



# Sustainability Report 2021

## NOURISHING LIFE & GROWTH



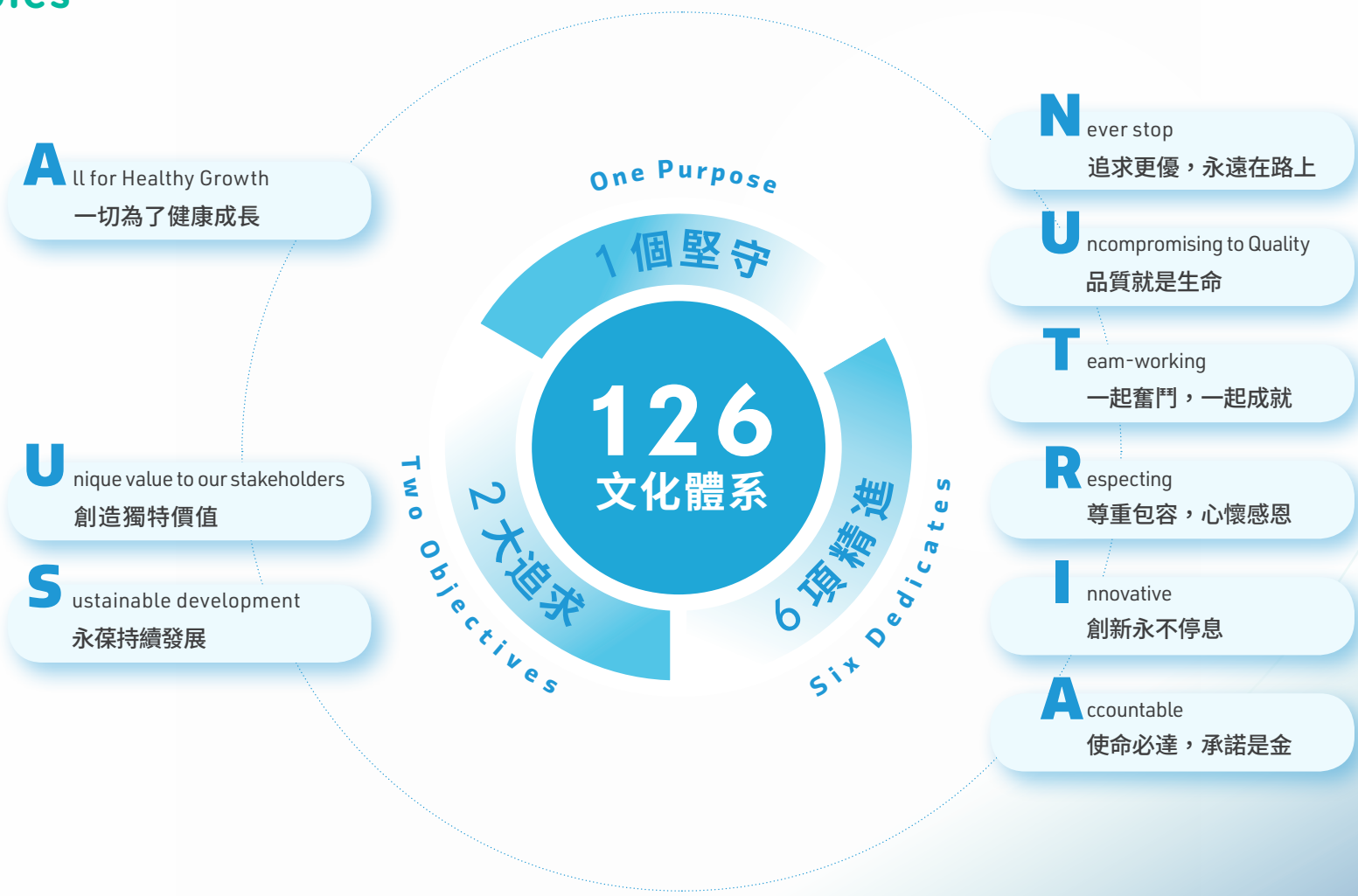
AUSNUTRIA DAIRY CORPORATION LTD

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1717)



# Ausnutria Principles





## Sustainability **Vision**

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

# Sustainability Strategy Framework

## OUR COMMITMENTS

## OUR FOCUS AREAS

## RELEVANT UNSDGS



### Better Nutrition

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

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



### Better Life

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

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



### Better Environment

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

- Energy
- Water
- Emissions
- Resources and waste



2025

## Sustainability Commitment



### Better Nutrition

FOCUS AREAS	PRODUCT QUALITY AND FOOD SAFETY	PRODUCT INNOVATION	CUSTOMER ENGAGEMENT
<b>Objectives</b>	Continually enhancing our product quality and food safety through the development and implementation of quality and food safety systems, standards and practices	Unleashing the full potential of our nutritional products by understanding customer needs and aligning with internal and external research & development on a global level	Continuously improving products to meet customer needs by strengthening customer engagement channels and giving them information on a local and global level
<b>Our 2025 sustainability targets</b>	<ul style="list-style-type: none"><li>• Continuously implement and maintain quality management systems in our production plants</li><li>• Maintain zero product recalls regarding health and safety</li><li>• Increase supplier collaboration and enhance assessment process to ensure product safety and quality assurance</li></ul>	<ul style="list-style-type: none"><li>• Continuously source and incorporate innovative and effective ingredients into our products, especially for infants, children and mothers-to-be</li><li>• Enhance our product portfolio to further promote nutrition products, especially foods for special medical purpose</li><li>• Increase partnerships with health professionals and advance scientific research</li></ul>	<ul style="list-style-type: none"><li>• Enhance customer engagement channel diversity and efficiency to better disseminate product information</li><li>• Strengthen and regularly evaluate customer feedback mechanisms to better capture areas for improvement</li></ul>

2025

# Sustainability Commitment



## Better Life

FOCUS AREAS	EMPLOYEE WELFARE AND DEVELOPMENT	HEALTH AND SAFETY	DIVERSITY & INCLUSION	COMMUNITY INVESTMENT	CONSUMER HEALTH & WELL-BEING
<p><b>Objectives</b></p>	<p>Promoting workplace well-being by providing fair, inclusive and attractive working conditions and training and development opportunities, and creating and reinforcing supportive policies and procedures on a local and global level</p>		<p>Creating equal opportunities by respecting mutual differences among internal and external stakeholders</p>	<p>Promoting healthy lives and equal opportunities for the communities by cooperating with charitable parties and initiatives worldwide</p>	<p>Empowering and inspiring consumers to lead better lives through advocating and educating the benefits of healthy products and lifestyle</p>
<p><b>Our 2025 sustainability targets</b></p>	<ul style="list-style-type: none"> <li>• Implement and review the effectiveness of grievance mechanisms for employees</li> <li>• Continuously optimise training and development programmes</li> <li>• Constantly implement and review effectiveness of employee incentive and recognition programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain zero work-related fatalities</li> <li>• Protect labour rights and promote safe and secure working environment for employees</li> <li>• Advocate physical and mental well-being initiatives to employees</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen mutual respect and cultural integration across the organisation</li> <li>• Maintain gender equality and equal opportunities in the workplace</li> </ul>	<ul style="list-style-type: none"> <li>• By 2029, inject RMB100 million in cash or in-kind donations into the Ausnutria U-Foundation</li> <li>• Consistently provide support for different communities through donations and charitable initiatives</li> <li>• Continuously partner with different parties to raise public awareness of healthy lifestyle</li> </ul>	<ul style="list-style-type: none"> <li>• Support breastfeeding by promoting responsible marketing and advertising practices</li> <li>• Leverage marketing efforts to support and promote healthy diets and lifestyles</li> </ul>

2025

## Sustainability Commitment



### Better Environment

FOCUS AREAS	GHG EMISSIONS	ENERGY CONSUMPTION	WATER CONSUMPTION	WASTE
<b>Our 2025 sustainability targets</b>	<p>BY 2025</p> <ul style="list-style-type: none"><li>• Reduce total GHG emissions intensity by <b>20% compared with 2019</b></li><li>• Reduce the Scope 1 emissions intensity by <b>15% compared with 2019</b></li><li>• Reduce the Scope 2 emissions intensity by <b>20% compared with 2019</b></li></ul>	<p>BY 2025</p> <ul style="list-style-type: none"><li>• Reduce the energy consumption intensity by <b>20% compared with 2019</b></li><li>• Reduce the natural gas consumption intensity by <b>20% compared with 2019</b></li><li>• Reduce the electricity consumption intensity by <b>15% compared with 2019</b></li></ul>	<p>BY 2025</p> <ul style="list-style-type: none"><li>• Reduce the water consumption intensity by <b>35% compared with 2019</b></li></ul>	<p>BY 2025</p> <ul style="list-style-type: none"><li>• Maintain the recycling rate of paper and wood at <b>100%</b></li><li>• Maintain the recycling rate of rest milk and rest powder at <b>100%</b></li><li>• Achieve the recycling rate of plastic of at least <b>90%</b></li></ul>

# 2021 Achievements

## BUSINESS HIGHLIGHTS OF YEAR 2021



Signing Ceremony of strategic cooperation between Yili and Ausnutria.

In Year 2021, Inner Mongolia Yili Industrial Group Co., Ltd. invested in Ausnutria with a majority stake and become the largest shareholder of Ausnutria. The strategic cooperation will facilitate Ausnutria's sound and sustainable development, boost the Group's competitive advantages in infant formula market and drive the development of the world's dairy and nutrition industries.



Release of "Ausnutria's Research White Paper on Breast Milk 2021" in the first "GOAT-MRH" expert conference.

In Year 2021, Ausnutria convened the first "GOAT-MRH" expert conference, at which Ausnutria's Research White Paper on Breast Milk 2021 was presented to unveil the secrets of breast milk in various aspects such as the current breast-feeding status, proteins, fats, probiotics HMOs, active ingredients as well as other characteristics of breast milk. This acts as a reference point for future breastmilk research, development and technological innovation.



Breakthrough in the development of probiotics.

The health awareness of the general public has been increasing over the past few years, and hence the demand for health-related nutrition products is driven across the globe. The Group has been very responsive to these market trends, including its continued investment in the R&D in this area. The Group's dedication has yielded encouraging results. Invented by the R&D team, lactobacillus rhamnosus MP108, a strain in new food raw materials that helps prevent different inflammations in children, has become the first strain developed by a Chinese company that has been approved by the State Administration for Market Regulation and the National Health Commission of the PRC for use in infant and children food in the PRC. Following such approval, Ausnutria launched Aunulife's First Guard (首護), the first probiotic products with the strain developed in China for infant consumption, which can safeguard the gut health of infants in the PRC with its exclusive lactobacillus rhamnosus MP108.





## Better Life

**Donated over RMB47 million of worth of materials for anti-pandemic activities.**

**Provided assistance to local communities in the PRC, the Netherlands and Australia through**

- Hyproca Tundra Rose Project in Tibet, the PRC and supported 2,500 families;
- Donation to The Tegenkracht Foundation and Toy Bank 'On Stilts' in the Netherlands to support cancer patients and children from impoverished families; and
- In partnership with the Royal Children's Hospital Foundation in Australia to support children's healthcare.

**Ausnutria Academy in the PRC was recognised as one of the top corporate universities in the PRC 5 years in a row.**

**Zero cases of work-related fatalities reported.**



## Better Nutrition

**Launched new products**

- NC Soforwin Probiotic and NC Myclear Probiotic for the probiotic segment
- Hyproca 1897 Children's Milk Powder for children aged between 3 to 12-year-old; and
- Aunulife's First Guard, our first probiotic product with the strain developed in the PRC for infant consumption.

**Stepped up investment in the R&D of new products to RMB193 million.**

**Maintained 100% of Ausnutria's goat farmers' participation in the Durability Program.**



## Better Environment

**Formulated progressive targets for GHG emissions, energy consumption, water use and waste recycling.**

**Offset 10% of direct GHG emissions by voluntarily purchasing carbon credit.**

**Compensated 100% of electricity consumption for operations through renewable energy in the Netherlands.**

**Generated 9% of the total electricity consumption from renewable energy through solar panel systems in Australia.**

**Commenced the production of chrome-free passivated tinplate milk powder cans to promote environmentally friendly packaging.**



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## About This Report

Ausnutria Dairy Corporation Ltd (“Ausnutria” or the “Company”, together with its subsidiaries, the “Group”) is pleased to publish its annual standalone Sustainability Report, which details the Group’s commitment, strategic approach, and initiatives in achieving sustainable development. This report exemplifies the Group’s collaborative efforts with stakeholders and highlights its accomplishments in creating long-term shared value for the Group and its employees, customers, business partners, the wider community, and the environment.

### REPORTING STANDARD

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

### REPORTING SCOPE AND PERIOD

Unless otherwise stated, this report examines the material sustainability issues of the Group during the period from 1 January 2021 to 31 December 2021 (the “Year 2021”). 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”), 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.

### CONTACT FOR FEEDBACK

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



## Message from the Chairman

On behalf of the board (the “Board”) of directors (the “Directors”) of the Company, I am delighted to present the Group’s sustainability report for the Year 2021. This report highlights our efforts towards sustainability in the Year 2021, showcasing our achievement and progress in Better Life, Better Nutrition and Better Environment.

2021 was a remarkable yet challenging year. The Group continued to face multiple operational challenges under the influence of the COVID-19 pandemic. Meanwhile, the changing market in the PRC and competitive landscape caused by technological innovation and new consumption patterns greatly impacted our business operation and development. Despite these challenges, we continued to operate with resilience and steer towards sustainability. During the year, we revamped our Ausnutria Principles to strengthen our corporate culture and contribute to sustainability in all aspects.

Since its establishment, Ausnutria has been making further inroads in its globalised governance system, which places great emphasis on strategic directions, monitoring and evaluating the effectiveness of our management’s capability, financial performance and information disclosure. Driven by our governance mindset “Operational Regionalisation, Appropriate Centralisation”, we stay closely in touch with our stakeholders across the globe through partnership and engagement. In order to create long-term value for our stakeholders and protect the interests of our shareholders, the Board is dedicated to sustaining high corporate governance standards while promoting transparency, independence, and integrity. We embrace diversity and inclusiveness both on the Board and in our workforce. In 2021, we have nine Directors from various backgrounds, ethnicities, experiences, and expertise, contributing to a multi-cultural corporate environment. This helps achieve a higher level of board effectiveness and ensures diverse opinions can be heard in the boardroom.

To better guide our sustainability efforts, we have a robust sustainability governance structure in place to facilitate effective sustainability management and ensure sustainability plans are executed across our operations. The Group has clearly defined the roles and responsibilities of sustainability-related parties, including the Board’s oversight of sustainability risks, opportunities, strategies, and performance of goals and targets with the support of the management and our sustainability committee (the “Sustainability Committee”) and its adjunct sustainability workgroup (the “Sustainability Workgroup”). The Group fulfils our sustainability vision and promotes the betterment of society with our strategic three pillars – Better Nutrition, Better Life, and Better Environment.

Committed to bringing Better Life to our people, we strive to provide a healthy and inclusive workplace for our employees. We embrace diversity and inclusion when managing our human resources and respect the uniqueness of each individual. We strive to offer a pleasant working environment and work hard to accommodate the needs of our employees by introducing a series of employee-friendly initiatives. To enhance the capability of our workforce and fully unleash the potential of our people, we have invested vast amounts of resources in talent development. The six-level talent development system Ausnutria Academy has successfully nurtured countless talents and leaders over the years, enlarging and strengthening our talent pool. In 2021, Ausnutria Academy was awarded the Chinese Model Corporate Education Platform and was recognised as one of the top corporate universities in the PRC 5 years in a row. Meanwhile, we continued to strengthen communication with our employees through different channels. In 2021, we conducted a company-wide employee satisfaction survey in the PRC and Australia to collect feedback from employees in an objective and open manner. Through this exercise, we hope to better understand their expectations from the Group, respond to their needs accordingly, and thus enhance their work satisfaction and sense of belonging.



Our commitment to Better Life is not limited to our people, but also extends to the community. In 2021, we continued to promote Better Nutrition and enhance the well-being of the community through a myriad of sponsorships, donations and community projects. Since the beginning of the COVID-19 pandemic, the Group has volunteered to participate in the anti-pandemic work by providing assistance to the community and people in need. As the pandemic lingered, we continued to offer assistance through cash and in-kind donations. Leveraging our own resources, we donated formula milk and nutritional and healthcare products to various charitable organisations. Over RMB47 millions worth of materials were donated through our Changsha Ausnutria Charity Foundation (長沙市澳優公益慈善基金會) (the "Ausnutria U-Foundation"). We hope to show our care and support for the community through assisting vulnerable groups and providing them with a source of nutrition to battle the pandemic. Other than the anti-pandemic support, we continued to organise a variety of community programmes targeting vulnerable groups with our resources and expertise. The Hyproca's Tundra Rose project under the Ausnutria U-Foundation continued to promote public health development in Tibet through education, medical training, donation and funding in 2021. Our ongoing efforts in community investment have earned us multiple awards during the year, including the "Extraordinary Contribution Award" from the Red Cross Society of China, the "Annual Listed Company Social Responsibility Award" and the "Annual Public Welfare Figure Award".

To fulfil our commitment to Better Nutrition, Ausnutria makes immense efforts in product innovation and strives to deliver high-quality nutritional products and solutions for our customers. In 2021, the Ausnutria Basic Life & Nutrition Science Research Center in Changsha, the PRC, commenced operation. More than 40 scientific research projects were conducted at full speed and 22 research papers were published. We applied for 45 patents and 33 were granted during the year. With a view to fulfilling our goals of the "Golden Decade" development strategy, we further scaled up our research and development ("R&D") in 2021. Thus far, 10 key breast milk research projects were conducted by our global R&D team, allowing us to further refine the "Chinese breast milk bank" and establish the groundwork for better nutrition formulas. In addition to our own research, we actively collaborate with prestigious tertiary institutions for R&D research to strengthen our capabilities in scientific research and innovation. In 2021, we partnered with Professor Chen Wei Academician Expert Work station of Jiangnan University in the PRC on humanisation and functional probiotics research. Other than research on product innovation and development, the Group is also dedicated to bringing Better Nutrition to people with special needs. During the year, our lactose-free infant formula for special medical purposes that targets lactose intolerant infants, as well as the use of lactobacillus rhamnosus MP108 that can help prevent different inflammations for children, were both approved by Chinese authorities. By continuously rolling out new nutrition and healthcare products to the market, we hope to contribute to the advancement of public health. Our pursuit of Better Nutrition are recognised by our customer, market and the industry. In 2021, we received the Nomination Award in the 2nd Changsha Mayoral Quality Awards and the Gold Quality Award for the fourth consecutive year, demonstrating our success in maintaining good product quality.



In addition to product quality and innovation, we have stepped up our efforts in the supply chain to streamline our production. In 2021, we have successfully renewed the licenses for our two green production plants in the Netherlands and obtained license approval for probiotics production at one of our plants in Australia, allowing us to strengthen our global supply chain and manufacturing capabilities. To further cater to our business growth, the construction of the goat whey concentrate production facility in the Netherlands has been completed in 2021, with the construction of a new infant formula base powder facility scheduled for completion in 2023. The construction of such facilities will ultimately help Ausnutria ascertain the stable supply of key raw materials and lower the risks in the supply chain.

To uphold our commitment to fostering Better Environment, we are determined to improve the environmental performance of our operations and reduce our environmental impact. In 2021, the Group has set progressive targets for greenhouse gas (GHG) emissions, energy consumption, water use, and waste recycling rates. To ensure our environmental performance is in line with our sustainability vision, we closely monitor our target performance and report on the target progress. The Group supports the national goal of being carbon neutral and we strive to minimise carbon emissions by enhancing energy efficiency with smart technology and utilising renewable energy. In 2021, we voluntarily offset 10% of direct GHG emissions by purchasing carbon credit. In Ausnutria Netherlands, all electricity consumption for operations was compensated through renewable energy sources. We also utilise renewable energy to facilitate low-carbon operations, with the on-site solar system to generate renewable energy and the use of a geothermal heat system to store thermal energy for heating and cooling. We strive to achieve zero nitrogen emissions at our new facilities by reducing natural gas dependency and shifting to heating by electricity. Ausnutria recognises the dire consequences and related risks that climate change can bring to our business activities. Therefore, we completed a detailed climate risk assessment on our operations and supply chain in 2021, with the assistance of a third party to act proactively to mitigate the risks, and build climate resilience to overcome the challenges.

Marking the 18th anniversary in 2021, Ausnutria celebrates its anniversary with the grand opening of our new headquarters complex in Yueliangdao, Changsha, the PRC. With all our brands and business units (“BUs”) relocated to the new headquarters complex, we hope to strengthen our team spirit across the Group and stimulate productivity and business growth with the provision of a spacious, comfortable and productive working environment. Looking forward, the Group will continue to strengthen internal collaboration and teamwork to enhance our capability and productivity. We will further streamline and optimise our organisational development, support systems, and operational and managerial standards on a global scale with digitalisation. We will continue to step up our sustainability efforts and strive to create long-term value for our stakeholders, based on our sustainability vision.

I would like to express my heartfelt gratitude to all our stakeholders for their constant support, making it possible for Ausnutria to venture into the unknown in this sustainability journey. I would also like to thank all our employees for their continuous endeavours to excel and succeed, which enables Ausnutria to deliver quality products and maintain continuous business growth. Without their unwavering support and dedication, it would not have been possible for Ausnutria to grow and thrive during this challenging time. Building on our solid foundation and sustainability efforts, I am certain that the Group will be able to adapt to the post-pandemic norms and continue to thrive in the years ahead.

**Yan Weibin**

*Chairman*

The PRC

18 May 2022

## About Ausnutria

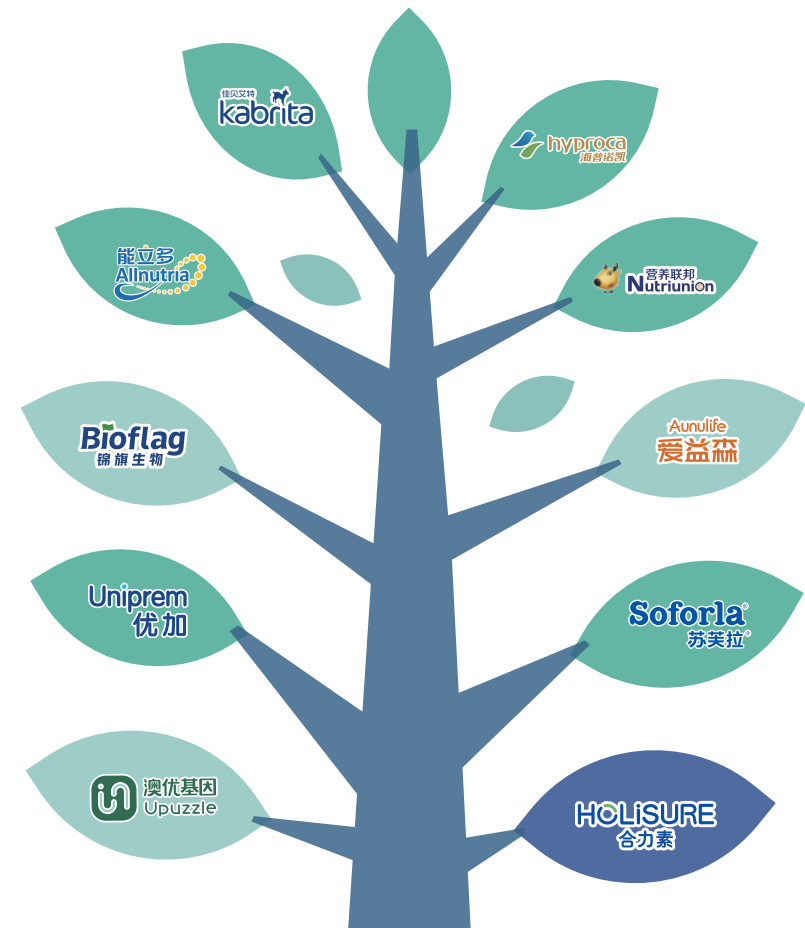
### CORPORATE PROFILE

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

As at the date hereof, Ausnutria possesses nine factories on a global scale, among which there are one in the PRC, five in the Netherlands, two in Australia, and one in New Zealand. They provide a diversified product portfolio for over sixty other countries covering infant formula, toddler formula, adult formula, liquid milk, probiotics, purees and other nutrition products.

In Year 2021, Ausnutria continued to broaden its product portfolio and through new product development, science and research in various probiotic, children and adult formula milk products. The Group published 3 major scientific research findings on the digestion of breast milk by babies, the differences between cow and goat milk, and the composition of human milk oligosaccharides (HMOs) in goat milk in major international academic studies, paving the way to the long-term healthy development, continuous success and leading position of Ausnutria. On its way to realising its "Golden Decade" strategic plan, which was laid out at the end of 2015 to become a global leader in the milk formula, nutrition, and healthcare industries, the Group will continue to launch more sustainable dairy and nutrition products with premium quality.

### THE GROUP'S OWN BRANDS



澳优  Ausnutria

## MEMBERSHIPS

Ausnutria aspires to contribute to the development of the dairy and nutrition industries and proactively engages in several international associations and voluntary initiatives. In addition, the Group actively exchanges opinions with industry partners and peers, which facilitates the advocacy of sustainable development and operational enhancement.



### Australia China Nutrition and Health Association ("ACNHA")

Ausnutria is a principal supporter and sponsor of the ACNHA, which builds partnerships and exchange ideas with industry players in Australia and the PRC with a focus on the Chinese goat milk market.



### China Nutrition and Health Food Association ("CNHFA")

Serving as a governing unit, Ausnutria is committed to promoting the development of nutritional and health food and special food in China.



### Dairy Association of China ("DAC")

As a board member of DAC, Ausnutria hopes to make contribution to the promotion of dairy products and development of Chinese dairy industry.



### Dutch Goat Dairy Association ("NGZO")

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



### Platform Melkgeitenhouderij (Dairy Goat Farming Platform)

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



### Duurzame GeitenZuivel Keten (Sustainable Goat Dairy Chain, "DGZK")

Ausnutria participates in the DGZK, an initiative that aims to further improve sustainability and animal welfare within the goat dairy sector.



### Sustainable Dairy Chain

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



### China Dairy Industry Association

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



### Hunan Imported Food Enterprises Association

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



### Dutch Dairy Association ("NZO")

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



### European Union Chamber of Commerce

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



### Infant Nutritional Council ("INC")

Ausnutria actively participates in discussions and exchanges opinions with other members through the INC platform on different industry policies.



### The Association of Dutch Manufacturers of Children and Dietary Nutrition ("VNFKD")

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



## CORPORATE GOVERNANCE

To achieve long-term success and protect the interests of its shareholders, the Board pledges to maintain high standards of corporate governance and promotes transparency, independence and integrity within Ausnutria.

Ausnutria has adopted rigorous governance principles that align with the Corporate Governance Code contained in Appendix 14 of the Listing Rules. The Board, which is responsible for identifying strategic prospecting of the Group's business, provides oversight, insight and foresight of the overall strategy and directions of the Group's business operations. The Board is also responsible for regular monitoring, reviewing and advising the corporate governance policies to ensure compliance under the latest developments. A performing behaviour guides was established for the middle to senior management in the PRC, describing the roles and responsibilities of the management in developing an effective corporate governance and corporate culture.

Ausnutria recognises the importance of diversity and inclusiveness in the Group's long-term development. The Board's composition is balanced in terms of gender, age, ethnicity, educational background, professional expertise, industry experience, management function, and length of service. As at the date of this report, the Board consists of nine members, including three executive Directors, three non-executive Directors and three independent non-executive Directors with diverse backgrounds, ethnicities, experiences and expertise, achieving a multi-cultural environment.

## ANTI-CORRUPTION

The Group's integrity reinforces its reputation as a dependable dairy and nutrition producer and business partner. Ausnutria maintains high standards of integrity in order to combat corruption in the business environment. All employees are required to strictly follow and act in accordance with the code of conduct, which communicates the Group's expectations on workplace conduct and behaviour in situations of conflicts of interest, bribery and corruption, and integrity violations. Regular training is also provided to both staff and directors to raise their awareness of anti-corruption practices.

Any acts of non-compliance may lead to verbal warning, formal warning or other disciplinary and/or legal actions. Ausnutria has established an anti-fraud and whistleblowing mechanism for employees to report suspected misconduct behaviors in relation to business ethics principles to the management team. Furthermore, the Group's internal audit department verifies and monitors financial and operational data to identify any risks of bribery, conflicts of interest or corruption. The Board monitors the effectiveness of such procedures and ensures that all reported cases receive appropriate and adequate action.

For further information about the Group's corporate governance policies, please refer to the corporate governance report section in [annual report](#) of the Company for the Year 2021.



# Ausnutria's Approach to Sustainability

## SUSTAINABILITY GOVERNANCE

In recent years, sustainability and climate change have gained momentum around the world. Ausnutria is fully aware of the growing popularity of these topics and we understand the significance to integrate sustainability into our business. To facilitate effective sustainability management across its operations, the Group has implemented a strong sustainability governance structure. As the highest governance body, the Board bears the obligation in leading and overseeing the Group's sustainability strategy, risk management, performance and progress towards its sustainability targets, as well as maximising the synergies and alignment between the Group's sustainability strategies and long-term business visions. The Board is also responsible for evaluating and determining the materiality of sustainability-related issues and risks relevant to the Group's business and ensuring that the effective risk management and internal control systems are in place correspondingly.

Chaired by Mr. Yan Weibin, the Chairman of the Board, a group-level Sustainability Committee comprising regional senior management representatives was established to support the Board in devising, implementing and monitoring the Group's sustainability strategies and performance. The Sustainability Committee meets at least three times a year and reports relevant sustainability matters and performance issues to the Board for decision making purposes. The Sustainability Committee also:

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

As an adjunct to the Sustainability Committee, diversified regional representatives are appointed to form the Sustainability Workgroup with an aim of consolidating and streamlining the sustainability efforts of the subsidiaries. By coordinating with local teams and monitoring the implementation and progress of sustainability initiatives, the Sustainability Workgroup enables the integration of sustainability strategies into business operations. Meanwhile, local teams, either the Environmental, Health and Safety ("EHS") or the Health and Safety ("H&S") Committee, are obligated for implementing an array of sustainability initiatives throughout daily operations. Senior management from departments concerned, such as product quality and human resources, also contribute to the day-to-day management of sustainability issues.



As part of its commitment to sustainability, the Group pledges its support to the United Nations Sustainable Development Goals (“UNSDGs”). Ausnutria’s sustainability strategy is aligned with the global call to action to eradicate poverty, protect the environment, and ensure that everyone enjoys peace and prosperity. To maximise its impact, the Group has narrowed its focus to eight UNSDGs that have identified as being the most closely related to its business and sustainability strategies. These eight UNSDGs also align with the Group’s sustainability strategy’s three pillars: Better Nutrition, Better Life, and Better Environment.



The Group has been compiling a sustainability strategy framework with an enhanced version as part of its journey to support the UNSDGs. With reference to the formulation of specific objectives under each focus area in 2020, it is evident that BUs are able to receive clear and adequate guidance on compiling relevant targets after conducting an examination of the sustainability strategy, identifying and consolidating focus areas under each sustainability pillar. Additionally, the Group completed the collection and review of inputs from the Sustainability Workgroup and included the multifaceted sustainability targets in this year’s sustainability report’s sections on Better Nutrition, Better Life, and Better Environment.

## STAKEHOLDER ENGAGEMENT

By establishing excellent contact with stakeholders, the Group can acquire a deeper understanding of their feedback and respond effectively. The Group defines important stakeholders as those who have a material impact on our business or who are impacted materially by our operations. At all business levels, the Group maintains a regular dialogue with its stakeholders via formal and informal channels. This approach enables the Group to stay current on stakeholders’ perspectives and the shifting business landscape, as well as identify and prepare for problems and opportunities to advance its sustainability initiatives and performance.

Since 2016, the Group has demonstrated its unwavering commitment to its key stakeholders by regularly engaging with them to ascertain their perceptions and priorities on a range of sustainability issues. An online survey was distributed to stakeholders to understand their views and expectations towards sustainability issues relevant to the Group. Over 400 responses were received from a variety of stakeholder groups, including employees, shareholders, investors, customers, suppliers, business partners, industry partners, R&D partners, media partners, community partners and regulators.

## KEY STAKEHOLDER GROUPS AND REGULAR ENGAGEMENT METHODS



## MATERIALITY ASSESSMENT

The feedback from the stakeholder engagement survey renders the foundation for the assessment and identification of the materiality of sustainability issues, thereby guiding the Board in making well-informed decisions towards sustainability.

As sustainability management and identification of material issues is a dynamic process that needs to keep pace with the ever-changing business environment, the Group regularly reviews the list of sustainability issues that are relevant to its business and stakeholders.

Based on the inputs from over 400 stakeholders received through the online survey, the Group mapped the materiality analysis onto a matrix to reflect the relative importance of sustainability issues to stakeholders and the Group. The materiality assessment results were reviewed and endorsed by the Sustainability Committee and serves as the basis for the preparation of this report.



### Better Nutrition

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



### Better Life

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



### Better Environment

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

CHAPTER

# 01

# BETTER LIFE



3 GOOD HEALTH  
AND WELL-BEING



5 GENDER  
EQUALITY



8 DECENT WORK AND  
ECONOMIC GROWTH



17 PARTNERSHIPS  
FOR THE GOALS





# Better Life

FOCUS AREAS

**COMMUNITY INVESTMENT**

**CONSUMER HEALTH & WELL-BEING**

**EMPLOYEE WELFARE & DEVELOPMENT**

**EMPLOYEE HEALTH & SAFETY**

**DIVERSITY & INCLUSION**

Being a responsible business, Ausnutria is committed to going beyond direct and tangible economic contribution. As part of its long-term vision to promote health and well-being for the general public and provide all levels of the community with access to nutritious dairy and healthcare products, the Group organises a large variety of community programmes that target the impoverished through leveraging its resources and expertise. The Group responds to the social needs by capitalising in areas including but not limited to poverty, child development and empowerment, and healthcare under the cooperative efforts of various businesses and overseas subsidiaries. Apart from fostering a healthy and caring community, Ausnutria strives to provide an equal, harmonious and engaging workplace for our employees in recognition of their value and contributions to the Group. Ausnutria put emphasis on diversity and inclusiveness which employees can feel respected, trusted and constantly supported, especially in times of uncertainty. The Group fully supports the personal and professional development of employees through providing a wide range of training and learning opportunities.



## KEY HIGHLIGHTS



## IN YEAR 2021

**Donated over RMB47 million worth of materials** for charitable and anti-pandemic activities.

### **Awarded in the PRC**

- Donation Enterprise with the Most Compassion Award;
- “Extraordinary Contribution Award” for the 2021 Donor of the Red Cross Society of China;
- Annual Listed Company Social Responsibility Award; and
- National Advanced Private Enterprise in Employment and Social Security.

Promoted healthy lifestyle via **sponsorship of sports events**

- 2021 China Tennis Tour – Changsha (Wangcheng) Station Opens
- SC Heerenveen football teams and Girl’s Football School in the Netherlands

**Provided assistance to local communities in the PRC, the Netherlands and Australia through**

- Hyproca Tundra Rose Project in Tibet, the PRC and supported 2,500 families;
- Donation to The Tegenkracht Foundation and Toy Bank ‘On Stilts’ to support cancer patients and children from impoverished families; and
- Partnership with the Royal Children’s Hospital Foundation in Australia to support children’s healthcare.

Ausnutria Academy was

- awarded as the **“Chinese Model Corporate Education Platform (中國企業標杆學習平台)”**; and
- Recognised as one of **the top corporate universities** in the PRC 5 years in a row.

**Zero cases** of work-related fatalities over the past three reported years.

## COMMUNITY INVESTMENT

### Awards

Ausnutria's commitment to serving the community has received recognitions from the business sector. In Year 2021, the Group has received multiple awards in recognition of its contribution.



With its continuous commitment in the field of philanthropy, Ausnutria U-foundation won the "Extraordinary Contribution Award" for the 2021 Donor of the Red Cross Society of China.



Ausnutria won the "Annual Listed Company Social Responsibility Award" for the second consecutive year and Ms. Ng Siu Hung, executive director of Ausnutria and Honorary Chairman of Ausnutria U-Foundation, receive the "Annual Public Welfare Figure Award" for the third consecutive year.



The 4th "Hunan Charity Award" commendation meeting.

Ausnutria was awarded the "Donation Enterprise with the Most Compassion Award" at the commendation conference jointly organised by the Department of Human Resources and Social Security of Hunan Province, the Department of Civil Affairs of Hunan Province and the Hunan Charity Federation. Being the highest level of government philanthropic award in the province, it recognises Ausnutria's continuous exploration, commitment and prominent contributions in the field of public welfare and philanthropy, particularly in the poverty alleviation and the prevention and control of the COVID-19 pandemic.



Ausnutria was selected to be included in the "2020 Changsha Charity Influence List - Corporate Influence List" organised by the Changsha Charity Affairs Centre.





## THE AUSNUTRIA U-FOUNDATION

To advocate corporate social responsibility and promote social harmony systematically, Ausnutria U-Foundation was launched with major focus on poverty alleviation, natural disaster relief and public health improvement. In celebrating Ausnutria's tenth anniversary of public listing in Year 2019, the Group pledged to inject RMB100 million in cash or in-kind donations into the foundation in ten years. To better understand the needs of the communities, Ausnutria continues to actively reach out to the needy through various channels. By establishing strategic partnerships with academia and charitable organisations, Ausnutria and the foundation aim to encourage community investment and create positive impacts for community betterment. In Year 2021, Ausnutria U-Foundation donated more than RMB47 million in cash or in-kind donations to provide tangible assistance to the community and received a number of corresponding awards. Going forward, the Group will continue to take proactive actions to fulfil the social responsibility as an industry pioneer.



## FIGHTING AGAINST THE PANDEMIC

The Group recognises the detrimental impacts brought by COVID-19, particularly towards social groups in the most vulnerable situations. In view of this, Ausnutria provided extensive assistance for organisations on anti-pandemic measures and the impoverished by donating cash and various kinds of resources including nutritional and healthcare products and anti-pandemic supplies. Ausnutria aims to promote social inclusion, eliminate social inequality and eradicate poverty through leveraging its resources.



### Cash and in-kind Donations to Support Anti-pandemic Work



Ausnutria donated 24,000 cans of Holisure Child formula milk to the Hunan Mass Charity Commonwealth Foundation, the PRC, which cost RMB6,730,560.

In the PRC, Ausnutria has manifested its expeditious response to control the spread of COVID-19 by participating in the anti-pandemic work since the beginning of the outbreak. Ausnutria provided assistance to various institutions and organisations such as the Hunan Mass Charity Commonwealth Foundation, the Guangdong Women and Children's Foundation and the Hyproca 1897 Henan's branch. Cash and in-kind donations, in the forms of formula milk, nutritional and healthcare products, as well as medical supplies, were donated to help the impoverished under the governmental policies such as social distancing or lockdown and to strengthen their awareness of maintaining sufficient personal hygienic measures. In order to express the Group's heartfelt gratitude to the frontline anti-pandemic workers, Ausnutria also donated formula milk to support their daily intensive tasks.



Hyproca 1897 BU donated thousands of cans of formula milk to some members of the Hyproca 1897 Henan's branch, the PRC.



Hyproca 1897 BU donated hundreds of cans of Hyproca 1897 formula milk to Guangdong Women and Children's Foundation, the PRC.

## PROVIDING HEALTH SUPPORT FOR TIBETAN FAMILY

The “Hyproca Tundra Rose Project (海普诺凯格桑花)” is Ausnutria’s ongoing charity project in Tibet for five consecutive years. Ausnutria U-Foundation and Hyproca 1897 BU collaborated with multiple external parties including the Health Science Centre of Peking University, Red Cross Society of Xizang, the Tibet University and the Tibet Mother and Child Association to provide infant care and quality maternity to the poverty-stricken regions in the PRC. The Shannan Maternity and Child Health Hospital became an official partner for the programme in 2020 as well.

Ausnutria U-Foundation deploys its resources to maintain an influential science learning platform in hospitals, clinics and other healthcare facilities. Through organising healthcare professional training and knowledge exchange activities, and rendering cash and in-kind donations, the programme aimed to enhance the quality of healthcare services and nurture local maternal and child health workers. Meanwhile, mothers and mothers-to-be in the region were also provided with nutritious diet advice at occasions like charitable clinics and family visits to raise their awareness of the significance of nutrition intake for vigorous infant development, and to promote good hygiene, healthy diet and feeding habits.

By interacting with both medical practitioners and the maternal population, Ausnutria hopes to foster the physical well-being of Tibetan mothers and infants. To date, the programme has supported around:



**10 charitable**  
clinics events



**20 rounds**  
of donations



**19 academic**  
exchange



**800 doctor specialists**  
trained



**2,500**  
families



Ausnutria U-Foundation donated RMB740 thousand worth of goods to the Red Cross Society of Xizang.



Tundra Rose Charitable Clinic was held in Tibet to support the mothers, children and infants.

## CARING FOR THE IMPOVERISHED THROUGH KABRITA U LOVE PLAN

Since 2013, Ausnutria has demonstrated its social responsibility by launching the Kabrita U Love Plan, which is one of the flagship community investment programmes, to provide tangible support to the underprivileged. Collaborating with employees, customers, distributors and industry practitioners, childcare supplies and milk formula have been provided by Kabrita BU to infants and toddlers from underprivileged families and social welfare institutions.

Ausnutria and Kabrita BU have collaboratively revamped in 2020 the Kabrita U Love Plan project, namely "Chinese Cuties" (中國嬰你更美), to offer support to the China Social Welfare Foundation more systematically. A total of 1,500 volunteer hours and RMB 36.5 million worth of materials were contributed in Year 2021.

Over the past 10 years, through U Love Plan has:



**30 provinces in the PRC**  
with Ausnutria's footprint



**387 regions**  
covered



**5,399 rounds**  
of donation organised



**Around RMB300 million**  
worth of cumulative donations

## HELPING HAND FOR THE NEEDY

Ausnutria is committed to fostering the well-being of people with diseases by sponsoring various fundraising projects and giving monetary support to an array of charitable organisations.



### Partnership with Healthcare Foundation For Children

Ausnutria supported the UooUoo art trail project organised by The Royal Children's Hospital with a donation of AU\$15,300.

In Year 2021, Ausnutria Australia has continued to maintain its partnership with The Royal Children's Hospital Foundation to support children's healthcare. Nutrition outpatient services were provided by the foundation to children diagnosed with cancer, and the monetary donation was also allocated to support the research into solid tumours. Committing itself as a major sponsor of the UooUoo art trail project, the Group assisted to raise funds to support the development of the patient and family care centre. It is Ausnutria's long-term mission to support and promote better healthcare and better nutrition for children with diseases and bring happiness to their lives.



## PROMOTING HEALTHY LIFESTYLES IN THE COMMUNITIES

Ausnutria aims to contribute to a better world in which everyone regardless of his/her social background and status, is empowered to live a healthy and prosperous life. The Group has formed a variety of strategic partnerships with an aim of promoting healthy lifestyles while revitalising its marketing strategy. Ausnutria hopes to promote sports and raise public awareness of the significance of maintaining a healthy diet and lifestyle.



Press release in December 2021 regarding the extension of main sponsorship of SC Heerenveen by Ausnutria Netherlands until 2024.



### Sponsorship for sc Heerenveen football teams in the Netherlands

To support sports development for all stakeholders in the province of Friesland and in particular, Heerenveen, and promote brand awareness in the Netherlands, Ausnutria Netherlands continued its sponsorship contract with sc Heerenveen throughout the 2021/2022 football season, covering the whole club including youth and women's teams. Ausnutria wants to contribute to a better world in which everyone has the strength to lead a healthy and prosperous life. This goes beyond nutrition and also embraces the pursuit of opportunities for personal development. Sponsoring sc Heerenveen fits that picture perfectly. During this sponsorship Ausnutria Netherlands will pay a lot of attention to the welfare of children to help them bring the best out of their future.

To continue to make a fundamental contribution to the further development of sc Heerenveen and offer children in Friesland an additional helping hand to grow up as healthily as possible, Ausnutria Netherlands has extended the sponsorship of sc Heerenveen until 2024.



### Sponsorship for Girls' Football School in the Netherlands



Ausnutria Netherlands sponsored the Girls' Football School, with the goal of empowering girls and allowing them to reach their full sporting potential. In general, males receive the majority of attention in soccer, whereas females must work harder to gain recognition, resulting in fewer training facilities, and lower pay and sponsorships for professional female players. By sponsoring the Girls' Football School, the Group aims to contribute to a future in which men and women compete on an equal playing field.



### Sponsorship for 2021 China Tennis Tour – Changsha (Wangcheng) Station Opens

Collaborating with the Chinese Tennis Association, the Group continued its commitment as the exclusive title sponsor of the 2021 China Tennis Tour – Changsha (Wangcheng) Station Opens, a professional tennis tournament. The Group also seeks to promote the beauty of Changsha City, the hometown of the Group's headquarters, via the reporting on the tournament on TV, internet and other media.



## PARTNERING WITH EMPLOYEES IN COMMUNITY PROGRAMMES

Since 2018, Ausnutria Netherlands has utilised the employee-led charitable initiative to increase and reward the motivation of the employees in participating in community programmes and proposing initiatives that are conducive to local communities, especially children. Ausnutria emphasises proactivity and creativity and provides financial support to the selected projects for execution. It is optimistic that Ausnutria can effectively identify and support community programmes with purposes that will reconcile with the needs of the local communities.



### Cash and in-kind Donations to The Tegenkracht Foundation

The Tegenkracht Foundation is an organisation which offers tailor-made sports coaching for cancer patients. In Year 2021, Ausnutria donated €1500 on behalf of our colleague who recovered from cancer disease with the immense assistance from this foundation. She suggested this organisation in the hope that it can help stimulate the foundation financially and raise public awareness towards the foundation, thereby providing a helping hand to more cancer patients during their recovery process.



### Cash and in-kind Donations to The Toy Bank 'On Stilts'

In Year 2021, Ausnutria makes donation to The Toy Bank 'On Stilts' which collects unwanted toys and hands them out to underprivileged children. Since the children who visit their center often have a migration background or inadequate accessibility to books, the organisation also provides material assistance to help them overcome language barrier.



2021 Ronald McDonald Rally.

### Donations to the Ronald McDonald House



Ausnutria Netherlands has hosted the yearly Ronald McDonald Rally for lunch on the grounds of its plant in Heerenveen. This rally is a classic old-timer rally, the proceeds of which benefit the Ronald McDonald House in Zwolle. Parents, brothers and sisters of children who have been admitted to the Isala hospital can stay in this Ronald McDonald House. Here they can be within walking distance of the hospital bed, to read a story, to give a good night kiss, or for the moment when every second counts. For the sick child it is a safe feeling to have his or her parents close by and for parents it is a reassuring thought to be close to their sick child. An initiative that Ausnutria wholeheartedly supports. One of Ausnutria's colleagues in the Netherlands has been a volunteer of the rally for years and Ausnutria has rewarded her efforts by hosting this lunch.

## CONSUMER HEALTH AND WELL-BEING

Ausnutria is committed to building long-term trust and relationship with its customers as it highly prioritises their health and well-being. The Group believes that breast milk is the best source of nutrition for the growth and development of infants and young children. As such, Ausnutria fully supports breastfeeding and does not promote stage 1 (0-6 months) in alignment with the World Health Organization's recommendations. In the PRC, the promotion of stage 2 (6-12 months) infant formula are also due to legislative provisions. The Group actively contributes to the R&D of milk formula with better nutrition through various studies of breastmilk nutrition. In the PRC, multiple breast milk banks have been established as one of the strategic approaches of Ausnutria to deepen its understanding of the nutrition content of breast milk for infants and young children. By collecting samples for the breastmilk composition studies, Ausnutria could develop milk formula that is able to better cater to the nutrition needs of infants in rural villages in the region. In the Netherlands, the R&D department also carried out research continuously to gain scientific insights and understanding, and to develop products with the best nutrition for babies. Hence, an elaborate project was initiated in close collaboration with the University of Wageningen in the Netherlands. Through performing a large observational cross-sectional study, we aim to determine and understand the relationship between the breast milk composition and ethnicity, maternal dietary intake, and/or offspring health. Based on the outcome, Ausnutria will be able to develop infant nutrition that can fully support the specific needs of infants.

All products and promotional materials will be subjected to a stringent review process in accordance with the Group's branding requirements to ensure that the information on product labels and statements is fair, accurate, and impartial. All products are subjected to final approval in accordance with the requirements of distributors or local brands before market distribution to ensure full compliance with local laws and regulations. To establish well-structured procedures for reviewing and approving market materials, the Compliance Management System is laid out to outline the roles and responsibilities of all corresponding departments along the process in Kabrita. In Australia, the Group participated in the Voluntary Incidental Trace Allergen Labelling Programme. Prior to announcing "allergen-free" on the product label, all nutritional products are required to undergo a comprehensive and strict allergen screening for each ingredient.

## EMPLOYEE WELFARE AND DEVELOPMENT

Ausnutria fully conforms to relevant laws and regulations regarding employment practices in its multiple operating locations as the foundation of being a responsible employer. Business under Ausnutria's operational control, child and forced labour are strictly forbidden. To avoid such occurrence, the human resources department continuously monitors the recruitment process to guarantee that the candidates are qualified for legal employment. In the event of a disagreement, management will be notified immediately so that the Group can act in the best interests of the individual.

The Group launched a three-year global human resources strategy plan in 2019 with the aim of achieving "One Ausnutria, One Team, One Direction," through consolidating resources and aligning related practices across subsidiaries. Ausnutria has been reviewing internal policies, updating management methods, increasing efficiency, and strengthening its corporate culture. The Group has also invested substantial resources in human resources development to integrate regional day-to-day management processes into a multipurpose group-wide online portal. Ausnutria has been optimising its human resources management system on an ongoing basis to enable easier internal communication and higher efficiency in human resources management. Besides, the Group also launched its plan in strengthening company culture, and kickstarted various corporate culture research and improvement projects accordingly.

The Group utilises multiple communication channels such as email, newsletter, mobile application, social media and intranet to share information to maintain effective communication with employees, as well as to let employees be well-informed of the latest corporate news. In the PRC, Ausnutria continues to share information with employees with the tailor-made mobile application (U享家) and social media platform like WeChat. The Group also organise forums regularly with new employees to understand their needs.



The Group emphasises open and honest communication between management and employees, and values input from all levels of employee on workplace experience. Employees are encouraged to express their concerns through proper channels. Ausnutria recognises that effective communication is essential for creating a productive and dynamic workplace in which employees can freely share their ideas and thoughts with management and among each other.

The principles, rights, and responsibilities of effective communications are outlined in the Workplace Communication and Consultation Policy, the Communication Protocol, and other documents to ensure meaningful dialogues between employees and management. In the form of formal and informal meetings, the Group encourages employees to express their work expectations, career development aspirations and work concerns for more efficient work collaborations.

In Australia, employees are welcome to express their opinions and needs through the feedback form and surveys. Internal emails are also utilised for effective circulation of corporate updates. In the Netherlands, the Group has launched a new and improved intranet for employees to inform the Groups' latest developments, such as construction of the new factories in Heerenveen.

To collect opinions and feedback from employees in an objective and open manner, a company-wide employee satisfaction survey was undertaken in Year 2021 in the PRC and Australia. Employees were actively engaged and the Group has received constructive suggestions on how to enhance current employment standards and solicited employees' expectations of the Group more thoroughly. With employees' active participation, the Group will broaden the scope of the study to include other subsidiaries in the future.

To foster effective communication between management of Ausnutria and employees, official Works Councils are set up in the Netherlands. The Works Council represents employees and protects their interests through possessing consultation rights and approval rights in significant management decisions regarding employment policies proposed by Ausnutria. The new Works Council in Dutch head office Zwolle, which was formulated in Year 2021, consists of seven members, including employees and elected members, to engage in regular meetings with the management every two months on issues such as daily operation of the workplace. This allows all parties within the subsidiary to be well-informed about the corporate, management decisions and daily operations. All locations in the Netherlands now have a Works Council in place.

Ausnutria has established standard procedures for resolving disputes or unfair treatment when employees meet unfair treatment or notice disagreements in the workplace. Under the principles outlined in the Code of Conduct and Employee Handbook, employees have the right and responsibility to report the situation to their supervisor. Whistleblowers will be protected and their identities will be kept anonymous. Within a specified timeframe, all issues will be addressed properly. The case will be raised to a senior level if needed, involving the HR department and senior management, until a consensus is reached. In PRC, a special performance appeal and feedback process has been set up, integrating both online or offline channels to enhance the efficiency to handle and resolve any cases of disputes or unfair treatment.



### Regular R&D Conference with employees



To enhance the communication between employees in R&D in the PRC, the management organised symposiums regularly with members of the research institute. During the conference, employees are enabled to understand the needs of R&D personnel, hence, to ensure they are equipped with the essential skills and industry knowledge to achieve career advancement.

To help employees to develop their skills and grow professionally, Ausnutria provides access to a wide range of learning opportunities and resources. Several subsidiaries have established annual training plans for employees to ensure that they receive sufficient training and supervision at work, and to strengthen the consolidation of training resources and manage human capital. All new recruits are required to attend a thorough induction training programme that equips them with the essential skills to adjust to and thrive in the workplace.



## New headquarters established in the PRC



To facilitate employees ongoing learning and training, Ausnutria aims to create a working environment that provides comfort and strengthens productivity for our employees. This year, the Group had completed the construction of the new headquarters in the PRC and the brand-new building has commenced operation. The new headquarters offers a spacious and refreshing atmosphere for our staff to thrive at work. It includes functional areas for employees from all BUs to attend training, conduct business meetings and engage in team-building events.



To enhance employees' capability and productivity, a wide variety of training courses are available to all levels of employees, which include:

- Professional on-the-job training based on specific position and job duty
- Standard Operating Procedure (SOP) training
- Health and Safety training
- Quality training
- Human Resources training
- External training (e.g. first aid training and software training)

To educate employees in a more efficient way, Ausnutria Netherlands promotes the use of the e-learning platform namely, "Dairy Academy". Practical knowledge regarding raw materials, technology application, production processes and quality monitoring of Ausnutria's products are provided on the digital knowledge and learning platform through online courses. Employees can acquire knowledge about operation expertise through the platform. Furthermore, Ausnutria Netherlands has started the Senior Leadership Development Programme, a tailor-made curriculum in cooperation with the Nyenrode Business University to increase leadership skills. In Year 2021, the managing board and the first fifteen senior leaders have been trained by the University. This programme will continue throughout Year 2022. In addition, Ausnutria Netherlands is also developing a new training programme for all levels of employees. The programme is scheduled to launch in Year 2022.



Ausnutria China uses Ausnutria Academy as a major platform to provide learning opportunities to employees since 2015. With its unique principles, concepts and operation, Ausnutria Academy received widespread recognition for its talent development capabilities. The Group strives to enhance quality, optimise organisational performance, nurture a culture of excellence and instil a belief in lifelong learning.



Ausnutria Academy constantly organises training programmes to enhance employees' knowledge and skills in management, professional expertise, and general workplace abilities, based on individual needs. It continued to set up a management pipeline with training that is organised in multiple career development stages to suit the needs of different management levels. There are a total sixteen assemblies of a six-level talent development system held in Year 2021. Training covers topics such as crisis management, public relations, and global consumer operation. Ausnutria seeks to foster talents and professionals for continuous development by providing courses with high-quality training resources. This year, in recognition of the design and operation of this human resource development scheme, Ausnutria Academy were awarded as the "Chinese Model Corporate Education Platform (中國企業標杆學習平台)" on the 10th Chinese Model Corporate Education Platform Forum (第十屆中國企業標杆學習平台論壇活動). To take a greater stride in achieving its 10-year "Golden Decade" strategic goals, Ausnutria will continue to train and nurture employees in becoming industry professionals.



B.U-Project 2021.

Ausnutria has also established a formal staff appraisal system to assess individual employee performance. The appraisal system targets to encourage accountability and enhances productivity on a personal, departmental and organisational level. The system has been implemented in the PRC and Australia, with plans to extend coverage to other subsidiaries. The 'a+b+N' Evaluation Model was introduced to Ausnutria China to evaluate and review employees' performance in a structured yet flexible way. According to the system, the employee will be rewarded based on their annual performance and evaluation results, including technical expertise, communication and interpersonal skills, and approach towards action plans and development goals. There are multiple incentives provided to employees who excel in key positions, such as innovation bonus, rewards for high-performing employees, share rewards and year-end bonus. The model aims to motivate employees to continuously improve their work performance and productivity and reward them accordingly.

## EMPLOYEE HEALTH AND SAFETY

Ausnutria ensures all employees are entitled to a safe and healthy working environment. All local occupational health and safety ("OH&S") laws and regulations are strictly complied to within the Group's operations. Internal standards and procedures are established in all subsidiaries and are constantly reviewed to align with the latest national and regional regulations. To ensure full compliance to relevant policies, the Group disseminates relevant guidelines among employees to deepen the understanding of their roles and responsibilities.

A health and safety committee or officer is responsible for monitoring relevant performance at each production facility to ensure all health and safety procedures are properly and effectively executed. To maintain employees' high awareness of OH&S, all employees working at upstream factories are required to sign the "Work Safety Responsibility Acknowledgement" in the PRC. The acknowledgement ensures employees understand their roles in compliance with internal regulations as well as the potential consequences of any irresponsible actions.



MBA Plus Class (澳蓝计划) 2021.



MBA Class (澳橙计划) 2021.



Pre-MBA Class (澳青计划) 2021.

At the subsidiary level, internal and external risk assessments are undertaken on a regular basis to evaluate workspaces and prevent any potential risks. The results of such inspections are then reported to the committee or responsible officers for further actions. In the Netherlands, the reports of monthly risk investigation and evaluation are shared with the general staff, raising awareness on existing black spots and preventing the occurrence of similar incidents. In Australia, the Standard Operation Procedures are reviewed and updated by the Group from time to time, while regular site checks and risk assessments are carried out to inspect new machinery and manufacturing procedures. In the PRC, the management performed large-scale inspections in the production facilities before long holidays like Chinese New Year and the Mid-Autumn Festival. To avoid abnormalities during these seasons, such comprehensive inspections covered site safety, fire safety, hazardous chemical use, and waste treatment. Annual third-party inspections of workplace risks are also conducted at production sites in the PRC. Ausnutria will remain cautious in its operations practice pertaining to OH&S on a regular basis to eliminate workplace dangers.

The Group believes misunderstandings and accidents can be avoided with effective communication between departments and personnel. To promote active communication and enhancements on OH&S issues, Ausnutria has initiated OH&S Meetings at its subsidiaries. In Australia, OH&S Meetings have been held throughout the year.

To equip employees in handling incidents and risks of its operation in subsidiaries, the Group strengthens employees' OH&S knowledge and skills through organising training and safety drills. In Australia, specialised training on OHS knowledge are provided for relevant staff, which cover fire warden, first aid, injury, hazard and accident reporting. In the PRC, training is held according to the Group's standard protocol, covering topics on fire safety, food safety and production safety in order to prepare employees for potential hazards and handling emergency. On-site safety regulation training is provided for logistic service providers every month while safety management training is provided for part-time safety officers every quarter. With the above measures, the Group strives to create a pleasant and safe work environment for all workers, ensuring their health and safety.

Ausnutria is also dedicated to promoting mental well-being among its employees. Ausnutria Australia introduced the Employee Assistance Programme in Year 2021, through which employees can call and get professional support at confidential counselling sessions. For Ausnutria Netherlands, employees can reach out to counsellors for concerns such as harassment, bullying, aggression, violence, discrimination and conflicts with superiors. If employees are facing any of the aforementioned concerns at work, they are highly urged to speak with counsellors. The counsellors will offer them advice and may even take further actions in some serious situations. Also, Ausnutria China held counselling talks every year to strengthen employees' awareness on topics such as mental wellness and stress relief.

Safeguarding its employees' health and safety is the Group's utmost priority, especially during the COVID-19 pandemic. The Group and its subsidiaries closely monitored the development of the pandemic and the government's latest health policies in each operating area. To protect employees' health while maintaining smooth and efficient operation during this critical time, Ausnutria has enhanced internal guidelines on health and safety. Emergency meetings are organised among senior management regularly to discuss the implementation of hygiene policy in response of the latest development of the pandemic.

Ausnutria has also increased its efforts to ensure a safe working environment in fighting the pandemic. All office and manufacturing locations undergo sanitisation frequently. Meanwhile, operations in various regions have implemented tailored measures based on local situations and requirements. In the Netherlands and Australia, there have been stringent visitor policies and all personnel are required to wear face masks when entering all premises. In the PRC, employees are required to check their temperatures upon their arrival at the building and report their daily health status. To practice physical distancing and minimise social contacts in workplace, work from home arrangement is also planned to encourage employees to work remotely if possible or follow rotation schedules.



To further support its employees in combatting COVID-19, the Group has provided them with anti-pandemic products like face masks, face shields, gowns and hand sanitisers, to ensure they have sufficient protection. In Australia and the PRC, the Group has installed nutrition supply stations and provides employees with free fruits to promote healthy eating habits and strengthen their immune systems. To maintain excellent personal hygiene in workplace, Ausnutria provided training for employees on the proper use and disposal of face masks and personal protective equipment. Posters are also displayed in office areas to provide tips on maintaining good personal hygiene.

## DIVERSITY AND INCLUSION

Ausnutria believes a diverse and inclusive working environment is the cornerstone of having a sustainable and dynamic business growth. The Group continuously strives to foster an equal, harmonious and rewarding workplace, which allows employees to feel respected, trusted and constantly supported at all times.

Ausnutria's regional Code of Conduct and Employee Handbooks have clearly defined all the Group's values, standards and expectations of employees' behaviours. Policies and procedures are also included to guide its subsidiaries in handling employment-related issues, including those relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, training and development, OH&S, and other benefits and welfare. Information is easily accessible and widely distributed among employees through effective communication channels during their onboarding or whenever updates are available.

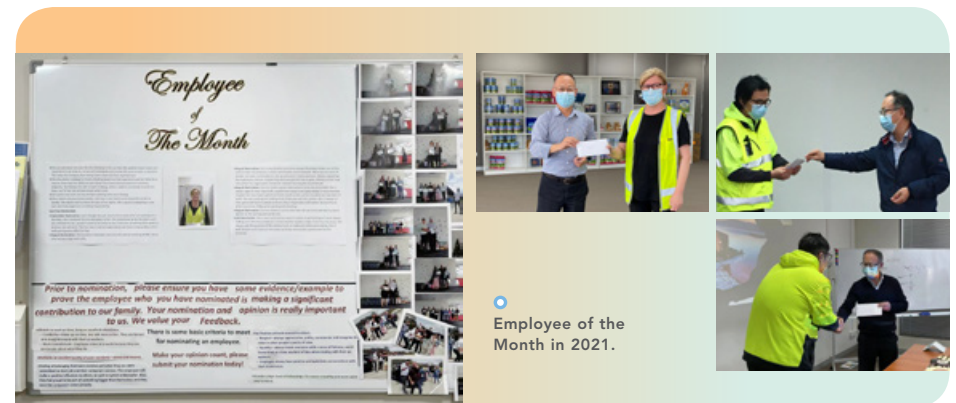
The Group adheres to the meritocracy and non-discrimination principles by treating all employees fairly and openly. During the recruitment process, all regional teams must follow a set of standard operating procedures. These procedures are evaluated and updated on a regular basis to keep in pace with changing industry practices and local requirements. Apart from regular recruitment channels, the Group also seeks to recruit talent from other recruitment platforms. In PRC, the Group has organised the Management Trainee Programme on a yearly basis to strengthen the talent pipeline. In Year 2021, the Group has hired a total of 237 graduates with high potentials and provided various resources to equip them with specialised skills in food manufacturing.



Management Trainee Programme 2021.



To show the Group's appreciation of its employees' efforts and contribution at work, Ausnutria provides employees with competitive remuneration and attractive benefits. Employees are entitled to leave, allowances, bonus and subsidies according to their ranks, positions and years of service. To show the Group's recognition of employees' diligence, Ausnutria Australia continued to organise the Employee of the Month nomination programme to reward outstanding members of the team.



Employee of the Month in 2021.

Ausnutria strives to create an inclusive culture that caters employees' different needs while maintaining a smooth and efficient operation. The Group understands the value of family bonding and is committed to developing a family-friendly culture within the Group. To meet the needs of employees and their families, Ausnutria has implemented flexible arrangements at the subsidiary level. Special adjustments are made to enable employees a better work-life balance and enable them to spend time with their families. For instance, in the PRC, if an employee has difficulties to reunite with their spouse due to separation in different regions during public holidays, the employee is entitled to enjoy a half-day excused leave for family visit every month.

The Group also strives to provide a mother-friendly environment for employees by introducing breastfeeding facilities and flexible working arrangements. In the PRC, all mothers with a child under the age of one are given half an hour of breastfeeding leave every day. The Group has created opportunities for employees and their families to enjoy quality time together during special occasions. On Children's Day, working parents are welcome to bring their children to work and spend time together to play family games.



### “Sint drive-through” and “Easter drive-through” Events During the Holidays

In Year 2021, Ausnutria Netherlands continued the celebration of the national feast “Sinterklaas” and Easter with its employees and their families by organising a “Sint drive-through” and an “Easter drive-through”. Drive-through stations were set up during the two special occasions for employees to receive presents and giftpacks. Ausnutria hopes to create a festive environment which employees could enjoy and celebrate the joyful holidays with their loved ones.



### Soccer Clinic for Children of Ausnutria Employees

To facilitate family bonding and promote a family-friendly culture within the Group, we have organised a soccer clinic for the children of employees to participate. In the soccer clinic, children have the opportunity to be trained by professional coaches of SC Heerenveen and learn different techniques to enhance their performances in soccer. This initiative promotes family-friendly sport to our employees and encourages employees to spend family time playing soccer with their children. Around 55 children participated in the soccer clinic and enjoyed a special meet and greet session with a few players of SC Heerenveen.



CHAPTER

# 02

# BETTER NUTRITION



2 ZERO HUNGER



3 GOOD HEALTH AND WELL-BEING



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



17 PARTNERSHIPS FOR THE GOALS





# Better Nutrition

FOCUS AREAS

**PRODUCT  
INNOVATION**

**CUSTOMER ENGAGEMENT**

**PRODUCT QUALITY  
& FOOD SAFETY**



Ausnutria is dedicated to providing the safest and most reliable products with the optimal nutritional profile for all of its customers and make every effort to innovate its product and to provide customers with safe products of the highest quality. The Group maintains a strong relationship with its clients by giving up-to-date health and nutritional information, soliciting feedback through a variety of communication channels while safeguarding its customers' rights. Ausnutria also builds strategic partnerships with suppliers and distributors to ensure that its sustainable standards are strictly followed throughout the value chain with selective screening criteria and procedures to ensure that it collaborates with only those business partners who share its values. Ausnutria aims to collaborate with its business partners in order to fulfil social and environmental responsibilities and mutual success.

## KEY HIGHLIGHTS



## IN YEAR 2021

### Launched new products

- NC Soforwin Probiotic and NC Myclear Probiotic for the probiotic segment;
- Hyproca 1897 Children's Milk Powder for children aged between 3 to 12-year-old;
- Upgraded Kabrita Pro Goat Milk Powder with better nutrition for children; and
- Aunulife's First Guard, our first probiotic product with the strain developed in the PRC for infant consumption.

### Presented a virtual booth

at the 6<sup>th</sup> World Congress of the PGHAN by Ausnutria Nutrition Institute to exchange the latest health and nutrition information to the experts around the world.

### Maintained strategic partnership

with renowned universities.

Stepped up its investment in the

**R&D of new products to RMB193 million.**

Maintained **100% of Ausnutria's goat farmers** participated in the Durability Program.

Participated in the **6<sup>th</sup> China Special Food Conference** in Wuxi organised by CNHFA to promote the development of special food industry.

Introduced newly launched premium goat milk products in the **4<sup>th</sup> China International Import Expo.**

Showcased four latest research results in the **12<sup>th</sup> China Dairy Industry Conference** and the **9<sup>th</sup> Dairy Industry Technology Conference**, fostering the development of its probiotic business.

## PRODUCT INNOVATION

Ausnutria continues in its R&D to foster its long-term growth, with a particular emphasis on areas including but not limited to developing lactose-intolerant-friendly products, updating new infant formula recipes, and enhancing product nutritional value. The Group employs over 205 R&D specialists in the PRC, the Netherlands, Australia, and New Zealand. The Group increased its investment in R&D of new products from RMB181 million to RMB193 million throughout the year. To provide consumers with optimised benefits, Ausnutria upgraded its existing Super Platinum Infant Formula products by adding two HMOs. This is the first infant formula product in Australia to contain two HMOs, and the first batch of product was successfully introduced in Australia and the PRC. The Group has received a total of 389 registered patents (including 1 Patent Cooperation Treaty (PCT), 1 patent in New Zealand, 3 patents in Australia, 62 inventions, 21 utility models and 61 product designs) and 224 authorised patents (including 16 invention patents, 17 utility models, and 46 product designs and 1 intellectual property right). Moreover, the Group established a Management Guide for R&D Project Approval and Technical Support to define its criteria for Kabrita's R&D project management in the PRC.

Annual investment in the R&D of new products:



**RMB193**  
million



**389**  
registered patents



**224**  
authorised patents

In the Year 2021, the Group continued to expand its product portfolio and attained a number of R&D achievements. Ausnutria introduced a new healthy product under the brand "Aunulife Probiotic" in the PRC. It has also supported research in partnership with universities in Australia and the Netherlands, demonstrating the Group's strong commitment to R&D.

## HIGHLIGHT OF NEW PRODUCTS ANNOUNCED IN YEAR 2021

### NC Soforwin Probiotic

To penetrate the probiotic segment, NC launched NC Soforwin Probiotic and NC Myclear Probiotic, which quickly became leaders of the segment, in 2021.



### Hyproca 1897 Children's Milk Powder

This product adds the unique Upfocus® formula of "1+7 Nutrients" (Phosphatidylserine and 7 nutrients that facilitate learning) to provide more comprehensive nutritional support for the golden stage of children's growth aged 3-12 year-old, especially in children's cognitive development and physical development.

### Upgraded Kabrita Pro Goat Milk Powder

Along with the new appearance, Kabrita Pro Goat Milk Powder contains optimal formula of DHA, ARA, choline and taurine, which are beneficial to children's development on the problem-solving abilities, linguistic skills, learning, memory and vision. By combining probiotics and prebiotics, the digestion and absorption processes are facilitated.



### Aunulife's First Guard

At the 2021 Kabrita Distributors Conference, Aunulife released the first probiotic product of the Aunulife brand with the strain developed for infant consumption – Aunulife's First Guard (previously called "Little Orange Box"). The product exclusively uses our first self-developed probiotic, which was extracted from the intestines of healthy babies in the PRC and approved in April 2021. This simple formula includes three kinds of prebiotics and 12,000 million live probiotics to safeguard intestinal health for infants in the PRC.



## Ausnutria's four major research results presented at industry events to accelerate innovation and development



In the Year 2021, in order to foster the development of dairy products the Company has showcased four latest research results at two major industry events – the 12th China Dairy Industry Conference and the 9th Dairy Industry Technology Conference.

- The oligopeptide F3 with antihypertensive effect is obtained by hydrolysing, separating and purifying goat milk casein. It provides an inhibitory effect on vascular damage in the process of regulating the development of hypertension in vitro. In addition, it was found in the study that goat milk casein hydrolysate contains calcium absorption peptides, which have active substances that promote calcium absorption;

- Ausnutria's nutritional supplement Soforla® helps to significantly improve infants with severe lactose intolerance. After a week of lactase supplementation, we observed lactose tolerance was developed in more than 30% of tested lactose-intolerant patients. Moreover, fecal formation, choking and crying of infants were also alleviated;
- Bioinformatics methods were used to understand the key structures of the main allergens in dairy products. Based on the obtained results, the sensitisation of milk allergen proteins in processing could be controlled to reduce the undesirable effects on allergic people. It is considered to have significant scientific research and application value; and
- The research optimised the detection and analysis method of HMO separation and purification, and the oligosaccharide composition and content of human milk, cow milk and five other special kinds of milk were comprehensively analysed.

Ausnutria has always believed that scientific research innovation is the backbone of enterprise development competitiveness. In the future, Ausnutria will continue to adhere to science-based R&D and innovation and is committed to empowering products with scientific research results and promoting the high-quality development of the nutrition industry in the PRC.

The Group has built a global R&D team to coordinate all internal patent activities and gain global scientific recognition for its R&D efforts. The pool of professionals allows the Group to leverage regional strengths and conduct cross-region research with external and international experts. Under its "1 + 6 + N" global R&D strategy plan, Ausnutria Institute of Food and Nutrition supports the Group's ambition in developing next-generation dairy and nutritional products by forming partnerships with Ausnutria (Beijing) Special Nutrition Research Centre, Peking University's Ausnutria Maternal and Child Nutrition Research Centre, the European R&D Centre in the Netherlands, the ANZ R&D Centre in Australia and New Zealand, Ausnutria (Taipei) Nutrition Research Centre and Ausnutria's Jiangnan University Milk of Non-Bovine Mammals International Joint Research Centre.



Ausnutria's testing centre in Changsha city, the PRC received and renewed China National Accreditation Service ("CNAS") for Conformity Assessment Laboratory Accreditation in 2017 and 2021, respectively.

The Group actively aims to foster R&D talents. The Group established the Ausnutria National Postdoctoral Programme in 2016. Since then, the Group has recruited PhD researchers to conduct food and nutrition research and assess the feasibility of incorporating research findings into product development. The Group's talent career development and business strategy advances and applies scientific theories through its products. Since 2020, the Group has established the Ausnutria-Kabrita Nutrition Research Fund to improve elderly and infant nutrition. This fund targets to provide continuous financial support of RMB 1 million per year to promote the development of maternal and infant nutrition research in the PRC. The Group hopes to increase the understanding of nutrition and health of society, and contributes to the advancement of nutrition science and the protection of human health.

To tap into a broader base of resources, insights and talents, the Group continues to partner with honourable universities, research institutions, industry partners and contract manufacturers on nutritional research and innovative product development. The Group has established strategic partnerships with external expert groups such as Hunan Association for Science and Technology, Peking University, Nanchang University, Central South University and Jiangnan University. The Group partnered with Central South University to complete the clinical trial study on the effect of Soforla® on people with lactose intolerance. The Group has also built a strategic partnership with Jiangnan University in the PRC to further strengthen its R&D capabilities in various aspects, including product development on probiotic and goat milk, as well as scientific research on milk proteomics, lipomics, etc. In 2021, Professor Chen Wei academician R&D station was officially established in Ausnutria, indicating that the two parties have entered a new stage of close collaboration in nutrition research.



## Launching “Ausnutria Nutrition Institute” in October 2020



Ausnutria Nutrition Institute was founded in October 2020 in the Netherlands as an independent scientific organisation with the mission of spreading scientific knowledge about

infant nutrition and the nutritional composition of goat milk. The institute collaborates with international scientists, research institutes, and universities to stimulate the growth of evidence-based products and to improve the health and well-being of children. Apart from collaborative research, the institute benefits from expert advice given by a scientific advisory board comprised of international experts from diverse disciplines.

A dedicated website has been launched to make the insights gained by the institute easily accessible to health and nutrition experts. In 2021, Ausnutria Nutrition Institute has presented a virtual booth at the 6th World Congress of the PGHAN to exchange the latest health and nutrition information to the world.



## BETTER NUTRITION THROUGH THE STUDY OF BREAST MILK

Breast milk is the ideal source of nutrition for infants and young children's growth and development. Ausnutria is a firm believer in breastfeeding and is actively involved in numerous studies investigating the nutrition of breast milk. The Company is also focused on developing milk formula with improved nutrition. The establishment of the breast milk bank is one of Ausnutria's strategic programmes to improve its understanding of the nutrient content of breast milk for infants and young children in the PRC. Ausnutria has established a number of breast milk data banks for the purposes of conducting valuable scientific research.



## Case Study

The opening ceremony of Ausnutria's breast milk bank in central China.



## The Breast Milk Bank in Central China

Breast milk composition varies by geographic region and different dietary practices in the PRC. As such, the Group has partnered with Central South University and Liuyang Maternity and Child Healthcare Hospital to establish a breast milk bank in central China in 2020, apart from the existing breast milk bank in north China. Ausnutria continues to develop milk formula that better meets the nutritional needs of infants in rural villages from different regions by collecting samples for the breastmilk composition studies.

To guide the R&D work in the Netherlands, the Group has rolled out a series of three five-year R&D programmes with different key objectives in the Year 2020. The roadmap is updated quarterly to ensure all activities are aligned with the Group's business strategy.

## INTELLECTUAL PROPERTY MANAGEMENT

Ausnutria is committed to intellectual property protection and pays close attention to both internal and external innovations. A system for managing enterprise intellectual property is established, along with supporting procedures that adhere to legal requirements. Departments are assigned responsibility for managing intellectual property rights and trademark registrations associated with all brands and logos used on product packaging. Additionally, the Group has created an intellectual property employee handbook to raise awareness. The Group has again achieved the PRC's national standard for enterprise intellectual property management (GB/T 29490-2013) this year for its intellectual property management planning, implementation, evaluation, and continuous improvement practices.

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



### Nutrition Research Program 2020-2024

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

### Innovation Roadmap 2020-2024

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

### Processing Research Program 2020-2024

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



Business app of Ausnutria Dairy (China) Company Ltd.

## CUSTOMER ENGAGEMENT

Ausnutria constantly strengthens and deepens its customer relationships. The Group engages customers actively through a variety of activities and interactions on social media platforms. These channels enable the Group to effectively communicate with customers and raise their awareness of scientifically proven information about dairy and nutritious products.

Social media is critical for the Group to maintain contact with its customers. In the PRC, the Company's major dairy brands, including Kabrita, Hyproca 1897, Allnutria and Nutrition Care, maintain their own channels on WeChat and Weibo. These channels serve as a significant platform for the Group to promote its products and marketing activities, for parents and parents-to-be to share their experiences and knowledge about infant care, as well as to raise feedback and inquiries about the products. Ausnutria takes up the responsibility to ensure that all information shared on these channels is reliable and accurate and does not endanger parents or children. Therefore, the Group's professional nutritionists are directly involved in managing the online platforms.

The Group is always looking to improve customer communication. The current Kabrita mobile app has data analytics capabilities, allowing the Group to better understand customer needs and personalise birthday greetings and other marketing communications. The Group wishes to accompany its beloved members on their journey of child development.

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

## Challenging Guinness World Records by Kabrita Parent - Child Games



Event site of "Kabrita Run-run Champion Games".

In recent years, consumers have paid more attention to the quality of parenting and participating in healthy and interactive family activities. In view of this, Kabrita held the "Kabrita Run-run Champion Games" to allow more parent-child families to enjoy sports through interactive activities.

The "Kabrita Run-run Championship Games" event site was highly simulated to the Olympic competition site. Interactive entertainment events were offered, including basketball, football and gateball. In addition, Ausnutria has also launched a crawling competition for month-old babies, which meets the needs of babies of various ages and allows babies to experience the spirit of sports. Each event also includes interactive performances, nutritional information booths, and lucky draws to engage customers and enhance the fun factor for the participants.

The "Kabrita Run-run Champion Games" has received positive feedback from participants. This event continued from April to October 2021 across the country, with nearly 170,000 participants.

The "Kabrita Run-run Champion Games" Guinness Challenge was organised in more than 50 cities across the country, inviting tens of thousands of babies together to challenge the "The first Guinness Record in life" through crawling competitions, together with the official Guinness certification adjudicator and all the audience at the scene to witness the achievement.

## “High-energy” Artist Supports Ausnutria’s Allutria products



Ms. Ng Siu Hung, Executive Director of Ausnutria, officially awarded Mr. Zhong Hanliang the title of “High Energy Role Model Officer”.

To improve its brand competitiveness, Allnutria has announced the appointment of popular and well-rounded artist Mr. Zhong Hanliang as the brand’s “high-energy role model officer”, promoting Ausnutria’s high-quality products and services to help create “high-energy nutrition”. Mr. Zhong Hanliang has played more than 60 film and television roles since his debut, released albums, held concerts, and held photography exhibitions. He leaves a lasting and energetic impression with the audience and his fans span all age groups.

It is believed that the collaboration between Mr. Zhong Hanliang and Allnutria will definitely have a greater influence on the promotion of the “high-energy nutrition” business.

## Protecting Customer Interests

Customer trust and loyalty are the cornerstones of the Group’s long-term success and rapid growth, which is why Ausnutria adheres to responsible marketing and communication practices. Ausnutria follows the guidance of the World Health Organisation and thus does not promote stage 1 (0-6 months) infant formula. Due to recent legislative provisions, infant formula Stage 2 (6-12 months) is also not promoted in the PRC market.

All products and promotional materials will be subjected to a strict review process in accordance with the Group’s branding guidelines to ensure that the information on product labels and statements is fair, accurate, and impartial. To ensure compliance with local laws and regulations, all products are subjected to final approval in accordance with the distributors’ or local brands’ requirements prior to being distributed to the market. Kabrita launched the Compliance Management System this year to clearly define the review and approval procedures for marketing materials, as well as the roles and responsibilities of all corresponding departments. Apart from regulatory requirements, Ausnutria has participated in Australia’s Voluntary Incidental Trace Allergen Labeling Programme. Prior to announcing “allergen-free” on the product label, all nutritional products undergo a comprehensive and stringent allergen screening for each ingredient.

Ausnutria is also aware of the growing concern pertaining to the privacy of customer data. The Group has an internal customer data and privacy policy to define how personal information about employees, business partners, and customers should be properly handled. The Group frequently promotes information security tips and procedures on bulletin boards and posters to enhance employees’ understanding of internal data protection. The Group’s internal audit department monitors consumer data protection and evaluates the compliance of the Board, senior management, officers and employees against all applicable policies, standards, procedures, laws and regulations related to customer data privacy on a regular basis. To ensure compliance with the European Union’s General Data Protection Regulation (GDPR) in 2021, privacy statements are posted on Kabrita and Neolac’s Dutch websites to describe the measures in place to protect the information of business partners, customers, and other users when managing and processing their personal data. In Year 2021, an internal information security campaign, “Herken, Herkauw, Handel” (“Recognise, Ruminant, Act”), was launched in the Netherlands. The campaign emphasised on the golden rules for securing information and data, in order to raise employee’s awareness and strengthen their knowledge in observing and avoiding risks relevant to data security.

In Year 2021:



**56% less**  
Complaints related to product received when compared to 2020.



**Zero**  
Complaints related to services received.

## PRODUCT QUALITY AND FOOD SAFETY

Ausnutria places great emphasis on its customers' health and safety. The Group has established quality control principles to ensure that its products meet a high standard of quality and safety. These principles pervade the entire manufacturing process, from raw material procurement to manufacturing processes and product delivery. They not only ensure that the Group complies with all applicable laws and regulations, but also communicate the Group's minimum production quality requirements.

Ausnutria has taken a two-pronged approach to ensuring stable product supply throughout the year since the outbreak of COVID-19. The pandemic prevention and control working group continues to oversee the operation and production and ensure prompt responses to eliminate the risk of large-scale infections. Additionally, close communication with overseas factories is maintained in order to coordinate production for export for Group's customers. On the other hand, the Group expedites the manufacturing process to secure the supply of its dairy products.

### Product Safety Management

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

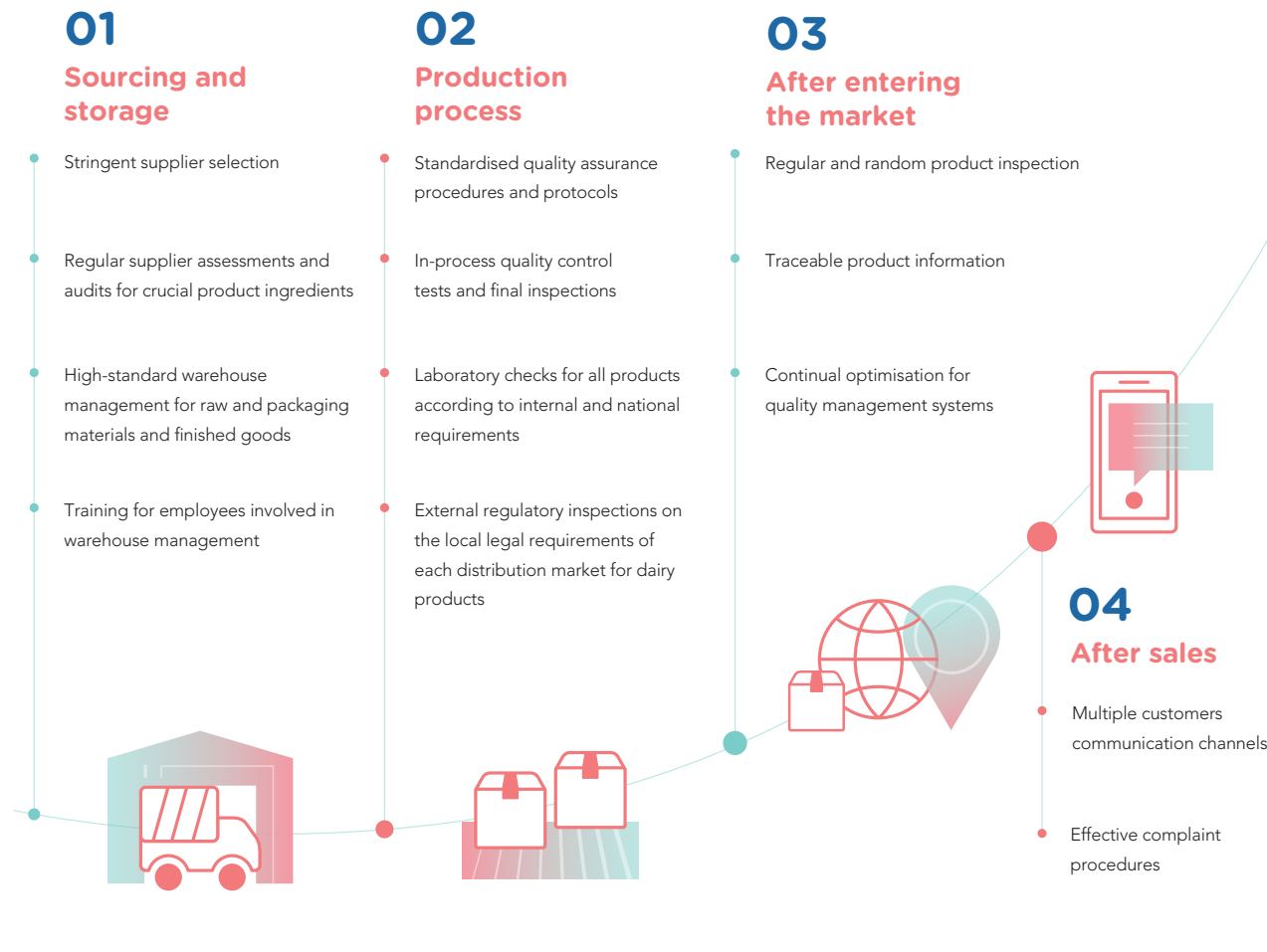
Kabrita goat milk formula maintains efficient quality management and is certified for multiple international food safety standards.



In the 2021 Australian Dairy Product Competition organised by the Dairy Industry Association of Australia ("DIAA"), OzFarm and Ausnutria were **awarded 18 Silver medals** in total for formulas and milk powders.



## Safeguard product quality and safety at all stages of production



When complaints are received, the customer service team categorises the complaints according to their severity and promptly initiates an investigation. When senior advice or cross-team collaboration is required, issues may be escalated or forwarded to other teams. All complaints are documented for future reference and review in order to avoid recurrences. On a regular basis, trend analysis is conducted to identify areas for improvement particularly regarding food safety and quality. Additionally, Ausnutria closely monitors customer satisfaction in order to evaluate what customers expect from its products. In the PRC, the sales and customer service departments conduct quarterly and annual end-user and distributor surveys via phone calls, emails, and in-person visits. Ausnutria has also recently begun to utilise online platforms such as WeChat, its website, and QQ, along with AI technology and multimedia such as photos and animations, to collect feedback from a large number of customers and respond promptly.

### Product Traceability Management and Product Recall Procedures

The Group will perform a trace-back investigation in case of any unsatisfactory conditions discovered during inspections or after purchases. To facilitate this, an electronic recording system is used to manage product information for each batch of products, including types of raw material used, manufacturing procedures, and logistics coordination. Additionally, information about the product's test results and logistics are encoded in QR codes on the product packaging to increase transparency and traceability of the manufacturing process for customers and other external parties.

## Supply Chain Management

Supply chain management is a vital component of the Group's business operations and success. The Group has developed robust mechanisms to manage procurement procedures and regularly monitor the performance of all the suppliers we cooperate with across the globe. The management systems monitor supply chain activities and facilitate communication with suppliers on the Group's expectations for product quality, ensuring a stable and consistent supply of high-quality materials and services.

### Verifying qualification of suppliers

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

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

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

### Timely monitoring on quality control

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

### Engagement with suppliers

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

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

### Continuous improvement of the product development

The Group initiated innovative projects to ascertain the stable supply of key raw materials, such as whey protein, while valorising the side streams. In previous years, a goat whey protein ultrafiltration plant process was successfully implemented in the production facility in Ommen, the Netherlands. To further increase the accessibility of whey protein, the Group also commenced a project on "milk cracking" and building new facilities in Heerenveen since Year 2020 as part of the Processing Research Programme 2020-2024.



## Sustainable Procurement Practices

Ausnutria advocates social and environmental sustainability throughout its supply chain as a whole. The implementation of sustainable procurement methods enables the Group to expand its efforts in promoting responsible and ethical operating practices to its suppliers. The Group takes into consideration social and environmental issues during procurement decision-making processes by including relevant metrics in supplier questionnaires and audits. These include assessing environmental performance in terms of energy, water, and waste management, as well as social performance in terms of the working environment, human rights, and community investment.

By means of procurement contracts in the PRC, the Group communicates its expectations regarding the supplier's environmental performance. Suppliers are obliged to comply with applicable environmental laws and regulations and to handle emissions, hazardous materials, and waste properly throughout the raw material sourcing, manufacturing, transporting and service offering stages. Suppliers that do not meet the Group's environmental performance requirements will be terminated. In order to strengthen cooperation with all suppliers in aspects including quality, environmental protection, occupational health and safety, acknowledgement letters were signed by all suppliers to confirm their understanding of the Group's expectations and requirements. Annual inspections are also carried out to keep track of the performance of suppliers, with higher ratings being awarded to those who practice strong environmental governance. Similarly, Ausnutria Netherlands continues to integrate environmental and social criteria into its procurement process with reference to international standards such as the ISO 14001 Environmental Management System and ISO 50001 Energy Management System. The supplier's performance is monitored and evaluated based on the number of complaints received, the frequency of price changes, and the punctuality of order delivery. The quality department conducts periodic audits of suppliers on a regular basis, with an emphasis on onsite audits. The Group hopes to work with its suppliers around the world to pursue a more sustainable supply chain while taking local characteristics into account.

Stabilising the supply of high-quality milk is essential for the production of premium dairy products. The Group is committed to sourcing high-quality milk from reputable and reliable milk producers located in golden milk zones such as the Netherlands and Australia. Farmel Holding B.V., the Group's associate company, is the key supplier of Dutch cow milk. This structure enables the Group to actively monitor milk quality and quickly trace the source of milk in the event of any problem arising.

Ausnutria has been working closely with Dutch goat farmers and fostering the growth of the industry to meet the market growth of its Kabrita goat milk series. The Group pays special attention to the treatment of farm animals, including but not limited to the feeding practices, use of medicine and living conditions. In this regard, apart from fulfilling the Group's quality standards, all goat farmers are required to obtain the "KwaliGeit" certification, a quality assurance programme introduced by NGZO in collaboration with the Dutch Federation of Agricultural and Horticultural Organisation. The assurance programme assesses farmers' performance against the industry practices on dairy goat farming via survey and on-site inspection, and incorporates the requirement of European hygiene regulations and other indicators such as marketing, environmental and animal care practices. Only goat farms that meet the standard are certified for their outstanding farm management.



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

Moreover, the Group participated in the Durability Programme, a voluntary initiative organised by NGZO to educate Dutch goat farmers about sustainable livestock farming practices. Ausnutria assists farmers financially and in other ways through workshops, newsletters, and farm visits. This initiative places a premium on animal health and welfare, energy and the environment, and the industry's image. Ausnutria has continued to support farmers in Year 2021 by offering a one-off allowance for the delivered raw milk, on top of the basic price for raw milk the goat farmer receives. This allowance is based on the scores of the farmer within the Durability Programme. To date, the Group recorded 100% goat farm's participation rate. The Group will continue to advocate for sustainable farms by encouraging participating goat farmers to acknowledge their efforts.



**100% of Ausnutria's goat farmers participated in the Durability Programme by the end of 2021.**

Appropriate grazing practices increase habitat diversity and pasture productivity. Ausnutria has been a signatory to the Outdoor Grazing Covenant since 2017. The covenant, which was founded in 2012, aims to promote outdoor grazing in the Netherlands. To this end, the Group, through its partner Farmel Dairy, offers a range of prices to farmers who provide grazing for their cows. With industry cooperation, the level of outdoor grazing in the country has shown a steady upward trend.

## Strategic Business Partnering

Effective collaboration between different sectors is particularly vital for upholding social well-being during the difficult times of COVID-19 outbreak. In Year 2021, the Group continued to uphold the aim of creating a better life with nutrition and health by ensuring sufficient nutrition intake of the public to fight against the pandemic. The Group worked with suppliers and distributors in the PRC to respond to the government's call on securing the supply of dairy products while maintaining stable quality and price.

### Actively Serving Consumers and Empowering Business Partners to Overcome Difficult Times Together

During the pandemic, social distancing and staying at home have become the norm. For this reason, Ausnutria continued to uphold the principle of providing consumer-first service, and developed agile responses for consumers to feel the care from the Group without leaving home. For instance, Ausnutria has set up a 24/7 hotline to offer consultation and respond timely to any aftersales enquiries in the PRC. By collaborating with various business partners, contactless delivery services were launched to effectively minimise unnecessary contact to maintain social distance. During such difficult times, the team committed to listening to and addressing customers' needs to help overcome the challenges brought by the pandemic together.

Understanding the impact of the pandemic on Ausnutria's business partners, considerable efforts were dedicated towards empowering distributors and stores in developing their online business platforms, marketing and services. For instance, professional teams were invited to relevant stores to provide training and guidance on live broadcasting, formulate and optimise online business processes. As a result, good relations with regular customers were maintained and new customers were engaged despite the pandemic.

Moreover, Ausnutria actively participates in the introduction of new technology and products by sharing market insights and providing feedback on new technology and products. By attending seminars and conferences held by the suppliers, the Group can get a better understanding of the supplier's future direction and to encourage the employment of new technology or product development in order to enhance the supplier's competitive advantage among peers.

The Group also engages suppliers to exchange information on the market trend and customer preference. In order to meet the market trend of green procurement, it works with packaging material suppliers to promote packaging innovations, such as optimising the specifications of cartons to save raw paper materials. Ausnutria is also actively engaging with its ingredient suppliers to keep sourcing more high-end ingredients for existing formula.

## Driving the development of Special Food industry in China

Ausnutria participated in the 6<sup>th</sup> China Special Food Conference in Wuxi organised by CNHFA.

Around 2,200 people from the government, regulatory agencies, R&D professional institutions, and food industry attended this event to exchange industrial development trends and discuss the latest scientific research findings. It is also the aim of the event to promote China's special food industry's continuous innovation and high-quality development. At the meeting, industry experts presented an analysis of the current state of the industry, its progress, and recommendations, as well as forecasted future industrial development.

Ausnutria will continue to collaborate with the industry and its suppliers in order to achieve the common goal of protecting public health for the benefit of all. This will be accomplished through ongoing innovation and community investment.



The Group's Chairman, Mr. Yan Weibin (second from right) and forum participants addressed "new dimensions of infant product development in the future".

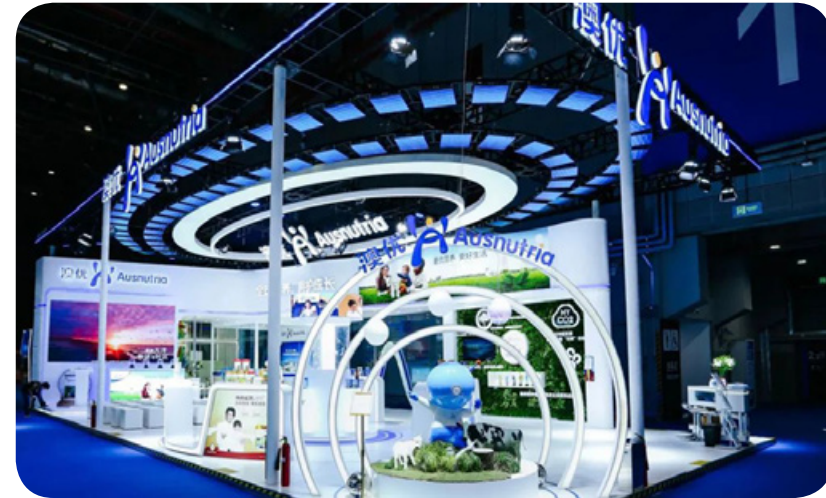


Group photo of all participants in the 6th China Special Food Conference in Wuxi.

## Engagement with Distributors

The Group's distributors facilitate in bringing Ausnutria's products to market, enabling the Group to connect with and serve its end users. Ausnutria continues to develop training programmes for distributors in the PRC to enhance their management talents and knowledge. Additionally, the Group has undertaken joint business planning meetings with its key distributors to review the Group's sustainable business model and sales strategy.

Ausnutria's involvement at industrial expositions enables it to keep a close relationship with its business partners. For the fourth consecutive year, the Group participated in the China International Import Expo to provide distributors with practical knowledge and awareness of the Group's dairy and nutrition solutions in 2021. The Group introduced its newly launched premium goat milk products to distributors and buyers from various countries this year. The Expo was an important opportunity for the Group to extend its network, create industry collaboration, and promote its premium dairy products globally.



Ausnutria's on-site booth in the 4<sup>th</sup> China International Import Expo.



Ausnutria introduced its new goat milk powder products in the 4<sup>th</sup> China International Import Expo in Shanghai.



CHAPTER

# 03

# BETTER ENVIRONMENT



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



17 PARTNERSHIPS FOR THE GOALS





# Better Environment

FOCUS AREAS

**ESTABLISHING OUR  
ENVIRONMENTAL GOALS**

**MAINTAINING ENERGY EFFICIENCY TO  
REDUCE CARBON FOOTPRINT**

**SAVING WATER FOR  
FUTURE GENERATIONS**

**ADOPTING A COMPREHENSIVE  
WASTE MANAGEMENT PLAN**

**ADDRESSING AND MANAGING CLIMATE  
RISKS WITH RESILIENCE STRATEGIES**

**DEVELOPING ENVIRONMENTALLY  
FRIENDLY PACKAGING  
MATERIALS TO PROMOTE  
GREEN DEVELOPMENT**

Ausnutria is committed to conserving resources and protecting the environment for future generations. The Group constantly identifies ways to operate sustainably and seeks to minimise environmental impacts emanating from its upstream activities and related manufacturing processes. Subsidiaries also make every effort to enhance energy and water efficiency, manage emissions and water discharge, reduce material consumption and waste generation, and manage climate change-related risks associated with operations in order to uphold the Group's commitment to environmental sustainability.

## KEY HIGHLIGHTS



## IN YEAR 2021

Formulated progressive targets for **GHG emissions, energy consumption, water use, and waste recycling** to improve and closely monitor our environmental performance.

Actively responded to **climate change** by performing a detailed climate risk assessment on its operations and supply chain.

**Offset 10% of direct GHG emissions voluntarily** by purchasing carbon credit.

**100%** of the electricity consumption for operations in the Netherlands was compensated through **renewable energy sources**.

Commenced the production of **chrome-free passivated tinfoil milk powder cans** to promote environmentally friendly packaging.



## ESTABLISHING OUR ENVIRONMENTAL GOALS

In Year 2021, the Group has formulated progressive targets for greenhouse gas (GHG) emissions, energy consumption, water use, and waste recycling rate to better guide and manage its environmental performance. The targets were carefully set with a hybrid approach of both top-down and bottom-up. During the target setting process, detailed historical data review, peer benchmarking, research on industry and regulatory standards were conducted and the Group also communicated internally on the target feasibility. The setting of these environmental targets will allow Ausnutria to keep track of its sustainability performance and foster its effort to accelerate sustainable practices.

### Environmental targets by Year 2025

#### GHG Emissions\*

- Reduce total GHG emissions intensity by 20%
- Reduce the Scope 1 emissions intensity by 15%
- Reduce the Scope 2 emissions intensity by 20%

#### Energy Consumption\*

- Reduce the energy consumption intensity by 20%
- Reduce the natural gas consumption intensity by 20%
- Reduce the electricity consumption intensity by 15%

#### Water Consumption\*

- Reduce water consumption intensity by 35%

#### Waste

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

\* Using 2019 as the base year

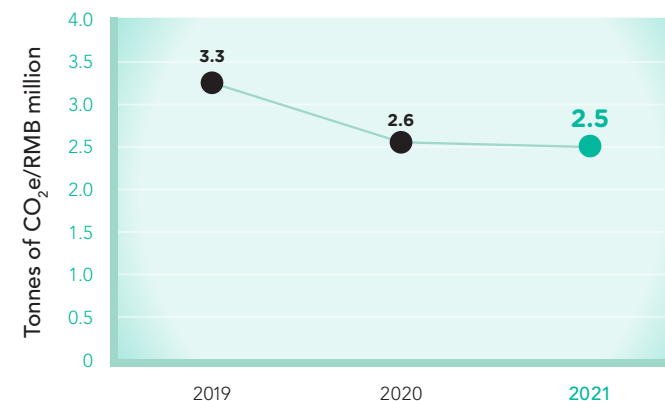
The Sustainability Committee and the Sustainability Workgroup evaluate Ausnutria's environmental policies and initiatives on a regular basis. The Group has established guidelines for the implementation of environmental management systems and operating standards at subsidiaries to guarantee compliance with all applicable environmental laws and regulations in regions that it operates. All of the above demonstrates the Group's overall commitment to reducing the environmental consequences associated with its procurement, manufacturing, and distribution processes. The Group's production facilities in Kampen, the Netherlands and Changsha, the PRC, are both certified with ISO 14001 Environmental Management System.

## MAINTAINING ENERGY EFFICIENCY TO REDUCE CARBON FOOTPRINT

To address the pressing issue of global warming, nations around the globe have been developing strategies and initiatives to reduce GHG emissions and enhance their climate resilience. In particular, in the regions where the Group operates, the European Union aims to be climate-neutral by 2050; Australia plans to reach net zero by 2050; and the PRC aims to reach carbon emission peak by 2030 and achieve carbon neutrality by 2060. To contribute to the global efforts and reduce GHG emissions of its operations, the Group has established targets on GHG emissions to reduce its carbon footprint and accelerate its low carbon transition. Using 2019 as the baseline year, Ausnutria aims to:

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

### Total GHG Emissions Intensity in Tonnes CO<sub>2</sub>e per RMB Million Revenue



To achieve the emission reduction targets, the Group has built a robust energy and emissions management system and regularly upgrade the equipment at its production facilities to improve overall energy efficiency. Heating, ventilation, and air conditioning, boiler systems, lighting, and other energy-intensive equipment are all subjected to regular inspections, repairs, and replacements to ensure that they are constantly working at an optimal level. The Group also makes equal effort in investing the construction of solar panel systems at its factories.

## Operating with Low Carbon Facilities

Ausnutria's latest production facilities in Heerenveen, the Netherlands, among which a milk processing facility that is still under construction, adopt low-carbon technologies and energy-efficient designs to reduce carbon emissions as much as possible. The Group leverages the geothermal heat system to store thermal energy for heating and cooling equipment, thereby reducing natural gas consumption by nearly 90%. With a view to meeting the environmental and climate change requirements, the Group has been working towards reducing natural gas dependency and shifting to heating by electricity to achieve zero nitrogen emissions at the new facilities. In Year 2021, the construction of new facilities in Kampen, the Netherlands, have helped reduce natural gas consumption and cut nitrogen emissions to 70mg/m<sup>3</sup>. Alongside with the upgrade, the addition of pumps, engines, and ventilators in the new facilities will help improve the overall energy efficiency in the Netherlands. Going forward, Ausnutria attempts to further reduce its reliance on natural gas by moving to convert to electric heating at other production facilities.

## Strengthening Energy Management to Enhance Efficiency

Ausnutria understands the significance of energy management to low carbon transition. Committed to reducing energy consumption and enhancing energy efficiency, the Group established several energy targets in Year 2021.

The Group evaluates the energy efficiency of its production facilities on a regular basis and implements new initiatives and equipment enhancements as needed. By leveraging the use of digital technology such as 5G application, artificial intelligence, big data and blockchain, Ausnutria strives to promote energy conservation and minimise emission. In Changsha City, the PRC, a mobile application is adopted to monitor the real-time energy use of various locations, covering laboratories, manufacturing sites, warehouses and public spaces. The application alerts the personnel immediately in case of any anomalous energy consumption, allowing factory to respond promptly by making adjustments and corrections. Real-time monitoring of energy consumption data also allows the Group to better manage its energy performance and identify area for improvements.

To further enhance energy efficiency and facilitate a lower carbon operation, the Group has been investing to upgrade the facilities in its production factories. In the PRC, variable speed drives were installed in the air-conditioning systems in major factories, to enhance energy efficiency through operating the electric motors at its optimal speed while maintaining good indoor ventilation. The installation helped to conserve 10-15% of the energy consumption. In addition, the exhaust pipes of the washing machine room were upgraded to enhance ventilation and lower the demand for air conditioning. Meanwhile, in Leeuwarden, the Netherlands, 100% of its lighting devices are energy-saving LED lamps and bulbs. These measures will help reduce the energy demand of Ausnutria's operations and thereby reduce the actual energy consumption.





## Minimising Transportation to Reduce Carbon Emission

Ausnutria also attempts to cut carbon emission by shortening transportation distance of its supply. Ausnutria Netherlands collaborated with Trivium Packaging, an innovative and sustainable metal packaging company to ensure an efficient and stable supply of cans. A new can manufacturing facility in Heerenveen, the Netherlands, commenced operation in Year 2021, which now produces and delivers cans to factories in Heerenveen and Leeuwarden. After the construction of the new can factories, it helped achieve a more efficient travel route and saved a significant amount of travel distance required for can logistics, thereby reducing the associated GHG emissions.



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

## Utilising Renewable Energy

Ausnutria strives to further reduce its carbon emissions with the extensive use of renewable energy. In Year 2021, more solar panel systems were installed in the production facilities in Australia to generate renewable energy. The installation of solar panels in Australia helped save approximately 9% of average electricity consumption. Meanwhile, the Group is also exploring the feasibility to harness solar energy in its production facility in Leeuwarden, the Netherlands. Recognised the limitations of onsite generation, the Group prioritises the purchase of renewable energy over conventional options. Ausnutria Netherlands obtained certification to offset 100% of its electricity consumption through renewable energy sources. It also voluntarily purchases carbon credits to offset its direct GHG emissions from natural gas consumption.

In September 2021, the solar panel system was implemented in Ausnutria's operation building in Australia.



## KEY HIGHLIGHTS ON RENEWABLE ENERGY IN YEAR 2021

**100% of electricity consumption** for operations was offset in the Netherlands through renewable sources.

**10% of direct GHG emissions generated** was offset by voluntarily purchasing carbon credit.

**9% of total electricity consumption in Australia** was saved by solar panel system in the factories.

## SAVING WATER FOR FUTURE GENERATIONS

Ausnutria places great emphasis on water management and adopts a multi-pronged strategy to minimise water use, recycle water, and properly manage wastewater generated by its activities. To demonstrate its commitment to water conservation, the Group has established a Group-wide water target in Year 2021. Using 2019 as the base year, Ausnutria aims to:

- reduce water consumption intensity by 35% by 2025

Ausnutria's production of milk powder essentially involves wet processes. To optimise water consumption, the production facilities in Ommen, the Netherlands, adopt a closed-loop water system. Condensed water is collected during the manufacturing process and reused in other parts of the process, such as boiling and ultrafiltration. In Year 2021, the existing Clean-in-Place (CIP) sanitary cleaning system in Kampen, the Netherlands, was upgraded with solutions that enable the recovery and reuse of final rinse water for the next cleaning cycle. The replacement helps to save 10% of the water consumption on a yearly basis. In the PRC, automatic sensors for water taps are used in the factories to avoid unnecessary water consumption while condensed water in air-conditioning systems is also recycled. These measures help reduce the overall water consumption of Ausnutria's production processes.

To avoid water wastage, the Group also conducts routine equipment inspections to detect and repair water leakages from taps, pipelines, and valves in a timely and consistent manner. Water consumption data is recorded and closely monitored for future feasibility studies on water recycling and reuse solutions. Through the above measures, the Group strives to eliminate water wastage and enhance overall water efficiency to achieve its water target.

## ADOPTING A COMPREHENSIVE WASTE MANAGEMENT PLAN

The Group implemented a set of comprehensive procedures to manage waste from its inception to its final disposal to reduce the environmental implications of waste processing and disposal. In Year 2021, the Group has stepped up its effort in waste management and established 3 waste targets to guide its waste management efforts and promote Group-wide recycling. By 2025, Ausnutria aims to:

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

To support the above targets, Ausnutria continuously explores methods to divert waste from landfills. Ausnutria closely works with local licensed waste operators to collect and correctly dispose of waste according to local regulations. Furthermore, Ausnutria has equipped itself with the necessary facilities to handle waste in a more environmentally friendly way. For instance, a baling machine is used in the dairy production facility in Australia to reduce the volume of cardboards from raw material packaging. In the PRC, Ausnutria has optimised and rearranged the packaging to reduce cardboard consumption for its dairy products, thereby reducing the demand for transportation and the associated environmental impact.



Since Ausnutria's primary business involves the manufacturing of dairy products, the majority of the non-hazardous waste generated originates from the residual of milk and milk powder. In view of this, rest milk and milk powder are sold for animal feed in Australia, whereas rest milk and rest milk powder are largely converted into biomass in the Netherlands by an appointed external firm. The Group also treats hazardous waste generated during the manufacturing of its dairy and nutrition goods carefully and properly. Chemical waste is properly stored in designated sealed containers and supplied to certified third parties for disposal on a regular basis. The Group encourages all employees to practise waste separation and recycle waste at source to minimise waste generation across operations.

## DEVELOPING ENVIRONMENTALLY FRIENDLY PACKAGING MATERIALS TO PROMOTE GREEN DEVELOPMENT

Ausnutria actively responds to the national goal of Carbon Dioxide Peaking and Carbon Neutrality and practices the concept of green development. The Group vigorously promotes environmental-friendly packaging through the use of green tinplate products. It has also formulated specific principles for packaging: prevent using dichromate to reduce the generation and discharge of hazardous waste and adopt a new environmentally friendly tinplate production process to reduce energy consumption.

In Year 2021, Ausnutria commenced the production of chrome-free passivated tinplate milk powder cans, which better fulfil the requirements for national green development. The use of environmentally friendly chromium-free passivation solution can prevent the generation of toxic and harmful wastewater while the production of tinplate and tinplate products are more environmentally friendly, which both significantly reduce environmental risks associated with metal can production. In the future, the Group will continue to adhere to the above principles and strive to achieve continuous upgrade in packaging to facilitate green development and contribute to carbon neutrality.



- The kick-off ceremony for the chrome-free passivated tinplate milk powder cans manufacturing.

## ADDRESSING AND MANAGING CLIMATE RISKS WITH RESILIENCE STRATEGIES

Ausnutria recognises the consequences and related risks that climate change brought to its business activities. In Year 2021, the Group appointed a third party to perform a detailed climate risk assessment on its operations and supply chain. To identify significant climate-related risks to Ausnutria, desktop research was conducted to identify top physical and transition climate-related issues for each operating location, their likelihood and the potential impact to on Ausnutria’s operations.

The summary of the climate risks identified is as follows:

### Physical risks

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

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

### Transition risks

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

## Supply chain disruption

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

To better address the climate risks Ausnutria faces and the changes anticipated, sponge city elements were incorporated in the design of the Smart Factory in the PRC to respond to expected changes in rainfall patterns. The Group hopes to better manage the flood risks of the facility and improve its climate resilience by adopting better stormwater management. The Smart Factory applies the principles of infiltration, retention, storage, purification, reuse, and discharge. It is designed with a sunken green space, permeable pavement and a rain garden, which allows it to function as a sponge to absorb surface runoff and withstand rainstorms with a return period of one in 50 years. Such design helps Ausnutria mitigate its climate risks and enhance its preparedness for extreme weather.

To step up its efforts combatting climate change, the Group is committed to promoting the development of Green Manufacturing Industry. In Year 2021, Ausnutria attended the Inaugural Meeting and the First Member Meeting of the Hunan Green Manufacturing Industry Federation. During the meeting, Ausnutria was elected as the executive vice-chairman unit of the Hunan Green Manufacturing Industry Federation and puts forward the “Carbon Peak, Carbon Neutral” proposal together with other corporate representatives at the meeting, showing its wholehearted support for decarbonisation. Being a part of the association, Ausnutria hopes to call on more enterprises to act together and make greater contributions to the development of the green manufacturing industry.



Ausnutria’s Chairman Mr. Yan Weibin (second left) and other corporate representatives initiating the “Carbon Peak, Carbon Neutral” proposal.



# Sustainability

## Performance Table

Environmental performance				
	Unit	2020 <sup>1</sup>	2021 <sup>1</sup>	
<b>Greenhouse gas (GHG) emissions</b>				
Direct GHG emissions (scope 1) <sup>2</sup>	tonnes CO <sub>2</sub> e	16,267	16,945	
Indirect GHG emissions (scope 2) <sup>3</sup>	tonnes CO <sub>2</sub> e	4,661	4,956	
Total GHG emissions intensity <sup>4</sup>	tonnes CO <sub>2</sub> e/RMB million revenue	2.6	2.5	
<b>Waste generated</b>				
General waste	tonnes	3,748	4,038	
Rest milk	tonnes	9,710	10,669	
Rest powder	tonnes	1,746	2,366	
Non-hazardous waste intensity	tonnes/RMB million revenue	1.9	1.9	
Hazardous waste <sup>5</sup>	tonnes	6	5	
Hazardous waste intensity	tonnes/RMB million revenue	0.00072	0.00055	
<b>Waste recycled</b>				
General waste	tonnes	3,192	3,621	
Rest milk	tonnes	9,710	10,669	
Rest powder	tonnes	1,746	2,366	

<sup>1</sup> Unless otherwise stated, performance indicators of 2020 and 2021 include the Group's operations under Ausnutria China, Ausnutria Netherlands, ADP and NCP, which is consistent with the reporting scope of this report.

<sup>2</sup> 2,079 and 2,073 tonnes of GHG emissions were offset in 2020 and 2021 respectively. This was achieved through purchasing carbon credits from verified third party.

<sup>3</sup> A portion of electricity consumed was compensated through wind power in 2020 and 2021.

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

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

Environmental performance (cont'd)				
	Unit		2020 <sup>1</sup>	2021 <sup>1</sup>
<b>Energy consumption</b>				
Electricity purchased <sup>6</sup>	kWh		30,059,313	31,537,811
Natural gas consumption <sup>7</sup>	m <sup>3</sup>		10,271,735	10,646,902
	kWh		90,370,519	93,677,310
Total energy consumption	kWh		120,429,832	125,215,863
Total energy consumption intensity	kWh/RMB million revenue		15,132	14,112
<b>Water consumption</b>				
Municipal water supply	m <sup>3</sup>		426,258	407,340
Groundwater	m <sup>3</sup>		167,158	181,495
Total water consumption	m <sup>3</sup>		593,416	588,835
Total water consumption intensity	m <sup>3</sup> /RMB million revenue		75	66
<b>Major packing materials used</b>				
Paper and wood	tonnes		6,359	6,387
Tin metal	tonnes		9,170	8,728
Plastic	tonnes		2,318	2,220
Glass	tonnes		16	15

<sup>6</sup> GHG emissions from purchased electricity in the PRC, Australia and the Netherlands in this report were calculated based on factors in China's Regional Grid Average CO<sub>2</sub> Emission Factors in 2012 published by the National Centre for Climate Change Strategy and International Cooperation (<http://www.cec.org.cn/d/file/huanbao/xingyexinxi/qihoubianhua/2014-10-10/5fbc57bcd163a1059cf224b03b751d8.pdf>), Australian National Greenhouse Accounts Factors published by the Department of Industry, Science, Energy and Resources of the Australian Government and CO<sub>2</sub> mission factors published by the CO<sub>2</sub> Emissiefactoren, respectively.

<sup>7</sup> GHG emission from natural gas consumption in the PRC, Australia and the Netherlands in this report were calculated based on Requirements of the Greenhouse Gas Emission Accounting and Reporting, Australian National Greenhouse Accounts Factors published by the Department of Industry, Science, Energy and Resources of the Australian Government (<https://www.industry.gov.au/sites/default/files/2020-10/national-greenhouse-accounts-factors-2020.pdf>) and The Netherlands: List of Fuels and Standard CO<sub>2</sub> Emission Factors published by the Netherlands Enterprise Agency respectively.

Social performance				
	Unit		2020 <sup>1</sup>	2021 <sup>1</sup>
<b>Employee profile</b>				
Total workforce	no. of people		5,035	4,775
<b>Total workforce by gender</b>				
Female	no. of people		2,648	2,474
Male	no. of people		2,387	2,301
<b>Total workforce by age group</b>				
30 or under	no. of people		2,120	1,541
31 – 40	no. of people		2,252	2,273
41 – 50	no. of people		439	503
Above 50	no. of people		224	458
<b>Total workforce by position grading</b>				
Top management	no. of people		57	54
Middle management	no. of people		875	904
Other office staff	no. of people		3,292	3,048
Operational staff	no. of people		811	769
<b>Total workforce by geographic region</b>				
The PRC	no. of people		4,169	3,902
The Netherlands	no. of people		733	735
Australia	no. of people		133	138
<b>Employee turnover</b>				
Employee turnover rate	%		27.26	36.65
<b>Employee turnover rate by gender</b>				
Female	%		30.61	37.91
Male	%		23.65	35.29

Social performance (cont'd)				
	Unit		2020 <sup>1</sup>	2021 <sup>1</sup>
<b>Employee turnover rate by age group</b>				
30 or under	%		27.26	54.70
31 – 40	%		30.61	34.49
41 – 50	%		23.65	19.88
Above 50	%		27.50	5.02
<b>Employee turnover rate by geographic region</b>				
The PRC	%		30.51	42.41
The Netherlands	%		7.33	5.44
Australia	%		38.14	39.86
<b>Occupational health and safety</b>				
Lost days <sup>8</sup>	days		286	470
Lost day rate <sup>8</sup>	lost day per 200,000 work hours		6.04	9.71
Work-related fatalities	number		0	0
<b>Development and training<sup>9</sup></b>				
Percentage of employees trained	%		89	80
<b>The percentage of employees trained by gender</b>				
Female	%		92	85
Male	%		87	76
<b>The percentage of employees trained by position grading</b>				
Top management	%		81	81
Middle management	%		96	83
Other office staff	%		93	81
Operational staff	%		85	78

<sup>8</sup> As work was occasionally suspended in 2020 due to the COVID-19 pandemic, the figures of lost days and lost day rate in 2021 were relatively higher when compared with that of 2020.

<sup>9</sup> For Ausnutria China, only records training delivered by Ausnutria Academy.










Social performance (cont'd)				
	Unit		2020 <sup>1</sup>	2021 <sup>1</sup>
<b>Average training hours per employee by gender</b>				
Female	hours		34.75	37.85
Male	hours		43.82	30.70
<b>Average training hours per employee by position grading</b>				
Top management	hours		12.56	43.04
Middle management	hours		21.44	15.85
Other office staff	hours		52.66	42.15
Operational staff	hours		42.25	34.55
<b>Supply chain management</b>				
<b>Number of suppliers by geographic location<sup>10</sup></b>				
The PRC	number		59	69
The Netherlands	number		70	80
Australia	number		136	90
Other regions	number		10	9
<b>Community investment</b>				
Total amount of charitable contributions	RMB		35,016,000	22,283,000




<sup>10</sup> The Group constantly revisits the methodology to achieve higher accountability standards. For the preparation of 2021 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 2021 is not directly comparable to the performance of 2020.

# HKEx ESG Reporting Guide




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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:	
	 <i>The PRC</i> <ul style="list-style-type: none"> <li>– Environmental Protection Law of the People’s Republic of China</li> <li>– Prevention and Control of Atmospheric Pollution Law of the People’s Republic of China</li> <li>– Prevention and Control of Solid Waste Pollution Law of the People’s Republic of China</li> <li>– Prevention and Control of Water Pollution Law of the People’s Republic of China</li> </ul>	
	 <i>The Netherlands</i> <ul style="list-style-type: none"> <li>– Activities Decree</li> <li>– Environmental Management Act</li> <li>– The Soil Protection Act</li> <li>– Decree on the reporting of industrial waste and hazardous waste</li> <li>– The Water Act</li> </ul>	
	 <i>Australia</i> <ul style="list-style-type: none"> <li>– National Greenhouse and Energy Reporting Regulations 2008</li> <li>– Environment Protection (Scheduled Premises) Regulations 2017</li> </ul>	




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KPI A1.1	The types of emissions and respective emissions data.	Ausnutria relies on cleaner fuel and energy source. Therefore, the amount of air emission we generated is insignificant.	N/A
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	<a href="#">Sustainability Performance Table</a>	61
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KPI A2.3	Description of energy use efficiency initiatives and results achieved.	<a href="#">Better Environment</a>	51-56
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	<a href="#">Better Environment</a> The Group currently does not experience any issues in sourcing water.	56-57
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	<a href="#">Sustainability Performance Table</a> Total packaging material used for finished products with reference to per unit produced is not applicable as the calculation methods of production volume vary by operating location.	62

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<b>Aspect A4 Climate Change</b>		
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	– Labour Contract Law of the People’s Republic of China	
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	– Fair Work Act 2009	
KPI B1.1 Total workforce by gender, employment type, age group and geographical region.	<a href="#">Sustainability Performance Table</a>	63
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		 <i>The PRC</i> <ul style="list-style-type: none"> <li>- Work Safety Law of the People’s Republic of China</li> <li>- Prevention and Control of Occupational Diseases Law of the People’s Republic of China</li> </ul>	
		 <i>The Netherlands</i> <ul style="list-style-type: none"> <li>- Working Conditions Act</li> <li>- Employment Relations Deregulation Act</li> </ul>	
		 <i>Australia</i> <ul style="list-style-type: none"> <li>- Fair Work Act 2009</li> <li>- Occupational Health and Safety Regulations 2017</li> </ul>	
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<b>Aspect B4 Labour Standards</b>			
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KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	<a href="#">Better Nutrition</a>	47-50
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<b>Aspect B6 Product Responsibility</b>		
<i>The PRC</i>	<a href="#">🔖 2025 Sustainability Commitment</a>	4
General Disclosure	<a href="#">🔖 Better Nutrition</a>	44-46
	<p>The Group complied with relevant laws and regulations that have a significant impact on its business, including but not limited to:</p>	
	<p> <i>The PRC</i></p> <ul style="list-style-type: none"> <li>– Food Safety Law of the People’s Republic of China</li> <li>– Product Quality Law of the People’s Republic of China</li> <li>– Tort Law of the People’s Republic of China</li> <li>– Advertising Law of the People’s Republic of China</li> <li>– Regulations for the Implementation of the Law of the People’s Republic of China on Import and Export Commodity Inspection</li> </ul>	
	<p> <i>The Netherlands</i></p> <ul style="list-style-type: none"> <li>– Commission Regulation (EC) on microbiological criteria for foodstuffs</li> <li>– Commission Regulation (EC) setting maximum levels for certain contaminants in foodstuffs</li> <li>– Regulation (EC) of the European Parliament and of the Council on nutrition and health claims made on foods</li> <li>– 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</li> </ul>	
	<p> <i>Australia</i></p> <ul style="list-style-type: none"> <li>– Therapeutic Goods Act 1989</li> </ul>	

Disclosures and KPIs	Reference/Remarks	Page
<b>Aspect B6 Product Responsibility (cont'd)</b>		
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	There were no product recalls for safety and health reasons during the reporting year.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	<a href="#">Better Nutrition</a>
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	<a href="#">Better Nutrition</a>
KPI B6.4	Description of quality assurance process and recall procedures.	<a href="#">Better Nutrition</a>
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	<a href="#">Better Nutrition</a>
<b>Aspect B7 Anti-corruption</b>		
General Disclosure	<p data-bbox="1065 612 1274 633"><a href="#">About Ausnutria</a></p> <p data-bbox="1065 655 1953 715">The Group complied with relevant laws and regulations that have a significant impact on its business, including but not limited to:</p>	16
	<p data-bbox="1065 772 1194 802"> <i>The PRC</i></p> <ul data-bbox="1101 823 1759 890" style="list-style-type: none"> <li>- Criminal Law of the People’s Republic of China</li> <li>- Anti-Money Laundering Law of the People’s Republic of China</li> </ul>	
	<p data-bbox="1065 900 1274 930"> <i>The Netherlands</i></p> <ul data-bbox="1101 951 1953 1059" style="list-style-type: none"> <li>- Criminal Code of the Kingdom of Netherlands</li> <li>- Directive (EU) of the European Parliament and of the Council on combating money laundering by criminal law</li> </ul>	
	<p data-bbox="1065 1069 1194 1099"> <i>Australia</i></p> <ul data-bbox="1101 1120 1802 1147" style="list-style-type: none"> <li>- Anti-Money Laundering and Counter-Terrorism Financing Act 2006</li> </ul>	



Disclosures and KPIs	Reference/Remarks	Page	
<b>Aspect B7 Anti-corruption (cont'd)</b>			
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	No concluded legal cases regarding corrupt practices are brought against the Group and its employees In Year 2021.	N/A
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	<a href="#">About Ausnutria</a>	16
KPI B7.3	Description of anti-corruption training provided to directors and staff.	<a href="#">About Ausnutria</a>	16
<b>Community</b>			
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# Independent Assurance Opinion Statement

Statement No.:

SRA-HK 764017

## AUSNUTRIA DAIRY CORPORATION LTD SUSTAINABILITY REPORT 2021

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 2021 (the “Report”).

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

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

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



## Scope

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

1. The assurance covers environmental, social and governance (“ESG”) information in the Report, and focuses on systems and activities of Ausnutria in the People’s Republic of China, the Netherlands, and Australia, which include sourcing, producing, marketing and distributing dairy and nutrition products ranging from infant formula, toddler formula, adult formula, liquid milk to nutrition products, during the period from 1st January 2021 to 31st December 2021. 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 four reporting principles: Inclusivity, Materiality, Responsiveness and Impact. The reliability of specified sustainability performance information/data disclosed in the Report has been evaluated.

## Opinion Statement

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

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

## Methodology

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

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

## Conclusions

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

### Inclusivity

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

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

### Materiality

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

### Responsiveness

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

## Impact

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

## THE ESG Reporting Guide

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

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

## Assurance Level

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

10 May 2022



**AUSNUTRIA DAIRY CORPORATION LTD**

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1717)



Company's website

[www.ausnutria.com.hk](http://www.ausnutria.com.hk)