

Yili Sustainable Raw Milk

Procurement Policy

Version: YILI

this context, Yili has formulated this "Yili Sustainable Raw Milk Procurement Policy" (hereinafter referred to as "the Policy"), aiming to continuously promote sustainable raw milk procurement through clear procurement regulations and strict implementation mechanisms, reduce the risk of damage to sustainable development caused by procurement activities, and contribute to building a beautiful future of harmonious coexistence between humans and nature.

Scope

The Policy applies to

1. All departments within Yili which involved in raw milk procurement operations.
2. All external trading partners and upstream entities which have a trade relationship with Yili's raw milk, including but not limited to core suppliers, large animal husbandries and social ranches.

Commitment

Yili Group is committed to actively implementing practical and effective measures in business operations to ensure responsible procurement and management of dairy products in terms of raw milk quality standards, procurement process standardization and supplier management.

Core Principles

Quality and safety first

Uphold the bottom line of food safety, ensure the traceability and controllability of the whole chain of raw milk.

Improve Animal welfare

Respect lives feed scientifically continuously improve the welfare level of dairy cows.

Environment sustainable

Promote pollution reduction and emission reduction, invoke resource utilization and biodiversity protection in the ranch.

Collaborative empowerment

Assist ranches in achieving sustainable transformation by providing technical, financial, and management support.

People-oriented

Ensure the basic rights of ranch employees and promote the increase of income for farmers and herdsmen

Integrity and compliance

Eliminate corruption, fraud and unfair competition, maintain a fair and transparent business atmosphere.

Main Text

1. The Quality of raw milk is in leading position.

1) Build a food safety governance system that covers the entire chain, responds quickly, and has closed-loop management. Covering the entire process of raw milk production, including input control, grass and silage planting, dairy cattle feeding, raw milk production and transportation, and incoming inspection, iterating and improving the food safety management system, and strengthening risk prevention and precaution.

2) Accurately identify high-risk segments and achieve a closed-loop iteration of "warning- response- review - prevention". At the same time, we will promote the digital transformation of the raw milk business, break down system information barriers, ensure 100% traceability of raw milk sources, controllable processes, preventable risks, and accountable responsibilities.

2. Animal Welfare and Scientific Breeding

1) Yili provides free "embedded technology services" and empowerment resources, transmitting advanced breeding technology and management experience to every cooperative ranch. By focusing on the five core elements of cow physiology, environment, health, behavior, and psychology, Yili constructs a "cow lifecycle health and welfare breeding" model; Starting from the five dimensions of "comfort improvement, technical standards, health monitoring, environmental optimization,

and personnel empowerment", a systematic and standardized dairy cow welfare guarantee plan is formed to ensure that welfare concepts run through the entire breeding process and establish a new industry standard in the field of dairy cow welfare.

2) Establish and promote standard prescriptions for the treatment of common diseases in dairy cows, standardize the disease treatment process, guide ranch veterinarians to use drugs scientifically, and ultimately achieve the goal of reducing the use of veterinary drugs. Continuously promote and assist ranches in achieving "healthy dairy farming, improved operational efficiency, and sustainable industrial development" through technical services."

3. Environment Protection and Climate Action

1) Build an "integrated planting and breeding" ecological cycle mode, promote resource recycling by improving the treatment process of ranch manure, scientifically configuring environmental protection equipment and facilities such as solid-liquid utilization systems, and reasonably utilizing organic fertilizers to reduce the use of chemical fertilizers. And promote carbon reduction in cooperative ranches through eight core emission reduction measures from the aspect of fossil carbon, biological carbon, and carbon sink.

2) Promote water-saving work in ranches from three aspects: source reduction, process control, and end of pipe treatment. Guide the ranch to optimize its water use system, water use technology, and reclaimed water reuse system, improve

the efficiency of water resource utilization, and promote regular water risk assessments in the ranch to promote water resource protection and efficient utilization.

3) Develop a "Zero Deforestation" procurement plan for sustainable supply chain of raw milk business, conduct research on soybean meal substitution, gradually implement the "Zero Deforestation" soybean meal procurement work for ranches, and reduce the risks of deforestation and forest degradation.

4. Social Responsibility and Labor Rights

1) Continuously gather global smart resources through empowerment platforms, carry out online and offline training and seminar, drive the skill improvement of industry personnel.

2) Provide safety training and protective equipment to ensure the occupational health and safety of employees, and eliminate child labor, forced labor, and discriminatory behavior to safeguard the basic rights and in¢

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2) The ranch must truthfully report operational data including production, medication usage, and environmental protection, and undergo third-party audits.

3) Encourage ranches to establish internal compliance mechanisms, report unethical behavior, and protect the legitimate rights and interests of whistleblowers in accordance with laws and whistleblower protection mechanisms.

6. Sustainable Certification and Capacity Building

1) Encourage ranches to obtain authoritative certifications such as organic certification, China Good Agricultural Practice (GAP), and ecological ranches.

2) Benchmarking against the "Code of Conduct for Green Development of China's Dairy Industry", we will create a pilot program for "carbon neutral demonstration farms".

3) Provides empowerment services such as technical training, green finance, and expert guidance to reduce the cost of farm transformation.

Policy Supervision

The policy and its implementation are overall supervised by the Sustainable Development Committee of the Raw Milk Business of Yili Group's Liquid Milk Division;

The policy is implemented by the raw milk business unit, and Yili will regularly disclose the progress and effectiveness of sustainable raw milk procurement through channels such as sustainable development reports and official website columns.

Policy Update

Based on the implementation of the policy, business adjustments, changes in policy and regulations, and the latest developments in the domestic and international industries, we will actively listen to the opinions of the government, consumers, non-governmental organizations (NGOs), and industry organizations, thus dynamically revise the policy.

Timely promote and train internal employees and external suppliers on the updated policy, interpret the changes and requirements of the new policy in detail, and ensure that all parties can accurately understand effectively implement accordingly.

