



**World Integrally Sharing Health**

# **2019 Sustainability Report**

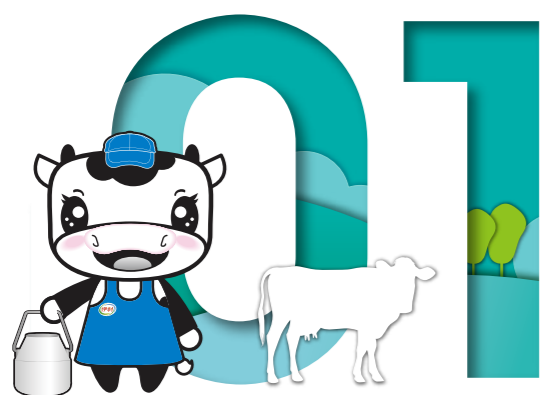
Inner Mongolia Yili Industrial Group Co., Ltd.

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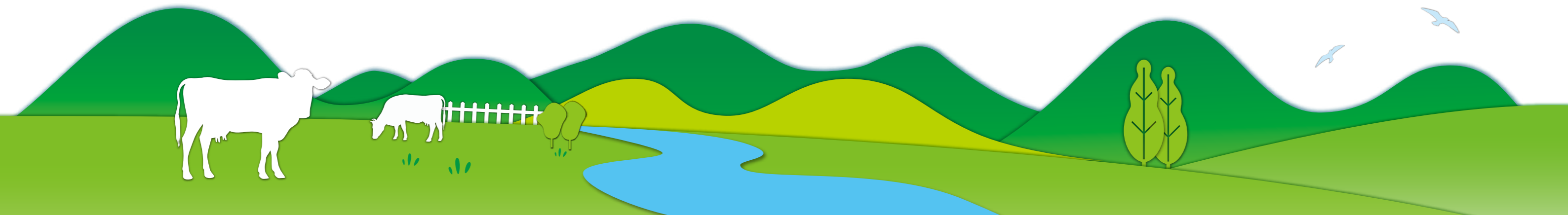


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# About the Report

This is the annual sustainability report issued by Inner Mongolia Yili Industrial Group Co., Ltd. (hereinafter referred to as "Yili Group", "Yili", "the Group", "the Company", or "we"). It discloses Yili's efforts and achievements for sustainable development during its pursuit of the goal of "World Integrally Sharing Health" and implementing the UN Sustainable Development Goals (SDGs). Our reports on biodiversity, sustainability and other aspects jointly constitute the Yili Sustainability Information Disclosure System, which demonstrates Yili's philosophy and actions in sustainability management and responds to the expectations and concerns of stakeholders, thus establishing effective communication with our stakeholders. This report focuses on Yili's progress on "Win-Win Industrial Chains", "Quality and Innovation", "Social Welfare", and "Nutrition and Health" during the reporting period.

This report is prepared in accordance with the "Core Option" of *GRI Sustainability Reporting Standards (GRI Standards)* issued by the Global Sustainability Standards Board (GSSB), and has been formulated based on the Guidelines for Strengthening the Social Responsibility of Listed Companies and the Notice of Issuance of the Guidelines for Environmental Information Disclosure of Listed Companies on the Shanghai Stock Exchange issued by the Shanghai Stock Exchange, GB/T 36001-2015 *Guidance on Social Responsibility Reporting, Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-CSR 4.0)* for Food Industry issued by the Chinese Academy of Social Sciences and other relevant standards and guidelines for social responsibility reporting from Chinese and global standards organizations. At the same time, related expressions on social responsibility management, actions and others refer to the Ten Principles of the United Nations Global Compact, the *ISO 26000 Guidance on Social Responsibility* issued by International Organization for Standardization (ISO) and so on.

## Report Information Description

This report mainly discloses the information of the Inner Mongolia Yili Industrial Group Co., Ltd., including all of its subsidiaries (see the Group's annual report for details). Unless otherwise stated, the report covers the period from January 1, 2019 to December 31, 2019. The data and cases cited herein are derived from internal statistical reports or public documents of the Company.

This report is an objective reflection of Yili Group's commitment to sustainable development. According to the development trend of international social responsibility and Yili's social responsibility management process, Yili Group has changed its annual social responsibility report to annual sustainability report since 2019.

The Company assures that no fictitious record, misleading statement, or material omission is included in this report, and will be responsible for the report's authenticity, accuracy, and completeness.

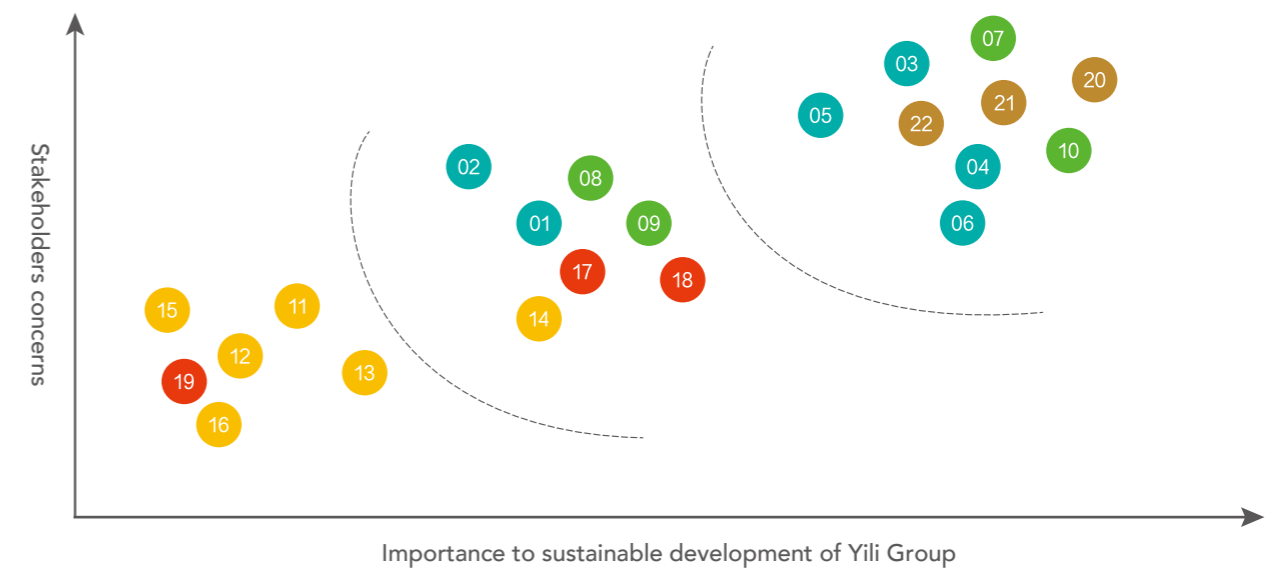
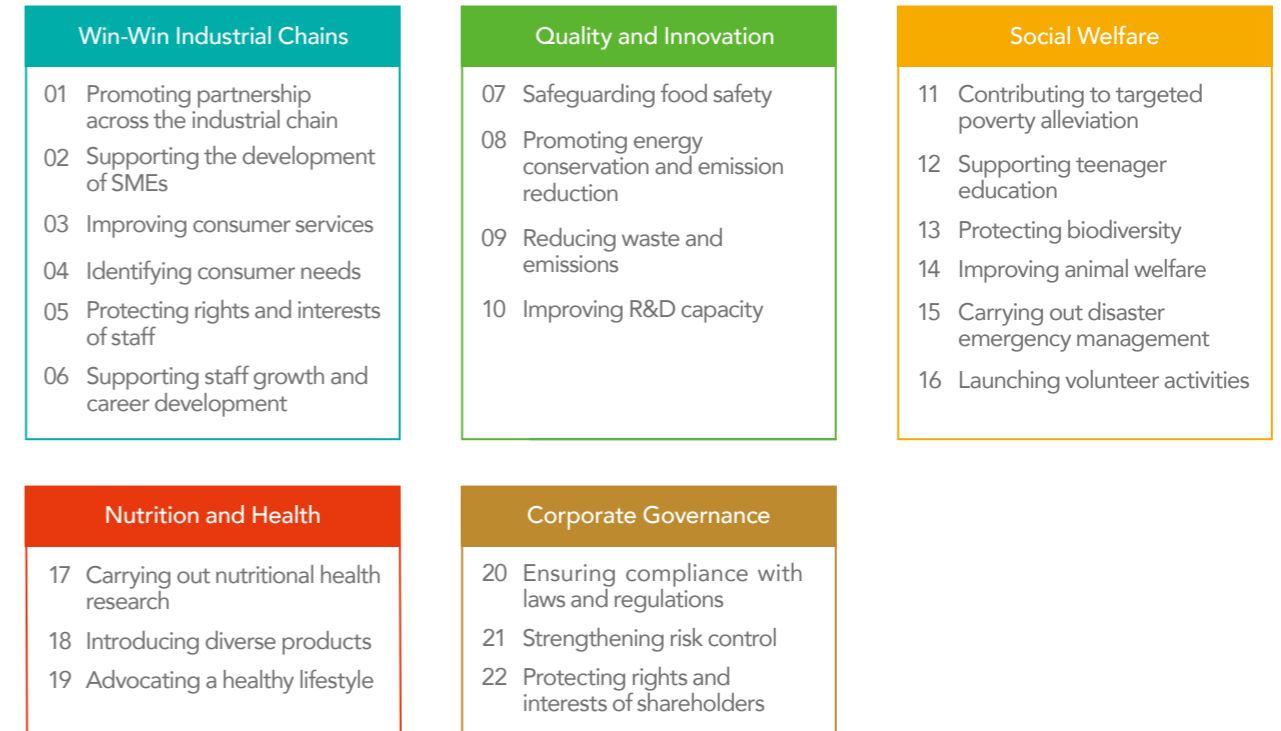
The most recent report was published on February 28, 2019.

## Report Access

This report is published in both printed and electronic formats. The electronic version is available online. For the electronic version, please visit the website of Shanghai Stock Exchange at <http://www.sse.com.cn>. You can also contact us for a printed copy.

This report continues to use the methodology for preparing the Yili social responsibility reports in previous years. Through systematic communication between stakeholders, we analyze and compare the impact of different topics on stakeholders and the importance of topics to Yili's own development,

identify and select topics that need to be disclosed in the report, thus forming a materiality matrix. After collecting relevant information across the Yili Group, followed by systematic analysis and review from internal and external audits, we develop the contents of this report for external disclosure.



# Message from the Chairman

## Pooling sustain momentum for a shared healthy future

Health is the foundation for a better future, and health for all is the common vision and right of mankind. In the early spring of 2020, a sudden outbreak of Coronavirus Disease 2019 (COVID-19) got the whole world into an unprecedented health crisis. For Yili, the pandemic is a crisis as well as a big test, which tests our capability to achieve further development through more sustainable ways that benefit the health of more.

Over the years, we have been pooling sustain momentum to consolidate the foundation for sustainable development with global thinking, ensure continuous and stable operations through sustainable management, and build a "Global Health Ecosystem" through sustainable partnerships. We believe that our continuous exploration and efforts, for sure, will facilitate the realization of the brand vision of "nourishing the world and sharing healthy food and lifestyle with everyone", which is also the value and meaning of the existence of Yili Group.

### Leading sustainable thinking with a global vision

A global vision is a foundation for sustainable development. Under the pandemic, the destinies of humans in the world are closely related unprecedentedly, and we have never been so eager for a healthy life. In the course of development, we have never forgotten to assume global responsibility with a further-reaching vision and a more open-minded outlook while providing "Optimal Solutions" to global issues such as shared health. Focusing on global sustainable and healthy development, we review and promote what we do from a future-oriented perspective, and strive to build a "Global Health Ecosystem" where we can discuss health issues, co-build a health ecosystem with partners, and share health promotion achievements. Meanwhile, Yili's ideas, standards, and wisdom also better promote global sustainable development.

### Improving the sustainable management ability through group-wide efforts

Deep, extensive, and vigorous promotion of sustainable development management is the guarantee for the healthy development of enterprises. As we are in the VUCA Era filled with volatility, uncertainty, complexity, and ambiguity, we are expected to be more responsive and resilient in coping with environmental changes. Adhering to the corporate belief of "Yili means the best quality", we thoroughly implement the SDGs, and deeply integrate the concept of sustainable development with corporate governance and strategy. Relying on sustainability-oriented business philosophy, operation methods, and management systems, we strive to make sustainable development take root in Yili and encourage our employees to put sustainability into practice consciously.

### Stimulating sustainable development synergies by working with partners

Partnerships provide sustainable development synergies. It is impossible for a single organization to realize the goal of health for all. We should strengthen cooperation with all parties with a sincere attitude and open mind, gather and share sustainability resources widely, pool sustain momentum of all to realize the goal. With the aim to deepen the cooperation of the global health supply chain and pool strengths of global partners, we have set up the industry's first Global Network of Sustainable Supply Chains (WISH Network) to develop health products, advocate sustainable consumption, and promote healthy lifestyles with joined hands. We send nutritious and healthy products to the poorest areas, and have made the promise and taken action to protect biodiversity, joined hands with various stakeholders, and pooled strengths widely to support sustainable development. Through such efforts, we endeavor to integrate sustainable development throughout the entire industrial chain, and thus contribute to the sustainable development of the industry and society through synergies.

In the face of any challenges, we have never changed our determination to assume global responsibility, insistence on sustainable development, and pursuit of health. In 2020, global economic and social development will undergo in-depth adjustments. Yili will **face up to the difficulties and make further development with innovation**. By continuing to leverage our global strengths, including global brands, rich resources, strong innovation capabilities, and diverse channels, we are committed to becoming the most trusted global healthy food provider. By bringing together the forces of all parties of the global industrial chain, partners, employees, and advocates of sustainable development, we hope to join hands with all to build a "Global Health Ecosystem" to realize the dream of World Integrally Sharing Health.



Pan Gang

Chairman and President of Yili Group

# About Yili

## Company Profile

Yili Group has ranked among the world's top-tier dairy companies, and has consecutively ranked number one in the Asian dairy industry for several years. It is also the largest dairy company in China, and offers the most comprehensive range of products. The highest-quality products and leading multi-service capabilities and sustainability have made Yili a brand always trusted and recognized by top international events, games, governments at all levels, and sectors of society. Yili has been the only dairy enterprise in China to provide services for the Beijing 2008 Summer Olympics, the 2019 CISM Military World Games in Wuhan, the 2022 Winter Olympics in Beijing, the Expo Shanghai 2010, and the 2016 G20 Hangzhou Summit, as well as the partners for top-level summits, such as the World Economic Forum, the Boao Forum for Asia, and the World Internet Conference.

Yili's product line includes liquid milk, milk powder, cold drinks, yogurt, health drinks, and cheese. Yili

offers various specialized subsidiary brands for consumer groups of different needs. Every day, over 100 million Yili products are distributed to consumers all over the world.

Yili's philosophy is "Prioritizing corporate culture over growth rate, industry prosperity over individual brilliance, and social value over commercial wealth". We also firmly believe that "Balance is key and responsibility comes first". We have thoroughly integrated sustainable development into our corporate strategy and are committed to becoming the most trusted global healthy food provider, nourishing the world and sharing healthy food and lifestyle with everyone. On November 6, 2017, Yili upgraded its corporate social responsibility management system and turned its "Healthy China Corporate Social Responsibility (CSR) System" into a future-oriented "World Integrally Sharing Health Corporate Sustainable Development (CSD) System", or the WISH system, reflecting our



Yili is the first Chinese food company to sign the United Nations Global Compact.



Yili is the first Chinese company to sign the *Business and Biodiversity Pledge of 2016 Conference of Parties to the Convention on Biological Diversity (CBD)*.



Yili fully supports the UN Sustainable Development Goals by 2030, and published the *Yili Group Sustainability Action Plan (Ten Articles)*, the first of its kind in dairy industry.

wishes for a wonderful life for all of our consumers. On the basis of WISH system, Yili issued the *Yili Group Sustainability Action Plan (Ten Articles)* on March 21, 2019, which is another practice of Yili in sustainable development management.

The WISH system is an important manifestation of Yili's benchmarking and implementing of SDGs. This system integrates nine SDGs that we identified as key focus areas, and groups them into four specific action areas to fulfill our sustainable development goals: Win-Win Industrial Chains (W: Win-Win), Quality and Innovation (I: Innovation), Social Welfare (S: Social), and Nutrition and Health (H: Health). We have conducted a number of activities in the four action areas. For example, we have established the Dairy Farm Partner Development Academy, the Supplier Development Academy, and the Dealer Development Academy to grow together with our industrial chain partners. We also run the innovation centers in Europe and

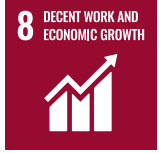
Oceania to explore cutting-edge technology in the field of healthy food in an all-round manner. We are one of the first batch of enterprises to sign the *Business and Biodiversity Partnership Declaration* in China; moreover, together with other presented companies, we led to launch the *Initiative for Sustainable Development Actions from Businesses* at the First Sustainable Development Forum to motivate more companies to take biodiversity conservation and sustainable development actions. In addition, we promote a range of charity projects, such as the Yili Nutrition 2020 Project, the Yili Ark, and the Yili Future Park, in an effort to provide high-quality education for teenagers from mental development, safety, and science education to ensure their physical and mental health. We strive to make sustainable development take root in Yili and encourage our employees to put sustainability into practice consciously.





I WISH, WE WISH

# Yili Group Sustainability Action Plan (Ten Articles)



Article 1. The sustainability capacity represents a company's leadership in the future. Therefore, Yili practices the corporate belief of "Yili means the best quality" with the concept of sustainability as the guide, and aspires to become the most trusted global healthy food provider.

Article 2. Keep pressing ahead with the targeted poverty alleviation model that is industry-oriented and multi-dimensional by carrying out a series of actions to help the poor improve their quality of life in an all-round way, facilitate rural revitalization, and achieve Goal 1 - No Poverty.

Article 3. Proceed with the plan for improving the nutrition of all, and strive to allow more people to enjoy nutritious and healthy milk and to achieve Goal 2 - Zero Hunger.

Article 4. Carry out basic research on nutrition, promote the popularization of health knowledge, and advocate the concept of sustainable consumption to contribute to Goal 3 - Good Health and Well-Being.

Article 5. Consolidate and publicize ecological safety on campus to ensure teenagers' physical and mental health and improve education equity to facilitate the realization of Goal 4 - Quality Education.

Article 6. Improve financial indicators, and promote employment by helping more people get equal pay for equal work and decent work, support employee growth, and give more care to female employees to contribute to Goal 8 - Decent Work and Economic Growth.

Article 7. Lead the upstream and downstream partners in a concerted effort to build a green industry value chain, and promote the use of green and eco-friendly packaging in a bid to help achieve Goal 12 - Responsible Consumption and Production.

Article 8. Introduce new approaches to energy-saving management, and actively carry out carbon emission accounting to make positive contributions to combating climate change and realize Goal 13 - Climate Action.

Article 9. Honor the nine pledges in the *Business and Biodiversity Pledge of the Convention*, and work with partners in the industry value chain and society to protect biodiversity, and help achieve Goal 15 - Life on Land.

Article 10. Promote the win-win development of global industrial chains, and enhance the capability of all partners to grow together with dairy farms, suppliers, distributors, etc. to help achieve Goal 17: Partnership for the Goals.

62,000 people directly employed in the dairy farming industry

5,992 partners benefited from Yili's inclusive financial service

RMB 46.4 billion fund raised by Yili's industrial chain finance

260,000 km<sup>2</sup> wetland area conserved by 4.6m<sup>2</sup> Wetland Conservation Project

Released the 2<sup>nd</sup> Annual Report on Biodiversity Conservation

RMB 174.76 million invested in environmental protection

1.1829 million tons water saved totally

0 food safety accident

RMB 541.8 million invested in R&D

2,703 total number of authorized patents obtained by Yili

3 plenary meetings of the Yili Sustainability Committee/ Sustainability Liaisons held

10 outstanding sustainability cases selected in 2019

10 outstanding sustainability liaisons selected in 2019

Yili Nutrition 2020 targeted poverty alleviation project

Invested nearly RMB 80 million totally

Covered 25 provinces (municipalities and autonomous regions)

With 600,000 children benefited

Maternity Classes organized 33,530 With 913,658 trainees

Conducted research on breast milk for 17 consecutive years

More than 100 million participants in Yili Snow and Ice Camp

Yili totally provided nutrition support for 32 large training bases and 640 training venues

RMB 3.5799 million invested in Yili Ark project

109 safe and ecological schools built by the support of Yili

RMB 2 million invested in the Yili Future Park project

14.63% senior executives (deputy general manager and above) are women

Number of participants of staff training and learning programs over 800,000

## Honors and Awards

### Environmental



- The only case from Chinese food companies and Chinese listed companies  
Yili's biodiversity conservation practice was selected as a classic case in the *China's Progress Report on Implementation of the 2030 Agenda for Sustainable Development (2019)* issued by the Chinese Ministry of Foreign Affairs, making the Group a "Chinese sample" for the global sustainable development.
- Yili has won the International Carbon-Value Award presented by the World Economic and Environmental Conference (WEC) for seven consecutive years, and has become the "best performer of the social value with the low-carbon idea" as assessed by the United Nations and other international organizations.
- Yili has been awarded the honor of "Public Welfare Model of Corporate Social Responsibility" by the FAO Representation in China and the China Association for the Promotion of International Agricultural Cooperation for two consecutive years.
- Yili has been awarded the honor of "Best Practices of China Enterprises on Achieving SDGs" by the UN Global Compact for three consecutive years, which indicates that Yili's efforts to promote sustainable development was recognized by the United Nations once again in 2019.

### Social



- The only award-winning healthy food Chinese company  
Yili received the *Excellence in Practice Awards*, one of the highest honors in talent development given by the Association for Talent Development (ATD).
- Yili's practice case in poverty alleviation was selected into the *Blue Book of Corporate Poverty Alleviation* released by the State Council Leading Group Office of Poverty Alleviation and the Development and Chinese Academy of Social Sciences.
- At the "Second Beijing Responsibility Exhibition and the launch event of the *Blue Book of Corporate Social Responsibility (2019)*" hosted by the China Social Responsibility 100 Forum, Yili once again topped the Corporate Social Responsibility Index Among Dairy Product Companies (2019).
- At the "18th China Corporate Development Summit" hosted by the Development Research Center of the State Council and the China Enterprises Evaluation Association, Yili was awarded the honor of "Top Ten Model Enterprises for Social Responsibility", making it the only dairy product company winning the honor.

### Governance



- Ranking fourth in the global food category, and first in Asia for several years  
Yili was listed into the *Global 500 2019 - The annual report on the world's most valuable and strongest brands* released by Brand Finance, an independent branded business valuation consultancy, and saw its ranking rise from 285th to 258th.
- In the BrandZ™ China Top 100 Most Valuable Chinese Brands 2019, known as the "Oscar in global marketing", Yili won the first place in the food and dairy rankings for seven consecutive years, and was also awarded the honor of "Most Meaningful Brand - the Most Considerate Chinese Consumer Brand".
- Yili obtained BSI's first certification of BRCGS' Standards in the Asia-Pacific region. By then, the Chinese dairy industry had obtained the first whole-chain BRCGS certification for milk powder products.
- Oceania Dairy (ODL) won the Waste Management Award on account of its successful cross-border investment in New Zealand at the HSBC / NZCTA China Business Awards 2019 hosted by the New Zealand China Trade Association.
- Yili won the "2019 Asia Food Innovation" presented by FoodBev Media.

## Sustainability Management

### Corporate Culture



### Sustainability Governance Mechanism

Yili has set up a management structure composed of Yili Sustainability Committee, Secretariat and Sustainability Liaisons, to coordinate the sustainability tasks in an all-round manner, and facilitate the establishment of the sustainability management index system covering the whole group. The three organizations also determine the sustainability working content, and raise the sustainability awareness of various departments, enabling them to pursue sustainable development with concrete actions and in a higher stance.



## 2019年伊利集团可持续发展委员会全体会议



"The sustainability capacity represents a company's leadership in the future. We must develop a deep-rooted consciousness of sustainable development, and allow each employee to consciously join the cause."  
-Pan Gang, Chairman and President of Yili Group

2019/3

Plenary meeting of Yili Sustainability Committee

The *Yili Group Sustainability Action Plan (Ten Articles)* was signed at the meeting. The committee determined 9 of 17 SDGs as Yili's to-be-implemented goals in the future, and explored the connection between Yili's operations and the global sustainable development, providing clearer directions and requirements for Yili's sustainable development.

2019/8

The first plenary meeting of Sustainability Liaisons

Yili held the first plenary meeting of Sustainability Liaisons, where world-renowned sustainability experts were invited to provide training themed *Sustainable Development and Corporate Strategies & Operations*. Through workshop-style experiential teaching approaches, the trainees' sustainability capacity was effectively enhanced.

2019/11

The second plenary meeting of Sustainability Liaisons

Yili carried out training on sustainability knowledge and practice, and on the compilation of *Yili Sustainability Report 2019*, and selected the Top Ten Excellent Cases and Top Ten Excellent Liaisons from the group's sustainable development efforts in 2019. At the same time, we publicized and commended these cases and employees, inspiring various functional departments and business departments to better pursue the goals, enhance their capabilities and improve efficiency.



## WISH System

Yili has established a future-oriented “World Integrally Sharing Health Corporate Sustainable Development (CSD) System”, or the WISH system for short, reflecting our wishes for a wonderful life for all of our stakeholders. The WISH system is an important manifestation of Yili's benchmarking and implementing of SDGs. This system integrates the nine SDGs that we identified as key focus areas, and groups them into four specific action areas to fulfill our sustainable development goals: Win-Win Industrial Chains (W: Win-Win), Quality and Innovation (I: Innovation), Social Welfare (S: Social), and Nutrition and Health (H: Health).



## Sustainability Research and Benchmarking

### Benchmarking with model companies at home and abroad

First, we benchmark with the world's leading food and beverage companies, such as Nestlé and Danone, and carry out relevant case studies. Second, we conduct field investigations into model enterprises in China, such as State Grid China of Corporation, Alibaba, Huawei, China CITIC Bank, etc., and keep ourselves updated on the latest news about sustainable development. By carrying out research into their cases and experiences, we have identified the key indicators and action plans for Yili's sustainable development, guide and empower the Group for its sustainable development tasks to strive towards the vision of becoming the most trusted global healthy food provider and a leader in the industry.

### Improving carbon emissions management

As the first dairy product company to complete the Carbon Disclosure Project (CDP) survey for the gold standard of corporate environmental transparency, we disclose our carbon information based on our environmental protection capacity. We meticulously study the international standards on carbon emissions, and have integrated them into the Group's sustainability indicator system, thereby further improving our carbon emissions management capabilities.

## Stakeholder Communication

Yili attaches great importance to the communication with stakeholders, actively identifies all stakeholders, and constantly improves various communication mechanisms. The active and effective communication methods help enhance our interaction with internal and external stakeholders such as customers, governments,

partners, employees, regulators, etc. On the basis of in-depth understanding of the expectations and demands of stakeholders, we have incorporated the concerns and demands of stakeholders into the Group's sustainable development issues, and actively responded with practical actions for common growth with stakeholders.



**Case** Pan Gang, Chairman and President of Yili Group, was invited to attend the First Sustainable Development Forum and delivered a keynote speech

On October 24, 2019, the 73rd United Nations Day, Yili, as the only healthy food manufacturer, was invited to attend the Sustainable Development Forum 2019 co-hosted by the Development Research Center of the State Council and the United Nations Department of Economic and Social Affairs. Mr. Pan Gang, Chairman and President of Yili Group, delivered a keynote speech at the forum. Yili was one of the leading companies (including Alibaba and China Three Gorges Corporation) to launch the Initiative for Sustainable Development Actions from Businesses at the forum. A total of 16 enterprises signed the Initiative to promote the sustainable development practices of Chinese companies for the brighter future of companies, communities, China and even the planet.



Pan Gang, Chairman and President of Yili Group, delivered a keynote speech at the First Sustainable Development Forum



# Corporate Governance

## Governance Structure

Within the reporting period, Yili improves its modern enterprise system and governance structure, in strict accordance with the *Company Law, Code of Corporate Governance for Listed Companies in China* and requirements of China's relevant laws and regulations in combination with its development.

Stakeholders	Focus Topics	Response	Example Practices
Shareholders and Investors	<ul style="list-style-type: none"> <li>Safeguarding rights and interests of investors</li> <li>Risk control</li> <li>Innovation-driven development</li> </ul>	<ul style="list-style-type: none"> <li>Promoting sustainable economic growth</li> <li>Maintaining steady operation</li> <li>Promoting R&amp;D and innovation</li> </ul>	<ul style="list-style-type: none"> <li>Participating in investor communication teleconference</li> <li>Holding on-site research meeting with investors</li> </ul>
The Government and Regulatory Agencies	<ul style="list-style-type: none"> <li>Leading the industrial development</li> <li>Compliance with laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>Operations in compliance with laws and regulations</li> <li>Disclosing information timely</li> </ul>	<ul style="list-style-type: none"> <li>Zero tolerance to corruption by strict auditing</li> <li>Disclosing information regularly on designated websites</li> </ul>
Consumers	<ul style="list-style-type: none"> <li>Safe and healthy products</li> <li>Complete customer services</li> </ul>	<ul style="list-style-type: none"> <li>Zero food safety accident</li> <li>Meeting the multiple needs of consumers</li> <li>Multi-channel communication with consumers</li> </ul>	<ul style="list-style-type: none"> <li>Quality-leading strategy and one-vote veto for food safety</li> <li>Online and offline communication with consumers</li> </ul>
Partners Across the Industrial Chain	<ul style="list-style-type: none"> <li>Business ethics and integrity</li> <li>Promoting sound development of the industrial chain</li> <li>Mutual benefits and common growth</li> </ul>	<ul style="list-style-type: none"> <li>Implementing responsible procurement policies with a rigorous review process and management</li> <li>Boosting the development of partners across the industrial chain</li> </ul>	<ul style="list-style-type: none"> <li>Supplier lifecycle management system</li> <li>The Dairy Farm Partner Development Academy, the Supplier Development Academy, and the Dealer Development Academy</li> <li>Supply chain finance</li> </ul>
Staff	<ul style="list-style-type: none"> <li>Basic rights and interests</li> <li>Occupational safety and health</li> <li>Career development</li> </ul>	<ul style="list-style-type: none"> <li>Developing a sound compensation and benefits system</li> <li>Occupational health and safety management</li> <li>Offering staff training and career promotion</li> </ul>	<ul style="list-style-type: none"> <li>Equal pay for equal work, competitive wages, and additional welfare</li> <li>Establishing systems, making policies, and carrying out training and drills</li> <li>Promotion channels and vocational trainings</li> </ul>
Society	<ul style="list-style-type: none"> <li>Development of social communities</li> </ul>	<ul style="list-style-type: none"> <li>Targeted poverty alleviation</li> <li>Teenager education</li> <li>Disaster relief</li> </ul>	<ul style="list-style-type: none"> <li>Yili Nutrition 2020 Project</li> <li>The Yili Ark Project</li> <li>Emergency plan for natural disasters</li> </ul>
The Environment	<ul style="list-style-type: none"> <li>Reducing pollution</li> <li>Addressing climate changes</li> <li>Ecological protection</li> </ul>	<ul style="list-style-type: none"> <li>Developing green industry chains</li> <li>Launching ecological protection projects</li> </ul>	<ul style="list-style-type: none"> <li>Sewage and flue gas treatment, safe disposal of solid waste</li> <li>Carbon emission accounting, energy conservation and emission reduction</li> <li>Biodiversity conservation</li> </ul>

### Shareholders' Meeting

The Shareholders' Meeting has clear responsibilities, clear rules of procedures with effective implementation. The gathering, convening and proposal procedure conform to relevant regulations in the *Company Law, Articles of Association and Rules of Procedures in Board of Shareholders*, which also ensures that all shareholders, especially small and medium shareholders, enjoy equal status, and all shareholders can fully exercise their rights. There are no cases where major issues bypass Shareholders' Meeting or issues are implemented before deliberation.

### Directors and Board of Directors

The Board of Directors has clear responsibilities, whose gathering and convening procedures conform to relevant laws and regulations and rules of system in the *Company Law, Articles of Association and Rules of Procedures in Board of Directors*. The Board of Directors selects directors in strict accordance with recruiting procedures in the *Company Law and Articles of Association*. During the term of office, all directors shall be diligent and responsible, able to attend the Board of Directors in a serious and responsible manner, familiar with relevant laws and regulations, able to fully exercise and perform the rights, obligations and responsibilities of directors, so as to protect the legitimate rights and interests of Yili and all shareholders.

### Supervisors and Board of Supervisors

The Board of Supervisors has clear responsibilities, whose gathering and convening procedures conform to relevant laws and regulations and rules of system in the *Company Law, Articles of Association and Rules of Procedures in Board of Supervisors*. The Board of Supervisors selects supervisors in strict accordance with recruiting procedures in the *Company Law and Articles of Association*. During the term of office, all supervisors shall be diligent and responsible, actively participate in the meeting of Board of Supervisors and conscientiously perform their duties. With the responsible attitude towards shareholders, they shall supervise legality and compliance of Yili's finance, directors and senior management personnel's performance of duties, protecting the legitimate rights and interests of Yili and all shareholders.

Yili has set up specialized committees of the Board of Directors, including Strategy Committee, Audit Committee, Nominations Committee as well as Remuneration and Appraisal Committee. Apart from the Strategy Committee, the chairman of the committees is an independent director, who plays an important role in the Company's major decisions and investment, making its decisions more efficient, standardized and scientific.

## Information Disclosure

Yili has formulated and strictly implemented the *Yili Information Disclosure Management Measures* in strict accordance with the requirements of relevant laws and regulations, for a true, accurate, complete, timely and fair disclosure of information. The Group appoints the dedicated personnel to information disclosure, and appoints the Secretary of the Board of Directors to be in charge of information disclosure and the reception of investors visit and consultation. Yili has designated the *China Securities Journal*, the *Shanghai Securities Journal* and the Shanghai Stock Exchange website (<http://www.sse.com.cn>) as the media for information disclosure to ensure that all shareholders have equal access to information.

In 2019, Yili held one online group reception day, attended 7 strategy meetings for securities companies, received

 **40** field surveys for investors, and engaged in  **63** investor communication teleconferences in total, where Yili made full exchanges on the Group's business conditions and actively promoted the protection over investors and investor education activities.

## Party Building

Unswervingly adhering to the leadership of the Communist Party of China, Yili innovates in the Party building, and improves the organizational construction. The Group has explored its own "three types of Party building" featuring "leading, matrix and integration" to give full play to the key role of Party building in guiding the Group's business development, and has found a unique road for the Party building in private enterprises by integrating the Party building with the enterprise management.



### Intensifying education in Party consciousness

In 2019, Yili launched an education campaign centering on the general requirements to "stay true to the original aspiration, keep the founding mission firmly in mind, find room for improvement, and take concrete actions". A total of 436 concentrated seminars and special Party classes were organized.



### Strengthening primary-level Party organizations to consolidate cohesion

Yili has established a sound Party organizational structure, where one Party Committee at the headquarters and three Party Committees at business divisions have been set up under the Group's Party Committee. In addition, Yili has established a general Party branch for all business units, and 109 primary-level Party organizations across the country. There are more than 5,000 Party members working for Yili nationwide. Party organizations are established at all dairy farms and factories.

## Internal Control and Management

Yili upholds the core concept in internal control featuring "target - risk - control", and has established an all-round management mechanism consisting of the three defense lines of "risk/defect identification - risk/defect rectification and supervision - audit and evaluation". Through daily and regular internal control analysis, rectification and evaluation, we have realized the timely and comprehensive identification and effective resolution of business risks and defects in compliance management, thus reducing the risks in business operations.

### The second defense line

#### Internal control and management department

To ensure that every business unit operates in full compliance with laws and regulations, and achieve the Group's strategic goals, the department improves the internal control and management mechanism, and carries out the comprehensive identification of risks and defects in compliance management for timely and effective rectification.

### The first defense line

#### Front-line business departments

In daily work, business departments shall continuously scan, sort out, analyze and improve the blind spots and weaknesses of business control and gradually enhance the management.



### The third defense line

#### Audit and supervision department

The department carries out daily audits and annual internal control evaluation to supervise and check the establishment and implementation of internal control, evaluate the effectiveness of internal control, and find out the defects of internal control for further improvement.

## Anti-fraud

Yili attaches great importance to the integrity and self-discipline of the team, and requires managers at all levels to set an example with self-discipline, keeping tough stance and a "zero tolerance" attitude to fraud, and build a comprehensive, three-dimensional anti-fraud supervision system from managers to front-line employees.

A self-discipline mechanism where employees "do not want to be corrupt"

Regularly conduct anti-fraud lectures on the popularization of laws and prevention of duty-related crimes;

Set up a column dedicated to anti-fraud on Yili's electronic publication, and send the *Yili's Mini Monthly* to dealers to raise their awareness of anti-fraud.

A constraint mechanism where employees "cannot be corrupt"

Formulate the *Management Measures for Anti-fraud Tasks* and the *Procedures for Handling Complaints and Reporting* to consolidate the institutional building of anti-fraud;

Set up teams of full-time and part-time anti-fraud investigators, and regularly organize training and experience exchange sessions to enhance the ability of supervisors.

An accountability mechanism where employees "dare not be corrupt"

Make anti-fraud reporting channels accessible to each and every employee through publicity of business compliance and information dissemination on the anti-fraud publicity platform;

Announce internal violations and malpractices on the exposure platform, and notify all business partners of dishonest partners on the business system platform as a way to deter them from malpractices.



In 2019, Training on compliance education and publicity of Yili's Sunshine Action

**2,223** sessions

Number of participants involved totally

**32,559**

Anti-fraud training held

**3,416** sessions

Number of participants involved

**97,364**



An educational activity conducted by Yili's liquid milk division

## Information Security

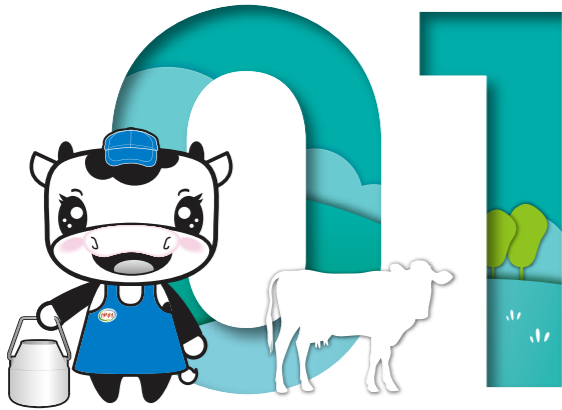
With the purpose of "strengthening the application and management of computer and network equipment as well as information systems, and standardizing the safe operation of equipment and information systems", Yili has formulated the *Information Management Measures*, which covers network, data, system, operation and maintenance, computer room and other aspects. The information security team will review the system from time to time, and revise the deficiency to adapt to the actual environment and situation changes.



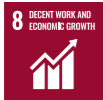
In 2019, Yili launched the training on the *Information Security Awareness and Work Security Risk Prevention*

for all units. A total of **87** training sessions, which included **204** class hours and involved

**3,515** participants, enhanced employees' information security awareness and their ability to identify security risks in work and life.



## Win-Win Industrial Chains

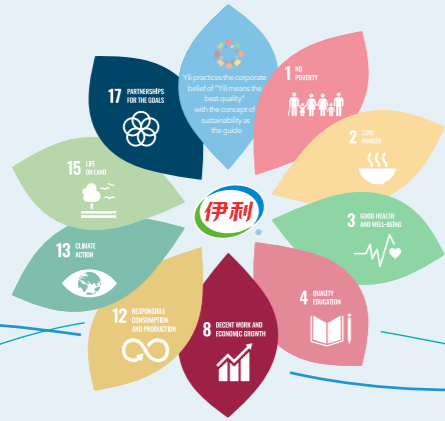


Yili regards all dairy farms, suppliers, distributors and consumers, as well as all partners and employees as important driving forces for the Group's sustainable development. We build mutual trust and mutually beneficial cooperation with multiple parties, and are committed to achieving the win-win development of the entire industrial chain.

- Collaboration with Industrial Partners
- Best Customer Service Experience
- Shared Growth with Employees
- Global Business Operations



**Yili Group Sustainability Action Plan (Ten Articles)**



**WE WISH**

**8 DECENT WORK AND ECONOMIC GROWTH**



Article 6. Improve financial indicators, and promote employment by helping more people get equal pay for equal work and decent work, support employee growth, and give more care to female employees to contribute to Goal 8.

**Our practices**

- Protecting employees' rights and interests
- Paying attention to employee growth
- Helping employees in need

**Our results**

Females in Senior Management (deputy general manager and above)

**14.63%**

Number of participants of staff training and learning programs over

**800,000**

Number of participants of emergency drills

**22,574**

Number of students benefited from Yili's "golden autumn supporting education" program

**56**

The total donations from Yili's public welfare fund reached

**1.17** million RMB

**17 PARTNERSHIPS FOR THE GOALS**



Article 10. Promote the win-win development of global industrial chains, and enhance the capability of all partners to grow together with dairy farms, suppliers, distributors, etc. to help achieve Goal 17.

**Our practices**

- Industrial partnership
- Consumer interaction
- Industry chain finance

**Our results**

Total fund raised by Yili's industrial chain finance

**46.4** billion RMB

Number of partners benefited from Yili's inclusive financial service

**5,992**

Number of people directly employed in the dairy farming industry increased by

**62,000**

Number of online visits to the Transparent Factory of Yili

**158.26** million

Number of offline visits to the Transparent Factory of Yili

**14.97** million

**Collaboration with Industrial Partners**

Yili views its corporate mission as "producing high-quality products, promoting the common development of employees, farmers, herdsman and partners in the upstream and downstream of the industrial chain, sharing the nation's burdens, and contributing to the improvement of people's living standards". By setting up the Dairy Farm Partner Development Academy, the Supplier Development Academy, and the Dealer Development Academy, Yili assists cooperative farms, suppliers and dealers in enhancing their capacities. At the same time, Yili vigorously develops industrial chain finance to provide financial support for partners, and builds an industrial chain community that can comprehensively promote the development of the industry.

**Linking up with private dairy farms**

Yili innovates in the development model for milk sources by promoting the development of standardized, large, intelligent and intensive dairy farms, and strives to build eco-friendly dairy farms with transformation and upgrading of milk source bases, thereby realizing the harmonious development of the farms and local society.

Moreover, the "Four Connections" mechanism created by Yili can effectively help farmers and herdsman tackle problems caused by "weak technology, difficult financing, high risks, and slow transformation". It lays a solid foundation for ensuring the quality of raw milk and improving the productivity of dairy farms.

Yili launches the Training Program for Second-Generation Ranchers and the livestock farming elite training class, and cooperates with dairy farmers to help them improve their management capabilities and performance. In 2019, the comprehensive elementary course and management course, the breeding elementary course and crash course, the special nutrition course, etc. in the Training Program helped train 80 professional managers for 77 ranches.

Upon the mutual complementary principle of pasture planting and cow breeding, Yili vigorously promotes the integration of silage cultivation and cattle breeding. The Group encourages silage growers in the signing of orders with dairy farmers, and contributes to the cultivation and sale of more than 2,600,000 mu of silage and corn annually with an average net profit of RMB 600 per mu. In addition, Yili continues to promote the certification and protection of the ecological places of origin for organic dairy farms, and the number of certified dairy farms has increased from 3 to 11.



Yili takes advantage of its strong financial strength, and provides financial support for farmers and herdsman through its own industrial chain financial center, thereby helping them ease financial difficulties and lower costs. Yili has launched a variety of financial products, such as the Silage Loan and the Pasture Loan. These loans, totaling more than RMB 11.5 billion, have helped nearly 1,000 farming households ease financial difficulties.

Yili has created an industry-finance integrated model where "the core company assumes material risks". After taking into account the cyclical characteristics of agricultural and animal husbandry production, the weak ability of farmers and herdsman to resist risks, Yili has developed measures to stabilize industrial development and reduce the risks and losses caused by market changes, thus effectively ensuring their sustainable and stable development.

The mutually beneficial connection mechanism with farmers and herdsman



Helping dairy farmers increase milk production per cow

Milk production per cow

**6.29** tons in 2014 increased to **8.81** tons in 2019

equivalent to a pasture with a hundred dairy cow

dairy farmers' total income increased by **1.27** million RMB



Yili gives instruction in production at a dairy farm through the Training Program for Second-Generation Ranchers



Follow the “伊牛伊视界” WeChat account to learn more about cow breeding



Yili promotes the high-quality development of the mutually beneficial connection mechanism with farmers and herdsmen through theme education

In December 2019, Yili launched the campaign on the theme of “remaining true to our original aspiration and keeping our mission firmly in mind”. Our Party members paid visits to dairy farms with practical welfare policies and sincere greetings. Under the leadership of Pan Gang, Chairman and President of Yili Group, we have conducted research on and inspections of the upstream of the industrial chain, and also developed specific measures. We are committed to exploring a long-term mechanism that can help farmers and herdsmen increase their incomes, and solving problems for them wholeheartedly.



Pan Gang, Chairman and President of Yili Group, paid a visit to a dairy farm

Sustainable development of suppliers

Yili has formulated the *Supplier Management Manual*, which clarifies the standards that suppliers should meet in terms of environmental protection and social responsibility, including the compliance with all applicable laws and regulations, no child labor as defined by local laws and no forced labor, and offering salaries and benefits in compliance with local laws and regulations, etc.

In 2019, the Supplier Development Academy conducted seven supplier training sessions on sustainable development, supplier management, the Six Sigma Yellow Belt, etc., with a total of 182 participants.

In 2019, Percentage of Yili's suppliers who obtain the quality management system certification

**98.85** %

Percentage of Yili's suppliers who obtain the food safety management system certification

**99.71** %

Yili develops the supplier performance management plan, and collects data on supplier's cost, quality, innovation, service and daily management for the comprehensive evaluation of their performance.

Yili has established the supplier risk matrix to identify highly concerned categories. Through the supplier risk model, the Group identifies high-risk suppliers and takes effective measures against the identified problems.

Yili raises suppliers' awareness of quality management standards and other supply management standards by organizing trainings, conducting projects, and carrying out JQE (Joint Quality Engineer) certification. A total of 95 suppliers have obtained Yili's JQE certification.

Based on the evaluation of their performance and strategic potential, Yili divides all suppliers into three categories: the strategic partnership, the transactional partnership, and the problematic suppliers, and implements differentiated development strategies for different types of suppliers.



Yili's "Full Life Cycle" supplier management system

Yili applies the most rigorous standards to identifying high-quality resources around the world, and brings in qualified suppliers. The Group analyzes the supply pattern of all cooperative suppliers, optimizes and integrates suppliers in accordance with the strategic blueprint.

Yili pays close attention to strategic suppliers with relatively high proportions of total procurement, and carries out strategic cooperation projects with them to facilitate innovation and achieve win-win development. The Group has signed strategic cooperation memorandums with 42 suppliers.

Yili resolutely terminates cooperation with suppliers that are at risk, violate laws or regulations, or perform poorly.

## Sustainable procurement

For key raw materials in large quantities in the production process, Yili pays special attention to the degree of compliance in its sustainable production principles, and always purchases raw materials in a responsible manner. Thus the Group cooperates with companies that are in line with the principles of sustainable development.

**Palm oil:** Yili attaches great importance to the sustainable procurement of palm oil. 75% of the Group's palm oil suppliers have obtained the RSPO certification, and the palm oil purchased by Yili is free of the production that affects the local biodiversity. Yili never purchases palm oil related to child labor or violations of human rights.

**Raw milk:** Yili has introduced strict access criteria for raw milk suppliers that covers the suppliers' qualifications, breeding capacity, quality testing, their locations (whether they are from areas where dairy breeding is banned), food-grade equipment (whether their food-grade equipment meets relevant standards), etc. In terms of sustainable development, Yili's overseas suppliers have also made efforts. For example, they reduce carbon emissions by promoting the treatment of cattle feces and turning it into renewable energy. They also control the number of cows in light of the environmental carrying capacity.

**Soybeans:** All the non-GM soybeans purchased by Yili are from Northeast China, and the cultivation and purchase of these soybeans are conducted by local farms. Hence, the soybean planting and purchasing process is pollution-free and traceable. Through cooperation with the local agricultural institutes, local farms restore the land every two years to ensure the fertility of the soil and stable soybean output, and better protect the local ecological environment.



### Yili conducts field research into the sustainable and responsible cultivation of palm oil

In August 2019, Yili paid visits to palm plantations and extraction plants in Southeast Asian countries such as Malaysia and Indonesia. The delegation from Yili visited partners that have passed the Roundtable on Sustainable Palm Oil (RSPO) certification, such as Cargill and Sinar Mas Group, where they investigated the supply and demand of raw materials such as palm oil and the operation of related industries, and learned about responsible cultivation approaches. It indicated that Yili strives to promote its market share of sustainable palm oil through practical actions, and facilitates the reservation and improvement of the ecosystem for the good of the next generation.



The delegation from Yili visits Cargill's sustainable palm oil production base

## Comprehensive development of dealers

Yili has created the Dealer Management Platform based on the Internet +, mobile internet, cloud computing and big data, and provides hands-on training and guidance for dealers. At the same time, the Group has established the Dealer Development Academy to provide support for dealers in business operation, team management, new retail, market operation, and product promotion, thereby further enhancing their service and channel management capabilities.



The advanced training on business administration of the Renmin University of China for Yili's outstanding dealers



Yili's regional manager instructs dealers from Ningxiang County of Hunan Province in outlet management

In 2019, Yili's dealer training programs involved

**62,018** participants

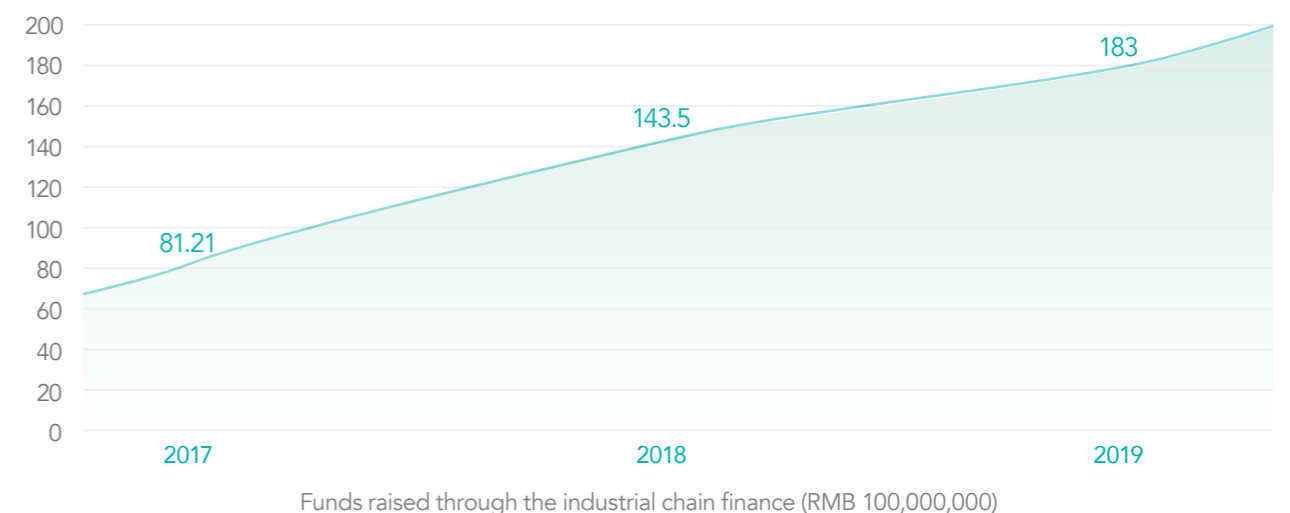


At the end of December 2019, Yili held the Annual Customer Meeting 2020 in Sanya, Hainan Province for the five business divisions of healthy drinks, cold drinks, milk powder, liquid milk, and yogurt

## Inclusive industrial finance

Building upon the inclusive financial platform of the industrial chain, Yili creates an industry-finance integrated model featuring "the core company assumes material risks and responsibility", and builds the industry-finance integrated risk management system. At the same time, in order to better serve the partners, Yili develops a credit analysis model and credit files based on the big data of transaction between Yili and its upstream and downstream partners, and keeps monitoring the transaction data.

In 2019, the Yili industrial chain finance offered **15** financial products totaling RMB **18.3** billion for **4,137** partners, such as the Silage Loan, the Pasture Loan, the Circulation Loan, etc. Each partner raised RMB **4.43** million of funds on average.



### Upstream dairy farms

To further meet the financial needs of high-debt new farms and new cooperative farms to purchase silage and fixed assets, Yili's financial center quickly responds to customer needs by developing new guarantee measures such as cow mortgage, equity pledge, equipment mortgage, etc., and designing exclusive solutions for them.

### Upstream suppliers

Yili makes industrial chain financial services accessible to suppliers from more fields such as advertising, equipment, promotional items, etc. and offers targeted project financial products to satisfy the needs of logistics carriers to purchase vehicles and build modern logistics parks.

### Downstream distributors

Yili has designed special financial plans for the downstream clients of distributors, thereby easing their financial pressure and making the Group's inclusive financial services accessible to the downstream of distributors for the first time.

Innovating in financial service model

# Best Customer Service Experience

Yili is always oriented to consumer demand. In order to improve consumer satisfaction, we conduct comprehensive communication with consumers, and provide transparent, satisfactory and all-round services.

## Gaining insights into consumer demand

Yili designs and improves all products based on consumer demand, and has collected data from more than five million sales terminals, one billion consumers and a multitude of partners. By taking advantage of the big data radar, Yili develops the closed loop for public opinion research and business

execution covering the entire process from product research and development to results tracking and latter optimization. Thus the Group can better support product development as well as understand and respond to new consumer demands.



### Gaining deeper insights into consumption with the Yili Radar

The Yili Radar combines big data of consumers' online public opinion with smart data collected from offline channels, and creates a system that enables the Group to gain deeper insight into consumer experience in real time. Being consumer-oriented, we apply a digital platform to integrate product test information with the sensuality of products and consumer experience, and track consumer experience in a comprehensive manner. Through this approach, we can better understand the needs and expectations of consumers, and thus better meet the individual needs of consumers and create greater social benefits.



Yili Big Data Radar Platform

## Meeting the needs of customers



### Yili Consumer Service System

#### Communication on consumer needs

Communicate with consumers and answer their questions through 4008 customer service hotline (24 hours×365 days), customer service platform, WeChat account, discipline inspection commission mailbox and customer service public mailbox.

#### Customer service center

Require customer service personnel to deliver customer complaints to business personnel of product division within 15 minutes to solve problems in time.

#### Service guide

Issue the *Service Guide* to unify the service standards, carry out the inspection of the service situation, and perform benchmarking with other enterprises to improve service level.

### Yili Aftersale Service System

#### Satisfaction evaluation system

Establish a comprehensive satisfaction evaluation system to standardize processes such as incoming calls, outgoing calls, online, and complaint handling.

#### Exclusive handling by complaints group

Exclusively handle consumer complaints, to feedback, follow up and deal with complaints timely.

#### Satisfaction survey

Regularly carry out satisfaction surveys to collect, summarize and conclude consumer opinions, and give feedback to relevant departments for improvement.



### On-demand delivery: The highest place that a carton of milk can reach

In Lamu Village, a Tibetan village 4,100 meters above sea level, Yili provides milk for Pubu's small shop as fresh as that for the Chinese mainland. Transportation to Tibet is the hardest and most costly in China, and the freight cost in Tibet is 30% higher than that in the Chinese mainland. Even so, Yili is determined to deliver fresh milk for any places in need.

In July 2019, Wang Dong, an employee of Yili, set a new record for the altitude of the delivery location, and sent the freshest milk to soldiers at the military service station 7,490 meters above sea level. It takes Wang Dong 14 hours to deliver dozens of boxes of milk once every half a month to the station. Wang Dong's only goal is to send the milk to the hand of soldiers without asking for any profit.



A little shop in Lamu Village, a Tibetan village 4,100 meters above sea level, sells various kinds of products

## Communicating with customers

We communicate with customers through multiple online and offline communication channels, including WeChat platforms, our official website, e-commerce platforms, in-store activities, and visits to factories. In this way, we enable consumers to get a better understanding of every detail of Yili's production of dairy produce, and build a closer relationship with consumers.

Yili invites consumers to visit the natural pastures, factories, and laboratories of Yili's global industrial chain to get a closer look at Yili's milk sources and the entire production process of various dairy products. Besides, through innovative solutions, such as VR and AR, consumers can get an immersive experience without leaving home. Hundreds of millions of consumers worldwide have experienced and witnessed Yili's world-beating quality through the "Visit Yili" platform.



Scan the QR code to make an online appointment for visiting Yili

Yili has captured panoramic views of representative global industrial chains, such as liquid milk, milk powder, and pastures to enable users to have virtual tours of Yili's online factories. Consumers can visit our online factories by subscribing to our official WeChat account.

Transparent online factories

Transparent offline factories

Yili has opened 34 transparent factories nationwide. Consumers can log into Yili's official website and make appointments for visiting our factories following the instructions on the webpage. We have assigned professional guides for each factory to answer consumers' questions.



Consumer representatives from all over the country visit the Yili Innovation Center Europe

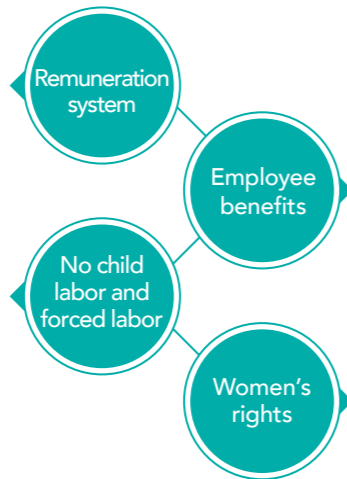
# Shared Growth with Employees

Adhering to the principle of “bringing talents together, developing talents, and making talents successful”, we regard employees as the most precious resources and wealth of the Group, and have built a talent growth and employee care system. It provides employees with a broad space for development and promotion, and facilitates the common development of employees and Yili Group.

## Protecting employee rights and interests

Strictly abiding by the *Labor Law*, *Labor Contract Law*, and other related laws and regulations, Yili adheres to equal and non-discriminatory employment, and treats employees of different races, genders, religious beliefs, and cultural backgrounds fairly. We forbid child labor, insist on equal pay for equal work, and provide equal employment opportunities for vulnerable groups, including women and people with disabilities. To protect the legitimate rights and interests of employees, we have signed labor contracts with all employees.

Guided by the “4P” salary concept based on Position, Performance, Personality and Price, we provide employees with systematic and structured pay raises higher than the average of the industry to enhance the competitiveness of our compensation.



Yili insists on legal compliance throughout the whole process of recruitment and employment. While hiring new employees, we require all candidates to provide the original and copy of their ID cards, and strictly prohibit child labor and forced labor.

Emphasizing employees’ emotional needs, we provide more than 40 employee benefits on special occasions, such as traditional festivals, birthdays, festivals of employees’ children, and spouse, etc. Among them, statutory benefits account for 15% and non-statutory benefits account for 85%.

We have signed the *Special Collective Contract for the Protection of the Rights and Interests of Female Workers* to protect the rights and interests of female employees according to law. We offer women employees paid leave for prenatal examinations, maternity leave, and two hours of breastfeeding leave per day during the breastfeeding period, and transfer breastfeeding employees to suitable positions.

## Emphasizing communication with employees

Yili actively builds channels for employee communication to listen to employees’ opinions, understand their demands, and enhance their happiness through interviews, consultation hotline, seminars, etc.

Interviews	400 consulting hotline	Counseling center	Democratic communication meetings
We understand employees’ difficulties, needs, and problems through monthly face-to-face interviews. In 2019, Yili solved and formulated plans for the solution of 148 pieces of problems.	The scope of consulting covers human resources, compensation, benefits, social security, etc. We handled 7,902 problems of employees through the 400 hotline totally.	We have developed a mobile platform and telephone system to provide consulting services for employees. In 2019, the daily completion rate of work orders reached 100% and all problems were responded in a timely manner.	We organize democratic communication meetings to gain an in-depth understanding of employees’ thoughts and living conditions, and hold quarterly employee seminars to offer employees a channel to express their rational demands.

## Helping employees grow

Adhering to the idea of “building a talent supply chain”, Yili has continued to implement and upgrade the talent strategy and core talent management process featuring “equal emphasis on organizational and business development”, and constantly improved the dynamic talent management model that matches Yili’s businesses, striving to guarantee common development and growth of the Group and employees. In 2019, Yili’s employee training and learning programs attracted over 800,000 participants.

Based on core marketing knowledge, we provide employees with industry knowledge in tune with the times. Coupled with trainer-trainee interaction, reward motivation, and a favorable training environment, we strive to improve the brand building ability of the marketing staff of Yili.

We have built an LCMP international talent training model featuring language breakthrough, cultural insight, management improvement, and professional improvement as the mainline, and quickly improve the comprehensive ability of international talents.



Through induction training activities, including military training, experiential outward bound training, professional training, and special activities, we help new employees quickly fit in the Group.

We have launched young talent training programs striving to promote the growth of young talents with great potential through team development programs, individual development programs, job rotation training, foreign language learning, mentoring, and so on.



### Accelerating the growth of new employees

In 2019, Yili strengthened the training of young talents and launched multi-dimensional and differentiated new employee training programs in various fields, such as 300 Selected Troops, TOP Talents, Phoenix Tree, Gemice Talents, etc. These programs helped enhance new employees’ competence and professional skills, and foster them into excellent first-line managers or talents in professional fields.



Yili 300 Selected Troops “Sharp Blade Operation” outward bound training camp



### Yili’s professional marketing training system

#### Yili Marketing and Brand Academy (Y-MBA)

In March 2019, Yili founded the Yili Marketing and Branding College (Y-MBA) and established a curriculum based on core marketing knowledge. As of the end of 2019, Yili opened 27 courses, including the Business Strategic Planning, with a total of 109 learning hours and 2,048 participants.



The operation of the Y-MBA curriculum

#### Customer and Market Insight Academy

In June 2019, Yili founded the Consumer and Market Insight Institute (CMI) to enhance the professional capabilities of market researchers. As of the end of 2019, Yili opened 27 courses, including the Decoding Brand Equity Research, with a total of 47.5 learning hours and 1,556 participants.



The launching ceremony of CMI Camp



2019 Yili entrance ceremony of new employees



The management team of Oceania Dairy Limited (ODL) participates in the cross-cultural exchange at the headquarters of Yili Group



The foal eagle excellent growth camp of Yili healthy drinks business division

## Safeguarding occupational health

Yili has established the vision of “becoming a model in EHS management in the global food industry”, and invested RMB three million into establishing a digital platform for the EHSQ management information system. With a risk prevention framework comprising security risk grading as well as hazard investigation and control, the data-supported platform includes contents related to emergency rescues, accident investigation and handling, occupational health, and so on, which can help improve the efficiency and accuracy of safety management and control. We strive to achieve the goal of zero accidents, namely “zero injuries of personnel, zero losses to property, and zero pollution to the environment”, and create a healthy and safe working environment for employees.

### Prevention of occupational hazards

We carry out detection of occupational environmental factors and occupational health examinations, provide employees with suitable labor protection supplies, comprehensively identify, control, and eliminate risks that the staff may encounter, take effective control measures against occupational hazards in the workplace, thus safeguarding the occupational health of employees and other stakeholders.

### Safety management systems

By inviting experts from British Standards Institution (BSI) and other related organizations, we have revised and improved our management documents and corporate standards, including the *EHS Management Manual* and *Technical Specifications for Electrical Safety Management*, to ensure advanced and applicable EHS management systems and corporate standards.



### Health and safety activities

By organizing training programs on physical health, mental health, and first aid common sense, we have increased employees' health awareness. Targeted at dangerous operations, we carried out more than 300 sessions of empowerment training for safety management staff, various stakeholders, and construction project management staff, with a total of 30,000 participants. This helps us enhance the safety awareness and collaboration of the management staff of Yili and our stakeholders.

## Caring for employee' lives

Yili cares for employees' work and lives sincerely. We have formed the 2019 Spring Rain Plan 7.0, an upgraded action plan, to promote employee care by “shaping a model”, “drawing a blueprint”, and “enhancing the atmosphere”. We provide employees with a human-oriented working and living environment, carry out employee care activities on holidays, help employees in need, and organize various forms of entertainment activities to help employees balance their work and life.

### Employee care on major holidays

According to regional characteristics, Yili's business divisions carry out diverse celebration activities on major festivals, organize fun and personalized employee activities, and hold regular team building activities, so as to enhance employees' enthusiasm and strengthen team spirit.



Employee birthday celebration activity

### Care for special employee groups



Yili welcomes employees recovering from a serious illness to return to their position

Yili attaches great importance to employee care. We improve our employee care system continuously, and organize various types of employees care activities for different employee groups, enabling employees in need to feel the love and care of the Yili family.

### Work-life balance

Yili organizes kinds of cultural and entertainment activities for employees to enrich employees' cultural life, build a pleasant working environment, and help employees work efficiently and live happily.



Yili Beijing Branch organizes the “Run! Beijing-Tianjin-Hebei Region” running activity



In 2019, Number of people aided by Yili's charity fund

66

Number of mother-and-baby rooms

38

# Global Business Operations

According to the global strategy, Yili has built a backbone network comprising global resource systems, global innovation systems, and global market systems in developed dairy regions of Asia, Europe, America, and Oceania. By integrating high-quality resources worldwide, we have built a "Global Health Ecosystem" to better serve consumers. The

Group promotes the establishment of international partnerships for an interdependent and win-win "friendship circle of global dairy enterprises", so that we can share dairy resources and also help the Chinese dairy industry explore a new path for global collaborated development and win-win cooperation.

## Honor ODL wins the first major international award

In June 2019, Oceania Dairy Limited (ODL), the subsidiary of Yili in New Zealand, won the Waste Management Award of the biennial HSBC / NZCTA China Business Awards. This is the first major international award won by ODL, further proofing that Yili has won international recognition.

Established by Yili Group, ODL is a manufacturing plant in South Canterbury, New Zealand and also the largest integrated dairy plant in the region, and its businesses cover research and development, production, processing and packaging. In 2013, Yili's investment into the plant set a new record for the scale of mutual investments between China and New Zealand. With 73 dairy farm partners, it could guarantee stable income for local dairy farmers. The company also actively engages in various environmental protection activities in the local area to fulfill its original commitment.

## Case Yili acquires Westland, New Zealand's second-largest dairy co-operative

In August 2019, Yili completed the transaction of the acquisition of Westland Co-operative Dairy Company Limited (hereinafter referred to as "Westland"), and held an equity delivery ceremony in Auckland, New Zealand. Westland is New Zealand's second-largest dairy co-operative, and many of products enjoy a high international

reputation and sell well in more than 40 countries. The successful acquisition of Westland has helped Yili build a "Dairy bridge" across the Pacific Ocean, through which Yili can further integrate quality resources globally to provide global consumers with higher-quality products, and restructure the dairy industry landscape for "World Integrally Sharing Health".



The transaction ceremony between Yili Group and Westland Milk Products

## Product release Ambrosial yogurt, with attractive packaging and nice flavors, marketed in Southeast Asia

In September 2019, Ambrosial held a press conference in Singapore to launch cooperation with the Alfa Romeo F1 team and make the official debut in the Southeast Asian market. By then, consumers in Singapore, Myanmar, and Vietnam had been able to buy six categories of Ambrosial yogurt with three packages and five flavors in the local market. The new move indicated Yili's advocacy of healthy lifestyles and sustainable development, and it was a new step towards better products and services for consumers around the world.



The press conference on Ambrosial's debut in the Southeast Asian market

## Case An international image and international sustainable development

In November 2019, ODL, a wholly-owned subsidiary of Yili Group, took part in the China International Import Expo, and received much attention, as ODL showed that Yili takes the lead among Chinese dairy enterprises in building an international image. At the 12th Belt & Road Eco-agriculture and Food Safety Forum held during the Expo, Yili signed

agreements with 13 global strategic partners including Tetra Pak, Cargill, and Firmenich and reached an consensus to jointly build the industry's first Global Network of Sustainable Supply Chains (WISH Network). It is committed to passing the concept of sustainable development to more partners and promoting sustainable development with multi-win cooperation.



Representatives of foreign manufacturers visited Yili's exhibition area



Yili signed and released a strategic partnership agreement with 13 multinational companies

## Key project Yili cooperates with global partners to plan and construct the Yili Future Intelligence and Health Valley



Launching ceremony of Yili Future Intelligence and Health Valley

In November 2019, Yili joined hands with global partners to plan and construct the Yili Future Intelligence and Health Valley in Hohhot, and signed a cooperative agreement about industrial chain partnerships with its global partners. They aim to build a world-class complex integrating smart manufacturing, technological innovation, industrial tourism, and commercial facilities to promote the high-quality development of the dairy industry. It is expected to drive at least RMB 240 billion of economic contribution and create about 60,000 jobs, which thus will enable healthcare industries to realize leapfrog development and facilitate targeted poverty alleviation in the region.



## Quality and Innovation



Adhering to the belief of “Yili means the best quality”, we firmly uphold green development and regard product innovation as the driving force to lead the development of the industry, striving to become the most trusted global healthy food provider.

- Leading Quality • Green Development
- Empower Development with Innovation



# Yili Group Sustainability Action Plan (Ten Articles)



## WE WISH

### 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Article 7. Lead the upstream and downstream partners in a concerted effort to build a green industry value chain, and promote the use of green and eco-friendly packaging in a bid to help achieve Goal 12.

#### Our practices

- Carrying out innovation research
- Participating in the formulation of relevant standards
- Quality-leading strategy

#### Our results

Food safety accident  
**0**

R&D investment  
**541.8** million RMB

Total number of authorized patents obtained by Yili  
**2,703**

Annual investment in testing  
**389** million RMB

Number of national, industry, and local standards formulated and revised with Yili's participation  
**135**

### 13 CLIMATE ACTION



Article 8. Introduce new approaches to energy-saving management, and actively carry out carbon emission accounting to make positive contributions to combating climate change and realize Goal 13.

#### Our practices

- Establishing green industry chains
- Promoting green packaging
- Carrying out carbon emission accounting

#### Our results

Yili has conducted carbon emission accounting for  
**10** consecutive years

Number of Yili factories that have got the Green Factory certification  
**13**

Number of Yili's suppliers with the Environmental Management System (EMS) certification  
**240**

Total investment in environmental protection  
**174.76** million RMB

Total water saved  
**1.1829** million tons

## Leading Quality

Regarding quality as precious as life itself, Yili is committed to producing 100% safe and healthy dairy products. Based on the upgraded "Leading Quality 3310 Strategy" which focuses on the highest quality around the world, we try to integrate high-quality resources globally, continue to upgrade our global quality management system, and run stringent quality control standards throughout the global industrial chain, thus ensuring zero food safety accidents.

### Upgrading the quality management system

By upgrading the "Leading Quality 3210 Strategy" to the "Leading Quality 3310 Strategy", Yili adds consumers' demand on product quality to internal food safety risk management, and further deepens quality management. Based on the

upgraded strategy, Yili strives to create a quality management ecosystem for the entire industrial chain, set different quality management standards for the industrial chain at different stages, to fully guarantee product quality.





### Yili Quality Development Academy contributes to the development of the global dairy industry

At the 25th Annual Meeting of China Dairy Industry Association held in September 2019, Yili, together with China Dairy Industry Association and global partners of Yili Group, including Tetra Pak, DuPont, SGS, 3M, Kangmei, etc. established the "China Quality Technology Strategic Alliance and Yili Quality Development Academy" to cultivate experts in quality assurance and draw on quality management experience. The organization is benchmarked against the world's best quality management practices, and delivers professional talents in the quality management field to society. Yili provides strong driving forces for China's dairy industry to better integrate with the world. By sourcing global resources, Yili guarantees nutritious food for the high-quality life of consumers while promoting high-quality development of China's dairy industry. In 2019, Yili Quality Development Academy launched 14 training classes for professional talents in quality management, cultivating 278 experts in Six Sigma, statistical analysis, experimental design, and microbiology.



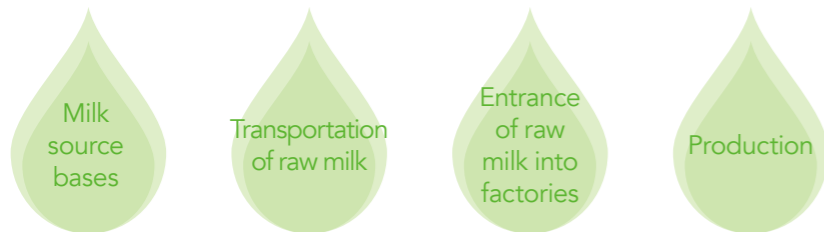
Launching ceremony of Yili Quality Development Academy

"Yili's move will have an important impact on the development of China's dairy industry, and provide guidance and set a model for the entire industry."

-Song Kungang, Honorary Chair of the IDF China National Committee

## Integrating intelligent and digital management

In order to promote intelligent management and operations of the entire industrial chain, Yili has developed the Manufacturing Execution System (MES) to contribute to the construction of intelligent and digital factories. The application of big data enables intelligent analysis of product development, costs, quality assurance and logistics management, thus guaranteeing visualized and digitalized management of the food safety chain.



• Establish files for cows

• Conduct whole-process GPS tracking

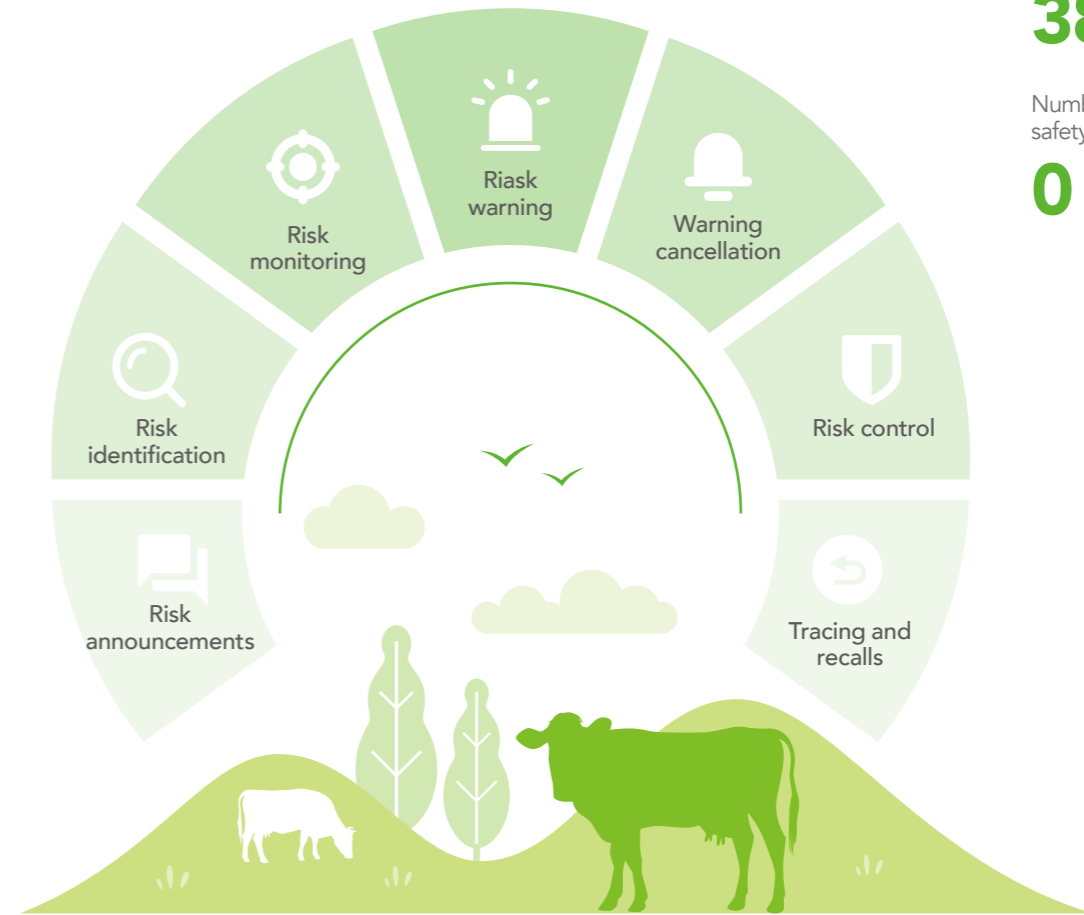
• Combine barcode scanning with spot checks

- Track batch information
- Set up electronic information recording models for key links of production
- Establish an integrated model for quality management information
- Create a unique ID code for each product in line with the CRM
- Establish an ERP network covering the whole country

## Management of food safety risks

Yili has established an all-around quality management system covering all staff and processes, and the "Group-Business Division-Factory" three-tiered food safety risk monitoring and prevention system covering more than 80 units with a total of more than 1,000 inspection items. Thus, Yili has taken the lead among the industry in realizing the monitoring, analysis, control, and prevention of risks in every key step of food safety and quality control.

Yili has built a complete food safety risk prevention and control model covering the entire chain of food safety. By disseminating the model as a system and publicity document within the Group and among external stakeholders, Yili has continued to improve the Group's food safety culture and management, and enhanced the confidence of regulatory authorities in Yili's food safety management.



Yili food safety risks prevention and control system

Together with Wageningen University in the Netherlands and the Food and Environment Research Agency of the U.K., Yili has carried out comprehensive early warning of food safety risks. The study will facilitate the optimization the Group's raw material procurement standards, risk monitoring plan, product inspection plan, improve the ability to predict safety risks of dairy products and control potential food safety risks in advance.



By the end of 2019,

Yili's total investment in testing equipment

**700** million RMB

Annual investment in testing

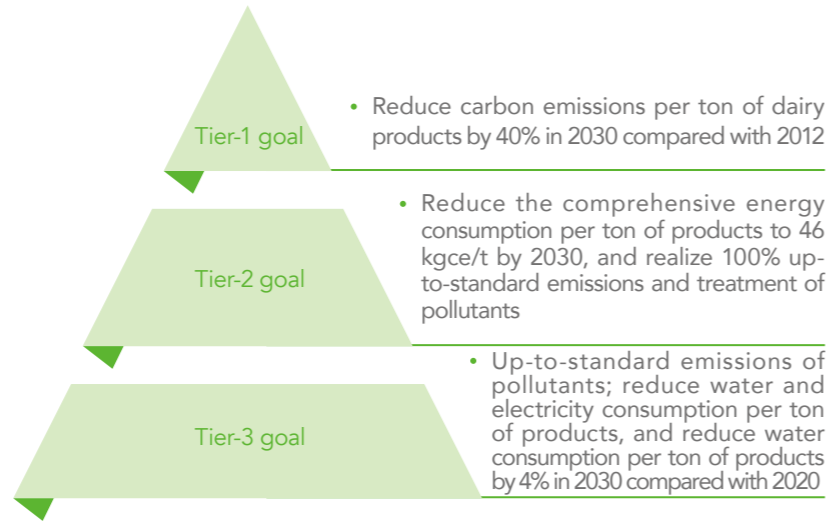
**389** million RMB

Number of annual food safety accident

**0**

# Green Development

Adhering to the concept of green development, Yili has set three tiers of goals to control energy consumption and pollutants discharge from the source. By applying advanced management methods and technologies, we are committed to maximizing resource efficiency, minimizing pollutants discharge, and developing Yili into a dairy enterprise that coexists and grows harmoniously with the environment. From 2018 to 2019, a total of 13 Yili factories obtained the Green Factory certification of the Ministry of Industry and Information Technology (MIIT), setting a benchmark for green manufacturing in the dairy industry.



## Climate change actions

We actively take responsibility to reduce emissions. By reducing energy consumption, exploring new energy sources, adopting clean production processes, conducting carbon emission accounting, etc., we have effectively reduced emissions of GHGs and air pollutants, contributing to the realization the goal of keeping temperature rise within 1.5°C stipulated in the *Paris Agreement*.

Based on national and industry standards, Yili has formulated the *Yili Group Energy Management System Operating Manual* and *Yili Group Energy Management and Sustainable Development Outline* to constantly improve production processes and reduce energy consumption. In February 2019, Yili issued the promotion plan for energy-saving projects, which focused on ten major projects, including multilateral transactions of power, capacity billing, peak averting, and chilled water storage, with a view to innovate in production technologies and save energy.



In 2019, Yili cut energy consumption by an equivalent of

**19,699.04**

tons of standard coal



### EHSQ information management system, an environmental big data management platform

The EHSQ information management system developed by Yili integrates the environmental protection management system and the energy management system. It is an environmental protection and energy consumption big data platform that digitalizes the management process of environmental protection compliance management, identification and evaluation of environmental factors, management of solid and hazardous waste management, collection and analysis of environmental monitoring and energy consumption data, statistical analysis of carbon emissions, as well as system audit, training, and examinations. The platform largely improves management efficiency and makes data analysis and risk control more refined.



EHSQ information management system

Attaching great importance to the management of GHG emissions, Yili has formulated clear emission reduction targets, verified the GHG emissions of each business division during the production process in accordance with the ISO 14064-1 standard for ten consecutive years, and compiled the *Carbon Emission Accounting Report*. Through such efforts, we have won seven International Carbon-Value Awards.



The national green consortium project of dairy products declared by Yili passed the acceptance inspection

In 2016, Yili declared the national green consortium project of dairy products and got approved. In April 2019, the project passed the acceptance inspection. By giving full play to green leadership, Yili established a green consortium with upstream suppliers. The consortium conducted green manufacturing-oriented technological transformation for three representative dairy factories in Weifang City, Longyou County, and Bayannur in terms of pre-treatment stage of dairy products before entering the factory, the filling stage, the packaging stage, and auxiliary facilities of factories, helping them produce greener products, lower energy consumption, and meet consumers' demand for green products. After put into production, it can save 6,238.83 tons of standard coal and 58,281.06 tons of water, and reduce 56.17 tons of COD-containing wastewater.



In 2019, Yili's total GHG emissions

**1.9** million tons

Carbon emissions per ton of product

**214** kg

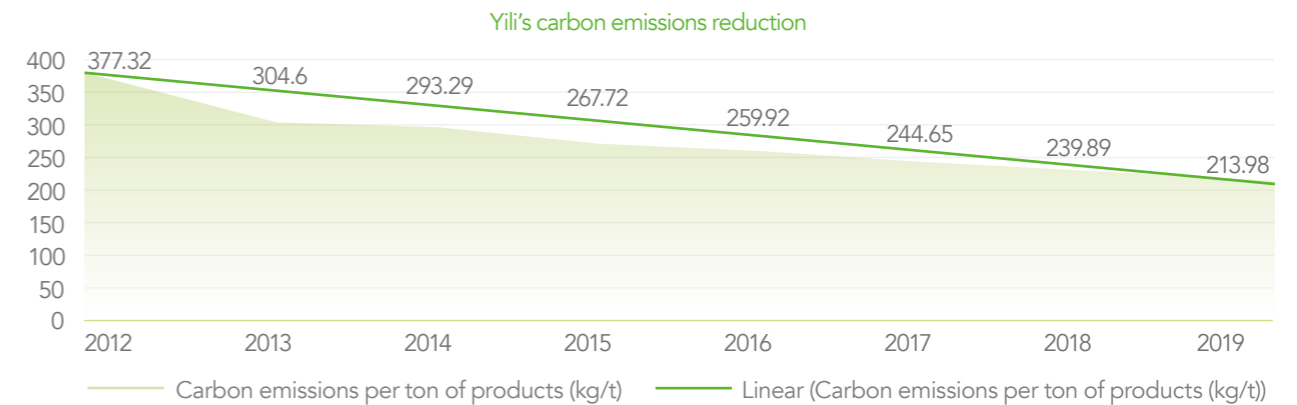
Declined by

**10.8**%

year-on-year



Yili carries out risk management throughout the entire supply chain, and has formulated the climate target in line with corporate development: the Group will reduce carbon emissions per ton of products by 40% in 2030 compared with 2012. Since 2012, Yili's carbon emissions per ton of products have been declining year by year.



### Your concerns, our focuses Reducing GHG emissions of dairy farms

Yili includes carbon emissions of dairy farms into carbon emission accounting, and has completed carbon emission accounting for the entire lifecycle. To reduce GHG emissions of dairy farming, Yili encourages dairy farms to optimize feed formulations to add nutrients to the daily diet of dairy cows, improve feed conversion ratio, and reduce methane emissions from dairy cows. The dairy farms already put into production are encouraged to establish black-film biogas digesters to collect and combust biogas produced by oxidation ponds, and reduce methane emissions of dairy farms. In addition, more coal-fired boilers are replaced with air source heat pumps in northern dairy farms to reduce carbon emissions during the combustion of fuel, and eliminate smoke pollution of boilers.

## Water resource management

Number of sewage treatment plants constructed

57

Sewage treatment capacity

180,000

tons/day

Total water saved

1.1829

million tons

Yili actively carries out water-recycling and water-saving projects, and continues to motivate factories to carry out water balance tests and water resource demonstration projects. By improving the management of water use, we strive to improve the efficiency and effectiveness of water use and promote sustainable water use. In 2019, Yili further upgraded phosphorus removal, nitrogen removal, and deodorization of the sewage system, and newly added online monitoring equipment for tracking statistics of total nitrogen and total phosphorus in the sewage, thus continuously improving the processing efficiency of the system and realizing real-time data monitoring.



Sewage treatment plants



Using treated wastewater for irrigation



### Case Jinchuan Yili recycles and improves pretreated water

Inner Mongolia Jinchuan Yili Dairy Co., Ltd. (Jinchuan Yili) independently sorted out all water-consuming points of the factory, and found that 70% of the water-consuming points were caused by pretreatment of water, which became the focus of the water saving improvement of the company. In 2019, Jinchuan Yili took the initiative to set up an improvement team, which sorted out 61 water-consuming points, and completed the transformation of ten water recycling points with a water recovery capacity of 176 tons/day.

Jinchuan Yili can recycle and improve 176 tons of pre-treated water per day, which is the water consumption of a family of three for 16 months.

=  a family of three **16** months

(Calculated based on the GB/T 50331-2002: The Standard of Water Quantity for City's Residential Use)

## Waste management

Yili conducts waste classification and continuously strengthens the monitoring of waste sources. With clear discharge/emission reduction targets, we strive to ensure that all waste is treated in an environmentally friendly manner. Our factories recycle reusable waste or guide related suppliers to recycle and reuse such waste. For waste that cannot be recycled, our factories will collect and hand it over to the relevant local department for safe disposal.



- Improve product packaging to reduce the difficulty of recycling
- Collect solid waste by type and hand them over to relevant suppliers for recycling, striving to realize 100% up-to-standard solid waste treatment

- Establish strict internal control standards
- Add equipment for online monitoring of nitrogen and phosphorus content of sewage to realize real-time monitoring
- Invite third-party professional organizations to conduct random inspections and tests to ensure compliance with discharge standards

- Replace coal-fired boilers with natural gas boilers, or purchase steam directly from external suppliers to reduce GHG emissions
- Promote the construction of biogas power generation systems to enhance the utilization of manure

## Green logistics and packaging

Yili earnestly integrates environmental protection into product packaging and the logistics transportation stages. Through various approaches, including confirming suppliers' qualifications, optimizing and innovating in production techniques, and using lightweight packaging materials, we ensure eco-friendly packaging materials for all products, lower consumption of materials during production, and environmental disposal of wastes. In 2019, Yili saved 1,350 tons of plastic packaging materials and 4,520 tons of paper packaging materials, reaching the predetermined target of reducing the consumption of packaging materials by more than 10,000 tons from 2017 to 2020 ahead of schedule.

### Improve the utilization of cargo vehicles

Yili improves the vehicle utilization rate and turnover rate during the transportation of products to reduce the number of vehicles needed and exhaust emissions.

### Use more eco-friendly printing ink

By replacing offset printing with preprinting for the packages of daily food items, we have fully abandoned oil-based ink and adopted water-based ink (an eco-friendly ink) for the printing of packages.

### Adopt lightweight packaging materials

We actively implement the "BOPP film thickness reduction project", through which we strive to reduce the weight of packaging materials. The goal of the project is to reduce the thickness of the BOPP film from 15μm to 12μm.

### Upgrade packaging materials

By promoting the replacement of PS sheets with PP sheets, we aim to reduce "white pollution". By now, the replacement project has covered Yili's Joy Day products and disposable plastic airline cups, and the project on triangle cups is in progress.



### + Your concerns, our focuses Adopting FSC-certified packaging materials

Yili took the initiative to introduce eco-friendly degradable packaging materials, and is the first dairy company in China to adopt FSC-certified aseptic carton packaging materials. Using FSC-certified materials is Yili's commitment to consumers. It takes more than three to five years for ordinary plastic packaging materials to degrade, while the degradation of Yili's eco-friendly packaging materials takes only three months. This greatly contributes to the protection of forest resources and reduces repeated pollution to the environment.

## Green building

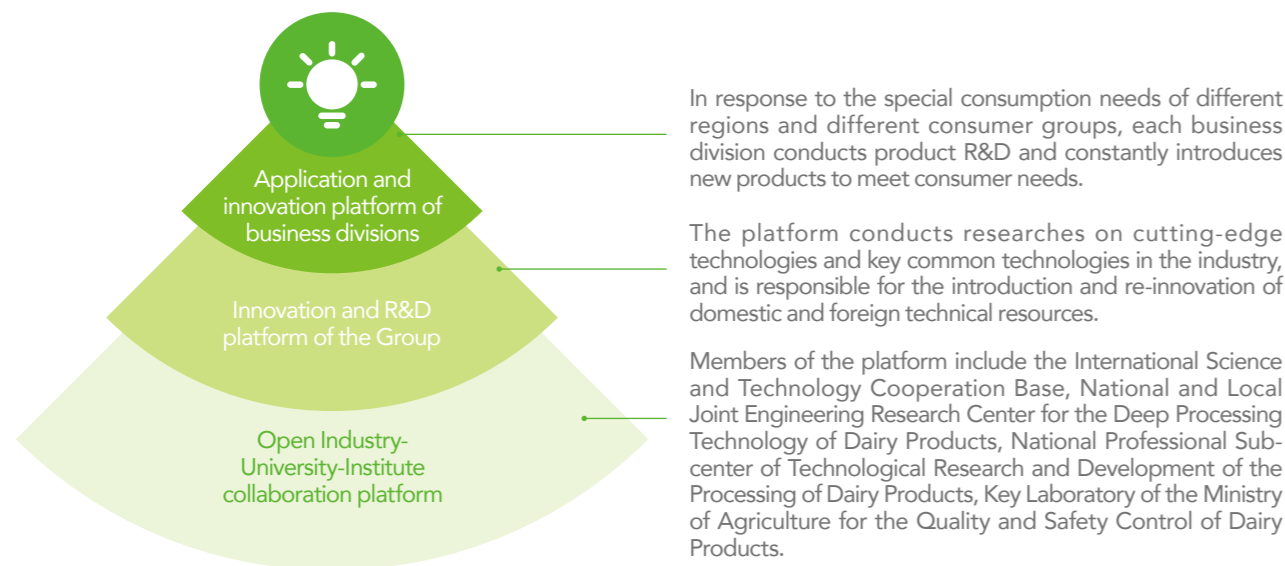
Our factories strictly follow green factory principles. We integrate environmental protection into the whole process of operation covering building design, procurement of building materials, energy consumption, and resource utilization in aligning with the principle of environmental protection and sustainable development.



## Empower Development with Innovation

Deeply convinced that "no innovation, no future", Yili regards innovation as the core driving force of corporate development. While empowering the entire industrial chain with innovation, we have built innovation platforms around the world and promoted innovation-driven development of the dairy industry focusing on the two cores of "empowerment" and "integration", striving to lead Chinese brands to go global.

Yili has always adhered to and promoted innovation strategy. Focusing on key areas of R&D in the international dairy industry, Yili has integrated R&D resources at home and abroad for the establishment of a global innovation network covering the world's leading R&D institutions from a global perspective. Based on the network covering Asia, Europe, Oceania, and the Americas, Yili has carried out innovation-oriented cooperation across the entire industrial chain and achieved fruitful results. As a national technological innovation demonstration enterprise, Yili has become the first enterprise in the industry to build a 3-tier R&D system successfully.



The 3-tier R&D system of Yili

## Innovation cooperation across the industrial chain



## Regulating industry standards

As a leading dairy company, Yili has actively worked with domestic standardization organizations to positively contribute to improving national industry standards, building a safe environment for dairy products, and promoting standardized and systematic development of China's dairy industry.

In 2019, Yili led the revision of the two national standards of *Soft Ice Cream Powder* and *Soft Ice Cream Machines*, and became the only company in the dairy industry that won the award of Innovation Standard of the Year of the 2019 Light of Quality forum.

Yili has participated in the formulation and revision

of **135** national standards, industry standards, and local standards

## Protecting intellectual property rights

Attaching great importance to the protection of intellectual property rights, Yili has established a comprehensive system to ensure the security of intellectual property information. According to the national standard *GB/T 29490-2013: Enterprise Intellectual Property Management*, Yili has formulated relevant systems to protect intellectual property rights, including the *Intellectual Property Management Manual*, the *Compilation of Intellectual Property Procedural Documents*, and the *Patent Reward and Remuneration Management Measures* to stipulate unified regulations on the collection, generation, circulation, analysis, review, and release of intellectual property-related information.

Until 2019, Yili obtained a total of **2,703** authorized patents, among which **515** were invention patents and **587** were utility model patents.







## Social Welfare

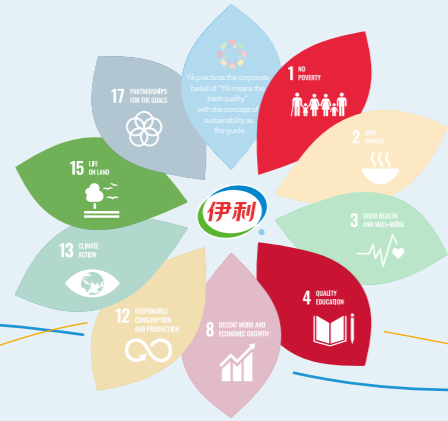


Deeply convinced that “Balance is key and responsibility comes first” and the philosophy that “Prioritizing corporate culture over growth rate, industry prosperity over individual brilliance, and social value over commercial wealth”, Yili has carried out public welfare activities in areas of ecology, nutrition, safety, science and technology, culture, etc. The Group pays attention to the healthy growth of children and adolescents, implements targeted poverty alleviation, supports the development of local communities, and also creates more momentum for public welfare.

- Care for the Growth of Teenagers
- Biodiversity Conservation
- Targeted Poverty Alleviation
- Community Development



# Yili Group Sustainability Action Plan (Ten Articles)



## WE WISH

<p><b>1 NO POVERTY</b></p> <p>Article 2. Keep pressing ahead with the targeted poverty alleviation model that is industry-oriented and multi-dimensional by carrying out a series of actions to help the poor improve their quality of life in an all-round way, facilitate rural revitalization, and achieve Goal 1.</p>	<p><b>4 QUALITY EDUCATION</b></p> <p>Article 5. Consolidate and publicize ecological safety on campus to ensure teenagers' physical and mental health and improve education equity to facilitate the realization of Goal 4.</p>	<p><b>15 LIFE ON LAND</b></p> <p>Article 9. Honor the nine pledges in the <i>Business and Biodiversity Pledge of the Convention</i>, and work with partners in the industry value chain and society to protect biodiversity, and help achieve Goal 15.</p>
<p><b>Our practices</b></p> <ul style="list-style-type: none"> <li>- Carrying out Yili Nutrition 2020 targeted poverty alleviation project</li> <li>- Health care poverty alleviation</li> <li>- Community poverty alleviation</li> </ul> <p><b>Our results</b></p> <p>The total amount of donations <b>71.42</b> million RMB</p> <p>Total investment in Yili Nutrition 2020 targeted poverty alleviation project nearly <b>80</b> million RMB</p> <p>Total provinces (municipalities and autonomous regions) covered <b>25</b></p> <p>Total beneficiaries <b>600,000</b> children</p>	<p><b>Our practices</b></p> <ul style="list-style-type: none"> <li>- The Yili Ark Project</li> <li>- Yili Future Park</li> </ul> <p><b>Our results</b></p> <p>Total investment in Yili Ark project <b>3.5799</b> million RMB</p> <p>Number of training activities on child safety <b>155</b></p> <p>Total investment in the Yili Future Park project <b>2</b> million RMB</p> <p>Number of primary and middle school students covered <b>350,000</b></p>	<p><b>Our practices</b></p> <ul style="list-style-type: none"> <li>- Biodiversity conservation</li> </ul> <p><b>Our results</b></p> <p>Annual Report on Biodiversity Conservation <b>2<sup>nd</sup></b></p> <p>Number of packages of Yili Satine products that applied FSC certified packaging materials <b>3.976</b> billion</p> <p>Ecological benefit generated by these packages equals to managing <b>150,000</b> mu sustainable forests</p>

## Care for the Growth of Teenagers

Children are the future and hope of the country. Yili attaches great importance to issues related to children and protects children's healthy growth in multiple dimensions. By conducting public welfare practices, we provide full support for children from nutrition to safety, from the body to the mind, and are committed to escorting the healthy growth of children.

### Yili Ark

Together with Western China Human Resources Development Foundation, Yili promoted the "Yili Ark" child safety-themed public welfare project, and implemented the concept of protecting the safety, growth, and dreams of children. Upholding that "the best way to protect children's safety is to teach children to protect themselves", Yili Ark project has been committed to improving the safety education for children in the central and western regions based on the actual needs of local schools, with a focus on the construction of safe and ecological schools. From 2012 to the end of 2019, Yili Ark had made RMB 17.42 million of donations that covered 25 provinces (municipalities and autonomous regions) across the country.

In 2019, Yili invested RMB 3.5799 million in 109 safe and ecological schools in ten counties (cities), including Ningde, Fujian, organizing 155 safety education and training activities independently, which cover more than 30 safety topics, including anti-abduction, anti-bully, and anti-lost techniques. The training benefited more than 100,000 teachers and students in total. We launched the Yili Ark healthy recipes for safe and ecological schools in 54 primary schools in Daming County, Hebei Province, which benefited 24,000 teachers and students.



"Yili Ark" won the "Special Contribution Award" of Action League Charity Ceremony



## Yili Future Park

Through joined hands with the China Children and Teenagers' Foundation, Yili has promoted the Yili Future Park public welfare project. Combining the collection of online science popularization videos and offline science popularization classes in schools, the Yili Future Park Project provides an interactive online platform based on Chinese teenagers' needs for science and technology education. It focuses on promoting the growth and progress of science and technology education for students from areas with scarce educational resources, and is committed to connecting children around the world through technological efforts. From 2017 to the end of 2019, Yili had invested RMB 4.8 million in Yili Future Park, which benefited a total of 550,000 people from 78 cities in 26 provinces.

In 2019, Yili invested RMB 2 million in launching the "Youth Technological Innovation Short Videos" and "Red Tour on Science Popularization", etc. which covered more than 350,000 primary and middle school students from 800 schools in 138 cities of 25 provinces. Among them, nearly 10,000 were left-behind children from old revolutionary base areas, including Zunyi City, Guizhou Province, Yan'an City, Shaanxi Province, Jinggangshan City, Jiangxi Province, Qujing City, Yunnan Province, Fuping County, Hebei Province.



Participants of the "2019 Dream Summer Camp" visited the Beijing Air and Space Museum

"We hardly see these things related to aeronautics and space, but I believe that as long as we gain enough scientific knowledge, we will have the opportunity to join the space industry."  
—Wang Luo, Longquanguan School, Fuping County, Hebei Province

## Biodiversity Conservation

As the first Chinese enterprise to sign the *Business and Biodiversity Pledge of the Convention on Biological Diversity of the United Nations*, Yili has actively responded to and implemented the SDGs through biodiversity conservation, and aroused the attention of more partners, consumers, and other stakeholders on issues related to biodiversity conservation through brand communication, striving to explore a new path of high-quality development that prioritizes ecological benefits and is oriented towards green development.

Yili actively practices the Green Industrial Chain

Strategy. Through the analysis of the impacts of every stage of production and operation on biodiversity, Yili has identified six areas for taking biodiversity conservation actions, including habitat protection, climate change response, species diversity protection, sustainable utilization of resources, environmental governance, and promotion of ecological protection. Based on this, Yili has established a biodiversity conservation management system to guarantee full-lifecycle biodiversity conservation management.

In 2019, a total of **3.976** billion packages of Yili Satine products applied FSC certified packaging materials, which generated as much ecological benefit as **150,000** mu of sustainably managed forest.



### Conducting birdwatching and effectively protecting wetlands



Siberian cranes (state-level endangered animal species)

The diversity of bird species and the number of bird populations are considered significant indicators of the health of the wetland ecosystem. In 2019, Yili Satine and WWF launched a campaign for "Sustainable Agriculture and Wetland Protection" to carry out water bird research under the support of Momoge National Nature Reserve and Xianghai National Nature Reserve. We set up 39 monitoring points in key wetland areas to conduct the research with the "zone-based direct count" method. The result showed that the populations of Siberian cranes and oriental white storks were stable, the number of water birds increased, six bird species not recorded in previous surveys were observed, and blue-headed mallard, a critically endangered (CR) species as categorized by the International Union for Conservation of Nature (IUCN), were observed for two consecutive years.



### Conducting sustainable planting training and increasing the output and yield of corn test fields

In 2019, Yili carried out the technological training on environmentally friendly and sustainable agriculture in the Songnen Plain in Qian'an County, Jilin Province with the support of WWF, Jilin Academy of Agricultural Sciences and Qian'an County Association of Old Scientific and Technical Workers. A total of 796 members participated in the training and conducted field training in the experimental field. The training content includes water-saving irrigation of corn in semi-arid areas, high-yield and high-efficiency cultivation, and other environmentally friendly core production technologies.

By the end of 2019, the total area of core demonstration fields for environmentally friendly sustainable corn planting technologies reached 31,500 mu. The training not only helped farmers understand the importance of environmentally friendly production technologies, but also helped them master all-round, scientific, and systematic production technologies. We encouraged farmers to adopt environmentally friendly production methods in corn planting, and improved water and fertilizer efficiency through water saving, pesticide reduction, and fertilizer control. To control production costs, we have gradually changed the traditional agricultural production mode. While increasing productivity, the training project also contributed to the protection of the ecological environment of the Songnen Plain and helped achieve sustainable development of agriculture and the environment.



A group photo of trainees of the "sustainable planting methods" training project



The experimental field of sustainable corn planting technologies



Yili's biodiversity conservation practices were selected as a typical case in China's Progress Report on Implementation of the 2030 Agenda for Sustainable Development (2019) released by the Ministry of Foreign Affairs



Yili became one of the first enterprises to sign the *Business and Biodiversity Partnership Declaration* in China



Yili joined hands with Ant Forest of Alipay to establish the Satine Public Welfare Forest



For more information, please scan the QR code to read Yili's previous Annual Reports on Biodiversity Conservation

## Targeted Poverty Alleviation

Yili fully implements requirements stipulated in the *Circular of the State Council on Printing and Issuing the Plan for Poverty Elimination During the Period of the Thirteenth Five-year Plan* and the *National Nutrition Plan (2017-2030)*, continuously promotes public welfare practices and conducts nutrition intervention for key groups in poverty-

stricken areas. Taking nutrition and health as the priority, we have actively promoted industry-based and three-dimensional targeted poverty alleviation model for realizing rural revitalization. Based on the Group's core business advantages, we have improved our poverty reduction efforts towards higher efficiency.

### Poverty alleviation through healthcare support

In 2019, the Yili Nutrition 2020 targeted poverty alleviation project continued to optimize the unique industry-based and three-dimensional targeted poverty alleviation model, and actively implemented the two major national strategies of "poverty alleviation" and "rural revitalization". We continued to focus on the three key areas of the abject poverty-stricken "three regions and three prefectures", the border areas, and the old revolutionary base areas, and paid attention to

children's growth and dreams, boosting children's confidence in getting access to better education, and poverty elimination. Yili also provided nutrition and health assistance to the poor to help them get rid of poverty and live in an all-round well-off life by 2020. By the end of 2019, the project had covered 25 provinces and regions across the country, with a total investment of nearly RMB 80 million, benefiting more than 600,000 children.



Have walked through the most rugged mountainous roads

Cross the snowy mountain to send milk to the "Shenshan Peak" at an altitude of 4,010 meters



Have been to the poorest place

Go into the poverty-stricken "three regions and three prefectures" to improve the nutrition and health of children



Provide the healthiest products

Visit the Dulongjiang Township Primary and Junior Middle School to bring the nutrition and health of Yili milk to the children



Harvest the cutest dreams

Organize a "speak out your dreams" activity to encourage children to think big for a better future

"Yili Nutrition 2020 is highly in line with the SDGs, and its practical achievements in poverty alleviation are impressive."  
-Ms. Liu Meng, Head of Asia and Pacific Networks at the UN Global Compact



Students are drinking Yili pure milk

#### China's Well-off Milk Campaign

In 2019, Yili, together with the China Red Cross Foundation, promoted the public welfare activity - China's Well-off Milk Campaign of Yili Nutrition 2020. Through the project, we invested RMB 17.6958 million and donated Yili student milk, milk powder, and other health products to 59 cities and counties in 19 provinces, including Sichuan, Ningxia, and Gansu, focusing on the areas of "three regions and three prefectures" such as Liangshan Prefecture in Sichuan Province and Linxia Prefecture in Gansu Province, benefiting over 200,000 students.

#### Nutrition Poverty Alleviation Plan

In 2019, Yili, working with the China Population Welfare Foundation and the China Family Planning Association, promoted the Nutrition Poverty Alleviation Plan of Yili Nutrition 2020 focusing on Daning and Yonghe Counties in Shanxi Province, Zizhou and Qingjian Counties in Shaanxi Province and other abject poverty-stricken areas. By donating nutritional products worth about RMB 10 million to poor families, urban low-income families and families with special difficulties in family planning, we provided comprehensive and sustainable nutrition support for the poor, covering more than 41,700 people.



Distribution site of nutritional products

#### Campaign for screening congenital heart defects

In 2019, Yili, together with the China Red Cross Foundation, carried out the campaign for screening congenital heart defects under the Yili Nutrition 2020 Project. Yili invested RMB 3.6 million in Guangxi Zhuang and Ningxia Hui Autonomous Regions, Sichuan and Heilongjiang Provinces to screen, assist, and visit children with congenital heart defects under the ages of 14, covering about 98,000 children, benefiting more than 90,000 families, and helping 323 poor children with congenital heart defects.



A return visit to Guangxi after the campaign for screening congenital heart defects

#### "All for Children" care project in Liangshan

Yili, together with the China Red Ribbon Foundation, launched the "All for Children" care project in Liangshan under the Yili Nutrition 2020 Project and donated PRO-KIDO infant formula milk worth RMB 2.15 million to families with newborns before one year old in Puge, Yuexi, and Jinyang, Liangshan Yi Autonomous Prefecture, Sichuan Province. We also organized public welfare lectures on "feeding guidance" to Liangshan medical staff, HIV/AIDS prevention personnel, female health care workers and lactating women. The public welfare lectures directly benefited more than 240 people, and nearly 200 families.

#### PRO-KIDO Maternal Love Plan

In 2019, Yili, together with the Chunhui Children, launched the "PRO-KIDO Maternal Love Plan" and donated Yili milk powder products worth RMB 214,600 to provide nutrition support to more than 200 critically ill orphaned and disabled children.



#### Yili launches the "Yili Nutrition Supports Children's Health" Step Donation Public Welfare Project

In 2019, Yili joined hands with Tencent Charity Foundation to launch the "Yili Nutrition Supports Children's Health" Step Donation Public Welfare Project. The project began on the World Children's Day (the fourth Sunday in April every year) and lasted until June 1, International Children's Day. The public participated in the initiative by donating steps with WeRun function on WeChat. Yili donated RMB 500,000 of public welfare funds every day to help children realize their dreams and care for children in poor areas, so as to call on the whole society to pay attention to children's nutrition and health, and create a promising future for children in poor areas.



## Poverty alleviation through community development

Yili visits poor areas to learn more about the local resource endowment and the current situation of poverty. Relying on our own industrial advantages, we could formulate tailored development strategies for poor areas to help reduce poverty.

In 2019, Yili launched a special poverty alleviation project in Daluhao Village, Wuchuan County, Inner Mongolia Autonomous Region, helping the village increase the yield of agricultural produce by about 575,000 kg and the total income of villagers by about RMB 1.85 million. In Zhuguanlong Village, Shouning County, Ningde City, Fujian Province, Yili paid field visits to learn about the economic growth and main development direction of Zhuguanlong

Village, and invested RMB 500,000 to support the village to combine the construction of a beautiful village with distinctive industries to revitalize agriculture. Yili also carried out Party building cooperation with the Party branches of ten villages in Tumotezu League in Hohhot. With an investment of about RMB 500,000, we helped advance local agriculture through poverty alleviation projects supported by industrial, technological, and cultural development. By working with suppliers of the industrial chain, we implemented poverty alleviation projects through industrial development by purchasing a total of 30,468 tons of silage, which created about RMB 10 million of income for farmers in these villages.



A water conservancy project was constructed in Daluhao Village, Wuchuan County, Inner Mongolia Autonomous Region to meet the water demand for local crop growth and provide long-term guarantees for farmland cultivation

# Community Development

Yili engages in the sustainable development of local communities, responds to major natural disasters with emergency relief mechanisms, and organizes employee voluntary activities to give back to society in multiple forms.

## Respond to natural disasters

Yili has established a CSR emergency response system and formulated the *Contingency Plan for Natural Disaster Relief*. In the face of sudden natural disasters, we have set up an emergency response committee promptly and developed external rescue strategies to support the affected areas and give back to society.

### Special disaster rescue in earthquake-stricken Yibin City in Sichuan Province

At 22:55 on June 17, 2019, an earthquake of magnitude 6.0 hit Changning County, Yibin City, Sichuan Province. Ten minutes later, Yili urgently activated the contingency plan, and 30 minutes after the earthquake, checked the dairy farms, distributors, factories, and employees to ensure their safety. Then Yili set up a special rescue team to deliver materials to the disaster-stricken areas as soon as possible. The Group also set up mobile maternal and infant service stations, and provided 120,000 boxes (cans) of Yili pure milk and milk powder worth RMB 500,000 to mothers and babies in the affected areas. Together with the China Red Cross Foundation, Yili prepared a total of 200 family relief boxes and delivered them to the people in these areas to meet their urgent needs.



Yili provided milk powder for babies in disaster areas



Yili employees actively participated in special rescue actions



Yili family relief boxes



Yili offered aid to Yibin

## Building a caring community together

Yili actively participates in activities of local communities. By providing student aids, setting up employee volunteer service teams and Party member' vanguards, establishing online files of youth volunteer, as well as organizing volunteer activities such as blood drives, learn-from-Lei Feng activities, educational support activities, elderly care activities, and tree planting activities, we carry forward the Yili spirit, practice the Yili culture, while popularizing the concept of volunteer service. In 2019, we organized 158 volunteer activities with 3,556 volunteers participated. With the advanced deeds of "Blood Drive Service Team of Yili Youth Volunteers", we won the Regional Outstanding Organization Award in Hohhot.

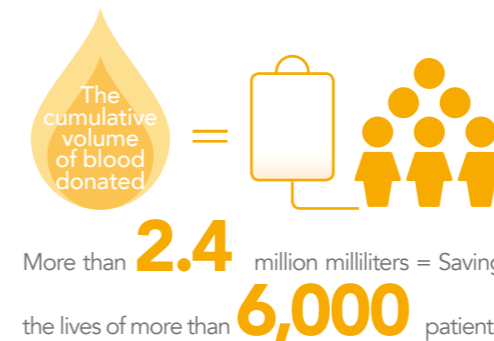


### Blood donations to sustain lives

Yili has been supporting voluntary blood donations for many consecutive years, which lighted hopes for numerous lives, thus becoming the only dairy business in China to win the Special Award of the National Blood Donation Promotion Award. In January 2019, a total of 143 employees of Yili headquarters donated nearly 47,000 milliliters of blood, contributing largely to the blood reserve during the Spring Festival. Most of donors were frequent donors. Niu Dengfeng, an employee of the Yili Innovation Center and a veteran member of the Yili Blood Donation Service Team, has donated blood for eight times.



The site for organizing the Blood Donation Service Team of Yili Youth Volunteers



### One million help - Yili's love relay in Indonesia

In 2019, the YOAI FOUNDATION, a large local charity, held a "one million help" charity concert in the Tangerang area of the capital Jakarta. Yili took part in the charity bazaar with JoyDay ice cream and donated all money raised to the YOAI FOUNDATION, striving to realize the dream of "World Integrally Sharing Health" and bring hope to local sick children.



The "one million help" charity bazaar

"Today, I feel so moved to see the JoyDay ice cream Chinese company participating in our charity event. Thanks for your love for the Indonesian children."  
-Miniem, a participant



Yili supported kindergarten BabyBash's activities in Singapore



Luke Tucker, a student from Lankali College, won the 2019 Scholarship and paid internship during the vacation of Oceania Dairy Limited, a subsidiary of Yili Group.



## Nutrition and Health



“There are two kinds of people in the world: Those who drink milk and those who do not. The mission of Yili is to turn all of them into people who enjoy milk’s nutrition and health.” For years, Yili has actively carried out nutrition and health research, nutrition knowledge popularization, and healthy lifestyle promotion activities to improve the nutrition of consumers and guide the whole nation to live a healthy life.

- Nutrition and Health Research
- Quality Nutritional Products
- Healthy Lifestyles







## WE WISH

2 ZERO HUNGER



Article 3. Proceed with the plan for improving the nutrition of all, and strive to allow more people to enjoy nutritious and healthy milk and to achieve Goal 2.

### Our practices

- Conducting nutrition and health research
- Providing quality nutritional products

### Our results

Yili has conducted research on breast milk for

**17** consecutive years

Total number of research papers in Yili's breast milk research database exceeded

**2,000**

Number of Maternity Classes organized

**33,530**

Total trainees

**913,658**

3 GOOD HEALTH AND WELL-BEING



Article 4. Carry out basic research on nutrition, promote the popularization of health knowledge, and advocate the concept of sustainable consumption to contribute to Goal 3.

### Our practices

- Promoting healthy lifestyles

### Our results

Number of participants of Yili Snow and Ice Camp

**100+** million

Yili provided nutrition support for

**32** large training bases

**640** training venues

## Nutrition and Health Research

### Cracking the health code of breast milk

Yili has conducted independent research on breast milk in China for 17 consecutive years since 2003. By collecting breast milk samples from different regions across the country, we have established the Breast Milk Research Database, in a bid to comprehensively analyze the nutritional characteristics of breast milk objectively, and thus lay a solid foundation for the development of formula products suitable for Chinese babies.

#### Collect breast milk samples across China

- Yili has established and continuously improved the Breast Milk Research Database, and collected breast milk samples all over the country to study their composition. By 2019, Yili had collected a total of 135,266 milliliters of breast milk from 43 cities and counties in China. Nearly tens of millions of breast milk data, including 155 indicators and more than 1,700 ingredients, are also collected. The database also includes Chinese and foreign breast milk research literature, global infant nutrition products and other related information, with its coverage, reliability and accuracy second to none in China.

#### Establish the frontier information platform of maternal and infant nutrition

- Yili established an online and offline multi-channel professional platform, Yili Maternal and Infant Nutrition Institute (YMINI), to transmit cutting-edge information to maternal and infant nutrition practitioners in a timely manner. Based on the online channels of the official website (ymini.yili.com) and official WeChat account "Yili Maternal and Infant Nutrition", we have reached a total of more than 40,000 maternal and infant nutrition professionals across the country. In cooperation with international and domestic authoritative academic associations, the offline platform has held six special academic conferences, with a total of over 2,000 participants.

#### Achieve the latest progress in breast milk research

- Yili made the latest achievements in the proteomics of breast milk in China and the Netherlands, increasing the total data in the research database to near ten million.
- The research results related to nucleotides have been authorized by three national invention patents.
- As the first domestic dairy company hosting a special academic conference at the EAPGHAN, a top international academic conference, Yili independently held the first YMINI Breast Milk Research Summit Forum.

### Research on nutrition of dairy products

Yili vigorously promotes nutrition research of dairy products, and explores the dietary nutrition intake and lactose intolerance of adults, in order to improve the intake of dairy products and nutrients of the Chinese people and enhance the national physique and fitness.



#### Case Study on the solutions to lactose intolerance

Through the survey on the current situation and cognition of lactose intolerance among adults, Yili revealed the incidence and distribution of lactose intolerance in the urban adult population in China. We also took the lead in utilizing lactose hydrolysis, fermentation, membrane filtration and other

technologies to develop different types of low-lactose products, being recognized by many national nutrition authorities, including the Chinese Institute of Food Science and Technology, and the Chinese Nutrition Society.



#### Case Study on dairy product intake and related factors among adults

Yili has launched the project, Research on Dietary Nutrition and Health of Adult in Eight Chinese Cities, aiming to investigate the intake rate and volume of different types of dairy products among adults in eight Chinese cities, and explore the

relevant factors affecting dairy product intake and the impact of dairy product intake on the health of adults. The research results have been published on the SCI journal *Nutrients*, one of the three major sci-tech literature retrieval systems in the world.

# Quality Nutritional Products

**Satine**  
High-quality organic milk

As a representative of Yili's high-end brands, Satine is committed to providing "high-quality pure natural milk" for China. Satine organic milk is the first of its kind in China which has passed the certification of China and the EU.

**Ambrosial**  
Small molecular yogurt + orange pulp fiber

The orange pulp and pineapple flavored Ambrosial packed with PET bottles contains yogurt made from Greek bacteria and imported orange pulp with sweet pineapple juice, which is processed through unique techniques to make the taste more unique.

**PRO-KIDO Seine Mouiller**  
The first probiotic organic milk powder in China

PRO-KIDO Seine Mouiller organic infant formula contains groundbreaking and innovative protein combination  $\alpha$ -whey protein+ $\beta$ -casein, which is easy to digest and absorb and can reduce the risk of allergy. The brain vitality factor DHA+ARA in the powder can promote the development of the brain and nervous system, and the appropriate proportion of linoleic acid/ $\alpha$ -linolenic acid can facilitate nutrition absorption and help babies to grow healthily.

**inikin Volcanic Mineral Water**  
Meet the demand for drinking healthy water

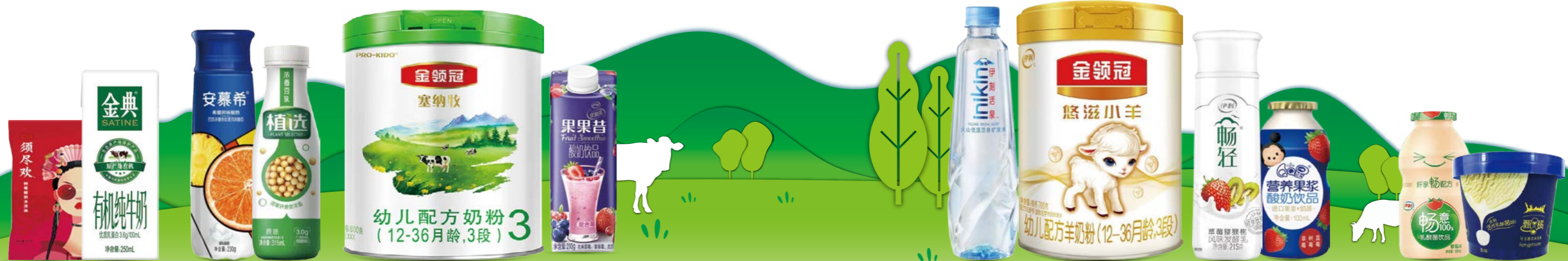
The water source of "inikin Volcanic Mineral Water" comes from the deep underground Jurassic volcanic rocks in the forest hinterland of Daxing'anling. It contains rich mineral elements such as potassium, sodium, calcium, magnesium and metasilicic acid, and is thus alkaline and tastes sweet and refreshing.

**QQ Star**  
Ensure higher quality with global resources

QQ Star nutritious pulp yogurt adopts the technology of "imported fruit pulp + imported milk source + imported lactic acid bacteria (LAB) fermentation". With quality probiotics imported from Denmark and milk imported from New Zealand, its global resources guarantee the higher quality and better supplements for the daily growth needs of children.

**Gemice Ice Cream**  
Active LAB + high-quality fruits

Gemice Ice Cream contains carefully blended Greek-flavored active LAB and high-quality fruits from all over the world and is processed through the micron-scale technology to create a unique and delicate taste for consumers.



**NOC**  
Create a healthy, safe, and refreshing experience

NOC contains special Greek live bacteria yogurt as the core coated with 100% pure and fresh vegetable juice soft skin. No essence and pigment are added to the product, which provides consumers with a healthy, safe, and refreshing experience.

**PLANT SELECTED**  
Quality plant protein

PLANT SELECTED series with a mellow flavor and taste (PET soybean milk) use non-genetically modified soybeans which are processed through oxygen-isolated grinding during the whole process. Made of pure natural materials and containing only water, soybeans, and a small amount of sugar, the product provides 3g of high-quality plant protein in each 100ml of soy milk.

**Fruit Smoothie**  
Multiple berries + mellow yogurt

As China's first fruit smoothie yogurt drink, Fruit Smoothie contains jam made of North American blueberries, cranberries, and high-quality strawberries. With more than 10% addition of the jam, combined with yogurt, Fruit Smoothie has a mellow and smooth mouthfeel as well as rich and sweet pulp.

**PRO-KIDO UITSTEKEND GEITENMELK**  
100% pure goat milk

UITSTEKEND GEITENMELK contains 100% milk of Saanen goats, one of the best dairy goat breeds in the world. The use of patented nucleotide combination make the nucleotide composition and proportion of formula milk more similar to that of the breast milk in China, to help enhance babies' resistance.

**Changqing**  
Reduce the burden of the body while enjoying the delicious taste

Changqing high-end probiotic yogurt is made of breastfeeding milk cows, and is rich in A+BB activated LAB imported from Denmark. All the raw materials are extracted from nature, bringing consumers a great taste while reducing the burden of the human body.

**Changyi**  
Low sugar and fat + LAB

The new Changyi 100% LAB drink is based on the original drink after low-sugar and low-fat research. It is seasoned with a variety of non-nutritious sweeteners to replace more than 40% of sugar while maintaining the sweet taste.

# Healthy Lifestyles

Yili sees it as a mission to promote healthy lifestyles among consumers. By providing quality nutritional products, we have provided support for the Beijing Olympics 2008 and care for maternal and infant health, thus contributing to improving the health awareness of the people and health conditions of the public.

## Supporting sports development

Yili provides strong support for the development of sports and cooperates with the Beijing Olympics 2008, the CISM Military World Games, CBA and other events as an official partner. By providing products for sports delegations and large-scale comprehensive events, Yili actively promotes sportsmanship, and has become the most loyal and determined partner of China's sports industry.

In 2005, Yili signed an agreement with the Beijing Olympic Organizing Committee, and has since cooperated continuously with the Olympic Games.



With the approach of the Winter Olympic Games 2022, Yili has actively answered the national call for "300 million people to participate in ice and snow sports" and joined hands with the Beijing Organizing Committee for the 2022 Olympic and Paralympic Winter Games(BOCOG) to set up the Yili Snow and Ice Camp for organizing activities to popularize ice and snow sports across China.

The Yili Snow and Ice Camp has covered dozens of cities across the country and attracted more than **100** million online followers and registrations, and is thus highly recognized by BOCOG.



### Yili Snow and Ice Camp launches the campaign "Frozen Princess Dream"

In December 2019, the Yili Snow and Ice Camp organized the campaign "Frozen Princess Dream" to create a dreamy ice and snow world for children, while providing a full set of professional winter sports equipment and all-round protection, as well as professional skiing knowledge and guidance. At the event site, a full range of Yili nutrition products were provided for the "princesses".



Yili Snow and Ice Camp launches the campaign "Frozen Princess Dream"



### Yili, the official dairy product provider of the CISM Military World Games, provides nutrition products for nearly 10,000 soldiers from all over the world

In August 2019, with excellent product quality and rich experience in international competition service, Yili became the only official partner from the dairy sector of the 7th CISM Military World Games. In order to ensure the supply of dairy products, Yili made all-round preparations in terms of products and services to meet the needs of 9,308 athletes and delegation officials from 109 countries, lightening up the ideal of peace, prosperity, and shared health.

**Products:** We designed a tailor-made camouflage package for pure milk products for the CISM Military World Games, and provided a variety of dairy products to meet athletes' varied needs for nutrition and taste from all over the world.

**Services:** We set up a "special supply line for the Games" covering restaurants in the athletes' village and the competition field, to build a closed-loop food safety and quality control system to ensure that every drop of milk supplied to the Games has the excellent quality meeting "military standards".



Yili products for athletes of the CISM Military World Games



### Yili becomes an official partner of CBA

In November 2019, Yili became an official partner of CBA and the first domestic dairy company to sign a contract with CBA. Yili is committed to supporting large-scale sports events and working with CBA to further promote the leapfrog development of China's sports industry. While popularizing healthy lifestyles across the world, Yili contributes to the development of China's professional basketball and youth basketball cause.



The launching ceremony of Yili's official partnership with CBA

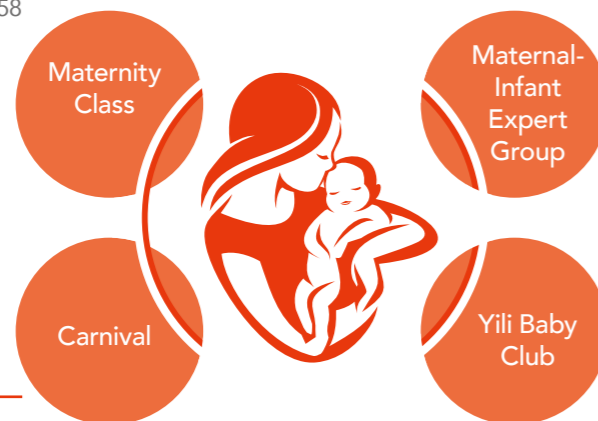
## Advocating for healthy lifestyles

Yili is committed to providing all-round and multi-tiered health guidance for Chinese mothers and babies. From the knowledge popularization on pregnancy to the sharing of knowledge on feeding newborns, from the education of novice mothers to the care of working mothers, Yili has always been contributing to the healthy development of mothers and babies in China.

### Yili's Maternal and Infant Ecosphere

Yili is the first to initiate the strategy of "Maternal and Infant Ecosphere" in China. Through strategic cooperation with Babytree, Chunyuisheng and other maternal and infant service media and platforms, online and offline communication with multiple platforms as well as the entire industrial chain, we integrate mothers' needs closely with the service platform. By inviting professionals to answer questions, providing an interactive platform for mothers, and connecting online and offline outlets, the Maternal and Infant Ecosphere provides a convenient experience for new mothers.

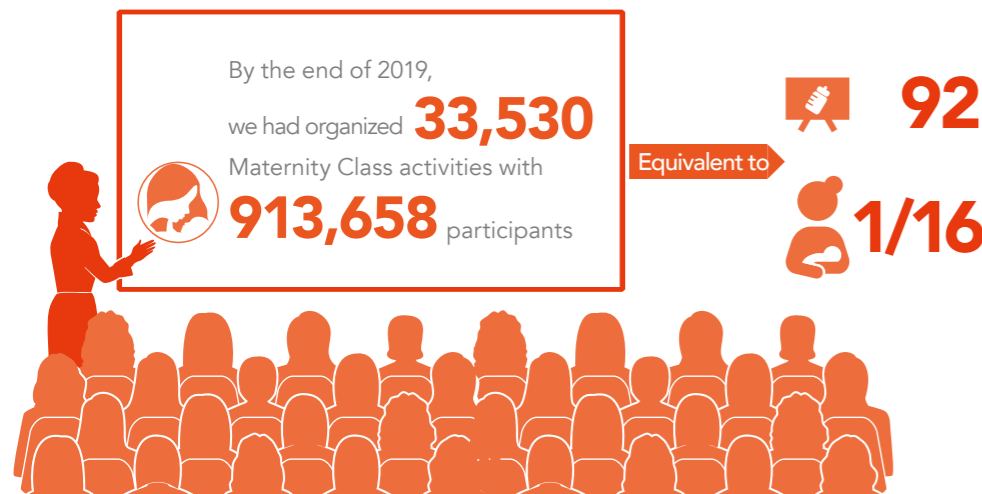
Share pregnancy and parenting knowledge in Maternity Class for pregnant women. By the end of 2019, we organized 33,530 Maternity Classes with 913,658 participants.



Invite experts to share professional parenting knowledge and help mothers sort out all the issues they might face from the prenatal period to the infant period before three years old and then share solutions.

Carry out dynamic education through fun activities and invite both parents and children to participate in the carnival.

Create the official WeChat account Yili Baby Club to provide 24-hour online Q&A for mothers, and regularly invite pediatricians to give micro video lectures.



### The Carnival 4D immersive experience area brings parents closer to children

In 2019, the Yili Carnival in Yantai, Shandong Province introduced a 4D immersive experience area for the first time, which was well-received by both parents and children. Participants could experience the New Zealand scenery combined with the origin of Yili Ruihu infant formula in the experience area, and deeply feel Yili's quality and concentration in the interaction. The 4D stereoscopic imaging mode was more attractive to children, creating a great experience for parents and children and enhanced their bonding.



4D immersive experience area of Yili Carnival in Yantai

"This kind of experience is quite high-tech. I might have seen it on a TV program called 'teamlab' but never experienced it in real life. See, my child is touching here and there very happily! These scenes makes me believe that Yili's imported milk powder from New Zealand is very good!"

-Xiao Xin's dad, a participant of Yili Carnival, Yantai

### Maternal and Infant Health and Growth China Tour

Yili PRO-KIDO won the award of China Maternal and Infant Public Welfare Influence Brand for its outstanding performance in the PRO-KIDO Maternal Love Program and Maternal and Infant Health and Growth China Tour for many years. The tour is a national public welfare activity aiming at popularizing health knowledge for mothers and babies. In order to promote the vigorous development of the maternal and infant industry in China, Yili has been helping the tour go deeper into local communities and into the mother group for years. Experts are invited to organize popular science lectures on parenting to help infants and toddlers grow up healthily.

### Advocating breastfeeding

In 2019, as a representative of the maternal and infant industry, PRO-KIDO actively responded to national policies, by joining forces from all walks of life, to "feed" love to move forward. It is committed to providing a safer and more comfortable public breastfeeding environment for all women. The campaign of "Safeguarding the Power of Breast Milk" launched by Yili not only highlighted the vision of a strong business from a big power, but also set an example for the maternal and infant industry.



Yili established the "Golden Maternal Love Alliance" to change the social perception of breastfeeding in public and improve the environment and quality of breastfeeding in public.

# Outlook

In 2020, Yili will continue to promote the future-oriented “WISH” system, adhere to four key areas of win-win industrial chains, quality and innovation, social welfare, nutrition and health, and join hands with industrial chain partners to build a community of sustainable development.

## Win-Win Industrial Chains

While pursuing corporate development, Yili will help upstream and downstream partners to achieve common growth, maintain effective communication with consumers, and strive to provide consumers with transparent, satisfactory and all-round services. Besides, we will build a broad growth platform for employees to enable them to develop together with the company.

## Quality and Innovation

Committed to the corporate belief that “Yili means the best quality”, we will upgrade quality management and provide consumers with high-quality services. To cope with climate change, we will improve the efficiency of the use of resources in production, packaging, storage, and transportation to reduce waste emissions, and uphold the concept of “no innovation, no future” to accelerate innovation through larger investments, striving to promote innovation in the entire industry.

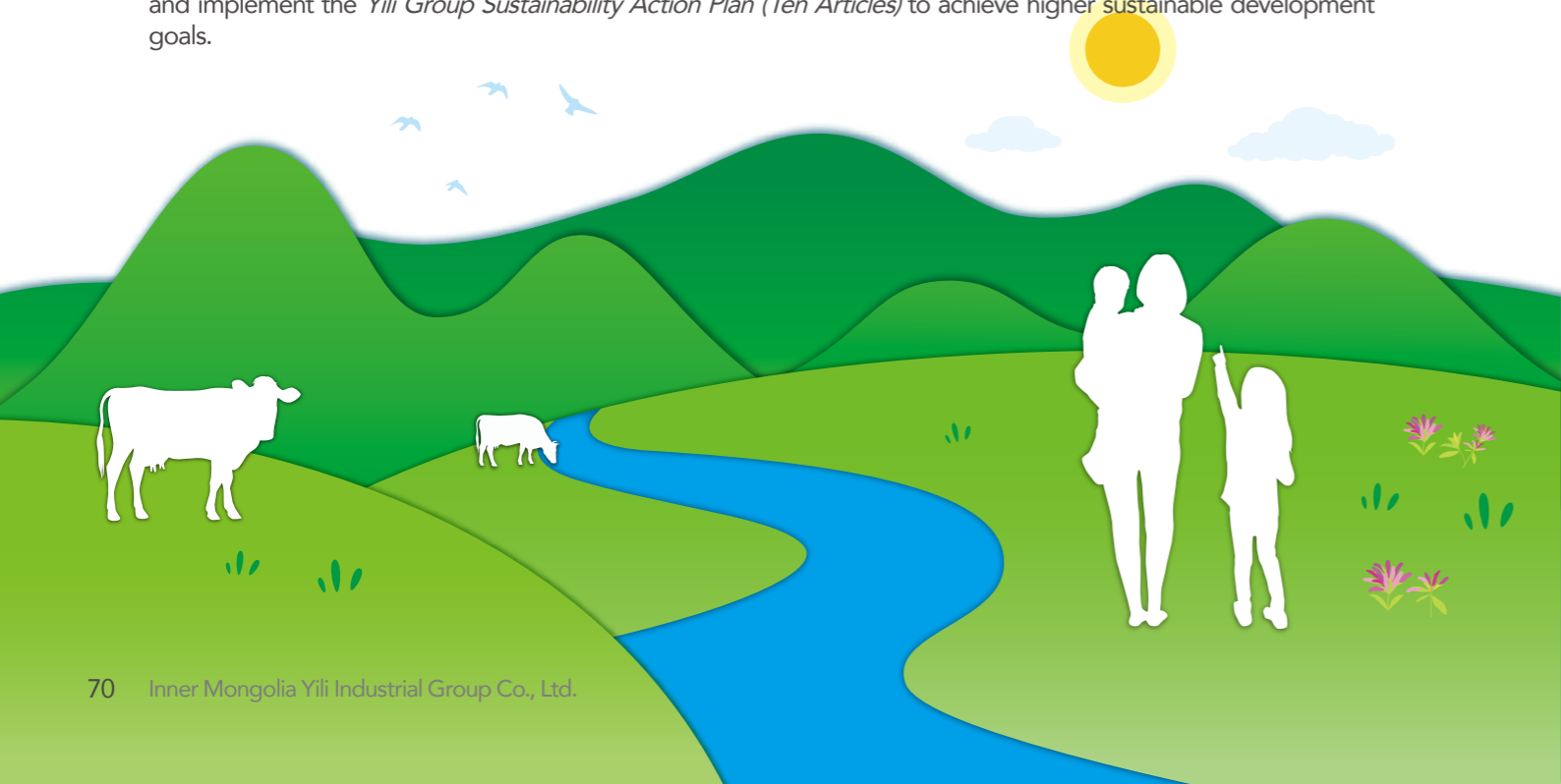
## Social Welfare

Yili will respond to the national strategic goal of achieving comprehensive poverty alleviation by 2020 through the thorough implementation of the Yili Nutrition 2020 targeted poverty alleviation project. We will continue to act in line with the *Business and Biodiversity Pledge of the Convention* by carrying out ecological protection programs, helping communities achieve sustainable development, and sharing the fruits of development with them.

## Nutrition and Health

Yili will continue to deepen research on nutrition and health to ensure healthy products, and provide diversified products for consumers of all groups of consumers, thus enabling consumers to get access to nutritious and healthy milk products. We will support the development of sports and promote healthy lifestyles.

In 2020, benchmarking on the SDGs, we will strengthen the practice and exploration of sustainable development and implement the *Yili Group Sustainability Action Plan (Ten Articles)* to achieve higher sustainable development goals.



# Key Performance Indicator

## Economic Performance

Indicators	Unit	2017	2018	2019
Business Revenue	RMB 10,000	6,805,817	7,955,328	9,022,308
Net Profit	RMB 10,000	600,281	645,200	695,073
Tax	RMB 10,000	462,934	466,835	441,132
Weighted Average ROE	%	25.22	24.33	26.38
Ratio of Liabilities to Assets	%	48.80	41.11	56.54
Total R&D Input	RMB 10,000	20,916.53	46,314.43	54,180
Authorized Patents	Piece	110	198	285
Authorized Patents as Inventions	Piece	15	28	16
Authorized New Utility Model Patents	Piece	19	40	49

## Social Performance

Indicators	Unit	2017	2018	2019
Cyber Security Incidents	Times	0	0	0
Product Testing Investment	RMB 100,000,000	2.8	3.19	3.89
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	162	155	142
Proportion of Suppliers Signing <i>Transparency Agreement</i>	%	100	100	98
Proportion of Cooperative Large Scale Dairy Farms	%	100	100	100
Total No. of Customers Supported During the Year	Household	2,359	3,592	4,137
Total Fund Raised	RMB 100,000,000	81.21	143.50	183
Total Fund-raising Number	Rounds	10,792	18,497	24,253
Funding per Company	RMB 10,000	344	399.50	442.69
Total No. of Farms Supported During the Year (Partner Farms)	Household	504	567	556
Total Fund Raised for Farms	RMB 100,000,000	18.44	35.88	47.93
Total No. of Suppliers Supported During the Year	Household	280	417	520
Total Fund Raised for Suppliers	RMB 100,000,000	35.68	63.82	79.51
Total No. of Dealers Supported During the Year	Household	1,575	2,608	3,061
Total Fund Raised for Dealers	RMB 100,000,000	27.09	43.80	55.70

# Indicator Index

## Social Performance

Indicators	Unit	2017	2018	2019
Total Staff	Persons	53,531	56,079	59,052
Employment Contract Signing Ratio	%	100	100	100
Females in Senior Management (deputy general manager and above)	%	17	16	14.63
Ratio of Social Insurance Coverage	%	100	100	100
Investment in Safety Production	RMB 10,000	74,463	15,190	20,041
No. of People with Occupational Injuries	Persons	15	17	15
No. of Safety Checks	Times	16	50	37
External Donation	RMB 10,000	10,399	8,417	7,142

## Environmental Performance

Indicators	Unit	2017	2018	2019
Total Investment in Environmental Protection	RMB 10,000	18,000	28,588	17,476
Energy Consumption Quantity	Tce	419,755.54	440,188.44	459,030.79
Energy Consumption Density	Tce/ton	0.0525	0.0506	0.0486
Energy Consumption Reduction	Tce	35,700	16,123.05	19,699.04
Emission of GHG	10,000 tons	179.63	199.79	190.17
Carbon Emission per Ton of Product	Kg/ton	244.52	239.89	213.98
No. of Severe Leakage	Times	0	0	0

## United Nations Sustainable Development Goals

SDGs	Actions
Goal 1 - No poverty	Yili Nutrition 2020, health care poverty alleviation, community poverty alleviation
Goal 2 - Zero hunger	Conduct nutrition and health research, provide quality nutritional products
Goal 3 - Good health and well-being	Promote healthy lifestyles, support sports development
Goal 4 - Quality education	The Yili Ark Project, Yili Future Park
Goal 5 - Gender equality	Equal employment, caring female employees, fair employment promotion
Goal 6 - Clean water and sanitation	Comfortable and safe working environment
Goal 7 - Affordable and clean energy	Biogas power generation
Goal 8 - Decent work and economic growth	Protect employees' rights and interests, pay attention to employee growth, help employees in need
Goal 9 - Industry, innovation and infrastructure	Build international R&D platform
Goal 10 - Reduced inequalities	Targeted poverty alleviation
Goal 11 - Sustainable cities and communities	Green industry chain, supporting community development
Goal 12 - Responsible consumption and production	Innovation research, formulation and revision of relevant standards, quality-leading strategy
Goal 13 - Climate action	Establish green industry chains, promote green packaging, carry out carbon emission accounting
Goal 14 - Life below water	Biodiversity conservation
Goal 15 - Life on land	Biodiversity conservation
Goal 16 - Peace, justice and strong institutions	Anti-fraud, compliance management
Goal 17 - Partnerships for the goals	Collaboration with industrial partners, consumer interaction, industry chain finance

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# Reader Feedback

Dear readers:

Thank you for reading *Inner Mongolia Yili Industrial Group Co., Ltd. 2019 Sustainability 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 Sustainability Report?

1     2     3     4     5

2. Do you think this report reflects the significant impact of the Yili Group on the economy, the society and the environment?

1     2     3     4     5

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

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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:

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Your contact information:

Name: \_\_\_\_\_ Name of Organization: \_\_\_\_\_

Tel: \_\_\_\_\_ E-mail: \_\_\_\_\_

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

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