FRIENDLY WITH
THE ENVIRONMENT

Committed to preserving the planet for the next generation, the Group actively identifies means to operate more sustainably and minimise its environmental impacts arising from its upstream operations and the related manufacturing processes. To adhere to the Group's commitment in environmental sustainability, subsidiaries spare no effort in improving energy and water efficiency, managing air and water discharge, reducing material consumption and waste generation, as well as managing climate change related risks associated with their operations. The Group is now formulating environmental targets to better guide and manage its environmental performance.

Key Highlights in 2020

All electricity consumption for operations in the Netherlands was **compensated through renewable energy sources.**

Voluntarily purchased carbon credit to **offset 11.3%** of direct GHG emissions generated.

Adopted a **geothermal heat system** to replace the use of natural gas in one of the factories in the Netherlands.

Started the construction of new facilities in the Netherlands which will help **reduce natural gas** dependency and achieve **zero nitrogen emission.**

Started the **installation of solar panel systems** in the nutrition production facility in Australia.

Took prompt action in responding to climate change by **conducting a climate risk assessment** on the Group's operations and supply chain.

Generated **6% renewable energy** of the total electricity consumption from solar panel systems in Australia.

The Sustainability Committee and the Sustainability Workgroup are responsible for reviewing the effectiveness of Ausnutria's environmental policies and initiatives regularly. To ensure compliance with all applicable environmental laws and regulations in each jurisdiction, Ausnutria has set up guidelines on the implementation of environmental management system and operating rules at subsidiaries. Such documents affirm the Group's total commitment of to reduce the environmental impacts associated with its procurement, manufacturing and distribution processes. As a testament, the Group's production facilities in Kampen, the Netherlands and Changsha City, the PRC are certified with ISO 14001 Environmental Management System.

ACHIEVING ENERGY EFFICIENCY TO MINIMISE CARBON FOOTPRINT

In order to avoid the intensification of global warming, many countries are now pursuing a wide range of strategies to reduce emissions of greenhouse gases. In which, the PRC will aim to hit carbon emission peak before 2030 and achieve carbon neutrality by 2060. To support the global effort, the Group adopts a robust energy and emissions management system to minimise its greenhouse gas emissions. The Group constantly introduces energy saving measures and equipment upgrades at its production facilities. Regular inspections, repairments and replacements are conducted for the heating, ventilation and air conditioning, boiler systems, lightings and other energy-intensive equipment to ensure they are always operating at top efficiency. Equal effort is put into the installation of solar panel systems at its factories to demonstrate the Group's commitment to promote renewables.

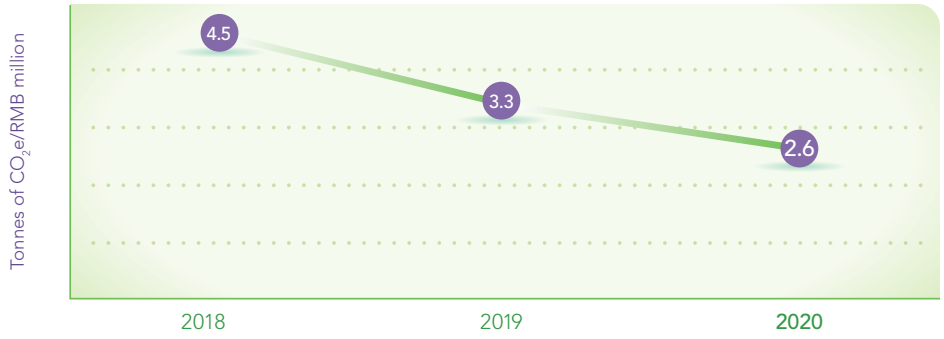
Building Low Carbon Facilities

Low carbon technologies and energy saving design are incorporated in our newly constructed facilities. Geothermal heat system is also in place to store thermal energy for heating and cooling equipment, avoiding an estimate of over 90% of natural gas consumption. In Year 2020, production facilities in Leeuwarden, the Netherlands retrofitted the same geothermal heat system for its heating and cooling system to further reduce the consumption of fossil fuel. Also, in Year 2020, Ausnutria Netherlands started to construct new infant formula base powder facilities, principally for the processing of goat milk and goat whey. 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 these facilities.

Monitoring Electricity Consumption

The Group regularly reviews the energy efficiency of its facilities and implements new initiatives and equipment upgrades for its existing facilities. For instance, the Group introduced a mobile application in the factories in Changsha City, the PRC to monitor the real-time energy consumption of different areas, including laboratories, warehouse, production sites, public space, etc. It provides instant alert for any abnormal use of energy, enabling the team to make timely adjustment and rectifications. The data gathered on energy usage also empowers the Group to analyse its performance and identify improvement areas.

Total GHG Emissions Intensity in Tonnes CO_2e per RMB Million Revenue



Improving Energy Efficiency

Besides, the Group installed variable speed drives to some of its major manufacturing facilities and air conditioning systems in the PRC to optimise the speed control of electric motors and achieve about 10-15% energy saving. Meanwhile, the production facilities in Ommen and Leeuwarden, in the Netherlands have replaced 50% and 100% of its existing lighting devices respectively with energy-saving LED lamps and bulbs, which helps reduce 75% of energy use per lighting.

Using Renewable Energy

To further lower its carbon emissions, Ausnutria actively explore possibilities to use renewable energy. The factories in Australia are installed with solar panel systems, and the production facility in Leeuwarden in the Netherlands will soon investigate the possibilities to garner energy from the Sun. When onsite generation is not feasible or sufficient to meet its energy consumption demand, the Group prioritises the procurement of renewable energy over conventional options. Ausnutria Netherlands has purchased certification to compensate 100% of its electricity consumption through renewable sources. It also buys carbon credits to compensate its direct greenhouse emissions from the use of natural gas.

Key Highlights on Renewable Energy Use in Year 2020

CASE STUDY

- Solar panel systems in Australia generated 6% renewable energy of the total electricity consumption.
- 100% of electricity consumption for operations in the Netherlands is compensated through renewable sources.
- Carbon credit was purchased voluntarily to offset 11.3% of direct GHG emissions generated during the reporting year.

ADOPTING A MULTI-PRONGED APPROACH TO HANDLE WASTE

To alleviate the environmental impacts associated with waste handling and disposal, the Group adopted a set of robust procedures to manage waste from its inception to its final disposal. For instance, Ausnutria encourages its employees to sort and recycle waste at source. It also cooperates with local licensed waste operators to collect and handle waste in accordance with respective regulatory requirements.

The Group constantly looks for alternatives to divert waste disposal from landfills. With its core business involving in manufacturing of dairy products, most of the non-hazardous waste generated in the Group's operations comes from the residual of milk and milk powder. In Australia, rest milk and milk powder are sold for animal food, while in the Netherlands, an external company is engaged to convert the rest milk and rest milk powder into biomass.

Necessary facilities are available in the factories to facilitate a more environmentally friendly way of waste handling. For example, the dairy production facility in Australia uses a baling machine to reduce the volume of cardboards from raw material packaging, aiming to reduce the needs on transportation and hence the associated environmental footprint.

Apart from non-hazardous waste, the Group is also committed to managing the hazardous waste generated in the production process of its dairy and nutritional products appropriately. Chemical waste from laboratories are stored properly in designated sealed containers and are delivered to qualified third parties for handling on a regular basis.

PRESERVING WATER FOR FUTURE GENERATIONS

Water is a precious yet limited natural resource across the globe. Ausnutria lays strong emphasis on conserving and protecting water resources by adopting a multi-pronged approach that aims to reduce water consumption, reclaim water and effectively manage effluent resulting from its operations.

Realising wet processes are an essential part of the production process of milk powder, Ausnutria adopts a closed-loop water system in its production facilities in Ommen, the Netherlands. Condensed water generated during production is collected for reuse in other parts of the process such as in the boilers and the ultrafiltration process. Meanwhile, the Group paid effort to reduce water consumption by installing automatic sensor for water tap and recycling condensed water in air-conditioner systems in the PRC. The Group also carries out machinery inspections in a timely and constant manner to identify and fix water leakages from taps, pipes and valves. Water consumption are well recorded for further feasibility studies on water recycling and reuse measures in the future. Through these initiatives the Group aims to reduce unnecessary water wastage and improve its overall water efficiency.

Ausnutria takes its responsibility to minimise the environmental impact of its wastewater that returns to municipal sewage pipes or coastal water. To this end, monitoring systems on key effluent quality parameters were set up at designated discharge points to ensure the discharge meets the local regulatory requirements. The Group also sets daily and yearly targets on the concentration of organic compounds, pH value, temperature, as well as the amount of effluent for the production facilities in Ommen and Kampen, the Netherlands, which attributes to the majority of wastewater discharge of the Group.

ADOPTING RESILIENCE STRATEGIES TO MANAGE CLIMATE CHANGE

The Group recognises that its business operations will be inevitably affected by the direct impacts and the associated risks of climate change in the long run. In Year 2020, the Group appointed a third party to conduct an assessment on the impacts of climate change to its operations and supply chain. Likelihood and the potential business impact of both physical and transition climate risks were evaluated. The assessment result is being evaluated internally and will be discussed in next year's report with the mitigation plans.