

# FRIENDLY WITH THE ENVIRONMENT

Placing corporate responsibility at the core of its business strategy, Ausnutria considers its impacts on the environment when making every decision. The Group looks into all sorts of possibilities to minimise the carbon footprint associated with its growing operations and the related manufacturing processes. Adhering to the Group's strategy, subsidiaries are dedicated to improving water and energy efficiency, managing air and water discharge activities, reducing material consumption and waste generation, as well as raising environmental awareness among employees.

The Group's Sustainability Committee is responsible for reviewing the effectiveness of Ausnutria's policies and initiatives to ensure environmental sustainability and the minimisation of the Group's environmental impact. To ensure its business operations fully comply with environmental laws and regulations, the Group has set up a series of guidelines on the implementation of environmental protection measures. Operating rules and management procedures are introduced at subsidiaries to affirm a total commitment of the Group to alleviating the environmental impacts attributable to any of its procurement, manufacturing, and distribution processes. Given the above management approaches and measures, the Group's production facilities in Kampen, the Netherlands and Changsha City, the PRC are certified with ISO 14001, while other production facilities are following the relevant requirements as closely as possible.

## ACHIEVING BETTER ENERGY PERFORMANCE TO REDUCE CARBON FOOTPRINT

Acknowledging that anthropogenic greenhouse gas emissions are the main driving force behind the rapid climate change the world is now facing, Ausnutria adopts a robust energy and emissions management system. To minimise its greenhouse gas emissions, the Group introduces energy saving measures and equipment upgrades at its production facilities. Heating, ventilation and air conditioning, boiler systems, lightings, and other energy-intensive equipment are regularly inspected, repaired, and replaced to ensure that they always achieve optimal energy performance. It also puts equal effort into setting up solar panel systems in its factories, making a slight yet determined contribution to alleviate climate change.

Newly constructed production facilities are designed with maximised energy efficiency to avoid unnecessary carbon footprint. For instance, the Ausnutria Heerenveen Factories in the Netherlands, which commenced operations in 2018, are designed to reduce dependency on fossil fuel-derived energy by introducing low carbon technologies and modern manufacturing processes. The factories adopt an advanced gravity process technology to conserve energy attributed to the transportation of intermediate products along the production line. A technology that stores thermal energy for heating and cooling equipment and building at a later time is also introduced to optimise energy use in the factories, avoiding an estimate of over 90% of natural gas consumption.



About this Report

Message from the Chairman

About Ausnutria

Ausnutria's Approach to Sustainability

Win-win with Customers

Win-win with Employees

Win-win with Business Partners

Friendly with the Environment

Contributing to the Communities

Sustainability Performance Table

HKEx ESG Reporting Guide Content Index

Independent Assurance Opinion Statement

Ausnutria takes proactive actions to continuously minimise its use of conventional energy during operations. The Energy Efficiency Plan 2017-2020 (the "Energy Plan"), introduced at the production facilities in Ommen, Kampen, and Leeuwarden, in the Netherlands, has set a clear objective for the facilities to meet the industry target of 8% energy consumption reduction by 2020, using 2017 as baseline. To achieve this goal, opportunities to advance production processes and to modernise machinery and equipment are identified through comprehensive audits and research, followed by detailed planning and careful implementation. Adopting the plan-do-check-act approach, energy consumption is closely monitored and analysed throughout the process, keeping the progress of the Energy Efficiency Plan on schedule.

With a variety of measures being rolled out at the production facilities, the Energy Efficiency Plan progressed as planned in the third year. The Group has expanded the investments in upgrading existing machinery to further enhance its overall energy efficiency, especially in its production facilities in Ommen and Leeuwarden, the Netherlands. Most of the existing lighting devices in the factories were replaced with energy-saving LED lamps and bulbs, saving an estimate of 75% of power per lighting per day. Meanwhile, Ausnutria Netherlands has explored a better route to transfer intermediate goods between production facilities, saving around 40,000 kilometres of traveling per year and hence fuel consumption.

On its way to achieving carbon neutrality, Ausnutria attaches great importance to the use of renewable energy. The rooftop of the dairy factory in Australia is the first to install solar panel systems to reduce the reliance on purchased energy. On the other hand, the Group prefers renewable energy sources over conventional options when purchasing electricity from the power grid for its production facilities in the Netherlands, to avoid as much greenhouse gas emissions as possible in the upstream value chain. As a result, over 70% of the Group's electricity consumed was compensated through or sourced from renewable sources. Additionally, it cooperates with a Dutch company to purchase credits from the carbon markets to partially compensate its greenhouse gas emissions.

#### CASE STUDY

### Towards carbon neutrality – Introduction of on-grid solar panel system



Dairy factory in Australia

An aerial photo of the solar panel system on the rooftop of the factory

Taking practical steps towards low-carbon production, Ausnutria installed an on-grid solar panel system consisting of 700 solar panels on the rooftop of the dairy production facility in Australia during the reporting year. The system has a total capacity of 240kWh and can produce up to 1,248kWh of alternative energy per day in the summer months, which translates to around one-third of the total electricity consumption of the production facility.

To facilitate the full utilisation of the solar energy, the Group will investigate the feasibility of installing a battery storage system which captures the solar electricity generated during peak periods for use at a later time. The storage system will also allow surplus or unused solar electricity to be exported to the national grid, neutralising its carbon footprint in the long run.

About this Report

Message from the Chairman

About Ausnutria

Ausnutria's Approach  
to Sustainability

Win-win with  
Customers

Win-win with  
Employees

Win-win with  
Business Partners

Friendly with  
the Environment

Contributing to the  
Communities

Sustainability  
Performance Table

HKEx ESG Reporting Guide  
Content Index

Independent Assurance  
Opinion Statement

## ADOPTING A COMPREHENSIVE APPROACH TO WASTE MANAGEMENT

The majority of waste comes from the residual of milk and milk powder generated during the production of dairy products. To reduce the environmental impacts associated with waste handling, the Group puts in place a set of robust approaches to manage waste from its inception to its final disposal. For instance, Ausnutria encourages waste sorting and recycling practices among its employees and cooperates with local licensed waste operators to collect and handle waste in accordance with local legal requirements. The Group also looks for alternatives to alleviate pressure on landfills and has sold rest milk, residual products generated from processing raw milk and producing milk powder together with rest milk powder, for animal food in Australia, and appointed a third party in the Netherlands to convert the rest milk and rest milk powder into biogas.

Necessary facilities are available in factories to facilitate a more environmentally friendly way of waste handling. For instance, the dairy production facility in Australia uses a baling machine to compress cardboards from raw material packaging into compact bales, allowing convenient storage and transportation to recycling sites.

## MANAGING WATER FOR THE FUTURE

Water is consumed in a more efficient way as the Group aims for an integrated operation to achieve minimal water consumption in newly built factories, such as the Ausnutria Heerenveen Factories. Nonetheless, increasing production capacity means more water is consumed in absolute terms and the Group lays strong emphasis on conserving and protecting water resources by adopting a multi-pronged approach that encompasses water saving measures, water reclamation initiatives, and effective effluent management.



Although the Group has adopted dry processes as much as it possibly could, wet processes are essentially involved in the production. To optimise water use in these processes, Ausnutria aims to adopt a closed-loop water system in its production facilities in the Netherlands that involve wet processes. Regular inspections on machinery are performed to identify and fix water leakages from taps, pipes and valves in a timely manner. Water consumption records are also closely monitored to explore opportunities in water recycling and reuse. Being one of the most water intensive factories of the Group, the production facility in Ommen, the Netherlands has stepped up its water recycling efforts, reusing approximately 1,000 m<sup>3</sup> of condensed water generated during production in 2019 in other parts of the production system, such as in the boilers and the ultrafiltration process.

Ausnutria is committed to taking up its responsibility in keeping the impacts of its wastewater discharge at a minimum, and ensuring the effluent meets the regulatory requirements of local governments. For instance, the Group sets up water monitoring systems in designated discharge points to ensure the key effluent quality parameters meet the local discharge standards, and that the treated wastewater returning to municipal sewage pipes or coastal water brings minimum impact to the environment. In the production facilities in Ommen and Kampen, the Netherlands, daily and yearly targets were set on the concentration of organic compounds, pH value, temperature, as well as the amount of effluent, to better oversee and control wastewater discharge.

On the other hand, Ausnutria also recognises the risks water can pose to its operations. To adapt to the possible changes in rainfall pattern due to climate change, the Group incorporates sponge city features in the design of the Smart Factory in the PRC. Through better stormwater management, the Group aims to reduce flood risks within the facility and enhance its climate resilience. Applying the principles of infiltration, retention, storage, purification, reuse, and discharge, the Smart Factory is designed with a sunken green space, permeable pavement, and a rain garden, allowing the building to function as a sponge to absorb surface runoff and withstand rainstorms with a return period of one in 50 years.

About this Report

Message from the Chairman

About Ausnutria

Ausnutria's Approach to Sustainability

Win-win with Customers

Win-win with Employees

Win-win with Business Partners

Friendly with the Environment

Contributing to the Communities

Sustainability Performance Table

HKEx ESG Reporting Guide Content Index

Independent Assurance Opinion Statement