

AUSNUTRIA'S APPROACH TO SUSTAINABILITY

SUSTAINABILITY GOVERNANCE

Ausnutria believes strong ESG governance is the foundation for integrating sustainability into its long-term business strategy. At Ausnutria, the Board holds overall responsibilities to formulate and oversee Ausnutria's ESG strategy. It ensures the strategy remains effective, and that the highest levels of the Group bear responsibility. Recognising the regulatory and operational differences across locations, the Board delegates day to day ESG management to Ausnutria's subsidiaries. ESG issues are managed separately at factories by either the Environmental, Health and Safety ("EHS") Committee or the Health and Safety ("H&S") Committee, together with support from other departments. Experts from various departments are involved, including the production department, product quality department and human resources department, to ensure every aspect of ESG is properly and appropriately managed. Ausnutria believes this approach provides more focused oversight over its ESG policies, programs and related risks that concern local regulatory requirements. Appropriate matters are reported to the Board for decision-making.

While the Group is moving progressively towards sustainability, it recognises the need to combine the efforts of all subsidiaries for ongoing and effective management. Going forward, the Group will establish a group-level ESG Committee to support the Board in formulating a group-wide ESG strategy and overseeing the implementation of ESG initiatives across the subsidiaries according to the strategic direction set by the Board. The ESG Committee will comprise representatives from different subsidiaries, and regular meetings will be held to report on the progress of ESG work and exchange knowledge on ESG issues.

STAKEHOLDER ENGAGEMENT

Every day, at every level of the business, the Group engages a large number of stakeholders, both formally and informally. These interactions are crucial to Ausnutria, enabling the Group to understand their expectations and views on Ausnutria's ESG challenges and opportunities for continuous improvement. More importantly, the Group uses the input from its stakeholders to create, validate and improve its ESG strategy.

For the first time in 2017, the Group engaged external stakeholders in the Netherlands and Australia in addition to stakeholders in the PRC, which it believes will help contribute towards a more comprehensive and robust evaluation of material ESG issues. Ausnutria carried out online surveys to ask stakeholders to rate the importance of the ESG issues to them and to Ausnutria. In-depth interviews with key stakeholders were also performed to discuss a range of ESG issues, and to understand the issues that they value. Over 200 stakeholders were engaged throughout the process, including employees, shareholders and investors, suppliers, business partners, customers, industry associations, R&D partners, media partners and community partners.

Key stakeholder group	Engagement method
Employees	<ul style="list-style-type: none"> • Online communication platform • Employee engagement activities and newsletters • Meetings • Online surveys • Interviews
Shareholders and investors	<ul style="list-style-type: none"> • Investor meetings • Annual General Meetings • Annual and interim reports • Investors page on website • Online surveys
Suppliers and business partners	<ul style="list-style-type: none"> • Assessments and site visits • Online surveys • Interviews
Customers	<ul style="list-style-type: none"> • Online communication platform • Members activities • Consumer fairs and events • Customer satisfaction surveys • Customer hotline • Website and social media • Online surveys • Interviews
Industry associations	<ul style="list-style-type: none"> • Industry conferences and seminars • Meetings • Online surveys • Interviews

Key stakeholder group	Engagement method
R&D partners	<ul style="list-style-type: none">• Meetings• Partnerships on various research topics• Online surveys• Interviews
Media partners	<ul style="list-style-type: none">• Press conferences• Meetings• Online surveys
Community partners	<ul style="list-style-type: none">• Community activities• Online surveys• Interviews

MATERIALITY ASSESSMENT

Materiality, which identifies Ausnutria's key issues, plays an important role in guiding the Group to achieving sustainability. Ausnutria uses a materiality analysis and review process to manage the issues of concern to stakeholders and the Group. This informed decision-making demonstrates Ausnutria's commitment to leadership in responsible dairy and nutrition products production. Overall, through the stakeholder engagement methodology described above, Ausnutria has condensed and prioritised issues based on the stakeholders' level of concern and perceived impact on the Group. Ausnutria validated and finalised the analysis with senior management before publishing the results in this report. Below is the matrix that illustrates the results of this year's materiality assessment. Issues in the upper right box are most important to both stakeholders and Ausnutria.

Issues are color-coded based on the broad categories used to organise this report.



Operating practices

- 1 Food safety
- 2 Product compliance
- 3 Recall mechanism
- 4 Intellectual property
- 5 Customer engagement
- 6 Product responsibility
- 7 Protection of customer privacy
- 8 Supplier diversity
- 9 Supply chain management
- 10 Anti-corruption

Employment and labour practices

- 11 Labour rights
- 12 Employee health and safety
- 13 Employee welfare
- 14 Diversity and inclusion
- 15 Training and development

Environmental

- 16 Waste
- 17 Environment conservation and biodiversity
- 18 Packaging materials
- 19 Natural resources
- 20 Energy
- 21 Greenhouse gas emissions
- 22 Water

Community

- 23 Community and animal care
- 24 Community investment