

Message from the Chairman

I am delighted to present the Group's seventh sustainability report on behalf of the board (the "Board") of directors (the "Directors") of the Company, which captures our continuous efforts and achievements in incorporating sustainability into our business and value chain in Year 2022.

2022 was a tough yet promising year with the PRC bringing an end to the anti-pandemic policy, and we will be counting on vigorous societal growth from this day forth. The Group faced various developmental and operational challenges during the year, including the changing market in the PRC and competitive landscape caused by technological innovation and new consumption patterns. Meanwhile, we have been putting strategic plans into action to streamline our resources and operations across different regions, all the while keeping an eye on how to better incorporate sustainability into the Group's operations.

Ausnutria's globalised governance structure, which prioritises strategic directions, monitoring and evaluating the efficacy of our management's capability, financial performance, and transparency of information, has made steady progress since the Company's inception. 2022 marks the final year of the second phase of our Golden Decade development plan. Guided by the Group's mission of "Nourishing Life & Growth", Ausnutria will hold steadfast to its core "Golden Decade" strategy, and continue to strive, innovate and engage with our stakeholders worldwide. In order to achieve and maintain good corporate governance, sustainable development and a competitive advantage that creates a long-term value for our stakeholders, we recognise and embrace the benefits of having a diverse and inclusive Board. Our nine Directors come from various backgrounds, cultures and races, and are equipped with different industry experiences and professional expertise. This contributes to an inclusive corporate culture, which promotes board effectiveness, enables better decision making and prevents groupthink.



We have adopted a strong sustainability governance framework to direct our sustainability initiatives, which helps to enable effective management and ensure sustainability strategies are implemented across our operations and value chain. The Group has clearly defined the roles and responsibilities of sustainability-related parties, including the Board's oversight of sustainability risks, opportunities, strategies, and performance of goals and targets with the support of the management and our sustainability committee (the "Sustainability Committee") and its adjunct sustainability workgroup (the "Sustainability Workgroup"). Driven by the Group's sustainability vision, Ausnutria continues to work on our three foundational pillars: Better Nutrition, Better Life, and Better Environment, reinforcing the Group's commitment to the United Nations Sustainable Development Goals ("UNSDGs").

We are committed to promoting Better Life for our people by offering an inclusive and rewarding workplace. Not only do we value the diversity and inclusiveness of the Board, but also that of our workforce when managing our human resources. Every year, we introduce a wide range of employee-friendly initiatives to cater to the needs of our employees. We have devoted substantial resources to talent development and extensive employee training to unleash the potential of our people. In the Netherlands, we continued to roll out the Senior Leadership Development Programme in 2022. Collaborating with the Nyenrode Business University, the programme aims to enhance the leadership skills of our employees. In the PRC, we also rolled out the High Potential Talent Scheme to enhance skillsets of the management on communication, strategy implementation, and talent assessment. In addition to talent development, we continued to strengthen communication with our employees through different channels. The Group issues a monthly newsletter across all operations in the Netherlands and Australia, while the PRC began to utilise the Enterprise WeChat channel to strengthen connection across business units ("BU"). On top of that, we strive to improve our corporate culture by conducting interviews with our colleagues and sharing their 'Ausnutria story' on camera. To improve employee's well-being, different sports sessions and clubs, as well as athletics meet, were organised for them to promote a healthy lifestyle.

Our commitment to promote Better Life also covers our community. In Year 2022, the Group rallied in our support to promote community well-being through a wide range of sponsorships, donations and community projects. The Group has been injecting cash or in-kind donations for anti-pandemic work. In Year 2022, Ausnutria Foundation donated millions of cash and materials to provide tangible assistance to the community. Leveraging our own resources, we donated thousands of bottles of formula milk to various charitable organisations, such as front-line medical staff and community workers at The Red Cross Society of Hunan province. The Group contributed to the youth's educational development by organising Ausnutria's Charity Walk in the PRC to improve the teaching environment and sponsoring LOOP Leewarden in the Netherlands which funds the Youth Fund Sports and Culture. Moreover, the Group supported health-related community programmes by making cash donations to the Roparum Foundation in the Netherlands to raise money for cancer patients and organised charity sales to support childhood cancer research. Throughout the year, we earned a number of awards for our contributions to the community, including the "ESG Outstanding Social Responsibility Practice Corporation Case" awarded by the BOAO Forum for Entrepreneurs, and the "2021 Caring Enterprise" awarded by the China Charity Federation.

To uphold our commitment to Better Nutrition, Ausnutria is dedicated to developing high-quality nutritional products and solutions to meet the needs of our customers. In Year 2022, the Group accomplished several R&D achievements by boosting its investment in R&D of new products from RMB193 million in 2021 to RMB197 million in 2022. The Group continued to expand its product offering by introducing ten new products under the brands Kabrita, Hyproca 1897, Allnutria, Nutrition Care and Aunulife. It also supported research in breast milk and mother methyl by publishing four major research findings at the 2nd China Breast Milk Science Conference, demonstrating the Group's commitment to R&D. The Group also collaborates with world-class tertiary institutions on R&D research to enhance our capabilities in scientific research and innovation. In 2022, the first studio of Professor Shan Yang academician and innovation team was officially established in Ausnutria, establishing a technological innovation base for functional health ingredients. We also obtained the first permit to produce food for special medical purposes ("FSMP") in Hunan Province, the PRC. Devoted to protecting our intellectual property rights, the Group obtained the PRC's national standard for enterprise intellectual property management (GB/T 29490-2013) in Year 2022.

The Group strives to streamline our production in the supply chain to enhance efficiency and pursue sustainable development. We are currently expanding our manufacturing base with the construction of a new milk processing facility in the Netherlands that adopts low-carbon technologies and energy-efficient designs. Apart from the new facility, we support our suppliers to adopt sustainable practices. In Year 2022, Ausnutria continued to support goat farmers by participating in the Dutch goat sector organisation's Sustainability programme which promotes sustainable livestock farming practices. We achieved a 100% participation rate from Ausnutria's goat farms and scored 12% higher compared to last year. The Group also endeavours to promote industry development by fostering the establishment of Hunan Special Food Association in China, contributing to the development of local food industry.

As we strive to create a Better Environment for our future generations, we spare no efforts in mitigating the environmental impacts arising from our manufacturing processes and improving the environmental performance of our operations. The Group has set progressive targets for greenhouse gas (GHG) emissions, energy consumption, water use and waste recycling rates last year and achieved outstanding progress in Year 2022. We will continue to monitor our target performance closely and report the progress achieved. To gradually decarbonise our business operations, we adopt low-carbon technologies and source renewable energy wherever possible. In 2022, 13% of direct GHG emissions generated were offset by voluntarily purchasing carbon credit. Around 95% of electricity consumption for operations of Ausnutria Netherlands was compensated through renewable energy sources. The on-site solar system of Ausnutria Australia was also expanded this year, saving 10% of total electricity consumption. In terms of waste, the Group continued to maintain a 100% recycling rate for paper, wood, plastic and rest milk powder. With a view to developing environmentally friendly products and packaging, Ausnutria PRC began to purchase packaging cardboard procured from sustainable source with Forest Stewardship Council (FSC) certification. The Group also formulated the "Green Design Product Specification", which has been accredited by the local authority as the basis for green product design evaluation. We seek to continuously optimise our environmental management systems to pursue a better environment.

I would like to take this opportunity to extend my sincere gratitude to all of our stakeholders for their unwavering support in our sustainability journey. I would also like to express my heartfelt gratitude to all of our staff members for their ongoing endeavours during this challenging period. Their hard work contributes to the success of the Company so that we can continue to deliver best-in-class products. I am confident that the Group will continue to excel in 2023 and create greater synergy with our stakeholders to contribute to sustainable development.

Yan Weibin
Chairman

The PRC
26 April 2023



Nourishing Life & Growth