

## Message from the Chief Executive Officer

I am delighted to introduce the Group's ninth sustainability report on behalf of the board (the "Board") of directors (the "Directors") of the Company. This report highlights our strong dedication and significant achievements in embedding sustainability across our operations and value chain throughout the year 2024.

Over the course of the year, the Group's primary market in the PRC, particularly the IMF industry, continued to face obstacles stemming from a diminishing birth rate in recent years. Despite these challenges, the sector has shown signs of improvement with the gradual introduction of products meeting the new national standards (the "New GB"). The overall business landscape of the PRC IMF industry has benefited from ongoing industry consolidation and a steady increase in retail prices. Concurrently, we have been actively executing strategic measures to enhance resource allocation and operational efficiency across different regions. Throughout this endeavour, our focus remains on pinpointing opportunities to further embed sustainability principles into the Group's operations.

Since its establishment, Ausnutria has consistently reinforced its globalised system of management, emphasising strategic guidance, thorough supervision, and the assessment of managerial effectiveness, financial performance, and information transparency. This method ensures that the Group remains proactive in improving its management strategies on an international level. To achieve and maintain strong corporate governance, sustainable growth, and a competitive advantage that delivers lasting value for our stakeholders, we recognise and embrace the benefits of cultivating a diverse and inclusive Board. In Year 2024, our Board consists of nine Directors with diverse backgrounds, cultures, races, and extensive knowledge in multiple sectors. This encourages increased board effectiveness and ensures that a broad spectrum of viewpoints and ideas are considered in the boardroom, fostering a more comprehensive decision-making process.

We have put in place a robust framework for sustainability governance to steer our sustainability endeavours, ensuring effective management and execution of sustainability strategies across our operations and value chain. Well-defined roles and responsibilities have been assigned to different stakeholders engaged in sustainability-related activities. The Board is responsible for overseeing sustainability risks, opportunities, strategies, as well as the progress of goals and targets, with support from the management team, our sustainability committee (the "Sustainability Committee") and its accompanying sustainability workgroup (the "Sustainability Workgroup"). Aligned with the Ausnutria's sustainability vision, we have continued to advance our three core pillars: Better Nutrition, Better Life, and Better Environment. Through these pillars, we reaffirm our commitment to the United Nations Sustainable Development Goals ("UNSDGs").

Dedicated to delivering Better Life to our employees, we are committed to fostering a healthy and inclusive workplace environment. Our human resource management strategy revolves around embracing diversity and inclusivity, recognising and celebrating the unique qualities of each individual. Moreover, we are focused on cultivating a positive work atmosphere and implementing employee-centric initiatives to address their specific needs. Understanding the importance of developing our workforce's skills and unlocking their full potential, we invest significantly in talent development programmes. In the Netherlands, we have continued our investments in a variety of employee training programmes, including offerings that emphasise both educational and personal growth. These programmes are accessible at all organisational levels, with the option for individual coaching. Moreover, the Group has upgraded the intranet system to keep employees informed about the latest developments within the organisation, such as external collaborations and updates on our governance structure. In the PRC, we provide training sessions focused on communication, strategy implementation, and talent assessment skills for employees transitioning into management roles. Structured into AB-PROJECT, MBA Class, and Pre-MBA Class initiatives tailored for varying management tiers, our training programmes are designed to empower them to achieve their full potential, enhance their leadership capabilities, and contribute to the organisation's long-term success. To promote employee well-being, we have organised various sports sessions, clubs, and athletic events to encourage a healthy lifestyle among our workforce.

Our dedication to Better Life extends beyond our employees to the broader community. In 2024, the Group collaborated on various sponsorships, donations, and community initiatives to promote community well-being. The Ausnutria Foundation generously contributed both funds and materials to provide tangible support to the community. We have actively provided financial aid and donations to assist in natural disaster relief efforts, including a donation of RMB300,000 worth of milk powder to Meizhou in Guangdong Province. For the eighth consecutive year, the Group has organised in the “The Ausnutria Foundation Hyproca Tundra Rose Project”, aimed at improving the health of Tibetan mothers and infants. Additionally, we have donated educational technology hardware to facilitate the transition to “smart classrooms” and have supplied school uniforms, stationery, and teaching materials to the Anshan Township Shatian United Primary School in Xinning County, Hunan Province. Furthermore, we have sponsored various sports teams and marathons to support health-related community programmes. Our commitment to corporate social responsibility and community investments has been recognised through multiple awards received throughout the year, underscoring our ongoing dedication to ESG principles and community betterment.

In our commitment to advancing Better Nutrition, Ausnutria dedicates substantial resources to product innovation to ensure the provision of top-tier nutritional products and solutions for our customers. Throughout 2024, the Group achieved notable milestones in R&D, with a continued investment of over RMB100 million in the creation of new products. We have enhanced our formula offerings in the Chinese market to optimise consumer advantages. Within its three primary business sectors – Cow Milk Formulas, Goat Milk Formulas, and Nutrition Business – the Group proudly introduced 15 new products. To bolster our expertise in scientific research and innovation, Ausnutria collaborates with esteemed tertiary institutions on R&D projects. In 2024, the Group unveiled its inaugural industry publication, “Guidelines for Nutritional Intake During Pregnancy and Postpartum”, during the 30th Annual Meeting of the China Dairy Products Industry Association. Besides, the “2024 Probiotics Industry White Paper”, with Ausnutria’s Bioflag as a major contributor, was published during the 2024 Functional Food Industry Conference. At the European Society for Paediatric Gastroenterology Hepatology and Nutrition, colleagues from the Ausnutria Nutrition Institute presented two abstracts addressing gastrointestinal issues in infants and the benefits of goat milk bottle feeding. Ausnutria launched the groundbreaking “Pro59 comprehensive nutrition formula” by employing various technologies, successfully integrating it into the Hyproca Hollory series of comprehensive nutritional formula milk products. In a bid to safeguard our intellectual property rights, the Group underwent an on-site audit to re-certify compliance with the PRC’s national standard for enterprise intellectual property management (GB/T 29490-2013) and secured the certificate in 2024.

In addition to our focus on enhancing product quality and fostering innovation, we have directed our efforts towards optimising our supply chain to enhance the efficiency of our production processes. The new milk processing plant in the Netherlands, which integrates low-carbon technologies and energy-efficient designs, has been completed this year. The plant only operates completely nitrogen- and carbon-free, but that a lot of effort is also put into energy savings within the production process itself. Besides this new facility, we are actively assisting our suppliers in adopting sustainable practices. In Year 2024, Ausnutria remained committed to supporting goat farmers through its involvement in the Dutch goat sector organisation’s Sustainability programme, which advocates for sustainable practices in livestock farming. We achieved a 100% participation rate from Ausnutria’s goat farms. Furthermore, the Group is dedicated to driving industry progress by actively participating in events such as the 2024 Special Food Association Conference and the 2nd China International Supply Chain Expo, demonstrating its commitment to sustainable practices and excellence in managing the global dairy supply chain as well as contributing to the advancement of the local food industry.



In our endeavour to forging a Better Environment for future generations, we are dedicated to minimising the environmental impacts stemming from our manufacturing processes and improving the environmental performance of our operations. The Group has set ambitious targets to reduce greenhouse gas (GHG) emissions, energy consumption and water usage, and increase waste recycling rates. Significant progress was made towards achieving these objectives in 2024, and we will continue to closely monitor our advancement towards these goals, providing regular updates on our accomplishments. To progressively reduce the carbon footprint of our operations, we are committed to integrating low-carbon technologies and maximising the use of renewable energy sources whenever feasible. In 2024, all electricity consumption for Ausnutria Netherlands' operations was offset by renewable energy sources. Additionally, the on-site solar system at Ausnutria Australia was expanded, resulting in a 17% reduction in total electricity consumption in Australia. Regarding waste management, the Group maintained a 100% recycling rate for paper, wood, residual milk powder, and 100% for plastic materials. In pursuit of environmentally-friendly products and packaging, Ausnutria Netherlands optimised its packaging processes, leading to a 50% decrease in stretch wrap foil usage on pallets. Implementing inline auto sampling to collect powder samples before sealing them in tins has helped prevent the generation of sample waste. Our goal is to continually enhance our environmental management systems as part of our ongoing commitment to promoting a more sustainable environment.

I am sincerely grateful to all our stakeholders for their steadfast support on our sustainability journey. Furthermore, I would like to express my heartfelt appreciation to our devoted employees for their unwavering dedication during this challenging period. Their hard work is pivotal to the Company's achievements, allowing us to deliver exceptional products. I am confident that the Group will uphold its outstanding performance in 2025 and enhance cooperation with our partners to further sustainable development.

**Ren Zhijian**

*Chief Executive Officer*

The PRC

29 April 2025

