

FRIENDLY WITH THE ENVIRONMENT

Ausnutria is committed to creating shared value at all time and takes environmental impact into account when making each business decision. To operate in an environmentally friendly manner, the Group constantly seeks for opportunities to minimise environmental footprint arising from its upstream operations and the related manufacturing processes. To support the Group, subsidiaries spare no efforts in increasing energy and water efficiency, managing air and water discharge, reducing material consumption and waste generation, as well as cultivating environmental awareness of employees at its production facilities.

Operating rules and management procedures are introduced at subsidiaries to demonstrate a total commitment to minimising the environmental impacts associated with procurement, manufacturing and distribution processes. Guidelines on the implementation of environmental protection measures are also in place to ensure compliance with the Group's and relevant legal requirements. Taking a step further for a more systematic management of environmental issues, the Group's production facilities in Kampen, the Netherlands and Changsha City, the PRC are certified with ISO 14001 on environmental management.

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CASE STUDY

Sustainable production – Building a sponge city to adapt climate change

The construction of the Smart Factory – the production facility in Changsha City, the PRC has now substantially been completed and is currently in the registration process with the Certification and Accreditation Administration of the PRC. To better adapt to challenges brought by climate change, the Smart Factory incorporates climate resilient features in its design and contributes to the transformation of Changsha into a sponge city. It was certified as a National Green Factory of the PRC, marking an important milestone in Ausnutria’s journey towards sustainability.



● The Smart Factory, consisting of a production line for infant and toddler formula, a warehouse, and a nutrition products technology center

During the planning stage, the Smart Factory incorporated the concept of “sponge city”, a modern water management approach through the application of infiltration, retention, storage, purification, reuse and discharge principles. It is designed with sunken green space, permeable pavement and rain garden, allowing the building to function as a “sponge” to collect rainwater during heavy rain and reuse the stored rainwater when needed. This feature helps to resolve drainage problems in the neighbourhood and to enhance flood control in nearby areas, thus creating a greater resilience to climate change and natural disasters such as heavy rainstorms and rising sea levels. The Smart Factory is designed to withstand rainstorms with a return period of one in 50 years.

● Sunken green spaces retains rainwater and reduces rainwater runoff



● Contiguous open green spaces naturally absorb and filter rainwater, avoid adjacent pavements from overflow in heavy downpours



● Rain garden enables drainage of excessive rainwater, and at the same time beautify the area



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OPTIMISING ENERGY CONSUMPTION TO MINIMISE EMISSIONS

Ausnutria adopts robust energy and emissions management to alleviate the environmental impacts derived from its production facilities. Energy saving measures are introduced in all subsidiaries' production facilities with energy intensive equipment and facilities. Heating, ventilation and air conditioning, boiler systems and lightings are regularly inspected, maintained, isolated and replaced to ensure they are in their best condition with no extra energy being consumed.

Production facilities built in recent years are designed to achieve low carbon emission. Completed in 2017, the Ausnutria Heerenveen Factories in the Netherlands are equipped with energy efficient technologies and modern production processes that reduce reliance on energy. For instance, both factories are designed with advanced gravity process technology that reduces energy consumption due to movement of semi-finished products. Thermal energy storage is also used for heating and cooling the building, reducing the use of an estimation of over 90% of natural gas. Going forward, the Ausnutria Heerenveen Factories will investigate the feasibility to install solar panels on the rooftop to support sustainable energy. At the Smart Factory in the PRC, various initiatives are adopted to maximise energy efficiency. Apart from energy-saving LED lamps, the building also incorporated the concept of skylights by allowing natural daylighting to penetrate from the rooftop, which not only reduces energy consumption caused by lightings, but also provides a more comfortable working environment to employees.

Ausnutria continuously seeks opportunities to further optimise energy consumption. The production facilities in Ommen, Kampen and Leeuwarden in the Netherlands introduced the Energy Efficiency Plan 2017-2020 (the "Energy Plan") with clear objectives and action plans to realise the dairy industry requirement of 8% energy consumption reduction by 2020, using 2017 as baseline. Through audits and researches, opportunities to optimise production processes and upgrade machinery and equipment are identified.

Detailed plans are then developed for the implementation of energy saving initiatives. Adopting the plan-do-check-act approach, energy consumption is closely monitored and analysed at least against the implemented measures, ensuring that the progress of the Energy Plan is on track.



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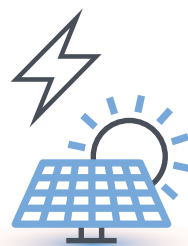
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The Energy Plan progressed as planned in the second year with multiple measures being rolled out at the production facilities, especially in Ommen and Kampen. Investments are made to upgrade existing machineries to further enhance energy efficiency. Extra piping isolations were realised during the year to reduce energy loss from boilers, and the majority of existing rotating pumps were replaced with newer, more efficient pumps, saving an average of 3% energy per pump. A new recuperator was also replaced in one of the drying towers to complete the heat recovery system improvement plan, aiming to save gas consumption. Meanwhile, the production facility in Kampen is exploring a better route to transport the materials to optimise energy use and process efficiency. Additionally, Kampen has gathered data of its production process to determine the optimal production capacity against energy usage, with the aim of maximising efficiency while maintaining optimum amount of product outputs.

To minimise greenhouse gas emissions, Ausnutria prioritises the use of renewable energy sources whenever possible. For instance, the production facility for dairy products in Australia has installed solar panels to increase the use of sustainable solar energy in recent year. On the other hand, the Group's operations in the Netherlands purchase electricity only from renewables. It partners with a Dutch company and regularly purchases carbon credits for investments in sustainable energy projects around the world compensate any remaining carbon emissions.



PREVENTING WASTE AND MANAGING MATERIALS

Ausnutria understands that waste generation is inevitable in its production process. Hence, it seeks ways to minimise the associated environmental impacts by preventing waste generation and adopting proper waste management practices when waste is generated. For instance, Ausnutria advocates waste separation and recycling practices and appoints local licensed waste operators to collect waste in accordance with local legal requirements for disposal or further handling. Ausnutria has also been seeking alternative waste handling methods to divert waste from landfills, for example to sell the rest milk for animal food in Australia or to appoint an external company to convert the rest milk and rest milk powder into biogas in the Netherlands.

Production facilities are equipped with necessary hardware to facilitate waste handling and minimisation processes. For example, the dairy production facility in Australia has a baling machine to compress cardboards from raw material packaging into compact bales for easy storage and transportation to recycling sites.

The Group also recognises that all packaging materials for its products come from natural resources, and will eventually become waste at the end of their life cycles. Ausnutria, therefore, seeks to minimise packaging materials consumption at source by improving packaging designs and using materials with lesser environmental impact such as recyclable materials. In the PRC, testing to remove the inner coating of tin cans and the laser film on paper boxes for holding formula products has been carried out. Such improvement to the designs will reduce the amount of materials needed for packaging.

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CONSERVING WATER FOR THE FUTURE

For the benefit of the ecosystems, Ausnutria strives to conserve and protect water resources by taking a multi-pronged approach that comprises water saving measures, water reclamation initiatives, and effective effluent management.

For factories in the Netherlands with wet processes, the Group aims to achieve a closed production loop where water is used at its optimal level. Regular inspections on machinery are carried out to ensure water leakages from taps, pipes and valves are promptly identified and fixed. Water consumption records are also closely monitored, allowing the Group to capture water recycling and reuse opportunities. In the production facilities in Ommen, for example, condensed water generated during the production process is being reused in other parts of the production such as in the boilers and in the ultrafiltration process. The plan has been fully implemented during the year, aiming to reduce a considerable amount of water usage.

As a responsible company, Ausnutria works to minimise the impacts of its effluent and ensures that wastewater discharge in all facilities is in compliance with the local government regulations. For instance, wastewater is treated to meet the local effluent discharge quality standards before being released into municipal sewage pipes or coastal water. Water monitoring systems are established in designated discharge points to monitor the key effluent quality parameters and ensure the requirements are met. In the production facilities in Ommen and Kampen in the Netherlands, daily and yearly targets on the amount, pH, temperature and concentration of organic compounds of effluent are established to better monitor and control wastewater discharge.



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