

2023

**Environmental, Social and
Governance Report**

Yatsen Holding Limited

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CEO's Message

Perseverance leads to success. 2023 marked the seventh anniversary of Yatsen's establishment and a crucial year for us to advance steadily toward high-quality development.

As “the leader of Chinese Beauty”, we diligently advance ESG governance and embed the concept of sustainable development into every aspect of our operations, including technological R&D, product services, talent cultivation, and public welfare initiatives, to continuously create value for the environment and society. Guided by our sustainability strategy, Yatsen not only breathes new vitality into “Chinese Beauty” but also infuses deeper meaning and significance into high-quality development.



Founder, Chairman of the Board,
and CEO of Yatsen

黄锦峰

Science-Based Governance for Robust Development

Adhering to the core philosophy of science-based governance, Yatsen continuously enhances corporate governance, strengthens intellectual property protection, and bolsters information security guarantee. Our goal is to establish a leading brand in the Chinese beauty industry and showcase the beauty of corporate development by integrating innovation and responsibility.

Our sustainable governance framework enables more efficient and transparent decision-making, thereby laying a solid foundation for long-term growth. Meanwhile, we prioritize registering intellectual property rights, increasing R&D investment, and protecting our innovative achievements, in a bid to earn widespread market recognition with our exceptional products.

Yatsen is unwavering in its commitment to consolidating information security. By leveraging a comprehensive information security guarantee framework and cutting-edge technologies, we fully safeguard the data security of the Company and our users.

Relentless Beauty Exploration for Innovative Products

In our relentless pursuit of excellence, Yatsen boldly pioneers the integration of beauty and technology. Upholding the strategic framework of the “Yatsen Technology Road”, we integrate world-leading research resources and empower brand development through an independent innovation strategy. With a well-developed innovative R&D ecosystem chain and leading manufacturing capabilities, we have created exceptional products and extraordinary brands.

Staying true to our original aspiration of “creating value for our consumers”, we strive to optimize the customer experience and improve customer satisfaction. To this end, we strictly control the safety of raw materials and the quality of our products. We also actively engage in responsible marketing, consistently improve product quality, and raise satisfaction with service experience. While providing global consumers with premium products, we also seek to leave a lasting impression with our genuine dedication and care.

Sustainability Practices for a Greener Future

Amidst the challenges and opportunities posed by global climate change, Yatsen steadfastly implements its “dual carbon” actions and embraces green development through endeavors such as eco-friendly packaging, low-carbon transportation, and green office. To build a responsible supply chain, we continuously refine our supplier management system and prioritize the procurement of raw materials with lower environmental and social impacts. Through these efforts, we aim to craft sustainable products.

Looking ahead, we will proactively strengthen carbon emission management and encourage suppliers across the value chain to engage in sustainable material certification and carbon reduction efforts. Our goal is to jointly reduce carbon emissions across the entire value chain and work together with our suppliers to build a sustainable development ecosystem.

In addition, we are continuously exploring innovations and optimizations in packaging materials. With a focus on reducing, sustainably using, and efficiently recycling these materials, we aim to minimize their environmental impact and promote the concept of green consumption among consumers. Our efforts not only lessen the environmental burden but also contribute to building a more beautiful planet.

People-Oriented Philosophy for a Vibrant Workplace

Talent is a cornerstone to underpin high-quality corporate development. Yatsen always upholds the talent development philosophy of “respect for employees above all”.

In 2023, Yatsen was proud to receive the DEI Employer Award 2023 from the Employer Branding Institute in recognition of our outstanding performance in terms of talent cultivation, employee care, and corporate development.

We broadly attract and nurture high-caliber talent, actively maintain close communication and collaboration with our employees, and understand their needs and expectations. The Company strives to create a diverse, equal, and inclusive workplace which provides a wide range of excellent learning conditions and development opportunities. We also care about the physical and mental health of our employees and support their diverse growth, as part of our efforts to jointly build a brighter future.

Spreading Warmth Toward a Beautiful Society

On our journey to exploring beauty, Yatsen has always closely linked corporate development with social responsibility. With the power of technological innovation, we continuously discover, protect, and create beauty, contributing to a more beautiful society.

We steadfastly execute our Corporate Social Responsibility (CSR) strategy and delve into women’s empowerment, preservation of beauty in nature, and conveying the beauty of goodwill. Through various initiatives such as the “Create Better Life with Beauty Makeup” beauty makeup training program, we empower women to shine both in the workplace and daily life. By protecting endangered animals and caring for stray cats and dogs, we explore harmonious coexistence with nature. Through volunteer activities such as “Green Computer Rooms Donation”, charity sales, and book donations, we spread warmth to society and help to achieve the United Nations Sustainable Development Goals (SDGs).

Conclusion

Looking back on our journey of exploration, innovation, and breakthroughs, we have consistently adhered to the principle of business for good. We embrace green, low-carbon development as a means to give back to society and take on our responsibilities. Filled with confidence and anticipation for the future, we are eager to collaborate with all sectors of society to create a better world, build a sustainable future, and showcase the sustainable “Chinese Beauty” to the world from multiple perspectives.

Our Highlights in 2023

ESG Highlights in 2023

Corporate Governance

100%

of employees took part in business ethics training



4,693

IP rights were registered domestically and abroad



Environmental Responsibility

The packaging material use intensity was

0.04 tons per RMB10,000 revenue

100%

of the packaging for EVE LOM products was recycled¹



All Galénic products² adopted

FSC-certified environment friendly paper

Warehouse lighting saved

170,000 kWh of electricity throughout the year



Product Quality

R&D expenses were

112 million

3.3%

of our total net revenues



The average customer satisfaction rate of all brands on Tmall platform reached

94%



We applied for

203 patents

including

91 invention patents

The number of one-on-one customer contact with the customer service team reached

5,923,513 person-times



The annual and unannounced inspection pass rate of our finished product suppliers reached

100%



with

57 invention patents granted



¹The recycled products are marked with the Green Dot.
²They refer to the gift boxes of Galénic products in China.

Responsibility for Employees

78.5%

of employees
were female

21.6%

of employees
participated in the
Share Incentive Plan

The total training hours
reached

4,342 hours



Social Influence

120 females

In 2023, the three-session second season of the “Create Better Life with Beauty Makeup” Program was aunched in Guangzhou, empowering 120 females in difficulty from Guangdong Province

Yatsen recorded an annual
total charity donation of

RMB 2.197 million



Yatsen had donated

306 computers

7 projectors

to numerous towns in
Guangdong Province,
and donated

RMB 10 million

to the Education Development
Foundation of Sun Yat-sen
University over three years



PERFECT DIARY



ESG honors in 2023

The Paper 2023 Annual Responsibility Practice Sustainability Award	The Paper	Responsible Enterprise Award	China Consumer Reports	DEI Employer® Awards (China)	DEI Employer
Technology Innovation Contribution Award at 2023 High Quality Development Annual Summit	Guangzhou Daily	2023 ESG Innovation Enterprise	TMTPOST	2023 ESG Corporate Star	China Investment Network, Biaodian Institute of Finance, ZMONEY.com.cn
Emerging ESG Pioneer Award at the 2023 (7th) CSR Development Forum	Beijing Business Today, Chinese & Foreign Corporate Culture	2023 ESG Innovation Practice Case Award	Snowball Finance Inc.	2023 Outstanding ESG Practice Enterprise	Thinking Finance, www.investor.org.cn
2023 Excellent Enterprise in Innovative ESG	New Express				



Brand honors in 2023

Perfect Diary

Forbes China BEAUTY AWARDS
TOP 100

Forbes China

C-Beauty Innovation Award

WWD BeautyInc Awards

2023 New Product
Marketing Award

The Time Weekly

2023 Influential New Consumer
Brand of the Year

Retail ECO

Little Ondine

VOGUE Beauty Award 2023 Eye Makeup Category
White Pen Eyeliner Pen

VOGUE

2023 Beauty Awards Annual Contouring
Face Palette
Sculptor Highlight and Contour Palette

L'OFFICIEL

2023 Beauty New Trend List Product Award
Inherently Wild Dual-Head Molding Eyebrow Pen

CIBE

JD Little Magic Cube
2023 New Product Ecological Incubation Award

JD.com

Galénic

Environmental Leadership Award

CCI France Chine

Marie Claire Top 100 2023
List of Luxury and Energizing Face Creams

Marie Claire

Summer Bazaar Beauty Award 2023
"Popular Face Cream in Summer"

Harper's Bazaar

Sina 2023 "Beauty100"
Award for Scientific Research on Skincare

Sina "Beauty100"

EVE LOM

Marie Claire Top 100 2023
List of Nourishing and Softening Skincare Oils

Marie Claire

The 4th BeautyInc Awards
New Skincare Products of 2022

BeautyInc

Madame Figaro Beauty Star List of
"Inheritances of Beauty"
Best Cleansing Cream of the Year

Madame Figaro

L'OFFICIEL 2023 Beauty Awards
Award for Luxury and Nourishing
Makeup Cleansing Balm

L'OFFICIEL

Pink Bear

2023 CIBE Beauty Trends
Awards- Brand Award

CIBE (China International
Beauty Expo)

Newcomer of the Year

WWD BeautyInc Awards

Trusted Cosmetics of the Year
Bubble Water Gloss Lip Glaze

Sohu Fashion

VOGUE 2023 Color Development Award
Girl Dreamland Nine-Color Eyeshadow

VOGUE

DR.WU

Asia's Leading Mandelic
Acid Skincare Brand

Euromonitor

Douyin's Top 100 Beauty Power
Goods Gold List

Douyin

2023 CHINA'S TOP FORMULA
-Best Acne Treatment of the Year

HUAZHUANG, CBC
China Society of
Cosmetic Chemists

Annual Cool Brand
China Cosmetics Black Swan Award

Jumeili

About Us

Company Profile

Founded in 2016, Yatsen is a rising leading beauty group in China with multiple brands. The Company has received various honors, such as the 2021 Most Promising Group of the Tmall Golden Makeup Award, the 2022 Beauty Inc Award by WWD, and the 2023 Responsible Practice and Sustainable Development Award by The Paper. In November 2020, Yatsen was listed on the New York Stock Exchange (NYSE) and continued its journey as a young Chinese beauty company listed on the market.

With the mission of being “the leader of Chinese beauty”, Yatsen is committed to becoming “a health and beauty explorer in the new technology era”. We have launched and acquired multiple fast-growing color cosmetics and skincare brands, including *Perfect Diary*, *Little Ondine*, *Pink Bear*, *DR.WU* (Chinese mainland business), *Galénic*, *EVE LOM*, and *EANTIM*.

At Yatsen, we persist in tapping the full potential of innovation and enhancing our R&D capabilities. Our goal is to offer consumers a broader range of high-quality and innovative products and experiences. Since FY2020, Yatsen has been at the forefront of the industry with the total R&D investment exceeding RMB450 million. The Company has established the Shanghai Global Innovation R&D Center, the Guangzhou R&D Center, and the Toulouse R&D Center in France. As outlined in the “Yatsen Technology Road” plan, we have been integrating globally leading R&D resources. Yatsen has also maintained in-depth cooperation with numerous renowned institutions both domestically and internationally, such as the CAS Key Laboratory of Molecular Nanostructure and Nanotechnology, the National Engineering Research Center for Nanomedicine, Shanghai Ruijin Hospital, and Sun Yat-sen University. As of the end of 2023, Yatsen had applied for 203 patents globally, including 91 invention patents, with 57 granted.

Corporate Culture

Corporate Vision

A health and beauty explorer in the new technology era



Corporate Mission

The leader of Chinese beauty



Values

Create values for customers, partners and employees

Results-oriented, respect KPI

Focus on getting things done, de-hierarchy and de-bureaucracy

Drive, Smart, Beauty

All In

Keep young, Be happy



Brand Matrix



Perfect Diary



Little Ondine



Pink Bear



DR.WU



Galénic



EVE LOM



EANTIM

Scan the QR code to get the latest news from brands

SDGs covered in this chapter:



ESG issues covered in this chapter:

- Corporate Governance
- Business Ethics

01 Science-Based Governance for Robust Development

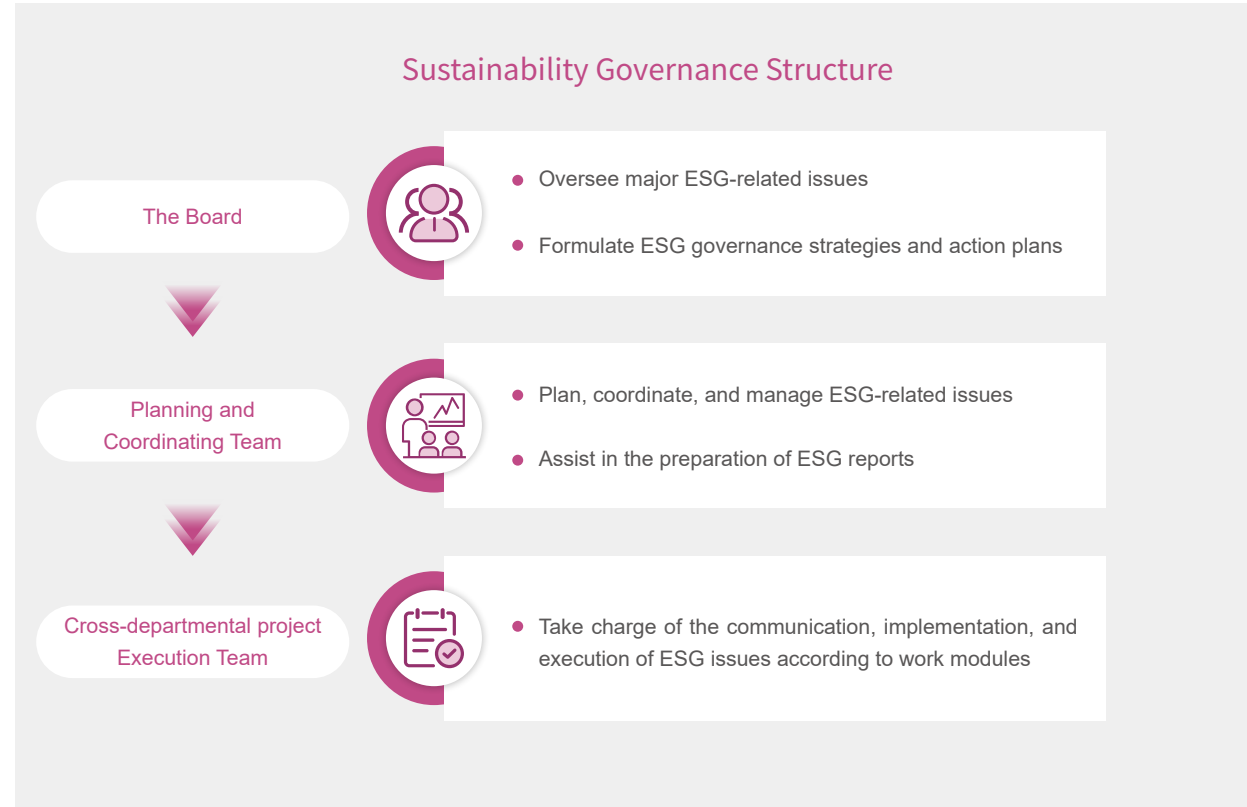
Upholding the science-based governance philosophy, Yatsen establishes sustainability governance framework, improves corporate governance, strengthens intellectual property rights protection and information security guarantee, in a bid to enhance corporate governance capacity, thus pursuing the beauty of corporate development.

Sustainability Governance

Yatsen diligently cares about environmental and social impacts of our operations, making continuous efforts to improve governance framework for our sustainable development. We maintain intensive communications with all stakeholders to promote our low-carbon development and stable operations in a responsible way.

Sustainability Governance Structure

We improve the sustainability governance structure and develop the management hierarchy in which the Board serves as the leader, the public relations department as a coordinator, and all departments as collaborators. The Board of the Company bears the responsibilities of formulating ESG governance strategies and action plans, and regularly oversees and reviews major ESG-related issues and related performance. The public relations department, as the Planning and Coordinating Team, is responsible for planning, coordinating, and implementing ESG-related workstreams across the firm, in addition to preparing the ESG report. The Planning and Coordinating Team assembles a multi-disciplinary team called the Cross-departmental project Execution Team, which covers issues such as corporate governance, environmental management, production safety, chemical safety, employee management, and customer service. The Execution Team is responsible for managing and implementing specific aspects of ESG initiatives in their respective functional area, as well as reporting ESG-related information on a regular basis.



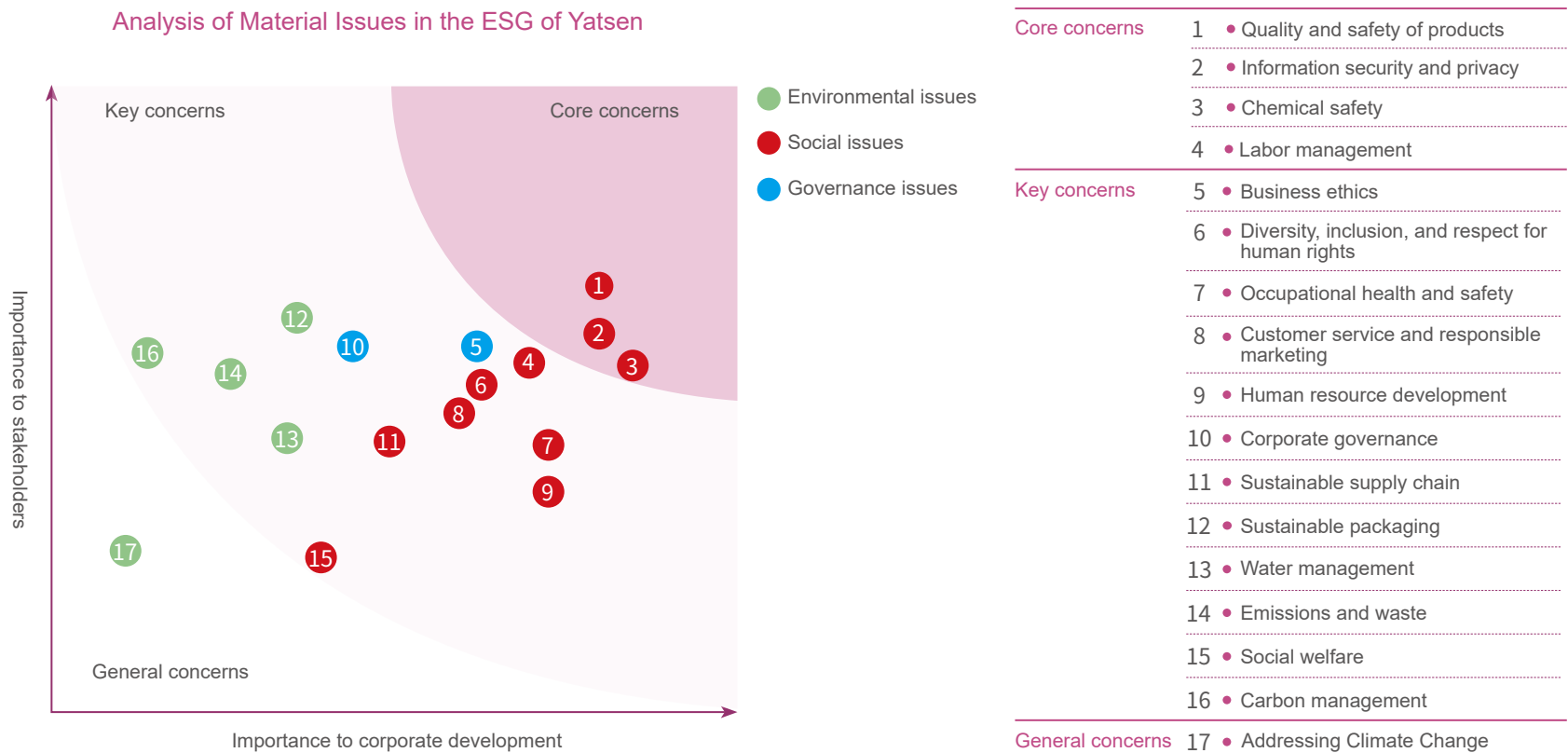
Communication with Stakeholders

We cooperate with major stakeholders and provide them with diverse communication channels. We actively learn and respond to their appeals and suggestions, and join hands with them to build a sustainable future.

Stakeholders	 Consumers	 Investors	 Employees	 Suppliers	 Government and regulatory agencies	 Community and public
Expectations and demands	• Better products and services • Customer privacy protection • Diverse product needs satisfaction • Customer rights and interests guarantee	• Sustained and stable returns • Sound corporate governance • Information disclosure and transparency	• Protection of the legitimate rights and interests of employees • Healthy and safe working environment • Employee training and development	• Fair trade • Integrity and reciprocity • Sustainable partnerships building	• Compliance operation • Safe production • Energy saving and emission reduction and environmental protection • Healthy development of the industry	• Environmental responsibility • Social welfare • Community building and development
Communication methods	• Customer feedback channel • Satisfaction surveys • Company official website • Social media interaction	• Investor meetings • Periodic reports • Company official website • News media	• Internal office system • Employee training • Employee activities • Employee satisfaction surveys	• Supplier evaluation • Cooperation agreement • Site visits • Supplier meetings	• Periodic reports • Regulation and supervision • Daily communication	• Community activities • Charitable activities • Media reports • Company official website

Materiality Assessment

During the Reporting Period, we identified 17 ESG issues based on internal stakeholder communication, peer benchmarking, with reference to ESG concerns by the capital market and best practices of domestic and foreign peers. We conducted materiality assessments in the form of questionnaires. Based on such materiality assessment combined with ESG issues, we have concluded a ranking of materiality of ESG issues among the directors and management, consumers, investors, employees, suppliers, and other relevant parties of the Company, which serves as an important reference for the disclosure of our 2023 ESG Report.

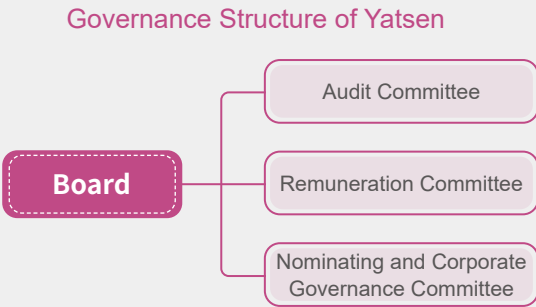


Corporate Governance

Yatsen has established a governance structure in compliance with the laws and regulations pertaining to listed companies by the U.S. Securities and Exchange Commission and the New York Stock Exchange, in a bid to ensure compliant and efficient corporate governance and secure robust and stable corporate development.

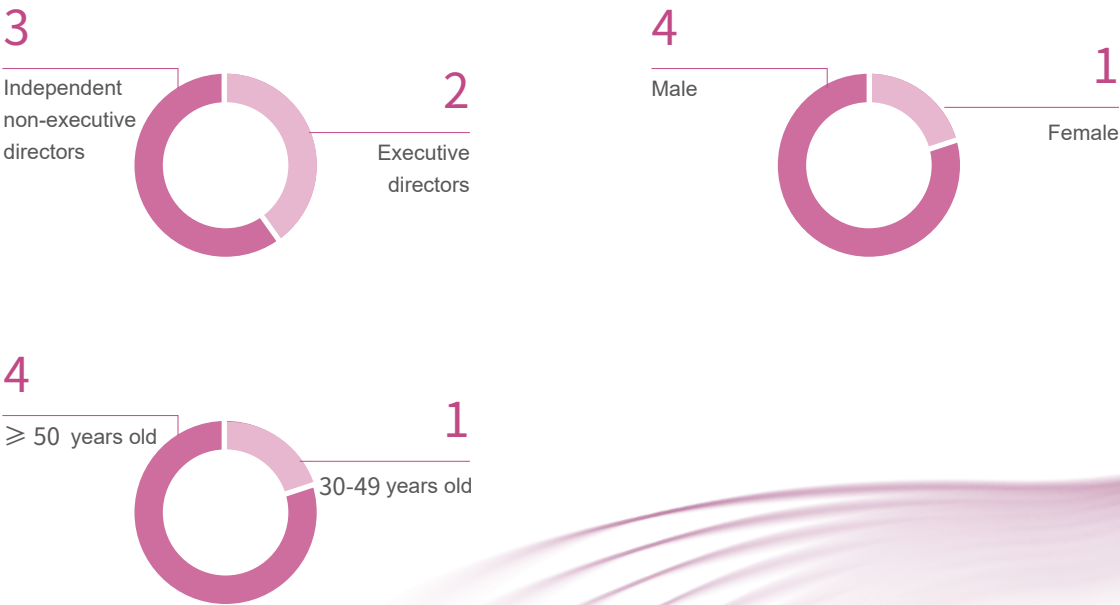
Governance Structure

We have established our Board and its Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee in accordance with listing rules in the United States. Information about our Board and each director are accessible to investors upon request on our [Investor Relations website](#).



Board Diversity

We are committed to enhancing board diversity by focusing on the representation of female directors and independent directors, as well as the composition and diversity of the Board, with a view to satisfy strategic development of the Company and evolving market requirements. In nominating and appointing members of the Board, we consider comprehensive factors including gender, age, industry experience, professional background, and educational qualifications, to ensure the professionalism of board members.



Risk Management and Internal Control

We continuously strive to enhance our risk management and internal control mechanisms to raise awareness of preventing compliance risks. By ensuring effective risk identification and management, we can sustain stable and uninterrupted operations.

Solidifying risk management framework

We make unremitting effort to solidify risk management framework and promote a regular risk reporting mechanism. Our Chief Financial Officer (CFO) is responsible for overseeing risk management. Heads of each department review potential risks related to their respective business areas, report any major risks found to the CFO at the quarterly risk meetings, and discuss prevention and improvements programs for the risk items. Additionally, the Audit Committee regularly assesses the effectiveness of the Company's internal control policies and systems, thus preventing legal compliance risks. In 2023, we organized departmental improvements of existing protocols and policies to comprehensively review the integrity of the risk management framework.

Improving risk management system

We constantly strengthen the building of risk management systems, as well as the management of risks in relation to mergers and acquisitions, and operations in capital markets. With respect to mergers and acquisitions, we conduct comprehensive due diligence procedures across business, legal and financial aspects, aiming to ensure potential risks identified and preventive measures adopted prior to project initiation. We also make reports to relevant committees at key project timelines, in a bid to ensure sustained and effective risk management. As for operation risks in capital markets, we hire top legal agencies as our counsels to ensure corporate practices in compliance with latest laws and regulations.



Performance Highlights

- ✓ In 2023, we conducted self-assessments on internal control, covering **16** core business procedures, with **556** control items identified, increasing by **68** compared with 2022.

Effective and responsive public relations management

The Company places a high priority on monitoring and responding to public opinion. To effectively address relevant public opinion risks, we have formulated a sound daily public opinion monitoring and early warning system. This system enables us to detect early signs of public opinion, identify popular topics, events, and trends in time, and develop targeted response measures to nip the crisis in the bud. For internal risks that may trigger public opinion, we have implemented a proactive investigation mechanism. To better tackle potential risks, we engage in early detection, thorough communication, and contingency preparation.

In 2023, we conducted three types of public opinion training for different brands, including live streaming rooms, co-branded IP projects, and new product launches. Meanwhile, we explored a wide variety of training formats, including spokesperson crisis drills, crisis management response drills, and media interview response training. These measures aimed to enhance employees' sensitivity and predictive abilities in response to crisis events, lay a foundation for crisis prevention and response, and ultimately strengthen the crisis response capabilities of both the Company and all employees.



Timely monitoring

We engage professional public opinion monitoring companies to collect and analyze data from the internet, leverage keyword monitoring and big data analysis capabilities to extract relevant information, and promptly identify negative public opinion risks with the aid of manual reviews.



Rapid reporting

In the event of a negative public opinion incident, we rapidly report it under the principle of "confirming facts, reporting in detail, and communicating with the higher-level authority", clarify the basic facts, and categorize the incident according to its severity.



Timely feedback

We develop and implement a public opinion response strategy based on factors such as the cause, investigation results, and stakeholders' interests. A detailed execution plan is then put in place.



Continuous monitoring

We distribute the execution plan to relevant departments responsible for implementing it in stages. We also continue to monitor the situation and refine our response strategy and plan as needed.



Post-incident review

After the public opinion incident has been resolved, we reflect on the effectiveness of our response in time and facilitate the optimization and updating of public opinion handling tools and processes.

Investor Communication

In accordance with the rules and regulations where we are listed, we regularly disclose our financial results, operational achievements, strategic planning and other information, providing investors with timely access to our detailed updates. In the meanwhile, we put in place diverse communication channels for them, including telephone, email, online meeting, and investor briefing, facilitating efficient interactions and concern responses. We also collect their feedback and suggestions, enhancing mutual trust and promoting cooperation between the Company and investors.

We tirelessly improve information disclosure quality, disclose quarterly and annual performance reports in compliance with laws and regulations, and issue announcements as required. We value honesty and integrity of information disclosure, enabling investors to acquire accurate understanding of our operational status and development trends, thus protection their rights and interest.



Performance Highlights

- ✓ In 2023, we held **4** quarterly results meetings and about **120** investor communication meetings and roadshows.

Business Ethics

We strictly abide by the relevant provisions of the *Anti-Monopoly Law of the People's Republic of China* and the *Anti-Unfair Competition Law of the People's Republic of China*. We constantly optimize our business ethics and anti-corruption management mechanisms, as well as reporting mechanisms to protect the legitimate rights and interests of whistle blowers. We strengthen our compliance review and integrity education. With these endeavors, we are committed to creating a transparent, responsible, sustainable business environment with our partners.

Sound Governance Framework Code of Conduct

We have established an internal supervision and inspection mechanism to ensure effective management of business ethics and matters regarding internal control. This mechanism is authorized by the Board, supervised by the Audit Committee, and actively involves relevant business departments such as audit, risk control, finance, and legal affairs. During the Reporting Period, the Company was not involved in any cases involving corruption, bribery, extortion, fraud, insider trading and money laundering.

The Company has published the *Code of Business Conduct and Ethics* in line with the legal and regulatory requirements of the listing location and operating locations, to ensure integrity and compliance in our operations. We have developed *Integrity and Anti-Corruption Regulations for Employees* that encompass strict guidelines on anti-bribery, anti-corruption practices, and internal whistleblowing management. Additionally, we require all employees (including part-time employees and contract employees) to sign the *Employee Handbook*, in a bid to guide employees' conduct. We require all suppliers to sign the *Integrity Commitment* or the *Code of Conduct of Business Partners* to publicize ethical requirements and anti-corruption policies of the Company and maintain a market environment of fair competition. In addition, we regularly invite external experts to provide education on legal risks for all employees, including permanent employees, part-time employees, contract employees, and interns, to improve their understanding of the Company's values and ethical requirements and enhance their ability to identify and prevent business risks.



Performance Highlights

- ✓ In 2023, we conducted training on business ethics in the forms of special training, orientation training, releasing integrity announcements, and signing the letter of commitment, with **100%** employee coverage.

Stringent Compliance Review

We constantly strengthen our internal compliance review. The internal audit and control department performs a comprehensive audit on the Company's business conduct and ethics across the entire company at least once every three years to ensure the effectiveness of the policy. Furthermore, we carry out internal and external control review projects covering all operational sites of the Company on a regular basis. Meanwhile, we initiate special reviews on personal information protection and office system access management and undertake unannounced inspections of units, such as stores and warehouses. With these efforts, we identify potential issues and take measures to rectify them in a timely manner, in a bid to strengthen the internal control system and ensure the compliance and security of the Company's operations.

Protecting Whistleblowers' Rights

Multiple reporting channels such as hotline, email and mailing address are published on our official website, in supplier contracts and our publicly available *Code of Business Conduct and Ethics* to facilitate complaint reporting of the stakeholders. We make continuous efforts to optimize the reporting handling process. Once receiving a report, dedicated personnel will conduct investigations and follow up the reporting. Decisions will be made after investigations and the whistleblower will be notified. Meanwhile, before implementing relevant decisions, we provide the parties concerned with time and channels to appeal. We attach great importance to protecting the privacy of whistleblowers and assign dedicated personnel to the handling of all reports. Any retaliatory actions against whistleblowers are strictly prohibited and will be handled severely once discovered.

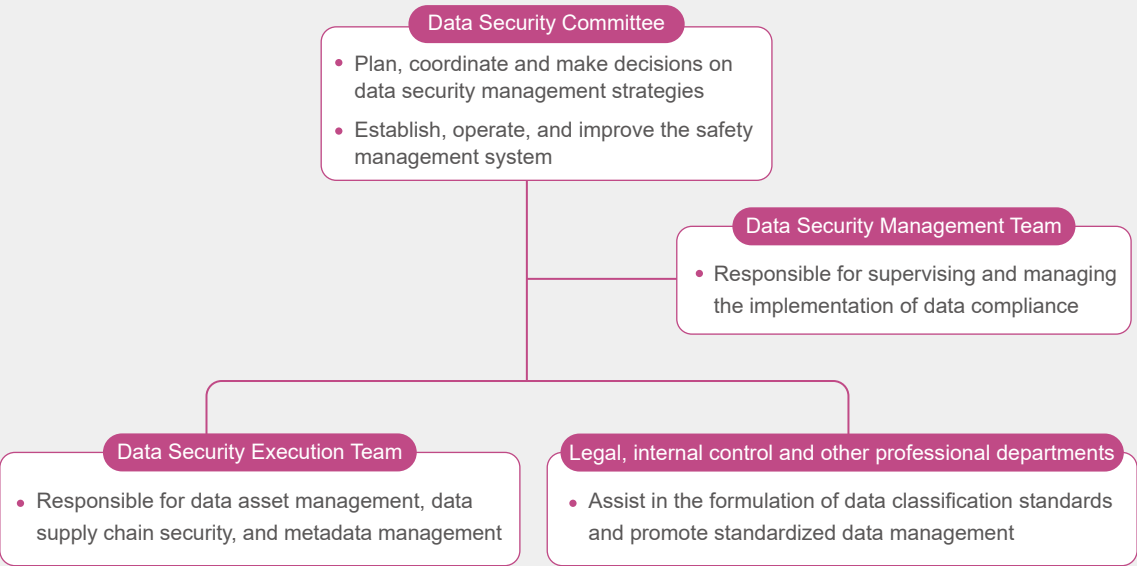
Information Security

We comply with relevant laws and regulations, such as the *Cybersecurity Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China*, and the *Personal Information Protection Law of the People's Republic of China*. In addition, we have established management standards and codes of conduct, including the *Data Security Management System*, the *Data Classification Table* and the *System Account and Authority Security Management Standard*, to protect user privacy and data security to build a secure and reliable network environment.

Organizational Structure of Management System

Yatsen has implemented a robust three-tier information security management structure, consisting of the Data Security Committee, the Data Security Management Team, and the Data Security Execution Team, to ensure the Company's data security and user privacy.

Organization Structure of Information Security Management System



Construction of Information Security

Yatsen constantly improves security systems and information security technologies to effectively protect the information security of the Company and our users. In 2023, we updated a series of internal documents, including the *Data Security Management System* and the *Administrative Measures for Information Security Incidents and Emergency Responses*, in accordance with relevant national laws and regulations. These updates further clarified the governance structure for personal information protection and improved the emergency response mechanism for data security incidents.

Emergency Response Mechanism

Yatsen has established an effective and scientific information security emergency response mechanism to standardize our data processing activities and protect the legitimate rights and interests of the Company. We continuously optimized the mechanism for handling data security incidents and the emergency plan for personal information security incidents. We also further improved our capacity to handle information security emergencies and formed a more scientific, effective, and reactive emergency response mechanism.

Data Security Handling Mechanism

Verify and confirm

The IT information security team and the business department work together to verify and confirm any data security incidents that occur and determine their level of severity, and record truthfully the content of the incidents.



Take measures

Further action will be taken to verify and assess the incident, including its cause, time, and scope. Based on the severity and impact of the incident, relevant departments will hold discussions and take emergency measures to prevent any further damage or loss. This may include temporarily blocking the source of the leak, repairing any vulnerabilities, and strengthening the security of the affected system.



Evaluate and record

A thorough evaluation will be conducted to determine whether the incident poses any harm to individuals or organizations. A data security incident report will be prepared in a timely manner, documenting the incident's details such as the security incident, risk status, relevant consequences, remedial measures, and any other pertinent aspects.



Notify

The notification of the data security incident report will be made to the relevant parties within three working days of the incident occurring. This notification can be made via telephone, SMS, instant messaging tool, email, or any other appropriate means. In cases where notification is not possible, a public announcement can be made.



Review

After reviewing the data security incident, the IT information security team will identify the root causes of the protection failure, propose solutions to address the identified problems, and coordinate resources for reinforcement and protection. In addition, the team will take actions to strengthen daily compliance review of data handling, investigation of information system security, and employee training on data protection awareness and skills.



Internal Security Assessment

The Data Security Execution Team conducts annual data security assessments. These assessments include evaluations of key aspects such as the collection, storage, usage, and transmission of personal information within our systems to maintain the effectiveness and compliance of the information systems.

External Security Certification

We engage security consulting agencies to conduct regular inspections and assessments of our information systems and network. This constitutes the basis of our ongoing efforts to update our information systems and enhance data and network security. In 2023, our core system obtained the Grade III Protection of Information Security certification from Guangzhou Municipal Public Security Bureau.

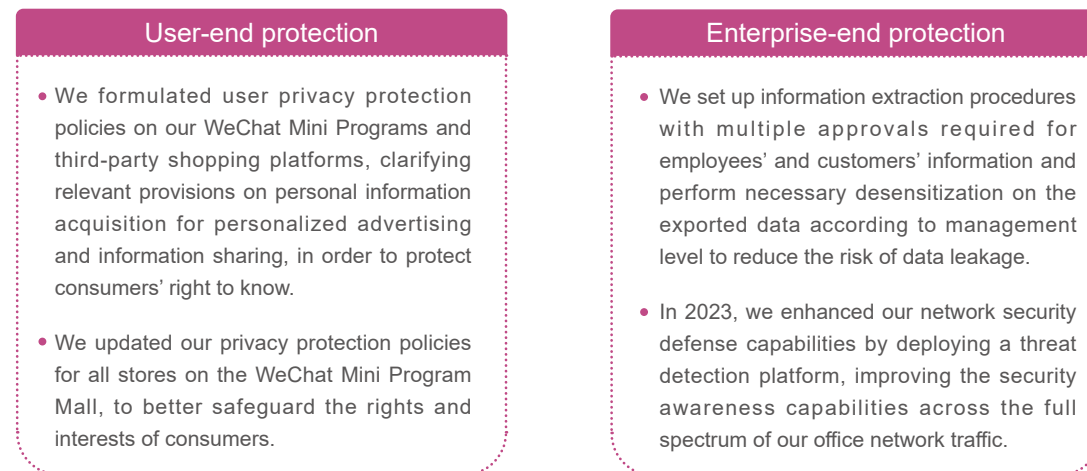
Information Security Education

We periodically organize cybersecurity training to elevate employees' awareness about the significance of cybersecurity and bolster their consciousness and proficiency. Moving forward, we are planning targeted training sessions on information security across the Company to effectively enhance the information security identification and management capabilities of all employees. These training sessions include diverse workplace scenarios such as phishing, password security, data protection, and customer information protection.

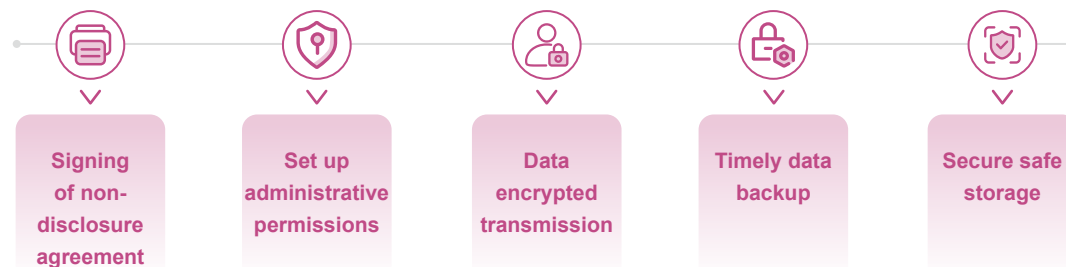
Information Protection Measures

Yatsen highly values users' data security and privacy protection and has established a strict management system for user and enterprise ends respectively to create a secure and reliable service environment for users.

End-to-End Privacy Protection



Measures of Data Security Management



Intellectual Property

As a brand right-holder, Yatsen strictly follows the *Trademark Law of the People's Republic of China*, the *Patent Law of the People's Republic of China*, as well as other applicable laws and regulations of the place where we operate. We have formulated internal systems such as the *Trademark Management Standard Handbook*, in order to comprehensively strengthen the protection of intellectual property rights and enhance our competitiveness.

We highly value our achievements in intellectual property rights which play a vital role in driving innovation and shaping business strategies. We have established a designated intellectual property management team to strictly manage the application, maintenance, use, licensing and transfer, risk prevention and control of intellectual property rights such as trademarks, patents, and copyrights, with firewalls and arsenals in place for infringement. Furthermore, we have integrated the patents registered domestically and internationally, refining our patent management system.

Our vigilance in safeguarding intellectual property rights has been markedly enhanced through strategic collaborations with the legal sector and government agencies, embarking on comprehensive protection initiatives. Leveraging online self-inspection platforms, we have swiftly and effectively addressed over ten thousand infringing links, demonstrating our commitment to resolving intellectual property-related disputes efficiently and effectively.

We give priority to improving the employees' awareness of intellectual property rights, continually optimizing and refining our intellectual property management system while respecting and protecting the intellectual property rights of third parties. In 2023, we organized two dedicated intellectual property-specific training sessions targeting various business departments.



Performance Highlights

- ✓ As of the end of the Reporting Period,

we had applied for **203** patents,

with **169** granted.
- ✓ As of the end of the Reporting Period,

we had **2,001** domestic

and **2,314** international

trademarks, with **175** copyrights

registered.

Case Cracking Down on Fake Production and Sales Gangs Across the Chain to Safeguard the Company's and Consumers' Rights and Interests

In 2023, Yatsen joined hands with local law enforcement authorities to crack down on counterfeit and fake cosmetics, shutting down 5 illegal production sites and preventing the circulation of 35,000 boxes of counterfeit and fake cosmetics in the market. This effectively protected consumers' rights and our brand image, earning us recognition as a typical case by the Ministry of Public Security.

5 illegal production sites
shutting down



Case Perfect Diary Is Recognized as One of the "Top 50 Guangdong High-Valued Trademark Brands"

In 2023, thanks to its steadfast commitment to intellectual property protection and sophisticated brand management strategies, "Perfect Diary," a brand under Yatsen, was recognized as one of the "Top 50 Guangdong High-Valued Trademark Brands." This recognition further propels the global presence of the "Guangzhou story" and the "Chinese story".



Perfect Diary is Recognized as One of the "Top 50 Guangdong High-Valued Trademark Brands"

SDGs covered in this chapter:



ESG issues covered in this chapter:

- Product Research and Development and Innovation
- Quality and Safety of Products
- Chemical Safety
- Customer Service and Responsible Marketing
- Sustainable Supply Chain

02 Relentless Beauty Exploration for Innovative Products

Yatsen is committed to providing industry-leading products and services. Driven by technological innovation, Yatsen prioritizes the R&D and production of sustainable products, ensuring product quality and safety. Firmly believing in a consumer-centric philosophy, Yatsen practices responsible marketing to earnestly safeguard the rights and interests of consumers. Yatsen advocates win-win cooperation, continues to improve the supplier management system, and improves the quality of suppliers, aiming to honor social responsibility with all stakeholders.

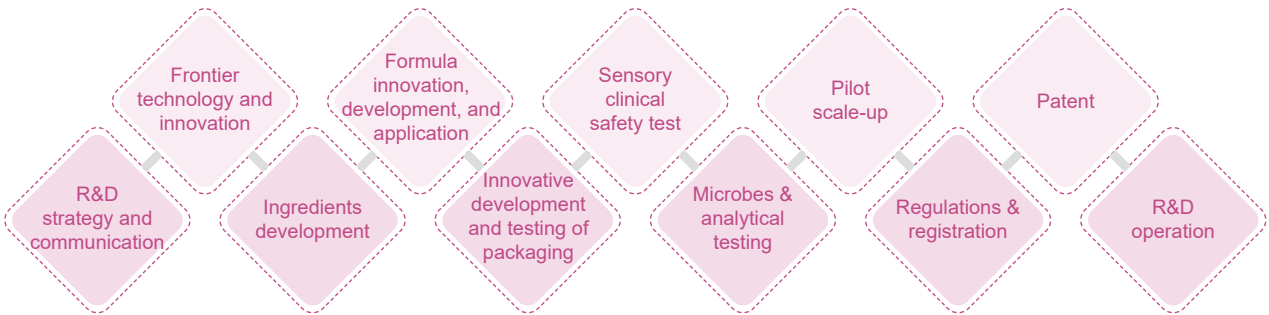
Product Development and Innovation

Yatsen prioritizes product innovation and development, persisting in enhancing our R&D capabilities, tapping the full potential of innovation, and empowering the brand's core competency through innovation. Drawing on our profound insights into the diversified needs of consumers, Yatsen continuously strengthens the multi-dimensional capacity of our teams and actively participates in industry exchanges, driving R&D breakthroughs through category innovation, while empowering category innovation through product R&D. Our goal is to explore and offer consumers premium products to meet their expectations.

Enhancing R&D Capabilities

Solidifying R&D capabilities is pivotal to technological innovation. We continuously enhance our R&D management system, constructing a scientific and all-encompassing organizational framework spanning 11 critical dimensions, such as ingredients, formulations, packaging, and testing, enabling comprehensive management throughout the R&D process. In 2023, we upgraded our patent reward system, embracing principles of fairness, effectiveness, and comprehensiveness. The *Incentive and Reward Management Policy for R&D and Innovation* was introduced to inspire our R&D team to embark on creative endeavors, fostering the development of technologies and products with significant market, scientific, and economic values. This endeavor reinforced our capacity for independent innovation and fortified our core competitiveness.

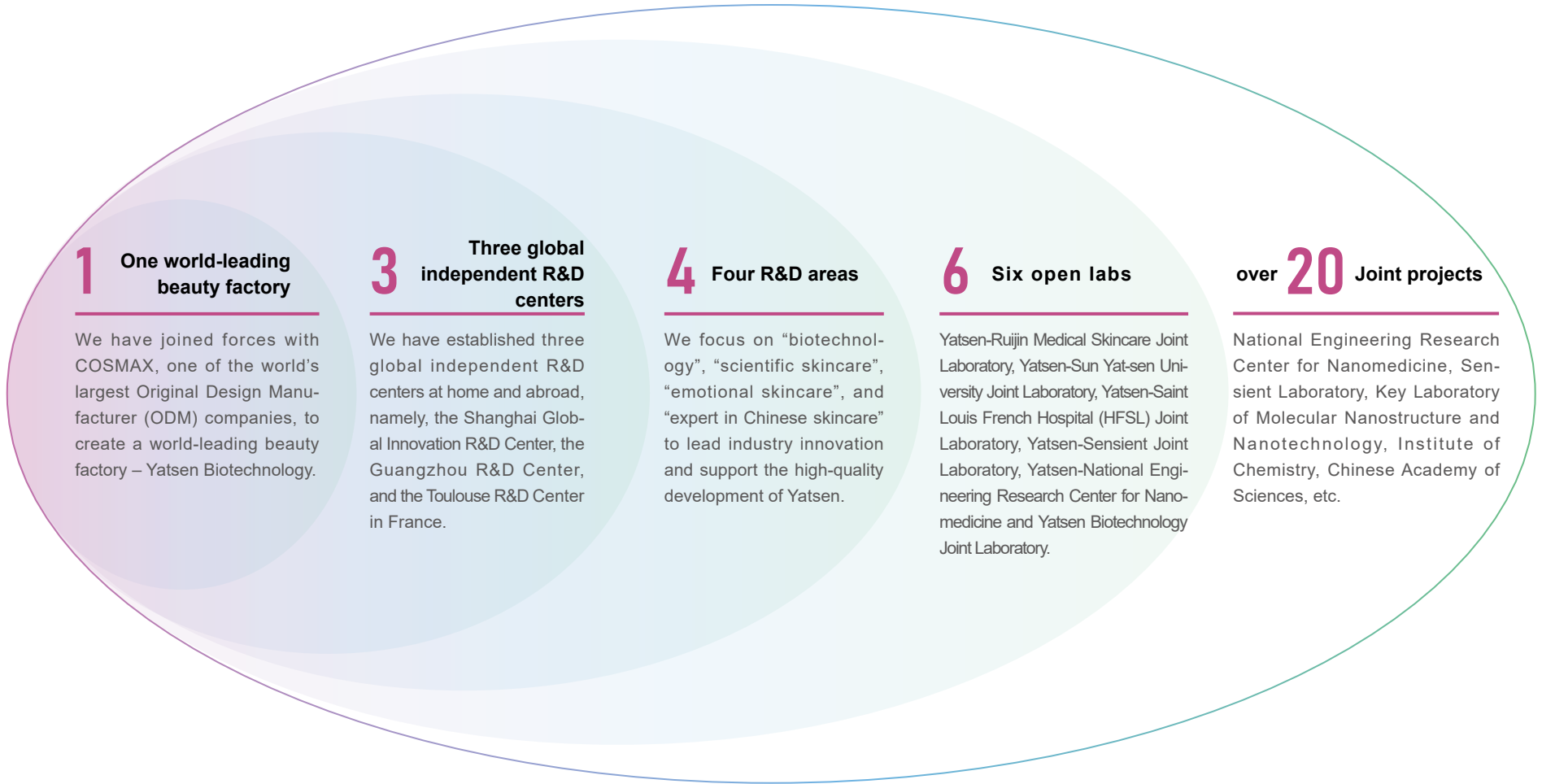
Yatsen's R&D Structure



Performance Highlights

- ✓ The R&D expenses for 2023 were RMB **112** million, accounting for **3.3%** of total net revenues.
- ✓ **73** R&D employees, including **29** with master's degree and **5** with doctor's degree.
- ✓ In 2023, Yatsen wholly-owned subsidiary Guangzhou Jiyan Cosmetics Technology Co., Ltd. was **certified as a high-tech enterprise**.

We have integrated top global scientific research resources to establish the “.Yatsen Technology Road”. This year, we unveiled the “1-3-4-6-20” global technology roadmap strategy. With Yatsen as the leading core, this strategy empowers the development of our brands through independent innovation and R&D strategies.



Case Yatsen Biotechnology is Completed and Put into Operation, Promoting Innovation and Development

In August 2023, Yatsen partnered with COSMAX to complete Yatsen Biotechnology, a world-leading beauty factory with an investment of over RMB600 million, and put it into operation. Spanning an impressive 78,000 square meters, this factory integrates R&D, manufacturing, and quality control under one roof. Boasting a 3,000-square-meter cosmetic quality inspection center, the factory comprises laboratories dedicated to packaging materials, finished products, physicochemical products, and microbiology. With an overall testing equipment valued at over RMB10 million, it rigorously oversees the quality of ingredients, water, environment, equipment, personnel hygiene, semi-finished, and finished products. Regarding the monitoring of heavy metals and other prohibited or restricted substances, the factory conducted over 50 additional tests beyond standard protocols, ensuring a comprehensive safeguard for consumers' health. The completion of Yatsen Biotechnology significantly propels quality production of the brands under Yatsen, such as *Perfect Diary*, leveraging biotechnology to drive innovation in beauty products and facilitate the transformation of innovative scientific and technological achievements.



Promoting Technological Innovation

Driven by technological innovation and supported by the “Yatsen Technology Road”, we identify, research, and commercially apply cutting-edge technologies in skincare and makeup globally, aiming to produce quality beauty products. In 2023, the Company filed a new ingredient “Bifidobacterium/Lactobacillus/Soybean Seed Extract Fermentation Product Filtrate”, and various brands of Yatsen have implemented multiple technological innovation applications.

Perfect Diary

Perfect Diary has pioneered the Biolip™³, a lip biomimetic membrane, and launched its groundbreaking “Biolip™ Essence Lipstick”, the first lipstick that integrates the makeup efficacy of lipstick, the nourishing functionality of lip essence, and the protective qualities of a lip mask. This innovative product ensures the basic makeup of lipstick while nourishing and repairing⁴ it. The technological breakthrough has been dermatologically verified, with clinical testing conducted by the Dermatology Department of Ruijin Hospital, School of Medicine, Shanghai Jiao Tong University, and efficacy evaluation data reports issued by SGS Asia, a renowned authority in testing, verifying and certifying products for consumers. Looking ahead, *Perfect Diary* will delve deeper into “the integration of makeup and skincare” concept, drawing inspiration from international R&D trends and consumer needs to explore innovative products that seamlessly blend makeup efficacy with functionality, thereby propelling the beauty industry towards quality development through biotechnology.



Perfect Diary Biolip™ Essence Lipstick

³*Perfect Diary* has introduced the innovative Biolip™, a biomimetic lip membrane. This product features a pomegranate peptide complex, blended with the brand's exclusive biomimetic membrane L311. Once applied, it generates a protective and biomimetic layer on the lips that mimics the natural sebaceous membrane.

⁴Three shades of the “Biolip™ Essence Lipstick” have been assessed for their nourishing and repairing efficacy.

Galénic

Galénic has innovated and applied the patented ingredient “Algae-Tide”. This ingredient stimulates the regeneration of longevity proteins, provides three-dimensional care for skin collagen, activates cellular autophagy, and suppresses aging triggers, thereby achieving overall anti-aging effects. In September 2023, Galénic presented its exclusive patented research on Algae-Tide at the 33rd International Federation of Societies of Cosmetic Chemists (IFSCC) Congress, where it was granted the IFSCC Poster Award. Its technological strength and brand innovation and R&D capabilities have been recognized internationally. Moving forward, Galénic will collaborate with partners to research new ingredients, delve into the cutting-edge science of anti-aging skincare, and continue to expand the R&D of the “Yatsen Technology Road”.



Galénic Presents Its Exclusive Patented Research Paper on Algae-Tide at the IFSCC Congress

EANTIM

EANTIM has partnered with the School of Life Sciences at Fudan University and the Dermatology Department of Huashan Hospital Fudan University to launch the first research project targeting the scalp microbiome of individuals with clinical hair loss. The study aims to explore the characteristics of the scalp microecosystem in hair loss populations and the regulatory effects of the product on the scalp microecosystem, thereby promoting scalp health and stability. This year, EANTIM's innovative research discovered the use of thermophilic bacteria fermentation products in anti-hair loss and hair growth, for which it has applied and received a national invention patent certification. The brand has incorporated this innovative finding into the formula of its “Scalp Revitalized Intensive Serum”, using thermophilic bacteria fermentation products in combination with other functional active substances to nourish the scalp and revitalize hair follicles.



EANTIM Scalp Revitalized Intensive Serum

⁵The data is sourced from an SGS third-party efficacy test report. A total of 30 Asian female subjects aged 26-44 participated in the study. Under normal conditions, they used the EANTIM Scalp Revitalized Intensive Serum continuously for 28 days (one bottle per day). The results were determined through the quantitative analysis of 60 hair-combing sessions, dermatologist evaluations, and self-assessments by the subjects. The test data is for reference only, and actual results may vary.

Cooperation Communication

Yatsen values industry exchange and actively participates in scientific research summits and industry conferences, sharing and learning innovative R&D experiences to contribute to quality industry development.

March

In March 2023, the *Evaluation of the Efficacy of Skin Microecosystem-Regulating Cosmetics* initiated and drafted by EANTiM and China Anti-aging Promoting Association was officially released and implemented. As the first group standard for skin microecology-regulating cosmetics issued and implemented in China, it provided major standard references and support for guiding, standardizing, and coordinating the evaluation of the efficacy of skin microecology-regulating cosmetics.

April

In April 2023, *DR.WU* initiated its Acne Research Fund and established its Expert Committee, gathering a team of top medical researchers to delve into pioneering research and application studies in acne treatment. This effort is geared towards advancing clinical medicine and applied research within the field. During the initial phase, *DR.WU* will allocate substantial funding to foster the growth of young scientific researchers, offering robust backing for developing medical research talent across the country and realizing clinical study objectives. This commitment is expected to catalyze significant advancements in acne research within China.

July

In July 2023, Yatsen, along with its brands *DR.WU* and *Galénic*, participated in the World Congress of Dermatology (WCD) to share innovative ideas in beauty technology and groundbreaking achievements in technological research and development. The Company will collaborate closely with professionals at home and abroad, partnering with academic organizations, medical institutions, and industry experts to supply superior products for consumers and contribute to the field of dermatology worldwide.

December

In December 2023, *Galénic* partnered with an internationally top-notch committee of medical researchers and dermatology experts to initiate the first annual research summit of the *Galénic* Dermatology Research Foundation. The summit zeroed in on the current state and future direction of the dermatology industry, discussing significant academic achievements and sharing breakthroughs in research. The event was geared towards bolstering advancements in four forefront areas of dermatology research, including cellular autophagy and skin barrier, skin wound healing, ingredient-targeted penetration, and skin-aging regulation mechanisms. The summit aspires to catalyze science-based innovation and advancement in global dermatological research.

Quality and Safety of Products

Yatsen strictly abides the *Regulations on Supervision and Administration of Cosmetics*, the *Measures for the Supervision and Administration of Production and Distribution of Cosmetics*, the *Regulations on Production Quality of Cosmetics*, as well as other relevant laws and regulations, and has formulated nearly 30 internal quality management systems, such as the *Product Compatibility Testing Standards*, the *Cosmetics Production Consistency Audit Management System*, the *Product Quality and Safety Accountability System*, and the *Standard Sample Approval Management System*. In addition, we have established and implemented the Yatsen Quality Management System, conducting annual compliance reviews of the quality system and third-party external audits, continually optimizing and improving the Company's quality management system, to ensure the quality and safety of products throughout the process from R&D to production and launching. These initiatives ensure the compliance, safety, and efficacy of our products.

Product Quality Management

To ensure the quality and safety of our products, Yatsen has assembled a specialized quality control team to refine and standardize operational workflows. Within the organization, a comprehensive set of more than 80 Standard Operating Procedures (SOPs) and more than 1,500 material specification documents have been created, ensuring standardized management across the production cycle, from raw material warehousing to product output. Moreover, the Company has launched a Quality Management System (QMS) to provide structured guidance for internal quality management efforts, thereby guaranteeing the uniformity, traceability, and ongoing enhancement of product quality.

To ensure a swift and effective response to various quality issues, Yatsen organizes simulated exercises of the product recall control and decision-making system annually. If any products we launch into the market fail to meet our expectations, our product recall control and decision-making system will be activated. The product recall team will work closely with the quality-related departments to assess the severity of any potential quality and safety hazards and determine the appropriate course of action for recalling the affected products. In 2023, the Company organized internal simulated recall exercises for multiple registration and filing entities of cosmetics, and no recalls due to product quality and safety issues occurred during the Reporting Period.



Performance Highlights

In 2023, the Company

- ✓ completed **6,516** raw materials tests, approved approximately **200** types of raw materials, **100%** of which passed the access quality verification;
- ✓ completed **41** unannounced inspections during production and organized **14** quality review activities;
- ✓ conducted spot checks on over **1,000** Stock Keeping Units (SKUs, the smallest unit of inventory) and more than **9,000** batches of products prior to product launch.

Product Quality Improvement

Yatsen consistently organizes quality training to significantly improve its product quality management skills. In 2023, the Company hosted 19 specialized training sessions on product safety and quality, encompassing a wide range of topics including expertise in quality and safety management, packaging materials, product inspection processes, sample approval systems, product expiry management, and the handling of quality anomalies. These efforts have further bolstered the quality consciousness across the workforce, thereby ensuring comprehensive adherence to product quality standards.

Moreover, we proactively engage in industry events centered on product quality and safety, fostering the exchange of cutting-edge quality management insights with industry counterparts. In 2023, Yatsen contributed to the “Guangzhou Cosmetics Week”, where we presented our insights on “Establishing a Quality Management System for Domestic Cosmetics Groups”. This involvement facilitated dialogue and collaboration across the beauty industry’s supply chain, driving the advancement and high-quality growth of the cosmetics sector.

In 2023, the Company hosted
19 specialized training sessions
on product safety and quality



Case

Co-Producing a Quality and Safety Video with the Food and Drug Administration of Guangdong Province

Yatsen actively supported the Food and Drug Administration of Guangdong Province’s campaign titled *Implementing Corporates’ Primary Responsibilities for Quality and Safety to Advance the High-Quality Development of the Guangdong Cosmetics Industry*. By participating in the production of promotional videos, the Company encouraged corporations to uphold their primary responsibilities for cosmetic quality and safety, enhanced their awareness of these responsibilities, standardized cosmetic quality and safety management practices, and effectively enforced the *Regulations on the Supervision and Management of Corporates’ Primary Responsibilities for Cosmetic Quality and Safety*. Our goal is to build a trustworthy market environment for cosmetics and promote the high-quality growth of the cosmetics sector.



Participating in Promotional Activities

Chemical Safety

Yatsen strives to provide customers with high-quality and reliable products. We strictly abide by the relevant regulations of our operating locations and the industry, including the *Technical Specification for Cosmetic Safety*, the *Measures for Supervision and Management of Cosmetic Production and Operation* and the *Measures for Adverse Reaction Monitoring of Cosmetics*. We have formulated internal policies, including the *Laboratory Management Regulations* and the *Chemical Safety Policy*, to ensure rigorous product safety assessments and chemical management.

To safeguard the chemical safety of our products, we have implemented strict guidelines and procedures within our laboratories. Our *Safety and Internal Management Procedures* outline the proper storage and usage of chemicals, and any waste chemicals are carefully collected, recorded with a hazardous waste inventory ledger established, and transferred for disposal by certified environmental protection companies. Moreover, we have designated chemical administrators who are responsible for implementing a double-lock system and closely monitoring the management of any hazardous chemicals, thus ensuring chemical safety in laboratories.

Define prohibited ingredients

We have established and disclosed the *Raw Material Control Requirements of Yatsen*, which prohibit or restrict the use of raw materials that may be potentially carcinogenic, toxic for reproduction, or hazardous to the environment. In 2023, the Company developed the *Raw Material Control List of Yatsen*, aligning with national and international regulations but stricter than China's regulatory standards. The List encompasses nearly 600 ingredients with prohibitions and restrictions, dictating the permissible use of raw materials across all brands and banning sunscreens with potential safety concerns, such as 4-methyl benzylidene camphor, diphenyl ketone-1, and diphenyl ketone-3. Nonylphenol polyether is forbidden to mitigate environmental impact. Controversial preservatives like formaldehyde slow-release preservatives are also prohibited, and the restrictions on plastic microbeads are enhanced beyond the legal minimum.

Evaluate the safety of raw materials

We implement a raw material quality management mechanism to monitor and prevent any potential product quality and safety risks from the source of raw materials. We test raw materials based on the potentially harmful substances that may be present, conduct a thorough evaluation of the potential hazards of each raw material and factor into key parameters such as product category, frequency of use, and skin type to define the maximum safe concentration of each raw material in our products, and enhance the quality testing of finished products, ensuring product safety. In 2023, advanced testing equipment was introduced to our joint-venture factory to detect various heavy metals, prohibited and restricted ingredients, and active components, comprehensively ensuring the quality and safety of our raw materials.

Monitor negative feedback

After launches of our products, the Company continuously collects and analyzes possible adverse effects on consumers through the cosmetics safety monitoring network, and promptly develops improvement plans based on the analysis results. In 2023, the Company implemented an adverse reaction monitoring system, setting up procedures for managing potential post-market adverse reaction cases and standardizing the process, to further boost consumer confidence in our products.

Comply with disclosure of ingredients

The Company strictly complies with the *Cosmetics Label Management Regulations*, marking the standard Chinese name of the raw materials of all the ingredients of the product in the smallest sales unit of cosmetics, and listing them in descending order of the content of each ingredient in the product formula. If the content of the ingredients is less than 1%, it will be sorted according to the importance claimed. We fully display the product ingredients to consumers and protect consumers' right to know product ingredients. All Yatsen's cosmetic products are registered with the National Medical Products Administration (NMPA), and the ingredient information of the products can be publicly queried on the NMPA's website: <https://hzpba.nmpa.gov.cn/gccx/>.

Replace controversial ingredients

We continue to optimize product formulas and replace controversial ingredients. We implement a chemical elimination plan, carry out research on the substitution of chemical ingredients with pollution risks, and actively explore substitutes and substitution results for various products. In doing so, we promote the use of more environment-friendly ingredients with higher biosafety. The entire series of *EVE LOM* is free of sulfate surfactants and phthalates. The plant-derived squalane is used as an alternative to cyclopentadimethylsiloxane in the *Perfect Diary Moisture Comforting Cream*.

Chemical Elimination Plan

Name of chemical eliminated	Reason for elimination	Type of elimination	Scope of restriction	Name of substitute
Fluorinated Chemistries	Regarding safety issues: hazards of Per- and polyfluorinated alkyl substances (PFAS).	Prohibited use	Excluded from all types of products	
Cyclopentadimethylsiloxane (D5)	It is toxic to the human reproductive system and accumulates in the environment with unpredictable long-term effects.	Restricted use	Avoid using it whenever possible	Polydimethylsiloxane, isododecane, etc.
Polymethyl methacrylate (PMMA)	Cosmetic products containing plastic microbeads are harmful to the environment. When applied to the skin and washed away, these microbeads are carried into sewers and water recycling systems with the wastewater. Even the most advanced sewage treatment plants are unable to completely remove them. As a result, they end up in the ocean, where they become permanent pollutants as they are insoluble in water and difficult to degrade.	Restricted use	Excluded from washable products Avoid using it in residual products whenever possible	Silica powder
Polyamide-11				
Polyamide-12				
Polyamide-6				
Polyamide-6/12				
Polyamide-66				
Polystyrene				
Polypropylene				
Polyethylene terephthalate				
Polytetrafluoroethylene				
Polyethylene				

Quality Customer Services

Yatsen upholds the philosophy of “creating value for customers” as our service guideline. Focused on customer service and fueled by our commitment to customer satisfaction, we are constantly improving our customer service management system, carrying out responsible marketing, and always safeguarding the legitimate rights and interests of consumers, to provide an outstanding experience to our customers.

Ensuring Service Quality

Yatsen prioritizes customer service quality by formulating management regulations such as the *Customer Complaint Reporting Process* and the *Customer Complaint Grading System* and continuously improving the transaction dispute and customer complaint handling mechanism. We employ a multi-channel strategy to engage with customers across multiple brands. Our brands have formed Standard Operating Procedures (SOPs) based on the unique characteristics of each product. Each channel is also built with a mature and sound customer feedback collection mechanism. This provides customers with standardized consultation and responses, further enhancing consumer satisfaction.

We guide users to report after-sales issues in self-service on our Mini Programs. In certain cases, the automated system can address these issues based on user-provided information, significantly enhancing the efficiency of after-sales issue resolution. In 2023, we refined our customer

complaint handling procedures, developing standardized workflows, reporting procedures, and closure criteria tailored to various types and contexts of complaints. This comprehensive approach encompasses a range of scenarios, including product complaints, delivery issues, unmet commitments, and external reports.

The Company has dedicated roles for monitoring customer service quality, supported by an intelligent real-time quality control system that enables comprehensive oversight. In 2023, we enhanced our alert keyword repository. Upon the activation of an alert, our skilled customer service representatives promptly step in to address the issue, ensuring immediate and responsive feedback to customers.

We steadfastly uphold the delivery of expert services to our customers and have implemented various talent cultivation initiatives to improve the service skills and expertise of our customer service team. In 2023, the Company developed a

comprehensive skincare training program, outlining specific courses, exam questions, and pass standards. Our ongoing training has led the skincare brand’s customer service team to earn the “Brand Skincare Specialist” label on the Tmall platform after passing professional exams.



Performance Highlights

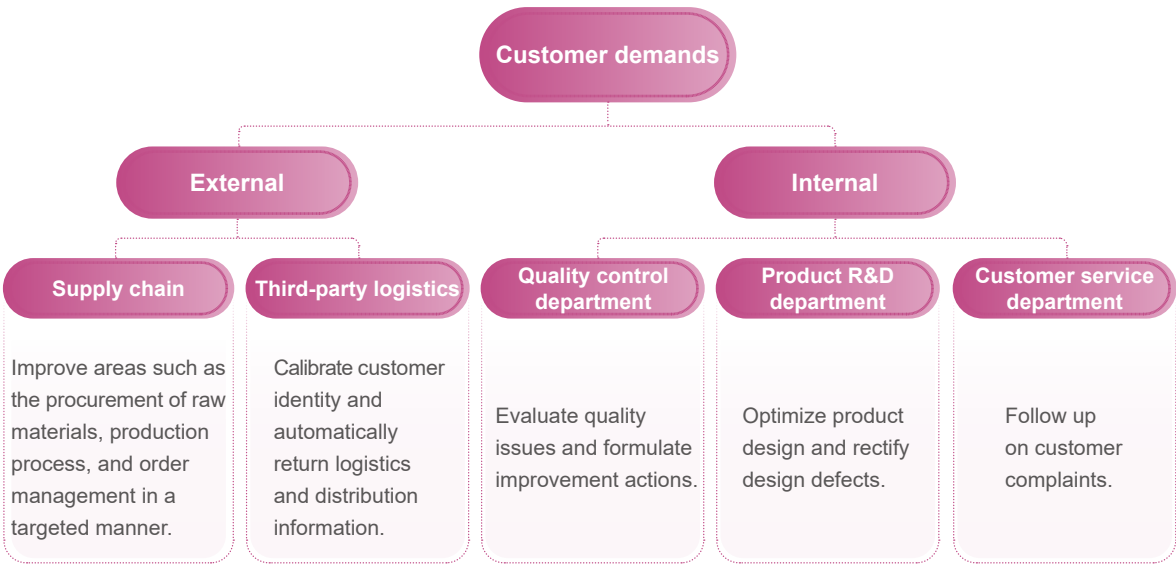
In 2023, we organized

✓ **105** customer service training sessions,
covering **2,498** participants.

Improving Service Experience

Always putting customers first, we attentively listen to and promptly respond to consumer feedback and needs regarding our offerings through various channels, including our e-commerce platforms, WeChat groups and the 12315 hotline, which serve as a reference for continuous optimization. We drive the enhancement and improvement of our products and services across multiple departments, thereby increasing customer loyalty to the brand.

Improvement Process for Customer Complaints Across Multiple Departments



We harness the real-time satisfaction survey feature of our platforms to randomly prompt customers to rate their satisfaction with the overall store service, human customer service, and AI-powered chatbots. These satisfaction scores serve as a crucial metric for refining our business practices and enhancing service quality. Each business department conducts periodic satisfaction analyses, delving into detailed analyses of dissatisfactory cases to identify areas for improvement. Targeted initiatives are implemented to address low-satisfaction scenarios and develop specific corrective actions. By continually gathering and reviewing feedback from customer service representatives, we refine and update our service processes and strategies, striving to discover the most satisfying approach for our customers.



Performance Highlights

- ✓ The number of one-on-one customer contact with the customer service team **5,923,513** person-times
- ✓ The average response time for customer service is **20.4** seconds.
- ✓ **100%** of inquiries were responded within three minutes.
- ✓ The average satisfaction rate across various brands on the Tmall platform is approximately **94%**.

In addition, we have initiated the “Listen to User Feedback” project to enhance the shopping experience for customers with our brands and products. For customers who have completed transactions, we engage in regular follow-ups and close communication to understand their evaluations of the products and services, ensuring a consistent follow-through on their usage experiences. Upon capturing these customer insights, we analyze their consumption behavior patterns, identify the core needs of different customer segments, and utilize the Customer Relationship Management system for refined operations. We are committed to providing personalized services and customized products to each customer.

Implementing Responsible Marketing

We strictly abide by the laws and regulations of the locations in which we operate, such as the *Law of the People's Republic of China on Protection of Consumer Rights and Interests*, the *Advertising Law of the People's Republic of China*, the *Regulations on Supervision and Administration of Cosmetics*, the *Evaluation Specifications for Cosmetics Efficacy Claims*, and the *Measures for Online Cosmetics Business Supervision and Management of Guangdong Province (Draft for Comment)*. To support this goal, we have developed policy documents such as the *Advertising Compliance Manual*, establishing an internal review process across multiple departments. We carry out our marketing efforts in line with principles of accountability, transparency, and compliance, banning any form of deceptive or misleading advertisements, and ensuring the authenticity and accuracy of product promotion.

Internal Review Process of Yatsen



On World Consumer Rights Day (15th March), the legal department collaborated with the R&D department, the product regulation department, and the filing affairs department as well as our employees for the brand operation to conduct a self-inspection of advertising compliance for our core products. We also reviewed, provided feedback on, and made adjustments to the detail pages of the Tmall platform to ensure that our advertising was truthful and accurate. During the launch and promotion of the *Perfect Diary Biolip™ Essence Lipstick*, the Company partnered with external legal advisors to carry out a series of advertising compliance reviews, develop contingency plans, and ensure marketing compliance. To further enhance employees' awareness of responsible marketing, we conducted two targeted responsible marketing training sessions for different brands and business departments, with more than 90 participants.

We proactively share skincare advice, product instructions, and information on chemical safety with our consumers, introducing product ingredients and usage guidelines in detail through various channels. Empowering consumers with the knowledge to understand the efficacy and ingredients and make well-informed decisions, we embody a holistic approach to responsible marketing. We have invited dermatology experts from Class A tertiary hospitals to launch a healthy skincare program that includes informative articles, videos, pictures, and texts. This program aims to popularize basic skincare knowledge and educate consumers on the best practices for healthy skin. We also invite professors from the National Engineering Research Center for Nanomedicine to introduce the ingredients and corresponding efficacy of our products as well as their workings and promote our brand as a professional provider of skincare solutions.

More than **90**
people participated in the
responsible marketing training



Case Popularizing Chemical Safety Knowledge

Guided by the Food and Drug Administration of Guangdong Province, Yatsen embarked on a series of education campaigns on chemical safety for consumers from May 22 to 28, 2023 in celebration of the "World Skin Health Day". The initiative leveraged various channels and formats, including the distribution of 100,000 promotional inserts in shipping packages, intimate promotion by the clerks of more than 50 offline stores, and continuous announcements in live streams across brands. This effort was geared towards promoting consumers' safe makeup use practices and enhancing their safe makeup consumption experiences.



"Use Makeup Safely" Promotion Card

100 thousand
promotional cards
sent for logistics parcels



More than **50**
offline store clerks intimately
promoted



Responsible Supply Chain

At Yatsen, we highly value supply chain management and continuously enhance our whole process supplier management system. We have developed the *Supplier Management Regulations* to ensure a comprehensive management cycle that covers the admission, evaluation, and elimination of suppliers. Meanwhile, we source raw materials in a responsible manner, with preference given to those with less environmental and social impacts, adopting renewable resources in production, striving to minimize environmental and social impacts across the whole value chain.

Supply Chain Management

We have developed a strict onboarding process for our suppliers, established a supplier onboarding review system, and conducted background investigations on potential suppliers. To guarantee the quality and safety of our products, we require OEM/ODM suppliers to obtain third-party certifications, such as ISO 9001 and ISO 22716, in addition to the basic cosmetics production license.

We prioritize ESG performance of suppliers. In the process of supplier screening, we give extra points to suppliers that are socially responsible such as those with environmental management and quality management system certifications, as well as those with outstanding performance in environmental management. We sign the *Probity Cooperation Commitment* with suppliers, requiring them to abide by business ethics, intellectual property rights, information confidentiality and other regulations. We also cooperate with our upstream and downstream partners to jointly build a responsible supply chain.



Performance Highlights

- ✓ We maintained a total of **145** direct suppliers in 2023.
- ✓ All **7** core suppliers⁶ passed our environmental impact assessment and social impact assessment.
- ✓ **53** suppliers passed our environmental impact assessment⁷.
- ✓ **65** suppliers passed our social impact assessment⁸.
- ✓ In 2023, **29** suppliers underwent our onboarding process and annual audit.
- ✓ For finished product suppliers, **5** underwent our onboarding process.
- ✓ **15** raw material suppliers underwent our onboarding process, and **1** underwent the annual supplier audit.
- ✓ **9** packaging materials, gift boxes, peripheral suppliers underwent our onboarding process.

⁶Core suppliers refer to those suppliers which in aggregate accounted for 70% of the Company's total procurement spending in 2023.

⁷The Company's supplier environmental assessment standards include ISO 14001, ISO 14064, ISO 50001 and other certifications.

⁸The Company's supplier social assessment standards include ISO 9001, ISO 45001, SA 8000 and other certifications.



For existing suppliers, we continue to track their performance by establishing a complete quality management system for our cosmetic suppliers, packaging material suppliers, and raw material suppliers, in a bid to supervise and evaluate their practices. We regularly conduct biannual assessments on our suppliers, covering business management, quality management and production innovation and R&D. Suppliers are grouped into four tiers based on evaluation results, namely A, B, C, D. For substandard suppliers, we put in place improvement programs. For suppliers with continuous poor performance, we will temporarily suspend the cooperation and define a rectification period for optimization. For suppliers that still fail to pass the assessment after rectification, we will immediately terminate the cooperation to ensure the quality of supply.

Performance Highlights

In 2023,

- ✓ we engaged **8** finished product suppliers to conduct third-party comparisons and assessments.
- ✓ we carried out **41** annual and unannounced inspections for suppliers in partnership, and the inspection pass rate was **100%**.

We proactively share industry knowledge and best practices with suppliers, and provide empowering training to them. The training covers supplier code of conduct, anti-corruption and business ethics, quality management, occupational health and safety, environmental management, and labor rights. We collaborate with suppliers to establish positive cooperative relationships. In addition, we organize employee training to enhance the overall supplier management level of the Company.

Sustainable Raw Materials

Committed to providing sustainable products, we prioritize the use of sustainable raw materials and make tireless exploration in incorporating the concept of “Clean Beauty” into our products, as part of our efforts to create skin-friendly, environment-friendly and socially friendly products. Our efforts to minimize environmental and social impacts brought by procurement include implementing the principles of sustainable development into supply chain management, formulating the *Sustainable Procurement Policy*, improving the sustainable raw material procurement process, and prioritizing the use of raw materials with sustainability certifications, including FSC-certified paper products and RSPO-certified palm oil.

Yatsen consumes palm oil indirectly by using palm oil derivatives as raw materials. We intensively promote the sustainable procurement of palm oil and advocate the upstream supply chain to adopt sustainable palm oil for production. Five of our OEM/ODM factories have obtained Roundtable on Sustainable Palm Oil (RSPO) certifications. During the Reporting Period, we collected information on the RSPO certification of our raw material suppliers, which indicated that the consumption of palm oil and its derivatives accounted for 9% of our total raw materials, of which 89% of palm oil derivatives were RSPO-certified. In the future, Yatsen will stick to the sustainable procurement of palm oil, increase the proportion of products using sustainable palm oil, thus improving environmental impacts of the supply chain.



We insist on seeking natural ingredients, using natural plant extracts derived from coconut oil and oats, and providing users with more healthy and safer products, minimizing environmental pollution. In 2023, we finished the filing of a plant fermentation material, which can be applied in cosmetic formulations as a skin protection agent, moisturizing agent, oil control agent, exfoliating agent, demonstrating impressive performance in firming, moisturizing, soothing, oil control, exfoliating. This raw material pioneers the use of microbial fermentation technology to slowly ferment natural plant raw materials to release the active substances in the plant, enhancing the efficacy of the plant family while reducing the toxic and side effects.

03

Sustainability Practices for a Greener Future

Adhering to an environmentally friendly business policy, Yatsen makes continuous efforts to improve its climate change management system, and carries out effective environmental protection actions throughout its production and operations. Yatsen implements low-carbon and circular development and minimizes its negative impact on the environment by improving green packaging, exploring energy efficiency improvement solutions, and reducing pollutant emissions. With these efforts, Yatsen contributes to the construction of a greener, cleaner, and more sustainable life.

SDGs covered in this Chapter:



ESG issues covered in this chapter:

- Sustainable Supply Chain
- Sustainable Packaging
- Addressing Climate Change
- Emissions and Waste
- Carbon Management
- Water Management

Addressing Climate Change

In active response to the national “dual carbon” strategy, Yatsen keeps on the watch for global trends of climate change. Fully considering the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD), it implements climate change management in four major areas, namely governance, strategies, risk management, as well as metrics and targets, to identify risks and opportunities related to climate change, and continuously enhance its climate change response capabilities.

Governance

Yatsen has established a three-tier management structure which consists of the Board, the Project Planning and Coordinating Team and the Cross-functional Project Execution Team, to clarify the division of responsibilities and promote the regular and ongoing management and implementation of its climate risk management efforts in an orderly manner. The Board is responsible for monitoring and reviewing policies, initiatives, and performance targets related to sustainable development, including climate change. The public relations department, which serves as the Planning and Coordinating Team of Climate Risk Management, is responsible for planning and coordinating the Company's climate risk management strategies and related efforts and reporting the implementation thereof to the CFO regularly. The Company has established the Cross-functional Project Execution Team, comprising dedicated staff from various functional departments, to assist in the implementation of sustainable development efforts, including climate change initiatives.



Strategies

Yatsen is aware of the impacts of climate change on its operations and development. It identifies and analyzes climate change-related risks under different scenarios and proactively deploys multiple targeted measures to mitigate the impacts.

Climate change-related risks	Key risk categories	Highlights of potential climate change-related risks	Response initiatives
Transition risks	Policy and legal risks	The international community is increasingly aware of the risks posed by climate change. Therefore, the Company has to meet more compliance requirements including climate change-related regulatory and disclosure requirements to develop global business.	- Tracking and interpreting the dynamics of domestic and international regulations and policies promptly to get to know the requirements for sale of products in different locations; - Timely and compliant disclosure of sustainability reports in accordance with international disclosure standards.
	Market risks	Consumers are concerned about the natural raw materials of products, plastic reduction, and lightweight packaging, and meeting their requirements for product sustainability has become a key focus of enterprise development.	- Gradually expanding the scope of carbon footprint assessments on our products to lay a foundation for developing lower-carbon products; - Encouraging upstream supply chains to explore more methods for energy conservation and emission reduction, such as using renewable energy, and low-carbon raw materials and packaging materials.
Physical risks	Extreme weather risks	Due to global warming, extreme weather events, such as extreme heat, extreme cold, rainstorms and floods, and typhoons, will increase, which may lead to supply chain disruption or operation suspension of our stores, as well as increased operating costs and business risks.	- Developing emergency plans for different extreme weather impacts, clarifying preventive and response measures, conducting extreme weather drills and issuing timely warnings to ensure the safety of our employees and stores; - Appropriately increasing quality suppliers to reduce the impacts of extreme weather events on the supply chain.

The impact of climate change on the external environment not only poses new risks for the Company, but also presents new opportunities.

Opportunity categories	Highlights of climate change-related opportunities	Response initiatives
Market opportunities of green packaging	Consumers have increasing demands for recyclable and biodegradable packaging materials.	Yatsen insists on lightweight packaging, plastic reduction and recycling of packaging. Its brands continuously carry out green packaging projects and optimize their packaging process. In the future, we plan to gradually promote green packaging and expand the range of brands covered by green packaging, in a bid to provide a solid foundation for enhancing the market acceptance.
Using more efficient and eco-friendly transport methods	We can have logistics costs reduced, while effectively reducing carbon emissions and meeting national policy requirements.	Optimizing logistics solutions, transforming transport modes, and replacing traditional energy with clean energy.

Risk Management

Yatsen communicates and handles risks promptly through daily risk reporting. Quarterly risk meetings are also held to report the major risks identified to our CFO, the top risk supervisor, on a departmental basis and discuss the future risk mitigation efforts, establishing a risk management mechanism characterized by efficient collaboration and close communication. On the basis of risk identification, we plan to incorporate climate change-related issues into the risk management process and gradually improve the climate change risk assessment and management mechanism, in a bid to enhance our capabilities to respond to climate change-related risks.

Metrics and Targets

Yatsen seeks to measure our achievements in addressing climate change risks and opportunities through the management of metrics and targets. Environmental indicators related to climate change, including greenhouse gas emissions and emission density, and energy consumption, will continue to be disclosed in our annual ESG report, which demonstrate our efforts and achievements in environmental protection and are subject to supervision from stakeholders. In the future, we will continue to enhance our climate-related governance, strategies, and risk and opportunity management mechanisms, and advance carbon footprint assessments of our products to get a better understanding of the greenhouse gas emissions of the Company and our upstream enterprises, to explore more emission reduction possibilities.

Sustainable Packaging

The beauty industry is actively promoting the low-carbon transformation of the product packaging, and green packaging has become an inevitable trend in the industry's development. Meanwhile, the new generation of consumers are more concerned about environmental protection and personal health, who consider the environmental friendliness of products and the sustainability of packaging as important dimensions when purchasing products. In the newly formulated *Sustainable Packaging Management Policy*, Yatsen has clarified the targets and requirements for reducing and recycling product packaging. It has been fully implementing our commitments to sustainable packaging and making every effort to reduce the burden of the earth and combine beauty creation and responsibility fulfillment.

Sourcing Eco-Friendly Paper

Forest Stewardship Council (FSC) is dedicated to promoting eco-friendly, socially beneficial, and economically viable forest management that meets the needs of contemporary people without causing negative impacts on the environment. Starting with product packaging, Yatsen strives to increase the proportion of products using FSC-certified packaging materials. All of the gift boxes of *Galénic* products in China are made of FSC-certified paper to contribute to the reduction of irresponsible deforestation. In 2023, all brands of the Company adopted FSC-certified express cartons, and about 1,350 tons of carton materials came from traceable forests. In addition, 100% of the packaging fillers of *Galénic* and *EVE LOM* use eco-friendly paper, including tissue paper and tracing paper, which can be recycled and 100% degradable.

100%



paper is recycled and
degraded

Reducing Plastic Through Simplified Packaging

Yatsen keeps enhancing the eco-friendliness of our product packaging by exploring new materials and packaging processes and integrating the concept of “plastic reduction and lightweight packaging” into the entire life cycle of production and consumption. Yatsen has replaced all plastic film packaging with sealing stickers to reduce the use of plastic packaging materials.

Perfect Diary has adopted customized eco-friendly refill bags for its *Milk Foam Makeup Remover*, reducing plastic usage by 86%; the packaging of *Translucent Blurring Longwear Foundation* has adopted a refill structure, which can reduce plastic by 91.6% compared to the formal packaging. The *Galénic VC* gift box eliminates the use of paper instructions, envelopes, and labels, further reducing paper consumption; the eco-friendly versions of the 3-pack and 12-pack VC gift sets, featuring a compact size and saving paper by 67% and 32% respectively.

In 2023, *Galénic*, with its outstanding environmental protection leadership in reducing paper consumption and protecting natural resources, was officially shortlisted for the ESG awards at the 2nd Sino-French Great Bay Area Business Summit and won the Environmental Leadership Award, one of the first ESG awards.



Refillable *Perfect Diary Translucent Blurring Longwear Foundation*



Customized Eco-friendly Refill Bags Used by *Perfect Diary* for Its *Milk Foam Makeup Remover*⁹

⁹The picture of *Perfect Diary Milk Foam Makeup Remover* above is the old packaging for reference only.

Promoting Green and Circular Development

Yatsen strives to spread the concept of “green and circular development” to more stakeholders and work together with them to create environmental protection space in cities. We firmly believe that consumers must participate in and support environmental protection for it to be achieved. Several of our brands have initiated product packaging recovery projects to promote an eco-friendly lifestyle. A PAP¹⁰ logo has been added to the gift boxes of *Galénic*'s products in China. We have also suggested that consumers put VC ampoules, aluminum foil bags and gift

boxes into recyclable trash cans, in an effort to call on consumers to participate in the cause of recycling the waste. *EVE LOM* has participated in the packaging recovery and recycling program with its products and is licensed to use the Green Dot¹¹ symbol. The Company also strengthens the recycling and reuse of packaging in warehousing and logistics, encourages self-operated stores and offline distributors to use recycled cartons, and plans to cover suppliers and other groups in the future.

USING ECO-FRIENDLY PAPER TO PROTECT FOREST RESOURCES

Galénic's [N°1] Brightening Radiance Energy Serum



USING SUSTAINABLE PACKAGING MATERIALS

Galénic's [N°1] Brightening Radiance Energy Serum



ENHANCING RECYCLING

Galénic's [N°1] Brightening Radiance Energy Serum



A PAP Logo Is Added to the Gift Boxes of *Galénic* Products

¹⁰It refers to materials made from recyclable and degradable cellulose fibers.

¹¹The Green Dot is a packaging recovery and recycling program boasting a Europe-wide network and it is established by PRO Europe (Pro-E), a European packaging recycling organization. The Green Dot symbol on product packaging means that the packaging complies with the requirements of the European packaging directive, the manufacturer has paid the appropriate recycling fee for the packaging, and the product packaging is recovered by Pro-E through its own network.

Green and Low-Carbon Operations

Yatsen adheres to eco-friendly business strategies, and is committed to building a sustainable green development system. We make every effort to integrate green operation concepts and measures throughout our operations, working together with stakeholders to jointly address global environmental challenges.

Carbon Emission Management

Yatsen attaches great importance to energy and carbon emission management. It applies scientific management methods to strictly control the Company, while deeply empowering upstream partners and making continuous efforts to drive the industry towards a zero-carbon future.

Energy Management

The Company strictly complies with relevant laws and regulations in the countries where we operate such as the *Law of the People's Republic of China on Conserving Energy*. We strive to build an energy-saving enterprise by strengthening energy management from different aspects including office and store energy consumption management.

Energy Consumption Management of Office and Store



Arrange dedicated personnel to patrol the office areas to turn off the lights in unoccupied areas and adjust the air conditioning temperature.



Encourage the use of categorized waste bins to sort the office waste.



Strengthen publicity and implementation of green office, including green office initiatives for water, electricity, and paper, as well as "empty plate" campaign, and post snapshots of green office rules onto the Company's intranet.



Promote paperless office and provide training on paperless reimbursement.

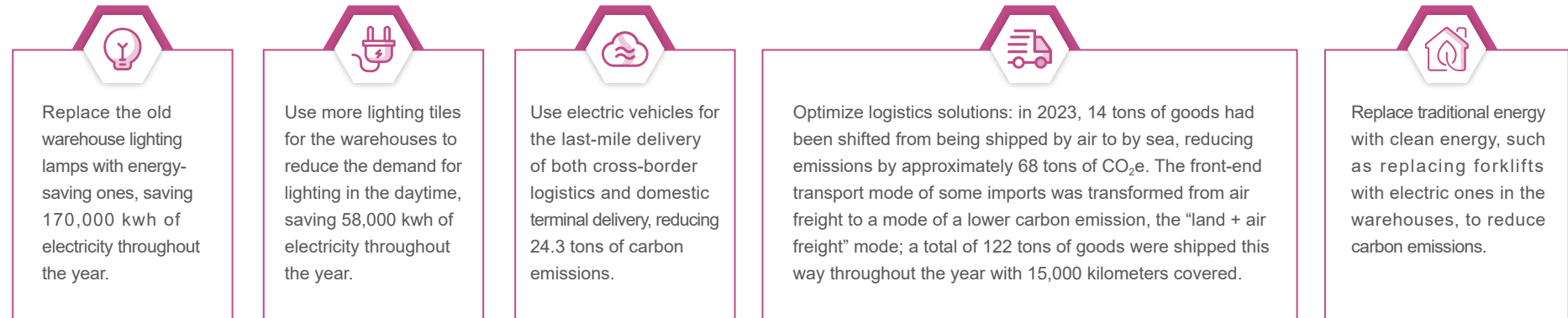


Provide onboarding training for new employees and clarify the requirement of promptly turning off the lights after the closing time of the stores.



Promote online monthly meetings among stores nationwide to reduce business travel of employees.

Energy consumption management of warehousing and logistics



Supply Chain Management

Yatsen is well aware that the environmental value is not only from within itself, but should also be from the entire industry chain, and we should mobilize upstream enterprises to make joint efforts for sustainable development. We continued to encourage and guide suppliers to improve their energy and carbon management systems and optimize objective setting, progress tracking, and management of measures, so as to reduce energy consumption and carbon emissions at production end. In 2023, Yatsen formulated the *Carbon Emission Policy for Suppliers*, which clarifies the carbon emission targets of suppliers, management scope, management requirements, etc., providing an institutional basis for their carbon reduction management and carbon footprint assessment. The Company regards energy consumption management as one of the important criteria for supplier assessment, and encourages suppliers to apply for energy management certification and carbon inventory check. In the future, carbon inventory check will be taken as a bonus dimension for supplier assessment, further promoting the construction of low-carbon supply chain.

Yatsen encourages and guides suppliers to improve their energy and carbon management:



System construction: Suppliers such as A&H International Cosmetics, Intercos, and Nox Bellcow Cosmetics have formulated energy management related policy and documents to strengthen their management of energy and resources.



Objective management: Suppliers such as Intercos, and Nox Bellcow Cosmetics have set their energy efficiency improvement objectives based on their own situations, and they regularly track the progress of their objectives.



System certification: Nox Bellcow Cosmetics passed the ISO50001:2018 energy management system certification in 2021. Yatsen also supports and guides other suppliers in obtaining environment and society related standard system certifications.



Specific measures: Intercos has established solar photovoltaic power generation facilities, which were put into use in 2023, and some traditional energy sources will be replaced with green energy sources such as wind and solar energy; A&H International Cosmetics has established and implemented greenhouse gas emissions control procedures to manage greenhouse gas emissions related information on a daily basis.

Carbon Footprint of Products

Carbon footprint certification of products has gradually become an important way for enterprises to highlight their environmental responsibility performance and sustainable development capabilities, as well as a way to respond to the challenges posed by climate change. It helps enterprises gain a deeper understanding of their energy consumptions and emissions. Yatsen has been promoting carbon emission assessments of our products since 2021. It is committed to identifying the carbon emissions from products during the raw material production, product manufacturing, transportation, product use and product disposal and fully tapping into its potential for energy conservation and emission reduction.

As of the end of 2023, we have conducted carbon footprint verifications on the *Perfect Diary Weightless Velvet Lip Stain 299*, the *Perfect Diary Translucent Blurring Loose Powder*, and the *Perfect Diary Slim Heel Lipstick*. We invited third-party institutions to conduct the carbon emission verifications and obtained the product carbon footprint certificates, making continuous efforts to pursue sustainable beauty.



The carbon footprint of 1 *Perfect Diary Slim Heel Lipstick* (L02/L04) is 507g CO₂ equivalent.



The carbon footprint of 1 *Perfect Diary Weightless Velvet Lip Stain 299* is 303g CO₂ equivalent.



The carbon footprint of 1 *Perfect Diary Translucent Blurring Loose Powder* is 1,000g CO₂ equivalent.

About product carbon footprint verification:

Our product carbon footprint verification is conducted in accordance with the requirements of ISO 14040: 2006 Environmental management - Life cycle assessment - Principles and framework, ISO 14044: 2006 Environmental management - Life cycle assessment - Requirements and guidelines, and ISO 14067: 2018 Greenhouse gas - Carbon footprint of products - Requirements and guidelines for quantification. It establishes the life cycle model of a product from raw material production to product disposal and adopts databases such as the European Reference Life Cycle Database (ELCD) and Ecoinvent, the full life cycle database widely used internationally, to calculate the full-life cycle carbon emissions of products.

Water Management

Yatsen attaches great importance to water conservation and recycling. It makes every effort to reduce water consumption in production, office and other aspects. Yatsen is concerned about water leakage and waste caused by damage to water facilities, so it has established stringent systems for the maintenance and management of water facilities. It requires that maintenance units should be notified promptly and notices should be posted when water waste problems are discovered to ensure timely maintenance. In addition, the Company utilizes water-saving facilities, such as water-saving toilets, faucets, and showerheads, and conducts publicity and training on water conservation to create a good atmosphere of water conservation.

Emissions and Waste Management

We strictly comply with all relevant laws and regulations on emission prevention and control, and require upstream enterprises to strengthen their control over emissions. We have developed and enhanced pollutant management systems, including the *Waste Gas Management Standards*, the *Wastewater Management Standards*, and the *Noise Pollution Management Standards*. We adopted effective waste gas and wastewater treatment systems, such as building organic waste gas treatment facilities (including dust removal devices) and wastewater treatment stations, to ensure compliant discharge after thorough treatment.

Yatsen makes continuous efforts to optimize waste recycling and environmentally sound management of waste. We classify our waste into general waste and recyclable waste and dispose of it according to regulations. We collaborate with the subdistrict offices to ensure centralized recycling and compliant disposal of household and kitchen waste. In addition, we use kitchen waste as feed and scrap products as fuel for waste incineration power generation, maximizing resource utilization in waste disposal.



SDGs covered in this Chapter:



ESG issues covered in this chapter:

- Labor Management
- Diversity, Inclusion, and Respect for Human Rights
- Human Resource Development
- Occupational Health and Safety

04

People-Oriented Philosophy for a Vibrant Workplace

Adhering to the concept of “respect for employees above all,” Yatsen is committed to creating a diverse, equal and inclusive workplace. We prioritize talent promotion and development, care about their physical and mental health, and provide them with multiple remuneration and benefit packages. We also organize a variety of employee activities to support their all-round development and work together with them to create a better future.

Diverse, Equal and Inclusive Workplace

Talent is the cornerstone of corporate development. Guided by the development philosophy of “respect for employees above all”, Yatsen diligently complies with the relevant laws and regulations in the locations where it operates, including the *Labor Law of the People’s Republic of China*, the *Labor Contract Law of the People’s Republic of China*, and the *Provisions on the Prohibition of Using Child Labor of the People’s Republic of China*. In addition to establishing a sound and standardized human resources management system and policies, we respect and safeguard the legitimate rights and interests of all employees.

Equal Employment

The Company has created a sound institutional framework. We have also formulated and continuously optimized a range of policies and guidelines, including the *Guidelines for Recruitment and Employment Management*, the *Onboarding Management Guidelines*, the *Guidelines for Internal Transfer*, the *Resignation Management Guidelines*, and the *Methods for Managing Interns*. These policies and guidelines aim to ensure a more standardized and transparent employment process. We advocate for diversity and inclusion and foster an equal and harmonious workplace. We prohibit discrimination on the grounds of gender, age, religion, nationality, and other factors during recruitment, onboarding, training, and work arrangements and strictly prohibit the use of child labor and forced labor. During the Reporting Period, the Company did not have any violations of employment regulations.

We provide equal opportunities for every job seeker and make a variety of recruitment channels accessible to them, including online recruitment platforms, campus recruitment, internal and external referrals, headhunter recommendations and other recruiting services. We use a scientific interview process to assess candidates comprehensively, and we make our hiring decisions in accordance with the requirements of the *Human Resources Approval Authority*. For key candidates, we conduct background checks prior to their employment to ensure the

accuracy and equity of the recruitment process. During the Reporting Period, the Company hired 10 employees with disabilities through labor dispatching and provided them with job positions and opportunities aligned with their abilities.

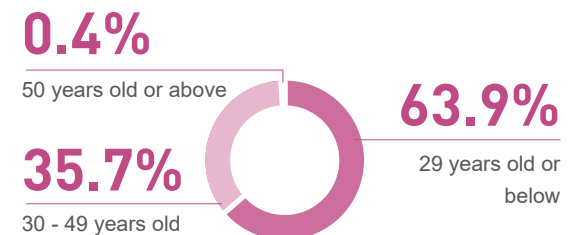
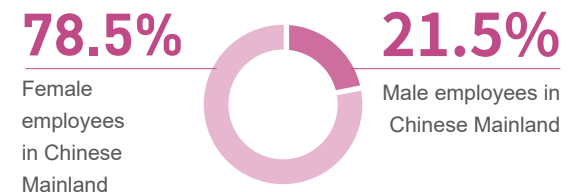
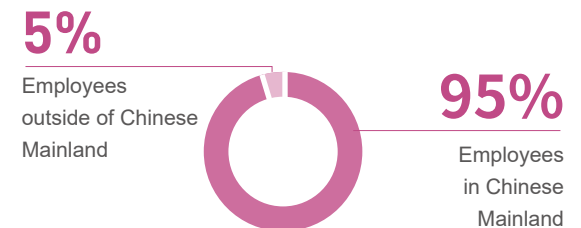
In 2023, Yatsen was proud to receive the DEI Employer Award 2023 from the Employer Branding Institute in recognition of our outstanding performance in terms of talent development, employee care, and corporate culture and values. To enhance our brand image and appeal further, we will launch the Employee Value Proposition (EVP) project. We have already completed the preliminary research for this project.



Yatsen Honored with “the DEI Employer Award 2023”

The total number of employees (including overseas employees) of Yatsen:

1,505



Protection of Rights and Interests

Yatsen respects and safeguards the legitimate rights and interests of all employees, with zero tolerance for forced labor, sexual harassment, discrimination, and other misconducts. The Company has formulated the *Employee Handbook*, which provides guidance on various aspects including recruitment, remuneration, benefits, promotion, leaves, and resignation to protect the rights and interests of employees. We firmly oppose forcing employees to perform unreasonable work arrangements or harming their legitimate rights and interests with such excuses as maintaining customer relationships and promoting business performance. To prevent unreasonable practices, we have put in place an email address for receiving grievances, established a labor union for employees, and regularly popularized knowledge on workplace discrimination and sexual harassment. Through these measures, we have created a equal and open workplace.

Yatsen actively seeks employees' suggestions and feedback and enhances communication and interaction with all employees through various methods.



Quarterly Townhall Meetings

The Company's management provides employees with an interpretation of the Company's achievements in the previous stage, as well as its plans for the next stage. This allows employees to gain a deep understanding of the Company's development strategy, encourages them to get involved in the process, enhances their sense of participation, and promotes big-picture thinking among employees.



Team building activities

Yatsen provides funding to support team building and communication activities both between and within teams and enhances communication and tacit understanding among employees, thereby improving work efficiency and teamwork.



Labor unions

We have established labor unions in accordance with the law and selected employee representatives to communicate with the management of the Company about employees' needs, thus effectively protecting the rights and interests of employees. During the Reporting Period, we organized three employee representative conferences.



Employee grievance systems

We have established a dedicated email address for employees to report violations of rules, regulations, or any other potential infringements of employees' rights and interests. This allows us to address employee complaints promptly while ensuring the protection of their privacy.

The Company encourages equal communication and values employees' feedback. In 2023, we conducted an employer brand survey with participation from over 60% of employees. Based on the survey results, we adopted corrective measures to address areas with lower satisfaction levels. In addition, we insisted on improving our management practices to further enhance employees' recognition of corporate values and sense of belonging.



Performance Highlights

- ✓ The Labor Union of Yatsen was awarded the **Five-Star Labor Union of 2023 by the Guangzhou Federation of Trade Unions.**



- ✓ The employment contract signing rate of all employees: **100%**.
- ✓ **21.6%** of employees participated in the Share Incentive Plan.

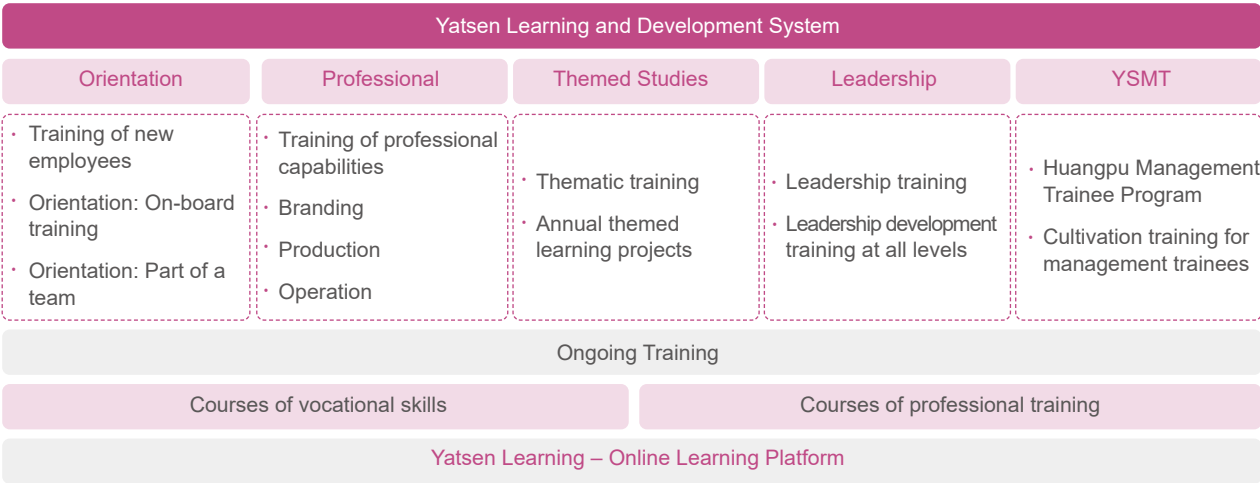
Growth of Talent

Yatsen prioritizes talent development and employee growth. We have designed a robust talent development system that encourages employees to realize their full potential. We also provide clear and accessible promotion channels. Our goal is to provide all employees with equal opportunities for growth and development.

Employee Training

The Company has established the “Yatsen Learning and Development System”, which is continuously optimized based on employee feedback and the Company’s development needs. This approach allows us to meet the diverse skill enhancement requirements of different employees, thus creating better learning and development opportunities for them.

Moreover, we offer customized vocational training tailored to employees at various development stages. For new hires and interns, we offer training programs covering professional skills, corporate culture, and values. Middle and senior managers undergo training in brand marketing, channel operation, consumer research and insights, human resources planning, innovation and R&D, BI business analysis, executive speech and public relations. Technical staff engaged in production, supply chain, and quality management receive specialized technical and management training, along with safety emergency training related to EHS.



Performance Highlights

- ✓ A total of over **4,342** hours of training among all employees.
- ✓ **94** enrollments in three sessions of leadership training program.
- ✓ **264** enrollments in two sessions of ongoing training program.
- ✓ **1,384** enrollments in four sessions of new employee orientation.
- ✓ **276** enrollments in one session of YSMT program.

Promotion and Development

Yatsen persists in providing equal career development opportunities for all employees. We have established an open and transparent promotion mechanism and offered promotion channels to different types of employees. With a forward-looking and strategic approach, the Company develops an annual human resources plan at the beginning of each year, based on the business plans of various departments and budget requirements of the Company. This ensures the optimal allocation of human resources to meet business needs.

Regular performance reviews

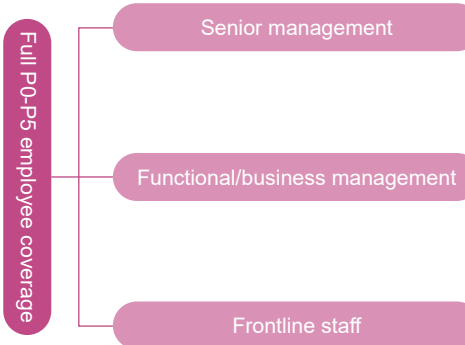
We conduct monthly and quarterly employee performance appraisals, give feedback to employees, and offer guidance and support for their further improvement. In 2023, the Company implemented a new strategic evaluation system and introduced the Balanced Score Card (BSC) to assess the overall performance of the Company, brand divisions, channel divisions, and functional departments. This approach has provided the team with clear development directions and priorities and united concert efforts to realize a common goal.

Comprehensive performance assessments

We regularly review our talent pool and gather comprehensive assessment results of employees to evaluate their individual capabilities, potential, values, and leadership. This process helps us understand employees' overall strengths and development potential in a bid to provide rapid career development opportunities to those competent and high-potential employees.

Yatsen prioritizes attracting and cultivating campus talents. Each year, we conduct a Campus Recruitment Program for Management Trainees through multiple channels and also adopt internal employee referrals. In 2023, a total of 27 young and high-potential college graduates participated in the Yatsen Management Trainee Program, injecting fresh talent into the Company.

Multiple Development Paths



Case Conducting Training for Management Trainees

In July 2023, Yatsen launched the "Explore the Beauty Planet - 11th Huangpu Management Trainee Program" to help new employees quickly integrate into the Company. The training course covered a wide range of topics, including an introduction to Yatsen, product and makeup experience, workplace mindset and skills, and various business fundamentals. Besides, we introduced team-themed activities to enhance collaboration and teamwork. After completing the training, management trainees spent two weeks in the Customer Service Department to gain hands-on experience, directly engage with consumers, and deeply understand the products and brands. This training program well prepared them to transition into their respective roles within the Company.



Management Trainee Training

Employee Care

Yatsen places emphasis on employee care and strives to create a safe and healthy workplace. We offer competitive remuneration and benefits to attract and retain talent. In addition, we organize a variety of engaging activities to enhance employees' sense of belonging and happiness. These efforts lay a solid foundation for the sustainable development of the Company.

Safeguarding Health and Safety

The Company strictly adheres to relevant regulations of the locations where it operates, such as the *Work Safety Law of the People's Republic of China*, the *Fire Protection Law of the People's Republic of China* and the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*. We established a safety management department and appointed internal safety supervision teams to ensure the comprehensively protection of employees' health and safety. We also provide safety tools and equipment to employees and irregularly organize safety inspections, fire drills, EHS training, and other activities. Upon completing any renovation or modification projects, we immediately implement air treatment measures such as photocatalyst and bio-enzyme to remove formaldehyde, thus ensuring that our workplaces meet health and safety standards.

We care for the physical and mental health of our employees. To achieve this, we provide access to a staff clinic run by external agencies that offer timely and professional medical services free of charge. Moreover, we have built a fitness

center and rented sports facilities such as table tennis rooms, basketball courts, and soccer fields near our workplaces that are available to all employees. We regularly host sports days and team-building activities to encourage our employees to engage in physical exercise. We also offer diverse mental health training sessions, covering topics such as emotion management, stress relief, and potential development. Additionally, we carry out a variety of activities including yoga, singing bowl sessions, massages, manicures, tea gatherings, intangible cultural heritage experiences, and book clubs, to offer employees a variety of emotional and physical healing opportunities.

In 2023, the Company invited traditional Chinese medicine doctors from the Guangdong Institute of Modern Health Industry to conduct a two-week health diagnosis and treatment program. They provided over 200 individual health therapy sessions and consultations. During the Reporting Period, we organized three "Dual Cancer Screening and Clinics" events, offering free screenings for over 600 female employees to safeguard their exclusive rights and interests.

Standardized Remuneration Regime

The Company places a high priority on safeguarding employee remuneration and benefits. We have formulated internal remuneration policies such as *the Remuneration Management Manual* and *the Performance Appraisal Guidelines* to standardize the composition and management of employee remuneration and benefits. We promise equal pay for equal work and offer a comprehensive compensation package that includes basic salary, post allowance, performance bonus, and year-end double salary, along with various social insurances as mandated by the state. We regularly adjust salaries of employees based on industry benchmarks to maintain the competitiveness of the salary we provide in the market. For outstanding employees, we provide bonus incentives and give commendations to them based on their performance appraisal results. For key employees, the Company grants them share option incentives. We have a mix of short-term and long-term incentive programs to pool excellent talent for the Company.

Diverse Employee Benefits

Yatsen has always regarded employee welfare as a key factor in enhancing employees' sense of happiness. In addition to providing statutory benefits such as social insurance and holidays, we offer our employees diverse benefits including birthday and holiday gifts, free access to a staff canteen and shuttle bus, flexible clock-in, and employee discounts. As a beauty group filled with female power, Yatsen cares for the needs of female staff by providing makeup rooms and distributing gifts on International Women's Day. We also deliver personalized and considerate services to make female workers feel valued. In 2023, our Labor Union established a "Home for Employees", to cater to employees' diverse needs across various levels and aspects, enhancing overall employee satisfaction.

Yatsen advocates for a positive and healthy working atmosphere that balances work and life. We organize a variety of cultural and sports activities to sincerely appreciate employees' hard work and enhance their sense of happiness and satisfaction.

The Company holds large-scale themed carnivals and afternoon tea events during Children's Day, anniversaries, and Mid-Autumn Festival, drawing enthusiastic participation from all employees. These activities inject more joy and warmth into employees' work and life.

Case

Celebration of the Seventh Anniversary

In August 2023, Yatsen celebrated its 7th anniversary with the theme of "Sailing Against the Wind, Moving Forward" and the 4th Yatsen Employee 101 Finals at the headquarters in Guangzhou. The Company started its anniversary celebration with an online charity sale and organized a large park outing event offline. A total of 24 employees from different departments contributed to a spectacular lineup of performances, using music to convey their hopes and best wishes for the Company's bright future.



SDGs covered in this Chapter:



ESG issues covered in this chapter:

- Social Welfare

05

Spreading Warmth Toward a Beautiful Society

Yatsen is committed to creating value for society, gives full play to resource advantages and social influence, and actively develops and launches social welfare programs focusing on women empowerment, natural ecology, caring for children, among others. Partnering with government, higher education institutions and charity organizations, Yatsen continues to spread beauty and shine the light of beauty into society.

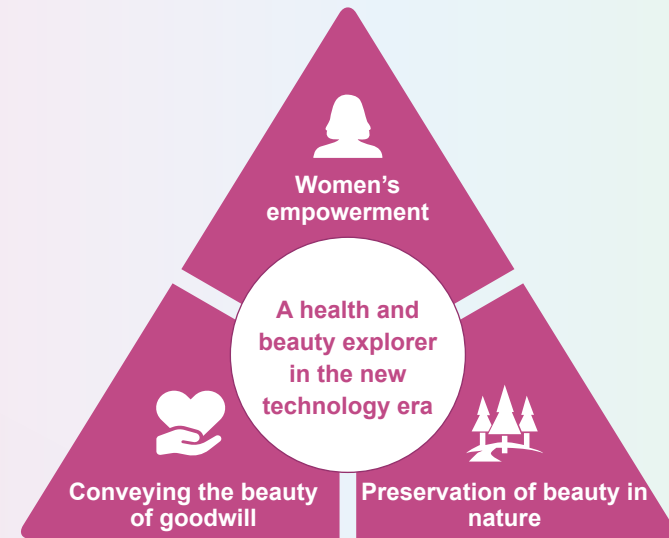
CSR Strategy

In the course of beauty exploration, Yatsen remains committed to discovering, protecting and creating beauty, and has developed a social responsibility strategy system with its characteristics, which centers on women's empowerment, preservation of beauty in nature, and conveying the beauty of goodwill. Staying true to social responsibility, Yatsen relentlessly increases breadth and depth of charitable activities, supports the achievement of SDGs, and shines the light of responsibility on more and wider areas.

We set and continuously track key performance indicators for our public welfare projects, which include the direct and indirect beneficiaries of the projects, communication exposure, social evaluation (such as government, media awards and public praise), and other factors. During key timelines and after the completion of the project, we conduct periodic impact assessments and reviews, serving as references to optimize the design and implementation of future projects.



Use Innovation and Know-how to Discover, Protect, and Create Beauty



CSR Strategy of Yatsen

Women's Empowerment

Yatsen shoulders the mission of safeguarding the power of women and is committed to creating a broader stage for women such as nurses, journalists, and policewomen to realize their full potential. We promote the development of public welfare undertakings for women by making continuous efforts to carry out empowering public welfare initiatives, such as "Create Better Life with Beauty Makeup." We enable them master professional beauty skills. In this way, we tailor a beauty industry that creates and spreads beauty for women, thus helping them continue to grow and improve themselves, start their own businesses, harvest more income, and enhance self-worth.

Case

"Create Better Life with Beauty Makeup" Program, Facilitating Free Blossom of Her Power

In March 2023, the second season of the "Create Better Life with Beauty Makeup" Program was launched in Guangzhou. The three-session training witnessed the growth of 120 female participants. The training of this season saw continuous improvements in training coverage, course arrangements, tool configuration, among others. The approach of a combination of "theoretical teaching and on-site practice" was adopted, which involved visits to the headquarters of Yatsen, allowing an immersive experience of the rapid development in the beauty industry. The "Create Better Life with Beauty Makeup" Program won the title of "Annual Charity Case" granted by Southern Weekly in 2023, receiving high recognition.

Since 2021, Yatsen and the China Women's Development Foundation have been jointly launching the "Create Better Life with Beauty Makeup," a charitable beauty makeup training program for females. It is designated to help low-income females, females in difficulty and entrepreneurial females to master professional beauty makeup skills, reignite the vision for the good life. In a short span of three years, the "Create Better Life with Beauty Makeup" Program has equipped 282 females in difficulty with professional beauty makeup skills, supporting their entrepreneurship and employment in the field of beauty.



The Second Season of "Create Better Life with Beauty Makeup" Program

Case

Public Welfare Campaign to Celebrate International Nurses' Day

Yatsen keeps sending sincere care and greetings to frontline medical staff through donations of supplies, beauty makeup training, and makeup transformation for medical staff. On May 12, 2023, Yatsen carried out a special beauty makeup public welfare campaign to celebrate International Nurses' Day at the First Affiliated Hospital of Sun Yat-sen University. A makeup area was established and some senior makeup artists were sent to tailor makeup designs for dozens of female nurses. We customized 3,800 "skincare+ makeup" gift packages worth RMB670,000 for them.



Charitable Donations from Yatsen to the First Affiliated Hospital of Sun Yat-sen University



Performance Highlights

- ✓ In 2023, the second season of "Create Better Life with Beauty Makeup" Program was successfully implemented in Guangzhou with **3** sessions completed, which empowered **120** disadvantaged women from different cities in Guangdong. The pass rate of the assessments for special skills certificates reached **100%**.
- ✓ In the past three years, the beauty makeup training program of "Create Better Life with Beauty Makeup" assisted **282** women in mastering vocational skills for employment. Among them, **88.5%** of the trainees who participated in three training sessions from Sichuan region started their own businesses or became employed.

Preservation of Beauty in Nature

Yatsen has been a staunch champion to respect and protect nature, exploring ways to live in harmony with nature and incorporating the low-carbon concept into product design and other links. Since 2020, Yatsen has launched charitable initiatives relating to endangered animals' protection, stray cats and dogs care, and natural cultural heritage inheritance,

which are intended to calling for more groups of population to join in the force to protect ecology and nature. To strengthen protection for the natural ecosystem have put in place the *Biodiversity Statement*, announced our commitments and action strategies for biodiversity protection to sustain effective protection for the natural ecosystem.



Charity Program of Selling Cat and Dog Eyeshadow Palettes for Animal Protection Launched by Perfect Diary



Charity Program of Retaining Beautiful Colors of China for Red-Crowned Crane Protection Launched by Perfect Diary



Feeding Program for Stray Animals Supported by Pink Bear Joining Hands with Luo Wangyu and TA Foundation

Conveying the Beauty of Goodwill

While pursuing development and advancement, Yatsen has been an unwavering contributor to charitable cause by making tangible efforts in such charitable fronts as education and research development, rural construction and volunteering activities. By giving backing to society with an array of charity actions, we have enhanced our corporate and brand value.

Education and Research Development

In 2023, Yatsen inked a strategic cooperation agreement with Sun Yat-sen University and established the “Sun Yat-sen University - Yatsen Research and Development Fund” in Guangzhou, with a donation of RMB10 million to the Education Development Foundation of Sun Yat-sen University to support its work in the field of marine disciplines, research on China’s modernization and other areas. This move was part of its endeavors to help the development of scientific research in colleges and universities.



“Sun Yat-sen University - Yatsen Research and Development Fund” Donation Ceremony

Rural Revitalization

To support education and rural revitalization efforts, Yatsen organizes our employee volunteers to participate in paired donations to schools. They are involved in constructing green classrooms and conducting the “Green Computer Donation” program. This program donates idle or replaced computers to primary schools, thereby improving conditions for information technology teaching and infusing new

vitality and hope into local education. As of the end of 2023, Yatsen had donated 306 computers and seven projectors to numerous towns in Shaoguan, Qingyuan, Yunfu, and other regions in Guangdong, helping nearly 3,000 children in mountainous areas have access to new computer classrooms.

By the end of 2023, Yatsen had donated

Computers

306

Projectors

7

Nearly

3,000

children in mountainous areas have new computer classrooms



Green Computer Rooms



Volunteer Activities

Leveraging our advantageous resources and social influence, Yatsen encourages employees to participate in volunteer activities such as the “99 Giving Day”, charity performances, and book donations. We also motivate our affiliated brands to engage in public welfare activities, contributing to the well-being of various social groups to the best of our ability.

Case

Charity Walk

In November 2023, 50 employees from Yatsen took part in the 10th Charity Walk of the Welfare Lottery Cup themed “One Decade of Happy Life in Guangzhou” organized by the Guangzhou Municipal Civil Affairs Bureau and the Guangzhou Charity Federation. This event aimed to promote awareness and support for vulnerable groups, including children in need.



Charity Walk

Case

Support for the Charity Music Festival

In September 2023, Yatsen participated in the first Guangzhou Charity Music Festival and “Little Wishes for Numerous Families” public welfare program jointly held by organizations including the Guangzhou Charity Federation and the Guangzhou Musicians Association. The event aimed to share and review the results of charity projects with the public through music and dramatic performances. Leveraging our unique resources as a beauty company, Yatsen dispatched 12 employee volunteers. With the latest professional makeup tools and products from our affiliated brands *Perfect Diary*, *Little Ondine*, and *Pink Bear*, they provided public welfare makeup services for over 60 teenager performers.



Public Welfare Makeup Services



Case Book Donation Activity

In April 2023, Yatsen collaborated with the Beijing Chunhui Children's Foundation to launch the "Donate, Read, Accompany" public welfare campaign. The campaign encouraged employees to donate books to orphaned and disabled children and contribute to the establishment of charity reading corners.



Contributing to the Establishment of Charity Reading Corners

Case Pink Bear Hosts a Public Welfare Exhibition

Pink Bear Cooperates with Shenzhen Watch Association to Host a Public Welfare Exhibition to Give Voice to the Autistic Community.

Case DR.WU Launches Public Welfare Activities in a University

DR.WU Visited a University Campus, Providing Students with Acne Education, Free Consultations, and Product Samples.

Appendix

Tables of Key ESG Performance

Environmental Performance					
Category	Indicator	Unit	2021	2022	2023
Greenhouse gas emissions	Total greenhouse gas emissions	ton of carbon dioxide equivalent	2,963.38	7,717.91	4,308.56
	Greenhouse gas emission intensity	ton of carbon dioxide equivalent/ RMB10,000	0.0051	0.0208	0.0126
	Scope 1 total greenhouse gas emissions ¹²	ton of carbon dioxide equivalent	21.36	183.87	138.61
	Scope 2 total greenhouse gas emissions ¹³	ton of carbon dioxide equivalent	2,942.02	7,534.04	4,169.96
Use of energy	Total purchased electricity	kWh	5,063,710	13,210,665	7,489,146
	Total gasoline consumption	ton	7.02	3.58	2.14
	Total diesel consumption	ton	/	55.00	42.00
Use of water resources	Total operational water consumption	ton	28,977.60	32,429.76	23,971.33
	Operational water consumption intensity	ton/ RMB10,000 of revenue	0.0496	0.0875	0.07

¹²Scope 1 total greenhouse gas emissions: Greenhouse gas emissions from the combustion of coal, oil, and other fossil energy as well as industrial production processes. Scope 1 greenhouse gas emissions are calculated with reference to the Guidance on Greenhouse Gas Emission Accounting and Reporting – Public Building Operation Units (Enterprises) (Trial) (《公共建筑运营单位(企业)温室气体排放核算方法和报告指南(试行)》) and Reporting Guidance on Environmental KPIs (《环境关键绩效指标汇报指引》) issued by the General Office of the National Development and Reform Commission.

¹³Scope 2 total greenhouse gas emissions: Greenhouse gas emissions resulting from purchased electricity and heat. Scope 2 greenhouse gas emissions are calculated with reference to the Guidance on Greenhouse Gas Emission Accounting and Reporting – Public Building Operation Units (Enterprises) (Trial) (《公共建筑运营单位(企业)温室气体排放核算方法和报告指南(试行)》) and Reporting Guidance on Environmental KPIs (《环境关键绩效指标汇报指引》) issued by the General Office of the National Development and Reform Commission, among which the power emission factor for the mainland area is adjusted to 0.5568 kgCO₂/kWh according to the latest announcement released by the Ministry of Ecology and Environment in 2024.

Environmental Performance					
Category	Indicator	Unit	2021	2022	2023
Waste	Total hazardous waste ¹⁴	ton	1.03	0.31	0.19
	Total non-hazardous waste ¹⁵	ton	43.91	13.47	7.71
Use of packaging materials	Total packaging material used	ton	46,536.94	13,446.26	13,021.61
	Packaging material use intensity	ton/ RMB10,000 of revenue	0.08	0.04	0.04
	Packaging material used – Paper-based ¹⁶	ton	18,085.80	10,657.50	10,368.40
	Packaging material used – FSC certified paper based ¹⁷	ton	88.40	23.00	35.00
	Packaging material used – Plastic-based ¹⁸	ton	26,809.63	2,327.54	2,198.33
	Packaging material used – Metal-based	ton	768.80	263.42	312.34
	Packaging material used – Wood-based	ton	350.00	0	0
	Packaging material used – Glass-based	ton	95.97	46.30	65.80
	Packaging material used – PU Leather-based	ton	336.35	127.00	75.00
	Packaging material used – Cloth-based ¹⁹	ton	2.00	1.50	1.74

¹⁴Total hazardous waste: Including mercury-containing fluorescent tubes as well as waste toner cartridges and ink cartridges. The scope of statistics covers Perfect Diary's directly-operated offline stores in China and EVE LOM's directly-operated offline stores in China.

¹⁵Total non-hazardous waste: Including office paper, thermal paper used in sales receipts, domestic waste, and kitchen waste. The scope of statistics covers staff offices, Perfect Diary's directly-operated offline stores in China and EVE LOM's directly-operated offline stores in China.

¹⁶Packaging material used – Paper-based: The scope of statistics covers seven OEM/ODM factories, self-operated warehouses, Perfect Diary's directly-operated offline stores in China and EVE LOM's directly-operated offline stores in China.

¹⁷Packaging material used (except paper-based and plastic-based): The scope of statistics covers seven OEM/ODM factories.

¹⁸Packaging material used – Plastic-based: The scope of statistics covers seven OEM/ODM factories, and self-operated warehouses.

¹⁹Packaging material used – Cloth-based: The scope of covers six OEM/ODM factories.

Social Performance					
Category	Indicator	Unit	2021	2022	2023
R&D	R&D investment	RMB million	About 140	About 130	112
	Total number of intellectual property rights acquired domestically and abroad	/	2,936	4,052	4,693
Employee composition	Total number of employees (Including the overseas employees)	person	3,497	1,837	1,505
	Number of employees in China	person	3,444	1,772	1,430
	Number of male employees in China	person	737	381	308
	Number of female employees in China	person	2,707	1,391	1,122
	Number of employees aged 29 or below in China	person	2,711	1,250	914
	Number of employees aged between 30 and 49 in China	person	728	515	510
	Number of employees aged 50 or above in China	person	5	7	6
Employees' rights and interests	Labor contract signing rate	%	100	100	100
	% of employees who owned outstanding shares of Yatsen	%	11.9	15.5	21.6
Employee training	Total hours of training received by employees	hour	33,068	14,012	4,342
	Total hours of training received by male employees	hour	6,614	2,802	1,097
	Total hours of training received by female employees	hour	26,454	11,210	3,245
	Total hours of training received by management staff	hour	28,944	1,618	165

Social Performance					
Category	Indicator	Unit	2021	2022	2023
Employee training	Total hours of training received by general staff	hour	4,124	12,394	4,177
	Percentage of full-time employees receiving training on business ethics	%	100	100	100
Occupational health and safety	Total number of days lost due to work-related injury	day	125	84	0
	Number of work-related fatalities	person	0	0	0
Supplier composition	Number of direct suppliers in China	/	141	151	145
	Number of core suppliers in China	/	7	7	7
Public welfare investment	Total amount of charitable donations	RMB10,000	340	474	219.7

GRI Indicator Index

GRI Standard	Disclosure	Location
GRI 2: General Disclosures 2021	2-1	Organizational details
	2-3	Reporting period, frequency and contact point
	2-6	Activities, value chain and other business relationships
	2-7	Employees
	2-9	Governance structure and composition
	2-10	Nomination and selection of the highest governance body
	2-25	Processes to remediate negative impacts
	2-26	Mechanisms for seeking advice and raising concerns
	2-29	Approach to stakeholder engagement
	3-1	Process to determine material topics
GRI 3: Material Topics 2021	3-2	List of material topics

GRI Standard	Disclosure		Location
GRI 3: Material Topics 2021	3-3	Management of material topics	Science-Based Governance for Robust Development
			Relentless Beauty Exploration for Innovative Products
			Sustainability Practices for a Greener Future
			People-Oriented Philosophy for a Vibrant Workplace
			Spreading Warmth Toward a Beautiful Society
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	ESG Hihlights in 2023
	201-2	Financial implications and other risks and opportunities due to climate change	Sustainability Practices for a Greener Future
	201-3	Defined benefit plan obligations and other retirement plans	People-Oriented Philosophy for a Vibrant Workplace
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	Spreading Warmth Toward a Beautiful Society
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	Appendix-Tables of Key ESG Performance
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	Science-Based Governance for Robust Development
	205-2	Communication and training about anti-corruption policies and procedures	Science-Based Governance for Robust Development
GRI 301: Materials 2016	301-1	Materials used by weight or volume	Sustainability Practices for a Greener Future
GRI 302: Energy 2016	302-1	Energy consumption within the organization	Sustainability Practices for a Greener Future
			Appendix-Tables of Key ESG Performance
	302-3	Energy intensity	Appendix-Tables of Key ESG Performance
GRI 303: Water and Effluents 2018	303-5	Water consumption	Appendix-Tables of Key ESG Performance
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Appendix-Tables of Key ESG Performance

GRI Standard	Disclosure		Location
GRI 305: Emissions 2016	305-2	Energy indirect (Scope 2) GHG emissions	Appendix-Tables of Key ESG Performance
	305-4	GHG emissions intensity	Appendix-Tables of Key ESG Performance
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	Sustainability Practices for a Greener Future
	306-2	Management of significant waste-related impacts	Sustainability Practices for a Greener Future
	306-3	Waste generated	Appendix-Tables of Key ESG Performance
GRI 308: Supplier Environmental Assessment 2016	308-2	Negative environmental impacts in the supply chain and actions taken	Relentless Beauty Exploration for Innovative Products
GRI 401: Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	People-Oriented Philosophy for a Vibrant Workplace
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	People-Oriented Philosophy for a Vibrant Workplace
	403-5	Worker training on occupational health and safety	People-Oriented Philosophy for a Vibrant Workplace
	403-6	Promotion of worker health	People-Oriented Philosophy for a Vibrant Workplace
	403-9	Work-related injuries	Appendix-Tables of Key ESG Performance
	403-10	Work-related health	Appendix-Tables of Key ESG Performance
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	People-Oriented Philosophy for a Vibrant Workplace
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	People-Oriented Philosophy for a Vibrant Workplace
			Appendix-Tables of Key ESG Performance
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	Spreading Warmth Toward a Beautiful Society
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Relentless Beauty Exploration for Innovative Products

About This Report

As a leading player in China's beauty market, Yatsen Holding Limited ("Yatsen", "we" or the "Company") is committed to becoming "a health and beauty explorer in the new technology era". We regard our product excellence, brand reputation and operational capability as our core competencies, and we position our research and development (R&D) capabilities and access to consumer insights as our strongholds. Since inception, we have been making unremitting efforts to serve our consumers, employees, and the society at large. We have integrated environmental, social and governance (ESG) considerations into our decision-making process. We seek to remain highly attuned with the needs of our various stakeholders and communities, and place ESG at the forefront of our long-term development focus.

This is our third ESG report, covering information regarding our ESG-related initiatives from January 1 to December 31, 2023 (the "Reporting Period"). This report also includes data and information pertaining to certain material developments prior to or subsequent to the Reporting Period. We aim to provide our stakeholders with a comprehensive view of Yatsen's ESG concepts, practices and achievements in 2023.

This report primarily refers to the Global Reporting Initiative *Sustainability Reporting Standards* (GRI Standards) and the United Nations Sustainable Development Goals (SDGs). We also referenced the key considerations pertaining to ESG by Morgan Stanley Capital International (MSCI), a world-leading rating agency, as well as the best practices by peers in related fields at home and abroad. Also, this report reflects and addresses the material topics of concern by the Company's investors, directors, management, and employees.

This report has been determined in accordance with a set of established procedures that include identifying and prioritizing material ESG issues, determining reporting boundaries, collecting related information, preparing the report, and reviewing the information as set out in the report.

This report is published in Simplified Chinese and English for readers' reference, and the electronic version is available on the official website of the Company (www.yatsenglobal.com). If there is any inconsistency between the English and Chinese versions, the English version shall prevail.

Feedback

Dear Readers,

Hello! Thank you very much for taking the time to read the *2023 Environmental, Social and Governance Report of Yatsen*. This is the third report published by Yatsen to the public since its listing.

In order to continuously improve the preparation of our sustainability report and enhance the sustainability of the Company, we especially hope to listen to your opinions and suggestions. Please fill in the feedback form and return to us as follows.

Please scan the QR code below and provide your opinions and suggestions on this Report:

QR Code of the Feedback Questionnaire



You can give your opinions or suggestions through the following channels:

 Company address: Building No. 35-36, Art Port International Creation Center, No. 2519 Xingang East Road, Haizhu District, Guangzhou 510330, the People's Republic of China

 Tel: 020-87307310

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YSG逸仙