

2. FOREWORD FROM THE CHAIRMAN

I am pleased to present the first ESG Report of Ausnutria. Through this report, we hope to share with our stakeholders our beliefs in ESG and what we have achieved so far in terms of ESG.

2016 is the first year of our “Golden Decade” strategic plan. Adhering to its operating concept emphasizing professionalism, efficiency and quality, the Group have achieved satisfactory results and recorded a 30.3% growth in revenue as compared to 2015, amounting to RMB2,740.3 million of revenue. In particular, the revenue of our own-branded goat milk-based and cow milk-based infant formula has recorded a remarkable growth of 49.3%. Re-affirming our continuous commitment to excellence, integrity, accountability, quality, professionalism, improvement, innovation, unity and efficiency, we have further expanded our global presence this year through acquiring a high-end nutritional brand in Australia, and co-investing with a large dairy co-operative for the establishment of a new production plant in New Zealand.

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Our brands have achieved continuous recognitions from the market in 2016. *Kabrita and Hyproca 1897* were listed among the top 10 most influential brands for infant formula at the CBME AWARDS, the most anticipated awards for children, baby and maternity industry in the PRC. *Allnutria* was also awarded by *mama.cn*, the leading baby and maternity web portal in the PRC, as “Consumers’ Most Favoured Brand”.

We continued to invest in research and development projects at our in-house research centres and through collaboration with external institutions. Four new formulae were developed this year, targeting infants with different dietary habits. Under our commitment to deliver safe products of the best quality to our customers, our products sold in the PRC have achieved a 100% passing rate in the monthly random inspection conducted by the China Food and Drug Administration this year.

As part of our comprehensive supply chain management system, we maintain regular dialogues with our suppliers. We work together with our suppliers to ensure the quality of our products, and minimize our impacts to the environment. We hold a firm belief that sustainable business practices are critical to our future. Despite the nature of our operation has limited impacts on the environment and natural resources, we constantly search for ways to incorporate environmental initiatives across our operations. Aiming to reduce our energy consumption by 2020, we have introduced an “Energy Efficiency Plan 2017-2020” in various major areas of the Group, in particular the Netherlands, where our production operations are mainly located. Various initiatives have been implemented during the year under this plan, which are described in this report.

Our people is our asset. We believe that as our team grows, our business grows too. We care about their well-being and continuous development. Through the establishment of Ausnutria University, we ensure sufficient training opportunities are provided to our employees every year. This year, we have successfully organized our first MBA course in the PRC. Furthermore, approximately 46.8 million of share options were granted to selected employees this year as a recognition of their contribution to the Group. We also invest resources in maintaining a healthy and safe working environment for the well-being of our employees.

To help us continually improve our ESG performance, we take time to listen to our stakeholders. This year, we have engaged different stakeholder groups, including our employees, business partners, customers, suppliers, industry associations and community partners. Their insights have provided reference to this report and our future ESG approach.

The “Green Factory” in the Netherlands which began construction in 2014 is now in its final stage of installing the product lines and equipment. We are expecting to commence its operation in 2017, and gradually achieve a threefold increase in our production capacity by 2019/2020.

We are proud of our achievements. Looking forward, we will continue to take a long-term view on managing our business, and as such, we are working to strengthen our ESG structure to manage our daily ESG risks.

We are delighted to welcome you to join us to embrace the challenges and opportunities ahead.

Yan Weibin
Chairman