

# WIN-WIN WITH BUSINESS PARTNERS

Ausnutria collaborates with its business partners, such as suppliers and distributors, to uphold its sustainable standards throughout the value chain. The Group adopts stringent selection criteria and procedures to only collaborate with business partners that share the same value with the Group, while ensuring a reliable supply chain. Legal compliance and sustainability performance of suppliers are regularly monitored. Further down the value chain, distributors bear significant importance on the Group's sales growth and market expansion. The Group has been developing strategic partnerships with them to create competitive advantages and maintain market positioning. Ausnutria endeavours to work together with its business partners to shoulder social and environmental responsibilities and achieve mutual success.

## Key Highlights in 2020

Introduced new camel milk powder products in the 3rd China International Import Expo.

Participated in the fifth China Special Food Conference in Changsha organised by CNHFA to promote the development of special food industry.

100% of Ausnutria's goat farmers participated in the Durability Program.

Awarded as the "National Models for Green Supply Chain Management" from the Ministry of Industry and Information Technology in the PRC.

Secured supply of dairy products and maintained stable quality and price despite the pandemic.



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## ENSURING SUPPLY CHAIN STABILITY

Supply chain management is an integral part of the Group's business operation and is critical to its success. Based on the local needs and product offerings, the Group has developed robust mechanisms to manage procurement procedures and monitor its supplier performance regularly. The management systems supervise supply chain activities and facilitate the communications with suppliers on the Group's value and expectations on product quality, therefore ensuring a stable and consistent supply of quality products.



Suppliers of raw and packaging materials are invited to undertake self-evaluation questionnaires in areas such as compliance with laws and regulations, responsible operating practices and product quality. They are required to provide documents and certification for verification, which may include:

- Internal quality control mechanisms
- Organic certifications
- ISO 22000 Food Safety Management certifications
- HACCP certification

Besides, sample checks and on-site reviews are conducted to assure the quality and safety of raw materials.

Regular interviews, and internal and third-party audits were 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 worked with a supplier of packaging materials to devise an improvement plan on quality control, process technologies and logistics in Year 2020.

The Group achieves mutual understanding with its suppliers through different communication channels, such as:

- Annual supplier satisfaction surveys
- Monthly meetings with suppliers on the production status in the PRC
- Mutual visits between the Group's dairy business and its suppliers

The Group initiated innovative projects to ascertain the stable supply of key raw materials, such as whey protein, while valorising the side streams. In previous years, a goat whey protein ultrafiltration plant process was successfully implemented in the production facility in Ommen, the Netherlands. To further increase the accessibility of whey protein, the Group also commenced a project on "milk cracking" and building new facilities in Heerenveen in Year 2020 as part of the Processing Research Program 2020-2024.

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## PROCURING SUSTAINABLY

Ausnutria is dedicated to promoting social and environmental sustainability to its supply chain. By implementing sustainable procurement practices, the Group extends the efforts in upholding responsible and ethical operational practices to its suppliers. When making procurement decisions, the Group integrates social and environmental considerations by setting up relevant indicators in supplier questionnaires and audits. These include reviewing the environmental performance on energy, water and waste management measures, as well as the social performance on the working environment, human right issues and community investment.

In the PRC, the Group clearly communicates its expectations on the supplier's environmental performances through the procurement contracts. Suppliers are required to comply with relevant environmental laws and regulations and have proper management over emissions, hazardous materials, and waste issues during the sourcing of raw materials, production process and provision of services. Suppliers that are not up to the Group's requirements on environmental performance will not be accepted. Furthermore, an acknowledgement letter is signed by suppliers to ensure they are aware of the Group's requirements on quality control, environmental protection and occupational health and safety. Annual inspections are also conducted to monitor the performance of suppliers, where additional scores will be awarded to suppliers with good environmental governance. Similarly, Ausnutria Netherlands continues to integrate environmental and social criteria into its procurement process with reference to international standards such as the ISO 14001 Environmental Management System and ISO 50001 Energy Management System. In Australia, where the establishment of the waste management system is mandated by the government, suppliers are assessed against their compliance level during onsite audits. Taking into consideration the local characteristics, the Group works with its suppliers around the globe to pursue a more sustainable supply chain.

## STRENGTHENING DAIRY SUPPLIERS' SUSTAINABILITY PERFORMANCE

Maintaining a stable supply of quality milk is vital to producing premium dairy products. The Group is committed to securing high-quality milk sources from credible milk farms across golden milk zones, including the Netherlands and Australia. Farmel Holding B.V., the Group's associate company, is responsible for overseeing the cow milk supply in the Netherlands. This structure enables the Group to actively monitor the milk quality and swiftly trace the milk source if problems arise.

Ausnutria has been working closely with Dutch goat farmers and fostering the growth of the industry to meet the market growth of its Kabrita goat milk series. Although Ausnutria's business operation does not have a direct impact on animal welfare and habitat diversity, the Group pays special attention to the treatment of farm animals, including but not limited to the feeding practices, use of medicine and living conditions. In this regard, apart from fulfilling the Group's quality standards, all goat farmers are required to obtain the "KwaliGeit" certification, a quality assurance program introduced by NGZO in collaboration with the Dutch Federation of Agricultural and Horticultural Organization. The assurance programme assesses farmers' performance against the industry practices on dairy goat farming via survey and on-site inspection, and incorporates the requirement of European hygiene regulations and other indicators such as marketing, environmental and animal care practices. Only goat farms that meet the standard are certified for their outstanding farm management.

“ We strictly require and ensure that 100% of our goat milk farmers in the Netherlands are certified by the “KwaliGeit” programme. ”



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Besides, the Group participated in the Durability Program, a voluntary initiative organised by NGZO to promote sustainable livestock farming practices to Dutch goat farms. Ausnutria provides financial assistance and other supports to farmers through workshops, newsletters and goat farms visitations. This initiative provides focuses on animal health and welfare, energy and climate, as well as industry image. In Year 2020, Ausnutria has continued to support farmers by offering different price according to the quality of raw milk. To date, the participation rate of its goat farm has reached 100%. The Group will continue to advocate for sustainable farms by encouraging goat farmers participating in the programme to further improve their efforts.

## 100% of Ausnutria's goat farmers participated in the Durability Program by the end of 2020.

Good grazing practices contribute to habitat diversity and improve pasture productivity. Ausnutria has signed the Covenant Outdoor Grazing since 2017. Founded in 2012, the covenant aims to promote outdoor grazing in the Netherlands. In support of this, the Group offers different prices to farmers providing grazing for their cows. With the industry's joint effort, the level of outdoor grazing in the country has been increasing on a continuous trend.

## CONNECTING WITH DISTRIBUTORS

Distributors play a crucial role in connecting and serving the Group's end-users. In this regard, Ausnutria continues to devise training programmes for distributors in the PRC to strengthen their management capabilities and knowledge. The Group has also conducted joint business planning meetings with its core distributors to exchange ideas on the Group's sustainable business model and sales strategies.



Ausnutria's on-site booth in the 3<sup>rd</sup> China International Import Expo.



Ausnutria introduced its new camel milk powder products in the 3<sup>rd</sup> China International Import Expo in Shanghai.

Ausnutria strives to maintain a close relationship with its business partners via participation in industry exposition. In Year 2020, the Group participated in the China International Import Expo for the third consecutive year to empower distributors with practical knowledge and understanding on its dairy and nutrition solutions. This year, the Group introduced the newly launched camel formula milk products to distributors and buyers from different countries. The Expo was a significant occasion to expand the Group's network, foster industry collaboration and promote its premium dairy products to the globe.

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## BUILDING A BETTER SOCIETY WITH BUSINESS PARTNERS

Effective collaboration between different sectors is particularly vital for upholding social wellbeing during the difficult times of the COVID-19 outbreak. In Year 2020, the Group continued to uphold the aim of creating a better life with nutrition and health by ensuring sufficient nutrition intake of the public to fight against the pandemic. The Group worked closely with suppliers and distributors in the PRC to respond to the government's call on securing the supply of dairy products while maintaining stable quality and price. 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.

### Actively Serving Consumers and Empowering Business Partners to Overcome Difficult Times Together

CASE STUDY

During the pandemic, social distancing and staying at home have become the norm. For this reason, Ausnutria continued to uphold the principle of providing consumer-first service, and developed agile responses for consumers to feel the care from the Group without leaving home. For instance, Ausnutria has set up a 24/7 hotline to offer consultation and respond timely to any after-sales enquiries in the PRC. With the collaborative efforts with various business partners, contactless delivery services were launched to support consumers that were not able to conduct in-store purchasing. During such difficult times, the team committed to listening and addressing customers' needs to help overcome the challenges brought by the pandemic together.

Understanding the impact of the pandemic to Ausnutria's business partners, considerable efforts were dedicated towards empowering distributors and stores in developing their online business platforms, marketing and services. For instance, professional teams were invited to relevant stores to provide training and guidance on live broadcasting, formulate and optimise online business processes. As a result, good relations with regular customers were maintained and new customers were engaged despite the pandemic.

Besides, Ausnutria pays due attention to technology development in the industry. The Group attends seminars and conferences held by its suppliers to understand the future trend of the dairy supply chain. The Group also actively contributes to its supplier's technology and product development by sharing market insight and feedback. Such knowledge exchange supports the Group's ambition to adopt cutting-edge technology and develop new products with better nutritional value along its supply chain.

The Group also engages suppliers to exchange information on the market trend and customer preference. For instance, it was found in a supplier's study that high-end formula accounts for 70% of the Chinese infant market. In response, the Group is currently engaging with relevant ingredient suppliers to source and introduce more high-end ingredients to the existing formula.

### Driving the Development of Special Food Industry in the PRC



The Group's Chairman, Mr. Yan Weibin called for the industry collaboration on promoting sustainable development of the special food industry in the PRC.



Ausnutria participated in the Fifth China Special Food Conference in Changsha.

Ausnutria participated in the fifth China Special Food Conference in Changsha organised by CNHFA. The Conference gathered over 1,000 representatives from regulatory agencies, research and development institutions and food industry to discuss the current development and future trend of the PRC's special food industry. Through continuous innovation and community investment, Ausnutria will continue to cooperate with the industry and its suppliers to work towards the common mission of protecting public health for the better life of all.

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