Exchange Listing Rules.

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

The board's responsibilities are as per our amended and restated memorandum and *Articles of Association*. It 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 relevant laws and regulations.

Our Board of Directors comprises

11 directors



including

4 executive directors



3 nonexecutive directors



4 independent nonexecutive directors



Risk Control

Feihe believes strong risk management ensures our sustainable growth. After summarising our best practices in policy-making, internal control and external supervision, we have made effective and consistent risk management frameworks and sound operational rules and procedures to enhance our performance in the marketplace and allow us to deliver high-quality products.

Policy-making

To better control risk, we formulated *Audit System of Feihe Dairy* and the *Crisis Management System of Feihe Dairy*. The *Audit System* was updated in 2020. The scope for audit and supervision was expanded, and penalties for violations were clearly outlined. Meanwhile, our *Crisis Management* prioritises risk prevention and focuses on early warning. A taskforce defuses risks and, should crises occur, we examine the damage they cause and draw lessons to avoid them in future.

Internal Control

Guided by our *Basic Guidelines for Internal Control, Evaluation Methods for Internal Control* and *Management Rules of Authorised Approval*, the Audit Committee oversees internal controls and reviews their effectiveness. In 2020, we updated controls for supplier management, brand and trademark protection, and information privacy.



Enhancing procurement

Feihe's *Procurement Management System* defines our requirements, processes, participants and reporting procedures.

We updated our *Bidding and Tendering Management System*, improved supplier reviews, and created templates for key control processes.



Enhancing supplier management



Protecting our brand

Our *Management Methods for Brand Protection* clarify the significance of brand ranking, how standards uphold our brand, the grading of trademark infringement risks and the role of monitoring and early warning.

Our *Management System for Information Privacy* underlines our responsibility to uphold internal confidentiality. We have added confidentiality requirements for third parties and piloted an information encryption system.



Promoting employees' awareness of confidentiality

In 2020, we assessed our internal control progress and identified risks in five areas: brand operations and management, IT management, e-commerce operations and management, engineering projects management and production management. To mitigate those risks, we established an internal control workflow and framework, and implemented remedial measures.

Inviting External Supervision

We invited third-party consultants to review the effectiveness of our internal controls, and to identify gaps and opportunities for improvement. They were also asked to comment on our solutions and evaluate their implementation.

Establishing Rewards and Penalties

Feihe connected the violations of certain employees or departments with individual performance evaluation based on the provisions of the *Reward and Punishment Management System of Feihe Dairy*. We specifically define and classify the potential violation and this approach helps prevent future violations.

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 *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 *Criminal 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 and Inquiry Measures For Employees' Violations* 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. In 2020, we revised our *Audit Management System* to clarify anticorruption matters and the penalties for violations.

Anti-corruption Promotion

Our Audit and Internal Control Center is a permanent anticorruption department, responsible for daily oversight of the headquarters and subsidiaries. It manages the whole process, including acceptance of cases, verification, investigation and reporting. Fines and/or administrative penalties are imposed for minor offences. Those who broke the law were reported to judiciary authorities.

Our *Audit Management System* stipulates types of behaviour deemed corrupt for suppliers and dealers, 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.

A sound internal complaint mechanism, with methods for implementation and oversight, prevents personnel 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. Personal information of informants and investigators is kept strictly confidential. In 2020, we handled cases of corruption-related violations, involving fake expenses, dereliction of duty by executives, and under-the-table transactions with dealers. The offenders were penalised appropriately.

Anti-corruption Training

Feihe Anticorruption and anti-bribery training raises our employees' awareness of compliance. We aim to guide staff to work with integrity, honesty and transparency. In 2020, we hosted more than 20 anticorruption training sessions in China, including on-site and provincial meetings, to educate our directors, executives, employees and dealers.

In 2020,

we hosted more than

20

anticorruption training sessions in China



Case | Anticorruption training

Time	April 2020 May 2020 June 2020		
Theme	Anticorruption and Clean Governance Training Seminar for Central China Dealers	Anticorruption and Clean Governance Training Seminar for East China Dealers	Anticorruption and Clean Governance Training Seminar for North China Dealers
Content	Implementation of Feihe's <i>Audit Management System</i>	Implementation of Feihe's <i>Audit Management System</i>	Implementation of Feihe's <i>Audit Management System</i>
Attendance	<ul style="list-style-type: none"> 100 Anticorruption and Clean Governance Training Seminar for Central China Dealers 50 Anticorruption and Clean Governance Training Seminar for East China Dealers 200 Anticorruption and Clean Governance Training Seminar for North China Dealers 		
Photos			





Premium Experiences with Feihe Products

Feihe has managed the entire life cycle of dairy chain efficiently and effectively, including forage planting, cow breeding, dairy product processing and marketing and sales. We have also leveraged digital technology to help ensure premium consumer experiences and produce high-quality products.



Superior Quality

Quality and safety are the lifeblood of Feihe. We produce freshness from the very source by locating the optimal milk source belt and building the first exclusive industrial cluster and production chain to bring superior baby formula for our consumers.

Milk Source Management

The milk source is where our product hails from and is thus fundamental to our quality. We control the procurement and mixture of fresh milk, implement the standards of the *Management Requirements of Milk Source* and the *Management Requirements of Organic Milk Source*, evaluate suppliers, conduct on-site management, provide training and identify quality risks. These measures help guarantee high-quality products.



6 pastures have achieved
Good Agricultural Practice
(GAP) certification

which is
85% of our
total pastures

In 2020

2298 acres of our exclusive
farmland for growing fodder



3 exclusive pastures



and

2



factories were certified

Organic products account for
7% of our portfolio



Managing and evaluating pastures

We control the quality of our milk sources in strict accordance with ISO 9001, Hazard Analysis Critical Control Points (HACCP), GAP, GB/T2014 and Food Safety System Certification (FSSC) 22000. All factories are required to conduct monthly on-site inspections and assessments of the pastures under their jurisdiction, and to review areas such as treatment of sick cows, fodder, feeding environments, chemical pollutants, pathogens control, quality monitoring and raw milk source-identification. In 2020, Feihe enhanced breeding and production environments at 37 locations. Measures included cleaning and disinfection, integrated pest and forage management, veterinary medicine and cattle health management, design and sanitation of milk trucks and milking facilities, and construction and management of ranch infrastructure.

Feihe has established its own set of review standards and set up work groups every year to assess suppliers' pastures every year, examining the pasture environment, disinfection room, dressing room, milking room, laboratory, pharmacy and warehouse. We also check documents, records, test reports, qualifications and contracts. In 2020, we reviewed 10 pastures and constructed a list of qualified pastures. For aspects that did not meet our standards, we assigned personnel to identify those responsible and track the issues. The annual rectification rate reached 97.8%. All of our raw milk comes from approved pastures.



In 2020, we completed
management reviews of a total of
10 farms and established a list
of qualified farms

Managing veterinary medicine

We follow standard protocols for animal epidemic prevention and hire professional veterinarians to manage the use of veterinary medicines, to effectively control antibiotic residue in our milk source and to ensure the health of cows. Veterinary drugs must be checked before they enter the warehouse, stored in accordance with our regulations and recorded before they are used. For medicine to be administered, a vet must first diagnose the cow, then approve the use of a particular medicine. Newly purchased feed must be tested for antibiotic residue before being used. The illegal or undocumented addition of antibiotics is strictly controlled.

Ensuring animal welfare

Feihe requires pastures to offer a good living environment for cows. We have expanded stables, introduced total mixed ration technology to balance diets, satisfied cows' socialising needs, trimmed hooves, kept cattle clean and hygienic, aired music for them and installed massage brushes and shower heads in the rest area. These measures protect and enhance the cows' physical and psychological wellbeing.

Offering training

We offer training, assistance and capacity-building to raw milk suppliers and analyse the data obtained. In 2020, we hosted seminars on bactericide concentration, frequency of manual cleaning and procurement of sanitary equipment.

Quality Control

In accordance with the *Food Safety Law of the People's Republic of China*, we have formulated the *HACCP Plan*, *Quality Control Plan*, *Food Safety Protection Plan*, *Management Procedure of Mitigationn Against Food Fraud*, *Guidelines for Cleaning and Disinfecting Production Equipment*, *Sales Terminal Product Quality Management Procedure* and *Traceability Procedures*. We have also introduced the Manufacturing Execution System (MES) of the World Class Manufacturing (WCM), the Warehouse Management System (WMS), and the EV System for Equipment Management, to manage production, logistics and warehousing in a more sophisticated, efficient and standardised way, and to deliver premium products.

In accordance with national laws and regulations, quality standards and internal requirements, our *Transportation Management System of Central Warehousing Unit* and *Warehousing Management System of Central Warehousing Unit* standardise the loading and handover of products, as well as safety measures during transportation. We regulate warehouse loading and unloading, stacking, safe storage, pest-monitoring, temperature and humidity control, and sanitary management, to ensure the safety of our products. In 2020, we entrusted the monitoring of pests in seven warehouses to third-party professionals. Our guidelines also standardise our shipping rules to ensure smooth carriage, shorten delivery time, maximise efficiency and satisfy customer needs. We require the carrier to accompany during the transportation to monitor the products' safety in order to enhance customer satisfaction. In 2020, a general warehouse was set up in Jinan to serve large quantity customers in Shandong.



Maintaining excellent quality

Our quality safety management covers the whole supply chain, from pastures and suppliers to consumers. We follow the European Hygienic Engineering and Design Guidelines, European Dairy Plant Design Standards, Germany Institute for Standardisation norms and relevant domestic guidelines.

7 of our factories in China and 1 in Canada achieved CE (Communate Europeene) 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 300 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. All our factories have established and implemented the ISO 9001 and FSSC 22000 system that allow us to better implement food safety. We also offer advanced tracing and real-time video of key processes, so consumers can search for product information at any time. In 2020, Heilongjiang Feihe Dairy Company Limited and the two plants in Gannan and Longjiang County passed the ISO 9001 and FSSC 22000 food safety management system certification from external organisations.

Managing laboratories

Our laboratory management adheres to ISO/IEC 17025 and CNAS CL01¹ standards, and has been assessed for competence by FAPAS, LGC and China Academy of Inspection and Quarantine (CAIQ). Each plant has a comprehensive testing laboratory, complete with laboratory information management systems and more than 1,400 sets of instruments. This advanced hardware guarantees the quality of our products. The testing scope includes raw milk, raw and auxiliary materials, packaging, the environment, processes, semifinished and finished products, product stability and shelf life. In 2020, our laboratories underwent a total of 30 audits, including CNAS review, inspections by provincial and municipal authorities, SGS supervisory review and formula registration on-site review. There were also 187 on-site tests for melamine, lead, aflatoxin M1, nitrate, selenium, vitamin D and α -linolenic acid. The test and review satisfaction rate was 100%.

In 2020,

our laboratories underwent a total of

30 audits



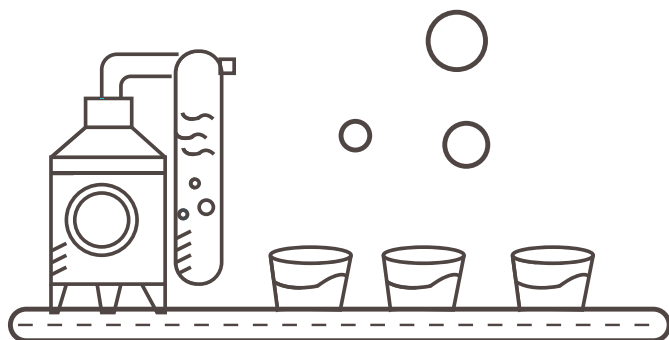
There were also

187 on-site tests



The test and review satisfaction rate was

100%



¹ Accreditation Criteria for The Competence of Testing and Calibration Laboratories by CNAS.



Case | Enhancing our processes

In 2020, we enhanced our process design, operations and innovation.

Improving industrial design

- We partnered with Northeast Agricultural University, Northeast Forestry University and Heilongjiang Realgoal Science Company Limited to undertake *Product Development and Industrialisation of Key Ingredients and Functional Formulas in Dairy Products* – a major project in the Science and Technology Bureau of Heilongjiang Province's "Hundred-Thousand-Ten Thousand Initiative". The project helped break the bottleneck of core ingredients in baby formula, and promoted the sustainable development of the industrial cluster.

Building an intelligent operation platform

- We participated in the Demonstration Project of Industrial Internet and Manufacturing Services, a development programme by key industries in Jilin Province. The project helped build an intelligent factory with an annual output of **20,000** tons of baby formula, enabled the intelligent production and safety of dairy products, and guaranteed the safety and security of the whole industrial chain.
- We collaborated with Heilongjiang Industry and Information Development Centre and **nine** industry leaders to participate in the 2020 Industrial Internet Innovation and Development Project – A service platform for industrial cluster applications, with a secondary node initiative for label analysis of the industrial Internet launched by the Ministry of Industry and Information.
- Feihe Dairy was nominated as one of the Best Practice Cases of Smart Enterprise in 2020:

In accordance with the requirements of the Notice on Organizing the Collection of Innovative Practice Cases of National Wisdom Enterprise Construction in 2020 (China Enterprise Confederation Industry Word [2020] No. 9). The China Enterprise Confederation (CEC) has organized the selection of innovative practice cases of national smart enterprise construction. Feihe, with its foresight in digital layout, empowering industrial clusters with digital transformation and solving users' pain points with digitalization of channels, was successfully selected as one of the enterprises in the list of "Best Practice Cases of National Smart Enterprise in 2020".

Expanding our innovation

- We were named the 2020 National Demonstration Enterprise for Technological Innovations by the Ministry of Industry and Information.
- We established a new postdoctoral workstation in 2020, which will boost our proprietary innovation capability.

Establishing traceability

The sources of our products must be traceable and our quality information must be transparent. Our traceability system documents feed, milk sources, formula, raw materials, the whole process of production and processing, finished product checks, warehousing, logistics, sales and consumption. Altogether, four business segments, ten industrial links and more than 40 business processes are covered. To ensure the effectiveness of the system, traceability drills for packaging, raw materials and products are undertaken by every department. The departments write reports for each item.

Manufacturing Execution System (MES)

The MES enables the management of production processes, including raw materials, fresh milk, pasteurization, weighing of small and medium-sized materials, batch charging, wet mixing, dry blending, evaporative drying, packaging materials, and finished-product packaging. The system keeps an electronic record of each process, making them traceable.

Distribution Resource Planning (DRP)

The DRP system gives each product a unique online code. A smart camera collects information from every can of milk, so that each one has a distinct identity number.

Enterprise Resource Management System ERP

Through the ERP system, we realize the record and presentation of the whole chain of finished product production, finished product delivery, logistics transfer, dealer receipt, store receipt, etc. Ensure the integrity of the traceability information of the whole chain inside and outside the enterprise.

Traceability system

- The traceability system enables the tracking of a product from the plant and warehouse to the dealer and store.
- The system also allows the consumer to track the source of the product, and learn about its place of origin, production line, date of manufacture, lot number and shelf life. The consumer can therefore enjoy the product without concerns.

Outlining recall procedures

We developed documents including the *Management Procedure for Product Withdrawal (Recall)* in compliance with laws and regulations such as the national *Administrative Measures for Food Recall*. Our document details each department's product withdrawal (recall) process and responsibilities. Departments dealing with such issues should invoke the *Control Procedure For Nonconformity (Product)* to investigate deviations and assess risks before a qualified person makes decisions on disposal.

In 2020, Feihe registered

0

product recall incidents.



Premium Services

We explore diverse communication channels to learn about consumers' needs. A sound complaint mechanism protect consumers' rights and interests, and a rigorous defence framework secures the information of all stakeholders. We promise to market responsibly and to provide reliable health information.



Consumer Engagement

Feihe believes that interactive and convenient consumption channels serve as a bridge between products and consumers. Therefore, we have kept enhancing the availability of our channels, and launched more online platforms as our business constantly evolves.

In 2018, Feihe worked with China Dairy Industry Association and Dairy Association of China to mark "China Babies Day" on May 28 every year. We believe quality time with babies is the "more suitable" love that parents can give. From 2018 to 2020, Feihe embedded the concept of "quality company" into our DNA, communicated with new parents, and harnessed both offline and online channels, especially online ones to spread our brand influence and build greater reputation among consumers.



Every quarter, we would survey the customer satisfaction. In 2020, the satisfaction rate for our customer service reached **100%**.



Case | 28 May China Babies Day



China Babies Day poster



We pioneered the dairy industry's use of cloud press conferencing. On May 28, exposure exceeded

730 million

with more than

50 million participants



Overall exposure exceeded

7 billion people



330,000 We received
people were live on TikTok
1.3 billion views

The online initiative reached

363 channels

In

23 provinces, municipalities and autonomous regions

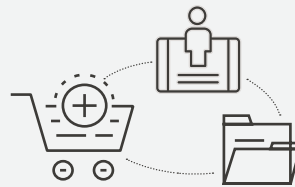


Protection of Consumers' Rights and Interests

Feihe is committed to protecting consumers' legitimate rights and interests. Our *Management Procedure for Handling Customer Complaints* clarifies the principles and measures for handling complaints, to make the process sound and reasonable. To protect consumer privacy, we stipulated the *Confidentiality Management for Marketing Documents and Data*, which specifies the penalties for data security and leakage. We store and manage customer information in accordance with the *Confidentiality Measures for Customer Information in User Centre* and Customer Relationship Management (CRM) system. These measures limit the scope and authority for customer service personnel to access information. A communication agreement informs customers registering on our Star Mom and e-commerce platforms of both parties' rights and obligations. The agreement includes user terms, service instructions, registration and use, protection and authorisation of personal information, network distribution, code of conduct, liability for breach of contract, and interpretation rights.

The product complaint
handling rate reached

100%



Privacy and Information Security

We abide by the *Cybersecurity Law of the People's Republic of China*, and created the *Information Management System of Feihe Dairy* and the *Information Security Management System of Feihe Dairy*. The latter two documents clarify the information security organisations, technical roadmaps, department responsibilities, and the mechanisms and principles of information security. 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. Hybrid cloud architecture and IDC redundancy architecture enhance the security and stability of our information system. (The architecture is also deployed in our Gannan and Longjiang plants). A firewall bolsters our cybersecurity capabilities and improves our industrial control security. In 2020, we registered no major information security incidents.

A biannual training seminar raises information security awareness and general security knowledge. We regularly invite external experts and professional partners to educate our information security personnel on the latest trends and skills, making them better positioned to do their job.

Responsible Marketing

Feihe follows the *Advertising Law of the People's Republic of China* and ensures that its advertisements, slogans and information are compliant. For example, our *Design Process for Product Packaging* ensures the accuracy and effectiveness of product information. Weekly training via telephone informs staff of important plans and systems, based on the *Feihe Full-time Nutritional Consultant Training Plan*. In 2020, we held 29 such sessions, concerning 74 plans and systems.

In 2020, we held

29 such sessions



concerning

74 plans and systems

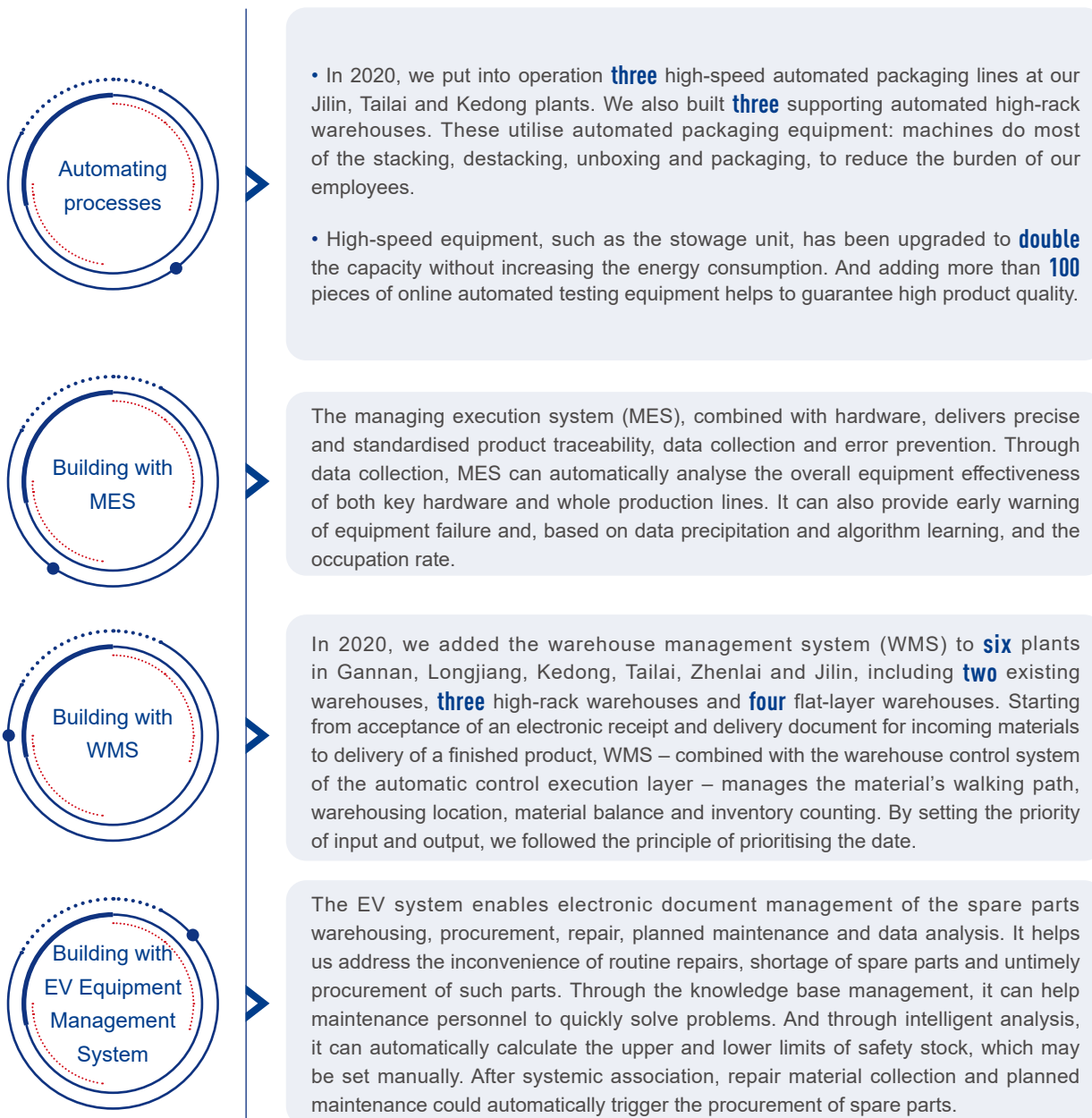


Harnessing digital power

Innovation and data drive Feihe forward. We believe companies should leverage data to achieve sustainability. Our digital transformation is 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, enhances the digital and smart unified office platform, and promotes and guide changes in new retail business and the smart supply chain. Through digital and intelligent applications, we hope to fully integrate the whole industrial chain and information technologies, and promote data connectivity, so that our business efficiency and product quality are upgraded intelligently.

Intelligentised Plants

We are committed to transforming from an automated plant to an intelligent plant, based on the “Made in China 2025” strategy (a national plan to develop the manufacturing sector). To that end, we combine hardware with software, build intelligent platforms and develop digital management.



Nutrition and Health Development

Feihe is committed to the healthy development of society. We constantly look for opportunities to promote research on nutrition and to improve people's health. In 2018, we joined hands with the Chinese Nutrition Society to set up the Feihe Nutrition and Health Research Foundation, which supports fundamental research, clinical research, and nutrition and health education projects related to physiques, nutrition and health in local communities. In 2020, the foundation focused on infant growth and nutrition, the physical health of people in China and overseas, and the diets of middle-aged and elderly people.

In 2021, Feihe will focus on people's nutritional needs throughout their lives, and work hard to promote nutrition and health for all.



The launch ceremony for the Chinese Nutrition Society and Feihe Physical Health and Health Research Fund's 2020 projects



Feihe Senior R&D Director Jiang Shilong



01



We select local oat, maize and forage grass to offer better nutrition to our cows.

We introduce our R&D outcomes in nutrition to our products, and reduce the amount of unnecessary additives to make our products more health and nutritional.

02



We pick core functional raw materials from the herd and offer natural and rich functional nutrients for product development.

03



We prohibit the addition of cane sugar, artificial flavouring and maltodextrin to our infants and toddler products.

04



The amount of fat in our portfolio for pregnant women is 50% lower than the global standard for whole-fat milk powder.



Case | Building a database for mothers and infants

Through independent research and development, Feihe has established a hierarchy of Chinese breast milk nutrients and conducted a comprehensive review and analysis of breast milk at home and abroad. The data analysis methods in these studies were used for the first time in breast milk research. We excavated nearly all open data on Chinese breast milk composition. The sample size was one of the largest recorded in this field.

In 2020, we published reviews of:

01

dynamic changes in the protein and amino acids in Chinese breast milk

02

dynamic changes in the active proteins in Chinese breast milk

03

the proportion of amino acids in Chinese breast milk

This in-depth research helps us better understand the nutritional characteristics of Chinese breast milk, provides a direction for research in our industry, and offer insights for producing formula that is closer to breast milk in composition and nutrition.





Promoting Shared Development and Prosperity

Feihe integrates sustainable development into its interaction with employees and partners, and has achieved the organic integration of employees, partners and industry development. We actively invest in innovative research and development, strive to improve product quality, and contribute to the common growth of all parties and the building of a harmonious society.



Protecting Employees

Employees are at the heart of our evolution. We are committed to protecting their rights and interests in terms of employment, remuneration, benefits, training and development. And we strive to create a workplace based on the mutual development of employees and the company.

Recruiting responsibly

Feihe strictly abides 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 regulate and supervise recruitment and hiring and prohibit discrimination based on gender, ethnicity, religion, age or region. Our human resources management covers employee relations, recruitment, training, performance, remuneration and benefits, in accordance with relevant national policies and our *Human Resources Management Measures*. In 2020, we had 5,433 full-time employees, all of whom had signed labour contracts. There were no incidents of illegal use of child labour or forced labour during the year. The Group's employees' working hours and vacation times are in accordance with the national legal working and vacation schedule. .

In 2020, we had

5,433 full-time employees²



all of whom had signed labour contracts

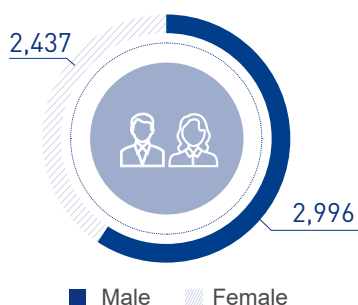
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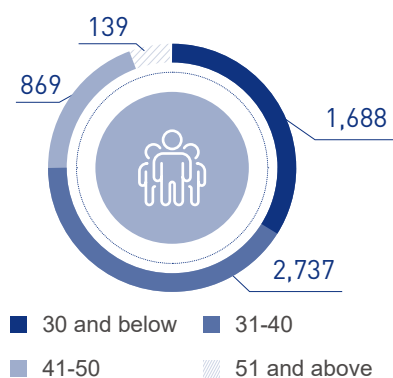
Employees by type



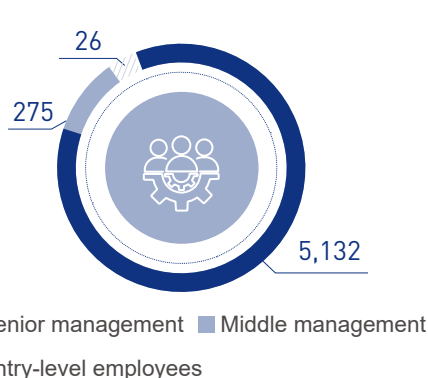
Employees by gender



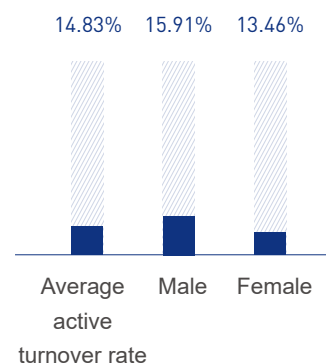
Employees by age



Employees by level

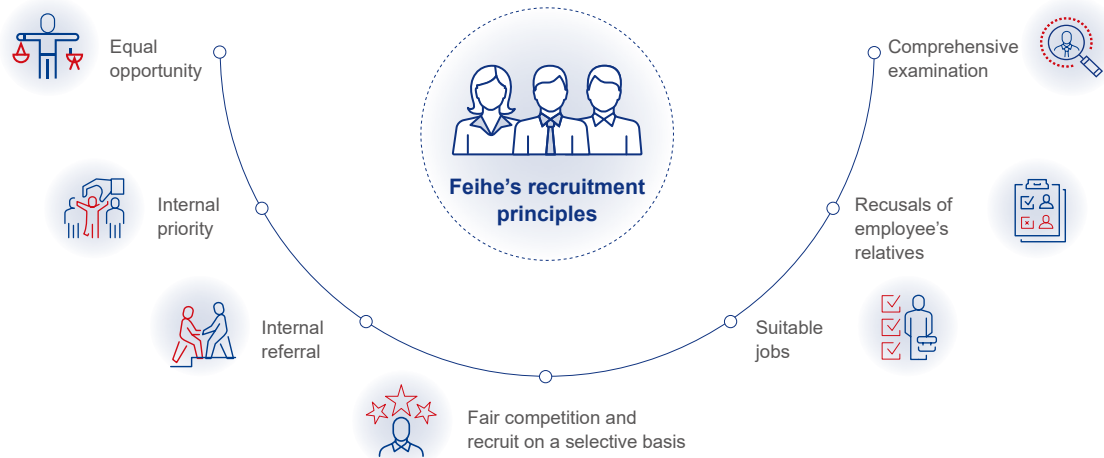


Employee's active turnover rate



² 2020's employees accounts for full time employees from China.

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 2020, we focused on our campus recruitment concept of “perfect for each other” and enhanced our F Star management trainee programme. We encourage “honesty and integrity, courage to take responsibility, cooperation, enthusiasm for learning and knowledge of business” in our management trainees. And we have added training in different positions, broadened channels and methods, and achieved more targeted, diverse and efficient learning. In 2020, we recruited more than 120 management trainees via 44 job fairs and 49 campus fairs. Against the backdrop of pandemic prevention and control, we cooperated with Yangshipin to launch a cloud campaign. Our vice presidents and other executives livestreamed lectures and undertook online and offline collaborations with colleges and universities across China.



Feihe management trainees



Case | Joining the Feihe family

At the end of 2020, we hosted the On-board Winter Camp 2021, to bolster management trainees' understanding of, and connection to, the company. With the theme "Running Feihe," trainees experienced our culture, familiarised themselves with Beijing, met new workmates and integrated into the Feihe family.



On-board Winter Camp for Feihe management trainees

Developing and training employees

We attach great importance to our employees' personal and career development and provide a vast platform for them to grow with us.

Providing incentives

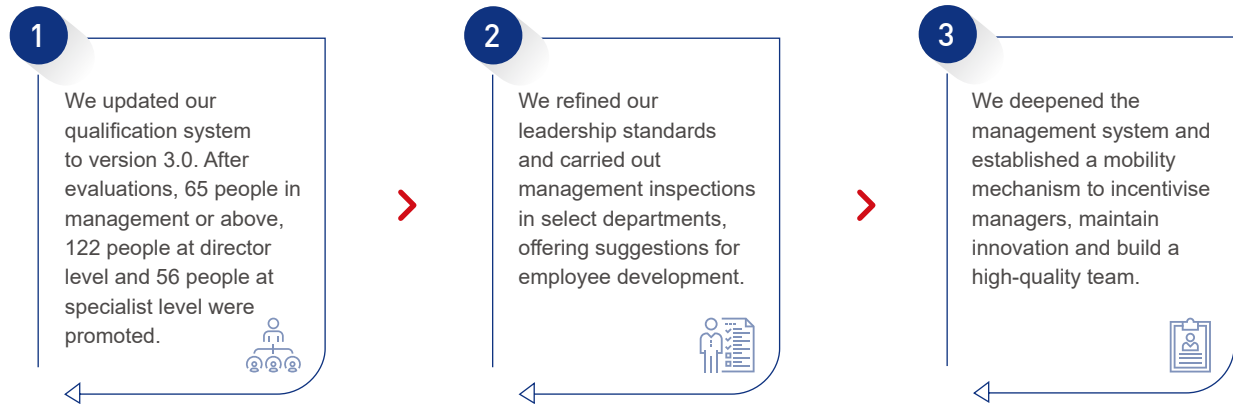
As per our *Remuneration Management Mechanism and Management Measures*, we participate in an annual fast-moving consumer goods industry remuneration survey. This provides a guide to average remuneration for positions in our industry. We ensure that our annual increases exceed industry averages, to keep 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.

Evaluation mechanism	Evaluation cycle
The functional system inspects key work and special work, and focuses on learning and growth	Senior management receive annual evaluations
The sales system adopts a ladder-style performance-related mechanism that links salary and sales, so that compensation accurately reflects performance	Middle management and functional entry-level employees receive quarterly evaluations
The factory uses a production wage mechanism that reflects the value of the work	Entry-level employees – including sales, nutritionists, customer services, operators, etc – receive monthly evaluations

Providing promotion opportunities

We ensure that promotion opportunities are fair and open. When employees develop to a certain stage, we consider their suitability for management or a specific area, and offer suggestions and references for their development, based on their aspirations and talent training plans.

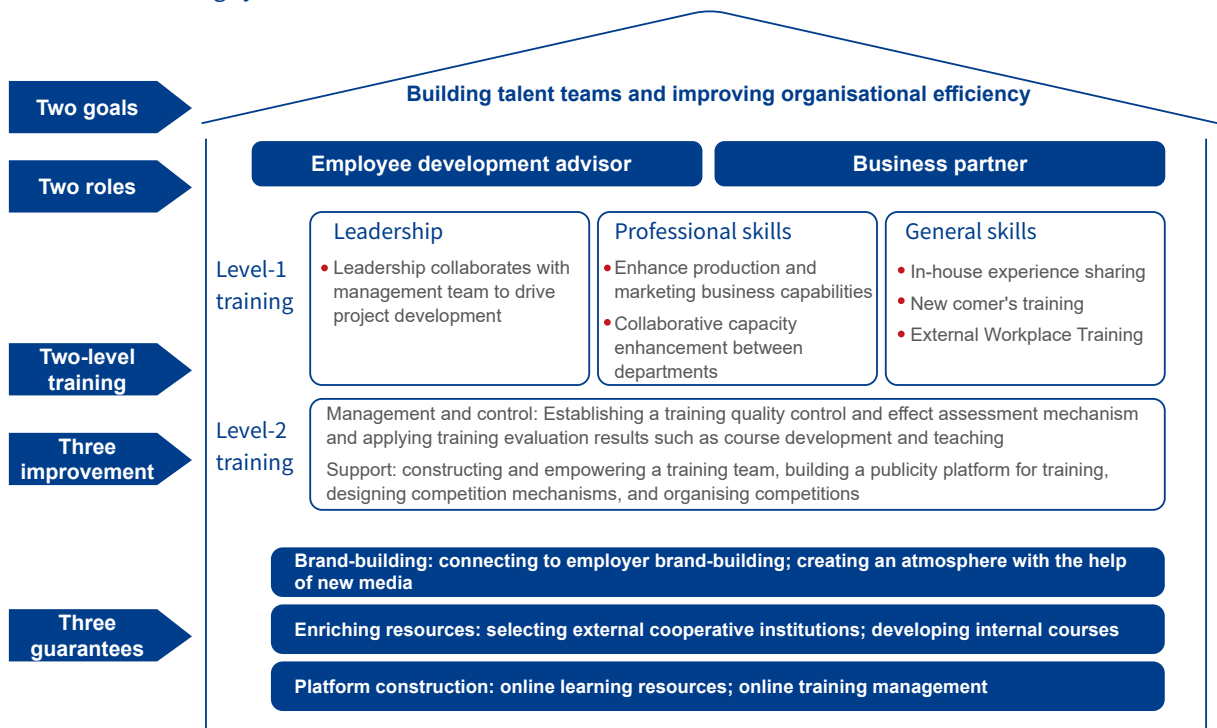
In 2020, we completed three major enhancements to the promotion system:



Training employees

We aim to enhance the quality and business capabilities of employees, and discover their potential with diverse training. To build talent teams and improve efficiency, we have established the Feihe Training System. By building a training team, setting up a competition mechanism and assessing training results in a timely manner, we enhance employees' leadership, professional and general skills, and support their development. We emphasise the continuity and efficiency of training. We create a learning atmosphere with new media and cooperate with external organisations to enrich training content. We have also launched an online training platform to enable employees to learn anytime, anywhere.

Our training system



In 2020, we held

2,923



offline training sessions
for accumulative of

53,212



sessions,

covering

95%

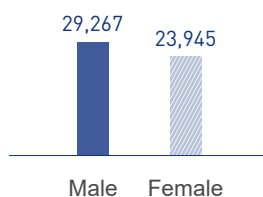


of employees.

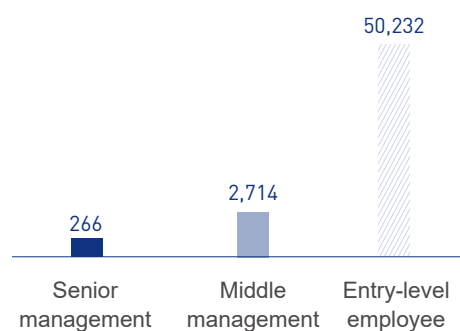


Employee training

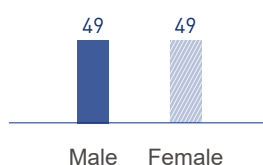
Training sessions by gender



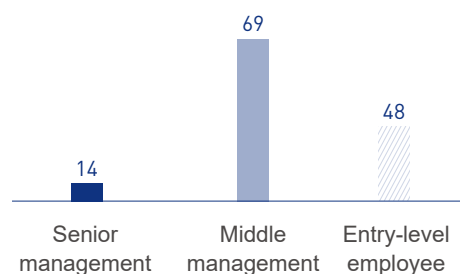
Training sessions by level



Training hours by gender



Training hours by level





Feihe's internal training lecturer team



Homepage of the Shining Star Feihe Academy



Case | Introducing the Shining Star Feihe Academy

Shining Star Feihe Academy – an online learning platform for more than 1,700 core employees – was launched in November 2020. It is designed to help the accumulation and inheritance of corporate knowledge and strengthen employees' motivation and enthusiasm for learning. Easy interaction provides a solid foundation on which to build a learning organisation. Since the platform's launch, the average login rate is 78 % and the learning rate is 59 %. This is at the upper-middle level in our industry.

Shining Star Feihe Academy – an online learning platform for more than **1,700** core employees



Composition

The platform includes internal and external knowledge courses, including three-dimensional courses on leadership, professional and general skills. All are dynamically updated. The platform can match the learning plan and make personalised recommendations, while there are also regular courses open to all.

Platform learning resources include more than **1,500** courses.



Operation

The platform hosts a variety of activities, including launch of the platform kick-off meeting, quarterly selection of learning talents, learning Fairs, fun quizzes and a New Year party.

Each attracts an average of more than **500** employees



Function

Sharing, PK quizzes, and livestreaming are popular among employees. Functions such as sign-in, examination evaluation and reports can record employees' learning and strengthen our training management.



Case | Tutoring for win-win outcomes

While building and developing itself, Feihe also actively supports the development of the upstream and downstream of the industrial chain. We strengthen personnel training and development, and create a win-win ecosystem for enterprises.

In June 2017, Feihe collaborated with Peking University to launch a pioneering MBA course. This provides learning opportunities for our core distributors, strategic suppliers and representatives of key partners in the maternal and child industry. The aim: to improve operations, enhance profitability and development alongside Feihe for a win-win outcome.

By the end of 2020, nearly 200 core partners had completed five concentrated courses at the university. Among them, the KSC infant care partner programme achieved a 100% completion rate.



Graduates of our pioneering MBA course at Peking University

Engaging employees

We attach great importance to employee communication and have different platforms to gather their opinions. In 2020, we informed employees of development trends in the industry and the company via the online OA (Office Automation) system. We regularly host offline exchanges, including summary, planning meetings and strategy analysis meetings. These promote cross-disciplinary exchange, learning and interdepartmental cooperation. In 2020, 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 highly value safety management and follow national laws and regulations such as the *Work 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 update our environmental, health and safety (EHS)-related laws and regulations annually and maintain related records. And we regularly enhance the accountability system for work safety. In 2020, our safety training covered all employees, averaging 15.15 hours per person. A total of four lost-time accidents occurred in our factories. The number of days lost to work injury was 170, totalling 1,360 hours, with hours-lost rate per million of 0.71%. There is zero work-related fatalities for two consecutive years.

In 2020, we promoted implementation of the ISO45001 system and issued EHS policies including the *Manual of the Management System for Environmental and Occupational Health and Safety*, the *Management Procedure for High-Risk Work*, the *Operating Procedure of the Fire Control System*, the *Management System for Labour Protection Equipment*, the *Management System for Hazardous Waste* and the *Operation Control Procedure for Occupational Health and Safety*. These bolster our safety system and enhance our management procedures. Meanwhile, our Gannan and Longjiang factories obtained ISO14001 and ISO45001 certifications, and 32 management team members and coordinators obtained internal auditor certificates in those two systems. By the end of 2020, three of our seven factories had earned ISO14001 and ISO45001 certifications. Another two factories are due to obtain certifications in 2021.

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. By observing behaviour and daily sharing knowledge and experiences, we can quickly detect and stop violations of rules, thereby eliminating hidden dangers, ensuring safety and maintaining smooth operations.

Our *Safe Construction Management Measures* guide engineering construction. We undertake project safety management, implement accountability and assessment systems, sign three-level accountability agreements with parties involved, regularly inspect project sites, and set up WeChat safety management groups. Consequently, we can detect and rectify unsafe behaviours and occurrences at any time.

In 2020, the company's occupational health checkup rate for employees in occupational disease hazard positions is **100%**



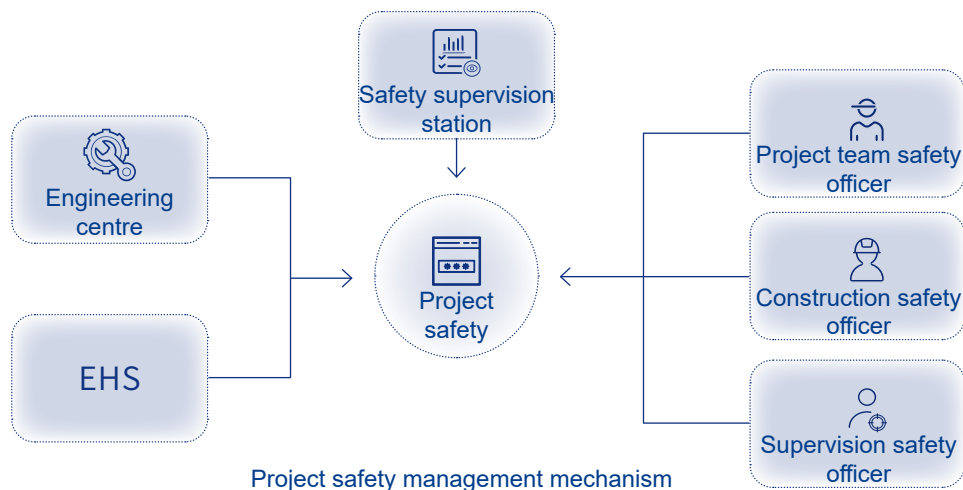
Safety training coverage rate is **100%**



In 2020 there is **0** employee had occupational health related diseases



We invested RMB **3.37** million in safety



Project safety management mechanism

Adding safeguards

Feihe has 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. These standardise production safety at our branches.

In 2020, Feihe promoted the two-pronged safety mechanism, unified the risk identification tables and scoring standards, refined the risk identification lists, and implemented risk management and control at different levels based on assessment results. We were recognised by relevant authorities for our initiatives and hosted an offline meeting about such measures, initiated by the government.

Bolstering occupational health and safety

We actively promote safety training and observe related laws and regulations and industry standards to enhance ours. To help create a safe, healthy and happy workplace, we do our best to protect employees with comprehensive safety awareness strengthening, hazard detection, occupational health examinations, personal protective equipment and special training.

To reduce hazards, special equipment operators must report to duty with the necessary certificates. We undertake risk prediction, implement a permit-to-work system and conduct on-site inspections of high-risk operations. Daily supervision ensure that employees wear personal protective equipment properly. We also protect employees vulnerable to occupational hazards with regular pre-duty, on-duty and off-duty medical examinations. Such positions are monitored daily.



Training for third-party personnel

In 2020, we hosted

71 training sessions for new recruits



86 sessions for third-party personnel



75 special training sessions



6 legal sessions and



3 on food poisoning



These reached a total of

5,570 people





Case | Ensuring safety at the Harbin project

In 2020, the number of on-site construction workers at the construction of our Harbin plant peaked at 332. For them, we hosted three large safety training sessions and seven small admission sessions. We also supervised two sessions focusing on winter construction. The training covered 100% of the workers.

During construction, there were zero injuries and lost working hours. Safe working hours totalled 349,663.



Case | Promoting a safety culture

In 2020, we launched many safety culture activities, including Safety Month, Occupational Health Week, Firefighting Day, emergency drills and safety quizzes. These were designed to increase employees' awareness and prevent the causes of accidents. The theme of our Safety Month was "eliminating hidden dangers and strengthening safety guarantees". A total of **2,008** people participated in **18** activities. Nineteen Occupational Health Week activities – themed "action for occupational health protection" – were participated in by **1,975** people. And our factories held **19** Firefighting Day activities, with **750** participants.

In 2020, our factories undertook emergency drills to enhance employees' response and handling capabilities. They organized 43 emergency drills, with a total of 1,808 participants.



Special firefighting training

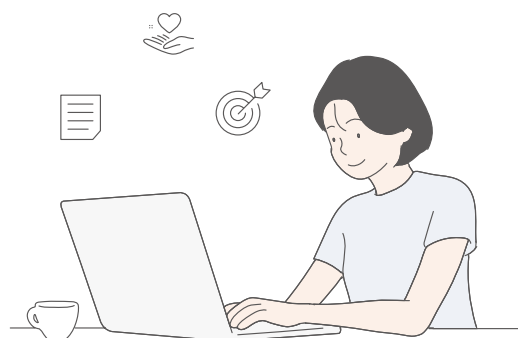
In 2020, we organized **43** emergency drills, covered a total of **1,808** participants

Emergency drills	Content	Sessions	Participants
Special emergency plan	Spring fire drill plan	8	1,508
	Plan for mechanical injury accidents	3	48
	Drill for falling from a height	3	16
	Drill for leakage of hazardous chemicals and waste	3	14
	Drill for electric shocks	3	19
	Drill for food poisoning	4	68
	Drill for ammonia leakage	3	28
	Drill for accidents in confined space	2	5
	On-site drill for lifting accidents	1	8
	On-site handling plan for pressure vessel failure	2	18
	On-site handling plan for drowning	2	15
	Special plan for poisoning and suffocation	2	22
	On-site handling plan for burns	2	7
	On-site handling plan for boiler failure	3	15
	On-site handling plan for vehicle accidents	2	17

Valuing female 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.

Women account for 45% of our employees. In 2020, in accordance with the Constitution of All-China Women's Federation and the Regulations of All-China Women's Federation on Election, we established the Feihe Women's Federation and elected its first 12-member executive committee. They effectively protect the rights and interests of female employees.



Case | Celebrating Women's Day

On 8 March 2021, we launched the online event "A Tribute to Women's Power" on our internal publication *Heming* and received more than 300 comments. Exquisite Feihe Ranch gift boxes were presented to all 492 female employees at our headquarters, showing our care and respect for them.



Women's Day event



On the outbreak of COVID-19, to ensure our employees' health and safety, we immediately established a group to lead pandemic prevention and control. They steered production process controls, employee personal protection, and comprehensive prevention and control at our factories. We activated an emergency plan and issued our *Guidelines for COVID-19 Prevention and Disinfection*, and strengthened employee protection and pandemic prevention in the

factories. Anti-pandemic supplies such as masks, disinfectants and thermometers were distributed to frontline production plants and provinces and regions across China covered by our sales network, so that employees could feel secure and relieved. Every factory and office was disinfected every day. When employees resumed work, they were provided with masks, disinfectants and thermometers, and received temperature measurements and nucleic acid tests. Large-scale events, meetings and receptions were cancelled, and remote methods such as video and telephone conferences were adopted to avoid contact and gathering.

In the second half of the year, with the pandemic under control, we responded to the needs of employees with a range of family and cultural activities. For our Production Family Day, family members visited our factories, so employees could spend time with – and express gratitude to – their loved ones. Our “Feihe and Me 2020” video *I Am on the Frontline*, featuring interviews with frontline staff, was well received by employees. It made them prouder and enhanced corporate cohesion. New Year gifts featuring Feihe culture also brought warmth to our employees in the cold winter.



Case | Promoting family time

In 2020, we carried out nine family day activities at our production sites, covering 827 employee families. On Production Family Day, loved ones visited our factory to enjoy happy and warm family time.



In 2020, we carried out

9 family day activities at our production sites

covering

827 employee families



Production Family Day



Case | Celebrating frontline role models

Our “Feihe and Me 2020” campaign, to identify frontline role models, involved nearly 30,000 primary-level employees in our production and marketing units, and upstream and downstream of the industrial cluster. The criteria included customer service, dedication and practising the values of honesty, responsibility and professionalism. After preliminary and secondary evaluations, and final evaluation by the public, 11 role models were selected from more than 300 candidates. All earned awards at a conference at the end of the year.



“Feihe and Me 2020” frontline role models



Case | Giving gifts at New Year

We presented 25,554 sets of 2021 New Year gifts: 5,700 to employees at the Group’s headquarters, 15,909 to marketing nutrition consultants and 3,945 to promotion specialists.



2021 New Year gift set from Feihe

During the unusual year, we responded to the Central Government's "staying put during Spring Festival" initiative. We launched the "Everyone at Feihe Celebrating Spring Festival" event at factories and offices in provinces and regions, with special care for employees who remained at their posts and could not return to their hometown during the festival. In accordance with local policies, employees enjoyed small-scale team-building, dinner parties, festival gifts, and a special, safe and warm Spring Festival. The 2021 Feihe Spring Festival Celebration temple fair, at our Beijing headquarters, promoted traditional culture and enabled employees to celebrate the festival together.

Case | Everyone at Feihe Celebrating Spring Festival

The 2021 "Everyone at Feihe Celebrating Spring Festival" involved 26,112 people: 2,000 in our production department, 23,980 in marketing, 110 in e-commerce and 22 in nationwide logistics.



Marketing Business Unit employees and Feihe's customers Celebrating Spring Festival

Case | Celebrating at our headquarters

On 5 February 2021 – a week before the first day of the lunar new year – we hosted the 2021 Feihe Spring Festival Celebration temple fair at our Beijing headquarters. The event promoted traditional culture and enabled around 700 employees at the Beijing Operations Centre, Beijing office and Information Center to celebrate the festival together.



The Spring Festival temple fair at the Group's headquarters

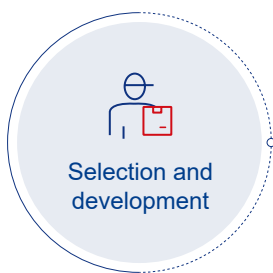
Creating a mutually beneficial industry chain

Feihe provides customers with high-quality products and services. We continually upgrade our management of suppliers and distributors, 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. We regularly strengthen our supplier management to ensure our control of resources. Clear systems for supplier selection, audits, management and evaluation guarantee the stability and quality of our sources.

In 2020, we took the following measures to improve supplier management:



→ We enhanced our *Standardizations on New Material and New Supplier Development* and added requirements for a more user-friendly supplier inspection reports. Our underlying principle of supplier management is equal emphasis on quality, cost, delivery and technical service. We assess:

1. whether the supplier has a stable and effective quality assurance system
2. whether the supplier has the required equipment, processes and capability to produce a specific product
3. costs and prices of the products involved
4. whether the supplier has sufficient capacity, human resources and potential to expand production
5. the supplier's presale and post-sale technical service commitments.

Suppliers must complete our Supplier Preliminary Survey. Our procurement department evaluates their reputation, production and operation qualifications, and supply capabilities. The department selects those that meet our requirements and that can fulfil the long-term cooperation and supply needs of our development review plan.

→ We review the suppliers' materials, production process and hazard analysis critical control points plan, as per our *Supplier Approval and Re-assessment Procedures*. The quality and risks of the materials provided by the suppliers, and their food safety compliance, are evaluated. An on-site audit evaluates the suitability, adequacy and effectiveness of the supplier's food safety management, following the FSSC 22000 standard. Suppliers who fail this audit are excluded from our list. In 2020, we conducted on-site audits for more than eighty suppliers of raw materials. All met the requirements of the *Detailed Rules for Examination and Approval of Infant and Growing up Formula Milk Powder Production Permit (2013 Edition)*.

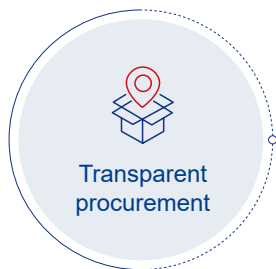
→ As per our *Supplier Approval and Reassessment Procedures* and *Procurement Contract Management Practices*, we assess suppliers annually. The criteria include performance, supply quality, on-site audit results and handling of complaints. We grade our trust in the suppliers according to the assessment results. Suppliers at a low level of trust are not allowed to supply high-risk materials. Suppliers must supply goods in accordance with our standards and confirm their quality in writing. In 2019, 86 aspects of our *Raw and Auxiliary Materials Quality Standards* were created or updated.



- As per our *Supplier Performance Management Measures*, we undertake monthly and annual evaluations of supplier performance, including the proportion of materials that meet our standards, service, cost of procurement and timely deliveries. If a supplier's score fails to meet our standards, we will, if necessary, conduct interviews and offer assistance. If they fail to improve within six months, we will – after evaluating all factors – put the supplier on our elimination list.
- We prioritise outstanding suppliers and increase their share of our purchase orders. We penalise those that, after a comprehensive review of the supply chain, prove to have affected our production and capacity. And we cancel the qualification of any that cause inestimable losses to terminal-end customers.
- During the COVID-19 pandemic in 2020, we followed anti-pandemic policies issued by the Central Government and local governments. We communicated with 10 suppliers via videoconferencing, urging them to improve quality (despite the pandemic).



- We monitor the risks of chemical pollutants and pathogens from the raw and auxiliary materials used in our products. In 2020, we updated 42 risk monitoring plans, which complement daily inspections at our branches. These plans are based on ones concerning early warnings and food safety issued by the European Union, the German Federal Institute for Risk Assessment, the World Health Organization, the US Food and Drug Administration, the Canadian Food Inspection Agency and other international organisations.
- To manage fraud risks, we implement segmented management. Our development group is responsible for source identification and supplier development. Our order group is responsible for order placement and performance. And our management group is responsible for paying dues. The three groups operate cooperatively but separately, forming a mechanism that eliminates the possibility of corruption in procurement. We prominently feature anticorruption phone numbers and other reporting channels in our contracts to prevent corruption in purchase payments, and clearly communicate our antifraud requirements to suppliers.



- Regulations cover the entire procurement process. Nearly 20 management systems – including *Procurement Management* and *Supplier Management* – cover the stages of requirements, procurement, certification, selection and payment. These systems guide an orderly and efficient process. They are implemented based on the IT system to achieve 100% transparency. We review these policies every six months, to ensure an effective and mutually supportive relationship between our systems and business.



- We help suppliers to improve their project planning, hardware facilities, personnel management, implementation and risk management via in-plant guidance, on-site audits, training and exchanges, special meetings and technical information sharing. These efforts bring the enterprises closer, reduce communication barriers, give us a greater insight into suppliers and lay a good foundation for management and cooperation. We are supporting 24 suppliers as a start.
- In 2020, we hosted seven training and exchange sessions for can and clamshell packaging suppliers, covering aspects such as foreign matter, pests, cleaning and lubricants. These sessions revealed 72 issues, 90% of which have been rectified. All of our can suppliers and most of our clamshell suppliers participated.

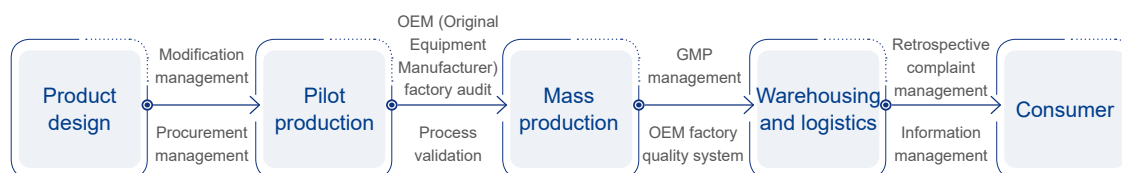
During the reporting period, we worked with 160 suppliers: 89 suppliers on the Chinese mainland and 71 overseas.



Case | Managing our Vitamin World supply chain

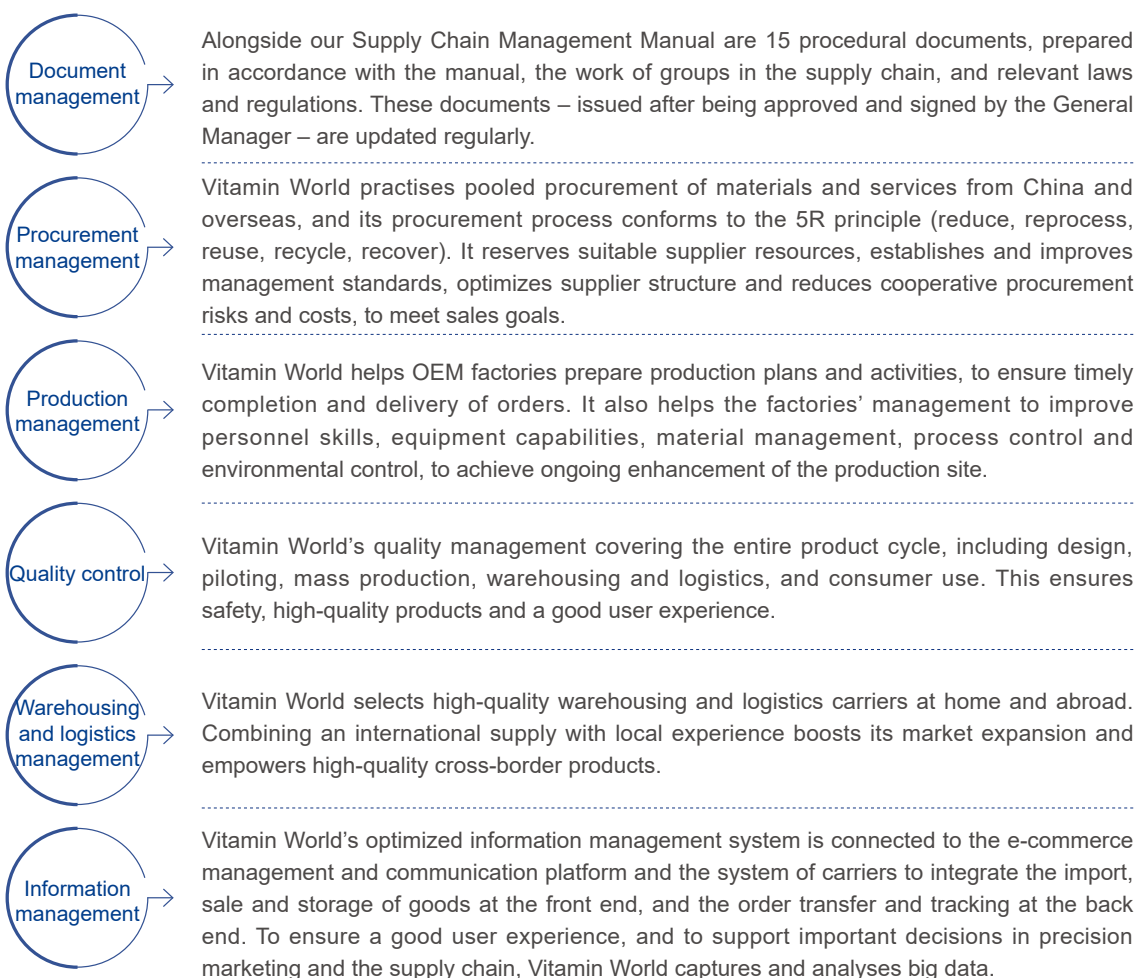
Feihe's healthcare brand Vitamin World empowers distributors in capacity building with the supply chain admission system and cooperation with suppliers. It strictly manages packaging materials, services, suppliers and finished products to ensure high-quality and effective products. Vitamin World's supply chain standards are as per ISO9000 quality management system, ISO22000 food safety management, GB16740-2014 *China Food Safety National Standard: Health Food*, the US Current Good Manufacture Practices (cGMP) and the US Federal Food, Drug, and Cosmetic Act.

Vitamin World's supply chain quality management:



Ensuring safety and quality

Vitamin World coordinates and manages documents, procurement, production, quality, warehouse logistics and information in accordance with our Supply Chain Management Manual. This and other standards ensure product safety and quality and a high-quality consumer experience.



Managing distributors

To ensure our sustainable development, improve customer quality and create a sustainable and mutually beneficial development platform, As per our *2020 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 our service capabilities and create high-quality and sustainable partners, we launched the *2020 Distributor Star Management Programme*. This aims to unleash the potential of distributors and help them develop together with us.



Case | Joining forces for a better future

Feihe's 2020 Partner Annual Conference was themed "joining forces for a better future". We discussed the future of China's infant milk powder industry with our partners, demonstrating our firm belief in the long-term value of the country's dairy industry. Professor Wang Lin (a Chinese renowned economic expert) gave his views on the journey ahead for Chinese enterprises in 2021 and made suggestions for Feihe from the perspective of an observer. More than 10,000 people participated online, including online systems members and our partners.



Partner Annual Conference



Case | Building our distributors' capacity



Offline Services

In 2020, our healthcare brand Vitamin World undertook both centralised and on-site training for distributors, retail employees. And, during the pandemic, it carried out online training.



Building our distributors' capacity



Case | Joining hands with Baby Bear

Staff from our Xiangnan and Xiangbei offices joined delegates from Baby Bear brand at a business seminar in 2020. Its purpose of this meeting was to improve the understanding of Feihe by all levels of personnel, convey the ideas of our executives and the system to every employee, discuss issues in the operation of stores and propose solutions. The meeting strengthened employees' confidence in Feihe and enhanced the relationship between the company and stores. Afterwards, the coordination and execution of stores was significantly improved.

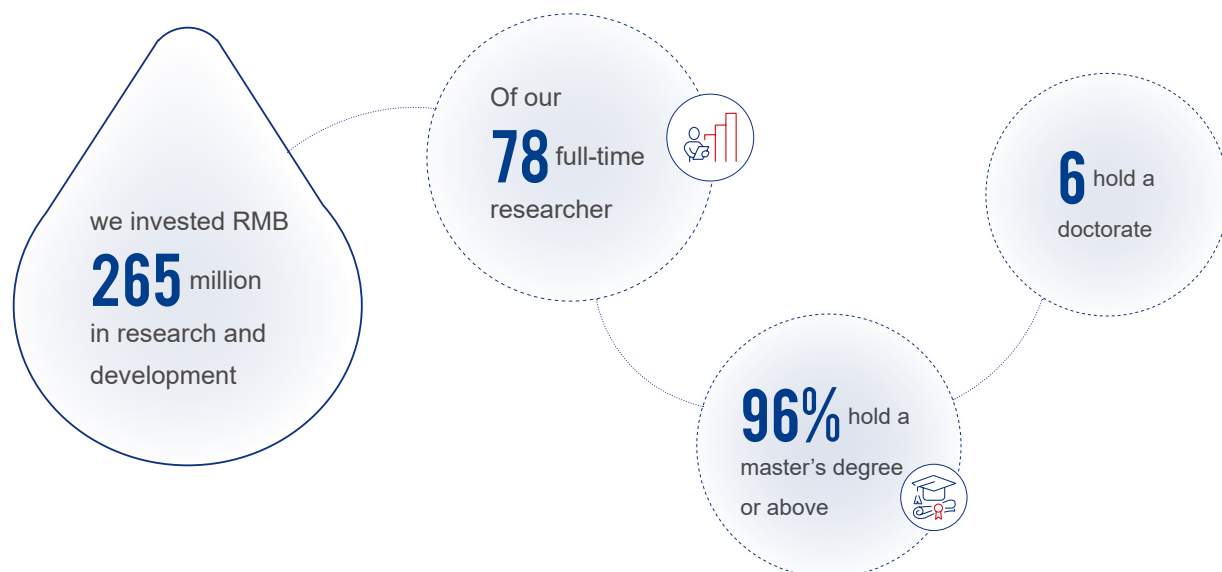


Feihe and Baby Bear business seminar 2020

Pioneering in our industry

Feihe proactively shoulders responsibility for revitalising the dairy industry. We have intensified our scientific and technological research and development, empowered industry development, and led industrial transformation, upgrading and innovation.

Investing in innovation



Leading the way in research

- In 2020, we partnered with Northeast Agricultural University, Northeast Forestry University and Heilongjiang Realgoal Technology Co., Ltd. to undertake the “Development and Industrialization of Key Ingredients and Functional Formulas of Dairy Products” project. As part of the Heilongjiang Provincial Department of Science and Technology’s “Hundred-Thousand-Million” talent programme, this science project aimed to make breakthroughs in the key and core technology of formula ingredients. This is of great significance for technological innovation and the sustainable development of industrial clusters.
- We successfully submitted the application for an Industrial Internet and Manufacturing Service Demonstration Project – one of the Key Industry Development Projects of Jilin Province. An intelligent factory with an annual production capacity of 20,000 tons of milk powder will be built, realising the intelligent and safe manufacturing of infant milk products and guaranteeing the safety of the entire dairy industry chain. It will create a new model for comprehensive corporate management and operation, ongoing efficiency improvement and absolute quality control.
- Also in 2020, we partnered with the Heilongjiang Provincial Industry and Information Development Centre and nine of the province’s other industry leaders and were admitted into the second-level node of the Industrial Internet Identification Resolution Project (orientated by the application and service platform for industrial clusters). As part of the Ministry of Industry and Information Technology’s 2020 Industrial Internet Innovation and Development Project, this will solve many industry pain points and accelerate the evolution of the sector’s industrial internet.

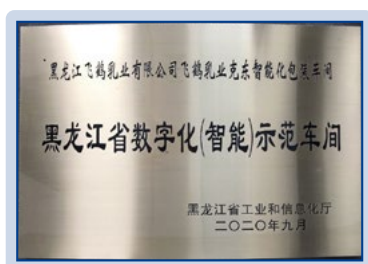
Earning recognition

- Our “Research on and Industrialization of the Breast Milk Simulation Fat Structure of Infant Formula Milk Powder” project was awarded first prize in the China Dairy Industry Association’s Technology Progress category.



- Feihe HLJ (Heilongjiang) was selected as a 2020 National Technological Innovation Demonstration Enterprise by the Ministry of Industry and Information Technology.

- The Feihe Kedong Intelligent Packaging Workshop at Feihe HLJ was rated as a “Digital (Intelligent) Demonstration Workshop - Heilongjiang Province.”



Protecting intellectual property

We perform patent and infringement evaluation on our new raw materials, packaging materials, products and processes in accordance with the *Operation Guide on Patent Technology Evaluation* and intellectual property reports. With the expansion of our intellectual property, we revised and improved the guide in 2020. We also drafted the forthcoming *Intellectual Property Management Manual of Feihe Group (Consultation Paper)*.

Feihe plans the intellectual property management of the Group as a whole, and carries out the international strategic layout of patents and trademarks. Our patent applications hit a record high in 2020: Total 60, including four international patents filed according to the Paris Convention and the Hague Agreement. At home, Feihe had applied for 16 invention patents, 25 utility model patents, 19 design patents and 16 authorised patents, including 2 invention patents, 8 utility model patents and 6 design patents.



- We applied for two patents related to nutrition for intellectual development, applicable to different formula foods for infants, children and students. And we applied for two patents related to nutrition for immunity enhancement, applicable to different formula foods for infants, children, students, middle aged people and the elderly.
- Meanwhile, we obtained two invention patents. One is for a cheese suitable for Chinese cooking. It does not melt at high temperatures and is chewy like meat. It solves the issue of cheese not fitting Chinese consumption habits. The other is full-nutrition formula food for special medical purposes, based on goat milk. It meets the daily energy and nutritional needs of healthy people and patients and provides a model for our development of other special medical products.
- We also invented a method for analysing osteopontin in dairy products. And we explored the innovative application of lactoferrin, a protein in breast milk, and researched and developed the preparation of milk powder containing it.

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 2020, we were approved to establish a postdoctoral research workstation. This is a means for enterprises to form high-calibre expert teams and promote the industry-university-research integration. The workstation acts as an engine for companies to improve their independent innovation capabilities and promote accelerated development. It bridges technology experts and enterprises, and is a new means of industry-university-research integration. To better meet the nutritional needs of consumers, we continue to build a breast milk database and research breast milk composition. We continually strengthen our scientific research capabilities and remain at the forefront of the industry in breast milk simulation and fundamental research.



Case | Launching the academic workstation

“Key Technology and Product Development of Functional Dairy Products” – a research and development project of the Dairy Engineering Academic Workstation – was launched in 2020. It provides technical support for the development of three adult probiotic dairy products and established intellectual property protection.

Using the expertise and technical research experience of a team led by academician Zhu Beiwei, the team from the workstation built a scientific research framework and R&D platform, focusing on breast milk simulation for infant formula. The workstation implements industry-university-research integration and trains outstanding professionals for us. In 2020, the workstation obtained a patent for an infant formula milk base and its preparation method. And it published two articles: “Natural small-molecule emulsifiers in oil-in-water food emulsions” and “Properties of casein and its applications in the food industry.” Meanwhile, Feihe-Harvard BIDMC Nutrition Laboratory carried out studies on skin health. These proved the positive effects of acai berries and provided a theoretical basis for the development of new products.



Case | Cooperating with industry and academia

In 2020, we continued to assist the third Chinese Nutrition Society-Feihe Fund for Constitution, Nutrition and Health Research. This fund supports fundamental theoretical research, clinical research, nutrition and health promotion projects in China. It advocates lifelong health management for Chinese people, and promotes the development of interdisciplinary integration. We also attended industry academic conferences. Our nutrition research team exchanged knowledge with experts and scholars in maternal and child nutrition experts, sharing cutting-edge results in breast milk research in China, and contributing to the health of mothers and children in China. In 2020, we funded six scientific research projects, covering the entire lifecycle from infants to middle-aged and elderly people.



Case | Joining hands with Jiangnan University to lead innovation and development

In November 2020, Feihe became a member company of the Board of Trustees of Jiangnan University's School of Food Science and Technology. Together, we will focus on personnel training and R&D in the dairy industry. We aim to promote innovation in infant formula production and contribute to the high-quality development of our industry.



Jiangnan University Board Recognition Event



Dedication to the Ecological Cycle

Feihe attaches importance to ecological harmony and actively implements environmental protection policies. Upholding to the concept of environmental sustainability are essential. In production, operation and construction, we enhance our environmental management and strictly undertake green practices. We vigorously advocate energy conservation and emission reduction, and advance towards a circular economy through innovation and environmental protection campaigns.



The Main Review of Feihe's Environmental Performance in 2020

Pollutants		Unit	2019	2020
Waste gas	Total waste gas emissions	m ³	1,123,405,191.00	1,711,320,300
	SO ₂ emissions	Tons	107.15	26.22 ³
	NO _x emissions	Tons	113.38	106.02
	PM emissions	Tons	20.06	6.25
	Smoke emissions	Tons	38.34	5.28
Waste water	Total domestic and industrial wastewater discharge	10,000 tons	108.52	217.69
	COD emissions	Tons	56.59	148.08
	BOD emissions	Tons	11.46	32.76
	Ammonia nitrogen emissions	Tons	1.54	10.47
CO ₂ emissions	Total	10,000 tons	23.85	34.21
	Scope 1	10,000 tons	4.09	8.51
	Scope 2	10,000 tons	19.80	25.79
	Greenhouse gas (GHG) emissions per unit	Tons/RMB million	17.38	18.39
Hazardous waste	Abandoned laboratory flasks	Tons	5.58	9.45
	Liquid discharge	Tons	7.73	11.72
	Waste engine oil	Tons	2.14	1.33
Hazardous waste total and density	Total	Tons	15.45	22.23
	Density	Tons/RMB million	0.0011	0.0012
Domestic solid waste	Office wastepaper	Tons	5.52	0.73
	Kitchen waste	Tons	75.70	65.91
	Other	Tons	547.50	763.68
Total industrial solid waste	Ash	Tons	2,196.02	430.14 ⁴
	Slag	Tons	9,050.41	8,554.61
	Sludge	Tons	5.20	3.01
General solid waste total and density	Total	Tons	11,880.34	9,818.06
	Density	Tons/RMB million	0.87	0.53
Energy consumption	Electricity	10,000 kWh	5,132.70	8,791.88
	Coal	Tons	45,453.16	32,897.17
	Diesel	Liters	57,859.82	91,109.89
	Natural gas	10,000 standard m ³	1,863.86	3,884.03
	Steam	Tons	476,469.22	616,734.43
	Total comprehensive energy consumption	10,000 Tons standard coal	12.49	16.56
	Comprehensive energy consumption per unit	Tons standard coal/RMB million	9.10	8.90
Water consumption	Total office and industrial water consumption	10,000 tons	142.75	218.23
	Water consumption per unit	Tons/RMB million	104.03	299.68
	Reduction of COD emissions	Tons	7,199.49	1,998.40 ⁴
Savings	CO ₂ emissions savings	Tons	68,709.39	63,871.93
	Water consumption savings	10,000 tons	1.28	10.72

³ In 2020, the Kedong, Zhenlai, and Longjiang factories carried out coal-to-gas projects, which greatly reduced SO₂ emissions.

⁴ The calculation for 2020 is the difference in COD before and after sewage treatment.

Pollutants		Unit	2019	2020
Packaging material consumption	Paper, cardboard	Tons	8,919.38	20,208
	Iron	Tons	16,573.48	2,9550
	Plastic	Tons	4,485.70	7,884
	Total	Tons	30,032.46	57,696

Notes:

1. Data collected was based on domestic businesses in the People's Republic of China.
2. Comprehensive energy consumption calculations – based on the General Principles for Calculation of Total Production Energy Consumption GB-T2589-2008 – refer to 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. The unit emission density is the total emission divided by the annual revenue.

5. Notes on the statistical method:

In 2019, the environmental data disclosed by Feihe came from six factories, namely, Kedong Factory, Gannan Factory, Longjiang Factory, Zhenlai Factory, Tailai Factory, and Baiquan Factory. Due to a unified source, some of the 2019 data have been updated from the previous report.

In 2020, the environmental data disclosed by Feihe comes from seven factories, namely Kedong Factory, Gannan Factory, Longjiang Factory, Zhenlai Factory, Tailai Factory, Baiquan Factory, and Jilin Factory.

6. 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 NOX emissions: $PNOX = Q \times \mu$

Where: PSO_2 is sulphur dioxide emissions (kg); Q is fuel consumption (ton); η is sulphur content of fuel (%). $PNOX$ is NOX emissions (kg); Q is fuel consumption (ton); μ 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.

Enhancing our environmental protection

Feihe attaches importance to the construction of its environmental protection system. We abide by laws and regulations including 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 including 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.* To ensure the fulfilment of environmental responsibilities by both parties during contract periods, we require suppliers to sign a Corporate Environmental Protection Commitment. In 2020, 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, Feihe has established a factory management system by implementing the ISO14001 system, and incorporated EHS management structure and risk identification into management and control. In 2020, we experienced no environmental compliance violations.

Compliance and Green Production

In terms of production, Feihe adheres to the concept of green production and strictly manages waste gas, waste water and industrial residue to minimise our environmental impact caused by 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, Feihe 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, Feihe managed the noise within factory boundaries in accordance with laws.

Disposing of solid waste

We have enhanced our waste management, properly disposing of waste generated in operations and reducing environmental damage. In 2020, Feihe updated its hazardous waste treatment methods, strengthening at-source rectification, temporary storage in warehouses and outbound disposal. Our factories strictly abide by relevant laws and regulations, and our own procedures and documents, when managing hazardous waste, which is disposed of in a pollution-free manner by a registered and qualified third party on a regular basis.

In 2020, we issued and implemented the *Waste Material Management Procedure*. This guides our whole-process management of general solid waste generated by our factories. During collection, identification, weighing, storage and disposal, it is necessary to strictly avoid pollution. For example, when storing processed waste, the materials must be put in designated transfer channels. Outside the factory, the materials must be in a designated temporary storage site, with clean management and protection. After the waste is disposed of safely, records and photos must be stored in a centralized manner and signed by the operational staff and a reviewer.

Besides the general rules for the disposal of waste materials, the *Waste Material Management Procedure* also details the recycling of waste milk powder and the disposal of waste raw materials, waste packaging with our name, logo and/or trademarks and product names, binders and packages of materials, expiring and expired milk powder and recycled at a high price, and trade-in empty cans. For example, raw milk, pasteurised milk and mixed materials that have deteriorated due to power outages, water cuts and malfunctions must be disposed of safely. If it is discharged to the sewer, it must be treated by a sewage treatment plant. Raw materials left after laboratory inspections and expired samples must be disposed of safely, with products that are still safe for consumptions may be discounted or donated to prevent food waste.

Reducing exhaust emissions

Adhering to the concept of sustainable development, Feihe requires its 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.

Disposing of wastewater

Feihe enhances the regular maintenance of sewage treatment facilities at each chemical plant. We prioritise sewage treatment and discharge, so that treatment can start when a project is put into operation. In 2020, we strictly managed and controlled wastewater monitoring and testing, ensured the normal operation of testing equipment in factories and uploaded data in time, minimising the sewage treatment burden.

Safe Construction

Feihe imposes 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 it 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 shall be strictly controlled: night work shall not occur later than 22:00, and morning work shall 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

Dust is a major construction pollutant. Therefore, we implement various measures to strengthen the management of dust. First of all, in terms of construction methods, Feihe adopt hardening construction in all construction living areas, office areas, material storage areas and temporary construction roads. To prevent the spread of dust, we cover exposed ground, earthwork, gravel and cement with dustproof nets and suppress it 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

Feihe regards innovation as the core driving force of enterprise development, adheres to the concept of green development, and attaches great importance to energy conservation. On the basis of compliance in regular production, Feihe is committed to the practice of energy saving and emissions reduction and innovative 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, Feihe holds the Environmental Day event promotes the green office concept, to raise employees' environmental awareness. We plan to deliver carbon footprint and carbon screening training for relevant personnel at our factories in the second half of 2021, to conserve energy, reduce emissions and progress towards a circular economy.

Conserving energy

We follow energy-saving principles from the design stage, through measures such as heat recovery. We focus on controlling energy-intensive facilities during production and operation, in accordance with regulations. We inspect machines regularly to prevent issues such as dripping and leakage. We organize events across departments to promote energy-saving awareness among employees by exchanging ideas and experiences. In 2020, we implemented technological reforms and energy recycling, including monitoring fluctuations in the calorific value of natural gas to reduce loss from boilers, equipping deaerators with thermal insulation transformation for deaerators, transforming steam header traps, and installing heat recovery for air compressors and flue gas recovery for boilers. These measures saved steam and electricity, and reduced emissions.



Case | Transforming steam header traps

If high-pressure hot water from a steam header trap is directly discharged to the ground, heat energy will be wasted. We modified the trap pipeline, so high-pressure hot water can be connected to a deaerator. This transformation, which recycles the heat, can save about 16.11 kg/hour of natural gas and the heat is effectively recycled.



Case | Insulating deaerators

Rubber sponge was traditionally used to insulate deaerators. However, the thermal insulation of carbonised rubber sponge is greatly reduced. After investigation and demonstration, we found that rock wool performs better and lasts longer. Therefore, we transformed all the thermal insulation materials of deaerators into rock wool which reduced the surface temperature of our deaerators from 65°C to 47.2 °C and heat loss was reduced by more than 27%, effectively conserving energy.



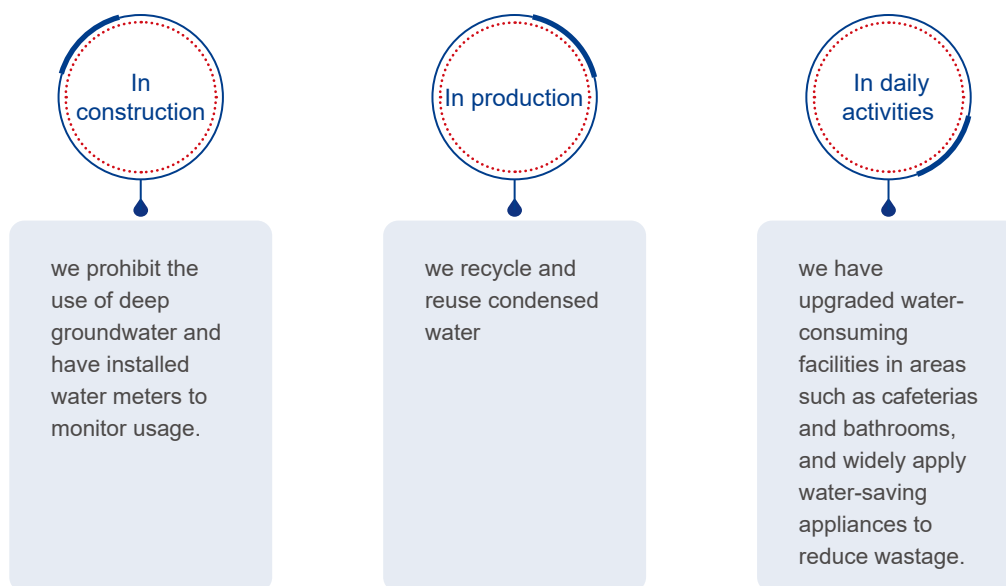
Case | Factories Organising energy conservation working groups

- Our Gannan factory organised a working group to reduce the electricity consumed by sewage treatment, based on the WCM system. By improving the treatment process, adjusting the operating time of fans and changing continuous aeration to intermittent aeration, the operating time of the first and third-phase fans can be reduced by 12 hours per day. This saves about 300 kWh of electricity.
- Meanwhile, our Longjiang factory established a steam consumption working group – another WCM working group, in the energy reduction work, and effectively maintained the results of the coal consumption reduction group, which concluded at the end of 2019.
- Our Kedong factory organised a natural gas reduction working group. This saved 883,041m³ of natural gas and reduced carbon dioxide emissions by 1,734.29 tons throughout the year.



Saving water

As the dairy industry is a water-intensive industry, Feihe attaches 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 2020, Feihe launched a concentrated water recovery project and a material pump sealing water recovery project. Every day, these projects saved 318 tons and 55 tons of water, respectively, which were used for grass irrigation and cooling in drying towers. At the Harbin factory, we recycled reclaimed water from the project every day, which was used for flushing toilets and manganese sand tank backwashing, saving 480 tons of fresh water every day.

Supporting carbon neutrality

In response to China's goals to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060, Feihe participated in the review group for the development of the China National Light Industry Council's *Evaluation Standard for Green Factory in Dairy Industry* organized 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 stage. We also independently developed technological measures to reduce emissions..



Case | Feihe factories' technical improvements for carbon emission reduction

- In the factory-within-a-factory project of the Gannan subsidiary, carbon dioxide emissions from automobile exhausts were reduced by approximately 99 tons per year, by optimizing travel distance and frequency.
- In the WCM campaign, Feihe established a working group to reduce gas consumption per ton of milk powder, by identifying losses and taking remedial action. The action reduced total carbon dioxide emissions by approximately 5,679 tons.

Greening our offices

Besides production operations, Feihe integrates the environmental protection extends to office management. 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 green office policy includes:

Encouraging saving power at office

We promote energy-saving lamps and advocate turning off lights when leaving rooms. We installed multiple switches (pictured below), 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 .



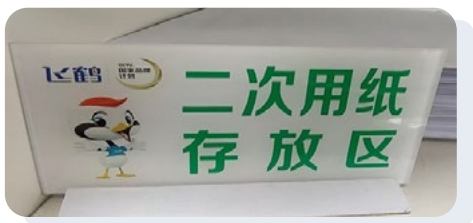
Energy-saving publicity

We place reminders for energy conservation, and promote conservation to employees at morning meetings.



Advocating paperless office

We save single-side-printed paper for printing on the other side, to reduce our consumption of paper. We have introduced an office automation system. For printed documents, we set the page and font size to maximise the paper's content capacity.



Reducing carbon dioxide emissions in travel

We also encourage the use of video conferencing to reduce business trips.



Celebrating Environmental Day

To enhance employees' environmental awareness, and respond to Environment Day 2020's theme of “Beautiful China built by everyone”, we organised our own campaign. This included distributing brochures, cleaning factories and inspecting environmental protection facilities. Our departments promoted environmental protection to employees at morning meetings, with an emphasis on not discarding electronic products. And we shared posters and slogans in WeChat groups, including “Environmental protection and ecological balance benefit generations” to guide employees to pay attention to and care for the environment.



Devotion to Philanthropic Causes

Feihe leverages its advantages to support social welfare. We are concerned about mother and infant health. We invest in and get deeply involved in poverty alleviation. We actively helped fighting the COVID-19 pandemic. And we aim to be a national dairy enterprise that supports ideas with practical actions.





Care for Health

As a domestic leader in infant milk powder, we care for the practical needs of mothers and infants, and innovate in education, medical treatment and health. In 2020, we helped parents solve problems and offered guidance through a variety of activities. We provide services for postpartum mothers and aim to boost the happiness of families.



Case | Feihe and Taijitang jointly launching a program for physical and mental healthcare for postpartum mothers

The Heilongjiang Feihe Charity Foundation and Beijing Taijitang Hospital of Traditional Chinese Medicine jointly launched a programme for the treatment of postpartum depression. In 2020, we donated a total of RMB 21 million, to provide scientific and effective treatment for mothers with postpartum depression, offering wholehearted care for mothers and their children.

In March 2020, Heilongjiang Feihe Charity Foundation and Beijing Taijitang Hospital of TCM received many thank-you letters full of gratitude and joy. These letters came from mothers who had suffered from postpartum depression. In the mothers' darkest days of postpartum depression, it was Heilongjiang Feihe Charity Foundation and Beijing Taijitang Hospital of TCM that reached out, to them to help them get rid of depression and return to a happy life.



Thank-yous for our postpartum care



Case | Pioneering Parenting Concepts III

In 2020, Pioneering Parenting Concepts III programme successfully concluded in 2020. The program reached 730 million views on the Internet, a year-on-year increase of 38%. It communicated and interacted with consumers in the whole process, with a total of 1.448 million interactions. It provided scientific parenting knowledge for new mothers, mothers born in the 1990s and mothers giving birth for a second time, and helped parents cope with the difficulties in parenting challenges with professional, scientific and authoritative information.



Case | Around-the-clock free online consultation

During the pandemic, the availability of nutritional supplements for pregnant and lying-in women in China was insufficient and the supply of infant milk powder was tight. Feihe responded in a timely manner, ensuring a supply of baby food across the country and donating milk powder to pregnant women in Wuhan and other areas. On 5 February 2020, we and our partners launched a free medical assistance platform that gathered 19,000 doctors from public hospitals and opened an around-the-clock online green channel for Chinese mothers. This provided families with scientific protection, support and reassurance during the pandemic, guarding every mother and baby with more assurance.

Alleviating poverty

Feihe always keeps its social responsibility in mind, takes poverty alleviation as one of its missions, and upholds 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, Feihe implements an innovative industrial cluster development model to promote the development of upstream forage planting and milk source construction, and incorporates local professional farms (agricultural companies) and pastures into the industrial cluster chain.

Currently, we work closely with an 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 300,000 mu (20,000 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, increased the income of 150,000 farmers, and 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 services.

In 2017, Feihe donated world-class medical equipment worth up to RMB 176 million to 11 counties, including Kedong County, Gannan County, Keshan County, Zhenlai County, and Long County. In 2019, Feihe invested RMB 2.93 million and invited top ophthalmologists in China to carry out the “Charity Bright Tour: Longjiang” charity campaign in Longjiang County, providing free surgery for 159 impoverished cataract patients. During the event, 1,466 people with eye diseases received free consultation and 117 operations were completed, including 115 cases of ophthalmic cataract surgery. The event also included 7 professional trainings in ophthalmology diagnosis and treatment to help patients restore eyesight and hope with practical actions.

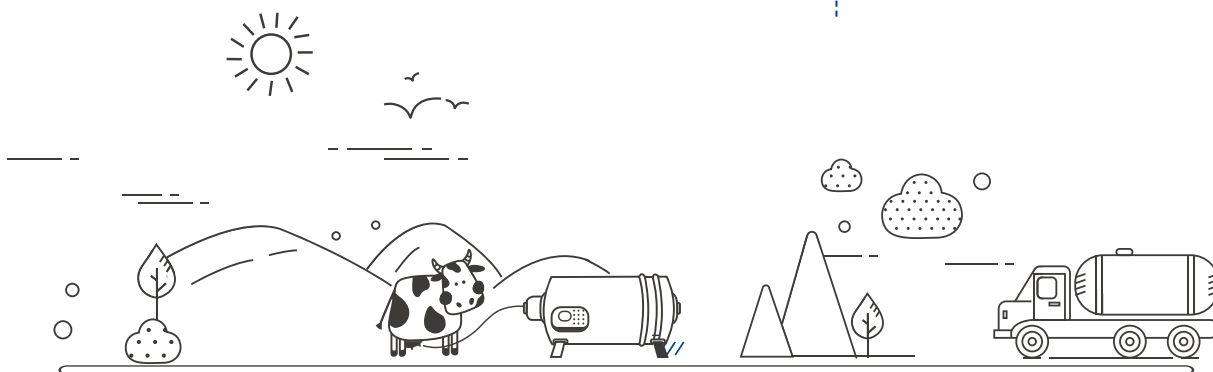
In terms of poverty alleviation with education assistance, Feihe had assisted poor students at more than 80 schools in Qiqihar City, Kedong County, Gannan County, Longjiang County, Tailai County, Baiquan County, Keshan County, and Zhenlai County in Jilin Province. The assistance totaled more than 5,000 students and more than RMB 4 million, which received attention and praise from all sectors of society. In the charity campaign, the company granted more than RMB 520,000 in scholarships to nearly 800 poor students in middle and high schools and poor students from single-parent families in Longjiang County. We also focused on the healthy development of young people in poverty-stricken areas, providing poor students with high-quality dairy products, and sharing health and nutrition knowledge.

From 2017 to 2020, we donated student milk powder worth RMB

4 million

to

66 schools.





Case | Feihe's assistance for poverty alleviation and income increase in counties in Qiqihar

Poverty alleviation with industrial development:

•Tailai County:

In 2020, our Tailai county factory had 208 employees. Ninety per cent held a three-year college degree or above, 116 were local rural residents and four were from poor families.

The factory created more than

1,200 indirect jobs in
upstream and downstream
industries



Alleviating poverty through healthcare:

•Gannan County:

During the battle against the COVID-19 pandemic, Feihe extended condolences and donated RMB 50,000 to the parents of a deceased policeman in Gannan County.

Alleviating poverty through education:

•Gannan County:

In the FeiheVia our Student and Education Assistance Programme for Poverty Alleviation, we granted more than RMB 520,000 to 500 poor middle and high school students in Gannan County and RMB 240,000 to 14 students from the county admitted to Tsinghua University and Peking University. We also donated student milk powder worth RMB 480,000 to schools in Gannan County. These measures received widespread attention and praise. Ten principals and top teachers from Gannan County participated in the first training course of Feihe Student and Education Assistance Program for Poverty Alleviation.

In the FeiheVia our Student and Education Assistance Programme for Poverty Alleviation, we granted more than RMB

520,000

to

500 poor middle and high school
students in Gannan County



Feihe's student assistance program for an ethnic minority orphanage school in Lijiang, Yunnan



China's Well-off Milk Action campaign supports health and poverty alleviation



An assistance programme for primary school students in Taijiang County, Guizhou

Combating COVID-19

Amid the COVID-19 pandemic, 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.

After the outbreak of the pandemic, Feihe donated RMB 30 million for the construction of Huoshenshan Hospital, to help it meet its scheduled completion on 2 February. We offered RMB 3,000 yuan allowances for each frontline medical worker and RMB 30,000 to one million family members of medical workers diagnosed with COVID-19 or who lost their lives due to the pandemic. We also undertook, with the medical teams of provinces from Heilongjiang to Hubei, to provide a risk protection fund for team members.

To ensure the anti-pandemic supplies in China, Feihe leveraged our global procurement network to purchase and donate 76 negative pressure ambulances, specifically for transporting patients with COVID-19, which greatly improved transport efficiency. We purchased masks, disinfectants, goggles, protective clothing, protective gloves and ventilators, which effectively mitigated the shortage of medical supplies. And we donated supplies worth RMB 40 million to those on the frontline of the battle against COVID-19.

As a guardian of mothers and infants, we kept a watchful eye on their health of medical workers and mothers and infants during the pandemic. On 10 February 2020, after donating RMB 100 million, we made another donation of milk powder worth RMB 100 million for children and pregnant and lying-in women, and as nutritional supplements for frontline medical workers and pregnant and lying-in women to boost their immunity. Our campaigns, such as free milk powder for pregnant and lying-in women, benefited more than 200 hospitals and nearly 130,000 maternal families. For foetal heart-rate monitoring, we donated 64 monitors to Grade-III Level-A general hospitals with the largest number of pregnant women in seven cities in Hubei. These enabled pregnant women to monitor foetal heart rates at home. This guarded their health and that of their babies in pandemic-hit areas.

Besides the provision of fresh food to hundreds of millions of Chinese babies, we partnered with platforms to launched online services. These shared knowledge about mother and infant protection, and methods to reduce mothers' anxiety and teach them to respond scientifically to emergencies. Brand ambassador Ms. Zhang Ziyi shared scientific protection methods, and experts on our Feihe Mothers' Club platform delivered free online protection courses.

Anti-pandemic donations:



Feihe donating nutritional food worth RMB 1 million to Wangkui County, Suihua City, Heilongjiang



Feihe donating milk powder worth RMB 200 million to frontline medical workers



Feihe donating milk powder to the Civil Aviation General Hospital, Beijing

During the pandemic, to ensure production, we immediately set up a group to strengthen employee protection and pandemic prevention in our factories, and coordinated the safe operation of the upstream and downstream in the industrial chain. In the 30 days from 24 January 2020, the factories packed an average daily volume of 300 tons, which guaranteed a supply of baby food across China. And to ensure adequate stocks, we leveraged our advantages in logistics, and cooperated with e-commerce platforms such as Tmall, JD.com and Suning, and supermarkets and communities, so that products were delivered to consumers as promptly as possible.

Recognitions

- In 2020, Leng Youbin, Chairman of Feihe, was named the National Exemplary Individual in the Battle Against COVID-19;
- In 2020, Feihe won the Special Contribution Award, the Annual Public Welfare Enterprise Award and the title of "2020 Humanitarian Dedication Angel" issued by the Red Cross Society of China and other institutions.



Certificate of donation issued by the Red Cross Society of China



A thank-you letter from the First People's Hospital of Xianning City



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Feedback

Dear readers,

Thank you very much for reading the 2020 Environmental, Social and Governance Report of China Feihe Limited. We attach great importance and look forward to your feedback on Feihe's management, practice and report related to environmental, social and governance. To further improve our work and make the next report better meet your expectations, we hope that you will give feedback and suggestions in the following aspects.

1. Are you satisfied with the overall report?

Satisfied ☐ Acceptable ☐ Not Satisfied ☐

2. Is the information you care about presented in this report?

Satisfied ☐ Acceptable ☐ Not Satisfied ☐

3. Do you think Feihe's environmental protection, social compliance and corporate governance and the impact on stakeholders are accurately presented in this report?

Satisfied ☐ Acceptable ☐ Not Satisfied ☐

4. Can you easily find the information of interest in this report?

Satisfied ☐ Acceptable ☐ Not Satisfied ☐

Open question

Please write down your comments and suggestions on China Feihe Limited's environmental protection, social compliance and corporate governance, as well as on this report.

Your contact information

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We will give due consideration to your comments and suggestions, and promise to protect your information from being accessed by third parties.



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