



WIN-WIN WITH BUSINESS PARTNERS

Ausnutria has long engaged its business partners, mainly suppliers and distributors, and believes it as the most efficient way to create sustainable and mutually beneficial partnerships. Stringent selection criteria and procedures are in place to effectively identify suppliers who share the same values with the Group. Regular monitoring is implemented to ensure compliance and that suppliers are always up to the Group’s standards. Further down the value chain, distributors play a crucial role and attribute largely to the Group’s successful sales expansion. Strategic partnerships are established over the years to advance the Group’s leadership position in the market. As its business continues to expand, Ausnutria hopes to embrace its business partners along the journey and together shoulder social and environmental responsibilities.

As the partnerships develop, the Group keeps a lookout for ongoing performance through interviews and regular internal or third-party audits. For any inappropriate conducts identified, including environmental and social misconducts, the Group will work with the suppliers to rectify the issues as soon as possible. Ausnutria also obtains and values feedback from suppliers along the journey. Satisfaction surveys are distributed to suppliers in the PRC at the end of every year to understand and realise improvement opportunities. The Group also introduced initiatives to foster mutual understanding with its suppliers. For instance, representatives from both our dairy business in Australia and its suppliers have arranged visits to each other’s manufacturing facilities, allowing both parties to have a clearer picture of the entire production process from raw materials to final products, and achieve a close partnership based on mutual understanding and trust.

MAINTAINING A RELIABLE SUPPLY CHAIN

A stable supply chain is critical for the Group’s operation and business continuity. In view of this, the Group has introduced specific supply chain management mechanisms that include procurement procedures and regular supplier monitoring to its subsidiaries based on the local needs and product offerings. These mechanisms provide a platform for the Group to communicate its standards and values to its suppliers, ensuring constant production and delivery of premium goods throughout the entire supply chain.

MOVING TOWARDS SUSTAINABLE SOURCING

Envisioning value creation in an impactful manner, Ausnutria has been working towards sustainable procurement by promoting responsible and ethical operational practices to suppliers. Social and environmental indicators are considered in varying degrees when making procurement decisions through supplier questionnaires and audits. These could include evaluation on environmental aspects such as energy, water, and waste management measures, as well as social aspects such as working environment, human right issues, and community investment.

To understand their capabilities in meeting the Group’s standards and requirements, all suppliers of raw and packaging materials are assessed on a wide range of factors such as compliance to laws and regulations, responsible operating practices, and product quality through self-evaluation questionnaires. Relevant documents and certifications are checked to verify any self-declared qualifications, such as internal quality control mechanisms, organic certifications, and ISO 22000 food safety management certifications. In addition, when sourcing raw ingredients where quality and safety are especially critical, the Group conducts sample checks and suppliers are subject to on-site review for further assurance.



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For instance, an agreement on environmental commitment is included in the procurement contract with major suppliers in the PRC, clearly stating the Group's expectations towards their performance on compliance to environmental laws and regulations, as well as management over emissions, hazardous materials, and waste issues. Additional scores will be given to suppliers who have good environmental governance. In Australia, where it is mandatory by law for companies to establish a waste management system, suppliers are assessed against their compliance level during onsite audits. Similarly, Ausnutria Netherlands continuously works to incorporate environmental and social indicators into procurement with reference to internationally recognised frameworks, such as the ISO 14001 Environmental Management System and ISO 5001 Energy Management Systems. While suppliers are in different stages of their sustainability journeys, the Group will work jointly with them towards a sustainable supply chain.

EXCELLING WITH DAIRY SUPPLIERS

The Group understands that high quality raw milk is the prerequisite of producing premium dairy products. In order to ensure a stable supply of cow milk for production, Ausnutria has secured diverse sources from various golden milk zones, including the Netherlands and Australia, where the quality of milk is highly trusted. The Group's associate company, Farmel Holding B.V., also helps secure the supply of cow milk in the Netherlands. This allows the Group to actively monitor the milk quality and easily trace the milk source if problem arises.



In respect to the expansion of Kabrita series products, Ausnutria has been striving to solidify its relationship with Dutch goat farmers and foster the growth of the industry as a means to secure stable raw ingredients for production. Despite the Group does not operate directly in an environment where animal welfare may be threatened, the Group expresses its due attention on the treatments to animals in farms, including but not limited to the feeding practices, use of medicine, and living conditions. On top of the Group's quality standards, Ausnutria requires all its goat farmers to obtain the "KwaliGeit" certification, a quality assurance program introduced by NGZO in collaboration with the Netherlands Agricultural and Horticultural Association. The program assesses farmers' performance against the best practices in the goat milk industry, European hygiene regulatory requirements, and other indicators such as marketing, environmental, and animal care practices. Certified farms are highly recognised for the quality of their milk.



The Group also seeks to contribute to sustainable livestock farming in the Netherlands through participation in the Durability Program, a voluntary initiative introduced by NGZO in recent years to promote sustainable livestock farming practices among Dutch goat farms. As the first batch of companies to commit to the program, Ausnutria provides monetary support and other assistance to participating farmers through workshops, newsletters, and visits to the goat farms. In Year 2019, the Company has extended the monetary reward to participating farmers by offering extra subsidies and paying premium price for raw milk. Over 70% of Ausnutria's goat farmers participate in the Durability Program since its official launch in 2018.

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EMPOWERING DISTRIBUTORS

Distributors act as the bridge between end-users and the Group and play a significant role in the value chain. Over the years, Ausnutria has invested substantial resources to empower its distributors in the PRC through trainings, ultimately strengthening their management capabilities and knowledge of Ausnutria's products. The Group has also conducted joint business planning meetings with distributors to deepen collective insights into the Group's sustainable business and sales strategies

Ausnutria also places great emphasis on the communication with business partners. In the 2nd China International Import Expo in 2019, the Group introduced the latest series of milk powder and nutrition products to over 500,000 visiting distributors and professional buyers coming from places across the world. The Expo was a significant occasion for the Group to empower existing distributors with practical knowledge about the new products through face-to-face interaction, as well as an opportunity to expand its network and bring its brand further to the international market.



Ausnutria in the 2nd China International Import Expo in Shanghai.

COLLABORATING FOR GOODWILL

In alignment with its global business strategy, Ausnutria has entered into a series of strategic partnership projects during the year. Among all, Ausnutria has become the official partner of the Chinese Tennis Association and the Chinese National Tennis Team, to whom it will supply dairy and nutrition products. Through the partnership, the Group hopes to raise attention to the importance of exercise and promote the common mission of creating better life with nutrition and health, while advancing the marketing strategy for its nutritious products.

On the other hand, Ausnutria successfully launched an international version of Puredo, a cow milk formula with milk sourced from New Zealand, in partnership with JD.com around the globe in Year 2019. JD.com is one of the largest online portals in the PRC and has utilised its unique marketing position to help promote Puredo to the target customers. Beside Puredo, JD.com also supports the sales and marketing of other products of the Group, further helping it to reach out to a diverse group of customers.



Kabrita Yingjia adult goat milk powder launch event in the PRC.

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