



Nourishing Life & Growth

**Sustainability
Report
2022**



AUSNUTRIA DAIRY CORPORATION LTD

(Incorporated in the Cayman Islands with limited liability)

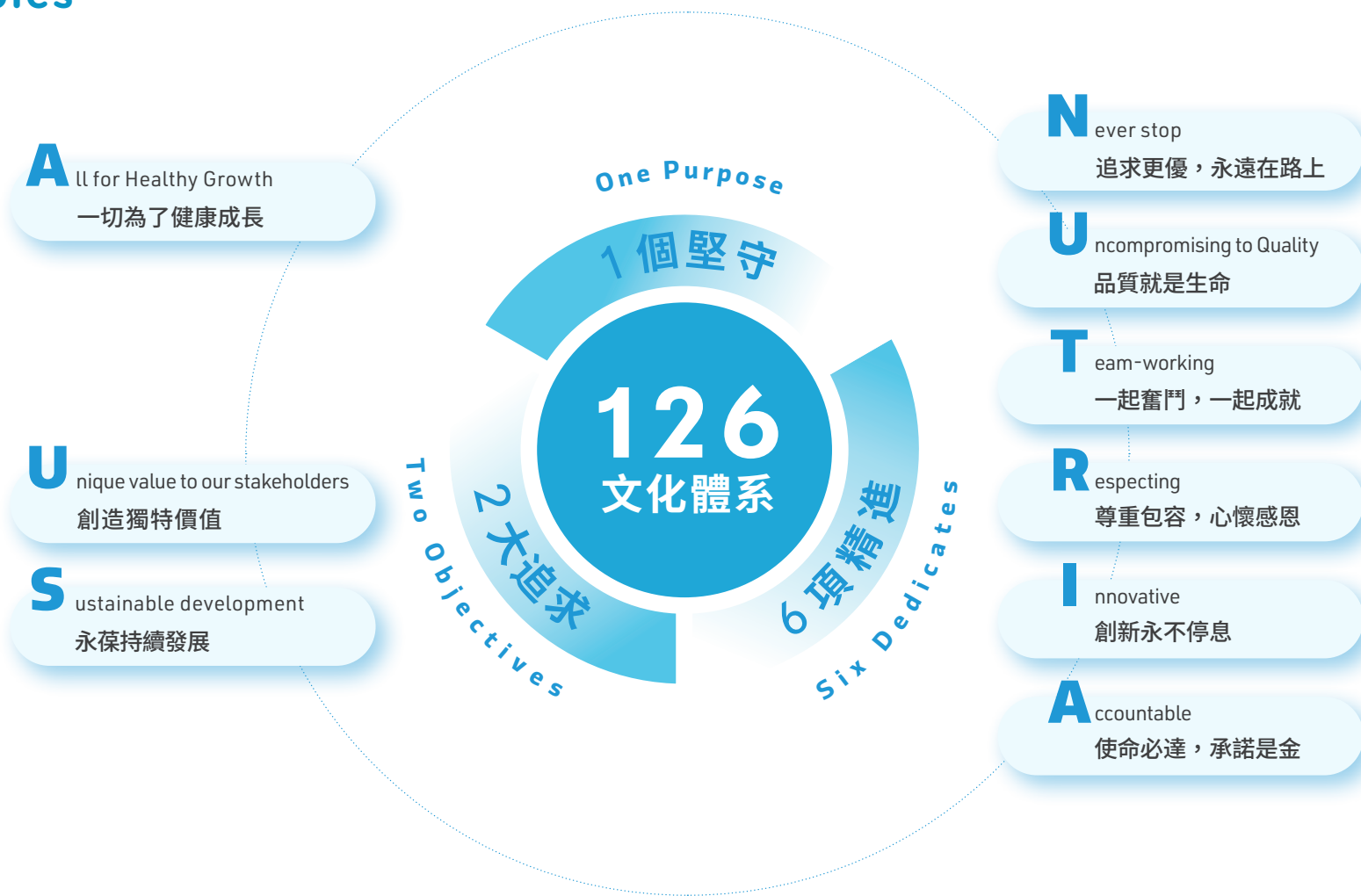
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Ausnutria Principles



Sustainability **Vision**

Ausnutria's Sustainability Vision is to nourish life and growth by providing quality nutritional options to all on a global level. The Group is committed to creating value in a sustainable manner, and helping build a world in which everyone is empowered to live a healthy and prosperous life.



Sustainability Strategy Framework

OUR COMMITMENTS

OUR FOCUS AREAS

RELEVANT UNSDGS



Better Nutrition

We foster innovation and offer quality nutritional products and solutions to promote healthy living and well-being for all.

- Product quality and food safety
- Product innovation
- Customer engagement



Better Life

We promote meaningful partnerships to create a healthy and inclusive workplace and community for our stakeholders to grow and thrive.

- Employee welfare & development
- Employee health & safety
- Diversity & inclusion
- Community investment
- Consumer health & well-being



Better Environment

We commit to responsible production and consumption and act on climate change for our future generations.

- Ausnutria's Environmental Targets
- Managing energy efficiency and carbon footprint
- Saving water for future generations
- Adopting a comprehensive waste management plan
- Developing environmentally friendly packaging materials
- Managing climate risks with resilience strategies



2025 Sustainability Commitment



FOCUS AREAS	OBJECTIVES	2022	2025
Product quality and food safety	Continually enhancing our product quality and food safety through the development and implementation of quality and food safety systems, standards and practices	<ul style="list-style-type: none"> • Obtained BRC 8 Global Food Safety Initiative (GFSI) certification, FSSC 22000 Food Safety System Certification, ISO 9001 Quality Management System, Hazard Analysis and Critical Control Points (HACCP) System, GMP+ Good Manufacturing Practices and COKZ certification in our production facilities • Implemented strict measures and a tracing system to safeguard the health and safety of the general public • Developed robust management systems to communicate with suppliers on the Group's expectations for product quality and monitor the quality control of supplier performance 	<ul style="list-style-type: none"> • Continuously implement and enhance quality management systems in our production plants • Maintain zero product recalls regarding health and safety • Increase supplier collaboration and enhance assessment process to ensure product safety and quality assurance
		<ul style="list-style-type: none"> • Established breast milk data banks to conduct scientific research on breast milk and improve the nutritional value of our milk formula 	<ul style="list-style-type: none"> • Continuously source and incorporate innovative and effective ingredients into our products, especially for infants, children and mothers-to-be
Product innovation	Unleashing the full potential of our nutritional products by understanding customer needs and aligning with internal and external research & development on a global level		

2025

Sustainability Commitment

FOCUS AREAS	OBJECTIVES	2022	2025
Product innovation (cont'd)	Unleashing the full potential of our nutritional products by understanding customer needs and aligning with internal and external research & development on a global level	<ul style="list-style-type: none"> Expanded the product portfolio by introducing new formula milk and probiotic products to fulfil the nutritional needs of customers Maintained close collaboration with universities, research institutions, industry partners and contract manufacturers on nutritional research and innovative product development 	<ul style="list-style-type: none"> Enhance our product portfolio to further promote nutrition products, especially foods for special medical purpose Increase partnerships with health professionals and advance scientific research
		<ul style="list-style-type: none"> Engaged with customers through diversified channels, such as social media, mobile application, web live broadcasting, and promotional events Monitored the effectiveness of customer feedback mechanisms and kept track of customer satisfaction 	<ul style="list-style-type: none"> Enhance customer engagement channel diversity and efficiency to better disseminate product information Strengthen and regularly evaluate customer feedback mechanisms to better capture areas for improvement

2025 Sustainability Commitment



Better Life

FOCUS AREAS	OBJECTIVES	2022	2025
Employee welfare and development	Promoting workplace well-being by providing fair, inclusive and attractive working conditions and training and development opportunities, and creating and reinforcing supportive policies and procedures on a local and global level	<ul style="list-style-type: none"> Established a whistleblowing mechanism for employees to address grievance in the workplace. The mechanism will be regularly reviewed to ensure its effectiveness Provided structured training and development programmes for employees through learning platforms such as the Dairy Academy and the Ausnutria Academy Developed a formal appraisal system to review employees' performance and reward eligible employees with incentives. The mechanism will be regularly reviewed to ensure its effectiveness 	<ul style="list-style-type: none"> Implement and review the effectiveness of grievance mechanisms for employees Continuously optimise training and development programmes Constantly implement and review the effectiveness of employee incentive and recognition programmes
		<ul style="list-style-type: none"> Maintained zero work-related fatalities Set up a health and safety committee to ensure all health and safety standards and procedures are carried out properly and efficiently Established sports club and the Employee Assistance Programme to support employees' physical and mental well-being through providing sports activities and counselling sessions 	<ul style="list-style-type: none"> Maintain zero work-related fatalities Protect labour rights and promote safe and secure working environment for employees Advocate physical and mental well-being initiatives to employees

2025

Sustainability Commitment

FOCUS AREAS	OBJECTIVES	2022	2025
Diversity & inclusion	Creating equal opportunities by respecting mutual differences among internal and external stakeholders	<ul style="list-style-type: none"> • Cultivated a family-friendly and mother-friendly culture in the workplace through organising flexible working arrangements and family activities • Established standard procedures to maintain gender equality and equal opportunities during recruitment process and daily operations in the Code of conduct and Employee Handbooks 	<ul style="list-style-type: none"> • Strengthen mutual respect and cultural integration across the organisation • Maintain gender equality and equal opportunities in the workplace
Community investment	Promoting healthy lives and equal opportunities for the communities by cooperating with charitable parties and initiatives worldwide	<ul style="list-style-type: none"> • Ausnutria Foundation donated millions of cash or in-kind donations to provide tangible assistance to the community. • Provided sponsorship and donations to various charities and organisations related to health and sports development • Provided sponsorship to different sports events in local communities including SC Heerenveen football team 	<ul style="list-style-type: none"> • By 2029, inject RMB100 million in cash or in-kind donations into the Ausnutria Foundation • Consistently provide support for different communities through donations and charitable initiatives • Continuously partner with different parties to raise public awareness of healthy lifestyle
Consumer health & well-being	Empowering and inspiring consumers to lead better lives through advocating and educating the benefits of healthy products and lifestyle	<ul style="list-style-type: none"> • Promoted breastfeeding in place of infant formula in accordance with our innovative research projects with universities or institutional partners and World Health Organisation's recommendations • Optimised marketing channels such as WeChat, Weibo channels and other live broadcast platforms to support and educate consumers on healthy lifestyles 	<ul style="list-style-type: none"> • Support breastfeeding by promoting responsible marketing and advertising practices • Leverage marketing efforts to support and promote healthy diets and lifestyles

2025 Sustainability Commitment



Better Environment

ASPECT OF OUR
ENVIRONMENTAL
TARGETS

2022

2025²

GHG emissions



Compared with 2019

- Total GHG emissions intensity
- The scope 1 emissions intensity
- The scope 2 emissions intensity

↓ **21%**
↓ **25%**
↓ **9%**

Compared with 2019

- Total GHG emissions intensity
- The Scope 1 emissions intensity
- The Scope 2 emissions intensity

↓ **20%**
↓ **15%**
↓ **20%**

Energy consumption



Compared with 2019

- Energy consumption intensity
- Natural gas consumption intensity
- Electricity consumption intensity

↓ **17%**
↓ **21%**
↓ **5%**

Compared with 2019

- Energy consumption intensity
- Natural gas consumption intensity
- Electricity consumption intensity

↓ **20%**
↓ **20%**
↓ **15%**

Water consumption



Compared with 2019

- Water consumption intensity

↓ **40%**

Compared with 2019

- Water consumption intensity

↓ **35%**

Waste¹



- Maintained the recycling rate of paper and wood at **100%**
- Maintained the recycling rate of rest milk and rest powder at **100%**
- Achieved the recycling rate of plastic of at least **90%**

- To maintain the recycling rate of paper and wood at **100%**
- To maintain the recycling rate of rest milk and rest powder at **100%**
- To achieve the recycling rate of plastic of at least **90%**

¹ Recycling rate target is for production-related waste only

² We will keep monitoring our achievements to seek continuous improvement and review the targets in the coming years where necessary

2022 Achievements

BUSINESS HIGHLIGHTS OF YEAR 2022



■ Our slogan of creating the future through the collaboration of Yili Industrial and Ausnutria

In Year 2022, Inner Mongolia Yili Industrial Group Co. (“Yili Industrial”) and Ausnutria kept on striving for competitive advantages in infant formula market dairy industries through strategic synergy, where Yili Industrial successfully became the single largest shareholder of Ausnutria in March 2022. Apart from that, Ausnutria announced the completion of the acquisition of 50% interest in Amalthea Group B.V., which become an associate of the Company thereafter. This is to perfect the goat milk industry chain and increase Ausnutria’s fresh goat milk supply by approximately 45,000 tonnes per year, which help consolidate our all-round comprehensive leadership position in the goat milk sector. Ausnutria will continue to give full play to its own advantages and promote economic and trade cooperation between China and the Netherlands.



■ Ausnutria announced acquisition of new subsidiaries

■ Release of two Group Standards for the Goat Milk Industry jointly by Kabrita and Chinese Academy of Inspection and Quarantine



In Year 2022, group standards (T/CNHFA 002-2022) and (T/CNHFA 003-2022) for the identification of animal-derived ingredients in milk and dairy products were officially released for the first time. These two standards are jointly researched and drafted by the Kabrita research and development (“R&D”) team and the Chinese Academy of Inspection and Quarantine, thus issued and managed by the China Nutrition and Health Food Association, which can provide a basis for verifying the authenticity of the milk sources of dairy products. This is an important measure that demonstrates Ausnutria’s pioneering leadership in R&D for the goat milk powder industry.



■ Ausnutria Institute of academician Shan Yang’s Innovation Team Establishment Ceremony

In Year 2022, the “Southern China Milk-derived Probiotic Strains Selection and Resources Base Building” project jointly completed by the Group and Hunan Agricultural University, the People’s Republic of China (the “PRC”), was recognised as a new breakthrough in research gap. It laid a sound research foundation for the discovery and use of the diversified lactic acid bacteria in cow and goat milk in the PRC. Moreover, the invention patent “Composition and Its Use to Promote Defecation” applied by Ausnutria’s probiotic business brand – Bioflag has been authorized by the China National Intellectual Property Administration. The recognition and authorization marked another official endorsement of Ausnutria’s scientific research ability and an acknowledgement of its efforts.

In Year 2022, Professor Shan Yang, academician of the Chinese Academy of Engineering, established the first Ausnutria institute of academician Shan Yang’s innovation team in Ausnutria, creating a scientific and technological innovation highland for healthy functional raw materials. Ausnutria’s R&D innovation is the key to the Group’s success, and devoted continued investment in this area. Mr. Yan Weibin, chairman of Ausnutria, welcomed the collaboration with Professor Shan Yang and his team. It is worth mentioning that this is not the first instance of an academician settling in Ausnutria. Back in 2020, Professor Chen Wei, also from the Chinese Academy of Engineering and the President of Jiangnan University, also set up his workstation in Ausnutria. The agreement signed with these institutes promotes mutual benefit and co-development in scientific research, talent training, and creates a benchmark for industry-university-research cooperation.



Better Life

- **Donated millions of cash and materials for charitable and anti-pandemic activities.**
- **Donated around EUR75,000 worth of food aid packages to the Red Cross to aid the affected people of the war in Eastern Europe.**
- **Awarded in the PRC**
 - ESG Outstanding Social Responsibility Practice Corporation Case;
 - “Advanced Individual of New Hunan Contribution Award” for the chairman of Ausnutria;
 - National Charity Federation System Loving Enterprise 2021; and
 - Caring Disability Contribution Unit.
- **Promoted healthy lifestyle via sponsorship of sports events by**
 - continuing to be the main sponsor for SC Heerenveen football team in the Netherlands;
 - supporting LOOP Leeuwarden in the Netherlands; and
 - supporting the 3rd National Wheelchair Marathon for the Physically Handicapped First Hunan Women’s Health Games in the PRC.
- **Provided assistance to local communities in the PRC and the Netherlands through**
 - Ausnutria Foundation Hyproca Tundra Rose Project in Tibet, the PRC and supported over 5,000 families;
 - Donation to **Roparun Foundation** and **The Foundation Kika** to support cancer patients and children from impoverished families in the Netherlands; and
 - Sponsorship and donation to **Children’s Cooking School Fikks** and **Family box in football stadium Heerenveen** to promote healthy lifestyle for children in the Netherlands.
- **Ausnutria Academy in the PRC**
 - held a total of nine assemblies for four different levels of talent development class; and
 - developed professional ability standards to 15 business units.
- **Continue to support the Employee Assistance Programme in Australia in the upcoming year.**
- **Zero cases of work-related fatalities over the past three reported years.**



Better Nutrition

- **Launched new products**

- Hyproca 1897 Formula for the Future, first milk source with A2 protein* which is easier for absorption;
- Kabrita Xiangyang Goat Toddler Milk Powder;
- Soforla Lactase Formulated Milk Powder;
- NC Soforwe Gut Relief Plus;
- Kangsude Shushan Comprehensive Nutritional Formula Food for Special Medical Purpose; and
- Kangsude Zhenshan Comprehensive Nutritional Formula Food for Medical Purpose

- **Attended the 54th annual meeting of the European Society for Paediatric Gastroenterology, Hepatology and Nutrition (ESPGHAN) conference to present the latest clinical data about Kabrita and goat milk infant formula.**

- **Maintained strategic partnership with renowned universities.**

- **Stepped up investment in the R&D of new products to RMB197 million.**

- **Maintained 100% of Ausnutria's goat farmers participated in the Sustainability Programme.**

- **Organised the Hunan Province Special Medical Purpose Formula Food Operation and Use Seminar in Ausnutria Global Headquarters in the PRC.**

- **Participated in the 5th China International Import Expo to provide distributors with practical knowledge and awareness of the Group's dairy and nutrition solutions.**

- **Shared 4 latest research findings in the 2nd China Breast Milk Science Conference and received positive feedback from peers in the industry.**

- **Opened up a hub at campus in the Netherlands to provide a meeting place where students, scientists, entrepreneurs, start-ups, NGOs, SMEs and R&D centers of international companies can collaborate and share knowledge.**

- **Announced a new breakthrough “Southern China Milk-derived Probiotic Strains Selection and Resources Base Building” in the probiotic research.**

- **Obtained the first permit to produce food for special medical purposes in Hunan Province, the PRC.**

- **177 research paper and scientific article publications from the PRC and the Netherlands.**



Better Environment

- Monitored progressive targets for **GHG emissions, energy consumption, water use, and waste recycling** to improve our environmental performance.
- Around **95%** of the electricity consumption for operations of Ausnutria Netherlands was compensated through **renewable energy sources**.
- Used **chromium-free passivation cans** which prevents the production of toxic wastewater and avoids the associated environmental risks.
- Purchased packaging materials from sustainable sources, such as suppliers from supplier certified with **Forest Stewardship Council (FSC)** chain of custody certification.
- Offset about **13% of direct GHG emissions voluntarily** by purchasing carbon credit.
- The new production facilities in Heerenveen, which is under construction, will guarantee a **completely gas-free production process**.



About This Report

Ausnutria Dairy Corporation Ltd (“Ausnutria” or the “Company”, together with its subsidiaries, the “Group”) is honoured to issue its annual sustainability report, delivering the Group’s commitment, strategic approach, and initiatives in achieving sustainable development. This report illustrates the Group’s cooperative efforts with stakeholders and highlights its accomplishments in creating a long-term shared value for the Group and its employees, customers, business partners, the wider community and the environment.

REPORTING STANDARD

This report was prepared in accordance with the Environmental, Social and Governance (“ESG”) Reporting Guide’s requirement set out in Appendix 27 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The preparation of this report adopts the reporting principles of materiality, quantitative, balance and consistency. The Group engages with key stakeholders and management on a regular basis to address the most relevant and critical sustainability issues to the Group.

REPORTING SCOPE AND PERIOD

Unless otherwise stated, this report examines the material sustainability issues of the Group during the period from 1 January 2022 to 31 December 2022 (the “Year 2022”). This report covers the Group’s operations in the PRC, the Netherlands and Australia, including Ausnutria Dairy (China) Co., Ltd. and its subsidiaries (“Ausnutria PRC”), Ausnutria B.V. and its subsidiaries (“Ausnutria Netherlands”), Ausnutria Pty Ltd and its subsidiaries (including Australian Dairy Park Pty Ltd and Nutrition Care Pharmaceuticals Pty Ltd, “Ausnutria Australia”). These locations account for over 90% of the Group’s non-current assets.

CONTACT FOR FEEDBACK

This report is available on the Group’s [corporate website](#) and the Stock Exchange’s website. The Group welcomes and appreciates your valuable feedback and recommendations on its sustainability business practices. You can reach out to Ausnutria at ESG@ausnutria.com.



Message from the Chairman

I am delighted to present the Group's seventh sustainability report on behalf of the board (the "Board") of directors (the "Directors") of the Company, which captures our continuous efforts and achievements in incorporating sustainability into our business and value chain in Year 2022.

2022 was a tough yet promising year with the PRC bringing an end to the anti-pandemic policy, and we will be counting on vigorous societal growth from this day forth. The Group faced various developmental and operational challenges during the year, including the changing market in the PRC and competitive landscape caused by technological innovation and new consumption patterns. Meanwhile, we have been putting strategic plans into action to streamline our resources and operations across different regions, all the while keeping an eye on how to better incorporate sustainability into the Group's operations.

Ausnutria's globalised governance structure, which prioritises strategic directions, monitoring and evaluating the efficacy of our management's capability, financial performance, and transparency of information, has made steady progress since the Company's inception. 2022 marks the final year of the second phase of our Golden Decade development plan. Guided by the Group's mission of "Nourishing Life & Growth", Ausnutria will hold steadfast to its core "Golden Decade" strategy, and continue to strive, innovate and engage with our stakeholders worldwide. In order to achieve and maintain good corporate governance, sustainable development and a competitive advantage that creates a long-term value for our stakeholders, we recognise and embrace the benefits of having a diverse and inclusive Board. Our nine Directors come from various backgrounds, cultures and races, and are equipped with different industry experiences and professional expertise. This contributes to an inclusive corporate culture, which promotes board effectiveness, enables better decision making and prevents groupthink.



We have adopted a strong sustainability governance framework to direct our sustainability initiatives, which helps to enable effective management and ensure sustainability strategies are implemented across our operations and value chain. The Group has clearly defined the roles and responsibilities of sustainability-related parties, including the Board's oversight of sustainability risks, opportunities, strategies, and performance of goals and targets with the support of the management and our sustainability committee (the "Sustainability Committee") and its adjunct sustainability workgroup (the "Sustainability Workgroup"). Driven by the Group's sustainability vision, Ausnutria continues to work on our three foundational pillars: Better Nutrition, Better Life, and Better Environment, reinforcing the Group's commitment to the United Nations Sustainable Development Goals ("UNSDGs").

We are committed to promoting Better Life for our people by offering an inclusive and rewarding workplace. Not only do we value the diversity and inclusiveness of the Board, but also that of our workforce when managing our human resources. Every year, we introduce a wide range of employee-friendly initiatives to cater to the needs of our employees. We have devoted substantial resources to talent development and extensive employee training to unleash the potential of our people. In the Netherlands, we continued to roll out the Senior Leadership Development Programme in 2022. Collaborating with the Nyenrode Business University, the programme aims to enhance the leadership skills of our employees. In the PRC, we also rolled out the High Potential Talent Scheme to enhance skillsets of the management on communication, strategy implementation, and talent assessment. In addition to talent development, we continued to strengthen communication with our employees through different channels. The Group issues a monthly newsletter across all operations in the Netherlands and Australia, while the PRC began to utilise the Enterprise WeChat channel to strengthen connection across business units ("BU"). On top of that, we strive to improve our corporate culture by conducting interviews with our colleagues and sharing their 'Ausnutria story' on camera. To improve employee's well-being, different sports sessions and clubs, as well as athletics meet, were organised for them to promote a healthy lifestyle.

Our commitment to promote Better Life also covers our community. In Year 2022, the Group rallied in our support to promote community well-being through a wide range of sponsorships, donations and community projects. The Group has been injecting cash or in-kind donations for anti-pandemic work. In Year 2022, Ausnutria Foundation donated millions of cash and materials to provide tangible assistance to the community. Leveraging our own resources, we donated thousands of bottles of formula milk to various charitable organisations, such as front-line medical staff and community workers at The Red Cross Society of Hunan province. The Group contributed to the youth's educational development by organising Ausnutria's Charity Walk in the PRC to improve the teaching environment and sponsoring LOOP Leewarden in the Netherlands which funds the Youth Fund Sports and Culture. Moreover, the Group supported health-related community programmes by making cash donations to the Roparum Foundation in the Netherlands to raise money for cancer patients and organised charity sales to support childhood cancer research. Throughout the year, we earned a number of awards for our contributions to the community, including the "ESG Outstanding Social Responsibility Practice Corporation Case" awarded by the BOAO Forum for Entrepreneurs, and the "2021 Caring Enterprise" awarded by the China Charity Federation.

To uphold our commitment to Better Nutrition, Ausnutria is dedicated to developing high-quality nutritional products and solutions to meet the needs of our customers. In Year 2022, the Group accomplished several R&D achievements by boosting its investment in R&D of new products from RMB193 million in 2021 to RMB197 million in 2022. The Group continued to expand its product offering by introducing ten new products under the brands Kabrita, Hyproca 1897, Allnutria, Nutrition Care and Aunulife. It also supported research in breast milk and mother methyl by publishing four major research findings at the 2nd China Breast Milk Science Conference, demonstrating the Group's commitment to R&D. The Group also collaborates with world-class tertiary institutions on R&D research to enhance our capabilities in scientific research and innovation. In 2022, the first studio of Professor Shan Yang academician and innovation team was officially established in Ausnutria, establishing a technological innovation base for functional health ingredients. We also obtained the first permit to produce food for special medical purposes ("FSMP") in Hunan Province, the PRC. Devoted to protecting our intellectual property rights, the Group obtained the PRC's national standard for enterprise intellectual property management (GB/T 29490-2013) in Year 2022.

The Group strives to streamline our production in the supply chain to enhance efficiency and pursue sustainable development. We are currently expanding our manufacturing base with the construction of a new milk processing facility in the Netherlands that adopts low-carbon technologies and energy-efficient designs. Apart from the new facility, we support our suppliers to adopt sustainable practices. In Year 2022, Ausnutria continued to support goat farmers by participating in the Dutch goat sector organisation's Sustainability programme which promotes sustainable livestock farming practices. We achieved a 100% participation rate from Ausnutria's goat farms and scored 12% higher compared to last year. The Group also endeavours to promote industry development by fostering the establishment of Hunan Special Food Association in China, contributing to the development of local food industry.

As we strive to create a Better Environment for our future generations, we spare no efforts in mitigating the environmental impacts arising from our manufacturing processes and improving the environmental performance of our operations. The Group has set progressive targets for greenhouse gas (GHG) emissions, energy consumption, water use and waste recycling rates last year and achieved outstanding progress in Year 2022. We will continue to monitor our target performance closely and report the progress achieved. To gradually decarbonise our business operations, we adopt low-carbon technologies and source renewable energy wherever possible. In 2022, 13% of direct GHG emissions generated were offset by voluntarily purchasing carbon credit. Around 95% of electricity consumption for operations of Ausnutria Netherlands was compensated through renewable energy sources. The on-site solar system of Ausnutria Australia was also expanded this year, saving 10% of total electricity consumption. In terms of waste, the Group continued to maintain a 100% recycling rate for paper, wood, plastic and rest milk powder. With a view to developing environmentally friendly products and packaging, Ausnutria PRC began to purchase packaging cardboard procured from sustainable source with Forest Stewardship Council (FSC) certification. The Group also formulated the "Green Design Product Specification", which has been accredited by the local authority as the basis for green product design evaluation. We seek to continuously optimise our environmental management systems to pursue a better environment.

I would like to take this opportunity to extend my sincere gratitude to all of our stakeholders for their unwavering support in our sustainability journey. I would also like to express my heartfelt gratitude to all of our staff members for their ongoing endeavours during this challenging period. Their hard work contributes to the success of the Company so that we can continue to deliver best-in-class products. I am confident that the Group will continue to excel in 2023 and create greater synergy with our stakeholders to contribute to sustainable development.

Yan Weibin
Chairman

The PRC
26 April 2023



About Ausnutria

CORPORATE PROFILE

Founded in Changsha City, Hunan Province, the PRC in September 2003, Ausnutria is one of the world's leading high-end dairy and nutrition products enterprises. The Company was listed on The Stock Exchange of Hong Kong in October 2009 (stock code: 1717), being the first infant formula company listed in Hong Kong. The Group owns and operates an integrated business chain in the global dairy and nutrition market, from sourcing and production, to marketing and distribution.

As at the date hereof, Ausnutria possesses nine modernised factories around the globe, among which there are one in the PRC, five in the Netherlands, two in Australia and one in New Zealand. Altogether they provide a diverse product portfolio for more than sixty other countries or regions, forming a life-cycle care system covering infant formula, healthcare products, special medication products and personalised nutrition products and services.

In Year 2022, Ausnutria continued to expand its product portfolio by rolling out several new products and made significant improvements in R&D with a focus on nutritional health studies. Ausnutria introduced several brand-new formulas during the year, including but not limited to Hyproca 1897 Formula for the Future, Ausnutria Aiyou, Allnutria Ruiyou, Ruihuo, Zhishu and Xiangyang. For R&D, the Group attained impressive results from several scientific research projects. The "Southern China Milk-derived Probiotic Strains Selection and Resources Base Building" project, which was conducted in partnership with Hunan Agricultural University in the PRC, was recognised as a breakthrough in the field of research. This project established a sound scientific foundation for the discovery and use of the diverse lactic acid bacteria in cow and goat milk in the PRC, establishing a technological innovation base for functional health ingredients in the industry. The Group will continue to introduce premium-quality and sustainable dairy and nutrition products as part of its "Golden Decade" strategic plan to become a trustworthy and first-choice infant and toddler formula, high-end nutrition products and health-care service provider for the customers.

THE GROUP'S OWN BRANDS



MEMBERSHIPS

Ausnutria is committed to contributing to the development of the dairy and nutrition industries and actively participating in a number of international associations and voluntary initiatives. In addition, the Group actively engages in open dialogue with industry partners and peers, which supports the advocacy of sustainable development and operational improvement.



Australia China Nutrition and Health Association ("ACNHA")
Ausnutria is a principal supporter and sponsor of the ACNHA, which establishes partnerships and exchanges opinions with industry players in Australia and the PRC with a focus on the Chinese goat milk market.



China Dairy Industry Association
Being one of the vice-president units of the China Dairy Industry Association, Ausnutria attributes to the industry guideline development and administrative work to promote high-standard dairy products.



China Nutrition and Health Food Association ("CNHFA")
Serving as a governing unit, Ausnutria is committed to promoting the development of nutritional and health food and special food in China.



Hunan Imported Food Enterprises Association
As the president unit of Hunan Import and Export Food Enterprise Association, Ausnutria's global strategic layout and international management concept have promoted the high-quality development of food import and export trade.



Hunan Academy of Agricultural Sciences ("HUNAAS")
Ausnutria has developed the strategic partnership with HUNAAS and established the Institute of Academician Shan Yang's Innovation Team.



Dairy Association of China ("DAC")
As a board member of DAC, Ausnutria hopes to make contribution to the promotion of dairy products and development of Chinese dairy industry.



Dutch Dairy Association ("NZO")
Being involved in the working groups of the NZO, Ausnutria encourages knowledge exchange and continuous advancement in Dutch milk processing.



Dutch Goat Dairy Association ("NGZO")
Being involved in the working groups, Ausnutria promotes a better industry image, environmental sustainability and animal welfare. Ausnutria supports NGZO's "KwaliGeit", by collaborating with its goat milk suppliers. Please refer to [Better Nutrition](#) for more details.



European Union Chamber of Commerce
As a member of the Pediatric Nutrition Desk of the European Union Chamber of Commerce in China, Ausnutria encourages the appropriate use and marketing of pediatric nutrition products and breastfeeding.



Platform Melkgeitenhouderij (Dairy Goat Farming Platform)
The Dairy Goat Farming Platform initiates sector-specific projects in the field of market information, food safety, animal health and sustainability. The Dairy Goat Farming Platform also provides direction for research that adds value to the goat dairy chain.



Infant Nutritional Council ("INC")
Ausnutria actively participates in discussions and exchanges opinions with other members through the INC platform on different industry policies.



Duurzame GeitenZuivel Keten (Sustainable Goat Dairy Chain, "DGZK")
Ausnutria participates in the DGZK, an initiative that aims to further improve sustainability and animal welfare within the goat dairy sector.



The Association of Dutch Manufacturers of Children and Dietary Nutrition ("VNFKD")
Ausnutria supports the VNFKD to represent the collective industry interests in advancing the best production and responsible marketing practices for infant formula.



Sustainable Dairy Chain
Ausnutria pledged to support Sustainable Dairy Chain's 2020 goals of the cow milk sector by introducing and implementing environmental best practices in its operations.

CORPORATE GOVERNANCE

To pursue long-term success and safeguard the interests of its shareholders, the Board pledges to uphold the highest standards of corporate governance and to promote transparency, independence and integrity within the Group.

Ausnutria has implemented strict governance principles in alignment with the Corporate Governance Code in Appendix 14 of the Listing Rules. The Board is responsible for identifying strategic prospects of the Group's business and providing oversight, insight and foresight of the overall strategy and directions of the Group's business operations. In addition, the Board is responsible for regular monitoring, reviewing and advising the corporate governance policies to maintain compliance under the latest developments. A Performing Behaviour Guide was developed for the middle to senior management in the PRC, outlining their roles and responsibilities in building an effective corporate governance and corporate culture.

Ausnutria understands the significance of diversity and inclusiveness for the Group's sustainable development. The Board's composition is balanced in terms of gender, age, ethnicity, educational background, professional expertise, industry experience, management function and length of service. As at the date of this report, the Board comprises a total of nine Directors including three Executive Directors, three Non-Executive Directors and three Independent Non-Executive Directors with diverse backgrounds, ethnicities, experiences and expertise contributing to the Group's diversity and fostering a multi-cultural environment.



ANTI-CORRUPTION

The Group's integrity underpins its reputation as a trustworthy dairy and nutrition producer and business partner. Ausnutria upholds the highest standards of integrity to prevent corruption across operations. All employees are required to comply and act in accordance with the Code of Conduct, which outlines the Group's expectation on workplace conduct and behaviour in circumstances of conflicts of interest, bribery and corruption and integrity violations. Regular training is also offered to both staff and directors to strengthen their awareness of anti-corruption practices. In order to uphold our business ethics, in mainland China, we have provided leadership training and development for our managerial roles such as behavioural learning and self-awareness review, to ensure that appropriate decisions are made during business operations. In addition, we organise training activities that are independently implemented by the department to address the its internal development requirements, including its internal experience sharing sessions and meetings. The training covers topics such as quality and integrity related to our production.

Any acts of non-compliance may result in a verbal warning, formal warning or other disciplinary and/or legal actions. Ausnutria has put in place an anti-fraud and whistleblowing mechanism for staff to report any suspected misconduct behaviours in relation to business ethics principles to the management team. In addition, the Group's internal audit department verifies and keeps track of financial and operational data to identify any potential risks of bribery, conflicts of interest or corruption. The Board oversees the effectiveness of such procedures and ensures that all reported cases are investigated and handled in an appropriate and adequate manner.

For further information about the Group's corporate governance policies, please refer to the corporate governance report section in [annual report](#) of the Company for the Year 2022.

Ausnutria's Approach to Sustainability

SUSTAINABILITY GOVERNANCE

With the global emergence of sustainability and climate change, Ausnutria has been well aware of the rising sustainability topics, and has recognised the needs of incorporating sustainability into business operations. The Group has put in place a strong sustainable governance framework to support efficient sustainability management throughout its operations. The Board, as the highest governance body, is responsible for leading and overseeing Ausnutria's sustainability strategy, risk management, performance and progress towards sustainability targets, as well as maximising synergies and alignment between long-term business visions and the Group's sustainability strategies. The Board is also in charge of assessing and identifying the materiality of sustainability issues and risks relevant to the Group's operations as well as ensuring that appropriate risk management and internal control mechanisms are in place.

Led by the Chairman of the Board, Mr. Yan Weibin, a group-level Sustainability Committee comprised of regional senior management representatives was established to enable the Board in developing, executing and monitoring the Group's sustainability strategy and performance. The Sustainability Committee meets at least three times per year and reports to the Board on key sustainability and performance concerns for decision making. The Sustainability Committee also:

- reviews and provides strategic directions for the Group's sustainability strategy and management;
- identifies, assesses and monitors the Group's sustainability risk exposure including climate-related risks;
- reviews and endorses the Group's sustainability performance and targets, and enhances the accountability of sustainability data;
- discusses and reviews the actions taken to manage sustainability-related risks and opportunities; and
- reviews and approves the annual sustainability report.

As an adjunct to the Sustainability Committee, diverse regional representatives are appointed to establish the Sustainability Workgroup, with the goal of integrating and optimising the subsidiaries' sustainability initiatives. The Sustainability Workgroup facilitates the integration of sustainability strategies into company operations by cooperating with regional teams and assessing the implementation and development of sustainability initiatives. Local teams, known as the Environmental, Health, and Safety ("EHS") or Health and Safety ("H&S") Committees, are responsible for implementing a myriad of sustainability practices in day-to-day operations. Senior management from areas such as human resources and product quality help to address sustainability challenges daily.



The Group supports the UNSDGs as part of its commitment to sustainability. Ausnutria's sustainability strategy is aligned with the global call to action to eradicate poverty, protect the environment, and ensure that all people enjoy peace and prosperity. To maximise its impact, the Group has narrowed its focus to the eight UNSDGs that are most closely linked to its business and sustainability strategies. These eight UNSDGs connect to the Group's three sustainability pillars: Better Nutrition, Better Life, and Better Environment.



As part of its efforts to support the UNSDGs, the Group has been compiling a framework for a sustainability strategy with an enhanced version. Regarding the formulation of specific objectives under each focus area in 2020, it is evident that BUs can receive clear and adequate guidance on the compilation of relevant targets after examining the sustainability strategy and identifying and consolidating focus areas under each sustainability pillar. In addition, the Group completed the collection and review of inputs from the Sustainability Workgroup and continued to outline the multifaceted sustainability targets with progress disclosure in this year's sustainability report's sections on Better Nutrition, Better Life, and Better Environment.

STAKEHOLDER ENGAGEMENT

By creating opportunities for communication with stakeholders, the Group may gain a deeper understanding of their feedback and efficiently respond. Important stakeholders are defined by the Group as those who have a major impact on our business or who are materially impacted by our operations. The key stakeholders are who are impacted materially by our operations or who have material impact towards our business. Through formal and informal dialogue, the Group remains in touch with stakeholders' viewpoints and the shifting corporate landscape. It identifies and acts for risks and opportunities, to tailor its sustainability initiatives for sustainable business performance.

Since 2016, the Group has proved its unwavering dedication to its key stakeholders by engaging with them on a regular basis to determine their perspectives and priorities on an array of sustainability issues. An online survey was distributed to stakeholders to understand their views and expectations towards sustainability issues relevant to the Group. Over 200 responses were received from a variety of stakeholder groups, including employees, shareholders, investors, customers, suppliers, business partners, industry partners, R&D partners, media partners, community partners and regulators.

KEY STAKEHOLDER GROUPS AND REGULAR ENGAGEMENT METHODS



Government and regulators

- Regular working meetings
- Regular performance reporting
- Written responses to public consultations
- Interviews
- Online surveys



Employees

- Online communication platform
- Employee engagement activities and newsletters
- Meetings
- Online surveys
- Ausnutria University



Shareholders and investors

- Investor meetings
- Annual General Meetings
- Annual and interim reports
- Online surveys
- Interviews



Customers

- Members activities
- Consumer fairs and events
- Customer satisfaction surveys
- Customer hotline
- Website and social media
- Online surveys



Suppliers and business partners

- Assessments and site visits
- Online surveys
- Training programmes
- Meetings



Industry partners

- Industry conferences and seminars
- Online surveys



R&D partners

- Meetings
- Partnerships on various research topics
- Online surveys
- Conferences and seminars



Media partners

- Press conferences
- Interviews
- Online surveys



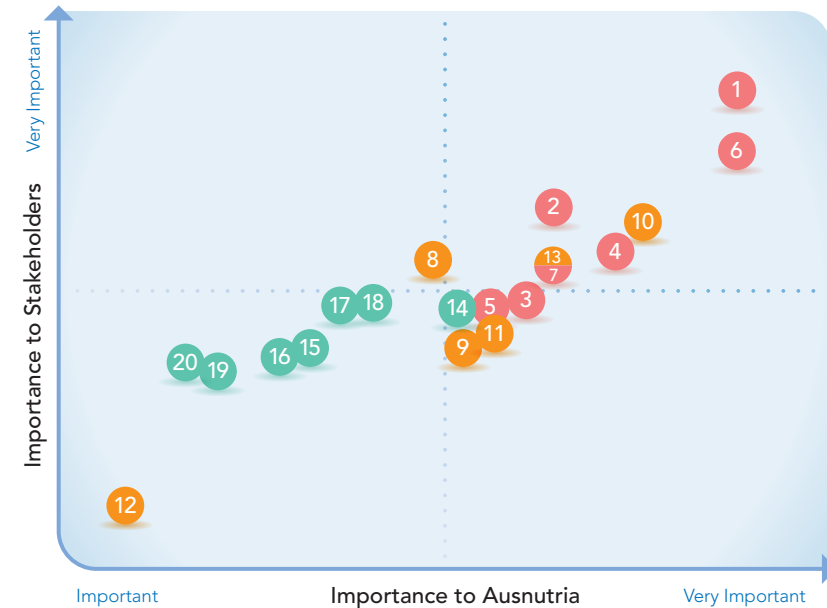
Community partners

- Community activities
- Online surveys

MATERIALITY ASSESSMENT

Global developments have substantially caused shifts in our stakeholders' priorities. In 2022, we conducted a more comprehensive materiality assessment since new sustainability topics "Business Ethics" and "Responsible Marketing" were imparted to illustrate a broader perspective on our impacts on our stakeholders and business. This results in us achieving greater alignment between stakeholders' needs and our pursuit of sustainable growth. To keep pace with the ever-changing business environment, the Group continues to regularly review sustainability issues that are relevant to its business and stakeholders.

Anchored on dynamic multi-stakeholder approaches, the feedback from the stakeholder engagement survey remains the foundation of assessing and identifying material Ausnutria's sustainability issues, thereby guiding the Board in making well-informed sustainable business decisions. The Group mapped the materiality analysis onto a matrix to display the relative significance of sustainability issues to stakeholders and the Group based on input from over 200 stakeholders via an online survey. The materiality assessment results were reviewed and endorsed by the Sustainability Committee and serves as the basis for the formulation of Ausnutria's Sustainability Report.



Better Nutrition

- 1 Product quality and food safety
- 2 Product innovation
- 3 Customer engagement
- 4 Supply chain management
- 5 Intellectual property rights
- 6 Compliance
- 7 Responsible marketing



Better Life

- 8 Employee welfare
- 9 Diversity and inclusion
- 10 Employee health and safety
- 11 Training and development
- 12 Community Investment
- 13 Business ethics



Better Environment

- 14 Energy management
- 15 Greenhouse gas emissions
- 16 Water management
- 17 Resources and waste management
- 18 Use of packaging materials
- 19 Climate change
- 20 Environmental conservation and biodiversity

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Better Life





Better Life

Ausnutria is dedicated to going beyond direct and tangible economic contributions as a responsible business. As part of its long-term vision to promote health and well-being for the general public and provide all levels of the community with access to nutrient-rich dairy and healthcare products, the Group organises a wide range of community programmes that target the underprivileged by leveraging its resources and expertise. The Group responds to social needs by capitalising on opportunities in areas such as, but not limited to, poverty, child development and empowerment and healthcare through the coordinated efforts of diverse enterprises and abroad subsidiaries. In addition to establishing a healthy and compassionate community, Ausnutria attempts to provide our workers with an equal, harmonious, and engaging work environment in acknowledgement of their efforts and value to the Group. Ausnutria places a high value on diversity and inclusivity so that employees can feel respected, trusted, and consistently supported, particularly in uncertain times. The Group fully supports the professional and personal development of its workers by providing a broad range of training and education opportunities.

Key Highlights in Year 2022

- **Donated millions of cash and materials for charitable and anti-pandemic activities.**
- **Donated around EUR75,000 worth of food aid packages to the Red Cross to aid the affected people of the war in Eastern Europe.**
- **Awarded in the PRC**
 - ESG Outstanding Social Responsibility Practice Corporation Case;
 - “Advanced Individual of New Hunan Contribution Award” for the chairman of Ausnutria;
 - National Charity Federation System Loving Enterprise 2021; and
 - Caring Disability Contribution Unit.
- **Promoted healthy lifestyle via sponsorship of sports events by**
 - continuing to be the main sponsor for SC Heerenveen football team in the Netherlands;
 - supporting LOOP Leeuwarden in the Netherlands; and
 - supporting the 3rd National Wheelchair Marathon for the Physically Handicapped First Hunan Women’s Health Games in the PRC.
- **Provided assistance to local communities in the PRC and the Netherlands through**
 - Ausnutria Foundation Hyproca Tundra Rose Project in Tibet, the PRC and supported over 5,000 families;
 - Donation to **Roparun Foundation** and **The Foundation Kika** to support cancer patients and children from impoverished families in the Netherlands; and
 - Sponsorship and donation to **Children’s Cooking School Fikks** and **Family box in football stadium Heerenveen** to promote healthy lifestyle for children in the Netherlands.
- **Ausnutria Academy in the PRC**
 - held a total of nine assemblies for four different levels of talent development class; and
 - developed professional ability standards to 15 business units.
- **Continue to support the Employee Assistance Programme in Australia in the upcoming year.**
- **Zero cases of work-related fatalities over the past three reported years.**

COMMUNITY INVESTMENT Awards

Ausnutria's dedication to community service has been recognised by the business community. In 2022, the Group received accolades in acknowledgment of its contributions.



- In November 2022, Ausnutria was awarded the "ESG Outstanding Social Responsibility Practice Corporation Case" (2022企业ESG杰出社会责任实践案例)

- In September 2022, the China Charity Federation announced the results of the "2021 National Charity Federation System Role Model Promotion Campaign". With the outstanding contributions in charity and public welfare, Ausnutria was selected as "Loving Enterprise 2021". The China Charity Federation is one of the largest and most influential charitable organisations in China. This campaign aims to showcase the development and achievements of charitable events across the country and show the recognition of caring enterprises and philanthropists.



- As a special supporting unit of the 3rd National Wheelchair Marathon for the Physically Handicapped, Ausnutria has been widely praised and awarded the "Caring Disability Contribution Unit" by the organising committee. For more information, please refer to "Promoting Healthy Lifestyles in The Communities" section below.



- On 23 May 2022, the 10th Global Hunan Business Conference presented awards to the 1st "New Hunan Contribution Award". Mr. Yan Weibin, chairman of Ausnutria (fourth to the left), was awarded the honorary title of the first-ever "Advanced Individual of New Hunan Contribution Award" for his outstanding performance in leading Ausnutria in enterprise operation and development, tax contribution and social responsibility building.

The Ausnutria Foundation

Ausnutria Foundation was established to support corporate social responsibility and promote social harmony in a methodical manner, with a primary focus on poverty reduction, natural catastrophe assistance, and public health improvement. In Year 2019, the Group pledged to inject RMB100 million in cash or in-kind donations into the foundation in ten years. In Year 2022, Ausnutria Foundation donated millions of cash or in-kind donations to provide tangible assistance to the community. Since 2020, Ausnutria has donated over RMB80 million of anti-pandemic materials. Additionally, Ausnutria and the foundation hope to inspire community investment and create positive impacts for community betterment by forming strategic partnerships with universities and philanthropic organisations. Going forward, the Group will continue to act proactively to fulfil the social responsibility as an industry pioneer.



Fighting Against the Pandemic

The Group recognises the detrimental consequences of the pandemic, particularly for vulnerable social groups. As a result, Ausnutria supplied substantial aid to anti-pandemic organisations and the underprivileged by donation and other types of resources such as nutritional and healthcare items, as well as anti-pandemic supplies. Through the use of its resources, Ausnutria hopes to promote social inclusion, alleviate social inequality and eradicate poverty.

Cash and in-kind Donation to Support Anti-pandemic Work

CASE STUDY

In the PRC, Ausnutria has actively responded to the pandemic by participating in anti-pandemic action since the outbreak. Ausnutria also aided several organisations and institutions such as The Hunan Red Cross Society, Changsha Huanghua International Airport Epidemic Prevention and Control Inter-agency Headquarter, the Second Affiliated Hospital of Hunan University of Chinese Medicine, and Guangzhou Women and Children Welfare Association. In addition to expressing the Group's heartfelt gratitude to the frontline anti-pandemic workers, cash and in-kind donations, in the forms of bottles of formula milk, nutritional and healthcare products and medical equipment, were provided to help the disadvantaged retain their livelihoods during social distancing or lockdown, as well as to prevent themselves from infectious diseases.



- For the 2nd time, Representative from the Changsha Huanghua International Airport Epidemic Prevention and Control Inter-agency Headquarter accepted Kabrita Goat Milk Formula donation of RMB1 million from Ausnutria Foundation and Kabrita BU in March, providing nutritional support and paying tribute to the frontline staff for the effort of monitoring pandemic condition.

- On 14 April 2022, with the support from The Red Cross Society of Hunan province, Ausnutria Foundation donated a batch of anti-pandemic materials to the medical team of the Second Affiliated Hospital of Hunan University of Chinese Medicine, to provide supplements and warmth to the frontline medical professionals who were engaged in the Shanghai's anti-pandemic work.



- On 29 April 2022, Ausnutria Foundation received a letter of appreciation from the Guangzhou Women and Children Welfare Association in view of the donation of lean nutrition products worth more than RMB1.8 million to the Guangzhou pregnant and infant population during the pandemic.



- On 7 April 2022, Ausnutria Foundation donated thousands of bottles of formula milk to front-line medical staff and community workers at The Red Cross Society of Hunan province.

Providing Health Support for Tibetan Family

Ausnutria Foundation Hyproca Tundra Rose Public Welfare Project

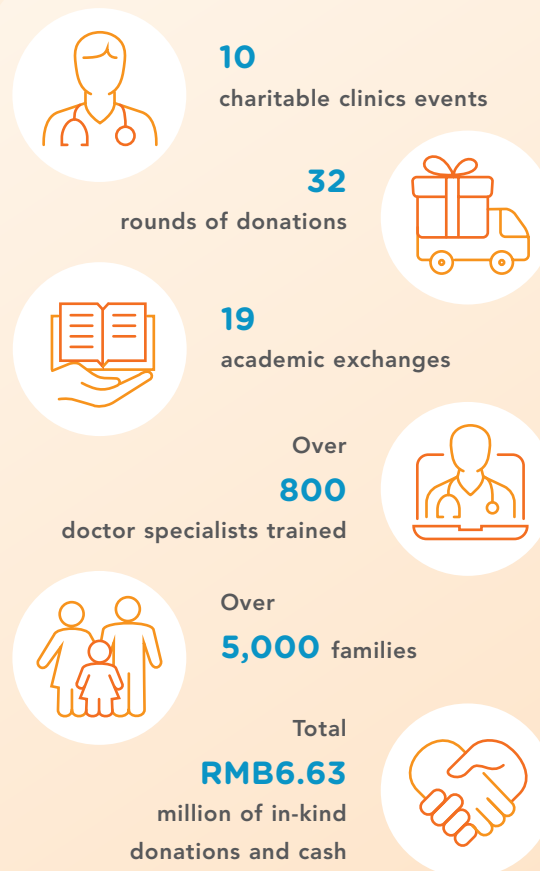


The “Ausnutria Foundation Hyproca Tundra Rose Project” has been Ausnutria’s active charity project in Tibet for six years. Ausnutria Foundation and Hyproca 1897 BU collaborated with numerous external parties, including the Peking University Health Science Centre, The Red Cross Society of Xizang, the Tibet University and the Tibet Mother and Child Association, to provide infant care and quality maternity to the PRC’s under-developing regions.

Ausnutria Foundation contributed in hospitals, clinics, and other healthcare institutions to maintain an impactful science learning platform. The initiative aims to improve the quality of healthcare services and nurture local mother and child health professionals by organising healthcare professional training and knowledge exchange events and providing monetary and in-kind donations. Meanwhile, during charitable clinics and family visits, women and moms-to-be in the region were given nutritious diet advice to enrich their understanding of the need of nutrition intake for dynamic newborn growth as well as to encourage superior hygiene, healthy diet and feeding habits.

Launch of the Newly Strategic Public Welfare Programme.

Ausnutria strives to enhance the physical well-being of Tibetan mothers and the infants by cooperating with both medical practitioners and the maternal community. To date, the initiative has served approximately:



Delivering Anti-pandemic Materials to the Tibetan.

On 28 June, the Hyproca 1897 brand upgrade conference was successfully held at Ausnutria Global Headquarters. With “love” as the connection point, Hyproca 1897 has launched the “Newly Emerging Force – Public Welfare Programme”. The project consists of three core public welfare brands: “Little Red Flower”, “Iris” and “Tundra Rose”, each of which focuses on the physical and mental health of children in mountainous areas, the mental health of mothers and the nutritional health of Tibet. Each of the three core brands brings continuous help and care to women and children by focusing on the physical and mental health of children in rural areas, mothers and the Tibetan.

Due to the pandemic, the 2022 “Ausnutria Foundation Hyproca Tundra Rose Public Welfare Project” (澳優基金會海普諾凱格桑花公益行) has been postponed, but the Group has always paid attention to the pandemic situation in Tibet, and we are always concerned about the nutritional health of the vast number of mothers and babies in Tibet. Despite the delayed logistics and transportation, the Group communicated and coordinated with multiple logistics companies, arranged special personnel for docking, and eventually delivered all materials to the front line of pandemic prevention and control in Tibet. The anti-pandemic materials worth over RMB1.5 million including protective clothing, N95 masks, protective face shields and other prevention materials.

CASE STUDY

Helping Hand for Youth's Educational Growth

Ausnutria is dedicated to supporting the youth such as providing educational supports by sponsoring a variety of educational resources and providing financial support to institutions.

Contributing to the youth's educational growth

CASE STUDY

On 28 and 29 May, Ausnutria's Charity Walk, "Born with love and walking side-by-side with children", was held in Taoyuan, Changde. Ausnutria, in collaboration with the Hunan Xinxin Public Welfare and Taoyuan County Leshan Public Welfare, donated RMB70,000 worth of materials to Xiangyang Elementary school to improve the school teaching environment from facilities to supportive teaching equipment, and provide companionship to children through music interaction.



On May 27, the opening ceremony of 2022 "Meishan Shangjun" (梅山商俊) Xinhua County Young Entrepreneurial Talent Training Programme was held in Ausnutria Global Headquarters, with collaboration from the Hunan Federation of Industry and Commerce. Apart from establishing the "Xinhua Rural Revitalisation Special Fund" in July 2021 to help the rural revitalisation of Xinhua County, the "Meishan Shangjun" talent training programme was launched in 2022 to nurture entrepreneurial talents for the benefit of Xinhua's economic growth. The talent training programme was cultivated in the form of project classes with experiential learning activities to sharpen young talents' business know-how, empower talents' business capabilities and eventually foster overall rural economic development. In the future, Ausnutria will continue to be a new force and forge ahead in drawing a brand blueprint for rural revitalisation.

Promoting Healthy Lifestyles in the Communities

Ausnutria aspires to contribute to society in which everyone, regardless of background or socio-economic status, lives a healthy and prosperous life. The Group has collaborated with strategic partners with the goal of encouraging healthy lifestyles and revitalising its marketing strategies. Ausnutria seeks to encourage sports and create public knowledge of the importance of maintaining a healthy lifestyle.

Ausnutria remains the main sponsor for SC Heerenveen football team in the Netherlands

CASE STUDY



Ausnutria has been the main sponsor of SC Heerenveen since 2020, covering the whole club including youth and women's teams, to support sports development for all stakeholders in the province of Friesland (in particular, Heerenveen), and promote brand awareness in the Netherlands. Ausnutria wants to contribute to a better world in which everyone has the strength to lead a healthy and prosperous life. This goes beyond nutrition and also embraces the pursuit of opportunities for personal development. Sponsoring SC Heerenveen fits that picture perfectly. During this sponsorship, Ausnutria Netherlands will pay a lot of attention to the welfare of children to help them have the best possible future. Thus, Ausnutria continued to make a fundamental contribution to the further development of SC Heerenveen and offer children in Friesland an additional helping hand to grow up as healthily as possible.



Empowering the Community through Sport Events

CASE STUDY



On the morning of 29 August 2022, the 3rd National Wheelchair Marathon for the Physically Handicapped (全國肢殘人輪椅馬拉松賽) was held in Changsha Orange Island Scenic Area, with Ausnutria as a supporting group. There were over 100 physically disabled participants from all over the country taking part in the 5km marathon. Ausnutria Foundation have donated a batch of nutritional materials worth RMB160,000 to the Hunan Association of the Physically Handicapped to support the nutritional health of the physically disabled group. While joining hands with “Changma” four times and being named Changsha Wangcheng Station of the Chinese Tennis tour for 3 consecutive years, Ausnutria will continue to cultivate public welfare and convey the brand proposition of health, nutrition and quality with practical community actions.



On 12 June, the launch of the First Hunan Women's Health Games was held in Chenzhou, with more than 600 athletes from 9 provincial units and 14 cities and states participating in the event. As one of the partners of the event, Ausnutria, together with Kabrita BU, provided nutritional support to the participants throughout the event. Going forward, the Group will continue to join forces to initiate community investment activities and to enhance the physical health of women.



On 15 May, the 15th edition of the LOOP Leeuwarden was held as the largest running event in Friesland, the Netherlands. The Group sponsored LOOP Leeuwarden, of which the proceeds went to the Youth Fund Sports and Culture. The Group believes that all children, regardless of their background, deserve the opportunity to develop physical capabilities and mental strength. Thus, the Group supports the local fund which aims to subsidise membership or tuition fees for children from families that encountered financial difficulties to attend sports clubs, music or dance classes, painting, drama school or other creative programmes.



Partnering with Employees in Community Programmes

Since 2018, Ausnutria Netherlands has utilised the employee-led charitable initiative to increase and encourage employee participation in community programmes and the proposal of initiatives that are beneficial to local communities, particularly children. Ausnutria emphasises initiatives and originality and provides execution funding for selected projects. It is hoped that Ausnutria will be able to identify and support community programmes whose goals are compatible with those of the local communities.

Cash Donations to the Roparun Foundation

CASE STUDY



The Roparun Foundation organises an annual relay race event for participants to raise money for institutions, charities or projects that provide non-medical palliative care and support to cancer patients in the last phase of their lives. For example, proceeds may help to provide a wig for cancer patient during treatment, or assist patients to have a nice day out for a sick child and their families. In addition, the Roparun Foundation regularly makes donations to organisations such as the Ambulance Wens ("Ambulance Wish") Foundation and the Princess Máxima Center for pediatric oncology. To support this meaningful cause, Ausnutria donated thousands in cash to support this worthy cause and show our support to cancer patients in Year 2022.

Charity sale for the Foundation Kika (Children Cancer-free)

CASE STUDY

In Year 2022, Ausnutria organised a charity sale for the Foundation Kika by selling 21,000 Kika teddy bears in the fan shop during football season, with all proceeds going to the charity. Kika is a charity that funds innovative research on all forms of childhood cancer and focuses on education on childhood cancer. Ausnutria fully supports the initiative and participated to raise funds for the foundation.



Sponsorship and in-kind Donations to Children's Cooking School Fikks

CASE STUDY

To show our support in fostering healthy lifestyle in local communities, Ausnutria have sponsored thousands in cash and donated aprons to the Children's Cooking School. Newly opened this year, the Children's Cooking School Fikks provided a permanent place for children to attend educational cooking classes. The school provides opportunities for children to discover more about healthy food and how to prepare healthy dishes in a fun and accessible way.



Ausnutria family box in football stadium in Heerenveen

CASE STUDY



This year, Ausnutria has opened a family box in football stadium Heerenveen. The family box is a family friendly and designed especially for young children. The family box provides a healthier catering menu, lowered toilet seats and an interactive X-wall where children can play all sorts of games. Through setting up a family box, we aim to facilitate families in our community to spend quality time together.



CONSUMER HEALTH AND WELL-BEING

Ausnutria strives to build a long-term relationship and trust with our customers, hence we are devoted to safeguarding their health and well-being. As the Group believes breast milk is the fundamental source of nutrition for the growth and development of infants and young children, we actively support breastfeeding practices. Stage 1 (0-6 months) infant formula are not promoted in accordance with the World Health Organisation's recommendations. In the PRC, stage 2 (6-12 months) infant formula are not promoted as well due to legislative provisions. Through conducting studies of breastmilk nutrition, Ausnutria continuously engage in the R&D process to develop a more enhanced and nutritional milk formula. In addition, the Group established several breast milk banks as a strategic approach to gain more scientific insights into the nutrition value of breastmilk for infants and young children. We aim to develop a milk formula that can cater to the specific nutritional needs of infants in rural villages in the region by conducting breast milk composition studies with various samples. In the Netherlands, the R&D department is responsible for conducting research in order to strengthen our understanding of nutrition for babies, and to ensure we develop infant products with the highest nutritional value. As a result, Ausnutria has closely collaborated with the University of Wageningen in the Netherlands to initiate a research project. Through performing a large observational cross-sectional study, we aim to determine and understand the relationship between breast milk composition and ethnicity, maternal dietary intake and/or offspring health. Based on the outcome, Ausnutria will be able to develop infant nutrition that can fully support the specific needs of infants.

To ensure that every Ausnutria's product labels and statements contain fair, accurate, and impartial information, all products and promotional materials will undergo a strict review process in alignment with the Group's branding requirements. To fully comply with local laws and regulations, all products are subjected to final approval in accordance with the requirements of distributors or local brands before market distribution. The Compliance Management System is established for Kabrita products, which outlines the roles and responsibilities of all corresponding departments along the production process in order to build clear and organised procedures for reviewing and approving market materials. Meanwhile, Ausnutria Australia continued to engage in the Voluntary Incidental Trace Allergen Labelling Programme. Prior to announcing "allergen-free" on the product label, all nutritional products are required to undergo thorough and stringent allergen screening for each ingredient.

EMPLOYEE WELFARE AND DEVELOPMENT

As a responsible and caring employer, Ausnutria abides by relevant laws and regulations regarding employment practices in all our operating locations. The Group strictly forbids any kind of operational control, child and forced labour. To guarantee that all candidates are qualified for legal employment and to prevent any violation of employment practices, our human resources department are responsible for monitoring the recruitment process closely. In case of a disagreement, management will be notified shortly after which enables the Group to act in the best interests of the individual.

Ausnutria is committed to accomplishing “One Ausnutria, One Team, One Direction” through our three-year global human resources strategy plan launched in 2019. Through this strategy, we aim to enhance the management efficiency and strengthen corporate culture through consolidating resources and aligning related practices across subsidiaries. The Group has undergone an ongoing review for internal policies and has updated management methods. Besides, we invested considerable resources to incorporate regional day-to-day management processes into a comprehensive group-wide online portal, in order to build more accessible internal communication and efficient human resources management. To further strengthen the Group’s company culture, we have collaborated with an external company to conduct interviews with our colleagues to discuss the ‘Ausnutria story’ and the value of Ausnutria to our employees, and to establish what we stand for in order to strengthen the unity within our organisation. A few employees were then asked to tell their own ‘Ausnutria story’ on camera to inspire and connect our colleagues.

To maintain effective communication with our employees, Ausnutria utilises various communication channels such as email, newsletter, mobile application, social media and intranet to keep employees in line with the most updated corporate news and information. In Ausnutria Australia, the Group have started to issue a monthly newsletter across all regions since Year 2022. In the PRC, Ausnutria continues to share information with employees through the customised mobile application (U享家) and we have started to utilise enterprise WeChat channel to strengthen the communication and management with various business units. Forums are also organised for new employees on a regular basis to deepen our understanding of their needs.

The Group values transparency and honesty in the communication between management and employees, and we appreciate feedback from all levels of employee regarding workplace experience. The Workplace Communication and Consultation Policy, the Communication Protocol and other documents have clearly outlined the principles, rights, and responsibilities of effective communications to ensure meaningful dialogues between employees and management. We organise both formal and informal meetings to encourage employees to express their work expectations, concerns, and career development aspirations for more effective work collaborations. Through enabling active communication between management and employees, the Group strives to foster a productive and dynamic working environment.

In Australia, feedback forms and surveys are set up for employees to convey their needs and feedbacks. To ensure employees are well informed of corporate updates, internal email circulation is also utilised. In the Netherlands, the Group has provided an advanced intranet for employees to access to the Groups’ updated developments, such as the construction progress of the new sustainable factory in Heerenveen, which is expected to be in operation by the end of Year 2023.

In the PRC and Australia, the Group has conducted a company-wide employee satisfaction survey in Year 2022 to collect opinions and suggestions from employees in an objective and open manner. With the active participation of employees, the Group has received constructive feedback on methods to improve current employment standards and it helps in deepening our understanding of employees’ expectations of the Group.

In the Netherlands, official Works Councils are in place in all operation locations, with the aim to facilitate insightful communication between management and employees. During the proposal of Ausnutria’s employment policies, the Works Council represents employees and safeguards their interests with consultation rights and approval rights when it involves critical management decisions. The Works Council is made up of seven members with both employees and elected members, to participate in meetings the management level every two months to raise issues and provide feedback within the daily operation of the workplace. Regular meetings enable all parties within the subsidiary to keep in line with the corporate management decisions and daily operations.

Ausnutria has standard procedures in place for resolving issues regarding situations when employees experience unfair treatment or disagreements during daily operations. The Code of Conduct and Employee Handbook have distinctly outlined that employees have the right and responsibility to report any instances of mistreatment to their supervisor. The Group will protect all whistleblowers by keeping their identities anonymous and address the raised issues in a proper manner under a specified timeframe. If necessary, the case will be referred to a senior level, including the HR department and senior management, until a consensus is reached. To enhance the efficiency in handling and resolving cases of disputes or mistreatment, Ausnutria has set up a specialised performance appeal and feedback process in the PRC, incorporating both online or offline channels into the feedback procedure.

Ausnutria is determined to facilitate employees in acquiring new professional skills and achieve personal growth. Employees are allowed to access comprehensive learning resources and materials. To optimise training resources and enhance human capital management, annual training plans are set up in multiple subsidiaries to ensure employees receive structured, all-rounded training and supervision at work. Besides, to equip new employees with the necessary skills for a smooth adjustment and great start in the workplace, all new joiners must attend a comprehensive induction training programme.

To strengthen employees' knowledge and skills for the workplace, a wide range of training courses are available to all levels of employees, including:

- Standard Operating Procedure (SOP) training
- Health and Safety training
- Quality training
- Human Resources training
- External training (e.g. first aid training and software training)

In Ausnutria Australia, trainings are also provided for employees of specific levels and positions. To enhance the leadership and management skills of managers, trainings for certificate III course in Business management and leadership training are provided. Periodic trainings are provided for operators as required by the Therapeutic Goods Administration. To further equip employees with workplace management skills, Ausnutria offers 5s training for all production staff. We believe providing various learning opportunities for employees accelerates their professional growth.



In the Netherlands, Ausnutria utilised the "Dairy Academy" e-learning platform to provide effective learning for employees. The platform offers online courses with practical knowledge covering aspects of raw materials, technology application, production processes and quality monitoring of Ausnutria's products etc. Employees can gain operation expertise by accessing learning materials and resources from the platform. In addition, Ausnutria Netherlands has continued

to organise the Senior Leadership Development Programme, a customised curriculum in collaboration with the Nyenrode Business University to enhance the leadership skills of our employees. In Year 2022, around 40 employees on managing board and senior leaders level have been trained by the University. Besides, the Group is also developing a new training programme for all levels of employees in the Netherlands. The programme is scheduled to launch in Year 2023.

The Group seeks to foster talent for continuous development by providing training with high-quality resources. Ausnutria Academy has been an important learning platform for employees since Year 2015. The platform aims to provide learning opportunities for various levels of management staff to enhance their leadership skills and strengthen cooperation between different business units. With its unique principles, ideas and structure, Ausnutria Academy is recognised for its capabilities in talent development. The Group believes in lifelong learning for all employees and strives to utilise this learning platform to optimise our work performance and quality, as well as to nurture a culture of excellence.



Ausnutria Academy consists of various training programmes that cater for individual needs, with the common goal to enhance employees' knowledge and skills in management, professional expertise, and general workplace abilities. The academy is structured for a management pipeline with training that is suitable for each career development stage among different management levels. In Year 2022, there are total nine assemblies held for four different levels of talent development class. Training covers topics such as human resources management, action learning in presentation skills, self-awareness and disruptive innovation. Besides, the Group also emphasises the enhancement of professional capabilities. This year, we have selected 15 business units, such as operation, finance, logistics etc., to develop professional ability standards in order to enhance employees' development pathways in these aspects and encourage them to strive for excellent performances.

In addition, Ausnutria rolled out the High Potential Talent Scheme in the PRC this year, to enhance employees that are preparing for management level positions to equip skills on communication, strategy implementation, and talent assessment. The training will be offered by various department personnel to share their expertise. Throughout the implementation of the scheme, the Group will closely monitor the learning progress of our employees and cater to their different needs.



● Ausnutria Academy "Aus-series class" (澳系班級) 2022.



● High Potential Talent Scheme in the PRC.

To assess individual employees' performance and support their continuous development, Ausnutria has established a formal staff appraisal system, which aims to motivate employees' accountability and enhances productivity on a personal, departmental and organisational level. The system has been implemented in the PRC, Netherlands and Australia, with plans to extend coverage to other subsidiaries. The 'a+b+c+N' Evaluation Model is adopted by Ausnutria PRC to review employees' performance in a structured and comprehensive way. With the focus on both personal and company performance enhancement, including technical expertise, communication and interpersonal skills, and approach towards action plans and development goals, employees who have outstanding performances in critical positions will be rewarded with various incentives, including R&D innovation bonus, technology innovation bonus, share rewards and year-end bonus etc. The evaluation model aims to incentivise employees to strive for continuous improvement in work performance and productivity, as well as showing our recognition of their persistent efforts.



● MBA Class (澳橙計劃) 2022.



EMPLOYEE HEALTH AND SAFETY

Ausnutria is dedicated in creating a safe and healthy working environment for all employees. The Group abides by all local occupational health and safety (“OH&S”) laws and regulations within our operations to safeguard the safety and health of employees. To align with the latest national and regional regulations, internal standards and procedures in all subsidiaries will be reviewed on a regular basis. In addition, the Group disseminates relevant guidelines among employees to strengthen their awareness in compliance to relevant policies, as well as facilitating employees to gain a thorough understanding of their roles and responsibilities.

To ensure all health and safety standards and procedures are carried out properly and efficiently, Ausnutria has set up a health and safety committee or officer to be responsible for monitoring relevant performance at each production facility. In the PRC, all employees working at upstream factories are required to sign the “Work Safety Responsibility Acknowledgement” to ensure their awareness of their roles and responsibilities in compliance with internal regulations as well as the potential consequences of any irresponsible actions.

At the subsidiary level, regular risk assessments are carried out both internally and externally to identify and evaluate potential risks in the workspace and to avoid them. Inspection reports will be sent to the committee for review, and take further actions if needed. Besides OH&S related personnel, general staff can also access and review the monthly reports on risk investigation and evaluation in the Netherlands. Such practice helps to enhance the awareness of existing black spots and avoid a repeat of similar incidents. In Australia, the Group reviews and updates the Standard Operation Procedures regularly, and conducts frequent site checks and risk assessments to inspect new machinery and manufacturing procedures. In the PRC, prior to long holidays like Chinese New Year and the Mid-Autumn Festival, large-scale inspections will be performed by management in production facilities to avoid abnormalities during these periods. These inspections are comprehensive and thorough, covering site safety, fire safety, hazardous chemical use, and waste treatment. In addition, external inspections also conducted at production sites every year. To minimise workplace dangers and risks for our employees, Ausnutria will remain attentive in its operations practice regarding OH&S.

The Group believes accidents can be avoided through minimising miscommunication between departments and employees. To promote active and effective communication on OH&S issues, Ausnutria has initiated OH&S Meetings at its subsidiaries. In Australia, OH&S Meetings are conducted every two months, consisting of safety representatives from multiple departments. The meetings facilitate collaboration between different units in OH&S management and enhancement.

To prepare employees in handling incidents and operational risk professionally, the Group strengthens employees’ OH&S knowledge and skills through organising training and safety drills. In Australia, trainings on standard operating procedure are carried out every year. Besides, specialised training on OH&S knowledge are also arranged for relevant staff to attend, with training topics ranges from fire warden, first aid, injury, hazard and incident reporting etc. In the PRC, training on fire safety, food safety and production safety are organised under the guidelines of the Group’s standard protocol. On-site safety regulation training is also provided for logistic service providers monthly while safety management training is provided for part-time safety officers every four months. Through various OH&S initiatives, the Group strives to enhance employees’ preparedness for handling potential hazards and emergence, hence safeguarding the safety and health of our employees.

Ausnutria believes mental health is as important as physical health and safety, hence the Group is devoted to advocating mental well-being among employees. In Australia, the Group has introduced the Employee Assistance Programme which employees can call and get professional support at confidential counselling sessions, and the programme will be renewed in the coming year. For Ausnutria Netherlands, employees are encouraged to express their concerns on harassment, bullying, aggression, violence, discrimination and conflicts with superiors to their counsellors, as they will offer advice and may even take further actions in serious cases. In 2022, all office and production locations in the Netherlands newly appointed counsellors so that every employee has easy access to a confidant when needed. In the PRC, the Group organise counselling talks annually to educate employees on topics such as mental wellness and stress relief.

Promoting sports for our employees

CASE STUDY



The Group believes sports are beneficial for both our physical health and mental well-being. Hence, we actively encourage our employees to take part in different sports by providing opportunities to gather and participate together. In Australia, we have organised badminton and cricket clubs for our employees to participate. In PRC, employees are welcome to join our football and basketball sessions held on a regularly basis. To support our employees in trying out different sport events, we have also organised an athletic meet this year. The Group strives to promote a healthy lifestyle and culture within Ausnutria.



During the pandemic, Ausnutria strived to make sure our employees stayed healthy and safe. We ensure all operating areas are closely monitored to get ahold of the latest development of the pandemic and government health policies. To maintain a smooth and efficient operation while minimising the health risk of employees, the Group has enhanced internal health and safety guidelines and organise regular emergency meetings with senior management to discuss the implementation of hygiene policy in accordance with the pandemic's situation.

Ausnutria maintained a hygienic and safe working environment through various measures. The Group regularly sanitises all office and manufacturing locations while specific measures are carried out in various operation regions based on its local situations and requirements. In Australia, visitor restriction policies are in place for visitors with any symptoms and all personnel are required to wear face masks and conduct temperature checks when entering all premises. RAT test kits are also distributed among employees for self-testing on a regular basis. In the PRC, employees must have their temperatures checked upon their arrival at the building and report their health status every day. To practice social distancing in the workplace, we support remote working and arranged work from home options and rotation schedules for employees.

To ensure our employees have sufficient protection in fighting the pandemic, the Group has equipped our employees with anti-pandemic products including face masks, face shields, gowns and hand sanitisers. In Australia, free fruits are distributed among employees by setting up nutrition supply stations with the aim to promote healthy eating habits and strengthen their immune systems. In addition, trainings and posters are provided for employees to enhance their awareness of maintaining good personal hygiene.

DIVERSITY AND INCLUSION

Ausnutria actively promotes diversity and inclusion within the working environment, as it plays an essential part in fostering sustainable and dynamic business growth. We are committed to creating a fair, harmonious and rewarding environment, and create a workplace in which employees feel thoroughly respected, trusted and supported.

Every value and standards of Ausnutria, as well as the expectations of employees' behaviours are distinctly stated in Ausnutria's regional Code of Conduct and Employee Handbooks. We have also included the policies and procedures to guide its subsidiaries in handling employment-related issues, such as those related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, training and development, OH&S, and other benefits and welfare. To ensure all information is easily accessible and widely distributed among employees, we utilise various communication channels efficiently during their onboarding or whenever updates are available.



The Group treats all employees equally and openly as we uphold the principles of meritocracy and non-discrimination. During the recruitment process, all regional teams are required to follow a set of standard operating procedures. These procedures are regularly reviewed and updated to keep in line with the shifting industry practices and local requirements. We tend

to recruit talent from diverse recruitment platforms apart from regular recruitment channels. In the PRC, the Group organise the Management Trainee Programme annually to strengthen the talent pipeline. The programme strives to hire graduates with great potential and provides different resources to equip them with specialised skills in food manufacturing.

Competitive remuneration and attractive benefits are offered to Ausnutria employees to show appreciation and validate our employees' efforts and contribution at work. Employees are entitled to leave, allowances, bonus and subsidies according to their ranks, positions and years of service. In the PRC, the Group provides meal subsidies, holiday subsidies during Lunar New Year and Dragon Boat Festival, as well as subsidies for protective measures during extreme cold and extreme heat for our employees. In Australia, we continued to organise the Employee of the Month nomination programme to reward distinctive members of the team and show the Group's validation of employees' persistent effort.

Ausnutria is devoted to fostering an inclusive environment for employees while maintaining a smooth and efficient operation. The Group strives to cater to employees' various needs, and we fully understand the importance of family bonding, we are actively developing a family-friendly culture within the Group. Ausnutria has implemented flexible arrangements at the subsidiary level for our employees and their families, to enhance employees' better work-life balance and provide them more opportunities to spend time with their families. In the PRC, in case an employee is located in separate regions from their spouse and experience difficulties in reuniting with them during public holidays, the employee is entitled to enjoy a monthly half-day excused leave for family visit.

Family Bonding Time in Ausnutria's Family Carnival

CASE STUDY



In the PRC, a family carnival was held in the head office of Ausnutria on Father's Day this year. More than 120 families have participated in the carnival to enjoy special performances, play various games and join workshops. The carnival aims to bring out the "home culture" encouraged by Ausnutria and provide an opportunity for employees to enjoy quality time with their families and strengthen their bonding.

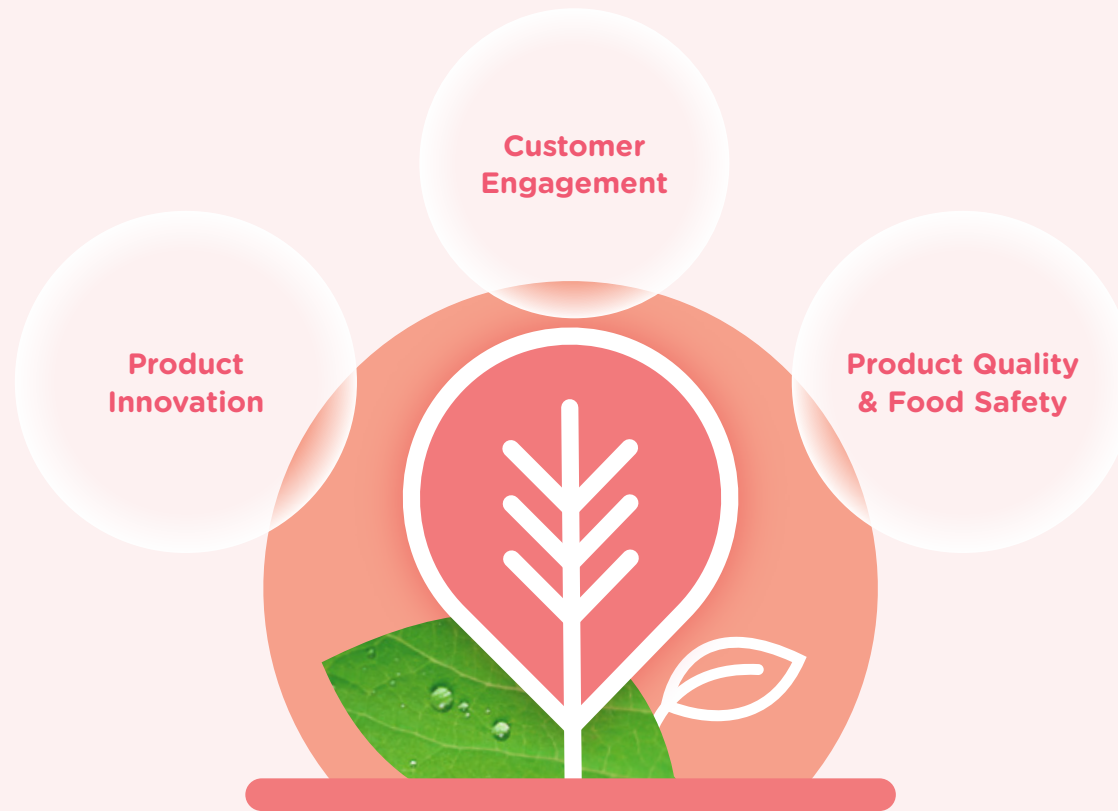
In addition, Ausnutria is also dedicated to build a mother-friendly environment for employees by setting up breastfeeding facilities and arranging flexible working hours. In the PRC, all mothers with a child under the age of one are entitled to half an hour breastfeeding leave daily, with the flexibility to extend the excused leave up to an hour. The Group has also created chances for employees to gather with their families during special occasions. For instance, working parents are welcome to bring their children to work and play family games together on Children's Day.

02



Better Nutrition





Better Nutrition

Ausnutria strives to offer all its customers the safest and most dependable products with the optimal nutritional profile and makes every effort to innovate its product and to provide customers with safe and high-quality products. The Group sustains a strong client relationship by providing the updated health and nutritional information, collecting feedback through a variety of communication channels while protecting its customers' rights. Ausnutria also establishes strategic alliances with suppliers and distributors to ensure that its sustainable standards are strictly adhered throughout the entire value chain with rigorous and selective screening criteria and procedures to guarantee that it only collaborates with those business partners who share the same values. Ausnutria aims to collaborate with its business partners in order to fulfil social and environmental responsibilities and achieve mutual success.

Key Highlights in Year 2022

• Launched new products

- Hyproca 1897 Formula for the Future, first milk source with A2 protein* which is easier for absorption;
- Kabrita Xiangyang Goat Toddler Milk Powder;
- Soforla Lactase Formulated Milk Powder;
- NC Soforwe Gut Relief Plus;
- Kangsude Shushan Comprehensive Nutritional Formula Food for Special Medical Purpose; and
- Kangsude Zhenshan Comprehensive Nutritional Formula Food for Medical Purpose.
- Attended the 54th annual meeting of the **European Society for Paediatric Gastroenterology, Hepatology and Nutrition (ESPGHAN) conference** to present the latest clinical data about Kabrita and goat milk infant formula.
- Maintained **strategic partnership** with renowned universities.
- Stepped up investment in the **R&D of new products to RMB197 million.**

- Maintained **100% of Ausnutria's goat farmers** participated in the Sustainability Programme.
- Organised the **Hunan Province Special Medical Purpose Formula Food Operation and Use Seminar** in Ausnutria Global Headquarters in the PRC.
- Participated the **5th China International Import Expo** to provide distributors with practical knowledge and awareness of the Group's dairy and nutrition solutions.
- Shared **4 latest research findings in the 2nd China Breast Milk Science Conference** and received positive feedback from peers in the industry.
- Opened up a **hub at campus** in the Netherlands to provide a meeting place where students, scientists, entrepreneurs, start-ups, NGOs, SMEs and R&D centers of international companies can collaborate and share knowledge.
- Announced a **new breakthrough** "Southern China Milk-derived Probiotic Strains Selection and Resources Base Building" in the probiotic research.
- Obtained the **first permit** to produce food for special medical purposes in Hunan Province, the PRC.
- **177 research paper and scientific article publications** from the PRC and the Netherlands.

PRODUCT INNOVATION

Ausnutria continues to invest in its R&D to foster its long-term growth, focusing on particular areas including but not limited to developing lactose-intolerant-friendly products, updating new infant formula recipes, and increasing the nutritional value of products. The Group employs over 200 R&D specialists in the PRC, the Netherlands, Australia and New Zealand. The Group boosted its investment in R&D of new products from RMB193 million in 2021 to RMB197 million in 2022. To provide consumers with optimised benefits, Ausnutria upgraded its existing formula products and successfully introduced the first batch of 12 products in the PRC. The Group has obtained a total of 330 registered patents (including 113 invention patents, 57 utility models and 140 product designs) and 191 authorised patents (including 30 invention patents, 48 utility models, and 113 product designs) and published 177 research papers and scientific articles. In addition, the Group formulated a Management Guide for R&D Project Approval and Technical Support to outline its criteria for Kabrita's R&D project management in the PRC.

In the Year 2022, the Group proceeded to expand its product offering and accomplished a number of R&D achievements. Ausnutria introduced several new healthy products under the brands, including Kabrita, Hyproca 1897, Allnutria, Nutrition Care, and Aunulife. It has also supported research in partnership with universities in Australia, the PRC and the Netherlands, demonstrating the Group's sustained commitment to R&D.

Highlight of New Products Announced in Year 2022



Hyproca 1897 Formula for the Future

This is the first human milk oligosaccharides ("HMO") blended formula with the unique and scarce combination of HMO, lactoferrin and milk fat globule membrane. This product pursued the creation of a unique and superb nutritional profile to effectively strengthen the immune systems of infants.



Kabrita Xiangyang Goat Toddler Milk Powder

It is a toddler growing-up nutrition goat milk formula with five superb nutrients for 3-year-old and above toddlers. It became one of the Group's key products in the blue ocean market for toddler milk powders and also a showcase of the Group's competitive advantage in the areas of formula and milk source.



Soforla Lactase Formulated Milk Powder

This product effectively improves lactose malabsorption or intolerance in infants by solving lactase deficiency and intestinal micro-ecological imbalance that affect digestion and absorption.



NC Soforwe Gut Relief Plus

This product adds Pylopass probiotics, which help support gastrointestinal health and reduce the effect of the bacterium *Helicobacter pylori*.

Moreover, we have been moving full steam ahead with our FSMP business and rolled out two more comprehensive nutritional formula products, Kangsude Shushan Comprehensive Nutritional Formula Food for Special Medical Purpose and Kangsude Zhenshan Comprehensive Nutritional Formula Food for Medical Purpose. So far, we have already obtained registration certificates for three FSMP products. This not only further broadened Ausnutria's FSMP product portfolio but also started a new chapter in the development of Ausnutria's FSMP business.

Annual investment in the R&D of new products:



RMB197
million



330
registered
patents



177
research paper and
scientific article
publications from
the PRC and the
Netherlands



191
authorised
patents

Ausnutria's four major research findings presented at industry events to exchange opinions on innovation and development

In Year 2022, to advance the development of scientific research in breast milk in the PRC, the Group has shared four latest research findings based on our research papers in the 2nd China Breast Milk Science Conference and received positive feedback from peers in the industry.

- The “Construction of Breast Milk and Mother/Infant Intestinal Microbiota and the relationship thereof” enriches the research data of breast milk microbiology, provides theoretical support for infant feeding and mother-infant health improvement, as well as strengthens the research foundation for Ausnutria's further exploration in the field of mother-infant health.
- The “Metabolomics of Breast Milk” combined Ausnutria's research experience in metabolomics with a detailed introduction into the application of different metabolomic techniques and methods in the research of active ingredients in breast milk and demonstrated Ausnutria's continuous exploration and breakthrough in the “deep water area” of breast milk research to nutrition researchers across the country.
- The “Nutrition of Maternal Methyl Donor for Early Progeny Development and its Mechanism” established the Methyl Donor Nutritional Quality Index (MNQI), which can be used to comprehensively evaluate the quality of the methyl donor diet, and studied the effect of the one carbon unit of nursing mothers on the composition of breast milk, the metabolism of infant microbiota, and growth and development. The research is of great significance to propose precise nutrition strategies to stimulate the expression of children's early developmental potential and maternal health.
- The “Breast Milk Lipids and Their Nutritional Evaluation” reveals the laws of breast milk lipid lactation and digestion and absorption, which also lays a scientific foundation for Ausnutria to design infant formulas and to simulate breast milk more accurately.

Ausnutria truly believes that continuous innovation in scientific research is the foundation of enterprise development competitiveness. In the future, Ausnutria will continue to adhere to science-based R&D and innovation, and is dedicated to empowering products with scientific research results and boosting the high-quality development of China's nutrition industry.



In order to coordinate all internal patent activities and gain more recognition from the global scientific community for its R&D efforts, the Group has established a global R&D team. The pool of specialists enables the Group to leverage regional strengths and conduct cross-region research in collaboration with external and international experts. Under its “1 + 6 + N” global R&D strategy plan, Ausnutria Institute of Food and Nutrition supports the Group's ambition in developing next-generation dairy and nutritional products by building partnerships with various institutions around the globe, including Ausnutria (Beijing) Special Nutrition Research Centre, the Ausnutria Basic Life & Nutrition Science Research Center, the European R&D Centre in the Netherlands, the ANZ R&D Centre in Australia and New Zealand, Ausnutria (Taipei) Nutrition Research Centre and Ausnutria's Jiangnan University Milk of Non-Bovine Mammals International Joint Research Centre.





China National Accreditation Service (“CNAS”) for Conformity Assessment awarded and renewed the Laboratory Accreditation for Ausnutria’s testing centre in Changsha city, the PRC in 2017 and 2021, respectively.

The Group takes proactive steps to nurture R&D talents and launched the Ausnutria National Postdoctoral Programme in 2016. Since then, the Group has employed PhD researchers to undertake food and nutrition research and evaluate the feasibility of incorporating research findings into product development. The Group’s talent career development and business strategy advances and applies scientific theories through its products. Since 2020, the Group has set up the Ausnutria-Kabrita Nutrition Research Fund to enhance the nutritional level of the elderly and infants. This fund aims to offer annual financial support of RMB1 million to foster the development of maternal and infant nutrition research in the PRC. The Group targets to gain a better understanding of nutrition and the health of society, and contributes to the advancement of nutrition science and the protection of human health.

The Group continues to collaborate with prestigious universities, research institutions, industry partners and contract manufacturers on nutritional research and innovative product development to tap into a greater pool of resources, insights and talents. The Group has maintained strategic partnerships with external expert groups such as Hunan Association for Science and Technology, Peking University, Nanchang University, Central South University and Jiangnan University. The Group conducted the “Southern China Milk-derived Probiotic Strains Selection and Resources Base Building” project in partnership with Hunan Agricultural University, the PRC, which was recognised as a substantial breakthrough in bridging the research gap. In 2022, the first Ausnutria institute of academician Shan Yang’s innovation team was officially established in Ausnutria, building a technological innovation base for functional health ingredients.

In addition, Ausnutria has opened up a hub at Wageningen campus in the Netherlands to provide a meeting place where students, scientists, entrepreneurs, start-ups, NGOs, SMEs and R&D centers of international companies can collaborate and share knowledge. It facilitates Ausnutria to further engage with existing and new partners in nutrition research, and expands our network and accelerates the build-up and quality of our unique expertise.

Established “Ausnutria Nutrition Institute”

CASE STUDY



Ausnutria Nutrition Institute was established in October 2020 in the Netherlands as an independent scientific organisation with the mission of disseminating scientific knowledge about infant nutrition and the nutritional composition of goat milk. The institute actively collaborates with international scientists, research institutes, and universities to promote the growth of evidence-based products and to enhance the health and well-being of children. In addition to collaborative research, the institute receives expert advice from a scientific advisory board comprised of international experts from diverse disciplines.



A dedicated website has been set up to make the insights obtained by the Institute easily accessible to health and nutrition experts. In 2022, Ausnutria Nutrition Institute attended the 54th annual meeting of the European Society for Paediatric Gastroenterology, Hepatology and Nutrition (ESPGHAN) conference to present the latest clinical data about Kabrita and goat milk infant formula.

Better Nutrition through the Study of Breast Milk

For the growth and development of newborns and early children, breast milk is the optimal source of nourishment supporting their early development and health. Ausnutria strongly believes in breastfeeding and is actively involved in several studies on the nutrition of breast milk. The Company is also focused on improving the nutrition of milk formula. The breast milk bank, one of Ausnutria's strategic programmes, is established to enhance its understanding of the nutritional content of breast milk for infants and young children in the PRC. Ausnutria has established several breast milk data banks in order to conduct significant scientific research.

The Breast Milk Bank in Central China

CASE STUDY



● The opening ceremony of the Ausnutria Central Breast Milk Bank

In the PRC, different geographic regions and dietary practices may vary the breast milk composition. In light of this, in addition to the existing breast milk bank in north China, the Group has collaborated with Central South University and Liuyang Maternity and Child Healthcare Hospital to develop a breast milk bank in central China in 2020. Ausnutria continues its effort to develop milk formula that better satisfies the nutritional needs of infants in rural villages from various regions by collecting samples for breastmilk composition studies.

In 2020, the Group has launched three five-year R&D programmes with different key objectives to guide the R&D work in the Netherlands. The roadmap is revised quarterly to ensure all activities are in line with the Group's business strategy.

Nutrition Research Program 2020-2024

- Leading research in support of the global R&D strategy;
- Providing nutritional support to internal stakeholders;
- Maintaining and expanding relevant scientific network and footprint; and
- Initiating and supporting clinical studies to further substantiate goat milk efficacy as a source of nutrition in various target markets.

Innovation Roadmap 2020-2024

- Developing and introducing new products under Kabrita, including Kabrita Junior, Kabrita Mama and Kabrita Family.

Processing Research Program 2020-2024

- Optimising the use of resources through developing new processes to ascertain the availability of required raw materials, and to valorise side streams for both existing ingredients and the foreseen growing needs; and
- Creating new and innovative ingredients with value to the Group to allow the development of next-generation products.

Intellectual Property Management

Ausnutria is devoted to protecting intellectual property rights and monitoring both external and internal innovations. A system for managing enterprise intellectual property is established along with supporting legal-compliant procedures. Departments are delegated to manage intellectual property rights and trademark registrations for all brands and logos used on product packaging. Additionally, the Group has formulated an intellectual property employee handbook to raise awareness. In Year 2022, the Group obtained the PRC's national standard for enterprise intellectual property management (GB/T 29490-2013) in recognition of its relevant strategy, execution, assessment, and continuous improvement practices.



■ Certification of Enterprise Intellectual Property Management (GB/T 29490-2013).



CUSTOMER ENGAGEMENT

Ausnutria continually strengthens and deepens its relationship with customers. The Group actively engages customers through a wide range of social media activities and interactions. These communication channels allow the Group to efficiently and effectively interact with customers and raise their awareness of scientifically proven information about dairy and nutrition products.

Social media plays an important role in keeping the Group up-to-date with its customers. In the PRC, the Company's major dairy brands, including Kabrita, Hyproca 1897, Allnutria and Nutrition Care, continue to operate and update their own WeChat and Weibo channels. These channels are significant for the Group to promote the Group's products and marketing initiatives, for parents and parents-to-be to share their personal experiences and knowledge about infant care, and for the customers to provide feedback and inquiries about the products. Ausnutria is responsible for ensuring that all information shared on these channels is credible and accurate and does not expose parents or children to any risk. Therefore, the management of the online platforms is performed directly by the professional nutritionists of the Group.



■ Kabrita AI Chatbot (Kabrita Business app).

The Group spares no effort in enhancing its customer communication. The current Kabrita mobile app supports data analytics, enabling the Group to better understand customer demands and personalise birthday greetings and other marketing communications. The Group aspires to accompany its cherished members on their child development journey.

Kabrita has also launched the HCP Kabrita Natural Comfort Program. The Program aims to provide natural comfort in their professional and personal lives to the international HCP community, just as Kabrita does for babies and mothers. This program not only provides HCPs with research via audiobooks and augmented reality learnings, but also offers giveaways such as warm goat woolen socks, smart wristbands, hand cream, sleeping masks and cookbooks with recipes containing goat dairy.

Upgraded Fairy Tale Festival by Hyproca 1897



In Year 2022, Hyproca 1897 Fairy Tale Festival was upgraded. The industry's first black-light immersive fairy tale drama was staged in Chongqing Shiguangnan Grand Theater. Through a form of interactive drama, the Group strives to safeguard the innocence and dreams of children, as well as care for the growth and development of newborns.

Under the guidance of immersive plot interaction throughout the drama, children could actively participate in the fairy tale performance, stimulating their artistic senses and guarding the beauty of their hearts. In addition, it is an excellent opportunity for parents to watch the immersive fairy tale drama with their children. Parents can temporarily put down their mobile phones and games while watching this fantastic fairy tale stage performance, exploring the fairy tale world with their children and sharing fabulous parental time.

In addition to the exciting fairy tale show, the Group established an interactive activity area for parents and children, a sampling area for Hyproca 1897 brand products and a fairy tale kingdom, where both adults and children can feel the joyfulness in the atmosphere and enjoy the pleasure of parent-child two-way companionship and growth.



Interacted with Customers via Online Platforms

Allnutria seized the business opportunities on Double Eleven and completed the strategic layout in advance, aiming to explore a marketing plan with Ausnutria's unique characteristics around "new situation", "high traffic", and "more benefits", as well as make concerted efforts in both online and offline platforms to boost consumer awareness.

Allnutria partnered with the brand's "high-energy role model officer" Mr. Zhong Hanliang for three live broadcasts. As a result, the number of viewers in the live broadcast exceeded 535,000 within a short period of time, the number of interactions in the live broadcast surpassed 2,325,000, and the single-day sales figure in the live broadcast was over 3,700,000, allowing consumers to enjoy a high-quality and convenient consumption experience and facilitating the elevation of the brand to a higher level.



Allnutria's high-energy role model officer Mr. Zhong Hanliang broadcast live online.

The collaboration between Mr. Zhong Hanliang and Allnutria is believed to significantly influence the promotion of the "high-energy nutrition" business.

In addition to the Allnutria, with the Double Eleven information above, the Netherlands organised similar broadcasts for customers, such as Kabrita on Double Twelve. This was broadcasted live from the football stadium of SC Heerenveen, of which Ausnutria is the main sponsor. With this sponsorship, the Group aims to increase its brand awareness in the Netherlands through social involvement and to emphasise the importance of healthy growth, both by infant nutrition and through exercise.



Global branding and broadcasting for customers

Protecting Customer Interests

Ausnutria is committed to responsible marketing and communication strategies because customer trust and loyalty are the foundation of the Group's long-term success and rapid growth. With reference to the guidance of the World Health Organisation, Ausnutria does not promote stage 1 (0-6 months) infant formula. Due to current legal requirements, infant formula Stage 2 (6-12 months) is also not promoted in the PRC market. In the Netherlands, the Ausnutria Marketing Policy for Infant Formula has been updated in 2022 to remain up-to-date. The original Marketing Policy dated from 2020.

To ensure fair, accurate, and impartial information on product labels and statements, all products and promotional materials will undergo a stringent review process in accordance with the Group's branding guidelines. All products are also subjected to final approval in line with the distributors' or local brands' requirements before being distributed to the market to comply with applicable local laws and regulations. During the reporting year, Kabrita launched the Compliance Management System to clearly outline the review and approval procedures for marketing materials, as well as the roles and responsibilities of all corresponding departments. Additionally, Ausnutria has participated in Australia's Voluntary Incidental Trace Allergen Labeling Programme. Prior to claiming "allergen-free" on the product label, all nutritional products are also subjected to a robust and comprehensive allergen screening for each ingredient.



Ausnutria is aware of the emerging concern over customer data privacy. To enhance employees' understanding of internal data protection, the Group has an internal customer data and privacy policy to define how personal information about employees, business partners, and customers should be handled appropriately. The Group frequently promotes information security tips and procedures on bulletin boards and posters. The Group's internal audit department regularly monitors consumer data protection and evaluates the compliance of the Board, senior management, officers and employees against all applicable policies, standards, procedures, laws and regulations related to customer data privacy. Privacy statements that outline the measures in place to protect the information of customers, business partners, and other users when processing and managing their personal data are published on Kabrita and Neolac's Dutch websites in order to comply with the General Data Protection Regulation (GDPR) of the European Union (EU) in 2022. In Year 2022, the Group continued its internal information security campaign "Herken, Herkauw, Handel" ("Recognise, Ruminant, Act") in the Netherlands. The campaign emphasised on the golden rules for securing information and data, in order to increase employee's awareness and strengthen their knowledge in identifying and avoiding risks related to data security.

In Year 2022:



Maintained a low number of complaints related to products received similar to 2021, which is around **50%** less when compared to 2020.



Maintained **Zero** Complaints related to services received.

PRODUCT QUALITY AND FOOD SAFETY

Ausnutria puts its customers' health and safety as top priority. To ensure that its products meet quality and safety standards, the Group has established quality control principles. From raw material procurement to manufacturing processes and product delivery, these principles pervade the entire manufacturing process. They ensure that the Group is in compliance with all applicable laws and regulations and also communicate the Group's minimal production quality requirements.

Since the pandemic, Ausnutria has adopted a two-pronged approach to maintaining a stable product supply throughout the year. The pandemic prevention and control working group continues to oversee the operation and production and ensure speedy responses to eradicate the risk of large-scale infections. Additionally, it is crucial for the Group to communicate closely with overseas factories in order to coordinate export production for its customers. On the other hand, the Group accelerates the manufacturing process to ensure a stable supply of its dairy products.

Product Safety Management

The production facilities of the Group are certified by globally recognised safety management systems and standards. These qualifications include but are not limited to BRC 8 Global Food Safety Initiative (GFSI) certification, FSSC 22000 Food Safety System Certification, ISO 9001 Quality Management System, Hazard Analysis and Critical Control Points (HACCP) System and GMP+ Good Manufacturing Practices. The production line in the Netherlands also obtained COKZ certification for its new ultrafiltration plant in Heerenveen.

Kabrita goat milk formula maintains efficient quality management and is certified for multiple international food safety standards.



COKZ Netherlands Controlling Authority For Milk And Milk Products



GMP+ Feed Safety Assurance



Hazard Analysis and Critical Control Point (HACCP) Certification



BRC 8-GFSI



Qlip kwaliteitsborging in agrofood



FSSC 22000 – GFSI

In the 2022 Australian Dairy Product Competition organised by the Dairy Industry Association of Australia ("DIAA"), OzFarm was awarded 6 Gold medals and 9 Silver medals in total for formulas and milk powders.



DIAA Australian Dairy Product medals obtained

Safeguard product quality and safety at all stages of production

01

Sourcing and storage

- Stringent supplier selection
- Regular supplier assessments and audits for crucial product ingredients
- High-standard warehouse management for raw and packaging materials and finished goods
- Training for employees involved in warehouse management

02

Production process

- Standardised quality assurance procedures and protocols
- In-process quality control tests and final inspections
- Laboratory checks for all products according to internal and national requirements
- External regulatory inspections on the local legal requirements of each distribution market for dairy products

03

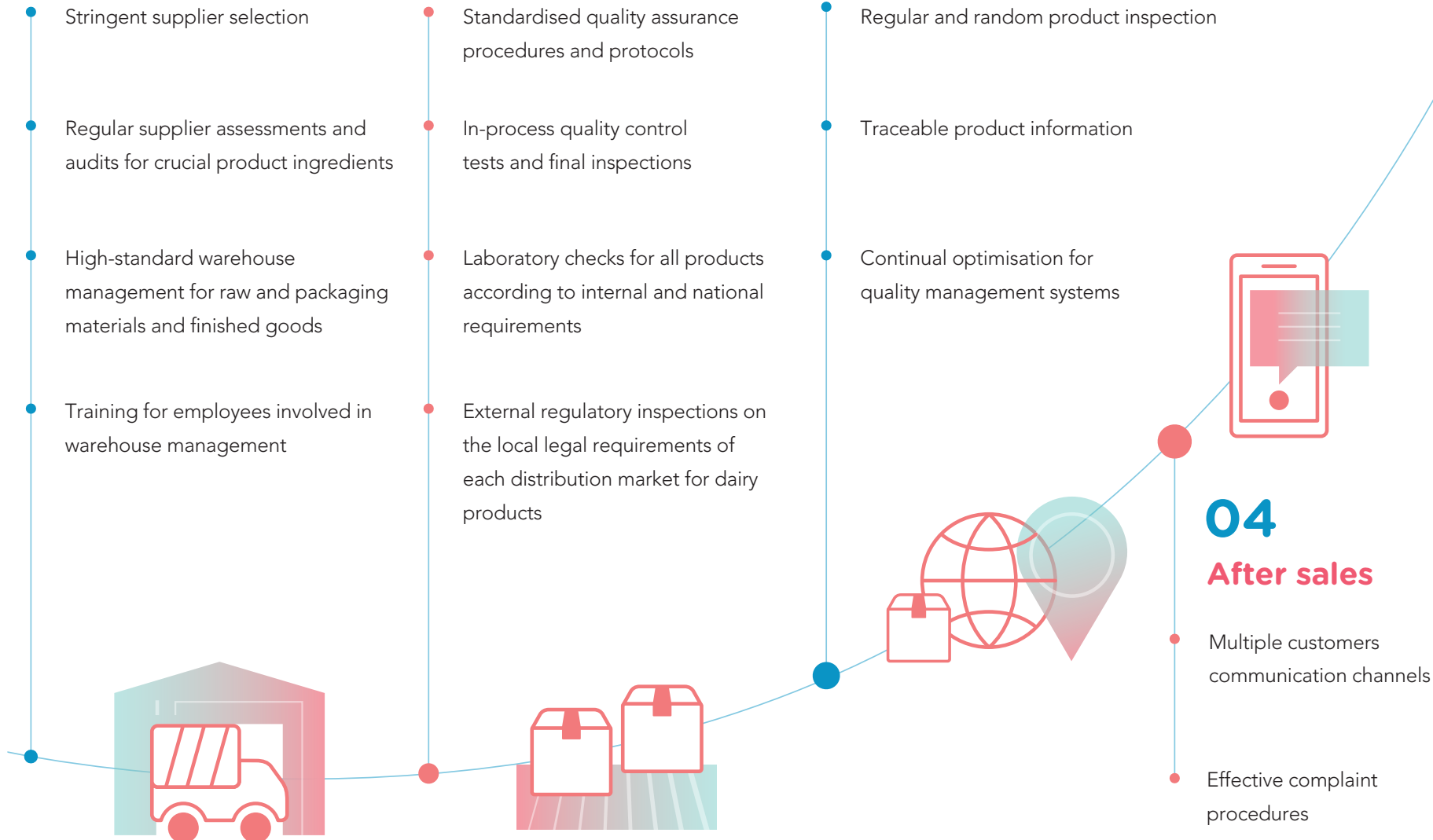
After entering the market

- Regular and random product inspection
- Traceable product information
- Continual optimisation for quality management systems

04

After sales

- Multiple customers communication channels
- Effective complaint procedures



The customer service team classifies complaints based on their seriousness and promptly starts an investigation after receiving a complaint. Issues may be escalated or forwarded to other teams when senior advice or cross-team collaboration is required. To prevent recurrences, all complaints are documented for future reference and review. Trend analysis is conducted regularly to identify room for food quality and safety improvement. In order to assess and evaluate customers' expectations of its products, Ausnutria also closely keeps track of customer satisfaction. In the PRC, quarterly and annual end-user and distributor surveys are carried out quarterly by the sales and customer service departments via phone calls, emails, and in-person visits. To collect feedback from customers around the globe and provide responses promptly, Ausnutria has also recently started to utilise online platforms such as WeChat, its website, and QQ, along with AI technology and multimedia such as photos and animations.

Product Traceability Management and product recall procedures

In case of any unsatisfactory conditions discovered during inspections or after purchases, the Group will immediately conduct a trace-back investigation. To facilitate this, an electronic recording system is adopted to handle product information for each batch of products, including logistics coordination, manufacturing procedures and the types of raw material used. In addition, there are QR codes on the product packaging that contain information about the product's test results and logistics, allowing the customers and other external parties to access information on the manufacturing process in a transparent and traceable manner.

Responsible Marketing

To ensure every product label and statement contains fair, accurate and impartial information, all products and promotional materials will undergo a strict review process in alignment with the Group's branding requirements. To fully comply with local laws and regulations, all products are subjected to final approval in accordance with the requirements of distributors or local brands before market distribution. The Compliance Management System is established for Kabrita products, it outlines the roles and responsibilities of all corresponding departments along the production process, in order to build up clear and organised procedures for reviewing and approving market materials. Meanwhile, Ausnutria Australia continued to engage in the Voluntary Incidental Trace Allergen Labelling Programme. Prior to announcing "allergen-free" on the product label, all nutritional products are required to undergo a thorough and stringent allergen screening for each ingredient.

To formulate tailored marketing strategies, we do in-depth studies on product brands, locations, and consumers. In order to conduct precise marketing in the field of digitisation and intelligence, we have implemented a membership-based approach and quality tracking technologies, such as the online dynamic QR code traceability system, which can provide greater quality assurance and tracking.

Since our establishment, we have endeavored to expand the Chinese market by incorporating worldwide resources. We will adhere unequivocally to producing better products from the upstream production globally so that local customers can acquire more high-quality milk from abroad. Additionally, we continue to innovate in research and development because, whether it's basic nutrients, packaging forms, or formulations, we must continue to innovate in order to provide consumers with superior products. Moreover, we boost team building so that the team has an innovative attitude and a very strong execution ability, allowing the team as a whole to operate more efficiently.



Ausnutria is dedicated to developing and providing healthy and safe nutrition for the healthy growth and development of infants and young children worldwide. To demonstrate our dedication, we have provided a robust programme for upholding responsible labeling and marketing activities with an emphasis of correct Healthcare information. We have an internal policy “Ausnutria’s Policy for the Marketing of Infant Foods” in place, which is applicable to all marketing activities for covered products including all infant and follow-on formula products as part of Ausnutria global brands, distributed by Ausnutria or its distributors. The policy covered guidelines and instructions “Do” and “Do not” towards different operations and parties such as the General public and mothers, Label, Healthcare Systems, Healthcare Professionals and Employees.

This Policy is endorsed by the Board of Directors of Ausnutria and applied throughout the business. The content of this Policy will be explained to all employees in training within Ausnutria, its joint ventures, subsidiaries, and contracted distributors. Mandatory training will be documented by the local Human Resources Department and deviations from the Policy are subject to Board approval. For further implementation and monitoring procedures, internal audits will be performed. When activities or materials do not comply with the content of this Policy, appropriate measures will be taken. The implementation status of this Policy will be reported on a yearly basis to the Board of Directors.

For a brand to go global, it must “never forget the original aim and remember the mission” and maintain the original aim consistently. In addition to consistently improving product quality, we must also hold uptrend brand-building concepts. Our company’s brand-building places greater emphasis on the transmission of content and the innovation of communication forms. In addition to valuing our production, we also value the participation of the general public. In this approach, our brand-building and marketing will be more precise and friendly, and it will be easier to unite everyone.



Supply Chain Management

Supply chain management is of great importance to the Group's business operations and performance. The Group has established vigorous mechanisms to manage procurement procedures and regularly monitor the performance of all the Group's suppliers worldwide. To ensure a stable and reliable supply of high-quality materials and services, the management systems monitor supply chain activities and facilitate communication with suppliers on the Group's expectations for product quality.

Verifying qualification of suppliers

Suppliers of raw and packaging materials are invited to complete self-assessment questionnaires regarding compliance with applicable laws and regulations, responsible business practices, and product quality. They are required to provide documents and certifications for verification, which may include:

- Internal quality control mechanisms
- Organic certifications
- ISO 22000 Food safety management systems certification
- HACCP certification

In addition, spot checks and on-site reviews are conducted to assure the quality and safety of raw materials.

Engagement with suppliers

The Group achieves mutual understanding with its suppliers through different communication channels, such as

- Annual supplier satisfaction surveys
- Monthly meetings with suppliers on production status in the PRC
- Mutual visits between the Group's dairy operation locations and its suppliers

Timely monitoring on quality control

Regular interviews, and internal and third-party audits are conducted to monitor suppliers' performances. If non-compliance is identified, the Group will work with the suppliers to rectify the issues immediately. To enhance suppliers' performance, the Group identifies the supplier's environmental and social risks to avoid potential failure of compliance with the relevant requirements of the Group and laws and regulations.

Continuous improvement of the product development

The Group launched innovative projects to eliminate greenhouse gas emissions and energy consumption during product development. For example, the construction of the new milk processing facility in Heerenveen. The new factory will guarantee a completely gas-free manufacturing process for the production of semi-finished infant nutrition and will be 100% carbon- and nitrogen-free. In addition, the Group anticipated approximately 40% energy savings compared to a traditional drying tower.

Sustainable procurement practices

Ausnutria promotes social and environmental sustainability throughout its entire supply chain. Implementing sustainable procurement methods enables the Group to increase its efforts in promoting responsible and ethical business practices to its suppliers. During procurement decision-making processes, the Group considers social and environmental issues by incorporating relevant metrics into supplier questionnaires and audits. For example, environmental and social metrics such as energy use, water consumption, waste management, working environment, human rights, and community investment are included in the assessment.

Through procurement contracts in the PRC, the Group communicates its environmental performance expectations to suppliers. Suppliers are required to comply with applicable environmental laws and regulations and to properly handle emissions, hazardous materials, and waste throughout the stages of sourcing raw materials, manufacturing, transporting and providing services. Suppliers that do not fulfil the Group's environmental performance requirements will be terminated. In order to strengthen collaboration with all suppliers in aspects including quality, environmental protection, occupational health and safety, all suppliers signed acknowledgement letters to confirm their understanding of the Group's expectations and requirements. Annual inspections are also conducted to monitor the performance of suppliers, with those who demonstrate solid environmental governance receiving higher ratings. Similarly, Ausnutria Netherlands continues to incorporate environmental and social criteria into its procurement process in accordance with international standards such as the ISO 14001 Environmental Management System and ISO 50001 Energy Management System. The supplier's performance is monitored and evaluated based on the number of complaints received, the frequency of price changes, and the punctuality of order delivery. The quality department conducts periodic audits of suppliers on a regular basis, with an emphasis on onsite audits. The Group aims to work with its global suppliers to achieve a more sustainable supply chain while considering local characteristics.

The production of high-quality dairy products depends on stabilising the supply of milk. The Group is dedicated to sourcing high-quality milk from credible and trustworthy milk producers located in golden milk zones such as Australia and the Netherlands. The Group's associate company, Farmel Holding B.V., is the major supplier of Dutch cow milk. This structure enables the Group to actively monitor milk quality and promptly trace the source of milk in case of an accident.

To keep up with the market growth of the Kabrita goat milk series and uphold our procurement practice, Ausnutria has been collaborating closely with Dutch goat farmers for fostering industry development. The Group devotes particular focus to the treatment of farm animals, including but not limited to the feeding practices, use of medicine and living conditions. In addition to fulfilling the Group's quality standards, all goat farmers are required to receive the "KwaliGeit" certification, a quality assurance programme launched by NGZO in partnership with the Dutch Federation of Agricultural and Horticultural Organisation. The assurance programme evaluates farmers' performance against the industry practices on dairy goat farming via survey and on-site inspection, and takes into account the requirement of European hygiene regulations and other indicators such as marketing, environmental and animal care practices. Only goat farms that achieve the standard are certified in recognition of their outstanding farm management.



Ausnutria strictly requires and ensures that 100% of its goat milk farmers in the Netherland are certified by the "KwaliGeit" programme.

Additionally, the Group participated in the Dutch goat sector organisation's Sustainability Programme, a voluntary initiative to educate Dutch goat farmers about sustainable livestock farming practices. Ausnutria provides farmers with financial assistance and other support through newsletters, workshops, and farm visits. The initiative prioritises animal health and welfare, energy and the environment, and the industry's image. On top of the basic price for raw milk the goat farmer receives, Ausnutria has continued to support farmers in Year 2022 by providing a one-off allowance for the delivered raw milk based on the scores of the farmer within the Sustainability Programme. The Group has recently recorded a 100% goat farm's participation rate. The Group will continue to dedicate its efforts to promoting sustainable farming by urging participating goat farmers to recognise their achievements.



100% of Ausnutria's goat farmers participated in the Sustainability Programme by the end of 2022. The overall score of the goat farmers within the Sustainability Programme increased by nearly 12% compared to 2021.

Appropriate grazing practices promote pasture productivity and habitat diversity. Since 2017, Ausnutria has been a signatory to the Outdoor Grazing Covenant. The covenant, which was established in 2012, aims to promote outdoor grazing in the Netherlands. To this end, the Group offers a range of prices to farmers who provide grazing for their cows through its partner Farmel Dairy. As a result of industry collaboration, the level of outdoor grazing in the country has increased steadily.

Strategic Business Partnering

Safeguarding social well-being during the challenging times of the pandemic is significantly dependent on effective collaboration between different sectors. In Year 2022, the Group continued to maintain its goal of providing a better life with nutrition and health by ensuring adequate nutrition intake of the public to combat the pandemic. In response to the government's request to secure the supply of dairy products while maintaining stable quality and price, the Group collaborated with suppliers and distributors in the PRC.

Actively Serving Customers and Empowering Business Partners to Overcome Adversity Together

During the pandemic, social distancing and quarantine have become the norm. In light of this, Ausnutria continued to uphold the consumer-first service principle, and developed agile feedback for customers to feel the Group's warmth without leaving their homes. For instance, Ausnutria has established a 24-hour hotline to provide consultation and promptly address to any after-sales inquiries in the PRC. Contactless delivery services were introduced through collaboration with strategic business partners to reduce unnecessary contact and maintain social distance. During the pandemic, Ausnutria remained dedicated to listening to and meeting the needs of customers to tackle the unprecedented challenges collectively.

Acknowledging the pandemic impact on Ausnutria's business partners, substantial efforts were made to empower distributors and stores in the development of their online business platforms, marketing and services. For example, professional teams were invited to offer training and instruction on live broadcasting and design and optimise online business processes. Despite the fact that the pandemic posed a serious disturbance to society, the Group was able to maintain positive relationships with regular customers and engage with new customers.

Moreover, Ausnutria actively collaborates approved supplier based on annual review and raised Corrective Action Request. In addition, it attends and participates in the introduction of new technology and products by sharing market insights and offering feedback on new technology and products. Attending seminars and conferences hosted by the suppliers allows the Group to better understand the supplier's future direction and to encourage the implementation of new technology or product development in an effort to increase the supplier's competitive advantage among peers.

The Group also takes proactive steps to work with suppliers to share knowledge about the market trend and customer preference. In order to adhere to the market trend of green procurement, it collaborates with packaging material suppliers to promote packaging innovations, such as optimising the specifications of cartons to conserve raw paper materials. Ausnutria is also actively engaging with its ingredient suppliers to keep sourcing more high-end ingredients for existing formula.

Driving the Establishment of Hunan Special Food Association in China



2022 Hunan Province Special Medical Purpose Formula Food Operation and Use Seminar



The Group's chairman, Mr. Yan Weibin, at the meeting

In Year 2022, the Hunan Province Special Medical Purpose Formula Food Operation and Use Seminar was held at Ausnutria Global Headquarters. Representatives from government departments, medical institutions and enterprises gathered together to conduct in-depth discussions on the development status of the special medical food industry in Hunan Province, focusing on the following steps to further improve industry management standards and discuss strategies for industrial development.

In view of the current situation of the development of the special food industry in Hunan Province and the challenges faced by the industry during the development process, Ausnutria initiated the establishment of the "Hunan Special Food Association" under the guidance of the Special Food Department of the Administration for Market Regulation of Hunan Province. The association comprises food production enterprises, drug retail operation enterprises and medical institutions, aiming to obtain the consensus of all parties to jointly promote the strong development of the special food industry in Hunan Province.

Engagement with distributors

The Group's distributors facilitate in bringing Ausnutria's products to the market, allowing the Group to support and engage with its end users. Ausnutria sustains its efforts to offer training programmes for distributors in the PRC to strengthen their management skills and expertise. In addition, the Group has organised joint business planning meetings with its key distributors to review and evaluate the Group's sustainable business model and sales strategy.



Ausnutria is committed to long-term sustainable development.

Ausnutria's involvement at industrial expositions enables it to keep a close relationship with its business partners. For the fifth consecutive year, the Group participated in the China International Import Expo to provide distributors with practical knowledge and awareness of the Group's dairy and nutrition solutions in 2022. This year, the stand of Ausnutria was made up of green and recyclable materials, which help promote its sustainability efforts to visitors. The Expo was a valuable opportunity for the Group to expand its network, establish industry collaboration, and promote its top-notch dairy products globally.



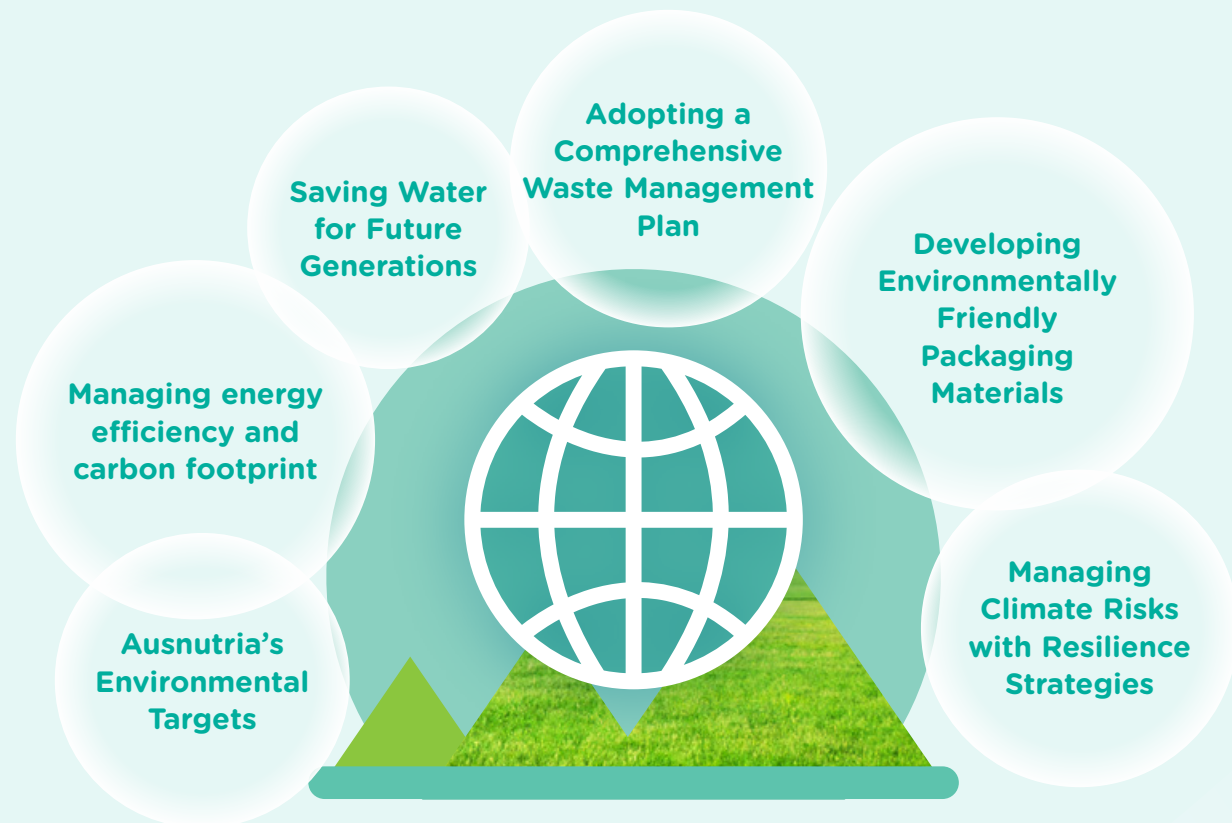
Ausnutria's on-site booth in the 5th China International Import Expo.

03



Better Environment





Better Environment

Ausnutria is dedicated to protecting the environment and preserving resources for future generations. The Group strives to adopt sustainable business practices and minimise its environmental impact of upstream operations and associated production procedures. To fulfil the Group's commitment to environmental sustainability, subsidiaries also make efforts to improve energy and water efficiency, manage emissions and water discharge, reduce material consumption and waste generation, and manage climate change-related risks related to operations.

Key Highlights in Year 2022

- Monitored progressive targets for **GHG emissions, energy consumption, water use, and waste recycling** to improve our environmental performance.
- **Around 95%** of the electricity consumption for operations of Ausnutria Netherlands was compensated through **renewable energy sources**.
- Used **chromium-free passivation cans** which prevent the production of toxic wastewater and avoids the associated environmental risks.
- Purchased packaging materials from sustainable sources, such as suppliers from supplier certified with **Forest Stewardship Council (FSC)** chain of custody certification.
- **Offset about 13% of direct GHG emissions voluntarily** by purchasing carbon credit.
- The new production facilities in Heerenveen, which is under construction, will guarantee a completely **gas-free production process**.



AUSNUTRIA'S ENVIRONMENTAL TARGETS

To better manage its environmental performance, the Group has developed a set of progressive targets for greenhouse gas (GHG) emissions, energy consumption, water use, and waste recycling rate. The targets were thoughtfully established using a hybrid approach of both top-down and bottom-up. These environmental targets allow Ausnutria to closely monitor its progress towards environmental sustainability and encourage extensive adoption of sustainable practices.

Environmental targets by Year 2025	Progress achieved in 2022
GHG Emissions¹	
Reduce total GHG emissions intensity by 20%	-21%
Reduce the Scope 1 emissions intensity by 15%	-25%
Reduce the Scope 2 emissions intensity by 20%	-9%
Energy Consumption¹	
Reduce the energy consumption intensity by 20%	-17%
Reduce the natural gas consumption intensity by 20%	-21%
Reduce the electricity consumption intensity by 15%	-5%
Water Consumption¹	
Reduce water consumption intensity by 35%	-40%
Waste²	
Maintain the recycling rate of paper and wood at 100%	100%
Maintain the recycling rate of rest milk and rest powder at 100%	100%
Achieve the recycling rate of plastic of at least 90%	99%

¹ Using 2019 as the base year

² Recycling rate target is for production-related waste only

³ We will keep monitoring our achievements to seek continuous improvement and review the targets in the coming years where necessary

The Sustainability Committee and the Sustainability Workgroup regularly review the Group's environmental policies and initiatives. To ensure compliance with all applicable environmental laws and regulations in regions that it operates, the Group has set guidelines for the implementation of environmental management systems and operational standards at subsidiaries. All the aforementioned highlights the Group's overall dedication to minimising the environmental impacts of its procurement, manufacturing, and distribution processes. The Group's production facilities in Kampen, the Netherlands and Changsha, the PRC, received ISO 14001 Environmental Management System certification.

MANAGING ENERGY EFFICIENCY AND CARBON FOOTPRINT

To address the pressing issue of global warming, countries around the globe have rolled out policies and plans to combat climate change and enhance their climate resilience. In particular, in the regions where the Group operates, the European Union intends to achieve climate-neutral by 2050; Australia aims to reach net zero by 2050; and the PRC aims to reach carbon emission peak by 2030 and achieve carbon neutrality by 2060. To support the global effort, the Group has established targets on GHG emissions to lower its carbon footprint and accelerate its low carbon transition. Using 2019 as the baseline year, Ausnutria aims to:

- reduce the total GHG emissions intensity by 20% by Year 2025
- reduce the Scope 1 emissions intensity by 15% by Year 2025
- reduce the Scope 2 emissions intensity by 20% by Year 2025



The Group has established a strong energy and emissions management system and periodically upgrades the equipment at its manufacturing plants to improve overall energy efficiency and meet the Group's emission reduction targets. To make sure the equipment is operating at optimal efficiency, heating, ventilation, and air conditioning, boiler systems, lighting, and other energy-intensive equipment are all subject to routine inspections, maintenance, and replacements. The Group also invests equally to implement solar panel systems at its factories.

Operating with Low-Carbon Infrastructure

To minimise carbon emissions, Ausnutria's latest production facilities in Heerenveen, the Netherlands, which include a milk processing facility that is still under construction, utilise low-carbon technologies and energy-efficient designs to reduce carbon emissions. The facility guarantees a completely gas-free production process for the production of semi-finished infant nutrition and will be 100% carbon and nitrogen free. It will ultimately help save approximately 40% of energy compared to a traditional drying tower. With the use of geothermal heat system, factories in Leeuwarden and Heerenveen are able to store thermal energy for heating and cooling buildings and reduce its reliance on natural gas. Only under extreme weather conditions or during system defect, natural gas would be consumed as a backup to avoid operation disruption. The Group also strives to reduce its reliance on natural gas by switching to heating by electricity to achieve zero nitrogen emissions at the new facilities, complying with environmental and climate change standards, as well as the Netherlands' New Nitrogen Law. The construction of new facilities in Kampen, the Netherlands, continued to reduce natural gas consumption and cut nitrogen emissions to 70mg/m³ in Year 2022. The installation of pumps, engines, and ventilators in the new facilities also helps enhance overall energy efficiency in the Netherlands. Going forward, Ausnutria will continue to convert to electric heating at other production facilities to further reduce its dependency on natural gas.

Improving Management to Raise Energy Efficiency

Ausnutria is aware of the significance of energy management in transforming to a low carbon business. The Group has established several energy targets in Year 2021 as part of its commitment to lowering energy consumption and enhancing energy efficiency and has launched various ongoing measures to meet the target.

The Group regularly assesses the energy efficiency of its production facilities and, where necessary, introduces new initiatives and upgrades its equipment to optimise energy performance. Ausnutria promotes energy conservation and reduces emission by utilising digital technology such as 5G applications, artificial intelligence, big data and blockchain. A mobile application is adopted in Changsha City, the PRC, to track energy usage in real-time at various locations, including laboratories, manufacturing facilities, warehouses and public areas. Real-time control from the app covers air compression systems, purification workshops, air conditioning systems and ozone systems of the factories. In case of any unusual energy usage, the application immediately notifies the staff, enabling the factory to respond promptly by making adjustments and corrections. The Group can then better manage its energy performance and pinpoint areas for improvements thanks to real-time monitoring of energy consumption data.

The Group makes significant investments to upgrade the production facilities, with a view to further enhancing energy efficiency and pursuing a low-carbon operation. In the PRC, variable speed drives were installed in the air-conditioning systems in major factories, which optimise energy efficiency by operating the electric motors at their optimal speed and facilitating good indoor ventilation. Furthermore, exhaust pipes in the washing machine room were upgraded to improve ventilation and lower the demand for air conditioning. In PRC, the air purification pipe in one of the factories was upgraded in Year 2022. While ensuring a minimum number of air changes, the operating frequency of the fan is reduced from 45Hz to 35Hz to conserve energy. Around 77,000 kWh of electricity was saved and 67 tonnes of carbon emissions were avoided. In Leeuwarden, the Netherlands, energy-saving LED lamps and bulbs are used, covering 100% of its lighting devices. To practice energy saving, the power of the probiotic sachet cleanroom would be shut down when there is no production. It is estimated that the initiative saved 12,000 kWh of energy and reduced carbon emissions by 40 tonnes. All the above initiatives help lower Ausnutria's energy consumption for operations.

Minimising Transportation to Reduce Transportation and Carbon Emissions

Ausnutria also makes an effort to reduce carbon emissions by avoiding transportation for its supplies. To guarantee a reliable and consistent supply of cans, Ausnutria Netherlands worked with Trivium Packaging, an innovative and sustainable metal packaging manufacturer. The can manufacturing facility in Heerenveen, the Netherlands, which commenced operation last year, produces and delivers cans to factories in Heerenveen and Leeuwarden. The factory helps to facilitate a more efficient travel route and reduces the travel distance necessary for can logistics, hence lowering the associated GHG emissions.



● A new can manufacturing facility in Heerenveen, the Netherlands, commenced operation in Year 2021.

Deploying Renewable Energy

With the extensive use of renewable energy, the Group strives to reduce its carbon emissions with solar panels and carbon credits. In Year 2022, Ausnutria Australia continued to install new solar panels in its sites. The installation of solar panels in Australia saved electricity consumption by around 197 MWh. The Group is also investigating the viability of using solar energy in its production facility in Leeuwarden, the Netherlands. Due to the constraints of onsite generation, the Group prioritises the purchase of renewable energy certificates over conventional options. Ausnutria Netherlands continued to obtain renewable energy certificates in Year 2022 and offset around 95% of its electricity consumption use and made voluntary purchases carbon credits to offset the direct GHG emissions emanated by its use of natural gas. In Year 2023, we will pursue 100% offset by sourcing renewable energy in operations in the Netherlands.



● Solar panels implemented in Keysborough Site in 2022

Key Highlights on Renewable Energy in Year 2022

Around 95% of electricity consumption

for operations was offset in the Netherlands through renewable sources.

Around 13% of direct GHG emissions generated

was offset by voluntarily purchasing carbon credit.

Around 10% of total electricity consumption in Australia

was saved by solar panel system in the factories.

SAVING WATER FOR FUTURE GENERATIONS

Ausnutria recognises the importance of water management and employs a multi-pronged approach to reduce water use, recycle water, and effectively manage wastewater generated by its operations. The Group has established a Group-wide water target to better manage its water consumption performance. Using 2019 as the base year, Ausnutria aims to:

- reduce water consumption intensity by 35% by 2025

The production of milk powder essentially involves wet processes. The production facilities in Ommen, the Netherlands, implement a closed-loop water system to reduce their water consumption. The condensed water is collected during the manufacturing process and reused in other parts of the process, such as boiling and ultrafiltration. The existing Clean-in-Place (CIP) sanitary cleaning system in Kampen, the Netherlands, was previously upgraded with solutions that facilitate the recovery and reuse of final rinse water for the next cleaning cycle. Such replacement helps conserve 17% of the water consumption annually. Automatic sensors for water taps are installed in the PRC to avoid unnecessary water usage while condensed water in air-conditioning systems is also recycled. In Year 2022, the PRC adopted a new initiative in which the condenser of the refrigerator in the workshop is cleaned with chemicals. The chemicals are regularly injected into the cooling tower to improve the heat exchange efficiency of the condenser and reduce the evaporation of cooling water. Furthermore, Ausnutria Australia enhanced efficiency in the cleaning regime for Gut relief products in Year 2022, which successfully reduced water consumption for requirements cleaning by 5%.

The Group also performs regular equipment inspections to detect and repair water leakages from taps, pipelines, and valves in a timely manner in order to prevent water wastage. To prepare for upcoming feasibility analysis on water recycling and reuse systems, water consumption data is tracked and carefully monitored. The Group works progressively to reduce water wastage and improve water efficiency through the above initiatives, in order to meet the water target previously set.

ADOPTING A COMPREHENSIVE WASTE MANAGEMENT PLAN

To limit the environmental impacts of waste processing and disposal, the Group has established a set of comprehensive procedures to manage waste from its inception to its final disposal. To guide its waste management efforts and promote Group-wide recycling, the Group has also developed 3 waste targets. By 2025, Ausnutria aims to:

- Maintain the recycling rate of paper and wood at 100%
- Maintain the recycling rate of rest milk and rest powder at 100%
- Achieve the recycling rate of plastic of at least 90%

Ausnutria seeks to divert waste from landfills to achieve the above targets. The Group closely collaborates with local licensed waste operators to collect and correctly dispose of waste in accordance with local regulations. Ausnutria has all the necessary facilities to handle waste in an environmentally sustainable manner. In Australia's dairy production facility, a baling machine is utilised to cut down the waste generated from cardboard for raw material packaging. In the PRC, Ausnutria has optimised and rearranged the packaging to minimise cardboard usage for its dairy products, which significantly reduced the need for transportation and associated environmental impact. Remaining packaging materials such as cardboard, plastic lid and plastic bag are 100% collected and recycled by licensed recycling operators. In Year 2022, Ausnutria maintained 100% recycling rate for paper and wood and 99% for plastic.

The majority of the non-hazardous waste produced by Ausnutria comes from milk and milk powder residues due to its primary business of dairy products manufacturing. To reduce waste generation, rest milk and milk powder are sold for animal feed in Australia whilst milk and rest milk powder are largely converted into biomass in the Netherlands by a contracted external service provider. In Year 2022, Ausnutria maintained 100% recycling rate for rest milk and rest powder. The Group also treats hazardous waste generated from dairy and nutrition product manufacturing with extra care. Chemical waste is stored properly in designated sealed containers and passed to authorised third parties for disposal regularly. The Group encourages all employees to sort and recycle waste at source in order to minimise waste generation.

DEVELOPING ENVIRONMENTALLY FRIENDLY PACKAGING MATERIALS

Ausnutria pursues green development and works progressively to limit the environmental impact relating to its product design. The Group develops eco-friendly packaging with the use of green tinplate products. Special guidelines are also developed for packaging, such as refraining from using dichromate to avoid hazardous waste generation and discharge and switching to a more energy-efficient method of tinplate production.

To respond to the national call for green development, Ausnutria produces milk powder cans with passivated tinplate without using chrome. The use of chromium-free passivation cans prevents toxic wastewater and avoids the associated environmental risks. In Year 2022, PRC began to purchase packaging materials from sustainable sources, which cardboard was procured from supplier certified with Forest Stewardship Council (FSC) chain of custody certification. To reduce resources consumption, cardboard packaging for several products in PRC was reduced from 230g to 200g, reducing paper consumption by 13%. The Group will continue to advance its eco-packaging to avoid unnecessary consumption of packaging materials to support green development.

To promote green product design, Ausnutria is formulating a 'Green Design Product Specification', which has been included in the database of Hunan Provincial Department of Industry and Information Technology as the basis for green product design evaluation, and this will be included as an important consideration in government's procurement, showing that Ausnutria's efforts for green development have been officially recognised.



MANAGING CLIMATE RISKS WITH RESILIENCE STRATEGIES

Ausnutria is conscious of the impact and risks that climate change may bring to its business. The Group has performed a detailed climate risk assessment on its operations and supply chain with assistance of a third-party consultant. Desktop research was conducted to identify material physical and transition risks for each operating location, their likelihood, and the potential impact on Ausnutria's operations.

The summary of the climate risks identified is as follows:

Physical risks

Risk type	Impact	Justification
Flooding (riverine and coastal)	Asset damage and operation suspension	Ausnutria's factories are mainly located along the river or coast. Flooding may damage factories' equipment and facilities and leads to financial loss. In particular, water can cause critical damage to electric equipment and its components. Dysfunction of dairy processing machines caused by severe flooding may lead to the suspension of factory operations.
	Accessibility to factories	Flooding in nearby areas of Ausnutria's factories may impede employees from accessing the sites. Employees may have difficulties reporting for duty or resuming work upon flooding. This can have negative impact on productivity and affect the feasibility of resuming operations.
	Disruption in logistics	The majority of Ausnutria's products that are produced overseas are transported to mainland China for sale. Flooding disrupts logistics through trucking route disruptions and freight delays.
Extreme wind	Asset damage and operation suspension	Extreme wind may increase the frequency of tropical cyclones, tornadoes, and hurricanes. It could cause extensive damages to the factory properties when wind speed exceeds the maximum level that the buildings can withstand.
	Disruption in logistics	Majority of Ausnutria's products that are produced overseas are transported to mainland China for sale. Natural disasters caused by extreme wind can disrupt logistics through trucking route disruptions, shipping, and freight delays.

Risk type	Impact	Justification
Temperature change	Increase operating cost	Rising mean temperature, as well as heatwave and extreme cold, can drive up Ausnutria's operating costs. The rise in indoor and outdoor temperature would lead to greater energy consumption for maintaining the cooling system and air condition system in production areas.
Water stress	Increase operating cost	While water is not used in production processes for the majority of Ausnutria's factories, factories like Kampen and Ommen rely on water for processes such as pumping, cooling circuits, cleaning and sanitising. Water stress may prompt government to raise water tariff, increasing the financial cost of water supply.

Transition risks

Risk type	Justification
Policy and legal risk	The introduction of new policies may lead to increased operating costs and early retirement of current machinery. Meanwhile, with increasing awareness on climate risk, voluntary-based initiatives may scale up or become mandatory in the near future. Acknowledging the trend of existing policy helps prepare Ausnutria for future transition and avoid non-compliance penalties.
Technology risk	In Australia, government bodies encourage and promote the uptake of energy-efficient technologies for the dairy processing industry. In Europe, in response to the 2030 climate and energy framework, the EU has funded various projects to search for alternative solutions to reduce the emission from the dairy industry. The capability to adopt green technologies may help Ausnutria optimise its operation, operate with cost-effectiveness while minimising the environmental impacts.
Reputational risk	There is growing attention on the carbon footprint of dairy products. NGOs and international organisations have launched various dairy sustainability initiatives. Ausnutria may seize the opportunity to establish a positive company image by joining international or industry associations and responding to the sustainability initiatives. Aligning with the industry approach allows Ausnutria to maintain its dairy product competitiveness under the low-carbon trend.
Market risk	With the substantial increase in the vegan population in major economies, the demand for plant-based or non-dairy milk alternatives is growing at a rapid pace. The demand for such products grows particularly faster among adults, compared with infants and toddlers.

Supply chain disruption

Risk type	Justification
Likelihood	Milk farms in the Netherlands are most likely to be exposed to coastal flood risk, tropical cyclones, tornadoes, and hurricanes and water stress risk. Additionally, milk farms in Australia are most likely to be exposed to coastal flood risk and wildfires.
Impact	<p>While Ausnutria does not own farms, its dairy business is highly dependent on the stable supply of quality raw milk from cow and goat farmers. Extreme weather such as flooding and strong wind may damage dairy farm components, including livestock, machinery, buildings, equipment, and food stock. This may affect the safety and provision of milk supply and pose an impact to the stable supply of raw milk sources. Ausnutria might face increasing procurement costs.</p> <p>In addition, road closures due to extreme weather events may result in logistics delays, affecting the milk quality. The financial loss caused by asset damage and suspension of operation may increase the production cost of milk farm and Ausnutria.</p>

Ausnutria considers climate risks in its factory development. In the PRC, sponge city elements were incorporated into the design of the Smart Factory to enhance preparedness for expected changes in rainfall patterns. By implementing stormwater management, the Group hopes to better manage the facility's flood risks and enhance its climate resilience. The principles of infiltration, retention, storage, purification, reuse, and discharge are also applied in the Smart Factory. Its design, which includes a sunken green space, permeable pavement and a rain garden, enables the factory to collect surface runoff and withstand rainstorms with a return period of one in 50 years, enhancing the factory's preparedness for extreme weather.



Sustainability Performance Table

Environmental performance				
	Unit	2021 ¹	2022 ¹	
Greenhouse gas (GHG) emissions				
Direct GHG emissions (scope 1) ²	tonnes CO ₂ e	16,945	15,281	
Indirect GHG emissions (scope 2) ³	tonnes CO ₂ e	4,956	5,135	
Total GHG emissions intensity ⁴	tonnes CO ₂ e/RMB million revenue	2.6 ⁶	2.6	
Waste generated				
General waste	tonnes	4,038	4,001	
Rest milk	tonnes	10,669	12,124	
Rest powder	tonnes	2,366	1,914	
Non-hazardous waste intensity	tonnes/RMB million revenue	2.1 ⁶	2.3	
Hazardous waste ⁵	tonnes	5	6	
Hazardous waste intensity	tonnes/RMB million revenue	0.00057 ⁶	0.00077	
Waste recycled				
General waste	tonnes	3,621	3,366	
Rest milk	tonnes	10,669	12,124	
Rest powder	tonnes	2,366	1,914	

¹ Unless otherwise stated, performance indicators of 2021 and 2022 include the Group's operations under Ausnutria PRC, Ausnutria Netherlands and Ausnutria Australia, which is consistent with the reporting scope of this report.

² 2,073 and 2,294 tonnes of GHG emissions were offset in 2021 and 2022 respectively. This was achieved through purchasing carbon credits from verified third party.

³ A portion of electricity consumed was compensated through wind power in 2021 and 2022.

⁴ Total GHG emissions include direct emissions from operations that are owned or controlled by the company (Scope 1) and energy indirect emissions resulting from the generation of purchased or acquired electricity consumed within the company (Scope 2).

⁵ Hazardous waste is defined according to local standards by operating locations, and includes waste machine oil, laboratory chemical waste and other industrial waste.

⁶ The intensity figures are recalculated due to the restated total revenue of 2021.

Environmental performance (cont'd)				
	Unit	2021 ¹	2022 ¹	
Energy consumption				
Electricity purchased ⁷	kWh	31,537,811	32,599,878	
Natural gas consumption ⁸	m ³	10,646,902	9,821,356	
	kWh	93,677,310	86,416,220	
Total energy consumption	kWh	125,215,863	119,016,782	
Total energy consumption intensity	kWh/RMB million revenue	14,602 ⁶	15,267	
Water consumption				
Municipal water supply	m ³	407,340	356,714	
Groundwater	m ³	181,495	190,834	
Total water consumption	m ³	588,835	547,548	
Total water consumption intensity	m ³ /RMB million revenue	68 ⁶	70	
Major packing materials used				
Paper and wood	tonnes	6,387	7,578	
Tin metal	tonnes	8,728	9,227	
Plastic	tonnes	2,220	2,721	
Glass	tonnes	15	0.5 ⁹	

⁷ GHG emissions from purchased electricity in the PRC, Australia and the Netherlands in this report were calculated based on factors in China's Regional Grid Average CO₂ Emission Factors in 2012 published by the National Centre for Climate Change Strategy and International Cooperation (<http://www.cec.org.cn/d/file/huanbao/xingyexinxi/aqihoubianhua/2014-10-10/5fbc57bcd163a1059cf224b03b751d8.pdf>), Australian National Greenhouse Accounts Factors published by the Department of Climate Change, Energy, the Environment and Water of the Australian Government and CO₂ emission factors published by the CO₂ Emissiefactoren, respectively.

⁸ GHG emission from natural gas consumption in the PRC, Australia and the Netherlands in this report were calculated based on Requirements of the Greenhouse Gas Emission Accounting and Reporting, Australian National Greenhouse Accounts Factors published by the Department of Climate Change, Energy, the Environment and Water of the Australian Government (<https://www.dcccew.gov.au/sites/default/files/documents/national-greenhouse-accounts-factors-2022.pdf>) and The Netherlands: List of Fuels and Standard CO₂ Emission Factors published by the Netherlands Enterprise Agency respectively.

⁹ Due to reductions in the production of glass-contained products, the figures of glass consumption in 2022 were relatively lower when compared with that of 2021.

Social performance ^{10, 11}				
	Unit		2021 ¹	2022 ¹
Employee profile				
Total workforce	no. of people		4,454	4,700
Total workforce by gender				
Female	no. of people		2,480	2,495
Male	no. of people		2,244	2,205
Total workforce by age group				
30 or under	no. of people		1,722	1,601
31 – 40	no. of people		2,255	2,310
41 – 50	no. of people		496	516
Above 50	no. of people		251	273
Total workforce by position grading				
Top management	no. of people		48	44
Middle management	no. of people		896	993
Other office staff	no. of people		3,033	2,915
Operational staff	no. of people		747	748
Total workforce by geographic region				
The PRC	no. of people		3,581	3,824
The Netherlands	no. of people		735	780
Australia	no. of people		138	96
Employee turnover				
Employee turnover rate	%		39.29	30.45
Employee turnover rate by gender				
Female	%		37.82	28.58
Male	%		36.19	32.56

¹⁰ Total workforce is restated after consolidation and recalculation, and actual employee turnover rate and lost day rate are reflected in above column of 2021 data.

¹¹ For employee profiles and other workforce-related figures, we record full-time, part-time and temporary staff.

Social performance ¹⁰ (cont'd)				
	Unit		2021 ¹	2022 ¹
Employee turnover rate by age group				
30 or under	%		48.95	39.98
31 – 40	%		34.77	28.53
41 – 50	%		20.16	20.35
Above 50	%		9.16	9.89
Employee turnover rate by geographic region				
The PRC	%		46.22	34.07
The Netherlands	%		5.44	10.90
Australia	%		39.86	44.79
Occupational health and safety				
Lost days	days		470	149
Lost day rate	lost day per 200,000 work hours		10.04	3.16
Work-related fatalities	number		0	0
Development and training ¹²				
Percentage of employees trained	%		80	85
The percentage of employees trained by gender				
Female	%		85	79
Male	%		76	88
The percentage of employees trained by position grading				
Top management	%		81	60
Middle management	%		83	83
Other office staff	%		81	85
Operational staff	%		78	86








¹² For Ausnutria PRC, only records training delivered by Ausnutria Academy.

Social performance ¹⁰ (cont'd)			
	Unit	2021 ¹	2022 ¹
Average training hours per employee by gender			
Female	hours	37.85	25.41
Male	hours	30.70	45.53
Average training hours per employee by position grading			
Top management	hours	43.04	22.76
Middle management	hours	15.85	30.77
Other office staff	hours	42.15	31.61
Operational staff	hours	34.55	43.72
Supply chain management			
Number of suppliers by geographic location ¹³			
The PRC	number	69	57
The Netherlands	number	80	103
Australia	number	90	82
Other regions	number	9	8
Community investment			
Total amount of charitable contributions	RMB	22,283,000	11,680,000

¹³ The Group constantly revisits the methodology to achieve higher accountability standards. For the preparation of 2022 data, the methodology to record and calculate the respective data has been updated to better reflect the Group's ESG performance. The respective performance in 2022 is not directly comparable to the performance of 2021.




HKEx ESG Reporting Guide




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Reporting Boundary		
Description explaining the reporting boundaries of the report	 About This Report	14
A. Environmental		
Aspect A1 Emissions		
General Disclosure	 Better Environment The Group complied with relevant laws and regulations that have a significant impact on its business, including but not limited to: <ul style="list-style-type: none">  <i>The PRC</i> <ul style="list-style-type: none"> Environmental Protection Law of the People's Republic of China Prevention and Control of Atmospheric Pollution Law of the People's Republic of China Prevention and Control of Solid Waste Pollution Law of the People's Republic of China Prevention and Control of Water Pollution Law of the People's Republic of China  <i>The Netherlands</i> <ul style="list-style-type: none"> Activities Decree Environmental Management Act The Soil Protection Act Decree on the reporting of industrial waste and hazardous waste The Water Act  <i>Australia</i> <ul style="list-style-type: none"> National Greenhouse and Energy Reporting Regulations 2008 Environment Protection (Scheduled Premises) Regulations 2017 	59-66









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Aspect A1 Emissions (cont'd)			
KPI A1.1	The types of emissions and respective emissions data.	Ausnutria relies on cleaner fuel and energy source. Therefore, the amount of air emission we generated is insignificant.	N/A
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	Sustainability Performance Table	69
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KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Better Environment	65
Aspect A2 Use of Resources			
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KPI A2.1	Directed and/or indirect energy consumption by type in total (kWh in '000s) and intensity.	Sustainability Performance Table	70
KPI A2.2	Water consumption in total and intensity.	Sustainability Performance Table	70
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Better Environment	59-66
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Better Environment The Group currently does not experience any issues in sourcing water.	65
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Sustainability Performance Table Total packaging material used for finished products with reference to per unit produced is not applicable as the calculation methods of production volume vary by operating location	70

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KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Better Environment	59-66
Aspect A4 Climate Change			
General Disclosure		Better Environment	67-68
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Better Environment	67-68
B. Social			
Employment and Labour Practices			
Aspect B1 Employment			
General Disclosure		Better Life The Group complied with relevant laws and regulations that have a significant impact on its business, including but not limited to: <ul style="list-style-type: none"> <i>The PRC</i> <ul style="list-style-type: none"> – Labour Law of the People’s Republic of China – Labour Contract Law of the People’s Republic of China <i>The Netherlands</i> <ul style="list-style-type: none"> – Collection Law SZW <i>Australia</i> <ul style="list-style-type: none"> – Fair Work Act 2009 	35-36, 40
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Sustainability Performance Table	71
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Sustainability Performance Table	71-72

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Aspect B2 Health and Safety			
General Disclosure		Better Life The Group complied with relevant laws and regulations that have a significant impact on its business, including but not limited to: <ul style="list-style-type: none">  <i>The PRC</i> <ul style="list-style-type: none"> – Work Safety Law of the People's Republic of China – Prevention and Control of Occupational Diseases Law of the People's Republic of China  <i>The Netherlands</i> <ul style="list-style-type: none"> – Working Conditions Act – Employment Relations Deregulation Act  <i>Australia</i> <ul style="list-style-type: none"> – Occupational Health and Safety Regulations 2017 	38-39
KPI B2.1	Number and rate of work-related fatalities.	Better Life Sustainability Performance Table	26 72
KPI B2.2	Lost days due to work injury.	Sustainability Performance Table	72
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Better Life	38-39
Aspect B3 Development and Training			
General Disclosure		Better Life	35-37
KPI B3.1	The percentage of employees trained by gender and employee category.	Sustainability Performance Table	72
KPI B3.2	The average training hours completed per employee by gender and employee category.	Sustainability Performance Table	73

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Aspect B4 Labour Standards			
General Disclosure		Better Life The Group complied with relevant laws and regulations that have a significant impact on its business, including but not limited to: <ul style="list-style-type: none">  <i>The PRC</i> <ul style="list-style-type: none"> Labour Law of the People's Republic of China  <i>The Netherlands</i> <ul style="list-style-type: none"> Working Hours Act  <i>Australia</i> <ul style="list-style-type: none"> Child Employment Act 2003 	35
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Better Life	35
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Better Life	35
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Aspect B5 Supply Chain Management			
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KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Better Nutrition	55-58
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Better Nutrition	55-58
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	Better Nutrition	55-58

Disclosures and KPIs	Reference/Remarks	Page
Aspect B6 Product Responsibility		
<i>The PRC</i>	 2025 Sustainability Commitment	5-6
General Disclosure	 Better Nutrition	50-54
	The Group complied with relevant laws and regulations that have a significant impact on its business, including but not limited to:	
	 <i>The PRC</i>	
	<ul style="list-style-type: none"> – Food Safety Law of the People’s Republic of China – Product Quality Law of the People’s Republic of China – Tort Law of the People’s Republic of China – Advertising Law of the People’s Republic of China – Regulations for the Implementation of the Law of the People’s Republic of China on Import and Export Commodity Inspection 	
	 <i>The Netherlands</i>	
	<ul style="list-style-type: none"> – Commission Regulation (EC) on microbiological criteria for foodstuffs – Commission Regulation (EC) setting maximum levels for certain contaminants in foodstuffs – Regulation (EC) of the European Parliament and of the Council on nutrition and health claims made on foods – Regulation (EU) of the European Parliament and of the Council as regards the specific compositional and information requirements for infant formula and follow-on formula and as regards requirements on information relating to infant and young child feeding 	
	 <i>Australia</i>	
	<ul style="list-style-type: none"> – Therapeutic Goods Act 1989 	

Disclosures and KPIs		Reference/Remarks	Page
Aspect B6 Product Responsibility (cont'd)			
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	We had one product recall, which did not result in any consumer harm	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	 Better Nutrition	50-53
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	 Better Nutrition	48
KPI B6.4	Description of quality assurance process and recall procedures.	 Better Nutrition	50-53
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	 Better Nutrition	50
Aspect B7 Anti-corruption			
General Disclosure		 About Ausnutria The Group complied with relevant laws and regulations that have a significant impact on its business, including but not limited to:	20
		 <i>The PRC</i> <ul style="list-style-type: none"> – Criminal Law of the People's Republic of China – Anti-Money Laundering Law of the People's Republic of China 	
		 <i>The Netherlands</i> <ul style="list-style-type: none"> – Criminal Code of the Kingdom of Netherlands – Directive (EU) of the European Parliament and of the Council on combating money laundering by criminal law 	
		 <i>Australia</i> <ul style="list-style-type: none"> – Anti-Money Laundering and Counter-Terrorism Financing Act 2006 	

Disclosures and KPIs		Reference/Remarks	Page
Aspect B7 Anti-corruption (cont'd)			
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	No concluded legal cases regarding corrupt practices are brought against the Group and its employees during the reporting year.	N/A
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	About Ausnutria	20
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Community			
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Independent Assurance Opinion Statement

Statement No.:

SRA-HK 784746

AUSNUTRIA DAIRY CORPORATION LTD SUSTAINABILITY REPORT 2022

The British Standards Institution is independent of Ausnutria Dairy Corporation Ltd, and its subsidiaries (hereafter referred to as “Ausnutria” collectively in this statement), and has no financial interest in the operation of Ausnutria other than for the assessment and assurance of Ausnutria’s Sustainability Report 2022 (the “Report”).

This independent assurance opinion statement has been prepared for Ausnutria solely for the purposes of assuring its statements relating to the Report, more particularly described in the Scope below. It was not prepared for any other purpose. The British Standards Institution will not, in providing this independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or towards any person by whom the independent assurance opinion statement may be read. This statement is intended to be used by stakeholders & management of Ausnutria.

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of the information presented to it by Ausnutria. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and accurate.

Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to Ausnutria only.

Scope

The scope of engagement agreed upon with Ausnutria includes the following:

1. The assurance covers environmental, social and governance (“ESG”) information in the Report, and focuses on systems and activities of Ausnutria in the People’s Republic of China, the Netherlands, and Australia, which include sourcing, producing, marketing and distributing dairy and nutrition products ranging from infant formula, toddler formula, adult formula, liquid milk to nutrition products, during the period from 1st January 2022 to 31st December 2022. The Report is prepared in accordance with The Stock Exchange of Hong Kong Limited’s (“HKEX”) Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”).
2. Level 2 – Type 1 Moderate Level of Assurance evaluates the nature and extent of Ausnutria’s adherence to four reporting principles: Inclusivity, Materiality, Responsiveness and Impact. The reliability of specified sustainability performance information/data disclosed in the Report has been evaluated.

Opinion Statement

We conclude that the Report provides a fair view of Ausnutria’s sustainability performance in the reporting year. We believe that the environmental and social general disclosures and key performance indicators are fairly represented in the Report, in which Ausnutria’s efforts to pursue sustainable development are widely recognized by its stakeholders.

Our work was carried out by a team of sustainability report assurers. We planned and performed this part of our work to obtain the necessary information and explanations. We considered Ausnutria has provided sufficient evidence that Ausnutria's self-declaration of compliance with the ESG Reporting Guide were fairly stated.

Methodology

Our work was designed to gather evidence on which to base our conclusion. We undertook the following activities:

- A top level review of issues raised by external parties that could be relevant to Ausnutria's policies to provide a check on the appropriateness of statements made in the Report;
- Discussion with senior executives on Ausnutria's approach to stakeholder engagement. We had no direct contact with external stakeholders;
- Interview with staff involved in sustainability management, report preparation and provision of report information;
- Review of key organizational developments;
- Review of supporting evidence for claims made in the Report; and
- An assessment of the Ausnutria's reporting and management processes concerning reporting against the principles of Inclusivity, Materiality, Responsiveness and Impact.

Conclusions

A detailed review against the principles of Inclusivity, Materiality, Responsiveness and Impact and the ESG Reporting Guide is set out below:

Inclusivity

The Report has reflected the fact that Ausnutria is seeking the engagement of its stakeholders by following the overall approach as stated in the ESG Reporting Guide.

Ausnutria's operation involves various methods of engaging its stakeholders. The Report covers environmental and social aspects of concern to its stakeholders with a fair level of disclosure. In our professional opinion, Ausnutria adheres to the principle of Inclusivity. Our view of areas for enhancement of the Report was communicated to Ausnutria before the issue of this opinion statement.

Materiality

Ausnutria publishes sustainability information that enables its stakeholders to make informed judgments about the company's management and performance. In our professional opinion, the Report adheres to the principle of Materiality and identifies Ausnutria's material aspects by following the ESG Reporting Guide. Areas for enhancement of the Report were communicated to Ausnutria before the issue of this opinion statement.

Responsiveness

Ausnutria has implemented practices that respond to the expectations and perceptions of its stakeholders. These include using its sustainability report. In our professional opinion, Ausnutria adheres to the principle of Responsiveness. Areas for enhancement of the Report were communicated to Ausnutria before the issue of this opinion statement.

Impact

Ausnutria has established processes to understand, measure and evaluate its impacts in qualitative and quantitative way. These processes enable Ausnutria to assess its impact and disclose them in the Report. In our professional opinion, Ausnutria adheres to the principle of Impact. Areas for enhancement of the Report were adopted by Ausnutria before the issue of this opinion statement.

THE ESG Reporting Guide

Based on our verification review, we are able to confirm that social responsibility and sustainable development related key performance indicators and general disclosures in two ESG subject areas (Environmental and Social) are reported on basis of the ESG Reporting Guide.

In our professional opinion, the Report covers Ausnutria's social responsibility and sustainability issues. Areas for enhancement of the Report were communicated to Ausnutria before the issue of this opinion statement.

Assurance Level

The Level 2 – Type 1 Moderate Level of Assurance provided in our review is defined by the scope and methodology described in this statement.

Responsibility

It is the responsibility of Ausnutria's senior management to ensure that the information being presented in the Report is accurate. Our responsibility is to provide an independent assurance opinion statement to stakeholders giving our professional opinion based on the scope and methodology described.

Competency and Independence

The assurance team was composed of Lead Auditors, who are experienced in the industrial sector, and trained in a range of sustainability, environmental and social standards including GRI G3, GRI G3.1, GRI G4, GRI Standards, AA1000, HKEX ESG Reporting Guide, UNGC's Ten Principles, ISO20121, ISO14064, ISO 14001, OHSAS 18001, ISO45001, ISO 9001, and ISO 10002, etc. British Standards Institution is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI:



Mr. Stephen Yu
Chief Operating Officer – Hong Kong
China Operational Resilience Director
Hong Kong

11 April 2023



AUSNUTRIA DAIRY CORPORATION LTD

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1717)



Company's website

www.ausnutria.com.hk