

## Message from the Chairman

On behalf of the board (the “Board”) of directors (the “Directors”) of the Company, I am delighted to present the Group’s sustainability report for the Year 2021. This report highlights our efforts towards sustainability in the Year 2021, showcasing our achievement and progress in Better Life, Better Nutrition and Better Environment.

2021 was a remarkable yet challenging year. The Group continued to face multiple operational challenges under the influence of the COVID-19 pandemic. Meanwhile, the changing market in the PRC and competitive landscape caused by technological innovation and new consumption patterns greatly impacted our business operation and development. Despite these challenges, we continued to operate with resilience and steer towards sustainability. During the year, we revamped our Ausnutria Principles to strengthen our corporate culture and contribute to sustainability in all aspects.

Since its establishment, Ausnutria has been making further inroads in its globalised governance system, which places great emphasis on strategic directions, monitoring and evaluating the effectiveness of our management’s capability, financial performance and information disclosure. Driven by our governance mindset “Operational Regionalisation, Appropriate Centralisation”, we stay closely in touch with our stakeholders across the globe through partnership and engagement. In order to create long-term value for our stakeholders and protect the interests of our shareholders, the Board is dedicated to sustaining high corporate governance standards while promoting transparency, independence, and integrity. We embrace diversity and inclusiveness both on the Board and in our workforce. In 2021, we have nine Directors from various backgrounds, ethnicities, experiences, and expertise, contributing to a multi-cultural corporate environment. This helps achieve a higher level of board effectiveness and ensures diverse opinions can be heard in the boardroom.

To better guide our sustainability efforts, we have a robust sustainability governance structure in place to facilitate effective sustainability management and ensure sustainability plans are executed across our operations. The Group has clearly defined the roles and responsibilities of sustainability-related parties, including the Board’s oversight of sustainability risks, opportunities, strategies, and performance of goals and targets with the support of the management and our sustainability committee (the “Sustainability Committee”) and its adjunct sustainability workgroup (the “Sustainability Workgroup”). The Group fulfils our sustainability vision and promotes the betterment of society with our strategic three pillars – Better Nutrition, Better Life, and Better Environment.

Committed to bringing Better Life to our people, we strive to provide a healthy and inclusive workplace for our employees. We embrace diversity and inclusion when managing our human resources and respect the uniqueness of each individual. We strive to offer a pleasant working environment and work hard to accommodate the needs of our employees by introducing a series of employee-friendly initiatives. To enhance the capability of our workforce and fully unleash the potential of our people, we have invested vast amounts of resources in talent development. The six-level talent development system Ausnutria Academy has successfully nurtured countless talents and leaders over the years, enlarging and strengthening our talent pool. In 2021, Ausnutria Academy was awarded the Chinese Model Corporate Education Platform and was recognised as one of the top corporate universities in the PRC 5 years in a row. Meanwhile, we continued to strengthen communication with our employees through different channels. In 2021, we conducted a company-wide employee satisfaction survey in the PRC and Australia to collect feedback from employees in an objective and open manner. Through this exercise, we hope to better understand their expectations from the Group, respond to their needs accordingly, and thus enhance their work satisfaction and sense of belonging.



Our commitment to Better Life is not limited to our people, but also extends to the community. In 2021, we continued to promote Better Nutrition and enhance the well-being of the community through a myriad of sponsorships, donations and community projects. Since the beginning of the COVID-19 pandemic, the Group has volunteered to participate in the anti-pandemic work by providing assistance to the community and people in need. As the pandemic lingered, we continued to offer assistance through cash and in-kind donations. Leveraging our own resources, we donated formula milk and nutritional and healthcare products to various charitable organisations. Over RMB47 millions worth of materials were donated through our Changsha Ausnutria Charity Foundation (長沙市澳優公益慈善基金會) (the "Ausnutria U-Foundation"). We hope to show our care and support for the community through assisting vulnerable groups and providing them with a source of nutrition to battle the pandemic. Other than the anti-pandemic support, we continued to organise a variety of community programmes targeting vulnerable groups with our resources and expertise. The Hyproca's Tundra Rose project under the Ausnutria U-Foundation continued to promote public health development in Tibet through education, medical training, donation and funding in 2021. Our ongoing efforts in community investment have earned us multiple awards during the year, including the "Extraordinary Contribution Award" from the Red Cross Society of China, the "Annual Listed Company Social Responsibility Award" and the "Annual Public Welfare Figure Award".

To fulfil our commitment to Better Nutrition, Ausnutria makes immense efforts in product innovation and strives to deliver high-quality nutritional products and solutions for our customers. In 2021, the Ausnutria Basic Life & Nutrition Science Research Center in Changsha, the PRC, commenced operation. More than 40 scientific research projects were conducted at full speed and 22 research papers were published. We applied for 45 patents and 33 were granted during the year. With a view to fulfilling our goals of the "Golden Decade" development strategy, we further scaled up our research and development ("R&D") in 2021. Thus far, 10 key breast milk research projects were conducted by our global R&D team, allowing us to further refine the "Chinese breast milk bank" and establish the groundwork for better nutrition formulas. In addition to our own research, we actively collaborate with prestigious tertiary institutions for R&D research to strengthen our capabilities in scientific research and innovation. In 2021, we partnered with Professor Chen Wei Academician Expert Work station of Jiangnan University in the PRC on humanisation and functional probiotics research. Other than research on product innovation and development, the Group is also dedicated to bringing Better Nutrition to people with special needs. During the year, our lactose-free infant formula for special medical purposes that targets lactose intolerant infants, as well as the use of lactobacillus rhamnosus MP108 that can help prevent different inflammations for children, were both approved by Chinese authorities. By continuously rolling out new nutrition and healthcare products to the market, we hope to contribute to the advancement of public health. Our pursuit of Better Nutrition are recognised by our customer, market and the industry. In 2021, we received the Nomination Award in the 2nd Changsha Mayoral Quality Awards and the Gold Quality Award for the fourth consecutive year, demonstrating our success in maintaining good product quality.



In addition to product quality and innovation, we have stepped up our efforts in the supply chain to streamline our production. In 2021, we have successfully renewed the licenses for our two green production plants in the Netherlands and obtained license approval for probiotics production at one of our plants in Australia, allowing us to strengthen our global supply chain and manufacturing capabilities. To further cater to our business growth, the construction of the goat whey concentrate production facility in the Netherlands has been completed in 2021, with the construction of a new infant formula base powder facility scheduled for completion in 2023. The construction of such facilities will ultimately help Ausnutria ascertain the stable supply of key raw materials and lower the risks in the supply chain.

To uphold our commitment to fostering Better Environment, we are determined to improve the environmental performance of our operations and reduce our environmental impact. In 2021, the Group has set progressive targets for greenhouse gas (GHG) emissions, energy consumption, water use, and waste recycling rates. To ensure our environmental performance is in line with our sustainability vision, we closely monitor our target performance and report on the target progress. The Group supports the national goal of being carbon neutral and we strive to minimise carbon emissions by enhancing energy efficiency with smart technology and utilising renewable energy. In 2021, we voluntarily offset 10% of direct GHG emissions by purchasing carbon credit. In Ausnutria Netherlands, all electricity consumption for operations was compensated through renewable energy sources. We also utilise renewable energy to facilitate low-carbon operations, with the on-site solar system to generate renewable energy and the use of a geothermal heat system to store thermal energy for heating and cooling. We strive to achieve zero nitrogen emissions at our new facilities by reducing natural gas dependency and shifting to heating by electricity. Ausnutria recognises the dire consequences and related risks that climate change can bring to our business activities. Therefore, we completed a detailed climate risk assessment on our operations and supply chain in 2021, with the assistance of a third party to act proactively to mitigate the risks, and build climate resilience to overcome the challenges.

Marking the 18th anniversary in 2021, Ausnutria celebrates its anniversary with the grand opening of our new headquarters complex in Yueliangdao, Changsha, the PRC. With all our brands and business units (“BUs”) relocated to the new headquarters complex, we hope to strengthen our team spirit across the Group and stimulate productivity and business growth with the provision of a spacious, comfortable and productive working environment. Looking forward, the Group will continue to strengthen internal collaboration and teamwork to enhance our capability and productivity. We will further streamline and optimise our organisational development, support systems, and operational and managerial standards on a global scale with digitalisation. We will continue to step up our sustainability efforts and strive to create long-term value for our stakeholders, based on our sustainability vision.

I would like to express my heartfelt gratitude to all our stakeholders for their constant support, making it possible for Ausnutria to venture into the unknown in this sustainability journey. I would also like to thank all our employees for their continuous endeavours to excel and succeed, which enables Ausnutria to deliver quality products and maintain continuous business growth. Without their unwavering support and dedication, it would not have been possible for Ausnutria to grow and thrive during this challenging time. Building on our solid foundation and sustainability efforts, I am certain that the Group will be able to adapt to the post-pandemic norms and continue to thrive in the years ahead.

**Yan Weibin**

*Chairman*

The PRC

18 May 2022