

WIN-WIN WITH BUSINESS PARTNERS

Ausnutria works closely with its suppliers and distributors to build long-term partnerships that are mutually beneficial to all. Regarding this aim, Ausnutria has established stringent supplier selection procedures to ensure only suppliers who share the same values with the Group are engaged. Regular performance monitoring and assessments are also in place to ensure compliance and to maintain a reliable and stable supply. Further down the value chain, the Group proactively expands its sales and service network by building strategic partnerships with its distributors. Through these partnerships, Ausnutria wishes to grow together with its business partners while upholding social and environmental responsibilities.

MANAGING THE SUPPLY CHAIN

Subsidiaries of the Group have introduced corresponding procurement and suppliers monitoring procedures that cater to the differences in local context and product requirements while keeping in line with the Group's fundamental values. These procedures have set a high standard for the sourced materials, and also provided a channel for the Group to promote its sustainability commitment to suppliers.

Suppliers of raw ingredients and packaging materials are primarily assessed through a self-evaluation questionnaire. Relevant documents must be checked, in particular certifications that suppliers declared such as organic certifications and ISO 22000 food safety management standards. For raw ingredient suppliers which quality and safety are especially critical, Ausnutria conducts sample checks of the sourced materials and performs on-site audits at suppliers' premises for validation. The R&D team is usually involved to provide technical advice during the process. Regular monitoring of suppliers' performance through interviews and internal or external audits is also essential. For any inappropriate conduct identified, including environmental and social misconducts of dairy suppliers, the Group will work with them to rectify as soon as possible. During the entire process, the Group often seeks to maximise the mutual benefits of the partnership with its suppliers. Ten most critical raw materials suppliers in the Netherlands were invited in 2018 to discuss the future development plans, hoping to align the expectations of both the Group and its suppliers and secure future supply. These discussions are still ongoing, with the aim to foster long-term and sustainable partnerships.

Ausnutria is also working to engage in sustainable procurement practices and has started by including an agreement on environmental protection in all procurement contracts initiated in the PRC, which clearly states the Group's requirements on emissions, hazardous raw materials and waste management. Meanwhile, the Group is planning to incorporate ISO 14001 environmental management framework into the requirements of supplier audits in the Netherlands, so as to better understand the environmental impact of its sourced materials.



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EXCELLING WITH DAIRY SUPPLIERS

As a responsible dairy product manufacturer, Ausnutria is aware of its obligations in supporting sound and healthy development of infants and children. With a collective expectation on excellent quality, Ausnutria works together with suppliers to mitigate the risk of product deterioration and inconsistency.

While the Group has diversified the sourcing of its cow milk from various golden milk zones around the globe, the Netherlands and Australia remain major sources of its cow milk formula products. Farmel Holding B.V., an associate of Ausnutria, plays a crucial role in securing the supply of high quality cow milk from the Netherlands. The close connection with Farmel Holding B.V. also means that the Group can actively monitor the milk quality and trace back to the source of each batch of milk at any time.

To meet the growing demand of the Group's goat milk formula, *Kabrita*, Ausnutria has been working closely and building solid relationships with goat farmers in the Netherlands. These goat farmers are required to adhere to Ausnutria's internal quality requirements and to be certified by the "KwaliGeit" quality care system set up by NGZO in collaboration with the Dutch Federation of Agricultural and Horticultural Organisation. Ausnutria and its goat milk suppliers are highly recognised under the system as it takes into account the best practices in the goat milk industry and European hygiene regulatory requirements, as well as other indicators on marketing, environmental and animal care practices. Although the Group does not operate directly in an environment where animal welfare may be threatened, by participating in the "KwaliGeit" quality care system, the Group expresses its due attention on the feeding practices in farms, as well as the use of medicine in animals and their well-being and living conditions.

The Group also takes an active role in the Durability Program recently introduced by NGZO, a voluntary initiative that promotes sustainable practices among goat farms in the Netherlands. Ausnutria is one of the first companies to commit to the program by paying visits to and financially supporting its participating farmers.



70% of
Ausnutria's goat farmers
participate in the Durability Program
since its official launch in 2018

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CASE STUDY

Collaborate with goat milk farmers to switch to non-genetically modified feed



With customers' increasing interest in natural products, the Group has introduced the VLOG certificate, an abbreviation in German for food without genetic modification, as a new quality requirement to its goat milk farmers. In order to obtain a VLOG certificate, farmers are required to commit to a non-genetically modified (non-GMO) production by feeding their goats only with non-GMO feed. Such practice fits perfectly with the Group's *Kabrita* goat milk formula as an authentic and mild product. The Group is committed to paying a premium price for VLOG certified goat milk for a year to support the transition. As a result, the adoption of VLOG certificate has taken place quickly within Ausnutria's supply chain.

Over 1,000 distributors of Allnutria has participated in the Golden BIB Business School

EMBRACING THE NETWORK OF DISTRIBUTORS

Distributors have always been a critical part of the Group's value chain, as they play a key role in contributing to the continuous improvement in customer service. To support the rapid growth of the business, Ausnutria has devoted substantial resources to strengthen the capabilities of distributors through introducing professional training sessions for its distributors in the PRC, including the Golden BIB Business School, *Hyproca* Business School and *Kabrita* Business College.

Golden BIB Business School

Established in 2017, Golden BIB Business School is designed to connect its network of distributors and aims at improving their management capabilities. Following a year of success, intensive training camps on improving distributors' procurement, operating and marketing practices were introduced in 2018. Participants were also provided with an opportunity to participate in overseas study trip upon completion of the training camps.



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Hyproca Business School

Hyproca Business School was introduced in 2017 to assist the brand's distributors in becoming industry experts with sufficient knowledge in Ausnutria's products and capability in business management. Multiple training programs were launched across the PRC with great success. In conjunction, a comprehensive platform was also introduced to assist distributors in delivering trainings to their employees.



In 2018, *Hyproca Advanced Training for Partners* (海普诺凯飞鹰计划之合伙人进阶班培训) was introduced to meet the demands for personnel that master in business management and operation. The training program aims at nurturing and promoting a group of competent distributors in the region, facilitating *Hyproca* in achieving the aggressive goal of RMB2.5 billion revenue by 2020.

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Kabrita Business College

Kabrita Business College was founded in 2017 with over 100 lecturers, hoping to empower its distributors through collaboration and education. The platform strives to create a customer-centric culture within the industry, realising shared values with its stakeholders and mutual business success.

In 2018, *Kabrita* Business College collaborated with Hunan University to hold an MBA course for the brand's strategic partners. The course aimed to broaden the horizon of the executive leaders and enhance their leadership skills by offering specific training on business management. The course also provided a platform for them to expand their social circles and facilitate idea exchange.

Additionally, to tackle the challenges of high turnover rate, rising operating cost and vigorous market competition, *Kabrita* Business College organised an Excellent Store Manager Training Camp with intensive training that aimed for improvement in sales, management and operation skills. Store managers of distributors were provided advanced yet practical methods and tools, helping them to enhance sales performance and streamline business operation and management.