

MESSAGE FROM THE CHAIRMAN

I am delighted to present the Group's fifth annual sustainability report on behalf of the board (the "Board") of directors (the "Directors") of the Company. This report encapsulates the progresses we have made in integrating sustainability across our business operations and throughout our value chain during the Year 2020.

2020 was one of the most extraordinary years for many of us where COVID-19 challenged and changed the way we live. We are very grateful to all the healthcare professionals and supporting staff who have devoted themselves to keeping our communities safe. Our thoughts remain with those affected by the pandemic.

In 2020, the COVID-19 outbreak presented the global community with unprecedented challenges. Ausnutria drew on the approach of "Responding To Market Uncertainty with Firm Strategies" to innovate and advance, react diligently and move forward steadily. In support of the State Administration of Market Supervision's "Guarantee Price, Quality and Supply" initiative in the PRC, the Group took concrete actions to ensure market supply, quality and safety, as well as price stability and transparency of products. The Group's effort honourably earned the "National Models for Green Supply Chain Management" from the Ministry of Industry and Information Technology in the PRC. Confronting obstacles head-on, we continued to observe growth in our core businesses and improve in our brand awareness and reputation amid the difficult times, laying out the groundwork for post-pandemic success.

Against the backdrop of the global pandemic and the rapidly evolving sustainability landscape, the importance of sustainability integration to futureproof our business is increasing. In view of this, the Group maintains a robust governance structure to ensure sustainability strategies are effectively implemented across our business operations. Driven by our sustainability vision, we support the United Nations Sustainable Development Goals ("SDGs") with focus on three pillars – Better Nutrition, Better Life and Better Environment. During the year, we have continued to advance our sustainability strategy framework and have established specific objectives under each pillar to facilitate our business units ("BUs") in formulating relevant targets.

Built on our commitment to bring Better Nutrition to our customers, we have dedicated considerable efforts to foster innovation and offer quality nutritional products and solutions. When the Group was first established, our first aspiration was to provide Chinese infants with the nutrition of highest global standards. We continued to expand our product portfolio led by our "Golden Decade" blueprint, and successfully launched a series of probiotic, children and adult milk powder products. Internally, we continue to enhance our global production infrastructure. Constructions of our new facilities in the Netherlands and factories in Changsha City, the PRC, are currently in progress.

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To continuously meet the diverse needs of our customers, we spare no efforts in advancing our research and development (“R&D”). In Year 2020, we formed strategic partnerships with Jiangnan University to strengthen our R&D capabilities on multiple aspects. It is our privilege that Professor Chen Wei, an academician of China Engineering Academy and the president of Jiangnan University, relocated his only academician R&D station to Ausnutria. In collaboration with Central South University and Liuyang Maternity and Child Healthcare Centre, we also successfully launched the breast milk bank in central China to support our studies on breastmilk nutrition. The development of our scientific research platform was also widely recognised and approved as a “National Postdoctoral Program” and “Hunan Province Engineering Research Centre”. As we strive to solidify and broaden our customer base, the Group continues to increase our investment in actively engaging customers and strengthening our brand influence. For example, Kabrita was a major supporter and sponsor of “Sisters Riding the Winds and Breaking the Waves”, a popular variety show which increased exposure and discussion of the brand, while Hyproca 1897 appointed Mr. Lang Lang, a world-famous pianist, as its global ambassador.

Guided by our commitment to promote Better Life for communities, the Group rallied in our support to combat the adverse effects of the COVID-19 pandemic on people’s livelihoods. Since the beginning of the pandemic, Ausnutria U-Foundation, together with our subsidiaries around the world, repeatedly made batches of donations which is worth over RMB78 million in cash and in-kind (retail price) to meet the emergency needs of various communities. Leveraging our business expertise, the Group donated formula milk, nutritional and healthcare products, as well as medical supplies to the underprivileged and frontline anti-epidemic workers. In recognition of our efforts, we were bestowed the “Responsible Corporate Award in Food Industry for Fighting Against COVID-19” in the PRC. Amid the disruption inflicted by the pandemic, we continued to demonstrate our support towards those in need and received the “2020 China Commercial Corporate Social Responsibility Model Award”.

With our aspiration of “We Strive, We Achieve”, we place great emphasis on nurturing our people. In this regard, we commit to promote Better Life among our employees by providing an inclusive, respectful and rewarding working environment, as well as investing resources to sustain their professionalism. Marking the sixth year since its establishment, Ausnutria University continues to play an important role in talent development, culture-building and optimising organisational performance. In Year 2020, Ausnutria University became the first batch to be certified as “China Corporate University Prototype” award. Meanwhile, the health and safety of our employees remains our priority. Ausnutria quickly responded to the outbreak of COVID-19, established domestic and overseas epidemic prevention and control teams and formulated internal safety plans and guidelines to ensure the health conditions of employees were properly protected while maintaining daily operations.

As we strive to create a Better Environment for future generations, we are committed to mitigating the environmental impacts arising from our upstream operations and manufacturing processes. To gradually decarbonise our business operations, we optimise our energy efficiency and adopt renewable energy sources wherever possible. Aside from on-site renewable energy from solar panel systems and geothermal heat systems in factories located in Australia and the Netherlands respectively, Ausnutria Netherlands compensated all its electricity consumption through renewable energy sources. To fulfil the new high environmental and climate requirements, we are also working towards reducing natural gas dependency and shifting to heating by electricity to achieve zero nitrogen emissions at the new facilities that are currently under construction in the Netherlands. As the threats posed by climate change become alarmingly evident, the Group conducted an assessment in Year 2020 to understand the impacts on climate change along our value chain. The findings would benefit us in developing climate strategies and mitigation measures to build our climate resilience and adaptive capacity.

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Starting off as a local company, we have been gradually constructing our globalised governance system for the past 17 years which mainly revolves around strategic directions, monitoring and evaluating the effectiveness of management level, finance and audit, and information disclosure. The Group upholds “Operational Regionalisation, Suitable Centralisation” as its governance mindset and stays connected with our stakeholders around the globe through well-established partnerships. To strive for long-term success and safeguard the interests of our shareholders and other stakeholders, the Group is committed to upholding high standards of corporate governance and promotes transparency, independence and integrity within Ausnutria, while embracing diversity and inclusiveness. Our board of directors comprises nine members with different backgrounds, ethnicities, experiences and expertise, achieving a multi-cultural environment.

I would like to take this opportunity to express our highest appreciation towards our stakeholders for their continuous support in our sustainability journey, in particular during a period of challenges and uncertainties. Going forward, as the impact of COVID-19 continues to ripple across the world, we are confident that through building on our strong sustainability foundation and working hand in hand with our stakeholders, we will be able to stay ahead and thrive in the new normal of the post-pandemic future.

Yan Weibin
Chairman

The PRC
7 May 2021

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