



2017

Annual Report on Biodiversity Protection

Inner Mongolia Yili Industrial Group Co., Ltd.

About the Report

Reporting period

The report covers from January 1 to December 31, 2017, and also includes additional information beyond the stated reporting period.

Reporting Scope

The report covers not only the biodiversity management and biodiversity protection measures in Yili's business, but also external biodiversity protection projects.

Reference

In this report, Inner Mongolia Yili Industrial Group Co., Ltd. is referred to as "Yili".

Compilation Conformance

The report is prepared in accordance with

- The Convention on Biological Diversity
- The 17 goals of The 2030 Agenda for Sustainable Development
- Environmental Protection Law of People's Republic of China (Revised in April 24, 2014)
- Guidelines for Drafting on Corporate Environmental Report (HJ 617-2011) (the national environmental protection standards of People's Republic of China)
- Cancun Business and Biodiversity Pledge of 2016 Conference of Parties (COP) to the Convention on Biological Diversity (the CBD COP 2016) signed by Yili

Reporting Cycle

This is the first annual report on biodiversity protection of Yili and will be released regularly in future.

Reporting data

The data in the report is from the final statistics of Yili in 2017.

Language

The report is available in Chinese and English and in print and electronic formats. Welcome to visit our official website to download the electronic version at <http://www.yili.com/>. For the printed version, please call at 010-58640039.

Further reading

Please visit our official website at <http://www.yili.com/> to get more information. For relevant information on environmental protection, please refer to

- Biodiversity Briefing of Yili Group
- Corporate Social Responsibility Report of Yili Group 2017

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Message from the Chairman

“Protecting Biodiversity and Creating Shared Values”

Every one hour, one species goes extinct. Nowadays, species are dying out at a rhythm 1,000 times faster than the natural rate. The colorful world is facing severe challenges. We, human beings, can and have to take action right now.

It is our mission to hand over the entire world to the next generation.

At the end of 2016, Yili became the first Chinese enterprise to sign the Cancun Business and Biodiversity Pledge of 2016 Conference of Parties to the Convention on Biological Diversity (CBD). Considering the unique features of Yili's industry chain, we extended the CBD requirements to upstream and downstream partners of our industry chain so as to make the whole industry chain resource-saving and eco-friendly.

Looking back over the past ten years, we started relevant actions for biodiversity conservation as early as 2007.

At the Summer Davos Forum in 2007, Yili proposed the groundbreaking idea of “green leadership”, to pursue the trinity of “green production, green consumption and green development”. In 2010, the idea was upgraded to the strategy of “green industry chain”, extending green concepts to the whole industry.

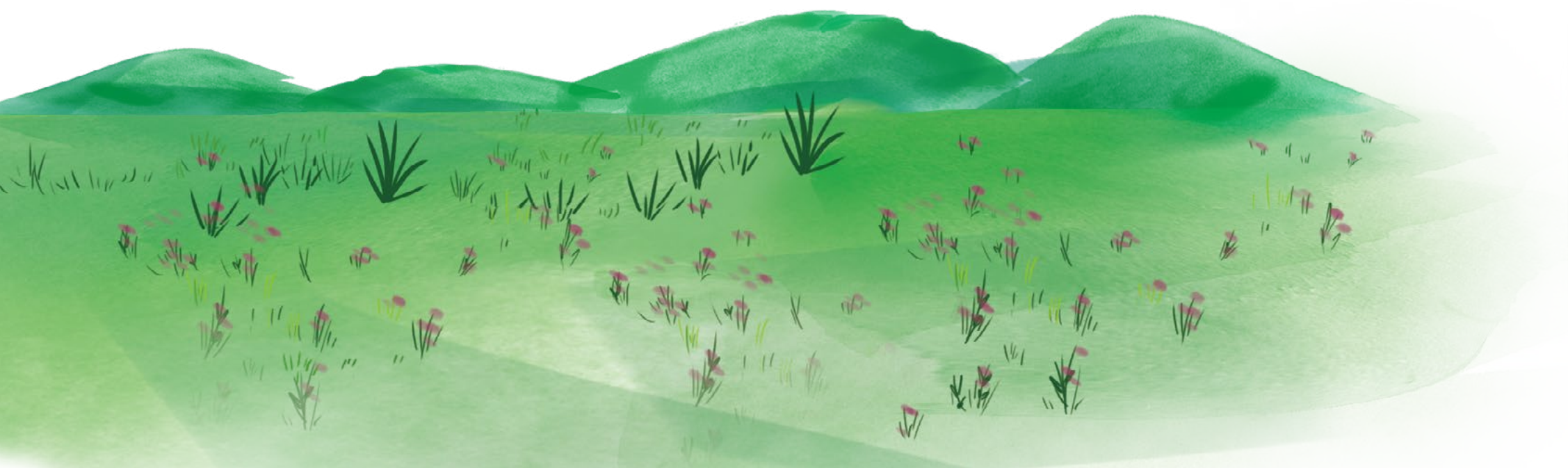
In addition, we worked with WWF China to carry out the wetland conservation project in northeast China; We actively participate in the transformation of desert grasslands and the innovation in the eco-cycle mode of agriculture and animal husbandry; We are dedicated to the protection of wild salmon in the Waitaki River Basin.

Protecting biodiversity is a new journey for the global sustainable development and a new journey that concerns the salvation of mankind and the well-being of future generations. Only by protecting biodiversity can we have the sustainable development of the world and the long-term health of enterprises. In this process, our strategy of “green industry chain” has always emphasized co-building and win-win results. That is to say, we should promote green development in all links of the industry chain through sustainable modes and promote the implementation of Sustainable Development Goals through “shared values” created by enterprises and the society.

In the future, we will connect our biodiversity conservation efforts to the global sustainable development and win-win results in the industry chain and hope more partners will participate in the cause of biodiversity conservation and help Chinese enterprises make due contribution to the global ecological progress.



Pan Gang, Chairman and President of Yili



About Us

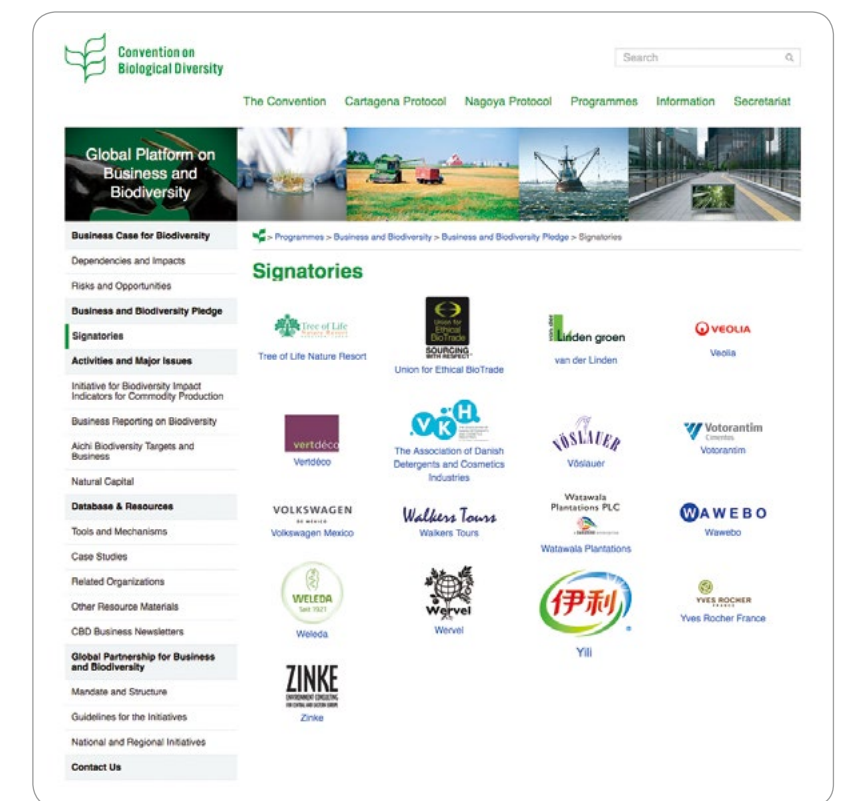


Founded in 1956, Inner Mongolia Yili Industrial Group Co., Ltd (also referred to “Yili”), is headquartered in Hohhot, Inner Mongolia Autonomous Region. In March 1996, Yili was listed on the Shanghai Stock Exchange as the first A-share dairy company (Stock Code: 600887) in China.

Yili consists four business divisions(liquid milk, powdered milk, cold drinks, and yoghurt) with about 100 subsidiaries and several popular product under the household brand names Yili, Satine, ShuHua Milik, QQ Star, PRO-KIDO, Xinhua, ChangQing, MeiYiTian, Chocliz, Ambrosial, etc. Yili is the only Chinese designated supplier of dairy products for the 2008 Summer Olympics Beijing and the World Expo 2010 Shanghai. In 2017, Yili ranked among the world top 8 dairy companies as the only company in Asia, which is also China's largest dairy producer with the most complete product lines.

Throughout the development, Yili has been sticking to the two “wheels” of “international operation” and “innovation” and the two “foundations” of “quality” and “responsibility”, and wins great trust of customers with diversified products featuring high quality, high technology and high added value. Yili is committed to producing 100% safe and healthy dairy products. Each day, over 100 million Yili products are provided to customers. In the list of world’s most valuable dairy brands 2017 released by Brand Finance, the brand strength index of Yili ranks the first in the world; in the list of BrandZ Top 100 Most Valuable Chinese Brands 2017, Yili also ranks first and continues to top the food industry.

While providing safe and healthy dairy products, Yili upholds the a business philosophy of prioritizing corporate culture over growth rate, industrial prosperity over our individual corporation’s success, and social value over business wealth, and integrates sustainable development in the corporate strategy, striving to be the most reliable provider of safety food in the world to let the people in the world share health and good life.

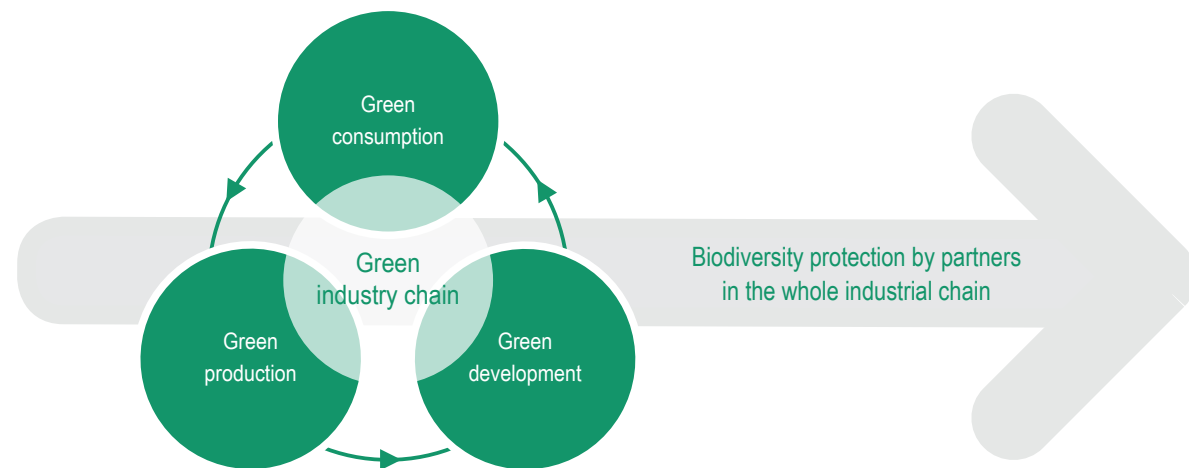


Yili Group is the first Chinese enterprise to sign the Cancun Business and Biodiversity Pledge of 2016 Conference of Parties (COP) to the Convention on Biological Diversity (the CBD COP 2016)

Biodiversity Protection Management

Our philosophy

Pan Gang, the Chairman and President of Yili, proposed the idea of “Green Leadership” at the Summer Davos Forum in 2007 and upgraded the idea to the strategy of “green industrial chain”, extending the idea of green development to the whole industry. Accordingly, Yili bases on the trinity of “green production, green consumption and green development” to pursue sustainable development of dairy industry, follows the development direction of the “green industrial chain” and advocates sustainable green development in every link of the industrial chain driven by leading enterprises, thus promoting partners in the whole industrial chain to protect biodiversity together.



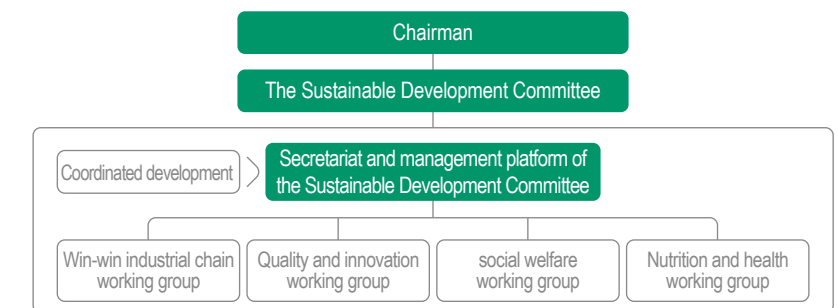
Background

China's Fifth National Report on the Implementation of the Convention on Biological Diversity summarizes six threats to biodiversity in China including the degradation or loss of habitats for wild species, overexploitation of natural resources, environmental pollution, large-scale planting of single species, invasive alien species and climate change. China National Biodiversity Conservation Strategy and Action Plan (2011-2030) lists five pressures and challenges facing biodiversity including the threat to habitats of species and ecosystems, overexploitation and disorderly development of biological resources, environmental pollution, invasive alien species and genetically modified organisms, as well as the production of biological fuels.

Our Management

Organization Structure

The Yili Sustainable Development Committee is in charge of biodiversity protection issues, and relevant departments are responsible for specific biodiversity protection tasks according to their functions. Now Yili has formed the management mode of “management and control by the Sustainable Development Committee with separate management from departments and focused management from the major biodiversity projects”.

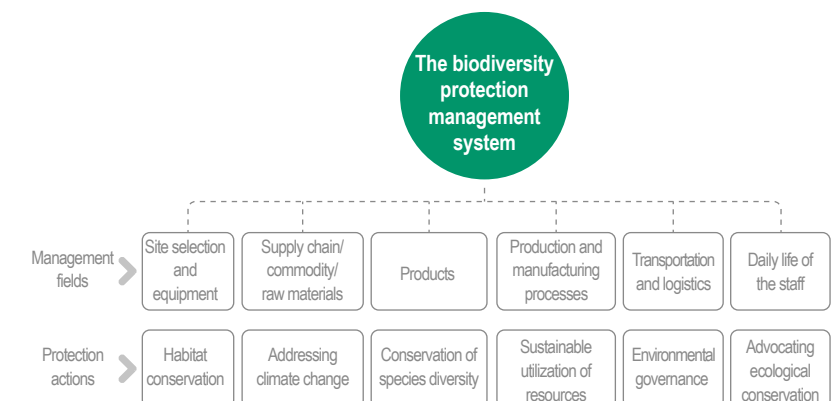


Organizational structure of the Sustainable Development Committee

Building of the biodiversity protection management system

After the long-term practice of biodiversity protection, Yili collects and analyzes the authoritative opinions of organizations at home and abroad, systematically summarizes and identifies the factors influencing biodiversity: habitat degradation, climate change, invasive species, overexploitation and pollution.

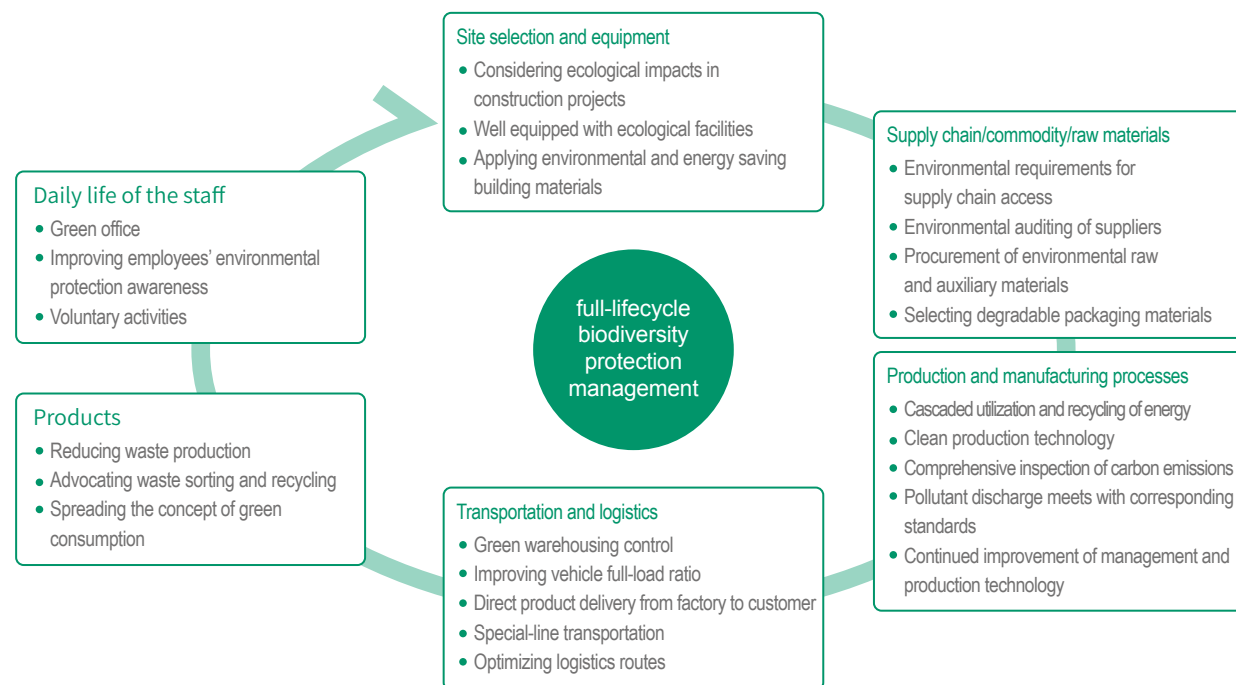
Thus Yili integrates the results with its own characteristics to sort out all links of production and operation, analyze their impact on biodiversity and has identified six management areas that have more impacts on biodiversity, including site selection and equipment, supply chain/commodity/raw materials, products, production and manufacturing processes, transportation and logistics, and daily life of the staff. Yili also has built the biodiversity protection management system and carried out the full-lifecycle biodiversity management based on this.



Yili's biodiversity protection management system



Green pasture of Yili



The green pasture management system

Yili adopts the green pasture management system, strengthens the development of green pasture to develop environmentally friendly pasture, and provides targeted solutions according to the specific natural and ecological situation in local areas, aiming to lead the upstream and downstream industrial chain to conduct green pasture management together and protect biodiversity.

The eco-cycle mode of resource recycling of pasture manure. By promoting water resource recycling with the technology, Yili separates rain and waste water, as well as the solid and liquid manure and uses the separated solid manure as the bedding for cows to reduce the use of river sand, while the liquid manure can be used as fertilizer in the field for ecological protection to reduce the use of chemical fertilizer. By doing this, Yili achieves pasture manure recycling.

The green development of breeding husbandry. Yili guides the pasture to use environmentally-friendly hot water supply facilities and reuse the heat generated through refrigeration process of milk to replace the traditional coal fired boiler so as to reduce air pollution caused by burning coal.

The management mode of integrated pasture planting and breeding integration. Guided by the national policy of "reducing corn acreage and promoting the growing of forage grass", Yili encourages the pastures to "planting independently with supervision on land leasing" according to their production operation, and grow silage, thus promoting the resource recycling of pasture manure.

Capability building

Yili applies the biodiversity protection technology in all parts of the industrial chain and provides trainings on biodiversity protection to employees, the pasture owners and staff working in the pasture to enhance the biodiversity protection capability in the whole industrial chain. In 2017, to further build their biodiversity protection capability, Yili organized various employees trainings on environment, opened the Yili Dairy Cow School for pasture owners and provided the series training programs to train second-generation dairy farmers in the pasture, thus promoting their skills.

Case: Satine cooperates with WWF to promote green planting technology

In July, 2016, Satine cooperated with WWF to carry out the Sustainable Corn Planting Demonstration—Wetland Conservation Project, through which Yili promoted advanced planting technology to local farmers, provided trainings about soil testing for formulated fertilization, drip irrigation under mulch, high photosynthetic efficiency agriculture, and straw recycling, and fostered the use of sustainable planting technologies, which have effectively reduced consumption of underground water, slowed down grassland degradation and protected surrounding grassland wetland system. Satine also gave priority to purchasing corns from the areas covered in the Sustainable Corn Planting Demonstration—Wetland Conservation Project to produce fodder for animal husbandry of Satine, which can help improve the income of local farmers, establish an environmentally friendly industrial chain and achieve sustainable development. In 2017, the project has 1,000 mu of demonstration field in Qian'an county, Tongyu county and Ningjiang district in Songyuan, Jilin Province and compiled 10 series training materials of Environmentally-Friendly Sustainable Corn Production Technology with 702 farmers applying sustainable production technology to 33,000 mu of corn field.

Case: Management and training on green pasture

Some pastures and the owners still adopt traditional cow breeding methods with low efficiency and lower profitability, and they are often faced with weak production capacity and poor waste treatment ability, etc. Yili sets up the “Yili Dairy Cow School” platform and invites experts to introduce advanced pasture management knowledge to pasture owners such as pasture production technology, disease prevention of dairy cows, animal waste treatment, and virtuous cycle of pasture management, so as to improve the theoretical knowledge of farming, skills and operation and management experience for the owners and help them and the pastures to build the green pasture management system.



2

Number of large-scale environmental trainings

170

Number of participants

over 600

Number of various trainings on environmental protection organized by the business divisions and subsidiaries of Yili

over 733

Accumulative number of trainings provided in Yili Dairy Cow School

over 8153 person-times
covering

Exchanges and cooperation

Yili actively participates in international exchanges and cooperation on biodiversity. In December 2016, Yili attended the UN Convention on Biological Diversity Conference as the only representative of Chinese enterprises, which marks the breakthrough for Chinese enterprises to participate in the international biodiversity platform. Yili earnestly fulfills the commitments of the Convention, and leads upstream and downstream partners in the industrial chain to promote resource saving and environmentally –friendly development and contributes to the “Chinese Sample” of biodiversity protection.

Partners	Cooperation
WWF	<ul style="list-style-type: none"> In July 2016, Satine cooperated with WWF to carry out the Sustainable Corn Planting Demonstration—Wetland Conservation Project. In 2017, Satine became the public welfare partner of WWF in China, and organized publicity activities to call on more customers pay attention to public welfare and ecological protection. Satine applied FSC (Forest Stewardship Council) packaging for 2.4 billion packages of milk accumulatively.
Organizations of UN Convention on Biological diversity	<ul style="list-style-type: none"> In December 2016, Yili was invited to the 13th Meeting of the Conference of Parties (COP 13) to the Convention on Biological Diversity held in Cancun, Mexico, and signed the Cancun Business and Biodiversity Pledge of 2016 Conference of Parties (COP) to the Convention on Biological Diversity (the CBD COP 2016). In May 2017, Yili was invited to attend the International Day for Biological Diversity Conference 2017. In September 2017, Cristiana Paşca Palmer, the new executive secretary of the UN Convention on Biological Diversity visited China, and praised the biodiversity protection practices of Yili.
Alibaba Group	<ul style="list-style-type: none"> Yili promoted the wetland conservation project through the platform of TMall by providing limited packaging of Satine organic milk for wetland conservation. Yili added artistic design of wetland on the inner packaging and gift boxes and introduced the wetland conservation project of Satine and WWF to the customers through copies, selling the products on TMall with time limit. Before the International Day of Charity (September 5th), Yili put countdown notice of charity communication activities on various online media and social media platforms to reach more customers and attract their attention to wetland conservation and biodiversity.
Ximalaya FM	<ul style="list-style-type: none"> Cooperating with Ximalaya FM, Yili organized the activity of “listening to the sounds of nature”, to invite users to join interaction through the dynamic web page, get close to the wetland, and make contributions to environmental protection together with Yili.
“Singer 2017” Show	<ul style="list-style-type: none"> Working with “Singer 2017”, Yili promoted Satine products and attracted more attention of customers to Yili’s biodiversity protection practices.
Customers	<ul style="list-style-type: none"> Yili released Yili New Economy Consumption Index and Sustainable Consumption Index to call on consumers to pay attention to sustainable consumption. Yili creatively built the “4.6 m² of elevator wetland” campaign to attract customers’ attention to wetland conservation after the second spreading through videos. Yili made the HTML5 page of Wetland Restoration, giving direct audio-visual experience to customers. Yili carried out the activity of “buying one and donating one for free” on TMall. When customers buy a box of limited packaging of Satine organic milk, Satine will donate money equivalent to protecting 4.6 m² of wetland protection, customers have the opportunity to participate in the donation for wetland conservation.
Farmers	<ul style="list-style-type: none"> In the Sustainable Corn Planting Demonstration—Wetland Conservation Project, Yili promoted advanced planting technologies to local farmers, provided trainings about soil testing for formulated fertilization, drip irrigation under mulch, high photosynthetic efficiency agriculture, and straw recycling.
Schools	<ul style="list-style-type: none"> Yili set up Wetland Nature Education School in Xianghai and Momoge where the wetland of northeast China is located, to popularize related biodiversity knowledge to primary and secondary school students and the public.

Further readings

The Convention on Biological Diversity (CBD) is an international agreement on protecting biological resources on earth. It was adopted at the Earth Summit in Rio de Janeiro, Brazil in June 1992 and came into effect on December 29, 1993. The agreement is legally bonded and provides legal basis and policy guidance for international protection of endangered animals, plants and microorganisms, as well as international cooperation, promoting global biodiversity conservation and sustainable development. Up to October 2010, there were 193 parties to the Convention. China signed the Convention on Biological Diversity on June 11, 1992 and approved it domestically on November 11, 1992, becoming one of the first batch of parties that signed and approved the agreement.

Case: Yili invited to attend the International Day for Biological Diversity Conference 2017

It was the 24th International Day for Biological Diversity on May 22, 2017. Yili was invited to attend the International Day for Biological Diversity Conference 2017 and shared its experience in biodiversity protection. Since Yili signed the Cancun Business and Biodiversity Pledge of 2016 Conference of Parties (COP) to the Convention on Biological Diversity (the CBD COP 2016) at the end of 2016, Yili categorized the nine commitments into key CSR topics such as “environmental protection” and “green production”, and conducted various biodiversity practices. While making contributions to domestic ecological progress, Yili becomes a precious sample of enterprise’s participation in biodiversity protection for China and even the world.

Case: Biodiversity Briefing of Yili Group presented on the meeting of Global Partnership for Business and Biodiversity in Paris

From November 23 to 24 in 2017, the seventh meeting of Global Partnership for Business and Biodiversity was held in Paris with the attendance of over 100 representatives from enterprises, governments and NGOs around the world. On the meeting, Biodiversity Briefing of Yili Group was presented and attracted people’s attention. Lots of the representatives wanted to read the Briefing to learn more about Yili’s practice in green industrial chain and wetland conservation in northeast China.

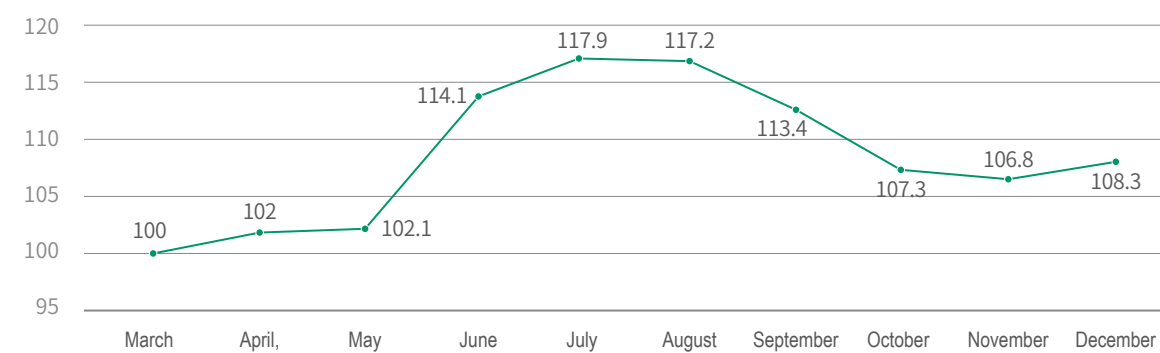


the meeting of Global Partnership for Business and Biodiversity in Paris

Case: Yili China Consumption Upgrading Index and Sustainable Consumption Index released

In June 2017, Yili, together with Caixin Media and BBD, jointly released the trial version of Yili China Consumption Upgrading Index. Taking the consumption in March 2017 as the base period data standard, Yili regularly released data of the last month on the 15th of each month. By calculating all the consumption indexes, the Index comprehensively and truly reflects the consumption trend of residents and helps accurately follow the progress in consumption upgrading.

In January 2018, Yili released the Yili China Sustainable Consumption Index on the Good Life and China Opportunities—Pujiang·New Era Development Forum, which was the second report of Yili since 2016. The report aims to get a comprehensive understanding of the public’s awareness, attitudes and behavior patterns to sustainable development, so as to provide critical enlightenment for enterprises, organizations and individuals that intends to promote sustainable consumption to improve cognitive performance on sustainable development brand and attract customers to actively conduct sustainable consumption.



Yili China Consumption Upgrading Index (from March 2017 to December 2017)



Yili China Sustainable Consumption Index 2017 released

Biodiversity Protection Actions

As the first Chinese enterprise to sign the Cancun Business and Biodiversity Pledge of 2016 Conference of Parties (COP) to the Convention on Biological Diversity (the CBD COP 2016), Yili pursues the trinity of “green production, green consumption and green development”, continuously promotes species protection, green packaging, green production and sustainable agriculture and animal husbandry, constantly carries out biodiversity protection in the “green industry chain” and advocates the idea of biodiversity protection to the public by fulfilling the commitments, thus supporting biodiversity protection with the strong green power.



Habitat conservation

Fully aware of the important role of habitat protection, Yili continuously carries out activities to conserve wetland and combat desertification, so as to make the whole industry chain ecologically-friendly and contribute to the protection of living environment for animals and plants.

Case: Sustainable Corn Planting Demonstration—Wetland Protection Project

Through planting sustainable corn, Yili helps maintain the water table and prevent the wetland from further degradation, thus protecting the ecological system of the Songnen Plain.

The Songnen Plain is a major area of marsh wetland in China, which is an important habitat for numerous rare birds, fishes and plants. The large-scale agricultural water conservancy projects and farming activity, such as corn planting, have a devastating impact on the natural wetland. The habitat area for waterfowls has decreased and causes great changes of waterfowl population and shows a trend of decline.



In July 2016, Satine started to cooperate with WWF to carry out the wetland conservation project in northeast China and explore an environmentally-friendly sustainable development mode in the Songnen Plain to reduce the impact of current agricultural production on wetland ecological system by reducing water consumption and the use of pesticides and chemical fertilizer.

Background

According to the definition in the Convention of Biological Diversity, the habitat means the place or type of site where an organism or population naturally occurs, and sometimes the place where animals and plants live and breed. China National Biodiversity Protection Strategy and Action Plan (2011-2030) points out that “the accelerated urbanization and industrialization brings threats to and increases pressures on the habitats of species and ecosystems” and “environment pollution has great impacts on aquatic and river coastal biodiversity and habitats”. The loss of habitats and decrease of biodiversity will cause reduction of living space for creatures and pose great threat to biodiversity.



Satine and WWF logo



Cooperating with partners

Yili cooperated with WWF to carry out projects with technological support from Jilin Academy of Agricultural Sciences (Northeast Agricultural Research Center of China) and Northeast Normal University.



Cultivating demonstration fields

Yili has 1,000 mu of demonstration field in Qian'an county, Tongyu county and Ningjiang district of Songyuan city, Jilin province. The demonstration technologies include: water and fertilizer coupling technology, straw recycling technology, drip irrigation under mulch and integration of water and fertilizer, as well as mechanization throughout the production process.



Promoting sustainable corn planting

Yili has collected relevant technological achievements, compiled training materials, and organized agricultural trainings by combing indoor theory teaching and on-site practice in the demonstration field, so as to promote sustainable planting technology to local farmers.



Green procurement

Yili prioritized purchasing quality corn from the project area and used them as fodder for animal husbandry of Satine, encouraging farmers to carry out sustainable planting.



Conducting regular monitoring on bird

Through regular monitoring on wetland and major waterfowl populations in the breeding season (from May to August) and the migration period (from September to November) of birds, Yili masters the status of wetlands, and has recorded birds of 8 orders, 14 families and 57 species, among which 2 are under the first-class state-level protection (Oriental White Stork and *Grus japonensis*).



Precision Fertilizer by Drip Irrigation under Mulch



Left: Corn produced in sustainable agriculture planting area; Right: Corn produced in traditional way; the corn shown in the left is much bigger than that in the right



Songnen Plain environmental-friendly sustainable agriculture technology training course



Staff of Satine and WWF have conducted field study of sustainable corn planting

Case: Growing alfalfa to combat desertification

To carry out the policy of “combating desertification” and support the “alfalfa revitalization project”, Yili has bought 37,200 mu desertification grassland to grow alfalfa in Shaogen town of Ar Horqin Banner of Inner Mongolia since 2014, making contributions to combating desertification.

Ensuring the fodder supply

Yili provides quality forages to farms in its upstream industry chain to ensure the safety of raw milk.

Achieving carbon neutrality

Yili helps to neutralize 38,600 tons of CO₂ per year by growing alfalfa.

Promoting recycling

Yili promotes recycling in cow breeding, animal waste and forages planting to reduce environmental pollution to the farms.

Combating desertification

Yili effectively improves desertified soil with the strong root system of alfalfa to promote a good ecological environment.

Background

Ar Horqin Banner of Inner Mongolia is lack of rainfall and faced with severe desertification of grassland, with only 5%~40% of vegetation in the desertified grassland area. With the strong root system, alfalfa can improve soil quality, control water loss and soil erosion and combat desertification. As well-known for its high output and good quality, alfalfa is called “the king of fodder plants”, and can replace part of concentrates as a kind of fodder of high quality.



Harvesting alfalfa in the farm of Yili

Addressing climate change

Blending the green low-carbon idea into the production, management and operation, Yili adopts advanced international technologies and combines “source control” and “end treatment” to control carbon emissions and achieve energy saving and emission reduction.

Energy management system	Yili formulated the Energy Management System Operating Manual of Yili Group and Guidelines for Energy Management and Sustainable Development of Yili Group and established an energy management system certified by ISO 50001, RBT 120 and GBT 23331.
Energy equipment management	Yili strictly regulated the design, operation and management of energy equipment, the equipment of energy measuring instruments and the elimination of electromechanical equipment with high energy consumption.
Energy-saving technology development	Yili has developed methodologies and models such as the energy management balance test and energy-saving production model to optimize the energy supply system and consumption system, and actively expand the use of energy recycling modes such as biogas power generation.
Control of carbon emissions	Yili has conducted carbon emissions inspection for eight consecutive years to comprehensively measure greenhouse gas emission in production, and actively seek every chance to reduce carbon emissions.



Promote the use of solar energy in Yili factories

Background

Nowadays, it has been a global environmental problem and international concern to address climate change and effectively protect biodiversity. As early as in 2007, “Biodiversity and Climate Change” was the theme of International Day for Biological Diversity. “To improve capacities to cope with climate change” was also listed as one of the ten priority areas in the China National Biodiversity Protection Strategy and Action Plan (2011-2030).

101

Number of energy saving and emission reduction projects

RMB 45.42 million
Investments

8.22 %

Reduction of energy consumption per ton

Case: Yili conducted carbon emissions inspection for eight consecutive years

Since 2010, Yili has cooperated with SGS-CSTC Standards Technical Services Co. Ltd., an authoritative third-party carbon verification agency, to conduct carbon emissions inspection. With the ISO 14064-1:2006 standards, Yili has carried out this inspection for eight consecutive years to comprehensively measure greenhouse gas emission in production. The data analysis enables Yili to identify the carbon emission points in each plant and decide the major control areas for carbon emission reduction. Yili is the first enterprise in the industry to conduct comprehensive carbon emissions inspection on all its subsidiaries.

With the green and low-carbon development mode, Yili won the Responsibility Golden Bull Award issued by the CSR Research Center of Chinese Academy of Social Sciences and also received the Golden Prize of the 7th International Carbon-Value Award, which is known as the “medal for best player in promoting low-carbon transformation and environmental protection in the world” for the fifth consecutive year. Yili was recognized by the UN and specialized international organizations as “the best player in providing social value with the low carbon concept”.



Yili won the Responsibility Golden Bull Award issued by the CSR Research Center of Chinese Academy of Social Sciences

Links

Carbon emissions inspection, namely greenhouse gas emissions inspection, refers to the practice to calculate direct or indirect greenhouse gas emissions throughout the whole process of social and production activities from the government or enterprises. The ultimate purpose is to save energy and reduce emissions.



Yili won the Golden Prize of the 7th International Carbon-Value Award

Species diversity protection

Seeing species protection as the key task of biodiversity protection, Yili comprehensively evaluates the impact of its operation and production on biodiversity, carries out species protection through the whole process, and conducts long-term monitoring, protection and scientific research to constantly improve the species protection level.

Case: Yili carries out wild salmon protection activities in New Zealand

Since 2016, Oceania Dairy Limited, the South Canterbury-based dairy company of Yili, cooperated with Waitaki Riparian Enhancement Society to carry out the wild salmon protection project. Oceania Dairy Limited has promised to provide three years of investment (2016-2019) to Waitaki Riparian Enhancement Society and use it for the operation of salmon hatchery, purchasing fish feed, and improving the living environment of wild salmon in the Waitaki River Basin.



Wild salmon hatchery in Waitaki River Basin

Sustainable utilization of resources

By mapping international standards, Yili adopts clean and recycling production technologies to promote sustainable use of resources, integrates quality technology, talent and platform resources, and extends its philosophy, technologies and methods to the whole industry chain so as to foster the sustainable development of the whole industry chain.

Background

“Sustainable use of components of biological diversity” is one of the three goals of Convention on Biological Diversity. One of the eight strategic tasks of China National Biodiversity Protection Strategy and Action Plan (2011-2030) is to “promote sustainable development and use of biological resources”. It is a practical way to coordinate biodiversity protection and use through sustainable use.

Background

Biodiversity includes genetic diversity, species diversity and ecosystem diversity with the species diversity at the core. Species provides the primary sources to the food and medicine of human beings as well as raw materials for industrial and agricultural production, and also plays an important role in preserving the soil fertility, ensuring water quality and regulating climate.

2,800 tons

In 2017, Yili has reduced the use of packaging paper for about

Case: New agricultural eco-cycle mode of “resource recycling of animal waste”

Background

With the rapid development of large-scale pasture, large quantity of cow waste resulting from intensive farming has increasingly caused environmental pollution, and become a bottleneck for the sustainable development of the dairy industry.

Philosophy

Objective	To pursue a proper waste treatment mode and achieve resource recycling of animal waste
Solution	To establish a balanced system of planting and breeding with a good structure so as to achieve the recycling of materials and energy
Principle	Reduction, harmlessness, and recycling

Actions

Based on domestic and international experience as well as the features of its farms in China, Yili has installed rainwater and sewage diversion systems, highly polluted water and less polluted water diversion systems, as well as the solid and liquid animal waste separation facilities in all farms based to their own features. After the fermentation in the tank and drying in the sun, the separated solid animal waste can be used as the bedding for cows, while the liquid animal waste can be used as fertilizer in the field after the fermentation. By doing this, Yili achieves resource recycling and zero discharge.

With the model of eco-friendly farms, Yili actively promotes the green pasture concept by establishing the “Yili Milk Cow School” and the “Training Program for Second-Generation Farmers”, so as to promote the idea of green farms, foster the eco-friendly transformation of partner farms, and extend the eco-cycle mode to more farms across China.

Achievements

Following achievements have been made with resource recycling use of animal waste as bedding for cows and organic fertilizer:

- 1) Bedding for cows
 - **Reducing the consumption of woodchip bedding:** Using animal waste bedding can save the cost of RMB 2.07 million than the woodchip bedding for each farm.
 - **Saving the cost of earthwork in the farm:** The gradient of the animal waste transfer ditch can be decreased to 0.8% from 1.5%, saving around RMB 6 million for each farm.
 - **Preventing pollution caused by river sand:** Replacing river sand with solid animal waste as the bedding can prevent the secondary pollution to the environment and the damage to animal waste treatment equipment caused by river sand.
 - **Making it easier to treat animal waste in follow-up process:** Compared to woodchip bedding, it is easier to clean animal waste with the animal waste bedding.
- 2) As organic fertilizer
 - **Reducing the cost for pasture wastewater treatment:** The liquid animal waste can be used as fertilizer in the field after the fermentation.
 - **Reducing the use of chemical fertilizer in the farmland:** The organic fertilizer contains comprehensive nutrients, which are slowly released with a longer effect.
 - **Reducing the diffusion of odor:** Piping the organic fertilizer can effectively prevent its leakage and venting.
 - **Improving the soil:** Organic fertilizer can fundamentally improve the microbial flora in the soil.

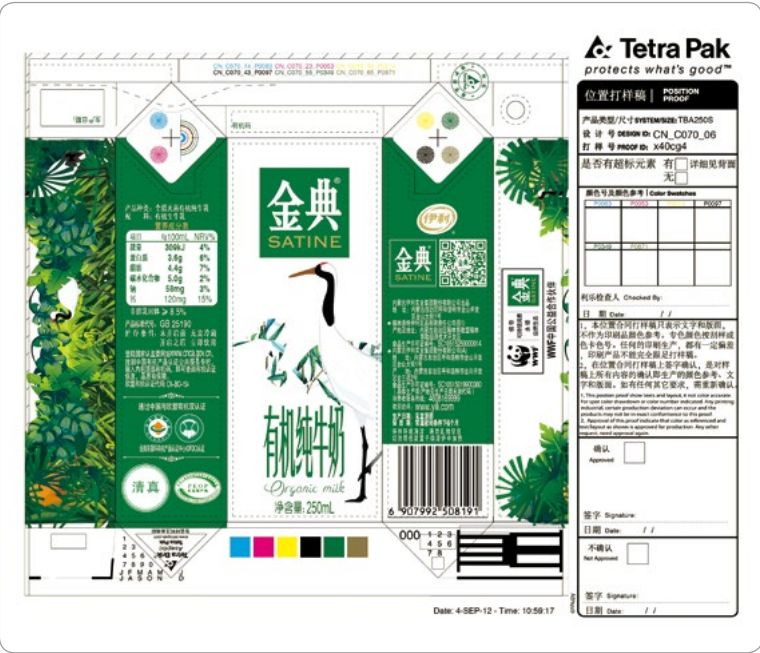


Resource Recycling Device for Animal Waste

Case: Continuing to use green FSC packaging

Yili keeps pursuing the “4R+1D” in the development of dairy product packaging, namely “Reduce”, “Reuse”, “Recover”, “Recycle”, and “Degradable”, to ensure green packaging for dairy products. Yili is committed to achieving energy saving, material saving, efficiency and harmlessness in each link of the whole process from raw material processing to recycling.

Since 2011, Yili has been the first enterprise in the industry to cooperate with Tetrapak / SIG Combibloc, top suppliers of packaging materials, to comprehensively apply FSC packaging in the product line. Starting from “Satine organic milk”, Yili has further applied FSC packaging to other product lines such as the “Satine pure milk” and “Satine low fat milk”, and plans to apply it all of dairy product lines. With careful packaging design and the recycling use of waste packaging materials, Yili improves the utilization of packaging materials, and reduces waste packaging materials, thus easing the environmental burden.



FSC Packaging of Satine Organic Milk

Links

FSC refers to Forest Stewardship Council. FSC certification system was jointly initiated by NGOs and environmental protection organizations and aims to promote responsible forest management globally. Products with the FSC label have passed independent certification to guarantee that their packaging materials are from forests that can satisfy the social, economic and ecological demand of present and future generations.

2.4 billion packages

Satine applied FSC packaging materials By the end of 2017

80,000 mu

Amounts to sustainable management of forests of (statistics from WWF)

100 %

Suppliers of packaging materials certified by FSC

environmental governance

RMB 180 million

Investment in environmental protection

Background

Environmental pollution is an important cause of biodiversity loss. The pollutants directly do harm on creatures and cause deterioration of the living environment, which will impact the survival and reproduction of living things at the bottom of the food chain. There is a strong link between a mass extinction of species and global environmental pollution. One of the Sustainable Development Goals is “Responsible Consumption and Production”, and one of the 30 priority actions of China National Biodiversity Protection Strategy and Action Plan (2011-2030) is to “reduce impacts of environmental pollution on biodiversity”. To reverse the trend of biodiversity loss, it is urgent to reduce environmental pollution.

Case: Promoting green logistics

Yili pays attention to the discharge and control of pollution produced in logistics, and actively takes measures to promote green and environmentally friendly logistics in the transportation of products, such as providing advanced facilities and equipment, installing transportation monitoring software and comprehensively applying the automation system. With these efforts, Yili aims to ease traffic congestion, and reduce fuel consumption and emissions, thus lessening the impact of logistics on the environment. Also, Yili focuses on exploring more environmentally-friendly modes of transport, including railway and maritime transport, and has partnered with China Railway Corporation to better tap into and use railway resources.

Measures

- Using low polluting trucks
- Short distance delivery
- Transportation at night
- Improving vehicle full-load ratio
- Improving the proportion of direct product delivery from factory to customer
- Special-line transportation

Yili attaches much importance to environmental pollution in production and transportation activities and promotes green development. In 2017, Yili invested in projects of online monitoring, establishment and transformation of the sewage system, boiler improvement and procurement of environmentally friendly equipment. To deal with emergencies, Yili and all its subsidiaries have developed emergency plans for environment protection and organized emergency response teams with emergency resources, sparing no efforts to minimize the impact on environment.

Waste gas	Yili has gradually upgraded the coal boilers through dust removal and desulfurization measures in its factories and over 20 subsidiaries, and replaced coal boilers with gas boilers in almost 10 subsidiaries and shut down coal-fired boilers of 3 subsidiaries to provide central gas supply.
Waste water	By the end of 2017, the wastewater treatment capacity of wastewater treatment plant (station) was about 150,000 tons per day with annual degradation of chemical oxygen demand (COD) substances of about 55,000 tons, all meeting the wastewater discharge standards.
Solid waste	Yili has implemented safe management of solid waste by sorting general and hazardous solid waste to be disposed respectively by qualified third parties, whose legitimacy and competence will be strictly verified, therefore ensuring 100% professional waste management throughout the disposal process.

Management of the “three wastes”

Advocating ecological protection

Committed to advocating the idea of biodiversity protection in the society, Yili organizes publicity activities and carries out education and training programs with the support of all walks of life, thus leading the public to participate in biodiversity protection and raise people's awareness of biodiversity.

Case: Cooperating with the "Singer 2017" Show to give voice for "wetland protection"

On April 22, 2017, at the "The Night of Satine · Satine Singers 2017 Top Concert", Satine cooperated with the "Singer 2017" Show and invited famous singers such as Hanhong, Liwen and Lin Yilian to give voice for the wetland protection project of Satine and WWF, which attracted over 12.77 million visits to the show. The concert started with the campaign video of Satine "Wetland Protection", on which the singers, serving as "public welfare ambassadors", to call on the public and other singers to pay attention to wetland protection, and spread the environmental concept of Satine.



Live broadcasting scene of "Singer 2017" Show

Case: Launching the activity of "Listening to the Sounds of Nature"

In August 2017, Satine cooperated with Ximalaya FM to launch the activity of "Listening to the Sounds of Nature", and make creative dynamic web pages with the original soundtracks of the wetland. Users are able to see the beauty of wetlands and listen to the sounds through the beautiful dynamic pages.



The campaign page of "Listening to Sounds of Nature"

Case: Launching the 4.6-m² wetland protection project in northeast China entitled "Natural Gifts, Repaying Nature"

On September 5, 2017, Satine decorated a mall elevator in a shopping mall of Beijing with the wetland landscape in northeast China, and posted the video of "4.6- m² in the city" to promote the activity -- "The purchase of each box of Satine organic milk by customers equals a public welfare donation by Satine used for protecting 4.6- m² wetlands", raising customers' concern on wetland protection.



The activity page of "the 4.6- m² wetland protection project in northeast China"

Case: Inviting the "Travel Talent" to participate in wetland protection

In September, 2017, Satine invited travel talents to participate in the wetland experience journey in northeast China, enabling them to experience the real "gift of nature" and look for the rhythm of life. While enjoying the beauty of wetlands, travelers also can recognize the ongoing destruction of the wetland environment. This activity aims to call on consumers to participate in the wetland protection in northeast China together with Satine.



"Travel Talent" activity

Case: Wetland Nature Education School

In September 2017, Satine, together with WWF and Jilin Wetland Protection Association established "Wetland Nature Education Schools" in Xianghai and Momoge, offering wetland protection courses to almost 350 students of seven classes and popularizing related biodiversity knowledge to primary and secondary school students and the public.

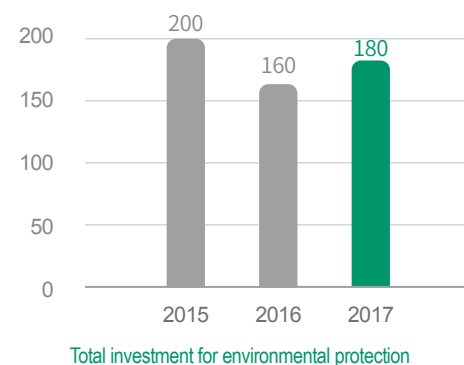


Class of Wetland Nature Education School

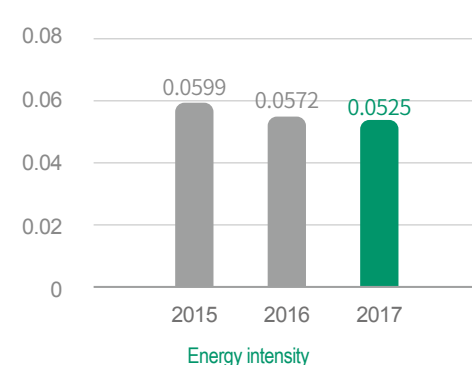
Biodiversity Protection Performance

Our governance performance

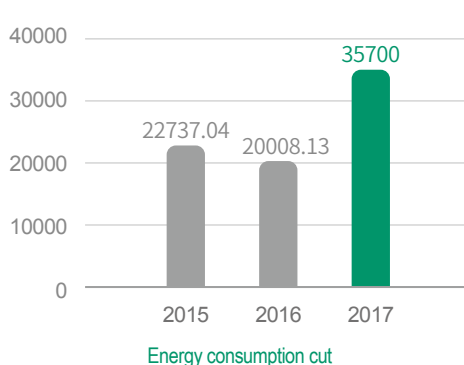
Unit:RMB million



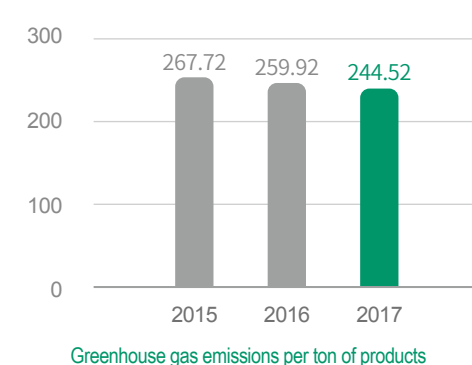
Unit:Tons of standard coal/ton



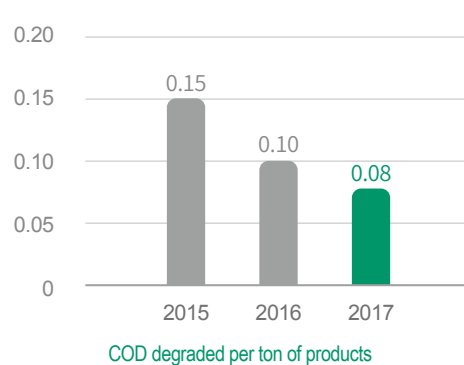
Unit:Tons of standard coal



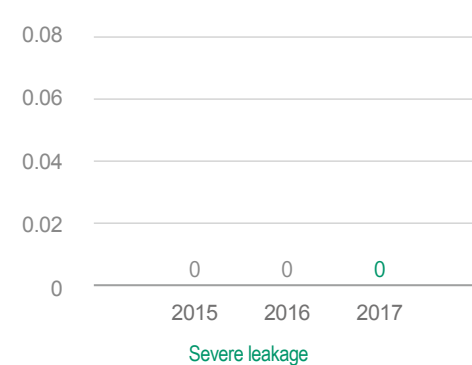
Unit:kg/t



Units:kg/t



Unit:Times



Our Honors

Honor 1: Yili Biodiversity Practice was praised by the new executive secretary of the UN Convention on Biological Diversity

In September 2017, as the first Chinese enterprise to sign the Cancun Business and Biodiversity Pledge of 2016 Conference of Parties (COP) to the Convention on Biological Diversity (the CBD COP 2016), Yili was invited to take part in the symposium with the new executive secretary of the UN Convention on Biological Diversity visited China. Wang Wei, Vice President of Yili introduced the actions and achievements of Yili in biodiversity protection: not only actively fulfilling the commitments of biodiversity protection, Yili also mapped the Sustainable Development Goals (SDGs), and included nine of them related to biodiversity into the sustainable development strategy, so as to achieve sustainable development in all links of the industry chain. Yili has received great recognition from the executive secretary of the UN Convention on Biological Diversity for its biodiversity practice, and was expected to have more cooperation between the Convention and Yili on biodiversity protection.

"Yili is the largest dairy company in Asia. It's remarkable to include biodiversity into its development strategy. The "Green Industry Chain" strategy of Yili has produced great positive effect on biodiversity protection."

Cristiana Paşca Palmer, Executive Secretary of the UN Convention on Biological Diversity

Honor 2: Yili Biodiversity Practice Cases introduced into global sustainability case collection by UNESCO

On December 19, 2017, at the 2017 China Business Summit On Achieving Sustainable Development Goals (SDGs), Yili was awarded by the United Nations Global Compact with the title of "2017 Chinese Enterprise Best Practice on Achieving Sustainable Development Goals". At the same time, Yili's sustainable development practice cases, including biodiversity protection practices, due to the foresight of the actions and the leading effect on the whole industry chain, have been introduced into global successful sustainability experience and case collection by UNESCO as a "sample".

"I've heard of Yili for a long time, and it does have done much for sustainable development. I hope to visit Yili one day."

Ms. Marielza Oliveira, Director and Representative of UNESCO Beijing Office



Zhang Jianqiu, Executive President of Yili (Left One) and Marielza Oliveira, director of the UNESCO office in Beijing (Right One) communicate with each other about sustainable development

Honor 3: Yili included in "Chinese Business and Biodiversity Partnership" Annual Report 2017

Chinese Business and Biodiversity Partnership (CBBP) is the Chinese partnership established by the Foreign Economic Cooperation Office of the Ministry of Environmental Protection to respond to "Global Partnership for Business and Biodiversity" and uses to recognize, evaluate and promote Chinese enterprises with good biodiversity performance.

The CBBP Annual Report 2017 includes unique actions of Yili such as the carbon emissions inspection, comprehensive application of FSC packaging, and wetland protection in northeast China. Yili is the enterprise with the most actions in the report, which demonstrates Yili's contribution in the participation of Chinese enterprises in biodiversity protection.



Scan the QR code to read the "Chinese Business and Biodiversity Partnership" Annual Report 2017

Plan for Future Work

China will hold the 15th Conference of Parties to the Convention on Biological Diversity in 2020, which represents the recognition of biodiversity protection in China, and more importantly shows China's determination to make contributions to biodiversity protection in the world. In this context, Yili will continue to focus on biodiversity in future. While pursuing the goal of "serving 2 billion customers globally by 2020", Yili will adhere to the development principle of biodiversity protection, fulfill the commitments of biodiversity protection and strive to be a Chinese sample of biodiversity protection for global business.

Practice. Yili will continue its efforts to forge ahead with the achievements in the past. Under the guidance the "green industry chain" strategy and based on the current actions, Yili will continuously promote protection projects, expand new fields, and keep playing its part in protecting biodiversity on the earth. Yili will also extend the CBD requirements to upstream and downstream partners of the industry chain so as to make the whole industry chain more resource-saving and eco-friendly.

Information Disclosure. Yili, with an open mind and transparent principle, will share the achievements of protection with the whole society. By regular releasing reports, Yili will spread its biodiversity practice, project progress and biodiversity knowledge to stakeholders and enhance the biodiversity protection management. Yili is committed to establishing the systems and standards for internal information disclosure of biodiversity, so as to promote a unified and standardized information disclosure mechanism for enterprises in China and even in the world.

Communications and Exchanges. With the advantage of its influence and strengths in the biodiversity field, Yili will lead more social forces to participate in biodiversity protection, expand partnership, and promote communication and interaction with stakeholders to gain their attention and recognition.

It's a mission for all human beings and also the responsibility of Chinese enterprises to curb global warming and save our planet. Yili will undertake its responsibility as a leading enterprise to make due contributions of Chinese enterprises to global ecological progress.



Commitment Index

Index of the nine commitments of Yili in the Cancun Business and Biodiversity Pledge of 2016 Conference of Parties (COP) to the Convention on Biological Diversity (the CBD COP 2016)

Commitment	Page
If applicable, understanding, measuring and valuing the impacts and dependencies of the decisions and operation of Yili on biodiversity and ecosystem services	P7/P20-P21
Taking action to minimize negative impacts and optimize positive impacts on biodiversity	P8/P19/P22-P25
Developing biodiversity management plans, including relevant actions taken to the whole supply chain	P6- P9/P16-P18
Regularly reporting on Yili's impacts and dependencies on biodiversity and ecosystem services	About the Report/P12
Promoting awareness about the values of biodiversity among our employees, managers, shareholders, partners, suppliers, consumers, and across the business and finance departments	P10-P11/P13/P26-P27
Acting as a promoter of relevant standards with awareness of biodiversity responsibility, focusing on the economic opportunities and solutions, and helping to strengthen and disseminate business case that better integrates the value of biodiversity into decision-making	P16- P18
Engaging in different occasions and opportunities to share our companies' experiences and progress, encouraging other companies to act in similar way	P4-P5/P12-P13/P18/P29
Taking measures to mobilize resources to support concrete actions on biodiversity, and explain and monitor the use of these resources if appropriate	P10/P26-P27
Providing relevant information on actions and disclosing progress of the work related to issues above	P17/P28

