

4. OUR SUSTAINABILITY APPROACH

4.1 Corporate Governance

Since Ausnutria's establishment, we have developed a robust corporate governance ("CG") structure. We constantly enhance our policies and procedures to ensure our CG structure fosters transparency, independence and integrity.

Registered in the Cayman Islands and listed on the Stock Exchange, we strictly comply with the ESG Reporting Guide as set out in the Appendix 27 of the Listing Rules. The following describes our CG ecology which promotes a healthy and sustainable development of our business.

The board (the "Board") of directors (the "Directors") comprises nine members, including four executive Directors, two non-executive Directors and three independent non-executive Directors as at the date of this report. The Board's composition is designed to be well-balanced to ensure strong independence exists across the Board, with a diversity of skills, expertise, experience and qualifications among the Directors. The Board is responsible for determining the strategic development of Ausnutria and reviewing the CG policy by performing duties including but not limited to monitoring Ausnutria's policies and practices in compliance with legal and regulatory requirements, and reviewing Ausnutria's compliance with Appendix 14 to the Listing Rules.

At the same time, the Board is also responsible for evaluating and determining our ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

Anti-Corruption

As an employer with high integrity standards, we continuously revise our corruption prevention measures and the related procedures. The code of conduct provided to all of our employees clearly outlines the procedures for handling confidential information and IT systems, preventing conflicts of interest, bribery and corruption, and safeguarding integrity. This set of guidelines lists out all acceptable and unacceptable behaviour in detail. Non-compliance with the rules may lead to a verbal warning, formal warning or other disciplinary or legal measures. The Board is obligated to ensure all employees strictly comply with the anti-corruption measures in order to promote the sustainable growth of Ausnutria.

4.2 Stakeholder Engagement

We believe that effective feedback from stakeholders not only contributes to comprehensive and impartial evaluation of our ESG performance, but also enables us to improve our performance based on their feedback. Beyond the daily interactive communication with stakeholders, we have authorised a third party this year to further engage with our major stakeholder groups through various channels.

Our major stakeholder groups, including employees, business partners, customers, suppliers, industry associations and community partners, were invited to evaluate and discuss a range of ESG issues in relation to our operations. Close to 1,000 internal and external stakeholders were engaged via survey, focus group discussions and interviews. Through quantitative and qualitative analysis, we have gained a comprehensive understanding of their perspectives and expectations. This has helped us to evaluate our ESG performance and identify areas for improvement. The results are also essential for the preparation of this report and the formulation of our ESG strategies in the future.

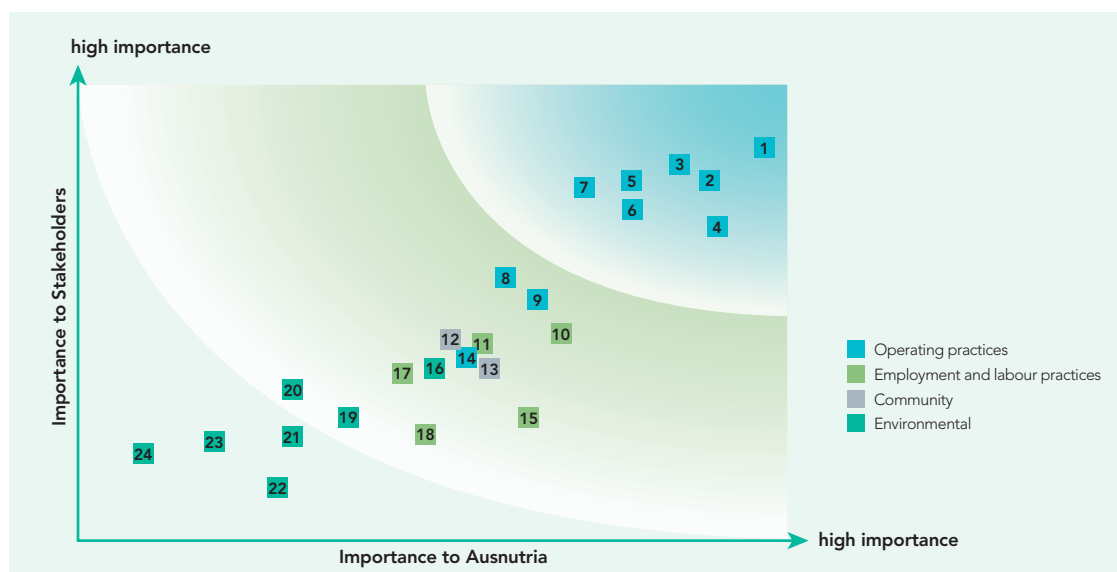
Stakeholders	Key Concerns and Expectations in 2016	Channels of Communication and Feedback
Employees	<ul style="list-style-type: none"> • Career development and promotion • Remuneration and welfare • Equal opportunity • Health and safety • Caring for people 	<ul style="list-style-type: none"> • Caring about employees' occupational health and safety; • Creating a comfortable green workplace; • Organising training activities regularly to promote career development and enhance competence at all levels; • Providing leisure activities and increasing cohesion.
Business Partners and Customers	<ul style="list-style-type: none"> • Integrity and fulfilment of promises • Safe and high-quality products • Healthy and affordable food • Information transparency • Attentive services • Opinions and complaints handling • Privacy protection • Investment in technology and innovation 	<ul style="list-style-type: none"> • Providing customers with excellent products in line with the high quality product strategy; • Maintaining channels of customer communication and feedback at sales offices, social media and complaint hotline/mailbox; • Conducting customer surveys regularly and improving performance; • Investing continuously in the development for healthy and safe products with the co-operation of professional institutions.

Stakeholders	Key Concerns and Expectations in 2016	Channels of Communication and Feedback
Suppliers	<ul style="list-style-type: none"> Integrity and fulfilment of promises Sharing of resources and future plans Win-win and in-depth cooperation Efficient and safe transport Effective communication and response Brand management 	<ul style="list-style-type: none"> Continuously enhance tendering and bidding practices, ensuring the performance of contractual obligations, and achieving mutual benefits with suppliers.
Industry Associations and Community Partners	<ul style="list-style-type: none"> Animal care Development of agricultural technology Public welfare and charities Environmental friendliness 	<ul style="list-style-type: none"> Further support of local cow and goat dairy associations, maintaining community campaigns, such as the milk formula donations, breastfeeding education and charity run; Encouraging employees to participate in volunteer services.

4.3 Materiality Assessment

With regard to its size and coverage of business, Ausnutria is involved in a wide range of ESG issues. Materiality assessment has been conducted in order to prioritise these issues with reference to the feedback gathered from this year’s stakeholder engagement.

Materiality matrix of the ESG issues of Ausnutria



24 ESG issues were identified as material to Ausnutria this year as a result of the materiality assessment. The management methods and performance relating to these issues are set out in the corresponding sections in this report.

Category	Environmental, social and governance issues
Operating practices	1 Food safety
	2 Product diversity
	3 Recall mechanism
	4 Intellectual property
	5 Customer communication channels
	6 Product responsibility compliance
	7 Protection of customer privacy
	8 Supplier diversity
	9 Supply chain management
	14 Anti-corruption
Employment and labour practices	10 Labour rights
	11 Training and development
	15 Diversity and inclusion
	17 Employee health and safety
	18 Employee welfare
Community	12 Community investment
	13 Community and animal care
Environmental	16 Waste recycling
	19 Packaging materials
	20 Environment conservation and biodiversity
	21 Resource conservation
	22 Greenhouse gas emissions
	23 Use of water
	24 Energy consumption