



SUSTAINABILITY REPORT 2019



AUSNUTRIA DAIRY CORPORATION LTD
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1717)

NOURISHING
LIFE & GROWTH

AUSNUTRIA PRINCIPLES



SUSTAINABILITY VISION

We strive to nourish life and growth by providing quality nutritional options to all on a global level. We are 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 PILLARS



**Better
Nutrition**
更優營養

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



**Better
Life**
更優生活

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



**Better
Environment**
更優環境

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

2019 ACHIEVEMENTS



Built a **global research and development team** consisting of over 180 doctoral and dairy experts.

Launched a series of goat and cow milk powders targeting adults, pregnant and lactating mothers.

Organised a four-day event, Ausnutria Nutritional Expert Academy, which **invited healthcare professionals from all over the world** to promote goat milk-based nutrition.



Concluded a year-long clinical study on **NC Gut Relief** with encouraging results.

Strengthened development of nutrition products to **promote gastrointestinal well-being** through investment in probiotic businesses.



**Better
Nutrition**
更優營養



**Better
Life**
更優生活



Pledged to inject **RMB100 million to Ausnutria U-Foundation** in the coming ten years to support the communities in the PRC.

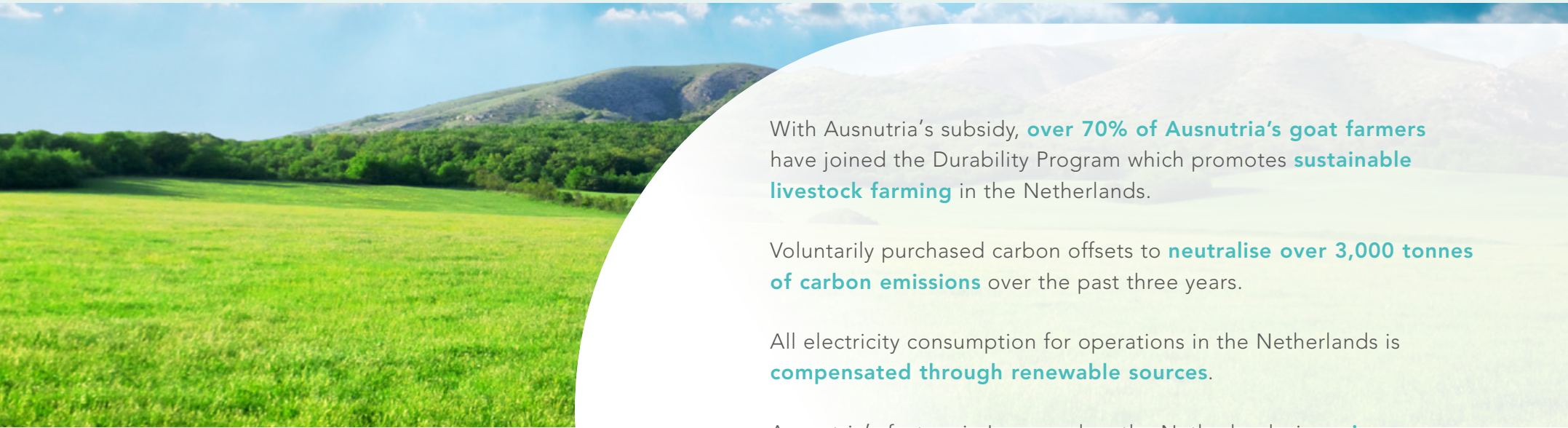
Donated over RMB67.6 million of cash and supplies to support charities in the PRC, and set up work from home initiatives for employees during the outbreak of coronavirus disease in 2020.



Ausnutria University was awarded the **“Top 50 Universities of Chinese Enterprises”** by Training Magazine of Xinhua Daily Media Group.

Zero reported cases of work-related fatalities.

Launched a series of **cultural integration workshops and activities** to enhance unity within the Group.



With Ausnutria's subsidy, **over 70% of Ausnutria's goat farmers** have joined the Durability Program which promotes **sustainable livestock farming** in the Netherlands.

Voluntarily purchased carbon offsets to **neutralise over 3,000 tonnes of carbon emissions** over the past three years.

All electricity consumption for operations in the Netherlands is **compensated through renewable sources**.

Ausnutria's factory in Leeuwarden, the Netherlands, is **saving an estimated 75% of power on lighting** by replacing all lighting devices with LED lamps and bulbs.



Introduced an **on-grid solar panel system** to fulfil one-third of the electricity consumption needs in the dairy production facility in Australia.



**Better
Environment**
更優環境

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ABOUT THIS REPORT

Ausnutria Dairy Corporation Ltd (“Ausnutria” or the “Company”, together with its subsidiaries, the “Group”) is delighted to publish its annual Sustainability Report, detailing the Group’s commitment, strategic approach and initiatives in achieving sustainable development. This report focuses on the collaborative effort with stakeholders and highlights the achievements towards creating long-term shared value for the Group and its employees, customers, business partners, the wider community and the environment.

Unless otherwise stated, this report examines the material sustainability aspects of the Group during the period from 1 January 2019 to 31 December 2019 (the “Year 2019”). The content of this report covers the Group’s operations in the People’s Republic of China (the “PRC”), the Netherlands and Australia, including Ausnutria Dairy (China) Co., Ltd. and its subsidiaries (“Ausnutria China”), Ausnutria B.V. and its subsidiaries (“Ausnutria Netherlands”), and Ausnutria Pty Ltd and its subsidiaries (including Australian Dairy Park Pty Ltd. (“ADP”) and Nutrition Care Pharmaceuticals Pty Ltd (“NCP”), “Ausnutria Australia”). These locations represent over 90% of the Group’s non-current assets and the Group will seek collectively to expand the scope to include New Zealand when its factory officially commences operation.

This report is accessible via the [Group’s corporate website](#) and the Stock Exchange’s website. The Group welcomes your feedback on its sustainability business practice. You can reach out to Ausnutria via email at info@ausnutria.com.

This report has been 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”). To fulfil the principles of materiality, quantitative, balance and consistency, the Group regularly engages with key stakeholders and its management to prioritise the most relevant and prominent sustainability topics to the Group.

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MESSAGE FROM THE CHAIRMAN

I am delighted to present the Group’s fourth annual Sustainability Report on behalf of the board (the “Board”) of directors (the “Directors”) of the Company. This report highlights the Group’s commitments and achievements in the past year towards its sustainability vision.

2019 marked the beginning of the second phase of our “Golden Decade” strategic plan, as well as the tenth anniversary of Ausnutria’s public listing. Over the decade, Ausnutria has built a strong foundation in every aspect of the value chain and has continuously delivered solid results. To celebrate the milestones we have achieved, we proudly held our ten-year listing anniversary celebration in October 2019 in conjunction with our brand strategies meeting. At the celebration, we announced our strategic brand partnership with Chinese Tennis Association, and also the collaboration with the Chinese national tennis team. Allnutria, one of our cow milk powder brands, and Nutrition Care, our nutritional product brand, became the official dairy and nutritional product suppliers respectively for the Chinese national tennis team. Internally, we continue to enhance our global supply capacity to cater business growth. Two new factories in the Netherlands (the “Ausnutria Heerenveen Factories”) which commenced operation in 2018 has entered into full operation in 2019. Our second factory in Changsha, the PRC was also completed during the year and was granted a permit to produce adult milk powder. Meanwhile, our factory in New Zealand was successfully registered with the General Administration of Customs of the PRC as a new infant formula production enterprise. The commencement of these new operations has brought Ausnutria even closer to becoming the most trustworthy milk formula, nutrition and healthcare enterprise in the world.

We have been actively implementing our strategic plan to streamline the Group’s operations and resources across regions while being mindful in integrating sustainability into our business. As such, we have appointed a sustainability workgroup to act as the connecting bridge between the sustainability committee and regional teams for a more holistic management. With such strong foundation, we continue to stand by our sustainability vision and the relevant United Nations Sustainable Development Goals, and work relentlessly to achieve our sustainability pillars – Better Nutrition, Better Life and Better Environment.

To promote Better Nutrition among our customers, we aspire to foster innovation and offer quality nutritional products and solutions. In 2019, we have launched the infant formula Hyproca Hypure series and introduced a broader range of products for different age groups such as the Kabrita Yingjia adult goat milk powder and Allnutria ExtraPure organic pregnant and lactating mother milk powder. We have also launched a series of new nutritional products from Australia under the brand Nutrition Care to serve the diverse needs of our customers. To seek for continuous enhancement, we established our first cross-disciplinary research platform to encourage collaboration and knowledge exchange among our dairy and nutritional professionals in Australia and New Zealand. Besides, we have held the Ausnutria Nutritional Expert Academy 2019 in the Netherlands to promote scientific exchanges with external professionals to support the development of Kabrita. Our first global marketing conference was held in the PRC with representatives from Ausnutria’s branches to study the development of our global brand-building strategies and marketing strategies, gradually aligning and coordinating our marketing and customer engagement efforts across operations.



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To bring Better Life to our employees, we strive to create a healthy and inclusive workplace and community through meaningful partnerships. We value the differences and uniqueness in our people and devote great amount of resources to unleash their potential. Specifically, we have established a hierarchical training system featuring six unique Ausnutria-style talent development programs for employees spanning from management trainees to top management personnel. Cultural integration workshops and team building activities were held to bring us closer to achieving the motto of "One Ausnutria, One Dream, One Voice". We will utilise our new headquarters in the PRC, which will be completed in 2023, to facilitate collaboration, training and work efficiency of our employees from different operations and build a team fit for future. Meanwhile, our three-year global human resources strategy plan is in good progress as we continue to introduce new measures to improve internal capabilities and facilitate team growth. During the outbreak of the coronavirus disease in 2020, we have also set up work from home initiatives for the employees to protect their welfare.

As for the community, we promote Better Life by providing local communities with access to nutritious dairy and healthcare products through active sponsorships and meaningful partnerships. We pledged to contribute RMB100 million in cash or in-kind donation in community programs in the coming ten years through Ausnutria U-Foundation. The immense support from the Group will allow more impactful initiatives for the communities, similar to the Tundra Rose Public Welfare Project, Kabrita's National Nutrition Week and the sponsorship to Changsha International Marathon 2019 but in an extensive manner. Following the outbreak of the coronavirus diseases in 2020, Ausnutria U-Foundation donated eight batches of cash and supplies, worth over RMB67.6 million, to charities in the PRC to fight against the pandemic.

Despite the fact that the manufacturing process of our products does not create too much adverse impact to the environment compared with many other industries, we seek to operate and consume resources responsibly in a way that our future generations can enjoy a Better Environment. We continue to look into possibilities to reduce our environmental footprint and have adopted energy efficient technologies in our existing and newly built operation facilities. Whenever feasible, we prioritise the use of renewable energy and have installed an on-grid solar panel system in the dairy production facility in Australia in Year 2019, which is expected to fulfil one-third of the total electricity consumption needs of the facility.

The commitment to quality, employees and other stakeholders are always key to the Group's sustainability and business continuity. We would like to express our biggest gratitude to stakeholders who contributed to the success of the Group. Looking ahead, we are confident to continue to deliver long-term shared values through seamless cooperation among our subsidiaries and close collaboration with our stakeholders.

Yan Weibin
Chairman

The PRC
21 May 2020



ABOUT AUSNUTRIA

CORPORATE PROFILE

2019 marks the tenth anniversary of Ausnutria's public listing on the Stock Exchange (stock code: 01717). Over the years, the Group has developed into an international dairy and nutrition products enterprise that owns and operates an entire integrated business chain from sourcing and production, to marketing and distribution.

Founded in 2003, the Group started by selling imported cow milk formula products in the PRC under the brand names of Allnutria, A-choice and Best-Choice. It later completed the acquisition of Ausnutria B.V. and its subsidiaries (formerly the Hyproca Dairy Group) and three factories in the Netherlands (all are now wholly-owned subsidiaries of the Group), and capitalised on the opportunity of launching the Group's own-branded goat milk infant formula, Kabrita. Through several mergers and acquisitions over the years, the Group continued strengthening its sales network and product offerings globally. In 2016, the Group further acquired NCP which is a high-end nutritional business based in Australia. Since then, the Group has also devoted itself to deliver healthcare products. As at the date hereof, the Group owns ten factories in the Netherlands, Australia, New Zealand, and the PRC that provide quality products under multiple brands in the PRC and over sixty other countries and regions across the world.

In realising its "Golden Decade" strategic plan set out at the end of 2015, Ausnutria continues to launch sustainable and premium quality dairy and nutrition products for all age groups and aims to become a global leader in the milk formula, nutrition and healthcare industries.



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THE GROUP'S OWN BRANDS

佳贝艾特
kabrita

佳贝艾特 悦白 佳贝艾特 悠蓝 佳贝艾特 睛滢 佳贝艾特 佳贝艾特 营嘉

澳优 | allnutria
Ausnutria 爱立多

allnutria 澳优爱优 Augood 珀淳 淳臻
爱立多 Extra Pure

hyproca
海普诺凯

海普诺凯 荷致 悠蓝 Neolac 海普诺凯 萃护

Puredo
美纳多

美纳多 睿活 PuredoNu 美纳优 Puredovita 启活 美纳珍 puredo Growkey 萃可舒

美优高
mygood

美优高 美优高经典 萃爱

Eurlale
纽莱可

Eurlale Eurrence Hollisure

Oz Farm



营养联邦
Nutriunion

NC Nutrition Care Soforla 苏芙拉 KIDS BÖN

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MEMBERSHIPS

Ausnutria seeks to contribute to the development of the dairy and nutrition industries and has been actively engaging in various associations and voluntary initiatives in the global arena that share the same values as the Group. Through participating in interactions and exchanges with counterparts regarding different topics, the Group continuously advocates for sustainability and promotes operational enhancement.



Dutch Dairy Association (“NZO”)

Ausnutria is involved in the working groups of the NZO to encourage knowledge exchange and continuous advancement in Dutch milk processing.



China Dairy Industry Association

Ausnutria is one of the vice-president units of the China Dairy Industry Association, where it facilitates the promotion of high standard dairy products, supports industry guideline development and administrative work.



Dutch Goat Dairy Association (“NGZO”)

As a working group member of the NGZO, Ausnutria drives for better industry image, environmental sustainability, and animal welfare. In collaboration with its goat milk suppliers, Ausnutria supports NGZO’s “KwaliGeit” and Durability program. Please refer to *Win-win with Business Partners* for more details.



China Nutrition and Health Food Association (“CNHFA”)

Mr. Liu Yuehui, the Group’s chief supervisor, party secretary, and chairman of the labour union in the PRC, represents Ausnutria as the President and Secretary General in the CNHFA for Hunan Province, to stimulate the development of the dairy industry in the PRC.



Sustainable Dairy Chain

Ausnutria pledged to support Sustainable Dairy Chain’s 2020 goals to achieve sustainable dairy production by introducing and implementing environmental best practices in our operations.



European Union Chamber of Commerce

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



The Association of Dutch Manufacturers of Children and Dietary Nutrition (“VNFKD”)

Ausnutria supports the VNFKD to represent the collective industry interests in advancing best production and marketing practices for infant formula.



Australia China Nutrition and Health Association (“ACNHA”)

Ausnutria is a major supporter and sponsor of the ACNHA, where it builds partnerships and exchanges ideas with industry players in Australia and the PRC, with a focus on the Chinese goat milk market.



Infant Nutritional Council (“INC”)

Ausnutria participates in discussions around different industry policies and exchanges views with other members through the INC platform.



Complementary Medicines Australia (“CMA”)

Ausnutria advises on leading industry practices and submits feedback on regulatory changes through CMA.

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CORPORATE GOVERNANCE

To attain long-term success and safeguard the interests of its shareholders, the Board is dedicated to maintaining high standards of corporate governance within the Group by promoting transparency, independence, and integrity within Ausnutria.

Ausnutria has adopted strict governance principles that are in accord with the Corporate Governance Code contained in Appendix 14 to the Listing Rules. The Board's role is to provide oversight, insight, and foresight of the overall strategy of the Group's operations and business. The Board is also responsible for monitoring, reviewing, and advising the Group's governance policies to ensure compliance under the latest developments.

Ausnutria aims to create a multicultural environment with a diverse and inclusive board, which has a balanced ratio of gender, age, ethnicity, educational background, professional expertise, industry experience, management function, and length of service. The Board is thus able to cultivate and facilitate the sustainable growth of the Group. As at the date of this report, the Board comprises nine members, including three executive Directors, three non-executive Directors and three independent non-executive Directors with different backgrounds, ethnicities, experiences, and expertise.

The Group was acknowledged as one of the most honoured companies and received four awards from Institutional Investor LLC, New York, the United States in its Institutional Investor's 2019 All-Asia Executive Team: Best Corporate Governance, Best ESG/SRI Metrics, Best CFOs, and IR Professionals.



ANTI-CORRUPTION

The Group's integrity determines its reputation as a trusted dairy and nutrition producer and business partner. Ausnutria upholds a high standard of integrity as outlined in its Code of Conduct to counteract corruption in the business environment. All employees are required to follow and act in accordance with the Code of Conduct, which sets the Group's expectations of conduct and behaviour in the workplace when facing conflicts of interest, bribery and corruption, and integrity breaches. Any acts of non-compliance may lead to verbal warning, formal warning, or other disciplinary and/or legal actions. The anti-fraud and whistleblowing mechanism allows employees to report to the management team when they suspect any possible improprieties in relation to business ethics. Correspondingly, financial and operational data are closely monitored and verified by the Group's internal audit department to recognise any infringements of bribery, conflicts of interest, or corruption. The effectiveness of such procedures is monitored by the Board, enabling the Group to act appropriately and adequately for all reported cases.

For further information about the Group's corporate governance policies, please refer to the Corporate Governance Report section in [Annual Report 2019](#).



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AUSNUTRIA'S APPROACH TO SUSTAINABILITY

SUSTAINABILITY GOVERNANCE

At Ausnutria, the Board has the responsibility to provide oversight over the management of the Group's sustainability issues, as well as the effectiveness of related risk management and control systems. The Board is also responsible for evaluating and determining material sustainability issues relevant to the Group's business, and ensuring sustainability strategies and the Group's long-term business goals are properly aligned.

Headed by the chairman of the Board, Mr. Yan Weibin, and comprised of regional senior management representatives, a sustainability committee of Ausnutria (the "Sustainability Committee") is in place to support the Board in implementing sustainability strategies within the Group. The Sustainability Committee meets at least three times a year to review feedback from stakeholders and the performance of material sustainability issues, as well as to report all appropriate matters to the Board for decision-making.

To consolidate and streamline the efforts of the subsidiaries, representative(s) from each region is appointed to form a sustainability workgroup (the "Sustainability Workgroup"). It aims to coordinate among local teams and monitor the progress and implementation of sustainability initiatives. Local teams, either the Environmental, Health and Safety ("EHS") or the Health and Safety ("H&S") Committee, are responsible for implementing and executing sustainability initiatives on a daily basis. Senior management from other departments, including the production department, product quality department and human resources department, are also involved to ensure sustainability issues are all well-managed and organised.

During the Year 2019, the Sustainability Committee reviewed the Group's sustainability strategy and consolidated its focus into three sustainability pillars: Better Nutrition, Better Life and Better Environment. The Group also demonstrates a high level of commitment in pursuing sustainability as it pledged to support the United Nations Sustainable Development Goals ("SDGs"), a call for global action to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity by 2030. Eight out of seventeen SDGs are identified to be the most closely connected to the Group's business and sustainability strategy. The Group is working with the Sustainability Committee to develop respective sustainability targets and goals.

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STAKEHOLDER ENGAGEMENT

The Group's approach to stakeholder engagement is designed to ensure effective communications with its stakeholders, thus enabling Ausnutria to better understand and respond to stakeholders' needs. The Group identified key stakeholders as those who can impact or are impacted by its operations and has been continuously engaging them through both formal and informal channels in all levels of the business. This approach helps Ausnutria recognise challenges and opportunities to support continuous improvement in sustainability performance.

Since 2016, the Group also regularly engages key stakeholders to understand their perceptions and priorities on a range of sustainability issues. The last extensive exercise covering over 300 stakeholders was conducted for 2018 through an online survey and interviews with its internal and external stakeholders. Whilst there is no significant and fundamental change in the business, the Group plans to repeat the exercise every three years and engage stakeholders to understand their up-to-date views on sustainability issues.

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KEY STAKEHOLDER GROUPS AND THE ENGAGEMENT METHODS

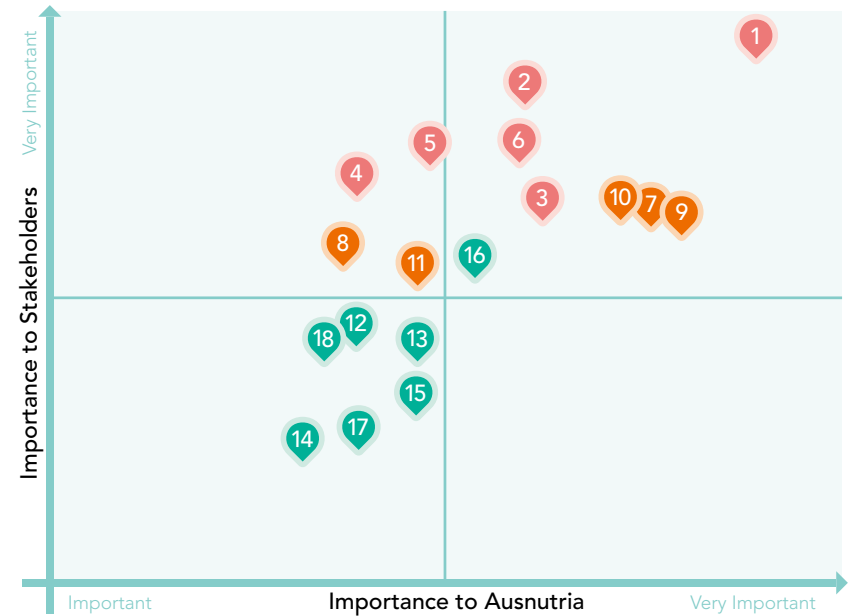


MATERIALITY ASSESSMENT

The feedback collected from stakeholders serves as the foundation for assessing and identifying the materiality of sustainability issues, and guides the Board in making informed decisions towards sustainability.

A total of 18 sustainability issues were chosen for consideration in the stakeholder engagement exercises conducted for 2018. Based on the aggregated scores given by the Group's internal and external stakeholders, the 18 sustainability issues were mapped onto a matrix to compare the relative importance and impact to the Group and stakeholders.

The materiality of the issues was reviewed and discussed among the Sustainability Committee in the Year 2019 based on its understanding of the importance of the issues to the Group. The 18 identified sustainability issues are validated by the Sustainability Committee and regrouped under the Group's three sustainability pillars – Better Nutrition, Better Life and Better Environment – to better reflect the current sustainability challenges and opportunities of the Group.



Better Nutrition
更優營養

Better Nutrition

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



Better Life
更優生活

Better Life

- 7 Employee welfare
- 8 Diversity and inclusion
- 9 Employee health and safety
- 10 Training and development
- 11 Community investment



Better Environment
更優環境

Better Environment

- 12 Greenhouse gas emissions
- 13 Energy management
- 14 Water management
- 15 Waste management
- 16 Use of packaging materials
- 17 Natural resources
- 18 Environmental conservation and biodiversity

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WIN-WIN WITH CUSTOMERS

Ausnutria is committed to providing products of highest safety and quality standards. This is put into action through strengthening high quality controls capabilities and ongoing investment in research and development (“R&D”) to improve its products and unleash more health benefits. Ausnutria also proactively engages its customers through a variety of online and offline platforms. The Group sincerely listens to its customers’ needs and shares with them the latest knowledge on health and nutrition. It also safeguards their rights and interests through upholding responsible marketing practices and strict privacy protection across all operations.

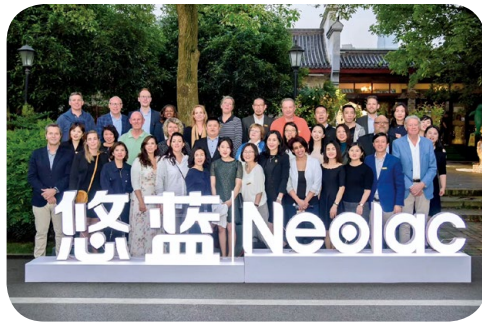


The Group’s Chairman, Mr. Yan Weibin (left) commenced the first global marketing conference.

SOLIDIFYING CUSTOMER RELATIONSHIPS

The Group values customer relationship and constantly strive to solidify and broaden its customer base with quality communications. Through various engagement programs and social platforms, the Group solicits customer feedback for continuous improvement, and promotes up-to-date and scientific-based knowledge on dairy and nutritional products.

Ausnutria held the first global marketing conference in Year 2019 to coordinate its marketing and customer engagement efforts around the world, and to maintain a consistent and quality brand image for our product series, including Kabrita, Allnutria, Hyproca 1897, Neolac, and Puredo. During the conference, the Group advocated for a global marketing vision and strategy that encompasses the best marketing and communication practices from Ausnutria’s branches in eleven countries and territories. It successfully fostered experience sharing and innovations among the marketing professionals, supporting Ausnutria to better address customers’ needs in its engagement and communication programs.



Management and marketing teams of Neolac gathered in the PRC to push forward a global marketing vision.

CASE STUDY

Bringing Customers and the Internet Community to Kabrita’s Production



Holland Tours featured Kabrita’s goat farms and manufacturing processes in the Netherlands.

In Year 2019, Ausnutria scaled up one of its signature educational programs, Holland Tours, to promote the Dutch goat milk industry. About 600 product distributors and customers, including bloggers and vloggers, participated in the tours and learnt about the manufacturing processes and the benefits of goat milk infant formula. After the visit, some bloggers and vloggers, who recognized the operating philosophy, shared the knowledge and experience they gained in the visit on social media platforms, hoping to further advocate for the understanding of goat milk products to a wider audience.

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 Business app of Ausnutria Dairy (China) Co., Ltd.

Ausnutria also fully capitalises on the power of social media and has set up WeChat channels in the PRC under its major dairy brands including Kabrita, Hyproca 1897, Allnutria, Nutrition Care, Puredo, Neolac and Eurlate. Not only can the Group promote its own products and marketing activities, the channels are also platforms for parents and parents-to-be to exchange knowledge on infant care and raise feedback and enquiries regarding Ausnutria’s products. To ensure all information is accurate and will not do harm to other parents and their children, the Group’s professional nutritionists are involved in the management of these online platforms. Besides, the functionalities of the Kabrita mobile app were enhanced in 2019. Strengthened data analytics allows the Group to better understand its end users’ needs and deliver tailored birthday greetings and other marketing messages, accompanying the growth of its valued members’ families. With the utilisation of the Kabrita mobile app, the Group hopes to offer a personalised and extraordinary experience that exceeds customer expectations.

In addition to direct engagement, the Group seeks to work with healthcare professionals such as paediatricians, nutritionists, and practitioners to improve the communications with end users in different business settings. The daily interactions between these professionals and Ausnutria’s customers are indispensable to complement the Group’s engagement efforts. Through participation in an array of local and regional scientific conferences and trade fairs, such as the 6th International Conference on Nutrition and Growth in Valencia, Spain, and the 52th Annual Meeting of the European Society for Paediatric Gastroenterology Hepatology and Nutrition (ESPGHAN) in Glasgow, Scotland, Ausnutria shared with these healthcare professionals its latest research findings on infant formula products, especially on the nutritional values of goat milk.

CASE STUDY

Ausnutria Nutritional Expert Academy 2019: Introduction to goat milk-based nutrition



Nutritional Expert Academy Introduction to goat milk based nutrition

The Netherlands, November 12th – 15th 2019

In November 2019, thirty healthcare professionals were invited to join Ausnutria Nutritional Expert Academy 2019 in the Netherlands to learn about the uniqueness of goat milk-based nutrition. By sharing the latest scientific insights and linking the knowledge with practical experiences, the four-day event aimed to deepen participants’ understanding on goat milk products. Apart from seminars and workshops, the event also included guided tours in goat farm and Ausnutria Heerenveen Factories showing the professionals about the entire from-grass-to-glass production process of goat milk formula.

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As the Group expands its business into nutrition and healthcare sectors, Ausnutria seeks to raise customers' awareness on healthy living. Among all issues, the Group emphasises the importance of good gut health and Nutrition Care has launched the Love Your Gut Awareness Program in Australia in Year 2019. The program features the NC Love Your Gut Symposium with the theme "Love your gut, Live your life" and a series of workshops for our corporate customers.

The NC Gut Relief and NC new product launch event was held in Melbourne, Australia in October 2019, and has gathered over 150 medical health product experts from the PRC and Australia, as well as customers, key distributors, influencers and media from around the world. The core part of the symposium was an extensive exchange and discussion of the expert panel on topics relating to gastrointestinal issues, such as how gastrointestinal issues affect human health and how natural remedies could be used to repair gastrointestinal health, so as to raise awareness among customers. Dr. Karin Ried, director of the National Institute of Comprehensive Medicine (NIIM) and the principal person of the clinical trial of NC Gut Relief, shared the remarkable research result of the NC Gut Relief at the event. Since then, NC Gut Relief has become the only clinically certified gastrointestinal nutritional product in Australia. To conclude the event, the Group also showcased its latest series of innovative gastrointestinal products that is developed specifically for people who want to improve their gastrointestinal health.



A panel of experts was convened to address the global crisis of poor gut health and to analyse possible new approaches to better gut health in the future at the symposium.

At the same time, the Group has organised a series of Gut Wellness workshops for its corporate customers to help them achieve their best health condition. Through sharing actionable steps, the Group hopes to encourage participants to implement lifestyle changes to improve gut health and overall quality of life.



Participants brought home the Group's nutrition products.



Diet and lifestyle tips were shared with participants for good gut health.



The Group introduced its latest nutritional products to help customers achieve good gut health.

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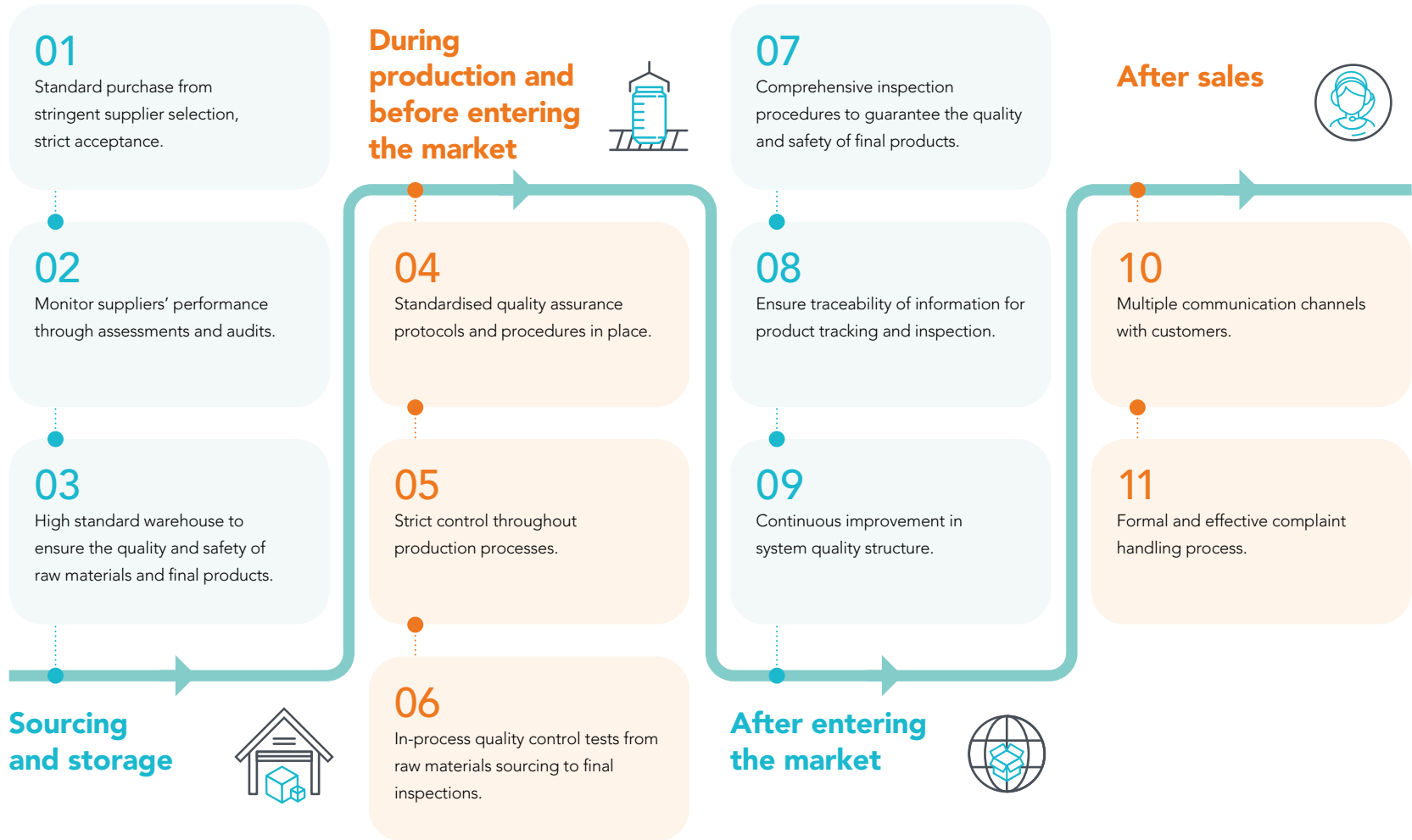
ASSURING PRODUCT SAFETY AND QUALITY

Ausnutria always prioritises safety and quality of its nutritional and dairy products to safeguard the health of its cherished but sometimes vulnerable customers. Through the overarching quality control principles, its high standards are infused into the entire vertically integrated production chain, from raw material sourcing to the production process, and until products are distributed to customers. The principles set out the Group's requirements for all production facilities and help ensure compliance with all applicable laws and regulations.

Production facilities of the Group are certified with internationally accepted food safety management systems and standards, with the majority certified with FSSC 22000 Food Safety System Certification, ISO 22000 Food Safety Management System, Hazard Analysis Critical Control Points, GMP+ Good Manufacturing Practices and/or BRC Food Safety Certification, depending on local practices. In March 2019, Ausnutria was honourably awarded "Stable & Qualified Product" and "Enterprise with Product & Service Integrity" by China Association for Quality Inspection.

To manage the potential public health and safety risks that substandard products may impose, Ausnutria has developed product recall procedures as guidelines for its subsidiaries to respond promptly and professionally when such incident occurs. In the event of customer complaints, unqualified quality checks by local regulators, negative media coverage, or non-conformance discovered internally, the Group will initiate the recall procedures. Incidents will be assessed and categorised into three levels based on the severity and urgency of food safety risks. Once a product recall is instructed, the Group will trace back the entire production and distribution chain and recall all products with any non-conformity or safety risks within 24-72 hours. Incident reports will also be compiled and submitted to management and, when required, local regulators to avoid future reoccurrences.

QUALITY CONTROL AT ALL STAGES OF PRODUCTION



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SOURCING AND STORAGE

Ausnutria's attention to quality begins from the sourcing of its production materials. Standard operating procedures for supplier selection and approval are in place to ensure their capabilities to deliver a stable source of quality materials.

For those that are critical to the Group's production chain, regular monitoring is conducted through assessments and on-site audits at selected production facilities. More details on supplier selection and management can be found in **Win-win with Business Partners**.

All warehouses for raw and packaging materials, as well as finished products, are maintained with high standards of hygiene and safety. The Group offers training to all employees involved in warehouse management to ensure that good housekeeping and quality assurance practices are thoroughly followed.



DURING PRODUCTION AND BEFORE ENTERING THE MARKET

Over the years, the Group has been continuously strengthening its quality control capabilities. Detailed manufacturing protocols and quality assurance procedures are in place for all production

facilities. To further ensure conformance to the Group's quality and safety standards, Ausnutria conducts both in-process quality control tests and final inspections on all products. Before releasing to the market, laboratory tests are performed on every batch of products against internal and national standards. As per the local regulatory requirements of each distribution location, dairy products are subject to additional external compliance checks.



AFTER ENTERING THE MARKET

The Group performs random checks and inspections for continuous quality monitoring after the products are released to the market. If any unfavourable conditions are identified during inspection or after sales, the Group will swiftly trace back the production chain for investigation. To this end, an electronic recording system has been set up to manage key production information for each batch of products, including the types of raw material used, the production processes, and logistic information. The system effectively facilitates product quality and safety management and product recalls when necessary. In addition, to increase product transparency for external parties, the Group introduced QR codes on product packaging for customers to track information such as product certifications and logistics involved.



AFTER SALES

To better manage customers' satisfaction, formal channels such as customer service hotlines and dedicated mailboxes are set up for each brand to handle their feedback, enquiries, and complaints. Upon the receipt of a complaint, the customer service team categorises it according to its severity and carries out investigations accordingly. The complaint may be escalated or forwarded to other teams when senior advice or cross-team collaborations are required. Documentations of all complaints received are well maintained and reviewed to avoid recurrences of similar incidents. Trend analysis is also regularly conducted for future improvements in product safety and quality. Besides, the Group actively tracks customer satisfactions on its products. The sales and customer service department in the PRC carries out survey for individual end-users and distributors quarterly and annually respectively through calls, emails and visits. In recent years, Ausnutria also made good utilisation of online platforms such as WeChat, websites, and QQ to capture feedback from a large pool of customers and give prompt response to them with the assistance of AI technology and multimedia such as photos and animations.

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PRODUCT INNOVATION THROUGH RESEARCH AND DEVELOPMENT

In search for opportunities to enhance new product development, production efficiency, and product nutritional value, Ausnutria has always laid strong emphasis on the role of R&D for its long-term success. During the year, the Group has stepped up its investment in the R&D of new products by RMB32 million to RMB132.1 million. With the joint efforts of the Group and its partnered institutions, the Group has received a total of 90 registered patents and 50 authorised patents (which will become registered patents upon receipt of the authorisation letter) as at 31 December 2019.

The Group's R&D results were highly satisfactory, and a number of new products were launched during the year as a result. Specifically, the development in infant formulas continued to stay strong and the 100% Netherlands imported Hyproca Hypure series was launched in Year 2019. The Group also expanded its product portfolio and introduced Kabrita Yingjia adult goat milk powder and the Allnutria ExtraPure organic pregnant and lactating mother milk powder for customers of different age groups. As to nutritional products, Nutrition Care launched a series of new products from Australia in Year 2019. The Group is also looking to introduce a broader range of nutrition products for its customers, specifically gastrointestinal nutrition products. As such, the Group invested in two companies, Glac Biotech and Aunulife, that are engaged in the development, manufacturing, distribution and sale of probiotics– and fermentation-related health products. Such investment will allow the Group to capitalise on their probiotics-related R&D, supporting the Group to further advance its nutritional product portfolio.

To keep pace with business growth and to meet the needs of broader customer groups, the Group continues to expand its strategic partnership network with honourable universities, research institutions, industry partners, and contract manufacturers. It is the collective goal of Ausnutria and its strategic partners to unleash more health benefits for its customers through science and innovation. The Group has established innovation platforms with external expert groups such as the Hunan Dairy International Science and Technology Innovation Cooperation Base, and Peking University People's Hospital Breast Milk Research Bank. Besides, the Group has been collaborating closely with its strategic partner Jiangnan University in the PRC to enhance its product offerings. In addition to a study on the differences in nutritional profiles of breast milk with cow milk and goat milk, functional verification testing was conducted for three formula milk products in Year 2019. A new goat milk research institute was also established in May 2019 to leverage Jiangnan University's research capabilities and boost the development of Kabrita.



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As to nutritional products, in partnership with the National Institute of Integrative Medicine in Australia, the Group completed its year-long clinical research study in April 2019 on NC Gut Relief, a product for gastrointestinal health. Encouraging results were presented at the European Congress of Integrative Medicine. With the use of NC Gut Relief, the study showed significant improvements in gastrointestinal symptoms, stool consistency, and gut microbiome functioning. Moreover, correlation between the use of NC Gut relief and significant reductions in leaky gut, gastrointestinal reactions to food triggers, and other symptoms were found in the study, showing that the product can notably improve customers' overall quality of life.



NC Gut Relief.

Internally, the Group has built a global R&D team consisting over 180 doctoral and dairy experts to coordinate research activities in different regions and benefit from possibilities to perform joint research projects between the regions. It will also build a global network with academia and key opinion leaders to strengthen the endorsement of Ausnutria's R&D by the scientific community and, furthermore, globally coordinate the Group's patent (IP) activities. During the year, it seeks to streamline its internal resources under the "1 + 3" global R&D strategy plan by consolidating all internal R&D efforts and leveraging on the input from external and overseas experts. Driven by the Group's Ausnutria Institute of Food and Nutrition in the PRC, and supported by Peking University's Ausnutria Maternal and Child Nutrition Research Center, the European R&D Center in the Netherlands, and the ANZ R&D Center in Australia and New Zealand, the Group constantly works towards the development of next-generation dairy and nutritional products.

To further accelerate the Group's R&D capabilities, Ausnutria introduced a collaborative platform among its dairy and nutritional professionals in Australia and New Zealand in Year 2019. It enables specialists of different products to share research findings and exchange knowledge, aiming to further deepen cross-disciplinary nutrition research. In the Netherlands, a new research platform was also set up during the year. Over 20 research projects are underway, and the Group has proudly filed four patents based on the research findings.

Ausnutria respects intellectual property rights and closely monitors its in-house R&D innovations and those within the market. Enterprise intellectual property management system and supplementary procedures that adhere to the legal requirements have hence been established. To ensure all brands and logos used in product packaging are registered, intellectual property right and trademark registry for all brands are maintained and managed by respective departments. An employee handbook on intellectual property right protection is also available for awareness-raising.



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SAFEGUARDING CUSTOMERS' INTERESTS

Customer trust is the foundation of the Group's long-term success, and thus Ausnutria conducts all its marketing and communications in a responsible and ethical way. In support for the recommendation of the World Health Organisation, the Group encourages breastfeeding and does not promote stage 1 (0-6 months) infant formula. In view of the latest regulatory requirement, stage 2 (6-12 months) infant formula will not be promoted in the PRC market as well.

To avoid any unfair, deceptive, or discriminatory label design and product claims, all products and marketing materials are subject to a stringent review process according to the Group's branding guidelines. Dairy products also undergo final approval as per the requirements of the distributors or local brands to ensure compliance with local laws and regulations. Beyond the statutory requirements, the Group has participated in a Voluntary Incidental Trace Allergen Labelling Program in Australia. Before declaring "allergen-free" on the product label, all nutritional products undergo a thorough and rigorous allergen testing for every ingredient. In 2019, mis-descriptions were regrettably found on Kabrita's e-commerce stores regarding the labels of two Kabrita's goat milk infant formula products, in which one of the key ingredients of the products were mistranslated into Chinese. The incident was non-intentional and has been rectified immediately. The Group also appointed an independent consultant to review other marketing information of Kabrita's products in its principle markets, namely the PRC, the United States and the European Union. It was opined that the labelling of Kabrita's products have complied with relevant laws and regulations in each respective jurisdiction.

Furthermore, Ausnutria is committed to protecting customer data privacy. The Group has established an internal customer data and privacy policy to protect the personal information of employees, business partners, and customers. To ensure compliance with the European Union General Data Protection Regulation, which has become effective on 25 May 2018, the Group crafted a workgroup in early 2018 to review its data privacy policy to ensure compliance with the new requirements. Apart from this, information security tips and measures are also distributed to employees through bulletin boards and posters to raise their awareness on internal data security. Privacy statements are available on Kabrita's and Neolac's websites, describing how the Group takes precautions to protect business partners, customers, and other users' information when handling and processing their personal data.



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WIN-WIN WITH EMPLOYEES

To maintain a win-win relationship with employees, Ausnutria devotes an abundant amount of effort and resources in developing an excellent team and taking care of each individual employee. Ausnutria recognises the unique characteristics and ability of employees from diverse backgrounds as one of the greatest driving forces to the Group's all-directional growth. With dignity and respect, the Group continuously strives to provide employees a harmonious and supportive working environment for their best development.

As a socially responsible company, Ausnutria complies with all applicable laws and regulations regarding employment practices in its operating locations. The use of child and forced labour is prohibited within its operational control, and a background check is run for every job applicant to prevent such occurrence. In case of dispute, management will be informed immediately, and the Group will act in the best interests of the individual.



Together with its employees, the Group seeks to achieve the motto of "One Ausnutria, One Dream, One Voice".

Code of Conduct and Employee Handbooks are established at subsidiaries to outline the Group's core values, standards, and expectations towards employees' performance. The Group has also developed policies and procedures to manage issues including employment relationship, training and development, equal opportunities and non-discrimination, and occupational health and safety. Such information is well-communicated to employees through formal channels during their early onboarding stage or whenever changes are made.

In complementing the Group's global growth and integration, a global human resources strategy meeting was introduced during the reporting year to consolidate resources and streamline practices relating to human resources. A three-year plan is adopted to review internal policies, improve management practices, enhance internal capabilities and strengthen company culture, with the ultimate aim to achieve the goal of "One Ausnutria, One Dream, One Voice". As part of the plan, the Group has also invested significant resources to develop and upgrade human resources systems, so as to migrate the day-to-day management processes at different offices in different regions onto a unified online portal. Such improvement will benefit the Group as a whole with enhanced communication and process efficiency.

Meanwhile, the Group seeks to secure the foundation of its global integration by building a brand-new headquarter of the Group in the PRC. The future office is designed with enormous space to provide a more comfortable, healthy, and productive working environment. Upon completion, it will become a dynamic and functional base for Ausnutria, where employees from all business units can attend training sessions, exchange business ideas, and hold other team-building activities.

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In April 2019, regional human resources teams were gathered for a two-day global human resources integration workshop, where they shared their experience in delivering training and cultural programmes in their respective regions. Supported by an external consultant, the teams also benchmarked international industry practices in cultural integration and talent cultivation. The workshop has successfully facilitated the anticipated increasing global HR partnerships by fostering the teams' mutual understandings and international insights.



Fruitful discussions during the workshop will push forward Ausnutria's agenda to build a team fit for the future.



Human resources teams shared practices adopted regionally and discussed the development of global partnerships.

ATTRACTING AND RETAINING TALENT

Ausnutria's success greatly depends on the concerted efforts of employees. To this end, attracting and retaining talent is a critical mission to maintain the Group's business continuity. Ausnutria is committed to recruiting and treating employees on an open and fair basis regarding meritocracy and no discrimination. For instance, in Australia, all recruitment processes adhere to a set of standard operating procedures, which are revised regularly to incorporate up-to-date industry practices. In the PRC, Ausnutria continues recruiting graduates via the Management Trainee Program to secure a talent pool with academically excellent candidates specialised in food manufacturing.

As talents join the family, Ausnutria offers them with competitive rewards to recognise their great contributions. Employees are entitled to leaves, allowances, bonus, health checks, and subsidies according to their positions and number of years they accompanied Ausnutria to its success.



Employee of the Month, recognising outstanding performing employees.

Besides offering monetary rewards, the Group also takes care of employees' physical and mental well-being. Relaxation and entertainment events are held occasionally for employees to stretch out and relieve work pressure. Mental health instructions and consultations on personal challenges are also given to employees who are underperforming at work. A range of festive celebrations were organised throughout the year for employees of the diverse cultures to integrate into the Ausnutria family.

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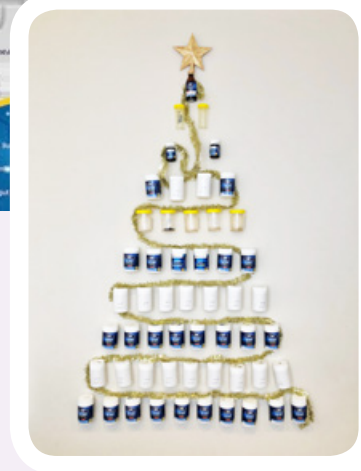
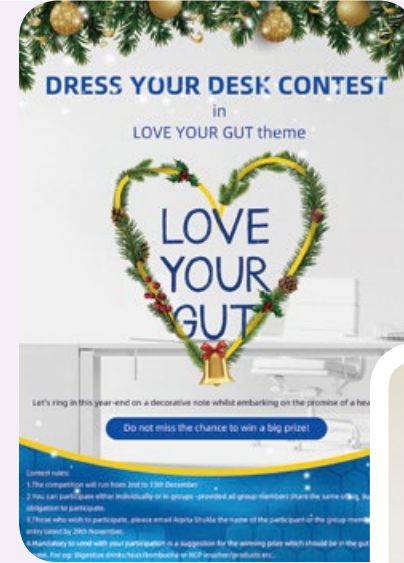
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Employees of Ausnutria Australia celebrating different international festivals.



A friendly match of basketball was played among employees of Ausnutria China.



The Dress Your Desk Contest to celebrate Christmas and promote gut health in Australia office.



CASE STUDY

Culture Integration Program



To identify and bridge the cultural gap among the Group's regional operations, the Culture Integration Program was kickstarted in Year 2019. The first phase of the program focused on the relationship between the PRC and the Netherlands. In particular, a management workshop was carried out to reach a consensus on the agenda of the integration plan.

Prior to the workshop, an employee engagement exercise was conducted to understand the strengths and weaknesses of the working culture, as well as the interpretation of Ausnutria's principles in the two regions. The identified misalignments in intercultural communication and workstyle were then brought to discussion in the workshop. Accordingly, the participating management members came up with short, medium, and long-term improvement initiatives with a comprehensive roadmap to cultural integration. To put these into actions, the Group has started a pilot run of the initiatives with adjustments made according to regional contexts, accompanied by a large-scale promotion campaign.

As a formula milk and nutrition product manufacturing company, which most of its consumers are families with children, Ausnutria truly embraces the importance of family and strives to promote family-caring culture within the Group. Flexible working arrangements are available at several subsidiaries, supporting employees to pursue work-life balance. On special occasions such as Children's Day, working parents are welcome to bring their children to work and spend time for family games together.



Employees and their families enjoying time at the Family Carnival.



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MAINTAINING AN OPEN COMMUNICATION CULTURE AT WORKPLACE

The Group recognises the importance of mutual communication and greatly appreciates employees voicing concerns over their workplace experiences, which helps build the foundation for efficient and open working cultures. Thus, formal and informal communication channels are formed and promoted across the Group, encouraging employees to exchange ideas and thoughts between themselves and with the management team.

The communication exercises at subsidiary level continually stick to the Workplace Communication and Consultation Policy, the Communication Protocol, or other similar programs, which clearly outline the guidelines, rights, and responsibilities for every member in establishing meaningful internal conversation across the Group. In particular, formal and informal meetings between and among employees and management are regularly arranged to convey the expectations of different parties. Employees are also encouraged to be upfront and open in talking to their managers and teammates for better and more efficient work collaborations.

Ausnutria also shares and delivers company information through various channels. For instance, a tailored mobile application (U 享家) and social media platform like WeChat are used to communicate with employees in the PRC, allowing an efficient exchange of information. Whereas in the Netherlands, apart from the periodical internal newsletters and magazines, "The Formula" and "M.elk", the Group started an intranet platform combining official announcements, twitter, vacancies and social feeds from both internal and external perspectives for employees' easier reference since early 2019.

To collect comments from an objective and open perspective, subsidiaries in the PRC and Australia have conducted company-wide employee satisfaction surveys this year. Employees were highly responsive and provided constructive comments for the subsidiaries' considerations to better shape their development paths and update employment-related practices. The survey is anticipated to be expanded to the other subsidiaries in the near future.

On the other hand, employees who encounter any unfair treatment or observe any conflicts regarding employment have the rights and responsibilities to report the issues to their supervisors under the guidelines laid out in the Code of Conduct and Employee Handbook. Whistleblowers are fully protected under the guidelines and grievances will be addressed in good faith and in a timely manner. For issues that cannot be settled at lower levels, it will be escalated to involve the HR department and senior management until an agreement is reached.



Internal newsletters and magazines, "The Formula" and "M.elk".

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PROVIDING AMPLE DEVELOPMENT OPPORTUNITIES FOR EMPLOYEES

Committed to supporting employees along their journey in the Group, Ausnutria has placed employee development as a priority in the Group's HR strategy and provided them numerous learning opportunities and abundant resources. All newly joined employees are required to participate in a comprehensive induction training which equips them with fundamental information to adapt into the new workplace.

Depending on job duties, employees are progressively offered with more on-the-job and external professional trainings for further advancement in work-related skills and knowledge. The Group also aims to develop employees' other transferable skill sets such as communication, leadership, and contingency handling that would help improve their productivity and work quality. Ausnutria Australia invited external organisations to deliver presentations and share with employees, covering multiple practical topics such as supply chain and logistics. For better resources allocation, several subsidiaries have developed annual training plans for the upcoming year to ensure employees receive sufficient guidance at work.



Pre-MBA Class (澳青計劃), designed for recently promoted managers, was a fruitful event for the participants during the year.

Marking the fifth year since its establishment, Ausnutria University has continued its mission to provide extraordinary learning support to Ausnutria's employees. Through this, the Group aims to boost quality, optimise organisational performance, nurture a culture of excellence, and promote a longing belief in continuous learning. In Year 2019, Ausnutria University has kick-started another series of structured professional management training (MBAs and EMBA), offering tailored curriculums for management members of varying seniority. The series of "AO Project", including "Pre-MBA Class (澳青計劃)", "MBA Class (澳橙計劃)" and "MBA Plus Class (澳藍計劃)" focused on advancing business vision, critical thinking, and leadership skills of the employees, in order to bolster the Group's progression towards the "Golden Decade" strategic goals.



MBA Plus Class equipped senior managers with adequate skills in managing their departments.

To fairly review employees' performance and reward excellence, the Group has taken initial steps in adopting a formal staff appraisal system for employees of Ausnutria China and Ausnutria Australia, and has planned to extend this to other subsidiaries. For instance, the PRC has adopted an 'a+b+N' Evaluation Model in Year 2019 to review employees' performance in a structured yet simultaneously flexible arrangement in rewarding employees' hard work. Evaluations usually consist of elements including technical expertise, work approach, quality and quantity, communication and interpersonal skills, as well as action plans and development goals specific to individuals. For Ausnutria Netherlands, it has adopted an innovative performance evaluation system in which co-workers could provide mutual feedback for each other.

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PROMOTING HEALTH AND SAFETY AWARENESS AT WORK

Maintaining a safe and healthy working environment for its employees is a priority for Ausnutria. The Group strictly complies with local occupational health and safety (“OH&S”) laws and regulations and has adopted related policies in all subsidiaries. Internal standards and procedures are subject to regular revision with respect to the national and regional regulatory updates. Such materials are effectively communicated with our employees.

At each production facility, there is a health and safety committee or officer appointed to ensure OH&S plans are effectively implemented and to monitor related performance. To further promote the importance of OH&S, one of our subsidiaries in Australia has established a management system manual in Year 2019, delegating each employee with individual responsibility in upholding workplace safety.

Periodically, internal and external risk assessments are conducted at subsidiaries to inspect working areas and eliminate potential hazards. Results are then reported to the committees or officers for approval to implement the suggested safety measures. In the Netherlands, monthly risk investigation and evaluation reports are shared with general staff, raising their attention on the existing blackspots to avoid recurrence of similar incidents. The goal that was set for Year 2019 to reduce 50% of high and medium risks has been achieved and a 100% elimination of medium and low risks is aimed for the coming year.

All newly constructed production facilities, including the Ausnutria Heerenveen Factories in the Netherlands and the Smart Factory in Changsha City, the PRC, are designed with highly automated lines, which could potentially reduce labour work and minimise work-related injuries and illness. For existing production facilities, the Group has also been working to shift to a highly automated operation environment by upgrading old and manual equipment. During Year 2019, a new vacuum conveyor and automated powder-filling machine was put in place in NCP to prevent material leakage and contamination, and more importantly, protect employees from weight-lifting associated injuries. Meanwhile, in Leeuwarden, the Netherlands, the factory has been upgraded to comply with the latest top quality standards, while in the process of implementing a lot of sustainable improvements.

To cultivate a deep-rooted consciousness of work safety, Ausnutria devotes time and resources in training employees with OH&S knowledge and skills in handling incidents and duty-specific risks. For instances, NCP arranged first-aid training by external professionals like Red Cross and St. John Ambulance. Ausnutria Netherlands also organised work safety drills and discussions to familiarise employees with the routines in handling emergencies such as fire, explosions, and ammonia leakage. Additionally, Ausnutria Netherlands is ready to roll out an e-learning platform on health and safety in 2020 and is expected to reach employees in a more convenient and effective way.



OH&S Training for production staff in the PRC.

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WIN-WIN WITH BUSINESS PARTNERS

Ausnutria has long engaged its business partners, mainly suppliers and distributors, and believes it as the most efficient way to create sustainable and mutually beneficial partnerships. Stringent selection criteria and procedures are in place to effectively identify suppliers who share the same values with the Group. Regular monitoring is implemented to ensure compliance and that suppliers are always up to the Group’s standards. Further down the value chain, distributors play a crucial role and attribute largely to the Group’s successful sales expansion. Strategic partnerships are established over the years to advance the Group’s leadership position in the market. As its business continues to expand, Ausnutria hopes to embrace its business partners along the journey and together shoulder social and environmental responsibilities.

As the partnerships develop, the Group keeps a lookout for ongoing performance through interviews and regular internal or third-party audits. For any inappropriate conducts identified, including environmental and social misconducts, the Group will work with the suppliers to rectify the issues as soon as possible. Ausnutria also obtains and values feedback from suppliers along the journey. Satisfaction surveys are distributed to suppliers in the PRC at the end of every year to understand and realise improvement opportunities. The Group also introduced initiatives to foster mutual understanding with its suppliers. For instance, representatives from both our dairy business in Australia and its suppliers have arranged visits to each other’s manufacturing facilities, allowing both parties to have a clearer picture of the entire production process from raw materials to final products, and achieve a close partnership based on mutual understanding and trust.

MAINTAINING A RELIABLE SUPPLY CHAIN

A stable supply chain is critical for the Group’s operation and business continuity. In view of this, the Group has introduced specific supply chain management mechanisms that include procurement procedures and regular supplier monitoring to its subsidiaries based on the local needs and product offerings. These mechanisms provide a platform for the Group to communicate its standards and values to its suppliers, ensuring constant production and delivery of premium goods throughout the entire supply chain.

MOVING TOWARDS SUSTAINABLE SOURCING

Envisioning value creation in an impactful manner, Ausnutria has been working towards sustainable procurement by promoting responsible and ethical operational practices to suppliers. Social and environmental indicators are considered in varying degrees when making procurement decisions through supplier questionnaires and audits. These could include evaluation on environmental aspects such as energy, water, and waste management measures, as well as social aspects such as working environment, human right issues, and community investment.

To understand their capabilities in meeting the Group’s standards and requirements, all suppliers of raw and packaging materials are assessed on a wide range of factors such as compliance to laws and regulations, responsible operating practices, and product quality through self-evaluation questionnaires. Relevant documents and certifications are checked to verify any self-declared qualifications, such as internal quality control mechanisms, organic certifications, and ISO 22000 food safety management certifications. In addition, when sourcing raw ingredients where quality and safety are especially critical, the Group conducts sample checks and suppliers are subject to on-site review for further assurance.



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For instance, an agreement on environmental commitment is included in the procurement contract with major suppliers in the PRC, clearly stating the Group's expectations towards their performance on compliance to environmental laws and regulations, as well as management over emissions, hazardous materials, and waste issues. Additional scores will be given to suppliers who have good environmental governance. In Australia, where it is mandatory by law for companies to establish a waste management system, suppliers are assessed against their compliance level during onsite audits. Similarly, Ausnutria Netherlands continuously works to incorporate environmental and social indicators into procurement with reference to internationally recognised frameworks, such as the ISO 14001 Environmental Management System and ISO 5001 Energy Management Systems. While suppliers are in different stages of their sustainability journeys, the Group will work jointly with them towards a sustainable supply chain.

EXCELLING WITH DAIRY SUPPLIERS

The Group understands that high quality raw milk is the prerequisite of producing premium dairy products. In order to ensure a stable supply of cow milk for production, Ausnutria has secured diverse sources from various golden milk zones, including the Netherlands and Australia, where the quality of milk is highly trusted. The Group's associate company, Farmel Holding B.V., also helps secure the supply of cow milk in the Netherlands. This allows the Group to actively monitor the milk quality and easily trace the milk source if problem arises.



In respect to the expansion of Kabrita series products, Ausnutria has been striving to solidify its relationship with Dutch goat farmers and foster the growth of the industry as a means to secure stable raw ingredients for production. Despite the Group does not operate directly in an environment where animal welfare may be threatened, the Group expresses its due attention on the treatments to animals in farms, including but not limited to the feeding practices, use of medicine, and living conditions. On top of the Group's quality standards, Ausnutria requires all its goat farmers to obtain the "KwaliGeit" certification, a quality assurance program introduced by NGZO in collaboration with the Netherlands Agricultural and Horticultural Association. The program assesses farmers' performance against the best practices in the goat milk industry, European hygiene regulatory requirements, and other indicators such as marketing, environmental, and animal care practices. Certified farms are highly recognised for the quality of their milk.



The Group also seeks to contribute to sustainable livestock farming in the Netherlands through participation in the Durability Program, a voluntary initiative introduced by NGZO in recent years to promote sustainable livestock farming practices among Dutch goat farms. As the first batch of companies to commit to the program, Ausnutria provides monetary support and other assistance to participating farmers through workshops, newsletters, and visits to the goat farms. In Year 2019, the Company has extended the monetary reward to participating farmers by offering extra subsidies and paying premium price for raw milk. Over 70% of Ausnutria's goat farmers participate in the Durability Program since its official launch in 2018.

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EMPOWERING DISTRIBUTORS

Distributors act as the bridge between end-users and the Group and play a significant role in the value chain. Over the years, Ausnutria has invested substantial resources to empower its distributors in the PRC through trainings, ultimately strengthening their management capabilities and knowledge of Ausnutria's products. The Group has also conducted joint business planning meetings with distributors to deepen collective insights into the Group's sustainable business and sales strategies

Ausnutria also places great emphasis on the communication with business partners. In the 2nd China International Import Expo in 2019, the Group introduced the latest series of milk powder and nutrition products to over 500,000 visiting distributors and professional buyers coming from places across the world. The Expo was a significant occasion for the Group to empower existing distributors with practical knowledge about the new products through face-to-face interaction, as well as an opportunity to expand its network and bring its brand further to the international market.



Ausnutria in the 2nd China International Import Expo in Shanghai.

COLLABORATING FOR GOODWILL

In alignment with its global business strategy, Ausnutria has entered into a series of strategic partnership projects during the year. Among all, Ausnutria has become the official partner of the Chinese Tennis Association and the Chinese National Tennis Team, to whom it will supply dairy and nutrition products. Through the partnership, the Group hopes to raise attention to the importance of exercise and promote the common mission of creating better life with nutrition and health, while advancing the marketing strategy for its nutritious products.

On the other hand, Ausnutria successfully launched an international version of Puredo, a cow milk formula with milk sourced from New Zealand, in partnership with JD.com around the globe in Year 2019. JD.com is one of the largest online portals in the PRC and has utilised its unique marketing position to help promote Puredo to the target customers. Beside Puredo, JD.com also supports the sales and marketing of other products of the Group, further helping it to reach out to a diverse group of customers.



Kabrita Yingjia adult goat milk powder launch event in the PRC.

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FRIENDLY WITH THE ENVIRONMENT

Placing corporate responsibility at the core of its business strategy, Ausnutria considers its impacts on the environment when making every decision. The Group looks into all sorts of possibilities to minimise the carbon footprint associated with its growing operations and the related manufacturing processes. Adhering to the Group's strategy, subsidiaries are dedicated to improving water and energy efficiency, managing air and water discharge activities, reducing material consumption and waste generation, as well as raising environmental awareness among employees.

The Group's Sustainability Committee is responsible for reviewing the effectiveness of Ausnutria's policies and initiatives to ensure environmental sustainability and the minimisation of the Group's environmental impact. To ensure its business operations fully comply with environmental laws and regulations, the Group has set up a series of guidelines on the implementation of environmental protection measures. Operating rules and management procedures are introduced at subsidiaries to affirm a total commitment of the Group to alleviating the environmental impacts attributable to any of its procurement, manufacturing, and distribution processes. Given the above management approaches and measures, the Group's production facilities in Kampen, the Netherlands and Changsha City, the PRC are certified with ISO 14001, while other production facilities are following the relevant requirements as closely as possible.

ACHIEVING BETTER ENERGY PERFORMANCE TO REDUCE CARBON FOOTPRINT

Acknowledging that anthropogenic greenhouse gas emissions are the main driving force behind the rapid climate change the world is now facing, Ausnutria adopts a robust energy and emissions management system. To minimise its greenhouse gas emissions, the Group introduces energy saving measures and equipment upgrades at its production facilities. Heating, ventilation and air conditioning, boiler systems, lightings, and other energy-intensive equipment are regularly inspected, repaired, and replaced to ensure that they always achieve optimal energy performance. It also puts equal effort into setting up solar panel systems in its factories, making a slight yet determined contribution to alleviate climate change.

Newly constructed production facilities are designed with maximised energy efficiency to avoid unnecessary carbon footprint. For instance, the Ausnutria Heerenveen Factories in the Netherlands, which commenced operations in 2018, are designed to reduce dependency on fossil fuel-derived energy by introducing low carbon technologies and modern manufacturing processes. The factories adopt an advanced gravity process technology to conserve energy attributed to the transportation of intermediate products along the production line. A technology that stores thermal energy for heating and cooling equipment and building at a later time is also introduced to optimise energy use in the factories, avoiding an estimate of over 90% of natural gas consumption.

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Ausnutria takes proactive actions to continuously minimise its use of conventional energy during operations. The Energy Efficiency Plan 2017-2020 (the “Energy Plan”), introduced at the production facilities in Ommen, Kampen, and Leeuwarden, in the Netherlands, has set a clear objective for the facilities to meet the industry target of 8% energy consumption reduction by 2020, using 2017 as baseline. To achieve this goal, opportunities to advance production processes and to modernise machinery and equipment are identified through comprehensive audits and research, followed by detailed planning and careful implementation. Adopting the plan-do-check-act approach, energy consumption is closely monitored and analysed throughout the process, keeping the progress of the Energy Efficiency Plan on schedule.

With a variety of measures being rolled out at the production facilities, the Energy Efficiency Plan progressed as planned in the third year. The Group has expanded the investments in upgrading existing machinery to further enhance its overall energy efficiency, especially in its production facilities in Ommen and Leeuwarden, the Netherlands. Most of the existing lighting devices in the factories were replaced with energy-saving LED lamps and bulbs, saving an estimate of 75% of power per lighting per day. Meanwhile, Ausnutria Netherlands has explored a better route to transfer intermediate goods between production facilities, saving around 40,000 kilometres of traveling per year and hence fuel consumption.

On its way to achieving carbon neutrality, Ausnutria attaches great importance to the use of renewable energy. The rooftop of the dairy factory in Australia is the first to install solar panel systems to reduce the reliance on purchased energy. On the other hand, the Group prefers renewable energy sources over conventional options when purchasing electricity from the power grid for its production facilities in the Netherlands, to avoid as much greenhouse gas emissions as possible in the upstream value chain. As a result, over 70% of the Group’s electricity consumed was compensated through or sourced from renewable sources. Additionally, it cooperates with a Dutch company to purchase credits from the carbon markets to partially compensate its greenhouse gas emissions.

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CASE STUDY

Towards carbon neutrality – Introduction of on-grid solar panel system



Dairy factory in Australia

An aerial photo of the solar panel system on the rooftop of the factory

Taking practical steps towards low-carbon production, Ausnutria installed an on-grid solar panel system consisting of 700 solar panels on the rooftop of the dairy production facility in Australia during the reporting year. The system has a total capacity of 240kWh and can produce up to 1,248kWh of alternative energy per day in the summer months, which translates to around one-third of the total electricity consumption of the production facility.

To facilitate the full utilisation of the solar energy, the Group will investigate the feasibility of installing a battery storage system which captures the solar electricity generated during peak periods for use at a later time. The storage system will also allow surplus or unused solar electricity to be exported to the national grid, neutralising its carbon footprint in the long run.



ADOPTING A COMPREHENSIVE APPROACH TO WASTE MANAGEMENT

The majority of waste comes from the residual of milk and milk powder generated during the production of dairy products. To reduce the environmental impacts associated with waste handling, the Group puts in place a set of robust approaches to manage waste from its inception to its final disposal. For instance, Ausnutria encourages waste sorting and recycling practices among its employees and cooperates with local licensed waste operators to collect and handle waste in accordance with local legal requirements. The Group also looks for alternatives to alleviate pressure on landfills and has sold rest milk, residual products generated from processing raw milk and producing milk powder together with rest milk powder, for animal food in Australia, and appointed a third party in the Netherlands to convert the rest milk and rest milk powder into biogas.



Necessary facilities are available in factories to facilitate a more environmentally friendly way of waste handling. For instance, the dairy production facility in Australia uses a baling machine to compress cardboards from raw material packaging into compact bales, allowing convenient storage and transportation to recycling sites.

MANAGING WATER FOR THE FUTURE

Water is consumed in a more efficient way as the Group aims for an integrated operation to achieve minimal water consumption in newly built factories, such as the Ausnutria Heerenveen Factories. Nonetheless, increasing production capacity means more water is consumed in absolute terms and the Group lays strong emphasis on conserving and protecting water resources by adopting a multi-pronged approach that encompasses water saving measures, water reclamation initiatives, and effective effluent management.

Although the Group has adopted dry processes as much as it possibly could, wet processes are essentially involved in the production. To optimise water use in these processes, Ausnutria aims to adopt a closed-loop water system in its production facilities in the Netherlands that involve wet processes. Regular inspections on machinery are performed to identify and fix water leakages from taps, pipes and valves in a timely manner. Water consumption records are also closely monitored to explore opportunities in water recycling and reuse. Being one of the most water intensive factories of the Group, the production facility in Ommen, the Netherlands has stepped up its water recycling efforts, reusing approximately 1,000 m³ of condensed water generated during production in 2019 in other parts of the production system, such as in the boilers and the ultrafiltration process.

Ausnutria is committed to taking up its responsibility in keeping the impacts of its wastewater discharge at a minimum, and ensuring the effluent meets the regulatory requirements of local governments. For instance, the Group sets up water monitoring systems in designated discharge points to ensure the key effluent quality parameters meet the local discharge standards, and that the treated wastewater returning to municipal sewage pipes or coastal water brings minimum impact to the environment. In the production facilities in Ommen and Kampen, the Netherlands, daily and yearly targets were set on the concentration of organic compounds, pH value, temperature, as well as the amount of effluent, to better oversee and control wastewater discharge.

On the other hand, Ausnutria also recognises the risks water can pose to its operations. To adapt to the possible changes in rainfall pattern due to climate change, the Group incorporates sponge city features in the design of the Smart Factory in the PRC. Through better stormwater management, the Group aims to reduce flood risks within the facility and enhance its climate resilience. Applying the principles of infiltration, retention, storage, purification, reuse, and discharge, the Smart Factory is designed with a sunken green space, permeable pavement, and a rain garden, allowing the building to function as a sponge to absorb surface runoff and withstand rainstorms with a return period of one in 50 years.

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CONTRIBUTING TO THE COMMUNITIES

Ausnutria recognises that being a responsible business goes beyond direct economic contribution. As part of our advocacy to promote health and well-being for all, the Group's community programs target local communities that cannot afford or have limited access to nutritious dairy and healthcare products. The Group responds to the needs by capitalising on its inhouse expertise and resources under the collaborative effort of various business units and overseas subsidiaries.



To this end, Ausnutria U-Foundation was launched in 2018 to advocate social responsibility and promote social harmony in a systematic manner, focusing its work on poverty alleviation, disaster relief, and improve public health. During the celebration of Ausnutria's tenth anniversary of public listing, the Group pledged to contribute RMB100 million in cash or in-kind donations to the community in the coming ten years through Ausnutria U-Foundation. With the immense support from the Group, Ausnutria U-Foundation proudly upholds social responsibility and is planning to partner with charitable organisations and individuals to push forward community efforts in a fresh and impactful way.



📍 Celebration of the 10th Anniversary of Ausnutria's public listing.



📍 Ausnutria injected RMB100 million into Ausnutria U-Foundation for its community programs in the coming ten years.

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SUPPORTING THE HEALTHY GROWTH OF TIBETAN CHILDREN

Led by the Ausnutria U-Foundation, Hyproca Bio-Science BU once again joined forces with the Health Science Centre of Peking University to introduce the program “Tundra Rose Public Welfare Project (格桑花公益行)”, hoping to reinforce the partnerships among non-profit institutions, universities, and enterprises for better maternity and infant care in the poorest areas in the PRC.

For the third year in a row, the program continued to partner with the Red Cross Society of Xizang and the Tibet University to organise a charity and intellectual exchange tour to Tibet in Year 2019. The initiative provided opportunities for a team of professionals to deliver talks and initiated extensive discussions in hospitals, clinics and other medical and healthcare institutions, focusing on topics such as scientific research, social services and public awareness on nutrition and health. Throughout the 11 days of visits to several counties and towns of Tibet, the initiative sought to cultivate local medical practitioners, ultimately enhancing the Tibetan healthcare system for mothers and infants.

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“Nourish Tundra Rose with Nutritional Masterpiece. A project to Improve the Nutritional Health of Mothers and Infants in Tibet by Ausnutria U-Foundation (营养匠心 让格桑花美丽绽放—澳优U基金格桑花西藏母婴营养提升计划)” commenced in August 2019.



Ausnutria U-Foundation and Hyproca Bio-Science BU donated RMB12 million, in cash and in Neolac infant formula, to the Red Cross Society of Xizang for the coming ten years to support the local healthcare system.



Ausnutria and Tibet University signed an agreement to conduct scientific research on the feeding patterns and nutritional and growth status of children aged 0-6 in Tibet, hoping to provide scientific data for poverty alleviation.

FOSTERING AWARENESS ON PUBLIC HEALTH

The Chinese government introduced the fifth National Nutrition Week (全民營養週) in May 2019 as part of the National Nutrition Plan (2017-2030). Echoing the initiative, Kabrita launched a public health campaign to promote maternal and infant nutrition and health. Hundreds of leading nutritionists and maternal and infant medical practitioners attended the inauguration event. Over 200 hospitals and 18,300 practitioners also joined via live broadcast. An animated video was shown at the event to promote a healthy diet among the public, followed by a creative play to raise the awareness on “health in all through decent diet and daily consumption of vegetables”. Throughout the campaign, intellectual exchanges, science consultation sessions and a seminar on the nutritional benefits of milk proteins to infant’s gut health were held.

Professor Wang from Nanjing Medical University shared the benefits of goat milk to infant health.



Experts gathered at a seminar to exchange ideas and knowledge on milk proteins and infant’s gut health.

RUN FURTHER FOR BETTER HEALTH

The 2019 Changsha International Marathon took place in October, of which Kabrita was named the official designated dairy supplier for the second consecutive year. The annual race has attracted an overwhelming participation of 24,000 runners from 15 different nations. Ausnutria is proud to support the race with the aim to promote a healthy and nutritious lifestyle and foster a marathon spirit. Various “Kabrita Cheer Points” booths were set up to provide free sports gear and refreshments, motivating every single runner to run further, and more healthily and passionately.



Ausnutria set up “Kabrita Cheer Points” to encourage runners through the demanding miles.



Ausnutria’s Kabrita team took part in the marathon in support of Changsha’s gala event.

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GIVING CHILDREN A HELPING HAND

In Australia, the Group has sponsored the Royal Children’s Hospital Foundation in multiple community fundraising events in the past years, with the same vision to transform healthcare for children and young people. The Group has also donated formula milk of its own brand, Oz Farm, to children through the foundation. Additionally, the Group pledged to provide monetary sponsorship to the foundation, aiming to support nutrition outpatient services for children with cancer.

CULTIVATING THE DEVELOPMENT OF RURAL STUDENTS

Ausnutria donated over RMB400,000 worth of premium cow milk formula products to Hunan Wispring Education Development Foundation, aiming to support the personal development and education of rural students through the Hong Hui County Training Camp (弘慧鄉村訓練營) held in July 2019. The chairman of the Group, Mr. Yan Weibin, and his wife visited the students in the Hong Hui County and encouraged all to cherish the leadership skills and knowledge learnt.

ADVANCING REGIONAL ACADEMIC EXCELLENCE

In October 2019, Ausnutria entered into a strategic agreement with Nanchang University for an in-depth cooperation in scientific research, talent training, ideological and political alliances, student internships, and scholarship schemes for the coming 3 years. In particular, the Group sponsored RMB150,000 to support the scholarship scheme, hoping to cultivate a learning environment that provides students with practical opportunities.

MAKING CHARITABLE EFFORTS COLLECTIVELY WITH EMPLOYEES

Ausnutria Netherlands introduced an employee-led charitable initiative, where employees are welcomed to submit their ideas to help local children and selected initiatives will be given a budget for execution. Ausnutria believes that when employees are given more ownership of the initiative, they will be more motivated to participate in community programs. This year, thanks to the active participation by employees, the Group has supported various shortlisted proposals. Among those, Ausnutria donated to the Tobias Sybesma Foundation in the Netherlands in support of research projects that aim to cure brainstem cancer. The foundation was named after a 12-year old boy who died of brainstem cancer.



The Group made donations to the Tobias Sybesma Foundation on behalf of its employee.

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SUSTAINABILITY PERFORMANCE TABLE

Environmental performance						
	Unit	2016 ¹	2017 ²	2018 ³	2019 ⁴	
Greenhouse gas (GHG) emissions⁶						
	Direct GHG emissions (scope 1) ⁵	tonnes CO ₂ e	N/A	19,103 ⁶	19,304	17,592
	Indirect GHG emissions (scope 2) ⁷	tonnes CO ₂ e	N/A	3,438 ⁶	4,850 ⁶	4,871
	Total GHG emissions intensity	tonnes CO ₂ e/facility	N/A	4,098 ⁶	3,019 ⁶	2,496
Waste generated⁸						
About this Report	General waste	tonnes	N/A	748 ^{6,9}	3,503 ⁶	3,561
Message from the Chairman	Rest milk	tonnes	N/A	8,716 ⁶	9,517	10,947
	Rest powder	tonnes	N/A	260 ⁶	843 ⁶	1,045
About Ausnutria	Hazardous waste ¹⁰	tonnes	N/A	6 ⁶	6	3
Waste recycled⁸						
Ausnutria's Approach to Sustainability	General waste	tonnes	N/A	630 ^{6,9}	2,765 ⁶	2,567
	Rest milk	tonnes	N/A	8,716 ⁶	9,517	10,947
Win-win with Customers	Rest powder	tonnes	N/A	260 ⁶	843 ⁶	1,045
Energy consumption						
Win-win with Employees	Electricity consumption	kWh	21,322,311 ⁶	21,868,595 ⁶	27,284,394	29,661,549
	Natural gas consumption	m ³	10,956,679 ⁶	10,951,725 ⁶	11,297,029	10,762,941
Win-win with Business Partners	Total energy consumption	kWh	117,657,041 ⁶	118,209,490 ⁶	126,679,850 ⁶	124,339,383
Friendly with the Environment	Total energy consumption intensity	kWh/facility	N/A	21,492,635	15,834,981	13,815,487
Contributing to the Communities						

Environmental performance					
	Unit	2016 ¹	2017 ²	2018 ³	2019 ⁴
Water consumption					
Municipal water supply	m ³	427,252 ⁶	442,455	475,033	480,252
Groundwater	m ³	163,063	189,950	306,732	302,561
Total water consumption	m ³	590,315 ⁶	632,405	781,765	782,813
Total water consumption intensity	m ³ /facility	N/A	114,983	97,721	86,979
Major packaging materials processed					
Paper and wood	tonnes	3,093 ⁶	3,043 ⁶	4,448 ⁶	5,882
Tin metal	tonnes	6,807 ⁶	7,463 ⁶	9,550 ⁶	8,475 ¹¹
Plastic	tonnes	1,236 ⁶	1,346 ⁶	2,223 ⁶	2,189 ¹¹
Glass	tonnes	0	45	87	18
Social performance					
	Unit	2016 ¹	2017 ²	2018 ³	2019 ⁴
Employee profile					
Total workforce	no. of people	2,445	3,060	3,817	4,510
Total workforce by gender					
Female	no. of people	1,150	1,354	1,882	2,291
Male	no. of people	1,295	1,706	1,935	2,219
Total workforce by geographic region					
The PRC	no. of people	1,993	2,373	2,984	3,722
The Netherlands	no. of people	452	526	673	685
Australia	no. of people	N/A	161	160	103

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Notes

- ¹ Unless otherwise stated, performance indicators of 2016 include the Group's operations under Ausnutria China and Ausnutria Netherlands excluding the Ausnutria Heerenveen Factories which was not yet commissioned at that moment.
- ² Unless otherwise stated, performance indicators of 2017 include the Group's operations under Ausnutria China, Ausnutria Netherlands excluding the Ausnutria Heerenveen Factories which was not yet commissioned at that moment, ADP and NCP. ADP discloses only performance from 1 July 2017 to 31 December 2017. The new dry blending factory in the PRC has begun construction in 2017, resulting in the increase in electricity and water usage as reflected in the performance indicators.
- ³ Unless otherwise stated, performance indicators of 2018 include the Group's operations under Ausnutria China, Ausnutria Netherlands, ADP and NCP, including the new drying blending factory in the PRC which was still under construction.
- ⁴ Unless otherwise stated, performance indicators of 2019 include the Group's operations under Ausnutria China, Ausnutria Netherlands, ADP and NCP, which is consistent with the reporting scope of this report. It is also worth noting that the new dry blending factory in the PRC has completed the construction and began trial production in the beginning of Year 2019, resulting in the increase in electricity and water usage as well as waste generation. Materials used for the trial production are not included in the performance figures.
- ⁵ 472,944 and 1,630 tonnes of GHG emissions were offset in 2017, 2018 and 2019 respectively. This was achieved through purchasing carbon credits from verified third party.
- ⁶ A self-review and recompilation process was conducted for performance indicators for 2016, 2017 and 2018 in October 2019, resulting in the adjustment so as to reflect actual situation.
- ⁷ A portion of electricity consumed was compensated through renewable sources in 2017, 2018 and 2019. Specifically, biomass and wind power were the key renewable sources in 2017 and 2018, while wind power was the only renewable source in 2019 which contributes less GHG emissions.
- ⁸ The Group constantly revisits the methodology to achieve higher accountability standards. For the preparation of 2019 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 2019 is not directly comparable to the performance of previous years.
- ⁹ General waste generation and recycling of Ausnutria China were excluded from 2017 data.
- ¹⁰ Hazardous waste is defined according to local standards by operating locations, and includes waste machine oil, laboratory chemical waste and other industrial waste.
- ¹¹ In 2017 and 2018, the use of packaging materials was recorded and compiled separately at each factory, hence the reported data did not consider the double counting effect of packaging materials that were used for the same products but undergone production at multiple factories. To better reflect the actual situation, the Group refined the data compilation method in 2019 by consolidating the data at Group level to avoid double counting. The respective performance in 2019 is not directly comparable to the performance of previous years.

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	<p>The Group complied with relevant laws and regulations that have a significant impact on its business, including but not limited to:</p> <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 Soil Protection Act Decree on the reporting of industrial waste and hazardous waste Water Act  <i>Australia</i> <ul style="list-style-type: none"> National Greenhouse and Energy Reporting Regulations 2008 Environment Protection (Scheduled Premises) Regulations 2017 	

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General Disclosures and KPIs	Reference/Remarks	Page
KPI A1.1 The types of emissions and respective emissions data.	None of the Group's facilities emit significant amount of air emissions, including nitrogen oxides (NOx), sulphur oxides (SOx) and other pollutants regulated under national laws and regulations, hence this KPI is considered non-material.	N/A
KPI A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	SUSTAINABILITY PERFORMANCE TABLE	44
KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	SUSTAINABILITY PERFORMANCE TABLE	44
KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	SUSTAINABILITY PERFORMANCE TABLE	44
KPI A1.5 Description of measures to mitigate emissions and results achieved.	FRIENDLY WITH THE ENVIRONMENT	37
KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	FRIENDLY WITH THE ENVIRONMENT	37
Aspect A2 Use of Resources		
General Disclosure	FRIENDLY WITH THE ENVIRONMENT	37
KPI A2.1 Directed and/or indirect energy consumption by type in total (kWh in '000s) and intensity.	SUSTAINABILITY PERFORMANCE TABLE	44
KPI A2.2 Water consumption in total and intensity.	SUSTAINABILITY PERFORMANCE TABLE	44
KPI A2.3 Description of energy use efficiency initiatives and results achieved.	FRIENDLY WITH THE ENVIRONMENT	37
KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	FRIENDLY WITH THE ENVIRONMENT The Group currently does not experience any issues in sourcing water.	37

General Disclosures and KPIs	Reference/Remarks	Page
KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	 SUSTAINABILITY PERFORMANCE TABLE	44
Aspect A3 Environment and Natural Resources		
General Disclosure	 FRIENDLY WITH THE ENVIRONMENT	37
KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	 FRIENDLY WITH THE ENVIRONMENT	37
B. Social		
Employment and Labour Practices		
Aspect B1 Employment		
General Disclosure	 WIN-WIN WITH EMPLOYEES	27
	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 	
KPI B1.1 Total workforce by gender, employment type, age group and geographical region.	 SUSTAINABILITY PERFORMANCE TABLE	27
KPI B1.2 Employee turnover rate by gender, age group and geographical region.	Not reported.	N/A

General Disclosures and KPIs	Reference/Remarks	Page
Aspect B2 Health and Safety		
General Disclosure	WIN-WIN WITH EMPLOYEES	27
	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 	
KPI B2.1	Number and rate of work-related fatalities.	N/A
KPI B2.2	Lost days due to work injury.	N/A
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	WIN-WIN WITH EMPLOYEES 27
Aspect B3 Development and Training		
General Disclosure	WIN-WIN WITH EMPLOYEES	27
KPI B3.1	The percentage of employees trained by gender and employee category.	Not reported. N/A
KPI B3.2	The average training hours completed per employee by gender and employee category.	Not reported. N/A

General Disclosures and KPIs	Reference/Remarks	Page
Aspect B4 Labour Standards		
General Disclosure	WIN-WIN WITH EMPLOYEES	27
	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"> Working Hours Act  <i>Australia</i> <ul style="list-style-type: none"> Child Employment Act 2003 	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	WIN-WIN WITH EMPLOYEES 27
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	WIN-WIN WITH EMPLOYEES 27
Operating Practices		
Aspect B5 Supply Chain Management		
General Disclosure	WIN-WIN WITH BUSINESS PARTNERS	34
KPI B5.1	Number of suppliers by geographical region.	Not reported. N/A
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.	WIN-WIN WITH BUSINESS PARTNERS 34

General Disclosures and KPIs

Reference/Remarks

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Aspect B6 Product Responsibility

General Disclosure

 WIN-WIN WITH CUSTOMERS

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The Group complied with relevant laws and regulations that have a significant impact on its business, including but not limited to:

 *The PRC*

- 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

 *The Netherlands*

- 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

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	 <i>Australia</i> <ul style="list-style-type: none"> Therapeutic Goods Act 1989 	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons. <p>There was one product recall incident concerning 11 batches of infant formula product in Australia in Year 2019. The incident was due to the misstatement of nutritional value on product labels. Ausnutria reacted immediately by recalling all products and implemented corrective actions to prevent reoccurrence. The recall was limited to mislabeling, per which the quality of products was unaffected, and that the affected products were not available for purchase in the market yet.</p>	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with. <p> WIN-WIN WITH CUSTOMERS</p>	18
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights. <p> WIN-WIN WITH CUSTOMERS</p>	18
KPI B6.4	Description of quality assurance process and recall procedures. <p> WIN-WIN WITH CUSTOMERS</p>	18
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored. <p> WIN-WIN WITH CUSTOMERS</p>	18
Aspect B7 Anti-corruption		
General Disclosure	<p> ABOUT AUSNUTRIA</p> <p>The Group complied with relevant laws and regulations that have a significant impact on its business, including but not limited to:</p> <ul style="list-style-type: none">  <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 	11




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<p>KPI B7.1</p>	<p>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.</p>	<p> <i>The Netherlands</i></p> <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 <p> <i>Australia</i></p> <ul style="list-style-type: none"> • Anti-Money Laundering and Counter-Terrorism Financing Act 2006 	<p>No concluded legal cases regarding corrupt practices were brought against the Group and its employees during the reporting year.</p>	<p>N/A</p>
<p>KPI B7.2</p>	<p>Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.</p>	<p> ABOUT AUSNUTRIA</p>		<p>11</p>

Community				
Aspect B8 Community Investment				
<p>General Disclosure</p>		<p> CONTRIBUTING TO THE COMMUNITY</p>		<p>40</p>
<p>KPI B8.1</p>	<p>Focus areas of contribution.</p>	<p> CONTRIBUTING TO THE COMMUNITY</p>		<p>40</p>
<p>KPI B8.2</p>	<p>Resources contributed to the focus area.</p>	<p> CONTRIBUTING TO THE COMMUNITY</p>		<p>40</p>

INDEPENDENT ASSURANCE OPINION STATEMENT



Statement No.: SRA-HK721528

AUSNUTRIA DAIRY CORPORATION LTD SUSTAINABILITY REPORT 2019

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 2019 (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 within the sustainability performance table 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 2019 to 31st December 2019. 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 3 – Type 2 Moderate Level of Assurance evaluates the nature and extent of Ausnutria's adherence to three reporting principles: Inclusivity, Materiality and Responsiveness. 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 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 and Responsiveness.

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Conclusions

A detailed review against the principles of Inclusivity, Materiality and Responsiveness 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.

THE ESG Reporting Guide

Based on our verification review, we are able to confirm that social responsibility and sustainable development related key performance indicators 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 3 – Type 2 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. Chris Cheung
Head of Compliance & Risk — Asia Pacific
Hong Kong

14th May 2020



AUSNUTRIA DAIRY CORPORATION LTD

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1717)



Company's website

www.ausnutria.com.hk