



# 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  $\beta$ -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 55<sup>th</sup> 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 6<sup>th</sup> 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 $\beta$ -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  $\beta$ -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 20<sup>th</sup> 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 28<sup>th</sup> 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 55<sup>th</sup> 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 '6<sup>th</sup> 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

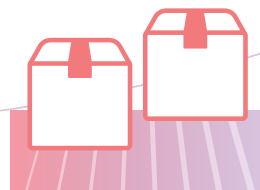
- Stringent supplier selection
- Regular supplier assessments and audits for crucial product ingredients
- High-standard warehouse management for raw and packaging materials and finished goods
- Training for employees involved in warehouse management



### 02

#### Production process

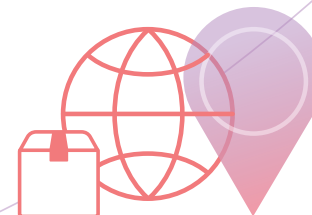
- Standardised quality assurance procedures and protocols
- In-process quality control tests and final inspections
- Laboratory checks for all products according to internal and national requirements
- External regulatory inspections on the local legal requirements of each distribution market for dairy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



### 03

#### After entering the market

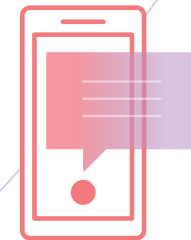
- Regular and random product inspection
- Traceable product information
- Continual optimisation for quality management systems



### 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 6<sup>th</sup> China International Import Exhibition

