



SUSTAINABILITY REPORT 2020



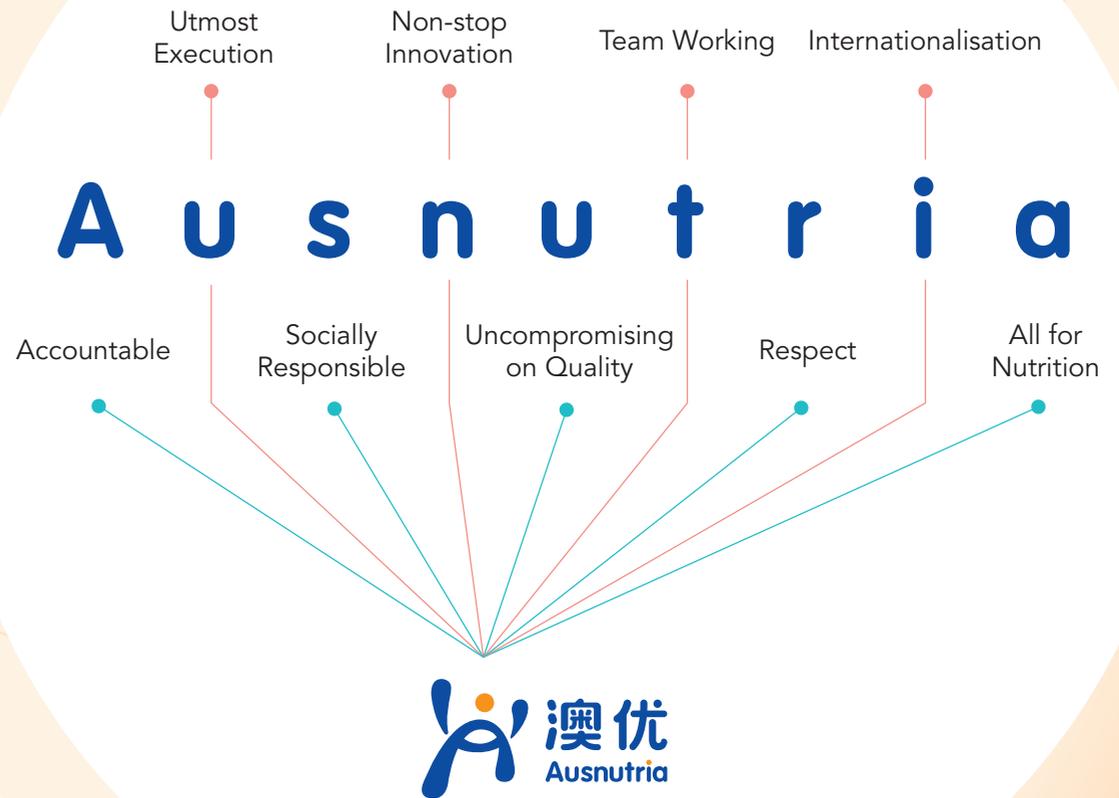
NOURISHING LIFE & GROWTH

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.

SUSTAINABILITY STRATEGY FRAMEWORK

OUR COMMITMENTS

Better Nutrition



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

Relevant UNSDGs

- 2 ZERO HUNGER
- 3 GOOD HEALTH AND WELL-BEING
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 17 PARTNERSHIPS FOR THE GOALS

Better Life



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

Relevant UNSDGs

- 3 GOOD HEALTH AND WELL-BEING
- 5 GENDER EQUALITY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 17 PARTNERSHIPS FOR THE GOALS

Better Environment



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

Relevant UNSDGs

- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 17 PARTNERSHIPS FOR THE GOALS

2020

ACHIEVEMENTS — BETTER NUTRITION

Established

Ausnutria Nutrition Institute

to collaborate with international R&D parties.

Partnered with different R&D centers across the globe under the “1 + 6” global R&D strategy plan.

Trial launched genetic test with

Ausnutria’s proprietary gene chip

to provide personalised intelligent nutrition services.

Launched the

Ausnutria Breast Milk Bank

in Central China for studying breastmilk composition.

Developed **strategic partnership** with renowned universities.

Launched new products:

- **Allnutria Mother Formula & Children Formula**
maternal mothers milk powder and children growing up milk powder.
- **Neolac Organic Mama Formula**
maternal mothers milk powder.
- **Aunulife Probiotics**
gastrointestinal nutritional products.
- **NC Seasonal Biotic & NC Flora Biotic**
adult nutritional products.
- **Ozfarm Camel Milk Powder**
nutrition milk powder for children and adults.
- **UHOPS & Holisure**
immune-boosters milk powder for children and adults.



**Better
Nutrition**
更優營養

2020

ACHIEVEMENTS — BETTER LIFE

Helped local communities in the PRC, the Netherlands and Australia through

- Tundra Rose Public Welfare Project in Tibet, the PRC and supported 2,300 families to date.
- Donation to Ronald McDonald House in the Netherlands to support sick or disabled children and their families.
- Partnering with the Royal Children's Hospital Foundation in Australia to support children's healthcare.



**Better
Life**
更優生活

Promoted healthy lifestyle via sponsorship of 2020 China Tennis Tour – Changsha (Wangcheng) Station Opens and SC Heerenveen football team in the Netherlands.

Awarded **Socially Responsible Model Enterprise** by Chinese Dairy Industry in the PRC.

Ausnutria University in the PRC was

certified as **China Corporate University Prototype** in the first batch.

recognised as one of the **top corporate universities** in the PRC 4 years in a row.

Zero reported cases of work-related fatalities.

Lost day rate dropped.
(lost day per 200,000 hours).



2020

ACHIEVEMENTS — BETTER ENVIRONMENT

Took prompt action in responding to climate change by **conducting a climate risk assessment** on the Group's operations and supply chain.

Voluntarily purchased carbon credit to **offset 11.3%** of direct GHG emissions generated.

Generated **6% renewable energy** of the total electricity consumption from solar panel systems in Australia.

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

Started the construction of new facilities in the Netherlands which will help **reduce natural gas** dependency and achieve **zero nitrogen emission.**

Adopted a **geothermal heat system** to replace the use of natural gas in one of the factories in the Netherlands.

Started the **installation of solar panel systems** in the nutrition production facility in Australia.

Awarded as the **“National Models for Green Supply Chain Management”** from the Ministry of Industry and Information Technology in the PRC.



**Better
Environment**
更優環境

2020

ACHIEVEMENTS — FIGHTING AGAINST COVID-19

Donated over

RMB78 million

of cash and in-kind (retail price) in the PRC.

Partnered with a football club in the Netherlands and donated resources to **support medical staff in the intensive care unit**

of a hospital in Heerenveen.

Donated a wide range of nutritional products to

underprivileged Australian families

through Foodbank Australia.

Awarded as the

Excellent Responsible Enterprise in Fighting Against the Pandemic

in the PRC.

Secured supply of dairy products and **maintained stable quality and price.**

Collaborated with business partners and **launched contactless delivery services**

to support customers.

Set up a

24/7 hotline for the customers

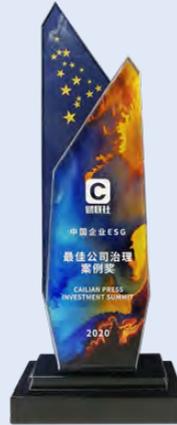
and offered consultation in the PRC.

2020

ACHIEVEMENTS — ESG & INVESTOR RELATIONS AWARDS

“Chinese Enterprise ESG Best Corporate Governance Case Award 2020”

issued by 2020 Calilan Press Investment Summit.

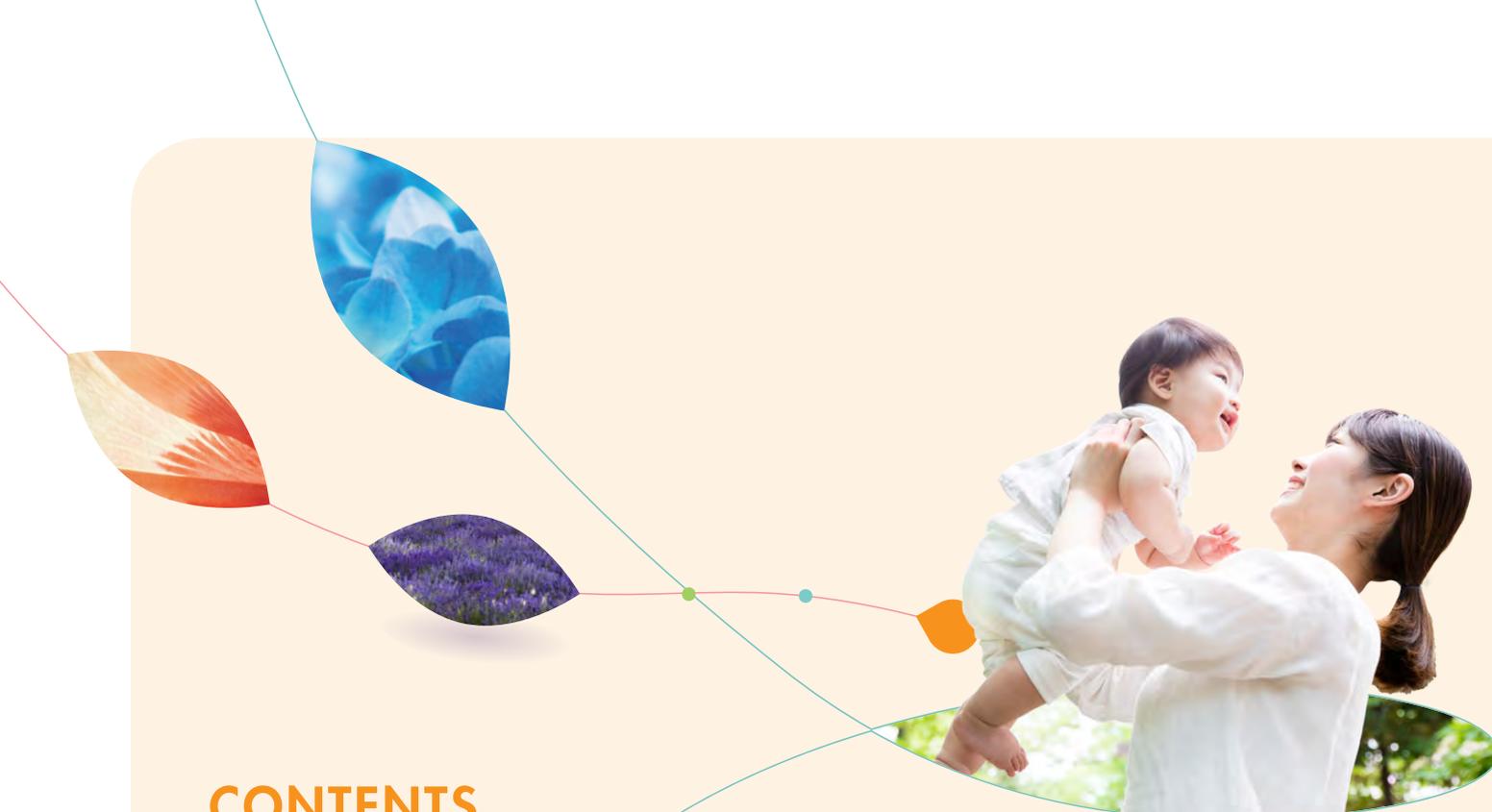


ESG rating
“A”

on the 2020 Global Trend Conference — The Forum of ESG organised by China Chengxin Green Finance Technology (Beijing) Limited (CCXGF).



The Group received an award from Institutional Investor LLC, New York, the United States in its Institutional Investor’s 2020 All-Asia Executive Team as Best IR Professionals.

A decorative graphic on the left side of the page features a series of leaves in various colors (blue, orange, purple, green) connected by thin lines. On the right side, there is a photograph of a woman in a white shirt holding a young child in a white outfit, both looking upwards. The background is a light orange gradient.

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ABOUT THIS REPORT

Ausnutria Dairy Corporation Ltd (“Ausnutria” or the “Company”, together with its subsidiaries, the “Group”) is honoured to issue its annual standalone sustainability report, covering the Group’s commitment, strategic approach and initiatives in achieving sustainable development. This report presents its collaborative efforts with stakeholders and highlights its achievements towards creating long-term shared value for the Group and its employees, shareholders, investors, customers, suppliers, business partners, the wider community and the environment.

REPORTING STANDARD

This report has been prepared in accordance with the Environmental, Social and Governance (“ESG”) Reporting Guide’s requirement set out in Appendix 27 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The reporting principles of materiality, quantitative, balance and consistency underpin the preparation of this report. The Group regularly engages with key stakeholders and its management to rank the most relevant and significant sustainability topics to the Group. In addition, this report also contains additional disclosure with reference to the revised ESG reporting guide.

REPORTING SCOPE AND PERIOD

Unless otherwise stated, this report examines the material sustainability issues of the Group during the period from 1 January 2020 to 31 December 2020 (the “Year 2020”). The content of this report covers the Group’s operations in the People’s Republic of China (the “PRC”), the Netherlands and Australia, including Ausnutria Dairy (China) Co., Ltd. and its subsidiaries (“Ausnutria China”), Ausnutria B.V. and its subsidiaries (“Ausnutria Netherlands”), 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 values your feedback and suggestions on its sustainability business practice. You can reach out to Ausnutria via email at ESG@ausnutria.com.

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MESSAGE FROM THE CHAIRMAN

I am delighted to present the Group's fifth annual sustainability report on behalf of the board (the "Board") of directors (the "Directors") of the Company. This report encapsulates the progresses we have made in integrating sustainability across our business operations and throughout our value chain during the Year 2020.

2020 was one of the most extraordinary years for many of us where COVID-19 challenged and changed the way we live. We are very grateful to all the healthcare professionals and supporting staff who have devoted themselves to keeping our communities safe. Our thoughts remain with those affected by the pandemic.

In 2020, the COVID-19 outbreak presented the global community with unprecedented challenges. Ausnutria drew on the approach of "Responding To Market Uncertainty with Firm Strategies" to innovate and advance, react diligently and move forward steadily. In support of the State Administration of Market Supervision's "Guarantee Price, Quality and Supply" initiative in the PRC, the Group took concrete actions to ensure market supply, quality and safety, as well as price stability and transparency of products. The Group's effort honourably earned the "National Models for Green Supply Chain Management" from the Ministry of Industry and Information Technology in the PRC. Confronting obstacles head-on, we continued to observe growth in our core businesses and improve in our brand awareness and reputation amid the difficult times, laying out the groundwork for post-pandemic success.

Against the backdrop of the global pandemic and the rapidly evolving sustainability landscape, the importance of sustainability integration to futureproof our business is increasing. In view of this, the Group maintains a robust governance structure to ensure sustainability strategies are effectively implemented across our business operations. Driven by our sustainability vision, we support the United Nations Sustainable Development Goals ("SDGs") with focus on three pillars – Better Nutrition, Better Life and Better Environment. During the year, we have continued to advance our sustainability strategy framework and have established specific objectives under each pillar to facilitate our business units ("BUs") in formulating relevant targets.

Built on our commitment to bring Better Nutrition to our customers, we have dedicated considerable efforts to foster innovation and offer quality nutritional products and solutions. When the Group was first established, our first aspiration was to provide Chinese infants with the nutrition of highest global standards. We continued to expand our product portfolio led by our "Golden Decade" blueprint, and successfully launched a series of probiotic, children and adult milk powder products. Internally, we continue to enhance our global production infrastructure. Constructions of our new facilities in the Netherlands and factories in Changsha City, the PRC, are currently in progress.



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To continuously meet the diverse needs of our customers, we spare no efforts in advancing our research and development (“R&D”). In Year 2020, we formed strategic partnerships with Jiangnan University to strengthen our R&D capabilities on multiple aspects. It is our privilege that Professor Chen Wei, an academician of China Engineering Academy and the president of Jiangnan University, relocated his only academician R&D station to Ausnutria. In collaboration with Central South University and Liuyang Maternity and Child Healthcare Centre, we also successfully launched the breast milk bank in central China to support our studies on breastmilk nutrition. The development of our scientific research platform was also widely recognised and approved as a “National Postdoctoral Program” and “Hunan Province Engineering Research Centre”. As we strive to solidify and broaden our customer base, the Group continues to increase our investment in actively engaging customers and strengthening our brand influence. For example, Kabrita was a major supporter and sponsor of “Sisters Riding the Winds and Breaking the Waves”, a popular variety show which increased exposure and discussion of the brand, while Hyproca 1897 appointed Mr. Lang Lang, a world-famous pianist, as its global ambassador.

Guided by our commitment to promote Better Life for communities, the Group rallied in our support to combat the adverse effects of the COVID-19 pandemic on people’s livelihoods. Since the beginning of the pandemic, Ausnutria U-Foundation, together with our subsidiaries around the world, repeatedly made batches of donations which is worth over RMB78 million in cash and in-kind (retail price) to meet the emergency needs of various communities. Leveraging our business expertise, the Group donated formula milk, nutritional and healthcare products, as well as medical supplies to the underprivileged and frontline anti-epidemic workers. In recognition of our efforts, we were bestowed the “Responsible Corporate Award in Food Industry for Fighting Against COVID-19” in the PRC. Amid the disruption inflicted by the pandemic, we continued to demonstrate our support towards those in need and received the “2020 China Commercial Corporate Social Responsibility Model Award”.

With our aspiration of “We Strive, We Achieve”, we place great emphasis on nurturing our people. In this regard, we commit to promote Better Life among our employees by providing an inclusive, respectful and rewarding working environment, as well as investing resources to sustain their professionalism. Marking the sixth year since its establishment, Ausnutria University continues to play an important role in talent development, culture-building and optimising organisational performance. In Year 2020, Ausnutria University became the first batch to be certified as “China Corporate University Prototype” award. Meanwhile, the health and safety of our employees remains our priority. Ausnutria quickly responded to the outbreak of COVID-19, established domestic and overseas epidemic prevention and control teams and formulated internal safety plans and guidelines to ensure the health conditions of employees were properly protected while maintaining daily operations.

As we strive to create a Better Environment for future generations, we are committed to mitigating the environmental impacts arising from our upstream operations and manufacturing processes. To gradually decarbonise our business operations, we optimise our energy efficiency and adopt renewable energy sources wherever possible. Aside from on-site renewable energy from solar panel systems and geothermal heat systems in factories located in Australia and the Netherlands respectively, Ausnutria Netherlands compensated all its electricity consumption through renewable energy sources. To fulfil the new high environmental and climate requirements, we are also working towards reducing natural gas dependency and shifting to heating by electricity to achieve zero nitrogen emissions at the new facilities that are currently under construction in the Netherlands. As the threats posed by climate change become alarmingly evident, the Group conducted an assessment in Year 2020 to understand the impacts on climate change along our value chain. The findings would benefit us in developing climate strategies and mitigation measures to build our climate resilience and adaptive capacity.

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Starting off as a local company, we have been gradually constructing our globalised governance system for the past 17 years which mainly revolves around strategic directions, monitoring and evaluating the effectiveness of management level, finance and audit, and information disclosure. The Group upholds “Operational Regionalisation, Suitable Centralisation” as its governance mindset and stays connected with our stakeholders around the globe through well-established partnerships. To strive for long-term success and safeguard the interests of our shareholders and other stakeholders, the Group is committed to upholding high standards of corporate governance and promotes transparency, independence and integrity within Ausnutria, while embracing diversity and inclusiveness. Our board of directors comprises nine members with different backgrounds, ethnicities, experiences and expertise, achieving a multi-cultural environment.

I would like to take this opportunity to express our highest appreciation towards our stakeholders for their continuous support in our sustainability journey, in particular during a period of challenges and uncertainties. Going forward, as the impact of COVID-19 continues to ripple across the world, we are confident that through building on our strong sustainability foundation and working hand in hand with our stakeholders, we will be able to stay ahead and thrive in the new normal of the post-pandemic future.

Yan Weibin
Chairman

The PRC
7 May 2021



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ABOUT AUSNUTRIA

CORPORATE PROFILE

Founded in Changsha City, Hunan Province, the PRC in September 2003, the Company was listed on the Stock Exchange in October 2009 (stock code: 1717), spotlighted as the first Chinese infant formula company to list in Hong Kong. Currently, the Group owns and operates an integrated business chain in the global dairy and nutrition market, from sourcing and production, to marketing and distribution.

The Group started by selling imported cow milk infant formula products in the PRC under the brand names of Allnutria, A-choice and Best-Choice. It later acquired Ausnutria B.V. and its subsidiaries (formerly the Hyproca Dairy Group) together with three factories in the Netherlands (all are now wholly-owned subsidiaries of the Group), and capitalised the opportunity of launching the Group's own-branded goat milk infant formula, Kabrita. Through a number of mergers and acquisitions over the years, the Group continued to extend its sales network and product offerings globally. In 2016, the Group acquired a high-end nutritional business based in Australia, NCP. In 2017, it further acquired a dairy production factory in Australia. As at the date hereof, Ausnutria possesses ten factories around the world, among which there are two 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.

This year, the Group continued to broaden its product portfolio and introduced various probiotic, children and adult formula milk products. Ausnutria introduced a brand new probiotic product, Aunulife Probiotic (developed by the Group and produced by Bioflag International Corporation ("Bioflag")). This broadens the Group's product offerings to its increasingly nutrition-conscious consumers and extend its nutrition business into the probiotic segment. The Group will continue to launch more sustainable and premium quality dairy and nutrition products, on its journey to realise its "Golden Decade" strategic plan set out at the end of 2015 to become a global leader in milk formula, nutrition and healthcare industry.

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澳优 Ausnutria
NOURISHING LIFE & GROWTH

MEMBERSHIPS

Ausnutria strives to contribute to the development of the dairy and nutrition industry and actively participates in numerous worldwide industry associations and voluntary initiatives. By proactively exchanging ideas with industry partners and peers, the Group advocates sustainability and promotes operational advancement.



Australia China Nutrition and Health Association ("ACNHA")

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



China Dairy Industry Association

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



China Nutrition and Health Food Association ("CNHFA")

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



Dairy Association of China ("DAC")

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



Dutch Dairy Association ("NZO")

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



Dutch Goat Dairy Association ("NGZO")

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



European Union Chamber of Commerce

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



Platform Melkgeitenhouderij (Dairy Goat Farming Platform)

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



Infant Nutritional Council ("INC")

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



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

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



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

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



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.

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CORPORATE GOVERNANCE

To strive for long-term success and safeguard the interests of its shareholders, the Board is committed to upholding 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. Being responsible for identifying strategic prospecting of the Group's business, the Board 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. In Year 2020, the Group published the new Performing Behaviour Guides for the middle to senior management in the PRC, delineating the roles and responsibilities of the management in building an effective corporate governance and corporate culture.

Ausnutria acknowledges the significance of diversity and inclusiveness for the sustainable development of the Group. The composition of the Board demonstrates a balanced ratio of gender, age, ethnicity, educational background, professional expertise, industry experience, management function and length of service. As at the date of this Report, the Board comprises nine members, including three executive Directors, three non-executive Directors and three independent non-executive Directors with different backgrounds, ethnicities, experiences and expertise, achieving a multi-cultural environment.

ANTI-CORRUPTION

The Group's integrity asserts its reputation as a trusted dairy and nutrition producer and business partner. To counteract corruption in the business environment, Ausnutria upholds high standards of integrity. It is mandatory for all employees to strictly follow and act according to the Code of Conduct, which conveys the Group's expectations on workplace conduct and behaviour in situations of conflicts of interest, bribery and corruption and integrity breaches. Regular training is also delivered to enhance employees' awareness on 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 system for employees to report to the management team when there are any suspected misconduct behaviors in relation to business ethic principles. Moreover, the Group's internal audit department verifies and keeps a close eye on financial and operational data, to identify any risks of infringement of bribery, conflicts of interest or corruption. The Board monitors the effectiveness of such procedures and ensures that appropriate and adequate actions are carried out for all reported cases.

For further information about the Group's corporate governance policies, please refer to the Corporate Governance Report section in the [Annual Report 2020](#).

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AUSNUTRIA'S APPROACH TO SUSTAINABILITY

SUSTAINABILITY GOVERNANCE

The Group adopts a robust sustainability governance structure to facilitate effective sustainability management across its operations. As the highest governance body, the Board takes leadership and responsibilities in overseeing the Group's sustainability strategy, risk management and performance, and ensuring alignment between the Group's sustainability strategies and long-term business goals. The Board also evaluates and determines the materiality of sustainability-related issues and risks to the Group, and ensures that 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 (the "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 directions for the Group's sustainability strategy and management;
- identifies, assesses and monitors the Group's sustainability risk exposure including climate-related risks;
- reviews and endorses the Group's sustainability performance and targets, and drives sustainability data accountability;
- discusses and reviews the actions taken to manage sustainability-related risks and opportunities; and
- reviews and approves the annual sustainability report.

Supporting the Sustainability Committee, regional representative(s) are appointed to form a sustainability workgroup (the "Sustainability Workgroup"), which is responsible for consolidating and streamlining the sustainability efforts of the subsidiaries. The Sustainability Workgroup facilitates the integration of sustainability strategies into the business operations by coordinating with local teams and monitoring the implementation and progress of sustainability initiatives. Meanwhile, local teams, which are either the Environmental, Health and Safety ("EHS") or the Health and Safety ("H&S") Committee, are responsible for executing sustainability initiatives in daily operations. Senior management from relevant departments including the product quality department and the human resources department also take part in the daily management of sustainability issues.



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As a demonstration of its devotion to sustainability, the Group pledges its support to the United Nations Sustainable Development Goals (“SDGs”). Ausnutria devises its sustainability strategy in alignment with the universal call for actions to end poverty, protect the planet and ensure that everyone enjoys peace and prosperity. To maximise its contribution, the Group has sharpened its focus to eight SDGs that are identified to be most closely connected to the Group’s business and sustainability strategies. These eight SDGs also correspond to the focus areas under one or more of the three pillars of the Group’s sustainability strategy: Better Nutrition, Better Life and Better Environment.



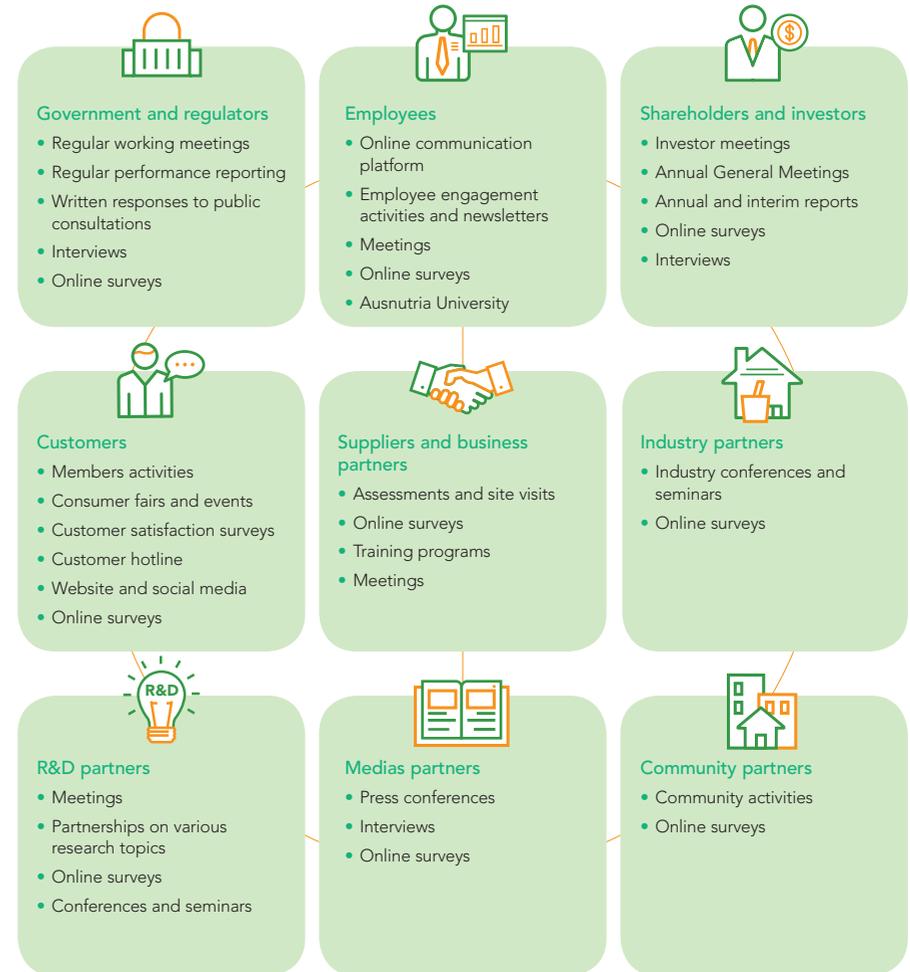
As part of the journey to support the SDGs, the Group has been formulating an enhanced sustainability strategy framework. Subsequent to the work on reviewing the sustainability strategy, identifying and consolidating focus areas under each sustainability pillar, the Sustainability Committee has established specific objectives under each focus area in Year 2020 to guide BUs to formulate relevant targets. The Group is currently collecting and reviewing the inputs from the Sustainability Workgroup, and aims to disclose its sustainability targets next year.

STAKEHOLDER ENGAGEMENT

By maintaining effective communications with stakeholders, the Group can gain a better understanding of, and respond appropriately towards, stakeholders’ feedback. The Group identifies key stakeholders as those who have a significant impact on its business, or which experience significant impacts from its operations. The Group continuously engages with its stakeholders through both formal and informal channels at all business levels. Through this approach, the Group can stay up to date with stakeholders’ views and the evolving business landscape, and identify and prepare for challenges and opportunities to further its sustainability efforts and improve its sustainability performance.

In Year 2020, 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 different 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



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MATERIALITY ASSESSMENT

The results of the stakeholder engagement survey provide the basis for identifying and assessing the materiality of sustainability issues, further 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. In Year 2020, the Group has updated the list. A total of 18 sustainability topics were identified for this year's materiality assessment exercise, of which 16 topics were adopted from the list in 2019. "Waste Management" and "Natural Resources" were consolidated into "Resources and Waste Management" to represent a holistic resources management approach. Meanwhile, in order to respond to the latest ESG Reporting Guide requirements of the Stock Exchange and international trends, "Climate Change" was added as a new issue.

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

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CONTRIBUTING TO THE COMMUNITY

Ausnutria commits to promoting health and well-being for the general public. Therefore, the Group goes beyond direct economic contribution and strives to provide all levels of the community with access to nutritious dairy and healthcare products. Leveraging its expertise and resources, the Group organises community programmes that target the underprivileged. Through the collaborative efforts of various BUs and overseas subsidiaries, Ausnutria supports the local communities in aspects including healthcare, poverty and child development.

Key Highlights in 2020

Promoted healthy lifestyle via sponsorship of 2020 China Tennis Tour – Changsha (Wangcheng) Station Opens and SC Heerenveen football team in the Netherlands.



Donated over **RMB78 million** of cash and in-kind (retail price) to fight against the pandemic.

Awarded in the PRC as

- Socially Responsible Model Enterprise
- Excellent Responsible Enterprise in Fighting Against the pandemic

Helped local communities in the PRC, the Netherlands and Australia through

- Tundra Rose Public Welfare Project in Tibet, the PRC and supported 2,300 families to date.
- Donation to Ronald McDonald House in the Netherlands to support sick or disabled children and their families.
- Partnering with the Royal Children’s Hospital Foundation in Australia to support children’s healthcare.



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AWARDS

Ausnutria's commitment in serving the community has earned recognition from the business sector. In Year 2020, the Group has received multiple awards in recognition of its contribution.



Ausnutria received the "Responsible Corporate Award in Food Industry for Fighting Against COVID-19" in the PRC.

Ausnutria was named "A Socially Responsible Model Enterprise in the Chinese Dairy Industry of the Year".



Mr. Yan Weibin, the chairman of the Company, was awarded the "Outstanding Individual in Combatting COVID-19 in the Hunan Province", recognising his efforts in leading Ausnutria and the management and take prompt actions in fighting against the pandemic.



Ausnutria was awarded the "2020 China Commercial Corporate Social Responsibility Model Award" for its outstanding contributions in community service.



Ausnutria was awarded as the "Year 2020 Socially Responsible Model Enterprise".

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THE AUSNUTRIA U-FOUNDATION

The Ausnutria U-Foundation was established to fulfil the Group's social responsibility and promote social harmony in an organised manner, with focuses on poverty alleviation, public health improvement and disaster relief. In 2019, the Group pledged to inject RMB100 million in cash or in-kind donations into the foundation in ten years. By forming partnerships with charitable parties and the academia, Ausnutria and the foundation seek to promote community investment and create impacts for community betterment.



FIGHTING AGAINST THE PANDEMIC

The Group continued to fulfil its corporate social responsibility especially during the pandemic in Year 2020. Ausnutria provided support for organisations on anti-epidemic work and the underprivileged by donating cash and various kinds of resources including anti-epidemic supplies, nutritional and healthcare products. Through these initiatives, Ausnutria hopes to leverage its resources and assist the vulnerable groups to battle against COVID-19.

Cash and In-kind Donation to Support Anti-epidemic Work

CASE STUDY

In the PRC, Ausnutria was among the earliest corporates that participated in the anti-epidemic work to contain the spread of COVID-19. Ausnutria supported various institutions and organisations such as the Red Cross Society of Hunan Province and the Changsha Huanghua International Airport Epidemic Prevention and Control Inter-agency Headquarter. Cash and in-kind donations, in the forms of formula milk, nutritional and healthcare products, as well as medical supplies, were made to assist the underprivileged, so that they can maintain their livelihood during social distancing or lockdown, and protect themselves from the virus. Ausnutria also donated Kabrita goat milk formula to show its care for the frontline anti-epidemic workers and safeguard their health by providing them with a source of nutrition.



Representative from the Changsha Huanghua International Airport Epidemic Prevention and Control Inter-agency Headquarter accepted the Kabrita Goat Milk Formula donation of RMB1 million from Ausnutria U-Foundation and Kabrita BU.

In Year 2020, Ausnutria donated RMB11 million cash and resources to the Red Cross Society of Hunan Province, the PRC.

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Donating Ausnutria's Products to Local Foodbank to Support the Underprivileged

CASE STUDY



Foodbank Australia receiving product donations from the Group.

In Australia, Ausnutria donated a wide range of nutritional products to Australian families who faced hardship under the pandemic. Products for pregnancy, kids care and aged care were donated to Foodbank Australia, the largest hunger relief charity in Australia, to help the needy individuals in the community overcome food crisis and be physically strong to overcome challenges brought by COVID-19.



OzFarm made in-kind donation to the Foodbank Australia.

Partnering with a Football Club to Support Medical Personnel

CASE STUDY



Chief Executive Officer of Ausnutria Netherlands handing over the cool packs to medical representatives.

In the Netherlands, Ausnutria organised a charitable event with its football club partner SC Heerenveen at the early stage of the pandemic. As an expression of support and gratitude, cool packs were donated to staff working in the Intensive Care Unit of a hospital in Heerenveen, to provide relief and refreshment under the stressful and hot environment when combatting the virus.

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PROVIDING HEALTH SUPPORT FOR TIBETAN FAMILY

“ Public welfare is doing little things by everyone rather than doing a lot of things by an individual. ”

Tundra Rose Public Welfare Project

The “Tundra Rose Public Welfare Project (格桑花公益行)” has been launched in Tibet for four consecutive years. Ausnutria U-Foundation and Hyproca 1897 BU collaborated with various 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 quality maternity and infant care to the poverty-stricken regions in the PRC. In Year 2020, the Shannan Maternity and Child Health Hospital has become an official partner for the programme.

Ausnutria U-Foundation utilises its resources to create an influential science learning platform in hospitals, clinics and other healthcare facilities. Through healthcare professional trainings and knowledge exchange, and supported by cash and in-kind donations, the programme aimed to nurture local maternal and child health workers and enhance quality of healthcare services. Meanwhile, nutritious diet advice was also provided to mothers and mothers-to-be in the region at occasions like charitable clinics and family visits, so as to raise

their awareness of the importance of nutrition intake for infant development, and to promote good hygiene, healthy diet and feeding habits.

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



Ausnutria U-Foundation donated RMB1 million 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.

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CARING FOR THE UNDERPRIVILEGED THROUGH KABRITA U LOVE PLAN

Kabrita U Love Plan has been one of the flagship community investment programmes of the Group to care for the underprivileged in the PRC since 2013. Lining up employees, customers, distributors and industry practitioners, Kabrita BU provides milk formula and childcare supplies for infants and toddlers from poor families and social welfare institutions to support their development.

In Year 2020, Ausnutria and Kabrita BU revamped the Kabrita U Love Plan project, namely “Chinese Cuties” (中國嬰你更美), to offer support to the China Social Welfare Foundation in a more systematic way. A total of 72,000 cans of infant formula were donated during the year.



Representative from China Social Welfare Foundation receiving a donation of 72,000 cans of infant formula from Ausnutria.

On 12 November 2020, “Chinese Cuties” donated RMB110,000 worth of milk powders to 2 schools in Lantian County, Xi’an City, the PRC.



Over the past 9 years, Kabrita U Love Plan has achieved the following:



29 provinces in the PRC with our footprint



371 regions covered



4,413 rounds of donation organised



53,530 pieces of materials donated



RMB212 million worth of cumulative donations

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GIVING CHILDREN A HELPING HAND

Ausnutria is committed to promoting the well-being of children by sponsoring fundraising project and making charitable donation.

Partnership with Healthcare Foundation For Children

CASE STUDY

In Year 2020, Ausnutria Australia partnered with The Royal Children's Hospital Foundation to support children's healthcare. The foundation provides nutrition outpatient services for children with cancer, and the donation received supports the research into solid tumours. As a major sponsor of the UooUoo art trail project, the Group helped raise funds to support the development of the patient and family care center. The Group will continue to support and promote better healthcare and better nutrition for children with diseases.



Ausnutria supported the UooUoo art trail project organised by The Royal Children's Hospital Melbourne.

Donation to Ronald McDonald House to Support Sick or Disabled Children and Their Families

CASE STUDY



Representative from Ronald McDonald House receiving donation from Ausnutria Netherlands.

In Year 2020, Ausnutria Netherlands donated to the Ronald McDonald House in Zwolle, which is a temporary home for families whose children are admitted to the hospital due to sickness or disability. With the assistance of more than 100 volunteers, parents and siblings can stay close to the children and give them support and care. Such arrangement provides strong emotional relief for all the family members, helping them to get through the difficult times.

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PROMOTING HEALTHY LIFESTYLES IN THE COMMUNITIES

Ausnutria wants to contribute to a world in which everyone has the strength to live a healthy and prosperous life. The Group engages in a series of strategic partnerships to promote healthy lifestyles while advancing its marketing strategy. Through the sponsorships, Ausnutria hopes to promote sports and raise public awareness of healthy diet and lifestyle.

Sponsorship for 2020 China Tennis Tour – Changsha (Wangcheng) Station Opens



Ausnutria was awarded the title “Sports Ambassador” in recognition of its efforts in promoting sports nationwide.

In partnership with the Chinese Tennis Association and the Chinese National Tennis Team, the Group extended its commitment as the exclusive title sponsor of the 2020 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 headquarter, via the reporting on the tournament on TV, internet and other media.



Sponsorship for SC Heerenveen football team in the Netherlands



Sponsoring the entire SC Heerenveen club including youth and women teams.

To promote brand awareness in the Netherlands and to support sports development for all groups in the province of Friesland and in particular, Heerenveen, Ausnutria Netherlands and SC Heerenveen entered into a sponsorship contract that runs through the 2021/2022 football season, covering the entire club including youth and women’s teams. Through the sponsorship, the Group seeks to support children in bringing the best out of their future. This goes beyond promoting better nutrition, but also encourages the pursuit of opportunities for personal development and healthy lifestyle.

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MAKING CHARITABLE EFFORTS COLLECTIVELY WITH EMPLOYEES

Since 2018, Ausnutria Netherlands has held the employee-led charitable initiative to motivate employees to participate in community programmes and to propose initiatives that benefit local children. Ausnutria celebrates proactivity and creativity, and will provide financial support to the selected projects for execution. Through this initiative, Ausnutria can identify and support community programmes that will respond to the needs of local populations.

In Year 2020, donations were made to the Korfbal Association Oranje Zwart for the “Korfbal Pole Project”. The project funded the elementary schools in Zwolle to install korfbal poles and guided teachers to incorporate the activity in their physical education curriculum. The introduction of the new sport facilities effectively encourages children to exercise more frequently for good health. It also provides opportunities for children to cultivate their teamwork and team spirits, thus fostering their personal development.

The Group will continue to engage its stakeholders and explore innovative projects to serve the community in the future.



Representative from Korfbal Association receiving donation from Ausnutria Netherlands.



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WIN-WIN WITH CUSTOMERS

Ausnutria makes every effort to provide customers with products that are safe and of the highest quality. The Group demonstrates its commitment to quality control at every decision and every process of its business operations. In the midst of COVID-19, the Group continued to maintain stable supply and quality of its products to safeguard customers' health in combating against the virus. Through investment in R&D, the Group seeks to explore and unlock more health potentials of its products. The Group closely connects with its customers by sharing the latest health and nutritional information and collecting their feedback on multiple communication platforms. To protect its customers' rights, responsible marketing and advertising practices and due care in protecting data privacy are exercised throughout its operations. In May 2020, the Group was honourably entitled "Product of the Year 2020" in the Gulf Region in the Middle East. The recognition encourages the Group to continue its efforts in delivering premium products.

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Key Highlights in 2020

Launched new products:

- **Allnutria Mother Formula & Children Formula**
maternal mothers milk powder and children growing up milk powder.
- **Neolac Organic Mama Formula**
maternal mothers milk powder.
- **Aunulife Probiotics**
gastrointestinal nutritional products.
- **NC Seasonal Biotic & NC Flora Biotic**
adult nutritional products.
- **Ozfarm Camel Milk Powder**
nutrition milk powder for children and adults.
- **UHOPS & Holisure**
immune-boosters milk powder for children and adults.



Trial launched genetic test with **Ausnutria's proprietary gene chip** to provide personalised intelligent nutrition services.

Established the **Ausnutria Nutrition Institute** to collaborate with international R&D parties.

Partnered with different R&D centers across the globe under the "1 + 6" global R&D strategy plan.

Launched the **Ausnutria Breast Milk Bank** in Central China for studying breastmilk composition.

Developed **strategic partnership** with renowned universities.

Stepped up its investment in the R&D of new products to **RMB181 million**.

BUILDING A CLOSER RELATIONSHIP WITH CUSTOMERS

Ausnutria constantly strives to enhance customer relationships, so as to solidify and broaden its customer base. The Group actively engages customers through various activities and interactions on social platforms. These provide effective communication channels for the Group to listen to the customers' needs and raise their awareness of scientifically proven information on dairy and nutritious products.

Social media plays an essential role in connecting the Group with its customers. In the PRC, various channels such as WeChat and Weibo are created for its major dairy brands including Kabrita, Hyproca 1897, Allnutria, Nutrition Care and Puredo. These channels serve as a major platform for the Group to promote its products and marketing activities, and, on the other hand, for parents and parents-to-be to share experience and knowledge on infant care, and raise feedback and enquiries regarding the products. Ausnutria sees its responsibility to ensure all information on these WeChat channels is reliable and accurate and poses no harm to parents and their children. The Group's professional nutritionists are therefore engaged in the management of the online platforms.



Business app of Ausnutria Dairy (China) Company Ltd

The Group constantly seeks ways to improve its customer communications. To offer personalised and exceptional experience, the Kabrita mobile app is now equipped with data analytics function, allowing the Group to leverage big data to better understand customers' needs, and customise birthday greetings and other marketing communications. With this mobile app, the Group wishes to walk along with its treasured members in the path of children's growth.

Besides, the Group recognises the important role of health professionals such as paediatricians, nutritionists and practitioners in the communications between Ausnutria and customers. They can often offer the Group insights into customers' views which they gained directly from their interactions with the end-users, and support the Group's work on building public knowledge on health and nutrition. To this end, Ausnutria actively participates in a wide range of local and regional scientific conferences and trade fairs, for example, the 7th International Conference on Nutrition and Growth and the Pregnancy, Birth & Infancy Conference of World of Microbiome were both well-received despite being held online. These industry exchange activities also provide Ausnutria with the opportunities to share with the healthcare professionals the latest research findings of infant formula products, in particular the nutritional benefits of goat milk.



Ausnutria and Kabrita were presented at the online conference World of Microbiome from 4 to 6 November 2020. The conference focused on two major topics: pregnancy, birth and infancy and digestive and metabolic health.

During the year, Kabrita has built a global digital infrastructure for its e-commerce activities. It encompasses a centralised content management system that serves all markets where Kabrita distributes products to, so as to facilitate knowledge exchange on marketing outreach and create global synergy.

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Supporting the Variety Show “Sisters Riding the Winds and Breaking the Waves” by Kabrita



Kabrita is the major sponsor of the variety show “Sisters Riding the Winds and Breaking the Waves”.

To further increase the brand awareness, Kabrita has become the major supporter and sponsor of the popular variety show “Sisters Riding the Winds and Breaking the Waves” in the PRC. The innovative content and positive attitude presented in the show matches with Kabrita’s brand image. By cooperating with the celebrities in online and offline advertising campaigns and events, the Group has achieved great success in attracting public attention and promoting the Dutch goat milk products to a wider group of potential customers.

Appointing the World-famous Pianist, Mr. Lang Lang, as the Ambassador of Hyproca 1897



To improve its brand competitiveness, Hyproca 1897 appointed Mr. Lang Lang (郎朗), a world-famous pianist, as its global ambassador and established a close connection with him through multidimensional promotions. A concert named ‘With Love and Music (《用爱成就》)’ was held in the Stadium of Hunan University of Finance and Economics in the PRC, in which 100 kids joined with Mr. Lang Lang and played in a piano ensemble. The selected kids were the top 100 contestants from a piano challenge held in 2019 by Hyproca 1897 and Mr. Lang Lang as well. Mr. Lang Lang also wrote the phenomenal world premiere of an original piano piece, namely 《致爱心声》, for Hyproca 1897.

100 kids joined with Mr. Lang Lang and played a piano ensemble at ‘With Love and Music (《用爱成就》)’ concert.



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DELIVERING SAFE AND QUALITY PRODUCTS

The health and safety of its customers are of the utmost importance to Ausnutria. The Group has established quality control principles to maintain a high standard of quality and safety for its products. These principles are embedded into the entire production chain, from raw material procurement to production process, and to product delivery. Not only do they ensure that the Group is compliant with all applicable laws and regulations, but also communicate the Group’s minimum requirements on production quality.

The outbreak of COVID-19 has brought unprecedented challenges to different industry sectors around the world. Nevertheless, Ausnutria has adopted a two-pronged approach to ensure stable product supply. To maintain the milk supply for infants, Ausnutria established an epidemic prevention and control working group to oversee the operation and production upon resuming normal business in February 2020. Besides, close communication was kept with overseas factories to coordinate the production for export to the Group’s customers. On the other hand, the Group acted swiftly to secure the supply for its dairy products, and product testing was immediately arranged to speed up the production process.

Product Safety Management

The production facilities of the Group are certified by internationally recognized safety management systems and standards. These qualifications include but 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.

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



BRC 8 – GFSI

Controlling Authority for Quality Affairs



FSSC 22000 – GFSI



Good Manufacturing Practices



Halal Feed and Food Inspection Authority



“KwaliGeit” certification

In the 2020 Australian Dairy Product Competition organised by Dairy Industry Association of Australia (“DIAA”), OzFarm was awarded Gold medals for its Extra Pure Pregnant & Lactating Mother Formula and Skim Milk Powder and 16 Silver medals for other formulas and milk powders.

DIAA Australian Dairy Product Gold medals obtained by OzFarm.



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Safeguard product quality and safety at all stages production



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Handling Customer Complaints

When complaints are received, the customer service team classifies the complaints by severity and carries out investigations without delay. The issues may be escalated or forwarded to other teams when senior advice or cross-team collaborations are required. All complaint cases are documented for record and review to avoid future recurrences. Trend analysis is performed on a regular basis to identify improvement areas in food safety and quality. Besides, Ausnutria closely monitors customer satisfaction to understand customers' expectations of its products. In the PRC, the sales and customer service department reaches out to individual end-users and distributors via quarterly and annual surveys through calls, emails and visits. In recent years, Ausnutria also makes use of online platforms such as WeChat, website and QQ, with the support of AI technology and multimedia like photos and animations, to capture feedback from a large volume of customers and provide prompt responses.

Traceability Management

The Group will conduct a trace-back investigation for any unsatisfactory circumstances identified during inspections or after purchases. To facilitate this, an electronic recording system is deployed to manage product information for each batch of products, including the types of raw materials used, production procedures and logistics coordination. Information such as product certification and logistic details are also encoded in QR codes on the product packaging to enhance the transparency of the production process to customers and other external parties.

Product recall procedures are set up to guide subsidiaries to act in a timely and professional manner when potential public health and safety risks arise. The procedures will be initiated if there are any customer complaints, unsatisfactory quality checks by local regulators, negative media coverage, or non-conformance discovered internally. Assessment will be performed to classify the incidents into three levels with the consideration of the severity and urgency of food safety risks. When product recall is needed, Ausnutria will trace back the supply chain, production lines and distribution channels to recall all products of non-conformance or with safety risks. In the Netherlands, any product recall will be traced within 4 hours as a strict control procedure. To prevent future recurrence, an incident report will also be prepared and submitted to management, and to local regulators when required, for review and follow-up.

STIMULATING INNOVATION THROUGH R&D

R&D continues to be Ausnutria's priority to foster its long-term growth, with focuses on developing new products, improving production efficiency and advancing product nutritional value. The Group works with over 205 R&D professionals across the PRC, the Netherlands, Australia, and New Zealand.

During the year, the Group has stepped up its investment in the R&D of new products by RMB49 million to RMB181 million. To provide personalised health products based on nutrigenomics, the laboratories for microarray and genetic testing has commenced in Year 2020 and will gradually come into operation. With the joint efforts of the Group and its partnered institutions, the Group has received a total of 116 registered patents (including 1 Patent Cooperation Treaty (PCT), 51 inventions, 18 utility models and 43 product designs) and 66 authorised patents (including 14 invention patents, 13 utility models, and 38 product designs and 1 intellectual property right). The Group has also established a Management Guide on R&D Projects Approval and Technical Support to communicate its requirements on R&D project management for Kabrita in the PRC.

In Year 2020, the Group continued to expand its product portfolio and has attained a number of R&D achievements. Ausnutria introduced a brand new probiotic product, Aunulife Probiotic in PRC. Also, Ausnutria introduced adult camel milk products, including 100% pure camel milk powder and probiotic formula camel milk powder, since the acquisition of OzFarm in 2017. For the research on goat milk nutrition, the Group has completed a study and identified β -casein A2 in goat milk powder, which is similar to the casein in breastmilk and is instrumental to the digestive system development for infants.

Investment in the R&D of new products:



RMB181 million
invested in Year 2020



116
registered patents



66
authorized patents

New products announced in Year 2020



Aunulife Probiotic

In addition to the traditional third-generation probiotic products, Yingyangyuan (溢养元) was specially introduced to lead the field of probiotics into a new 4.0 era.



Ozfarm 100% pure camel milk powder and probiotic formula camel milk powder

At the China International Import Expo on 6 November 2020, Ausnutria presented two adult camel milk powders under OzFarm for the first time. The products will be officially launched in January 2021 in Australia.



UHOPS and Holisure

New immune-boosters nutritional products like UHOPS lactoferrin milk powder and Holisure lactoferrin milk powder were rolled out in Year 2020.



Upgraded Neolac organic infant milk powder

Neolac organic infant milk powder enhanced its product formula to Infinite-Bionergy™ formula, which combines with nutrition from natural sources with that created with scientific intelligence, strengthened the nutritional combination of choline, selenium and manganese, and added 0.3% algae oil DHA and 3.5g/100g organic prebiotic scGOS.



Neolac organic mama formula

To address the needs of new mothers, Neolac organic mama formula is enriched with seven key nutrients during pregnancy and reduced fat by 77%.



Allnutria mother formula and infant formula

Caring for children's intestinal health and physical development, Oleic-Palmitic-Oleic (OPO) fatty acid structure and a combination of dual probiotics were added to improve the absorption of fatty acids and calcium.

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Probiotic Business Development

In Year 2020, in order to foster the development of its probiotic business, the Company has allocated its resources in a holistic manner.

- A complete industry value chain was assembled and an initial success in the application of the formula comprising five key probiotics for the mucosal immune system, six major probiotics for metabolism and the concentrate of probiotics and multiple enzymes have been achieved;
- The first Chinese human microbiome research centre was established with the aim of ending the monopoly of European and American highend probiotic powders;
- Five core technological platforms including the reversibly switchable fluorescent proteins (RSFP) bacterial strains selection mechanism are used to deliver precise, effective and quality products to the users; and
- A comprehensive functional bacterial strains collection was created.



The continuous investment in R&D has yielded over 40 articles published on international platforms for the Group.

In addition, Ausnutria acquired Bioflag in 2019, the producer of Aunulife Probiotic, to further extend the nutrition business into the probiotic sector. It is a member of several international organisations for probiotics such as the International Probiotics Association and the International Scientific Association for Probiotics and Prebiotics. It also has the proprietary microcapsule embedded and lyophilisation technology as well as the largest and most comprehensive civil functional probiotic bacterial strain collection.

To coordinate all internal patent activities and earn higher recognition of its R&D efforts by the global scientific community, the Group has developed a strong R&D team globally. The pool of professionals allows the Group to leverage the strength of each region and enables cross-region research projects with the support from external and overseas experts. Under its "1 + 6" global R&D strategy plan, Ausnutria Institute of Food and Nutrition in the PRC supports the Group's ambition of developing next-generation dairy and nutritional products by forming partnerships with Ausnutria (Beijing) Special Nutrition Research Center, Peking University's Ausnutria Maternal and Child Nutrition Research Center, the European R&D Center in the Netherlands, the ANZ R&D Center in Australia and New Zealand, Ausnutria (Taipei) Nutrition Research Center and Ausnutria's Jiangnan University Milk of Non-Bovine Mammals International Joint Research Center.



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The Group also actively supports the growth of R&D talents. In 2016, the Group established the Ausnutria's National Postdoctoral Program to cultivate innovation. Since then, the Group has recruited three PhD researchers to conduct scientific research on food and nutrition and study the feasibility of integrating scientific research results in product development. It achieves a win-win for the talents' career development, and for the Group's business strategy by advancing and practising scientific theories with its products. To enhance the nutrition and health of the



Since 2017, the testing centre in Changsha City, the PRC received China National Accreditation Service ("CNAS") for Conformity Assessment Laboratory Accreditation for three consecutive years.

elderly and infants, the Group launched the first Ausnutria-Kabrita Nutrition Research Fund in Year 2020. Five projects have been granted funding to examine the contribution of nutritious diet to health. The tremendous investment in R&D will provide staunch support for the Group to lead the advancement in its nutritional product portfolio.

To tap into a broad 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 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 Peking University Health Science Centre on the clinical trial of goat milk infant formula in the PRC and established a research platform on the "maternal and infant nutrition in the first 3,000 days of life". The Group has also built a strategic partnership with Jiangnan University in the PRC is to further strengthen its R&D capabilities on various aspects, including product development on probiotic and goat milk, as well as scientific research on milk proteomics, lipomics, etc. In particular, functional verification testing was conducted for formula milk products of Allnutria for nursing mothers in the Year 2020.

Launching Ausnutria Nutrition Institute in October 2020

CASE STUDY

In October 2020, Ausnutria Nutrition Institute was officially established in the Netherlands as an independent scientific organisation to share scientific insights on infant nutrition and the nutritional composition of goat milk. The institute collaborates with international scientists, research institutes and universities to facilitate the development of evidence-based products, and to contribute to children's health and well-being. Apart from joint research, the institute also gains expert advice in alliance with a scientific advisory board, which consists of international experts from different disciplines.

A dedicated website has been launched to make the insights gained by the institute easily accessible to health and nutrition experts. Besides, at its inaugural online expert meeting, the institute proudly invited gut health experts to discuss the role and development of infant's microbiota in health and disease.



The Ausnutria Nutrition Institute organised its first online expert meeting entitled "The infant's microbiota in health and disease" on 24 October 2020.

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Better Nutrition through the Study of Breast Milk

Breast milk is the best source of nutrition for the growth and development of infants and young children. Ausnutria fully supports breastfeeding and actively engages in various studies of breastmilk nutrition and is committed to developing milk formula with better nutrition. The establishment of the breast milk bank is one of the strategic approaches of Ausnutria to better understand the nutrition content of breast milk for infants and young children in the PRC. Ausnutria has established a number of breast milk data banks for the relevant scientific studies.

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

The Establishment of Breast Milk Bank in Central China in 2020

CASE STUDY

Breast milk composition varies depending on the geographic environment and dietary practice difference across different regions of the PRC. As such, the Group partnered with Central South University and Liuyang Maternity and Child Healthcare Hospital to launch the breast milk bank in central China in May 2020, in addition to the current breast milk bank in north China. By collecting samples for the breastmilk composition studies, Ausnutria could develop milk formula that could better respond to the nutrition needs of infants in rural villages in the region.



The opening ceremony of the breast milk bank in central China

Nutrition Research Program 2020-2024

- Lead research in support of the global R&D strategy;
- Provide nutritional support to internal stakeholders;
- Maintain and expand relevant scientific network and footprint; and
- Initiate and support clinical studies to further substantiate goat milk efficacy as a source of nutrition in various target markets.

Innovation Roadmap 2020-2024

- Develop and introduce new products under Kabrita, including Kabrita Junior, Kabrita Mama and Kabrita Family.

Processing Research Program 2020-2024

- Optimise 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
- Create new and innovative ingredients with value to the Group to allow the development of next-generation products.

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Intellectual Property Management

Ausnutria respects intellectual property rights and pays attention to its in-house R&D innovations and those within the market. Enterprise intellectual property management system and supplementary procedures that adhere to legal requirements are established. Departments are assigned with responsibilities to manage intellectual property rights and trademark registrations for all brands and logos used in product packaging. The Group has also published an employee handbook of intellectual property for awareness-raising. This year, the Group has attained the national standard of Enterprise Intellectual Property Management (GB/T 29490-2013) in the PRC for its planning, implementation, evaluation and continuous improvement practices on intellectual property management.



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

PROTECTING CUSTOMER INTERESTS

The Group's long-term success and rapid growth are built on customer trust and loyalty. As such, Ausnutria upholds responsible marketing and communication practices. In support of the World Health Organization's recommendations, Ausnutria encourages breastfeeding and hence does not promote stage 1 (0-6 months) infant formula. Infant formula stage 2 (6-12 months) is also not promoted in the PRC market due to the latest legislative provisions.

According to the Group's branding guidelines, all products and promotional materials will undergo a strict review process to ensure the information on product labels and statements are fair, accurate and impartial. To ensure compliance with local laws and regulations, all products undergo final approval according to the requirements of the distributors or local brands before distributing to the market. This year, Kabrita introduced the Compliance Management System to clearly lay out the review and approval procedures of marketing materials, and the responsibilities of all corresponding departments. In addition to regulatory requirements, Ausnutria has also engaged in the Voluntary Incidental Trace Allergen Labelling Program in Australia. All nutritional products are subject to a comprehensive and stringent allergen screening for each ingredient, prior to announcing "allergen-free" on the product label.

Ausnutria also recognises the rising concerns of customer data privacy. The Group has formulated an internal customer data and privacy policy to provide handling guidelines for personal information of staff, business partners and customers. To increase employees' understanding of internal data security, the Group regularly communicates information security tips and measures on information security via bulletin boards and posters. In Year 2020, we remained compliant with the General Data Protection Regulation (GDPR) in the European Union, privacy statements are posted on the Dutch websites of Kabrita and Neolac to describe the precautionary actions taken to secure information of business partners, customers and other users when managing and processing their personal data.

In Year 2020



53% less complaints related to product received when compared to 2019



Zero complaints received related to services

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WIN-WIN WITH EMPLOYEES

Ausnutria recognises the value of its employees and makes great efforts with its resources to put together a high-performing team. Ausnutria embraces diversity and respects the uniqueness of each individual as they contribute to the dynamic growth of the business. The Group will continue to provide an equal, harmonious and engaging work environment, where employees feel respected, trusted and constantly supported, especially in times of uncertainty.

Key Highlights in 2020

Ausnutria University in the PRC was

- certified as

China Corporate University Prototype

in the first batch.

- recognised as one of the

top corporate universities

in the PRC 4 years in a row.

Zero

reported cases of work-related fatalities.



Lost day rate dropped.

(lost day per 200,000 work hours)



Increased average training hours.



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In order to safeguard the health and safety of employees, the Group and its subsidiaries closely monitor the development of the COVID-19 pandemic and adhere to government policies on health in each operating area. Emergency meetings were held among senior management to discuss social distancing arrangements and the implementation of hygiene policy. Ausnutria has developed internal safety plans and guidelines to protect all employees from the virus while ensuring smooth and functional operation of the Group.

Ausnutria has also strengthened measures to maintain a safe work environment. All office and manufacturing areas are cleaned and disinfected more frequently, and operations in different regions have tailored measures according to their local needs and regulations. For instance, all personnel entering the premises in the PRC, the Netherlands and Australia, including employees and visitors, are required to record attendance and wear masks at all times. In some of the regional offices, more stringent measures are implemented, where staff are required to report their health condition on a daily basis and have more frequent routine monitoring of their body temperature. The Group also introduced flexible work arrangements in which employees are encouraged to work from home whenever feasible or follow rotation schedules to practice physical distancing and limit workplace attendance.

Hoping to assist employees in combatting COVID-19, Ausnutria provided them with necessary resources and constant support through this challenging time. Anti-epidemic items like face masks, face shields, gowns and hand sanitisers are available to employees to ensure they have sufficient protection. In the Netherlands, staff were required to wear face masks in the factories. In the PRC, employees were also provided with Chinese medicine package to strengthen their immune systems. Ausnutria also provided trainings for employees on the correct use and disposal of face coverings and PPE, so that they can remain good hygiene practices at work.

As the foundation of being a responsible employer, Ausnutria strictly adheres to relevant laws and regulations pertaining to employment practices in its various operating locations. Child and forced labour are strictly prohibited within Ausnutria's operational control. To prevent such occurrence, the human resources department closely monitors the recruitment process to ensure the applicants are qualified as lawful hiring. In the case of dispute, management will be informed immediately to ensure the Group acts in the best interest of the individual.

Ausnutria's values, standards and expectations of employees' behaviours are laid out in regional Code of Conduct and Employee Handbooks. The Group has also introduced policies and procedures to guide its subsidiaries in handling employment-related issues, including those relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, training and development, occupational health and safety, and other benefits and welfare. The information above is made widely available and is effectively communicated to all employees via formal channels during their early onboarding stage or whenever it is updated.

To stimulate growth and facilitate global integration, the Group has introduced a three-year global human resources strategy plan in 2019 with an aim to consolidate resources and align related practices across subsidiaries. Ausnutria is underway to review internal policies, update management practices, enhance efficiency and strengthen its corporate culture, in order to achieve the ultimate goal of "One Ausnutria, One Team, One Direction". The Group has also input significant amount of resources for human resources development to integrate the day-to-day management processes at regional level onto an unified group level online portal. In Year 2020, Ausnutria optimised its human resources management system. The upgrade has resulted in easier communication internally and achieved higher efficiency in human resources management. Moreover, the Group also launched its plan in strengthening company culture, and kickstarted various corporate culture research and improvement projects accordingly.

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New Headquarter in the PRC

CASE STUDY



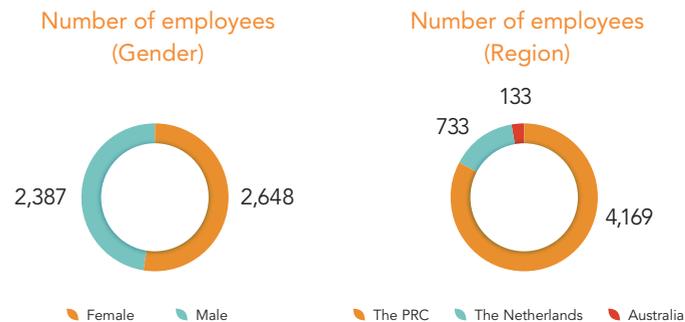
A ceremony recognising the topping-out of the PRC headquarter was held on 28 June 2020.

In Year 2020, the Group continued to facilitate the establishment of its headquarter in the PRC. The future office will provide a spacious, refreshing and productive working environment for our staff. Upon completion, it will become the quintessential base for Ausnutria. Employees from all BUs will be able to attend trainings, conduct business meetings and engage in team-building events in the new headquarter. On 28 June 2020, a ceremony recognising the topping-out of the PRC headquarter was held. The construction of the PRC headquarter will be completed in the second quarter of 2021 and will commence operation in June 2021.

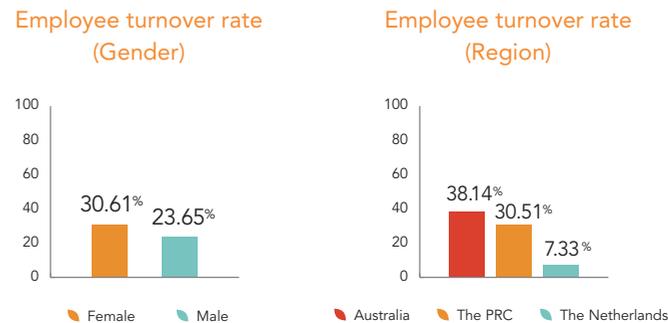
ATTRACTING AND RETAINING TALENT

Talent attraction and retention is critical to support the Group in achieving continued success and business growth. The Group recruits and treats all employees in an open and fair manner based on the principles of meritocracy and no discrimination. For instance, the recruitment process is guided by a set of standard operating procedures which all regional teams are required to follow. These procedures are regularly reviewed and updated in accordance with local regulations and changing industry practices. Aside from regular recruitment channels, the Group also seeks to recruit talent from other platforms such as the Management Trainee Programme in the PRC so as to reinforce the talent pipeline for high potential graduates specialised in food manufacturing.

Year 2020 Employee composition



Year 2020 Employee turnover



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Ausnutria provides employees with competitive remuneration and attractive benefits in return for their efforts and contributions at work. Employees are entitled to leaves, allowances, bonus and subsidies according to their ranks, positions and years of service. Besides, as a recognition to employees, Ausnutria Australia introduced Employee of the Month nomination programme to reward outstanding members of the team.



Employee of the Month display board.

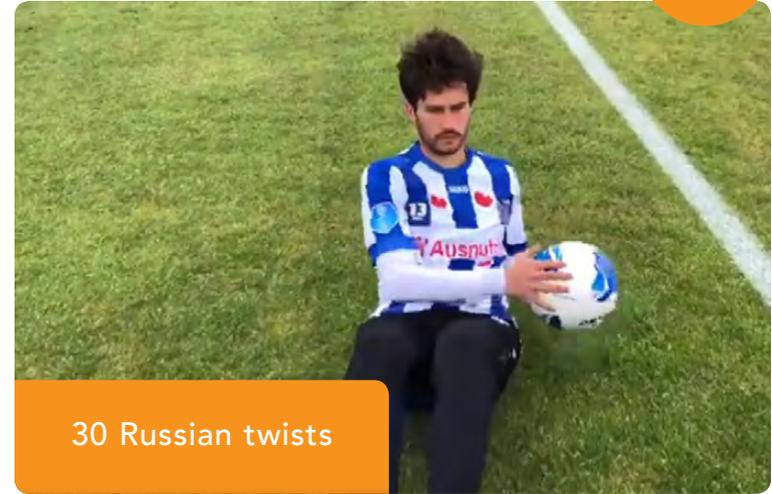


Winner of the Employee of the Month receiving the award at staff snapchat.

Ausnutria prioritises the well-being of all employees with the introduction of health checks to ensure that employees are working in good health condition. In the PRC, all employees with more than one year of service at Ausnutria are covered in the Employee Health Check Scheme. New joiners are also entitled to a health check before onboarding. In Australia, flu vaccination from recognised immunisation providers was arranged for employees. The vaccination protects employees from seasonal influenza and reduces the risks of spreading within workplace. Furthermore, a new Vitality Plan was introduced in Year 2020 for employees in the Netherlands to promote better work-life balance. The plan sponsors each employee with a maximum €200 per year for sport-related expenses such as sports equipment or gym membership, so as to encourage employees to exercise more often outside work. In addition, as part of the plan, various training courses are also provided to raise the awareness of physical and mental wellness in the workplace.

Joining with SC Heerenveen to Promote Employees' Physical Health

CASE STUDY



30 Russian twists

Still image from video of football players from SC Heerenveen teaching football exercises.

The Group upheld its resilience and creativity in promoting healthy lifestyle during the pandemic. Ausnutria Netherlands continued to encourage employees to exercise more especially when working from home. As the main sponsor of the SC Heerenveen, Ausnutria delivered footballs to employees' homes and invited players from the football club to film a tutorial video on conducting physical training with a football. The scheme received great feedback and eventually evolved into a "Football Juggling Challenge" among colleagues, where they competed against one another by filming themselves juggling football as many times as they could and uploaded the video to the intranet.

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Meanwhile, Ausnutria places great emphasis on employees' mental health condition just as their physical health. In Year 2020, Ausnutria provided training to support employees in Australia to cope with the possible mental stress in light of the global pandemic.

Leisure and entertainment are also essential parts of work-life balance. Throughout the year, the Group organised various festive celebrations for employees to relax and enjoy the special occasions.



Christmas celebration and award presentation.



As a formula milk and nutrition product manufacturing company that targets families and children, Ausnutria embraces the importance of family ties and is committed to promoting a family-friendly culture within the Group. Ausnutria has adopted flexible arrangement at subsidiary level to cater to the needs of employees and their families. Special arrangements can be made to bring work-life balance to employees and provide them with the opportunity to spend time with their family. For instance, in the PRC, if the spouse of an employee lives in a different region and they have difficulties to reunite 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 below the age of one are given half an hour of breastfeeding leave every day. The Group values family time and has organised events for employees and their family. On special occasions such as Children's Day, working parents are welcome to bring their children to work and spend time together during family games.

"Sint drive-through" Family Event During Netherlands's National Feast "Sinterklaas"

CASE STUDY



Children of Ausnutria's employees receiving presents during the "Sint drive-through" event.

Ausnutria Netherlands celebrated the national feast "Sinterklaas" with its employees and their families by organising a "Sint drive-through". In Year 2020, the celebration event could not be held in the traditional way due to COVID-19. Instead, participants drove to a designated location, where children could receive a present while staying inside the car. The event brought joy to its people while maintaining a safe social distance amid the unusual times of pandemic.

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FOSTERING COMMUNICATION AT WORKPLACE

The Group values mutual communication between management and employees and respects voices from different levels regarding their workplace experience. Employees are encouraged to express their concerns through established channels. Ausnutria believes that good communication is critical to create an efficient and a dynamic workplace, where employees can freely exchange their ideas and thoughts with management and among themselves.

The Workplace Communication and Consultation Policy, the Communication Protocol and other documents outline the guidelines, rights and responsibilities for employees and management to maintain meaningful conversations. The Group encourages employees to convey their work expectations and career development plans in formal and informal meetings, so as to address their concerns for work and facilitate more efficient work collaborations.

To keep employees updated with corporate news, the Group utilises email, newsletter, mobile application, social media and intranet to share information. In the PRC, Ausnutria continues to communicate with employees using the tailor-made mobile application (U享家) and social media platform like WeChat. In Australia, employees are encouraged to communicate with the firm and provide feedback using the letter box. Internal newsletter will also be launched for easier communication and prompt circulation of corporate news via email.

Ausnutria values employee's opinions and ideas. During COVID-19, new strategies were established to facilitate interactions and strengthen the ties between the Group and the employees. In the Netherlands, the crisis team communicated frequently with all employees about the pandemic situation and the measures taken by the Group. Employees were also encouraged to propose new plans for Ausnutria to better respond to the virus outbreak. Those who provided good ideas were rewarded with a coupon for a home-delivered meal, and some of their suggestions have been already adopted. Such active engagement approach has encouraged employees to keep their spirits up and fight this battle together.

To collect comments and feedbacks from employees in an objective and open manner, a company-wide employee satisfaction survey was conducted in Year 2020 in the PRC and in Australia. Employees were highly responsive and provided with constructive feedbacks on the improvement of existing employment-related practices, as well as their expectations on the Group. The Group will continue to expand the survey scope to other subsidiaries in the future.

Ausnutria has adopted standard procedures to resolve disputes or unfair treatment when employees encounter any unfair treatment or observe any conflicts in the employment relationship. The employee has the right and responsibility to report the issue to their supervisor under the guidelines laid out in the Code of Conduct and Employee Handbook. Whistleblowers are protected and will remain anonymous. All grievances will be addressed appropriately within a designated timeframe. Where necessary, the case shall be escalated to more senior level to involve the HR department and senior management until an agreement can be reached.



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Official Works Council of Ommen Factory in the Netherlands

CASE
STUDY

Mutual understanding between the Group and employees are necessary to identify shared values and drive long-term improvement. With the awareness of the obligation to form a Work Council when the number of employee reached 50 or above in the Netherlands, official Works Council for Ommen Factory was introduced and elected in Year 2020. To this end, all factories in the Netherlands are now with official Works Councils as representative to foster effective communication between management of Ausnutria and employees.

The Work Council is an internal body that represents employees and protects their interests. It possesses consultation rights regarding certain significant management decisions proposed by Ausnutria. Furthermore, the Works Council has approval rights in intended decisions from the Group regarding employment policies. The Council is elected by employees and the elected members shall act in their interests to safeguard the rights of employees.

The new Works Council in the Ommen factory consists of five members, who 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. Employment-related issues can also be resolved in an efficient and timely manner through active discussions and negotiations between both parties.

The Group continues to promote communication between Ausnutria and its employees. Another Works Council will be formulated in Zwolle, the head office of the Netherlands operations in 2021.



Employees counting the votes for the first election of the Works Council.

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TALENT DEVELOPMENT FOR EMPLOYEES

Ausnutria provides ample learning opportunities and resources for employees to explore their talents and unleash their potentials. Several subsidiaries have developed annual training plans for employees to ensure they receive adequate trainings and guidance at work, as well as to better consolidate training resources, and ensure that human resources are carefully managed. All new joiners are mandated to attend a comprehensive induction training which prepares them with fundamental knowledge to adapt into and excel in the workplace.

Ausnutria provides a wide range of trainings for all levels of employees to enhance their capability and productivity, 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)

In Ausnutria Netherlands, we have increased the usage of our e-learning platform called "Dairy Academy" to educate employees in a more convenient and effective way. The digital knowledge and learning platform provides practical knowledge regarding raw materials, technology application, production processes and quality monitoring of Ausnutria's products through online courses. Employees can acquire knowledge about operation expertise through the platform. In addition, Ausnutria in the Netherlands is also developing a new training programme for all levels of employees. The programme is scheduled for implementation in 2021.

Established in 2015, Ausnutria University has been a major platform to provide learning support to employees in the PRC with the aim to enhance quality, optimise organisational performance, nurture a culture of excellence and instil a belief in lifelong learning.

Based on individual needs, Ausnutria University regularly organises training programmes to enrich employees' knowledge and competence on management skills, professional expertise and general workplace skills. Aside from regular trainings, Ausnutria University sought to develop management pipeline in Year 2020. By delivering management courses with quality training materials, Ausnutria seeks to cultivate its management members and professionals for its future growth.

In the future, Ausnutria will keep investing and nurturing employees to become the expert of the industry and progress to achieve the 10-year "Golden Decade" strategic goals.



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Ausnutria has also developed formal staff appraisal system to examine the performance of individual employee. The staff appraisal system promotes accountability and enhances work efficiency. The Group has adopted the system in the PRC and Australia and has already planned to expand the coverage to other subsidiaries. In the PRC, the 'a+b+N' Evaluation Model was introduced to evaluate and review employees' performance in a structured yet flexible way. Based on the model, the employee will be rewarded according to their performance and evaluation results, which comprise of technical expertise, work approach, quality and quantity, communication and interpersonal skills, as well as progress against action plans and development goals. Various forms of incentives including innovation bonus, rewards for high-performing employees, share rewards and year-end bonus are provided to employees with excellent performance. It is hoped that employees will be motivated to improve their work performance and productivity when they are rewarded accordingly.



Opening Ceremony for Pre-MBA Class (澳青計劃) 2020.



MBA Class (澳橙計劃) 2020.



MBA Plus Class (澳藍計劃) 2020.



Training on "Agile Visual Presentation".

In Year 2020, Ausnutria University has achieved the following:



8 trainings on expertise delivered



12+ management trainings organised covering 8 classes at 6 levels including the MBA Plus Class (澳藍計劃)



10+ sessions of seminars delivered under professional training series to identify talents, model their abilities and classify them into various levels



The first dairy company to be awarded the "China Corporate University Prototype"



Recognised as one of the top corporate universities in the PRC for 4 years in a row

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PROVISION OF A SAFE AND HEALTHY WORKPLACE

The Group is committed to providing a safe and healthy working environment for all employees. Ausnutria strictly complies with local occupational health and safety (“OH&S”) laws and regulations and has formulated policies accordingly in all subsidiaries. Internal standards and procedures are regularly reviewed according to the latest national and regional regulations. All relevant materials are distributed to employees so that they understand their roles and responsibilities and ensure compliance in all aspects.

To ensure health and safety plans are thoroughly and effectively implemented, a health and safety committee or officer is appointed to monitor related performance at each production facility. To further raise awareness of OH&S among employees, the Group’s subsidiary in the PRC requires all employees working at upstream factories to sign the “Work Safety Responsibility Acknowledgement” so as to ensure they understand their responsibility in complying with internal regulations and the consequences of any irresponsible actions.

Internal and external risk assessments are conducted periodically at subsidiary level to inspect working areas and prevent any potential hazards. Inspection results are reported to the committee or responsible officers for follow-up measures. In the

Netherlands, monthly risk investigation and evaluation reports are shared with the general staff, drawing their attention to existing black spots and to avoid recurrence of similar incidents. In Australia, the Group has reviewed and updated its Standard Operation Procedures and the regular risk assessment to cover new machinery and manufacturing procedures. In the PRC, the management conducted large-scale inspections in the production facilities before long holidays such as Chinese New Year and Mid-Autumn Festival. The inspection covered site safety, fire safety, the use of hazardous chemicals and waste treatment, which ensured no abnormalities would occur when all employees returned home for festive celebrations. Third party inspection on occupational hazards is also carried out annually at production sites in the PRC. Ausnutria will remain vigilant in its operations and regularly review its current practices in OH&S to eradicate risks at the workplace.

Effective communication between departments and employees prevents misunderstanding and accidents from occurring. Ausnutria has introduced OH&S Meetings at its subsidiaries to facilitate communication and work on OH&S issues. In Australia, OH&S Meetings have been successfully held throughout the Year 2020. Major achievements include the launching of “Lock Out and Tag Out Programme” and the purchase and installation of additional safety equipment.

Lock Out and Tag Out Programme

CASE STUDY



Equipment introduced and used for the Lock Out and Tag Out Programme.

The newly introduced Lock Out and Tag Out Programme ensures that dangerous machines are properly shut off and cannot be turned on again until maintenance, repair work or cleaning procedures are completed. The programme also requires high voltage electricity sources and compressed air to be isolated and rendered inoperative before using the equipment.

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The Group invests time and resources to equip employees with OH&S knowledge and skills to handle incidents and risks of its operation in the subsidiaries. For instance, in Australia, various types of specialised training including fire warden training, first aid training, ongoing injury and hazard report training and safety training are provided for relevant staff. In the PRC, drills covering fire escape, food poisoning and hazardous chemicals leakage were conducted to prepare employees for potential hazards and emergency handling according to the Group's standard protocol. On-site safety regulation training was provided for logistic service providers every month while safety management training was provided for part-time safety officers every quarter. To further strengthen their OH&S knowledge with more fun, Ausnutria organised a safety awareness competition in Year 2020. These ensure all employees and workers of the Group are well aware of operation safety and fully comply with the related regulations. Through the above initiatives, Ausnutria provides a pleasant and safe work environment for all employees, safeguarding their health and safety.



OH&S Training for front-line staff in the PRC.



Safety Knowledge Contest in the PRC.

In addition to OH&S, Ausnutria places great emphasis on the mental well-being for its employees. In the Netherlands, new counsellors have been appointed and trained during the reporting year. The counsellors support employees on issues including harassment, bullying, aggression and violence, discrimination and conflicts with superior. Employees are encouraged to reach out to the counsellors and consult them when facing the above problems at work. They will be guided and given advice from the counsellors. In some serious cases, counsellors will take further action when deemed necessary.



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WIN-WIN WITH BUSINESS PARTNERS

Ausnutria collaborates with its business partners, such as suppliers and distributors, to uphold its sustainable standards throughout the value chain. The Group adopts stringent selection criteria and procedures to only collaborate with business partners that share the same value with the Group, while ensuring a reliable supply chain. Legal compliance and sustainability performance of suppliers are regularly monitored. Further down the value chain, distributors bear significant importance on the Group's sales growth and market expansion. The Group has been developing strategic partnerships with them to create competitive advantages and maintain market positioning. Ausnutria endeavours to work together with its business partners to shoulder social and environmental responsibilities and achieve mutual success.

Key Highlights in 2020

Introduced new camel milk powder products in the 3rd China International Import Expo.

Participated in the fifth China Special Food Conference in Changsha organised by CNHFA to promote the development of special food industry.

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

Awarded as the "National Models for Green Supply Chain Management" from the Ministry of Industry and Information Technology in the PRC.

Secured supply of dairy products and maintained stable quality and price despite the pandemic.



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ENSURING SUPPLY CHAIN STABILITY

Supply chain management is an integral part of the Group's business operation and is critical to its success. Based on the local needs and product offerings, the Group has developed robust mechanisms to manage procurement procedures and monitor its supplier performance regularly. The management systems supervise supply chain activities and facilitate the communications with suppliers on the Group's value and expectations on product quality, therefore ensuring a stable and consistent supply of quality products.



Suppliers of raw and packaging materials are invited to undertake self-evaluation questionnaires in areas such as compliance with laws and regulations, responsible operating practices and product quality. They are required to provide documents and certification for verification, which may include:

- Internal quality control mechanisms
- Organic certifications
- ISO 22000 Food Safety Management certifications
- HACCP certification

Besides, sample checks and on-site reviews are conducted to assure the quality and safety of raw materials.

Regular interviews, and internal and third-party audits were 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 worked with a supplier of packaging materials to devise an improvement plan on quality control, process technologies and logistics in Year 2020.

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

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

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 in Year 2020 as part of the Processing Research Program 2020-2024.

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PROCURING SUSTAINABLY

Ausnutria is dedicated to promoting social and environmental sustainability to its supply chain. By implementing sustainable procurement practices, the Group extends the efforts in upholding responsible and ethical operational practices to its suppliers. When making procurement decisions, the Group integrates social and environmental considerations by setting up relevant indicators in supplier questionnaires and audits. These include reviewing the environmental performance on energy, water and waste management measures, as well as the social performance on the working environment, human right issues and community investment.

In the PRC, the Group clearly communicates its expectations on the supplier's environmental performances through the procurement contracts. Suppliers are required to comply with relevant environmental laws and regulations and have proper management over emissions, hazardous materials, and waste issues during the sourcing of raw materials, production process and provision of services. Suppliers that are not up to the Group's requirements on environmental performance will not be accepted. Furthermore, an acknowledgement letter is signed by suppliers to ensure they are aware of the Group's requirements on quality control, environmental protection and occupational health and safety. Annual inspections are also conducted to monitor the performance of suppliers, where additional scores will be awarded to suppliers with good 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. In Australia, where the establishment of the waste management system is mandated by the government, suppliers are assessed against their compliance level during onsite audits. Taking into consideration the local characteristics, the Group works with its suppliers around the globe to pursue a more sustainable supply chain.

STRENGTHENING DAIRY SUPPLIERS' SUSTAINABILITY PERFORMANCE

Maintaining a stable supply of quality milk is vital to producing premium dairy products. The Group is committed to securing high-quality milk sources from credible milk farms across golden milk zones, including the Netherlands and Australia. Farmel Holding B.V., the Group's associate company, is responsible for overseeing the cow milk supply in the Netherlands. This structure enables the Group to actively monitor the milk quality and swiftly trace the milk source if problems arise.

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. Although Ausnutria's business operation does not have a direct impact on animal welfare and habitat diversity, 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 program introduced by NGZO in collaboration with the Dutch Federation of Agricultural and Horticultural Organization. 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.

“ We strictly require and ensure that 100% of our goat milk farmers in the Netherlands are certified by the “KwaliGeit” programme. ”



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Besides, the Group participated in the Durability Program, a voluntary initiative organised by NGZO to promote sustainable livestock farming practices to Dutch goat farms. Ausnutria provides financial assistance and other supports to farmers through workshops, newsletters and goat farms visitations. This initiative provides focuses on animal health and welfare, energy and climate, as well as industry image. In Year 2020, Ausnutria has continued to support farmers by offering different price according to the quality of raw milk. To date, the participation rate of its goat farm has reached 100%. The Group will continue to advocate for sustainable farms by encouraging goat farmers participating in the programme to further improve their efforts.

100% of Ausnutria's goat farmers participated in the Durability Program by the end of 2020.

Good grazing practices contribute to habitat diversity and improve pasture productivity. Ausnutria has signed the Covenant Outdoor Grazing since 2017. Founded in 2012, the covenant aims to promote outdoor grazing in the Netherlands. In support of this, the Group offers different prices to farmers providing grazing for their cows. With the industry's joint effort, the level of outdoor grazing in the country has been increasing on a continuous trend.

CONNECTING WITH DISTRIBUTORS

Distributors play a crucial role in connecting and serving the Group's end-users. In this regard, Ausnutria continues to devise training programmes for distributors in the PRC to strengthen their management capabilities and knowledge. The Group has also conducted joint business planning meetings with its core distributors to exchange ideas on the Group's sustainable business model and sales strategies.



■ Ausnutria's on-site booth in the 3rd China International Import Expo.



■ Ausnutria introduced its new camel milk powder products in the 3rd China International Import Expo in Shanghai.

Ausnutria strives to maintain a close relationship with its business partners via participation in industry exposition. In Year 2020, the Group participated in the China International Import Expo for the third consecutive year to empower distributors with practical knowledge and understanding on its dairy and nutrition solutions. This year, the Group introduced the newly launched camel formula milk products to distributors and buyers from different countries. The Expo was a significant occasion to expand the Group's network, foster industry collaboration and promote its premium dairy products to the globe.

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BUILDING A BETTER SOCIETY WITH BUSINESS PARTNERS

Effective collaboration between different sectors is particularly vital for upholding social wellbeing during the difficult times of the COVID-19 outbreak. In Year 2020, 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 closely 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. The Group's effort honourably earned the "National Models for Green Supply Chain Management" from the Ministry of Industry and Information Technology in the PRC.

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

CASE STUDY

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 after-sales enquiries in the PRC. With the collaborative efforts with various business partners, contactless delivery services were launched to support consumers that were not able to conduct in-store purchasing. During such difficult times, the team committed to listening and addressing customers' needs to help overcome the challenges brought by the pandemic together.

Understanding the impact of the pandemic to 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.

Besides, Ausnutria pays due attention to technology development in the industry. The Group attends seminars and conferences held by its suppliers to understand the future trend of the dairy supply chain. The Group also actively contributes to its supplier's technology and product development by sharing market insight and feedback. Such knowledge exchange supports the Group's ambition to adopt cutting-edge technology and develop new products with better nutritional value along its supply chain.

The Group also engages suppliers to exchange information on the market trend and customer preference. For instance, it was found in a supplier's study that high-end formula accounts for 70% of the Chinese infant market. In response, the Group is currently engaging with relevant ingredient suppliers to source and introduce more high-end ingredients to the existing formula.

Driving the Development of Special Food Industry in the PRC



The Group's Chairman, Mr. Yan Weibin called for the industry collaboration on promoting sustainable development of the special food industry in the PRC.



Ausnutria participated in the Fifth China Special Food Conference in Changsha.

Ausnutria participated in the fifth China Special Food Conference in Changsha organised by CNHFA. The Conference gathered over 1,000 representatives from regulatory agencies, research and development institutions and food industry to discuss the current development and future trend of the PRC's special food industry. Through continuous innovation and community investment, Ausnutria will continue to cooperate with the industry and its suppliers to work towards the common mission of protecting public health for the better life of all.

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FRIENDLY WITH THE ENVIRONMENT

Committed to preserving the planet for the next generation, the Group actively identifies means to operate more sustainably and minimise its environmental impacts arising from its upstream operations and the related manufacturing processes. To adhere to the Group's commitment in environmental sustainability, subsidiaries spare no effort in improving energy and water efficiency, managing air and water discharge, reducing material consumption and waste generation, as well as managing climate change related risks associated with their operations. The Group is now formulating environmental targets to better guide and manage its environmental performance.

Key Highlights in 2020

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



Started the construction of new facilities in the Netherlands which will help **reduce natural gas dependency** and achieve **zero nitrogen emission.**

Voluntarily purchased carbon credit to **offset 11.3%** of direct GHG emissions generated.

Started the **installation of solar panel systems** in the nutrition production facility in Australia.

Took prompt action in responding to climate change by **conducting a climate risk assessment** on the Group's operations and supply chain.

Adopted a **geothermal heat system** to replace the use of natural gas in one of the factories in the Netherlands.



Generated **6% renewable energy** of the total electricity consumption from solar panel systems in Australia.

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The Sustainability Committee and the Sustainability Workgroup are responsible for reviewing the effectiveness of Ausnutria's environmental policies and initiatives regularly. To ensure compliance with all applicable environmental laws and regulations in each jurisdiction, Ausnutria has set up guidelines on the implementation of environmental management system and operating rules at subsidiaries. Such documents affirm the Group's total commitment of to reduce the environmental impacts associated with its procurement, manufacturing and distribution processes. As a testament, the Group's production facilities in Kampen, the Netherlands and Changsha City, the PRC are certified with ISO 14001 Environmental Management System.

ACHIEVING ENERGY EFFICIENCY TO MINIMISE CARBON FOOTPRINT

In order to avoid the intensification of global warming, many countries are now pursuing a wide range of strategies to reduce emissions of greenhouse gases. In which, the PRC will aim to hit carbon emission peak before 2030 and achieve carbon neutrality by 2060. To support the global effort, the Group adopts a robust energy and emissions management system to minimise its greenhouse gas emissions. The Group constantly introduces energy saving measures and equipment upgrades at its production facilities. Regular inspections, repairs and replacements are conducted for the heating, ventilation and air conditioning, boiler systems, lightings and other energy-intensive equipment to ensure they are always operating at top efficiency. Equal effort is put into the installation of solar panel systems at its factories to demonstrate the Group's commitment to promote renewables.

Building Low Carbon Facilities

Low carbon technologies and energy saving design are incorporated in our newly constructed facilities. Geothermal heat system is also in place to store thermal energy for heating and cooling equipment, avoiding an estimate of over 90% of natural gas consumption. In Year 2020, production facilities in Leeuwarden, the Netherlands retrofitted the same geothermal heat system for its heating and cooling system to further reduce the consumption of fossil fuel. Also, in Year 2020, Ausnutria Netherlands started to construct new infant formula base powder facilities, principally for the processing of goat milk and goat whey. To fulfil the new high environmental and climate requirements, we are also working towards reducing natural gas dependency and shifting to heating by electricity to achieve zero nitrogen emissions at these facilities.

Monitoring Electricity Consumption

The Group regularly reviews the energy efficiency of its facilities and implements new initiatives and equipment upgrades for its existing facilities. For instance, the Group introduced a mobile application in the factories in Changsha City, the PRC to monitor the real-time energy consumption of different areas, including laboratories, warehouse, production sites, public space, etc. It provides instant alert for any abnormal use of energy, enabling the team to make timely adjustment and rectifications. The data gathered on energy usage also empowers the Group to analyse its performance and identify improvement areas.

Total GHG Emissions Intensity in Tonnes CO₂e per RMB Million Revenue



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Improving Energy Efficiency

Besides, the Group installed variable speed drives to some of its major manufacturing facilities and air conditioning systems in the PRC to optimise the speed control of electric motors and achieve about 10-15% energy saving. Meanwhile, the production facilities in Ommen and Leeuwarden, in the Netherlands have replaced 50% and 100% of its existing lighting devices respectively with energy-saving LED lamps and bulbs, which helps reduce 75% of energy use per lighting.

Using Renewable Energy

To further lower its carbon emissions, Ausnutria actively explore possibilities to use renewable energy. The factories in Australia are installed with solar panel systems, and the production facility in Leeuwarden in the Netherlands will soon investigate the possibilities to garner energy from the Sun. When onsite generation is not feasible or sufficient to meet its energy consumption demand, the Group prioritises the procurement of renewable energy over conventional options. Ausnutria Netherlands has purchased certification to compensate 100% of its electricity consumption through renewable sources. It also buys carbon credits to compensate its direct greenhouse emissions from the use of natural gas.

Key Highlights on Renewable Energy Use in Year 2020

CASE STUDY

- Solar panel systems in Australia generated 6% renewable energy of the total electricity consumption.
- 100% of electricity consumption for operations in the Netherlands is compensated through renewable sources.
- Carbon credit was purchased voluntarily to offset 11.3% of direct GHG emissions generated during the reporting year.

ADOPTING A MULTI-PRONGED APPROACH TO HANDLE WASTE

To alleviate the environmental impacts associated with waste handling and disposal, the Group adopted a set of robust procedures to manage waste from its inception to its final disposal. For instance, Ausnutria encourages its employees to sort and recycle waste at source. It also cooperates with local licensed waste operators to collect and handle waste in accordance with respective regulatory requirements.

The Group constantly looks for alternatives to divert waste disposal from landfills. With its core business involving in manufacturing of dairy products, most of the non-hazardous waste generated in the Group's operations comes from the residual of milk and milk powder. In Australia, rest milk and milk powder are sold for animal food, while in the Netherlands, an external company is engaged to convert the rest milk and rest milk powder into biomass.

Necessary facilities are available in the factories to facilitate a more environmentally friendly way of waste handling. For example, the dairy production facility in Australia uses a baling machine to reduce the volume of cardboards from raw material packaging, aiming to reduce the needs on transportation and hence the associated environmental footprint.

Apart from non-hazardous waste, the Group is also committed to managing the hazardous waste generated in the production process of its dairy and nutritional products appropriately. Chemical waste from laboratories are stored properly in designated sealed containers and are delivered to qualified third parties for handling on a regular basis.

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PRESERVING WATER FOR FUTURE GENERATIONS

Water is a precious yet limited natural resource across the globe. Ausnutria lays strong emphasis on conserving and protecting water resources by adopting a multi-pronged approach that aims to reduce water consumption, reclaim water and effectively manage effluent resulting from its operations.

Realising wet processes are an essential part of the production process of milk powder, Ausnutria adopts a closed-loop water system in its production facilities in Ommen, the Netherlands. Condensed water generated during production is collected for reuse in other parts of the process such as in the boilers and the ultrafiltration process. Meanwhile, the Group paid effort to reduce water consumption by installing automatic sensor for water tap and recycling condensed water in air-conditioner systems in the PRC. The Group also carries out machinery inspections in a timely and constant manner to identify and fix water leakages from taps, pipes and valves. Water consumption are well recorded for further feasibility studies on water recycling and reuse measures in the future. Through these initiatives the Group aims to reduce unnecessary water wastage and improve its overall water efficiency.

Ausnutria takes its responsibility to minimise the environmental impact of its wastewater that returns to municipal sewage pipes or coastal water. To this end, monitoring systems on key effluent quality parameters were set up at designated discharge points to ensure the discharge meets the local regulatory requirements. The Group also sets daily and yearly targets on the concentration of organic compounds, pH value, temperature, as well as the amount of effluent for the production facilities in Ommen and Kampen, the Netherlands, which attributes to the majority of wastewater discharge of the Group.

ADOPTING RESILIENCE STRATEGIES TO MANAGE CLIMATE CHANGE

The Group recognises that its business operations will be inevitably affected by the direct impacts and the associated risks of climate change in the long run. In Year 2020, the Group appointed a third party to conduct an assessment on the impacts of climate change to its operations and supply chain. Likelihood and the potential business impact of both physical and transition climate risks were evaluated. The assessment result is being evaluated internally and will be discussed in next year's report with the mitigation plans.



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SUSTAINABILITY PERFORMANCE TABLE

Environmental performance			
	Unit	2019 ¹	2020 ¹
Greenhouse gas (GHG) emissions			
Direct GHG emissions (scope 1) ²	tonnes CO ₂ e	17,592	16,267
Indirect GHG emissions (scope 2) ³	tonnes CO ₂ e	4,871	4,661
Total GHG emissions intensity ⁴	tonnes CO ₂ e/RMB million revenue	3.3	2.6
Waste generated			
General waste	tonnes	3,561	3,748
Rest milk	tonnes	10,947	9,710
Rest powder	tonnes	1,045	1,746 ⁵
Non-hazardous waste intensity	tonnes/RMB million revenue	2.3	1.9
Hazardous waste ⁶	tonnes	3	6
Hazardous waste intensity	tonnes/RMB million revenue	0.00047	0.00072
Waste recycled			
General waste	tonnes	2,567	3,192
Rest milk	tonnes	10,947	9,710
Rest powder	tonnes	1,045	1,746 ⁷

Notes

- ¹ Unless otherwise stated, performance indicators of 2019 and 2020 include the Group's operations under Ausnutria China, Ausnutria Netherlands, ADP and NCP, which is consistent with the reporting scope of this report.
- ² 1,630 and 2,079 tonnes of GHG emissions were offset in 2019 and 2020 respectively. This was achieved through purchasing carbon credits from verified third party.
- ³ A portion of electricity consumed was compensated through wind power in 2019 and 2020.
- ⁴ Total GHG emissions include direct emissions from operations that are owned or controlled by the company (Scope 1) and energy indirect emissions resulting from the generation of purchased or acquired electricity consumed within the company (Scope 2).
- ⁵ The disposal of base powder in 2020 increases due to the restructuring of product lines in the PRC.
- ⁶ Hazardous waste is defined according to local standards by operating locations, and includes waste machine oil, laboratory chemical waste and other industrial waste.
- ⁷ The recycling amount of base powder in 2020 increases due to the restructuring of product lines in the PRC.

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Environmental performance (cont'd)			
	Unit	2019 ¹	2020 ¹
Energy consumption			
Electricity purchased ⁸	kWh	29,661,549	30,059,313
Natural gas consumption ⁹	m ³	10,762,941	10,271,735 ¹⁰
	kWh	94,677,834	90,370,519 ¹⁰
Total energy consumption	kWh	124,339,383	120,429,832
Total energy consumption intensity	kWh/RMB million revenue	18,458	15,132
Water consumption			
Municipal water supply	m ³	480,252	426,258
Groundwater	m ³	302,561	167,158 ¹¹
Total water consumption	m ³	782,813	593,416
Total water consumption intensity	m ³ /RMB million revenue	116	75
Major packaging materials used			
Paper and wood	tonnes	5,882	6,359
Tin metal	tonnes	8,475	9,170
Plastic	tonnes	2,189	2,318
Glass	tonnes	18	16

⁸ GHG emissions from purchased electricity in the PRC, Australia and the Netherlands in this report were calculated based on factors in China's Regional Grid Average CO₂ Emission Factors in 2012 published by the National Center 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 CO₂ mission factors published by the CO₂ Emissiefactoren, respectively.

⁹ 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 CO₂ Emission Factors published by the Netherlands Enterprise Agency respectively.

¹⁰ The decrease in natural gas consumption is attributable to the adoption of geothermal heat system in the production facilities in Heerenveen and Leeuwarden, the Netherlands.

¹¹ The use of groundwater in 2020 dropped as the Ommen factory in the Netherlands was under continuous renovations during the reporting year and has started using municipal water to replace groundwater.

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Social performance				
	Unit	2019 ¹	2020 ¹	
Employee profile				
Total workforce	no. of people	4,519	5,035	
Total workforce by gender				
Female	no. of people	2,298	2,648	
Male	no. of people	2,221	2,387	
Total workforce by age group				
30 or under	no. of people	N/A	2,120	
31 – 40	no. of people	N/A	2,252	
41 – 50	no. of people	N/A	439	
Above 50	no. of people	N/A	224	
Total workforce by position grading				
Top management	no. of people	N/A	57	
Middle management	no. of people	N/A	875	
Other office staff	no. of people	N/A	3,292	
Operational staff	no. of people	N/A	811	
Total workforce by geographic region				
The PRC	no. of people	3,731	4,169	
The Netherlands	no. of people	685	733	
Australia	no. of people	103	133	
Employee turnover				
Employee turnover rate	%	25.62	27.26	
Employee turnover rate by gender				
Female	%	26.84	30.61	
Male	%	24.40	23.65	

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Social performance (cont'd)				
	Unit		2019 ¹	2020 ¹
Employee turnover rate by geographic region				
The PRC	%		27.97	30.51
The Netherlands	%		5.30	7.33
Australia	%		70.72 ¹²	38.14
Occupational health and safety				
Lost days	Days		493	286
Lost day rate	Lost day per 200,000 work hours		11.53	6.04
Work-related fatalities	Number		0	0
Development and training¹³				
Percentage of employees trained	%		N/A	89
The percentage of employees trained by gender				
Female	%		N/A	92
Male	%		N/A	87
The percentage of employees trained by position grading				
Top management	%		N/A	81
Middle management	%		N/A	96
Other office staff	%		N/A	93
Operational staff	%		N/A	85
Average training hours per employees by gender				
Female	hours		32.20	34.75
Male	hours		39.99	43.82

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¹² High turnover rate due to company restructuring in 2019.

¹³ For Ausnutria China, only records trainings delivered by Ausnutria University.

Social performance (cont'd)				
	Unit		2019 ¹	2020 ¹
Average training hours per employees by gender by position grading				
Top management	hours		N/A	12.56
Middle management	hours		N/A	21.44
Other office staff	hours		N/A	52.66
Operational staff	hours		N/A	42.25
Supply chain management				
Number of suppliers by geographic location ¹⁴				
The Netherlands	number		110	70
The PRC	number		43	59
Australia	number		48	136
Other regions	number		30	10
Community investment				
Total amount of charitable contributions	RMB		10,994,000	35,016,000

¹⁴ The Group constantly revisits the methodology to achieve higher accountability standards. For the preparation of 2020 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 2020 is not directly comparable to the performance of 2019.

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A. Environmental		
Aspect A1 Emissions		
General Disclosure	 FRIENDLY WITH THE ENVIRONMENT	58

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

The PRC

- Environmental Protection Law of the People’s Republic of China
- Prevention and Control of Atmospheric Pollution Law of the People’s Republic of China
- Prevention and Control of Solid Waste Pollution Law of the People’s Republic of China
- Prevention and Control of Water Pollution Law of the People’s Republic of China

The Netherlands

- Activities Decree
- Environmental Management Act
- The Soil Protection Act
- The Decree on the reporting of industrial waste and hazardous waste
- Water Act

Australia

- National Greenhouse and Energy Reporting Regulations 2008
- Environment Protection (Scheduled Premises) Regulations 2017

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General Disclosures and KPIs	Reference/Remarks	Page
Aspect A1 Emissions (cont'd)		
KPI A1.1	The types of emissions and respective emissions data.	Data is not available this year and will be disclosed in next year's Sustainability Report. N/A
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity.	SUSTAINABILITY PERFORMANCE TABLE 61
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	SUSTAINABILITY PERFORMANCE TABLE 61
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	SUSTAINABILITY PERFORMANCE TABLE 61
KPI A1.5	Description of measures to mitigate emissions and results achieved.	FRIENDLY WITH THE ENVIRONMENT 58-59
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	FRIENDLY WITH THE ENVIRONMENT 59
Aspect A2 Use of Resources		
General Disclosure		FRIENDLY WITH THE ENVIRONMENT 58
KPI A2.1	Directed and/or indirect energy consumption by type in total (kWh in '000s) and intensity.	SUSTAINABILITY PERFORMANCE TABLE 62
KPI A2.2	Water consumption in total and intensity.	SUSTAINABILITY PERFORMANCE TABLE 62
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	FRIENDLY WITH THE ENVIRONMENT 58-59
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 60
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	SUSTAINABILITY PERFORMANCE TABLE 62 Total packaging material used for finished products with reference to per unit produced is not applicable.

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General Disclosures and KPIs	Reference/Remarks	Page
Aspect A3 Environment and Natural Resources		
General Disclosure	 WIN-WIN WITH BUSINESS PARTNERS	54-55
KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	 WIN-WIN WITH BUSINESS PARTNERS	54-55
B. Social		
Employment and Labour Practices		
Aspect B1 Employment		
General Disclosure	 WIN-WIN WITH EMPLOYEES The Group complied with relevant laws and regulations that have a significant impact on its business, including but not limited to:	42
	<ul style="list-style-type: none">  <i>The PRC</i> <ul style="list-style-type: none"> • Labour Law of the People’s Republic of China • Labour Contract Law of the People’s Republic of China  <i>The Netherlands</i> <ul style="list-style-type: none"> • Collection Law SZW  <i>Australia</i> <ul style="list-style-type: none"> • Fair Work Act 2009 	
KPI B1.1 Total workforce by gender, employment type, age group and geographical region.	 SUSTAINABILITY PERFORMANCE TABLE	63
KPI B1.2 Employee turnover rate by gender, age group and geographical region.	 SUSTAINABILITY PERFORMANCE TABLE Employee turnover rate by age is not available this year and will be disclosed in next year’s Sustainability Report.	63-64

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General Disclosures and KPIs	Reference/Remarks	Page
Aspect B2 Health and Safety		
General Disclosure	 WIN-WIN WITH EMPLOYEES	42, 50
	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"> • Work Safety Law of the People’s Republic of China • Prevention and Control of Occupational Diseases Law of the People’s Republic of China 	
	 <i>The Netherlands</i>	
	<ul style="list-style-type: none"> • Working Conditions Act • Employment Relations Deregulation Act 	
	 <i>Australia</i>	
	<ul style="list-style-type: none"> • Occupational Health and Safety Regulations 2017 	
KPI B2.1	Number and rate of work-related fatalities.	 SUSTAINABILITY PERFORMANCE TABLE 64
KPI B2.2	Lost days due to work injury.	 SUSTAINABILITY PERFORMANCE TABLE 64
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	 WIN-WIN WITH EMPLOYEES 50-51
Aspect B3 Development and Training		
General Disclosure	 WIN-WIN WITH EMPLOYEES	42, 48-49
KPI B3.1	The percentage of employees trained by gender and employee category.	 SUSTAINABILITY PERFORMANCE TABLE 64
KPI B3.2	The average training hours completed per employee by gender and employee category.	 SUSTAINABILITY PERFORMANCE TABLE 64-65

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General Disclosures and KPIs	Reference/Remarks	Page
Aspect B4 Labour Standards		
General Disclosure	WIN-WIN WITH EMPLOYEES	42
	The Group complied with relevant laws and regulations that have a significant impact on its business, including but not limited to:	
	<ul style="list-style-type: none">  <i>The PRC</i> <ul style="list-style-type: none"> Labour Law of the People's Republic of China  <i>The Netherlands</i> <ul style="list-style-type: none"> Working Hours Act  <i>Australia</i> <ul style="list-style-type: none"> Child Employment Act 2003 	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	WIN-WIN WITH EMPLOYEES 42
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	WIN-WIN WITH EMPLOYEES 42
Operating Practices		
Aspect B5 Supply Chain Management		
General Disclosure	WIN-WIN WITH BUSINESS PARTNERS	52, 54
KPI B5.1	Number of suppliers by geographical region.	SUSTAINABILITY PERFORMANCE TABLE 65
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	WIN-WIN WITH BUSINESS PARTNERS 52-56

Aspect B6 Product Responsibility

General Disclosure

 WIN-WIN WITH CUSTOMERS

30, 33,

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

 *The PRC*

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

 *The Netherlands*

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

 *Australia*

- Therapeutic Goods Act 1989

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General Disclosures and KPIs	Reference/Remarks	Page
Aspect B6 Product Responsibility (cont'd)		
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	There were no product recalls for safety and health reasons during the reporting year. N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	📖 WIN-WIN WITH CUSTOMERS 35, 40
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	📖 WIN-WIN WITH CUSTOMERS 40
KPI B6.4	Description of quality assurance process and recall procedures.	📖 WIN-WIN WITH CUSTOMERS 33-35
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	📖 WIN-WIN WITH CUSTOMERS 40

Aspect B7 Anti-corruption

General Disclosure	📖 ABOUT AUSNUTRIA	17
	The Group complied with relevant laws and regulations that have a significant impact on its business, including but not limited to:	
	<p> <i>The PRC</i></p> <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 	
	<p> <i>The Netherlands</i></p> <ul style="list-style-type: none"> • Criminal Code of the Kingdom of Netherlands • Directive (EU) of the European Parliament and of the Council on combating money laundering by criminal law 	
	<p> <i>Australia</i></p> <ul style="list-style-type: none"> • Anti-Money Laundering and Counter-Terrorism Financing Act 2006 	

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General Disclosures and KPIs	Reference/Remarks	Page
Aspect B7 Anti-corruption (cont'd)		
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	No concluded legal cases regarding corrupt practices are brought against the Group and its employees during the reporting year. N/A
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	ABOUT AUSNUTRIA 17

Community

Aspect B8 Community Investment

General Disclosure		CONTRIBUTING TO THE COMMUNITY	21, 23
KPI B8.1	Focus areas of contribution.	CONTRIBUTING TO THE COMMUNITY	21, 23
KPI B8.2	Resources contributed to the focus area.	CONTRIBUTING TO THE COMMUNITY SUSTAINABILITY PERFORMANCE TABLE	21-29 65

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ADDITIONAL DISCLOSURES CONTENT INDEX

A revised HKEx ESG Reporting Guide containing additional disclosure requirements has been effective for financial years commencing on or after 1st July 2020. Although the new disclosure requirements are only applicable to the Group in the next reporting year, the Group demonstrates its proactiveness in responding to the evolving sustainability landscape by including additional disclosures in this year's Sustainability Report. The following table sets out the additional disclosures in the revised HKEx ESG Reporting Guide which we have included in the report.

General Disclosures and KPIs	Reference/Remarks	Page
A. Environmental		
Aspect A4 Climate Change		
General Disclosure	The Group's climate change policy will be discussed in next year's Sustainability Report.	N/A
KPI A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	FRIENDLY WITH THE ENVIRONMENT The results from the climate risk assessment conducted during the reporting year is being evaluated and will be discussed in next year's Sustainability Report with mitigation plans.	60
B. Social		
Operating Practices		
Aspect B5 Supply Chain Management		
KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	WIN-WIN WITH BUSINESS PARTNERS	54-55
KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	WIN-WIN WITH BUSINESS PARTNERS	54-55
Aspect B7 Anti-corruption		
KPI B7.3 Description of anti-corruption training provided to directors and staff.	ABOUT AUSNUTRIA	17

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INDEPENDENT ASSURANCE OPINION STATEMENT



AUSNUTRIA DAIRY CORPORATION LTD SUSTAINABILITY REPORT 2020

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 2020 (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 2020 to 31st December 2020. 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.

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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.

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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.

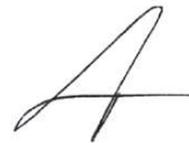
Responsibility

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. Chris Cheung
Head of Compliance & Risk — Asia Pacific
Hong Kong

4th May 2021

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AUSNUTRIA

Better Nutrition, Better Life



AUSNUTRIA DAIRY CORPORATION LTD

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1717)



Company's website

www.ausnutria.com.hk