

AUSNUTRIA DAIRY CORPORATION LTD

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1717)

Nourishing Life & Growth



Sustainability
Report
2023

Ausnutria

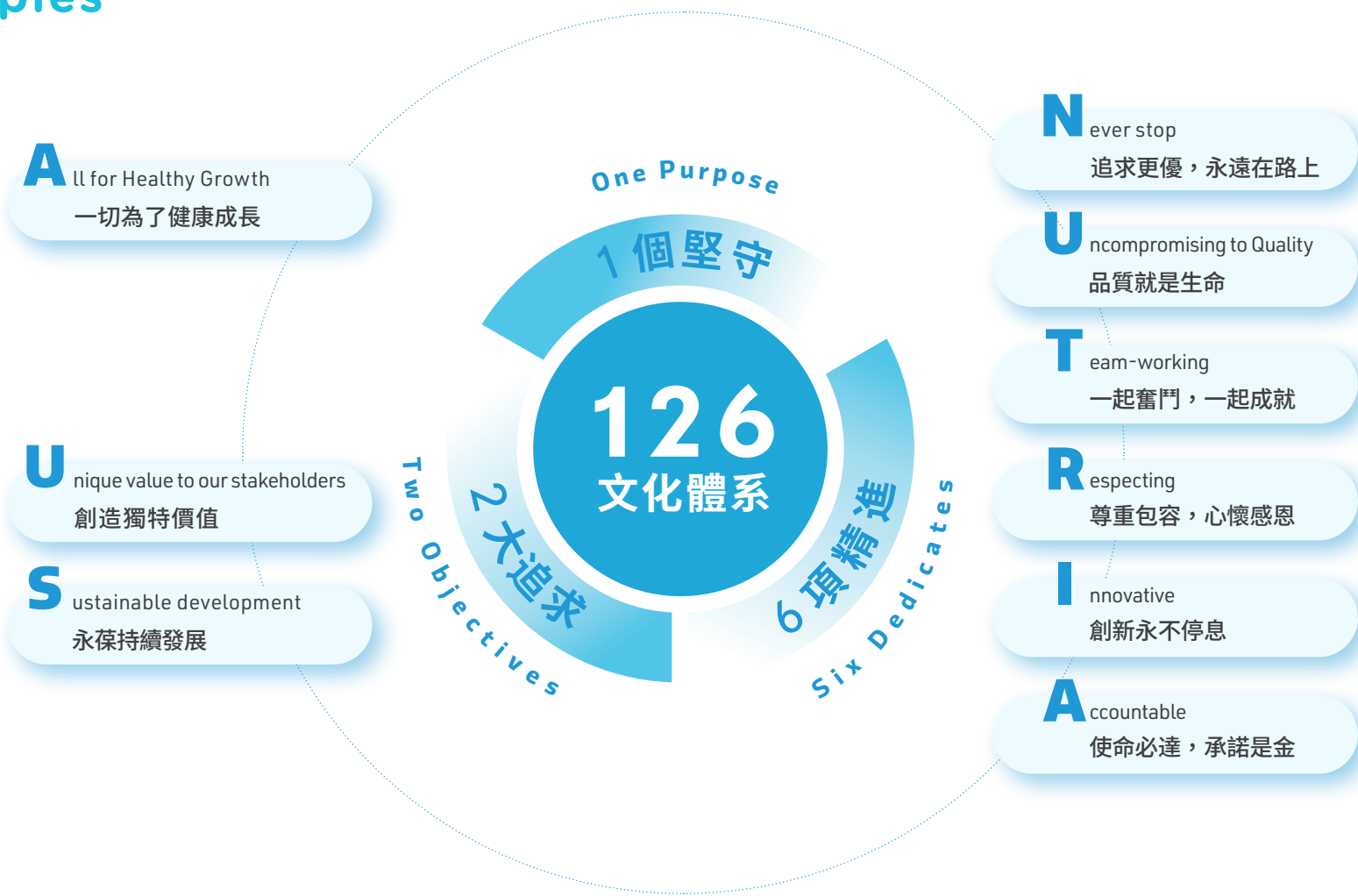


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Ausnutria Principles





Sustainability **Vision**

Ausnutria strives to nourish life and growth by providing quality nutritional options to all on a global level. The Group is committed to creating value in a sustainable manner, and helping to 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.

OUR FOCUS AREAS

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

RELEVANT UNSDGS



OUR COMMITMENTS



Better Life

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

OUR FOCUS AREAS

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

RELEVANT UNSDGS



OUR COMMITMENTS



Better Environment

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

OUR FOCUS AREAS

- Tracking our environmental targets
- Energy efficiency
- Preserving water
- Waste management
- Eco-friendly packaging
- Managing climate risks

RELEVANT UNSDGS



2025

Sustainability Commitment



Better Nutrition

FOCUS AREAS	OBJECTIVES	2023	2025
Product quality and food safety	Continually enhancing our product quality and food safety through the development and implementation of quality and food safety systems, standards and practices	<ul style="list-style-type: none">• Obtained BRC 8 Global Food Safety Initiative (GFSI) certification, FSSC 22000 Food Safety System Certification, ISO 9001 Quality Management System, Hazard Analysis and Critical Control Points (HACCP) System, GMP+ Good Manufacturing Practices and COKZ certification in our production facilities• Implemented strict measures and a tracing system to safeguard the product safety of the product at all stages of production• Developed robust management systems to communicate with suppliers on the Group's expectations for product quality and monitor the quality control of supplier performance	<ul style="list-style-type: none">• Continuously implement and maintain quality management systems in our production plants• Maintain zero product recalls regarding product safety• Increase supplier collaboration and enhance assessment process to ensure product safety and quality assurance
Product innovation	Unleashing the full potential of our nutritional products by understanding customer needs and aligning with internal and external research & development ("R&D") on a global level	<ul style="list-style-type: none">• Established breast milk data banks and technology innovation centres to conduct scientific research on breast milk and improve the nutritional value of infant formula	<ul style="list-style-type: none">• Continuously source and incorporate innovative and effective ingredients into our products, especially for infants, children and mothers-to-be

2025

Sustainability Commitment

FOCUS AREAS

OBJECTIVES

2023

2025

Product innovation (cont'd)

Unleashing the full potential of our nutritional products by understanding customer needs and aligning with internal and external R&D on a global level

- Expanded the product portfolio by introducing new formula milk and probiotic products to fulfil the nutritional needs of customers
- Maintained close collaboration with universities, research institutions, industry partners and contract manufacturers on nutritional research and innovative product development

- Enhance our product portfolio to further promote nutrition products, especially foods for special medical purpose
- Increase partnerships with health professionals and advance scientific research

Customer engagement

Continuously improving products to meet customer needs by strengthening customer engagement channels and giving them information on a local and global level

- Engaged with customers through diversified channels, such as social media, mobile application, web live broadcasting, and promotional events
- Monitored the effectiveness of customer feedback mechanisms, implemented internal customer complaint policies, and kept track of customer satisfaction

- Enhance customer engagement channel diversity and efficiency to better disseminate product information
- Strengthen and regularly evaluate customer feedback mechanisms to better capture areas for improvement

2025

Sustainability Commitment



Better Life

FOCUS AREAS	OBJECTIVES	2023	2025
Employee welfare and development	Promoting workplace well-being by providing fair, inclusive and attractive working conditions and training and development opportunities, and creating and reinforcing supportive policies and procedures on a local and global level	<ul style="list-style-type: none">Established a whistleblowing and anti-fraud mechanism for employees to address grievance in the workplace. The mechanism will be regularly reviewed to ensure its effectivenessProvided structured training and development programmes for employees, such as U Classroom, and through learning platforms like the Dairy Academy and the Ausnutria AcademyDeveloped a formal appraisal system to review employees' performance and reward eligible employees with incentives. The mechanism will be regularly reviewed to ensure its effectiveness	<ul style="list-style-type: none">Implement and review the effectiveness of grievance mechanisms for employeesContinuously optimise training and development programmesConstantly implement and review effectiveness of employee incentive and recognition programmes
Employee health and safety		<ul style="list-style-type: none">Maintained zero work-related fatalitiesSet up a health and safety committee to ensure all health and safety standards and procedures are carried out properly and efficientlyOrganised sports competition, dental clinic events, and the Employee Assistance Programme to support employees' physical and mental well-being through providing sports activities and counselling sessions	<ul style="list-style-type: none">Maintain zero work-related fatalitiesProtect labour rights and promote safe and secure working environment for employeesAdvocate physical and mental well-being initiatives to employees

2025

Sustainability Commitment

FOCUS AREAS

OBJECTIVES

2023

2025

Diversity & inclusion

Creating equal opportunities by respecting mutual differences among internal and external stakeholders

- Cultivated a family-friendly and mother-friendly culture in the workplace through organising flexible working arrangements and family activities
- Established a balanced board's composition in terms of gender and standard procedures to maintain gender equality and equal opportunities during recruitment process and daily operations in the Code of conduct and Employee Handbooks

- Strengthen mutual respect and cultural integration across the organisation
- Maintain gender equality and equal opportunities in the workplace

Community investment

Promoting healthy lives and equal opportunities for the communities by cooperating with charitable parties and initiatives worldwide

- Ausnutria Foundation donated millions of cash or in-kind donations to provide tangible assistance to the community
- Provided sponsorship and donations to various charities and organisations related to health and sports development
- Provided sponsorship to different sports events in local communities including SC Heerenveen football team

- By 2029, inject RMB100 million in cash or in-kind donations into the Ausnutria Foundation
- Consistently provide support for different communities through donations and charitable initiatives
- Continuously partner with different parties to raise public awareness of healthy lifestyle

Consumer health & well-being

Empowering and inspiring consumers to lead better lives through advocating and educating the benefits of healthy products and lifestyle

- Encouraged the appropriate use and marketing of breastfeeding as a member of the European Union Chamber of Commerce and in compliance with the recommendations of the World Health Organization and legislative provisions of the People's Republic of China (the "PRC")
- Optimised marketing channels such as WeChat, Weibo channels and other live broadcast platforms to support and educate consumers on healthy lifestyles

- Support breastfeeding by promoting responsible marketing and advertising practices
- Leverage marketing efforts to support and promote healthy diets and lifestyles

2025

Sustainability Commitment







Better Environment

ASPECT OF OUR ENVIRONMENTAL TARGETS

2023

2025¹

ASPECT OF OUR ENVIRONMENTAL TARGETS	2023	2025 ¹
GHG emissions 	<p>Compared with 2019</p> <ul style="list-style-type: none"> Total GHG emissions intensity ↓ 17% The scope 1 emissions intensity ↓ 16% The scope 2 emissions intensity ↓ 19% 	<p>Compared with 2019</p> <ul style="list-style-type: none"> Total GHG emissions intensity ↓ 20% The Scope 1 emissions intensity ↓ 15% The Scope 2 emissions intensity ↓ 20%
Energy consumption 	<p>Compared with 2019</p> <ul style="list-style-type: none"> Energy consumption intensity ↓ 19% Natural gas consumption intensity ↓ 24% Electricity consumption intensity ↓ 4%² 	<p>Compared with 2019</p> <ul style="list-style-type: none"> Energy consumption intensity ↓ 20% Natural gas consumption intensity ↓ 20% Electricity consumption intensity ↓ 15%
Water consumption 	<p>Compared with 2019</p> <ul style="list-style-type: none"> Water consumption intensity ↓ 42% 	<p>Compared with 2019</p> <ul style="list-style-type: none"> Water consumption intensity ↓ 35%
Waste³ 	<ul style="list-style-type: none"> Maintained the recycling rate of paper and wood at 100% Maintained the recycling rate of rest milk and rest powder at 100% Achieved the recycling rate of plastic of at least 99% 	<ul style="list-style-type: none"> To maintain the recycling rate of paper and wood at 100% To maintain the recycling rate of rest milk and rest powder at 100% To achieve the recycling rate of plastic of at least 90%

¹ We will keep monitoring our achievements to seek continuous improvement and review the targets in the coming years where necessary.

² The absolute electricity consumption of 2023 comparing to that of 2019 has increased due to business expansions, which also contribute to an increased revenue and thus impacting the intensity figure. We will assess any feasibility to increase the energy efficiency regarding the productions in the future.

³ Recycling rate target is for production-related waste only.

2023 Achievements

TRIUMPH IN MSCI ESG RATING

In June 2023, Ausnutria's Morgan Stanley Capital International (MSCI) ESG rating was upgraded from A to AA, making it the first company in the Chinese food industry to receive an "AA" rating. MSCI highly affirmed Ausnutria's ESG performance, noting that the Group has a robust system in place to support sustainable development, with excellent performance in the areas of raw material sourcing, water stress, product safety and quality, and governance. The leap in Ausnutria's ESG rating is a further confirmation of the Group's sustainable development from the capital market, and an endorsement of the joint efforts of Ausnutria. The Group would strive for continuous improvement in implementing ESG-related measures and combine the efforts of various parties to contribute to long term sustainable development.



BREAKTHROUGH IN THE GLOBAL MARKET

The United States Food and Drug Administration (the "US FDA") has strict standards for infant formula milk powder from raw materials, nutritional content, packaging materials to production specifications. Manufacturers of infant formula require a series of research projects and clinical trials to ensure the safety and feeding efficacy of their products. After years of hard work, the infant goat milk formula (0-12 months) of Kabrita ("Kabrita IMF") passed the review by the US FDA in July 2023 to be sold in the United States of America (the "US") as the first goat milk IMF across the world that has fulfilled the US FDA's nutrition and safety requirements and can be marketed in the US. The product has been marketed in the US in January 2024 as the world's first goat milk-based infant formula that meets the US FDA nutrition and safety requirement. This marks a new chapter for Ausnutria's breakthrough in the global market with goat milk as a differentiated strategic product.



IMPORTANT MILESTONE REGARDING INNOVATION AND R&D

In Year 2023, the Ausnutria Hunan Province Infant Formula Technology Innovation Centre was officially approved by the People's Government of Hunan Province and the Department of Science and Technology of Hunan Province, becoming the only infant formula technology innovation centre in China. As an important scientific research platform of Ausnutria Hunan Province Infant Formula Technology Innovation Centre, the "Ausnutria Nutrition Basic Scientific Research Sharing Centre" ("Sharing Centre") was successfully unveiled at the Conference on Promoting the Construction of Changsha Global R&D Centre by Chinese Young Entrepreneurs. In Year 2023, two major scientific research platforms were constructed by the "Sharing Centre". Firstly, a technical research system for the whole industry chain of lactic acid bacteria was established, which is of great significance for the development of our own intellectual property strains and the promotion probiotic strains localisation. Another "five-in-one" comprehensive evaluation system was also established, which can independently carry out raw material screening, new product development research, functional and biosafety evaluation, and provide scientific research support for products and markets.

2023

Achievements

AUSNUTRIA'S SMART FACTORY SETTLEMENT

With Ausnutria's advantage and scientific research capacity in the probiotics field, Ausnutria and Jiangnan University jointly undertook the national "14th Five-Year Plan" key R&D plan – Probiotics Industrialisation Production Demonstration Line, officially settled in Bioflag Jiangsu Huai'an Probiotics Smart Factory and put into production in Year 2023. The factory can ferment 8 types and 33 strains of probiotic powder every year, and is committed to building a world-leading intelligent manufacturing base for the research, production and application of functional probiotic strains. The commissioning of the project not only marks the establishment of Bioflag in the field of probiotic research and development and production, but also injects new vitality into the development of Ausnutria's health industry.



About This Report

Ausnutria Dairy Corporation Ltd (“Ausnutria” or the “Company”, together with its subsidiaries, the “Group”) is proud to release its annual Sustainability Report, which outlines the Group’s objectives, strategic plan, and initiatives to attaining sustainable development. This report presents the Group’s collaborative endeavours with stakeholders and showcases its achievements in establishing a sustainable shared value for the Group, its employees, customers, business associates, the broader community, and the environment.

REPORTING STANDARD

This report was prepared in accordance with the Environmental, Social and Governance (“ESG”) Reporting Guide’s requirement set out in Appendix C2 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The preparation of this report adopts the reporting principles of materiality, quantitative, balance, and consistency. The Group engages with key stakeholders and management on a regular basis to address the most relevant and critical sustainability issues to the Group.

REPORTING SCOPE AND PERIOD

Unless otherwise stated, this report examines the material sustainability issues of the Group during the period from 1 January 2023 to 31 December 2023 (the “Year 2023”). This report covers the Group’s operations in the PRC, the Netherlands and Australia, including Ausnutria Dairy (China) Co., Ltd. and its subsidiaries (“Ausnutria PRC”), Ausnutria B.V. and its subsidiaries (“Ausnutria Netherlands”), Ausnutria Pty Ltd and its subsidiaries (including Australian Dairy Park Pty Ltd (“ADP”) and Nutrition Care Pharmaceuticals Pty Ltd (“NCP”), “Ausnutria Australia”). These locations account for over 90% of the Group’s non-current assets.

CONTACT FOR FEEDBACK

This report is available on the Group’s [corporate website](#) and the Stock Exchange’s website. The Group is open to receiving your insightful comments and suggestions on how it conducts its business sustainably. You can reach out to Ausnutria at ESG@ausnutria.com.



Message from the Chief Executive Officer

It is with great pleasure that I present the Group's eighth sustainability report on behalf of the board (the "Board") of directors (the "Directors") of the Company. This report encapsulates our steadfast commitment and noteworthy accomplishments in integrating sustainability into our operations and value chain throughout Year 2023.

Throughout the year, the Group encountered a range of developmental and operational obstacles, notably navigating the evolving market conditions in the PRC, the Group's principal market, with falling birth rate, the infant milk formula ("IMF") industry entered a new phase of competitive rivalry with accelerating brand consolidation and an intensifying competition. Simultaneously, we have been actively implementing strategic initiatives to optimize resource allocation and operational efficiency across various regions. Throughout this process, we remain dedicated to identifying opportunities for further integrating sustainability principles into the Group's operations.

Since its inception, Ausnutria has continuously strengthened its globalised governance system, prioritising strategic direction, rigorous monitoring, and the evaluation of management effectiveness, financial performance, and information disclosure. This approach ensures that the Company remains proactive in enhancing its governance practices on a global scale. To attain and uphold sound corporate governance, sustainable development, and a competitive edge that generates long-term value for our stakeholders, we acknowledge and embrace the advantages of fostering a diverse and inclusive Board. In Year 2023, our Board comprises nine Directors who possess diverse backgrounds, cultures, races, and extensive expertise in various industries. These fosters heightened board effectiveness and ensured that a wide range of perspectives and opinions are heard within the boardroom, promoting a more inclusive decision-making process.

We have established a robust sustainability governance framework to guide our sustainability initiatives, ensuring effective management and implementation of sustainability strategies throughout our operations and value chain. Clear roles and responsibilities have been defined for various stakeholders involved in sustainability-related matters. The Board oversees sustainability risks, opportunities, strategies, and the progress of goals and targets, supported by the management team and our sustainability committee (the "Sustainability Committee") and its adjunct sustainability workgroup (the "Sustainability Workgroup"). Aligned with the Group's sustainability vision, Ausnutria continued in advancing our three fundamental pillars: Better Nutrition, Better Life, and Better Environment. Through these pillars, we reaffirm our dedication to the United Nations Sustainable Development Goals ("UNSDGs").

Committed to bringing Better Life to our people, we strive to establish a healthy and inclusive workplace. Our approach to human resource management centres around embracing diversity and inclusion, valuing the distinctiveness of each individual. In addition, we endeavour to create a positive working environment and actively implement employee-friendly initiatives to cater to their needs. Recognising the significance of nurturing our workforce's abilities and maximising their potential, we allocate substantial resources to talent development initiatives. In 2023, Ausnutria has unified its organisational and talent inventory system through a "Strategy-Organisation-Talent" review model, further promoting the construction of leadership tiers. The PRC has launched the "U Classroom Micro-Training Camp" with three thematic sessions and attracted broad departmental engagement. In the Netherlands, we continued to invest in various employee training programs and initiated to offer culture and language courses to bridge the gaps between colleagues of different nationalities. In the PRC, different programmes of talent development class are rolled out in the Ausnutria Academy to enhance employees' knowledge and skills. Meanwhile, we continued to strengthen communication with our employees through different channels. In the Netherlands, the Group has made a system upgrade to the intranet system that allows employees to stay current with the latest progress within the Group, such as the external collaborations, and updates on our governance structure. To unify our colleagues and improve corporate culture, we continued to share individuals' narratives and 'Ausnutria story' videos on social media platforms, such as Ausnutria's career website and WeChat official account. To improve employee's well-being, different sports sessions and clubs, as well as athletics meet, were organised to promote a healthy lifestyle.

Our commitment to Better Life is not limited to our people, but also extends to the community. Through a wide range of sponsorships, donations and community projects, the Group joined forces in Year 2023 to promote the well-being of the community. The Ausnutria Foundation donated millions of cash and materials to provide tangible support to the community. The Group has been injecting cash or in-kind donations to fight against natural disasters by leveraging our own resources. We donated thousands of goat milk formula to affected areas in Hebei, Heilongjiang and Gansu. It is also the seventh year for the Group to participate in the "Hyproca Tundra Rose Project", which seeks to improve the physical well-being of Tibetan mothers and infants. The Group also made cash donations to various charity groups such as the First Aid Association Gramsbergen and Foundation Kika. In Year 2023, the Group contributed to the youth's educational development by holding the "Meishan Shangjun" Xinhua County Young Entrepreneurial Talent Training Program in Changsha to construct a cutting-edge rural training system. Moreover, the Group supported health-related community programmes by sponsoring various sport teams and marathons. Throughout the year, we earned a number of awards for our contributions to the community, which demonstrates our dedication to ESG and community investments.



In our pursuit of Better Nutrition, Ausnutria devotes significant efforts to product innovation, ensuring the delivery of exceptional nutrition products and solutions that meet the highest standards of quality for our valued customers. In Year 2023, the Group accomplished several R&D achievements by continuing its investment in R&D of new products with RMB132 million. The Group continuously expands its business of foods for special medical purposes ("FSMP") under the Care Suit brand with the introduction of two new comprehensive nutritional formula products. The Group fulfilled all requirements set out by the US FDA for Kabrita and successfully entered the market of the US for marketing and distributing the Kabrita IMF. Kabrita IMF was the first IMF product produced in Europe that has fulfilled the US FDA's requirements. To enhance our capabilities in scientific research and innovation, the Group collaborates with world-class tertiary institutions in R&D research. In 2023, the Group established the Changsha Expert Workstation and the Changsha National Provincial Academic Society Service Station, focusing on scientific research in the fields of dairy and nutritional health. The Group also commenced production at the Probiotics Industrialisation Production Demonstration Line within Smart Factory, targeting global leadership in smart probiotics production. Devoted to protecting our intellectual property rights, the Group passed the on-site audit for re-certification of the PRC's national standard for enterprise intellectual property management (GB/T 29490-2013) and obtained the certificate in Year 2023.

Alongside our commitment to product quality and innovation, we have dedicated efforts to optimising our supply chain, aiming to streamline our production processes. Our new milk processing facility in the Netherlands that adopts low carbon technologies and energy-efficient designs is still under construction. Apart from the new facility, we support our suppliers to adopt sustainable practices. In Year 2023, Ausnutria continued to support goat farmers by participating in the Dutch goat sector organisation's Sustainability programme which promotes sustainable livestock farming practices. We achieved a 100% participation rate from Ausnutria's goat farms and scored nearly 5% higher compared to last year. The Group also endeavours to promote industry development by fostering the establishment of Hunan Special Food Association in China last year, contributing to the development of local food industry. Our efforts earned us recognition as one of the 15 industrial clusters in Hunan province in Year 2023.

In our pursuit of creating a Better Environment for future generations, we are committed to minimising the environmental impacts resulting from our manufacturing processes and enhancing the environmental performance of our operations. Two years ago, the Group established ambitious targets for reducing greenhouse gas (GHG) emissions, energy consumption, water usage, and increasing waste recycling rates, and we made remarkable strides in achieving these goals in Year 2023. We will diligently monitor our progress towards these targets and provide regular reports on our achievements. Furthermore, to progressively decarbonise our business operations, we embrace the adoption of low-carbon technologies and prioritise the utilisation of renewable energy sources whenever feasible. In 2023, 100% of electricity consumption for operations of Ausnutria Netherlands was compensated through renewable energy sources. The on-site solar system of Ausnutria Australia was also expanded this year, saving 22% of total electricity consumption in Australia. In terms of waste, the Group continued to maintain a 100% recycling rate for paper, wood, rest milk powder, and 99% for plastic. With a view to developing environmentally-friendly products and packaging, Ausnutria Netherlands optimised the packaging process and has achieved a 50% decrease of stretch wrap foil on pallets. Inline auto sampling takes powder samples before the enclosure in tins, preventing the generation of sample waste. Our aspiration is to consistently enhance our environmental management systems as part of our ongoing commitment to foster a more sustainable environment.

I would like to express my deep appreciation to all our stakeholders for their unwavering support throughout our sustainability journey. Additionally, I want to extend my heartfelt gratitude to our dedicated staff members for their continuous efforts during this demanding period. Their diligence plays a crucial role in the Company's success, enabling us to deliver exceptional products. With confidence, I believe the Group will maintain its exceptional performance in Year 2024 and foster stronger collaboration with our partners to contribute to sustainable development.

Ren Zhijian

Chief Executive Officer

The PRC

29 April 2024



About Ausnutria

CORPORATE PROFILE

Ausnutria was established in September 2003 in Changsha City, Hunan Province, the PRC, and is now one of the top manufacturers of high-end dairy and nutrition products in the world. The Company became the first infant formula company to be listed on The Stock Exchange of Hong Kong in October 2009 (stock code: 1717). The Group owns and runs an integrated business chain in the global dairy and nutrition market, covering procurement, production, marketing and distribution.

Ausnutria operates nine modernised factories around the world, among which two are in the PRC, five in the Netherlands and two in Australia. Together, they manufacture a wide range of products for over sixty different nations or regions, creating a life-cycle care system that includes products such as infant formula, toddler formula, dietary supplement, FSMP and personalised nutrition products.

Ausnutria launched several new products in Year 2023 as part of its ongoing strategy to diversify its product portfolio, including Hyproca 1897's Hollary A2 β -casein, Kabrita's Kabrita Yue Hu goat IMF, upgrading of Hyproca 1897's Hollary stage-4 formula, and Care Suit's FSMP. The Group is devoted to speed up promising R&D projects to support existing business and pave the way for future success. For R&D, the Group attained impressive results from several scientific research projects. Kabrita and the Chinese Academy of Inspection and Quarantine jointly prepared a project to develop an association standard named "Capillary gel electrophoresis – a method to measure the amount of whey protein in goat IMF". This project aims to fill the gap in the market with the first specialised method to test goat IMF, was approved in January 2023. In the same year, Care Suit Zhen Shan and Care Suit Shu Shan comprehensive nutritional formula FSMP, that can either be the sole nutrition source or dietary supplement for people over 10 years old with restrictive food intake, malabsorption and metabolic disorder, obtained official registration certificates issued by the State Administration for Market Regulation in the PRC (the "SAMR") in February 2023. The Group also strategically allocate energy and resources to focus on the goat milk powder and premium cow milk powder businesses with the aims of improving user experience and increasing sales in the PRC and across the globe. As part of its "Golden Decade" strategy, the Group will keep launching premium-quality and sustainable dairy and nutrition products in a steady manner to deliver an overall turnaround of the nutrition business. The Group aims to become the consumers' go-to source for infant and toddler formula, and high-end nutrition and health-care products.

THE GROUP'S OWN BRANDS



MEMBERSHIPS

Ausnutria is dedicated to supporting the growth of the nutrition and dairy sectors and actively engages in various international associations and voluntary endeavours. Furthermore, the Group actively participates in open dialogue with industry partners and peers, which contributes to the Group's advocacy of sustainable growth and operational improvement.



Australia China Nutrition and Health Association ("ACNHA")

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



China Dairy Industry Association

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



China Nutrition and Health Food Association ("CNHFA")

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



Hunan Imported Food Enterprise Association

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



Hunan Academy of Agricultural Sciences ("HUNAAS")

Ausnutria has developed the strategic partnership with HUNAAS and established the Institute of Academician Shan Yang's Innovation Team.



Dairy Association of China ("DAC")

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



Dutch Dairy Association ("NZO")

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



Dutch Goat Dairy Association ("NGZO")

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



European Union Chamber of Commerce

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



Platform Melkgeitenhouderij (Dairy Goat Farming Platform)

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



Infant Nutritional Council ("INC")

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



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

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



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

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



Sustainable Dairy Chain

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



IFOAM Organics International

In 2023, Ausnutria became a member of IFOAM, the global umbrella organisation for the organic agriculture and food sector. The organisation represents almost 800 affiliated umbrella organisations in 117 countries.

CORPORATE GOVERNANCE

The Board commits to sustaining the highest standards of corporate governance and fostering transparency, independence and integrity within the Group in order to achieve long-term success and protect the interests of its shareholders.

Aligning with the Corporate Governance Code in Appendix C1 of the Listing Rules, Ausnutria has put strong governance principles into practice. The Board is responsible for identifying strategic business opportunities for the Group and providing oversight, insight, and foresight of the Group's overall strategy and business operations. Furthermore, the Board is responsible for regularly monitoring, assessing and advising the corporate governance policies to ensure compliance with the latest updates. In order to prevent governance risk relating to bribery, extortion, fraud and money laundering, Performing Behaviour Guide was developed in the PRC, which states the roles and responsibilities of middle to senior management in establishing sound corporate governance and corporate culture.

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

ANTI-CORRUPTION

The Group's integrity preserves its reputation as a reliable dairy and nutrition producer and business partner. Ausnutria upholds the highest standards of integrity in order to eradicate corruption throughout all activities. All employees are obliged to comply with and behave in accordance with the Code of Conduct, which sets the Group's expectation on workplace conduct and behaviour in situations including conflicts of interest, bribery and corruption, and integrity violations. Employees and Directors are also given regular training to deepen their understanding of anti-corruption measures. To uphold the business ethics, we provide leadership training and development for our managerial roles in mainland China, such as behavioural learning and self-awareness evaluation. Furthermore, we organise training activities that are independently executed by the department to meet individual needs, including experience sharing sessions and meetings. Topics such as quality and integrity relating to our production were covered.

Any acts of non-compliance might lead to a verbal warning, formal warning or other disciplinary and/or legal actions. Ausnutria has implemented a whistleblowing and anti-fraud mechanism that allows employees to report to management any suspected misconduct against business ethics principles. External consultants will be appointed when appropriate, to review the Group's internal control, workflows, and the management systems, and to make suggestions on system enhancement. Furthermore, the Group's internal audit department verifies and monitors financial and operational data to identify potential risks of bribery, conflicts of interest or corruption. The Board monitors the effectiveness of such procedures and ensures that all reported cases are followed by an appropriate and adequate action.

For further information about the Group's corporate governance policies, please refer to the corporate governance report section in [annual report](#) of the Company for the Year 2023.



Ausnutria's Approach to Sustainability

SUSTAINABILITY GOVERNANCE

Ausnutria has been cognizant of the growing importance of sustainability and climate change worldwide and has realised the need to integrate sustainability into corporate operations. To enable effective sustainability management across all aspects of its activities, the Group has established an effective structure for sustainable governance. The Board, as the highest governance body, directs and supervises Ausnutria's sustainability strategy, risk management, performance, and progress towards sustainability targets. It is also responsible for optimising synergies and ensuring alignment between the Group's sustainability strategies and long-term business visions. The Board is responsible for evaluating and classifying the materiality of sustainability issues and risks pertinent to the Group's activities and guaranteeing that suitable risk management and internal control mechanisms are established.

A group-level Sustainability Committee consisting of regional senior management representatives was formed under the direction of Board Chairman Mr. Zhang Zhanqiang to assist the Board in creating, carrying out, and overseeing the Group's sustainability strategy and performance. The Sustainability Committee presents to the Board on important sustainability and performance matters for decision-making and meets at least three times a year. The Sustainability Committee further:

- oversees and provides the strategic directions for the Group's sustainability strategy and management;
- identifies, evaluates, and tracks the Group's sustainability risk exposure, including climate-related risks;
- evaluates and approves the Group's sustainability performance and targets and improves the accountability of sustainability data; and
- deliberates and reviews the steps implemented to manage sustainability-related risks and opportunities; reviews and approves the Group's annual sustainability report.

Various regional representatives are recruited to form the Sustainability Workgroup as an auxiliary to the Sustainability Committee to integrate and optimise the sustainability initiatives in different regional operations. By working with regional teams and evaluating the development and execution of sustainability initiatives, the Sustainability Workgroup facilitates the implementation of the sustainability strategies in business operations. Local teams including Health and Safety ("H&S") and Environmental, Health, and Safety ("EHS") Committees are in charge of integrating a variety of sustainable practices into daily operations. Senior management in departments like human resources and product quality aids the day-to-day handling of sustainability challenges.



As part of its dedication to sustainability, the Group supports the UNSDGs. Ausnutria's sustainability strategy aligns with the international movement to eradicate poverty, protect the environment, and ensure that all people enjoy peace and prosperity. The Group has focused on the eight UNSDGs with the most vital connections to our business and sustainability strategies to optimise its effect. Our three sustainability pillars, including Better Nutrition, Better Life, and Better Environment, are linked to the below eight UNSDGs.



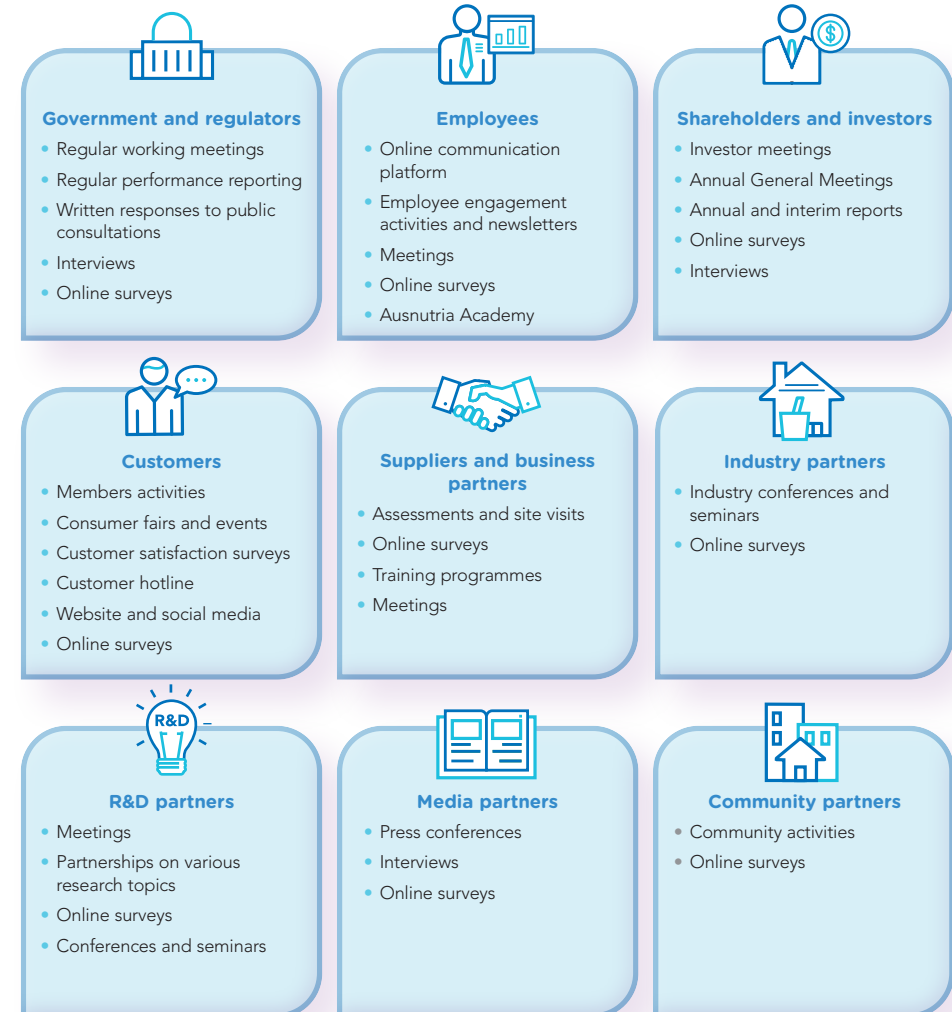
The Group has been developing a sustainability strategy framework with an improved version as part of its endeavours to support the UNSDGs. In 2020, after reviewing the sustainability strategy and identifying and consolidating focus areas under each sustainability pillar, it is clear that regional operations can receive sufficient and explicit instruction on establishing particular targets under each sustainability pillar. Furthermore, in this year's sustainability report, the Group finished gathering and evaluating inputs from the Sustainability Workgroup and continued to describe the comprehensive sustainability targets in the Better Nutrition, Better Life, and Better Environment sections with progress disclosure.

STAKEHOLDER ENGAGEMENT

The Group may better comprehend feedback and react to it quickly, through presenting opportunities for communication among stakeholders. The Group identified important stakeholders who significantly impact our business or are materially impacted by our operations. Those who have a material impact on our business or are materially impacted by our operations are considered key stakeholders. Utilising formal and informal dialogue, the Group stays informed about the perspectives of stakeholders and the evolving corporate environment. It also recognises and responds to risks and opportunities, customising its sustainability initiatives to reach sustainable business achievements.

Since 2016, the Group has shown its commitment to its key stakeholders by regularly engaging with them for insight into their views and priorities on various sustainability-related issues. Stakeholders were given access to an online survey to learn more about their opinions and expectations about sustainability issues in the Group. Diverse stakeholder groups, including employees, shareholders, investors, customers, suppliers, business partners, industry partners, R&D partners, media partners, community partners, and regulators, contributed more than 200 replies.

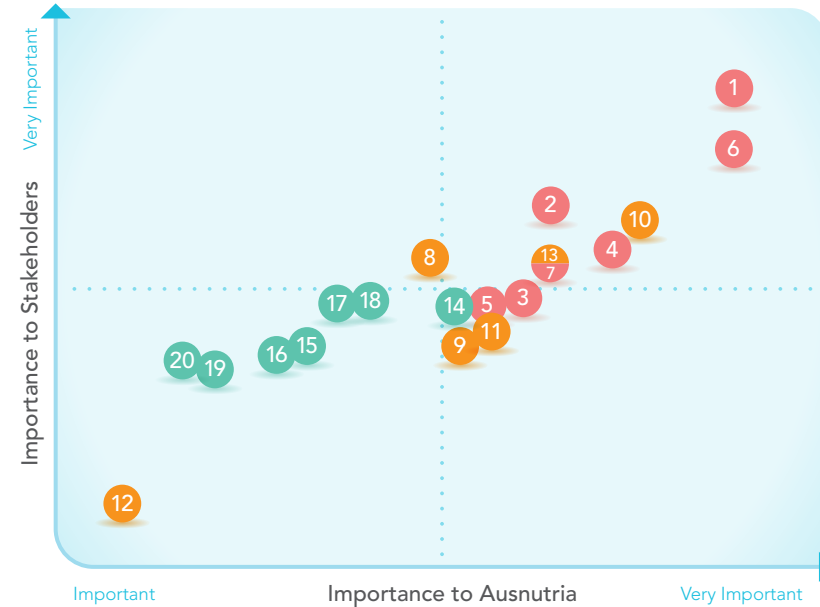
KEY STAKEHOLDER GROUPS AND REGULAR ENGAGEMENT METHODS



MATERIALITY ASSESSMENT

We conducted a materiality assessment to achieve better alignment between stakeholders' needs and our objective of sustainable growth. The Group constantly reviews sustainability-related issues pertinent to its operations and stakeholders to stay current with the rapidly evolving business landscape.

The Board is guided in making well-informed, sustainable business choices by the feedback from the stakeholder engagement survey, which is based on interactive multi-stakeholder methods and serves as the basis for evaluating and recognising Ausnutria's significant sustainability issues. Based on feedback from more than 200 stakeholders via an online survey, the Group presented the materiality analysis onto a matrix to show the relative significance of sustainability issues to stakeholders and the Group. Ausnutria's ESG report was developed using the findings of the materiality assessment, which were examined and approved by the Sustainability Committee.



Better Nutrition

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



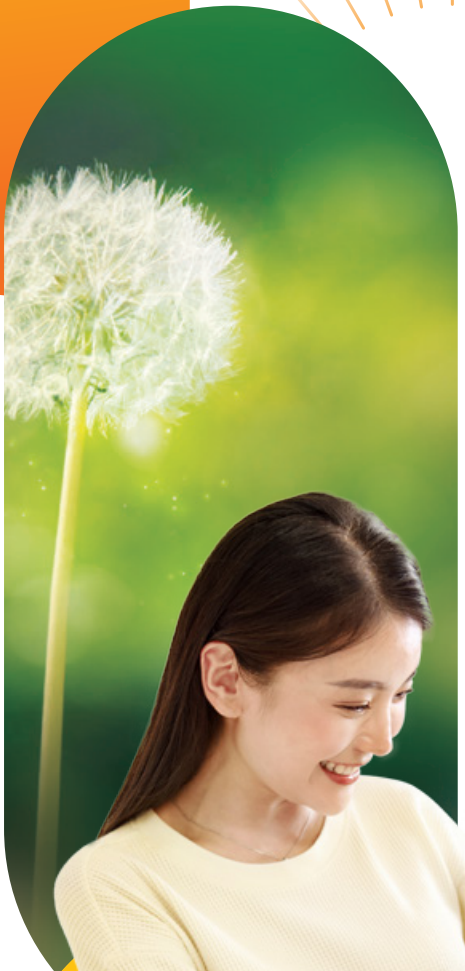
Better Life

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

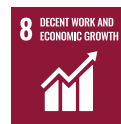


Better Environment

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



Better Life



01.



Better Life

Ausnutria is committed to doing more than just making a visible and immediate financial difference. Utilising its resources and experience, the Group organises a wide range of community programs that target the underprivileged populations. These programs align with its long-term vision of promoting health and well-being for the public and giving all levels of the community access to nutrient-rich dairy and healthcare products. By leveraging potential in areas including, but not limited to, poverty, child development and empowerment, and healthcare, the Group addresses social needs by coordinating the work of diverse firms and overseas subsidiaries. More than fostering a healthy and caring community, Ausnutria strives to create a work environment that is fair, peaceful, and stimulating for its employees as a way of valuing their contributions to the organization. For employees to feel valued, trusted, and continuously supported – especially during uncertain times – Ausnutria strongly prioritises diversity and inclusivity. Through the provision of many training and educational opportunities, the Group fully supports its employees' professional and personal growth.

Community investment

Consumer health & well-being

Employee welfare & development

Employee health & safety

Diversity & inclusion

Key Highlights in Year 2023

- **Donated millions of cash and materials for charitable and fighting against the extreme natural disasters.**
- **Awarded in the PRC**
 - ESG Outstanding Social Responsibility Practice Corporation Case;
 - CSR Competitiveness Responsibility Model Case Selection of the Year's CSR Contributing Enterprise;
 - New Hunan Contribution Award;
 - 2023 Top 100 Private Enterprises in Hunan; and
 - The public welfare film "Zhengzheng's World," sponsored by Ausnutria, was nominated for the 18th Huabiao Film Awards for outstanding "Children's Theme Film Award".
- **Promoted healthy lifestyle via sponsorship of sports events by**
 - continuing to be the main sponsor for SC Heerenveen football team in the Netherlands;
 - supporting the Changsha Marathon in the PRC;
 - supporting LOOP Leeuwarden in the Netherlands; and
 - supporting Zwolle Half Marathon in the Netherlands.
- **Provided assistance to local communities in the PRC and the Netherlands through**
 - Ausnutria Foundation Hyproca Galsang Flower Project in Tibet, the PRC and supported over 6,000 families;
 - Donations to **First Aid Association** which conducts training sessions to demonstrate effective techniques for resuscitating children in the Netherlands;
 - Donations to **The Foundation Kika** to support childhood cancer research; and
 - Organised creative reading project around 70 primary schools to encourage children reading in the Netherlands.
- **Launched the "U classroom Micro-Training Camp" with three thematic sessions to boost general staff skills and attract broad departmental engagement in the PRC.**
- **Continue to support the Employee Assistance Programme in Australia in the upcoming year.**
- **Zero cases of work-related fatalities over the past three reported years.**

COMMUNITY INVESTMENT Awards

Ausnutria has received recognition from the business sector for its commitment to community involvement. The Group was recognised for their efforts in 2023 with awards.

- In September 2023, Ausnutria was awarded the "ESG Outstanding Social Responsibility Practice Corporation Case" (2023 企业ESG杰出社会责任实践案例).



- The public welfare film "Zhengzheng's World," sponsored by Ausnutria, was nominated for the 18th China Film Huabiao Award for outstanding "Children's Theme Film Award". This is the first time for Ausnutria to support public welfare films to reflect the problems of left-behind children, with the objective to urge greater attention and encourage efforts towards enhancing and addressing the related problems.



- On 5 September 2023, the China Corporate Social Responsibility Innovation and Development Forum presented awards the "CSR Competitiveness Responsibility Model Case Selection of the Year's CSR Contributing Enterprise" (2023"CSR竞争力"责任典型案例精选"年度社会责任贡献企业"), which is an affirmation of Ausnutria's past courageous commitment to social responsibility, but also a spur to the future.

The Ausnutria Foundation

Ausnutria Foundation was founded to reduce poverty, aid in the aftermath of natural disasters, and enhance public health, to encourage corporate social responsibility and social harmony systematically. In 2019, the Group promised to provide the foundation with RMB100



million in cash or in-kind contributions within ten years. To provide the community with practical support, the Ausnutria Foundation gave more than RMB5.5 million in cash or in-kind donations in 2023. Additionally, by establishing strategic alliances with academic institutions and charitable groups, Ausnutria and the foundation want to encourage community investment and benefit community progress. As an industry pioneer, the Group will persist in its proactive actions to fulfill its social duty in the future.

- On 1 December 2023, Ausnutria was awarded the 2nd "New Hunan Contribution Award" and was listed in the "2023 Top 100 Private Enterprises in Hunan" by the Hunan Provincial Party Committee and the Hunan Provincial People's Government in recognition of its outstanding entrepreneurial spirit and pioneering role in giving back to society.



Fighting Against the Extreme Natural Disasters

The Group is aware of the detrimental effects of severe natural disasters, like the decreasing social stability caused by the nation's frequent earthquakes, widespread flooding and hurricanes. Ausnutria continually worried that children and families in the disaster area were short on living supplies and promoted equitable access to donations and other resources, such as nutritional and healthcare products. Ausnutria aims to build social resilience for better recovery and growth.

CASE STUDY

Cash and in-kind Donation to Support Disaster Area



- On 2 August 2023, the Ausnutria Foundation donated more than 1,000 cans of Goat Milk Formula to assist the affected areas in Hebei Province and help ensure the supply of baby rations.

Ausnutria has actively responded to natural disasters in the PRC, including floods in Hebei and Heilongjiang provinces and a 6.2-magnitude earthquake in Gansu Province. Related topics such as “the masses are stranded” and “children are in urgent need of formula milk” touched the hearts of the whole country. Ausnutria continued to pay attention to the progress of the disaster and worked with the people in the affected areas to overcome the difficulties. Through the China Children and Teenagers’ Fund (CCTF), Ausnutria assisted in the affected regions of Hebei, Heilongjiang, and Gansu Provinces. In addition to providing charitable infant milk to children and families, the Group donated various resources to support emergency relief and post-disaster recovery and reduce social inequality in the affected areas. Ausnutria’s actions serve as an inspiration for others to come together and contribute to the betterment of society during challenging times.



- Further to the first batch, this is the second time to help the flood-affected areas after the joint donation of more than 1,000 cans of Goat Milk Formula to Hebei. On 11 August 2023, the Ausnutria Foundation donated nearly RMB160,000 worth of infant formula for flood relief in Heilongjiang.







驰援甘肃 共渡难关

澳优乳业携手佳贝艾特、海普诺凯1897

捐赠市场价值**150万元**的婴幼儿配方奶粉

- The Ausnutria Foundation donated infant formula worth RMB1.5 million to support emergency rescue, post-disaster recovery, and reconstruction in Gansu disaster-stricken areas.

Providing Health Support for Tibetan Family

Tundra Rose Public Welfare Project

CASE
STUDY

The “Hyproca Tundra Rose Project” has been Ausnutria’s active charity project in Tibet for seven years. To provide infant care and high-quality maternity care to the PRC’s underdeveloped regions, Ausnutria Foundation and Hyproca 1897 collaborated with several external organizations, such as the Peking University Health Science Centre, the Red Cross Society of Xizang, the Tibet University, and the Tibet Mother and Child Association. In 2023, 11 partners of the Hyproca 1897 Honor-Win Maternal and Infant Alliance also joined in the “Tundra Rose Project”.

Ausnutria contributed to the upkeep of an impactful scientific learning platform in clinics, hospitals, and other healthcare institutions. The initiative seeks to enhance the quality of healthcare services and support the local mother and child health professionals through the organization of healthcare professional training and academic exchange events and financial and in-kind donations. Meanwhile, women and moms-to-be in the area received nourishing diet guidance during charitable clinics and family visits. This initiative was intended to enhance their comprehension of the need for nutrition intake for dynamic infant development and to promote excellent cleanliness, a healthy diet, and good feeding practices.

Ausnutria works with practitioners and the maternal community to improve the physical well-being of Tibetan mothers and infants. To this point, the effort has mostly served approximately:

Three primary public welfare brands comprise the project: “Little Red Flower,” “Iris,” and “Tundra Rose”. These brands concentrate on emotional and physical well-being of children and mothers, the nutritional status of Tibetan living in mountainous regions. Each of the three leading brands provides ongoing support and care to women and children.



6
prefecture
level cities
and 1 district



42
rounds of
donations



55
charitable
clinics events
and academic
exchanges



Over
1,000
doctor
specialists
trained



Over
6,000
families



RMB9
million of cash
and in-kind
donations

From July 20 to 31, the “Tundra Rose Public Welfare Project” (格桑花公益行) entered Tibet and travelled more than 1,500 kilometres in 12 days. In 6 prefecture-level cities or towns in Tibet, Hyproca 1897 donated infant formula, school supplies, and cash with a value of more than RMB2 million. It carried out 12 public welfare activities, such as the scientific popularization of nutrition knowledge, charitable clinic events, and training rural doctors. In the next step, the project will increase the training of rural doctors and clinical professionals so that the trainees can learn how to use knowledge and can transfer and train others. Ausnutria insists on helping improve the nutritional health of maternal and infant groups in Tibet and help vulnerable maternal and infant groups.

This year, in addition to the offline charitable force. Online, Ausnutria also launched the interactive topic of “Insisting on one thing for seven years” on Weibo through the Weibo public welfare exhibition, cloud relay, and other forms so that more people will pay attention to and even join the general welfare action to improve the nutritional health of mothers and infants in Tibet. By 2 August, more than 77 million people had read the topic, and 90,000 people had participated in the interaction and discussion.

Educational Growth of the young talents in the community

Ausnutria is committed to supporting the young talents by sponsoring a range of educational resources and giving institutions financial support.

Contributing to the educational growth

CASE STUDY



On Children's Day, Ausnutria visited the Grassland school in Longhui County, Hunan Province, significantly contributing to the children's education. They donated music and art classrooms, teaching equipment, and stationery, creating a more conducive learning environment for the students. Additionally, Ausnutria organised the Fairy-tale Adventure Art Market, where children could participate in various creative activities. The Hyproca 1897 public welfare brand "Little Red Flower" also performed an original fairy tale drama at the school, sparking the children's imagination and fostering their love for storytelling. Ausnutria's efforts on Children's Day exemplify their commitment to positively impacting education and enriching children's lives.



On 29 March, Ausnutria supported "The 9th China University Students PR Contest", which was the third time to sponsor. The contest has built an excellent interactive platform for academia and industry. University students exercise their will and put knowledge into practice. In parallel, enterprises and PR companies share their experiences and discover talents on this platform. Ausnutria hopes to promote the industry's development and progress by supporting the competition's organization, contributing PR power to the high-quality development of the new era, and helping cultivate more excellent PR talents.



On July 14, the closing ceremony of the first "Meishan Shangjun" (梅山商俊) Xinhua County Young Entrepreneurial Talent Training Program was held in Changsha, presenting completion certificates to the trainees who participated in the first phase of the training programme. The "Meishan Shangjun" talent training plan is devoted to constructing a cutting-edge rural training system that will enable Xinhua County's small- and medium-sized business leaders to expand their business vision, sharpen their managerial and technical skills, and foster collaboration and exchange amongst small and medium-sized businesses in the area, finally providing a steady stream of endogenous power for the rural revitalization of Xinhua County.

Promoting Healthy Lifestyles in the Communities

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

CASE STUDY

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



Ausnutria has been the primary sponsor of the whole club since 2020, including the youth and women's teams. This sponsorship helps to raise brand recognition in the Netherlands and assists sports development for all parties involved in the province of Friesland, particularly Heerenveen. Ausnutria aspires to make the world a better place where everyone is strong enough to live a long, healthy life. This includes seeking out possibilities for personal growth in addition to nutrition. Supporting SC Heerenveen is a fantastic match for that vision. Ausnutria Netherlands will prioritise children's well-being throughout this sponsorship to assist them in having the greatest possible future. As a result, Ausnutria kept playing a crucial role in developing SC Heerenveen and provided Friesland's youth with extra support in their attempts to have a healthy upbringing.



- The pre-match activity showing the close relationship between Ausnutria and SC Heerenveen in Abe Lenstra Stadion, the home stadium for SC Heerenveen.

Empowering the community through sport events



On 29 Oct, the Changsha Marathon started, and 26,000 runners worldwide gathered in Changsha. This is the fifth time that Ausnutria has been designated as the special partner of the Changsha Marathon, giving full play to its professional advantages in the field of nutrition and health, providing complete nutrition care and support for the event. Through involvement, Ausnutria continues to empower the community by encouraging individuals to prioritise their well-being and embrace the healthy lifestyle by sports.

On 14 May, the highly anticipated LOOP Leeuwarden event unfolded, with Ausnutria proudly serving as the primary sponsor for the 1 km Kids Run, specifically designed for children aged 4 to 8. In line with its commitment to empowering the community through sports, Ausnutria ensured that all children could participate in the kids run free of charge. By removing financial barriers, Ausnutria aimed to create equal opportunities for every child, regardless of background. Through its support of the Kids Run, Ausnutria continues to demonstrate its unwavering commitment to promoting community sports and empowering children to lead healthy, fulfilling lives.



On 10 June, Ausnutria was the main sponsor of the Heroes Run of the Zwolle Half Marathon, which gathered 9,500 runners in total. Ausnutria believes it is essential that everyone, regardless of background and mental or physical condition, including children and adults with a disability or chronic condition, can enjoy sports. After the finish, Ausnutria was waiting for the runners of the Heroes Run and the 4 English Miles with a well-deserved Goat Milk Formula to support the recovery after such a hard effort. And Ausnutria was proud of employees who again participated in one of the distances this year.



Partnering with Employees in Community Programmes

Ausnutria has promoted employee-led charitable initiatives to support staff involvement in community programs that benefit the local communities. Ausnutria strongly emphasises initiative and creativity and provides the execution funding for chosen projects. It is intended that Ausnutria would be able to recognise and assist community initiatives whose objectives align with those of the local communities.

Community Service to Improve Child Nutrition

CASE
STUDY



On 28 June, our employees from Ausnutria Foundation, in partnership with Kabrita, contributed to the Liangshan community. They visited Nelonghe Village in Haili County to understand the local nutritional situation deeply. With a heartfelt commitment to helping those in need, our employees personally distributed 1,000 cans of Goat Milk Formula, valued at RMB408,000, to the families who needed it the most. Through their community efforts, our employees brought warmth, support, and assistance to 504 families, positively impacting their lives.

Community Service to Encourage Children Reading

CASE
STUDY



From March to May, our employees in the Netherlands ran the "Score a Book!" reading program around 70 elementary schools in Friesland. All participating children are stimulated to read as many books as they can. Ausnutria provided a present for every participant and also arranged that the winning class could visit a soccer match in Ausnutria's business lounge, the SC Heerenveen stadium. Young students were actively encouraged to participate in this creative and engaging program, which aimed to ignite a lifelong love for reading. Through their unwavering commitment to community service, employees made a meaningful contribution to the educational development and well-being of the children in the province of Friesland.

Cash Donations to First Aid Association Gramsbergen

CASE STUDY



Our employees actively engage in community programs, exemplified by a cash donation to First Aid Association Gramsbergen. This generous contribution was utilised to acquire a new CPR baby doll specifically for training. It is worth mentioning that one of our colleagues, a volunteer at the association who conducts this training herself, applied for the cash donation. The training sessions are crucial in demonstrating effective and enjoyable techniques for resuscitating children, particularly for families.

CONSUMER HEALTH AND WELL-BEING

Ausnutria commits to cultivating a lasting rapport and trust with our customers, demonstrating our unwavering dedication to safeguarding their health and well-being. The Group actively endorses breastfeeding practices, firmly believing that breast milk is the primary source of nutrition for the growth and development of infants and young children. In obedience to the World Health Organisation's recommendations, Stage 1 (0-6 months) infant formula products are not promoted. Additionally, in the PRC, stage 2 (6-12 months) infant formula products are not promoted due to legislative provisions. Through the study of breast milk nutrition, Ausnutria engages in a continuous R&D process to improve the nutritional value of its milk formula. As part of its strategic approach to gain more scientific insights into the nutritional value of breast milk for infants and young children, the Group has established several breast milk banks. We are dedicated to developing milk formula that can cater to the specific nutritional needs of infants in rural villages in the region by conducting breast milk composition studies with various samples. Ausnutria is resolutely committed and inspired to ceaselessly enhance our knowledge and product line through extensive research into infant formula, breast milk, goat milk, and dairy products. In the Netherlands, the responsibility of the R&D department is to improve our comprehension of infant nutrition and to guarantee the creation of baby products that boast optimal nutritional merit. Consequently, to embark on scholarly investigations, Ausnutria has engaged in a partnership with Wageningen University located in the Netherlands, financing a series of projects. In 2023, researchers from Wageningen University & Research visited the Ausnutria Headquarters to present the latest developments and outcomes of their research projects.

To ensure that all product labels and statements of Ausnutria convey impartial, accurate, and fair information, all products and promotional materials will undergo a rigorous review process that aligns with the Group's branding requirements. In order to achieve full compliance with local legislation and regulatory standards, all products must receive final approval in line with the stipulations set forth by our esteemed distributors or the local brands prior to distribution in the marketplace. The Compliance Management System has been established for Kabrita products, which outlines the duties and responsibilities of incumbent upon the respective departments along the production process to form clear and organised procedures for reviewing and approving marketing materials. Meanwhile, Ausnutria Australia has maintained active participation in the Voluntary Incidental Trace Allergen Labelling Programme. Prior to making any declarations of our nutritional products being "allergen-free" on the product label, it is incumbent upon us to subject every ingredient to an exhaustive and rigorous allergen detection process.

EMPLOYEE WELFARE AND DEVELOPMENT

As a responsible and considerate employer, Ausnutria adheres to all relevant laws and regulations governing employment practices in all of our operating locations. The Group strictly prohibits any form of operational control, child labour, and forced labour. Besides, our human resources department is responsible for closely monitoring the recruitment procedures to ensure that all prospective employees are eligible for lawful employment and to prevent any violations of employment standards. In the event of a dispute, the management will be promptly informed, enabling the Group to make decisions that serve the best interests of the individuals involved.

In 2023, Ausnutria has unified its organisational and talent inventory system through a “Strategy-Organisation-Talent” review model, further promoting the construction of leadership tiers. The Group has developed a full-chain approach that integrates business, organisational, and talent strategies. This ensures the improvement and optimisation of structures at all levels and enhances the talent pool. It also establishes clear plans for recruiting, developing, and retaining key talent. There is strong agreement among managers on the need to build organisational capacity and develop leadership talent, aiding them in refining their talent management strategies and boosting their expertise in this vital area. To boost general staff skills, the “U Classroom Micro-Training Camp” with three thematic sessions throughout the year attracted broad departmental engagement. This initiative honed practical office software skills, communication efficacy, and financial literacy. To enhance professional skills, the Group consistently refined the application of headquarters’ qualification standards. Directed by career pathways and grounded in those standards and capability assessments, outcomes were solidified with rank evaluations and certifications, ensuring remuneration aligned with skill, role, and value. In addition, a system was introduced to evaluate cultural values, reinforcing behaviour norms rooted in the Group ethos. The Group drives the development of a high-performance culture through executive cultural workshops, while fostering a positive cultural atmosphere with online comic promotions and role model employees. These efforts set the stage for Ausnutria’s forthcoming strategic phase, steering business practices and daily employee conduct to facilitate strategic execution.

To promote communications with our employees, Ausnutria employs a diverse channel of communication, including email, newsletters, mobile applications, social media, and intranet systems to ensure that staff are abreast of the latest corporate developments and intelligence. Commencing in Year 2022, Ausnutria provides updates to its workforce using monthly newsletter throughout all regions. In the PRC, Ausnutria persistently disseminates updates to its workforce via the customised mobile application (U享家) and social media platforms such as WeChat. Additionally, forums are regularly convened for the induction of new personnel, serving to enhance our comprehension of their requirements and expectations.

The Group places a high priority on upholding transparency and honesty in interactions between management and employees, and we welcome feedback from employees at all levels regarding their workplace experiences. Our Workplace Communication and Consultation Policy, the Communication Protocol, and other documents accurately outline the principles, rights, and responsibilities associated with efficacious communication to ensure effective communications between employees and management. We arrange a combination of formal and informal meetings to encourage staff to express their job expectations, reservations, and professional growth ambitions, thereby promoting the effectiveness of work collaborations. The Group is committed to cultivating a productive and dynamic working environment.

In Australia, mechanisms such as feedback forms and surveys are established to capture the employees’ responses. To keep employees apprised of corporate news, the circulation of internal emails is also deployed. Meanwhile, in the Netherlands, the Group has made available an advanced intranet system that allows employees to stay current with the latest progress within the Group, such as the external collaborations, and updates on our governance structure. In 2023, the intranet system has been upgraded throughout the organisation so that messages can be uploaded by not only the Communication Department in the headquarter, but also by designated employees at the various plants.

In the PRC, the Group conducted a comprehensive employee satisfaction survey in 2023, aiming to evaluate room for improvement from the ideas and recommendations from employees in a transparent and unbiased manner. Regularly orientation meetings for new employees are held to help the Group understand their needs. The active involvement of our employees provided valuable insights on how to enhance existing employment practices, contributing to a deeper understanding of employees’ expectations from the Group. Ausnutria looks forward to engaging more profoundly with our employees and intends to broaden the survey’s reach to encompass additional subsidiaries.

In the Netherlands, we established official Works Councils across all operation locations in order to facilitate meaningful dialogue between the management and employees. In the proposal of Ausnutria’s employment policies, the Works Council acts as an advocate for employee interests, and consultative and approval rights when critical management decisions are involved. Comprising seven individuals including employee representatives and elected members, the Works Council convenes every two months with senior management to discuss concerns and feedback within the daily operation of the workplace. Regular meeting ensures that all entities within the subsidiary remain aligned with overarching corporate strategies, management decisions, and daily operations.

The Company has established standard procedures for addressing instances where employees may encounter unjust treatment or disagreements during daily operations. The Code of Conduct and the Employee Handbook explicitly state that it is both the right and responsibility of employees to report any instances of mistreatment to their supervisor. The Group is committed to protecting whistleblowers by maintaining confidentiality of their identities and by addressing the reported concerns promptly within a defined period. If necessary, the case will be escalated to higher levels of management, including the HR department and the senior leadership team until a consensus is reached. To streamline the process of managing and resolving disputes or instances of mistreatment, Ausnutria has set up a specialised performance appeal and feedback mechanism in the PRC. This system integrates both online and offline methods into the feedback process, allowing for a more effective feedback procedure.

Ausnutria is dedicated to empowering employees to gain new professional capabilities and fostering individual development. Employees are granted access to an extensive array of educational resources and materials. To optimise training resources and improve human capital management, annual training plans are instituted across various subsidiaries. This ensures that employees benefit from systematic, holistic training and supervision at work. In addition, to prepare new hires with the skills required for smooth integration and a successful start in their positions, all new joiners are required to participate in a comprehensive orientation training programme.

To augment the proficiency and productivity of our employees at the workplace, a wide variety of training programmes are accessible to employees at every level, including:

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

As for Ausnutria Australia, targeted trainings are offered to employees based on their role and seniority. To improve the leadership and managerial skills of managers, Ausnutria Australia facilitates training for Certificate III courses in Business management and leadership. For operators, periodic trainings are required by the Therapeutic Goods Administration and are provided accordingly. Additionally, since we firmly believe that offering a diverse range of learning opportunities accelerates the professional advancement of our employees, therefore, Ausnutria offers 5S training for all personnel involved in production to enhance employees' proficiency in workplace management.

In an effort to realise better learning effectiveness, Ausnutria Netherlands took advantage of the e-learning platform namely, "Dairy Academy". The platform provides online courses that deliver practical knowledge ranging from raw materials, technology application and production processes, to quality monitoring of Ausnutria's products etc. Employees can develop operational expertise by tapping into the learning materials and resources available on the platform. A 5-day voluntary training course in Business English was commenced late 2023, providing opportunities for employees to improve their Business English skills. Moreover, Ausnutria Netherlands has continued its commitment to invest in both leadership development programmes and comprehensive training programmes for employees at all levels. In 2024, Ausnutria Netherlands will intensify this commitment by working towards a centrally organised training offering that focuses on both educative and personal development, with the option of individual coaching.





● MBA Class (澳橙計劃)



● Pre-MBA Class (澳青計劃)

For employees who are preparing for management level positions, the training equips them with skills in communication, strategy implementation, and talent assessment to further tap into their potential, improve their leadership, and assist in the organisation's sustained growth. The training is offered by various department personnel to share their expertise. Throughout the implementation of the scheme, the Group will closely monitor the learning progress of our employees and cater their different needs.



● High Potential Talent Scheme in the PRC

To assess the performance of individual staff members and foster their continuous professional growth, Ausnutria has established a structured staff appraisal system. This system is designed to stimulate a sense of responsibility among employees and to boost efficiency at individual, departmental, and organisational levels. The system has been employed in the PRC, Netherlands and Australia. Hyproca conducts the "Hyproca Strivers Speak" benchmarking case sharing sessions that allows outstanding frontline business personnel to promptly share their business insights and working methods. The "Gathering Talents" talent development programme is initiated to provide coaching and mentoring to enhance the competency of regional managers, provincial managers, and office managers. Kabrita focuses on building and safeguarding a marketing talent pipeline. Starting with job profiling, tiered training and empowerment sessions coupled with practical drills are conducted. Initiatives such as "Executives Lesson", "Champions Platform", and "Experts Tips" are underway to collate and disseminate expertise. These programmes serve to distil experience across managerial, intermediate, and operational levels, thus contributing to performance achievements.



EMPLOYEE HEALTH AND SAFETY

Ausnutria is committed to establishing a safe and healthy working environment for all employees. The Group strictly adheres to all local occupational health and safety (“OH&S”) laws and regulations to ensure the health and safety of its workforce. To ensure the compliance with the latest national and regional regulations, the Company regularly reviews and updates internal standards and procedures across all subsidiaries. Moreover, the Group set out relevant health and safety instructions to raise the awareness of employees of the compliance with our internal guidance, as well as to assist employees in fully understanding their roles and responsibilities.

Ausnutria has established a health and safety committee or officer tasked with overseeing the adherence at each manufacturing site to guarantee that health and safety standards and procedures are executed effectively and diligently. In the PRC, it is mandatory for all personnel employed in upstream factories to sign the “Work Safety Responsibility Acknowledgement”. This ensures that employees are conscious of their roles and responsibilities to abide by internal regulations, as well as the potential consequences of any irresponsible behaviour.

Ausnutria has implemented risk identification and emergency response mechanisms on OH&S issues. At the subsidiary level, regular risk assessments are conducted both internally and externally to identify and mitigate potential risks and hazards in our workplace. Inspection reports will be sent to the committee for review, and follow-up measures are taken if necessary. In addition to OH&S-related personnel, general staff can also access and can review the monthly risk assessment reports in the Netherlands. This transparency contributes to increased awareness on existing black spots and decreased recurrence of similar incidents. Moreover, Ausnutria Netherlands has implemented Additional Risk Inventory and Evaluation (“ARIE”) regulation in 2023, outlining the procedures for addressing the aftermath of severe incidents involving on-site hazardous materials. In Australia, the Group consistently reviews and updates its Standard Operating Procedures, as well as performing regular site checks and risk assessments to inspect new equipment and manufacturing procedures. In the PRC, extensive checks are initiated by the management prior to major holidays like Chinese New Year and the Mid-Autumn Festival, to avoid any irregularities during these times. These inspections are exhaustive, including aspects such as site safety, fire safety, hazardous chemical use, and waste treatment. Additionally, external inspections are also conducted annually at production sites. To minimise occupational dangers and risks and ensure the safety of our employees, Ausnutria will remain attentive in its operational adherence to OH&S practices.

The Group holds a certain belief that accidents can be prevented by avoiding miscommunication between departments and employees. To foster active and efficient communication on OH&S issues, Ausnutria has introduced OH&S Meetings across its subsidiaries. In Australia, the OH&S Meetings, which bring together safety representatives from various departments, are held every two months. These meetings serve to encourage cooperation among different units, aiming to improve the management and advancement of OH&S.

The Group is committed to equipping employees with the skills and knowledge to professionally manage incidents and operational risks. This is achieved by organising OH&S training sessions and safety drills. Ausnutria Netherlands held safety training for all its employees in 2023. In Australia, annual trainings on standard operating procedure are conducted. Additionally, specialised OH&S training sessions are offered to relevant staff members, covering a range of topics including fire warden, first aid, injury, hazard and incident reporting etc. In the PRC, trainings on fire safety, food safety, and production safety are conducted in accordance with the Group’s standard protocols. Monthly training sessions on on-site safety regulations are also delivered for logistics service providers, while part-time safety officers receive safety management training every four months. Additionally, the Group arranges free health check-ups for employees annually, along with professional interpretation of the results. Through varied OH&S initiatives, the Group aims to improve employees’ readiness to deal with potential hazards and emergencies, thereby ensuring the safety and health of our workforce.



Ausnutria holds the conviction that mental health is equally as vital as physical health and safety. Therefore, the Group is dedicated to promoting mental well-being among employees. In Australia, the Group has introduced the Employee Assistance Programme which employees can call and get professional support at confidential counselling sessions. This programme has been renewed and continued in 2023. In Ausnutria Netherlands, employees are actively encouraged to voice any concerns regarding harassment, bullying, aggression, violence, discrimination, and conflicts with superiors to their counsellors. These counsellors are equipped to offer guidance and, in more severe instances, to take further measures. Every office and production site in the Netherlands has appointed new counsellors in Year 2022, ensuring that all employees have convenient access to a trusted confidant whenever necessary. In the PRC, the Group organises annual counselling talks aimed at educating employees on topics such as mental wellness and stress management.

Organising Employee Basketball Tournament

CASE STUDY



The Group recognised the positive impact of sports on both physical health and mental well-being. Therefore, we are enthusiastic about motivating our employees to engage in various sporting activities by offering them opportunities to get involved. In the PRC, the “2023 Ausnutria (China Region) Fifth ‘Friendship Cup’ Basketball Tournament” took place in Changsha, with 81 employees from various positions within the group forming six teams to compete. The tournament spanned 9 days and featured a total of 10 matches. The Ausnutria basketball tournament, now in its fifth consecutive year, is not only a significant event to foster a healthy lifestyle and a culture of well-being among the employees, but it is also an important initiative to strengthen team integration and group cohesion.

Healthcare needs of our employees

CASE STUDY

In the PRC, in response to the healthcare needs of our employees and to raise awareness about oral health, Ausnutria organised lectures on oral health and complimentary dental clinic events this year. Oral health specialists delivered detailed presentations on everyday dental care and the prevention of oral diseases. Additionally, through the free dental clinic events, dentists offered individualised and expert advice tailored to the oral health conditions of each attendee. At the same time, every Ausnutria employee who participated in the event received an oral health gift pack and an oral health knowledge handbook.



Ausnutria has upheld a hygienic and secure work environment through a variety of initiatives. The Group ensures regular sanitisation of all office and production areas, while implementing specific measures tailored to the local conditions and regulations of each operational region. To prioritise employees’ well-being, in Australia and Netherlands, we have a remote working policy and have arranged options for working from home, as well as rotation schedules for our staff. Additionally, we provide trainings and informational posters to enhance employee awareness about the importance of good personal hygiene practices.

DIVERSITY AND INCLUSION

Ausnutria actively advocates diversity and inclusion in the workplace, recognising that these principles are critical for achieving sustainable and dynamic business growth. We are dedicated to establishing a fair, harmonious, and rewarding environment, where every employee feels deeply respected, trusted, and supported. To avoid a single-gender board, subsequent to the resignation of Ms. Ng Siu Hung as an executive Director on 12 September 2023, the Company was with a single gender Board. Following the appointment of Ms. Yan Junrong as a non-executive Director on 24 November 2023, the Company had achieved gender diversity on the Board and thus had re-complied with the diversity requirement of the Listing Rules and the Corporate Governance Code.

Our values and standards, along with the expected behaviours of our employees, are clearly delineated in our regional Code of Conduct and Employee Handbooks. These documents encompass policies and procedures that instruct our subsidiaries on addressing employment-related issues, including compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, training and development, OH&S, and additional benefits and welfare. To make sure that all information is easily accessible and broadly disseminated among our employees, we make efficient use of various communication channels during the onboarding process or whenever updates are available.

The Group adheres to the principles of meritocracy and non-discrimination, treating every employee with equal respect and openness. Our recruitment process is governed by a set of standard operating procedures that all regional teams are mandated to follow. These procedures undergo regular reviews and updates to align with evolving industry practices and local requirements. We seek talent through a variety of recruitment platforms, extending beyond the traditional channels to ensure a diverse candidate pool. In the PRC, the Group conducts an annual Management Trainee Programme to bolster our talent reservoir. In the year 2023, we recruited a total of 7 graduates who exhibited significant potential, providing them with a range of resources to develop specialised skills in food manufacturing industry. Participants in our Management Trainee Programme are mentored by the senior management to make sure they are well-prepared to take on pivotal roles and drive Ausnutria forward in the future.

Ausnutria acknowledges and rewards the hard work and contributions of our employees by offering competitive remuneration packages and attractive benefits. Employees are entitled to various forms of leave, allowances, bonuses, and subsidies according to their rank, position, and years of service. In the PRC, the Group offers regular meal subsidies, as well as celebratory gifts or subsidies for birthdays holiday subsidies and during traditional celebrations such as the Lunar New Year and the Mid-Autumn Festival. Employees marking 5, 10, 15, or 20 years with the Group are honoured with special anniversary presents. Additionally, employees receive subsidies for protective measures during extreme cold and extreme heat for our employees. In Ausnutria Netherlands, during times of inflation in the Netherlands, the Group offers employees access to a budget coach for financial guidance, assisting them in understanding and managing their finances effectively. Consultations with the budget coach are confidential and can be made anonymously.

Ausnutria is devoted to creating an inclusive environment that supports the diverse needs of employees while maintaining a smooth and efficient operation. Recognising the importance of family bonding, we are actively promoting a family-friendly culture across the Group. To better accommodate the work-life balance of our employees and to afford them more time with their families, the Company has introduced flexible arrangements at the subsidiary level. In the PRC, the Company is mindful of the challenges faced by employees who are geographically separated from their spouses. To address this, we grant a monthly half-day excused leave specifically for family visits, enabling employees to reunite with their spouses during public holidays and mitigate the strains of distance.



Bonding Time in Ausnutria's Family Carnival

CASE STUDY



In the PRC, Ausnutria's family carnival was held every year. As of 2023, the event coincided with a significant milestone: the 20th anniversary of Ausnutria's founding. Families have participated in the carnival to enjoy special art exhibition visit and be involved in various games and workshops in Xie Zilong Photography Art Centre, a venue exuding a strong artistic atmosphere. The events were designed around the theme of Ausnutria's 20th anniversary, allowing our employees to experience the "home culture" encouraged by Ausnutria through fun and interactive experiences, while also providing precious moments for family time and fostering closer relationships.



Moreover, Ausnutria is devoted to creating a female-friendly and mother-friendly workplace for employees. The Group has established breastfeeding facilities and offering flexible working arrangements. In the PRC, all mothers with a child under one year of age are entitled to a daily half-hour breastfeeding break, with the option to extend this to a full hour if needed. In 2023, Ausnutria hosted a team-building event for International Women's Day, demonstrating care and support for the female employees. The Group also provides opportunities for employees to gather with their families during special occasions. For example, on Children's Day, working parents are encouraged to bring their children into the workplace and enjoy family-oriented games together.





Better Nutrition





Better Nutrition

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

**Product
Innovation**

**Customer
Engagement**

**Product Quality
& Food Safety**

Key Highlights in Year 2023

- **Obtained the first European produced Kabrita IMF to meet the US FDA's nutritional and safety criteria.**
- **Stepped up investment in the R&D of new products to RMB132 million.**
- **Launched new products**
 - Care Suit Zhen Shan and Care Suit Shu Shan comprehensive nutritional formula FSMP;
 - Kabrita Yue Hu Goat Infant Milk Formula;
 - Hyproca 1897's Hollarly A2 β -casein;
 - Allnutria Aiyou; and
 - NC Gastro Repair and NC Daily Probiotics Gold.
- **Shared 5 latest research findings in the 20th Annual Conference of the Chinese Institute of Food Science and Technology and the 28th Congress of the Chinese Paediatric Society and received positive feedback from peers in the industry.**
- **Maintained strategic partnership with renowned universities.**
- **Attended the 55th annual meeting of the European Society for Paediatric Gastroenterology, Hepatology and Nutrition (ESPGHAN) conference to introduce two abstracts focusing on gastrointestinal symptoms in infants and the role of goat milk formula.**
- **Designated as Key Laboratory of Human Milk Science Cooperative Unit to microscopically analyse the nutritional components of breast milk in the PRC.**
- **Maintained 100% of Ausnutria's goat farmers participated in the Sustainability Programme.**
- **Organised the China Special Food Conference to drive industry development in the PRC.**
- **Participated the 6th China International Import Expo to provide distributors with practical knowledge and awareness of the Group's dairy and nutrition solutions.**
- **Opened up the only infant formula technological innovation centre in the PRC ("Ausnutria Hunan Provincial Maternal and Infant Food Technology Innovation Centre").**
- **Started up Probiotics Industrialisation Production Demonstration Line and put into production to lead the research, production and application of functional probiotic strains in the PRC.**
- **263 research paper and scientific article publications from the PRC.**



PRODUCT INNOVATION

Ausnutria continuously invest in its R&D to nurture its sustained expansion, with a keen interest in areas including but not limited to the development of lactose-intolerant-friendly products, the refinement of formula recipes, and the enhancement of the nutritional value in its product range. The Company employs a team of over 200 R&D experts distributed across the PRC, the Netherlands, Australia, and New Zealand. In order to keep our product up to trend, we invested RMB132 million in R&D of new products in 2023. Within the Chinese market, to maximise consumer benefits, Ausnutria has updated its formula offerings in 2023 and has proudly launched 22 products among its three major business scope: Cow Milk Formulas, Goat Milk Formulas, and Nutrition Business. By the end of Year 2023, the Group has continued to enrich an impressive portfolio of 366 registered patents in total, which includes 162 invention patents, 62 utility models, and 142 design patents, alongside 221 authorised patents comprising 49 invention patents, 58 utility models, and 114 design patents. Additionally, the Group has collectively contributed to 263 research papers and scientific articles to the body of knowledge in its field.

In 2023, the Group continued to broaden its range of products and achieved various milestones in R&D. Ausnutria launched diversified products mixed with new items under its brands such as Kabrita, Hyproca 1897, Allnutria, and Nutrition Care. Ausnutria places a high emphasis on scientific research, particularly in the area of nutritional health. The Group made significant progress in various scientific studies in 2023. Furthermore, Ausnutria has backed research initiatives in collaboration with academic institutions in Australia, the PRC, and the Netherlands, demonstrating the Group's ongoing dedication to R&D.

We have been forging ahead at full pace with our business of FSMP under the Care Suit brand. The brand has recently expanded its range with the introduction of two new comprehensive nutritional formula products: Care Suit Shu Shan and Care Suit Zhen Shan. These products have achieved official recognition, having been granted registration certificates by the SAMR in the PRC. Designed to cater to individuals over the age of ten who suffer from restrictive food intake, malabsorption, or metabolic disorders, Care Suit Zhen Shan and Care Suit Shu Shan can serve as either the exclusive source of nutrition or as a dietary supplement. Moreover, the first batch of these FSMP products has been successfully launched in 2023 and is now available to end users.

Regardless of the above, our product, Kabrita IMF, has passed the review by the US FDA in 2023 after extensive research and collaboration between Kabrita's American and Dutch teams. The product was marketed in the US as the world's first goat milk-based infant formula that has fulfilled US FDA nutrition and safety requirement. This marks a significant milestone in Ausnutria's breakthrough in the global market with goat milk as well as the Group's future international expansion.

Annual investment in the R&D of new products:



RMB132
million



366
registered
patents

221
authorised
patents



Highlight of New Products Announced in Year 2023



Care Suit Zhen Shan and Care Suit Shu Shan comprehensive nutritional formula FSMP

Care Suit Zhen Shan is a lactose-free, peptide-based nutritional formula designed for low residue and easy digestion. Care Suit Shu Shan combines soy, whey, and caseinate proteins with added dietary fibre and choline chloride. Both products, certified by the SAMR in February 2023, cater to those over 10 with dietary restrictions or absorption disorders and can be used as either a primary nutritional source or a supplement.



Kabrita Yue Hu Goat Infant Milk Formula

Kabrita Yue Hu is suitable for infants and toddlers aged 1-3 years, offering the dual benefits of “better absorption” and “immune care”. It contains small molecule goat milk protein, ten times the amount of HMO-like substances, and has a top-tier of OPO with dual probiotics and prebiotics and patented nucleotide combination, all contributing to multidimensional nutrition that supports the healthy and joyful growth of babies.



NC Gastro Repair and NC Daily Probiotics Gold

Both of the products aid in the maintenance of gut health. NC Gastro Repair contains Pylopass patented anti-Helicobacter pylori probiotics and carnosine zinc, combined with a variety of Western herbal essences and nutrients, and has been certified by the Australian TGA. Daily Probiotics Gold features a selection of 16 premium probiotic strains, delivered through a complete cold chain to ensure high viability with 40 billion live organisms per capsule.



Hyproca 1897's Hollary A2 β -casein

This product was officially launched at the establishment ceremony of the “Love for the Netherlands Mother and Baby Alliance”. Not only featuring two kinds of small molecules, Hollary A2 β -casein also carefully selected A2 protein milk source and incorporated 13 key nutrients to meet the demand for specialised and quality meals for babies by delivering the benefits of both comprehensive nutrition and easier absorption.



Allnutria Aiyou

This product has become the first infant formula milk powder under Ausnutria to pass the new national standard formula registration in the PRC and to be produced in bulk. The formula has been enhanced based on consumer needs, with increased content of eight key nutritional elements including lactoferrin, OPO structured fat, choline, manganese, taurine, lutein, DHA, and ARA. Notably, the content of lactoferrin has been increased by 6.7 times.

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

In 2023, the 20th Annual Conference of the Chinese Institute of Food Science and Technology was held in Changsha, Hunan.

At the technical sub-forum on "Food Nutrition and the Mechanism of Health Effects", Ausnutria delivered a presentation on the topic "The Impact of Enhanced OPO, Lactoferrin, and CPP on the Digestive and Absorptive Characteristics of Infant Formula Protein and Fat and on Promoting Mineral Absorption". The study's results indicated that fortifying with OPO, lactoferrin, and CPP can improve the absorption and digestion characteristics of infant formula, and significantly increase the absorption rates of calcium, iron, and zinc. This research lays a scientific foundation for companies like Ausnutria to design infant formulas more scientifically and to simulate breast milk more accurately.

At the sub-forum on "Hunan Food Industry and Technological Innovation", Ausnutria presented a keynote report on "Precise Nutrition: Ausnutria's Research on Breast Milk-inspired Formula", sharing the core outcomes of the breast milk research.

At the 28th Congress of the Chinese Paediatric Society held in Chengdu, China, Kabrita shared with the attending experts and scholars the latest scientific research achievements regarding the feeding effects of goat milk formula. Among them, three studies were highlighted, "Less gastrointestinal symptoms in infants consuming goat milk-based infant formula: a-real-world-evidence study", "Goat milk-based infant formula and the prevalence of gastrointestinal symptoms in infants: A real world evidence study from Brazil, Mexico, Russia and The Netherlands", and "Goat Milk Formula Can Improve Gastrointestinal Discomfort in Infants – A Randomised Controlled Pilot Study". These studies, based on survey results from multiple countries including China, Brazil, Mexico, Russia, and the Netherlands, have proven the conclusion that infants fed with Kabrita goat milk-based formula experience fewer gastrointestinal discomfort symptoms.

Ausnutria is firmly convinced that ongoing innovation in scientific research underpins the competitive evolution of a business. Looking ahead, Ausnutria will persist in conducting science-led R&D, whilst striving to infuse products with the fruits of scientific endeavour, thereby boosting the high-quality development of China's nutrition industry.



To streamline all internal patent processes and obtain greater recognition for its R&D efforts from the international scientific community, the Group has assembled a worldwide R&D contingent. This pool of experts empowers the Group to exploit local advantages and undertake collaborative research across regions with both external and international specialists. Pursuant to its "1 + 6 + N" global R&D strategy, the Ausnutria Institute of Food and Nutrition bolsters the Group's aspiration to forge cutting-edge dairy and nutritional solutions. This is achieved by forging synergies with various institutions worldwide, including the Member Institution of National Centre of Technology Innovation for Dairy, the Ausnutria (Beijing) Special Nutrition Research Centre, the European R&D Centre, the ANZ R&D Centre across Australia and New Zealand, the Ausnutria-Jiangnan University Milk of Non-Bovine Mammals International Joint Research Centre, and the Key Laboratory of Human Milk Science of the Chinese Centre for Disease Control and Prevention.





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

The Group actively cultivates R&D talents. Initiating the Ausnutria National Postdoctoral Programme in 2016, the Group has since engaged PhD researchers to conduct research in food and nutrition, evaluate the feasibility of integrating research findings into product innovation. The Group’s approach to talent career progression and corporate strategy encourages the practical application of scientific theories in its products. From 2020, the Group established the Ausnutria-Kabrita Nutrition Research Fund, aimed at enriching the nutritional well-being of the elderly and infants. This initiative pledges to provide an annual research grant of 1 million RMB to promote maternal and infant nutritional studies within the PRC. In 2023, the kick-off meeting for the “Directed Conversion Enzyme for OPO Structure Fats” project was held. The event also celebrated the establishment of a joint postgraduate training base with Central South University and Ausnutria Dairy in Hunan Province. This initiative has underscored the Group’s commitment to advancing education and scientific excellence, strategically fostering a pipeline of highly skilled technical talent. The Group’s objective is to deepen its comprehension of societal nutrition and health, thereby contributing to the progression of nutritional science and the safeguarding of public health.

The Group perseveres in collaborating with prestigious universities, research institutions, industry partners and contract manufacturers for nutritional studies and innovative product development, thereby accessing an extensive network of resources, insights, and expertise. In the Netherlands, the Group’s collaboration with Wageningen University for the “ReThink Waste Challenge” highlights our dedication to innovation and sustainability. Leveraging the expertise of our R&D team, Ausnutria is committed to making ongoing efforts to work with academic partners in developing nutritional studies and future-proof products. In the PRC, the Group has maintained strategic partnerships with external specialist groups including the Hunan Association for Science and Technology, Peking University, Nanchang University, Central South University, and Jiangnan University. In 2023, the “Ausnutria Hunan Province Infant Formula Technology Innovation Centre and Nutrition Basic Scientific Research Sharing Centre” was inaugurated. Endorsed by the People’s Government of Hunan Province and the Department of Science and Technology of Hunan Province, this centre is China’s sole innovation hub for infant formula.

Moreover, Ausnutria newly established the Changsha Expert Workstation and the Changsha National Provincial Academic Society Service Station in 2023. It is noteworthy that the innovation studios of two academicians had already been established at Ausnutria prior to these. The expert workstations will continue to focus on scientific research in the fields of dairy and nutritional health, accelerating the transformation of scientific and technological achievements into practical applications. Leveraging its research expertise in probiotics and in partnership with Jiangnan University, Ausnutria commenced production at the Probiotics Industrialisation Production Demonstration Line within Bioflag’s Jiangsu Huai’an Probiotics Smart Factory in 2023. The facility aims to annually produce 33 probiotic powder variations in 8 types, targeting global leadership in smart probiotics production. This project enhances Bioflag’s probiotics R&D stature and boosts the expansion of Ausnutria’s health segment.

Established “Ausnutria Nutrition Institute”

CASE STUDY



The Ausnutria Nutrition Institute was inaugurated in October 2020 in the Netherlands as an independent scientific entity, tasked with the dissemination of scientific knowledge on infant nutrition and the constituents of goat milk. The Institute is engaged in active partnership with global scientists, research institutes, and universities to foster the development of evidence-based products and to improve the health and welfare of children. Beyond collaborative research efforts, the Institute benefits from the counsel of a scientific advisory board, which boasts international experts from various disciplines.

To facilitate the distribution of the Institute’s findings to professionals in health and nutrition, a dedicated website has been established. In 2023, the Ausnutria Nutrition Institute participated in the 55th annual meeting of the European Society for Paediatric Gastroenterology Hepatology and Nutrition (ESPGHAN) to introduce two abstracts focusing on gastrointestinal symptoms in infants and the role of goat milk formula.

Better Nutrition through the Study of Breast Milk

Breast milk stands as the premier form of nourishment for the growth and development of newborns and early children, underpinning their initial health and development. Ausnutria is a staunch advocate for breastfeeding and is engaged in multiple research initiatives concerning breast milk nutrition. Ausnutria is equally dedicated to augmenting the nutritional quality of infant formula. One of Ausnutria's strategic programmes, the breast milk bank, has been created to deepen its comprehension of the nutritional profile of breast milk for infants and young children within the PRC. To facilitate important scientific studies, Ausnutria has established a number of breast milk data banks.

Ausnutria officially designated as “Key Laboratory of Human Milk Science Cooperative Unit”

CASE STUDY



The designation ceremony of the Key Laboratory of Human Milk Science Cooperative Unit

In the PRC, the Key Laboratory of Human Milk Science of the Chinese Centre for Disease Control and Prevention was officially established in January 2023. It is a national and central-level key laboratory within the Chinese CDC, specialising in nutrition. Meanwhile, Ausnutria was awarded the title of “Key Laboratory of Human Milk Science Cooperative Unit”. In recent years, Ausnutria has collaborated with top-tier universities and institutions worldwide, employing advanced techniques such as omics to microscopically analyse the nutritional components of human milk within China. This has led to the creation of a comprehensive breast milk research system and the establishment of Ausnutria's unique global database of Chinese breast milk components. Presently, Ausnutria has launched ten major breast milk banks and scientific research projects globally, dedicated to taking practical measures to support the best early-life nutrition and care for infants and young children.

In 2020, the Group initiated three five-year R&D programmes, each with distinct principal objectives, to steer the R&D endeavours in the Netherlands. The roadmap undergoes quarterly revisions to guarantee that all activities are aligned with the Group's business strategy.

Nutrition Research Programme 2020-2024

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

We have established a global R&D team to enhance internal patent processes and gain recognition in the international scientific community. We have also attended several conferences to communicate with industry experts regarding the latest scientific research achievements on nutrition and health impacts.

Innovation Roadmap 2020-2024

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

We successfully launched five new products in 2023 that support the healthy and nutritious growth of babies, and obtained numbers of new registered and authorized patents.

Processing Research Programme 2020-2024

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

We are focusing on strengthening our breast milk bank. This will deepen our understanding of the nutritional profile of breast milk for infants and young children in the PRC.

Intellectual Property Management

Ausnutria attaches great significance to intellectual property rights protection, as well as overseeing external and internal innovation. The Group has established an enterprise intellectual property management system, complemented by procedures that adhere to legal standards. Specific departments are tasked with the oversight of intellectual property rights and the registration of all brands and logos used on product packaging. Moreover, the Group has developed a handbook on intellectual property for employees to enhance their awareness and understanding. In 2023, the Group passed the on-site audit for re-certification of the PRC's national standard for enterprise intellectual property management (GB/T 29490-2013) and obtained the certificate, acknowledging its relevant strategy, execution, assessment, and continuous improvement practices.



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

CUSTOMER ENGAGEMENT

Ausnutria continues to enhance its customer relationships by the active engagements through various social media activities and interactions. These communication channels provide the Group with an efficient and effective means of interacting with customers and increasing their awareness of scientifically proven information about dairy and nutrition products.

Social media plays an important role in keeping Ausnutria to engage with its customers. In the PRC, the Company's major dairy brands, including Kabrita, Hyproca 1897, Allnutria, and Nutrition Care, continue to maintain and update their own WeChat and Weibo channels. These channels serve as important platforms to promote the Group's products and marketing initiatives. Through these channels, parents and expectant parents can share their experiences and knowledge about infant care, and customers can provide feedback and ask questions about the products. Ausnutria takes responsibility for ensuring the credibility and accuracy of the information shared on social media, with a focus on protecting parents and children from potential risks. The management of these online platforms is therefore directly supervised by the Group's professional nutritionists.



● Business app of Ausnutria Dairy (China) Company Ltd

The Group is committed to enhancing customer communication by leveraging the capabilities of the Kabrita mobile app. Through data analytics, the mobile app enables the Group with a better understanding of customer needs and preferences. The app also enables personalisation of birthday greetings and other marketing communications. The Group aims to be a reliable partner, supporting its valued members throughout their child development journey.

Kabrita has launched the HCP Kabrita Natural Comfort Program to provide natural comfort to the global HCP community, reflecting the comfort Kabrita provides for infants and mothers. This initiative provides HCP with access to research materials through audiobooks and augmented reality learning. Additionally, the program offers giveaways such as goat wool socks, smart wristbands, hand cream, sleeping masks, and cookbooks featuring recipes that incorporate goat dairy.

Hyproca 1897 brings the magic of Fairy Tales to rural communities



Since its launch in 2019, Hyproca 1897 has consistently upheld its commitment to promoting public welfare. Through thousands of captivating fairy tale performances, it has been dedicated to providing equal access to artistic education and fostering overall well-being for children in both urban and rural areas.

In 2023, Hyproca 1897's Fairy Tale Festival travelled to four provinces in China – Hunan, Anhui, Yunnan, and Henan – collaborating with local distributors to launch a 'Little Sufflower Charity Programme'. This year, the fairy tale performances by Hyproca 1897 have undergone a major upgrade in terms of storyline and visualisation. An international team of professionals has crafted an immersive sensory play specifically designed for infants aged 6-18 months. These performances boast an enhanced plotline, along with a completely revamped lighting, stage design, and narrative arrangement, ensuring an interactive and visually captivating experience for the young audience.

In addition to the fairy tale performances, Hyproca 1897, in partnership with its channel partners and various public welfare organisations, has organised a charitable donation event. This year, Hyproca 1897 launched the 'Pro Mom's Little Sufflower Mailbox' campaign, encouraging compassionate individuals to send messages of blessings to children in rural areas. Hyproca 1897 actively encourages its employees and channel partners to participate in the Little Sufflower charity activities through both online and offline channels. The campaign raised RMB100,000 for a remote elementary school in Shaoyang, Hunan province through offline donations of physical goods. In terms of online dissemination, the project's videos achieved 1.9 million views on Weibo and 2,000 views on WeChat, with 110+ shares, surpassing the 800,000 view target and experiencing over three times the growth compared to last year's campaign.

Implemented a '100-day plan' to build relationships with customers

Since September 2023, Ausnutria has implemented a '100-day plan' to enhance marketing promotion and establish interactions with its customers. During this event, Ausnutria's subsidiary brands, including Kabrita, Hyproca, Aunulife and Nutrition Care, committed to enhancing their products and services while building stronger relationships with customers within the span of 100 days. Through strategic marketing events such as the '6th China International Import Expo', the 'Changsha Marathon event', and the 'Double Eleven Shopping Festival', Ausnutria has achieved remarkable brand exposure and successfully expanded its user base. During the 'Double Eleven' shopping festival, Ausnutria's subsidiary brands collaborated with well-known influencers and top streamers in mainland China to actively engage with customers and drive sales through e-commerce platforms. For example, Hyproca organised activities such as points-based lotteries to foster customer engagement, while Aunulife collaborated with channel partners for the "Million Explosions" campaign, achieving a significant breakthrough for the brand this year.



Protecting Customer Interests

Ausnutria prioritises responsible marketing and communication strategies as the cornerstone of its long-term success and rapid growth. In accordance with the World Health Organisation's guidelines, Ausnutria refrains from promoting the stage 1 (0-6 months) infant formula. In compliance with current regulations, the promotion of the stage 2 (6-12 months) infant formula is also not conducted in the PRC market. In the Netherlands, the Ausnutria Marketing Policy for Infant Formula has been updated in 2022 to adhere to the Group's latest strategy and expectation from the customers. The original Marketing Policy dated from 2020.

To ensure the accuracy, fairness and impartiality of product labelling and claims, Ausnutria follows a rigorous review process in accordance with the Group's branding guidelines. All products and promotional materials undergo this rigorous review and require final approval by distributors or local brands before being released to the market. During the year, Kabrita implemented the Compliance Management System, which clearly outlines the procedures for the review and approval of marketing materials, as well as the roles and responsibilities of the relevant departments. Additionally, Ausnutria actively participates in Australia's Voluntary Incidental Trace Allergen Labeling Programme. Thorough and comprehensive allergen screenings are conducted for each ingredient in all nutritional products before making any "allergen-free" claims on product labels.



Ausnutria recognises the growing importance of customer data privacy. The Group has established an internal customer data and privacy policy that provides clear guidelines for the responsible handling of personal information of employees, business partners and customers. Regular communication and training initiatives, such as information security tips and procedures displayed on bulletin boards and posters to enhance employees' understanding of internal privacy practices. The Group's internal audit department monitors consumer data protection and evaluates the compliance of the Board, senior management, officers and employees against all applicable policies, standards, procedures, laws and regulations related to customer data privacy on a regular basis. Consumers must sign the "Membership Service Agreement and Privacy Policy" when registering as members in each Ausnutria's business unit. The PRC region also established a classification system for data security based on categorised levels. To ensure compliance with the General Data Protection Regulation (GDPR) of the European Union (EU) in 2023, privacy statements detailing the measures taken to protect the personal data of customers, business partners, and other users are published on Dutch & European Kabrita websites. Throughout the year 2023, the Group continued its internal information security campaign titled "Herken, Herkauw, Handel" ("Recognise, Ruminant, Act") in the Netherlands. This campaign emphasises the importance of adhering to golden rules for securing information and data. Its aim is to raise employee awareness and strengthen their knowledge in identifying and mitigating risks related to data security.

In Year 2023:



255 Complaints related to product received, which is **15%** less than 2022

Maintained **ZERO** Complaints related to services received

PRODUCT QUALITY AND FOOD SAFETY

Ausnutria prioritises the health and safety of its customers. To ensure that its products meet rigorous quality and safety standards, the Group has implemented comprehensive quality control principles. These principles are integrated throughout the entire manufacturing process, including raw material procurement, manufacturing processes, and product delivery. They ensure the compliance with all applicable laws and regulations while also communicating the Group's dedication to maintaining high production quality standards.

With the experience of the previous pandemic, Ausnutria has the capacity to implement a two-pronged approach to ensure a consistent product supply year-round by responding to the emergency, and simultaneously maintain close communication with international factories which is vital to coordinate export production. The Group also accelerates the manufacturing process to ensure a stable supply of its dairy products.

Product Safety Management

The Group's production facilities are certified by globally recognised safety management systems and adhere to high standards. These certifications include 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. Furthermore, the production line in the Netherlands has received COKZ certification for its new ultrafiltration plant situated in Heerenveen.

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



COKZ Netherlands
Controlling Authority For Milk
And Milk Products



GMP+ Feed Safety
Assurance



Hazard Analysis and Critical
Control Point (HACCP)
Certification



BRC 8 – GFSI



Qlip kwaliteitsborging in
agrofood



FSSC 22000 – GFSI



Safeguard product quality and safety at all stages of production

01

Sourcing and storage

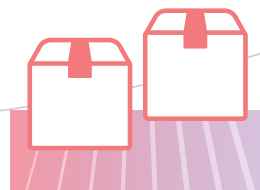
- Stringent supplier selection
- Regular supplier assessments and audits for crucial product ingredients
- High-standard warehouse management for raw and packaging materials and finished goods
- Training for employees involved in warehouse management



02

Production process

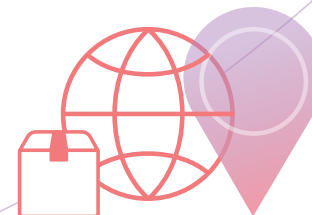
- Standardised quality assurance procedures and protocols
- In-process quality control tests and final inspections
- Laboratory checks for all products according to internal and national requirements
- External regulatory inspections on the local legal requirements of each distribution market for dairy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



03

After entering the market

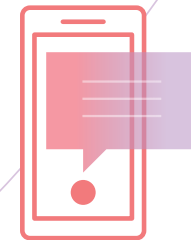
- Regular and random product inspection
- Traceable product information
- Continual optimisation for quality management systems



04

After sales

- Multiple customers communication channels
- Effective complaint procedures



Our customer service team promptly investigates and classifies complaints based on their severity. When necessary, issues are escalated or forwarded to other teams for senior advice or cross-team collaboration. We document all complaints for future reference and review to prevent recurrences. Additionally, Ausnutria conducts regular trend analysis to identify opportunities for improving food quality and safety. Furthermore, Ausnutria closely monitors customer satisfaction and conducts quarterly and annual surveys in the PRC through phone calls, emails, and in-person visits. Our subsidiary brands, including Kabrita and Hyproca, have implemented internal customer complaint policies. To gather global customer feedback and provide timely responses, Ausnutria utilises online platforms such as WeChat, QQ, and its website, and incorporates AI technology and multimedia elements such as photos and animations.

Product Traceability Management and product recall procedures

If any unsatisfactory conditions are identified during inspections or after purchases, the Group takes immediate action by conducting trace-back investigations. To aid in this process, an electronic recording system is implemented to manage product information for each batch, including logistics coordination, manufacturing procedures, and raw material types. In addition, the product packaging includes QR codes that allow customers and external parties to access information about the manufacturing process, such as test results and logistics details to promote transparency and traceability. When a product recall is necessary, Ausnutria will trace the supply chain, production lines, and distribution channels to recall all non-conforming or unsafe products. To prevent future incidents, an incident report will be prepared and submitted to management. If any quality issues or potential safety hazards are found in our products, we will promptly initiate the recall procedure to ensure that problematic products are handled effectively, creating a safe and reassuring environment for consumers.



Responsible Marketing

To ensure fairness, accuracy, and impartiality in product labels and statements, Ausnutria implements a comprehensive review process for all products and promotional materials, in accordance with the Group's branding requirements. Before being distributed in the market, all products undergo a final approval process to ensure compliance with local laws and regulations. Kabrita has established a Compliance Management System that outlines the roles and responsibilities of each department involved in the production process, ensuring clear and organised procedures for reviewing and approving marketing materials. Furthermore, Ausnutria Australia continued to participate in the Voluntary Incidental Trace Allergen Labelling Programme. Prior to labelling any products as 'allergen-free', we conduct thorough and stringent allergen screenings for each ingredient in all nutritional products.

To formulate tailored marketing plans, we conduct extensive research on product brands, target locations, and consumer preferences. In order to conduct precise marketing in the field of digitization and intelligence, we have adopted a membership-based approach and implemented quality tracking technologies. For example, our online dynamic QR code traceability system allows us to offer improved quality assurance and tracking capabilities.

Since our establishment, we have been committed to expanding our presence in the Chinese market by leveraging global resources. Our goal is to produce high-quality milk products throughout the entire production chain, ensuring that local customers have access to superior products from around the world. Additionally, we continuously drive innovation in R&D, whether it's in the realm of essential nutrients, packaging formats, or formulations. Ongoing innovation is essential to deliver exceptional products to consumers. We prioritise team building, fostering an innovative mindset, and cultivating a strong execution capability within the team, which enables us to operate more efficiently as a cohesive unit.

Ausnutria is committed to developing and providing healthy and safe foods for infants and young children worldwide. To demonstrate our commitment, we have implemented a programme that prioritises responsible labelling and marketing practices, with a strong focus on providing accurate health information. We have established an internal policy known as “Ausnutria’s Policy for the Marketing of Infant Foods”, which applies to all marketing activities for covered products, including all infant and follow-on formula products as part of Ausnutria’s global brands, distributed by Ausnutria or its distributors. The policy includes a set of guidelines and instructions outlining what “Do” and “Do not” be done towards different activities and parties such as the General public and mothers, Label, Healthcare Systems, Healthcare Professionals and Employees.

This policy has been endorsed by the Board of Directors and will be applied throughout the business. All employees within Ausnutria, including those in joint ventures, subsidiaries and contracted distributors, will receive training on the content of this policy. Completion of the mandatory training will be recorded by the local Human Resources Department and any deviation from the policy will require the approval of the Board of Directors. Internal audits will be conducted to ensure proper implementation and monitoring procedures. When activities or materials do not comply with the content of this Policy, appropriate measures will be taken. The implementation status of this Policy will be reported on a yearly basis to the Board of Directors.

We acknowledge that, to establish a global brand, we shall not forget the original aim and remember the mission and maintain the original aim consistently. Alongside improving product quality, we must embrace progressive brand-building concepts. Our company’s brand-building strategy places significant emphasis on effective content transmission and innovative communication methods. We prioritise not only our own production but also actively engage with the general public. This inclusive approach enables us to conduct more precise and friendly brand-building and marketing initiatives, fostering unity among all stakeholders.



Supply Chain Management

Effective supply chain management is essential for the success of the Group's business operations and overall performance. The Group has implemented robust mechanisms to manage procurement processes and consistently evaluate the performance of its global network of suppliers. The management systems of the Group actively monitor supply chain activities and encourage open communication with suppliers to align expectations regarding product quality. The Group also applies strict supplier selection process, for instance, in the PRC market, suppliers undergo a preliminary screening process which includes background investigation and document verification. Once the sample evaluations and audits are approved, qualified suppliers are added to the approved supplier system.

Verifying qualification of suppliers

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

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

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

Engagement with suppliers

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

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

Timely monitoring on quality control

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

Continuous improvement of the product development

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

Sustainable procurement practices

Ausnutria is committed to promoting social and environmental sustainability throughout its entire supply chain. The Group encourages responsible and ethical business conduct among its suppliers by implementing sustainable procurement practices. Social and environmental factors are taken into account in procurement decision-making processes by including relevant metrics in supplier questionnaires and audits. These metrics cover energy usage, water consumption, waste management, working conditions, human rights, and community involvement, providing a thorough evaluation of suppliers' environmental and social performance.

The Group communicates its environmental performance expectations to suppliers through procurement contracts in the PRC. Suppliers must comply with relevant environmental laws and regulations to manage emissions, hazardous materials, and waste throughout the stage of sourcing raw material, manufacturing, transportation, and service provision. Suppliers who fail to meet the Group's environmental performance requirements may face contract termination. To foster collaboration and ensure compliance with quality, environmental protection, and OHS standards, all suppliers are required to sign acknowledgement letters affirming their understanding of the Group's expectations and requirements. Annual inspections are conducted to monitor supplier performance. Suppliers who demonstrate strong environmental governance receive higher ratings. Similarly, Ausnutria Netherlands incorporates environmental and social criteria into its procurement process, aligning with international standards such as ISO 14001 Environmental Management System and ISO 50001 Energy Management System. Supplier performance is evaluated based on factors such as the number of complaints received, frequency of price changes, and punctuality of order delivery. Regular on-site audits conducted by the quality department contribute to supplier evaluation. The Group is dedicated to collaborating with global suppliers in establishing a sustainable supply chain, considering local characteristics and striving for environmental responsibility.

Ensuring a stable milk supply is crucial for producing high-quality dairy products. The Company is dedicated to sourcing premium milk from reputable and reliable milk producers in renowned milk-producing regions such as Australia and the Netherlands, known as golden milk zones. Farmel Holding B.V., an associate company of the Group, is our major supplier of Dutch cow milk. This structure allows the Group to monitor milk quality and trace its source promptly in case of incidents or issues.

To meet the growing demand for our Kabrita goat milk series and to ensure the integrity of our procurement practices, Ausnutria has forged strong partnerships with Dutch goat farmers to foster industry development. The Group places significant emphasis on the welfare of farm animals, including their feeding practices, medication usage, and living conditions. To maintain our high-quality standards, all goat farmers must meet our rigorous criteria and obtain the 'KwaliGeit' certification. This certification program, developed by NGZO in collaboration with the Dutch Federation of Agricultural and Horticultural Organisations to evaluate farmers' adherence to industry practices in dairy goat farming through comprehensive surveys and on-site inspections. The certification process takes into account European hygiene regulations, marketing, environmental sustainability, and animal welfare practices. Only goat farms that meet these stringent criteria are granted certification, which serves as recognition of their exceptional farm management.



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

The Group has participated in the Dutch goat sector organisation's Sustainability Programme, which is a voluntary initiative that educates Dutch goat farmers about sustainable livestock farming practices. Ausnutria provides financial assistance, newsletters, workshops, and farm visits to support the farmers. The programme prioritises animal health and welfare, energy efficiency, environmental conservation, and enhancing the industry's reputation. Ausnutria continued to support farmers in 2023 by providing an allowance for delivered raw milk, based on the farmers' scores within the Sustainability Programme. The Group has recently recorded a 100% goat farm's participation rate. Ausnutria will continue to promote sustainable farming by encouraging participating goat farmers to recognise and celebrate their achievements.



100% of Ausnutria's goat farmers participated in the Sustainability Programme by the end of 2023. The overall score of the goat farmers within the Sustainability Programme increased by nearly 5% compared to 2022.

Appropriate grazing practices increases pasture productivity and habitat diversity. Ausnutria has been a signatory to the Outdoor Grazing Covenant since 2017. The covenant, which was established in 2012, demonstrates the dedication to promoting outdoor grazing practices in the Netherlands. The Group collaborates with its partner Farmel Dairy to offer various pricing options to farmers who provide grazing opportunities for their cows. This collaborative effort has led to a consistent increase in outdoor grazing across the country.

Strategic Business Partnering

Ausnutria actively engages with approved suppliers through annual reviews and corrective action requests. The Group also actively participates in the introduction of new technology and products by sharing market insights and providing feedback on new technology and products. Attending seminars and conferences hosted by suppliers allows the Group to gain a better understanding of the supplier's future direction and to encourage the adoption of new technology or product development to enhance the supplier's competitive advantage among peers.

The Group proactively collaborates with suppliers to exchange knowledge about market trends and customer preferences. They work closely with packaging material suppliers to drive packaging innovations, including optimising carton specifications to promote sustainability and minimise the use of raw paper materials in line with the growing trend of green procurement. In addition, Ausnutria collaborates with ingredient suppliers to consistently source high-quality ingredients for its current formula. By fostering these partnerships, the Group aims to stay up to date with market demands and offer customers innovative and environmentally responsible products.

The China Special Food Conference in 2023



The China Special Food Conference in 2023

The 2023 China Special Food Conference took place in Changsha, Hunan province, with 150 participants from research institutions, government entities, and special food industry associations. The conference featured a wide range of seminars that delved into topics including infant formula milk powder, special medical purpose formula food, maternal and child nutrition, and precision nutrition. The primary objective of the event was to foster technological self-reliance and drive the high-quality development of China's special food industry.

As a leading company in the special food industry, Ausnutria is dedicated to driving industry development. We strive to align scientific research with evolving consumer needs, ensuring a continuous supply of diverse and top-notch products. This year, the special food industry cluster led by Ausnutria has received recognition as one of the 15 industrial clusters in Hunan province. The establishment of our Global Special Food Research and Development Center marks a significant milestone, as it will bolster the development of our industry advantages, foster collaboration among scientific and creative talents, and unleash the full potential of innovation.

Engagement with distributors

Ausnutria relies on its network of distributors to bring its products to the market, enabling the Group to connect with and support its end users. To further enhance their capabilities, Ausnutria continues to provide training programs for its distributors in the PRC, focusing on strengthening their management skills and expertise. Additionally, the Group conducts joint business planning meetings with key distributors to assess and evaluate the effectiveness of its sustainable business model and sales strategy.

Ausnutria's participation in industrial expos allows the Group to maintain close relationships with its business partners. The Group has participated in the China International Import Expo for the sixth consecutive year in 2023. This year, our exhibition booth design was meticulously crafted to embody sustainable concepts such as 'ecological,' 'organic,' 'green,' and 'healthy.' By seamlessly integrating these concepts with our company's mission of 'Global Nutrition, Nurturing Growth,' we created an immersive, ecological, and interactive exhibition that revolved around the theme of "Global Quality, a Better Life with Love." Our aim was to inspire all visitors to engage with and embrace the principles of sustainability. Participating in the Expo provided Ausnutria with a valuable opportunity to expand our network, forge industry collaborations, and globally promote our exceptional dairy products that uphold the highest standards of quality. During the exhibition, we also held interactive activities to engage with customers, such as tasting Kabrita goat milk ice cream, showcasing nutrition products, and hosting health knowledge quizzes with prizes. These activities created a multi-sensory experience for the attendees, combining visual, auditory, taste, and tactile sensations.



Ausnutria's sustainable-designed booth in the 6th China International Import Exhibition





Better Environment



03.



Better Environment

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

Tracking our Environmental Targets

A white sunburst graphic with multiple rays emanating from a central point, located at the bottom of the teal oval.

Energy Efficiency

A white sunburst graphic with multiple rays emanating from a central point, located at the bottom of the teal oval.

Preserving Water

A white sunburst graphic with multiple rays emanating from a central point, located at the bottom of the teal oval.

Waste Management

A white sunburst graphic with multiple rays emanating from a central point, located at the bottom of the teal oval.

Managing Climate Risks

A white sunburst graphic with multiple rays emanating from a central point, located at the bottom of the teal oval.

Eco-Friendly Packaging

A white sunburst graphic with multiple rays emanating from a central point, located at the bottom of the teal oval.

Key Highlights in Year 2023

- Track and evaluate progressive targets for **GHG emissions, energy consumption, water use, and waste recycling** to enhance our environmental performance.
- **100% of the electricity consumed** by Ausnutria Netherlands for operations was compensated through **renewable energy sources**.
- Employed **chromium-free** passivation cans which avoid the production of toxic wastewater and its associated environmental risks.
- Purchased packaging materials from sustainable suppliers, such as those that hold a chain of custody certification from the **Forest Stewardship Council (“FSC”)**.
- The new production facilities in Heerenveen, which is under construction, will guarantee a completely **gas-free production** process.



TRACKING OUR PROGRESS ON ENVIRONMENTAL TARGETS

The Group has established a series of progressive targets for greenhouse gas (GHG) emissions, energy consumption, water consumption, and waste in order to better manage its environmental performance. The targets were carefully set utilising a combination of top-down and bottom-up approach. With the help of these environmental targets, Ausnutria is able to track its progress towards environmental sustainability and promote extensive adoption of sustainable practices.

Environmental targets by Year 2025 ⁴	Progress achieved in 2023
GHG Emissions⁵	
Reduce total GHG emissions intensity by 20%	-17%
Reduce the Scope 1 emissions intensity by 15%	-16%
Reduce the Scope 2 emissions intensity by 20%	-19%
Energy Consumption⁵	
Reduce the energy consumption intensity by 20%	-19%
Reduce the natural gas consumption intensity by 20%	-24%
Reduce the electricity consumption intensity by 15% ⁶	-4%
Water Consumption⁵	
Reduce water consumption intensity by 35%	-42%
Waste⁷	
Maintain the recycling rate of paper and wood at 100%	100%
Maintain the recycling rate of rest milk and rest powder at 100%	100%
Achieve the recycling rate of plastic of at least 90%	99%

⁴ We will keep monitoring our progress to pursue continuous improvement and will review the targets in the coming years where necessary

⁵ Using 2019 as the base year

⁶ The absolute electricity consumption of 2023 comparing to that of 2019 has increased due to business expansions, which also contribute to an increased revenue and thus impacting the intensity figure. We will assess any feasibility to increase the energy efficiency regarding the productions in the future

⁷ Recycling rate target is for production-related waste only

The Group’s environmental policies and initiatives are periodically reviewed by the Sustainability Committee and the Sustainability Workgroup. The Group has established guidelines for the implementation of environmental management systems and operational standards at subsidiaries to ensure compliance with all applicable environmental laws and regulations in the regions in which it operates. The aforementioned emphasises the Group’s general commitment to reducing the environmental impact of its sourcing, production, and distribution processes. The Group’s production facilities in Kampen, the Netherlands and Changsha, the PRC, are certified with ISO 14001 Environmental Management System.

ENHANCING ENERGY EFFICIENCY TO MINIMISE CARBON FOOTPRINT

Various nations have implemented strategies and policies that aimed at mitigating the adverse effects of climate change and strengthening their climate resilience. With regard to the regions in which the Group operates, the European Union seeks to become climate neutral by 2050; Australia intends to reach net zero by the same year; and the PRC intends to reach carbon emission peak by 2030 and achieve carbon neutrality by 2060. The Group has set GHG emission targets to reduce its carbon footprint and accelerate its low-carbon transition in support of the global effort. Using 2019 as the baseline year, Ausnutria aims to:

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



To increase overall energy efficiency and achieve the Group's emission reduction targets, the Group has set up a robust system for managing energy and emissions, and regularly upgrades the equipment at its manufacturing facilities. Heating, ventilation, air conditioning and boiler systems, lighting, and other energy-intensive equipment are all subject to periodic inspections, maintenance, and replacements to ensure the equipment is running at maximum efficiency. Additionally, the Group makes equal investments in installing solar panel systems at its facilities.

Operating with Low-Carbon Facilities

Low-carbon technology and energy-efficient designs are used in Ausnutria's new production facilities in Heerenveen, the Netherlands to reduce carbon emissions. These facilities include a milk processing plant that is still under construction. The facility promises a fully gas-free production process that is 100% nitrogen- and carbon-free for the production of semi-finished infant nutrition. When compared to a conventional drying tower, it will ultimately help save about 40% of energy. Factories in Heerenveen can reduce their dependency on natural gas by storing thermal energy for building heating and cooling with the use of geothermal heat systems. The Group also aims to reduce its dependency on natural gas by moving to electricity-based heating at the new facilities to achieve zero nitrogen emissions, in accordance with environmental and climate change regulations, as well as the new Nitrogen Law of the Netherlands. In Kampen, the Netherlands, improvements to the existing facilities, such as increasing concentration on towers and adjusting temperatures for drying process, and raising evaporators efficiency, have resulted in a reduction of natural gas usage by 6% in Year 2023. The installation of pumps, engines, and ventilators to the new facilities contributes to improved energy efficiency. Ausnutria will keep converting its other manufacturing facilities to electric-heating in the future to lessen its reliance on natural gas.

Strengthening Energy Management to Enhance Energy Efficiency

Ausnutria is conscious of how important energy management is to its transition to a low-carbon company. In Year 2021, the Group set a number of energy targets as part of its commitment to reduce energy use and improve energy efficiency. To achieve these targets, the Group has started a number of ongoing initiatives.

The Group evaluates the energy efficiency of its manufacturing facilities on a regular basis, and where necessary, launches new projects and upgrades existing equipment to maximise energy performance. Through the use of digital technologies like blockchain, big data, 5G applications, and artificial intelligence, Ausnutria saves energy and reduces emissions. In Changsha City, the PRC, a mobile application is used to monitor energy consumption in real-time across various sites, including manufacturing facilities, laboratories, warehouses and public spaces. The ozone systems, air conditioning systems, purification workshops and air compression systems of the factories are managed real-time through the app. The programme instantly alerts the workers in the event of any abnormal energy use, allowing the factory to rapidly respond with adjustments and corrections. The Group may use then use real-time monitoring of energy consumption data to better manage its energy performance and identify opportunities for improvement.

To pursue a low-carbon operation and further optimise energy efficiency, the Group invests heavily in modernising its manufacturing facilities. Major factories in the PRC have installed variable speed drives in their air conditioning systems, which maximise energy efficiency by running electric motors at their highest speed and achieving better indoor ventilation. Additionally, the laundry room's exhaust pipes were upgraded to improve ventilation and reduce the need for air conditioning. In Leeuwarden and Ommen, the Netherlands, all lighting fixtures are made entirely of energy-efficient LED bulbs. Insulating installation has been made to Leeuwarden's warehouse to reduce electricity consumption for heating. All aforementioned measures contribute to the reduction of Ausnutria's energy consumption.

Habit control is also pursued to reduce electricity usage. In the PRC, air conditioning temperature adjustment range is being limited. Inspections is also being done to avoid energy wasting behaviours, such as opening windows and turning on air conditioner at the same time. An evening energy-saving inspection is conducted every day after operation hours, to make sure air conditioning and lights are switched off after use. At the PRC headquarter office, 14.8% of electricity is saved in Year 2023.



Utilising Renewable Energy

The Group uses renewable energy extensively to lower its carbon footprint through the installation of solar panels and carbon credits. Ausnutria Australia continued to deploy new solar panels in various locations in Year 2023. In total, the use of solar panels in Australia helped reduced about 349 MWh of electricity, saving 22% of total electricity consumption in the region. The Group is also studying the viability of using solar energy in its production facility in Heerenveen, the Netherlands. The Group prioritises the acquisition of renewable energy certificates over conventional solutions due to the limitations of on-site generation. Ausnutria Netherlands continued to purchase renewable energy certificates voluntarily to achieve a 100% compensation.



Solar panels implemented in Keysborough Site

Key Highlights on Renewable Energy in Year 2023

100% of electricity consumption

for operations was offset in the Netherlands through renewable sources

Around 22% of total electricity consumption in Australia

was saved by solar panel system in the factories.

Managing Upstream and Downstream Carbon Footprint

Apart from carbon footprint of Ausnutria's operations, the Group strives to work closely with its upstream and downstream business partners to reduce its Scope 3 emissions.

Ausnutria seeks to lower its carbon footprint by minimising transportation for its supplies. Ausnutria Netherlands collaborated with Trivium Packaging, an innovative and sustainable metal packaging manufacturer, to provide a consistent and reliable supply of cans. The can manufacturing facility in Heerenveen, the Netherlands, which commenced operation in Year 2021, produces and delivers cans to factories in Heerenveen and Leeuwarden. The factory lowers the required transportation distance for can logistics and enable a more efficient travel route, minimising the associated GHG emissions.

PRESERVING WATER FOR FUTURE GENERATIONS

Ausnutria acknowledges the crucial importance of water management and uses an integrated approach to cut down on water use, recycle water, and effectively handle the wastewater produced by its operations. The Group has established a Group-wide water target to better manage its water consumption. Using Year 2019 as the base year, Ausnutria aims to:

- reduce water consumption intensity by 35% by Year 2025

Ausnutria's production of milk powder essentially involves wet processes. To optimise water consumption, the production facilities in Ommen, the Netherlands, adopt a closed-loop water system. Condensed water is collected during the manufacturing process and reused in other parts of the process, such as boiling and ultrafiltration. The Clean-in-Place (CIP) sanitary cleaning system in Kampen, the Netherlands, was upgraded with solutions that facilitate the recovery and reuse of final rinse water for the next cleaning cycle. This replacement reduces water consumption by around 12.4% in Year 2023. In the PRC, automatic sensors for water taps are used in the factories to avoid unnecessary water consumption while condensed water in air-conditioning systems is also recycled. In Year 2023, the PRC adopted an automatic sensor for the cleaning taps and deployed a recycled water system for cooling the air-conditioning system in the production workshops. Ausnutria Australia continued to improve water efficiency in the cleaning regime for Gut relief products in Year 2023, thereby reducing the amount of water needed for requirements cleaning by 5%.

In order to avoid wastage of water, the Group also conducts routine equipment inspections to detect and promptly fix water leakages from taps, pipelines and valves. Water consumption data is tracked and closely monitored in order to prepare for an upcoming feasibility study on water recycling and reuse systems. The Group gradually reduces water wastage and enhance water efficiency through the above initiatives to meet its water reduction target.

ADOPTING AN EXTENSIVE WASTE MANAGEMENT PLAN

The Group has developed a comprehensive set of procedures to manage waste from its inception to its final disposal, with the aim of minimising the associated environmental consequences. The Group also created 3 waste targets to direct its waste management activities and encourage recycling. By Year 2025, Ausnutria aims to:

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

To support the above targets, Ausnutria continuously explores methods that divert waste from landfills. The Group works closely with licensed waste operators in the area to collect and properly dispose of waste in compliance with local laws. Ausnutria is equipped with all the necessary facilities to handle waste in an environmentally responsible manner. A baling machine is used in Australia's dairy manufacturing plant to reduce the amount of cardboard waste produced from raw material packaging. Ausnutria has improved and re-organised the packaging for its dairy products in the PRC to reduce the use of cardboard, thereby minimising the demand for transportation and the associated environmental impact. Remaining packaging materials such as cardboard, plastic lid and plastic bag are 100% collected and recycled by licensed recycling operators. In Year 2023, Ausnutria maintained 100% recycling rate for paper and wood and 99% for plastic.



Since Ausnutria's primary business involves the manufacturing of dairy products, the majority of non-hazardous waste generated originates from the residual of milk and milk powder. In Australia, rest milk and milk powder are sold for animal feed to reduce waste generation, whereas in the Netherlands, a contracted external service provider transforms most of the rest milk and milk powder into biomass. In Year 2023, Ausnutria maintained 100% recycling rate for rest milk and rest powder. The Group also takes special precautions while handling hazardous waste produced during the production of dairy and nutrition products. Chemical waste is routinely sent to licenced third parties for disposal after being stored properly in designated sealed containers. The Group encourages all employees to practise waste separation and recycle waste at source to minimise waste generation across operations.

PROMOTING GREEN DEVELOPMENT WITH ECO-FRIENDLY PACKAGING AND PRODUCT DESIGNS

Ausnutria strives for environmentally-friendly development and seeks to reduce the impacts of its product design on the environment. The Group uses tins for a eco-friendly packaging, for the reason that tins could be 100% infinitely recycled. Additionally, special packing guidelines are established, such as refraining the use of dichromate to avoid hazardous waste generation and discharge and moving to a more energy-efficient method of tins production.

Ausnutria uses passivated tins instead of chromium to manufacture milk powder cans in response to the country's call for green development. By using chromium-free passivation cans, hazardous wastewater is avoided along with the related environmental hazards. In Year 2023, PRC and the Netherlands continued to purchase from sustainable suppliers that provide packaging materials certified with FSC chain of custody certification. Cardboard packaging for several products in PRC was also reduced from 230g to 200g, reducing paper consumption by 13%. In Year 2023, final packaging process in the Netherlands has been optimised, achieving a 50% decrease of stretch wrap foil on pallets. Inline auto sampling is also done during powder processing, instead of sampling the tins after powder sampling, resulting in fewer disposal of finished and filled tins. In the future, the Group will continue to adhere to the above principles and strive to achieve continuous upgrade in packaging to avoid wastage and promote green development.

To promote green product design, Ausnutria has formulated two 'Green Product Design Standards', for infant formula milk powder and modified milk powder respectively, which has been included in the database of Hunan Provincial Department of Industry and Information Technology as the basis for green product design evaluation. In Year 2023, through the review and approval of the Changsha Municipal Bureau of Industry and Information Technology, Ausnutria infant formula milk powder (12-36 months old, stage 3) was selected as the 2022 Changsha City Green Design Product. This will be included as an important consideration in government's procurement, showing that Ausnutria's efforts for green development have been officially recognised.

ADDRESSING AND MANAGING CLIMATE RISKS WITH RESILIENCE STRATEGIES

Ausnutria is aware of the potential effects and risks that climate change poses to its operations. The Group worked with a third-party consultant to conduct a thorough evaluation of the climate risk to its supply chain and operations. For each operating location, desktop research was conducted to determine the significant physical and transition risks, their likelihood and the possible impact on Ausnutria's operations.

The summary of the climate risks identified is as follows:

Physical risks

Risk type	Impact	Justification
Flooding (riverine and coastal)	Asset damage and operation suspension	Ausnutria's factories are mainly located along the river or coast. Flooding may damage factories' equipment and facilities and leads to financial loss. In particular, water can cause critical damage to electric equipment and its components. Dysfunction of dairy processing machines caused by severe flooding may lead to the suspension of factory operations.
	Accessibility to factories	Flooding in nearby areas of Ausnutria's factories may impede employees from accessing the sites. Employees may have difficulties reporting for duty or resuming work upon flooding. This can have negative impact on productivity and affect the feasibility of resuming operations.
	Disruption in logistics	The majority of Ausnutria's products that are produced overseas are transported to mainland China for sale. Flooding disrupts logistics through trucking route disruptions and freight delays.

Risk type	Impact	Justification
Extreme wind	Asset damage and operation suspension	Extreme wind may increase the frequency of tropical cyclones, tornadoes, and hurricanes. It could cause extensive damages to the factory properties when wind speed exceeds the maximum level that the buildings can withstand.
	Disruption in logistics	Majority of Ausnutria's products that are produced overseas are transported to mainland China for sale. Natural disasters caused by extreme wind can disrupt logistics through trucking route disruptions, shipping, and freight delays.
Temperature change	Increase operating cost	Rising mean temperature, as well as heatwave and extreme cold, can drive up Ausnutria's operating costs. The rise in indoor and outdoor temperature would lead to greater energy consumption for maintaining the cooling system and air condition system in production areas.
Water stress	Increase operating cost	While water is not used in production processes for the majority of Ausnutria's factories, factories like Kampen and Ommen rely on water for processes such as pumping, cooling circuits, cleaning and sanitising. Water stress may prompt government to raise water tariff, increasing the financial cost of water supply.



Transition risks

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

Supply chain disruption

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

Climate risks are taken into account by Ausnutria when developing its factories. Sponge city features were included in the Smart Factory’s design in the PRC to improve readiness for anticipated change in rainfall patterns. The Group intends to increase the facility’s climate resilience and better manage flood risks with stormwater management. The development of Smart Factory takes infiltration, retention, storage, purification, reuse, and discharge into consideration and is well-prepared to face extreme weather conditions with its design. It incorporates a rain garden, permeable pavement and a sunken green space that collects surface runoff so that it is able to resist rainstorms with a return period of 1 in 50 years.



Sustainability

Performance Table

Environmental performance				
	Unit		2022 ⁸	2023 ⁸
Greenhouse gas (GHG) emissions				
Direct GHG emissions (scope 1) ⁹	tonnes CO ₂ e		15,281	16,099
Indirect GHG emissions (scope 2) ¹⁰	tonnes CO ₂ e		5,135	4,317
Total GHG emissions intensity ¹¹	tonnes CO ₂ e/RMB million revenue		2.6	2.8
Waste generated				
General waste	tonnes		4,001	3,251
Rest milk	tonnes		12,124	11,132
Rest powder	tonnes		1,914	1,433
Non-hazardous waste intensity	tonnes/RMB million revenue		2.3	2.1
Hazardous waste ¹²	tonnes		6	7
Hazardous waste intensity	tonnes/RMB million revenue		0.00077	0.00092
Waste recycled				
General waste	tonnes		3,366	2,809
Rest milk	tonnes		12,124	11,132
Rest powder	tonnes		1,914	1,433

⁸ Unless otherwise stated, performance indicators of 2022 and 2023 include the Group's operations under Ausnutria PRC (excluding Bioflag Huaian and Anhui), Ausnutria Netherlands and Ausnutria Australia, which is consistent with the reporting scope of this report.

⁹ In 2022, 2,294 of GHG emissions were offset through purchasing carbon credits from verified third party. In 2023, due to change in operational decision, Ausnutria decided not to purchase any carbon credits. Meanwhile, Ausnutria has strived to reduce greenhouse gas emission by prioritising natural gas over electricity.

¹⁰ A portion of electricity consumed was compensated through wind power in 2022 and 2023.

¹¹ 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).

¹² Hazardous waste is defined according to local standards by operating locations, and includes waste machine oil, laboratory chemical waste and other industrial waste.

Environmental performance (cont'd)				
	Unit		2022 ⁸	2023 ⁸
Energy consumption				
Electricity purchased ¹³	kWh		32,599,878	31,180,041
Natural gas consumption ¹⁴	m ³		9,821,356	8,996,615
	kWh		86,416,220	79,157,823
Total energy consumption	kWh		119,016,782	110,338,492
Total energy consumption intensity	kWh/RMB million revenue		15,267	14,947
Water consumption				
Municipal water supply	m ³		356,714	336,705
Groundwater	m ³		190,834	163,953
Total water consumption	m ³		547,548	500,658
Total water consumption intensity	m ³ /RMB million revenue		70	68
Major packing materials used				
Paper and wood	tonnes		7,578	5,765
Tin metal	tonnes		9,227	6,255
Plastic	tonnes		2,721	2,168
Glass	tonnes		0.5	9.6

¹³ GHG emissions from purchased electricity in the PRC, Australia and the Netherlands in this report were calculated based on factors in China's Regional Grid Average CO₂ Emission Factors in 2012 published by the National Centre for Climate Change Strategy and International Cooperation (<http://www.ccec.org.cn/d/file/huanbao/xingyexinxi/aiqhoubianhua/2014-10-10/5fbc57bcd163a1059cf224b03b751d8.pdf>), Australian National Greenhouse Accounts Factors published by the Department of Climate Change, Energy, the Environment and Water of the Australian Government and CO₂ emission factors published by the CO₂ Emissiefactoren, respectively.

¹⁴ GHG emission from natural gas consumption in the PRC, Australia and the Netherlands in this report were calculated based on Requirements of the Greenhouse Gas Emission Accounting and Reporting, Australian National Greenhouse Accounts Factors published by the Department of Climate Change, Energy, the Environment and Water of the Australian Government (<https://www.dcccew.gov.au/sites/default/files/documents/national-greenhouse-accounts-factors-2022.pdf>) and The Netherlands: List of Fuels and Standard CO₂ Emission Factors published by the Netherlands Enterprise Agency respectively.

Social performance				
	Unit		2022 ⁸	2023 ⁸
Employee profile ^{15, 16}				
Total workforce	no. of people		4,700	3,569
Total workforce by gender				
Female	no. of people		2,495	1,846
Male	no. of people		2,205	1,723
Total workforce by age group				
30 or under	no. of people		1,601	1,080
31 – 40	no. of people		2,310	1,725
41 – 50	no. of people		516	468
Above 50	no. of people		273	296
Total workforce by position grading				
Top management	no. of people		44	44
Middle management	no. of people		993	1,029
Other office staff	no. of people		2,915	1,740
Operational staff	no. of people		748	756
Total workforce by geographic region				
Mainland China	no. of people		3,824	2,631
The Netherlands	no. of people		780	858
Australia	no. of people		96	80
Employee turnover ¹⁷				
Employee turnover rate	%		30.45	61.19
Employee turnover rate by gender				
Female	%		28.58	60.02
Male	%		32.56	62.45

¹⁵ For employee profiles and other workforce-related figures, we record the total headcount of full-time, part-time and temporary staff in Ausnutria PRC, Ausnutria Netherlands and Ausnutria Australia. For Ausnutria Australia, we do not include the workforce under Ozfarm Royal Pty Ltd, which is consistent with the reporting scope of this report.

¹⁶ In 2023, for Ausnutria PRC, we integrated both the milk powder business and nutritional products business and switched a portion of permanent employee contracts to outsourced workers. The workers supported by the outsourced service providers are not included in the employee profile, leading to an overall reduction in the number of workforce.

¹⁷ In 2023, a relatively high number of employees left mainly due to business integration. Moreover, the outsourced workers are not included in the total number of workforce as mentioned, leading to a higher turnover rate.

Social performance (cont'd)				
	Unit		2022 ⁸	2023 ⁸
Employee turnover rate by age group				
30 or under	no. of people		39.98	76.94
31 – 40	no. of people		28.53	62.20
41 – 50	no. of people		20.35	47.22
Above 50	no. of people		9.89	19.93
Employee turnover rate by geographic region				
Mainland China	%		34.07	75.98
The Netherlands	%		10.90	20.98
Australia	%		44.79	6.25
Occupational health and safety				
Lost days	days		149	58
Lost day rate	lost day per 200,000 work hours		3.16	1.50
Work-related fatalities	number		0	0
Development and training ¹⁸				
Percentage of employees trained	%		85	93
The percentage of employees trained by gender				
Female	%		79	96
Male	%		88	91
The percentage of employees trained by position grading				
Top management	%		60	54
Middle management	%		83	84
Other office staff	%		85	95
Operational staff	%		86	95

¹⁸ For Ausnutria PRC, in 2022, only records training delivered by Ausnutria Academy. In 2023, data scope has expanded to include the training data from the production lines of Ausnutria PRC. Thus, the respective performance in 2023 is not directly comparable to that in 2022.








Social performance (cont'd)				
	Unit		2022 ⁸	2023 ⁸
Average training hours per employee by gender				
Female	hours		25.41	87.60
Male	hours		45.53	169.03
Average training hours per employee by position grading				
Top management	hours		22.76	12.67
Middle management	hours		30.77	134.62
Other office staff	hours		31.61	88.20
Operational staff	hours		43.72	233.80
Supply chain management				
Number of suppliers by geographic location ¹⁹				
The PRC	number		57	68
The Netherlands	number		103	61
Australia	number		82	87
Other regions ²⁰	number		8	41
Community investment				
Total amount of charitable contributions	RMB		11,680,000	6,406,000

¹⁹ The Group constantly revisits the methodology to achieve higher accountability standards. For the preparation of 2023 data, the methodology to record and calculate the respective data has been updated to better reflect the Group's ESG performance.




²⁰ "Other regions" refers to France, Germany, United Kingdom, Ireland, Denmark, Sweden and Italy.


HKEx ESG Reporting Guide




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

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Independent Assurance Opinion Statement

Statement No.:

SRA-HK 803580

AUSNUTRIA DAIRY CORPORATION LTD SUSTAINABILITY REPORT 2023

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 2023 (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 2023 to 31st December 2023. The Report is prepared in accordance with The Stock Exchange of Hong Kong Limited’s (“HKEX”) Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”).
2. Level 3 - Type 2 Moderate Level of Assurance evaluates the nature and extent of Ausnutria’s adherence to four reporting principles: Inclusivity, Materiality, Responsiveness and Impact. The reliability of specified sustainability performance information/data disclosed in the Report has been evaluated.

Opinion Statement

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

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

Methodology

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

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

Conclusions

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

Inclusivity

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

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

Materiality

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

Responsiveness

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

Impact

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

THE ESG Reporting Guide

Based on our verification review, nothing has come to our attention and caused us to believe that data and information stated in the Report is not correctly presented or with omission, in any material respects or that Inclusivity, Materiality Responsiveness and Impact are not correctly addressed. 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:

Verifier of the Report



Michael Lam –
Managing Director Assurance, APAC



Aaron Chim
Lead Assuror

11 April 2024



AUSNUTRIA DAIRY CORPORATION LTD

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1717)



Company's website

www.ausnutria.com.hk