

Message from the Chief Executive Officer

It is with great pleasure that I present the Group's eighth sustainability report on behalf of the board (the "Board") of directors (the "Directors") of the Company. This report encapsulates our steadfast commitment and noteworthy accomplishments in integrating sustainability into our operations and value chain throughout Year 2023.

Throughout the year, the Group encountered a range of developmental and operational obstacles, notably navigating the evolving market conditions in the PRC, the Group's principal market, with falling birth rate, the infant milk formula ("IMF") industry entered a new phase of competitive rivalry with accelerating brand consolidation and an intensifying competition. Simultaneously, we have been actively implementing strategic initiatives to optimize resource allocation and operational efficiency across various regions. Throughout this process, we remain dedicated to identifying opportunities for further integrating sustainability principles into the Group's operations.

Since its inception, Ausnutria has continuously strengthened its globalised governance system, prioritising strategic direction, rigorous monitoring, and the evaluation of management effectiveness, financial performance, and information disclosure. This approach ensures that the Company remains proactive in enhancing its governance practices on a global scale. To attain and uphold sound corporate governance, sustainable development, and a competitive edge that generates long-term value for our stakeholders, we acknowledge and embrace the advantages of fostering a diverse and inclusive Board. In Year 2023, our Board comprises nine Directors who possess diverse backgrounds, cultures, races, and extensive expertise in various industries. These fosters heightened board effectiveness and ensured that a wide range of perspectives and opinions are heard within the boardroom, promoting a more inclusive decision-making process.

We have established a robust sustainability governance framework to guide our sustainability initiatives, ensuring effective management and implementation of sustainability strategies throughout our operations and value chain. Clear roles and responsibilities have been defined for various stakeholders involved in sustainability-related matters. The Board oversees sustainability risks, opportunities, strategies, and the progress of goals and targets, supported by the management team and our sustainability committee (the "Sustainability Committee") and its adjunct sustainability workgroup (the "Sustainability Workgroup"). Aligned with the Group's sustainability vision, Ausnutria continued in advancing our three fundamental pillars: Better Nutrition, Better Life, and Better Environment. Through these pillars, we reaffirm our dedication to the United Nations Sustainable Development Goals ("UNSDGs").

Committed to bringing Better Life to our people, we strive to establish a healthy and inclusive workplace. Our approach to human resource management centres around embracing diversity and inclusion, valuing the distinctiveness of each individual. In addition, we endeavour to create a positive working environment and actively implement employee-friendly initiatives to cater to their needs. Recognising the significance of nurturing our workforce's abilities and maximising their potential, we allocate substantial resources to talent development initiatives. In 2023, Ausnutria has unified its organisational and talent inventory system through a "Strategy-Organisation-Talent" review model, further promoting the construction of leadership tiers. The PRC has launched the "U Classroom Micro-Training Camp" with three thematic sessions and attracted broad departmental engagement. In the Netherlands, we continued to invest in various employee training programs and initiated to offer culture and language courses to bridge the gaps between colleagues of different nationalities. In the PRC, different programmes of talent development class are rolled out in the Ausnutria Academy to enhance employees' knowledge and skills. Meanwhile, we continued to strengthen communication with our employees through different channels. In the Netherlands, the Group has made a system upgrade to the intranet system that allows employees to stay current with the latest progress within the Group, such as the external collaborations, and updates on our governance structure. To unify our colleagues and improve corporate culture, we continued to share individuals' narratives and 'Ausnutria story' videos on social media platforms, such as Ausnutria's career website and WeChat official account. To improve employee's well-being, different sports sessions and clubs, as well as athletics meet, were organised to promote a healthy lifestyle.

Our commitment to Better Life is not limited to our people, but also extends to the community. Through a wide range of sponsorships, donations and community projects, the Group joined forces in Year 2023 to promote the well-being of the community. The Ausnutria Foundation donated millions of cash and materials to provide tangible support to the community. The Group has been injecting cash or in-kind donations to fight against natural disasters by leveraging our own resources. We donated thousands of goat milk formula to affected areas in Hebei, Heilongjiang and Gansu. It is also the seventh year for the Group to participate in the "Hyproca Tundra Rose Project", which seeks to improve the physical well-being of Tibetan mothers and infants. The Group also made cash donations to various charity groups such as the First Aid Association Gramsbergen and Foundation Kika. In Year 2023, the Group contributed to the youth's educational development by holding the "Meishan Shangjun" Xinhua County Young Entrepreneurial Talent Training Program in Changsha to construct a cutting-edge rural training system. Moreover, the Group supported health-related community programmes by sponsoring various sport teams and marathons. Throughout the year, we earned a number of awards for our contributions to the community, which demonstrates our dedication to ESG and community investments.



In our pursuit of Better Nutrition, Ausnutria devotes significant efforts to product innovation, ensuring the delivery of exceptional nutrition products and solutions that meet the highest standards of quality for our valued customers. In Year 2023, the Group accomplished several R&D achievements by continuing its investment in R&D of new products with RMB132 million. The Group continuously expands its business of foods for special medical purposes ("FSMP") under the Care Suit brand with the introduction of two new comprehensive nutritional formula products. The Group fulfilled all requirements set out by the US FDA for Kabrita and successfully entered the market of the US for marketing and distributing the Kabrita IMF. Kabrita IMF was the first IMF product produced in Europe that has fulfilled the US FDA's requirements. To enhance our capabilities in scientific research and innovation, the Group collaborates with world-class tertiary institutions in R&D research. In 2023, the Group established the Changsha Expert Workstation and the Changsha National Provincial Academic Society Service Station, focusing on scientific research in the fields of dairy and nutritional health. The Group also commenced production at the Probiotics Industrialisation Production Demonstration Line within Smart Factory, targeting global leadership in smart probiotics production. Devoted to protecting our intellectual property rights, the Group passed the on-site audit for re-certification of the PRC's national standard for enterprise intellectual property management (GB/T 29490-2013) and obtained the certificate in Year 2023.

Alongside our commitment to product quality and innovation, we have dedicated efforts to optimising our supply chain, aiming to streamline our production processes. Our new milk processing facility in the Netherlands that adopts low carbon technologies and energy-efficient designs is still under construction. Apart from the new facility, we support our suppliers to adopt sustainable practices. In Year 2023, Ausnutria continued to support goat farmers by participating in the Dutch goat sector organisation's Sustainability programme which promotes sustainable livestock farming practices. We achieved a 100% participation rate from Ausnutria's goat farms and scored nearly 5% higher compared to last year. The Group also endeavours to promote industry development by fostering the establishment of Hunan Special Food Association in China last year, contributing to the development of local food industry. Our efforts earned us recognition as one of the 15 industrial clusters in Hunan province in Year 2023.

In our pursuit of creating a Better Environment for future generations, we are committed to minimising the environmental impacts resulting from our manufacturing processes and enhancing the environmental performance of our operations. Two years ago, the Group established ambitious targets for reducing greenhouse gas (GHG) emissions, energy consumption, water usage, and increasing waste recycling rates, and we made remarkable strides in achieving these goals in Year 2023. We will diligently monitor our progress towards these targets and provide regular reports on our achievements. Furthermore, to progressively decarbonise our business operations, we embrace the adoption of low-carbon technologies and prioritise the utilisation of renewable energy sources whenever feasible. In 2023, 100% of electricity consumption for operations of Ausnutria Netherlands was compensated through renewable energy sources. The on-site solar system of Ausnutria Australia was also expanded this year, saving 22% of total electricity consumption in Australia. In terms of waste, the Group continued to maintain a 100% recycling rate for paper, wood, rest milk powder, and 99% for plastic. With a view to developing environmentally-friendly products and packaging, Ausnutria Netherlands optimised the packaging process and has achieved a 50% decrease of stretch wrap foil on pallets. Inline auto sampling takes powder samples before the enclosure in tins, preventing the generation of sample waste. Our aspiration is to consistently enhance our environmental management systems as part of our ongoing commitment to foster a more sustainable environment.

I would like to express my deep appreciation to all our stakeholders for their unwavering support throughout our sustainability journey. Additionally, I want to extend my heartfelt gratitude to our dedicated staff members for their continuous efforts during this demanding period. Their diligence plays a crucial role in the Company's success, enabling us to deliver exceptional products. With confidence, I believe the Group will maintain its exceptional performance in Year 2024 and foster stronger collaboration with our partners to contribute to sustainable development.

Ren Zhijian

Chief Executive Officer

The PRC

29 April 2024

