Yili Group Sustainable Palm Oil Sourcing Policy

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Introduction

Inner Mongolia Yili Industrial Group Co., Ltd. (hereinafter referred to as "Yili" or "the Company"), as a world-leading dairy enterprise, is committed not only to being the world's most trusted provider of healthy foods but also to contributing to a better future for society. As a critical raw material for the Company's production, palm oil plays a crucial role in ensuring stable supply chain operations. The Company recognizes the potential risks associated with palm oil cultivation on forest and peatland ecosystems. Yili has issued the *Zero Deforestation Commitment*, pledging to achieve no deforestation in the palm oil supply by 2030. This commitment is guided by the principle of pursuing commercial value while actively addressing climate change, protecting biodiversity, and respecting human rights. In line with these objectives, Yili has formulated the *Yili Group Sustainable Palm Oil S*

Preparation Basis

Yili has formulated this *Policy* in full compliance with all relevant laws and regulations, including the Forest Law of the *People's Republic of China* and *the Regulation on the Implementation of the Forestry Law of the People's Republic of China*. It is also in accordance with international agreements, including NDPE (No Deforestation, No Peat and No Exploitation) and the Kunming-Montreal Global Biodiversity Framework.

Objectives

1. Achieve no deforestation in the palm oil supply chain by 2030, ensuring all procured palm oil originates from regions free of deforestation.
2.

Commitments

To fulfill the objective to achieving no deforestation in the palm oil procurement by 2030, Yili will promote the following commitments in its own operations and in collaboration with all suppliers of palm oil and its derivatives:

1. Achieving no deforestation and no peatland conversion in the palm oil supply chain. This commitment aligns with the NDPE principle, and Yili further clarifies and emphasizes the following requirements:

   No conversion of High Conservation Value (HCV) areas.

   No conversion of High Carbon Stock (HCS) forests.

   No development of new peatlands and existing peatland plantations shall be managed in accordance with *RSPO (Roundtable on Sustainable Palm Oil) Manual on Best Management Practices (BMPs) for Existing Oil Palm Cultivation on Peat*.

   Prohibit land clearing or new plantation development through burning.

   Reduce carbon emissions in the palm oil supply chain through measures including but not limited to the above, so as to protect the forest's carbon sequestration capacity and enhance climate resilience.

2. Respecting human rights, no exploitation and maintaining labor rights. This commitment aligns with the NDPE principle, and Yili further clarifies and emphasizes the following requirements:

   Comply with major international human rights standards as well as local

human rights laws and regulations, ensuring no exploitation, forced labor, child labor or human trafficking.

Protect labor rights, prioritize occupational safety and health, and provide effective protective measures to prevent work-related safety and health hazards.

Provide equal opportunities to all employees regardless of race, nationality, religion or gender, guaranteeing equal pay for equal work and equitable access to information and resources.

Ensure all employees receive compensation no less than the statutory minimum wage, with working conditions including hours, rest days, and overtime compensation compliant with laws and labor agreements.

Uphold the freedom of association and the effective recognition of the right to collective bargaining.

Severely prohibit harassment, intimidation, violence in workplaces, and promptly adopt investigation and corrective measures.

3. Respecting the rights of local communities, indigenous people and other stakeholders

   Ensure local communities, indigenous people and other stakeholders' right of Free, Prior and Informed Consent (FPIC) in the use of land and resources they legally or customarily possess.

   Provide an accessible grievance mechanism and resolve all stakeholders' complaints and conflicts through an open, transparent, and consultative

procedure.

4. Achieving transparency and traceability in the palm oil procurement supply chain

   Promote palm oil traceability, continuously increase the proportion traceable to refineries and plantations, and conduct verification of traceability status.

   Encourage suppliers to utilize satellite technology or third-party partnerships for timely monitoring of forest cover changes at palm oil production sites, and to conduct further investigation and remediation as needed to mitigate deforestation risks across the supply chain.

   Encourage suppliers to participate in industry organizations and adopt best practices to further advance the traceability of the palm oil supply chain.

5. Partner with smallholder farmers to integrate them into sustainable palm oil supply chains. Yili is committed to improving their livelihoods with transparency and fairness, and to driving adoption of responsible practices by raising awareness.

6. Implement ecological restoration and conservation in at-risk palm oil production areas to ease deforestation pressures and protect biodiversity.

Supplier Management

Yili will strengthen its supplier management to support no deforestation in the palm oil procurement:

1. Supplier selection: In the selection of palm oil suppliers, all candidates are

sustainability reports, corporate website, and other public channels.

2. Grievance Mechanism: Yili has established a dedicated email (sustainability@yili.com) for receiving reports and grievances concerning alleged violations of this *Policy*. All submissions will be promptly acknowledged, thoroughly investigated, and addressed. The personally identifiable information of reporters will be treated with strict confidentiality.

Policy Updates and Improvements

1. Regular review: The *Policy* will be reviewed by Yili every two years, considering industry trends, regulatory updates, and strategy changes, to ensure its ongoing relevance and effectiveness.
2. Continuous improvement: The *Policy* will be promptly updated based on review outcomes. Furthermore, reasonable suggestions from stakeholders will be actively integrated to refine its content and implementation, fostering continuous advancement in sustainable palm oil procurement.

