

09

CREATING SHARED VALUE

WITH



CUSTOMERS



Employees

The
Community

Business
Partners

The
Environment



TO BECOME THE MOST TRUSTWORTHY MILK FORMULA, NUTRITION, AND HEALTH-CARE ENTERPRISE IN THE WORLD

With the vision of being the most trustworthy milk formula, nutrition and health-care enterprise in the world, Ausnutria strives to provide the safest and highest quality products to customers to support their health and wellbeing. To achieve the vision, Ausnutria employs strict quality controls throughout its operations, beginning from supplier and raw material selection until the products arrive at customers. Ausnutria takes care of their interests and rights, and respect each item of individual feedback received. This requires carefully listening to customers as Ausnutria improves and innovates products to meet the nutritional needs of people in different life stages, from infants to seniors.

INNOVATING THROUGH RESEARCH AND DEVELOPMENT

Ausnutria continuously invests in R&D with the aim of offering innovative and high quality products to its customers while complying with regulations relating to intellectual property rights. Twelve of the dairy brands are already registered with the China Food and Drug Administration (the "CFDA"). In addition, Ausnutria has received a total of 59 registered patents and 37 authorised patents (which will become registered patents upon receipt of the authorisation letter) as at 31 December 2017. Ausnutria has established its own R&D teams in the PRC, the Netherlands and Australia, to study different research topics to cater to local markets. Ausnutria highly encourages knowledge sharing among teams, so as to maximise the benefits created for customers.

R&D teams work closely with reputable universities, research institutions and industrial partners from all around the world. These strategic partnerships have allowed Ausnutria to leverage internal talents and external expertise to meet constantly changing regulatory requirements and market demands. While the PRC R&D team continues to carry out research on breast milk storage and its composition with the Health Science Centre of Peking University, the team also formed new partnerships with China Agricultural University and Taiwan Chung Shan Medical University in 2017 to study wider topics related to dairy products, including research on the development of new products and the nutritional and medical uses of the Group's formula products.



**Ausnutria Institute of Food and Nutrition
for R&D in Changsha, the PRC**



During the same year, a high-level strategic Scientific Board was established to support the R&D work in the Netherlands. The Scientific Board brought together a team of external experts from different fields, including professors and professionals specialising in paediatrics, allergology, food processing and nutrition. A two-day meeting with the theme of "A Look Beyond The Obvious" was held in March 2017 to officially introduce and launch the Scientific Board. Together with Ausnutria's internal researchers and scientists, meaningful conversations were carried out on the development of infant formula towards breast milk and the improvement of infant formula for the comfort of all babies. These collaboration programs have created a platform for knowledge exchange and opportunities for continuous improvement.



One of the major R&D focuses is on the improvement of the current formula milk products and the development of new formulae tailored to different markets and to meet the specific needs of infants and young children. In response, more than 10 new cow milk and goat milk formulae with carefully selected ingredients and fortified with nutrients were developed in 2017.



Kid's Care is a new cow milk formula developed in 2017 to support healthy growth and development of children with very selective eating behaviours particularly those with reduced appetites. The added nutritional benefits of nucleotides, ARA and DHA in the product makes it suitable as a sole source of nutrition or supplement for children.



In addition, Ausnutria has partnered with an independent research institute Triskelion, a spin-off from the renowned research organisation TNO, to conduct studies on the digestibility of goat milk products in the Netherlands. The study was completed in 2017 and the results show that the kinetics of protein digestion of goat milk infant formula is more comparable to human breast milk than cow milk infant formula. The results were communicated in scientific events including the European Society for Paediatric Gastroenterology, Hepatology and Nutrition and were published in the Journal of Paediatric Gastroenterology and Nutrition, at which it was awarded with a Poster of Distinction.

The Group's R&D team that focuses on nutrition products invested resources to bring new innovations to existing products in response to market demands, specifically on the introduction of more natural ingredients to NCP's products and improving customers' experience. Remarkable results were achieved in 2017. In particular, probiotics products are now available in capsules instead of loose powder for improved hygiene and a more controlled consumption amount. Gut Relief, a product that has beneficial effects on the gastrointestinal tract, has also been repackaged into single unit packages for easy transportation and handling. Additionally, NCP now sources vitamin D3 from a natural source, lichen, instead from an animal source that is not favoured by customers for Vitamin D3 products. The product was also changed from a liquid form to an oral spray for convenience.

EMBRACING PRODUCT QUALITY AND SAFETY

Guided by the principle of "Seven tiers of protection", Ausnutria guarantees the quality and safety of its products. Ausnutria owns an entire integrated production chain, enabling it to take full control of the entire production and distribution process of dairy and nutritional products, from the selection of raw materials to communicating with end-users. For details on suppliers' selection and management, please refer to [Creating Shared Value with Business Partners](#).

Seven tiers of protection to safeguard product quality





Detailed quality assurance processes have been implemented to remove healthy and safety hazards associated with the production processes. In particular, Good Manufacturing Practices (“GMP”) have been adopted in all dairy factories to ensure that products are consistently produced and controlled according to quality standards. The factories in the Netherlands are also certified by additional food safety management systems including FSSC 22000 Food Safety System Certification, ISO 2200 Food Safety Management System and Hazard Analysis Critical Control Point.

The quality of the Group’s dairy products is further assured as batches of finished products which are subject to spot checks and regular audits by local authorities in places where Ausnutria distribute its products. In particular, all sampled products have passed these checks by the CFDA in the PRC, the Group’s principal market, which reassures customers of their quality and safety.

The nutrition products manufactured in Australia are complying with the GMP, Pharmaceutical Inspection Co-operation Scheme Guide, and relevant government regulations. Prior to actual manufacturing, all raw materials must undergo a thorough evaluation process. Further in-process quality control checks and laboratory tests are performed on every batch of products before being released to the market to reassure the quality. A Stability Testing program is also in place to monitor the stability of medicinal products that have been released to the market.

Product Recall Procedure

In case of a product recall, contingency plans are in place to ensure the event is appropriately handled to minimise health and safety risks to customers. For instance, the Group has a comprehensive Product Recall Procedure to quickly and completely recall any potentially harmful dairy products sold. Similarly, a Product Recall Procedure is in place to control and monitor recall incidents of the Group’s nutrition products. The occurrence of customer complaints, unqualified products in quality checks by local authorities or the Group, or negative media coverage may trigger the procedures. In the event of a product recall, appropriate steps will be taken according to internal procedures to ensure the non-conforming and unsafe products are retrieved and handled effectively. The Group will also trace back to the production process and the suppliers of all ingredients, raw materials and packaging during the investigation to prevent recurrence.

During the reporting period, there were no product recalls due to health and safety issues.

SUCCESS THROUGH CUSTOMER ENGAGEMENT

The Group’s customer base has continued to grow since a global supply chain and a global sales network has been built, and includes not just parents who choose Ausnutria’s formula milk products for their children but also members of the wider public who seek to improve their health through consuming Ausnutria’s nutrition products. In recent years, Ausnutria has been actively creating platforms and reaching out to customers. By sharing the latest information on products, providing infant care and healthcare knowledge, and promoting interactions among customers, Ausnutria aims to work with customers to create value that benefits society.



Ausnutria has created platforms on Weibo, a leading social media platform in the PRC, for customers of each of the Group's major dairy brands, including *Kabrita*, *Allnutria* and *Hyproca 1897*. Targeting mothers and mothers-to-be, a total number of around 130,000 members have been gathered. These platforms encourage discussions and promote knowledge sharing among members on topics like health care and infant care, allowing them to interact and stay connected to society. Ausnutria's nutritionists, who actively participate in these discussions, are present to ensure that the information shared among members is accurate, true and will not result in harm to customers and their children. Ausnutria also holds events on the platforms regularly, such as the "Photo Sharing Campaign (曬圖)" and "Discussion Topics (話題集)" where members share their childcare experiences through photos and storytelling and learn from each other. Not only do these platforms create a community for members to bond, but more importantly, they provide mothers with self-worth and allow them to recognise their value to society.



130,000+

members

on Ausnutria's social media platforms



Weibo platforms of the Group's major dairy brands





In addition to regular engagement with customers through social media platforms, Ausnutria commissioned an independent third party to launch a four-week blog writing program in Australia in early 2017. 15 selected mothers were invited to record their experience with Ausnutria's products, for example how their children react to Ausnutria's products. Nutritionists from Ausnutria have also been closely communicating with the mothers through blogs to carefully analyse their feedback and expectations.

Ausnutria continued to partner with the Chinese TV program "Super Moms Class (辣媽學院)" and launched the "Nurturing Super Moms and Talented Kids (辣媽能寶養成記)" event in 2017. Backed by the belief "I know U can" from the premium dairy brand *Allnutria*, Ausnutria aims to popularise the idea of independent and confident super moms in the PRC and promote the value of mothers to society. The program invited mothers to compete for "the most outstanding super mom" recognition and later, shaping them into key opinion leaders. Throughout the competition, professional instructors are invited to give advice and guidance on childcare and parenting.



The "Nurturing Super Moms and Talented Kids (辣媽能寶養成記)" event in 2017



Ausnutria has also cooperated with Aniworld TV (金鷹卡通) to launch a program in the PRC called “Show Your Baby (愛寶貝曬一曬)” since 2016 under the Group’s goat milk formula brand *Kabrita*. The program showcases funny kid videos shared by audience while promoting interactions among audience. Supported by *Kabrita*, an annual feature episode is aired to introduce audience to the goat farms and manufacturing factories of *Kabrita* in the Netherlands and Dutch culture as well.

NCP’s nutrition products are designated for practitioners’ prescriptions only and are supplied to end-users through distributors and practitioners. To ensure the end-users receive the appropriate products for their health, NCP holds seminars and webinars to introduce new products to distributors and practitioners. In May 2017, NCP held a national roadshow on the topic of the human microbiome in Australia. NCP invited Dr Samantha Coulson, who has extensive experience in the field of integrative medicine and probiotics, to present to customers in the event. Over 250 distributors and practitioners participated and provided positive feedback. In addition, monthly newsletters and brochures with information about the products were also prepared and provided to distributors and practitioners, helping them to understand the formulas, uses and benefits of the new products.



“Show Your Baby” featured *Kabrita*’s goat farms and manufacturing factories in the Netherlands



CASE STUDY

Educating customers on the benefits of goat milk

Kabrita, the goat milk infant formula, is produced from high quality goat milk sourced directly from goat farms in the Netherlands.

Goat milk formula products, including *Kabrita*, are still relatively unknown to many parents. Since it is a niche market, Ausnutria actively participates in international and national fairs and exhibitions to raise public awareness about goat milk products and its nutritional value.

Representatives from Ausnutria shared the benefits of goat milk to the public at The 4th International Conference on Nutrition Growth

Ausnutria presented its goat milk products at the Nine Months Fair



For example, Ausnutria participated as an exhibitor in the 4th International Conference on Nutrition Growth in March 2017. The conference was held in Amsterdam, the Netherlands, gathering around 1,300 health care professionals to exchange ideas and knowledge. Ausnutria also operated an exhibition booth in the Nine Months Fair in Amsterdam, the Netherlands in February 2017; this annual baby and parenting event attracted over 50,000 parents and parents-to-be. Ausnutria prepared communications and educational materials such as FAQ booklets, medical and consumer brochures, and drop cards to introduce the benefits of goat milk and scientific evidence. Through these platforms, the Group hopes to provide more information about goat milk formula to customers if breastfeeding is not possible.



RESPECTING THE RIGHTS AND NEEDS OF CUSTOMERS

Striving to become the most trustworthy milk formula, nutrition and health-care enterprise in the world, the Group has a duty to marketing its products in a responsible way. Marketing and sales approach of the Group is in compliance with relevant local laws and regulations. It ensures that all communications and marketing materials provide honest and accurate information and are transparent and sensitive to the views and needs of customers. Despite being a supplier of infant formula, Ausnutria believes that breast milk is the best source of nutrition for babies. Ausnutria supports exclusive breastfeeding for the first six months of life as recommended by the World Health Organization, and thus, does not promote stage 1 (0-6 months) infant formula to customers. Similarly, it is Ausnutria's aim to provide customers with relevant and sufficient information to choose products that best suit their needs. Accordingly, Ausnutria conducted allergen testing during the year for all nutrition products and included relevant information about major allergens in the products' ingredients lists. This has also prepared Ausnutria for the tightened food labelling regulations in Australia.

Ausnutria has established a policy safeguarding customer data and privacy to protect the personal information of members and online platforms users, and intends to continually improve the level of data security and privacy while keeping its practices aligned with the latest relevant regulatory requirements. No customer data leakage incidents were observed during the reporting year.

Responding to customers' feedback

Ausnutria puts great emphasis on customer's needs and opinions, and therefore have established multiple interactive channels to receive customers' feedback with the aim to exceed their expectations. Ausnutria takes immediate action on customer complaints regarding product quality to investigate the issues and propose corrective and preventive action plans to prevent re-occurrence.

In Ausnutria's principal market, the PRC, Ausnutria has made good use of online platforms such as WeChat and QQ to actively seek feedback from customers with the utilisation of AI technology and multimedia such as photos and animations to respond to customers' feedback. To enhance the communication with customers, a customer service hotline is available to handle enquiries and complaints from customers. Each conversation through the service hotline is recorded and selectively monitored to ensure the quality of feedback on customer's concerns. As complaints from customers may imply that the products are falling behind their expectations, Ausnutria sees each customer complaint as an opportunity for improvement, and thus has set up a dedicated team to handle complaints. Upon receiving complaints, the customer service team decides on the severity of the complaint and prioritises its investigation. Ausnutria guarantees an adequate response will be provided to major and general complaints within 12 and 48 hours respectively to safeguard the product quality.



Ausnutria takes customers' opinions into consideration when improving existing product quality and developing future products. In response to customers' feedback in the Australian market, NCP modified the material used for capsules of one of the vitamin and mineral products, Cartaq 150.

Natural vegetable capsules are now used instead of bovine capsules to cater to the growing number of vegetarians in Australia. Undesirable and artificial excipients are also removed with the use of natural vegetable capsules.

In addition, Ausnutria carefully analyses the needs of its Australian customers as their eating habits are commonly influenced by local culture and religious practice. For instance, the Group specifically provides a wide variety of products to address the needs in the Australia market, including organic products, low glycemic index (GI) products for specific health conditions, and Kosher and Halal products.