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CREATING SHARED VALUE

WITH



BUSINESS
PARTNERS



The
Environment



Employees



The
Community



Customers



OVER 100 YEARS OF EXPERIENCE STRICT QUALITY CONTROL

Ausnutria works together with its business partners to build long-term and win-win relationships. The Group relies on its suppliers to ensure the best quality of milk and raw materials for its nutritional products to produce healthy, reliable and quality products for customers. Product quality affects customers' health, therefore Ausnutria does not accept any deterioration in the quality of raw materials. To this end, Ausnutria selects suppliers through fair and stringent procedures and monitors their performance through various approaches.

From local dairy farmers in the Netherlands to suppliers of nutritional ingredients in Australia, Ausnutria constantly searches for reliable milk sources and raw materials to support the supply of high-quality products. The Group builds strategic partnerships with suppliers on a global scale, aiming to create value that benefits not only Ausnutria, but also the entire value chain. These partnerships, whether local or global, facilitate the sustainable development of Ausnutria.

EXCELLING AT DAIRY PRODUCTS

As a manufacturer and supplier of dairy products, Ausnutria is fully aware of its obligations in supporting sound development of infants and children. To guarantee the best quality of dairy products, Ausnutria has adopted extensive supplier selection procedures to oversee the purchasing process and management of its milk suppliers based on the local context. For 2017, Ausnutria's cow milk formula products were imported from the Netherlands, New Zealand, Australia and France, while its goat milk formula products were imported from the Netherlands. This report will focus on suppliers from the Netherlands and Australia.

Securing a sustainable supply chain

Cow Milk Formula

In order to ensure a stable and sufficient formula milk powder supply, and to mitigate the risk of milk source concentration, the Group diversified its formula milk powder supply to a number of countries in recent years, while the Netherlands remains a major milk source for its cow milk formula products. The Group relies on a local dairy trade company, Farmel Holding B.V. (the "Farmel Group"), to provide Ausnutria with a stable and high quality cow milk supply. The Farmel Group, which Ausnutria holds 50% of the equity interest, sources milk from local farmers and matches those that meet Ausnutria's standards. The quality of milk is further secured as samples from each batch of raw milk will be collected at farms for testing, where the results are instantly shared with farmers to allow them to actively monitor their milk quality. Information on the milk source is also labelled on each batch of raw milk that arrives at Ausnutria's factories, enabling Ausnutria to track and trace back to the farmer if problem arises. Through the partnership with the Farmel Group, Ausnutria and its cow farmers together guarantee a stable and reliable milk supply chain.



Goat Milk Formula

Kabrita series products have been sourced and manufactured in the Netherlands since their launch in 2011. Over the years, Ausnutria has worked closely with Dutch goat farmers and established a stable supply of quality goat

milk. By encouraging long-term partnerships and promoting regular engagement with goat farmers, Ausnutria has secured the major ingredients for the production of *Kabrita*, particularly goat whey, an important ingredient for the *Kabrita* products. *Kabrita's* suppliers, on the other hand, are committed to meeting Ausnutria's quality requirements. This includes internal parameters defined by Ausnutria and external standards defined by the "KwaliGeit" ("Quali-goat") quality care system of NGZO. The Program has been developed in close collaboration with the dairy goat farm department of the Dutch Federation of Agricultural and Horticultural Organisation and takes into account the best practices in the goat milk industry and European hygiene regulatory requirements. As a member of NGZO, Ausnutria fully supports the "KwaliGeit" program and require all its goat farmers to be certified as KwaliGeit. An oversight assessment on KwaliGeit covering all aspects of the goat milk production process is performed at the farms, from milking and storage, cleaning and disinfection, to environment and waste, animal feeding and water, as well as the use of medicines and well-being of the animals. Continuous compliance audits were performed in addition to the assessment in order to ensure that only the highest quality milk is used in *Kabrita* products. This approach has enabled ample supply of quality goat milk, supporting the continuous growth of *Kabrita*.

CASE STUDY



Standing proud as a preferred supplier of *Kabrita*

Appreciating farmers' contributions

As much as Ausnutria appreciates the quality of the milk supplied by its goat farmers, the Group wants them to also feel proud about being a preferred supplier for *Kabrita*. In 2017, the Group has been preparing the *Kabrita* Farmer Toolkit, *Kabrita* branded gifts and materials for its farmers to gain a better understanding of how their milk is used at Ausnutria and help them to showcase the end products of their milk to visitors. The toolkits and gifts will be distributed to farmers in the coming year.



Milk Powder

In Australia, milk powder is sourced directly from suppliers. Ausnutria is fully responsible in controlling and monitoring the quality of the milk powder and has an internal team of quality analysts in place to perform on-site and off-site audits at suppliers' sites prior to procurement. Normally, the quality analysts review the questionnaires filled out by potential suppliers and conduct follow-up interviews to understand their quality assurance procedures and their level of compliance with its internal protocols. Relevant documents must also be checked to ensure suppliers meet basic requirements and certain standards depending on the specification of the products, such as organically certified and ISO 22000 standards. Final testing on samples from approved suppliers is performed prior to procurement to reaffirm the quality of the formula powder.

Packaging

More stringent requirements on packaging materials suppliers in terms of environmental performance have been adopted in Ausnutria's PRC operations since 2011. Every procurement contract now includes an Agreement for Environmental Protection clearly stating Ausnutria's guidelines on handling emissions, hazardous raw materials and hazardous waste.

Signature President Class of the Golden BIB Business School



Supporting business partners to grow

Ausnutria takes an active role in the Durability Program introduced by NGZO, which is a voluntary initiative to promote sustainability among goat farms in the Netherlands that focuses on three major subjects: market and image, energy and climate, and animal health and welfare. Being a working group member of NGZO, Ausnutria is one of the first companies in the Netherlands to introduce this program to its farmers. During the year, Ausnutria has sent representatives to visit its goat farmers and provide introductory training on the program to prepare for the official launch in 2018. Ausnutria commits to financially subsidise its goat farmers participating in the program.

Ausnutria has established an extensive distribution network for its dairy products in the Group's principal market, the PRC, comprising mainly family-run businesses. In March 2017, the Group launched the "The Golden BIB Business School" to help its distributors to improve their business management capabilities. To achieve "mutual growth by sharing the care", a series of 12 training sessions were held in 26 provinces since the establishment of the school, providing assistance to over 1,000 participants from 227 distributors.



The Group introduced the *Hyproca* Business School together with a comprehensive training system in April 2017. The system is designed to assist *Hyproca*'s distributors to deliver training to their employees of all levels, from general staff, frontline staff and store managers, by providing training materials and other supporting resources. Through this platform, the Group aims to cultivate industry experts, improve distributors' businesses, and promote a win-win business culture. As at the date of this report, *Hyproca* Business School has organised about 70 training and learning activities since the establishment, engaging almost 5,000 people.

Following the success of the Golden BIB Business School and the *Hyproca* Business School, Ausnutria launched the "Kiwi Park" Program in December 2017 for *Puredo*'s distributors with the objective to streamline operational processes by connecting distributors with store managers, salesman and customers. An academy, named Kiwi Business School, was set up under the program as the primary channel to gather and assist distributors.



"Kiwi Park" Program is launched to drive distributors' success

CASE STUDY

Utilising big data platforms to conduct personalised marketing

The Group has introduced multi-dimensional platforms tailored for distributors to enhance customer engagement and management. *Puredo* and *Nutrition Care* utilise platforms which use big data analytics, allowing Ausnutria to connect with online and offline users and analyse customers' actions for an in-depth understanding of customers' behaviours. The result is shared with distributors to conduct precise personalised marketing with the aim to assist them grasping market trends and insights, ultimately improving their operational capabilities.



The "COMPASS" platform facilitates personalized marketing to meet the true needs of customers



PROMOTING QUALITY NUTRITION PRODUCTS

Through its nutrition business, the Group strives to promote health education and disease prevention to society at large. Stringent procedures are in place to guide Ausnutria in selecting and managing suppliers to ensure the quality of its nutritional and healthcare products to meet the expectations of its customers.

Working with suppliers to protect customer's health

At NCP, a comprehensive assessment guideline has been established to select and assess suppliers. Under the guideline, each potential supplier will be assessed on the compliance level with regulatory requirements and Ausnutria's standards and the rating and quality of its samples. In addition, suppliers are required to obtain a certificate, license or accreditation by regulatory bodies, respond to the Vendor Qualification Questionnaire jointly prepared by the Australian Self Medication Industry and the Complementary Healthcare Council of Australia, or to allow representatives from NCP to perform an on-site audit. Only suppliers that have met all the above requirements will be given an approval status, indicating that they are ready to supply NCP.

Ausnutria also works with its existing suppliers to ensure that the quality is maintained throughout their cooperation. If any non-compliance is observed, Ausnutria's procurement team will work with suppliers to develop a corrective action plan.

Going forward, Ausnutria is planning to enhance the supplier selection process by introducing on-site inspections for suppliers in the PRC to understand the actual conditions of their production lines.

