

# 雅士利®

Yashili International Holdings Ltd  
雅士利國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 01230

# 2022

## Environmental, Social and Governance Report



# About the Report

## Reporting period

The report is made on an annual basis, and the content of the report is from January 1, 2022 to December 31, 2022, and appropriately traces back or extends to other significant years. The organization scope hereunder is identical to the business scope of Yashili International Holdings Limited.

The Group and China Mengniu Dairy Company Limited (hereinafter referred to as "Mengniu Dairy") jointly issued an announcement on 6 May 2022 announcing, among other things, the proposal for the privatization of Yashili.

## Basis of preparation

The report is mainly prepared on the basis of the *Environmental, Social and Governance Reporting Guide* from the Stock Exchange of Hong Kong, with reference to the guide to the preparation of GRI Sustainability Reporting Standards from Global Reporting Initiative (GRI). The report is prepared in accordance with the previously mentioned standards as well as peer benchmarking, communication with stakeholders, analysis of major topics, information gathering, report writing, and management examination to guarantee the significance, quantification, balance, and consistency of content.

## Source of information

Information contained hereunder is obtained from the official documents, financial reports, statistical reports, or relevant open documents of Yashili International Holdings Limited. Yashili undertakes that the report does not include false representations, misleading statements, or major omission. The Board of Directors shall be held accountable for the authenticity and accuracy of the report.

## Appellation description

For the convenience of expression and reading, "the Company" hereunder shall refer to Yashili International Holdings Ltd (stock code: 01230). "The Group", "Yashili" and "we" shall refer to Yashili International Holdings Ltd and its subsidiaries.

## Report validation and approval

The report was approved by the Board of Directors on March 29, 2023, upon confirmation by executive management and the Sustainable Development Management Committee of the Company.

## Disclaimer

Certain statements in this report are forward-looking statements about our goals and plans for the future. These forward-looking statements are based on management's current expectations. Uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. The Company is under no obligation to update any forward-looking statement contained in this report.

## Report feedback

For any question or suggestion about the report, please contact us through the following methods:

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## From Our CEO



In 2022, with the successful holding of major events such as the Beijing Winter Olympics and the 20th CPC National Congress, China is becoming an increasing influencer on the world stage. However, the frequent extreme weather events, international instability and the spread of COVID-19 remind us that the development of enterprises is still exposed to numerous challenges. Facing the complex and ever-changing market environment, Yashili, as a leading enterprise in the dairy industry, is convinced that the essence of pursuing high-quality development is to build our own competitiveness in the perspective of sustainable development. While providing nutrition and health to consumers, we are accelerating the transformation to sustainable development, striving to improve our environmental, social and governance (ESG) management, and delivering greater value to our shareholders, employees, society and other stakeholders.

### Strengthen governance of sustainable development

Yashili attaches great importance to sustainable development management, and we have established a sustainable development management structure. The Sustainable Development Management Committee under the Board of Directors, as a leadership, is responsible for comprehensively coordinating the sustainable development management of the Group. In addition, we have set up a Sustainable Development Management Working Group and promote the sustainable development work of Yashili in an orderly way with the help of the executives from the professional functional departments and production bases. For more information on the sustainable development governance structure, please refer to the section titled “Sustainable Development Management”. We will continue to give top priority to the impact of ESG risks on business operations. Through ESG risk assessment and stakeholder research, Yashili identifies and assesses the importance of the relevant ESG issues and determines the annual work priorities. The Sustainable Development Management Committee has participated in the significance assessment of the 2022 ESG issues, discussed key ESG risks and opportunities, and examined the results of the materiality analysis.

### Crafting high-quality and healthy products

Yashili has a strong conviction that demand is the biggest driving force for innovation. We provide nutritional products covering the whole life cycle of early life stage, infant stage, adult stage and elderly stage according to the nutritional needs of different age groups. In pursuit of cutting-edge technology, we completed the research of “Key technology of enzymatic synthesis for structural lipid MLCT and New OPO and their applications in infant formula” in collaboration with Jiangnan University and was granted the “First Prize in Product Innovation” by the Chinese Institute of Food Science and Technology 2022, showcasing our remarkable achievements in R&D and innovation. Yashili insists on providing consumers with high-quality and reliable products. In 2022, all of Yashili’s domestic factories passed the SGS EU food safety standard certification, and became the first domestic infant formula milk powder company to have its products assessed and certified under EU food standards. Mengniu Yourui series products such as Guyi, Shunyi, Liyi, Xinpei, Yitian, Goat Milk Powder Rich in Selenium and Calcium, and M8 children’s formula milk powder have also been assessed and certified under EU food standards. We innovate the “Three-code-in-one” traceability service to guide consumers to trace the quality and safety of milk powder, with an aim to deliver consumers with milk powder products with transparent information and of reliable quality.

### Driving low-carbon and efficient development

Yashili believes that the environment is the basis for the survival of human beings and enterprises. We stick to the concept of green production, constantly enhance environmental management system and strive to fulfill our environmental management objectives. In 2022, all the targets in our Letter of EHS Undertakings were achieved. We have taken the initiative to address climate change and propel carbon reduction by carrying out low-carbon and energy-saving projects, promoting the construction of zero-carbon factories and purchasing voluntary carbon emission reduction trading projects. We have also strictly followed “the three waste” (waste water, waste gas and industrial residue) management and improved the efficiency of resource utilization to help achieve low-carbon

development. For more information on goal setting and progress follow-up related to sustainable development, please refer to the section titled “Holding Fast to Green Operation”.

### Promoting employee development

Upholding the people-oriented philosophy, Yashili respect and protect the rights and interests of employees. We have built a scientific training system and diversified career development channels, and rolled out varied employee care activities, to give sufficient support for employee growth and development. In 2022, we kicked off the “Tide Plan” training program to empower sales staff, and launched a variety of care activities such as the “1983” Employee Guardianship Plan to focus on employees’ needs and improve their sense of happiness and belonging. In recognition of our employee management, we won the “Outstanding Employer Award” from 51.com and the “Extraordinary Employer Award” from Liepin.com.

### Building harmonious and warm communities

Staying true to its original aspiration, Yashili is committed to carrying out public service activities such as assistance and support for health and pandemic fighting. In 2022, we supported the frontline of the fight against COVID-19 in Inner Mongolia and Guangzhou, donated RMB360,000 worth of nutritional supplies to hospitals, and provided financial aid to the Cancer Society of New Zealand to support research on major diseases and actively assumed social responsibility as a corporate citizen.

In the future, Yashili will firmly abide by the concept of sustainable development, and commit itself to becoming a responsible enterprise that is environmentally friendly and trusted by consumers with sound governance. We will shoulder our responsibilities and advance along with all stakeholders.

**Yan Zhiyuan**  
Chief Executive Officer  
Yashili International Holdings Ltd

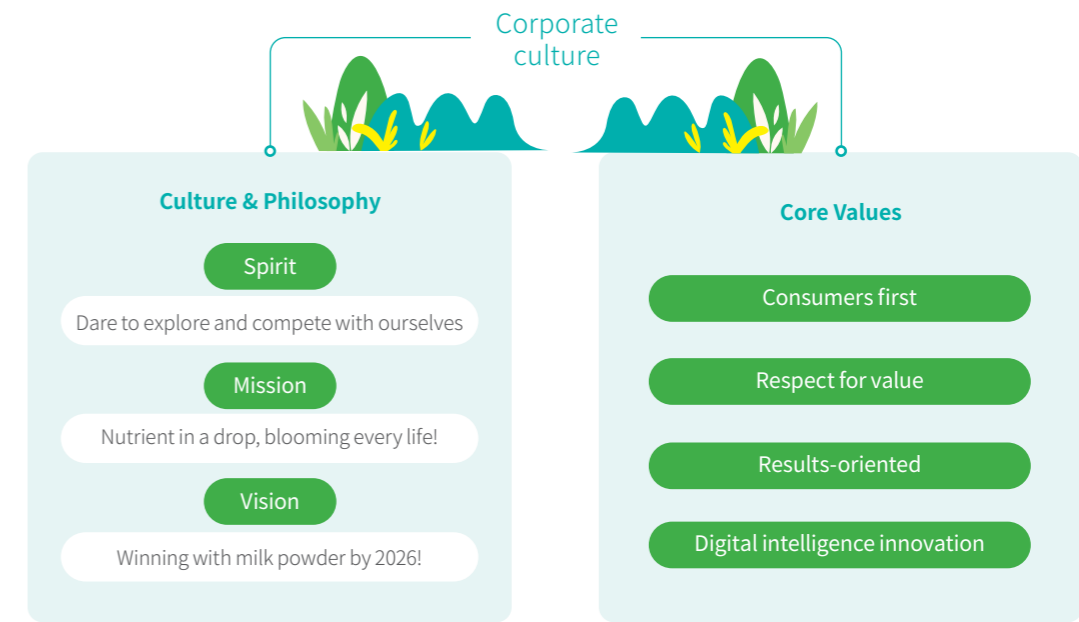
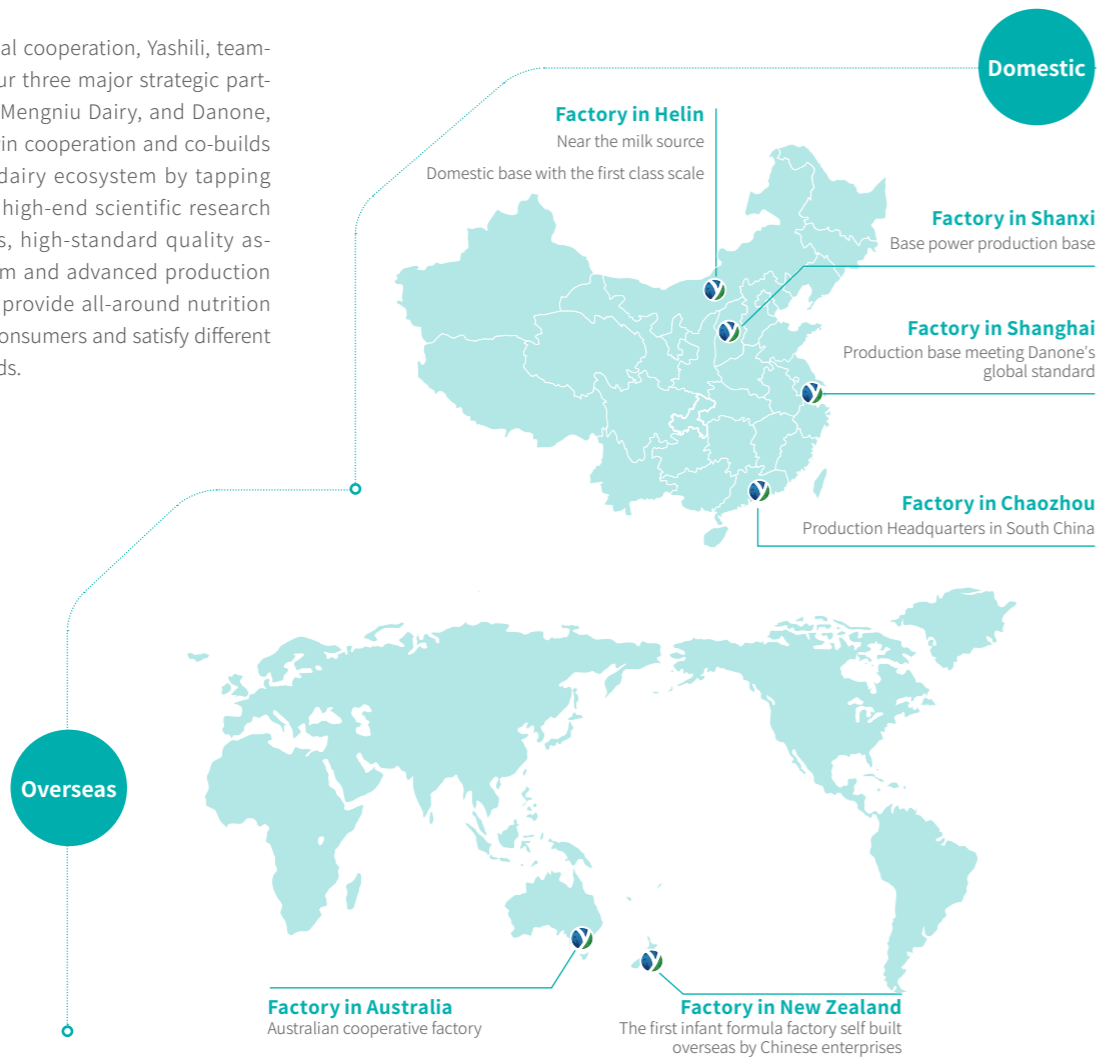
# About Yashili

## Basic Information

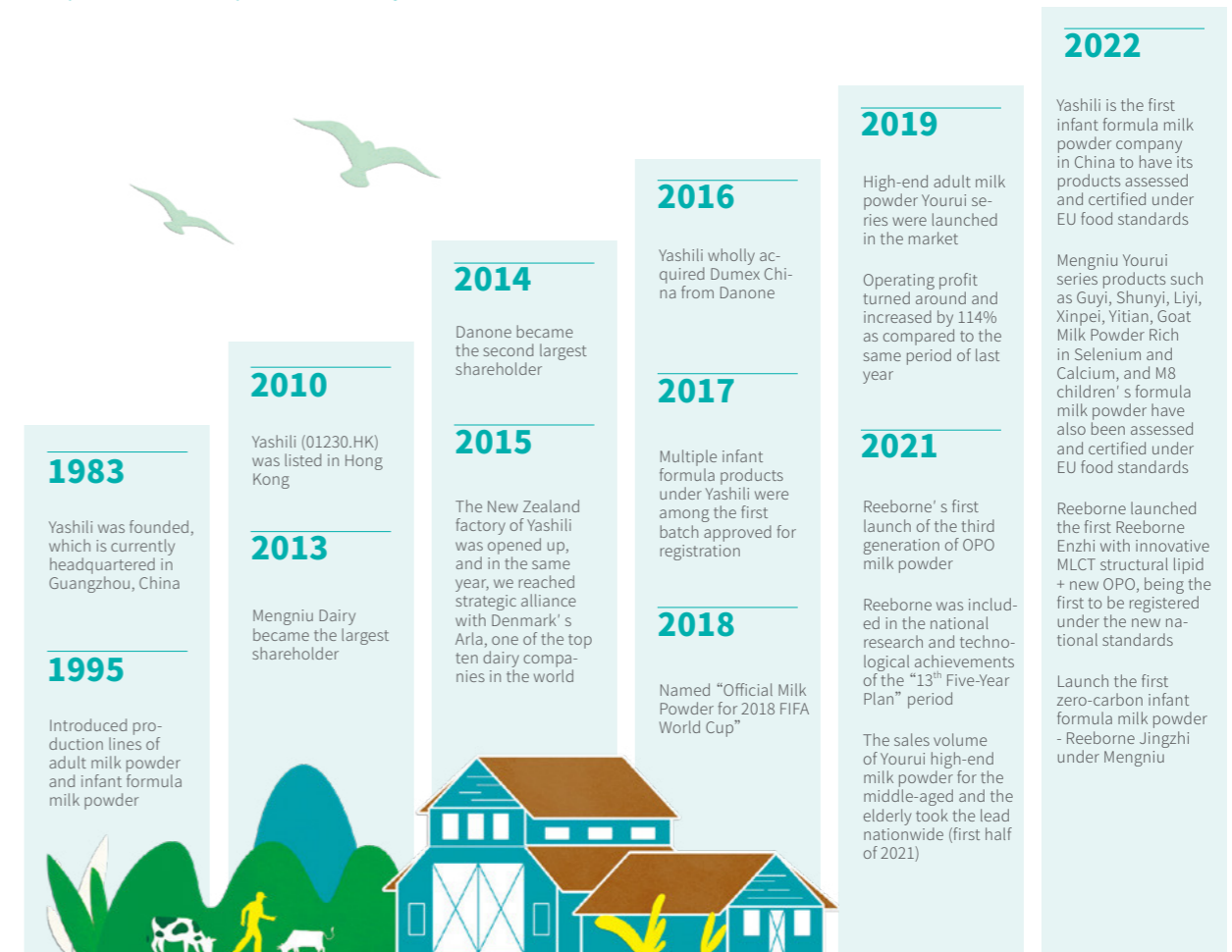
### Business distribution

Yashili is committed to becoming a trustworthy national brand enterprise. We select global high-quality raw materials, combine scientific research and self-developed formula, advanced production system, and strict quality management system to create a business model with infant milk powder as the core product, and carefully study healthy nutrition products. We have 6 self-owned and cooperative production bases worldwide, including the New Zealand Factory with a total investment of RMB1.4 billion. After 40 years of development, Yashili has constructed the matrix of multiple brands based on the nutritional needs of different groups of people, providing consumers with diversified reliable products with quality assurance. We have achieved a multi-category coverage from cow milk to goat milk, from inorganic to organic, and from adult milk powder to breakfast cereals, meeting diversified demands of fundamental market, middle market, high-end market. Our products include infant formula milk powder brands “Reeborne” and “Doraler”, middle-aged and elderly milk powder brand “Yourui” and children’s milk powder brands “M8” and “1.88M”. We also closely follow the demand of consumers and recently launched Zhengwei Mofang – “Goji” (Goji Berries) the Rising Star series, whose product formula is based on nourishing goji berry puree, as well as fruit oatmeal, which emphasizes its status as a healthy product.

As for industrial cooperation, Yashili, teaming up with our three major strategic partners: COFCO, Mengniu Dairy, and Danone, realizes win-win cooperation and co-builds high-quality dairy ecosystem by tapping international high-end scientific research achievements, high-standard quality assurance system and advanced production processes, to provide all-around nutrition solutions for consumers and satisfy different health demands.










## Corporate Development History



## Awards in 2022

### Awards of Yashili Group

<p>Became China's first infant formula <b>milk powder enterprise certified by complying with EU standards</b></p> 	<p>Obtained <b>"Outstanding Employer Award"</b> from "51.com"</p> 	<p>Obtained <b>"Extraordinary Employer Award"</b> from "Liepin.com"</p> 
<p>The project "Creation of Infant Formula Milk Powder with Initial Application of MLCT Ingredient and New OPO Manufactured with UPU Technology" obtained the <b>"First Prize in Product Innovation"</b> of Chinese Institute of Food Science and Technology in 2022</p> 	<p>Obtained <b>"Omni-channel Digital and Intelligent Pioneer Award"</b> of Digital and Intelligent Transformation Summit in 2022</p> 	
<p>Helin Factory won the title of Inner Mongolia <b>"2022 Green Manufacture Model Enterprise"</b></p> 	<p>The project "Construction and Application of the Breast Lipid Database and Similarity Assessment System" won the <b>"special prize of China Business Award for Technology Advance"</b> issued by China General Chamber of Commerce</p> 	

### Awards of Yashili products

<p>"Reeborne Qinyou" won ISEE Global Food Innovation Award for TOP 100 brands</p> 	<p>Mengniu's first breast milk probiotics M8 children's milk powder is shortlisted for the best children's dairy of the World Food Innovation Award</p> 	<p>Reeborne obtained the "Waikato Outstanding Quality and Innovation Award" granted by the mayor of Waikato, New Zealand</p> 
<p>The key technology of enzymatic synthesis for structured lipid MLCT and new OPO is at an internationally leading level and is applied to infant formula milk powder</p> 	<p>The three brands including Yashili, Reeborne, Dumex obtained the gold award for quality issued by China Dairy Industry Association</p> 	<p>Reeborne Kieember infant formula milk powder won the trustworthy infant milk powder award of 2022 excellent mother and baby products for beautiful life of the <i>Economic Observer</i></p> 

# Sustainable Development of Yashili

## Our Philosophy

Yashili aims to become a trustworthy leader in China's milk powder industry, and adheres to sustainable development. Guided by the values of "consumer first, respect for value, results-oriented, and digital intelligence innovation", we earnestly fulfill our corporate social responsibilities, provide employees with growth opportunities, create value for partners, provide consumers with high-quality products and services. We work with all stakeholders to jointly establish a high-quality dairy ecosystem.

Our development philosophy is highly consistent with the following sustainable development goals (SDGs) of the United Nations:



## Sustainable Development Management

Yashili attaches great importance to sustainable development management, and has a three-level governance structure of "leadership - management - executive". The Sustainable Development Management Committee under the Board of Directors is the leadership, comprehensively coordinating the Group's sustainable development management. The responsibilities include formulating the Company's sustainable development strategies, coordinating internal and external resources to support the implementation of the ESG strategies, and supervising the sustainable development management working group to carry out daily management work in accordance with the relevant regulations of sustainable development management.

The Company's Sustainable Development Management Working Group is led by the Public Affairs Management Department, and cooperates with key functional departments including Quality and Safety Management Department, factories, and Human Resources Management Department to continuously improve the company's management structures and regulations of various sustainable development issues, and to formulate work plans in combination with the strategic deployment of the Sustainable Development Management Committee. The performance of persons in charge of EHS and quality management is linked to some ESG factors (such as product traceability, food safety, carbon emission management and resource consumption etc.).








### Yashili Management Structure on Sustainable Development

Hierarchy	Composition	Responsibilities
Leadership	Sustainable Development Management Committee	To assess the governance level of the Company's sustainable development, formulate and adjust sustainable development strategies.
Management	Sustainable Development Management Working Group	To improve the management structures and regulations on sustainable development and supervise the management and implementation of various departments and production bases in accordance with the strategic deployment of the Sustainable Development Management Committee.
Execution	Relevant departments of the company headquarters and subordinate production bases	To conduct daily management work according to the sustainable development strategies and management regulations.

In order to ensure that the Board of Directors can promptly understand the sustainable development trends of the industry and the sustainable development status of the Group, the Sustainable Development Committee regularly reports to the Board of Directors. In 2022, the Sustainable Development Committee reported to the Board of Directors 4 times totally, and the main content included ESG work report, review of important issues, ESG report plan, etc. In addition, the Sustainable Development Committee carried out carbon emission accounting for the Company's all factories in China during the reporting period. In the future, we will develop Group-wide carbon neutrality plans and goals according to the accounting results.

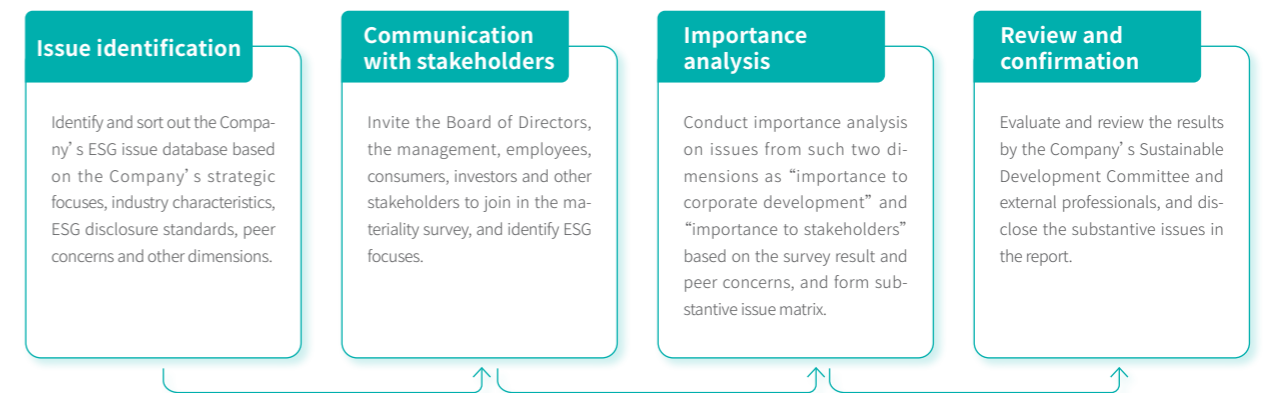
## Communication with Stakeholders

The trust and support of stakeholders is the foundation for the Company to achieve sustainable development. For a long term, Yashili has been committed to maintaining smooth, open, transparent and convenient communication channels, and has proactively learned about the demands of all stakeholders and responded in a timely manner.

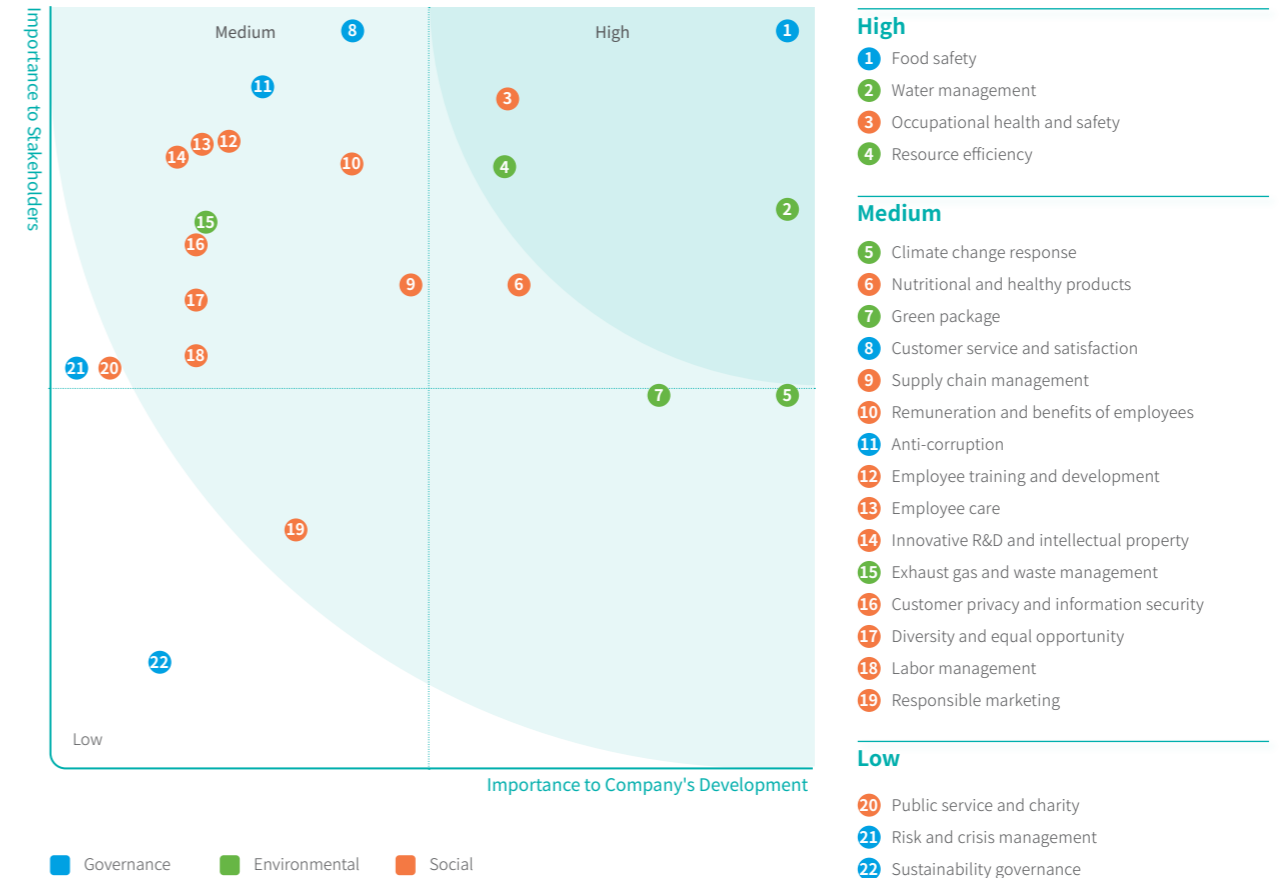
Stakeholders	Sustainable Development Demands	Responsible Initiatives of Yashili
<b>Customers</b> 	<ul style="list-style-type: none"> <li>Product quality</li> <li>Product safety</li> <li>After-sales services</li> </ul>	<ul style="list-style-type: none"> <li>Adopt EU product quality standards</li> <li>Build visual monitoring system in multiple factories</li> <li>Conduct customer satisfaction survey</li> </ul>
<b>Employees</b> 	<ul style="list-style-type: none"> <li>Salary and benefits</li> <li>Corporate culture</li> <li>Career development</li> <li>Occupational health and safety</li> </ul>	<ul style="list-style-type: none"> <li>Continuously improve employee salary and benefits</li> <li>Build an equal and harmonious working environment</li> <li>Improve the employee career development channel</li> <li>Strengthen occupational health and safety management</li> </ul>
<b>Investors</b> 	<ul style="list-style-type: none"> <li>Enhance shareholders' value</li> <li>Standardize management of investor relations</li> <li>Achieve transparent information disclosure and efficient communication</li> </ul>	<ul style="list-style-type: none"> <li>Publish management data of the Group</li> <li>Establish an ESG Governance Structure</li> <li>Set up a hotline for investor relations</li> </ul>
<b>Partners</b> 	<ul style="list-style-type: none"> <li>Integrity management</li> <li>Fair competition</li> <li>Contract fulfillment</li> <li>Mutual benefit and win-win situation</li> <li>Development support</li> </ul>	<ul style="list-style-type: none"> <li>Abide by business ethics</li> <li>Sign <i>Sunshine Agreement</i></li> <li>Regularly conduct supplier review and evaluation</li> <li>Supplier training and assistance</li> <li>Dealer supports</li> </ul>
<b>Government and Regulatory authority</b> 	<ul style="list-style-type: none"> <li>Comply with the national industrial policies</li> <li>Paying taxes in full and in a timely manner</li> <li>Compliant operation</li> </ul>	<ul style="list-style-type: none"> <li>Ensure compliant operation</li> <li>Contribute taxes completely</li> <li>Standardize information disclosure</li> </ul>
<b>Media and NGOs</b> 	<ul style="list-style-type: none"> <li>Information disclosure</li> <li>Interaction with Media</li> <li>Contribution to NGOs</li> <li>Impact on Sustainable Development</li> </ul>	<ul style="list-style-type: none"> <li>Collaborate with industrial partners</li> <li>Actively participate in industrial exchanges</li> <li>Strengthen environmental management</li> </ul>
<b>The Public</b> 	<ul style="list-style-type: none"> <li>Promote employment</li> <li>Support local economic development</li> </ul>	<ul style="list-style-type: none"> <li>Provide jobs</li> <li>Carry out public welfare activities</li> </ul>

## Analysis of Substantive Issues

Through multi-channel communications and surveys, Yashili proactively learns about and collects opinions of stakeholders, identifies material ESG issues for sustainable development of Yashili, and conducts analysis of substantive issues according to the following steps, to develop Yashili's 2022 ESG issue materiality mapping matrix.



Yashili's 2022 ESG Issue Materiality Mapping Matrix



# Promoting Sound Development of the Enterprise

## Our challenges

Good governance is the cornerstone for an enterprise to achieve sustainable development, and innovation is the first driving force to guide the enterprise to make continuous progress. Yashili is confronted with the challenges of how to maintain high-quality corporate governance in an ever-changing market environment and continue to drive the company's independent development relying on innovations.

Corporate Governance

Innovation Driven

## Main actions

Improved construction of the internal control system, advocated anti-corruption and integrity, and enhanced the corporate governance

Strengthened risk management and control in advance, shifting from the result-oriented mode of problem handling to the prevention-and-control centered mode of pre-risk

Attach importance to product R&D and technological innovation to meet various nutritional requirements of different segmented populations

- R&D investment RMB **16.61** million
- Newly authorized patents **5**
- Incorruptibility education **11** sessions
- Training on risk management and internal control **25** sessions

## SDGs

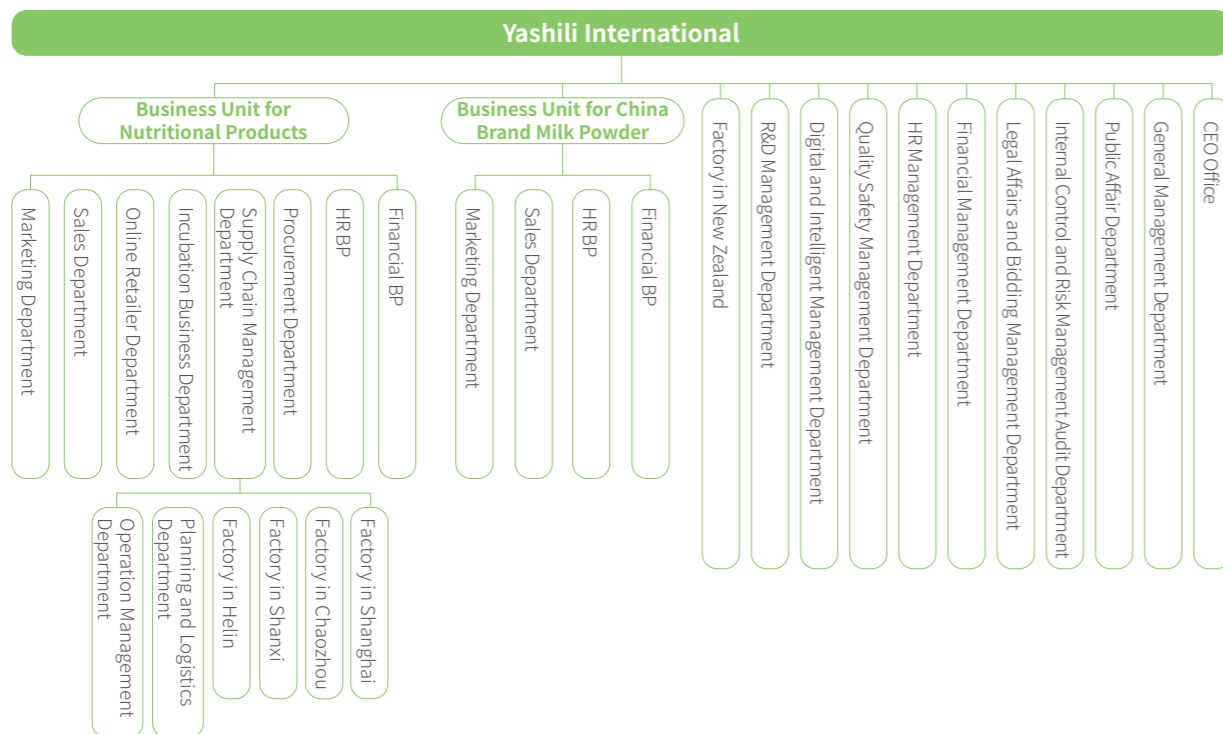


# Corporate Governance

Yashili is committed to promoting the long-term stable operation of the Company. The Company has complied with the requirements of the *Corporate Governance Code* in Appendix 14 of the *Main Board Listing Rules* of the Hong Kong Stock Exchange and has established a standardized corporate governance structure and a sophisticated modern management system. The Company takes general meetings of shareholders as the authority organ which is responsible for decision-making on major issues of the Company. At the same time, the Board of Directors of the Company is responsible for developing the Company's overall strategies and policies, setting performance and management goals, assessing business development performance and supervising the management performance of responsibilities. The Board of Directors has established three professional committees: the Nomination Committee, the Remuneration Committee, and the Audit Committee, which are to improve professional work efficiency.

Yashili puts a new premium on the diversity of the Board members. When appointing board members, it comprehensively considers the gender, age, professional experience, knowledge, and service years of each candidate to meet the diverse skills and experience requirements for various business areas, and continues to note the proportion of female managers. As of the end of the reporting period, Yashili has a total of 8 board members, all of whom have acquired rich industry experience and professional capabilities in the fields such as market planning, finance, audit, and law. In 2022, the Company held several substantial meetings such as Board meetings and the general meetings of shareholders to make decisions on important matters in a timely manner to ensure the compliance and efficient and transparent operation of the enterprise.

Yashili International Organizational Structure Chart



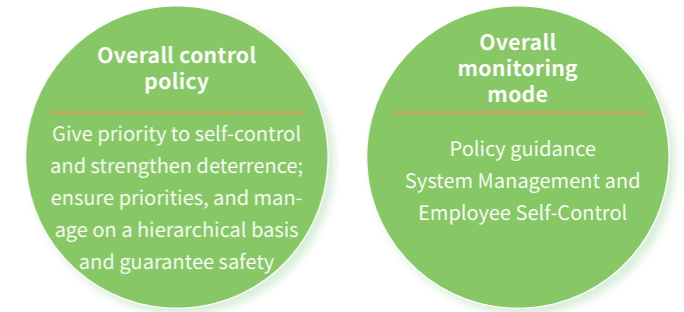
<b>4</b> board meetings	<b>3</b> shareholders meetings	<b>1</b> remuneration committee meeting
<b>4</b> audit committee meetings	<b>1</b> nomination committee meeting	<b>2</b> sustainable development management committee meetings

# Abiding by Business Ethics

Yashili places a high value on the management of business ethics, abides by relevant laws and regulations such as the *Anti-Money Laundering Law of the People's Republic of China* and the *Anti-unfair Competition Law of the People's Republic of China*, and strictly implements internal systems such as the *Compliance Management Regulations* and the *Integrity and Compliance Manual*.

## Protecting Trade Secrets

In a bid to promote fair competition, we prepared new management documents such as the *Instructions on Anti-disclosure for Online Working* and the *Notice on Anti-disclosure of Group Information*, further improving the commercial confidentiality system. Meanwhile, we raise employees' awareness of confidentiality and joint optimization of the business environment by building a management and control model, carrying out various management actions, and organizing business confidentiality training and publicity targeted at all employees.



Organize **7** sessions department-oriented training courses on business secret protection

Upload **the online course of trade secret protection system** for all employees

**Commercial confidentiality management measures**

- Encryption management:** For the key departments, the Company implements encryption management for confidential documents (core business secrets and common business secrets), and conducts early warning on the background for excessive document decryption and not-decrypted document transmission.
- Monitoring and review:**
  - All departments jointly identify keywords that trigger system monitoring.
  - Complete the self-inspection and self-correction of each department in three phases and the examination and spot check in two phases.
  - For employee departures, initiate the off-boarding review such as restricted data copy.

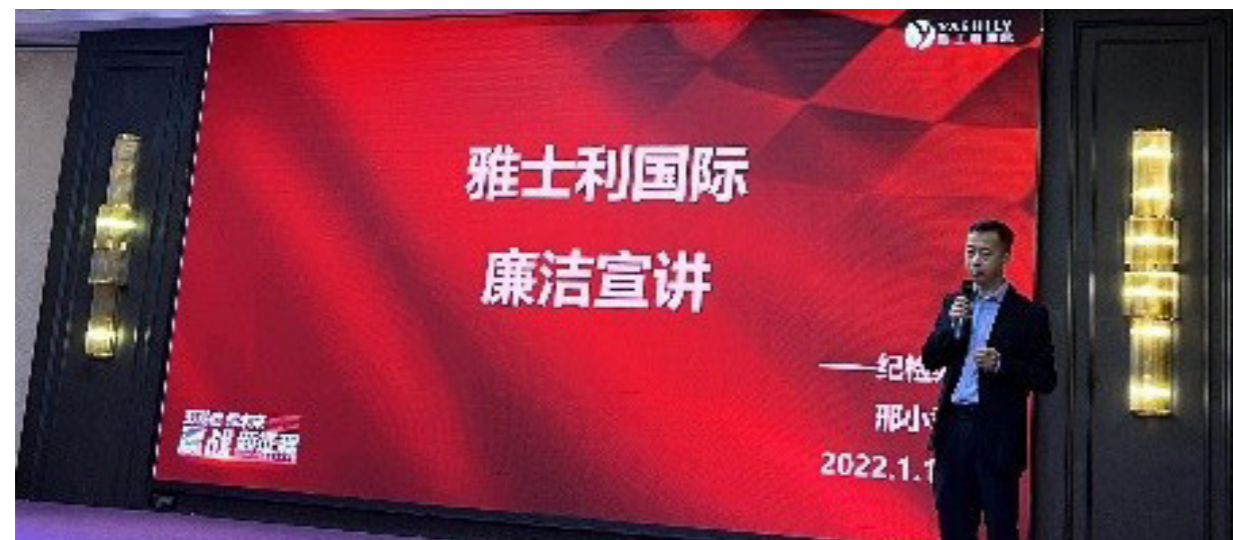
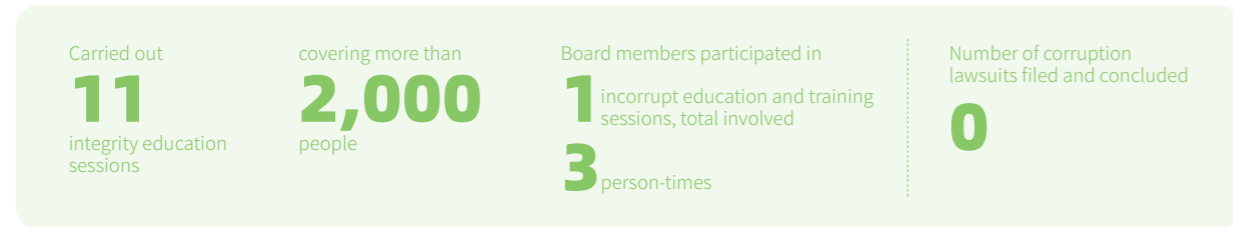
## Reinforcing anti-corruption

Yashili actively advocates integrity, continues to improve the anti-corruption management mechanism, and develops internal regulations such as *Yashili International Discipline Inspection and Supervision Managerial Regulations*, *Implementation of the Sunshine Agreement*, and *Yashili International Employee Reward and Discipline Managerial Regulations*; simultaneously, it strengthens probity education, perfects the corruption reporting process and the whistleblower protection system, and creates a clean and honest working atmosphere for Yashili. For more information about the integrity management of suppliers, please refer to the section "Build a Responsible Supply Chain" in this report.

We have laid down the *Yashili Group Anti-corruption and Integrity Reporting Policy* to encourage employees, suppliers, distributors, customers, partners, and other relevant parties to report acts of corruption and violations of business ethics; the discipline inspection department will verify the relevant reporting information, register it for filing, and implement numbering management and classification handling. We strictly normalize whistleblower protection and management, scrupulously perform the work such as receiving, sending, reading, and recording reports from informants under the conditions of ensuring security and confidentiality, and implement the confidentiality management on the sensitive information of informants. In addition, the Company requires that the investigated department and the reported employee should not retaliate against the informant, with a view to protecting the rights and interests of the informant. The informant can make a complaint by means of on-site reporting, email, phone call, etc. The specific contact information is provided below:

- **Email address for anti-corruption and integrity reporting:** dqjj@yashili.cn
- **Hotline for anti-corruption and integrity reporting:** 020-37899071
- **Mailing Address:** Yashili International Group, 11/F, East Tower, Poly Development Plaza, No. 832, Yuejiang Middle Road, Haizhu District, Guangzhou





Anti-corruption training



Integrity publicity and implementation activity of the Business Unit for Import Brands

## Strengthening Risk Management and Control

Yashili attaches great importance to risk management and internal control, and has established "three defense lines" of risk control measures and a closed-loop management model of "risk identification first, business/function independent management, audit and supervision follow-up". We have formulated the *Comprehensive Risk Management Regulations*, *Internal Audit Management Regulations*, *Audit Management Regulations on Economic Responsibilities*, and other regulations to clarify the principles, strategies, working organizations, and responsibilities of risk management, and promote the transformation of risk management from post-event treatment to pre-event prevention. In 2022, Yashili optimized the *Company's System Management Rights and Responsibilities and Approval Scope and the Departure Audit Guidance System for Regional Managers of Business Units* to further refine the guidelines for risk control.

### "Three lines of defense" for risk management



In 2022, the Company further strengthened the publicity and implementation of the work process covering risk identification, risk assessment, risk response, risk monitoring, and risk reporting, carried out five training sessions through ways such as e-mail and office software announcement to raise the awareness of risk management and control, and carried out bimonthly risk management reporting of the management so that the management can be aware of the risks and responses faced by the company in a timely manner, and ensure that the risks are effectively managed.

# Innovation Driven

Innovation is the driving force for sustainable development of Yashili. We drive the high-quality development of the Company by constantly carrying out nutrition research, product R&D, and innovative digital management of the Company.

## Fulfilling Diversified Nutritional Needs

After fully understanding the need of consumers for high-quality life, Yashili delivers the whole life cycle nutritional products from early life stage, infant stage, adult stage to elderly stage. On this basis, we continue to carry out in-depth research on advanced technologies and are committed to providing consumers with higher quality products. In 2022, we innovatively applied M8 probiotics from human milk (bifidobacterium lactis Probio-M8, a strain isolated from healthy breast milk), and researched and developed a variety of children's milk powders to meet various nutritional needs.

<p><b>Focus on the intestinal, immunity and growth of infants</b></p> <p><b>Domestic infant</b></p> <p><b>Key Brands</b></p> <p><b>Reeborne (Kieember):</b> Adopting new fat MLCT to achieve fat composition from single simulation to multivariate simulation.</p> <p><b>Reeborne (Enzhi):</b> The new OPO infant formula produced by adding MLCT. Adding MLCT will make the fat composition and structure of infant formula more compatible with the baby's constitution.</p> <p><b>Reeborne (Jingzhi):</b> The dual-certified organic milk source in China, as well as Mengniu's first organic infant formula meeting the new national standard - zero carbon.</p>	<p><b>Focus on bone and brain nutrition</b></p> <p><b>Children and student group</b></p> <p><b>Key Brands</b></p> <p><b>M8 children's formula milk powder:</b> Mengniu and Inner Mongolia Agricultural University, jointly with other scientific research institutions, successfully developed bifidobacterium lactis Probio-M8. It helps to improve intestinal vitality and promote nutrient absorption.</p> <p><b>1.88M series:</b> The core formula is added to help children grow taller, while improving immunity, intestinal vitality and brain development.</p> <p><b>Sub-brand of student milk powder - Huicongming:</b> We innovatively introduce native DHA, and add raw materials such as lactoferrin, probiotics, and dietary fiber to provide brain nutrition, improve immunity and intestinal vitality.</p>
<p><b>Focus on weight management, beauty and health management</b></p> <p><b>Female group and lipid-lowering population</b></p> <p><b>Key Brands</b></p> <p><b>Mengniu Xiaomanyao Fruit-vegetable Enzyme Skimmed Milk Powder:</b> Based on the skimmed milk powder, it is rich in multiple vitamins and minerals such as dietary fiber, and folic acid, with the addition of comprehensive fruit and vegetable enzyme powder, able to meet the nutritional needs of relevant people and also meet the requirement for weight control.</p>	<p><b>Focus on the needs of bone, gut and cardiovascular</b></p> <p><b>Middle-aged and elderly group</b></p> <p><b>Key Brands</b></p> <p><b>Yourui series:</b> We continue optimization and upgrade, and add two new products: Yourui Bone Health high-calcium nutritional milk powder for the middle-aged and elderly group and Yourui Protection+ formula milk powder.</p>



### Cooperating with Jiangnan University to Carry out Breast Milk Nutrition Research

Case

Breast milk plays an important role in the growth and development of infants, but the complexity of the composition and structure of breast milk fat makes it difficult for milk powder products to fully simulate breast milk fat. Yashili and the team of the Breast Milk Research Institute of Jiangnan University have jointly used patented technologies to innovate and develop MLCT structural lipid to achieve a fat ratio that reached the golden milk source standard.

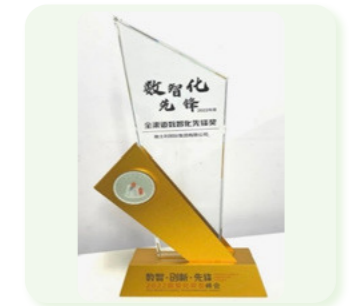
Adding the MLCT structural lipid can make the formula more compatible with the constitution of Chinese babies, and yield obvious effects on the early brain and nervous system development of babies, inhibiting fat accumulation in the body, improving protein metabolism, boosting intestinal nutrient absorption, etc.

Now, this innovative technology of infant formula milk powder has been first applied in the series of milk powder such as Reeborne Enzhi. In terms of R&D, it has achieved the world's first creation of infant formula milk powder from single nutrient fortification to an innovation that simulates the structural proportions of golden milk source, leading the development of infant formula milk powder in China from "more suitable" to "more approachable". The research project also won the first prize of 2022 Scientific and Technological Innovation Award of Chinese Institute of Food Science and Technology - for product innovation, and was unanimously recognized by the expert team.



## Digital and Intelligent Innovation

In recent years, Yashili has actively explored the application of big data technology, built the Yazhitong omni-channel platform, and put into practice product quality control and digital precision marketing, providing beneficial reference and direction reference for the digital and intelligent transformation and sustainable growth of the dairy industry. At the "2022 Digital and Intelligent Transformation Summit", we won the "All-channel Digital and Intelligent Pioneer Award", and our contribution to digital and intelligent transformation was well received.



<p><b>R&amp;D "information technology"</b></p> <p>Application of the laboratory R&amp;D system simplifies the sophisticated formula R&amp;D calculation process, and realizes business data comprehensive use of raw material standards, product formulas, and product packaging. Relying on online display and connection, users can fully understand the R&amp;D formula calculation and the product R&amp;D process involved, and the management accuracy and efficiency are improved.</p>	<p><b>"Intelligent" marketing</b></p> <p>The value chain and interests are connected together by developing and launching the In-Can Code, and the intelligent data board is built to help channels and users to easily track and maintain members, and effectively improve marketing efficiency.</p>	<p><b>Data as "resource"</b></p> <p>Working with Aliyun, the world's leading cloud computing and artificial intelligence technology company, we have completed the R&amp;D and launching of the Company's data center, collected competitive product information efficiently through the self-built milk powder database, and made benchmarking analysis of the industry development trend, further promoting the utilization of data resources and improving the internal management capability.</p>
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## Protecting Intellectual Property Rights

Intellectual property rights is an important asset of Yashili. We meticulously abide by the *Patent Law of the People's Republic of China*, *Trademark Law of the People's Republic of China*, and other national laws and regulations, make continued efforts to improve risk and protection mechanism for internal intellectual properties, and fully respect the intellectual property rights of others. We rigorously regulate the application and use of product names and trademarks and continuously strengthen the standards of intellectual properties protection.

1	submitted invention patent
1	utility model patent
3	appearance design patents

# Providing High-Quality Products to the Public

## Our challenges

Due to the adverse impact of the decrease of the birth rate, geopolitical situation and COVID-19 pandemic, the competition in the nutritional product market has become increasingly fierce. How to render high-quality and differentiated products and services meeting consumer needs and achieve exceptional development in such a complex and adverse environment are challenges faced by Yashili.



## Main actions

Improved product quality standards and became the first infant formula milk powder enterprise in China to have its products assessed and certified under EU food standards

Innovated the “Three-code-in-one” traceability service to provide consumers with milk powder products with transparent information and of reliable quality

Unveiled the “315N” quality culture publicity activity to allow the quality culture to influence every employee

Strengthened the communication between brands and consumers by relying on digital media

- Product recall incidents due to safety and health-related causes

**0**

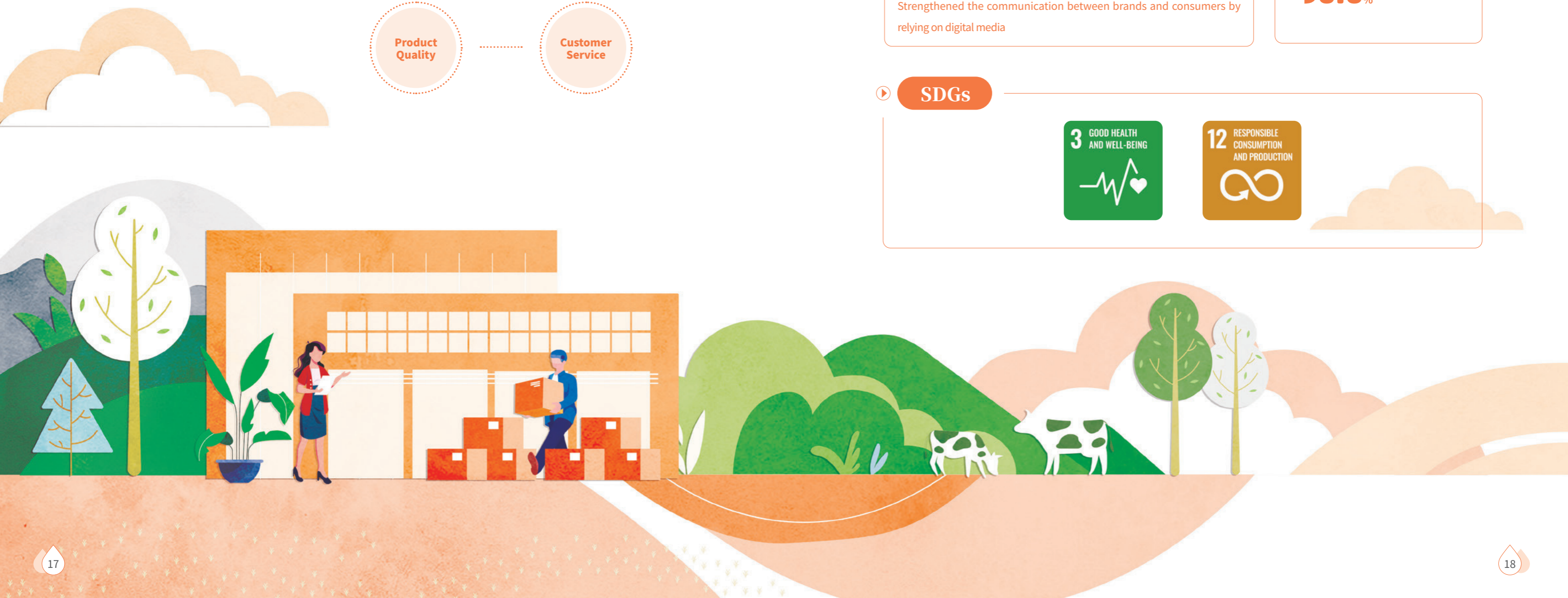
- Internal quality system training

**294** sessions

- Customer satisfaction

**96.6%**

## SDGs



# Product Quality

Product quality is the fundamental to win the trust of consumers and the core competitiveness for sustainable development of an enterprise. Yashili strictly complies with relevant laws and regulations such as the *Food Safety Law of the People's Republic of China* and *Product Quality Law of the People's Republic of China*, has established a complete quality management system, and is committed to becoming the quality benchmark of the global milk powder industry through quality control covering the whole life cycle of products by following scientific and strict quality standards.

## Strengthening Quality Management

Under the "TOP" quality policy (T: Trustworthy, O: Outstanding, P: Preferred), Yashili has innovatively established the "4Q" product quality management system, namely, quality planning, quality control, quality assurance, and quality support, and, on this basis, it has implemented targeted quality management methods and processes for different links, including milk source management, procurement and supply management, production management, and circulation management, realizing the quality control of the whole industrial chain "from pasture to table". At present, all the production factories under Yashili have obtained relevant quality management certifications.



Factory Name	Quality System Certification Obtained
Factory in Chaozhou	SQF <sup>1</sup> system, FSSC 22000 <sup>2</sup>
Factory in Shanghai	SQF system
Factory in Helin	SQF system and CNAS <sup>3</sup>
Factory in Shanxi	SQF system

Yashili continued to perfect the guidelines for product quality management standards, and in accordance with the requirements of food safety regulations and with reference to ISO 9000, HACCP and other quality and food safety system certifications, added *Yashili Regulations on Imported Product Quality Management*, *Yashili Regulations on Five-level Retrieval Quality Management*, *Yashili Risk Monitoring Standard for Imported Infant Formula Food*, and *Yashili Quality Related Management System for Indirect Materials* in 2022, improving more than 30 standards from content to product packaging. Moreover, it carried out special actions for past consumer complaints and spared no efforts in providing consumers with higher quality products.

1. SQF, Safety Quality Food.  
2. FSSC 22000, Food Safety System Certification 22000.  
3. CNAS, China National Accreditation Service for Conformity Assessment.



### Becoming the First Domestic Infant Formula Milk Powder Company to Have Its Products Assessed and Certified Under EU Food Standards

Case

The food regulations of EU have always been well-known for strictness and rigor, and are more scientific and comprehensive on infant formula food and food safety indicators. On the premise of adopting the relevant regulations and requirements of the EU, Yashili uses the risk warning information issued by the international authorities such as the Food and Drug Administration (FDA) as the input for formulating its internal risk monitoring requirements, and continuously identifies and controls the food safety risks introduced by raw and auxiliary materials through the risk assessment of raw and auxiliary materials.

In 2022, SGS, the world's leading professional certification body, conducted on-site examination and product sampling for the production processes of our production factories in accordance with the *Detailed Rules for the Implementation of Evaluation of European Food Standards* and the *Technical Specifications for Review of EU Food Standards*. All of Yashili's domestic factories have passed the review for the EU food safety standard certification, making Yashili become the first domestic infant formula milk powder company to have its products assessed and certified under EU food standards.

In the future, Yashili will continue to adhere to the corporate value of "Consumers First", fully implement quality design and perfect product action, and meet consumer expectations for high-quality products and perfect consumer experience.



EU Standard Product Assessment Certification, SQF Product Certification and FSSC 22000 System Certification Certificate for Yashili Infant Formula Food



### Carrying out Production Environment Monitoring Plan

Case

Yashili joined hands with bioMérieux, a world-leading biologic company, to carry out an Environmental Monitoring Plan (EMP) project with the help of its advanced microbial control and testing experience. Through comparative verification of monitoring points in key control areas of the production facility, the Group can further improve and optimize the control of environmental microorganisms and pathogenic bacteria. At present, the project's pilot site at factory in Shanxi has entered the key verification stage and will be extended to the Group's other factories in the future to improve the Group's overall ability to control environmental microorganisms and pathogenic bacteria.



## Performing Quality Verification

Yashili gives top priority to product quality and safety and continuously perfects the product quality verification process. It executes standard management in the aspects such as the management system, personnel training, and inspection methods. We unremittingly promote the standardized product quality verification process to all production enterprises, and assist them in the implementation, effectively promoting the standardization of inspection management for Yashili.



To enhance the protection of consumers' rights and interests, we carry out product traceability drills irregularly, and make cycle improvement of gap analysis, improvement and re-simulation of tracing for the problems found in each production unit. All the factories have achieved information tracking of the raw and auxiliary materials, production and processing, finished product storage, and logistics and delivery of the first-level distributors of infant formula milk powder products within 2 hours so as to ensure controllable quality of the whole process.



### Initiating "Three codes in one" Traceability Service

Case

To provide consumers with milk powder products with transparent information and of reliable quality, Yashili has developed and launched the In-Can Code service for milk powder products. On the basis of the can bottom code, it has added outer and inner code on tin film for each can of milk powder. The information of three codes is interrelated, creating an industry-leading "three codes in one" system, and ensuring product quality and safety in multiple dimensions and multiple ways.

By scanning the can bottom code, consumers can get the basic information of the product, such as the production, manufacturer, quality, and other information, and can trace the quality and safety of the milk powder. Now Yashili has transformed the production lines of four domestic factories, implementing In-Can Code production for the whole range of products of Chinese brand infant formula milk powder, nutrition brand Yourui series, and M8 series.

CCTV reported Yashili International's quality traceability system

## Raising Quality Awareness

Yashili continuously propels the construction of quality culture, and rolls out training and publicity on quality and quality culture to boost the attention of employees to the product quality.

### Carrying out "315N" Quality Culture Publicity

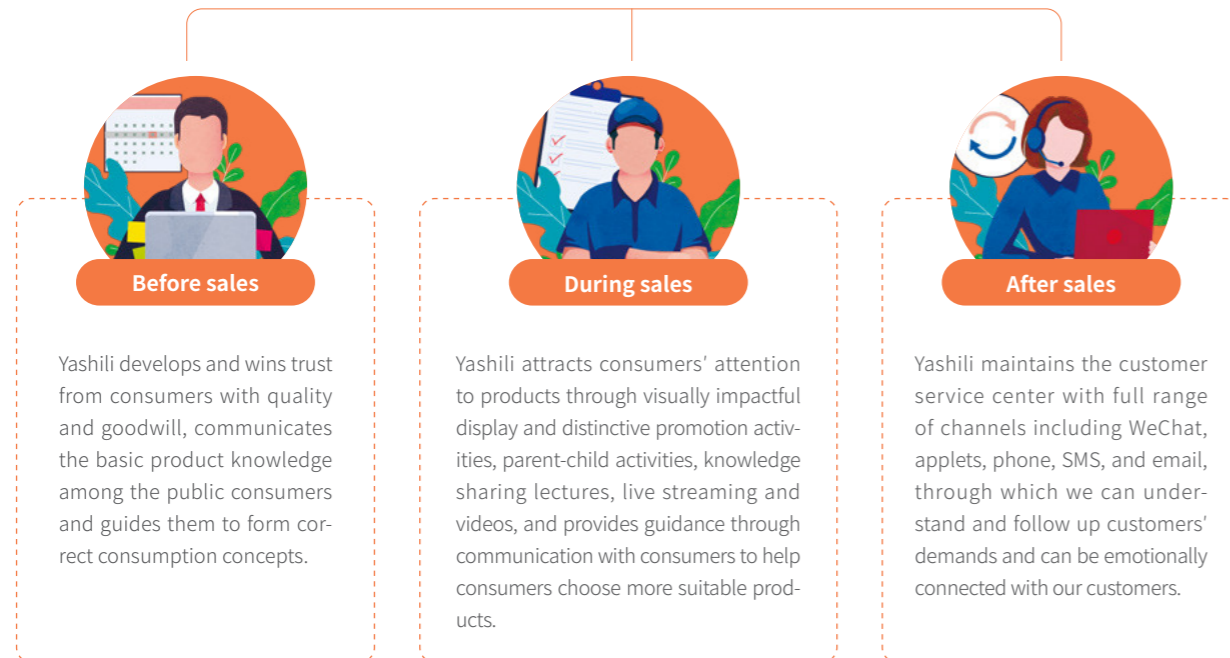
Case

On the 3.15 Consumer Rights Day in 2022, Yashili carried out the "315N" quality culture publicity activity within the Company so that the quality culture can influence every employee in the group. On March 15, our Factory in Shanxi held a meeting called "Witness the World Quality with Consumers", and invited employees and consumers to understand the importance of product quality; the head from each department of Factory in Helin signed the quality safety undertakings, and all the factory employees signed the letter of "I Promise for Quality" online to reinforce a quality culture.

## Customer Service

Yashili upholds the philosophy of “Customers-centered and customer needs-oriented”, and sticks to the “five-element” service standard of “sincerity, considerateness, carefulness, patience and reassurance” to constantly improve the customer service. In 2022, we revised the *Compendium of Member Service Operation Documents* to further regulate the process of member service and continuously output high-quality services for members.

### Yashili whole-process service system



## Customer Communication

Yashili gives ear to the voice of consumers. We provide diversified communication channels for consumers including 400 hotlines, community operation, and offline visits to support consumer services before, during and after sales. We will continue to improve the normalized complaint handling process in accordance with *Yashili Customer Service - Feedback Handling and Operation Procedure*.

In 2022, we strengthened the relationships between brands and consumers by relying on digital media.

### Reeborne

Relying on the science popularization of scientific research experts and empirical word-of-mouth of opinion leaders and more consumers, we reinforce the brand R&D strength and good image of products, and deepen the empowerment of digital media on science popularization for consumers and sales.



### Yourui

We launch short videos for Yourui series products, actively assist the channels in establishing consumer relationships, and promote the establishment of multiple brands, brand awareness and reputation improvement.



## Accountable Marketing

Yashili is devoted to helping consumers choose products reasonably, strictly abiding by the *Advertisement Law of the People's Republic of China*, and carrying out product marketing activities legally and in compliance with the internal systems such as the *Regulations on Advertising Language and Trademark Review*, the *Product Claim Management System*, and the *Responsible Marketing Principles* of the parent company - Mengniu Dairy.



## Privacy Protection

Yashili attaches great importance to information security and privacy protection, strictly observes the relevant local laws and regulations such as the *Network Security Law of the People's Republic of China*, *Data Security Law of the People's Republic of China* and the *Personal Information Protection Law of the People's Republic of China*, and formulates internal documents such as the *Administrative Measures for Customer Information* to maintain the privacy security of consumers. With regard to information security, we have built a trade secret organization structure with definite division of labor, defined the investigation and accountability process of disclosure events, and set employee access permissions for the customer relationship management system and restricted the export of customer information. In 2022, we established a unified account management system to achieve the unified management of accounts, roles, and permissions of enterprise management and business systems, and created an anti-disclosure protection system and a monitoring system to ensure the security of information assets. The Company has not received any complaints about infringement of customer privacy or loss of customer information.

Throughout the year, the Company has received feedback relating to product or service quality from customers for

**880** times

**100** %  
complaint settlement rate

# Supporting Employee Occupational Development

## Our challenges

Talents are an important driving force for enterprises to achieve sustainable development. We respect and care about talents. However, we face challenges about how to create an enabling environment in which everyone is able to excel themselves and be brought into full play to exert leadership potential in innovation.



## Main actions

Launched the “Hello, Interviewer” program to enhance talent attraction

Conducted “Tide” training program to improve the ability of employees

Improved the construction of career development channels for employees, and helped them realize career value

• Total number of employees<sup>1</sup>  
**2,413**

• Proportion of female employees  
**43.1%**

• Per capital training hours  
**24.85** hours

## SDGs



<sup>1</sup>The number of employees refers to the total number of regular employees, excluding interns and retirees.

## Protecting Employee Rights and Interests

In strict accordance with the stipulations of *Labor Law of the People's Republic of China* and *Labor Contract Law of the People's Republic of China* and other laws and regulations, Yashili respects and protects the legitimate rights and interests of employees in equal employment, compensation and benefits, privacy protection and other aspects, and creates an equal, open and inclusive working environment for employees.

### Equal Employment

Yashili adheres to the recruitment principles of “fair, open and equal”, and ensures that candidates and employees are not treated unfairly due to gender, age, ethnicity, nationality and other factors in accordance with the *Recruitment Management Regulations*. During the recruitment process, we cooperate with third-party background investigation companies to strictly verify the identity information of candidates and prohibit the employment of child labor. In addition, we manage employees' working hours and overtime in strict accordance with the *Attendance Management Regulations*, and prohibit any form of forced labor. If any foregoing was found, we shall immediately terminate the relevant behavior and address it in accordance with laws and regulations, as well as relevant requirements of the Company.



### Remuneration and Benefits

Yashili provides employees with a fair and reasonable compensation system. In addition to the basic salary composition of “salary, commission, year-end bonus, and long-term incentives”, we also have medium and long-term equity incentive plan for the management as well as maternity allowance, communication allowance and other benefits covering all the employees. In 2022, we continued to improve the remuneration and benefits system for employees, offering additional benefits such as parental leave, child care leave and male care leave.

### Privacy Protection

Yashili pays attention to the protection of employee privacy. During the recruitment, we acquire relevant candidate information by means of entrusting a third party to issue the background investigation report of the candidate, or of that the candidate willingly uploads the information to the sharing center; and keep the relevant information strictly confidential, which can be accessed by the relevant HR colleagues and candidates' superiors only. For the employees, we have formulated the *Employee Reward and Discipline Management Regulations* and *Employee Handbook* to strictly require employees to protect personal information, and classify information leakage as a disciplinary violation, to further ensure the security of privacy information.

## Enhancing Talents Cultivation

Yashili focuses on the growth and development of employees. In 2022, we continued to improve the staff training system, and revise the *Learning and Development Management Regulations of Yashili* and *New Staff Probation Management Regulations*, in order to constantly improve the talent training mechanism.

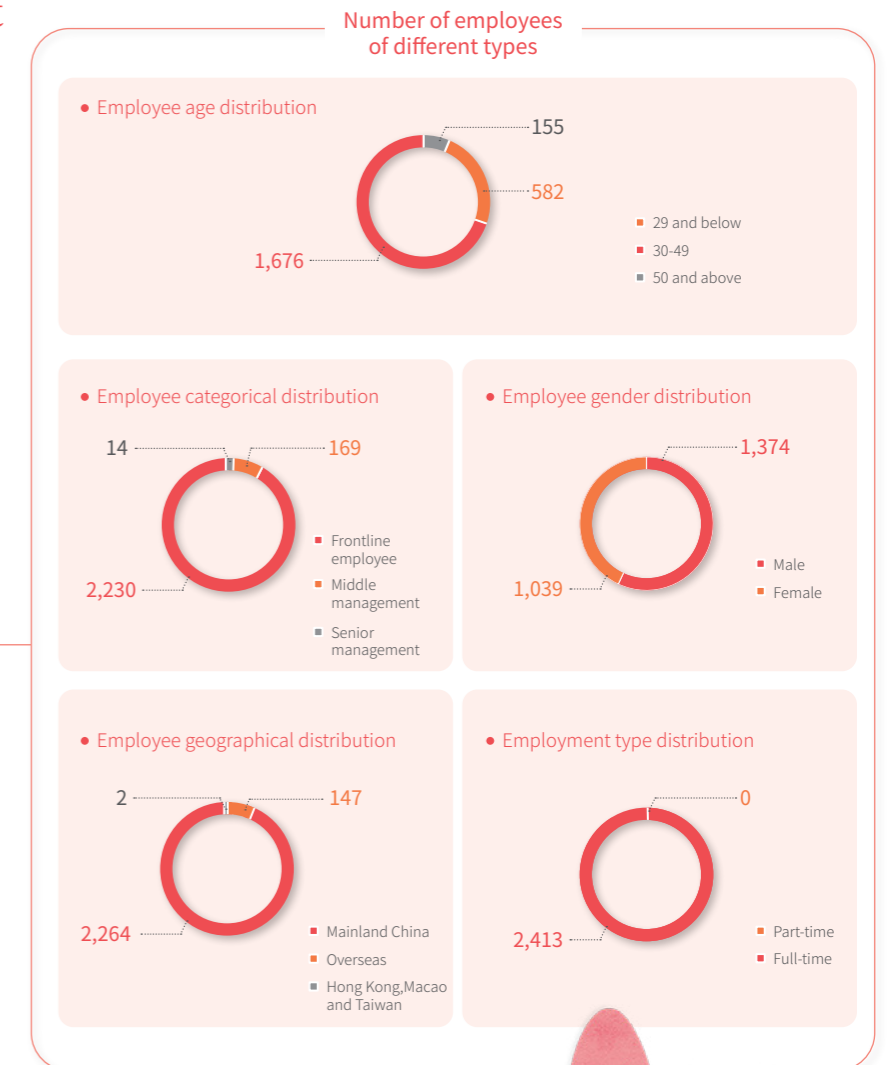
### Talent Recruitment

Yashili introduces talents through various channels such as campus recruitment, third-party cooperation and online platform recruitment, and continuously optimizes the staff structure to achieve reasonable distribution of employees by gender, age and region and build a diversified talent team.

**2,413** employees

As of December 31, 2022, we had 2,413 employees.

In order to further enhance the attraction of outstanding talents, we carried out the “Hello, Interviewer” program in 2022, which will provide multi-dimensional empowerment for interviewers, covering interview behavior cultivation, interview efficiency improvement, interviewees' abilities observation, etc., to assist interviewers in improving their ability to identify talents and provide the Company with desired talents.



### Career Development

Yashili values the career development of every employee, and evaluates talents in an all-round way based on the principles of “fairness and openness, justice and objectiveness, strict entry and exit, and selecting the best among the best”. We have established a transparent and open promotion and selection mechanism, and comprehensively evaluate employees' work performance and post qualification requirements, in order to further strengthen the construction of talent team of the Company.

In addition to providing employees with two-way channels of management and professional development, we also promote the benign flow of internal talents and encourage the diversified development of employees through job rotation, job responsibility expansion, undertaking challenging projects and other ways.



## Competence Development

Yashili focuses on the self-growth of employees, and offers a diversified training system by making full use of online and offline training platforms, professional training, experiential training and outdoor extended training. In order to meet the learning needs of employees for developing professional competence, we carried out ability development activities of “leading management talents” and “elite professional talents” in 2022.



Cultivation of “leading management talents”

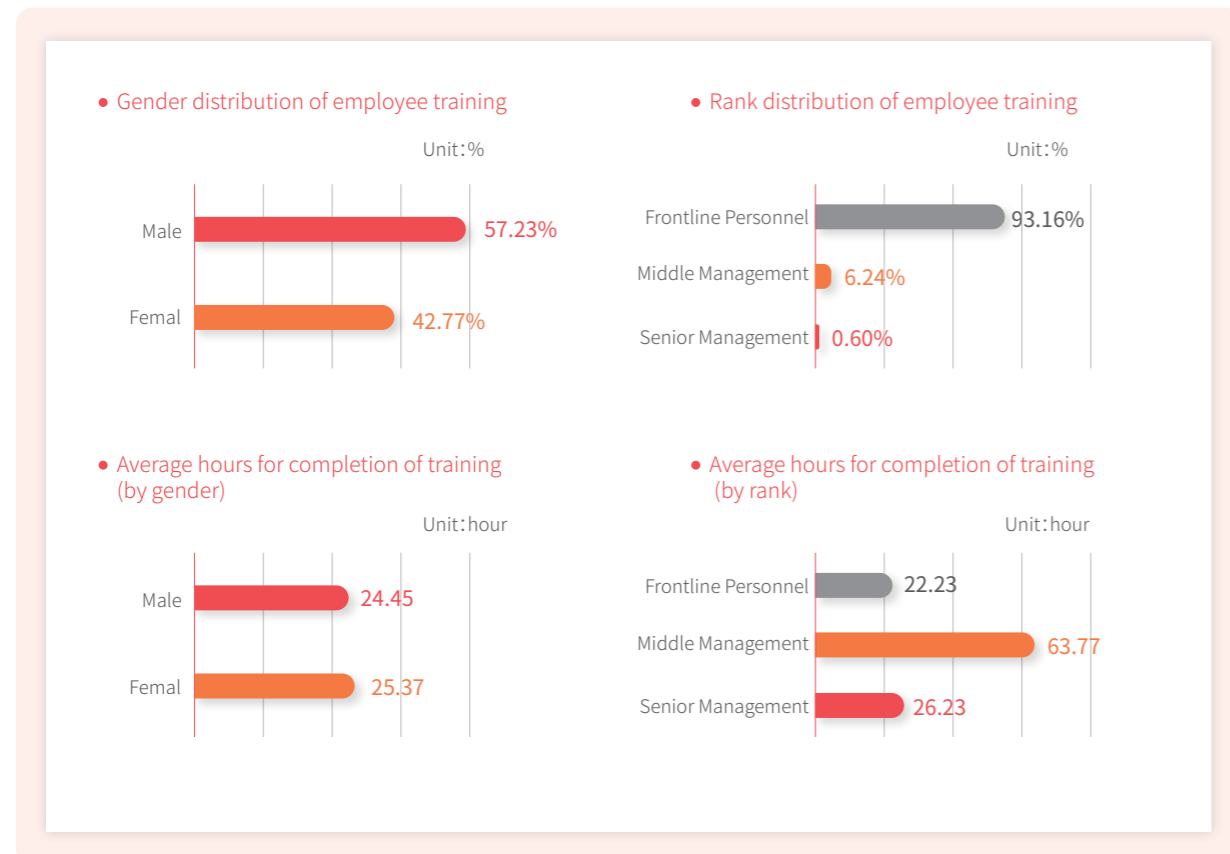
We carried out “Tide Plan” for sales management team to improve marketing management ability and team management ability of the sales staff.



Cultivation of “elite professional talents”

We cooperated with our parent company Mengniu Dairy to carry out targeted professional training for different majors, including “Mengniu Elites College” for marketing talents, “Mengniu Van-guards College” for supply chain talents, and a series of quality training courses for quality talents.

▶ number of trainees for different types of employees, average hour for completion of training



### “Tide Plan” Training Program

Case

To build an excellent sales team, Yashili carried out “Tide Plan” for the sales management team. The training course integrates competition mechanism and digital and intelligent means. Through PK competition, knowledge competition, training and practice, we combined knowledge tools with business practice, and provided targeted support for sales staff.

In 2022, the “Tide Plan” Ace Iron Army Training Camp organized two training sessions in Guangzhou, with a total of 4 courses to help staff understand the “strategic” thinking of business operation and master effective ways to promote the implementation of business strategy. A total of 124 employees participated in the two training sessions, with the satisfaction of 4.75 points (full score: 5). After the training, the knowledge and tools were spread in all business departments in the national sales regions and empowered the sales team for the second time. 27 enabling activities were held with more than 700 participants, which comprehensively strengthened the marketing ability and team management ability of the sales team.

In order to continue and implement “Tide Plan”, China Products Division, Nutrition Division and Human Resources Department respectively carried out “Tide Relay” activities to improve business skills and personal abilities of employees, so as to build a multi-level and all-round talent echelon for the Company.



Photo of the Second Training Session of Yashili “Tide Plan”



Photo of “Tide Relay” Activity of Nutrition Division



# Employee Welfare

Yashili always cares about the needs of employees. We are committed to building a harmonious working environment and enhancing employees' happiness by organizing activities such as employee communication, employee care activities and other activities to listen to employees' voices and solve employees' problems.

## Democratic Management

We always give ear to employees' opinions, constantly improve the bottom-up democratic feedback mechanisms, fully understand the real requirements of employees and achieve internal interaction and communication through such activities as employee representative conferences, employee communication meeting, feedback sessions, and senior management face-to-face sessions.

In 2022, Yashili Employee Representative Conference deliberated and approved 7 management regulations, including *Employee Welfare Management Regulations* and *Vacation Management Regulations*; and elected 12 members of the trade union committee and 3 members of the fund review committee by voting, further improving the democratic management system of the Company and guaranteeing employees' exercise of democratic management rights. In addition, we conducted an employee satisfaction survey on managers' performance management, and improved the performance management methods based on the feedbacks of employees, thus constantly improving the human resource management.

## Employee Care

■ Mother's Day Themed Activity of "Carrying Forward Filial Piety, Expressing Thanks to Mother"




■ Health Lecture of "Promoting Health, Spreading Love"



■ Quarterly Employee Birthday Party



■ Distribution of Holiday Gifts



Yashili keeps a close eye on the employees' feelings. We set May 20 every year as Yashili Employee Care Day, and actively carry out all kinds of employee care activities to improve employees' happiness and cohesion. In 2022, based on the "1983 Employee Happiness Guardianship Plan", we kicked off nine care actions covering employees' physical health, family happiness and support to those in need, so as to help employees enjoy work and life in a healthier physical and mental state.

## Employee Support

Yashili actively carries out employee support activities, striving to ensure the basic life of employees, and relieve difficulties for employees. In 2022, we provided charity money totaling RMB12,000 for 2 employees who needed to help them overcome difficulties.



■ Yashili Provided Assistance Funds for Its Employees



# Occupational Health and Safety

Yashili considers protecting the occupational safety and health of employees as its own duty, strictly implements the laws and regulations related to production safety and occupational health, and insists on building a safe and harmless working environment for employees.



## Strengthening Safety Management

Yashili fully implements the responsibility of production safety management, strictly complies with the *Work Safety Law of the People's Republic of China*, *Fire Protection Law of the People's Republic of China* and other relevant laws and regulations, and continuously updates the safety management regulations to ensure the effectiveness of the institutional system. To promote prevention and control at the source, process prevention and control, and target control, Yashili has established a safety management process covering the whole cycle and the whole industrial chain, and comprehensively improved the level of safety management. In 2022, we introduced *Yashili International Fire Safety Management Regulations* and revised 3 regulations including *Yashili International EHS Special Expense Management Regulations*. Our factories also completed the formulation and revision of 10 safety production regulations, further providing clear management standards for production safety.

All of Yashili's domestic factories have obtained **ISO 45001 occupational health and safety management system certification**, and obtained the second-level standardization certificate for dairy product safety production.

### Modification of Plant Fire Control System Case

In 2022, our Factory in Helin and Chaozhou carried out compliance reform on the fire protection system inside the factory, and further improved the fire safety management system by optimizing the fire hydrant, safety exit, emergency lighting system and other fire equipments, upgrading the workshop voltage regulating equipment and communication lines, and carrying out safety acceptance and inspection after rectification.

### Enhancing Safety Management of Confined Space Case

In view of the safety of personnel working in enclosed working environment with inflammable and explosive, toxic and harmful gases or anoxic and asphyxia risks (i.e., "confined space"), we implemented the two-man and double-lock management method in such confined spaces as sewage stations and grease traps in all domestic factories, and equipped emergency supplies such as gas detection and alarm devices, communication systems and personal protective equipment according to the nature of the confined space, so as to effectively prevent safety accidents in the confined spaces and improve the rescue capacity for employee safety events.

## Safety target management

In 2022, Yashili required all levels of the Group and all factories to sign the *Letter of EHS Responsibility* and implement the responsibility management system for production safety, safety accident prevention and other goals.

**Contents of Letter of EHS Responsibility**

- Safety and environmental protection listed referee
- Negative exposure event
- Traffic safety accident
- Areas with score lost in safety, environmental protection, occupational health inspection by regulatory authority, listing to urge problem rectification, or negative publicity incidents
- Significant inconformity with management system certification within the jurisdiction
- Repeated safety inspection and examination problems when compared with the previous year

**Letter of EHS Responsibility and Attainment in 2022**

2022 Quantitative Requirement

0

Attainment in 2022

Attained

### Safety Management Objectives for Next Three Years



Number and proportion of work-related deaths and lost days due to work injury in the recent 3 years				
Indicator	Unit	2020	2021	2022
Number of work-related deaths	persons	0	0	0
Proportion of work-related deaths	%	0	0	0
Lost days due to work injury	days	0	9	0

### Safety hazard investigation

Yashili proactively identifies internal safety production risks. This year, we carried out 5 types of hidden danger screening in an orderly manner according to the annual safety hazard investigation plan, including daily routine inspection, monthly comprehensive inspection, seasonal inspection, special inspection, and pre-holiday inspection, and effectively implemented risk control to reduce potential safety hazard and risks.



### Cultivation of Safety Culture

Yashili carries out special activities such as daily safety training, safety production month and fire protection month to continuously build the safety culture of the enterprise, and enhance the production safety awareness of employees at all levels. In addition, for the emergency treatment of safety accidents, we have carried out emergency drills to deal with dangerous scenarios such as electrical injury, fall from height, mechanical injury and chemical poisoning, so as to enhance the capacity of emergency rescue of employees.



#### Conducting On-Site Emergency Drill Regarding Leakage of Ammonia

Factory in Shanxi organized an on-site emergency drill for ammonia leakage, and improved the accident handling ability of relevant operators by practicing emergency procedures for such as leakage alarm, linkage emission of exhaust systems, field inspection and maintenance, personnel evacuation, wearing protective equipment for urgent repair, and ammonia leakage treatment.

The Employees Discussed the Improvement Areas After the Emergency Drill Was Completed

#### Organizing "Production Safety Month" Activity

In June 2022, Yashili launched "Production Safety Month" activity with the theme of "Abide by the Production Safety Law, Act properly as the first responsible person". The factories carried out a series of activities:

- Safety publicity**: To promote the knowledge of safety production laws and regulations, fire protection and occupational health and other common sense, and cause the employees to participate in safety activities consciously by hanging the "Production Safety Month" theme banner, setting up a bulletin board, preparing roll up banner, and 24-hour rolling play through LED display.
- Emergency education**: To organize all employees to participate in safety emergency knowledge, emergency materials, fire protection, work at heights, confined space, mechanical injury and other special safety education courses, in order to improve emergency management skills, eliminate safety risks from the root, and prevent the occurrence of safety accidents.
- Safety training**: To promote effective dissemination of safety culture by carrying out safety "lecture", "open class", "micro class", safety knowledge competition, learning and communication between factories and other forms.

### Occupational Health Management

Yashili always puts the health and safety of employees first. In strict compliance with the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and other laws and regulations, we have updated and implemented the *Occupational Health Management Regulations* and other internal systems, and continuously supervise the fulfillment of the occupational health indicators in the *Letter of EHS Responsibility* by all departments and factories of the Company. To reduce the hazards of occupational diseases, all factories effectively protect the occupational health of employees through occupational hazard project declaration, occupational hazard warning and notification, and occupational hazard factors monitoring. Also, we carry out occupational health training, occupational health week and other health promotion activities to enhance employees' health consciousness.



Factory in Chaozhou won the title of Health Enterprise in Chaozhou City

Occupational Health Targets and Attainment in 2022	
Contents of Letter of EHS Responsibility	Quantitative Requirement
Occupational disease accident	0
Completion rate of physical examination for occupational health before, during, and after work	100%
Completion rate of occupational hazard monitoring	100%
Completion rate of occupational hazard declaration	100%
Archiving rate of employee occupational health records	100%

Attainment in 2022  
**Attained**

# Constructing a Win-win Ecosystem for Society

## Our challenges

As climate change response and low-carbon development have become international consensuses, it is a challenge for Yashili to support the national goal of “carbon peaking and carbon neutrality” and address the risks related to climate change, while actively assuming responsibility to empower the industry and society and boost the harmonious coexistence between human and nature.

Persistence on Green Operation

Construction of Responsible Supply Chain

Social Responsibility

## Main actions

Continued to improve energy management and conducted low-carbon projects for energy conservation to actively contribute to the achievement of the goal of “carbon peaking and carbon neutrality”

Continuously optimized supply chain management and proactively promoted the development of responsible supply chain

Assumed corporate social responsibility, actively participated in public service and delivered positive social energy

Number of low-carbon and energy-saving projects conducted

**7**

Total investment in environmental protection

**RMB 1,177,100**

Donated nourishments and supplies worth approximately

**RMB 360,000**

## SDGs



# Persistence on Green Operation

Yashili has been constantly pursuing the concept of green development and low-carbon operation, continuously optimizing environmental management and improving environmental performance, while placing a high value on the impacts related to climate change and contributing to the promotion of sustainable development.

## Promote “Dual Carbon Goals” Actions

Following the requirements of the “Carbon Peaking and Carbon Neutrality” strategy, we see that all Chinese enterprises have reached a consensus on green, low-carbon and sustainable development. As Yashili actively shoulders the responsibility of the times, it adopts the concept of carbon peaking and carbon neutrality in its overall business development strategies. And it is committed to integrating the concept of green and low-carbon operation into every part of its industrial chain and businesses, accelerating the pace of “Carbon Peaking and Carbon Neutrality”, and promoting the virtuous circle and sustainable development of the dairy industry ecology.



### Crafting Its First Zero-Carbon Product

Case

Yashili strives to spearhead the dairy industry towards green development, actively explore new ways for green and environmentally friendly development, launch zero-carbon products, and deliver the concept of sustainable consumption to consumers. Reeborne Jingzhi is an organic infant formula milk powder, which has been certificated by the authoritative certification institution WIT Assessment and has become Mengniu Dairy’s first organic infant formula milk powder complying with the new national standard “zero carbon”.

WIT Assessment carried out carbon emission accounting for the full-life-cycle of two Reeborne Jingzhi milk powder products. Yashili has achieved low-carbon production through leading technology. By subscribing to the wind power project in Changma, Yumen, Gansu Province to offset the carbon footprint of the products, it has achieved carbon neutrality.

In addition, Reeborne Jingzhi is also an organic infant formula milk powder that has obtained both EU and China organic certification. In terms of milk sources, Reeborne Jingzhi adopts organic milk sources in the Ulan Buh Desert, which is far away from industrial areas and surrounded by a natural isolation zone of 30-80 km, providing a pure background for Reeborne Jingzhi. In terms of formula, Reeborne Jingzhi specially adds rare organic OPO, prebiotics, probiotics, nucleotides and other nutrients, fully interpreting the “organic and scientific formula”, and creating a new era of organic infant formula milk powder in China.



Carbon Neutrality Certificate of 700g Jingzhi Milk Powder Product

Carbon Neutrality Certificate of 750g Jingzhi Milk Powder Product



### Construction of the first “Zero-Carbon Factory”

Case

More and more enterprises have upgraded green factories into zero-carbon factories in the global new trend of green development under the “Carbon peaking and carbon neutrality” target. It has become a key path for enterprise value chain to achieve “zero emission”. In 2022, Yashili started the construction of “Zero-carbon Factory” in the Inner Mongolia Horinger Economic Development Zone.

**110,000** m<sup>2</sup>  
covered area

**36,000** tonnes  
estimated annual  
production capacity



Picture of the Zero-Carbon Factory in Helin

In the design stage of production line, we adopt the world’s leading MSD drying tower system, dual-evaporation and dual-feeding system and OPTIMA intelligent packaging system, as well we leading techniques and technologies, to improve energy utilization efficiency while ensuring product quality and nutrients; in the construction stage, by taking the local energy and resource conditions into consideration, we make an optimal plan on the structure of energy and resource, and explore the utilization of clean energy; in the operating stage of production line, based on the Manufacturing Execution System (MES) platform, artificial intelligence, the Internet of Things, 5G, big data, cloud computing and other advanced technologies are introduced to produce dairy products. The digital energy efficiency management platform and smart energy system are applied to realize real-time control of the operating and energy consumption status of product line. With the construction of “Zero-carbon Factory”, the quality of products and production safety are guaranteed. Moreover, the energy efficiency is further improved and the control over the total amount and intensity of carbon emissions is further enhanced, boosting the green development of the Group.



### Award of the Green Manufacture Demonstration Enterprise

Case

The implementation of green manufacture is an effective means to improve resource efficiency and control environmental pollution. Yashili attaches great importance to the impact of enterprise operations and product manufacturing processes on the ecological environment, continues to strengthen the use of clean energy, and promotes energy-saving transformation projects, so as to effectively reduce its own carbon emissions, while making contributions to achieving the national goal of “carbon neutrality”.

Our factory in Helin continues to promote the optimization of production efficiency, and through the introduction of energy-saving technology to transform old nitrogen generators, effectively improve replacement efficiency, and achieve a significant reduction in overall energy consumption per product. In terms of waste gas emissions and wastewater discharge, all kinds of pollution such as waste gas, wastewater and waste residue are reduced through technical transformation and recycling, and the rate of compliance with standards for pollutant discharge reaches 100%. On top of the routine practice of green operation, Yashili also held a number of training sessions related to environmental protection to promote green office and continuously raise employees’ environmental protection awareness.



Factory in Helin

In 2022, factory in Helin was awarded the title of “2022 Green Manufacture Model Enterprise” issued by the Department of Industry and Information Technology of Inner Mongolia Autonomous Region, and it has been making great efforts to become the benchmark of green manufacturing enterprise in the dairy industry.

## Climate Change Response

Yashili is fully aware of the severity of climate change and the urgency for responses, and is progressively promoting risk management of climate change. We refer to the recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD) to disclose the relevant management actions and achievements in four core fields, including governance system, response strategy, risk management, indicators and targets.



### Governance system

Yashili has established a three-level ESG governance structure, namely “leadership - management - execution”, to clarify the authority, responsibility and procedures of ESG work and comprehensively boost the regular ESG management. The Sustainable Development Management Committee under the Board of Directors is responsible for developing ESG strategies, including climate change, and reporting regularly to the Board of Directors on ESG work. As the management level, the Sustainable Development Management workforce is responsible for coordinating and supervising ESG management strategies, including climate change, and the related work progress. The Company's relevant departments and subordinate production bases assist in ESG work, including climate change.

### Strategy

Based on domestic and international regulatory developments on climate change and the Company's actual operation status, we have identified the risks and opportunities brought about by climate change in terms of policy and legal risks, market risks and extreme weather events, and developed corresponding countermeasures to mitigate the risks arising from climate change.

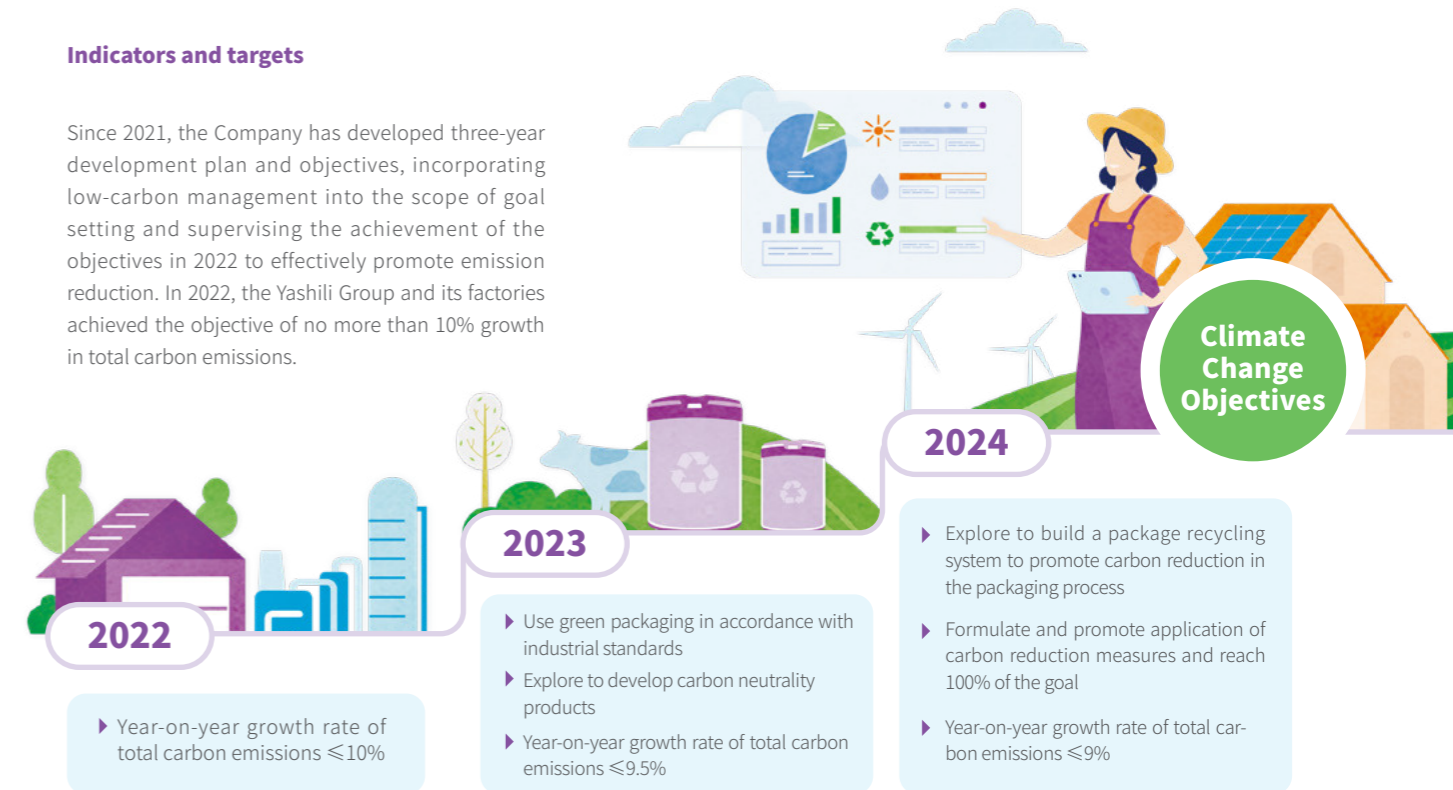
Major Risk	Main Content of Risk of Climate Change Associated with Yashili	Countermeasures
Policy and legal risk	With carbon peaking and carbon neutrality progresses, relevant national policies and requirements will change. We might face stricter environmental supervision requirements and pollutant discharge policies, and the cost of environmental compliance will rise.	<ul style="list-style-type: none"> <li>Actively follow up with the content of policies related to the dairy product industry, actively identify carbon emission source on the industrial chain, identify potential risks, and reduce risks by standard management.</li> </ul>
Market risk	Consumers gradually pay more attention to sustainable development products and sustainable consumption. We need to develop low-carbon product to meet their demands.	<ul style="list-style-type: none"> <li>Conduct market survey in a timely manner to focus on consumer demand;</li> <li>Continuously improve product development technology to enhance dairy product quality and develop more sustainable products.</li> </ul>
Extreme weather risks	With global warming, extreme weather events will increase, such as extremely high temperature, extreme cold, rainstorm and flood, typhoon. They may reduce raw dairy yields or disrupt the supply chain and increase the operating cost and risks.	<ul style="list-style-type: none"> <li>Formulate contingency plan for extreme weather, and corresponding precautionary measures for the impact of different extreme weather events;</li> <li>Inspect safety hazards of farms and factories regularly;</li> <li>Appropriately increase high-quality suppliers to ensure stable supply under extreme weather conditions.</li> </ul>

### Risk management

To improve the risk management mechanism, Yashili has established the organization structure of risk management with three layers of defense in accordance with COSO risk management, internal control framework and *Code on Corporate Governance Practices* of the *Main Board Listing Rules* from the Stock Exchange of Hong Kong. The Audit Committee (comprised of members appointed by the Board of Directors) is the top decision-making organ for comprehensive risk management. The Risk Management Committee and Internal Control and Risk Management Audit Department shall plan and supervise risk management to ensure the accomplishment of risk management goals. We follow the three-level risk evaluation process to identify significant risks associated with corporate development, take rational economic and technical measures to handle them, and realize the transformation from post-processing to prevention. To further reduce climate change risks, we have incorporated climate-related issues into the risk management process and are progressively perfecting the evaluation and management mechanisms for climate change risks.

### Indicators and targets

Since 2021, the Company has developed three-year development plan and objectives, incorporating low-carbon management into the scope of goal setting and supervising the achievement of the objectives in 2022 to effectively promote emission reduction. In 2022, the Yashili Group and its factories achieved the objective of no more than 10% growth in total carbon emissions.



### Greenhouse Gas Emissions<sup>4</sup>

Indicator	Unit	2020	2021	2022
Total greenhouse gas emission <sup>5</sup>	Tonnes carbon dioxide	110,992	110,314	95,151
Unit greenhouse gas emission	Tonnes carbon dioxide / tonnes of production volume	0.94	0.83	0.72
Scope I greenhouse gas emission	Tonnes carbon dioxide	32,603	30,001	32,886
Scope II greenhouse gas emission	Tonnes carbon dioxide	78,389	80,313	62,265

4. Unless otherwise specified, all environmental data in this report covers all Yashili factories.

5. The accounting of greenhouse gas emission is based on the globally recognized WBCSD/WRI greenhouse gas accounting system, the *2006 IPCC Guidelines for National Greenhouse Gas Inventories (2019 Revision)*, and ISO 14064-1, and the emissions are determined by calculating activity data and corresponding emission factors. Scope 1 emissions are defined as greenhouse gas emissions directly generated by burning fuels in factories, such as from self-owned boilers and vehicles, etc., and the direct energy involved include natural gas, diesel, gasoline, liquefied petroleum gas, etc. Scope 2 emissions are defined as greenhouse gas emissions from purchased electricity and steam. The measurement method complies with China's *Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of Enterprises (2022 Revision)*.

## Enhancing Environmental Management

Yashili has always put in place the environmentally-friendly concept throughout the production of products and corporate operations, forming a green low-carbon development model and striving to improve the ecological environment.

### Environmental management system

As a practitioner of sustainable development, Yashili adheres to the philosophy of “harmonious coexistence between human and nature”, strictly complies with the *Environmental Protection Law of the People’s Republic of China*, the *Law of the People’s Republic of China on Environmental Impact Assessment* and other relevant laws and regulations, and continuously optimizes its environmental management system. In 2022, we added the *Management Regulations on Reporting and Handling of Environmental Incidents*, *Management Measures for Self-Monitoring of Pollutant Discharges from the Factory in Chaozhou of the Nutrition Division* and revised five systems, including the *Environmental Management Regulations on Solid Waste of Yashili International* and the *Online Environmental Monitoring System Management Regulations of Yashili International* to improve environmental management requirements.

We have launched various environmental management priorities for the Group and its factories to enhance environmental management and reduce the negative impact on the environment.

All of Yashili’s domestic factories (Factory in Shanxi, Helin, Chaozhou and Shanghai) have obtained the certification of **ISO 14001** environmental management system.



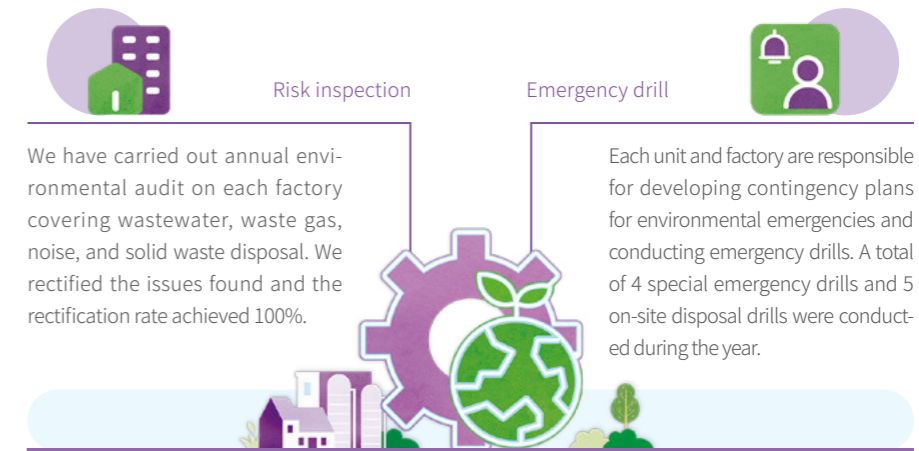
### Environmental objective management

Yashili requires all levels of the Group and all factories to sign the *Letter of EHS Responsibility*, clarifying each party’s management responsibilities and objectives. It also requires each level and factory to develop an annual work plan at the beginning of each year to effectively promote the performance of environmental responsibilities. In 2022, Factory in Shanxi activated an online monitoring system for pollutants in accordance with regional requirements, further enhancing the accuracy and timeliness of environmental objective management.

Level	Content of the Letter	Quantitative Requirements for 2022	Attainment in 2022
Yashili Group	Environmental pollution incidents	0	Attainment in 2022
	Rate of compliance with standards for major pollutant emissions	100%	
All of Yashili’s domestic factories	Environmental pollution incidents of level 4 or above	0	Attained
	Number of environmental pollution incidents caused by chemical leakages		
	Number of problems found in waste management systems/records		
	Environmental protection equipment and facility failures		
	Rate of compliance with standards for pollutant emissions	100%	
	Rectification rate of ecological and environmental risks		
	Remediation of new environmental risks in 2022		
	Environmental monitoring completion rate		
	Total emission of primary pollutants	< 95% of the emission approved by the pollutant discharge permit	
	Number of online data early warnings	0	

### Environmental risk management

Yashili adopts continuous management for environmental risks, added the *Management Regulations on Reporting and Handling of Environmental Incidents in 2022* to clarify the levels of environmental emergencies, and took a series of risk control measures to enhance risk prevention and control.



### Environmental protection training

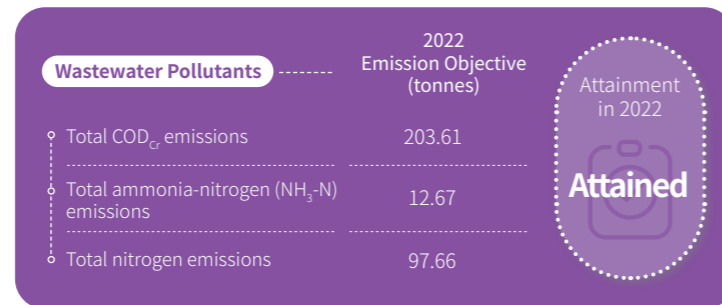
Yashili develops an annual environmental training plan at the end of each year and carries out the relevant training as planned. In 2022, we conducted 29 training sessions related to environmental protection, covering solid waste management, hazardous waste management, wastewater and gas disposal, with a total of 1,543 participants, so as to raise the awareness and capability of our employees in environmental protection.

## Optimizing Emission Management

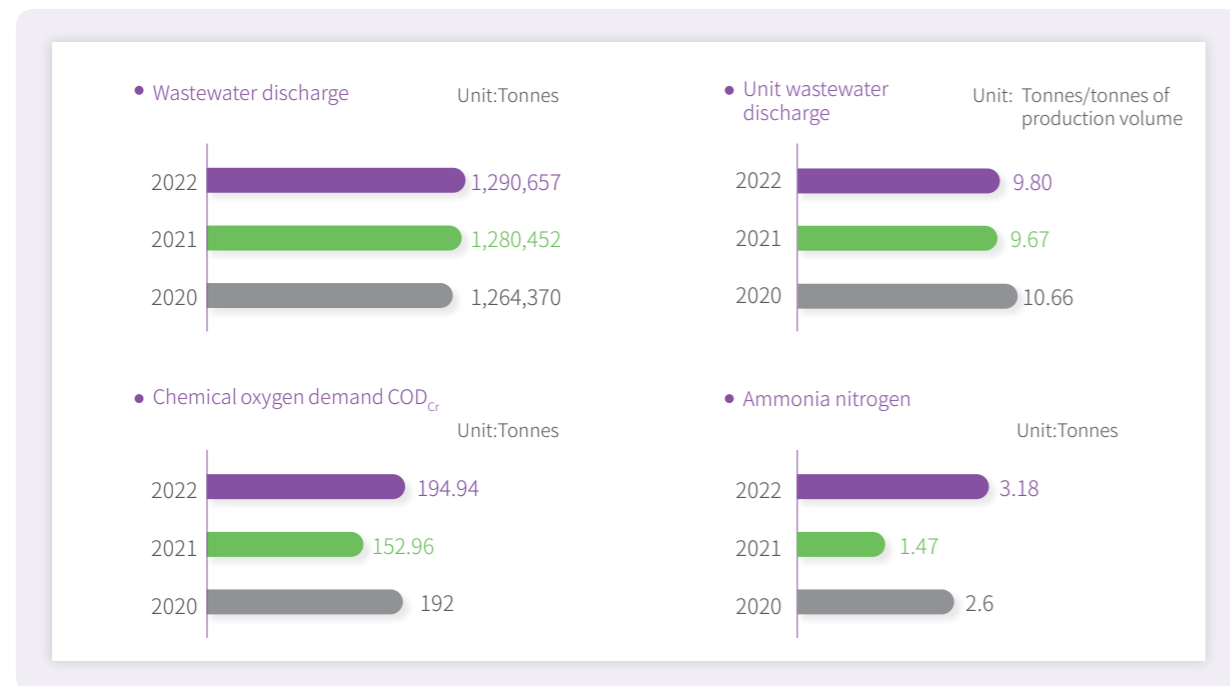
Yashili attaches great importance to the discharge of pollutants from its operations and strengthens the management of waste and emissions at each factory to ensure compliant waste disposal.

### Wastewater discharge management

Yashili strictly complies with the laws and regulations, such as the *Law of the People's Republic of China on Prevention and Control of Water Pollution*, and its internal policies such as the *Operation Procedure for Wastewater Treatment* and the *Procedure for Wastewater Discharge*, and sets annual discharge objectives for wastewater pollutants such as chemical oxygen demand (COD<sub>Cr</sub>) and total nitrogen (TN) based on its actual operation, to ensure that wastewater discharge meets the standards.



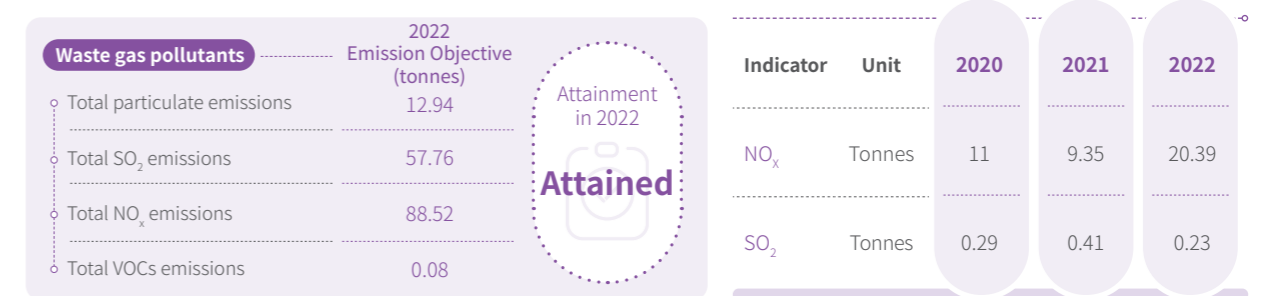
In 2022, Yashili clarified the requirements for wastewater treatment stations in terms of sign prompts, equipment operation and maintenance, operation and management, sampling and monitoring, and workshop wastewater discharge, and ensured the orderly operation of wastewater treatment by deploying wastewater treatment equipment such as wastewater lift pumps and emergency ponds. Besides, the Factory in Shanghai has added new measures for manual testing of wastewater, with manual sampling and indicator testing at each sampling point of the factory on a weekly or monthly basis to improve the accuracy of wastewater discharge data and ensure compliant wastewater discharge.



### Waste gas emission management

Yashili scrupulously follows the *Atmospheric Pollution Prevention and Control Law of the People's Republic of China*, and has set annual emission objectives for particulate matter, SO<sub>2</sub> and other air pollutants in accordance with the local regulatory requirements and the Company's *Online Environmental Monitoring System Management Regulations* and *Automatic Monitoring Management Regulations on Pollutant Discharge*.

In 2022, we established an online monitoring system for waste gas at the factory in Shanxi to improve the accuracy and timeliness of waste gas testing data and to optimize the management of waste gas emissions.



### Waste disposal

In line with the relevant laws and regulations such as the *Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution*, Yashili continuously improves provisions such as the *Environmental Management Regulations on Solid Waste*, and develops management plans for the entire process of generation, collection, storage, transportation, utilization and disposal according to different waste types to ensure that all types of waste are properly disposed of.

#### Non-hazardous waste

In accordance with the *Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes*, we have set up general industrial solid waste storage sites in each factory, adopted classified management and appointed dedicated personnel to manage the entry and exit records.

- We actively communicate the concept of classified collection of household waste to employees
- require construction units to promptly remove, recycle and dispose of construction waste.

#### Hazardous waste

We have updated the list and types of hazardous waste in a timely manner according to the *Directory of National Hazardous Wastes* and the *General Standards for Hazardous Waste Identification*, and have developed and reported management plans for the collection, storage and transfer of hazardous waste based on the *Pollution Control Standard for Hazardous Waste Storage*. In addition, we have established management records and entrusted qualified local institutions to handle hazardous waste as required to standardize the management of hazardous waste.

📄

### Promotion of Sludge Reduction Management

Case

The factory in Shanxi has developed a new sludge reduction management plan to reduce the sludge water content and achieve sludge reduction through the application of special physical, chemical and biological processes at the sludge generation, pressing and storage stages by adding drainage and ventilation equipment such as seepage holes, ramps, diversion channels and isolation layers.

The factory in New Zealand delivers some of the sludge generated as fertilizer to local worm farms and farmland, achieving secondary use of sludge.

Indicator	Unit	2020	2021	2022
Disposal amount of hazardous waste	Tonnes	18.0	16.9	12.9
Unit disposal amount of hazardous waste	Tonnes/tonnes of production volume	1.5 × 10 <sup>-4</sup>	1.3 × 10 <sup>-4</sup>	1.0 × 10 <sup>-4</sup>
Disposal amount of non-hazardous waste	Tonnes	4,185	2,490	5,473
Unit disposal amount of non-hazardous waste	Tonnes/tonnes of production volume	0.035	0.019	0.042

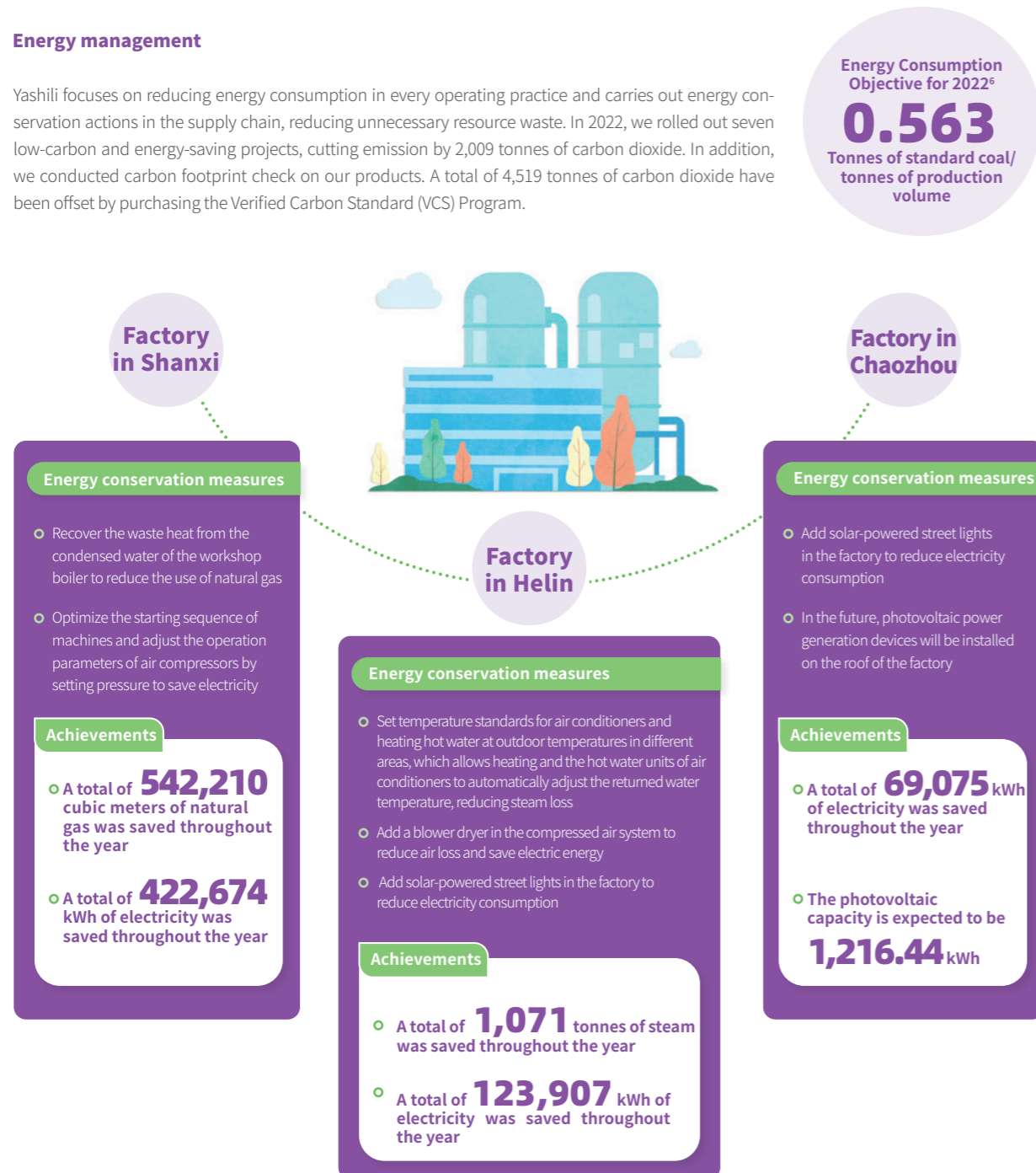


## Increasing Resource Utilization Efficiency

To reduce the impact on the environment due to production and operation, Yashili, holding fast to the idea of green development, responds to the national call for energy conservation and emission reduction, manages the resource consumption, such as energy and water resource that occurred during the operation and development process of the Company as a whole, explores and practices measures of improving environment proactively. Yashili adheres to the *Circular Economy Promotion Law of the People's Republic of China*, *Energy Conservation Law of the People's Republic of China* and other related laws and regulations. We analyze the group's annual data on the carbon emission and resource utilization, such as energy and water resource, and set next year's targets for energy and water consumption. We explore the resource-saving development model and strive to construct a win-win ecosystem in which people and nature coexist harmoniously.

### Energy management

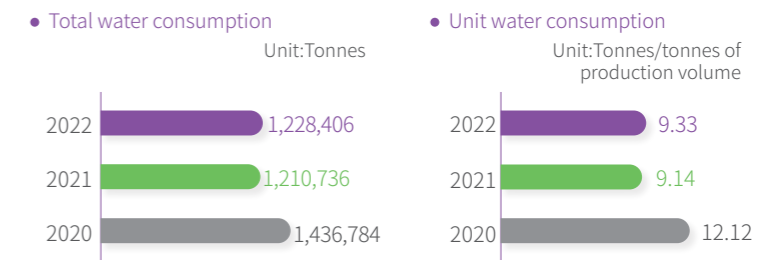
Yashili focuses on reducing energy consumption in every operating practice and carries out energy conservation actions in the supply chain, reducing unnecessary resource waste. In 2022, we rolled out seven low-carbon and energy-saving projects, cutting emission by 2,009 tonnes of carbon dioxide. In addition, we conducted carbon footprint check on our products. A total of 4,519 tonnes of carbon dioxide have been offset by purchasing the Verified Carbon Standard (VCS) Program.



Indicator	Unit	2020	2021	2022
Comprehensive energy consumption	kg standard coal	36,928,849	37,940,066	36,857,173
Unit comprehensive energy consumption	kg standard coal/tonnes of production volume	311.48	286.50	279.84
Purchased electricity	kWh	62,405,722	65,177,401	64,064,470
Purchased steam	Tonnes	115,612	123,802	111,026
Gasoline	L	15,102	11,196	12,000
Diesel	L	14,895	55,125	10,342
Natural gas	m <sup>3</sup>	14,994,971	14,885,388	15,153,678
Liquefied Petroleum Gas (LPG)	Tonnes	36.54	26.70	21.87
Coal	Tonnes	0	0	0

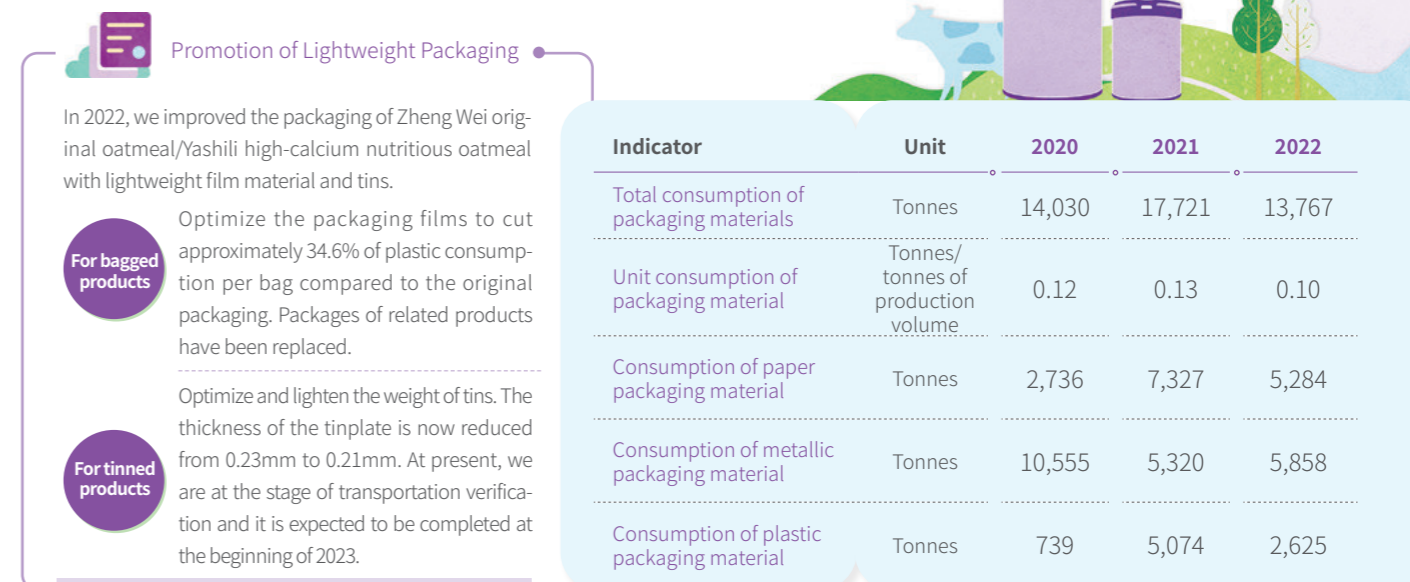
### Water management

The water Yashili used during operation is purchased from municipal tap water, so there is no difficulty in procurement. We analyze the water consumption data during operation of the Group regularly and set annual targets of water consumption accordingly. We have improved the water utilization efficiency and enhanced the water resource management through adjusting water flow, installing water recycling equipment, improving water use requirements of equipment, promoting the water-saving concept and other actions.



### Packaging consumables management

Yashili keeps optimizing the design, usage and recycling of product packaging. While ensuring the quality of products, we reduce the use of packaging material by choosing environment-friendly materials, using lightweight packaging material, recycling packaging and taking other measures.



6. The energy consumption objective here only covers the four domestic factories of Yashili (factory in Helin, Shanghai, Shanxi, and Chaozhou), excluding the factory in New Zealand.

7. The water consumption objective here only covers the four domestic factories of Yashili (factory in Helin, Shanghai, Shanxi, and Chaozhou), excluding the factory in New Zealand.

# Construction of Responsible Supply Chain

Following the principles of “fair, open, and equal” procurement, Yashili keeps improving the supply chain management system and actively propels the construction of responsible supply chain. In addition, Yashili conducts consulting and training to suppliers via the Supplier Relationship Management (SRM) system to promote the common growth of Yashili and its cooperative partners.

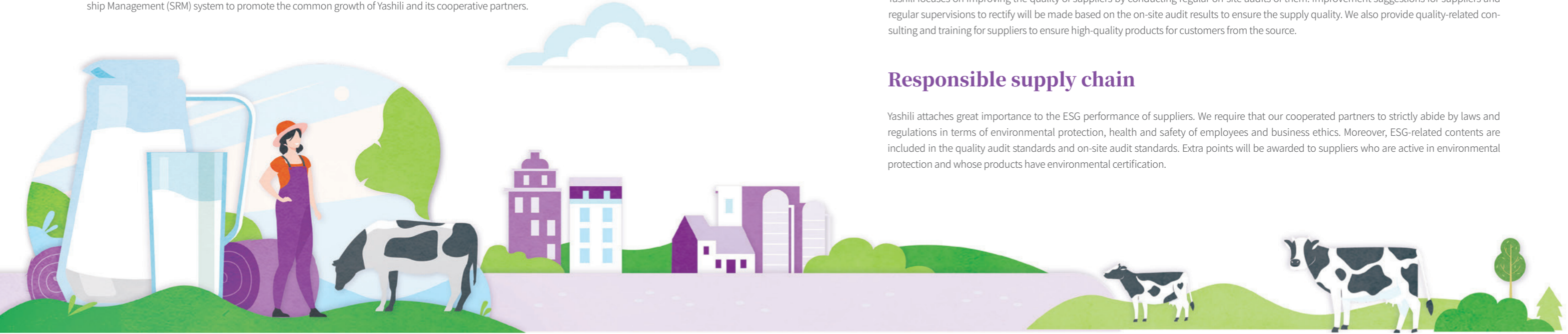
## Supplier management

Yashili has formulated *Direct Material Supplier Management Regulation*, *Indirect Material Supplier Management Regulations*, *Exclusive Channel Material Risk Management Regulations* and other regulations to regulate the management flows and requirements of various material suppliers and reduce risks of the supply chain. We have promoted the standardization of suppliers' management via SRM to realize the full-life-cycle management of suppliers, including basic information of suppliers, collection of qualifications and certificates, admittance approval, exit management and coordinated management of suppliers and other work modules.

Yashili focuses on improving the quality of suppliers by conducting regular on-site audits of them. Improvement suggestions for suppliers and regular supervisions to rectify will be made based on the on-site audit results to ensure the supply quality. We also provide quality-related consulting and training for suppliers to ensure high-quality products for customers from the source.

## Responsible supply chain

Yashili attaches great importance to the ESG performance of suppliers. We require that our cooperated partners to strictly abide by laws and regulations in terms of environmental protection, health and safety of employees and business ethics. Moreover, ESG-related contents are included in the quality audit standards and on-site audit standards. Extra points will be awarded to suppliers who are active in environmental protection and whose products have environmental certification.



## Management of Integrity

Yashili is committed to building clean procurement by signing *Sunshine Agreement* with all suppliers, which clearly stipulates integrity procurement, anti-bribery, and related penalties. The Disciplinary and Inspection Department exercises external supervision on the suppliers for their integrity of business cooperation and conducts investigation in response to relevant internal or external reports. Once a supplier violates code of business integrity, it will be put on the blocked supplier list permanently.

We have established a comprehensive bidding & tendering management system, set up three levels of bidding & tendering management organizations and daily supervisory organs for bidding & tendering management, and clarified the method and administrative procedure for procurement with/without bidding invitation. We constantly regulate the bidding & tendering processes to build a fair, open, and equal bidding procurement environment. Depending on the effective implementation of the procurement bidding management system, Yashili has realized the traceable management of full chains from demand scheduling to bidding procurement and from data filing to data gathering.

In the report period, no supplier of the Company has violated business ethics or regulations.

In 2022, Yashili signed *Sunshine Agreement* with **190** suppliers.

**44** suppliers<sup>8</sup> have passed the audit.

<sup>8</sup>.Material suppliers and new suppliers.

### Number of Suppliers by Region



# Social Responsibility

Yashili integrates the corporate mission of “Nutrient in a drop, blooming every life” into its public welfare values, carries out public service activities in aspects of fighting the pandemic and caring about communities. Yashili repays the society in practice and helps creating beautiful life in goodwill.

In 2022, we donated nourishments and supplies worth approximately  
**RMB 360,000**

## Things We Do Under the Pandemic

Faced with new waves of the COVID-19 pandemic, we have actively assumed our social responsibility to support the affected areas including Inner Mongolia and Guangzhou, and donated milk powder and other food resources to help with nutrient supplements. We contributed to the protection of peoples' health, showcasing our social responsibility.



### Fight against the Pandemic in Inner Mongolia

Case

In 2022, the pandemic situation in Inner Mongolia Autonomous Region had grown worse. Therefore, we launched “fight the pandemic in hometown” action, there by delivering 400 nutritional products(including Reeborne (Kieember) milk powder, Reeborne (Qinyou) milk powder and Dumex milk powder) with a total value of more than RMB 250,000 to Inner Mongolia Third Hospital, Hohhot First Hospital and other frontline anti-pandemic units, to help with the food supply for infants, the middle-aged and elderly.



### Fight against the Pandemic in Guangzhou

Case

Guangzhou had been facing the threat of pandemic resurgence since October 2022, therefore, we rolled out “jointly fight against the pandemic with love” charitable action. We donated 158 boxes of infant formula students and adults milk powder to mobile cabin hospitals in Guangzhou to improve the nutrition supply of those who were quarantined and medical workers.



## Caring about Communities

We spread love to communities actively. The factory in New Zealand provides financial supports for cancer research by raising funds and sponsoring. In addition, we present donations to local communities in New Zealand to spread kindness and warmth to local residents.

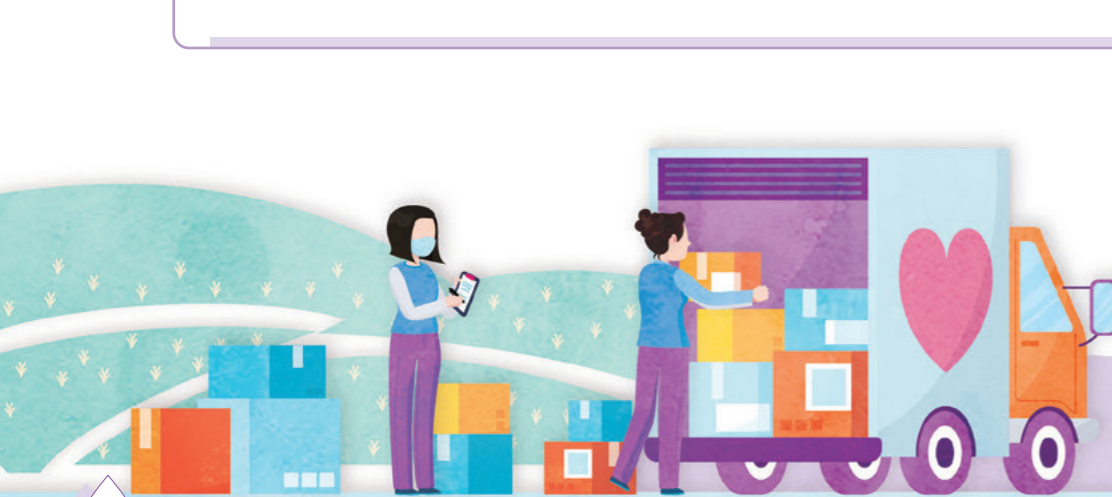


Sponsoring Educational Activities in New Zealand Schools



Donating to Child Cancer Foundation of New Zealand

Fund Raising on Daffodil Day in New Zealand



# Key Performance Indicators

## Environmental Performance

Indicator	Unit	2020	2021	2022
Wastewater Discharge	Tonnes	1,264,370	1,280,452	1,290,657
Unit Wastewater Discharge	Tonnes / tonnes of production volume	10.66	9.67	9.80
Chemical Oxygen Demand COD <sub>cr</sub>	Tonnes	192	152.96	194.94
Ammonia Nitrogen emission in wastewater	Tonnes	2.6	1.47	3.18
NO <sub>x</sub>	Tonnes	11	9.35	20.39
SO <sub>2</sub>	Tonnes	0.29	0.41	0.23
Total greenhouse gas emission	Tonnes carbon dioxide	110,992	110,314	95,151
Unit greenhouse gas emission	Tonnes carbon dioxide/ tonnes of production volume	0.94	0.83	0.72
Scope I greenhouse gas emission	Tonnes carbon dioxide	32,603	30,001	32,886
Scope II greenhouse gas emission	Tonnes carbon dioxide	78,389	80,313	62,265
Comprehensive Energy Consumption	kg standard coal	36,928,849	37,940,066	36,857,173
Unit comprehensive energy consumption	kg standard coal/ tonnes of production volume	311.48	286.50	279.84
Purchased electricity	kWh	62,405,722	65,177,401	64,064,470
Purchased steam	Tonnes	115,612	123,802	111,026
Gasoline	L	15,102	11,196	12,000
Diesel	L	14,895	55,125	10,342
Natural gas	M <sup>3</sup>	14,994,971	14,885,388	15,153,678
Liquefied Petroleum Gas (LPG)	Tonnes	36.54	26.70	21.87
Total Water Consumption	Tonnes	1,436,784	1,210,736	1,228,406
Unit Water Consumption	Tonnes / tonnes of production volume	12.12	9.14	9.33
Total consumption of packaging material	Tonnes	14,030	17,721	13,767
Unit consumption of packaging material	Tonnes / tonnes of production volume	0.12	0.13	0.10
Consumption of paper packaging material	Tonnes	2,736	7,327	5,284
Consumption of metallic packaging material	Tonnes	10,555	5,320	5,858
Consumption of plastic packaging material	Tonnes	739	5,074	2,625

## Social Performance

Indicator	Unit	2020	2021	2022
Total workforce	Person	2,857	2,614	2,413
<b>Number and proportion of employees by gender</b>				
Male	Person	1,615	1,473	1,374
Proportion of male employees	%	56.5	56.4	56.9
Female	Person	1,242	1,141	1,039
Proportion of female employees	%	43.5	43.6	43.1
<b>Number of employees by rank</b>				
Senior management	Person	24	20	14
Middle management	Person	373	140	169
Frontline personnel	Person	2,460	2,454	2,230
<b>Number of employees by age</b>				
29 and below	Person	609	691	582
30-49	Person	2,074	1,780	1,676
50 and above	Person	174	143	155
<b>Number of employees by region</b>				
Mainland China	Person	/	2,484	2,264
Hong Kong, Macao, and Taiwan	Person	/	2	2
Overseas region	Person	/	128	147
<b>Number of employees by employment type</b>				
Full-time	Person	/	2,614	2,413
Part-time	Person	/	10	0
<b>Gender distribution of employee training</b>				
Male	%	/	55.85	57.23
Female	%	/	44.15	42.77

### Social Performance

Indicator	Unit	2020	2021	2022
<b>Rank distribution of employee training</b>				
Senior management	%	/	3.90	0.06
Middle management	%	/	10.83	6.24
Frontline personnel	%	/	85.27	93.16
Average hours for completion of training	Hour	17.51	18.32	24.85
<b>Average hours for completion of training by gender</b>				
Male	Hour	17.75	24.22	24.45
Female	Hour	17.21	21.62	25.37
<b>Average hours for completion of training by rank</b>				
Senior management	Hour	34.00	23.39	26.23
Middle management	Hour	15.19	19.89	63.77
Frontline personnel	Hour	17.75	25.16	22.23
<b>Employee turnover by gender</b>				
Male	%	/	30	13
Female	%	/	26	9
<b>Employee turnover by age</b>				
29 and below	%	/	33	8
30-49	%	/	27	13
50 and above	%	/	21	1
<b>Employee turnover by region</b>				
Mainland China	%	/	28	20
Hong Kong, Macao, and Taiwan	%	/	-	0
Overseas region	%	/	0	2

### Social Performance

Indicator	Unit	2020	2021	2022
Number of work-related deaths	Person	0	0	0
Proportion of work-related deaths	%	0	0	0
Lost days due to work injury	Day	/	9	0
Safety education and training participation	Person-time	21,999	8,907	116,416
Employee occupational health archiving rate	%	100	100	100
Number of suppliers	Unit	179	261	457
<b>Number of suppliers by region</b>				
South China	Unit	/	57	101
East China	Unit	/	82	137
North China	Unit	/	94	178
Central China	Unit	/	15	17
Northeast China	Unit	/	6	9
Southwest China	Unit	/	3	7
Northwest China	Unit	/	1	2
Hong Kong, Macau, and Taiwan	Unit	/	0	1
Overseas	Unit	/	3	5
Number of suppliers approved	Unit	/	/	44
Proportion of consumers satisfied with the products	%	91.62	91.17	96.6

### Governance Performance

Indicator	Unit	2020	2021	2022
Board meeting	Time	7	4	4
Sustainable development management committee meeting	Time	1	1	2
Integrity education and training	Session	14	20	11
Corruption lawsuits	/	/	0	0

# Report Index

Main Areas, Aspect, General Disclosure, and KPIs		Section and Page	page
<b>A. Environment</b>			
Aspect A1: Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Persistence on Green Operation	P37-46
	KPI A1.1	The types of emissions and respective emissions data.	Optimizing Emission Management
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (for instance, per unit of production volume, per facility).	Climate Change Response
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (for instance, per unit of production volume, per facility).	Optimizing Emission Management
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and (where appropriate) intensity (for instance, per unit of production volume, per facility).	Optimizing Emission Management
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Optimizing Emission Management
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Optimizing Emission Management
Aspect A2: Use of Resources	General Disclosure Policies on efficient use of resources, including energy, water, and other raw materials.	Increasing Resource Utilization Efficiency	P45-46
	KPI A2.1	Direct and/or indirect energy consumption by type (for instance, electricity, gas or oil) in total (kWh in '000s) and intensity (for instance, per unit of production volume, per facility).	Increasing Resource Utilization Efficiency
	KPI A2.2	Water consumption in total and intensity (for instance, per unit of production volume, per facility).	Increasing Resource Utilization Efficiency
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Increasing Resource Utilization Efficiency
	KPI A2.4	Description about whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Increasing Resource Utilization Efficiency
	KPI A2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced.	Increasing Resource Utilization Efficiency
Aspect A3: The Environment and Natural Resources	General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources.	Persistence on Green Operation	P37-46
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Enhancing Environmental Management
Aspect A4: Climate Change	General Disclosure Policies on identifying and coping with significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change Response	P39-40
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change Response
<b>B. Social</b>			
Employment and Labor Practices			
Aspect B1: Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Protecting Employee Rights and Interests	P27
	KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Enhancing Talents Cultivation
	KPI B1.2	Employee turnover by gender, age group and geographical region.	Key Performance Indicators
Aspect B2: Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety	P32-34
	KPI B2.1	Number and rate of work-related fatalities occurred in the past three years including the reporting year.	Occupational Health and Safety
	KPI B2.2	Lost days due to work injury.	Occupational Health and Safety
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Occupational Health and Safety

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Aspect B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Enhancing Talents Cultivation	P27-30
	KPI B3.1	The percentage of employees trained by gender and employee category (for instance, senior management, middle management)	Enhancing Talents Cultivation
	KPI B3.2	The average hours for completed training per employee by gender and employee category.	Enhancing Talents Cultivation
Aspect B4: Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to preventing child and forced labor.	Protecting Employee Rights and Interests	P27
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	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Construction of Responsible Supply Chain
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	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Providing High-Quality Products to the Public
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	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Customer Service
	Aspect B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Corporate Governance
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