




Sustainability Statement


Our brand promise of 'Pure Enjoyment, Pure Goodness', means that we want our products to provide enjoyment and nourishment to consumers. In other words, utilising the best ingredients, together with best practices in the way we source, produce and distribute.

Equally important for our brand promise is to ensure that Fraser & Neave Holdings Bhd (F&NHB or the Group) is an integral part of our community, improving livelihoods across our value chain; that we are the employer and partner of choice providing opportunities for advancement and development; that we play a leading role in community development; and that we always demonstrate environmental responsibility and leadership.

We continue to make positive strides towards achieving F&N Group's 2020 sustainability goals and strengthen our approach in managing sustainability topics which are material to our business.

our **third**
 **Standalone Sustainability Report**
(produced in line with the GRI Standards – Core Options)

on track achieving our 
 Sustainability Targets for **2020**

Obtained external assurance on selected
 **Environment and Social**
from Lloyd's Register Quality Assurance

Included in the 
FTSE4Good Bursa Malaysia Index
for the first time this year

SUSTAINABILITY APPROACH

Sustainability is embedded in F&NHB's culture at all levels. Our Board of Directors ensures F&NHB's long-term business direction is guided by sustainability, with The Board Charter setting out their responsibility to: "include strategies on economic, environmental and social considerations underpinning sustainability." They are supported by the Sustainability and Risk Management Committee, Sustainability Management Committee, Sustainability Development Committee at the F&N Group level, as well as our Sustainability Development Working Team.

Our Materiality Assessment, first carried out in 2017 and reviewed each year, helps us to identify the sustainability issues which are most important to us and our stakeholders. Over the past year, awareness about plastics has grown globally and locally. The Malaysian Government has published a 'Roadmap

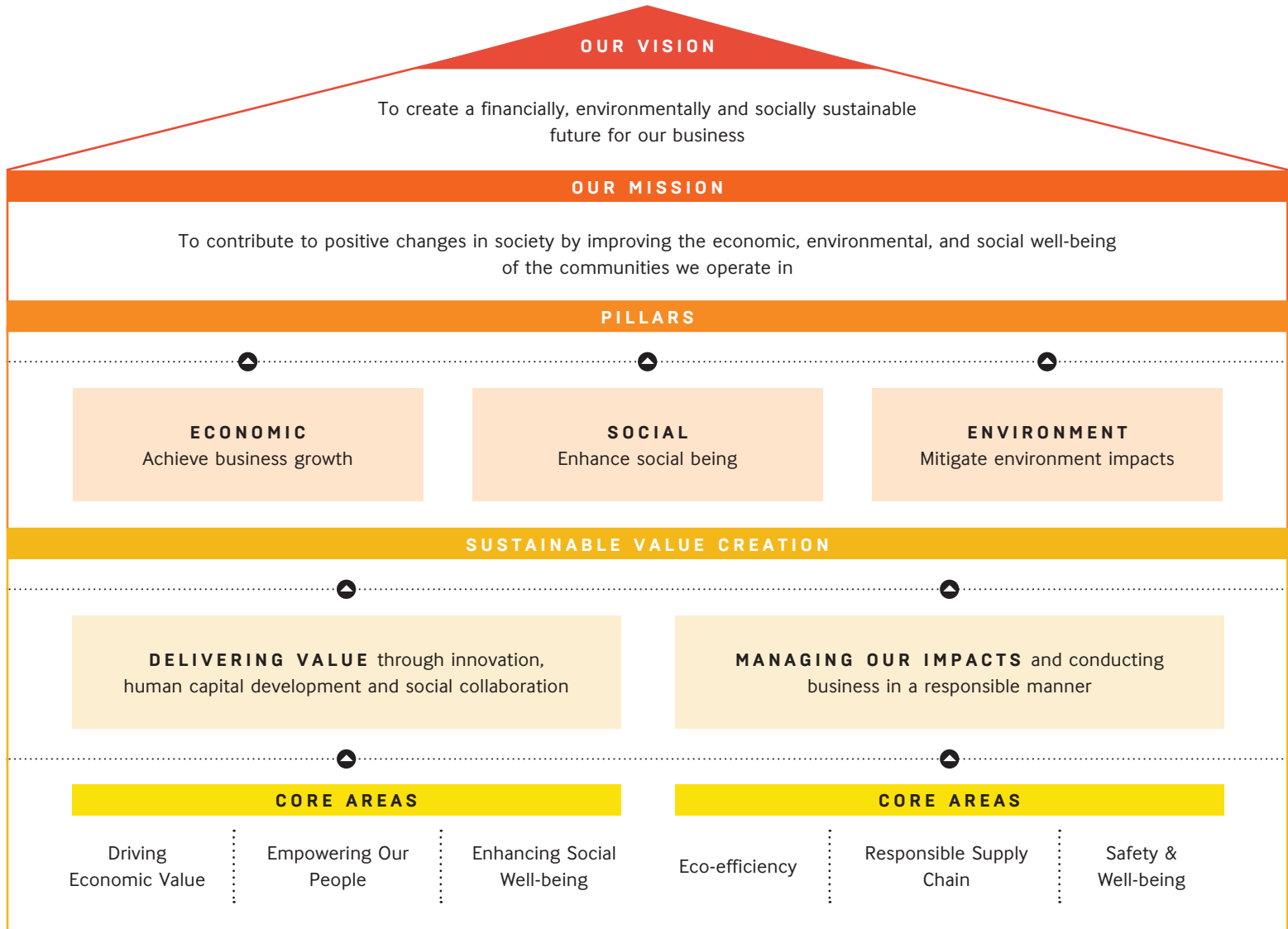
Towards Zero Single-use Plastics 2018-2030'. The group has assessed the materiality of the 'Packaging' issue to be 'high' in 2019. For a more holistic reporting, this year we have sub-sumed a) the 'Health and Nutrition' issue under 'Consumer Health & Safety' and 'Creating Value for Society'; and b) the 'Route Planning' issue under 'Energy & Climate Change' to be aligned with the circular economy approach. Hence, there are now 13 materiality issues for F&NHB.

It is our vision to create a financially, environmentally, and socially sustainable future for our business by:

- Delivery value through innovation, human capital development and social collaboration, and
- Managing our impacts and conduct business in a responsible manner.

SUSTAINABILITY STATEMENT

Our overall sustainability framework comprises six pillars: i) Driving Economic Value; ii) Empowering our People; and iii) Enhancing Social Well-being. The second theme is Managing our Impacts with core areas: iv) Eco-efficiency; v) Responsible Supply Chain; and vi) Safety and Well-being.



This Sustainability Statement provides a snapshot of our Sustainability Report 2019, which shares about how we manage our material issues and the Group's progress to our 2020 sustainability goals. In this Sustainability Statement, we provide a summary of the six core areas, and introduce some of the highlights for the year.

1. DRIVING ECONOMIC VALUE


F&NHB's longevity is based upon long-term value creation for our stakeholders. We achieve this by maintaining leadership in our core markets, and by leveraging innovative technologies and our employees' expertise to meet consumers' evolving demands and enter new markets.


Our Research & Development (R&D) Unit in Singapore is supported by teams in Malaysia and Thailand. The unit leads efforts for continuous improvements to our product formulas according to changes in consumer preferences and the regulatory environment, while searching for ways to improve products' functional benefits and shelf-life.

At F&NHB, we strive to deliver our 'Pure Enjoyment. Pure Goodness' promise to our consumers by offering: more options in different product categories; healthier options without compromising on taste; and convenience through differentiation in packaging to cater to customers' evolving needs.


Our R&D and Manufacturing teams constantly seek out the most up-to-date technical and scientific advances to improve the efficiency of our operations while minimising environmental impacts. Over the years, we have implemented innovative technologies to reduce post-consumption waste and automate processes to enhance efficiency.


Introduced **11** new products,  offering more options in product categories, **healthier** options and **convenience**

90%  of our RTD beverages sold in Malaysia today are **healthier option**
(below the sugar sweetened beverages excise duty threshold)

 Investment of **RM150 million** in capital expenditure to **elevate our product innovations** and **drive cost competitiveness**

Expanded our 'Healthier Choice Logo' certified product range to **41** in FY2019 

Employee-driven projects delivered cost savings/cost avoidance: Approximately **RM2.41 million** per annum 

 Reduced PET resin usage by **208 metric tonnes**

SUSTAINABILITY STATEMENT

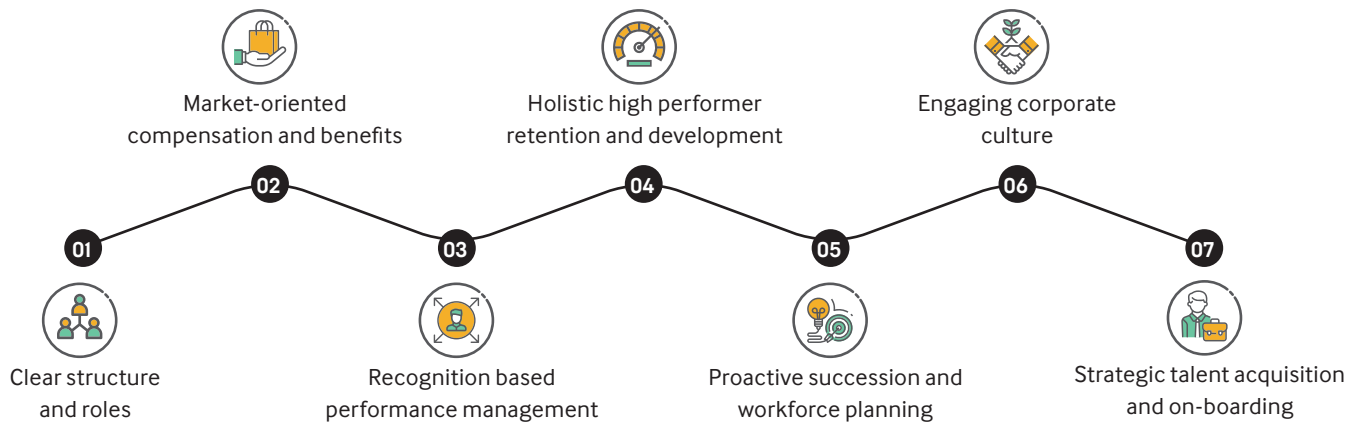
2. EMPOWERING OUR PEOPLE

Our people differentiate F&NHB from peers and are central to determining how well we perform. We strive to create a stimulating work environment, where talent is nurtured and rewarded, and employees are engaged, challenged and empowered to perform to their highest potential. We constantly look to hire and retain talent who will enable us to maintain our competitive edge.

We also recognise the importance of diversity in terms of cultural background and age, as well as having a good gender balance, to enrich the workplace with fresh perspectives which help us to meet our business objectives.

F&NHB has a strategic plan to establish ourselves as the employer of choice, and this is guided by our seven 'Modules for Strategic Human Capital Transformation'.

7 MODULES FOR STRATEGIC HUMAN CAPITAL TRANSFORMATION



Our hiring practices are also aligned with the interests of the local economies in which we operate, and we are determined to be the employer of choice and a role model for others. We are proud that 100% of our senior management in Thailand, and 95% of our senior management in Malaysia, are hired from the local community. This helps to keep the value created by F&NHB within the local economy and ensures that we understand the local markets.



Employment:

2,600
people

Female representation in our workforce:

32%
of total employees



44%
of total managerial positions



Provided an average:

22 training hours
per employee per year

3. ENHANCING SOCIAL WELL-BEING

At F&NHB, we believe that sustainable business development occurs when our communities develop alongside us. This means that we direct our investments to create value where the strengths of our business intersect with the needs of society.

Strengthening Vulnerable Groups

Inequality of wealth and opportunity is a major global challenge. Our consumers and employees come from all segments of society, and inequality undermines the development and potential of both our business and our communities. To take leadership in tackling this issue, we have chosen to focus on strengthening vulnerable groups such as underprivileged children. Through investing in educational programmes including both technical skills and soft skills, F&NHB works towards promoting a more equal society, diversity and social inclusion where business and society together flourish.

Promoting Environmental Consciousness

While companies have a critical role to play in minimising our environmental footprint, sustainable development means a partnership, including behavioural changes at the individual level. Besides maintaining eco-efficiency in our operations (see pages 68-82), we have taken the task of promoting environmental consciousness in our communities as another priority.



Spreading Festive Cheer

In addition to basic needs and environmental sustainability, our community development programme includes a priority related to our brand promise, which is delivering 'Pure Enjoyment, Pure Goodness' to all. We believe that spreading festive cheers helps our communities connect with each other and strengthen relationships between different cultures. Here, we aim to promote diversity and fosters national unity in our communities.

Promoting Sports & Active Lifestyles

As a food and beverage business, F&NHB's products contribute to the health and well-being of our communities. Therefore, we consider it our obligation to facilitate responsible consumption and balanced lifestyles. This is mostly accomplished through the consumption of F&NHB products to maintain a healthy lifestyle in line with consumer needs. We also prioritise community investments which support sports and active lifestyles to better care for our consumers while also creating value for communities.

100%



of our operations in Malaysia and Thailand with implemented **local community engagement, impact assessment** and **development programmes**



Social investment in FY2019

> RM 1 million

2019 School Recycling Programme



Spread wings to **13** states in Malaysia

Reached **756** schools this year

More than **2.35** million kg of recyclables were collected



Over

50,000

children and youths participated in **grassroot sports programmes**

SUSTAINABILITY STATEMENT

4. ECO-EFFICIENCY

Eco-efficiency refers to the act of maximising benefits and minimising ecological costs. As part of our materiality assessment, we identify four main issues in relation to our eco-efficiency efforts:

- **Water Stewardship:** Water is a fundamental element of our products, and our business is dependent on a reliable supply of water. Therefore, water stewardship at F&NHB and its associated risks are regularly monitored as part of our enterprise risk management. We have a range of water assessment and action policies which are applied across our facilities. Our group-wide integrated approach includes efficiency measures; the safe return of waste water from our operations; and mitigating risk in supply.
- **Effluents & Waste:** The food & beverage manufacturing process involves the generation of both liquid (effluent) and solid wastes. We strive to reduce impacts from our operations, and this means complying with and going beyond relevant regulations. F&NHB applies strict standards over the quality of our effluent discharges and continuously explores how 'waste' from our operations can be minimised and put to alternative uses. Our dairy manufacturing plants in Thailand and Malaysia are leading the way in our commitment towards achieving zero effluents and solid waste.
- **Packaging:** We strive to ensure our packaging protects the integrity of the contents and fulfils the visual and functional expectations of our consumers. There is increasing stakeholder awareness of the importance of environmental-friendly packaging, especially in relation to plastics. We reduced our PET resin use in packaging materials for some of our products (including 100PLUS ACTIVE and F&N SEASONS and OYOSHI) by 208 metric tonnes this year. There is much scope for innovation in packaging, which we have been exploring over the years.
- **Energy & Climate Change:** Climate change is a defining global challenge of the 21st century, and F&NHB is committed to reduce our energy consumption and GHG emissions intensity. Our energy and climate change related activities are broken down into five priority areas (energy efficiency in our operations; renewable energy sourcing and generation; reducing carbon in our value chain; route planning; and operations' exposure to climate change risks). We have a range of initiatives to reduce our impacts and help our business partners to reduce impacts.

Reduced

solid waste ratio by

34.1%



10%

reduction

in our packaging ratio compared to last year



Almost **24,000 kg** of F&B packaging related recyclables were collected by employees in Malaysia via **F&N Go Green++ Programme**

5. RESPONSIBLE SUPPLY CHAIN

As a market-leading food & beverage company, we constantly work with our business partners, suppliers and vendors to deliver mutually sustainable solutions which create long lasting value. We have a systematic screening process for all potential new suppliers using environmental (such as reducing waste, pollution and water resources) and social criteria (including human rights and labour practices). Annual supplier audits are conducted to ensure compliance with food safety regulations and standards. We assess a range of quality assurance and food security criteria to safeguard the health of consumers and the safety of workers in our supply chain.

Since 2013, we have been collaborating with local Thailand-based farmers in cooperatives which supply F&NHB with milk. We continue to introduce new

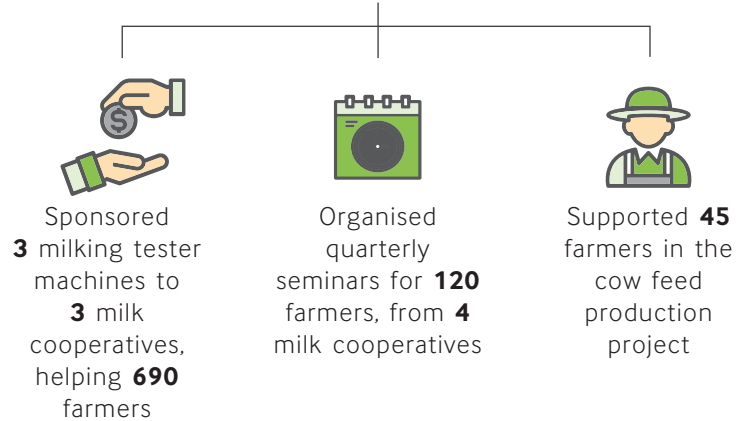
technologies and equipment (for example, milk machine testers and automatic jet cleaning milking machines) to help them increase productivity, improve milk quality, and reduce wastes as part of a circular economy approach. Working closely with the cooperatives, we also organised seminars and produced quarterly educational newsletters for the farmers.

As a major producer of Halal products in Malaysia, F&NHB is in a position to facilitate the development of the nation's Halal industry. This year, F&NHB collaborated with Halal Industry Development Corporation on the Halal Sourcing Partnership Programme. Through this collaboration, F&NHB shared Halal industry best practices whilst providing technical advice and knowledge transfer to small and medium enterprises.

Engaged with 
>3,100 
 global and local suppliers

Purchased 
RSPO credits
 for **70%**
 of our palm oil usage

Supplier Productivity Enhancement Programme in Thailand



6. SAFETY & WELL-BEING


At F&NHB, our holistic approach for Safety & Well-being includes: creating a proactive safety culture and healthy workforce; embodying our brand promise of 'Pure Enjoyment, Pure Goodness' through product safety and nutrition; as well as enabling consumers to make informed purchasing choices through accurate and appropriate labelling and responsible marketing.

F&NHB has safety, health, and environment (SHE) systems and monitoring processes in place across our operations. Our safety practices adhere to International standards including ISO 14001 and OHSAS 18001 for all major sites. All employees, workers and activities are covered by our SHE systems, and receive adequate training and safety equipment wherever appropriate. Each plant has its own Safety Committee comprising management and workers.

All F&N products are manufactured under stringent international quality and food safety standards. All our products are also Halal-certified by the Department of Islamic Development Malaysia and other relevant authorised certification bodies.

As well as safeguarding our consumers' safety while enjoying our products, we are committed to developing products and initiatives to promote health and nutrition. The F&N Nutrition Charter outlines our commitment to develop products which are healthy for consumers, guiding us throughout product development, marketing, and initiatives to advocate healthy lifestyles.

Our packaging and labelling is the primary method through which we communicate information to consumers about our products' quality, nutrition, safety and disposal. Our labelling adheres to the Food Act in Malaysia and requirements of the Food and Drug Administration in Thailand.

 **Lowered** the amount of sugar contained per ml of all our beverages by **41%** since 2004

 **90%** of our RTD beverages are healthier options (below the sweetened beverages excise duty threshold)

10 out of 12 product categories have at least one healthier choice



Expanded our **Healthier Choice Logo** certified product range to 41

