



Health and Happiness (H&H) International Holdings Limited

健合 (H&H) 國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

(Stock Code 股份代號: 1112)

## 2017 Sustainability Report



# About this report

*This Report covers the Health and Happiness (H&H) International Holdings Limited (“H&H Group” or the “Group”), an entity incorporated in the Cayman Islands with limited liability. Globally headquartered in Hong Kong, the Group has been listed on the Hong Kong Stock Exchange since 2010.*

H&H Group is a global premium family nutrition and wellness provider. The company’s family of products includes premium probiotic supplements for children, infant formulas, dried baby food products and baby care products under the brand names Biostime, Dodie, and Healthy Times. It also owns a 100% equity interest in Swisse, which is a leading provider of vitamins, herbal and mineral supplements products in Australia.

## Reporting Content and Period

This Report provides a comprehensive overview of H&H Group’s newly developed vision, strategic approach and performance in the environmental, social and governance areas relevant to our stakeholders. Reporting on other matters specific to financial performance of the subsidiaries can be found in our [2017 Annual Report](#), which was released in March 2018.

The content of this Report covers H&H Group’s global operations, including its four key brands: Biostime, Swisse, Healthy Times, Dodie and associated manufacturing, warehouse and distribution facilities, corporate and sales offices, fully owned service providers such as media and communications agency Noisy Beast, as well as related joint venture partnerships where they are material.

It covers the period from January 1, 2017 to December 31, 2017. The data presented in the Report is for the calendar year period to December 31, 2017 unless otherwise stated.

The reporting structure is aligned to the findings of our assessment of material sustainability issues, involving extensive engagement with internal and external stakeholders between February and April 2018. The process identified 22 issues that were the most important to our stakeholder group, referred to as “material topics” throughout the report.

The content is organised to report our respective performance against our six strategic pillars of People, Heritage, Innovation, Quality, Wellness and Global Citizenship.

See the chapter Sustainability at H&H for more information on our process and boundaries for each material topic.



## Reporting Cycle & Most Recent Report

The H&H Group has reported annually on its non-financial performance since 2016. This is our second Group-wide report. Since the launch of our inaugural report last year, we have adjusted the issues we report on to reflect further engagement with internal and external stakeholders. Please see the appendix for 2016 material topics and see page 17 for a full list of our material topics and methodology.

## Compliance requirements

This Report has been prepared in accordance with the GRI Standards: Core option’ and the Appendix 27 Environmental, Social and Governance Reporting Guide (the “Guide”) of the Main Board Listing Rules of the Hong Kong Stock Exchange (HKEx).

Please refer to [GRI Disclosure Index](#) for a complete listing of our GRI disclosures included in this Report. The GRI has not verified the contents of this Report, nor does it take a position on the reliability of information reported herein. For further information about the GRI, please visit: [www.globalreporting.org](http://www.globalreporting.org).

The Group sought external professional advice on materiality assessment, stakeholder engagement, and report content and format but has not arranged for external assurance for this first edition under the new, re-structured format. It is the Group’s ambition to seek external assurance for future reports to increase transparency and provide additional credibility to our disclosures.

We are still bringing together the brands’ and region’s data capture methods and are moving towards having consistent data. We are also early in the process of developing standard management approaches to our material topics and will look to develop evaluation methods to these management approaches as they come to light.

## Get in Touch

We are happy to talk about the contents of this Report and the Health & Happiness journey to more sustainable business practice. Please reach out to our Group Sustainability and Community Engagement Partner:

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# Contents

<b>INTRODUCTION</b>	<b>1</b>	<b>PEOPLE</b>	<b>22</b>	<b>QUALITY</b>	<b>39</b>
About this report	1	Why it matters	23	Why it matters	40
A message from our CEO	3	How we approach it	23	How we approach it	40
H&H Group milestones	4	Performance in 2017	24	Performance in 2017	40
Highlights	5	Thrive case study	30	Safeguarding Antarctic Krill	46
<b>OUR BUSINESS</b>	<b>6</b>	<b>HERITAGE</b>	<b>31</b>	<b>WELLNESS</b>	<b>47</b>
The H&H Group in 2017	7	Why it matters	32	Why it matters	48
One big team	8	How we approach it	32	How we approach it	48
Our value chain in a nutshell	9	Performance in 2017	32	Performance in 2017	48
Meet our brand families and products	10			Angels on tour in rural China	49
The bigger context of what we stand for	12	<b>INNOVATION</b>	<b>34</b>		
<b>SUSTAINABILITY AT H&amp;H</b>	<b>13</b>	Why it matters	35	<b>GLOBAL CITIZENSHIP</b>	<b>50</b>
What We Consider “Sustainable Business”	14	How we approach it	35	Why it matters	51
Our ear to the ground: Stakeholder Engagement	15	Performance in 2017	36	How we approach it	51
Embarking on our journey	16	Isigny Sainte Mer	37	Performance in 2017	53
Material sustainability topics	17	Isigny Sainte Mer	38	International day of forests	57
H&H Six Pillars	19			<b>APPENDIX</b>	<b>58</b>
Sustainability strategy	20			Disclosure index	60
Sustainability governance	21				

# A message from our CEO

On behalf of the H&H Group, I am delighted to present our Sustainability Report for the year ended 31 December 2017. This publication, and more importantly the work and commitments that sit behind it, represents our first complete sustainability review with all brands across all current territories of operation.

We have always been a people business focused on enhancing wellbeing whilst conducting our work in a principled manner, but we are just beginning our formal sustainability journey. It is an ideal moment for us to do this with 2017 being the time the Group commenced its full integration. We do this united by our mission to make people healthier and happier, and we cannot achieve our purpose if we do not care for the community, the environment, our shareholders, customers and partners.

With this report and strategy development we are striving to go beyond our existing requirements to anticipate future policy environments and understand our global market where consumers not only want to buy from brands who are good corporate citizens but ones that contribute positively to society. At H&H Group, we believe that global citizenship and our commitment to quality – two of our foundation pillars for the business – sit strongly behind our PPA model of 'Premium, Proven and Aspirational' in all that we do.

The process of reporting and collating data across all of our brands and territories has allowed us to reflect on how we have evolved as a company and how we can do better. This report demonstrates our commitment to operating at a sustainable level and provided the vision for the business we want to be.

You will read in this report of our emphasis on reducing our footprint on the planet, honoring human rights and fairness, and enhancing the story of good health.

We cannot deliver innovation and products without the natural resources we rely on every day so we are looking to further protect and enhance these ecosystems. We are proud to announce that we have offset our Scope 1 and 2 carbon emissions; the first step to reducing our environmental footprint for future generations.

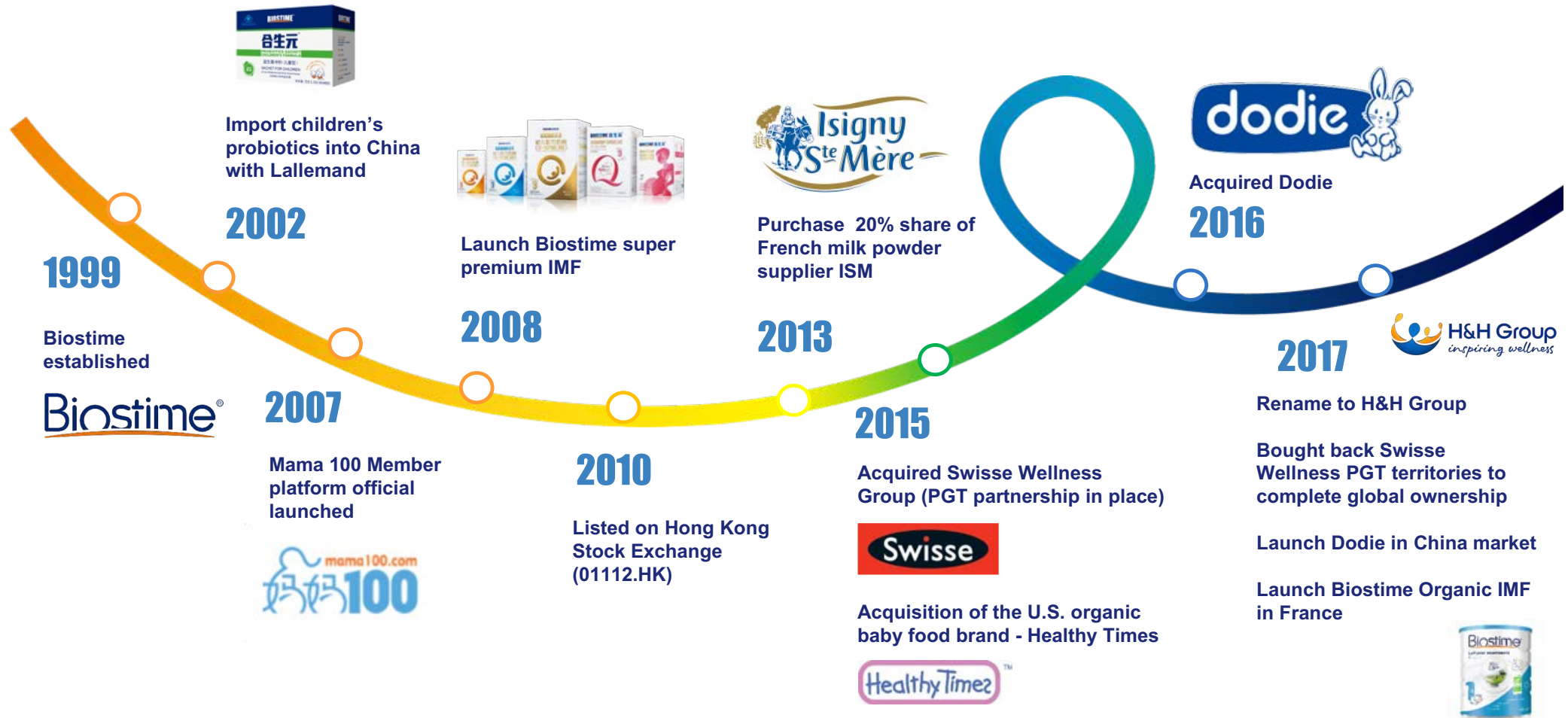
Please consider this review in conjunction with our 2017 Annual Financial Report (released March 2018) as we cannot achieve our results without an alignment on sustainable growth. We ask for your support as we go about our sustainability program and welcome feedback and involvement from all our stakeholders. We are proud to be making this step in support of the future.



A handwritten signature in black ink, appearing to be 'Fei Luo'.

CEO  
Fei Luo

# H&H group milestones



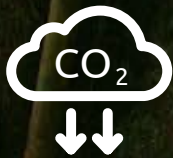
# Sustainability Report 2017 HIGHLIGHTS



**\$15.4 million USD in R&D**



**\$771,805 USD**  
in community grants



**We have offset all  
scope 1 & 2 emissions**



**24%** revenue  
growth



Swisse Wellness - The Australian  
Business Awards – Employer of  
Choice Winner 2017

Biostime named Best Employer  
2017 by Dajie.com & Zhaopin.com

## 3 Areas of Focus



**1 THE STORY OF  
GOOD HEALTH**



**2 OUR FOOTPRINT  
ON THE PLANET**



**3 HONOURING HUMAN  
RIGHTS & FAIRNESS**

# OUR BUSINESS



# The H&H Group in 2017

In 2017 we accelerated the ongoing integration of our four aspirational brands, Biostime, Swisse, Healthy Times and Dodie by bringing all businesses together under a Group name that reflects our new corporate mission, vision and positioning as an all-round premium nutrition and wellness provider. We chose the name "Health & Happiness" because we have a fundamental belief that the way we live our lives, and the choices we make, directly impact the joy we experience. We intend to inspire wellness in all that we do.



We delivered strong financial results for our shareholders, with revenue increasing by 24.4%\* and gross profit up by 29.7% compared to the previous year and our brands continued to grow internationally. We have established positions in more than 12 countries in Asia-Pacific, Europe, North America, and Oceania with 2,661 employees working across 95 offices.

As businesses with long-standing traditions, our brands are well-established in their respective home markets. In China we are amongst the leaders in premium baby care and nutrition (BCN) with a stable overall market share of 5.5%\*\* whilst experiencing robust growth of both the infant milk formula (IMF) products and probiotics supplements. Swisse continued to retain its leading position in the Australian vitamin, herbal and mineral supplements (VHMS) market, with a 16.1%\*\* market share in 2017.

Our business has grown considerably in people, products and profits over the course of 2017 and completed an integration milestone when we took over the remaining minority share of Swisse and distribution rights across Europe. 2018 will see us further extend our business into other countries, launch a wide range of innovative products and deploy more innovative marketing initiatives to expand consumer awareness and drive further growth. We will also build on existing, and develop new, strategic partnerships that will support the further development of our online and offline businesses.

## ANC


Adult Nutrition Care


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## BNC

Baby Nutrition Care




## Biostime






**2,661**  
employees



**90+ offices in**  
**11 countries**



**USD \$1,263**  
**million**  
**revenue<sup>†</sup>**



**USD \$188**  
**million**  
**net profit<sup>†</sup>**

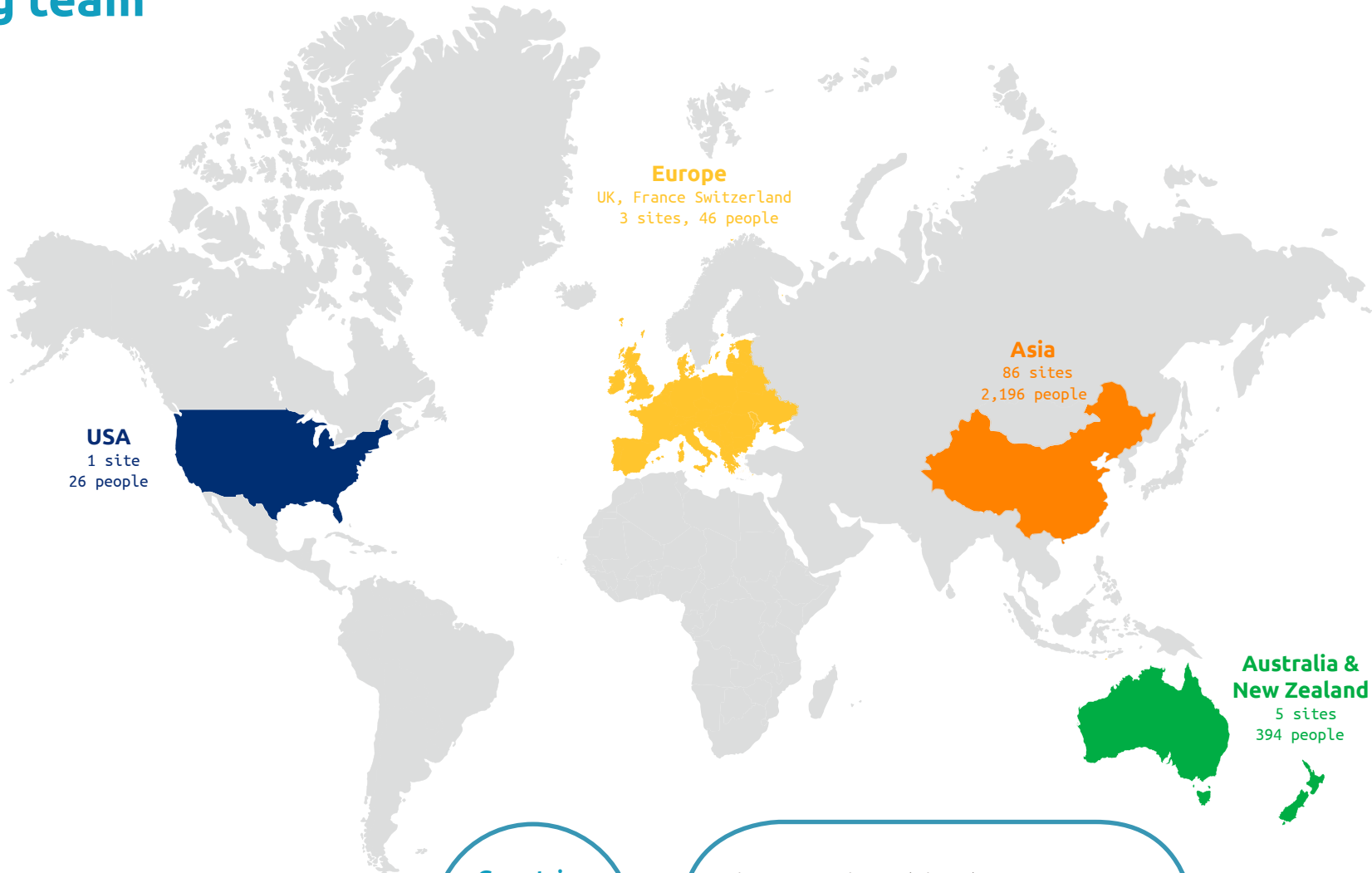
\* Earnings as "EBITDA", referring to earnings before interest, income tax expense, depreciation and amortization.

\*\* According to independent market research commissioned in the respective countries.

† Converted from CNY 8,095,300,000 (Revenue) and 1,208,400,000 (Profit) as at 1 June 2018.



# One big team

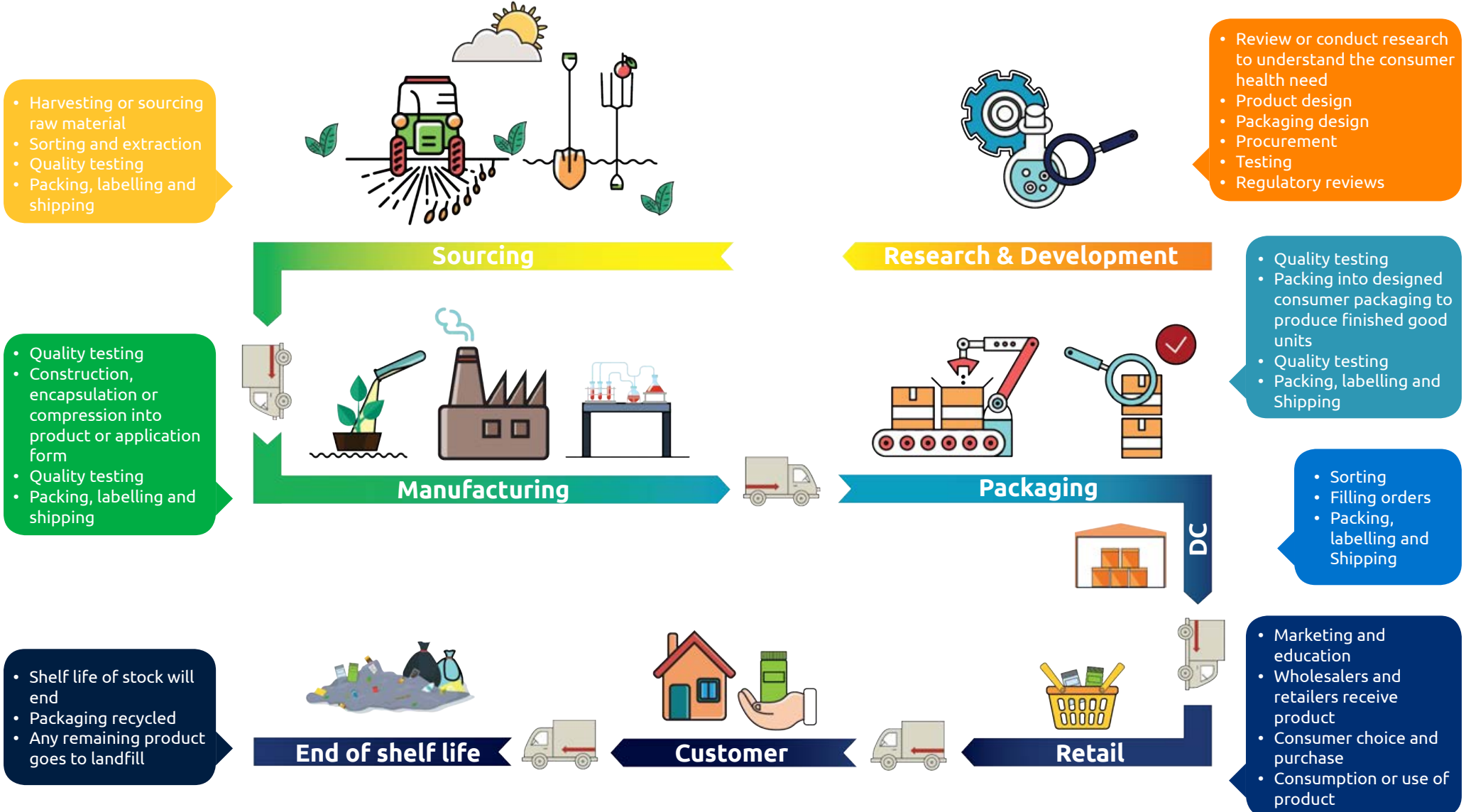


**Countries in which we are actively selling**

China, Hongkong (China) , Singapore, Zealand, Australia, Netherlands, Italy, United Kingdom, United States of America, Belgium, Morocco, France.

# Our value chain in a nutshell

We have started to invest a lot of energy into making our activities more sustainable over the next few years. The plan is to consider the entire value chain and don't spare a single area of business – from raw materials all the way to disposal – starting by setting up a comprehensive supply chain reporting platform. Our environment and communities are impacted throughout our value chain.



# Meet our brand families and products

As global leader in advanced baby nutrition and care and premium quality vitamins and supplements, we are united by our mission to make people healthier and thus happier. Our four successful brands develop, produce, and distribute over 500 products across various categories.


Biostime, Healthy Times and Dodie provide trusted baby nutrition and care to families in China, the United States, and Europe across their ranges of traditional and organic infant formulas, meals and snacks, bottles and teats and care products.

Our adult wellness brand Swisse product range stretches from top selling men's and women's multivitamins and dietary supplements, to sports nutrition, skincare and functional foods. Swisse products are currently available in Australia, New Zealand, United States of America, China, Singapore, the UK, Italy and the Netherlands shipped worldwide through our online shop.

In 2017 we launched 75 new products, and invested \$15.4 million USD in research and development (R&D) across the Group.

  
**528**  
Products over  
**4**  
Brands

  
**Actively**  
selling into  
**12 markets**

  
**Over 4.2**  
million  
Followers on  
Social Media

  
**6**  
Partnerships  
with R&D  
Facilities



# BNC

Baby Nutrition Care



# The bigger context of what we stand for

We have a fundamental belief that the way we live our lives, and the choices we make, directly impact the joy we experience. We intend to inspire wellness in all that we do.

We are mindful of our responsibilities as a leading multi-national company, and seek the input of global thought leaders. We share our journey with sector peers, industry associations and advocacy groups.

## Memberships and Associations



# SUSTAINABILITY AT H&H



# What we consider “sustainable business”

*Sustainability makes business sense, sustainable products achieved better growth.*  
<http://www.nielsen.com/us/en/press-room/2015/consumer-goods-brands-that-demonstrate-commitment-to-sustainability-outperform.html>

Our sustainability approach is aligned to H&H’s mission to make the world happier and healthier: how can we make people happier and healthier if we do not consider the way our products are produced and consumed?

We realized that as an organization, are at an inflexion point where greater scrutiny, greater risks and greater opportunities collide. It is an excellent time to invest in improvements to social responsibility performance and practices.

Until recently, setting our sustainability priorities has largely been a gut-feel exercise, relying on individuals in the business to highlight opportunities that we think will be impactful. Our business has grown considerably in people, products and profits over the course of 2017 and completed an integration milestone when we took over the remaining minority share of Swisse and distribution rights across Europe.

In light of the ongoing integration of our brands following recent acquisitions, we are re-establishing our sustainability goals as an integrated company. We are progressing a three-year strategy for sustainability leadership and governance, aligned to our Group Purpose.

Our high-level internal gap analysis pointed towards a very good understanding of the direct economic impact of our four brands, but limited knowledge on indirect economic (e.g. economic benefits of our supply chain), environmental, and social impacts. We also identified the opportunity to have a more targeted impact and collaborate with like-minded partners by aligning our goals with international sustainability frameworks such as the UN Global Compact and the Sustainable Development Goals.

The work on our inaugural sustainability report in 2016 started a more structured process that resulted in formalised board and senior management responsibilities and the development of an overarching sustainability vision, goals and strategic commitments for 2018. We have created a Group-wide reporting framework and online data management platform to start measuring our progress against our ambition.

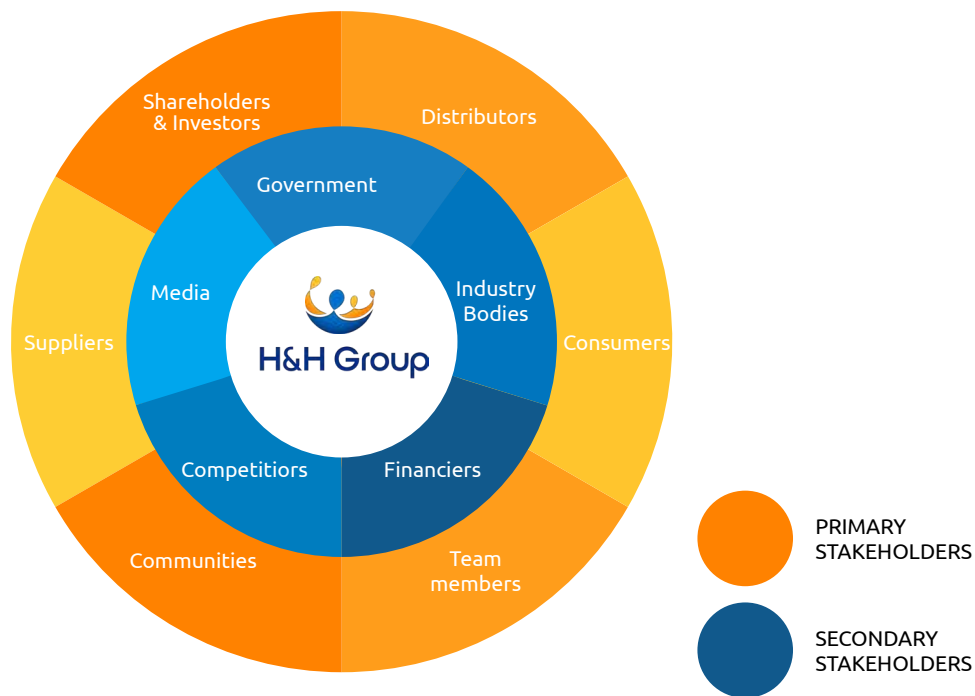
We recognise this is a journey and one which we have just begun. We consider it a business improvement process - by reviewing our governance and management structures and processes we aim to become a more efficient business operation in the next three years, whilst making a positive impact on those around us.



# Our ear to the ground: Stakeholder engagement

Regular, open and transparent communication with our stakeholders is essential to sustaining responsible growth and progress across the Group. At a group-level we take a strategic approach but try to provide as much access to the minds behind the business as possible.

Our brands engage with their stakeholders throughout the year via a number of different channels and frequencies depending on their needs.



Stakeholder	How we engage	Frequency
Shareholders and Investors	Annual Reports, General Meetings and Interim Reports, Board Meetings, Investors' Meetings	Ongoing, Quarterly
Consumers	Social Media (Facebook, Instagram, LinkedIn, Twitter, WeChat) Blog Posts Customer Feedback through Customer Service eDM Our Website Events Sponsorships In Stores (Retailers) Online Sales Platforms Advertising Communications	Ongoing, Daily
Distributors and Retailers	Store Visits Educational Events	Ongoing, Daily
Team Members	Internal Platform - Yammer H+H News Swisse Scoop Updates H&H Huddles Performance Reviews Structured and Informal Meetings	Ongoing, Daily
Suppliers	Meetings Site Visits Verbal and Email Communications	Ongoing, Daily
Financiers	Website HKEx Announcements (Broader H&H Group) Meetings	Ongoing, Quarterly
Communities	Social Media (Facebook, Instagram, LinkedIn, Twitter) Community Events or Sponsored Events Our Website In Store Activations	Ongoing, Daily
Government and Regulators	Briefings Policy Round Tables Events Reports Innovation Notifications	Ongoing, Monthly
Competitors	Industry Development and Policy Meetings	As needed
Media	Press Releases Ingredient/Site Tours Media/Trade Events	As Needed Ad hoc Quarterly
Industry Bodies	Meetings Topic Focused Events	Monthly Ad hoc

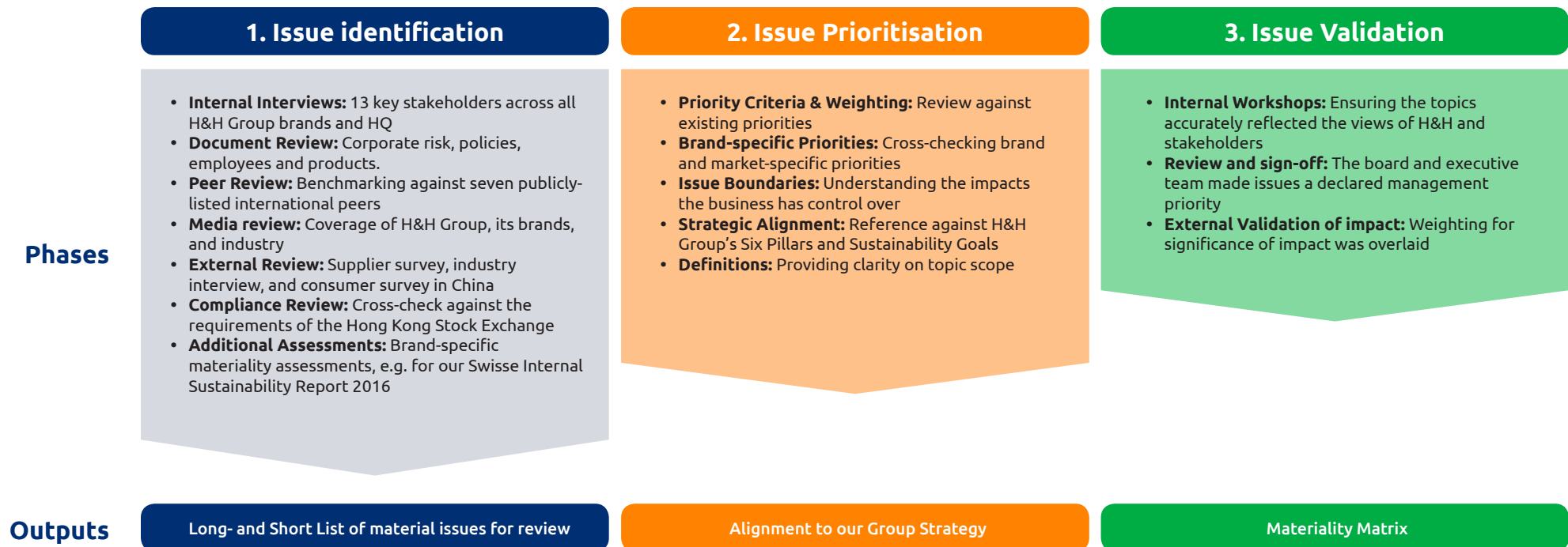


# Embarking on our journey

## Identifying and prioritising our material issues

As the first step on our journey, we conducted a materiality assessment to identify and prioritise environmental, social and governance (ESG) issues that are relevant and specific to our business. The results have informed the content and focus of our sustainability report and driven the development of H&H Group's Sustainability Strategy. Our materiality assessment was undertaken in line with the HKEX Appendix 27 Environmental, Social and Governance Reporting Guide reporting principles and guided by the GRI Standards' principles for defining report content (including stakeholder inclusiveness, sustainability context, materiality and completeness). Between January and April 2018 we interviewed internal and external stakeholders and identified a final set of 22 material topics in three phases: Identification, Prioritisation and Validation of Issues.

In light of the ongoing integration of our brands following acquisitions in recent years, we are at the beginning of our sustainability journey. The Board has given us direction through a vision which is aligned to our Group's Purpose, and identified goals to effect the biggest positive impact. It will be our common positive challenge over the next three years shared by our passion to reduce our footprint and expand our positive impact.



# Material sustainability topics

This exercise delivered 22 individual sustainability topics our stakeholders care about, building the basis for our sustainability performance management framework for the next three years.

It delivered the following insights:

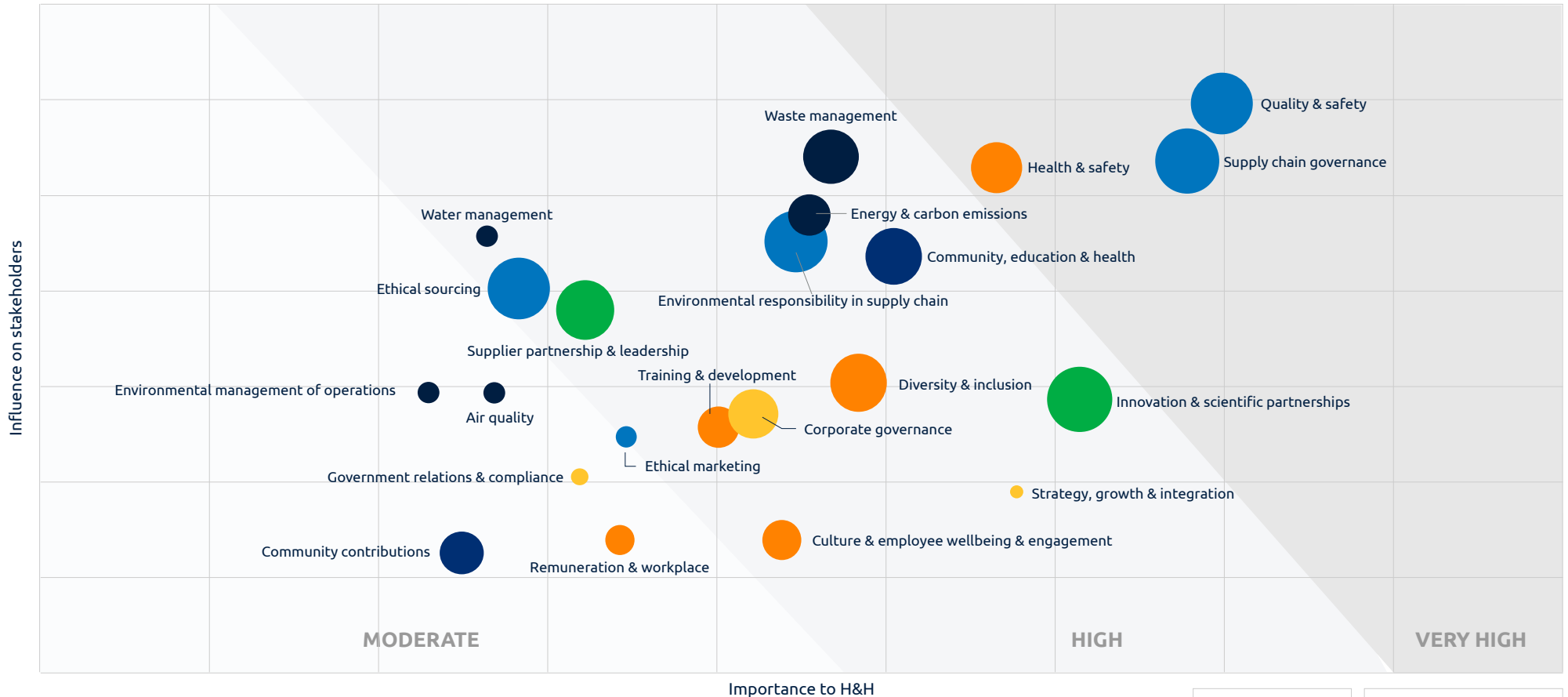


These topics represent both opportunities and risks to the achievement of our business goals and are presented against the Group's six strategic pillars of Quality, Innovation, People, Wellness, Heritage, and Global Citizenship.



# Material topics

## H&H Material Topics



**Pillars**

- Heritage (Yellow)
- Innovation (Green)
- Quality (Blue)
- People (Orange)
- Wellness (Dark Blue)
- Global Citizen (Black)

**Significance of impact**

Small bubble → Large bubble

# Material topics

Our foundation pillars are the principles behind what we do, why we do it and how we go about our business. They unite us around our mission and anchor us as we grow and move forward. As such, we have aligned our material topics to truly help us operate as One Big Team. Together we create something much stronger and more powerful – a Group that provides for a lifetime of wellness rather than just catering to one particular community.

## H&H Six Pillars



### PEOPLE

- Health & safety
- Diversity & inclusion
- Training & development
- Wellbeing, culture and engagement
- Remuneration & workplace



### HERITAGE

- Strategy, growth and integration (including sustainability leadership)
- Government relations and compliance
- Corporate governance



### INNOVATION

- Innovation & scientific partnerships
- Supplier partnership & leadership



### QUALITY

- Supply chain governance
- Quality & safety
- Ethical marketing
- Environmental responsibility in supply chain
- Ethical sourcing



### WELLNESS

- Community education & health
- Community contributions



### GLOBAL CITIZEN

- Energy and emissions
- Waste management & packaging
- Water management
- Air quality
- Environmental management of operations

# SUSTAINABILITY VISION

Making people healthier and happier, requires us to consider the relationship between products, business performance and the planet. We want to make a positive impact on society, community, and the environment through our global value chain and footprint.



People



Heritage



Innovation



Quality



Wellness



Global  
Citizenship

# SUSTAINABILITY GOALS

## 1 THE STORY OF GOOD HEALTH

We advocate & educate to share the benefits of a healthy lifestyle, spread wellness, and team up with like-minded partners



We invest in activities that help people to live healthy lives and promote wellbeing for all ages through the pillars of mind, nutrition, and movement.

We create products that contribute to the health and wellbeing of consumers worldwide.

We build a healthier and happier world, by cooperating with partners and suppliers that share our values regarding people and sustainability.



## 2 OUR FOOTPRINT ON THE PLANET

We use resources efficiently and act on climate change to preserve our environment for future generations.



We aim to achieve economic growth whilst engaging in sustainable procurement practice and protecting the ecosystems on which we rely for raw ingredients.

We provide consumers with information through standards and labels to ensure traceability and transparency.

We will use resources more efficiently, be mindful of our carbon footprint and make conscious decisions to reduce and offset our emissions.



## 3 HONOURING HUMAN RIGHTS AND FAIRNESS

We protect human rights as the foundation of health and happiness



We will work to ensure that individuals touched by our business are granted basic rights and fundamental freedoms to which all humans are entitled to.

We will respect and enhance human life in our workplaces.

We will put in place formal and informal structures to reduce inequalities and eliminate discrimination.



# COMMITMENTS



**By end of 2018**  
we will have 100% of new contract manufacturers sign the Code of Conduct



**By end of 2018**  
we will offset 100% of our scope 1 and 2 emissions



**By end of 2019**  
we will produce three products with ingredients sourced from waste streams



**By end of 2019**  
we will complete a review of all product packaging



**By end of 2019**  
we will have 2% more females at an executive level



**By end of 2020**  
we will have raised and invested 500,000USD into the H&H Group Foundation



**By end of 2020**  
we will reach 1 million people with health initiatives through the H&H Group Foundation



**By end of 2020**  
we will innovate 5 new products that contribute to combatting the big preventable health challenges we face



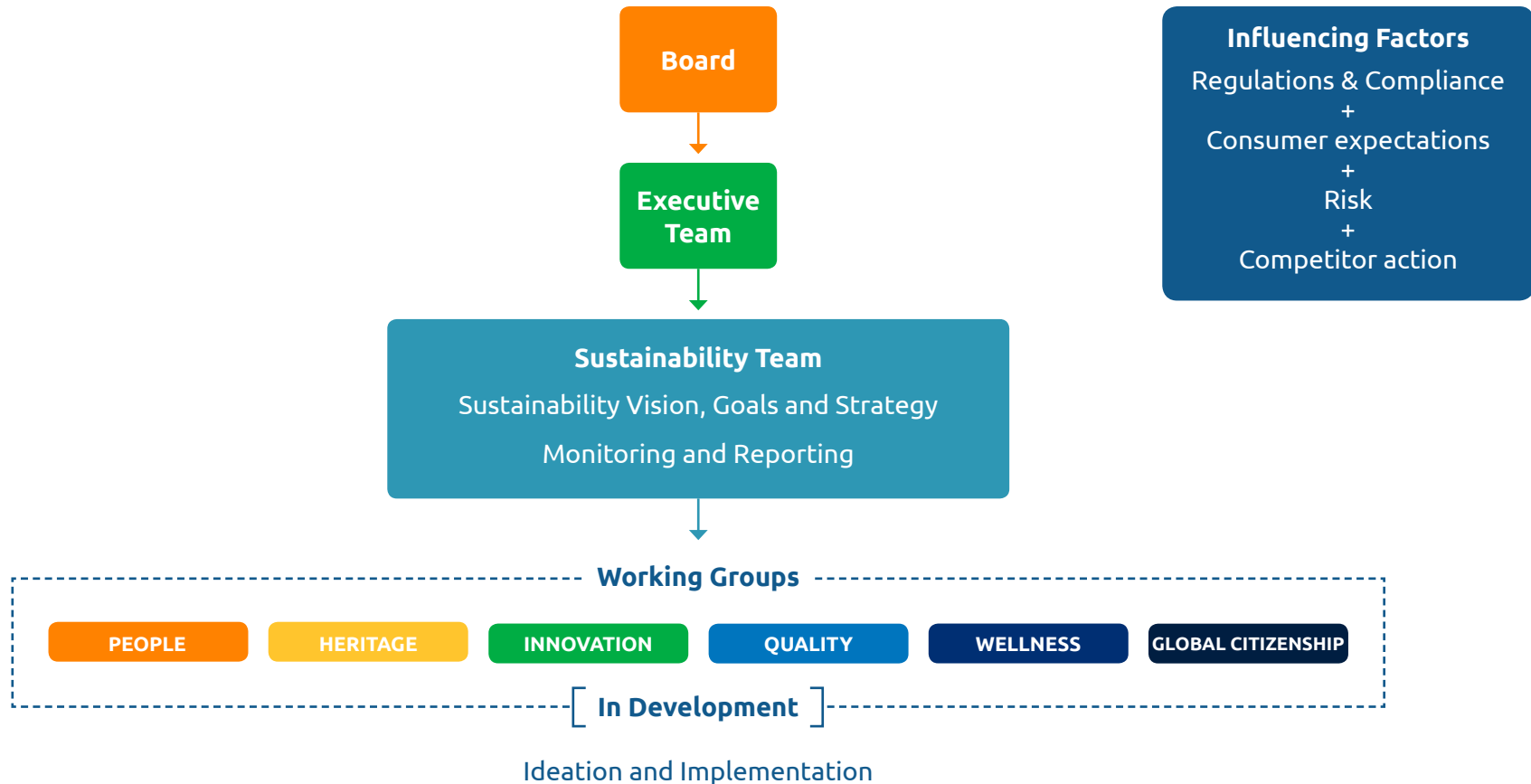
**By end of 2020**  
we will reduce our waste by 20%



**By end of 2025**  
we will achieve BCorp Certification

# Sustainability governance

2017 has seen a step change in our approach to sustainable business performance. In the wake of the ongoing process to integrate our four global infant and adult nutrition and care brands under the H&H Group umbrella, we have initiated a restructure of our sustainability governance across all levels. The realisation will take us well into 2018 and we are looking forward to being able to report on the progress over the course of this year. Our board has overall responsibility for the Group's ESG strategy and reporting. They have recognised the importance of sustainability governance and committed to having an update at every board meeting.



# PEOPLE



Our people and our passion are the reason we prosper. Our culture is the single most important part of our business for very simple reasons. We inspire each other and share knowledge and ideas.

We are a diverse and truly global team, but we are all part of one team. We protect our culture regardless of where we work or who we work alongside. We value each other's expertise and seek to better collaborate with each other. We help each other flourish, live well, and never forget life is precious and should be celebrated every day.

## Material topics covered in this chapter

- Health & safety
- Diversity & inclusion
- Training & development
- Wellbeing, culture & engagement
- Remuneration & workplace

## Commitments

- **By end of 2019**, we will establish a job evaluation system to support the implementation of a banding structure
- **By end of 2019**, we will have consistent OH&S management systems across all regions
- **By end of 2019**, we will roll out the employee handbook across all regions and teams globally
- **By end of 2019**, we will have 2% more females at an executive level
- **By end of 2020**, we will set targets for a reduction in the total recordable rate of accidents
- **By end of 2020**, 100% of our workforce will have access to internal health and wellbeing initiatives

## Why it matters

We are a truly global team with diverse backgrounds unified by our passion to make people around the world healthier and happier. Our people and our passion are the reason we prosper. It is therefore important that we actively ensure our team members are engaged and look after their wellbeing. Our mission begins by ensuring a healthy and safe working environment for all our team members. We are committed to ensuring safe and secure spaces and operations for team members, visitors, contractors and any third parties who interact with our business.

As our business grows, our people and the communities in which we operate are also becoming more diverse. We understand that accepting and embracing the unique individuals behind our Group enhances the potential of our business and also promotes social cohesion in our local communities.

In order to protect one of our greatest assets - our people - we need to value each team member's expertise and lifestyle through attractive remuneration and a workplace that provides the flexibility to work around unique life circumstances.

## How we approach it

### *Overarching frameworks*

The Swisse Code of Conduct and the Biostime Employee Handbook outlines our values and corresponding behaviours that keep us focused, help us stay true to our mission, and enable us to continue growing our high performing business. Each team member for the corresponding brand is required to read, sign and conduct themselves in line with these policies. These documents include recruitment, labor relations and contracts, working hours, wages, health and safety, regulatory requirements, training and development and much more.

In the process of collating this report we have recognised that whilst our values and expectations are formed and communicated across different territories, a formalised approach that is Group-wide is required to ensure clarity and consistency on how we manage and look after our people. This is one of our commitments for 2018.

### *Work health & safety*

While our approach to health and safety varies to reflect the nature and location of our operations, we are uncompromising on seven key elements;

1. Hazard management
2. Definitions of responsibilities and authority
3. Incident management
4. Contractor management
5. Emergency response
6. Return to work procedures
7. How we induct new team members to our workplaces

Swisse has formalised policies for each of these elements. Risks and incidents are recorded and tracked in registers. Our team members are responsible for logging these issues as they occur in the workplace.

A team member at each of our sites has designated responsibility for managing identified risks and communicating with management on site-specific challenges raised in the registers.

Larger sites of more than 100 employees and contractors have a committee to drive training and implementation of health and safety improvements.

While we conduct supplier site audits and inspections on a regular basis, the assessments don't include health and safety as standard practice. An informal assessment of the working conditions of a potential supplier this year led to their elimination as a candidate due to poor practices. Going forward, we will develop a Group management approach to supplier health and safety audit and engagement. In 2018 we will work with our partners to understand their existing requirements and formalise our baseline expectations.

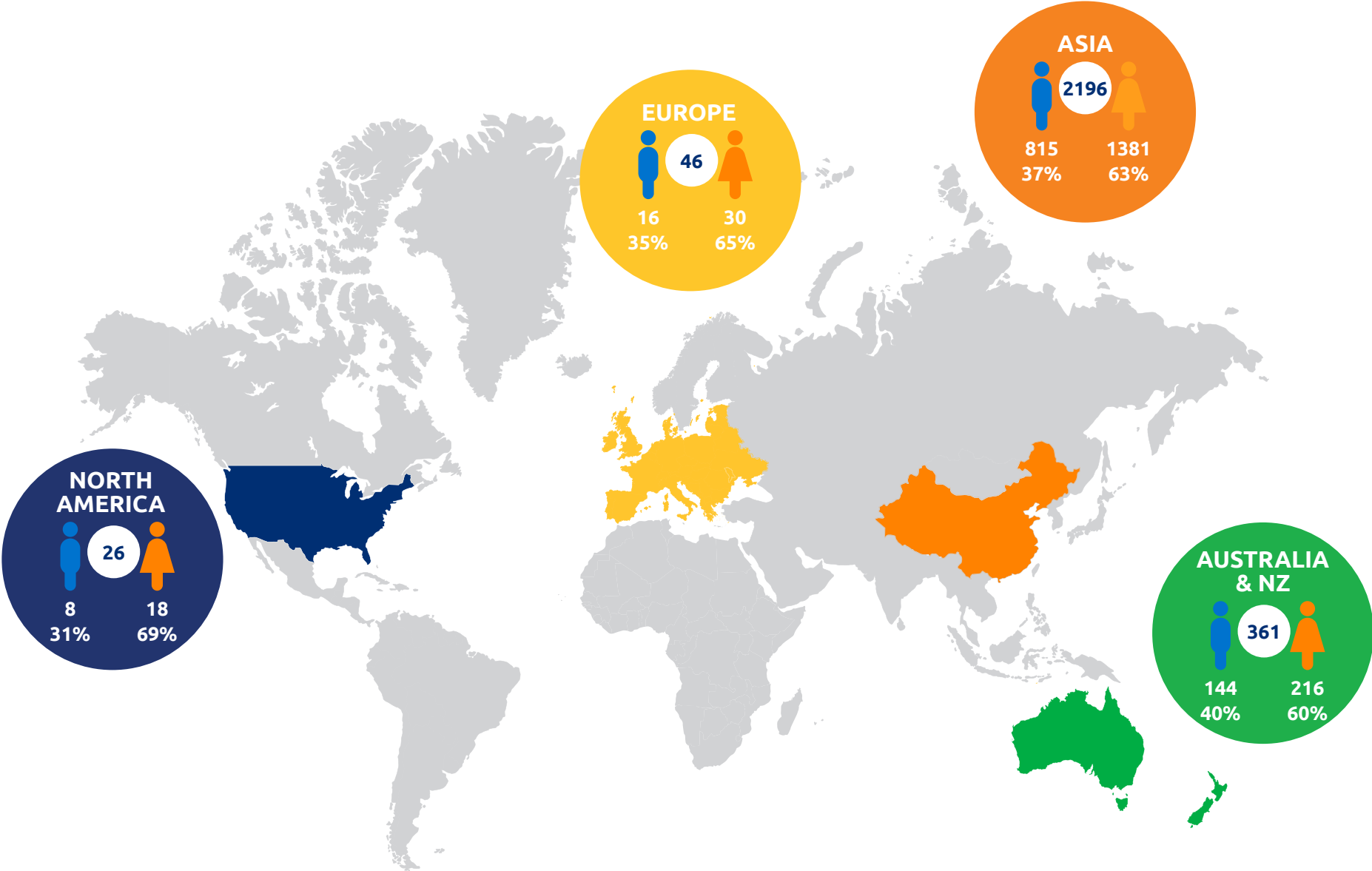
**0** There were no workplace fatalities across our Group this year.

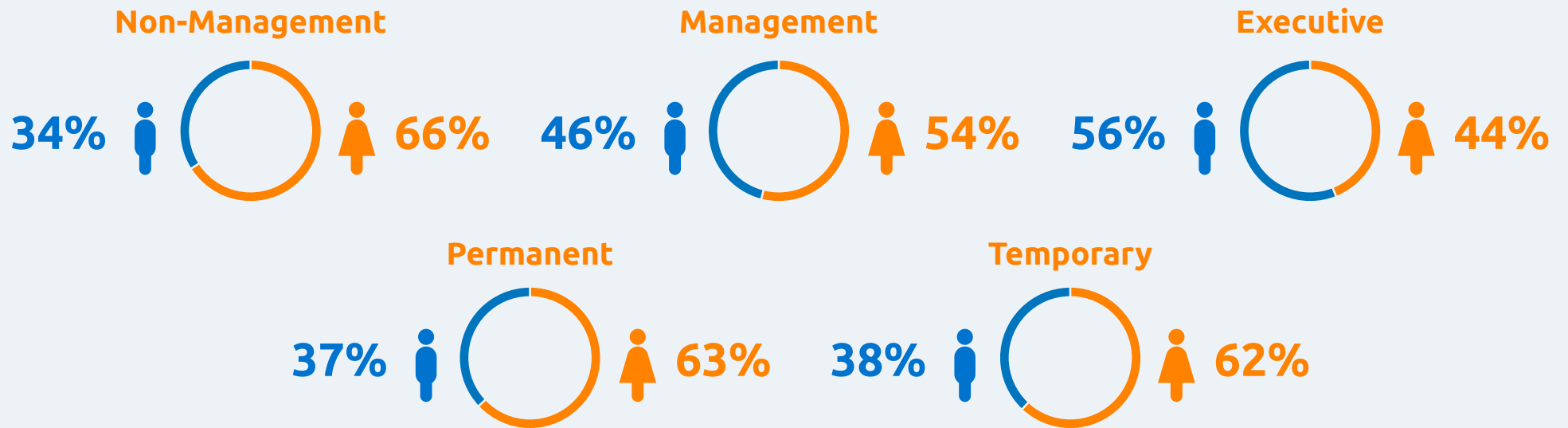
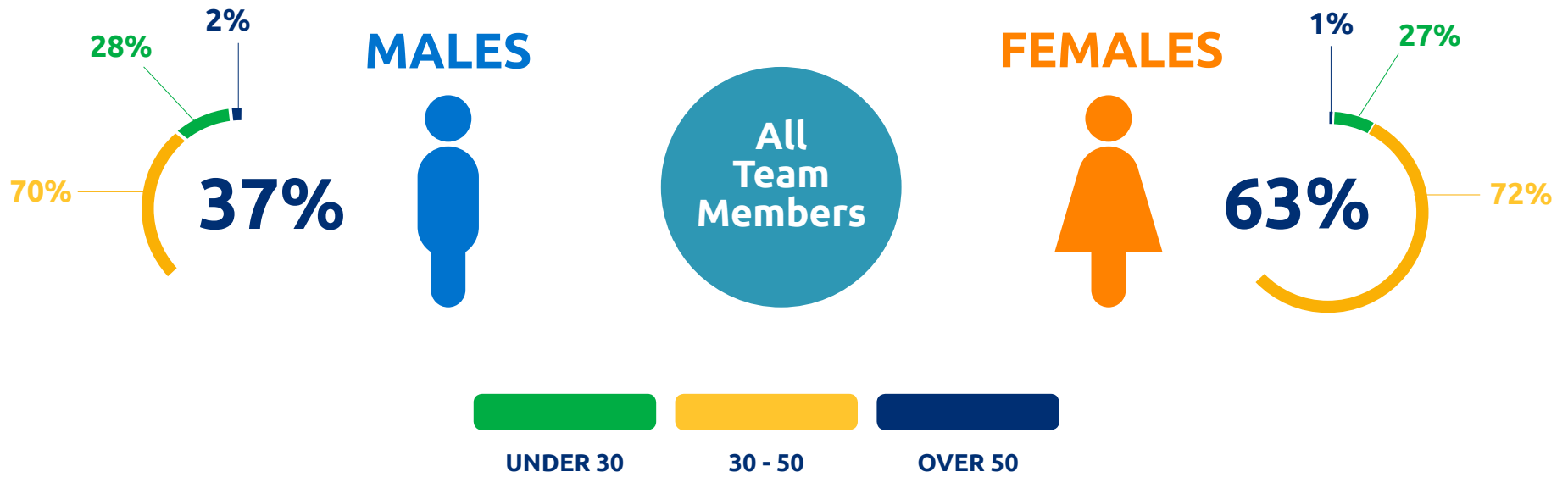
Across the Group there have been 52 work-related injuries. Biostime injuries resulted in 366 lost days which equates to one injury per week.

We are proud to say that across the Group we have had no incidents of non-compliance with relevant laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards.



# Performance 2017





# Culture and employee wellbeing

Our Group values were launched in 2017, with training and information provided to all employees to understand how we can better work as a team and come together to inspire wellness. The ambition of our team is to impact our own health and happiness, and then that of our communities and the world around us.

VALUES				
POWER OUR PASSION	LET'S BE BRAVE	ONE BIG TEAM	I TRUST YOU	CELEBRATE LIFE EVERY DAY
<b>BEHAVIOURS</b>				
<b>We are...</b> Dedicated Proactive	<b>We are...</b> Thinking Big and Different Courageous	<b>We are...</b> Collaborative Open	<b>We are...</b> Committed Empowering	<b>We are...</b> Positive Healthy and Happy
<b>And this is how we do it..</b>	<b>And this is how we do it..</b>	<b>And this is how we do it..</b>	<b>And this is how we do it..</b>	<b>And this is how we do it..</b>
We go above & beyond because we love what we do	We try new things and seek new possibilities	We work together towards a shared purpose	We speak our minds and respect others doing so	We greet life and others with a smile
We care about our team, products, brands & customers	We are accountable for our actions and behaviours	We welcome different views and opinions	We are honest and have integrity in all that we do	We are grateful every day
We take initiative	We turn challenges into opportunities	We listen to each other	We believe in our people and enable them	We celebrate our achievements
We pursue success	We think like entrepreneurs	We communicate without boundaries		We inspire health and happiness
We strive to create and deliver value	We lead through innovation			We honour our community and environment
We inspire each other				

All of our team members based in China are entitled to an annual body check paid by the company. Team members across the globe\* are offered a range of wellness classes, across mind, movement and nutrition as well as access to our full range of products.



# Diversity and inclusion

We want to embrace, and be inclusive of, the diversity of our people and regions, while also making a positive impact on diversity and inclusion issues in local communities.

We are developing a Diversity and Inclusion Policy and are developing the Group Code of Conduct to address this key issue. To be launched in 2018, all H&H team members will be required to adhere to the Policy and Code of Conduct.

The Swisse Code of Conduct also references their Discrimination and Harassment Policy that provides further detail on our expectations.



\*Not including France.

# Training and development

Strengthening capability across our teams was a key pillar in achieving our 2017 goals. This is not only beneficial to our team members and our business, but also enhances the skills of the community and the capability as a collective.

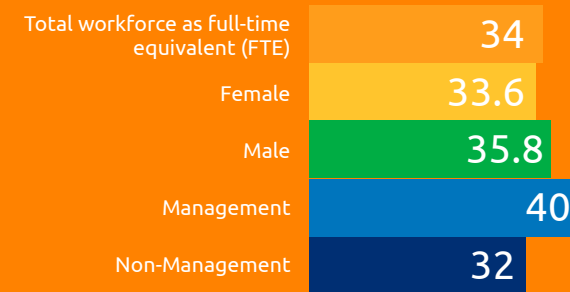
We encourage and support our people to acquire new knowledge and skills to be high impact and effective in their work and enhance their careers. Each brand manages the training and development of their teams through their respective people and culture teams. China team members across the Group are guided by the Group Training Management Approach, which outlines the policies, allowances and instructions on support for training and development.

Swisse define opportunities and the rationale or objective of each component as follows, with all team members having access to the range of offerings:



**Total training hours across The Group in 2017**

## Average training hours per team member



**Swisse Wellness - The Australian Business Awards – Employer of Choice Winner 2017**

**Biostime named Best Employer 2017 by Dajie.com & Zhaopin.com**

# Remuneration and workplace

Our People and Culture teams across our business units manage our remuneration processes and understand that our people must be treated with respect and dignity. All of our brands are united by our reputation for looking after our people. This means that our people are of an appropriate age, paid fair wages, work is conducted on a voluntary basis and working hours are reasonable. Our benchmark is often set far above this and we monitor market rates and conditions to ensure we are providing attractive benefits and equal opportunity to our team members.

Having a positive working environment has a positive effect on our team member's personal lives and helps to maintain a good work-life balance ultimately assisting them to live healthier and happier. Alongside this attractive remuneration provides economic benefit to the communities that the team reside in.

We monitor employee retention, seeking to understand why our employees sometimes choose to leave, and our success in attracting new talent.

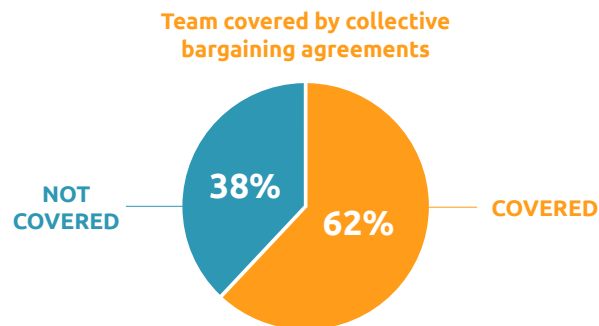
In 2017 we have had no incidents of non-compliance relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfare and national labour laws and standards.

In 2018 we will formalise our approach to remuneration & workplace by developing a formal policy across the Group.

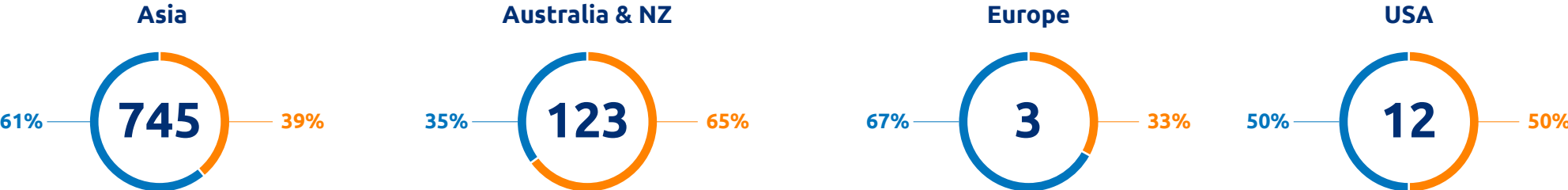
This year we have embarked on a journey to transform our work spaces to better reflect who we are and to create consistent H&H spaces across the globe. We love our new bright, collaborative, natural and inspiring working environments and we will continue this project in 2018.



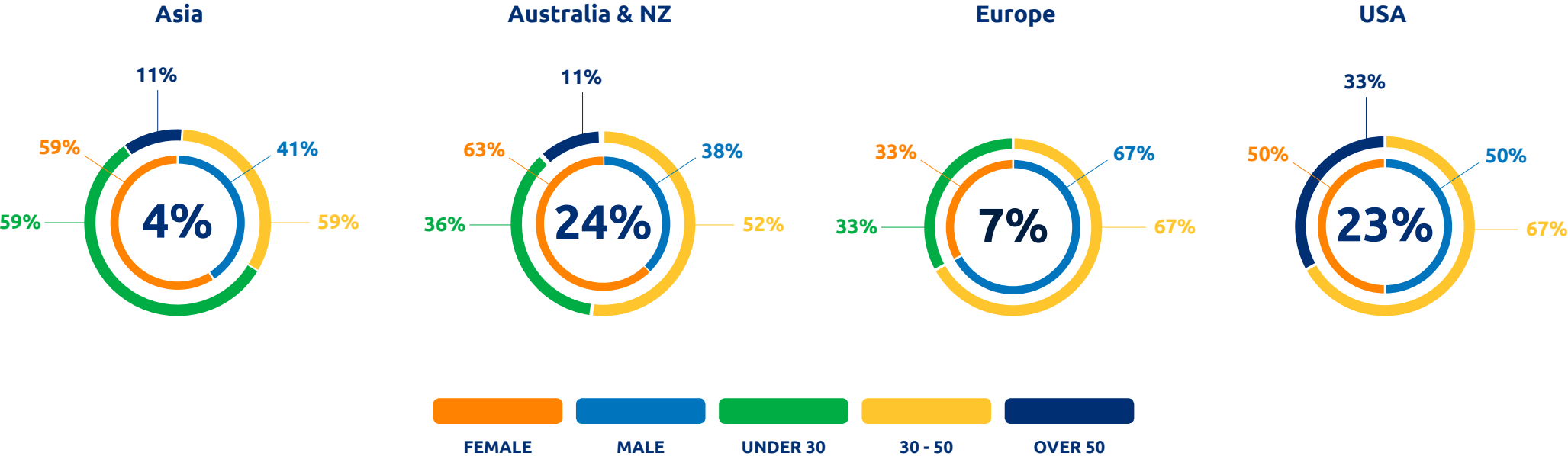
  
**1,787**  
of our team members utilise flexible working arrangements.



# New team members



# Turnover



# Nurturing mental health in Australian children



One in six young people live a life of significant social and/or educational impairment due to mental illness – that’s over a million young people under 25 at any one time. Simply by virtue of growing up in regional and rural areas, a young person is at greater risk of depression, anxiety, alcohol and drug abuse, and deliberate self-injury. Significantly, access to treatment services for these issues, is as low as one-fifth of that received by youth in the city.

In response to this severe health and wellbeing issue, the Health Psychology Unit (HPU) of the University of Technology Sydney (UTS) has developed a rural education program to train school teachers and promote emotional wellbeing for kids in the country. HPU is a treatment and research unit for children, adolescents and young adults aged 5-25 years struggling with mental health issues. This initiative has been developed in collaboration with the Antony Kidman Foundation. The Kidman family has been longtime friends of the Health & Happiness Group. Nicole Kidman, actress and daughter of the foundation’s late founder Antony Kidman, has been a valued brand ambassador for Swisse Wellness.

Named the ‘Thrive’ program, the initiative kick-started in July 2017 and has the ambition to reach over 1,000 primary school students by mid-2018 with support from Swisse Wellness. Swisse Wellness’s engagement funded the commencement of the program and the first year of operations with a USD\$7,500 (AUD\$10,000) grant through its philanthropic arm, the ‘Celebrate Life Foundation’. The Foundation supports projects in alignment with Health & Happiness Group’s organisational purpose: to make billions around the world healthier and happier.

Since its inception, Thrive has seen psychologists equip teachers and staff at 16 state primary schools in regional and rural New South Wales on Australia’s east coast with the necessary skills to prevent and manage youth mental illness through dedicated training sessions. The participating schools are located in regions that have populations of less than 2,000 and suffer from a chronic shortage of health support services, particularly for young people.

The program’s progress has been promising so far in supporting the ‘Celebrate Life Foundation’s’ vision to enable young people to thrive through their developmental years so they can live long, healthy and happy lives. Its work aims to inspire lifelong wellness through enabling people to take control of their health across the three areas of nutrition, mindfulness and movement.

Follow our progress in promoting emotional wellbeing for kids in the country or support the Health Psychology Unit (HPU) via <https://www.uts.edu.au/>.

# HERITAGE



We are very proud of our history - from humble beginnings and dreams, our dedication and hard work has rewarded us with success. Whilst our paths to success may differ, the origins of our brands share many themes and have been led by vision and an entrepreneurial spirit that we must continue.

We remain true to our heritage and the stories behind our brands as we look forward to the future. We are businesses with passion and authentic leadership.

## Material topics covered in this chapter

- Strategy, growth & integration
- Government relations & compliance
- Corporate governance

## Commitments

- **By end of 2019**, sustainability will be a standing item at 100% of board meetings
- **By end of 2019** we will be signed up to the UN Global Compact
- **By end of 2019**, we will roll out the employee handbook across all regions and teams globally
- **By end of 2025**, we will achieve BCorp Certification



# Why it matters

Across the Group we operate and conduct business with integrity, ensuring we sustain the trust of healthcare professionals, customers, partners and the communities we serve whilst we build authentic leadership and confidence in the longevity of our business with stakeholders.

Operating with integrity means being true to our heritage, understanding our risks and opportunities to strengthen the H&H brand and strategy into the future, engaging policymakers and regulators to build a robust and fair operating framework, and complying with those frameworks.

# How we approach it

## Strategy and growth

The H&H executive team develop and agree on the strategy, which is then implemented and monitored by the respective regional and/or brand leadership teams.

In 2017 we have been working towards our 2020 goal to become global across all of our brands and have net sales of over \$1 billion USD. In short this strategy can be broken down into:

- Integration of the brands into One Big Team the Group united by our mission
- Geographical expansion in to new markets and sales channels of all of our brands
- Growing our portfolio by extending and deepening our range through product innovation
- Strengthening our brands and consumer trust to grow our customer base.

In line with this strategy, we position our brands as Premium, Proven and Aspirational



*In 2017 we achieved the following:*

## BNC

#6 IMF player with leadership in the Chinese market<sup>1</sup>  
#3 in the super premium tier<sup>2</sup> infant formula market<sup>1</sup>  
#3 in IMF sales in baby specialty stores<sup>1</sup>  
#5 in IMF sales in supermarkets<sup>1</sup>  
Biostime Strengthened Leading Position in Kids and Infants Probiotic Supplements with Growth of 54.7% in 2017<sup>3</sup>

## ANC

Australian Market Leader:  
16.1% VHMS Market Share<sup>4</sup>  
27.6% Multivitamin Market Share<sup>4</sup>  
Chinese Market Leader:  
#1 in VHMS segment on Alibaba.com<sup>5</sup>

### References

1. Source: Nielsen market share data for the past twelve months as of 31 December 2017
2. According to a Nielsen report, the super premium tier products is the fastest growing segment in IMF market, which drives continuous growth in premiumization
3. Source: Euromonitor report
4. Based on LTM IRI scan data as of 31 December 2017
5. Based on YTD sales data from Earlydata

# Corporate governance

Every team member regardless of location, brand or level has a responsibility to know and follow all the relevant laws and regulations that apply to our business as laid out in our employment agreements and further supported in the Swisse Code of Conduct and Biostime Employment Handbook.

To ensure team members understand their responsibility as an employee of the Group, there are various policies across the different brands that highlight our expectations. These policies and procedures are managed by our respective risk teams. We have a Group wide Anti-Corruption and Whistle-blowing Policy, however this is currently only available in Mandarin and covers the China region. We plan to translate this for all of our regions and roll this out internationally in 2018 with supporting training. We regularly train and communicate with our team members about appropriate conduct in our business and the broader marketplace.

We have established processes for our staff, suppliers and retailers to report any misconduct by our employees. We have also set up a comprehensive complaint channel for the China region, including an investigation process and accountability mechanism.

In 2017 we had no legal cases regarding corrupt practices against any of our brands.

In 2018, we have reviewed the various policies across the Group and we plan to develop and launch a Group Code of Conduct, supported by training in each region. The Code of Conduct will cover topics including anti-corruption, whistle-blowing, bribery, money-laundering and fraud.

## *Intellectual property*

We maintain a central, Group-wide Intellectual Property and Trademark Register, which is administered by the Group legal department with support from an external law firm. Disputes or any other forms of challenges are managed at this level. Each brand also monitors the market for local infringements on intellectual property rights and trademarks, and escalates issues where they occur.

## *Privacy*

All brands fully comply with the legal requirements of their markets. Biostime and Swisse have specific consumer data protection and privacy policies in place and deploy an Information Security Management System (Biostime) or a privacy officer (Swisse) to prevent breaches and resolve incidents. Biostime furthermore provides periodic awareness training to staff, conducts risk assessment and tests the resilience of key business processes and systems against security breaches. Complying with Australian privacy law, Swisse customers must agree to clear terms and conditions at the point of data collection.

We are working to enhance the consistency of our approach to privacy management across the Group, and raise internal awareness around these policies.

# INNOVATION



Science and innovation are a big part of our philosophy, and essential to our position as a global leader. We believe research is key to unlocking the secrets to wellness. We invest in research and development and collaborate with world-leading experts to harness the knowledge of partners and strengthen our capability.

## Material topics covered in this chapter

- Innovation & scientific partnerships
- Supplier partnership & leadership

## Commitments

- **By end of 2020**, we will launch 5 new products that contribute to combatting the big preventable health challenges we face as defined through the World Health Organisation
- **By end of 2020**, we will double our spend on R&D innovating new products
- **By end of 2020**, we will collaborate with a minimum of one reputable scientific partner in each market we operate in

# Why it matters

Science and innovation are the catalyst for the growth and success of our business. We innovate to fulfill our overall goal of being an industry leader, making people healthier and happier. Our consumers' perception of wellness is constantly evolving and we too need to be ready keep evolving to meet their desire for products that address specific conditions and are effective, safe and convenient to use.

We believe research is key to unlocking the secrets to wellness. We invest in research and development (R&D) and collaborate with world-leading experts to harness the knowledge of partners along our supply chain and strengthen our capability. We constantly look for new ingredients and new formulations that will meet these requirements, grow our product range, increase our brand presence and grow our market share.

Our consumers benefit from this approach through an expanding range of products to improve their health and wellness, and the economic benefits of innovation flow through to our suppliers, distributors, employees and owners.

# How we approach it

Bringing our four aspirational brands together as H&H this year, we have established key areas of focus to drive our businesses forward. Science and Innovation Platforms (SIPs) have been developed for the Group. They are:



**Probiotics**



**Cognition**



**Beauty**



**Personalised  
Health and  
Nutrition**



**Women's  
Health  
& Pregnancy**



**Lifestyle Nutrition**

Our SIPs direct where we seek opportunities and drive new product development. We use our strong science backing to examine our long-term prospects and our speed-to-market capacity. The initiative strengthens the links between science, research, innovation, marketing and sales in order to develop better products of higher quality and higher value for the consumers.

Each SIP is comprised of a platform leader and key global team members from business units across the entire H&H Group, including R&D, Innovation, Marketing, Consumer & Category Insights and Training. The SIPs are driven by a Modus Operandi and governed by an individual SIP Charter document.

We partner with leading academics, universities and research institutes to stay abreast of emerging and evolving science around wellness. Across the Group in 2017 we worked with the following organisations:

Feedback on our products come from various channels both internally and externally. Internally we review products as needed, for example, when new research is conducted around an ingredient we use. For more information on how we get feedback on our products from consumers see the Quality chapter.



## CSIRO

CSIRO is Australia's national science agency with the core objective of making a positive impact on people's lives through science and research. Everything they do is focused on creating measurable economic, environmental and social benefits that better our world and Australia's place in it. Swisse's partnership with CSIRO will provide a framework for translating research opportunities into commercial activities, investigating new opportunities and innovations right through the supply chain, by facilitating collaboration and undertaking projects of mutual interest. Read more in our case study: Clinical trials a success for women and children on the next page.

Our R&D investment has a direct economic impact on the research industries in our respective markets and can have an indirect impact on health as a result of the findings.

Our 2017 R&D spend addressed:

- Research into Baby Nutrition and Care (BNC) - Infant Milk Formula, Diapers and Probiotics,
- Adult Nutrition and Care (ANC) - three key-focus nutrients,
- 9 clinical trials, and
- Production plant improvements.



#### *Swinburne University*

Swinburne University's Centre for Human Psychopharmacology is the largest group in the world researching the cognitive and mood effects of natural products, nutritional supplements and other nutritional interventions.

The Centre conducts government and industry-funded trials, as well as investigator-initiated studies. They conducted what is believed to be the first study to examine the subjective experience of taking a multivitamin during a clinical trial using Swisse Ultivite multivitamins.

Their aim is to understand fundamental aspects of neurocognitive change and to use the methodologies of applied human psychopharmacology in order to benefit behavioural and brain processes, and to translate this knowledge for the public good. The Centre also aims to investigate the efficacy and safety of natural medicines and illicit drugs on the human brain.

\* Converted from CNY 98,600,000 as at 28 May 2018.



#### *BINC*

Biostime Institute of Nutrition and Care (BINC) is a non-profit research organization committed to improving maternal and child health globally. Focused on the research of nutrition, care and psychology, BINC has two world-class laboratories in Geneva, Switzerland and Guangzhou, China. Cooperating with domestic and overseas academic societies, universities, institutes, hospitals and innovative enterprises, BINC conducts scientific research and regularly hosts academic events. They also offer research funding and scholarships to promote scientific research in the fields of maternal and child health.



Biostime's leading probiotics product was honoured as a 2017 Technology Innovation Product in the Nutrition, Health and Technology category by China's National Strategic Alliance for Food, Nutrition, and Health Industry Technology Innovation.

 **9 clinical trials**

 **In 2017 our R&D Spend \$15.4 million USD\***

# Clinical trials a success for women and children

1. We introduced LPN whey protein in China this year, after the successful completion of our first in-country infant clinical study. The study explored how LPN whey protein may support the growth and development of the infant immune system.

Osteopontin, a human breast milk protein known to have a significant, positive impact on the development of the infant immune system during early lactation, was increased by the consumption of LPN whey protein.

2. Research suggests that one in two women will get a Urinary Tract Infection in their lifetime and one in four women are likely to have a repeat infection<sup>1</sup>. Swisse is working with the CSIRO to complete a randomised, double-blind, placebo controlled study to investigate the efficacy and safety of High Strength Cranberry in women with recurrent Urinary Tract Infections.
3. We completed a probiotic clinical study with Shanghai First Maternity and Infant Hospital and Shanghai East Hospital. The study aims to conduct a more systematic and in-depth analysis of the functionality and safety of synbiotic products.
4. The synbiotics used in Biostime probiotic (children) is licensed by the Health Canada for safety and functionality in the infant population. In the same year, the infant clinical study results were published in Spain, further supporting that synbiotics are safe for infants.
5. Biostime conducted a joint PhD program with the University College Cork in Ireland to strengthen cooperation with international first-class microbiota research institutions, empowering research capabilities and talent development in the field of human microbiome, promoting innovation and new R&D of probiotic products.

<sup>1</sup> – source: Urinary tract infection in adults, National Institute of Diabetes and Digestive and Kidney Diseases



# A cooperative approach to supply chain management

Great ingredients are hard to come by, so when we find exceptional quality, we make sure we hold on to it.

Isigny Sainte-Mère (ISM) is one such quality producer. For centuries, the Isigny region's dairy farmers have produced exceptionally fine milk, earning a well-established reputation for quality.

The independent dairy cooperative located in Normandy, France is one of the world's finest manufacturers and producers of organic and conventional milk products including cheese and butter alongside infant milk powder products. As a mark of its quality and hygiene, the cooperative's infant formula milk was the first to be sold in a pharmacy.

On 1 July 2013, Biostime entered into a strategic partnership with ISM. The investment of over 65 million Euros enabled ISM to add a second, dedicated powdered milk production facility, increasing the capacity from 20,000 to 50,000 tonnes of infant formula milk powered annually.

The partnership has enabled Biostime to sell over 15 million cans of infant milk powder from this high quality producer alone across the Chinese market annually. The partnership has also brought renewed trust and investment into the traditional French agricultural business, its employees and their families, creating direct employment and an annual demand for an additional 40 million litres of milk.

ISM has a longstanding tradition in resource efficiency and environmental management excellence, including certifications in environmental management (ISO 14001) and energy management (ISO 50004, to be completed soon). The facility has treated its own water since 1998, and generates renewable energy through the first large-scale biomass boiler ever built by a French food manufacturing business.

The team constantly monitors and improves product quality and efficacy through its in-house research and development engineer and a specialist on-site laboratory, as well as research collaborations with the French National Research Institute for Agricultural Research (INRA) and the University of Medicine at Caen.

This strategic investment has enabled H&H Group to gain considerable control over this part of their supply chain and actively engage with the producer of a main ingredient in their probiotics and infant formulas. The high production and labour standards are supporting the Group in achieving its goal to enhance the wellbeing of all. Further, as an independent dairy cooperative, ISM's members are milk producers who deliver to the cooperative, each having an equal say in company decisions. This structure ensures the sustainability and quality of ISM's milk supply and provides a beneficial business relationship for all cooperative members.

# QUALITY

Quality is everything. Through excellence we build trust to become a lifetime partner for the whole family. We seek the best ingredients from across the globe to ensure we provide the best products possible for our consumers.

We manufacture using world-class techniques and put our products through rigorous testing. We work closely with our suppliers and respect different traditions by sharing their stories and educating consumers on the story of our products.

When consumers purchase our brands they know they will receive a high-quality, premium product.

## Material topics covered in this chapter

- Supply chain governance
- Quality & safety
- Ethical marketing
- Environmental responsibility in supply chain
- Ethical sourcing

## Commitments

- **By end of 2018**, we develop a supplier code of conduct
- **By end of 2018**, we will screen 25% of our contract manufacturers with environmental and social criteria
- **By end of 2018**, we will have 100% of new contract manufacturers sign the Code of Conduct
- **By end of 2020**, we will not work with any contract manufacturer that has been identified as at risk for human rights or labour standards abuses
- **By end of 2020**, we will map out the value stream for our top 10 SKUs for every brand
- **By end of 2030**, 50% of product categories across the Group will be labelled with disposal instructions, country of origin (ingredients and manufacture) and our environmental footprint
- We will continue to be 100% compliant with all mandatory quality requirements in the markets we serve



## Why it matters

At H&H we understand that quality is everybody's responsibility. Our quality expectations extend across our entire value chain, from research and development, to production, marketing and distribution, consumption and the end-of-life disposal of our packaging. This unites our brands across the Group and guides the decisions we make about our products, how we communicate and who we partner with and buy from. Our commitment to quality is genuinely driven by our core values and is embedded firmly within the culture of our global organisation.



Our approach to quality helps us achieve two central goals:



### THE STORY OF GOOD HEALTH

We create products that contribute to the health and wellbeing of consumers worldwide, in cooperation with partners and suppliers that share our values.



### HUMAN RIGHTS & WELLBEING

We work to ensure that individuals touched by our business are granted basic rights and fundamental freedoms to which all humans are entitled.

## How we approach it

We take great pride in the quality of our ingredients and efficacy of our products. At H&H we have tried and tested assurance processes in place that are applied and reviewed as required. Going forward, we will evaluate the effectiveness of brand-specific procedures, with a view to streamlining our approach across the Group.

Our brands have long traditions and a sophisticated approach to quality, safety and ethical marketing and sourcing. These activities are expressed in brand-specific policies and standards operating procedures (SOP) including supplier qualification and management, bulk vendor specifications and reviewing and approving finished product vendor specifications. Our policies and procedures are reviewed on an annual basis.

## Quality & safety

All of our brands actively manage the potential health and safety impacts of their products. Our products are subject to brand-specific product quality reviews, testing regulatory compliance and using a risk based approach to decide on priorities for further investigation. The reviews are completed during research and development (R&D), prior to our product reaching the market. However, reviews can occur at any stage of our products life cycle and can be triggered by a customer enquiry or feedback or from regulators.

## Customer feedback

Customer enquiries and complaints are managed within each of our brands, with the ambition to respond to 100 per cent of enquiries and complaints where contact information is provided. Our customer contact channels include online feedback systems, dedicated email addresses and phone lines and social media platforms. Most enquiries are dealt with immediately, while some issues are escalated internally for further advice. Complaints are evaluated for merit and remedied through the provision of information, replacement product or refunds.

# Quality assurance and recall procedures

All of our brands have quality assurance processes and recall procedures in place, which are periodically tested through mock recalls. Biostime also operates a comprehensive quality and food safety management system. Dodie's product categories are subject to mandatory regulatory quality requirements and follow internal assurance procedures. Market- and product-specific quality requirements and processes apply to our brands, depending on whether products are regulated as foods, medicines, or other categories.

Mandatory quality requirement				
Product Category	Australia & New Zealand*	China	Europe	United States
Complementary or traditional medicines	Therapeutic Goods Administration (TGA) New Zealand Medicines and Medical Devices Safety Authority (Medsafe)	China Food and Drug Administration (CFDA) as category "health food," classified as food, dietary supplement, or Traditional Chinese Medicine (TCM)	European Food Safety Authority (EFSA)	US Food and Drug Administration (FDA)
Health Foods	Food Standards Australia and New Zealand (FSANZ)			
Foods				

\* New Zealand uses the categories "natural health products," "complementary medicines," and "dietary supplements" and is currently working jointly with Australia to implement a scheme

Our brands adopt quality requirements that go beyond regulatory standards. For example, our Healthy Times organic brand has additional guidelines for its agricultural producers, and Swisse Wellness undergoes rigorous testing and development to provide 24 months of shelf life for its products in excess of the 12 months mandated by regulation. We measure the effectiveness of our management approach to quality & safety through the number of product recalls and complaints.



**100%**  
response and  
**99.98%**  
resolution rate for  
customer complaints



**Over 1.37 million**  
customer enquiries  
received and  
answered

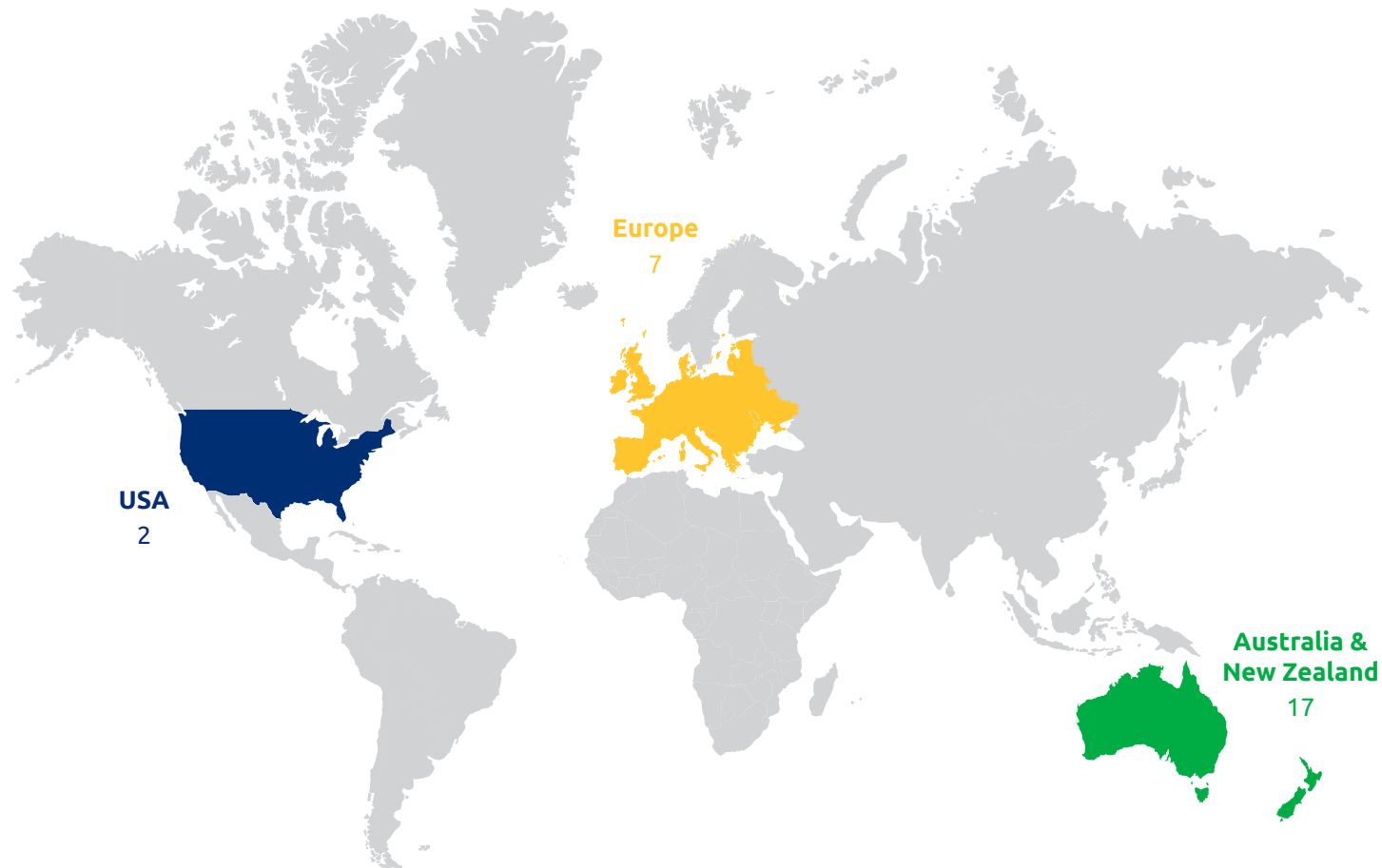


**Zero**  
product  
recalls across  
all brands

# Supply chain governance & ethical sourcing

We are strengthening supply chain governance across our Group, in line with strategic objectives. We are safeguarding the supply of active ingredients for our hero products, and introducing sustainability-related considerations such as transparency on working conditions and minimising kilometres travelled. With over 80% of our products manufactured with under 10 suppliers, we are working to further invest in, and expand on, these strategic partnerships.

While our supply chain has not been subjected to a formal review of its environmental, social, and governance performance to date, we have strong supplier relationships and act appropriately when a supplier's conduct does not match our expectations. We conduct informal supplier screening for environmental and social risks within brands based on industry knowledge and professional experience, with the exception of Healthy Times, which has an established set of social and environmental criteria. By the end of 2018 we will have a clear pathway to building supplier screening across the Group to formalise our commitment to this topic.



Note: Map of product contract manufacturers outside our own operations

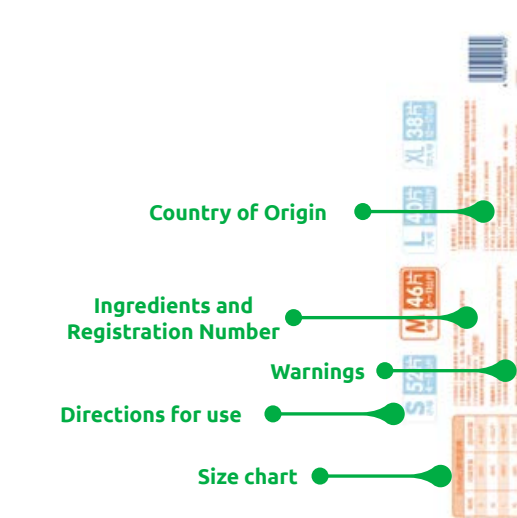
# Ethical marketing

All of our significant product categories are assessed for compliance with applicable service information and labelling requirements. These vary across product groups and generally either fall into food regulation (infant nutrition and nutritional supplements) or complementary medicine (e.g. vitamins). All brands fully comply with applicable regulations and legislation and go beyond these in many cases. Our brands that produce consumables all have procedures in place to validate the product claims listed on the product itself and marketed. Our health food brands maintain product information and labelling policies and undertake third-party labelling reviews in certain markets.

Flat lay of product labels one from each brand and highlight the various aspects where we have to comply and where we go beyond regulation.



Country of Origin





## Supply chain governance & ethical sourcing

Building on our informal approach to supplier screening to date, next year we will introduce procedures to record the number of suppliers formally screened for environmental and social performance.

## Ethical marketing

We had no incidents of non-compliance concerning product information and labelling or marketing communications, including advertising, promotion, and sponsorship, however we have had two reviews regarding labelling that are under examination. We measure the effectiveness of our management approach to ethical marketing through compliance with regulations and legislation.

## Quality & safety

**0%** of total products (sold or shipped) subject to recalls for safety and health reasons.

Percentage of significant product and service categories for which health and safety impacts are assessed for improvement

**100%** Biostime

**100%** Swisse

**40%** Healthy Times

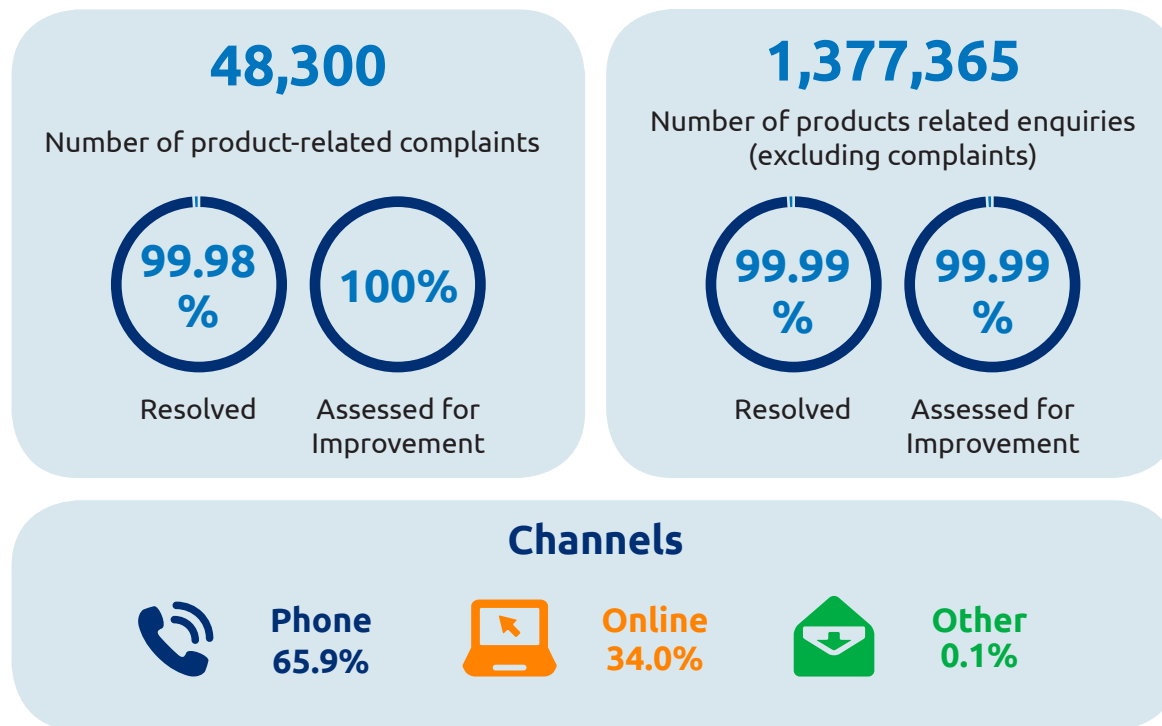
(no information available for Dodie)

We have one investigation into compliance with Laws & Regulations that is still undergoing review which may result in a fine or penalty.

## Performance in 2017

### Scope:

Complaints includes any negative feedback based on personal preferences or opinions or anything that is wrong with the product not meeting specifications. Enquiries includes any direct contact excluding complaints. We consider any complaint or enquiry resolved when we receive confirmation from the customer or we no longer get a response within a reasonable time.



**Over 99%** of enquiries originated from our biggest single market; China.

The figures provided above includes performance data for Biostime, Swisse, and Healthy Times. Consumer enquiries and complaints for Swisse customers in Europe are not captured via the customer relationship management system JIRA and therefore not included in these figures. We will centralise this process in 2018 through training and software access. Dodie is developing procedures to capture comparable performance information for future reporting periods.

# Safeguarding Antarctic Krill – and the health benefits that come with it

The Antarctic ecosystem is uniquely dependent on Antarctic krill (*Euphausia superba*), a small, shrimp-like crustacean that is eaten by species from fish to blue whales. Their habitat has been under threat by climate change, and the environmental and socio-economic impacts of the fishing industry. In addition to their biodiversity values, krill oils also contain high levels of omega-3 fatty acids, which makes them a valuable ingredient in various Swisse Wellness and Healthy Times supplements.

Alongside other partners, the H&H Group has provided initial funding to the Antarctic Wildlife Research Fund (AWRF) to conduct cutting-edge research to help resolve current scientific uncertainties about krill, their predators, and the ecosystem to assist in the long-term management of krill fisheries. AWRF facilitates and promotes research on Antarctic ecosystems, where the management of all natural resources must rely on precaution, and thorough and up-to-date knowledge.

The H&H Group, through Swisse has been involved with the AWRF since its inception in 2015. We understand that in order to continue providing krill oil products and their scientifically proven benefits to our valued customers, the Group needs to ensure a sustainable source of krill oil from Antarctic fisheries. We contribute \$6,479 AUD annually to the Fund, which has so far supported five research projects, with a new round of research proposals received in early 2018.

Amongst the completed research projects were studies relating to determination of age and movement of Antarctic krill as well as the hunting behaviour of predators such as humpback whales, brush-tailed penguins and fur seals in the Antarctic Peninsula.

Our interest is to safeguard the supply of krill oil as a superior source of omega-3 fatty acids for our products. Omega-3s are a family of 'essential fats' that play an important role in the way our cell membranes work. They must be obtained from our diet as we are unable to synthesise them in our body. Omega-3 have been proven to cut down blood fat and reduce inflammation in the body, the two underlying causes of cardiovascular disease. These anti-inflammatory properties have also been used to help people with rheumatoid arthritis and diabetes, and there is growing evidence for omega-3 benefits in relation to cognitive function and neuro-degenerative diseases.

The World Health Organization recommends consuming 0.3 to 0.5 grams of the Omega-3 fatty acids EPA and DHA daily. EPA and DHA are found in fish (particularly fatty fish such as salmon, tuna and trout), shellfish (including crabs, mussels and oysters), and in various Swisse Wellness and Healthy Times supplements.

Follow the Antarctic Wildlife Research Fund's research on <http://www.antarcticfund.org/>.

# WELLNESS



We are a lifestyle advocate for wellness. It is our cornerstone. Positive health decisions can be influenced and we actively engage people of all ages to live a healthier life. We believe we can create positive social impact beyond our products.

That's why we work with sporting heroes and Olympic teams as well as celebrities, chefs, community groups, and charities so they can share the story of good health, and guide and empower others.

## Material topics covered in this chapter

- Community education & health
- Community contributions

## Commitments

- **By end of 2020**, we will have raised and invested 500,000USD into the H&H Group Foundation
- **By end of 2020**, we will reach 1 million people with health initiatives through the H&H Group Foundation



# Wellness

## Why it matters

The H&H Group is leading a journey of wellness. We chose this name – Health & Happiness – because we have a fundamental belief that the way we live our lives, and the choices we make, directly impact the joy we experience. We believe we have a role to inspire wellness. We not only do that through our brands and our products but also through community education, in-kind support and funding of programs that provide health outcomes that we understand to be important for the community.

Whilst we do not provide an official policy to guide how we assess the needs of the community we draw from the United Nations World Health Organisation, local governments, non-government organisations, charities, partners and customers to understand where we should focus our attention and support for community. Whilst we aim to target projects that can make a meaningful impact, we understand that community health challenges are broad and far-reaching and often hard to measure, especially when looking at prevention.

## How we approach it

Each brand and region manages local community engagement programs, ranging from screening and providing treatment for children with congenital heart disease in China, to building nutritional literacy in schools and remote communities in Australia. The programs are largely focused on health challenges faced by the regions where each brand operates. Throughout 2017 community programs were rolled out in Australia, China, and Europe.

The Group has set up and managed four not-for-profit organisations, each with a health-driven purpose but with different means of delivering on that purpose.

### Biostime China Foundation for Mother and Child



Biostime China Foundation for Mother and Child is a joint venture between the Group and the Chinese Red Cross Foundation. The Foundation is a public welfare fund set up to help mothers and children of poor families with severe medical conditions. Funds are raised through Biostime, with .10 RMB from every Biostime product sold going to the Foundation. In 2017 Biostime provided 2,588,999 RMB to support 424 children and mothers suffering with serious illness. See the case study on the next page for more detail on one of these programs.

### The Celebrate Life Foundation



The Celebrate Life Foundation (CLF) was established by Swisse Wellness to combat the rising rate of preventable illness in Australia. We do this through promotion, education and action around our three pillars of wellness; Mind, Movement and Nutrition. Funds are raised through partnerships and promotions. In 2017, \$280,000 AUD worth of grants were provided to the community, creating a direct impact on more than 5,800 individuals and many more through mental illness research and a van to deliver lunches to school students who would otherwise go without. See the case study on page 31 for more detail on one of these programs.

### Biostime Institute of Nutrition and Care (BINC)



BINC – China aims to bolster scientific research and technical understanding in nutrition and care for mothers and children in China. It integrates strong resources from all over the globe to form a world-class research team of nutrition scientists and maternal and child food and care providers, focusing on providing high-class protection for mothers and children in China. In 2017 BINC – China supplied 1 million RMB in grants for research.

BINC – Geneva was established this year. From 2018, it will offer a series of grants from research scientists based in universities, hospitals and other academic institutions across Europe. The research grants aim to provide financial support for innovative research projects in the fields of infant gut microbiota and allergy, infant brain development, skin microbiota, infant obesity and postpartum depression.

While these entities are where we make the greatest impact on our communities, we also make various ad-hoc donations, coordinate events and generate touchpoints with our communities to provide support and education. For example, our naturopaths in Australia respond to over 11,000 enquiries annually.

# Angels on tour in rural China



2017 marked the 10 year anniversary of the 'Biostime Foundation for Mother & Child'. The Foundation focuses on supporting the health of mothers and their children in rural China.

The initiative was established in collaboration with the Red Cross Society of China and supports families in serious medical conditions, whilst spreading the story of good health.

The Foundation's 'Angel Tour' is particularly close to the Biostime team's heart. It focusses on the screening and treatment of children with congenital heart disease in western and northern parts of China.

Congenital heart defects are the most common type of birth defect and often cause few or no symptoms making them difficult to detect and diagnose. If detected in time, a range of treatment options are available. The initiative has to date:

- Provided free heart screening to almost 200,000 children
- Funded successful operations and treatments to 239 children
- Provided over USD 440,000 (¥ 2,791.874) for medical procedures

In 2017, the Angel Tour project went online and launched an exclusive campaign in partnership with Tencent called 'Be with you'. This campaign asked people to donate their 'steps' in the Wechat sport app. This initiative alone raised close to USD 80,000 (¥ 500.000) with a total of 700,000 users participating across China. The 'Tencent Charity - 9.9 Charity Day' campaign included the "Gather together with love" initiative, which raised an additional \$32,000US (¥ 208.218) enabling the 'Angels' to continue their tour.

In addition to these donations, the funds needed for screenings, medical procedures, and education efforts are also raised through every Bisotime product sold (approx. 1.5 cents US or ¥0.10 RMB per product), which enables Biostime customers to become part of this force for good health.

Since its inception in 2007, the foundation has raised over USD 4.8 million (RMB30.8million) and helped more than 1,584 children and mothers suffering from serious illnesses. The Foundation's success was recognized during the 7th China Charity Festival, as winner of the 'Responsible Entrepreneurship 2017'.

# GLOBAL CITIZENSHIP



We care. It's in the DNA of all our brands and our people. We are a proud global citizen. Building trust and making sustainable decisions are in our heart, together with community we create positive social impacts whilst understanding and working to reduce our environmental footprint.

From the farmers who grow our ingredients to the scientists and through to our celebrity ambassadors who endorse our products we work with teams who are passionate about what they do.

Our community efforts are not just about bringing to life our beliefs and values, but an investment in the communities in which we live and work.

## Material topics covered in this chapter

- Energy & emissions
- Waste management & packaging
- Water management
- Air quality
- Environmental management of operations

## Commitments

- **By end of 2018**, we will offset 100% of our scope 1 and 2 emissions (carbon neutral operational emissions)
- **By end of 2019**, we will complete a review of all product packaging from an environmental perspective (renewable materials, recyclability, recycled materials)
- **By end of 2019**, we will produce three products with ingredients sourced from waste streams
- **By end of 2020**, we will reduce our waste by 20%
- **By end of 2020**, we will double our contributions to the protection of the ecosystems for our most critical raw ingredients (from 2017 levels)

# Why It Matters

We are a global citizen and are dedicated to serving mothers, babies, families and the preservation of a healthy planet for future generations. Our sustainability strategy has declared resources and climate as a core priority in managing our impacts. We want to use resources efficiently and act on climate change to preserve our environment. Our aspirations are:

- We will use resources efficiently
- We will be conscious of our carbon footprint
- We will make conscious decisions to reduce and offset our emissions
- We aim to achieve economic growth whilst engaging in sustainable procurement practice
- We will protect the ecosystems on which we rely for raw ingredients

Air quality is particularly important to our stakeholders in China with localised air quality issues. Our direct operations don't have significant air emissions therefore a focus on this area will not have a significant impact on the overall air quality of the communities we operate.



Full compliance with all emissions, waste, and environmental legislation and regulations in the jurisdictions where we operate



We developed our first Group-wide carbon footprint in accordance with the GHG Protocol and reviewed the emission boundaries from the 2016 reporting period



Swisse Wellness is certified carbon neutral under the National Carbon Offset Standard (NCOS)



Our carbon footprint in 2017 was **29,560 tonnes Co2-e**

We have offset our scope 1 and 2 carbon footprint Group-wide in 2017 to be Carbon Neutral.

# How we approach it

We are working to standardise and formalise our approach to managing resources and emissions within our operations, and setting priorities for our supply chain. This will include mechanisms for evaluating effectiveness, a resourcing plan, and grievance mechanisms where appropriate.

## Internally...

We recognise that our operations have an environmental footprint, and we are working hard to minimise our impact. Our brands fully comply with all relevant laws and regulations and set operational expectations through their own suites of environmental policies and standard operating procedures (SOPs). These are reviewed and, if necessary, revised on a regular basis and will be subject to a Group-wide review and streamlining process in 2018.

Our focus areas include environmental pollution such as noise, air emissions, and effluents in our factories and warehouses (Changsa, Sydney, Melbourne and Guangzhou) and resource efficiency in our corporate offices. These are supported through internal initiatives and some formal and informal provisions in procurement guidelines (e.g. the preference for carbon neutral product supply for Swisse Wellness).

## Externally...

We face challenges with procurement decisions relating to energy, water and waste in rented properties, as they are often managed by our respective landlord. Where they are not, our procurement teams' decisions are often made on cost-basis, which currently does not include environmental considerations as standard across the Group. We have found the data collection for this report helpful in identifying areas for improvement and will engage internally to identify priorities and streamline our practice.

We will develop Supplier Code of Conduct and mandatory supply standards in 2018. The Code will encompass a variety of social and environmental considerations and set expectations for all new suppliers.

Here some examples of our current practice:

## Emissions, pollution, and waste

This was the first year that we had an integrated sustainability team that monitored air and greenhouse gas emissions across the Group. As we have been able to assess our carbon footprint we have been able to commit to carbon neutrality for its scope 1 and 2 emissions for 2017.

Carbon emissions are not managed as a collective but rather through the breakdown of their components such as waste, electricity use, and water use which are looked after by the site or office manager.

We aim to review emissions and possible reductions opportunities and targets for the coming year.

Swisse Wellness manages, measures and voluntarily offsets its corporate carbon footprint and achieves carbon neutral certification under the Australian National Carbon Offset Standard (NCOS) on an annual basis.

Our production facility in Changsha, China produces direct greenhouse gas emissions (Scope 1); other discharges and wastes are handled by a third party. Despite being fully compliant with local legislation and regulation in these matters, we have identified data gaps for waste which we are working on for the next reporting cycle.

Our waste streams are managed in full compliance with local laws and regulations and our waste disposal sub-contractors have the required permits and certifications in place.

Swisse Wellness is a signatory to the Australian Packaging Covenant, a co-regulatory program to reduce the harmful impact of packaging on the Australian environment. Their latest annual report on progress to reduce product packaging can be viewed [here](#).

## Air Emissions

None of our global facilities emit emissions to air such as nitrogen oxides (NOX), sulphur oxides (SOX) or other hazardous or non-hazardous pollutants in quantities significant enough to be regulated under national laws and regulations. Our air-conditioning units and commercial fridges do not use a significant quantity of refrigerant.

## Environment and natural resources

Our brands have varying approaches to identifying and managing environmental impacts and, naturally, the protocols our production and logistics facilities follow differ greatly to those from corporate offices. Our production facilities are in full compliance with local laws and regulations covering noise, particular matter (dust) and chemical discharges and emissions, governed by an Environmental Standards Policy 2017 – water, air pollution, and noise. Our staff follows a protocol to safeguard their health and safety. We understand that our biggest environmental impact comes from the resources that go into making our products. We have set ourselves a goal to review and formalise our sustainable procurement practices to include mandatory environmental performance criteria. Healthy Times has been a pioneer for organic and sustainable products and serves as our source of inspiration internally.

Our premium ingredients set our products apart; the active substances in many of our hero products such as cranberry, krill oil and algae are grown in fragile ecosystems. We have a strategic interest in securing supply through partnerships and long-term contracts and we aim to act as an environmental steward in ecosystems we rely on for raw ingredients.

## Materials, energy, and water

Legal requirements and management approaches vary across our brands and the markets they operate in. Energy and water consumption are a priority across the Group, and our largest offices and facilities have implemented energy efficiency measures including monitoring and rolling out initiatives.

Water management initiatives are yet to be developed across our sites however we will plan out our approach to water use with a focus on our manufacturing sites.

# Performance in 2017

The H&H Group commits to full compliance with relevant laws and regulations relating to the environment and environmental pollution, air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. There were no incidents of non-compliance in 2017.



## Water

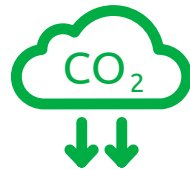
**13,879 kL**

**Total water consumption**  
(all purchased from commercial or municipal water utilities)

**5.24 kL**

**Water consumption per FTE\***

We did not experience any issues in sourcing water that is fit for purpose across our locations.



## Greenhouse Gas Emissions

**29,561 tonnes CO<sub>2</sub> equivalent**

**Total Carbon Footprint**  
(as total of scope 1, 2 and selected scope 3 Greenhouse Gas (GHG) Emissions)

<b>Scope 1</b>	15,115
<b>Scope 2</b>	12,220
<b>Scope 3</b>	2,226
<b>Total</b>	29,561

**Commercial carbon footprint**  
(average for our office locations)

**17,072 tons equivalent**



**Emissions per FTE\***

**13.46 tons equivalent**



**Industrial carbon footprint**  
(average for our manufacturing and logistics facilities)

**12,489 tons equivalent**



**Emissions per region**

<b>Asia</b>	26,642
<b>Australia &amp; NZ</b>	2,748
<b>North America</b>	123
<b>Europe</b>	48

Swisse Wellness is a certified carbon neutral business under NCOS. Carbon emissions until 30 June 2017 were offset for the Australian financial year 2016/17; the remainder will follow within the next auditing cycle after the end of the financial year.

This is our first Group-wide carbon footprint and will serve as baseline for future performance assessment. We do not emit biogenic GHG within our facilities.

\*FTE is Full Time Employee

## Energy and other resource efficiency initiatives implemented this year include:



Energy efficient lighting fixtures in China, Australia and the US



Natural Gas Boiler replacing less efficient steam turbine (Changsha)



Installation of efficient automated air conditioning control system (Guangzhou), and retrofit of an automatic air conditioning control system (Changsha)



Improved production efficiency to reduce equipment operation time (Guangzhou, Changsha)  
We will report on quantified energy savings in future reporting

## Waste Total waste generation: 2,347 tonnes

	Non- Hazardous waste (tonne)	Hazardous waste (tonne)
<b>Total</b>	<b>1,707.02</b>	<b>640.00</b>
<b>Average per facility</b>	<b>142.25</b>	<b>53.33</b>
Reuse	1.00	
Recycling	920.20	
Composting	0.20	
Landfill	785.62	640.00

Note: Hazardous wastes are defined by national regulations in the markets we operate in. The contractual agreements for waste disposal differ across the Group and we faced challenges in quantifying waste quantities and disposal methods for all territories except Australia. The above is, therefore, not representative of the Group and we will work to provide better information in the next reporting cycle.

## Energy Direct and indirect energy consumption

	Total kWh (in '000s)	Intensity Per FTE (in '000s)
Electricity	9,260	6.652
Liquid petroleum gas (LPG)	21	0.014
Petrol	26,379	18.951
Diesel	26	0.018

Note: We did not consume any Natural Gas, Biofuel, Methanol, Oil or Coal and we do not have data on what electricity was renewable.

# Environmental & Natural Resources

The only complete set of data available in regards to packaging for the reporting period was for Swisse so the following information is only regarding Swisse. In 2018 we will roadmap a solution to collect and work on our packaging and making it more environmentally friendly. Our focus will be on using more renewable and/or recyclable materials in our packaging along with reducing the amount per unit.

**145,360 tonnes**

Total packaging material used in our finished products

**423 tonnes**

Packaging material per FTE

Swisse Wellness has been a signatory to the Australian Packaging Covenant (APC) since 2012 and reports on its progress annually. The APC's Sustainable Packaging Guidelines assist in the design, manufacture and end-of-life management of packaging to meet market expectations for performance and cost, consumer protection and environmental protection. Our achievements to date include:

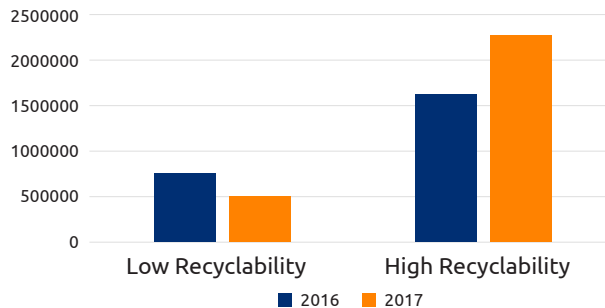
- 100% of existing and new packaging have been reviewed using APC's Sustainable Packaging Guidelines (SPG)
- On-site recovery systems are in place for recycling used packaging and collecting quantitative data on waste outcomes
- A 'Buy Recycled' policy based on the APC guidelines has been in place since 2016
- All Australian third parties who manufacture and pack for Swisse are members of the Australia Packaging Covenant.

Our membership has allowed us to do the following evaluation of our packaging improvements in this reporting period.

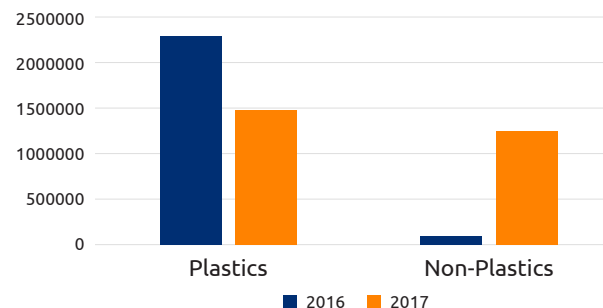
Even though our total packaging materials on volume increased by 16% this is unproportionable to the amount of growth the business has seen in the same 12 month period which was 27%. In addition to this we are:

- using more of the more recyclable materials in our packaging and much less of the less recyclable materials, we decreased total plastic use by 35% and increased recyclable materials by 39%
- using more of the renewable materials and much less of the unrenovable materials, we increased our renewable materials by 1,472%

## More Recyclable Packaging



## Less Plastic







## A Note About Our Methodology

Survey results were provided by a sample of 12 sites in the H&H Group which represented the different countries in the H&H Group and the different organisation types, e.g. warehouse, factory or office. The survey results captured the amount of resources being used by the organisation at their place of business including electricity, natural gas and water as well as the tonnage of waste being produced. The data was separated into individual sources of emissions and converted to uniform units to be applied to an appropriate emission factor. In the case that there was a data gap, for example if an organisation did not have access to weights of waste disposed of in the year, an appropriate factor or rate was calculated using data from other similar sites and extrapolated as required.

Emission factors were sourced from an appropriate publication for each country represented in the sample and applied to the survey activity data. Emission factor sets used in the analysis includes the National Greenhouse and Energy Reporting (Measurement) Determination 2008 (Australia), Ministry for the Environment Guidance for Voluntary Greenhouse (New Zealand) and DEFRA GHG Conversion Factors 2016 (UK). Where appropriate factors could not be found (e.g. for a specific waste type in a specific country), a suitable substitute was selected from an alternative, reputable emission factor set. Emissions from material reuse and recycling were assumed to have an emission factor of 0, all other waste emission categories were conservatively assumed to be Municipal Solid Waste sent to landfill. The gasses included in the calculation of emissions include CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O.

After a complete inventory was created for the sample of H&H organisations represented in the survey, this data was then extrapolated across the entire H&H organisation. This was done by dividing down key data such as emissions to a per FTE basis than extrapolating this across the entire H&H Group. Extrapolation took into account the country of origin of the responding organisation and the organisation type. The countries represented in the H&H Group include Australia, China, France, USA and the UK. Organisation types represented include factories, warehouses and offices. There were instances where the data for a specific organisation type and country had insufficient information to calculate an appropriate factor for extrapolation. In these instances, a substitute factor was derived from a culturally similar country and the same organisation type (e.g. an Australian office was used as a proxy for an office in the UK). In total, 98% of the extrapolation of the inventory was based on complete survey results and a the remaining 2% was based on estimations using substitute factors from similar countries.

# 1,000 trees for a healthier and happier tomorrow

In celebration of International Day of Forests on the 21st of March 2017, Swisse funded Carbon Neutral to plant 1,000 mixed native Australian trees and shrubs. This planting contributes to biodiverse conservation plantings that help to keep the environment in natural balance.

To ensure carbon yields are achieved in the Yarra Yarra Biodiversity Corridor, Carbon Neutral undertakes a combination of both hand-planting seedlings and direct seeding.

Carbon focused species are those that have been identified as being greater than two metres tall at maturity, and which make substantial contributions to the local carbon pool through the accumulation of carbon in their woody stems, branches, and roots. These are mainly drought-tolerant Eucalypts and woody-stemmed Acacia species. The inclusion of hand-planted seedlings for those species with specific carbon sequestration capacities allows control of both the density and positioning of those individual trees.

Besides the all-important role of sequestering carbon from the atmosphere, the trees planted will help to reduce salinity, water and soil erosion, and provide habitat for the endangered Carnaby's Black-Cockatoo, Malleefowl and other threatened flora and fauna.

Trees are planted in 1 of only 35 globally recognised biodiversity 'hotspots'. 'Hotspots' cover just 2.3% of the land mass of the planet but support more than half the world's most irreplaceable and threatened biodiversity.

Up to 50 different species endemic to the area were planted and all the plantings are protected by a 100-year Carbon Rights and Carbon Covenant. This ensures they are not going to be cut down for a very long time. The trees Swisse have purchased are part of the [Yarra Yarra Biodiversity Corridor](#) where over 90% of native fauna has been cleared.

# APPENDIX



Material topic	Definition	Boundary
Health & safety	Proactively manage health and safety risks and incidents by creating supportive policies, procedures and an environment that supports H&H employees and its partners.	Employees, suppliers, operations
Diversity & inclusion	Embracing and being inclusive of the diversity of staff, while also making a positive impact on diversity and inclusion issues in local communities.	Employees, communities
Training & development	Providing training and development opportunities for staff consistently across the group and ensuring H&H brands are equipped to answer questions from the community on the benefits of its products.	Employees, communities
Wellbeing, culture and engagement	Creating and maintaining a consistent culture across the group that integrates H&H's purpose and values of wellness and embraces and includes the diversity of different regions and staff.	Employees, corporate
Remuneration & workplace	Providing consistent fair and attractive remuneration and working conditions for all employees across the group.	Employees, communities
Corporate governance	Corporate governance across the group has a consistent, purpose with supporting strategies, policies, leadership and systems for each brand and region.	Corporate, operations
Strategy, growth & innovation	Integrating the H&H brands to grow the natural and organic premium products market on a global-scale.	Corporate, operations
Government relations & compliance	Active participation in policy debates and engaging with government at all levels on behalf of the industry and to ensure regulatory compliance.	Corporate, operations
Innovation & scientific partnerships	Partnering in research and innovation to improve and realize the full potential of natural and organic premium products.	Corporate, operations, research partners, consumers
Supplier partnership & leadership	Working together with suppliers to improve sustainability and seek efficiencies across the supply chain.	Suppliers, all brand operations
Quality & safety	Ensuring products are both safe and of the best quality for consumers	Suppliers, operations, consumers
Supply chain governance	Ensuring supply chain policies, systems and processes (including auditing and tracking systems) are in place to govern the supply chain across the group and include sustainability criteria reflecting H&H's material topics.	Suppliers, corporate
Ethical sourcing	Managing and improving human rights, modern slavery, and child labour, appropriate wages issues across the supply chain.	Suppliers, communities
Ethical marketing	Researching and communicating the effects and benefits of products.	Operations, research partners, consumers
Environmental responsibility in supply chain	Working with suppliers to improve environmental performance, minimise negative environmental impacts and seek positive impact.	Suppliers
Community contributions	Supporting and partnering with local communities to deliver on H&H's purpose. Providing employment opportunities to, and the overall growth of, the community.	Communities
Community education & health	Contributing to the education and health of consumers and local communities.	Communities, consumers
Energy & carbon emissions	Minimising the carbon footprint of H&H operations	Operations, environment
Air quality	Contributing to minimising air quality emissions in China and Hong Kong, through supplier and H&H operations	Suppliers, operations, environment
Environmental responsibility in operations	H&H's manages & reduces the environmental impacts of its own operations	Operations
Waste management & packaging	In partnership with suppliers, rethinking packaging materials to reduce waste, facilitate recycling and source materials from more environmentally sustainable sources, where compliance requirements allow for this.	Suppliers, research partners, environment
Water management	Seeking minimal reliance of operations and suppliers on water resources and ensuring runoff is of a quality that does not pose a risk to human health and the environment	Suppliers, operations, environment

GRI Disclosure	Disclosure Description	Chapter	HKEx ESG Reporting Guide
102-1, 102-2, 102-3, 102-5, 102-11, 102-45, 102-46, 102-49, 102-50, 102-51, 102-52, 102-53, 102-54	General Disclosures	About this Report	
102-7, 102-10	Scale of Organization	The H&H Group in 2017	
102-4, 102-6, 102-8,	Location of Operations, Markets Served, Information on employees and other workers	One big team	
102-9	Supply Chain	Our value chain in a nutshell	
102-13	Membership of associations	The Bigger Context of What We Stand For	
102-14	Statement from senior decision-maker	A message from our CEO	
<b>Health &amp; safety</b>			
103-1, 103-2, 103-3	Management Approach	People > Why it matters & How we approach it	B2, B2.3
403-2	Types of injury and rates of injury, lost days, and number of work-related fatalities	People > Work health & safety	B2.1, B2.2
<b>Diversity &amp; inclusion</b>			
103-1, 103-2, 103-3	Management Approach	People > Why it matters & How we approach it	B1
405-1	Diversity of governance bodies and employees	People > Performance 2017	B1.1
<b>Training &amp; development</b>			
103-1, 103-2, 103-3	Management Approach	People > Why it matters & How we approach it	B3
404-1	Average hours of training per year per employee	People > Training & development	B3.1, B3.2
<b>Wellbeing, culture and engagement</b>			
103-1, 103-2, 103-3	Management Approach	People > Why it matters & How we approach it	B1
102-16	Values, and wellbeing Initiatives	People	
<b>Remuneration &amp; workplace</b>			
103-1, 103-2, 103-3	Management Approach	People > Why it matters & How we approach it	B1, B4, B4.1, B4.2
102-8	Information on employees and other workers	People	B1.1, B1.2
102-41	Collective bargaining agreements	People	

Corporate governance			
103-1, 103-2, 103-3, 102-15	Management Approach	Heritage > Why it matters, How we approach it & Corporate governance	B7, B7.2, B6.3, B6.5
205-3	Confirmed incidents of corruption and actions taken	Heritage > Corporate governance	B7.1
Strategy, growth & innovation			
103-1, 103-2, 103-3	Management Approach	Heritage > Why it matters & How we approach it	
201-1,	Direct economic value generated and distributed	Heritage > How we approach it	
Other	Qualitative disclosure on strategic initiatives	Heritage > How we approach it	
Government relations & compliance			
103-1, 103-2, 103-3	Management Approach	Heritage > Why it matters & How we approach it	
201-4	Financial assistance received from government	-	
415-1	Political contributions	-	
Innovation & scientific partnerships			
103-1, 103-2, 103-3	Management Approach	Innovation > Why it matters & How we approach it	
201-1	Direct economic value generated and distributed	Innovation > How we approach it	
203-2	Significant indirect economic impacts	Innovation > How we approach it	
Other	H&H's innovation and advocacy of science	Innovation > How we approach it	
Supplier partnership & leadership			
103-1, 103-2, 103-3	Management Approach	Innovation > Why it matters & How we approach it	B5
414-1, 308-1	New suppliers that were screened using social and Environmental criteria	Quality > Supply chain governance & ethical sourcing	B5.1
Quality & safety			
103-1, 103-2, 103-3	Management Approach	Quality > Why it matters & How we approach it	B6, B6.4
416-1	Assessment of the health and safety impacts of product and service categories	Quality > How we approach it, Quality assurance & recall procedures,	B6.1, B6.2
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Quality > Performance in 2017	B6.1

Supply chain governance			
103-1, 103-2, 103-3	Management Approach	Quality > Why it matters & How we approach it	B5
414-1, 308-1	New suppliers that were screened using social and Environmental criteria	Quality > Supply chain governance & ethical sourcing	B5.2
102-4	Supply Chain Management	Quality > Performance in 2017	B5.1
Ethical sourcing			
103-1, 103-2, 103-3	Management Approach	Quality > Why it matters & How we approach it	
414-2	Negative social impacts in the supply chain and actions taken	Quality > Supply chain governance & ethical sourcing	B5.2
Ethical marketing			
103-1, 103-2, 103-3	Management Approach	Quality > Why it matters & How we approach it	
417-1	Requirements for product and service information and labeling	Quality > Ethical marketing	
417-2, 417-3	Incidents of non-compliance concerning product and service information and labeling	Quality > Ethical marketing	
Environmental responsibility in supply chain			
103-1, 103-2, 103-3	Management Approach	Quality > Why it matters & How we approach it	A3
308-2	Negative environmental impacts in the supply chain and actions taken	Quality > Supply chain governance & ethical sourcing	A3.1
Community contributions			
103-1, 103-2, 103-3	Management Approach	Wellness > Why it matters & How we approach it	B8, B8.1
413-1	Operations with local community engagement, impact assessments, and development programs	Wellness > How we approach it	B8.2
Community education & health			
103-1, 103-2, 103-3	Management Approach	Wellness > Why it matters & How we approach it	B8, B8.1
413-1	Operations with local community engagement, impact assessments, and development programs	Wellness > How we approach it	B8.2
Energy & carbon emissions			
103-1, 103-2, 103-3	Management Approach	Global Citizenship > Why it matters & How we approach it	A1, A1.5, A2, A2.3, A3, A3.1
305-1	Direct GHG emissions	Global Citizenship > Performance in 2017	A1.1, A1.2
	Use of Resources	Global Citizenship > Performance in 2017	A2.1
	The Environment and Natural Resources	Global Citizenship > Performance in 2017	A3.1

<b>Air quality</b>			
103-1, 103-2, 103-3	Management Approach	Global Citizenship > Why it matters & How we approach it	A1, A1.5
305-7	"Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions"	Global Citizenship > Performance in 2017	A1.1
<b>Environmental responsibility in operations</b>			
103-1, 103-2, 103-3	Management Approach	Global Citizenship > Why it matters & How we approach it	A3
307-1	Non-compliance with environmental laws and regulations	Global Citizenship > Performance in 2017	
<b>Waste management &amp; packaging</b>			
103-1, 103-2, 103-3	Management Approach	Global Citizenship > Why it matters & How we approach it	A1, A1.6, A2
306-2	Waste by type and disposal method	Global Citizenship > Performance in 2017	A1.3, A1.4
	Use of Resources	Global Citizenship > Performance in 2017	A2.5
<b>Water management</b>			
103-1, 103-2, 103-3	Management Approach	Global Citizenship > Why it matters & How we approach it	A2, A2.4
303-1	Water withdrawal by source	Global Citizenship > Performance in 2017	A2.2

#### 2016 Material Issues:

Compliance  
 Risk Management and Internal Control  
 Anti-fraud Mechanism  
 Operational Compliance  
 Labour Standard Compliance  
 Consumer Information Protection  
 Intellectual Property Rights Protection  
 Nutrition and Health  
 Diversified Products

Supply Chain Management  
 100% Production Management  
 Product Tracking System  
 All-rounded Market Communication  
 Employee Care  
 Talent Values  
 Employee Structure  
 Employee Health and Safety  
 Anti-discrimination

Employee Welfare  
 Internal Communication Channel  
 Employee Training and Development  
 Low Carbon Environment  
 Emission Reduction  
 Resource Saving  
 Green Packaging  
 Community and Charity  
 Investment in Research and Development