



Inner Mongolia Yili Industrial Group Co., Ltd.



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Social Responsibility Report 2017

2017

Inner Mongolia Yili Industrial Group Co.,Ltd.
Social Responsibility Report

World Integrally Sharing Health



Inner Mongolia Yili Industrial Group Co., Ltd.



Yili WeChat official account

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Message from the Chairman



Implementing Sustainable Development and World Integrally Sharing Health

Health is an eternal topic and the common pursuit of all human beings. As a healthy food enterprise, Yili adheres to the corporate belief of "Yili Represents the Highest Quality" in the process of development, remains true to its original aspiration and dream of "World Integrally Sharing Health", and upholds the business philosophy of "prioritizing corporate culture over growth rate, industry prosperity over individual brilliance, and social value over commercial wealth." We take full responsibility for stakeholders and work hard.

Health is inseparable from sustainable development. In recent years, the concept of sustainable development has been deepened and become a global consensus. In order to better realize the concept of sustainable development

and the dream of "World Integrally Sharing Health", in 2017, Yili integrates with the UN Sustainable Development Goals (SDGs), and upgrades the "Healthy China Corporate Social Responsibility System" to "World Integrally Sharing Health Corporate Sustainable Development System" for the future, which covers four priority areas of action, namely Win-Win results across the industrial chain (Win-Win), Quality and innovation (Innovation), Social welfare (Social), and Nutrition and health (Health). We call it the "WISH" system, which represents not only the dream of "World Integrally Sharing Health", but also the pursuit and desire of all human beings for a wonderful life.

This year, we continue to promote Win-Win results across the industrial chain. We help industrial

chain partners to grow up together, maximize the synergy value of the whole industry chain and share the development results with partners through Institute for the Development of Dairy Farm Partners, Institute for the Development of Suppliers, and Institute for the Development of Distributors. We actively communicate with consumers, and the number of online visitors has exceeded 110 million, the total number of visitors to the factory has reached 12 million, and the number of consumers who have purchased Yili products has reached 1.35 billion. We regard staffs as valuable assets of the company, and the proportion of staffs under the age of 40 exceeds 80%, as well as females in senior management (Deputy General Manager and above) accounts for nearly one-fifth.



This year, we continue to improve quality and innovation. We further improve the quality management system and promote the "Leading Quality Strategy 3210 ", and we are the first to put forward the "Industrial Chain Quality Management Ecosystem" in the industry, and gather the force of the whole industry to safeguard the safety of consumers' food; we adopt the "Life-cycle Environmental Management", and insist on the "Green Industrial Chain" development route; we adhere to the concept of "No Innovation, No Future" , and the total investment in R&D has increased by 22%, and the proportion of high-tech and high-value-added products has reached 49%.

In this year, we continue to devote to social welfare. We care about the growth of youth in an all-round way and launch the project of Yili Future Park to connect the world and children with technology, covering 100,000 students; we practice the Cancun Business and Biodiversity Pledge, and implement 9 commitments in the whole industrial chain; we launch the project of Yili Star Project, nourishing the growth of youth mind with traditional Chinese culture; we carry out the project of Yili Nutrition 2020, which is a targeted poverty alleviation project that lasts for nearly 100,000 hours, running across 25,000 km, covering 120,000 students in poor areas.

In this year, we continue to provide nutrition and health. We advocate a healthy lifestyle and make high quality products to meet the needs of different consumers. We insist on carrying out study on breast milk independently for 15 years to develop formula milk powder that is most suitable for Chinese babies. We actively participate in and support the construction of the Chinese breast milk bank; we are dedicated to helping the broad consumers enjoy the nutrition and health of dairy products, increasing the nutrition and health level of the public; we have been cooperating with the Olympic Games for 12 years and provided nutrition for 12,000 players from 32 training bases, 28 Summer Olympic teams and 11 Winter Olympic teams.

In 2017, Yili officially becomes one UN Global Compact member which is the first member enterprise in the food industry in China. We were invited to Harvard University to share our experience in sustainable development with senior executives from agricultural enterprises in the world. We are glad for what we have achieved and at the same time we deeply understand that all this cannot be separated from the efforts of all staff, support of industrial chain partners and the trust of consumers.

"It's the process instead of the peak that's important when ascending a hill and one is bound to learn along the trip". In the future, we will continue to join hands with partners in the industry, remain true to our original aspiration and stay committed to the belief of "Yili Represents the Highest Quality". We will practice the idea of sustainable development, strive to become the most trusted health-food provider around the world, and achieve the dream of "World Integrally Sharing Health".

Pan Gang
Chairman and President of Yili Group

About Yili

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

Composed of four divisions, namely liquid milk, milk powder, ice cream and yogurt, operating about 100 subsidiaries, Yili offers a wide array of dairy products under the household brand names Yili, Satine, Shuhua, QQ Star, Pro-Kido, Xinhua, Changqing, Mei Yi Tian, Chocliz and Ambrosial. Yili is the only Chinese supplier of dairy products that conformed to the standards of

the Olympic Games and thus designated to provide service for the Beijing Olympic Games; and it is also the only Chinese supplier of dairy products that conformed to the standards of the World Expo and provided service for the Shanghai World Expo 2010. In 2017, the company retains its ranking among the world top 8 dairy companies as well as the first place in the Asian dairy market. In addition, it is the largest Chinese dairy company offering the widest array of dairy products.

Yili is committed to international and innovative development built on its fundamental dedication to quality and responsibility, aiming to offer a diversity of high quality and high value-added dairy products through

advanced technologies that are highly trusted by consumers.

Yili has always been dedicated to producing dairy products 100 percent safe and 100 percent healthy. The company offers a daily supply of over 100 million products on the market. Yili ranks first with regard to the brand strength index on the 2017 Brand Finance Global Dairy Brands List; and it retains the number one position among all food brands on the 2017 BrandZ Top 100 Most Valuable Chinese Brands List.

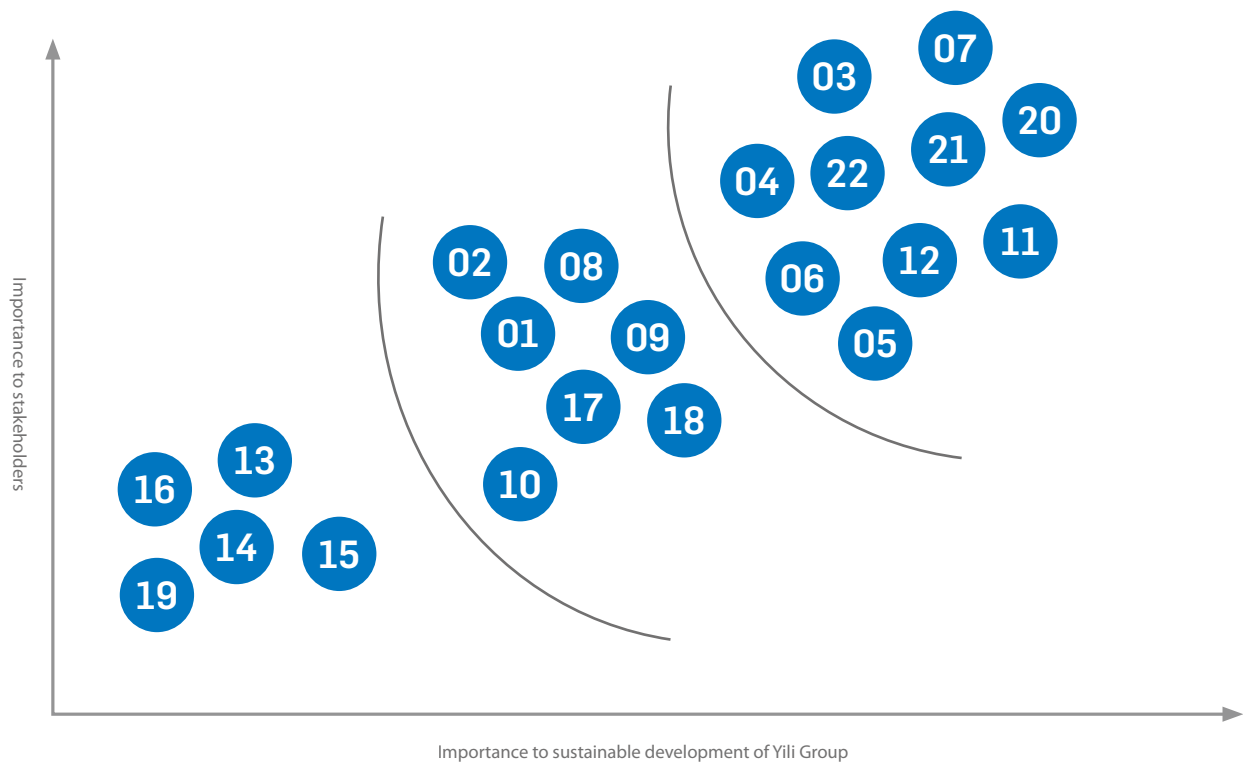
Apart from providing safe and healthy dairy products, Yili has focused on a business philosophy of "prioritizing corporate culture over growth rate, industry prosperity over individual brilliance, and social value over commercial wealth", integrating sustainable development into its corporate strategy in an ongoing effort to become the most trustworthy provider of healthy food around the globe for world integrally sharing health.



Materiality Analysis

In 2017, Yili issues questionnaires to stakeholders to collect material issues on sustainable development. By applying scoring process and the two-dimensional matrix analysis model of “relevance to stakeholders and relevance to sustainable development of Yili Group ”, the company has

identified a series of material issues that are of great significance to its sustainable development and stakeholders. Based on these, Yili will further improve its capacities and levels on sustainable development. The related information is disclosed in this report.



Win-Win Results across the Industrial Chain

- 01. Promoting partnership across the industrial chain
- 02. Supporting the development of SMEs
- 03. Improving consumer services
- 04. Protecting rights and interests of staff
- 05. Supporting staff growth and career development
- 06. Caring for staff's life

Quality and Innovation

- 07. Safeguarding food safety
- 08. Advocating energy conservation and emission reduction
- 09. Reducing waste and emissions
- 10. Improving animal welfare
- 11. Improving R&D capacity
- 12. Identifying consumer needs

Social Welfare

- 13. Dedicating to targeted poverty alleviation
- 14. Supporting teenager education
- 15. Protecting biodiversity
- 16. Carrying out post-disaster assistance

Nutrition and Health

- 17. Sticking to fundamental scientific research on nutrition and health
- 18. Introducing diverse products
- 19. Advocating a healthy lifestyle

Corporate Management

- 20. Ensuring compliance with laws and regulations
- 21. Strengthening risk control
- 22. Protecting rights and interests of shareholders

Stakeholders Communication

Yili attaches great importance to the communication with stakeholders. The company knows very well that only by cooperating with stakeholders can both sides make progress on the way to sustainable development. In

its daily operations, Yili continuously improves diversified communication channels to learn about the concerns of all parties, and makes immediate responses with practical solutions, so as to grow together with stakeholders.

Stakeholders	Focus Issues	Responses	Examples
Shareholders and Investors	<ul style="list-style-type: none">• Safeguarding rights and interests of investors• Risk control• Innovation	<ul style="list-style-type: none">• Promoting sustainable economic growth• Maintaining steady operation• Promoting R&D and innovation	<ul style="list-style-type: none">• Protecting rights and interests of shareholders• Holding onsite meetings with investors
Government and Regulatory Agencies	<ul style="list-style-type: none">• Leading the industrial development• Compliance with laws and regulations	<ul style="list-style-type: none">• Compliance with laws and regulations• Disclosing information promptly	<ul style="list-style-type: none">• Zero tolerance to corruption by strict auditing• Disclosing information regularly on designated websites
Consumers	<ul style="list-style-type: none">• Safe and healthy products• Complete customer services	<ul style="list-style-type: none">• Zero food safety accident• Meeting the multiple needs of consumers• Multi-channel communication, and caring for consumers	<ul style="list-style-type: none">• Leading quality strategy and zero tolerance for unsafe products• Online and offline communication with consumers
Partners across the Industrial Chain	<ul style="list-style-type: none">• Business ethics and integrity• Promoting sound development of industrial chain• Mutual development	<ul style="list-style-type: none">• Implementing responsibility-based procurement policies with a rigorous review process and management• Boosting development of partners across the industrial chain	<ul style="list-style-type: none">• Supplier lifecycle management system• Three institutes for the development of dairy farm partners, suppliers, and distributors• Supply chain finance
Staff	<ul style="list-style-type: none">• Basic rights and interests• Occupational safety and health• Career development	<ul style="list-style-type: none">• Developing a sound compensation and benefits system• Occupational health and safety management• Offering staff training and career promotion	<ul style="list-style-type: none">• Equality in wages, competitive wages, and additional welfare• Establishing systems, making policies, and carrying out training and exercises• Promotion channels and vocational trainings
Social Community	<ul style="list-style-type: none">• Development and growth of social community	<ul style="list-style-type: none">• Targeted measures in poverty alleviation• Teenager education• Disaster relief	<ul style="list-style-type: none">• Carrying out targeted poverty alleviation programs• The Yili Ark Project• Emergency plan for natural disasters
Environment	<ul style="list-style-type: none">• Reducing pollution• Addressing climate changes• Environmental protection	<ul style="list-style-type: none">• Developing a green industry chain• Launching environmental protection projects	<ul style="list-style-type: none">• Sewage treatment and safe disposal of solid wastes• Carbon emission reduction, energy conservation and emission reduction• Biodiversity protection

Corporate Management

At the 2017 China Annual Meeting of Harvard Business Review (HBR), Chairman Pan Gang wins the highest honor for management practice in China - "Ram Charan Management Practice Award" and topped "China's 100 Best-performing CEO List", the first time for the head of a leading dairy company to take the first place. Under the leadership of Chairman Pan Gang, Yili has built up a well-developed and transparent corporate management mechanism, laying a solid foundation for sustainable development.

Establishing a Sound Organizational Structure

Based on its current development, Yili further improves its modern enterprise system and management structure in strict accordance with the *Company Law of the People's Republic of China* (the *Company Law*), the *Corporate Governance Standards for Listed Companies* and other applicable Chinese laws and regulations.

General Meetings of Shareholders

Yili has developed a Shareholders Meeting mechanism with clearly defined responsibilities. The rules and procedures for convening and conducting the meeting and making proposals are established in accordance with the *Company Law*, the *Articles of Association of Yili* (the *Articles of Association*) and the *Rules of Procedure for the General Meeting of Shareholders of Yili*. No major measures are adopted without prior approval of the General Meeting of Shareholders.

Board of Directors

The Board of Directors of Yili elects and appoints directors through standard procedures according to the *Company Law* and the *Articles of Association*, who dutifully attend board meetings and are well versed in applicable laws and regulations, which endows them with full competence to exercise their rights and fulfill their obligations and duties.

Specialized committees such as the Corporate Strategy Committee, the Audit Committee, the Nomination Committee, and the Compensation and Performance Appraisal Committee, etc., are established under the Board, all, except the Corporate Strategy Committee, chaired by independent directors respectively, who contribute significantly to an efficient and regulated decision-making process on major policies and investment of the.

Board of Supervisors

With clearly defined responsibilities, the Board of Supervisors of Yili convenes and conducts supervisory meetings in line with the rules of procedures specified in the *Company Law*, the *Articles of Association* and the *Rules of Procedure for Supervisory Board Meetings of Yili*. The duly appointed supervisors are fully qualified for the position as per requirements specified in the *Company Law* and the *Articles of Association*. The supervisors are devoted to protecting the legitimate rights and interests of the and its shareholders by dutifully attending supervisory meetings and performing their duties diligently during their term of office.

Protecting the Rights of Shareholders

In strict accordance with relevant laws and regulations, Yili has formulated and implemented the *Administrative Regulations on Information Disclosure of Yili* to ensure an authentic, accurate, complete, timely and fair disclosure of information. The *China Securities Journal*, the *Shanghai Securities Journal* and Shanghai Stock Exchange website (<http://www.sse.com.cn>) are designated media channels to disclose information on Yili to ensure that all investors enjoy equal access to information.

Yili posts investors' investigation reports and Q&A on the Shanghai Stock Exchange media platform to respond to questions of high concern to investors in daily communication; and it launches a "one-stop" investor relationship platform on its official website for the display of information such as real-time share price, interim reports, temporary announcement and analyst list in order to keep investors informed of the company's operation information and financial data. Besides, Yili holds an online Open Day for a thorough exchange of information about corporate strategy, business operation and financial status with investors.

In 2017, Yili holds one online performance presentation for investors, one online Investors' Open Day, one activity themed "I'm a shareholder: minority investors' visits to Yili", participates in 12 strategy seminars arranged by securities companies, as well as hosts 138 investors' onsite researches, and 64 con-calls. These activities facilitates investors to stay informed about its business development as part of its efforts to strengthen investor protection and education.



Compliance with Laws and Regulations

Yili presses ahead with regular audit supervisions to guarantee business operation in compliance with laws and regulations; and it conducts special audits in targeted service division and carries forward operation in accordance with laws and regulations through initiatives such as focusing on key services, inter-departmental cooperation, improving lower management capabilities and enhancing staff’s execution capabilities.

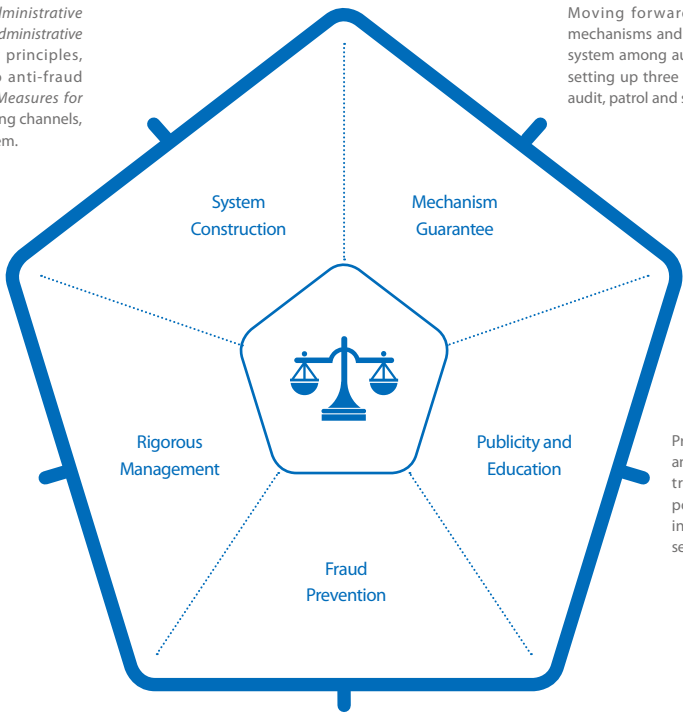
Zero tolerance to fraud

With a close eye on the teams’ probity and self-discipline, Yili requires members of the management teams to set an example in probity and self-discipline and to keep "high-pressure" on fraud activities so as to establish an all-aspect and all-round mechanism against fraud covering the management team, frontline business personnel and all the other staffs.

Formulating corporate rules such as the *Administrative Measures for Anti-Fraud Supervision* and the *Administrative Measures for Fraud Punishment* to specify principles, concepts and guidelines with respect to anti-fraud supervision; compiling the *Administrative Measures for Reporting and Complaining* to regulate reporting channels, protect informers and establish a reward system.

Moving forward with initiative to build ideology, mechanisms and regulations, establishing an interaction system among audit, human resources and security, and setting up three daily supervision teams of professional audit, patrol and surveillance.

Carrying out a series of fraud investigation throughout the year to safeguard the interests of the company and the staff, improving the deterrent effect of fraud punishment, warning education others.



Promoting the "Sunshine Campaign" for anti-fraud publicity, under which specialized trainings for the entire personnel, key positions and new staffs were launched in 2017, with 49,897 attendances in 620 sessions on anti-fraud.

Maintaining its membership of the China Enterprise Anti-fraud Alliance (CEAA) to improve its anti-fraud mechanism and management; sharing resources and information to jointly create a clean and incorrupt business environment.

Reporting System: Opening reporting channels such as email, hotline and official website to collect reports and complaints that will be handled seriously.

Ensuring information security

Yili has formulated a series of policies and procedures on information security covering all aspects, and set up a work team in charge of daily security management to ensure zero incidents of information safety. In 2017, Yili focuses on the management of staff information safety, network safety, computer access and system control, establishes a data backup center, and installs a unified backup system. In addition, the company makes emergency plans with exercises carried out on a monthly basis, and continuously improves the plan to ensure the efficiency and accessibility of the backup data.

Yili appoints staff to participate in professional information security trainings held out of the company and nominates full-time lecturers to provide trainings for its staff to strengthen their awareness of information security and regulate their behaviors. In 2017, 83 training sessions on "information security awareness and work safety risk prevention" are organized with a total of 216 hours and 3,447 attendances.

Intellectual property protection

Yili emphasizes intellectual property protection. During daily operation, the company follows and analyzes intellectual property status in the dairy industry to avoid a violation of others' intellectual property in its technical

development and brand building. Yili analyzes risks of intellectual property infringement from product planning, R&D, production to sale, and identifies and protects possible intellectual property throughout the process.

Conducting responsible marketing

In strict conformity with relevant laws and regulations on product labeling in China, Yili compiles the *Administrative Measures on Product Labeling*, based on which product labeling compliance review is conducted for the authenticity of the content to avoid misleading consumers and help them

choose what they really need correctly. In terms of advertising, Yili strictly complies with requirements on advertisement content as stipulated in the *Advertising Law of the People's Republic of China* to guarantee authenticity and compliance during advertising.

Enhancing Internal Control Management

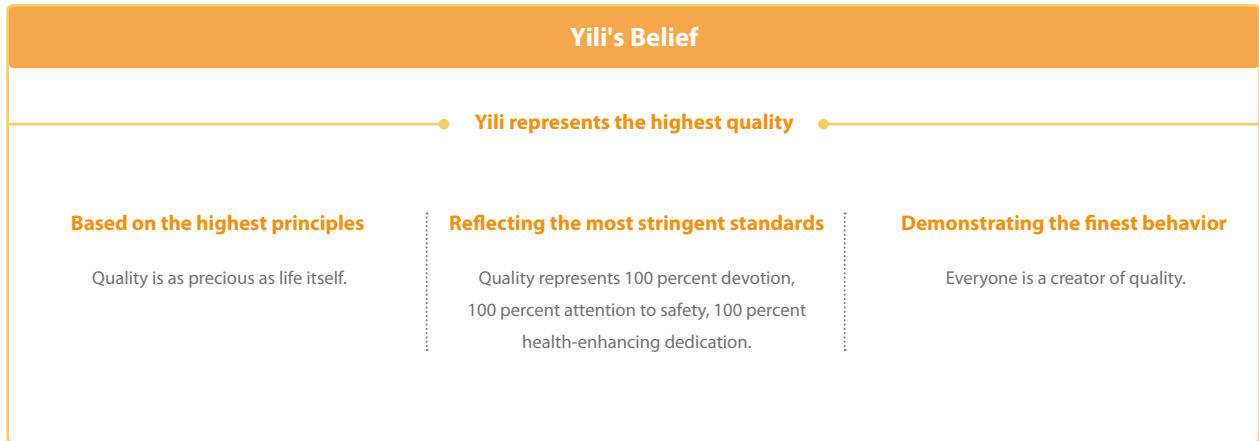
Yili sets up a specialized department to carry out strict internal control and management on a yearly basis, through which management defects are found and rectified promptly. In the meantime, the company further improves its management system to ensure consistently legal and regulatory compliance in operation and management. In 2017, Yili implements an all-round internal control system composed of three channels, namely

risk management, compliance issue analysis, as well as self-control and assessment, and follows up on and inspects the implementation of the control measures quarterly and monthly to ensure the improvement of its management, the optimization of its management system, and a reduction of operational risks.

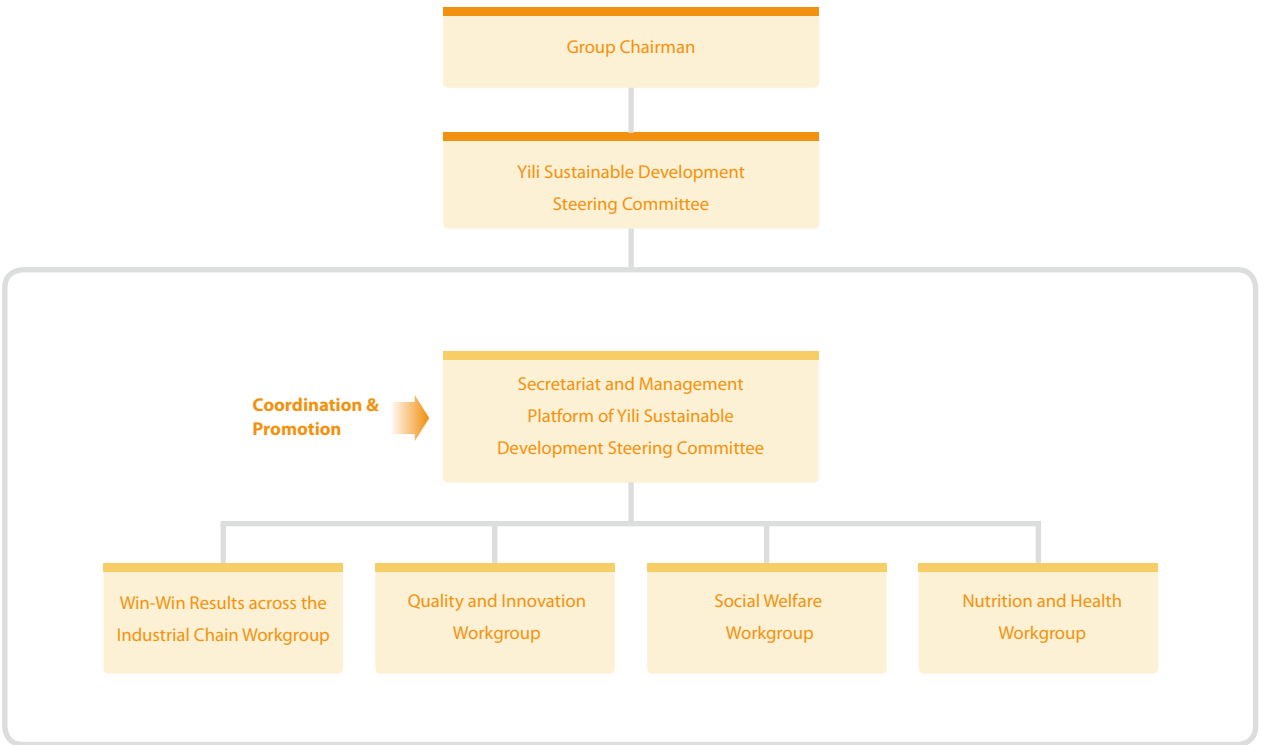


Sustainable Development Management

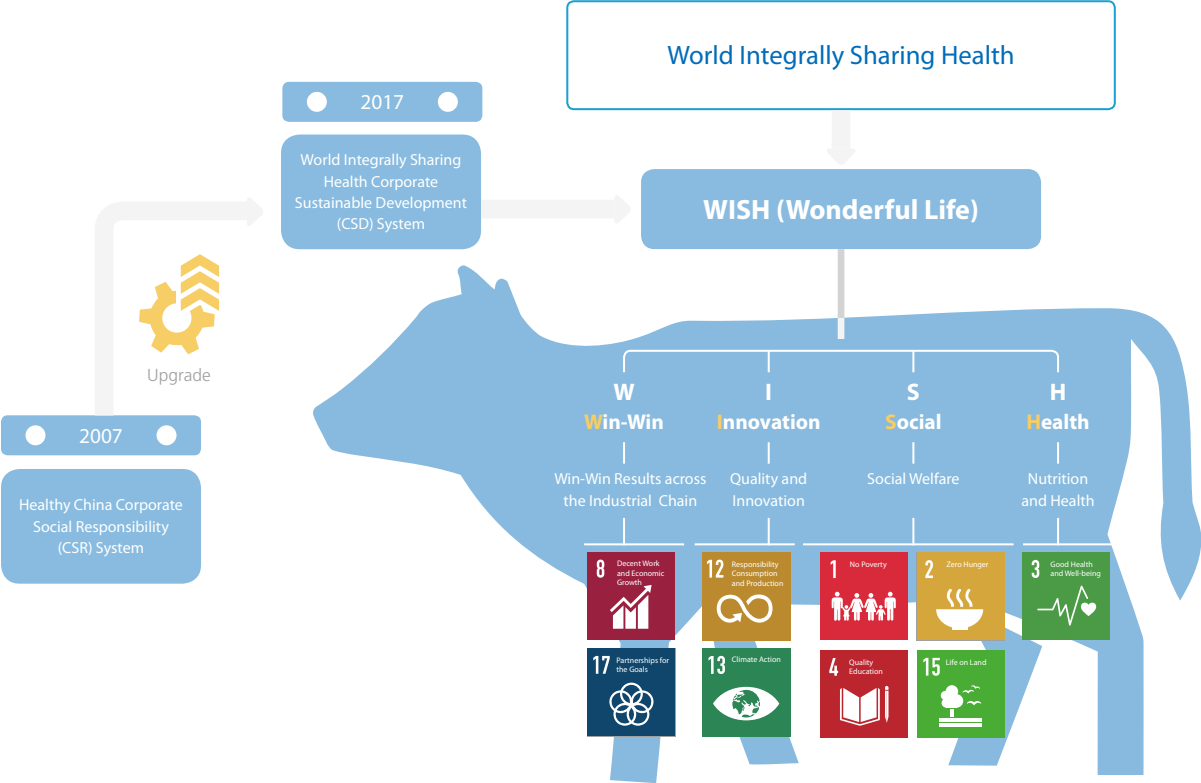
Concept of Sustainable Development



Structure of Sustainable Development Organization



World Integrally Sharing Health System



In the past, Yili created three "firsts" in the social responsibility field: the first complete Healthy China Corporate Social Responsibility System, the first Social Responsibility Emergency Plan, and the first Corporate Citizenship Report in the industry.

Under the guidance of Chairman Pan Gang's idea of "World Integrally Sharing Health", Yili upgrades the enterprise social responsibility management system, and builds the "Healthy China CSR System" into the

"World Integrally Sharing Health CSD System", we call it the "WISH" system, meaning "wonderful life". "WISH" system is a significant reflection for Yili to benchmark and implement the UN Sustainable Development Goals, with the 9 identified major sustainable development goals integrated into four specific fields for the enterprise sustainable development: Win-Win results across the industrial chain (W: Win-Win), Quality and innovation (I: Innovation), Social welfare (S: Social), and Nutrition and health (H: Health).

Chairman Pan Gang explained the Win-Win cooperation for MBA students at Harvard Business School

In February 2017, Chairman Pan Gang is invited to give lectures to MBA students of Harvard Business School. This is the second time Harvard University invited Pan Gang to teach MBA students after 2007. In the class, themed by "Follow the World Trend, Embrace Opportunities in China" and based on the practice of Yili's globalization, Pan Gang explains that, global problems can only be solved by globalization, the mutual benefit and common development can only be achieved by open attitude and cooperation. Before the end of the lecture, Pan Gang also invites 100 Harvard students to visit in China to meet with young entrepreneurs in China. Pan Gang's speech receives a strong repercussion and resonance from the teachers and students at Harvard, ending with a long time applause. The visit to Harvard not only shows the determination of Yili to stick on cooperation with the world, but also lays a solid foundation for promoting cooperation between the youth forces of China and America.



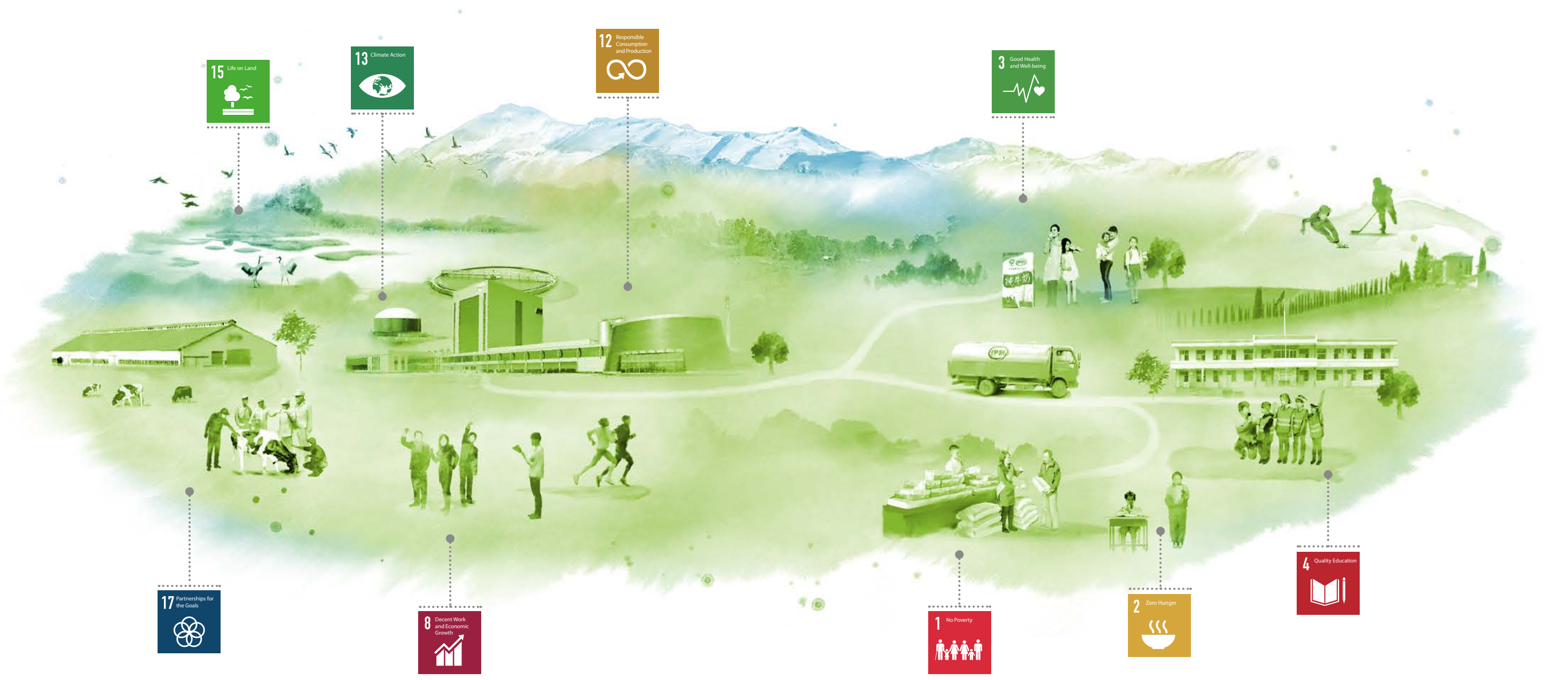
Chairman Pan Gang gives lectures for MBA students at Harvard Business School

Yili became the first Chinese food enterprise listed in United Nations Global Compact

In 2017, Yili officially becomes one member of the United Nations Global Compact, as the first member enterprise among Chinese food industry, setting an example for sustainable development of the industry. This is not only a great confirmation for Yili's contribution in the sustainable development field, but also Yili's commitment to striving for mankind well-being of mankind.

United Nations Global Compact is the largest and most influential UN organ aiming at pushing forward the enterprise sustainable development and social responsibility. By the end of 2017, 9,727 enterprises from 162 countries had joined the organization.

World Integrally Sharing Health



In terms of standard, we benchmark the UN 2030 Sustainable Development Goals (SDGs), and select 9 from the 17 goals to guide enterprise development.

In terms of system, we upgrade the “Healthy China Corporate Social Responsibility” to the “World Integrally Sharing Health Corporate Sustainable Development” to realize Chairman Pan Gang’s dream “World Integrally Sharing Health”, which is referred to as “WISH” in English, meaning “wonderful life”.

To create a sustainable development model of standard+system+practice in “trinity”.

In terms of practice, we promote upgrading of the Yili Sustainable Development Steering Committee , establish “1234” sustainable development system and integrate sustainable development and corporate management deeply through four work groups including Win-Win industry chain, quality and innovation, social welfare, as well as nutrition and health, so as to push forward the sustainable development of Yili and highlight the global model of sustainable development.



Highlights of Sustainable Development

Win-Win Results across the Industrial Chain

8

Decent Work and Economic Growth

Yili continuously ranks **8th** in the Global Dairy Industry and retains its **No.1** position in the Asian dairy industry.

Female staffs account for

38.28%

Females in Senior Management (Deputy General Manager and above)

17%

Staffs under 40 years old account for

80%

Investment specialized for safety

744.63 million RMB

Donated

10

million RMB to establish the Staff Care Fund

17

Partnerships for the Goals

Customers supported by the industrial chain finance exceeded

2,700

Total financing reached

13.8 billion RMB

Yili has led nearly

40,000

people to engage in related works in the cattle breeding industry.

Online visitors exceeded

110 million

Offline visitors to Yili company exceeded

12 million

Consumer complaints resolution and return visit rate

100%

Consumers purchasing the Yili products

1.35 billion

Quality and Innovation

12

Responsible Consumption and Production

Total amount invested in detection equipment

635 million RMB

Detection cost

280 million RMB

Product batch test coverage

100%

Food Safety Accident

Zero

Total R&D investment reached

209.1653 million RMB

13

Climate Action

A total amount of investment in environmental protection

180 million RMB

Energy-saving and emission-reduction project

101

Total investment

45.4168 million RMB

Energy consumption of every ton products has reduced by

8.22%

Reduced the usage of packing paper by

2,800 tons

Reduced packing plastics usage over

800 tons

Social welfare

1

No Poverty

Targeted donation to "2017 China Guangcai Business Trip to Liangshan"

1 million RMB

Targeted donation to Bohang Township at the Huangyuan County in Qinghai Province

500,000 RMB

2

Zero Hunger

The project **Yili Nutrition 2020** has a total investment of **12** million RMB and a total duration of **10,000** hours, crossed **25,000** kilometers, covered near **1/3** Chinese provinces and with a land area of **2.6** million square kilometers, helping **120,000** students in poor areas and donated **200,000** cartons of student milk, teaching tools, etc.

Pro-Kido Maternal Love Plan

donated Pro-Kido infant formula milk powder with a value of **351,300** RMB.

4

Quality Education

RMB **2.08** million has been invested in **Yili Ark**, which helps build **43** Safety & Ecology Schools and cultivate more than **60** safety tutors.

RMB **1.8** million has been invested in **Yili Future Park**, which covers **100,000** students.

15

Life on Land

Satine has used **2.4** billion packs of FSC certified packaging materials cumulatively, promoting the sustainable operation of nearly **80,000** mu of forests.

Yili invests **767,000** RMB to develop the "Northeast wetland protection and sustainable agricultural development project," to build demonstration field of **500** Mu and to extend sustainable production technology of maize to the field of **13,105** Mu and the number of people trained has added up to **723** in this project.

Nutrition and Health

3

Good Health and Well-being

The collections of breast milk samples has covered **7** provinces and **38** cities/counties, in which over **1** million pieces of research data has been acquired.

Over **2,000** articles have contributed to the database literature on breast milk study, which covers over **20,000** products all around the world.

Yili donates **2** million RMB in all to support the extension project of Chinese breast milk bank project.

Yili provides nutrition security for **32** training bases, **28** summer Olympic teams, **11** winter Olympic teams and over **12,000** athletes for 12 years.

Maternal and Child Health Growth Long Journey covers **13** provinces, **23** cities, more than **3,000** people, and **5,500** beneficiary families.

01

Win-Win Results across the Industrial Chain

Cooperating with Partners across the Industrial Chain

Yili strictly selects and manages the partners across the industrial chain, provides support for ranch partners, suppliers, and distributors in respect of construction and financing, and realizes joint development with partners across the industrial chain.

Providing Optimal Service Experience

Yili actively communicates with consumers, understands deeply the consumer needs, provides omni-bearing intimate service, and constantly improves the consumers' satisfaction.

Boosting Staff Development and Growth

Yili provides excellent salary and welfare for mutual development of staff and company, guarantees staff health and safety, and cares about the staff's well-being.



<p>8 Decent Work and Economic Growth</p> 	<p>17 Partnerships for the Goals</p> 
<p>Yili devotes to pushing forward durable and tolerant sustainable development, promoting employment, and helping more and more people get decent work with equal pay for equal work.</p>	<p>Yili Group devotes to driving and supporting joint development of the industrial chain, strengthening partnership capacity construction, and creating shared value.</p>

Work Performance

Cooperating with Partners across the Industrial Chain

The proportion of the large-scale dairy farm



Second-Generation Dairy Farmers Training Program cultivates cumulatively senior management personnel and key-post technicians of



188

By developing and promoting new products and technologies, we achieve to save feed cost over



500

RMB per cow annually



12%

Customers supported by the industrial chain finance exceeds



2,700

Total financing reaches



13.8 billion RMB



Dairy school training

733



People involved in training exceeds

8,153 person-time



Organizes suppliers to carry out training on professional ability development with

1,418 person-time



Organizes distributors to carry out training on professional ability development with

46,509 person-time

Number of people Yili has led to engage in related works in the cattle breeding industry



40,000

Providing Optimal Service Experience

Online visitors over adds up to



110

million

Offline visitors to Yili company adds up to hit



12

million person-time

The Milk Culture Museum accumulatively receives tourists and visitors from home and abroad



500,000 person-time

Consumer complaints resolution rate



Consumer complaints return visit rate



Consumers purchasing Yili products



1.35

billion

Activities of mother class about



30,000

Boosting Staff Development and Growth

The total number of staff



53,531



Female staffs

38.28%



Females in senior management (Deputy General Manager and above)

17%



Staffs under 40 years old

80%



Employment contract signing rate

100%



Social insurance participation rate

100%



Staffs hires this year

12,125

Staff training reaches



334,600

person-time

Investment specialized for safety



744.63

million RMB



Establishes Love Mummy Huts

35



Establishes the Staff Care Fund donation

10

million RMB



Staffs assisted by the Staff Care Fund

26



Granted bailout for staffs

1.071 million RMB

Cooperating with Partners across the Industrial Chain

Yili constantly pushes forward industrial chain cooperation. We build Institute for the Development of Dairy Farm Partners, Institute for the Development of Suppliers, and Institute for the Development of Distributors. We also conduct the capacity construction for ranch partners, suppliers, and distributors and provide financing support to fully promote industrial development.

Supporting dairy farm development

Yili promotes transforming and upgrading the milk source base with the innovative milk source development mode, develops standard, large-scale, intensive, and intelligent "Four-Modernization Dairy Farm ", and builds solid

foundation for guaranteeing raw milk quality. In 2017, the proportion of the large-scale dairy farm reaches 100%.

Standardization	<ul style="list-style-type: none">Standardizing infrastructure and equipment for bedding, colony house through financingSummarizing a set of scientific and practical performance standard and procedure of ranch management. In order to improve the feeding process, expert teams provide free training and instruction for ranch farmers
Large-scale	<ul style="list-style-type: none">Leading the dairy farm to optimize herd structure, and integrating superior resources in order to expand the breeding scale of the dairy farm constantly
Intensification	<ul style="list-style-type: none">Making the scientific breeding standard to increase the number of feeding herds and perform accurate feeding and management for each cow The fresh cow dedicated service is carried to improve the unit-yield level
Intelligence	<ul style="list-style-type: none">Applying internet of things, cloud calculation, big data, mobile terminal, and other related technical means in the milk source base management, to realize the modern production and management mode for the dairy farm with intelligent production, remote service, and digital management

Yili promotes the scientific cow-breeding knowledge and carries out practice training through Institute for Development of Dairy Farm Partners to improve the farm management capacity and economic benefit, and increase the milk quality.



Dairy cow school

Yili has opened Yili Dairy Cow School constantly since 2010, to introduce advanced technologies from home and abroad. We have invited hundreds of specialists to explain up-to-date farm management experience to farmers, and help their farmers improve the breeding theoretic knowledge, practical operation skills, and operation capacity.

“Traditional cow breeding mode has low production efficiency and poor profit capacity. I participated in the comprehensive class of Second-Generation Dairy Farmers' Training Program at the beginning of 2017, turning myself from a person lack of cow breeding knowledge to a member of farm technical management. At present, , my unit-yield level improved significantly through study.”

— Chen Qingsong,
student of Second-Generation Hua Sheng Dairy Farmers Training Program

"Yi Cow Yi Vision "
WeChat official account

Field training

In 2017, Yili organizes 733 times of training covering 8,153 people. Yili publishes 12 series of books regarding breeding specialty and distributes them to ranch owners, with coverage up to 100%.

Second-Generation Dairy Farmers' Training Program

By the end of 2017, Yili has cultivated 188 senior management personnels and key-post technicians for the dairy farm, who will become future successors of the farm.

Online training

In 2017, Yili develops 66 e-courses about cow breeding technologies, with online training and "Yi Cow Yi Vision" WeChat official account to transmit the professional technologies and industrial information.

International training

Yili establishes the cooperation and exchange relationship with Ohio State University in the USA, aiming to cultivate cow breeding professionals. The participants have enhanced their skills in dairy farming management and their performance in management of the dairy farm has been greatly improved.



Driving the industrial development

In 2017, Yili helps nearly 40,000 people to work in the cow breeding industry , which can tackle the employment issue effectively. Each cow requires a great amount of silo corns for breeding. Yili puts the planting industry in motion with sales of over 2.6 million mu of silo corns every year, which can increase farmer's income.

Suppliers' review and ability enhancement

Yili establishes the world leading Supplier "Life-cycle" Management system. Yili concludes the agreement with TianYanCha to check the compliance of suppliers. We have prepared to meet the world leading raw material quality control standard higher than national standard, set the environmental evaluation and social responsibility selecting index, build the exit mechanism, and conclude the sunshine agreement with all the suppliers to eradicate any business bribe.

Yili carries out the capacity promotion program aiming at three target groups, including the suppliers' leaders, salesmen, and technicians through the Institute for the Development of Suppliers, and organizes visit and exchange activities for multiple times to the demonstration factory and benchmark learning base. Through the certification of capability improvement, suppliers' manual publicity, course learning and other methods, the training covers 853 suppliers and 1,418 participants.

Distributor synergistic interaction

Yili establishes the Cloud provider system, including Distributor Management System (DMS) and Sales Force Automation (SFA). We help the distributors to set the business team, improve the sales management level, execute the "joint business plan" with distributors, pay special attention to the consumer need change, and keep the sales in line with the need.

Yili helps the distributors to improve the sales and service capacity through Institute for Development of Distributors, with training content including business efficiency improvement, team management inspiration, and channel expansion, etc., which earns high recognition from the distributors. In 2017, Yili organizes the distributors' training courses with trainees up to a total of 46,509.



Training of how to increase profit for distributors

Creating the joint training system for Certified Quality Engineer Certification



Yili creates the joint training system for Certified Quality Engineer Certification, asks the suppliers to set the post of the joint quality engineer, and we develop three course systems including innovation, improvement, and management, and help the suppliers to improve the corresponding capacities from Offline to Online. In 2017, 57 suppliers get certified.



Yili issues certification for trainees of Certified Quality Engineer

“

I have participated in many training courses, but Yili's training concerned me very deeply. I am very grateful that Yili can provide us with such near-practical training. I will constantly participate in distributor training and realize the great prospect of top 5 and 100 billion in the world.

”

—Mr. Zeng, a distributor

The industrial chain financing

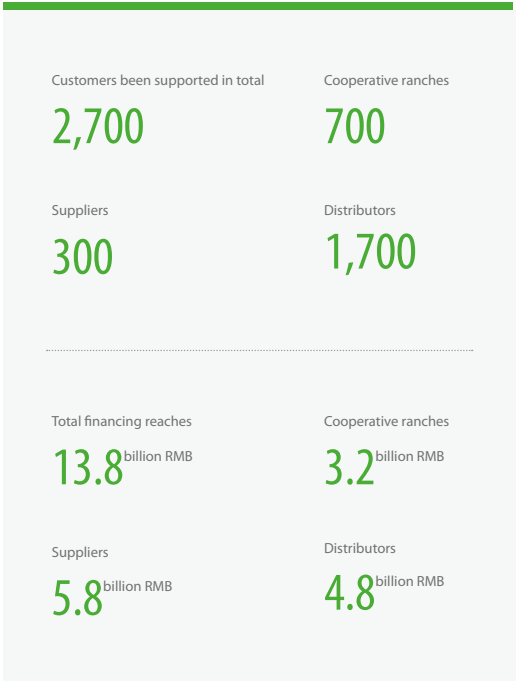
The milk industry supply chain is long. Many upstream and downstream enterprises around the core enterprise are small and medium-sized enterprises, who have financing difficulties: hard to be endorsed, slow improvement procedure, and high commission cost. Yili has established the guarantee company, factoring company, and internet small-loan company, erected the financing platform dedicated to upstream and downstream partners, explored a model of combination of production and finance characterized by "the core enterprise takes substantial risk responsibility" and driving the partners across the industrial chain to grow stably.

Industrial chain finance case getting the "Oscar Award" in the enterprise social responsibility field



On October 17, 2017, Yili Group industrial chain finance case wins Excellence Award for "Social Value Co-creation" Social Responsibility Case in the award ceremony of the second "ai Social Value Co-creation" Chinese Enterprises Social Responsibility Case.

The case appraisal and selection system are the first evaluation system involves with performance of sustainable development strategy and enterprise social responsibility designed by the higher-education institutions. The members of the judging panel are from renowned -education institutions such as Fudan University, Tsinghua University, Peking University and, Wuhan University, etc. The award can be called as "Oscar Award" in the corporate social responsibility field, representing high recognition to Yili's industrial chain in academia.



Yili wins the Excellence Award for Social Value Co-creation Corporate Social Responsibility Cases

Providing Optimal Service Experience

Yili always perseveres in taking consumer need as orientation, keeping effective communication with consumers, providing consumers with transparent, satisfying and omni-bearing service, and constantly improving consumers' satisfaction.

Innovative communication channels

Yili draws the distance with consumers close by ways of innovation. Focusing on three aspects, on-line visit, terminal experience, and factory visit, Yili takes various measures to let consumers understand more about Yili by means of online and offline linkage, such as WeChat platform, official website, e-commerce stream guidance, store experience, and optimal factory visit mode, etc.

On-line Visit

Terminal experience

Factory visit

Consumers followed WeChat official account "Visit Yili" in order to visit Yili by means of online VR. By 2017, the number of on-line visitors have exceeded 110 million.

The offline terminal experience was provided in Beijing, Shanghai, Guangzhou, Chengdu. Yili Dairy Farm truly adopts with the virtual reality technology to provide brand-new experience for consumers.

The interesting experience interaction zone, milk bar experience zone, Olympic zone, and virtual reality zone were set in the process of factory visit, so as to bring different experience for people. Until 2017, the offline visitors have reached more than 12 million.

Understanding the market demand deeply

Yili integrates the information provides by more than 5 million sales terminals, 1 billion consumers and a massive of partners, performs and studies the consumers' potential demand using the big data technology, provides high-quality products and service for consumers through coordination of the whole production chain.



Iussuing of One Show China Youth Innovation Festival and Future Milk Idea Prize

Enhancement of grassland milk culture



Yili Group Grassland Milk Culture Museum, built in Hohhot in 2013, is the first milk culture museum, showing indissoluble bound between the milk and northern nomadic groups, which fills the gap in the milk culture field. In 2017, the museum receives 500,000 domestic and foreign tourists and visitors, becoming one of the ten "National Industrial Tourism Demonstration Sites" in the country, and won the title of National 4A Scenic Spot.



MBA of Stanford University visits Grassland Milk Culture Museum

Future milk platform



In 2017, Yili establishes the "maker + consumer" to jointly create the interactive future milk platform by uniting Geekpark, One Show China Youth Innovation Competition, Zhihu, Guokr, and Qdaily and inviting consumers. The consumers can participate in research and development of the innovative products through need expression, product consulting, and interactive test by virtue of the internet technology; the maker becomes the innovation implementer through need observation, product R& D, and promotion test, etc.

In 2017, Yili solicits the future milk-related works from young people through cooperation with One Show, collecting 300 pieces of students' works in total; Yili launches the innovation contest against creative people together with Geekpark.

Improving consumers' satisfaction

Yili solves consumer's problems through various channels. We have made the survey and improved the service quality, and created the innovative sales service for consumers using the mobile network.

Conducting survey and improvement

Solution of consumers' problems

Optimization of purchase procedure

Conducting consumer satisfaction research through cellphone, XiaoYi online, and Member WeChat group; summarizing and analyzing the problems, and putting forward the improvement plan.

Providing the hotline service, extranet service platform, and customer service public e-mail, effectively tackling the problems regarding consultancy, suggestions, and complaints.

Launching "Laidian" Smart Hardware through cooperation with Jingdong Mall, realizing "one-button purchase" and "replenishment", constantly optimizing the purchase procedure, and improving purchase experience.



According to Kantar Worldpanel, there are about 1.35 billion consumers purchasing Yili products in 2017.

Consumer complaints resolution rate

Consumer complaints return visit rate



Yili has launched the strategy of eco-system for mom and baby, taught childcare knowledge to consumers, and helped mothers solve problems.

Since 2007, Yili launches the "Mom Class" to teach pregnancy and parenting knowledge. In 2017, Yili carries out about 30,000 mom-class activities and establishes over 20 Yili Mom Schools with great support.

Yili opens the Yili Baby-loving Club WeChat official account, provided 24h online question & answer for mothers, and invites specialists in pediatrics to provide micro-video class regularly.

Mom Class

Carnival

Yili Baby Club

Mom-baby expert panel

Yili invites mothers with babies to carry out the Carnival Interactive Activity, teaches them through lively activities, and holds about 6,000 events in 2017.

The expert panel helps mothers solve all the problems and troubles from antenatal period to the period with 3-year-old babies by imparting knowledge and answering questions, and providing solutions.

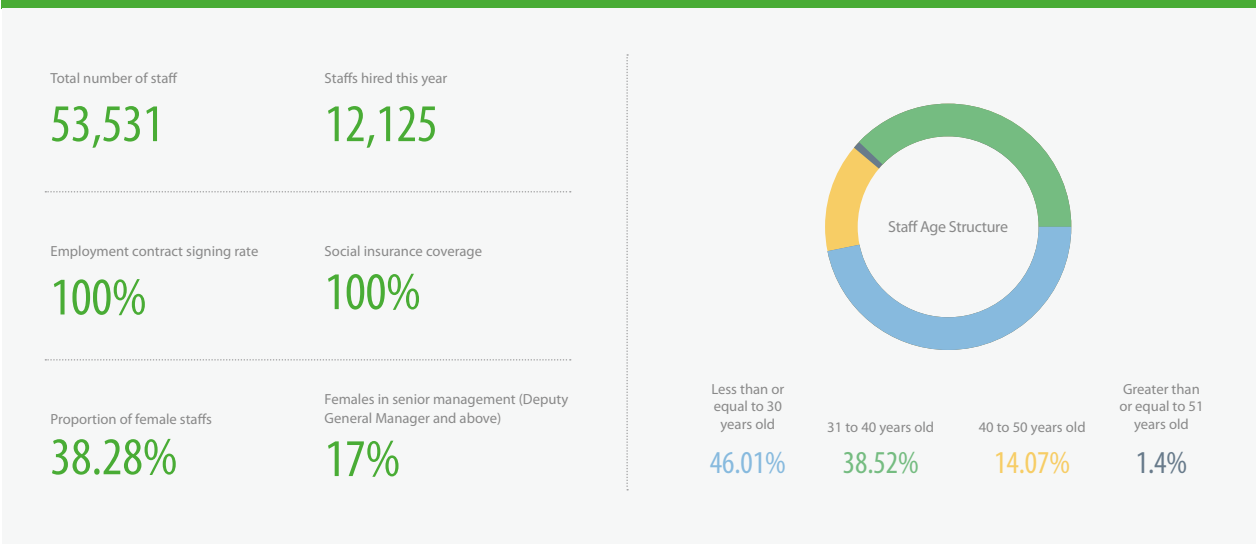
Boosting Staff Development and Growth

Yili regards the staff as the biggest treasure and the practitioner and beneficiary for sustainable development. Yili is responsible for each staff, focusing on protecting rights and interests of staff, devoted to constructing the diversified career development platform, building the smooth staff communication channel, and providing comfortable working environment, for the purpose of joint development with staff.

Protecting the rights and interests of staff

Yili adheres to people-oriented principle, conducts strict management in respect of compensation, welfare, and creates policies, etc., and created the fair, diversified, and anti-discrimination working space to protect the staff's interest.

Compensation system	Staff benefit	Equal employment	Protection of women's rights	Prohibition of child labor and forced labor
Yili adheres to the philosophy of comprehensive remuneration management according to the corporate strategy and talent strategy, optimizes the remuneration management level and raises the salary level of staff continuously based on the remuneration corresponding to the position, competency, performance and market conditions, so as to share the achievements of company development with staff and guarantee their well-being.	<p>By focusing on the spiritual needs of staff from multiple perspectives, Yili offers more than 40 distinctive benefits of special significance for staff, covering the traditional festivals, staff birthdays, children's festivals and spouse maternity, etc.</p> <p>The company cares about the family and life of expatriate staffs, sets flexible policies on their home leave, and offers them the home leave subsidies through the 'subsidy package' mode to highlight the humanistic concern.</p>	<p>Yili strictly abides by the <i>Labor Contract Law</i> and other related laws and regulations, eliminates discrimination in the recruitment process, and formulates a series of management mechanisms according to the law to protect the rights and interests of staff.</p> <p>The company ensures the legal employment through the labor union, collective consultation and other tripartite mechanisms.</p>	<p>Yili strives to ensure gender equality in wage setting, wage adjustments and other forms of compensation and benefits in compliance with the <i>Collective Contract on the Protection of Rights and Interests of Female Staffs</i> and support female staffs to play active roles within the Group.</p>	<p>Yili adheres to the laws and regulations in the recruitment and labor use, and requires each applicant to provide his/her original and copies of ID cards. Both child labor and forced labor are strictly prohibited.</p>




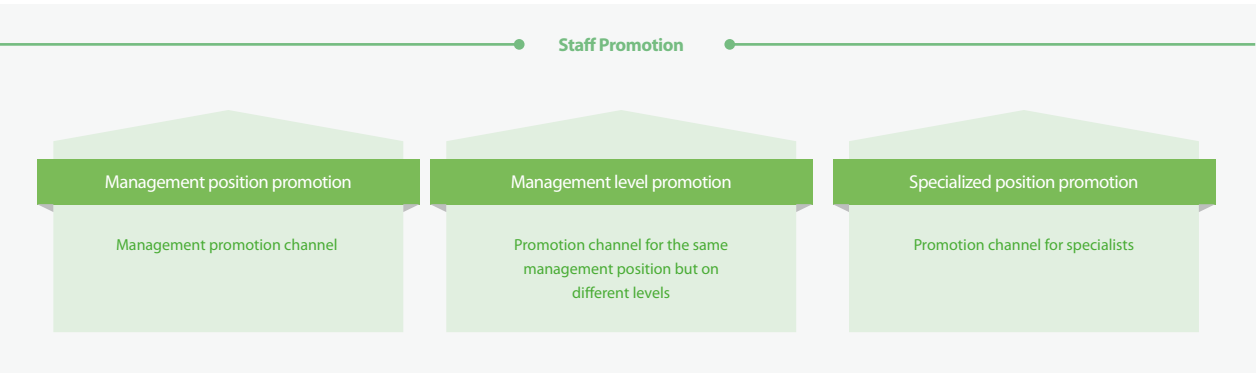
By 2017, Yili has over 50,000 staffs, where, female staffs account for 38.28% and females in senior management (Deputy General Manager and above) account for 17%, fully exerting female's role in the company management; the staffs under 40 years old account for 80%, indicating that the company was full of youthful spirit and had sufficient reserve force.

Helping staff to grow and succeed

Career development and promotion

Yili pays high attention to staff development, precisely identifies talents and use them according to their skills, and cultivates professional talents to realize joint development of staff and enterprise.

School talent development	Young talent development	International talent development	Training Staff
Yili initiates the university-corporate cooperation project with Gansu Agricultural University and Inner Mongolia Agricultural University, etc., and carries out the marketing plan competition, Yili Trip and other activities by building Yili Class, Outside-school Practice Base, and other forms, in order to provide social practice and training for students. In 2017, the beneficial students reach up to over 5000.	Yili initiates the young potential talent cultivation project, made the personalized development scheme, and took various measures to reserve young potential talents through oriented management and real-time follow-up.	Yili improves the staff's ability all-round in multinational operation and cross-cultural fusion capacity in respect to Business English, cross-cultural communication, and overseas survival, in order to better prepare for international journey.	Yili provides diversified comprehensive courses for all staff under the training system of Yili Commercial College. In 2017, the college carries out training covering over 334,600 person-time. <div></div>



University-corporate cooperation of Yili Class

Staff communication

Yili also creates the diversified staff communication channel and strengthens direct communication between leaders and staff. Yili establishes Staff Representatives Conference, transparent factory operations, and other democratic management system, devotes to creating fair, just, and open working atmosphere.

New staffs' face-to-face communication with Chairman Pan Gang

In 2017, Yili organizes the third session of the "Join Hands to Work and Grow Together" series event, where Chairman Pan Gang made on-site communication and exchange with over 1,000 new staffs, to encourage the new staffs to identify and actively fulfill Yili's core value, gain the future in Yili through hard work, and grow together with Yili. The activity crystallizes Yili culture deeply into the mind of each new staffs, so as to help new staffs to better blend in the company and strive for joint development with the group.



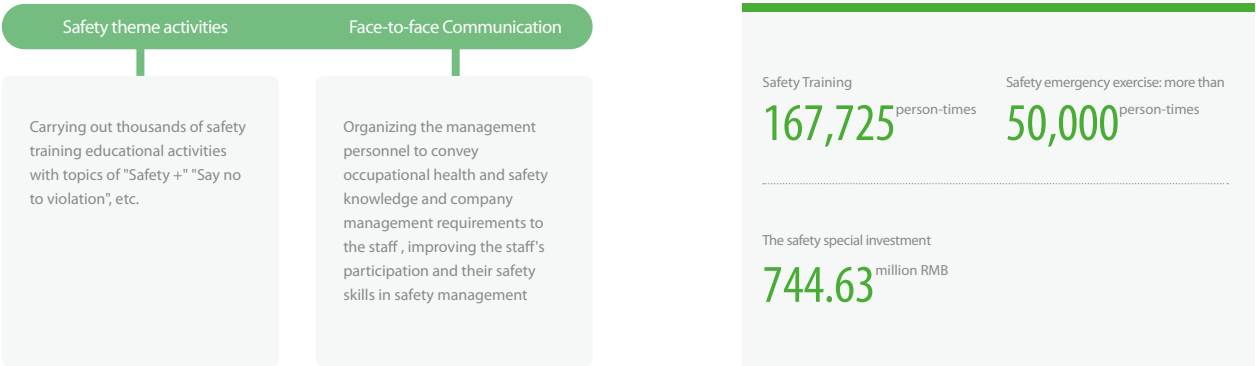
Chairman Pan Gang takes a group photo with new staffs

"We Are a Family" headquarters tour

Yili organizes the fourth "We Are a Family" headquarters tour in 2017. 300 outstanding staff representatives gathers together to actively implement Yili's core value, boost the morale, form a sense of belonging, and push forward business improvement through various group activities. From 2014 to 2017, the activity was continuously held for 4 times, which was very popular among staffs.

Guaranteeing the health and safety of staff

Yili has established the three-level review mechanism, so that the group, business department, and primary unit can review the healthy and safe management planning and operation conditions level by level and has made a complete emergency rescue system and professional emergency plan. It regularly organizes the staff exercise activities according to the state emergency management measures, and has improved the staff's emergency response and rescue capability.



Increasing staff well-being

Yili constantly pushes forward "Spring Rain" program , providing the staff with care in respect to hardware condition, cultural environment, etc., which has strengthened the staff's sense of belonging to the enterprise, and improved the cohesive force of the organization, so that the staff feel warm in the group.

Caring for female staffs

- The annual health examination program is organized every year;
- The International Women's Day female staffs caring activity is organized;
- "Buying Meals First" service and "Pregnant Women Dining Zone" are provided for pregnant staffs;
- "Mothers' Lounges" for female staffs in lactation period are improved and perfected continuously, with 35 lounges built by the end of 2017.

Helping staffs in need

Yili makes the best effort to help its staffs in need. We have established the charity foundation by contributing RMB 10 million, and developed an *Implementation Plan for Yili Group Staff Care Fund*. In 2017, the group helps 26 staffs and granted the salvage money of RMB 1,071,000.

Yili carries out "Education Grant" activity, funded 26 staffs in need, and granted the salvage money of RMB 130,000 in 2017.



Staffs experience the loving mommy house



Women staffs receives holiday gifts on the Goddess Day on March 8



Nanchang branch holds the Staff Caring Activity on the Chinese Valentine's Day

Work-life balance

In 2017, Yili carries out various recreational and sports activities, including physical fitness, parents-children campaign, and festival activities, so as to guarantee the staff work happily and live healthily.



Guangzhou branch holds the "Happy Time, Harvest Growth" parents-children activity



Jilin branch holds the marathon activity



Yunnan branch holds the creative fresh fruit plate activity

02

Quality and Innovation

Yili Represents the Highest Quality

Yili sticks with the concept that "Yili represents the highest quality", pushes forward "Leading Quality Strategy 3210" for a long term, builds the "Industrial Chain Quality Management Ecosystem" and realizes the control from source to terminal using the international leading standard, so as to provide high-quality products for consumers.

Creating Green Production Base

Yili drives all the links in the industrial chain to realize sustainable green development and carries out and constantly invests green production, green building, and environment-friendly production.

Improving Innovation and R&D Capacity

Yili builds the Technology R&D and Industry-University research cooperation platform, establishes the innovation center, continuously integrates the global intelligent resources in respect of talents and technologies, creates the "Global Wisdom Chain", and carries out a series of basic research projects.



12 Responsible Consumption and Production



Yili creates the global superior quality, constructs the green industrial chain, and uses the green environmental packages with "life cycle" environmental management" in order to guarantee responsible production and consumption.

13 Climate Action



Yili has made a series of energy management systems, actively introduced new concept of energy-saving management, carried out the carbon emission investigation for eight successive years, looked for the energy-saving emission-reduction opportunities, and constantly made contribution to fight against the climate change.

Work Performance

Yili Represents the Highest Quality

The cumulative investment for testing equipment



635

million RMB

The testing expense



280

million RMB

The product testing batch coverage



100%

Food safety accident



0

Creating Green Production Base

Total environment investment was about



180

million RMB



Energy saving and emission reduction projects

101



Investment

45.4168

million RMB

Cost reduction from energy-saving



37.8991

million RMB

The biogas power generation nearly



600,000

KWH

Improving Innovation and R&D Capacity

R&D total investment



209.1653

million RMB

Packaging paper use reduction



2,800

tons

Yili is granted with



110

patents

Packaging plastic use reduction



800

tons

Participating in the revision of 37 national standards for food safety



37

Yili Represents the Highest Quality

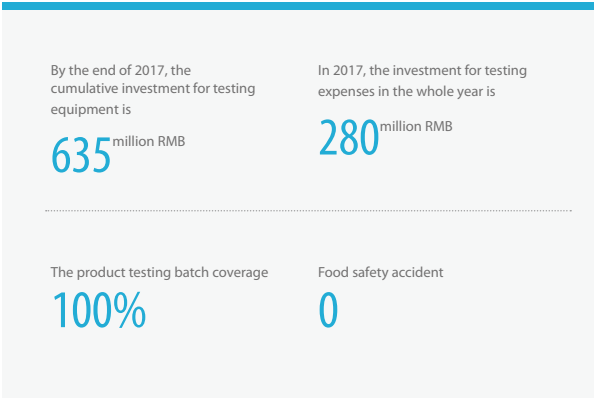
Yili puts the product quality at the top of agenda and sticks with concept that "Yili represents the highest quality". Aiming to produce 100% safe and healthy dairy products, Yili has upgraded its strategic management strategy to the "Leading Quality Strategy 3210"; centering on the manufacturing of dairy products with the "World's Best Quality". Yili keeps on upgrading its global quality management system and extends the strict quality control standard throughout the global industrial links, so as to avoid food safety accidents.

Industrial chain quality management ecosystem

Yili sticks with the concept that "Yili represents the highest quality" and builds the global quality management system. In 2015, Yili upgraded its quality management strategy to the "Leading Quality Strategy 3210", built the world leading quality team, quality standards, and products, and realized the control from source to terminal using the international leading standard. Yili is the first Chinese dairy company with all products certified by the FSSC22000 food safety management system which is the global food

safety management standard system, ranging from the business sectors of liquid milk, powdered milk, ice cream and yogurts.

Yili is the first to put forward "Industrial Chain Quality Management Ecosystem" in 2017 to gather all the production power to safeguard the consumer's safety.



Yili set up the emergency command panel, determines the emergency processing responsibilities for the food safety-related accidents, builds the quick reaction mechanism, and unifies the actions of each department in order to investigate the accidents effectively, analyze the cause, and make improved measures.

Oceania Production Base exporting Chinese quality management to the outside

In March 2017, phase-II opening ceremony of Yili Oceania Production Base is held in Auckland of New Zealand. The project is the world largest dairy industry base, covering multiple fields including scientific research, production, deep processing, packaging, etc., which is the landmark project for China-New Zealand economic and trade cooperation.

In New Zealand, with the world super-premium integrated production base as the target, Yili set up the new paradigm for "the Belt and Road Initiative" under the mode of "output management, output standard, and output wisdom".

“Yili Standard is higher than the milk collection standard of many local milk enterprises in our country, under such strict requiremnet, the milk quality in our dairy farm is outstanding among local dairy farms.”

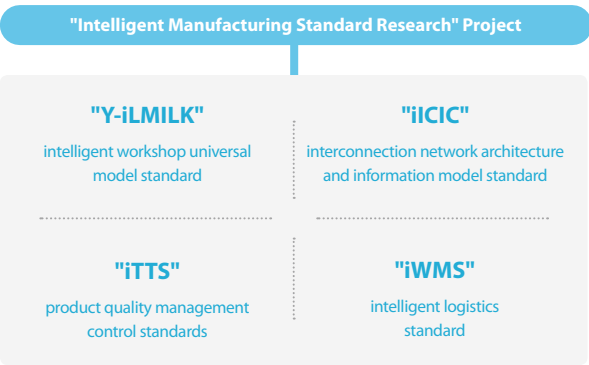
——Farmer of New Zealand Farm, Macfarlane



Intelligent quality management

Yili constantly strengthens intelligent upgrading and performed comprehensive management for each link by the intelligent means. Yili explores and builds the high-level whole-process quality control and production digital workshop, which realizes the automatic processing from raw milk to finished products and guarantees each Yili product is safe, high-quality, and high-efficient.

In 2017, the "intelligent manufacturing standard research" project led by Yili receives national approval and enter the implementation stage, which fills the gap in the intelligent factory construction standard in Chinese dairy product industry. Yili makes the intelligent factory standard for the industry, pushing forward intelligent upgrading of Chinese and world dairy industries.



In 2017, Yili establishes the platform building foundation of the intelligent factory using the "Y-iLMILK" intelligent workshop universal model standard, completes the "manufacturing execution system", and applies big-data technology in manufacturing to realize automatic data acquisition and analysis, centralized and paperless quality testing and quality tracing, for the purpose of further transparent production.

Smart factory guaranteeing product quality



Yili constructs the big-data platform covering all the dairy farms and set up the electronic archive for each cow to realize digital management for cows. In Yili smart factory, all the links have realized closed aseptic automatic smart production from production line, sampling inspection, to packaging. For example, in the filling workshop, full-automatic operation is performed to keep the milk from any pollution. The ultrasonic sealing technology is used on the top of the milk carton, without the need of any glue or adhesive. Yili builds the integrated quality management system and nationwide enterprise resource planning (ERP) system, and interfaces with the national platform to realize whole-process.



Automatic Milking Device

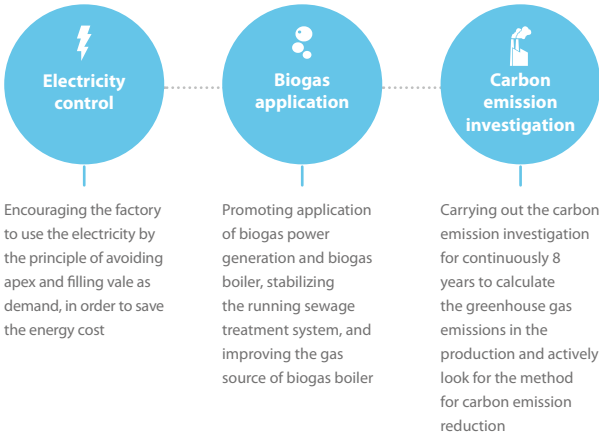
Creating Green Production Base

Yili devotes to building the sustainable dairy product industry, adopting the "Life-cycle Environment Management", observing the development direction of "Green Industrial Chain", and driving all the links in the industrial chain to realize sustainable green development. Yili carries out and constantly invests green production and green building starting from energy, resource, and waste management, in order to provide environment-friendly products for consumers. Yili invests about RMB 180 million for environmental protection in 2017.

In case of emergency, Yili establishes environment emergency system, prepares the professional emergency plan, put on records in the environmental department according to national requirements, and organizes the staff to exercise regularly and strengthen the environmental protection awareness.

Energy-saving and emission reduction

Yili prepares a series of energy management system, strengthens the professional service capacity, actively introduces energy-saving management concept, pushes forward communication and promotion of new energy technology in the group, and expects to realize the target of greenhouse gas emissions decreasing by 15% in 2020 compared to 2010.



Many factories realizing biogas recovery and utilization



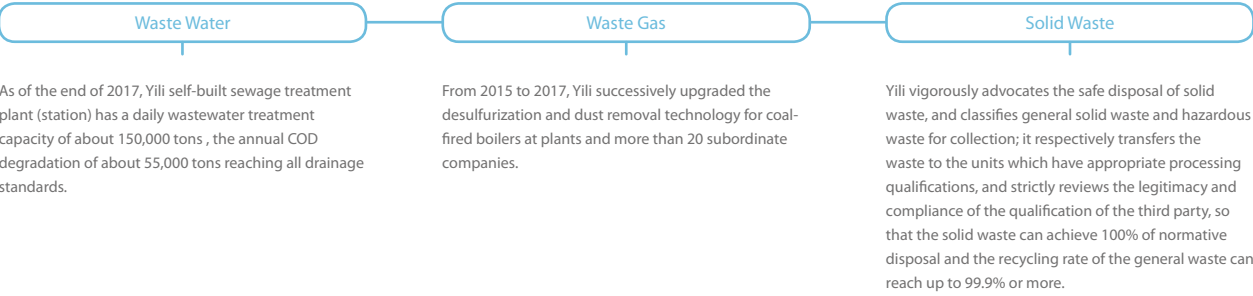
In the end of 2010, Yili introduced the first biogas power generation project to Jinchuan Base, and had generated cumulatively the power of 4 million KWH by the end of 2017, corresponding to reduction of energy consumption of 491.6 tons of standard coal. Besides biogas power generation, Yili also expanded application of biogas boiler positively. By 2017, 10 factories in the whole country joined the ranks of biogas recovery and reuse.

Water resource management

Yili builds water saving teams from the group, business unit to grassroots units to decompose water saving goals; it introduces the technical management tool — "Corporation Water Balance Test" to find the leak or waste source for improvement; it also set up a benchmark plant.

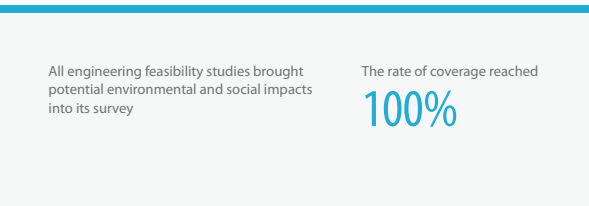
"Three wastes" management

The wastewater, waste gas and solid waste of Yili are disposed in line with national laws and regulations, and the negative impacts of waste emissions on environment are effectively reduced through a series of green production systems, technologies and management methods.



Green building

In the feasibility study phase, the potential environmental and social impacts are to be considered in all projects of Yili; in the factory layout planning, all the plants are close to the main road to facilitate future logistics and transportation; at the design stage, it pays attention to the five requirements of "Saving Land, Saving Energy, Saving Water, Saving Material and Environmental Protection", and the plant design gradually transforms to large area, large span, large space, light materials and light structure; in the construction phase, it takes corresponding measures on the waste gas, waste water, waste solid and noise to reduce the impact on surrounding residents.



Green package and transportation

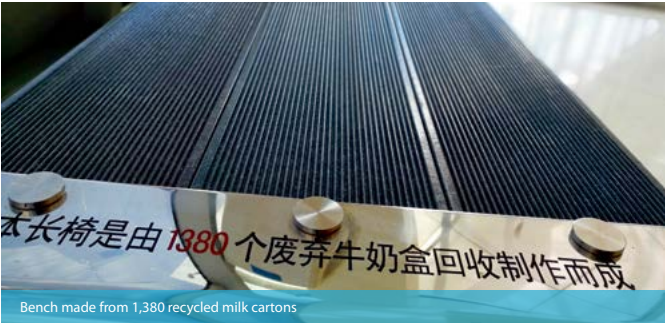
Yili encourages the use of environmentally friendly packaging materials from responsible production, such as aseptic carton packaging authorized by Forest Stewardship Council (FSC). Yili conducts research from many aspects such as reducing the consumption of packaging material, reducing energy consumption of the packaging material processing, using green packaging material, and it makes applies research results at the same time, which includes the optimization on the structure and processing of milk external packaging, making sure to reduce the usage amount of the packaging material in the same quality and so on.



In terms of transportation, Yili reduces its environmental impact by improving vehicle utilization and turnaround efficiency, reducing cold storage area and the number of vehicles, and it requires the emission of transport vehicles to be up to standard.

Turning milk carton into a bench

In Yili's milk culture museum, there is a special bench. In most cases, everyone who comes to visit tends to sit down and test its strength. The specialness about this chair is that it's not made of wood or plastic, it's made from 1,380 recycled milk cartons that are recycled by people after they drink Yili milk.



Improving Innovation and R&D Capacity

Yili has always adhered to the principle of "No innovation, No future" and established a number of leading Technology R&D and Industry-University research cooperation platform, continued to promote industry innovation.

Yili continues to integrate intellectual resources such as human resources and technology from all over the world to create a "global wisdom chain", so that it can use global wisdom to promote business innovation. In Europe, Yili European Innovation Center is jointly established with Wageningen University in the Netherlands; in Oceania, Yili signs a Strategic Cooperation Agreement with Lincoln University and establishes the Yili Oceanian Innovation Center; Yili has led the implementation of the Sino-US Food and Wisdom Valley and has conducted all-round cooperation with top universities and research institutes in the United States.

In 2017, Yili conducted a number of R&D projects with a total R&D investment of 209.1653 million RMB, 110 patents granted, 15 invention patents and 19 utility model patents.

Carrying out study on Dietary Nutrition and Health Status of a Specific Population



In 2015, Yili and the School of Public Health of Peking University Health Science Center jointly conducted a survey on dietary nutrition and health of specific urban populations in China. By continuously collecting the data on nutrition and health of people at different ages, the project gradually depicts a panoramic map reflecting the nutritional and health needs of children and adults in our country to identify target groups with specific nutritional and health needs, thus promoting product development. It is been three years since the project started, the basic data collection has taken shape and, in the future, the database will be further set up to conduct analysis and research.

Jointly implementing "EU-China-Safe (2020)" Project



In 2017, as the only one dairy enterprise from China, Yili participates in the "EU-China-Safe (2020)" project and joins hands with Queen's University of Northern Ireland in the UK, RIKILT, Wageningen UR, China National Center for Food Safety Risk Assessment and other agencies to conduct a joint research on food safety and risk prevention and control.



Yili actively participates in industrial communication, standard setting and other works, such as the seminar of National Nutrition Plan (2017-2030) and the revision of General Rules on Labeling of Prepackaged Foods led by the China National Food Industry Association to make contributions to the realization of industry prosperous development. In 2017, Yili participates in the revision of 37 national standards for food safety, the conversion of enterprise standards into 5 local standards, and the formulation of 8 group standards.

03

Social Welfare

Caring for Youth Growth

Yili carries out educational projects concerning safety , science popularization and culture to promote the healthy and comprehensive growth and development of the youth, thus laying the foundation for future development of the country.

Conserving Biodiversity

Yili constantly implements the commitments in the Convention on Biological Diversity, constructs green industrial chain, carries out ecological protection projects, engages in popularization of knowledge to the public and increases the level of biodiversity protection.

Supporting the Healthy Development of the Community

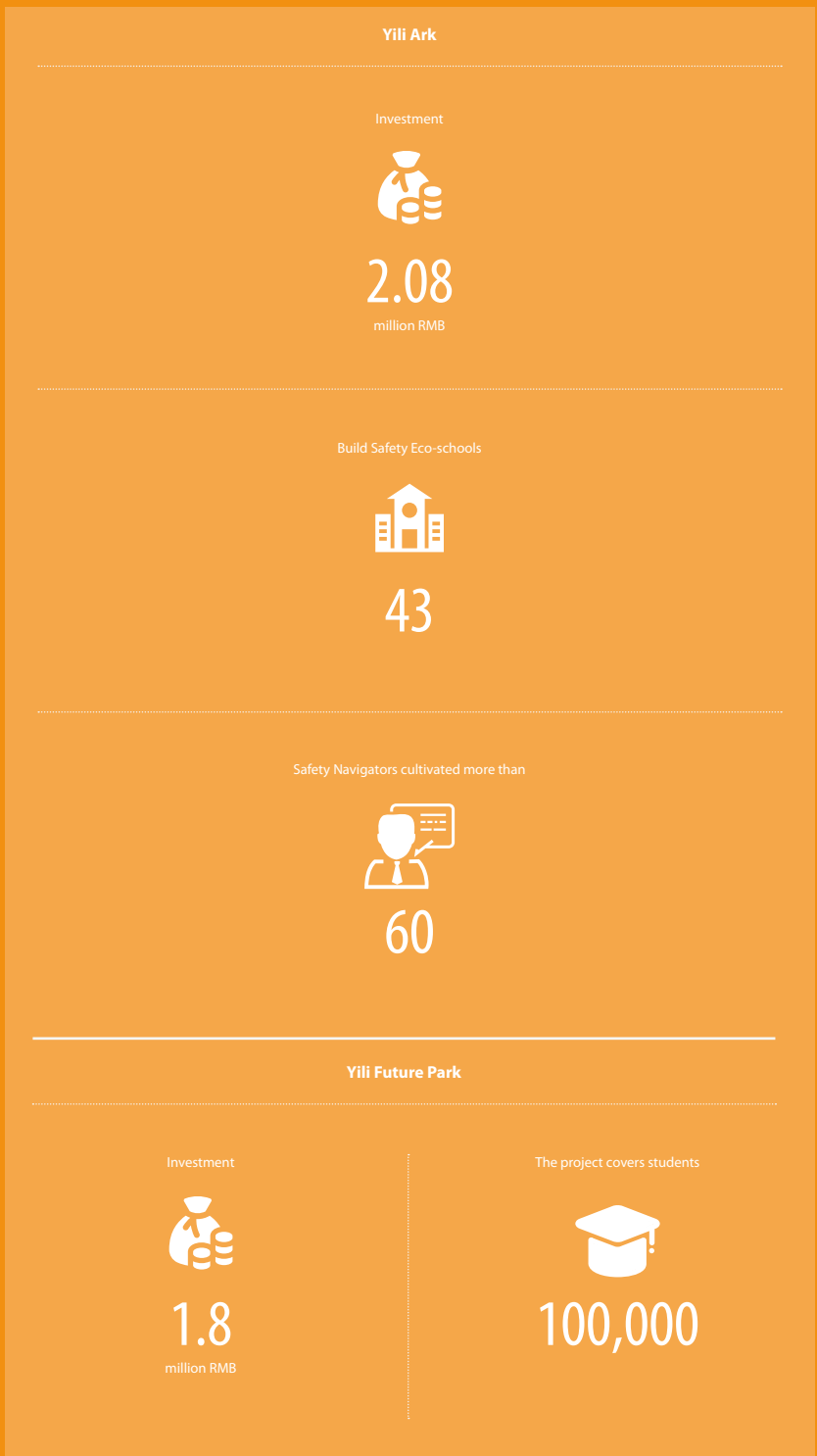
Through nutritional and health poverty alleviation, industrial development poverty alleviation, etc., Yili takes continuously targeted measures in poverty alleviation; it actively responds to the natural disasters and carries out volunteer activities.



1 No Poverty <p>Yili is committed to helping more people, especially the impoverished and vulnerable groups, to enjoy equal access to economic resources, and it carries out a series of targeted poverty alleviation efforts to help achieve the goal of poverty alleviation.</p>	2 Zero Hunger <p>Yili works to improve nutrition and sustainable agriculture and is committed to ensuring that everyone has safe, nutritious and adequate food.</p>	4 Quality Education <p>Yili provides high-quality education for youth to ensure their physical and mental health, thus promoting educational equality.</p>	15 Life on Land <p>Yili values green development, integrates biodiversity conservation in all aspects of business development, and promotes the protection of biodiversity by industry chain partners and the public.</p>
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Work Performance

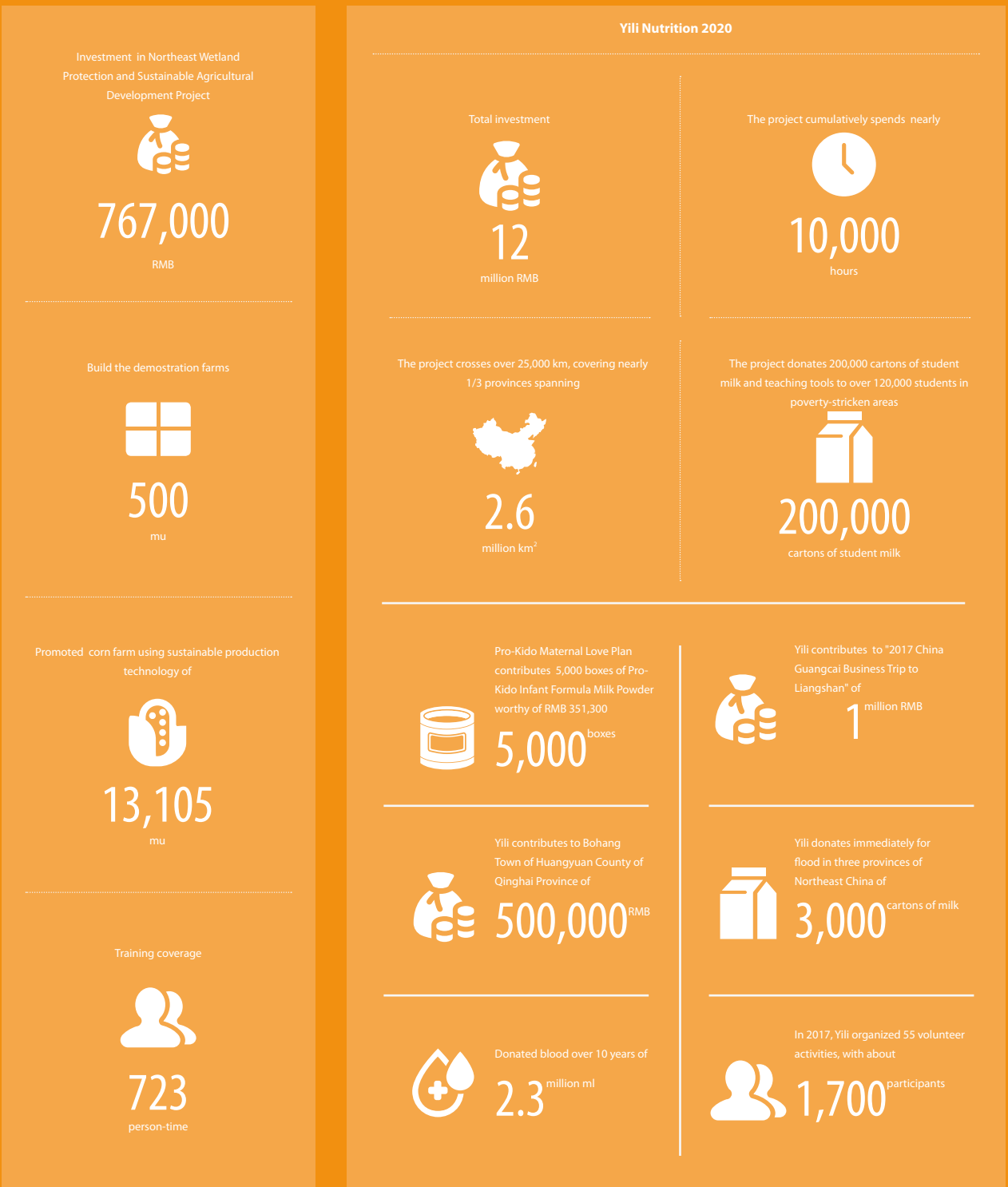
Caring for Youth Growth



Conserving Biodiversity



Supporting the Healthy Development of the Community



Caring for Youth Growth

Youth are the hopes for future development of the country. Yili aims at guaranteeing the physical and psychological health of the youth, popularizing the scientific knowledge and cultural cultivation. It establishes a multi-dimensional and comprehensive caring system, and carries out a series of caring and educational activities to help the healthy and comprehensive growth of youth.

Yili Ark guaranteeing safe growth of children

Yili sticks to the concept of "safety comes before dream" and launches the Yili Ark project jointly with Western China Human Resources Development Foundation, to provide world's leading children safety education.

Through training and safety drills, the project not only provides direct safety education to children, but also cultivates safety education teachers

for schools so as to improve the scope and sustainability of children's safety education. In 2017, Yili Ark project makes investment 2.08 million RMB to build 43 Safety Eco-schools and cultivates 60 Safety Navigators. At the same time, the project pays great attention to the stay-at-home children in rural areas; it invests 640,000 RMB and helps 5,576 stay-at-home children.

5th Anniversary of the Yili Ark



In 2017, the Yili Ark embraces its 5th birthday. Over the past 5 years, Yili Ark has realized two firsts: the first *Investigation Project Report of Safe Growth of China's Children* and "Ark Hologram 2.0 Version", the first school safety evaluation indicator system which is accessible to everyone.

At the advent of its 5th birthday, Yili Ark fully upgrades and proposed the new goal -- "safety growth dream"; it also introduces its new symbol and cartoon image - Sivo.

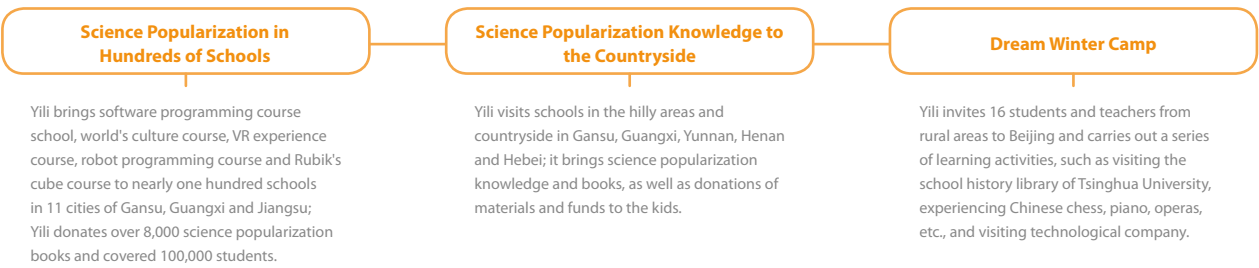


"Secure Growth, Protection Provided by Yili" Chinese Children's Safety Protection Public-Welfare Ceremony

Yili Future Park connecting the world and children with technology

In 2017, Yili and China Children and Youth's Fund introduces Yili Future Park jointly; this is a science popularization public charity project; the science popularization project of "Yili Future Park connecting the world and children with technology" together with the opening ceremony of the "2018 International Teenager Science Popularization Convention" are also held. The project seeks to promote the cross-regional, cross-cultural, cross-linguistic and cross-national scientific communications of children all over the world to ensure educational equality.

In 2017, Yili invests 1.8 million RMB to carry out "Science Popularization in Hundreds of Schools", "Science Popularization Knowledge to the Countryside" and "Dream Winter Camp".



Yili Future Park opening ceremony

Yili Star nourishing the youth with culture

Yili values cultural education highly and actively promotes the protection and inheritance of Chinese traditional culture by the next generation. On September 9, 2017, the very day of the Public Charity Day, Yili launches its Yili Star project, which is aiming at nourishing the mental growth of the youth via Chinese traditional culture. It supports the first traditional cultural and musical work, Poems and Children's Charms; the album includes 32 ancient poems from secondary school and primary school textbooks; the poems with ancient charms are combined with the beautiful melody to compose music, which has a very positive effect on children's artistic sentiment and mental growth.



Conserving Biodiversity

Biodiversity is essential for human's existence; it is the very foundation for sustainable economic and social development; both the international community and Chinese government are very concerned of related protection work. Yili is the Chinese first and only company which signed the *Letter of Commitment on Corporate and Biodiversity*, a UN convention on biological diversity; Yili has made and implemented 9 commitments and also received a series of accomplishments.

01 | Commitment 1: Understanding, Survey and Evaluation

- Yili promotes the "green industrial chain" strategy throughout the entire industrial chain to earnestly implement the ideas of protecting the biodiversity.
- Yili has been conducting active carbon investigations for 8 consecutive years to search for opportunities for carbon emission reduction of industry chain.

02 | Commitment 2: Taking Actions to Reduce Influences

- Yili actively engages in the waste management to lower the adverse impacts on the environment.
- Yili promotes and applies the FSC packaging materials. For Satine brand, 2.4 billion packs of FSC certified packaging materials have been used, which equals to promoting the sustainable operation of nearly 80,000 mu of forests.
- Yili promotes the "comprehensive recycling and reuse of excrement and wastes from planting and husbandry in farms".

03/06 | Commitment 3: Development and Management Plan/ Commitment 6: Incorporating Business Decisions

- Yili establishes a full life-cycle biodiversity management system.
- Yili invests 767,000 RMB in the "Northeast Wetland Protection and Sustainable Agricultural Development Project" in cooperation with World Wildlife Fund (WWF); it set 500 mu of demonstration farms and promoted 13,105 mu of sustainable corn production technologies and trained 723 person-time .

04 | Commitment 4: Supporting the Biodiversity Protection via Planning and Management of Resources

- Yili cooperates with the Himalaya platform, Alibaba, "I am a singer" program and famous photographers to promote the public's consciousness of biodiversity.
- Yili presents the biodiversity-related knowledge on the product packages to actively promote the biodiversity consciousness of the customers.

05 | Commitment 5: Improving the Consciousness of Stakeholders

- Yili publishes consumption upgrade index and sustainable consumption index; appeals to the public to pay more attention to sustainable development and sustainable consumption.
- Yili conducts multiple activities to popularize biodiversity knowledge to the public, including the Northeast wetland protection project with an area of 4.6 m² and the "wetland natural school", etc.
- Yili carries out training of staff to improve their environmental protection awareness. In 2017, Yili organizes large-scale environmental training for 2 times and received 170 participants; and various business departments and branch companies organizes environmental training of all types for more than 600 times.
- Yili prefers suppliers who lay emphasis on environmental protection; and calls on all suppliers to earnestly implement the protection measures of biodiversity.

On December 19, 2017, the UN Global Compact awards the "Best Practice for Realization of the Sustainable Development Goals by Chinese Companies in 2017" to Yili to commend the leading practices of Yili in the field of biodiversity protection; the UNESCO also records the practices of Yili into the successful case book of global sustainable development as a "template".

“Yili is the largest dairy product company in Asia; it is remarkable for a company to include biodiversity into its company development strategy. Besides, the green industrial chain of Yili played a huge positive role in the protection of biodiversity.”

—Christina-Pascal-Palmer,
New Executive Secretary of Convention on Biological Diversity of the UN

07 | Commitment 7: Sharing the Progress

- Yili posts on the official website of *Convention on Biological Diversity* of the UN to show its accomplishments of biodiversity protection to the world.
- Yili engages in the Songnen plain environmental-friendly and sustainable development agricultural technological training class organized by Jilin Academy of Agricultural Sciences to share the experiences and results of wetland protection in the Northeast.
- Yili introduces the concepts, actions and contract fulfillment progress of Yili's biodiversity protection at the "Global Partnership for Business and Biodiversity " meeting in Paris.

08 | Commitment 8: Regular Report

- Yili publishes the biodiversity information regularly in bulletins and annual reports.

09 | Commitment 9: Information Disclosure

- Yili discloses the performance data in the fields of biodiversity and environment in its biodiversity annual report and corporate social responsibility report.



Protect the beautiful wetland in Northeast China

Supporting the Healthy Development of the Community

Yili persists in sharing the development achievements with the community, makes the best effort to help the community to develop in a healthy and sustainable way, and continuously takes targeted measures in poverty alleviation based on the main business so as to lead people in poverty areas to a wonderful life; Yili actively copes with the natural hazards and carries out the staff voluntary activities, so as to pay back the society and solve social problems.

Targeted poverty alleviation requiring great emphasis on the health

Yili targets at the children's health as entry point; it aims to fully improve level of nutritional and health of children in the poverty-stricken areas and lonely or disabled children; make sure the children would not suffer from "implicit hunger".

Yili Nutrition 2020

Yili introduces its nutritional poverty alleviation public charity program Yili Nutrition 2020 in 2017, which focuses on the improvement of children nutrition in the poverty-stricken areas; it not only donates products, but also holds various nutrition and health lectures and activities caring about children's mental health to guarantee comprehensively the mental and physical health of children in the poverty-stricken areas .

Popularizing the knowledge about milk to the students through game interactions and knowledge class, enhancing the children's health awareness in a light and fun atmosphere.

Yili also designs a "My 2020" session and invites students to write down their hopes and personal resolutions for '2020'; it also encourages the students to boldly dream about their future, guiding their healthy growth from a psychological angle.

Yili also invites Olympic champions to interact with the local students and engage in fun popularization sessions to bring the power of role models to the kids, and attract more attention to the nutritional poverty alleviation in the poor areas.

Yili Nutrition 2020 project makes investment of 12 million RMB totally and it takes nearly 10,000 hours and travels 25,000 km; Yili goes to backward and poor areas in Yunnan, Gansu, Hubei, Henan, Shanxi, Shaanxi, Sichuan, Qinghai, Ningxia and Heilongjiang, etc., covering 1/3 of China's mainland, that is, 2,600,000 km², and donates 200,000 packs of student milks and

teaching materials to more than 120,000 students in poverty-stricken areas; this noble deed is highly praised and recognized by the Ministry of Agriculture, Dairy Association of China, Chinese Red Cross Foundation and the governments of these areas.



Pupils benefit from project participated in "My 2020" and showed their future wish

I wish to be like Yili, contribute my strength and knowledge and burn myself to make this world better. I'd only be proud of myself when I could make contributions to this world like Yili.

—Zhang Yidan, A secondary student from Yuci, Jinzhong, Shanxi

My dream is to be a teacher, imparting more knowledge to them, just become as great as my teacher.

—Wang Jiaying, A primary student from Huiyuan, Lushan, Henan



Pro-Kido Maternal Love Plan

In 2017, Yili and Chunhui Children Foundation work together to launch the public benefit activity of "Pro-Kido Maternal Love Plan", and send care and love to 80 orphans and disabled children in the "China Care Home". Yili donates 5,000 cans of Pro-Kido infant formula milk powder worth 351,300 RMB to provide necessary nutrition for the growth of orphans and disabled children, and solve their hunger.

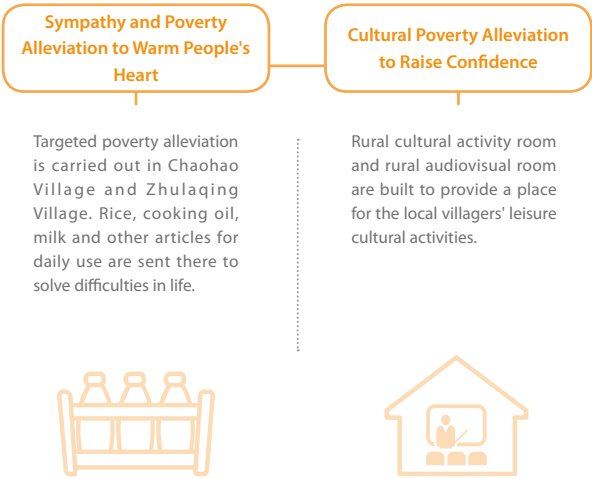
In this cooperation, all sectors of society are advocated to pay attention to orphans and disabled children. Online interaction, live broadcast and other ways are used to arouse the love of the public and the common support for children's public welfare undertakings in China, so that children can get more care from multiple parties of the society.

Building industrial poverty alleviation mechanism

Through long-term of observation and practice, Yili has accumulated rich experience in poverty alleviation, and formed an innovative, sustainable poverty alleviation model relying on internal motivation in poor areas, to carry out poverty alleviation in a sustainable way.

Targeted poverty alleviation into the countryside

Yili has actively responded to the national call for targeted poverty alleviation and closely followed the national poverty alleviation plan. It has carried out the targeted poverty alleviation in Zhuluaqing Village and Chaohao Village, Tumd Left Banner, Hohhot City, the Inner Mongolia Autonomous Region.



Helping build "Beautiful Liangshan"

Liangshan Prefecture of Sichuan is one of the country's severely deep poverty-stricken areas. President, Xi Jinping pays special attention to the poverty alleviation in Liangshan. After the 19th National Congress of CPC, President , Xi Jinping began his first study on the subject of poverty Liangshan Prefecture, and discussed the strategy of targeted poverty alleviation with local officials and ordinary people.

Yili actively takes part in the activity of "2017 China Guangcai Business Trip to Liangshan" and donates 1 million RMB to the China Glory Fund. Yili and other enterprises participate in the activity that 3,000 poor households who are registered in poverty situation from 20 towns and 49 villages in Zhaojue County and Meigu County,Liangshan Prefecture, Sichuan Province with six essential facilities for life.

Targeted poverty alleviation in Qinghai

Focusing on the needs of targeted poverty alleviation and taking targeted measures to help people lift themselves out of poverty, Yili donates 500,000 RMB to Bohang Township, Huangyuan County, Qinghai Province, for poverty alleviation in industry and education. As for poverty alleviation in industry, the donation is used in tourism, planting and breeding to help improve local

economy, and help poor alleviation and self-development in a sustainable mode; as for poverty alleviation in education, electronic screens, chairs and other equipment are donated to the Central School of Bohang Township to improve local teaching environment.



Internet facilitating targeted poverty alleviation

Yili seeks to carry out targeted poverty alleviation projects in an innovative way. In 2017, Yili officially signs the strategic cooperation agreement of targeted poverty alleviation project, "Public Welfare Platform of Bank of China", with the Bank of China, and becomes the first partner in milk industry of the 'Public Welfare of Bank of China' Internet poverty alleviation platform, and promotes targeted poverty alleviation in the forms of big data and 'Internet plus'.

Actively responding to natural disasters

Yili has standardized the emergency work of natural disasters. It has established the disaster relief mechanism that is composed of five parts: emergency communication response plan, relief materials allocation plan, rescue workers distribution plan, media joint-action mechanism and

internal mobilization mechanism of the Yili Group. Yili issues the *Emergency Plan for Natural Disasters of the Yili Group* in 2017, ensuring the collection of enterprise resources in the shortest time to rescue and solve the difficulties of the people in disaster areas.

Supporting landslide rescue in Mao county of Sichuan



At 6:00 a.m. of June 24, 2017, high mountain collapse occurred in Xinmo Village, Diexi Town, Mao County, Tibetan Qiang Prefecture of Ngawa, Sichuan Province, causing 62 farmhouses and more than 120 people buried. Yili, as the first enterprise which sent the relief materials to the disaster area, started the natural disaster emergency system in the first time, saving lives with high speed.

Supporting the earthquake rescue in Jiuzhaigou county of Sichuan



At 21:19 p.m. of August 8, 2017, a 7.0 magnitude earthquake occurred in Jiuzhaigou County, Tibetan Qiang Prefecture of Ngawa, Sichuan Province. Yili launched the natural disaster relief emergency mechanism in an all-round way within 10 minutes of the disaster, and delivered the first batch of milk, food and other relief materials to the disaster area within 12 hours to provide nutrition for the local people.

Supporting flood rescue in northeast China



On July 21, 2017, three northeastern provinces suffered serious flood. Yili actively contacted local government, media and social organizations to donate milk at the first time. Harbin branch of Yili contacted the Youth League Committee of Mudanjiang that very night to deliver 2,000 packs of milk to the disaster area; Jilin branch coordinated with One Foundation that very night to deliver 1,000 packs of milk to the victims of the disaster.

Supporting the earthquake rescue in Jinghe county of Xinjiang



At 7:27 a.m. of August 9, 2017, a 6.6 magnitude earthquake occurred in Jinghe County, Bortala Mongol Autonomous Prefecture, Xinjiang. Yili launched the natural disaster relief emergency mechanism in an all-round way within 15 minutes of the disaster, and delivered the first batch of milk, food and other relief materials to the disaster area within 3 hours to provide nutrition to the victims timely.



Yili's disaster relief materials arrives at the disaster area in the first time

Actively carrying out voluntary activities

Yili encourages staff to participate in voluntary activities and actively gives back to society. Since 2007, "Young Volunteers Service Group of Blood Donation of the Yili Group" has persisted in unpaid blood donation to address the issue of "blood shortage". In the past ten years, Yili's volunteers have donated more than 2.3 million milliliters of blood throughout the country, and the volunteers in the Hohhot area have donated for 3,200 times.

Through "Young Volunteers Service Group of the Yili Group", Yili launches a series of activities of charity, community supporting and professional services. In 2017, Yili organizes voluntary activities for 55 times in total, with about 1,700 participants.

Donating blood voluntarily in the Spring Festival



In the Spring Festival of 2017, Yili organizes more than 200 staffs to donate blood for free, with a total blood donation of nearly 64,000 milliliters, to make contribution to the blood for clinical use during the Spring Festival.

Respecting and honoring the aged, and offering care and love



On March 4, 2017, Yili's young volunteers carries out the activity of "Practicing Enterprise Culture and Carrying Forward the Charity Spirit " and visits the nursing home in Xilin Hot. 39 volunteers not only bring milk to the elderly, but also help to clean the nursing home, console the elderly and carry forward the charity spirit with action.



Yili volunteers donate blood voluntarily



Yili volunteers give warmth to the elderly



Yili volunteers carry out Love Nearby and Education Support activity



Yili volunteers support Reading Month of Grassland

04

Nutrition and Health



Leading the Study on Nutrition and Health

Yili has been conducting breast milk research independently for 15 years. It collects breast milk sample, builds Breast Milk Research Database, researches and develops formula best fitting Chinese babies, and fully supports the construction of China's breast milk bank.

Meeting the Multiple Needs of Consumers

Yili provides a variety of products for consumers at all levels and ages, allowing many consumers to enjoy the nutrition and health of milk.

Promoting a Healthy Lifestyle

Yili is committed to improving the consumers' nutrition and health, launching a series of educational activities concerning nutrition knowledge and promotion of a healthy lifestyle, promoting sustainable consumption behavior and safeguarding the healthy lifestyle of the whole nation.

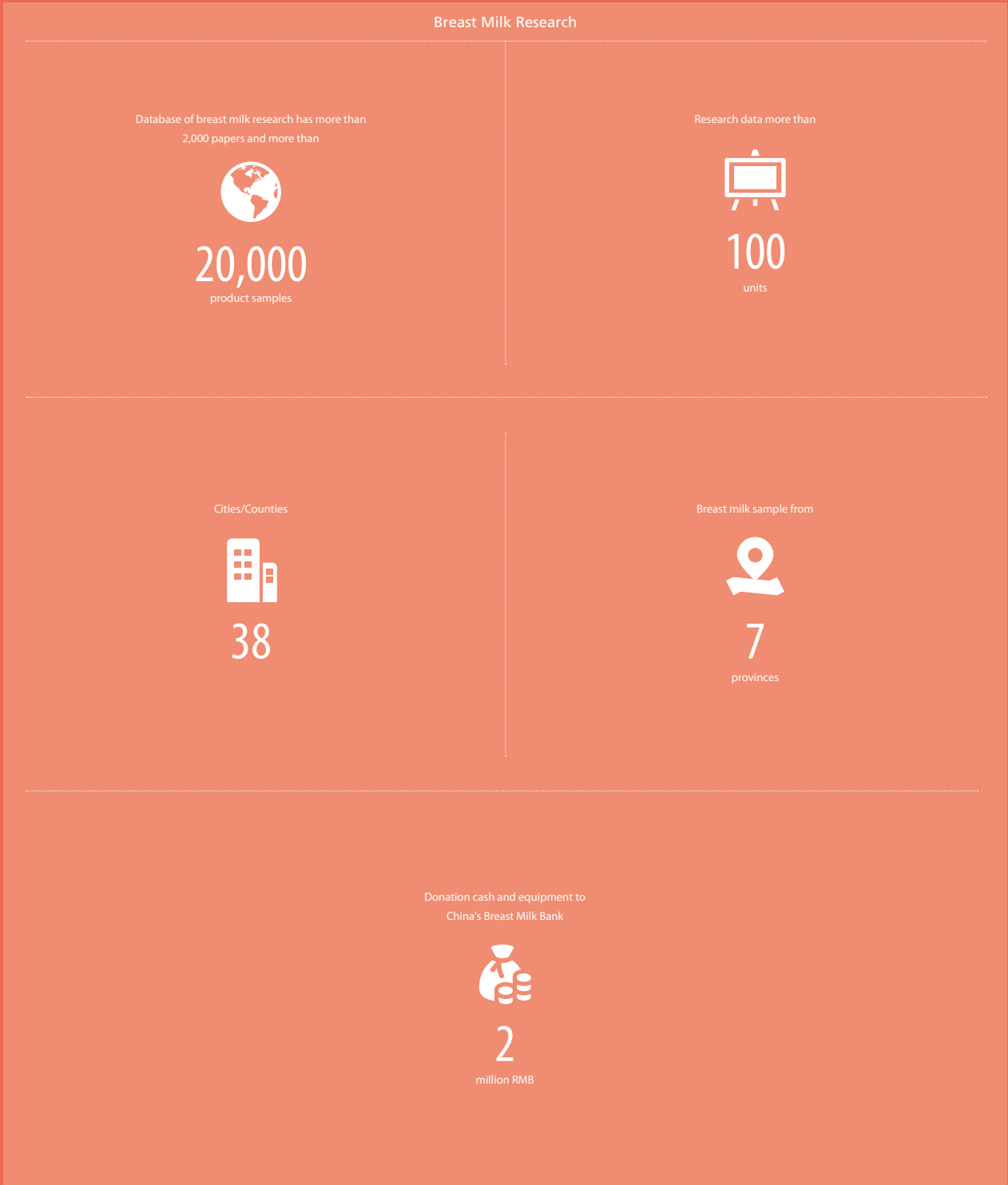
3 Good Health and Well-being



Yili pays attention to the quality of products and continues to carry out basic research on nutrition and health to meet the health needs of consumers. Yili actively carries out activities concerning the education and popularization of health knowledge, helping consumers to choose suitable products, and transmitting the health concept deep into the public life.

Work Performance

Leading the Study on Nutrition and Health



Promoting a Healthy Lifestyle



Leading the Study on Nutrition and Health

Upholding the idea of "Protecting the Healthy Growth of Chinese Babies", Yili continues to carry out research on breast milk to develop products resembling breast milk, and actively support the construction of China's breast milk bank. Yili has become the main force in promoting the development of maternal and infant health career in China.

Breaking the health code of breast milk

Over the past 15 years, Yili has been committed to the research of Chinese breast milk. Yili collects breast milk samples from all over the country to analyze the nutritional characteristics of Chinese breast milk and develop formula best fitting Chinese babies.

Samples Collection

- Yili collects samples of colostrum, transitional milk and mature milk from 7 provinces across the country and gets more than 1 million copies of research data to analyze the nutritional characteristics of Chinese breast milk in a comprehensive and scientific way from different angles.

Breast Milk Research Database

- Yili builds the first "Breast Milk Research Database" in China, with more than 2,000 research literature covering 49 countries and more than 20,000 products.
- Yili establishes the research center of maternal and infant nutrition, and issues the first White Paper on Chinese Breast Milk Research, making the data of Chinese mothers and infants systematically enter the research and development list of global high-end formula for the first time.

International Cooperation

- Yili signs the cooperation agreements with Wageningen University and Institute of Food Health, UC Davis (University of California, Davis) respectively.
- Yili cooperates with Sun Yat-sen University on the project of "Study on the Differences of Breast Milk Structure Between China and Foreign Countries" to provide scientific basis for the revision of nutritional ingredients standards of infant milk powder in China.



Breast milk collector carefully checks breast milk samples

Carrying in-depth study on the differences of breast milk structure between home and abroad

In 2017, Yili cooperates with Sun Yat-sen University on the "Project of Study on the Differences of Breast Milk Structure Between China and Foreign Countries". It screens tens of thousands of literature on nutritional ingredients of breast milk of Chinese and foreigners in the past two decades, and systematically analyzes the differences in the content of various nutritional ingredients and related proportion of structures in breast milk between Chinese and foreigners. This is the most complete data on the content of breast milk ingredients of Chinese, which has enriched the research of Chinese breast milk.

The study fully demonstrates that there are differences in some nutritional ingredients between Chinese and foreign breast milk, which will provide a scientific basis for the revision of the nutritional ingredients of baby formula in China.

Chen Yumin, Professor of Sun Yat-sen University

The "infant formula containing α -lactalbumin and β -casein developed by Yili and its production method" wins the National Patent Award. This is the only award-winning invention patent in the formula field in China.



Lauching of China's Breast Milk Bank Promotion Project"

Supporting the establishment of China's breast milk bank

The breast milk bank can provide the most needed breast milk for premature infants. However, the breast milk banks of many hospitals face operational problems, such as shortage of storage equipment, large consumption of consumables, etc.

In 2017, Yili cooperates with Children Development Center of China Working Committee for Caring for the Next Generation, and 11 major hospitals to launch the "Promotion Project of China's Breast Milk Bank". Yili provides equipment and consumables of breast milk bank for each cooperative hospital, gives systematic and professional analysis and research on all aspects of breast milk storage, disinfection and distribution, and discusses

how to improve the standard and process of the construction of China's breast milk bank to support the establishment of China's breast milk bank.

Yili donates a total of RMB 2 million of equipment and funds, and shares the results of breast milk research accumulated over the past 15 years and the construction experience of the breast milk bank. China Working Committee for Caring for the Next Generation speaks highly of Yili's contribution in the construction of breast milk bank, and presents Yili "China's Maternal and Children's Health Caring Social Responsibility Award".



Standardized breast milk collection and storage



Harding-working breast milk staffs

"China's breast milk bank promotion project has been strongly supported by the Yili research center of maternal and infant nutrition. We thank Yili for its contributions. We hope that more enterprises like Yili will join in promoting the development of China's breast milk bank, and make joint efforts to contribute to the comprehensive development of maternal and infant health in China."

Wu Minglang, Secretary General of Children Development Center of China Working Committee for Caring for the Next Generation



Yili wins "China's Maternal and Children's Health Caring Social Responsibility Award"

Meeting the Multiple Needs of Consumers

In the eyes of Yili, there are only two kinds of people in the world: one is people who drink milk, one is those who do not. The mission of Yili is to turn these two kinds of people into one — people who drink milk and enjoy milk's nutrition and health. Based on the full understanding of consumer needs, Yili is actively promoting with social development, carrying out innovation to meet consumer needs, and constantly introducing high-quality products in the subdivision market.

Pro-Kido Ruihu Infant Formula Milk Powder

The product is originally imported from New Zealand and has been officially certified by the government of New Zealand. With its research results on Chinese breast milk research for 15 years, Pro-Kido Ruihu's good proportion helps babies grow up healthily.



QQstar Organic Milk

This product meets the Chinese mothers' demands for child milk: mothers expect high quality of milk and critical nutrients that benefit the growth of children, therefore Yili selects 5 exclusive organic dairy farms through strict selection to ensure the quality and safety of milk without pollution, to satisfy the taste needs and benefit the growth of children. We have specially added vitamin A, vitamin D and a small amount of apple juice into the product, without any sucrose in production!

ShuHua Lactose-free Milk

This product contains no lactose. The content of milk protein is increased to 3.2 g / 100 mL, and the smiling-face package is launched globally for the first time on market based on the personalized needs and preferences of consumers. The product maximizes customers' satisfaction in terms of their needs of nutrition and health as well as packaging requirements for lactose-free milk.



Plant Selected Soybean Milk

This product adopts the carefully selected traceable non-GMO soybeans growing in the black soil belt in Northeast China, and the innovative soybean baking process and oxygen-isolation grinding technology have created the high-quality soybean milk with rich flavor and taste, which meets consumer needs for balanced and diversified nutrition.



ZhenNong Milk

This product adopts the anhydrous butter independently developed by Yili. The protein content exceeds the national standard for modified milk (39 %). Its rich nutrients and tasty flavor are widely accepted and loved by consumers.



Ambrosial High-end Tasty Greek Yogurt

This product is the world's first bottled drinkable yogurt kept at room temperature removing the technical barriers for long shelf life of pet bottled yogurt at normal temperature, which enables consumers to enjoy yogurt drink more conveniently and maximizes customers' satisfaction in terms of their needs for flavor and nutrition anytime, anywhere.

YouSuanRu Yogurt Drink with Yellow Peach Fruit

This product adds big coconut fruit and real yellow peach fruit into fermented yogurt, which not only satisfies consumers' needs for taste, nutrition and quality, but also provides consumers with multiple tastes of "silky yogurt + real big fruit".



Chang Yi 100 % Lactobacillus Drink with Blueberry Flavor

This product contains the CY100 bacterium formulation fermented over a long period and specially adds dietary fiber, which helps consumers maintain normal intestinal function; it is also a fat-free healthy product, which meets consumers' need for blueberry flavor.



Joy Day

Emerging material and technology from abroad are introduced into this product to achieve perfect integration of chocolate balls and yogurt, providing consumers with more fun yogurt products.



GEMICE Greek Yogurt Ice Cream

This product adopts precious single cream (with only 7 grams extracted from milk per 100 grams) to create a delicate taste and meet consumer's need for lactobacillus. The Greek bacterium species are added to ensure that the content of active lactobacillus is no less than 105CFU per 100 grams.

Foodcode

The product extracts the essence of super food and probiotics to accumulate energy in a natural way and create a healthy life from inside to outside.



Promoting a Healthy Lifestyle

Yili persists in improving the living quality of consumers. Regarding leading a healthy lifestyle as its duty, Yili continues to carry out health education and health promotion activities for the whole people to popularize rational knowledge of nutrition, enhance people's health literacy, explore sustainable consumption model, and work hard to improve the health of the public.

Launching the Vibrant Winter Olympic College

In 2005, Yili officially signed agreement with Beijing Winter Olympic Games Organizing Committee; in 2017, Yili signs and becomes the only partner of Beijing 2022 Winter Olympic Games and Winter Paralympic Games of dairy industry, and the first health food enterprise in the world that meets the standards of the "double Olympics". In the past 12 years, Yili has always been side by side with the Olympic Games and provided nutrition support for 12,000 athletes from 32 major training bases, 28 Summer Olympic teams and 11 winter Olympic teams.

In 2017, Yili launches the Vibrant Winter Olympic College with Beijing Winter BOCOG, and holds the first training camp in Beijing to help achieve the goal of "300 Million People on Ice and Snow" and improve the physique and health level of the Chinese nation. In the activity, the Vibrant Winter Olympic College provides every attendant with full set of professional ice and snow equipment for free, invites photographers to take photos with them, and asked Olympic champions to serve as the special coach. With the advantages in safety, service and profession, the Vibrant Winter Olympic College helps more people to understand and fall in love with ice and snow. In the future, similar activity will be promoted in more than ten regions all over the country.

2005

- Yili formally signed with Beijing Olympic Games Organizing Committee

2007

- Yili Olympic Healthy China
- I'm strong for China - looking for my Olympic coordinates
- Yili Olympic Plan 2.0

2008

- Dandelion Project

2012

- The Olympics of the ordinary people

2014

- Salute the unknown hero

2016

- Vitality for small feat

2017

- Dairy Movement
- Agreement with Beijing Winter Olympic Games Organizing Committee
- Vibrant Winter Olympic College



Beijing Winter Olympic Games Organizing Committee and Yili Group sign a contract to appoint Yili as the only official dairy partner for the 2022 Beijing Winter Olympics and the Paralympic Games

Leading a healthy lifestyle of the public

Dairy movement

On June 1, 2017, the 17th World Milk Day, Yili launches "Vibrant Life, Healthy China - Yili's Dairy Movement" with Sina Weibo and JD. "Do I need a glass of milk?" is taken as a breakthrough point of the movement, and the nutrition knowledge of milk is popularized to consumers to arouse consumers' attention to their own health.

More people are inspired through Sina Weibo, while the care product packages were delivered to those who need milk via JD Daojia.

Taking the activity as an opportunity, Yili and Chinese Nutrition Society jointly launches the investigation of *White Paper on Big Data of Attention Degree of Chinese Residents on Dairy Nutrition*, thus laying a more solid foundation for the future development of the industry by digging the big data of the dairy industry.



Yili and Chinese Nutrition Society cooperate to conduct the "White Paper on Big Data on Dairy Nutrition Concerns in China" survey

Maternal and Child Health Growth Long Journey

Yili always believes that the responsibility to care for infants and children includes not only providing high-quality products for Chinese parents, but also promoting healthy child rearing to them.

China's Maternal and Child Health Growth Long Journey is a large public activity held by the Organizing Committee of the China Infant & Toddler Development Forum under the guidance of Children Development Center of China Working Committee for Caring for the Next Generation, aiming to provide professional knowledge guidance for mothers and children in China. Yili actively takes part in "Maternal and Child Health Growth Long Journey", the public welfare activity of scientific child rearing, to protect children's healthy growth.

In 2017, Yili assists Maternal and Child Health Growth Long Journey in 13 provinces and 23 cities and going deep into the communities to carry out a series of lectures focusing on how to conceive, raise and cultivate children. The activity covers a population of more than 30 million, covering 5,500 families to participate and receive correct, professional child caring guidance.



Experts explain knowledge of maternal and child health

Advocating sustainable consumption

Sustainable consumption is an important part of sustainable development and of the United Nations Sustainable Development Goals. Yili has actively studied the trend of consumption upgrade to advocate and promote sustainable consumption.

Analyzing consumption upgrade trend

As a leading player in the dairy industry, Yili has, from the perspective of the industry, always been sensitive to changes of consumer behavior, and proactively summarized the following characteristics of China's consumption upgrade to provide a reference for the promotion of the development of a sustainable consumption transformation.

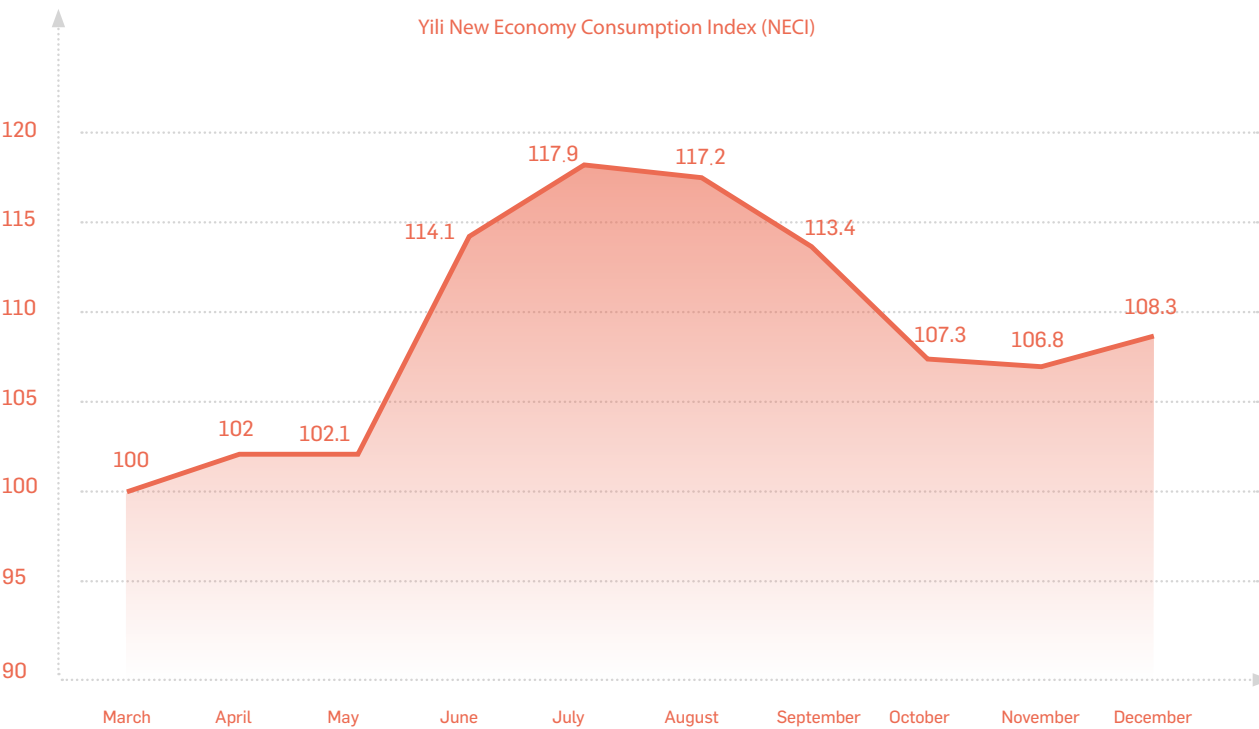


The switches to "nutritious food", "paying for services", "online shopping" and "individualized" are proofs that consumers are paying more attention to quality consumption. Quality consumption and the sustainable development of consumption complement each other. As the quality of life improves, sustainable consumption will be accepted by more people.

Based on the qualitative summary, Yili further conducts quantitative research to observe the trend of consumption pattern upgrade. In 2017, Yili joins forces with relevant institutions to launch the "Yili New Economy Consumption Index" (NECI) based on big data research to show the upgrade of China's consumption from the perspective of quantification.

Focusing on the upgrade of consumption quality, and taking consumption status in March 2017 as the baseline data, the index for consumption quality upgrade is calculated by weighted average of data obtained from the Internet, according to different consumption patterns of consumers. As of the end of 2017, the consumption quality in all the months tracked is higher

than that in the base period. The index remains at a high level throughout the year, indicating that the upgrade of consumption in our country, though in infancy, is intensifying steadily to pave way for the development of sustainable consumption.



Observing sustainable consumption intention

In 2017, Yili launches *Report on Yili China's Sustainable Consumption Index 2017* with its partners. The report is the only research continuously conducted on public awareness and behavior in sustainable consumption in China and has great influence.

According to the report, young people and highly educated people show an extraordinarily strong sense of social mission and are willing to make the world better through their own efforts. 86.31% of the respondents are willing to pay higher prices for sustainable products, which significantly inspires enterprises, institutions and individuals intending to promote sustainable consumption in further enhancing the sustainable development brand awareness and attracting consumers to actively participate in sustainable consumption in the future.



Note: The report was officially released in January 2018

CSR Highlights in 2017



Honors and Awards

Government Awards	Winning China's Maternal and Children's Health Caring Social Responsibility Award at the Fourth China Infant & Toddler Development Forum in 2017 held by Children Development Center of China Working Committee for Caring for the Next Generation in November
	Winning the CBJ Award for Excellent Model Innovation at the China CSR Forum 2017 organized by the China Business Journal (CBJ) in November
	Winning the Outstanding Contribution Award for CSR in China at the China CSR Award Ceremony organized by XinhuaNet in December
	Winning the Outstanding Company Award at the Corporate Social Responsibility Ranking in China issued by Yicai in December
Media Awards	Winning the 2017 China's Best Corporate Citizenship Award at the 14th China Corporate Citizenship Forum sponsored by 21st Century Business Herald in December
	Winning the Special Contribution Award at the Ceremony for Alliance of Activists 2017 sponsored by ifeng.com in December
	Winning the CSR Golden Tripod Award at the CSR Annual Conference for Food Enterprises in China and the Entrepreneurship Forum hosted by China Food News in December
	Awarded with "Perceived Responsible Brand" and one of the Top 10 Companies of the Year with Most Responsible Brand at the China Social Responsibility 100 Forum in May
	Winning the "Award for Excellent Poverty Alleviation Program" granted by the Corporate Social Responsibility Research Center of the Chinese Academy of Social Sciences in November
Professional Organization Awards	Receiving the 2017 Supplier Engagement Disclosure Award at the 10th International Conference on CSR Reporting in China hosted by China WTO Tribune and China Business Council for Sustainable Development in December
	Selected for the SynTaoGF-CaiXin ESG 50 Index at the 5th China SIF (China Social Investment Forum) Annual Conference jointly hosted by SynTao Green Finance and Caixin Media in December
	Winning the Award for Best Practice in China SDGs at the China Business Summit on Achieving Sustainable Development Goals (SDGs) 2017 hosted by the United Nations Global Compact Network China in December

Future Outlook

In 2017, Yili upgrades its Sustainability Development Steering Committee and transforms its CSR commitment of “Healthy China” to a CSD commitment of “World Integrally Sharing Health”, completing the transition from “social responsibility” to “sustainable development”. In the coming year, Yili will continuously improve its sustainable development capability by upgrading its commitment, optimizing indicators, and enhancing practices to achieve bigger sustainable development goals.

In respect of commitment upgrading, Yili will further consolidate the foundation for a sustainable development by blending the concept of sustainable development into its corporate strategy and let the sustainable development committee lead the way of sustainable development. In the meantime, it will make the concept of sustainability development well recognized within the company, make full use of its advantages, and press ahead with innovation so as to make progress and lead the industry under the sustainable development initiative.

In terms of indicator optimization, Yili will set up a sustainable development indicator system and targets in different phases based on the special features of the company and the industry to inspire constant progress by consistently referring to guideline documents at home and abroad. The

indicator system will cover key aspects of the connotation and extension of Yili’s sustainable development, involving economy, society and environment, and reflecting the company’s contribution to sustainable development in China and the rest of the world.

When it comes to practice enhancing, Yili will join forces with its partners along the industrial chain to establish a community of sustainable development in terms of four key areas, namely Win-Win partnership in the industrial chain, quality and innovation, social welfare, as well as nutrition and health; the company will provide consumers with highest quality, diverse and personalized products as well as customized in-depth services; and it will consistently care for the public with emphasis on youth, environment and social communities to improve human health and welfare.

In 2018, Yili will kick off more practices as a responsible company to set an example for the industry and take a lead in fulfilling the “Ten Principles” of the United Nations Global Compact. It will implement the United Nations Sustainable Development Goals and relevant conventions to contribute, as a player from China, to benefiting the world with sustainable development and making life more beautiful.



About this Report

This report describes the specific situation of Yili in 2017 to achieve its own development at the same time, actively fulfill the social responsibility. It discloses the company’s practice and achievements in the four aspects of Win-Win Results across the Industrial Chain, Quality and Innovation, Social welfare as well as Nutrition and Health.

This report was prepared based on conventional standard procedures in and out of China. A report preparation team was set up to analyze substantive issues, determine key contents of the report scientifically, and work out indicators for disclosure based on guidelines at home and abroad. In addition, field investigations and surveys by means of interviews as well as questionnaires were conducted to ensure the authenticity and reliability of the data. After being completed, the report was submitted to Yili Sustainability Development Steering Committee for review and then to the Board of Directors for approval. It was issued after being approved by the Board of Directors.

Report Time Frame

This report covers the 2017 fiscal year from January 1, 2017 to December 31, 2017. Some data presented may be beyond this scope for completeness of the report.

Report Issuing Cycle

This CSR annual report is issued annually with the corporate annual report.

Guidelines

- United Nations Sustainable Development Goals (SDGs)
- The Ten Principles of the United Nations Global Compact
- G4 Sustainability Reporting Guidelines issued by the Global Reporting Initiative (GRI)
- Guidance on Social Responsibility (ISO26000) issued by the International Organization for Standardization (ISO)
- Notice on Strengthening the Accountability of CSR and Issuing the SSE Guidance Document of Information Disclosure of Corporate Environment for Listed Companies issued by the Shanghai Stock Exchange
- Guidance on Social Responsibility Reporting (GB/T 36001-2015)
- Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-CSR 3.0) issued by Chinese Academy of Social Sciences (CASS)

Report Composition

This report covers Inner Mongolia Yili Group Industrial Group Co., Ltd. (Yili) and all its subsidiaries (with information on subsidiaries included in the company’s annual report available at <http://www.sse.com/cn>).

Data Sources

Data and activities presented in this report originates from official documents and statistical reports and other documents of Yili.

Report Reliability Assurance

This report does not include any false records or misleading statements.

Report Format

This report is available in both print and electronic formats. The electronic version of this report is available at the Shanghai Stock Exchange website: <http://www.sse.com.cn>.

Updates to Previous CSR Reports: None

Key Performance Table

Indicators	Unit	2015	2016	2017
Economic Indicators				
Business Revenue	RMB 10,000	6,035,987	6,060,922	6,805,817
Net Profit	RMB 10,000	465,443	566,904	600,281
Tax	RMB 10,000	365,451	392,174	462,934
Weighted Average ROE	%	23.87	26.58	25.22
Ratio of Liabilities to Assets	%	49.17	40.82	48.80
Total R&D Input	RMB 10,000	8,026.17	17,196.22	20,916.53
Authorized Patents	Piece	102	139	110
Authorized Patents as Inventions	Piece	39	48	15
Authorized New Utility Model Patents	Piece	23	39	19
Indicators	Unit	2015	2016	2017
Social Performance				
Cyber Security Incidents	Times	0	0	0
Product Testing Investment	RMB 100,000,000	2.85	2.9	2.8
Product Testing Coverage Ratio	%	100	100	100
Product Recall Proportion	%	0	0	0
Consumer Complaints Resolution Rate	%	100	100	100
Consumer Satisfaction	%	99.8	99.8	99.8
Open Factory Visit	10,000 person-time	119.7	135	162
Proportion of suppliers signing <i>Transparency Agreement</i>	%	100	100	100
Proportion of Cooperative Large Scale Dairy Farms	%	80.9	100	100
Total No. of Customers Supported during the Year	Household	430	1,621	2,359
Total Fund Raised	RMB 100,000,000	10.53	44	81.21
Total Fund-raising number	Rounds	965	5,064	10,792
Funding per Company	RMB 10,000	245	271	344
Total No. of Customers Supported during the Year (Partner Farms)	Household	203	488	504
Total Funds Raised during the Year (Partner Farms)	RMB 100,000,000	2.5	10.14	18.44

Indicators	Unit	2015	2016	2017
Total Number of Suppliers	Household	56	211	280
Total Fund Raised	RMB 100,000,000	3.5	18.36	35.68
Total No. of Customers Supported during the Year (Distributors)	Household	171	922	1,575
Total Funds Raised during the Year (Distributors)	RMB 100,000,000	4.5	15.92	27.09
New Jobs Created	Persons	21,291	14,567	12,125
Total Staff	Persons	57,971	54,983	53,531
Employment Contract Signing Ratio	%	100	100	100
Females in Senior Management (deputy general manager and above)	%	21	21	17
Ratio of Staff Sex	Male:Female	3:2	3:2	3:2
Ratio of Staff Turnover	%	23.87	14.53	21.08
Ratio of Social Insurance Coverage	%	100	100	100
Investment in Safety Production	RMB 10,000	10,000	20,000	74,463
No. of People with Occupational Injuries	Persons	14	19	15
No. of Safety Checks	Times	5	6	16
External Donation	RMB 10,000	1,638	802	10,399
Indicators	Unit	2015	2016	2017
Environmental Performance				
Total Investment in Environmental Protection	RMB 10,000	20,000	16,000	18,000
Energy Consumption Quantity	Ton of standard coal equivalent	425,529.74	423,819.66	419,755.54
Energy Consumption Density	Ton of standard coal equivalent/ton	0.0599	0.0572	0.0525
Energy Consumption Reduction	Ton of standard coal equivalent	22,737.04	20,008.13	35,700
Emission of GHG	10,000 tons	181.58	179.87	179.63
Carbon Emission per ton of product Kg/Ton	Kg/Ton	267.72	259.92	244.52
Discharge Volume of General Wastes	Ton	688,717	810,223	718,446
No. of Severe Leakage	Times	0	0	0

Indicator Index

United Nations Sustainable Development Goals

alignment target	Goals	Actions
Goal 1	No poverty	Targeted poverty alleviation
Goal 2	Zero hunger	Targeted poverty alleviation
Goal 3	Good health and well-being	Fundamental research, diversified products, healthy lifestyle promotion, activities for nutrition and health
Goal 4	Quality education	Safety education, sci-tech education
Goal 5	Gender equality	Equal employment and diversified career development platform
Goal 6	Clean water and sanitation	Comfortable working environment
Goal 7	Affordable and clean energy	Biogas power generation
Goal 8	Decent work and economic growth	Equity, diversified, and reasonable compensation and welfare
Goal 9	Industry, innovation and infrastructure	Product R&D, intelligent manufacturing
Goal 10	Reduced inequalities	Targeted poverty alleviation
Goal 11	Sustainable cities and communities	Green industry chain
Goal 12	Responsible consumption and production	Green industry chain and sustainable consumption
Goal 13	Climate action	Green industry chain
Goal 14	Life below water	Biodiversity protection projects
Goal 15	Life on land	Biodiversity protection projects
Goal 16	Peace, justice and strong institutions	Compliance management, anti-corruption
Goal 17	Partnerships for the goals	Mutual development with partners in the industry chain

The Ten Principles of the United Nations Global Compact

Principles	Index	Page number
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	P30
Principle 2	Make sure that they are not complicit in human rights abuses	P30
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	P30
Principle 4	The elimination of all forms of forced and compulsory Labour	P30
Principle 5	The effective abolition of child labour	P30
Principle 6	The elimination of discrimination in respect of employment and occupation	P30
Principle 7	Businesses should support a precautionary approach to environmental challenges	P30
Principle 8	Undertake initiatives to promote greater environmental responsibility	P41-42
Principle 9	Encourage the development and diffusion of environmentally friendly technologies	P41-42
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery	P10

G4 Sustainability Reporting Guidelines issued by the Global Reporting Initiative (GRI)

Contents		Disclosure Indicators	Page number
Message from the Chairman		G4-1,G4-2	P2-3
About Yili		G4-3,G4-4,G4-5,G4-6,G4-7,G4-8,G4-13,G4-56,G4-EC1	P4-5
Materiality Analysis		G4-18,G4-19,G4-20,G4-21,G4-23	P6
Stakeholders Communication		G4-24,G4-25,G4-26,G4-27,G4-45	P7
Corporate Management	Establishing a sound organizational structure		P8-9
	Protecting the rights of shareholders		P9
	Compliance with laws and regulations	G4-38,G4-40,G4-41,G4-57,G4-58,G4-SO3,G4-SO4,G4-SO5,G4-PR8	P10-11
	Enhancing internal control management	G4-2	P11
Sustainable Development Management	Concept of Sustainable Development		P12
	Structure of sustainable development organization	G4-15,G4-34,G4-35,G4-36,G4-39,G4-42,G4-43,G4-44,G4-48,G4-49	P13-17
Win-Win Results across the Industrial Chain	Cooperating with partners across the industrial chain	G4-12,G4-13,G4-EC7,G4-EC8,G4-EC9,G4-LA14,G4-LA15,G4-HR5,G4-HR10,G4-HR11,G4-SO1,G4-SO2,G4-SO9,G4-SO10	P24-27
	Providing optimal service experience		P28-29
	Boosting staff development and growth	G4-9,G4-10,G4-11,G4-EC3,G4-EC5,G4-LA1,G4-LA2,G4-LA4,G4-LA5,G4-LA6,G4-LA8,G4-LA9,G4-LA10,G4-LA12,G4-LA13,G4-LA16,G4-HR3,G4-HR5,G4-HR6	P30-33
Quality and Innovation	Yili represents the highest quality	G4-16,G4-PR1,G4-PR2,G4-PR3,G4-PR5,G4-PR9	P38-40
	Creating green production base	G4-14,G4-EN5,G4-EN6,G4-EN7,G4-EN8,G4-EN10,G4-EN11,G4-EN18,G4-EN19,G4-EN21,G4-EN22,G4-EN24,G4-EN25,G4-EN26,G4-EN28,G4-EN29,G4-EN30,G4-EN31,G4-EN32,G4-EN33	P41-42
	Improving independent R&D capacity		P43
Social Welfare	Caring for youth Growth		P48-49
	Conserving biodiversity	G4-15,G4-16	P50-51
	Supporting the healthy development of the community	G4-EC7,G4-EC8,G4-SO1	P52-57
Nutrition and Health	Leading the study on nutrition and health		P62-63
	Meeting the multiple needs of consumers		P64-67
	Promoting a healthy lifestyle	G4-PR7	P68-71
CSR Highlights in 2017			P72-73
Future Outlook		G4-1,G4-2	P74
About this Report		G4-17,G4-18,G4-20,G4-22,G4-23,G4-28,G4-29,G4-30	P75
Key Performance Table		G4-9,G4-15,G4-16,G4-EC7,G4-EC8,G4-EN6,G4-EN19,G4-LA2,G4-SO1,G4-PR1,G4-PR2,G4-PR5	P76-77
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Reader Feedback		G4-31	P81



Contents		Disclosure Indicators	Page number
Message from the Chairman		P3.1,P3.2,P5.1	P2-3
About Yili		P4.1,P4.2,P4.3,P4.4	P4-5
Materiality Analysis		P2.2,G1.3,G5.2,G5.3	P6
Stakeholders Communication		G2.2,G5.1,G5.2,G5.3,G5.5	P7
Corporate Management	Establishing a sound organizational structure	M1.1,M1.2	P8-9
	Protecting the rights of shareholders	M1.1,M1.2	P9
	Compliance with laws and regulations	M3.2,M3.4,M4.2,M4.3,S1.1,S1.2,S1.3	P10-11
	Enhancing internal control management	S1.1,S1.2	P11
Sustainable Development Management	Concept of Sustainable Development		P12
	Structure of sustainable development organization	G1.1,G2.1,G2.3,G2.4,G2.5 P5.1	P13-17
Win-Win Results across the Industrial Chain	Cooperating with partners across the industrial chain	G3.2,M3.5,M3.6,M3.7,M3.8,M4.1,M4.2, M4.3,M4.5,M4.6,M4.7,S4.11,S4.10	P24-27
	Providing optimal service experience	M2.15,M3.1,M3.4,M3.5,M3.6	P28-29
	Boosting staff development and growth	P4.5,S2.1,S2.3,S2.6,S2.8,S2.9,S2.10,S2.12,S1.13, S2.16,S2.17,S2.18,S2.19,S2.20,S2.21,S2.22,S2.23, S3.1,S3.2,S3.3,S3.4,S3.5	P30-33
Quality and Innovation	Yili represents the highest quality	M2.1,M2.2,M2.3,M2.4,M2.5,M2.6, M2.12,M2.15,M3.3,S2.5	P38-40
	Creating green production base	E1.1,E1.2,E1.3,E1.4,E1.5,E2.1,E2.2,E2.3,E2.4, E2.5,E2.6,E2.7,E2.10,E3.2,E3.3	P41-42
	Improving independent R&D capacity	M2.7,M2.8,M2.9,M2.10,M2.12	P43
Social Welfare	Caring for youth Growth	S4.5	P48-49
	Conserving biodiversity	P4.6,S4.5,E1.6	P50-51
	Supporting the healthy development of the community	S1.5, S4.5, S4.7,S4.8, S4.10, S4.11	P52-57
Nutrition and Health	Leading the study on nutrition and health	M2.7,M2.8,M2.9,M2.10,M 2.17	P62-63
	Meeting the multiple needs of consumers	M2.13,M2.14	P64-67
	Promoting a healthy lifestyle	M2.16,M2.17,M2.18 S1.5, S4.5	P68-71
CSR Highlights in 2017		P5.3, G4.3, G6.3	P72-73
Future Outlook		G1.4,A1	P74
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Key Performance Table		P5.2,M1.3,M1.4,M1.5, M2.8,M2.9,M2.10,M4.4,S1.4,S1.6, S2.24,S4.6	P76-77
Indicator Index		A3,P4.5,M2.4,M3.4, M3.6,M4.1,S2.1,S2.19,S4.5,S4.10	P78-80
Reader Feedback		P1.5,A4	P81

Rating Report on Inner Mongolia Yili Group Industrial Group Co., Ltd. 2017 Social Responsibility Report

Upon the request of Inner Mongolia Yili Group Co., Ltd, Chinese Expert Committee on CSR Report Rating invited experts to form a rating team. The team rated Inner Mongolia Yili Group Industrial Group Co., Ltd. 2017 Social Responsibility Report (hereinafter “the Report”) as follows:

Rating Criteria

Chinese Corporate Report Preparation Guide (CASS-CSR 3.0) – Food Industry on Corporate Social Responsibility Reporting for Chinese Enterprises (2018).

Rating Process

- (1) The process assessment team interviewed members from reporting team and viewed the relevant materials involving the preparation of the Report on site.
- (2) The rating team evaluated the management process and information disclosure of the Report and drew up the rating report.
- (3) The Vice Chairman of Chinese Expert Committee on CSR Report Rating and the team leader of the rating team signed the rating report together.

Rating Results

Process management (★★★★★)

The Chairman and President of Yili Group took a leading role to form a Yili Sustainable Development Steering Committee , and the Department of Corporate Affairs formed a reporting team. Vice presidents of each business unit were in charge of reviewing the report. The corporation identified the report as an important tool improving social responsibility management, promoting social responsibility brand image, and disclosing corporate responsibility performance information. The corporation established a multi-layered and multi-formed reporting mechanism, including annual CSR Report, Quarterly Biodiversity Briefing, and Report on Biodiversity Protection. The reporting team defined material issues based on corporate major issues, relative national policy, industry benchmarking analysis, stakeholder survey etc. The corporation prepared to release the report on official websites and industry conference, and deliver the report in print, online, and Html5. Thus, the report process management is super excellent.

Materiality (★★★★★)

The report systematically discloses key performance issues on food industry such as raw material safety and sanitation management, food safety management, food information disclosure and advertisement compliance, food safety incident management mechanism, react to consumer complaints, employee rights protection, drive rural economic development, energy and resource saving, develop circular economy, reduce packaging etc. The report has a super excellent materiality performance.

Completeness (★★★★★☆)

The report systematically discloses key information through “Win-Win Results across the Industrial Chain”, “Quality and Innovation”, “Social Welfare”, “Nutrition and Health”, with 88.6% of core indicators disclosed for food industries. The report has a leading completeness performance.

Balance (★★★★★)

The report discloses negative data information on “Food Safety Accident”, “Cyber Safety Incident”, “Ratio of Staff Turnover”, “Occupational Injuries”, “Severe Leakage”, “Product Recall Proportion” etc. The report has a super excellent balance performance.

Comparability (★★★★★)

The report discloses data on 47 key performance indicators of at least three consecutive years, including “Business Revenue”, “Net Profit”, “Total R&D Input”, “Authorized Patents”, “Consumer Satisfaction”, “Total Staff”, “Labor Contract Signing Ratio”, “Total Investment in Environmental Protection”, and compared data with “Global and Asia Diary Corporation Scale Ranking”, “2017 Brand Finance Global Diary Brands List”, and “2017 BrandZ Top Most Valuable Chinese Brands List”. The Report has a super excellent comparability performance.

Readability (★★★★★)

The report cover design is fresh and natural, and themed “WISH” to echo corporate sustainable development concept “World Integrally Sharing Health”, which enhances corporation identification. Through the industrial ecological map, it demonstrates the whole procedure of produce and sale with vivid design, and highlights industrial characteristic. Chapter pages are designed with scene picture and “work performance” segments to underline key performance of social responsibility, audience can fast read to grab major content of each chapter. Insert QR codes for extend reading in many sections to enhance transmissibility and communication ability of the report. The report has a super excellent readability performance.





Innovativeness (★★★★★)

The report has “Targeted Poverty Alleviation Requiring Great Emphasis on the Health” and “Building Industry Poverty Alleviation Mechanism” two special sections to elaborate corporate responsibility deliberation on poverty alleviation issue, and demonstrate corporation’s responsibility on implementing state macro policies. “Highlights of Sustainable Development” section responds to the United Nation Sustainable Development Goals, and illustrates corporation’s international insights. “CSR Highlights in 2017” section systematically states corporate responsibility performance, and presents corporate responsibility achievement. The questionnaire survey, engages both internal and external stakeholders, and increases the accuracy of identifying material issue. The report has a super excellent innovativeness performance.

Overall Rating (★★★★★)

Through evaluation and deliberations, the rating team agreed to rate Inner Mongolia Yili Group Industrial Group Co., Ltd. 2017 Social Responsibility Report as a five-star, super excellent corporate social responsibility report.

Suggested Improvements

More disclosure on responsibility deficiencies to improve the report balance performance.

Rating Team

Team leader:

Zhong Hongwu, Director of the Research Center for Corporate Social Responsibility of Chinese Academy of Social Science

Team member:

Guo Yi, Professor of School of Economics of Beijing Technology and Business University

Process Evaluators:

Wang Yali, Ren Jiaojiao,

魏荣川

Vice Chairman of the Chinese Expert Committee on CSR Reporting Rating

钟宏武

Team leader of the expert rating team

Date of Issuing: July 13, 2018



Reader feedback

Dear readers:

Thank you for reading *Inner Mongolia Yili Industrial Group Co.,Ltd. 2017 Social Responsibility Report*. If you have any comments or suggestions, please feel free to let us know for our continuous improvement in sustainable development management.

On a scale of 1 to 5 (1 being the lowest and 5 the highest), please provide ratings as answers to the following questions:

1. Your overall evaluation of Yili Group Social Responsibility Report ?

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

2. Do you think the Report reflects Yili Group economic, social and environmental influence?

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

3. Your overall evaluation of the extent of information disclosure in the Report?

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

4. Your overall evaluation of the quality of wording and descriptions in the Report?

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

5. Your overall evaluation of the formatting and design of the Report?

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Please leave any other comments or suggestions below:

Your contact information

Name: _____ Name of Organization: _____

Tel: _____ E-mail: _____

We will take your comments and suggestions into consideration and assure you that your personal information will be kept in confidentiality without any third-party access.

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