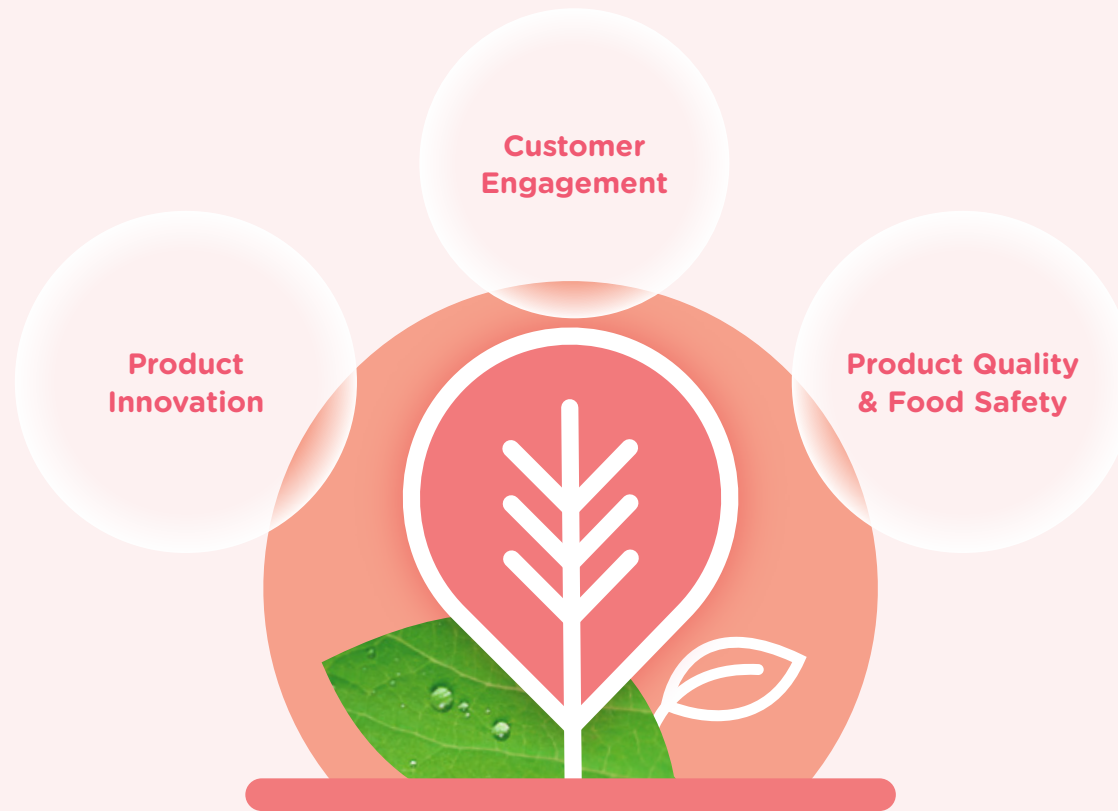


02



Better Nutrition





Better Nutrition

Ausnutria strives to offer all its customers the safest and most dependable products with the optimal nutritional profile and makes every effort to innovate its product and to provide customers with safe and high-quality products. The Group sustains a strong client relationship by providing the updated health and nutritional information, collecting feedback through a variety of communication channels while protecting its customers' rights. Ausnutria also establishes strategic alliances with suppliers and distributors to ensure that its sustainable standards are strictly adhered throughout the entire value chain with rigorous and selective screening criteria and procedures to guarantee that it only collaborates with those business partners who share the same values. Ausnutria aims to collaborate with its business partners in order to fulfil social and environmental responsibilities and achieve mutual success.

Key Highlights in Year 2022

• Launched new products

- Hyproca 1897 Formula for the Future, first milk source with A2 protein* which is easier for absorption;
- Kabrita Xiangyang Goat Toddler Milk Powder;
- Soforla Lactase Formulated Milk Powder;
- NC Soforwe Gut Relief Plus;
- Kangsude Shushan Comprehensive Nutritional Formula Food for Special Medical Purpose; and
- Kangsude Zhenshan Comprehensive Nutritional Formula Food for Medical Purpose.
- Attended the 54th annual meeting of the **European Society for Paediatric Gastroenterology, Hepatology and Nutrition (ESPGHAN) conference** to present the latest clinical data about Kabrita and goat milk infant formula.
- Maintained strategic partnership with renowned universities.
- Stepped up investment in the R&D of new products to RMB197 million.

- Maintained 100% of Ausnutria's goat farmers participated in the Sustainability Programme.
- Organised the **Hunan Province Special Medical Purpose Formula Food Operation and Use Seminar** in Ausnutria Global Headquarters in the PRC.
- Participated the **5th China International Import Expo** to provide distributors with practical knowledge and awareness of the Group's dairy and nutrition solutions.
- Shared 4 latest research findings in the **2nd China Breast Milk Science Conference** and received positive feedback from peers in the industry.
- Opened up a **hub at campus** in the Netherlands to provide a meeting place where students, scientists, entrepreneurs, start-ups, NGOs, SMEs and R&D centers of international companies can collaborate and share knowledge.
- Announced a **new breakthrough** "Southern China Milk-derived Probiotic Strains Selection and Resources Base Building" in the probiotic research.
- Obtained the **first permit** to produce food for special medical purposes in Hunan Province, the PRC.
- 177 research paper and scientific article publications from the PRC and the Netherlands.

PRODUCT INNOVATION

Ausnutria continues to invest in its R&D to foster its long-term growth, focusing on particular areas including but not limited to developing lactose-intolerant-friendly products, updating new infant formula recipes, and increasing the nutritional value of products. The Group employs over 200 R&D specialists in the PRC, the Netherlands, Australia and New Zealand. The Group boosted its investment in R&D of new products from RMB193 million in 2021 to RMB197 million in 2022. To provide consumers with optimised benefits, Ausnutria upgraded its existing formula products and successfully introduced the first batch of 12 products in the PRC. The Group has obtained a total of 330 registered patents (including 113 invention patents, 57 utility models and 140 product designs) and 191 authorised patents (including 30 invention patents, 48 utility models, and 113 product designs) and published 177 research papers and scientific articles. In addition, the Group formulated a Management Guide for R&D Project Approval and Technical Support to outline its criteria for Kabrita's R&D project management in the PRC.

In the Year 2022, the Group proceeded to expand its product offering and accomplished a number of R&D achievements. Ausnutria introduced several new healthy products under the brands, including Kabrita, Hyproca 1897, Allnutria, Nutrition Care, and Aunulife. It has also supported research in partnership with universities in Australia, the PRC and the Netherlands, demonstrating the Group's sustained commitment to R&D.

Highlight of New Products Announced in Year 2022



Hyproca 1897 Formula for the Future

This is the first human milk oligosaccharides ("HMO") blended formula with the unique and scarce combination of HMO, lactoferrin and milk fat globule membrane. This product pursued the creation of a unique and superb nutritional profile to effectively strengthen the immune systems of infants.



Kabrita Xiangyang Goat Toddler Milk Powder

It is a toddler growing-up nutrition goat milk formula with five superb nutrients for 3-year-old and above toddlers. It became one of the Group's key products in the blue ocean market for toddler milk powders and also a showcase of the Group's competitive advantage in the areas of formula and milk source.



Soforla Lactase Formulated Milk Powder

This product effectively improves lactose malabsorption or intolerance in infants by solving lactase deficiency and intestinal micro-ecological imbalance that affect digestion and absorption.



NC Soforwe Gut Relief Plus

This product adds Pylopass probiotics, which help support gastrointestinal health and reduce the effect of the bacterium *Helicobacter pylori*.

Moreover, we have been moving full steam ahead with our FSMP business and rolled out two more comprehensive nutritional formula products, Kangsude Shushan Comprehensive Nutritional Formula Food for Special Medical Purpose and Kangsude Zhenshan Comprehensive Nutritional Formula Food for Medical Purpose. So far, we have already obtained registration certificates for three FSMP products. This not only further broadened Ausnutria's FSMP product portfolio but also started a new chapter in the development of Ausnutria's FSMP business.

Annual investment in the R&D of new products:



RMB197
million



330
registered
patents



177
research paper and
scientific article
publications from
the PRC and the
Netherlands



191
authorised
patents

Ausnutria's four major research findings presented at industry events to exchange opinions on innovation and development

In Year 2022, to advance the development of scientific research in breast milk in the PRC, the Group has shared four latest research findings based on our research papers in the 2nd China Breast Milk Science Conference and received positive feedback from peers in the industry.

- The “Construction of Breast Milk and Mother/Infant Intestinal Microbiota and the relationship thereof” enriches the research data of breast milk microbiology, provides theoretical support for infant feeding and mother-infant health improvement, as well as strengthens the research foundation for Ausnutria's further exploration in the field of mother-infant health.
- The “Metabolomics of Breast Milk” combined Ausnutria's research experience in metabolomics with a detailed introduction into the application of different metabolomic techniques and methods in the research of active ingredients in breast milk and demonstrated Ausnutria's continuous exploration and breakthrough in the “deep water area” of breast milk research to nutrition researchers across the country.
- The “Nutrition of Maternal Methyl Donor for Early Progeny Development and its Mechanism” established the Methyl Donor Nutritional Quality Index (MNQI), which can be used to comprehensively evaluate the quality of the methyl donor diet, and studied the effect of the one carbon unit of nursing mothers on the composition of breast milk, the metabolism of infant microbiota, and growth and development. The research is of great significance to propose precise nutrition strategies to stimulate the expression of children's early developmental potential and maternal health.
- The “Breast Milk Lipids and Their Nutritional Evaluation” reveals the laws of breast milk lipid lactation and digestion and absorption, which also lays a scientific foundation for Ausnutria to design infant formulas and to simulate breast milk more accurately.

Ausnutria truly believes that continuous innovation in scientific research is the foundation of enterprise development competitiveness. In the future, Ausnutria will continue to adhere to science-based R&D and innovation, and is dedicated to empowering products with scientific research results and boosting the high-quality development of China's nutrition industry.



In order to coordinate all internal patent activities and gain more recognition from the global scientific community for its R&D efforts, the Group has established a global R&D team. The pool of specialists enables the Group to leverage regional strengths and conduct cross-region research in collaboration with external and international experts. Under its “1 + 6 + N” global R&D strategy plan, Ausnutria Institute of Food and Nutrition supports the Group's ambition in developing next-generation dairy and nutritional products by building partnerships with various institutions around the globe, including Ausnutria (Beijing) Special Nutrition Research Centre, the Ausnutria Basic Life & Nutrition Science Research Center, the European R&D Centre in the Netherlands, the ANZ R&D Centre in Australia and New Zealand, Ausnutria (Taipei) Nutrition Research Centre and Ausnutria's Jiangnan University Milk of Non-Bovine Mammals International Joint Research Centre.





China National Accreditation Service (“CNAS”) for Conformity Assessment awarded and renewed the Laboratory Accreditation for Ausnutria’s testing centre in Changsha city, the PRC in 2017 and 2021, respectively.

The Group takes proactive steps to nurture R&D talents and launched the Ausnutria National Postdoctoral Programme in 2016. Since then, the Group has employed PhD researchers to undertake food and nutrition research and evaluate the feasibility of incorporating research findings into product development. The Group’s talent career development and business strategy advances and applies scientific theories through its products. Since 2020, the Group has set up the Ausnutria-Kabrita Nutrition Research Fund to enhance the nutritional level of the elderly and infants. This fund aims to offer annual financial support of RMB1 million to foster the development of maternal and infant nutrition research in the PRC. The Group targets to gain a better understanding of nutrition and the health of society, and contributes to the advancement of nutrition science and the protection of human health.

The Group continues to collaborate with prestigious universities, research institutions, industry partners and contract manufacturers on nutritional research and innovative product development to tap into a greater pool of resources, insights and talents. The Group has maintained strategic partnerships with external expert groups such as Hunan Association for Science and Technology, Peking University, Nanchang University, Central South University and Jiangnan University. The Group conducted the “Southern China Milk-derived Probiotic Strains Selection and Resources Base Building” project in partnership with Hunan Agricultural University, the PRC, which was recognised as a substantial breakthrough in bridging the research gap. In 2022, the first Ausnutria institute of academician Shan Yang’s innovation team was officially established in Ausnutria, building a technological innovation base for functional health ingredients.

In addition, Ausnutria has opened up a hub at Wageningen campus in the Netherlands to provide a meeting place where students, scientists, entrepreneurs, start-ups, NGOs, SMEs and R&D centers of international companies can collaborate and share knowledge. It facilitates Ausnutria to further engage with existing and new partners in nutrition research, and expands our network and accelerates the build-up and quality of our unique expertise.

Established “Ausnutria Nutrition Institute”

CASE STUDY



Ausnutria Nutrition Institute was established in October 2020 in the Netherlands as an independent scientific organisation with the mission of disseminating scientific knowledge about infant nutrition and the nutritional composition of goat milk. The institute actively collaborates with international scientists, research institutes, and universities to promote the growth of evidence-based products and to enhance the health and well-being of children. In addition to collaborative research, the institute receives expert advice from a scientific advisory board comprise of international experts from diverse disciplines.



A dedicated website has been set up to make the insights obtained by the Institute easily accessible to health and nutrition experts. In 2022, Ausnutria Nutrition Institute attended the 54th annual meeting of the European Society for Paediatric Gastroenterology, Hepatology and Nutrition (ESPGHAN) conference to present the latest clinical data about Kabrita and goat milk infant formula.

Better Nutrition through the Study of Breast Milk

For the growth and development of newborns and early children, breast milk is the optimal source of nourishment supporting their early development and health. Ausnutria strongly believes in breastfeeding and is actively involved in several studies on the nutrition of breast milk. The Company is also focused on improving the nutrition of milk formula. The breast milk bank, one of Ausnutria's strategic programmes, is established to enhance its understanding of the nutritional content of breast milk for infants and young children in the PRC. Ausnutria has established several breast milk data banks in order to conduct significant scientific research.

The Breast Milk Bank in Central China

CASE STUDY



● The opening ceremony of the Ausnutria Central Breast Milk Bank

In the PRC, different geographic regions and dietary practices may vary the breast milk composition. In light of this, in addition to the existing breast milk bank in north China, the Group has collaborated with Central South University and Liuyang Maternity and Child Healthcare Hospital to develop a breast milk bank in central China in 2020. Ausnutria continues its effort to develop milk formula that better satisfies the nutritional needs of infants in rural villages from various regions by collecting samples for breastmilk composition studies.

In 2020, the Group has launched three five-year R&D programmes with different key objectives to guide the R&D work in the Netherlands. The roadmap is revised quarterly to ensure all activities are in line with the Group's business strategy.

Nutrition Research Program 2020-2024

- Leading research in support of the global R&D strategy;
- Providing nutritional support to internal stakeholders;
- Maintaining and expanding relevant scientific network and footprint; and
- Initiating and supporting clinical studies to further substantiate goat milk efficacy as a source of nutrition in various target markets.

Innovation Roadmap 2020-2024

- Developing and introducing new products under Kabrita, including Kabrita Junior, Kabrita Mama and Kabrita Family.

Processing Research Program 2020-2024

- Optimising the use of resources through developing new processes to ascertain the availability of required raw materials, and to valorise side streams for both existing ingredients and the foreseen growing needs; and
- Creating new and innovative ingredients with value to the Group to allow the development of next-generation products.

Intellectual Property Management

Ausnutria is devoted to protecting intellectual property rights and monitoring both external and internal innovations. A system for managing enterprise intellectual property is established along with supporting legal-compliant procedures. Departments are delegated to manage intellectual property rights and trademark registrations for all brands and logos used on product packaging. Additionally, the Group has formulated an intellectual property employee handbook to raise awareness. In Year 2022, the Group obtained the PRC's national standard for enterprise intellectual property management (GB/T 29490-2013) in recognition of its relevant strategy, execution, assessment, and continuous improvement practices.



■ Certification of Enterprise Intellectual Property Management (GB/T 29490-2013).



CUSTOMER ENGAGEMENT

Ausnutria continually strengthens and deepens its relationship with customers. The Group actively engages customers through a wide range of social media activities and interactions. These communication channels allow the Group to efficiently and effectively interact with customers and raise their awareness of scientifically proven information about dairy and nutrition products.

Social media plays an important role in keeping the Group up-to-date with its customers. In the PRC, the Company's major dairy brands, including Kabrita, Hyproca 1897, Allnutria and Nutrition Care, continue to operate and update their own WeChat and Weibo channels. These channels are significant for the Group to promote the Group's products and marketing initiatives, for parents and parents-to-be to share their personal experiences and knowledge about infant care, and for the customers to provide feedback and inquiries about the products. Ausnutria is responsible for ensuring that all information shared on these channels is credible and accurate and does not expose parents or children to any risk. Therefore, the management of the online platforms is performed directly by the professional nutritionists of the Group.



■ Kabrita AI Chatbot (Kabrita Business app).

The Group spares no effort in enhancing its customer communication. The current Kabrita mobile app supports data analytics, enabling the Group to better understand customer demands and personalise birthday greetings and other marketing communications. The Group aspires to accompany its cherished members on their child development journey.

Kabrita has also launched the HCP Kabrita Natural Comfort Program. The Program aims to provide natural comfort in their professional and personal lives to the international HCP community, just as Kabrita does for babies and mothers. This program not only provides HCPs with research via audiobooks and augmented reality learnings, but also offers giveaways such as warm goat woolen socks, smart wristbands, hand cream, sleeping masks and cookbooks with recipes containing goat dairy.

Upgraded Fairy Tale Festival by Hyproca 1897



In Year 2022, Hyproca 1897 Fairy Tale Festival was upgraded. The industry's first black-light immersive fairy tale drama was staged in Chongqing Shiguangnan Grand Theater. Through a form of interactive drama, the Group strives to safeguard the innocence and dreams of children, as well as care for the growth and development of newborns.

Under the guidance of immersive plot interaction throughout the drama, children could actively participate in the fairy tale performance, stimulating their artistic senses and guarding the beauty of their hearts. In addition, it is an excellent opportunity for parents to watch the immersive fairy tale drama with their children. Parents can temporarily put down their mobile phones and games while watching this fantastic fairy tale stage performance, exploring the fairy tale world with their children and sharing fabulous parental time.

In addition to the exciting fairy tale show, the Group established an interactive activity area for parents and children, a sampling area for Hyproca 1897 brand products and a fairy tale kingdom, where both adults and children can feel the joyfulness in the atmosphere and enjoy the pleasure of parent-child two-way companionship and growth.



Interacted with Customers via Online Platforms

Allnutria seized the business opportunities on Double Eleven and completed the strategic layout in advance, aiming to explore a marketing plan with Ausnutria's unique characteristics around "new situation", "high traffic", and "more benefits", as well as make concerted efforts in both online and offline platforms to boost consumer awareness.

Allnutria partnered with the brand's "high-energy role model officer" Mr. Zhong Hanliang for three live broadcasts. As a result, the number of viewers in the live broadcast exceeded 535,000 within a short period of time, the number of interactions in the live broadcast surpassed 2,325,000, and the single-day sales figure in the live broadcast was over 3,700,000, allowing consumers to enjoy a high-quality and convenient consumption experience and facilitating the elevation of the brand to a higher level.



Allnutria's high-energy role model officer Mr. Zhong Hanliang broadcast live online.

The collaboration between Mr. Zhong Hanliang and Allnutria is believed to significantly influence the promotion of the "high-energy nutrition" business.

In addition to the Allnutria, with the Double Eleven information above, the Netherlands organised similar broadcasts for customers, such as Kabrita on Double Twelve. This was broadcasted live from the football stadium of SC Heerenveen, of which Ausnutria is the main sponsor. With this sponsorship, the Group aims to increase its brand awareness in the Netherlands through social involvement and to emphasise the importance of healthy growth, both by infant nutrition and through exercise.



Global branding and broadcasting for customers

Protecting Customer Interests

Ausnutria is committed to responsible marketing and communication strategies because customer trust and loyalty are the foundation of the Group's long-term success and rapid growth. With reference to the guidance of the World Health Organisation, Ausnutria does not promote stage 1 (0-6 months) infant formula. Due to current legal requirements, infant formula Stage 2 (6-12 months) is also not promoted in the PRC market. In the Netherlands, the Ausnutria Marketing Policy for Infant Formula has been updated in 2022 to remain up-to-date. The original Marketing Policy dated from 2020.

To ensure fair, accurate, and impartial information on product labels and statements, all products and promotional materials will undergo a stringent review process in accordance with the Group's branding guidelines. All products are also subjected to final approval in line with the distributors' or local brands' requirements before being distributed to the market to comply with applicable local laws and regulations. During the reporting year, Kabrita launched the Compliance Management System to clearly outline the review and approval procedures for marketing materials, as well as the roles and responsibilities of all corresponding departments. Additionally, Ausnutria has participated in Australia's Voluntary Incidental Trace Allergen Labeling Programme. Prior to claiming "allergen-free" on the product label, all nutritional products are also subjected to a robust and comprehensive allergen screening for each ingredient.



Ausnutria is aware of the emerging concern over customer data privacy. To enhance employees' understanding of internal data protection, the Group has an internal customer data and privacy policy to define how personal information about employees, business partners, and customers should be handled appropriately. The Group frequently promotes information security tips and procedures on bulletin boards and posters. The Group's internal audit department regularly monitors consumer data protection and evaluates the compliance of the Board, senior management, officers and employees against all applicable policies, standards, procedures, laws and regulations related to customer data privacy. Privacy statements that outline the measures in place to protect the information of customers, business partners, and other users when processing and managing their personal data are published on Kabrita and Neolac's Dutch websites in order to comply with the General Data Protection Regulation (GDPR) of the European Union (EU) in 2022. In Year 2022, the Group continued its internal information security campaign "Herken, Herkauw, Handel" ("Recognise, Ruminant, Act") in the Netherlands. The campaign emphasised on the golden rules for securing information and data, in order to increase employee's awareness and strengthen their knowledge in identifying and avoiding risks related to data security.

In Year 2022:



Maintained a low number of complaints related to products received similar to 2021, which is around **50%** less when compared to 2020.



Maintained **Zero** Complaints related to services received.

PRODUCT QUALITY AND FOOD SAFETY

Ausnutria puts its customers' health and safety as top priority. To ensure that its products meet quality and safety standards, the Group has established quality control principles. From raw material procurement to manufacturing processes and product delivery, these principles pervade the entire manufacturing process. They ensure that the Group is in compliance with all applicable laws and regulations and also communicate the Group's minimal production quality requirements.

Since the pandemic, Ausnutria has adopted a two-pronged approach to maintaining a stable product supply throughout the year. The pandemic prevention and control working group continues to oversee the operation and production and ensure speedy responses to eradicate the risk of large-scale infections. Additionally, it is crucial for the Group to communicate closely with overseas factories in order to coordinate export production for its customers. On the other hand, the Group accelerates the manufacturing process to ensure a stable supply of its dairy products.

Product Safety Management

The production facilities of the Group are certified by globally recognised safety management systems and standards. These qualifications include but are not limited to BRC 8 Global Food Safety Initiative (GFSI) certification, FSSC 22000 Food Safety System Certification, ISO 9001 Quality Management System, Hazard Analysis and Critical Control Points (HACCP) System and GMP+ Good Manufacturing Practices. The production line in the Netherlands also obtained COKZ certification for its new ultrafiltration plant in Heerenveen.

Kabrita goat milk formula maintains efficient quality management and is certified for multiple international food safety standards.



COKZ Netherlands Controlling Authority For Milk And Milk Products



GMP+ Feed Safety Assurance



Hazard Analysis and Critical Control Point (HACCP) Certification



BRC 8-GFSI



Qlip kwaliteitsborging in agrofood



FSSC 22000 – GFSI

In the 2022 Australian Dairy Product Competition organised by the Dairy Industry Association of Australia ("DIAA"), OzFarm was awarded 6 Gold medals and 9 Silver medals in total for formulas and milk powders.



DIAA Australian Dairy Product medals obtained

Safeguard product quality and safety at all stages of production

01

Sourcing and storage

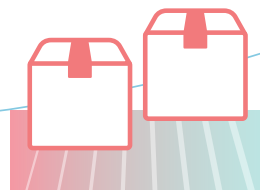
- Stringent supplier selection
- Regular supplier assessments and audits for crucial product ingredients
- High-standard warehouse management for raw and packaging materials and finished goods
- Training for employees involved in warehouse management



02

Production process

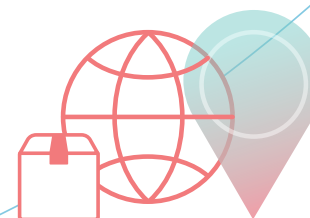
- Standardised quality assurance procedures and protocols
- In-process quality control tests and final inspections
- Laboratory checks for all products according to internal and national requirements
- External regulatory inspections on the local legal requirements of each distribution market for dairy products



03

After entering the market

- Regular and random product inspection
- Traceable product information
- Continual optimisation for quality management systems



04

After sales

- Multiple customers communication channels
- Effective complaint procedures



The customer service team classifies complaints based on their seriousness and promptly starts an investigation after receiving a complaint. Issues may be escalated or forwarded to other teams when senior advice or cross-team collaboration is required. To prevent recurrences, all complaints are documented for future reference and review. Trend analysis is conducted regularly to identify room for food quality and safety improvement. In order to assess and evaluate customers' expectations of its products, Ausnutria also closely keeps track of customer satisfaction. In the PRC, quarterly and annual end-user and distributor surveys are carried out quarterly by the sales and customer service departments via phone calls, emails, and in-person visits. To collect feedback from customers around the globe and provide responses promptly, Ausnutria has also recently started to utilise online platforms such as WeChat, its website, and QQ, along with AI technology and multimedia such as photos and animations.

Product Traceability Management and product recall procedures

In case of any unsatisfactory conditions discovered during inspections or after purchases, the Group will immediately conduct a trace-back investigation. To facilitate this, an electronic recording system is adopted to handle product information for each batch of products, including logistics coordination, manufacturing procedures and the types of raw material used. In addition, there are QR codes on the product packaging that contain information about the product's test results and logistics, allowing the customers and other external parties to access information on the manufacturing process in a transparent and traceable manner.

Responsible Marketing

To ensure every product label and statement contains fair, accurate and impartial information, all products and promotional materials will undergo a strict review process in alignment with the Group's branding requirements. To fully comply with local laws and regulations, all products are subjected to final approval in accordance with the requirements of distributors or local brands before market distribution. The Compliance Management System is established for Kabrita products, it outlines the roles and responsibilities of all corresponding departments along the production process, in order to build up clear and organised procedures for reviewing and approving market materials. Meanwhile, Ausnutria Australia continued to engage in the Voluntary Incidental Trace Allergen Labelling Programme. Prior to announcing "allergen-free" on the product label, all nutritional products are required to undergo a thorough and stringent allergen screening for each ingredient.

To formulate tailored marketing strategies, we do in-depth studies on product brands, locations, and consumers. In order to conduct precise marketing in the field of digitisation and intelligence, we have implemented a membership-based approach and quality tracking technologies, such as the online dynamic QR code traceability system, which can provide greater quality assurance and tracking.

Since our establishment, we have endeavored to expand the Chinese market by incorporating worldwide resources. We will adhere unequivocally to producing better products from the upstream production globally so that local customers can acquire more high-quality milk from abroad. Additionally, we continue to innovate in research and development because, whether it's basic nutrients, packaging forms, or formulations, we must continue to innovate in order to provide consumers with superior products. Moreover, we boost team building so that the team has an innovative attitude and a very strong execution ability, allowing the team as a whole to operate more efficiently.



Ausnutria is dedicated to developing and providing healthy and safe nutrition for the healthy growth and development of infants and young children worldwide. To demonstrate our dedication, we have provided a robust programme for upholding responsible labeling and marketing activities with an emphasis of correct Healthcare information. We have an internal policy “Ausnutria’s Policy for the Marketing of Infant Foods” in place, which is applicable to all marketing activities for covered products including all infant and follow-on formula products as part of Ausnutria global brands, distributed by Ausnutria or its distributors. The policy covered guidelines and instructions “Do” and “Do not” towards different operations and parties such as the General public and mothers, Label, Healthcare Systems, Healthcare Professionals and Employees.

This Policy is endorsed by the Board of Directors of Ausnutria and applied throughout the business. The content of this Policy will be explained to all employees in training within Ausnutria, its joint ventures, subsidiaries, and contracted distributors. Mandatory training will be documented by the local Human Resources Department and deviations from the Policy are subject to Board approval. For further implementation and monitoring procedures, internal audits will be performed. When activities or materials do not comply with the content of this Policy, appropriate measures will be taken. The implementation status of this Policy will be reported on a yearly basis to the Board of Directors.

For a brand to go global, it must “never forget the original aim and remember the mission” and maintain the original aim consistently. In addition to consistently improving product quality, we must also hold uptrend brand-building concepts. Our company’s brand-building places greater emphasis on the transmission of content and the innovation of communication forms. In addition to valuing our production, we also value the participation of the general public. In this approach, our brand-building and marketing will be more precise and friendly, and it will be easier to unite everyone.



Supply Chain Management

Supply chain management is of great importance to the Group's business operations and performance. The Group has established vigorous mechanisms to manage procurement procedures and regularly monitor the performance of all the Group's suppliers worldwide. To ensure a stable and reliable supply of high-quality materials and services, the management systems monitor supply chain activities and facilitate communication with suppliers on the Group's expectations for product quality.

Verifying qualification of suppliers

Suppliers of raw and packaging materials are invited to complete self-assessment questionnaires regarding compliance with applicable laws and regulations, responsible business practices, and product quality. They are required to provide documents and certifications for verification, which may include:

- Internal quality control mechanisms
- Organic certifications
- ISO 22000 Food safety management systems certification
- HACCP certification

In addition, spot checks and on-site reviews are conducted to assure the quality and safety of raw materials.

Engagement with suppliers

The Group achieves mutual understanding with its suppliers through different communication channels, such as

- Annual supplier satisfaction surveys
- Monthly meetings with suppliers on production status in the PRC
- Mutual visits between the Group's dairy operation locations and its suppliers

Timely monitoring on quality control

Regular interviews, and internal and third-party audits are conducted to monitor suppliers' performances. If non-compliance is identified, the Group will work with the suppliers to rectify the issues immediately. To enhance suppliers' performance, the Group identifies the supplier's environmental and social risks to avoid potential failure of compliance with the relevant requirements of the Group and laws and regulations.

Continuous improvement of the product development

The Group launched innovative projects to eliminate greenhouse gas emissions and energy consumption during product development. For example, the construction of the new milk processing facility in Heerenveen. The new factory will guarantee a completely gas-free manufacturing process for the production of semi-finished infant nutrition and will be 100% carbon- and nitrogen-free. In addition, the Group anticipated approximately 40% energy savings compared to a traditional drying tower.

Sustainable procurement practices

Ausnutria promotes social and environmental sustainability throughout its entire supply chain. Implementing sustainable procurement methods enables the Group to increase its efforts in promoting responsible and ethical business practices to its suppliers. During procurement decision-making processes, the Group considers social and environmental issues by incorporating relevant metrics into supplier questionnaires and audits. For example, environmental and social metrics such as energy use, water consumption, waste management, working environment, human rights, and community investment are included in the assessment.

Through procurement contracts in the PRC, the Group communicates its environmental performance expectations to suppliers. Suppliers are required to comply with applicable environmental laws and regulations and to properly handle emissions, hazardous materials, and waste throughout the stages of sourcing raw materials, manufacturing, transporting and providing services. Suppliers that do not fulfil the Group's environmental performance requirements will be terminated. In order to strengthen collaboration with all suppliers in aspects including quality, environmental protection, occupational health and safety, all suppliers signed acknowledgement letters to confirm their understanding of the Group's expectations and requirements. Annual inspections are also conducted to monitor the performance of suppliers, with those who demonstrate solid environmental governance receiving higher ratings. Similarly, Ausnutria Netherlands continues to incorporate environmental and social criteria into its procurement process in accordance with international standards such as the ISO 14001 Environmental Management System and ISO 50001 Energy Management System. The supplier's performance is monitored and evaluated based on the number of complaints received, the frequency of price changes, and the punctuality of order delivery. The quality department conducts periodic audits of suppliers on a regular basis, with an emphasis on onsite audits. The Group aims to work with its global suppliers to achieve a more sustainable supply chain while considering local characteristics.

The production of high-quality dairy products depends on stabilising the supply of milk. The Group is dedicated to sourcing high-quality milk from credible and trustworthy milk producers located in golden milk zones such as Australia and the Netherlands. The Group's associate company, Farmel Holding B.V., is the major supplier of Dutch cow milk. This structure enables the Group to actively monitor milk quality and promptly trace the source of milk in case of an accident.

To keep up with the market growth of the Kabrita goat milk series and uphold our procurement practice, Ausnutria has been collaborating closely with Dutch goat farmers for fostering industry development. The Group devotes particular focus to the treatment of farm animals, including but not limited to the feeding practices, use of medicine and living conditions. In addition to fulfilling the Group's quality standards, all goat farmers are required to receive the "KwaliGeit" certification, a quality assurance programme launched by NGZO in partnership with the Dutch Federation of Agricultural and Horticultural Organisation. The assurance programme evaluates farmers' performance against the industry practices on dairy goat farming via survey and on-site inspection, and takes into account the requirement of European hygiene regulations and other indicators such as marketing, environmental and animal care practices. Only goat farms that achieve the standard are certified in recognition of their outstanding farm management.



Ausnutria strictly requires and ensures that 100% of its goat milk farmers in the Netherland are certified by the "KwaliGeit" programme.

Additionally, the Group participated in the Dutch goat sector organisation's Sustainability Programme, a voluntary initiative to educate Dutch goat farmers about sustainable livestock farming practices. Ausnutria provides farmers with financial assistance and other support through newsletters, workshops, and farm visits. The initiative prioritises animal health and welfare, energy and the environment, and the industry's image. On top of the basic price for raw milk the goat farmer receives, Ausnutria has continued to support farmers in Year 2022 by providing a one-off allowance for the delivered raw milk based on the scores of the farmer within the Sustainability Programme. The Group has recently recorded a 100% goat farm's participation rate. The Group will continue to dedicate its efforts to promoting sustainable farming by urging participating goat farmers to recognise their achievements.



100% of Ausnutria's goat farmers participated in the Sustainability Programme by the end of 2022. The overall score of the goat farmers within the Sustainability Programme increased by nearly 12% compared to 2021.

Appropriate grazing practices promote pasture productivity and habitat diversity. Since 2017, Ausnutria has been a signatory to the Outdoor Grazing Covenant. The covenant, which was established in 2012, aims to promote outdoor grazing in the Netherlands. To this end, the Group offers a range of prices to farmers who provide grazing for their cows through its partner Farmel Dairy. As a result of industry collaboration, the level of outdoor grazing in the country has increased steadily.

Strategic Business Partnering

Safeguarding social well-being during the challenging times of the pandemic is significantly dependent on effective collaboration between different sectors. In Year 2022, the Group continued to maintain its goal of providing a better life with nutrition and health by ensuring adequate nutrition intake of the public to combat the pandemic. In response to the government's request to secure the supply of dairy products while maintaining stable quality and price, the Group collaborated with suppliers and distributors in the PRC.

Actively Serving Customers and Empowering Business Partners to Overcome Adversity Together

During the pandemic, social distancing and quarantine have become the norm. In light of this, Ausnutria continued to uphold the consumer-first service principle, and developed agile feedback for customers to feel the Group's warmth without leaving their homes. For instance, Ausnutria has established a 24-hour hotline to provide consultation and promptly address to any after-sales inquiries in the PRC. Contactless delivery services were introduced through collaboration with strategic business partners to reduce unnecessary contact and maintain social distance. During the pandemic, Ausnutria remained dedicated to listening to and meeting the needs of customers to tackle the unprecedented challenges collectively.

Acknowledging the pandemic impact on Ausnutria's business partners, substantial efforts were made to empower distributors and stores in the development of their online business platforms, marketing and services. For example, professional teams were invited to offer training and instruction on live broadcasting and design and optimise online business processes. Despite the fact that the pandemic posed a serious disturbance to society, the Group was able to maintain positive relationships with regular customers and engage with new customers.

Moreover, Ausnutria actively collaborates approved supplier based on annual review and raised Corrective Action Request. In addition, it attends and participates in the introduction of new technology and products by sharing market insights and offering feedback on new technology and products. Attending seminars and conferences hosted by the suppliers allows the Group to better understand the supplier's future direction and to encourage the implementation of new technology or product development in an effort to increase the supplier's competitive advantage among peers.

The Group also takes proactive steps to work with suppliers to share knowledge about the market trend and customer preference. In order to adhere to the market trend of green procurement, it collaborates with packaging material suppliers to promote packaging innovations, such as optimising the specifications of cartons to conserve raw paper materials. Ausnutria is also actively engaging with its ingredient suppliers to keep sourcing more high-end ingredients for existing formula.

Driving the Establishment of Hunan Special Food Association in China



2022 Hunan Province Special Medical Purpose Formula Food Operation and Use Seminar



The Group's chairman, Mr. Yan Weibin, at the meeting

In Year 2022, the Hunan Province Special Medical Purpose Formula Food Operation and Use Seminar was held at Ausnutria Global Headquarters. Representatives from government departments, medical institutions and enterprises gathered together to conduct in-depth discussions on the development status of the special medical food industry in Hunan Province, focusing on the following steps to further improve industry management standards and discuss strategies for industrial development.

In view of the current situation of the development of the special food industry in Hunan Province and the challenges faced by the industry during the development process, Ausnutria initiated the establishment of the "Hunan Special Food Association" under the guidance of the Special Food Department of the Administration for Market Regulation of Hunan Province. The association comprises food production enterprises, drug retail operation enterprises and medical institutions, aiming to obtain the consensus of all parties to jointly promote the strong development of the special food industry in Hunan Province.

Engagement with distributors

The Group's distributors facilitate in bringing Ausnutria's products to the market, allowing the Group to support and engage with its end users. Ausnutria sustains its efforts to offer training programmes for distributors in the PRC to strengthen their management skills and expertise. In addition, the Group has organised joint business planning meetings with its key distributors to review and evaluate the Group's sustainable business model and sales strategy.



Ausnutria is committed to long-term sustainable development.

Ausnutria's involvement at industrial expositions enables it to keep a close relationship with its business partners. For the fifth consecutive year, the Group participated in the China International Import Expo to provide distributors with practical knowledge and awareness of the Group's dairy and nutrition solutions in 2022. This year, the stand of Ausnutria was made up of green and recyclable materials, which help promote its sustainability efforts to visitors. The Expo was a valuable opportunity for the Group to expand its network, establish industry collaboration, and promote its top-notch dairy products globally.



Ausnutria's on-site booth in the 5th China International Import Expo.