



SUSTAINABILITY REPORT

2018

NOURISHING LIFE & GROWTH



AUSNUTRIA DAIRY CORPORATION LTD

(Incorporated in the Cayman Islands with limited liability)

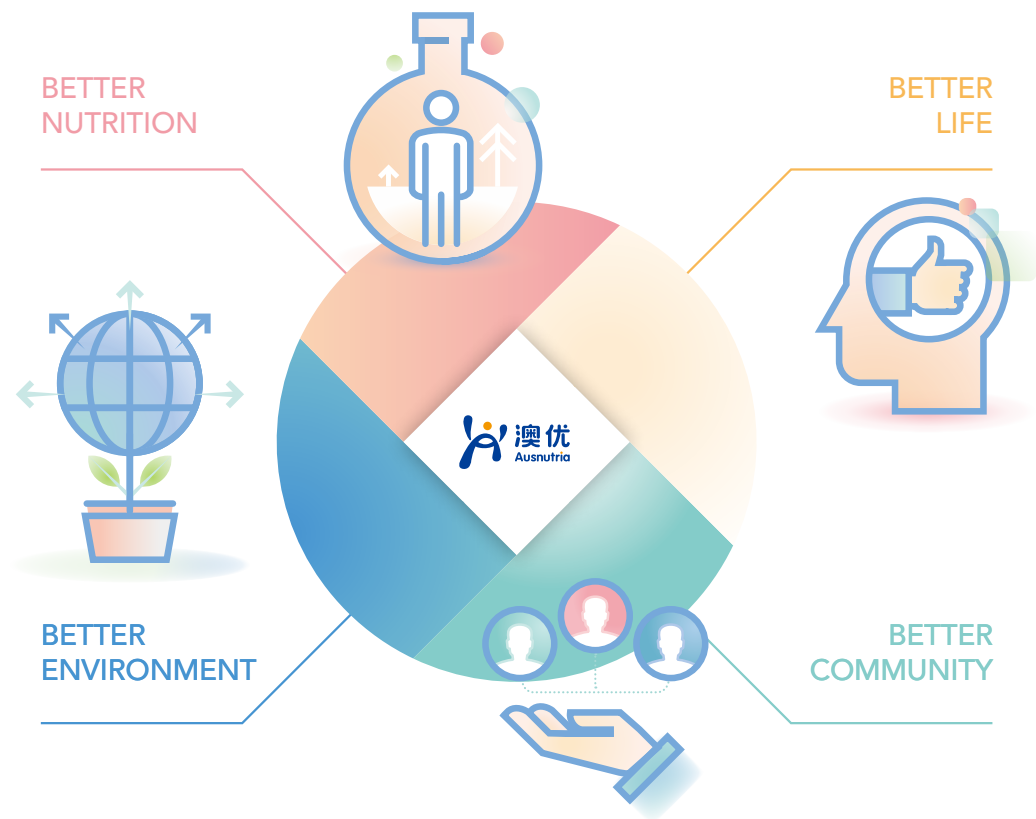
(Stock code: 1717)

AUSNUTRIA PRINCIPLES



SUSTAINABILITY VISION

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



2018 ACHIEVEMENTS



Attained a **100% pass rate**
in the monthly sampling inspection by relevant regulators
in the PRC **for the 16th consecutive year**



Received a total of
72 registered patents and
40 authorised patents



Held the **SECOND** Scientific Board Meeting —
'Nourishing our Science'

BETTER NUTRITION



Each employee received an average of
50 hours of trainings



Achieved a **male-to-female ratio** of
close to 50:50
in the Group's workforce



Lost day rate dropped
from 5.00 in 2017 **to 3.58** in 2018
(per 200,000 work hours)

BETTER LIFE





Incorporated the concept of a sponge city during the construction of the
Smart Factory to combat climate change

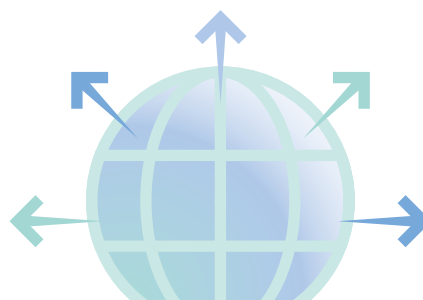


70% of the Group's goat farmers in the Netherlands support sustainable farming practices via the Durability Program of NGZO



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

BETTER ENVIRONMENT



Attained the
Annual Social Responsibility
Contribution Award
from China Business



Established the **Ausnutria U-Foundation**
to consolidate community programmes



Contributed over **RMB2 million of cash**
and **RMB15 million of** and in-kind
donation in the form of milk powder

BETTER COMMUNITY





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ABOUT THIS REPORT

Ausnutria Dairy Corporation Ltd (“Ausnutria” or the “Company”, together with its subsidiaries, the “Group”) is pleased to present its third annual standalone Sustainability Report, formerly named as the Environmental, Social and Governance Report. This report outlines the Group’s sustainability commitment, strategies and achievements in creating value with its customers, employees, business partners, the community, and for the environment. 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. (“Ausnutria China”), Ausnutria B.V. (“Ausnutria Netherlands”), Australian Dairy Park Pty Ltd. (“ADP”), and Nutrition Care Pharmaceuticals Pty Ltd (“NCP”).

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide’s requirement set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). To align with the principle of materiality, quantitative, balance and consistency, the Group has engaged with key stakeholders and its management to identify and prioritise sustainability topics that are most relevant and significant to the Group and its stakeholders.

Unless otherwise stated, the reporting period of this report covers the period from 1 January 2018 to 31 December 2018, which is aligned with the financial year.

The report is available for download on **the Group’s corporate website** and the Stock Exchange’s website. The Group welcomes your feedback and suggestions in improving this report and the overall sustainability strategy via email at info@ausnutria.com.

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 OFFICIAL WEBSITE



MESSAGE FROM THE CHAIRMAN

On behalf of the board (the “Board”) of directors (the “Directors”) of the Company, I am pleased to present the Group’s third annual Sustainability Report. This report captures the Group’s commitments and achievements over the past year in integrating sustainability and business continuity with our stakeholders for long-term value creation.

Throughout the third year of our “Golden Decade” strategic plan, the Group continues to deliver remarkable returns and has achieved a number of milestones. Ausnutria Pluto and Ausnutria Hector (collectively the “Ausnutria Heerenveen Factories”) commenced operations in the Netherlands in early 2018 and the registrations for our new factory in New Zealand and the second factory in Changsha, the PRC were under way. The Group also acquired the remaining shares in various non-wholly owned subsidiaries in the PRC, Hong Kong, Australia and the Netherlands, as well as a 50% equity interest in AJM, a Dutch entity, to expand our sales and distribution networks.

2018 also marked the next phase of our sustainability journey as the Group seeks to fully integrate sustainability into its business. We have established a group-level Sustainability Committee in this respect to support the Board in formulating and implementing sustainability strategies. We stand by our sustainability vision and for the eight selected United Nations Sustainable Development Goals that are directly relevant to the Group. We believe that with the support from our stakeholders, we can unite the efforts across the Group to achieve the newly defined sustainability pillars - Better Nutrition, Better Life, Better Environment and Better Community.

To bring Better Nutrition to our customers, we have focused our effort in the continuous refinement of product safety and quality control. Our products have attained a 100% pass rate in the monthly sampling inspection conducted by local regulators in the PRC during the year, and was named as “2017-2018 Top 100 Trusted Brand for Food Safety” as well as awarded the “Certificate of 100 Exemplary Enterprises on Quality and Integrity” in the PRC. On the other hand, our global research and development (R&D) team has expanded to over ninety professionals and entered into strategic partnerships with various universities to support product development. The second annual Scientific Board Meeting held in late 2018 concluded in great success in the Netherlands, reinforcing the scientific basis for goat milk based infant formula for the development of *Kabrita*. All these are

made possible by the close relationships we have built over the years with our customers, suppliers and business partners.



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In pursuing Better Life with our stakeholders, especially our employees, we aim to create a safe and harmonious workplace for our employees to fully reach their potential. We continuously listen to our staff through various engagement channels in our quest for improvement. We value our employees and devote great amount of efforts and resources in building our teams. We are pleased that Ausnutria University was selected as “2018 Most Excellent Corporate Universities in the PRC,” by Shanghai Jiao Tong University and was presented a “Gold Award” in the third Chinese Society for Talent Development National Learning Design Competition.

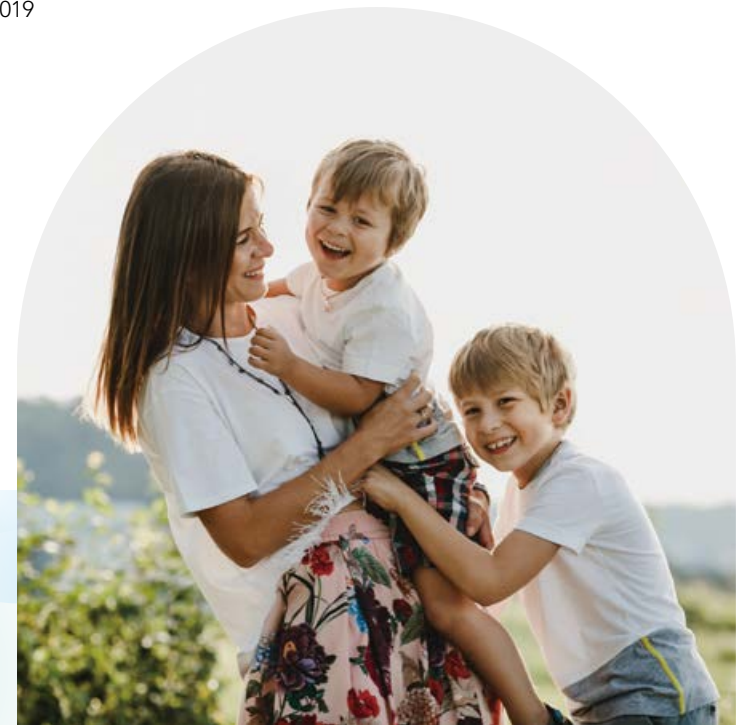
To fully integrate our commitment to build a Better Environment into our operations, our newly built Smart Factory in Changsha, the PRC, incorporated the concept of sponge city, a modern storm water management approach, to better adapt to climate change. Entering the second year of the Netherland’s Energy Efficiency Plan 2017-2020, we have rolled out multiple measures to upgrade machineries at the production facilities, in hopes to accomplish a more energy efficient production process. Additionally, we paid a premium price to purchase electricity from renewable energy sources for our operations in the Netherlands as a way to minimise our environmental impact. In the upstream of our value chain, we also partner with 70% of our goat milk suppliers in the Netherlands to participate in the Durability Program as a voluntary act to promote sustainable dairy farming practices during the year.

Upholding our belief in creating a Better Community, we continue to engage in community programs with the support from the business units of the Group in the PRC and the Group’s overseas subsidiaries. The Ausnutria U-Foundation has also been established in 2018 to advocate civic responsibility and promote social harmony and improvement. As a recognition of our efforts, the Group was bestowed the “Annual Social Responsibility Contribution Award” from China Business.

We would like to express our heartfelt gratitude for the contributions and support of our stakeholders throughout the year. Looking forward to 2019, we will continue to adhere to our sustainability commitment to create shared values with our stakeholders. We sincerely hope for a continuous cooperation with various stakeholders in advancing sustainability for a promising future of the society.

Yan Weibin
Chairman

The PRC
27 June 2019



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ABOUT AUSNUTRIA

CORPORATE PROFILE

Ausnutria is a listed company on the Stock Exchange (stock code: 1717). As one of the fast-growing companies in the industry, Ausnutria upholds its principles and works closely with its subsidiaries to create shared value with its stakeholders. The Group currently distributes products ranging from infant formula, toddler formula, adult formula, liquid milk to nutrition products in the PRC and over sixty other countries and regions.

The Group started by selling imported cow milk formula products in the PRC under the brand names of *Allnutria*, *A-choice* and *Best-Choice*. It later acquired Ausnutria B.V. (formerly the Hyproca Dairy Group) together with three factories in the Netherlands (all are wholly-owned subsidiaries of the Group now), and capitalised the opportunity in launching *Kabrita*, the Group's own-branded goat milk infant formula. Through a number of investments and acquisitions over the years, the Group continued to expand its product offerings, supply chain and sales network on a global level. In 2016, the Group further extended its business to the nutrition sector in the PRC through the sales of imported functional milk and the acquisition of a high-end nutritional business based in Australia, NCP. As at the date hereof, the Group owns ten factories in the PRC, the Netherlands, Australia and New Zealand, serving all age groups with quality products under multiple brands. Ausnutria believes that the Group is currently one of the few corporations that owns and operates an entire integrated business chain with milk sourced and produced from the golden milk zone in the world and products marketed and distributed in some of the fastest-growing markets in the world such as the PRC.



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THE GROUP'S OWN BRANDS

佳贝艾特®
kabrita

alnutria
能立多

 **hyproca**
海普诺凯

Puredo
美纳多®

 **mygood**
美优高

Eurlate®

Oz Farm®

 **Nutrition Care®**
Products you can trust

Hollisure
合力素

悠蓝®
Neolac®

淳璀
ExtraPure

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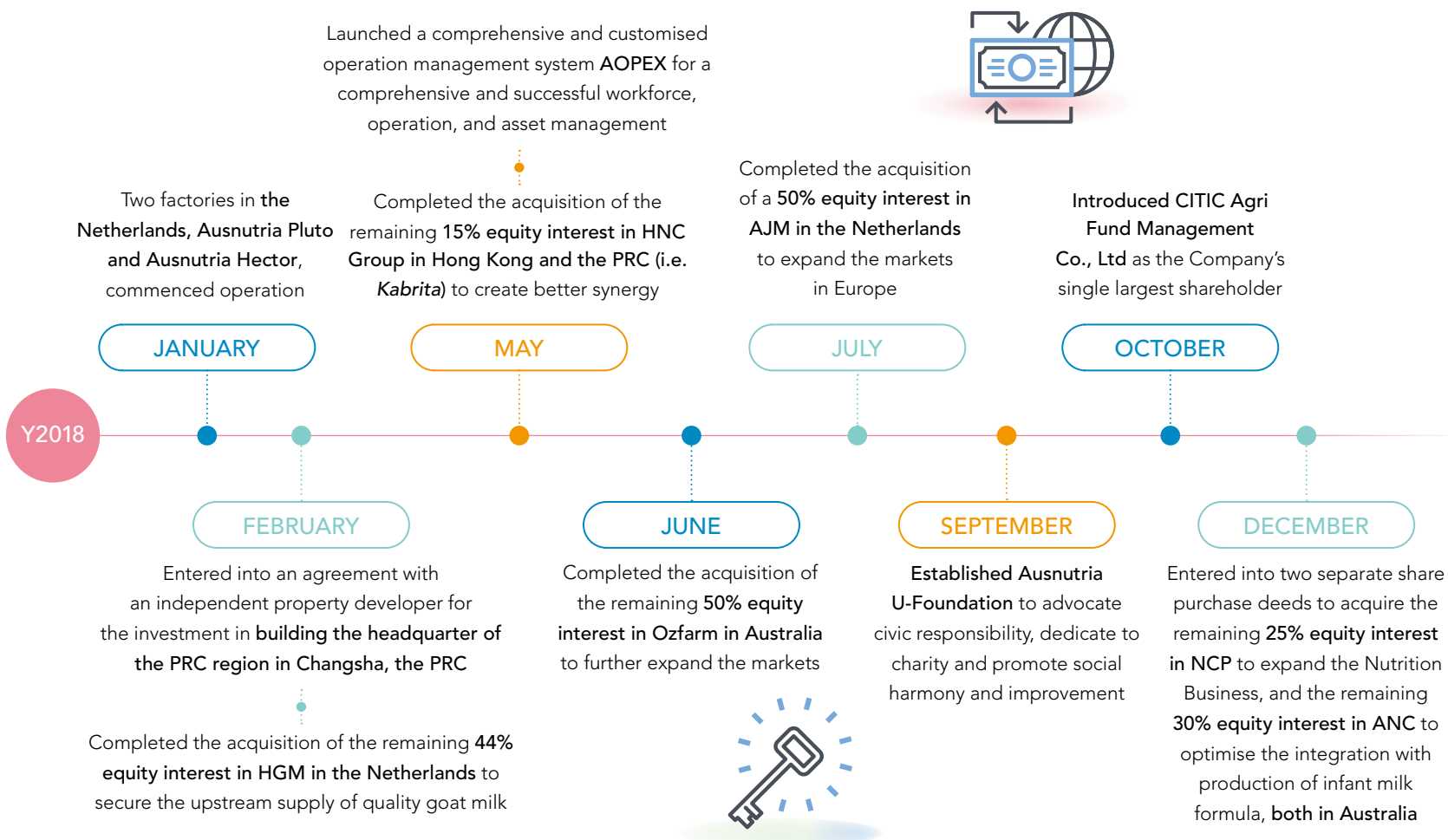
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MEMBERSHIPS

Ausnutria is mindful of its responsibilities as a fast-growing company in the dairy and nutrition industry, and actively participates in industry associations and initiatives, especially in locations where the business operations lie in. In order to achieve collaborative success, the Group communicates with the industry players not only for experience and knowledge exchange, but also mutual improvements in the sector.



nederlandse zuivel organisatie

Dutch Dairy Association

Ausnutria is one of the thirteen members in Dutch Dairy Association ("NZO") and participates in the working groups to promote knowledge sharing and continuous improvement in Dutch milk processing.



Dutch Goat Dairy Association

Ausnutria is a working group member of the Dutch Goat Dairy Association ("NGZO"), striving to promote brand image, environmental and animal welfare issues of the industry. Together with its goat milk suppliers, Ausnutria also supports the "KwaliGeit" program and Durability Program introduced by NGZO. Further details can be found in *Win-win with Business Partners*.



Sustainable Dairy Chain

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



The Association of Dutch Manufacturers of Children and Dietary Nutrition

Ausnutria is a member of the Association of Dutch Manufacturers of Children and Dietary Nutrition. The Group supports the association to represent the collective industry interests in advocating good infant formula production and marketing practices.



Association of Infant Nutritional Council

As a member of the Association of Infant Nutritional Council, Ausnutria actively participates in industry policy discussions.



China Dairy Industry Association

Ausnutria was selected as one of the vice-president units of the sixth committee of the China Dairy Industry Association to support the promotion of high standard dairy products and the development of industry reference and guidelines. The Group also provides administrative support to the association.



China Nutrition and Health Food Association

Ausnutria is a member of the board of directors of the China Nutrition and Health Food Association. The Group's chief supervisor, party secretary and chairman of the labour union in PRC region, Mr. Liu Yuehui, represents Ausnutria as the President and Secretary General of China Nutrition and Health Food Association for the Hunan Province to foster the development of the dairy industry in the PRC.



European Union Chamber of Commerce

Ausnutria joined the Paediatric Nutrition Desk of the European Union Chamber of Commerce in China as a member company in support of breastfeeding and the proper use and marketing of paediatric nutrition products in the PRC market.



Australian China Nutrition and Health Association

Ausnutria is a member of the Australia China Nutrition and Health Association where it builds partnerships with peer companies, universities, associations and not-for-profit groups to promote health and wellbeing through balanced nutrition and lifestyle choices within Australia and the PRC.



Complementary Medicines Australia

Ausnutria is a member of Complementary Medicines Australia and contributes by giving advice on industry practices and feedback on regulatory changes.

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CORPORATE GOVERNANCE

The Board is responsible for determining strategic prospecting of the Group's operations and business to ensure long-term success and safeguard the interests of its shareholders. To achieve the goals, the Board commits to achieving high standards of corporate governance within the Group.

Ausnutria has adopted stringent corporate governance practices that are in line with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules. The Directors are required to perform their duties by acting in the best interests of the Group, and regularly monitoring, reviewing and advising corporate governance policies and practices to ensure compliance under the latest developments, thus cultivating transparency, independence and integrity within Ausnutria.

Ausnutria recognises the significance of building a diverse and inclusive board for the sustainable development of the Group. The Board adopts a board diversity policy which pursues a balance of gender, age, ethnicity, educational background, professional expertise, industry experience, management function and length of service. The Board comprises nine members, including three executive Directors, three non-executive Directors and three independent non-executive Directors as at the date of this report.

For more information about Ausnutria's corporate governance policies and practices, please refer to the Corporate Governance Report section in [Ausnutria's 2018 Annual Report](#).

ANTI-CORRUPTION

Ausnutria upholds high standard of integrity by adopting the Code of Conduct and other anti-corruption initiatives to counteract corruption in the business environment. The Code of Conduct is communicated to all employees, which lists out acceptable and unacceptable behaviours, and details the handling procedures when facing conflicts of interest, bribery and corruption and integrity breaches. Any acts of non-compliance may result in verbal warning, formal warning, or other disciplinary or legal measures. Anti-fraud and whistleblowing procedures are overseen by the Board to facilitate employees in raising concerns about any possible improprieties in financial reporting, internal control or other matters in relation to business ethics principles. The procedures also help ensure that all reported cases are thoroughly investigated and enable Ausnutria to take appropriate and adequate actions.

The Board is committed to monitoring the effectiveness of such measures and ensuring all employees have observed the stated policies. Correspondingly, Internal Audit Department keeps a close eye on the financial and operational data to identify any suspected acts of corruption.



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AUSNUTRIA'S APPROACH TO SUSTAINABILITY

SUSTAINABILITY GOVERNANCE

Ausnutria believes strong sustainability governance is crucial in minimising potential impact from environmental, social and governance issues. The Board therefore has oversight of the responsibilities over the Group's sustainability, including the integration of sustainability strategies into its long-term business strategy. The Board is also responsible for evaluating and determining sustainability risks and opportunities and ensuring sustainability-related risk management and control systems are effectively in place.

The Group's governance on sustainability is further strengthened during the year to encourage a more structured integration of the sustainability efforts among subsidiaries. For instance, a group-level Sustainability Committee is established to support the Board in implementing sustainability strategies across subsidiaries. Chaired by Mr. Yan Weibin, the Chairman of the Board, Sustainability Committee is comprised of regional senior management representatives from different subsidiaries, to ensure that regional sustainability initiatives are in line with the strategic direction set by the Board. Sustainability Committee meets quarterly to discuss and report on the progress and challenges on sustainability issues to ensure all appropriate matters are effectively and timely reported to the Board for decision-making. Daily implementation of sustainability initiatives are supported by local teams, including either the Environmental, Health and Safety ("EHS") or the Health and Safety ("H&S") Committee, as well as senior management from production, product quality and human resources ("HR") departments, to ensure material sustainability issues are well managed.

With support from Sustainability Committee, the Board has formulated a sustainability vision and defined four foundation pillars as the core focus of the Group in driving sustainability – Better Nutrition, Better Life, Better Environment and Better Community. This reinforces the Group's commitment to the broader international societal goals, the United Nations Sustainable Development Goals ("SDGs") set by the United Nations General Assembly in 2015 for the year 2030, from which the Group has identified eight SDGs that are relevant to Ausnutria out of the collection of 17 goals.



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STAKEHOLDER ENGAGEMENT

The Group is dedicated to maintaining effective communications with its stakeholders, both formally and informally at every level of the business. These regular interactions allow Ausnutria to understand and respond to stakeholders' views and expectations, and identify sustainability challenges and opportunities for continuous improvement in formulating sustainability strategies and performance.

Each year, Ausnutria carries out an extensive engagement with its internal and external stakeholders focusing specially on sustainability issues. In 2018, an online survey was distributed to stakeholders of the Group to understand their perceptions on a range of sustainability issues. Over 300 responses were received from different stakeholder groups, including employees, shareholders, investors, customers, suppliers, business partners, industry partners, R&D partners, media partners and community partners. For the first time this year, Ausnutria conducted several phone interviews with investors to understand their specific considerations regarding the Group's sustainability management approach.

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Key stakeholder groups and the engagement methods

EMPLOYEES



Online communication platform
Employee engagement activities
and newsletter
Meetings
Online surveys

SHAREHOLDERS AND INVESTORS



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

CUSTOMERS



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

SUPPLIERS AND BUSINESS PARTNERS



Assessments and site visits
Online surveys
Meetings

INDUSTRY PARTNERS



Industry conferences and seminars
Online surveys
Training programs

R&D PARTNERS



Meetings
Partnerships on various research
topics
Online surveys
Conferences and seminars

MEDIA PARTNERS



Press conferences
Interviews
Online surveys

COMMUNITY PARTNERS



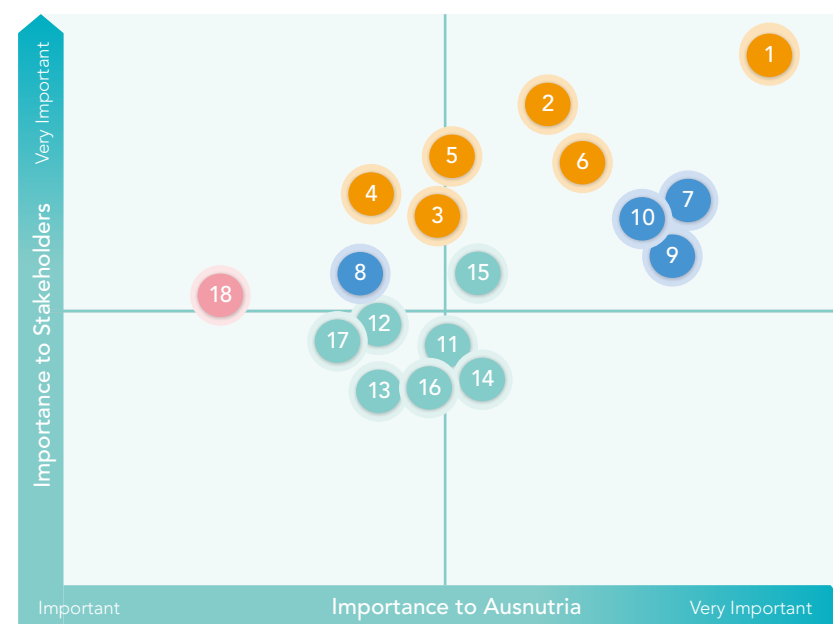
Community activities
Online surveys

MATERIALITY ASSESSMENT

The results from stakeholder engagement form the foundation for identifying and assessing the materiality of sustainability issues, thus guiding Ausnutria in making informed decisions towards sustainability.

18 sustainability issues were identified in 2018 after reviewing the latest sustainability trends in the industry, of which 17 were adopted from the list in 2017. Ausnutria believes several sustainability issues shall be consolidated in a more explicit manner to better reflect the sustainability challenges and opportunities faced by the Group. For instance, all community initiatives including “community and animal care” were integrated as one single topic under “community investment”. As for the operating practices, “food safety” and “recall mechanism” were consolidated under “product quality and food safety” to highlight Ausnutria’s commitment in ensuring the provision of quality and safe products to customers. Supplier-related issues, including “supplier diversity”, and compliance-related matters, including “anti-corruption”, “customer privacy” and “labour rights”, were grouped under “supply chain management” and “compliance” respectively. Meanwhile, “product innovation” is added to the list to reflect the Group’s support towards R&D and new technology adoption, in order to enhance production efficiency and quality standards.

The Group’s Sustainability Committee has validated and approved the results of this year’s materiality assessment as illustrated below.



Operating practices	Employment and labour practices	Environmental	Community
1 Product quality and food safety 2 Product innovation 3 Customer engagement 4 Supply chain management 5 Intellectual property rights 6 Compliance	7 Employee welfare 8 Diversity and inclusion 9 Employee health and safety 10 Training and development	11 Greenhouse gas emissions 12 Energy management 13 Water management 14 Waste management 15 Use of packaging materials 16 Natural resources 17 Environmental conservation and biodiversity	18 Community investment

WIN-WIN WITH CUSTOMERS

Ausnutria takes an active role in maintaining an effective communication with its customers to understand their needs and engage them to improve their knowledge on health and nutrition. Their interests and rights are well taken care of as the Group commits to adopting responsible marketing practices. For the greatest benefit of customers, the Group strives for an integrated production approach guided by the principle of “Seven Tiers of Protection” in pursuit of the safest and highest quality products. All the above are supported by the continuous investment in product R&D to improve and realise the potential nutritional benefits of the Group’s products.

FOSTERING AND MAINTAINING CUSTOMER RELATIONS

Ausnutria seeks to build, sustain and grow its customer relationships by promoting interactions with and among customers through different engagement programs and social platforms. This allows Ausnutria to better capture feedback from customers, and for customers to have a better knowledge on dairy and nutritional products.

Ausnutria provides standard Holland Tours in the Netherlands as an educational program to promote Dutch goat milk. The tours are open for all product distributors, aiming to demonstrate the manufacturing processes of goat milk infant formula and to share information about the Dutch goat dairy industry from a broader perspective. Ausnutria has also cooperated with Aniworld TV (金鷹卡通) to launch a TV program in the PRC called “Show Your Baby (愛寶貝曬一曬)” under *Kabrita* since 2016, with an annual episode featuring children from the PRC participating in the Holland Tour. As many customers in the PRC are unfamiliar with goat milk products, the program features *Kabrita*’s goat farms and production facilities to improve their understanding of Dutch goat milk products.



“Show Your Baby” featured *Kabrita*’s goat farms and manufacturing processes in the Netherlands

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Kabrita WeChat platform

Ausnutria makes use of online and social media platforms to reach out to its customers in the PRC and has set up public WeChat platforms under its major dairy brands including *Kabrita*, *Hyproca 1897*, *Allnutria* and *Puredo*. Mothers and mothers-to-be are gathered on the platforms where they share tips on infant care and feedback and enquiries about Ausnutria's products. Ausnutria also utilises the platforms to disseminate product information to its customers and to promote the brands' marketing activities. Ausnutria's nutritionists are involved with these online platforms to discuss and monitor information shared among members, ensuring information on the platforms is accurate and will not result in harm to other members and their children.

Apart from individual end-customers, healthcare professionals such as paediatricians and practitioners play an essential role in the value chain as they have more direct interaction with end users and often act as the bridge of communication between the Group and its customers. Ausnutria therefore proactively participates in different local and regional scientific conferences and trade fairs, for instance, the 5th International Conference on Nutrition and Growth, and the 51st Annual Meeting of the European Society for Paediatric Gastroenterology Hepatology and Nutrition (ESPGHAN), to engage healthcare professionals and share the latest research findings on infant formula products, especially on the nutritional values of goat milk.

In May 2018, a national roadshow seminar series was organised to engage health care professionals in Australia for the brand *Nutrition Care*. Guest speaker, Ms. Rachel Arthur, was invited to present on the topic of "Mastering Mental Health: New assessments and management resources in your clinic setting". A total of seven seminars were held in the major cities of Australia, attracting more than 410 healthcare professionals to the events. The participants learnt about the latest patient assessment tools and treatment methods, with case study examples for stress, anxiety and depression which they could then apply to their patients.

CASE STUDY



Educating customers on organic dairy farming

The first *Neolac* Farm Day was held in the Netherlands in May 2018. 16 blogging and vlogging young mothers were invited to visit a cow farm run by a farmer passionate about organic farming where *Neolac* is sourced. *Neolac* is a brand of Ausnutria, whose milk formula is made from 100% Dutch organic cow milk. During the visit, the farmer passionately shared his motives for organic farming and the farming practices on his farm. The farmer and the mothers also discussed about the nutritional and environmental benefits of organic milk. The mothers shared their experience and knowledge they learnt from the visit on social media platforms after the visit, helping to raise awareness on organic dairy farming practices among the public.

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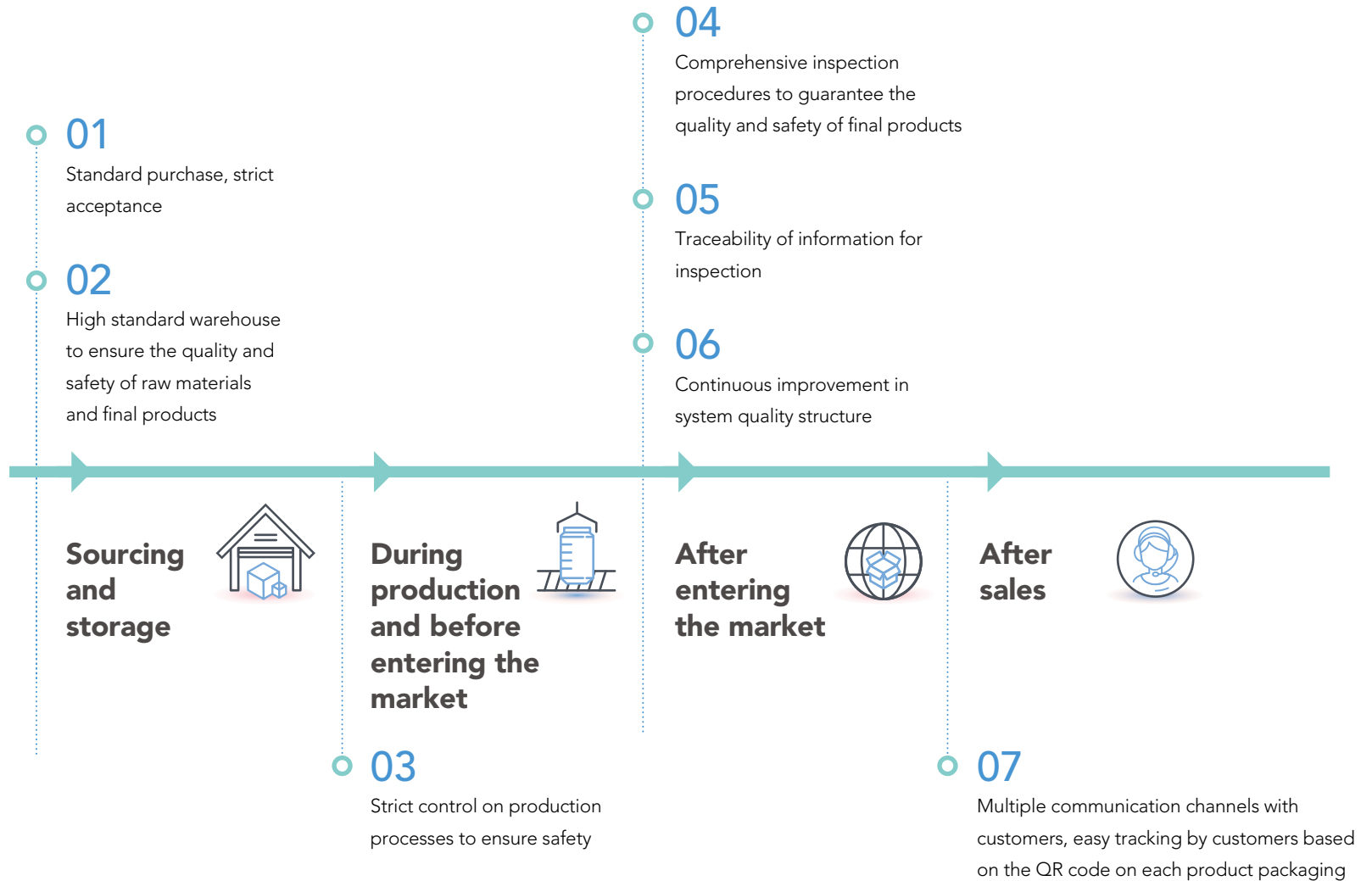


SAFEGUARDING PRODUCT SAFETY AND QUALITY

Ausnutria supplies products to some of the most vulnerable members of the society, and hence puts product safety and quality at the centre of all. Owning an entire integrated production chain, Ausnutria closely monitors the quality and safety of its dairy and nutritional products at every step from the procurement of raw materials, to the production process, and until the products are distributed to customers. Production facilities of the Group are certified with internationally accepted food safety management systems and standards, with the majority certified with FSSC 22000 Food Safety System Certification, ISO 22000 Food Safety Management System, Hazard Analysis Critical Control Point, GMP+ Good Manufacturing Practices and/or BRC Food Safety Certification, depending on local practices. The Group's commitment to safety and quality forms the basis of Ausnutria's overarching principles of "Seven Tiers of Protection", guiding the practices at all production facilities and making sure all products are compliant with legal requirements. The Group is awarded 2017-2018 Top 100 Trusted Brand for Food Safety by the Organising Committee of the China Food Safety Annual Conference and the Certificate of 100 Exemplary Enterprises on Quality and Integrity in China by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC in recognition of its product quality control practice.

Product recall procedure is in place as a guideline for subsidiaries to provide in time and appropriate responses, so as to minimise public health and safety risks. The procedure is triggered by the occurrence of customer complaints, unqualified quality check by local authorities, negative media coverage, or non-conformance identified internally that would affect products in the market. In the event of a product recall, the Group will trace back the production process and supply of raw materials to quickly and completely recall any non-conforming and unsafe products to safeguard the health of users.

SEVEN TIERS OF PROTECTION



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SOURCING AND STORAGE

Ausnutria has set up stringent standard operating procedures to guide its supplier selection and approval process, so as to monitor and ensure the stable supply and quality of raw materials. On-site audits are conducted regularly at selective production facilities of major product ingredients for both its dairy and nutritional products.

Please refer to [Win-win with Business Partners](#) for the details on supplier's selection and management.



AFTER ENTERING THE MARKET

After products entering the market, respective departments of the Group will perform random check and inspection to continuously monitor product quality. The Group has an electronic recording system to trace information regarding each batch of products, including the types of raw material used, the production processes

and logistic information. This helps to identify problems associated with the product chain easily in case of any unfavorable issues spotted during inspection or after-sales and facilitate product quality and safety evaluation process. QR codes printed on products also enhance the traceability of information, benefiting both the Group and its customers.



DURING PRODUCTION AND BEFORE ENTERING THE MARKET

All production facilities have detailed quality assurance processes in place to ensure products are in line with the desired quality and safety standards. All products are subject to both internal in-process quality control tests and final inspections, and laboratory tests are performed

on every batch of products against national and internal standards before being released to the market. External compliance checks are also required for dairy products by local regulators where the products are distributed. For the 16th consecutive year, all sampled products of Ausnutria have passed the monthly sampling inspection conducted by relevant regulators in the PRC, including the China Food and Drug Administration.



AFTER SALES

Formal channels such as dedicated email addresses and customer service hotlines are in place within each brand to collect customer feedbacks and manage customer enquiries and complaints. Feedbacks or complaints received from customers are classified into two severity tiers for further investigation and follow up by the customer

service team. Where necessary, issues are escalated internally when further advice is required. It is guaranteed that severe and general complaints are responded within 12 and 48 hours respectively. All major customer feedbacks are well documented to ensure every major issue is thoroughly reviewed and evaluated for continuous improvement. Besides, Ausnutria actively monitors and manages customer satisfaction. Its sales and customer service department in the PRC conducts yearly distributor satisfaction survey and quarterly individual customer survey through phone calls, emails and visits. Customer satisfaction rate is then analysed for further improvement.

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IMPROVING THROUGH RESEARCH AND DEVELOPMENT

R&D are key to the success of the Group. With the support of local R&D teams, Ausnutria seeks to continuously improve current products and develop next-generation products with enhanced nutritional value. As of 31 December 2018, the Group has built an extensive network of R&D teams with more than ninety professionals located in the PRC, the Netherlands, Australia, and New Zealand. During the year, Ausnutria was given the 2018 China Business Annual Innovation Award at the Fortieth Conference of the Chinese Economic Reform and Opening and the Sixth China Business Innovation Conference.

Additionally, the Group has formed strategic partnership with reputable universities, research institutions and industry partners, including but not limited to Peking University, China Agricultural University, Jiangnan University, Central South University and Hunan Agricultural University, the University of Groningen and Wageningen University & Research, the Technical University of Denmark, and the Commonwealth Scientific and Industrial Research Organisation in Australia. A number of research programs on nutrition and product development are being carried out currently, with the goal to develop next-generation dairy and nutritional products through science and innovation. A remarkable research program with CCIC Lelystad, a reliable testing lab based in the Netherlands, has revealed a key finding on goat milk composition and suitability that will support the development of *Kabrita*. The results were proudly presented in two leading paediatrics conferences, namely the ESPGHAN in Geneva and the Paediatric Academic Societies Meeting in Toronto.

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CASE STUDY

The second Scientific Board Meeting concluded with great success



A strategic Scientific Board was established in 2017 to support the R&D work in the Netherlands, consisting of well-respected scientists and professionals from all over the world. The second Scientific Board Meeting 'Nourishing Our Science' was held in November 2018. This event provided a platform for scientific authorities and eminent speakers to exchanges scientific views and opinions, to inspire for new research areas, and to further build relationships allowing intensified collaborations. In addition to the discussion on potential and current research projects on goat milk among the core members of the Scientific Board, a Key Opinion Leader workshop was added to this year's agenda specifically to understand how medical professionals and the markets they are based in perceive goat milk. The meeting's objectives of reinforcing the scientific basis for goat milk based infant formula and establishing promising and scientific-sound research programs supporting Ausnutria's objectives were met in full.

As a result of the R&D investments, the Group submitted thirteen patent applications to the PRC's National Intellectual Property Administration and thirteen academic papers in the core journals of the PRC in 2018. As of 31 December 2018, Ausnutria has received a total of 72 registered patents and 40 authorised patents (which will become registered patents upon receipt of the authorisation letter).



- Among all products, Ausnutria Augood Children Formula and "Kabrita JingYing Goat Milk Nutritional Children's Formula" are made to with more comprehensive ingredients with added nutrients that support children's brain and visual development. Both products were awarded the Excellent New Product Prize by the China Dairy Industry Association and the Chinese National Committee of International Dairy Federation.

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- To provide better nutritional options to customers, the local R&D team is researching the effectiveness and tolerability of Gut Relief in patients to further increase the versatility and flexibility of the product.

Ausnutria constantly observes and monitors the intellectual property rights of in-house R&D achievements and that within the market to promote a fair and ethical R&D environment. To this end, Ausnutria introduced an enterprise intellectual property management system and supplementary procedures that meet the legal requirements in the PRC. Intellectual property right and trademark registry for all brands are well-maintained and managed by respective departments, ensuring that all brands and logos used in product packaging are registered. Employees are also provided with a handbook so to increase their awareness on intellectual property rights.



UPHOLDING RESPONSIBLE MARKETING APPROACHES

Committed to providing the most trustworthy products to customers, Ausnutria upholds responsible marketing and communication practices. Ausnutria supports exclusive breastfeeding for the first six months of life as recommended by the World Health Organization and does not promote stage 1 (0-6 months) infant formula to customers. Also, stage 2 (6-12 months) infant formula will not be promoted in the PRC market in response to the latest regulatory requirement by the government. Branding guidelines are also in place to ensure the label design and product claims on branded products are fair and accurate to avoid any deceptive, untruthful claim, or discriminatory claim. All product packaging and labelling design and information undergo a rigorous reviewing process to ensure the product claims are truthful, accurate and consistent with guidelines of local regulators. All dairy products are subject to a final approval process as required by distributor or local brands to ensure the compliance of the local laws and regulations.

With the rapid development of information technology, Ausnutria is aware of the increasing concern of personal data privacy. Ausnutria has established customer data and privacy policy to protect the personal information of employees, business partners and customers. To prepare for the EU General Data Protection Regulation which became effective on 25 May 2018, Ausnutria has set up a working group in early 2018 to review its data privacy policy to ensure compliance with the law. Privacy statements are now included in *Kabrita's* and *Neolac's* websites to explain to business partners, customers and other users how their personal data will be processed and handled. To improve internal data security awareness, posters with information security tips and measures are distributed to employees.

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WIN-WIN WITH EMPLOYEES

Recognising the values employees have been bringing to the Group, Ausnutria devotes great amount of efforts and resources in building an outstanding team and maintaining a win-win relationship with them. As the Group's business grows, Ausnutria embraces the diverse background and unique characteristics of each employee and seeks to maximise their potential. This is achieved by treating employees with dignity and respect and providing a harmonious and healthy workplace for the wellbeing of employees.

Above all, Ausnutria strictly adheres to applicable laws and regulations regarding employment practices in its operating locations. Ausnutria prohibits the use of child and forced labour within its operational control and runs background check for job applicants to prevent such issue. In case of any contravention, management will be notified immediately and act in the best interests of the individual.

Code of Conduct and Employee Handbooks are introduced at subsidiaries to outline Ausnutria's core values, standards and expectations towards employees' daily performance of duties. Relevant policies and procedures are also established for the sake of managing issues ranging from employment relationships and training and development, to equal opportunities and non-discrimination, and occupational health and safety. The information is effectively communicated to all employees through formal channels during their early onboarding stage or whenever updated.

The Group's three-year plan on improving employment practices has been carried out smoothly, progressing well towards the goal to align with the Group's business development strategies and rapid growth. Under the plan, the Group opened up a Management Trainee Program and conducted a series of recruitment talks at universities to recruit young elites. The Group is also in the process of standardising its employee performance evaluation framework.



Newly recruited management trainees are trained to become high potential leaders under the program to support the Group in driving its business forward.

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ATTRACTING AND RETAINING TALENT

On top of all statutory requirements, the Group intends to provide employees considerable and competitive rewards in returns for their great contributions. Employees are entitled to leaves, allowances, bonus, health checks and subsidies based on their positions and year spent with Ausnutria. The Group also grants share options to selected employees or selected personnel invited by the Board as incentives and rewards for their contribution to the Company. Three batches of options have been issued as of the publication date of this report.



- NCP celebrated with employees who reached their 10th anniversary at the company, recognising their countless contributions to the development and achievement of the company.

Ausnutria understands and appreciates the importance of families, and respects the roles and responsibilities its employees hold in their families. For instance, employees at some subsidiaries are allowed to pursue flexible working arrangement to help them balance their personal and work life. On special occasions such as Children's Day, working parents are welcome to bring their children to work and enjoy a family games day.



- Employees and their children at Ausnutria's second Family Carnival



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Ausnutria also celebrated with its female employees in the PRC on International Woman's Day by organising a photography competition. Further, Ausnutria promotes mother-friendly measures including breastfeeding facilities and flexible working arrangement for mothers-in-need.

EMBRACING EMPLOYEES

The Group recognises that mutual communication is critical for creating an efficient workplace and delivering high quality of products. Thus, effective communication channels are developed and promoted across the Group, encouraging employees to share their thoughts and exchange ideas between themselves and with the Group's management.

The Workplace Communication and Consultation Policy, Communication Protocol or similar programs are rolled out at subsidiaries to outline the guidelines, rights and responsibilities for employees and management in establishing meaningful conversations within the organisation. For instance, the Group encourages employees to talk to their managers and supervisors regularly on their career and personal development. Exit interviews are also conducted in all subsidiaries to collect valuable feedback about the subsidiary from resigning employees.



CASE STUDY



- The winner of this year was awarded with cash for his suggestion to improve product logistics at one of the production facilities. Two other employees were also recognised for the originality of their ideas.

The Suggestion Box

The Suggestion Box was introduced in the Netherlands for employees to contribute ideas for the Company's improvement, hoping to encourage them to take ownership in their work and increase engagement with the Company. After nearly a year, a number of innovative ideas in varying aspects were received. A majority have already been reviewed by a committee of department representatives on the feasibility for implementation.

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Regular or one-off communication meetings and sharing sessions are organised to allow a more direct and formal discussion on job instructions, duties and satisfaction among management and employees. In the PRC, employees with outstanding performance are invited to share their experience to junior staff. Casual sharing sessions with employees from other external organisations based in the PRC are also regularly held to promote knowledge exchange and to improve relationship with local organisations at a working level.

If employees feel unfairly treated or observe any conflicts in employment relationship, they have the right to report the issue to their managers or supervisors under the guideline laid out in the Code of Conduct and Employee Handbook. All grievances are addressed in good faith in a timely manner. If the issue cannot be settled satisfactorily, it will be escalated to involve the HR department and senior management until an agreement is reached.

- Employees meet face-to-face regularly to discuss and share joint instructions, duties and satisfaction



The Group also makes use of various media to deliver information to employees periodically about its business development, policy updates, and activity invitations. For example, internal newsletters and WeChat group have been the major channels for all PRC employees to access updated information; while in the Netherlands, periodical internal newsletter and magazines, “The Formula” and “M.elk”, are published to share stories of individual employee and company updates.



FOSTERING EMPLOYEE DEVELOPMENT

Employee development has been a core focus of the Group’s HR strategy. Employees are offered with sufficient learning opportunities to unlock their full potentials. All new joiners are provided with a comprehensive induction training session during their early on-boarding stage at Ausnutria to equip them with the necessary knowledge and to facilitate their integration into the new environment. Based on the job nature and duties, corresponding on-the-job trainings are further provided as their careers progress. The Group aims to develop not only their technical knowledge, but also other transferable skills such as communication and leadership that would help employees to improve productivity and work quality.

The Group delivered close to
20,000 hours of trainings
during the year



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Established in 2015 in the PRC, Ausnutria University is a corporate university with the purpose to provide learning support and develop a culture of continuing education for Ausnutria's employees. It is Ausnutria's goal to boost staff quality, optimise organisational performance, and nurture a culture of excellence.



Over forty professional tutors are invited to deliver trainings for Ausnutria University. A series of structured trainings are offered to employees over the course of their career progressions at Ausnutria, from pre-employment and induction trainings for new joiners and trainings on business ethics for general employees, to trainings on fundamental management and marketing skills for project managers and

management trainings (MBAs and EMBA's) for middle and senior management. The Group ensures that all employees are well-equipped for further advancement within the company so as to cope with the growing demand for talent under the Group's "Golden Decade" strategy.



In 2018, Ausnutria University was selected as "2018 Most Excellent Corporate Universities in the PRC," by Shanghai Jiao Tong University and was presented a "Gold Award" in the third Chinese Society for Talent Development (CSTD) National Learning Design Competition.

In the Netherlands, Ausnutria has partnered with regional training institutions, including Van Hall in Leeuwarden, Windesheim and Landstede, to provide trainings to frontline employees on food technologies. Ausnutria also offers financial subsidies to employees who participate in external training programs.

Additionally, the Group uses formal performance reviews to evaluate employees' performance and career advancement opportunities. The reviews cover a wide range of performance indicators, closely tracked on a regular basis to continuously enhance employees' capabilities at work.

● Ausnutria University offered tailored trainings to employees throughout the year



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MAINTAINING A SAFE AND HEALTHY WORKPLACE

The Group is dedicated to ensuring its employees can work in an environment that is free from safety and health hazards and protecting them from work-related injuries and illness. Ausnutria strictly complies with local occupational health and safety (“OH&S”) laws and regulations and has adopted related policies in all its subsidiaries outlining safety standards at production factories. A health and safety committee or officer is appointed at each production facility to ensure health and safety plans are effectively implemented and to monitor health and safety performance. Periodically, external consultants are engaged to conduct detailed safety risks assessments at production facilities to improve safety performance.

Shifting to a highly automated operation environment is another way for the Group to reduce labour work, hence improved safety. All newly constructed production facilities, including the Ausnutria Heerenveen Factories, PNL Factory and Smart Factory are designed with highly automated production lines. Existing production facilities such as that in Australia have also undergone upgrades during the year to reduce manual handling processes.

Apart from undergoing formal documentation of OH&S injury cases, Ausnutria is taking a further step to conduct regular health and safety consultation and meetings, sharing the risk investigation and evaluation reports and safety accident reports with general staff in the Netherlands. It is expected to gain attention from staff on OH&S risks and existing blackspots to avoid recurrence of similar incidents. To cultivate a deep-rooted consciousness of work safety, Ausnutria delivers regular OH&S trainings to employees on both general workplace hazards and duty-specific



PNL Factory

risks, covering topics from first-aid to electrical installation. Ausnutria Netherlands is currently working to develop an online training platform targeted for health and safety for its frontline employees, hoping to supplement regular safety trainings by providing readily accessible learning materials. Employees in Australia are also sponsored to participate in external events such as the “Melbourne Health and Safety Month Conference 2018”, providing them an opportunity to learn from external OH&S experts.

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WIN-WIN WITH BUSINESS PARTNERS

Ausnutria works closely with its suppliers and distributors to build long-term partnerships that are mutually beneficial to all. Regarding this aim, Ausnutria has established stringent supplier selection procedures to ensure only suppliers who share the same values with the Group are engaged. Regular performance monitoring and assessments are also in place to ensure compliance and to maintain a reliable and stable supply. Further down the value chain, the Group proactively expands its sales and service network by building strategic partnerships with its distributors. Through these partnerships, Ausnutria wishes to grow together with its business partners while upholding social and environmental responsibilities.

MANAGING THE SUPPLY CHAIN

Subsidiaries of the Group have introduced corresponding procurement and suppliers monitoring procedures that cater to the differences in local context and product requirements while keeping in line with the Group's fundamental values. These procedures have set a high standard for the sourced materials, and also provided a channel for the Group to promote its sustainability commitment to suppliers.

Suppliers of raw ingredients and packaging materials are primarily assessed through a self-evaluation questionnaire. Relevant documents must be checked, in particular certifications that suppliers declared such as organic certifications and ISO 22000 food safety management standards. For raw ingredient suppliers which quality and safety are especially critical, Ausnutria conducts sample checks of the sourced materials and performs on-site audits at suppliers' premises for validation. The R&D team is usually involved to provide technical advice during the process. Regular monitoring of suppliers' performance through interviews and internal or external audits is also essential. For any inappropriate conduct identified, including environmental and social misconducts of dairy suppliers, the Group will work with them to rectify as soon as possible. During the entire process, the Group often seeks to maximise the mutual benefits of the partnership with its suppliers. Ten most critical raw materials suppliers in the Netherlands were invited in 2018 to discuss the future development plans, hoping to align the expectations of both the Group and its suppliers and secure future supply. These discussions are still ongoing, with the aim to foster long-term and sustainable partnerships.

Ausnutria is also working to engage in sustainable procurement practices and has started by including an agreement on environmental protection in all procurement contracts initiated in the PRC, which clearly states the Group's requirements on emissions, hazardous raw materials and waste management. Meanwhile, the Group is planning to incorporate ISO 14001 environmental management framework into the requirements of supplier audits in the Netherlands, so as to better understand the environmental impact of its sourced materials.



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EXCELLING WITH DAIRY SUPPLIERS

As a responsible dairy product manufacturer, Ausnutria is aware of its obligations in supporting sound and healthy development of infants and children. With a collective expectation on excellent quality, Ausnutria works together with suppliers to mitigate the risk of product deterioration and inconsistency.

While the Group has diversified the sourcing of its cow milk from various golden milk zones around the globe, the Netherlands and Australia remain major sources of its cow milk formula products. Farmel Holding B.V., an associate of Ausnutria, plays a crucial role in securing the supply of high quality cow milk from the Netherlands. The close connection with Farmel Holding B.V. also means that the Group can actively monitor the milk quality and trace back to the source of each batch of milk at any time.

To meet the growing demand of the Group's goat milk formula, *Kabrita*, Ausnutria has been working closely and building solid relationships with goat farmers in the Netherlands. These goat farmers are required to adhere to Ausnutria's internal quality requirements and to be certified by the "KwaliGeit" quality care system set up by NGZO in collaboration with the Dutch Federation of Agricultural and Horticultural Organisation. Ausnutria and its goat milk suppliers are highly recognised under the system as it takes into account the best practices in the goat milk industry and European hygiene regulatory requirements, as well as other indicators on marketing, environmental and animal care practices. Although the Group does not operate directly in an environment where animal welfare may be threatened, by participating in the "KwaliGeit" quality care system, the Group expresses its due attention on the feeding practices in farms, as well as the use of medicine in animals and their well-being and living conditions.

The Group also takes an active role in the Durability Program recently introduced by NGZO, a voluntary initiative that promotes sustainable practices among goat farms in the Netherlands. Ausnutria is one of the first companies to commit to the program by paying visits to and financially supporting its participating farmers.



70% of
Ausnutria's goat farmers
participate in the Durability Program
since its official launch in 2018



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CASE STUDY

Collaborate with goat milk farmers to switch to non-genetically modified feed



With customers' increasing interest in natural products, the Group has introduced the VLOG certificate, an abbreviation in German for food without genetic modification, as a new quality requirement to its goat milk farmers. In order to obtain a VLOG certificate, farmers are required to commit to a non-genetically modified (non-GMO) production by feeding their goats only with non-GMO feed. Such practice fits perfectly with the Group's *Kabrita* goat milk formula as an authentic and mild product. The Group is committed to paying a premium price for VLOG certified goat milk for a year to support the transition. As a result, the adoption of VLOG certificate has taken place quickly within Ausnutria's supply chain.

Over 1,000 distributors of Allnutria has participated in the Golden BIB Business School

EMBRACING THE NETWORK OF DISTRIBUTORS

Distributors have always been a critical part of the Group's value chain, as they play a key role in contributing to the continuous improvement in customer service. To support the rapid growth of the business, Ausnutria has devoted substantial resources to strengthen the capabilities of distributors through introducing professional training sessions for its distributors in the PRC, including the Golden BIB Business School, *Hyproca* Business School and *Kabrita* Business College.

Golden BIB Business School

Established in 2017, Golden BIB Business School is designed to connect its network of distributors and aims at improving their management capabilities. Following a year of success, intensive training camps on improving distributors' procurement, operating and marketing practices were introduced in 2018. Participants were also provided with an opportunity to participate in overseas study trip upon completion of the training camps.



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Hyproca Business School

Hyproca Business School was introduced in 2017 to assist the brand's distributors in becoming industry experts with sufficient knowledge in Ausnutria's products and capability in business management. Multiple training programs were launched across the PRC with great success. In conjunction, a comprehensive platform was also introduced to assist distributors in delivering trainings to their employees.



In 2018, *Hyproca Advanced Training for Partners* (海普诺凯飞鹰计划之合伙人进阶班培训) was introduced to meet the demands for personnel that master in business management and operation. The training program aims at nurturing and promoting a group of competent distributors in the region, facilitating *Hyproca* in achieving the aggressive goal of RMB2.5 billion revenue by 2020.



Kabrita Business College

Kabrita Business College was founded in 2017 with over 100 lecturers, hoping to empower its distributors through collaboration and education. The platform strives to create a customer-centric culture within the industry, realising shared values with its stakeholders and mutual business success.

In 2018, *Kabrita* Business College collaborated with Hunan University to hold an MBA course for the brand's strategic partners. The course aimed to broaden the horizon of the executive leaders and enhance their leadership skills by offering specific training on business management. The course also provided a platform for them to expand their social circles and facilitate idea exchange.



Additionally, to tackle the challenges of high turnover rate, rising operating cost and vigorous market competition, *Kabrita* Business College organised an Excellent Store Manager Training Camp with intensive training that aimed for improvement in sales, management and operation skills. Store managers of distributors were provided advanced yet practical methods and tools, helping them to enhance sales performance and streamline business operation and management.

FRIENDLY WITH THE ENVIRONMENT

Ausnutria is committed to creating shared value at all time and takes environmental impact into account when making each business decision. To operate in an environmentally friendly manner, the Group constantly seeks for opportunities to minimise environmental footprint arising from its upstream operations and the related manufacturing processes. To support the Group, subsidiaries spare no efforts in increasing energy and water efficiency, managing air and water discharge, reducing material consumption and waste generation, as well as cultivating environmental awareness of employees at its production facilities.

Operating rules and management procedures are introduced at subsidiaries to demonstrate a total commitment to minimising the environmental impacts associated with procurement, manufacturing and distribution processes. Guidelines on the implementation of environmental protection measures are also in place to ensure compliance with the Group's and relevant legal requirements. Taking a step further for a more systematic management of environmental issues, the Group's production facilities in Kampen, the Netherlands and Changsha City, the PRC are certified with ISO 14001 on environmental management.

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CASE STUDY

Sustainable production – Building a sponge city to adapt climate change

The construction of the Smart Factory – the production facility in Changsha City, the PRC has now substantially been completed and is currently in the registration process with the Certification and Accreditation Administration of the PRC. To better adapt to challenges brought by climate change, the Smart Factory incorporates climate resilient features in its design and contributes to the transformation of Changsha into a sponge city. It was certified as a National Green Factory of the PRC, marking an important milestone in Ausnutria's journey towards sustainability.



Contiguous open green spaces naturally absorb and filter rainwater, avoid adjacent pavements from overflow in heavy downpours



Rain garden enables drainage of excessive rainwater, and at the same time beautify the area



The Smart Factory, consisting of a production line for infant and toddler formula, a warehouse, and a nutrition products technology center

During the planning stage, the Smart Factory incorporated the concept of "sponge city", a modern water management approach through the application of infiltration, retention, storage, purification, reuse and discharge principles. It is designed with sunken green space, permeable pavement and rain garden, allowing the building to function as a "sponge" to collect rainwater during heavy rain and reuse the stored rainwater when needed. This feature helps to resolve drainage problems in the neighbourhood and to enhance flood control in nearby areas, thus creating a greater resilience to climate change and natural disasters such as heavy rainstorms and rising sea levels. The Smart Factory is designed to withstand rainstorms with a return period of one in 50 years.

Sunken green spaces retains rainwater and reduces rainwater runoff

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OPTIMISING ENERGY CONSUMPTION TO MINIMISE EMISSIONS

Ausnutria adopts robust energy and emissions management to alleviate the environmental impacts derived from its production facilities. Energy saving measures are introduced in all subsidiaries' production facilities with energy intensive equipment and facilities. Heating, ventilation and air conditioning, boiler systems and lightings are regularly inspected, maintained, isolated and replaced to ensure they are in their best condition with no extra energy being consumed.

Production facilities built in recent years are designed to achieve low carbon emission. Completed in 2017, the Ausnutria Heerenveen Factories in the Netherlands are equipped with energy efficient technologies and modern production processes that reduce reliance on energy. For instance, both factories are designed with advanced gravity process technology that reduces energy consumption due to movement of semi-finished products. Thermal energy storage is also used for heating and cooling the building, reducing the use of an estimation of over 90% of natural gas. Going forward, the Ausnutria Heerenveen Factories will investigate the feasibility to install solar panels on the rooftop to support sustainable energy. At the Smart Factory in the PRC, various initiatives are adopted to maximise energy efficiency. Apart from energy-saving LED lamps, the building also incorporated the concept of skylights by allowing natural daylighting to penetrate from the rooftop, which not only reduces energy consumption caused by lightings, but also provides a more comfortable working environment to employees.

Ausnutria continuously seeks opportunities to further optimise energy consumption. The production facilities in Ommen, Kampen and Leeuwarden in the Netherlands introduced the Energy Efficiency Plan 2017-2020 (the "Energy Plan") with clear objectives and action plans to realise the dairy industry requirement of 8% energy consumption reduction by 2020, using 2017 as baseline. Through audits and researches, opportunities to optimise production processes and upgrade machinery and equipment are identified.

Detailed plans are then developed for the implementation of energy saving initiatives. Adopting the plan-do-check-act approach, energy consumption is closely monitored and analysed at least against the implemented measures, ensuring that the progress of the Energy Plan is on track.



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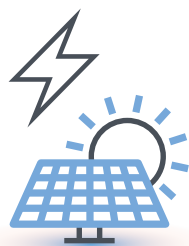
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The Energy Plan progressed as planned in the second year with multiple measures being rolled out at the production facilities, especially in Ommen and Kampen. Investments are made to upgrade existing machineries to further enhance energy efficiency. Extra piping isolations were realised during the year to reduce energy loss from boilers, and the majority of existing rotating pumps were replaced with newer, more efficient pumps, saving an average of 3% energy per pump. A new recuperator was also replaced in one of the drying towers to complete the heat recovery system improvement plan, aiming to save gas consumption. Meanwhile, the production facility in Kampen is exploring a better route to transport the materials to optimise energy use and process efficiency. Additionally, Kampen has gathered data of its production process to determine the optimal production capacity against energy usage, with the aim of maximising efficiency while maintaining optimum amount of product outputs.

To minimise greenhouse gas emissions, Ausnutria prioritises the use of renewable energy sources whenever possible. For instance, the production facility for dairy products in Australia has installed solar panels to increase the use of sustainable solar energy in recent year. On the other hand, the Group's operations in the Netherlands purchase electricity only from renewables. It partners with a Dutch company and regularly purchases carbon credits for investments in sustainable energy projects around the world compensate any remaining carbon emissions.



PREVENTING WASTE AND MANAGING MATERIALS

Ausnutria understands that waste generation is inevitable in its production process. Hence, it seeks ways to minimise the associated environmental impacts by preventing waste generation and adopting proper waste management practices when waste is generated. For instance, Ausnutria advocates waste separation and recycling practices and appoints local licensed waste operators to collect waste in accordance with local legal requirements for disposal or further handling. Ausnutria has also been seeking alternative waste handling methods to divert waste from landfills, for example to sell the rest milk for animal food in Australia or to appoint an external company to convert the rest milk and rest milk powder into biogas in the Netherlands.

Production facilities are equipped with necessary hardware to facilitate waste handling and minimisation processes. For example, the dairy production facility in Australia has a baling machine to compress cardboards from raw material packaging into compact bales for easy storage and transportation to recycling sites.

The Group also recognises that all packaging materials for its products come from natural resources, and will eventually become waste at the end of their life cycles. Ausnutria, therefore, seeks to minimise packaging materials consumption at source by improving packaging designs and using materials with lesser environmental impact such as recyclable materials. In the PRC, testing to remove the inner coating of tin cans and the laser film on paper boxes for holding formula products has been carried out. Such improvement to the designs will reduce the amount of materials needed for packaging.

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CONSERVING WATER FOR THE FUTURE

For the benefit of the ecosystems, Ausnutria strives to conserve and protect water resources by taking a multi-pronged approach that comprises water saving measures, water reclamation initiatives, and effective effluent management.

For factories in the Netherlands with wet processes, the Group aims to achieve a closed production loop where water is used at its optimal level. Regular inspections on machinery are carried out to ensure water leakages from taps, pipes and valves are promptly identified and fixed. Water consumption records are also closely monitored, allowing the Group to capture water recycling and reuse opportunities. In the production facilities in Ommen, for example, condensed water generated during the production process is being reused in other parts of the production such as in the boilers and in the ultrafiltration process. The plan has been fully implemented during the year, aiming to reduce a considerable amount of water usage.

As a responsible company, Ausnutria works to minimise the impacts of its effluent and ensures that wastewater discharge in all facilities is in compliance with the local government regulations. For instance, wastewater is treated to meet the local effluent discharge quality standards before being released into municipal sewage pipes or coastal water. Water monitoring systems are established in designated discharge points to monitor the key effluent quality parameters and ensure the requirements are met. In the production facilities in Ommen and Kampen in the Netherlands, daily and yearly targets on the amount, pH, temperature and concentration of organic compounds of effluent are established to better monitor and control wastewater discharge.



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Ausnutria recognises its responsibilities beyond profit and strives to promote good health and well-being for all at all ages, specifically those who are unable to afford or have no access to high-quality and nutritious dairy and healthcare products. This is made possible under the support of the Group and the collaborative efforts of various business units of the Company in the PRC and the Group's overseas subsidiaries, enabling Ausnutria to capitalise on its in-house expertise and resources to deliver innovative community programs and create social impacts. Such attainment has won the Group the Annual Social Responsibility Contribution Award from China Business Journal.

In September 2018, the Group established the Ausnutria U-Foundation to advocate civic responsibility and promote social harmony and improvement in a consolidated approach. Through financial assistance and in-kind donations, the foundation targets individuals and organisations that work on poverty alleviation, disaster relief and public health and nutrition.

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Over RMB2 million
of cash donation



Over RMB15 million
of in-kind donation in the form
of milk powder



The Group sponsored the film Zhengzheng's World (正正的世界), calling for attention for children who live in poor villages in the PRC and were left behind at home while their parents move to cities to make a living.



Supporting families through *KABRITA* U Love Plan

Kabrita U Love Plan was launched in 2013 as one of the Group's core community investment programs to support needed families in the PRC, spreading the message of love that echoes the euphony of the name *Kabrita* in Mandarin. Upholding the belief that every child should be given the chance to enjoy premium-quality goat milk, the Group joined hands with its employees, customers, distributors and industry practitioners to visit and deliver free infant formula and child supplements to underprivileged families, social welfare institutes, orphanages and rehabilitation hospitals. Over 900 events were organised over the years, spreading across 27 provinces and 265 municipalities in the PRC.



- Through engaging the community, *Kabrita* U Love Plan aims to create long-term positive impacts for all families

This year, the program also initiated a major community event in the PRC in collaboration with a volunteer group to promote the idea of safeguarding children's safety while out and about. *Kabrita* sponsored RMB100,000 to the event, successfully gathered parents and other concerned groups to bring attention to the matter. Pamphlets with guidelines to avoid losing children and relevant community handbooks were distributed at the event. A session of the event was also dedicated to show concerns and encouragement to parents that have lost their children.



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Hyproca Bio-Science BU, on behalf of Ausnutria, along with the Health Science Centre of Peking University and the Chinese Neonatal Nutrition and Health, worked together for the third year to co-organise the community program "Hello, Nutrition" (你好·營養). In the summer of 2018, the program organised a "Nutrition Dream of Shambhala" (營養築夢香巴拉) community tour and led a team of professionals and students from Peking University in an extensive intellectual exchange and charity visit to Tibet, aiming at combining social efforts to make a profound impact on Tibet's nutrition and healthcare system.

In order to enhance the overall health of mothers and infants, the team initiated a series of discussions on food nutrition and medical services with Tibet's healthcare professionals from hospitals, clinics, healthcare institution and university.

Upholding the mission of
"Focusing on Maternal and Infant Health to Create Quality Living" (專注
母嬰營養健康·締造品質生活), the program has made a remarkable
success and was granted the "Charity Practice Award 2018" (二零一八
年度公益踐行獎) in the 8th China Charity Festival (中國公益節).



Health checks were conducted for children in Shigatse Hospital (日喀則市人民醫院). Due to inadequate nutrient intake at early stage of life, many Tibetan children were found to have small body size and nutrient deficiency. Realising the challenges of insufficient healthcare staff, medical support and scientific researches in Tibet, the program determined to work on future solutions collectively through long-term community investment



The team delivered nutrition and healthcare knowledge to the students in Hope Primary School (希望小學). Leisure books and sport supplies were donated to the school, hoping that students could enrich themselves in spare time



Throughout the sessions, the team exchanged knowledge on topics like antenatal care, infant nutrition, and hands-on medical skills to combat common diseases of mothers and infants. The Tibetan team also shared about the unique approach of traditional Tibetan medicine, and enlightened a discussion on integrating innovations with old traditions

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Partnership with Royal Children's Hospital

The Group's commitment to community nutrition care is also demonstrated through the establishment of a partnership with the Royal Children's Hospital Foundation in Australia in September 2018. Apart from supporting their community fundraising days with monetary and Oz Farm formula milk sponsorship, Ausnutria will contribute regular funding to back the foundation's work on nutrition outpatient services for children with cancer from 2018 to 2020, with expected total funding of AUD138,000 over the 25-month program period.



Employee-Initiated Community Participation

Ausnutria is always proud of its employees being passionate in various kinds of community activities. To support them to further their charitable efforts, it launched a new sponsorship and donation policy in the Netherlands and allocated specific budgets for employee-initiated requests with a special focus on children. In 2018, financial support of EUR1,000 each was offered to three shortlisted charities including Vallen en Opstaan Foundation, SOS Children's Villages and Stichting Downsyndroom, Kern Friesland.

Recognising the importance of providing children with disabilities an environment where they feel at home, be themselves and develop, Vallen en Opstaan Foundation was established in 2016 by an Ausnutria's employee and his wife to provide disabled children day care. In support of its service expansion to overnight care, Ausnutria's donation was used to enhance its current facility and develop a rest and experience-oriented area for children to relax and play.



● Wilco and Petra, the founders of Vallen en Opstaan Foundation

The other two donations were provided for its employee's personal taking of an ironman triathlon for SOS Children's Villages, which aims to offer safe home for children in difficult circumstances, and a sponsorship request from a long-servicing volunteer at the Dutch Foundation for the Disabled Child (NSGK) for a matching donation for the Stichting Downsyndroom, Kern Friesland, which strives to create a social safety net for children with Down's syndrome and their parents.

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Environmental performance¹

	Unit	2017	2018
Greenhouse gas (GHG) emissions			
Direct GHG emissions (scope 1) ²	tonnes CO ₂ e	13,170	19,304
Indirect GHG emissions (scope 2)	tonnes CO ₂ e	14,955	5,217
Total GHG emissions intensity	tonnes CO ₂ e/tonnes of product produced	0.56	0.44
Waste generated			
General waste	tonnes	679 ³	3,506
Rest milk	tonnes	7,907	9,517
Rest powder	tonnes	246	866
Hazardous waste ⁴	tonnes	5	6
Waste recycled			
General waste	tonnes	571 ³	2,762
Rest milk	tonnes	7,907	9,517
Rest powder	tonnes	246	866
Energy consumption			
Electricity purchased	kWh	21,981,709	27,284,394
Natural gas consumption	m ³	7,491,289	11,297,029
Total energy consumption	Gigajoules (GJ)	322,612	456,045
Total energy consumption intensity	GJ/tonnes of product produced	6.53	7.85

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Environmental performance¹

	Unit	2017	2018
Water consumption			
Municipal water supply	m ³	442,455 ⁵	475,033
Groundwater	m ³	189,950	306,732
Total water consumption	m ³	632,405 ⁵	781,765 ⁶
Total water consumption intensity	m ³ /tonnes of product produced	12.81 ⁵	13.45
Major packaging materials used			
Paper and Wood	tonnes	2,875	3,772
Tin Metal	tonnes	6,735	9,563
Plastic	tonnes	816 ⁵	1,819
Glass	tonnes	46 ⁵	87



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Social performance

	Unit	2017	2018
Employee profile			
Total workforce	no. of people	3,060	3,817
Total workforce by employment type			
Permanent (full time)	no. of people	2,828	3,509
Permanent (part time)	no. of people	69	125
Temporary	no. of people	163	183
Total workforce by gender			
Male	no. of people	1,706	1,935
Female	no. of people	1,354	1,882
Total workforce by age group			
30 or under	no. of people	1,446	1,770
31 – 40	no. of people	1,161	1,506
41 – 50	no. of people	302	358
Above 50	no. of people	151	183
Total workforce by geographic region			
The PRC	no. of people	2,373	2,984
The Netherlands	no. of people	526	673
Australia	no. of people	161	160

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Social performance

	Unit	2017	2018
Employee turnover			
Employee turnover rate	%	35.82	35.29
Employee turnover rate by gender			
Male	%	38.22	36.27
Female	%	33.27	34.27
Employee turnover rate by age group			
30 or under	%	N/A	36.78
31 – 40	%	N/A	40.41
41 – 50	%	N/A	19.31
Above 50	%	N/A	11.83
Employee turnover rate by geographic region			
The PRC	%	38.07	40.25
The Netherlands	%	10.84	10.08
Australia	%	26.67	47.88
Occupational health and safety			
Lost days	Days	144	129
Lost day rate	Lost day per 200,000 work hours	5.00 ⁵	3.58
Work-related fatalities	Number	0	0

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Social performance

	Unit	2017	2018
Development and training ⁷			
Percentage of employees trained	%	66 ^{5, 8}	55
The percentage of employees trained by gender			
Male	%	N/A	55
Female	%	N/A	54
The percentage of employees trained by employee category			
Top management	%	N/A	95
Middle management	%	N/A	60
Other office staff	%	N/A	58
Operational staff	%	N/A	50
Average training hours per employees by gender			
Male	hours	46 ^{5, 9}	54
Female	hours	51 ^{5, 9}	51
Average training hours per employees by employee category			
Top management	hours	102 ^{5, 9}	50
Middle management	hours	116 ^{5, 9}	111
Other office staff	hours	57 ^{5, 9}	29
Operational staff	hours	5 ^{5, 9}	12

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Social performance

	Unit	2017	2018
Supply chain management			
Number of suppliers for infant formula business by geographic location			
The Netherlands	number	56	53
The PRC	number	46	28
Australia	number	13	6
Other regions	number	30	31
Number of suppliers for nutritional business by geographic location			
Australia	number	124	59
The PRC	number	16	4
Other regions	number	2	1
Community investment			
Total amount of cash donations	RMB	2,047,000	2,174,000

- ¹ Two new factories in the Netherlands were commissioned in the beginning of 2018 and the Group's overall production volume has grown during the reporting year, contributing to an increase in emission and use of resources
- ² 472 and 944 tonnes of CO₂ were offset in 2017 and 2018 respectively
- ³ General waste generation and recycling of Ausnutria China were excluded from 2017 data
- ⁴ Hazardous waste is defined according to local standards by operating locations, and includes waste machine oil, laboratory chemical waste and other industrial waste
- ⁵ The data has been adjusted to reflect actual situation
- ⁶ New machineries were installed in one of the production facilities and required a large amount of water to prepare for operation, causing an increase in the total water consumption
- ⁷ Ausnutria China only records trainings delivered by Ausnutria University
- ⁸ The percentage of employee trained was an estimation based on the number of training courses offered to employees
- ⁹ The figure excludes trainings delivered for employees based in the Netherlands

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	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	SUSTAINABILITY PERFORMANCE TABLE 47
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	SUSTAINABILITY PERFORMANCE TABLE 47
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Win-win with Customers	KPI A2.2	Water consumption in total and intensity.	SUSTAINABILITY PERFORMANCE TABLE 47
Win-win with Employees	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	FRIENDLY WITH THE ENVIRONMENT 38
Win-win with Business Partners	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	FRIENDLY WITH THE ENVIRONMENT 38 The Group currently does not experience any issues in sourcing water.
Friendly with the Environment	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	SUSTAINABILITY PERFORMANCE TABLE 47
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	 <i>The Netherlands</i> <ul style="list-style-type: none"> Collection Law SZW 	
	 <i>Australia</i> <ul style="list-style-type: none"> Fair Work Act 2009 	
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General Disclosure	<p> WIN-WIN WITH EMPLOYEES</p> <p>The Group complied with relevant laws and regulations that have a significant impact on its business, including but not limited to:</p> <ul style="list-style-type: none">  <i>The PRC</i> <ul style="list-style-type: none"> Work Safety Law of the People's Republic of China Prevention and Control of Occupational Diseases Law of the People's Republic of China  <i>The Netherlands</i> <ul style="list-style-type: none"> Working Conditions Act Employment Relations Deregulation Act  <i>Australia</i> <ul style="list-style-type: none"> Occupational Health and Safety Regulations 2017 	27
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The Group complied with relevant laws and regulations that have a significant impact on its business, including but not limited to:

The PRC

- Food Safety Law of the People's Republic of China
- Advertising Law of the People's Republic of China
- Regulations for the Implementation of the Law of the People's Republic of China on Import and Export Commodity Inspection

The Netherlands

- Commission Regulation (EC) on microbiological criteria for foodstuffs
- Commission Regulation (EC) setting maximum levels for certain contaminants in foodstuffs
- Regulation (EC) of the European Parliament and of the Council on nutrition and health claims made on foods
- Regulation (EU) of the European Parliament and of the Council as regards the specific compositional and information requirements for infant formula and follow-on formula and as regards requirements on information relating to infant and young child feeding

Australia

- Therapeutic Goods Act 1989

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KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	There were no material 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.	WIN-WIN WITH CUSTOMERS 19
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	WIN-WIN WITH CUSTOMERS 19
KPI B6.4	Description of quality assurance process and recall procedures.	WIN-WIN WITH CUSTOMERS 19
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	WIN-WIN WITH CUSTOMERS 19

Aspect B7 Anti-corruption

General Disclosure	ABOUT AUSNUTRIA 11 <p>The Group complied with relevant laws and regulations that have a significant impact on its business, including but not limited to:</p> <ul style="list-style-type: none">  <i>The PRC</i> <ul style="list-style-type: none"> Criminal Law of the People's Republic of China Anti-Money Laundering Law of the People's Republic of China  <i>The Netherlands</i> <ul style="list-style-type: none"> Criminal Code of the Kingdom of Netherlands Directive (EU) of the European Parliament and of the Council on combating money laundering by criminal law  <i>Australia</i> <ul style="list-style-type: none"> Anti-Money Laundering and Counter-Terrorism Financing Act 2006
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	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 were brought against the Group and its employees during the reporting year.
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	ABOUT AUSNUTRIA 11
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