



MATERIAL ISSUES:

- Water Stewardship
- Effluents & Waste
- Packaging
- Energy & Climate Change
- Sustainable Sourcing
- Occupational Health & Safety
- Consumer Health & Safety
- Product & Service Labelling

CONTRIBUTING TO SDGs:



Managing Our Impacts & CONDUCTING OUR BUSINESS IN A RESPONSIBLE MANNER

To grow sustainably, we must ensure that our products are not only safe, tastier and healthier, but are also friendly to the environment. Our employees are constantly seeking innovative approaches to manage our energy and water consumption. Reducing waste is one of our top priorities; we strive to reduce, reuse and recycle wherever possible along our value chain.

Recognising that post-consumption waste is an important issue in the areas in which we operate, we are continuously in search of solutions to tackle packaging waste. We are also committed to working with our suppliers to implement environmental and social good practice. The top priority in how we conduct our business is the safety of our employees and consumers; we aim to go a step beyond legal requirements and promote well-being through positive interventions.

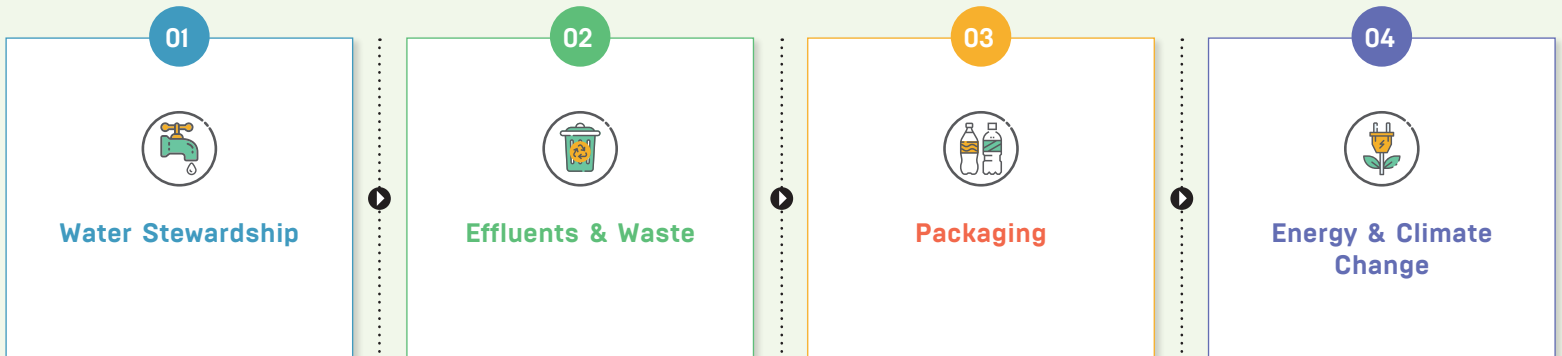




ECO-EFFICIENCY



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



Managing Our Impacts

We implement environmentally sustainable business practices in alignment with F&NHB's core values and the circular economy principles. All employees are at all times guided by our Environmental, Safety & Health Policy.



Our employees, business partners and stakeholder groups are all aware of our Environmental Policy and have given their support for our goals. To ensure that our policies are valid and up to-date, they are reviewed regularly.

In the following pages, we will explain our targets, management approach and performance for each of our eco-efficiency areas of focus. We will show that eco-efficiency is not only just about reducing the environmental impacts of our operations, but also often makes good business sense for F&NHB.

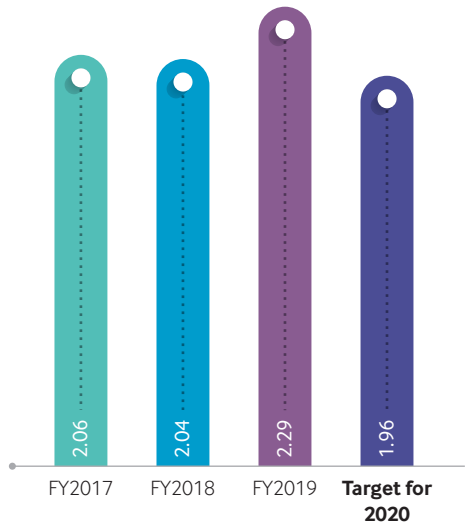
During the year ended 30 September 2019 (FY2019), F&NHB did not receive any fine or sanction for non-compliance with environmental laws or regulations.

ECO-EFFICIENCY

WATER STEWARDSHIP

GRI 303-3 (2018); GRI 303-4 (2018); GRI 303-5 (2018)

GROUP WATER INTENSITY RATIO (M³/MT)



Target:

To reduce water intensity ratio at our plants by 5% from 2017 by 2020

Progress in 2019:

Water intensity ratio in FY2019 increased by 11% from 2017

Note:

1. The water intensity ratio is higher in FY2019 because of two additional production lines at Shah Alam plant, which have a higher water consumption ratio compared to other production lines, as well as lower production output at our plant in Pulau Indah. Excluding the two additional lines in Shah Alam, water ratio in FY2019 is 2.06 m³/MT.



OUR APPROACH

While none of our sites are in high water-stress areas, many regions in both Thailand and Malaysia have faced floods in recent years, and the effects of climate change are expected to intensify water stress in the future. Therefore, with the guidance of our Environmental Safety & Health Policy and circular economy principles, we are committed to responsible water stewardship and managing our water use accordingly to safeguard availability for local communities.

Water is a fundamental element of our products, and our business is dependent on a reliable supply of water. A lack of effective water management can therefore have serious implications. Therefore, water stewardship at F&NHB and its associated risks are regularly monitored as part of our enterprise risk management by the management.

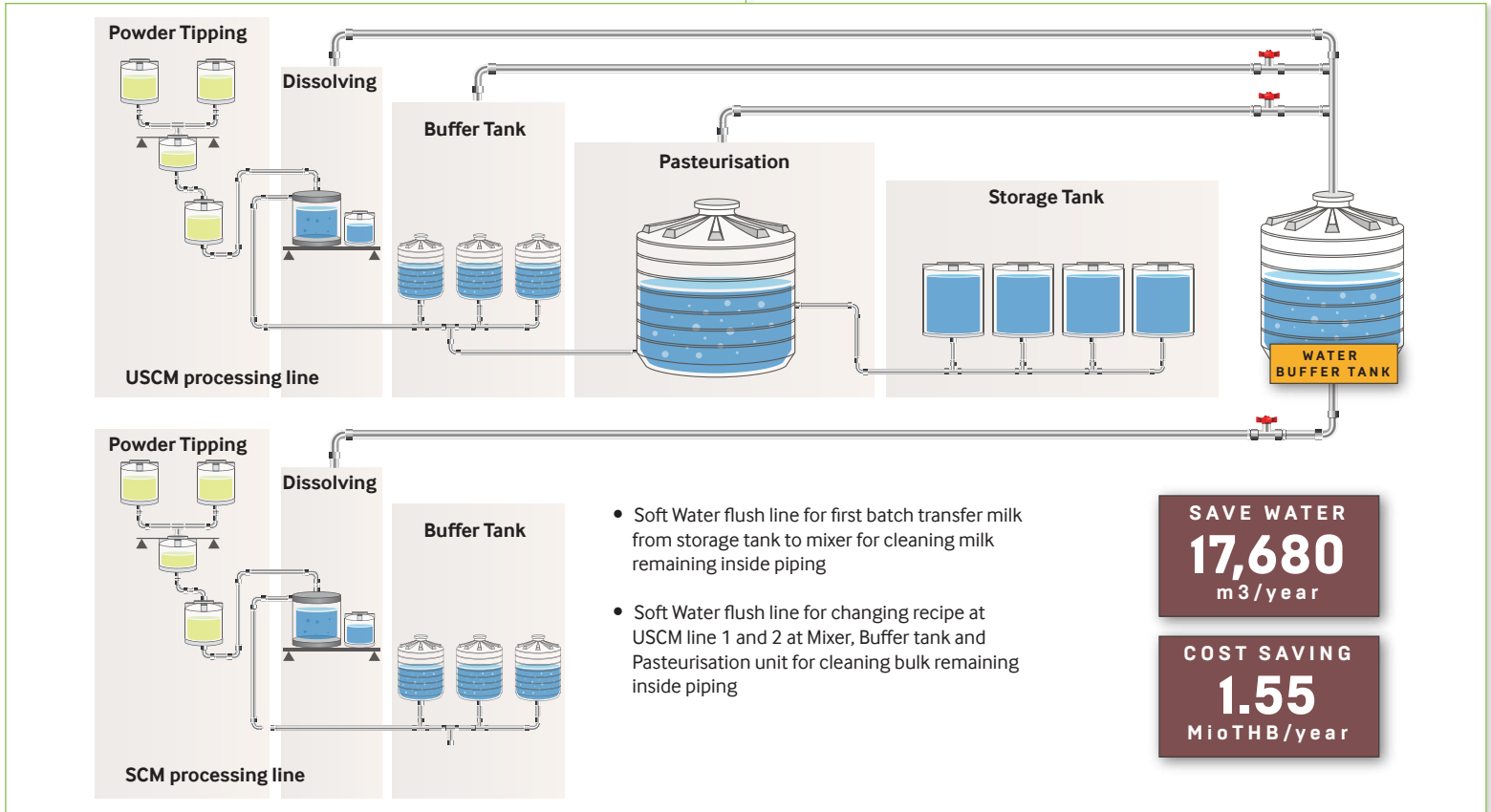
We have a range of water assessment and action policies which are applied across our facilities. Our group-wide integrated approach includes efficiency measures; the safe return of waste water from our operations; and mitigating risk in supply.

We take every opportunity and approach to reduce water consumption and meet our 2020 water intensity target by implementing various projects and initiatives. Project highlights include:

<p>Zero Water Discharge from Water Flushing to Buffer Water Tank – Rojana Plant</p>	<p>We identified that water consumption can be minimised by transferring water from water flushing to buffer water tanks, which can be used to clean the inside pipe of buffer water tank.</p>	<p>Water Reduction: > 17,600 m³/year Cost Savings: > 1.55 million baht/year</p>
<p>Water Recycling Treatment System – Pulau Indah Plant</p>	<p>We implemented a waste water recycling treatment system to reduce water consumption and increase plant efficiency. The water discharge will further be treated as make-up water for process cooling.</p>	<p>Water Reduction: > 124,000 m³/year Cost Savings: > RM200,000/year</p>
<p>IETS Water Recovery for IETS Operation & Cooling Tower Operation – Shah Alam Plant</p>	<p>During the year, to reduce water consumption, we recovered the final discharge of raw water from production operation for usage in Industrial Effluent Treatment System (IETS) and centralised cooling condenser.</p>	<p>Water Reduction: > 43,000 m³/year Cost Savings: RM98,000/year</p>

Managing Our Impacts

DIAGRAM ON ZERO WATER DISCHARGE FROM ALL WATER FLUSHING TO BUFFER TANK

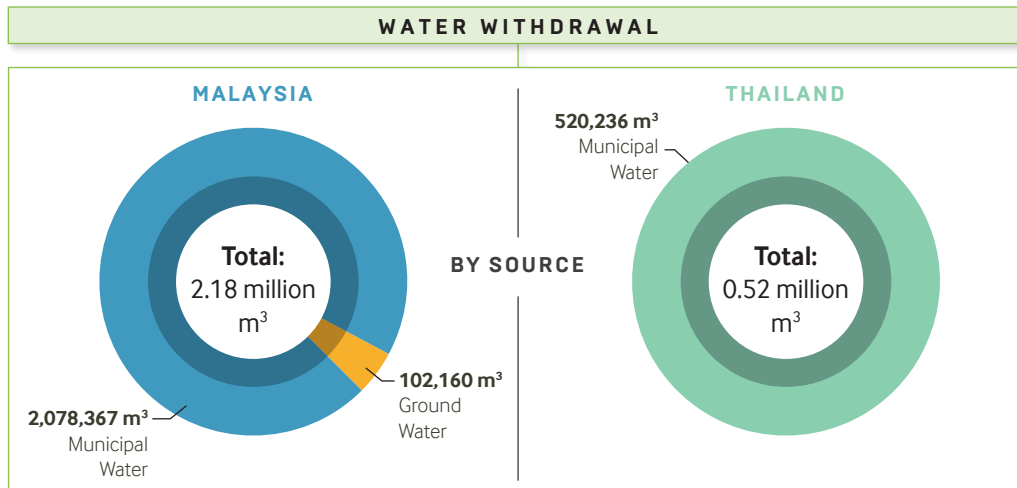


OUR PERFORMANCE HIGHLIGHTS

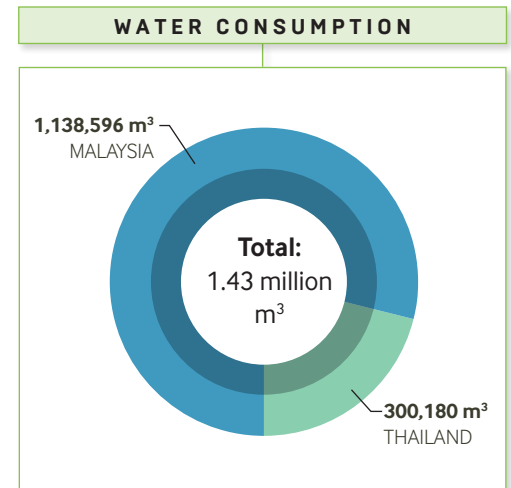
Over the past year, our water intensity increased, due to two additional production lines at our plant in Shah Alam which have a higher water consumption ratio compared to other lines and running at full capacity.

We remain committed to achieving our 2020 water intensity reduction targets. Total water consumption (i.e. withdrawal minus discharges) during the year was 1.43 million m³. More information about effluents is included in the next chapter of this report.

GRI 303-3: Water Withdrawal by Source



GRI 303-5: Water Consumption



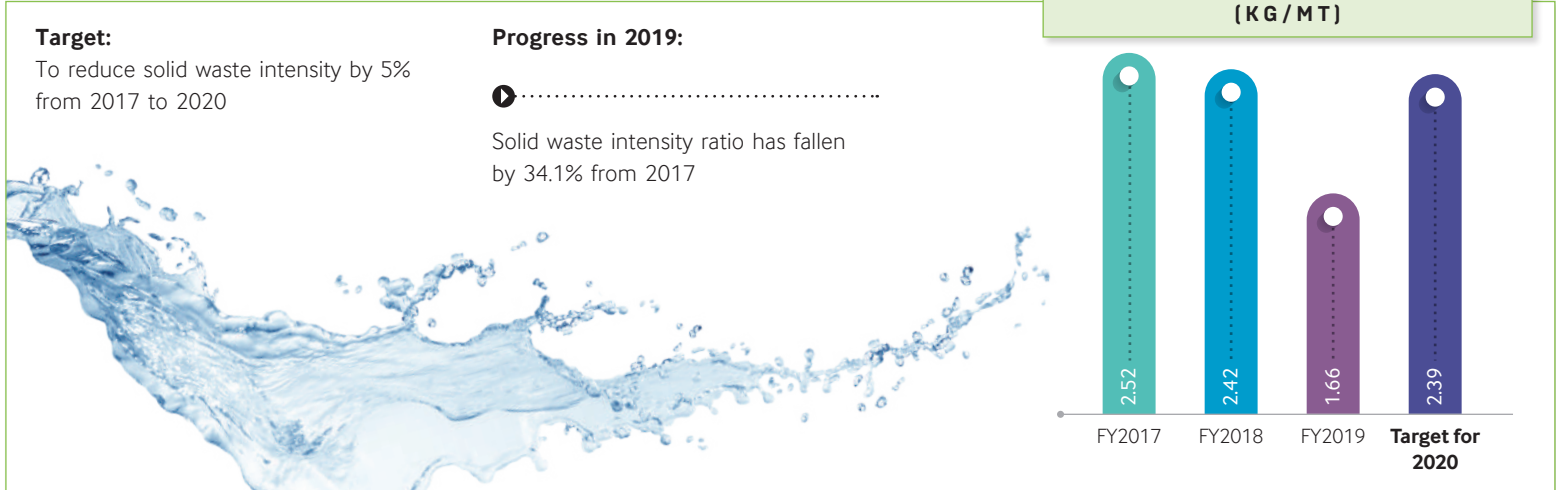
Notes:

1. Water withdrawal is not from areas with high water stress.
2. All our withdrawn water is freshwater (< 1,000 mg/L Total Dissolved Solids).

ECO-EFFICIENCY

EFFLUENTS & WASTE

GRI 303-4 (2018); GRI 306-2



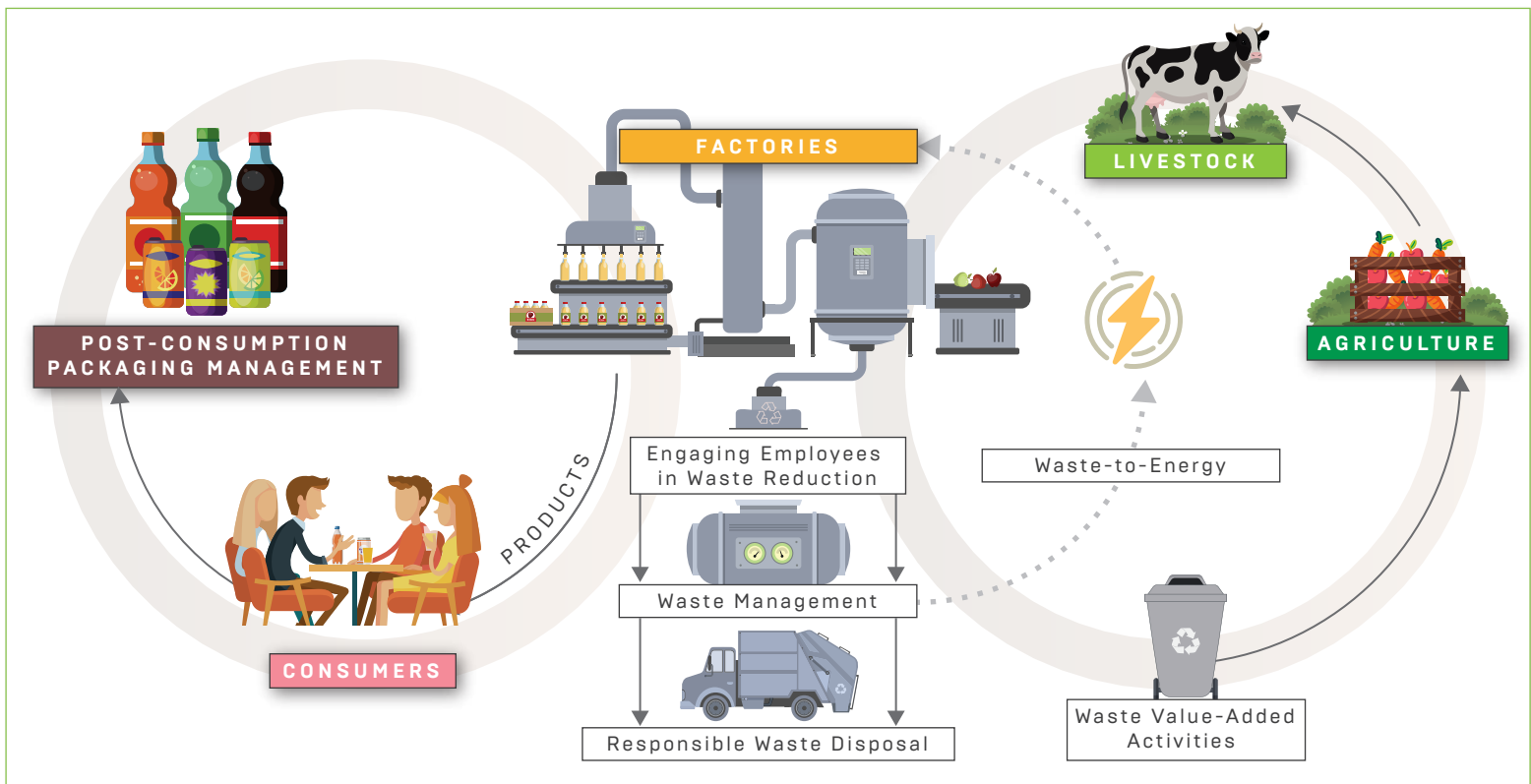
OUR APPROACH

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.

Under the guidance of our Environmental Policy and the principles of a circular economy, F&NHB applies strict standards over the quality of our effluent discharges and continuously explore how 'waste' from our operations can be minimised and put to alternative uses.

This chapter focuses on waste and effluents in our own operations. Please refer to the 'Packaging' (page 076) and 'Sustainable Sourcing' (pages 083-088) chapters for further insights about how F&NHB works throughout the value chain with suppliers and customers.

Circular Economy and Waste



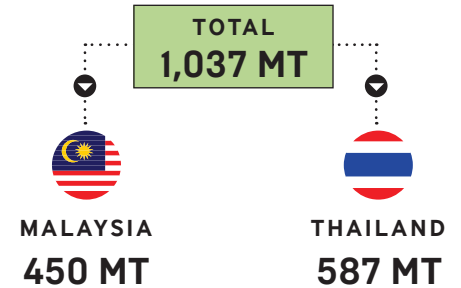
Managing Our Impacts

We believe that our aspiration for 'zero discharge, zero waste and zero landfill' starts from each individual. As such, we organise activities to enhance environmental awareness among our employees through communication platforms such as the Intranet, emails and internal recycling programmes as well as activities like 'plogging' and our F&N Green Carnival.

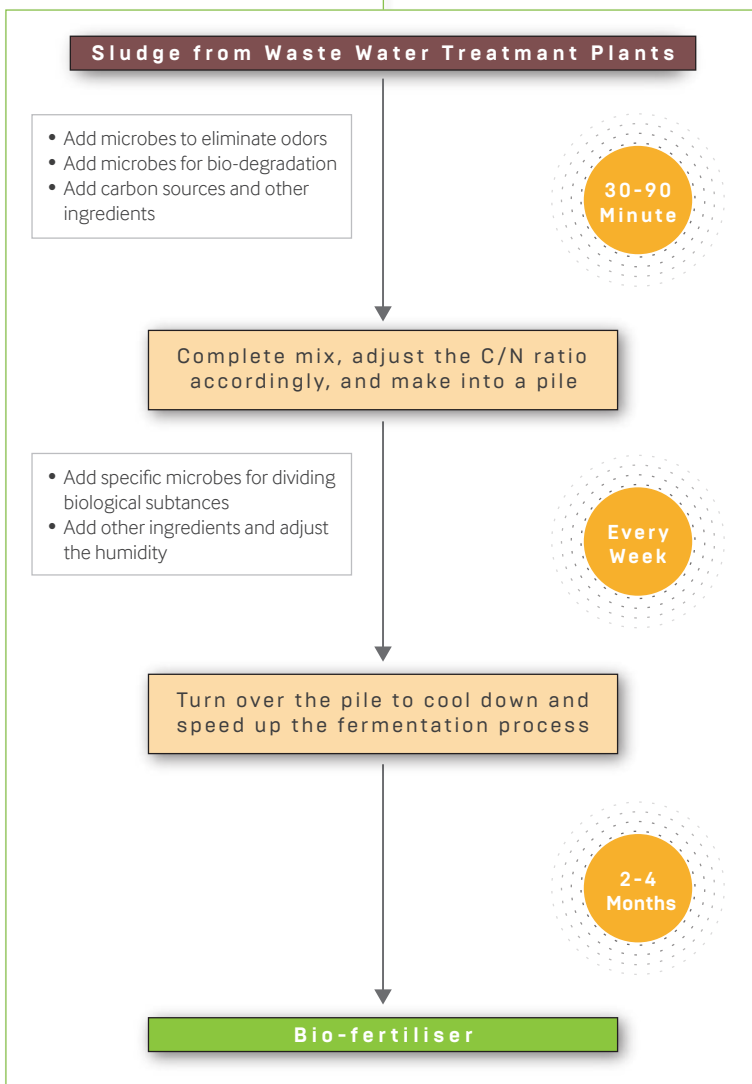
Our dairy manufacturing plants in Thailand and Malaysia are leading the way in our commitment towards achieving zero effluents and solid waste. One way we do this is by converting 100% of industrial sludge from production into organic fertiliser, which is then distributed to local farmers. Over 1,037 metric tonnes of industrial sludge from our waste water treatment plants were converted into fertiliser during the year.

Wastewater from our industrial effluent treatment plant in Malaysia is treated and repurposed for cleaning, toilet flushing, utilities and other functional purposes. Rejected water from our Thai water treatment plant and boiler is transferred to a pond for watering of grass and plants.

AMOUNT OF INDUSTRIAL SLUDGE FROM WASTE WATER TREATMENT PLANT CONVERTED TO FERTILISER



FLOW CHART FOR BIO-FERTILISER FROM SLUDGE



Bio - Fertiliser



Bio - Fertiliser packing for farmers

Process flow of converting industrial sludge into fertiliser at Thailand

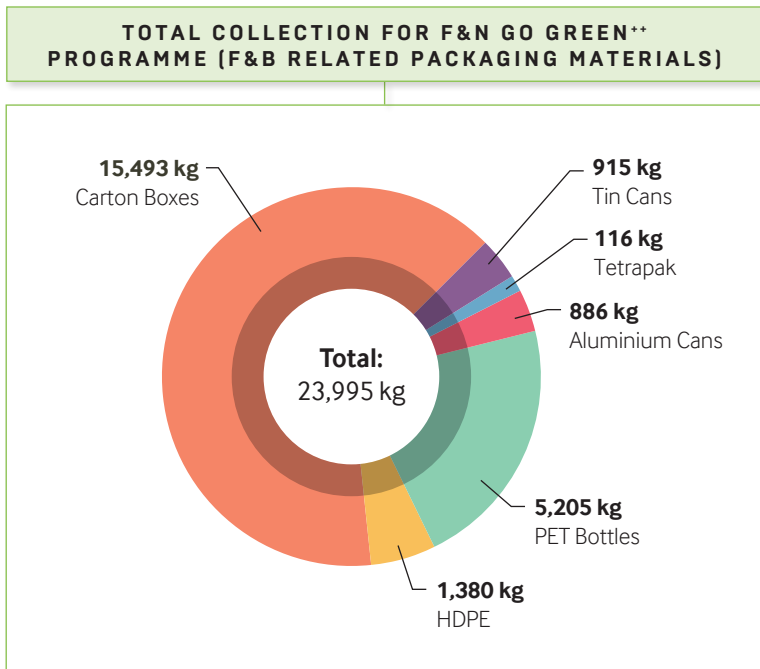


ECO-EFFICIENCY

F&N Go Green Programme

Following the success of 2018's F&N Go Green++, a nation-wide employee recycling programme in Malaysia, we continue to focus on packaging materials, to generate greater awareness of applying the 5Rs philosophy among employees.

Our employees continued their enthusiasm in collecting recyclable F&B related packaging materials and we collected almost 24,000 kilogrammes of recyclables (an average of 12.5 kilogrammes per employee) throughout the 6-month programme. There was also a significant increase in employees' knowledge on the 5R philosophy.



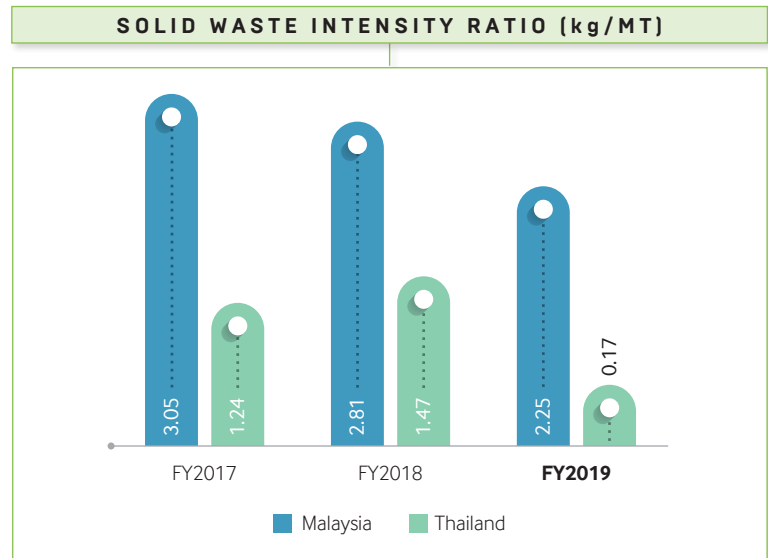
As part of the programme, F&N Green Carnival was organised at our Kota Kinabalu plant this year. The activities for the carnival were designed to enhance 5R awareness amongst employees as well as share F&NHB's Sustainability journey in a fun way. The information and activities in the Green Carnival included:

- Recycling tetra packaging by Tetra Pak Malaysia
- Recycling industrial waste into useful materials by KPT Recycle Sdn Bhd
- The company's sustainability commitments and initiatives
- Upcycling workshop using beverage cartons

Inspired by the success of this programme in Malaysia, F&N Dairies Thailand launched a 'Circular Economy' project in September 2019, to enhance the awareness of our employees and surrounding communities about aiming for zero solid waste. During the project launch, our employees visited schools around the Rojana plant to educate students about the circular economy, including the donation of recycling bins to the schools.

OUR PERFORMANCE HIGHLIGHTS

We have a target to reduce solid waste intensity by 5% from 2017 to 2020 and achieved a 34.1% reduction this year compared to 2017. The significant reduction was driven by the successful 'Waste to Wealth' programme at Pulau Indah plant and the 'War against Waste' programme in Thailand.



Hazardous	Type of Waste (in kg) by Disposal Method	Non-Hazardous
6,945	Reuse	256,643
0	Recycling	5,218,926
0	Composting	6,194,750
24,852	Recovery	24,780
1,127	Other Recycled/ Reused Waste	714,410
2,667	Other Disposed Waste	4,340
3,200	Landfill	1,800,462

GRI 306-2: Total volume of waste disposed by type and disposal method

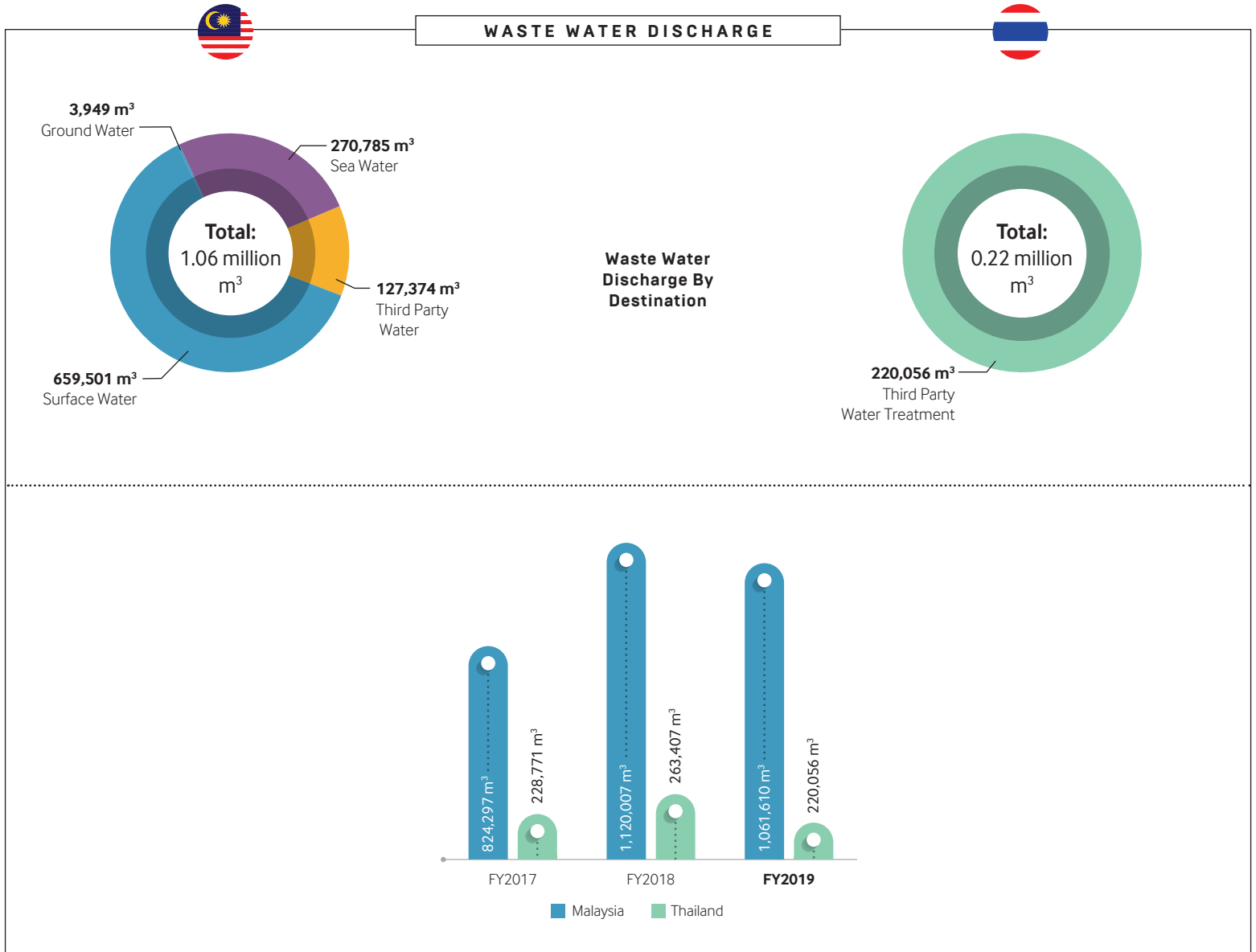
Over 86% of solid waste was reused, recycled or recovered during the year.

Malaysia	Thailand
Total Solid Waste Produced	
12,879 MT	1,523 MT
Solid Waste Reused, Recycled or Recovered	
10,978 MT	1,464 MT
Percentage of Waste Generated Reused, Recycled or Recovered	
85%	96%

Managing Our Impacts

GRI 303-4 (2018): Water discharge

In 2019, we also reduced wastewater discharges in both Malaysia and Thailand.



Notes:

1. The data for Malaysia expanded to include our two water plants as they have systems in place to measure the waste water, although they do not have Waste Water Treatment Plant.
2. The data for Thailand excludes our one dairy plant in Pak Chong as they do not have a Treatment Plant and they are unable to measure the water discharged.
3. All our waste water is freshwater (< 1,000 mg/L Total Dissolved Solids).

ECO-EFFICIENCY

PACKAGING

OUR APPROACH

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. In Malaysia, the government recently released a 'Roadmap Towards Zero Single-Use Plastics 2018-2030' setting out their vision to phase out single-use plastics over the next decade. F&NHB is committed to supporting these efforts and will be re-assessing our approach over the next year, as well as establishing relevant targets when we set new sustainability goals for 2025.

There is much scope for innovation in packaging, which we have been exploring over the years (more details are included in the 'Innovation' chapter of this report). This has helped us reduce the volume of packaging materials used as a percentage of product. Our overall packaging ratio has dropped by 10% compared to last year.

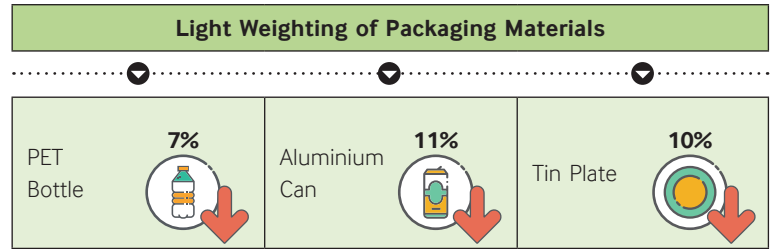
Circular economy principles guide our approach and we are committed to reduce waste by increasing shelf life and providing appropriate portion sizes, as well as increasing the recyclability of the primary and secondary packaging used in our products and sourcing more renewable packaging materials. Currently, more than 90% of our beverages' packaging are made of recyclable materials.

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. On top of that, the products have a longer shelf-life, which led to less waste disposal.

We are also active in campaigns to encourage recycling; more information is included in the 'Creating Value for Society' chapter (pages 053-065) of this report.

Some of our materials' light-weighting initiatives:

Reduction of Materials Usage (in MT)	
PET bottle	208 MT per year
Aluminium can	146 MT per year
Tin plate	130 MT per year
Shrink film	21.8 MT per year

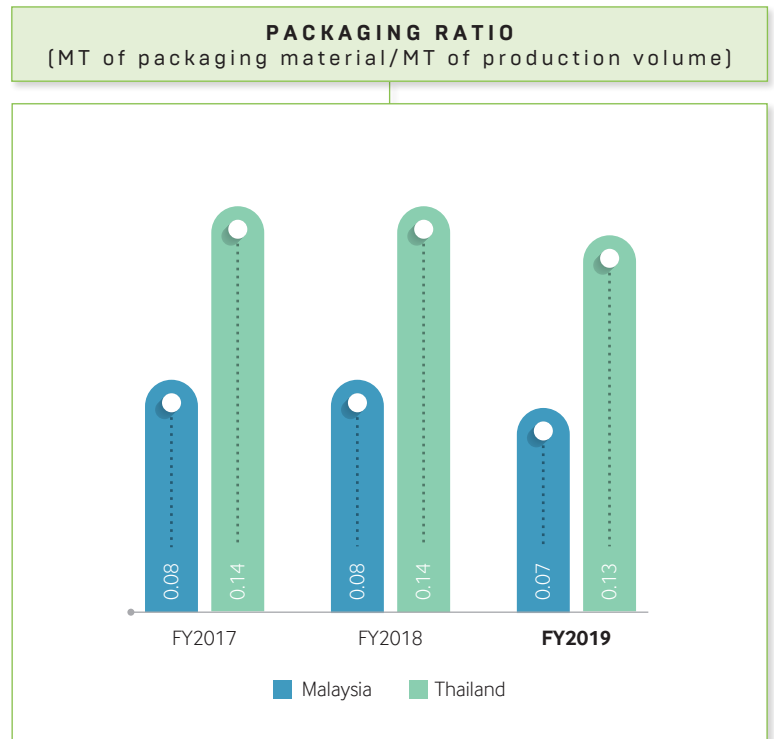


In Thailand, and as described in the earlier 'Innovation' chapter, this year, we also implemented a packaging reduction initiative for cartons of 2kg pouch sweetened beverage creamer. Through this initiative, the weight of paper carton has reduced by 90g, with savings of 150 metric tonnes of cartons and 15 million baht in cost savings per year.

Another initiative implemented this year was to increase the size and weight of shrink film roll and modify the support of auto pack to fit the larger roll. With this, the usage of shrink film has reduced by 21.8 metric tonnes per year.

OUR PERFORMANCE HIGHLIGHTS

In Malaysia, over 58,000 metric tonnes of packaging materials were used during the year, and in Thailand, it was over 44,000 metric tonnes.



Note:

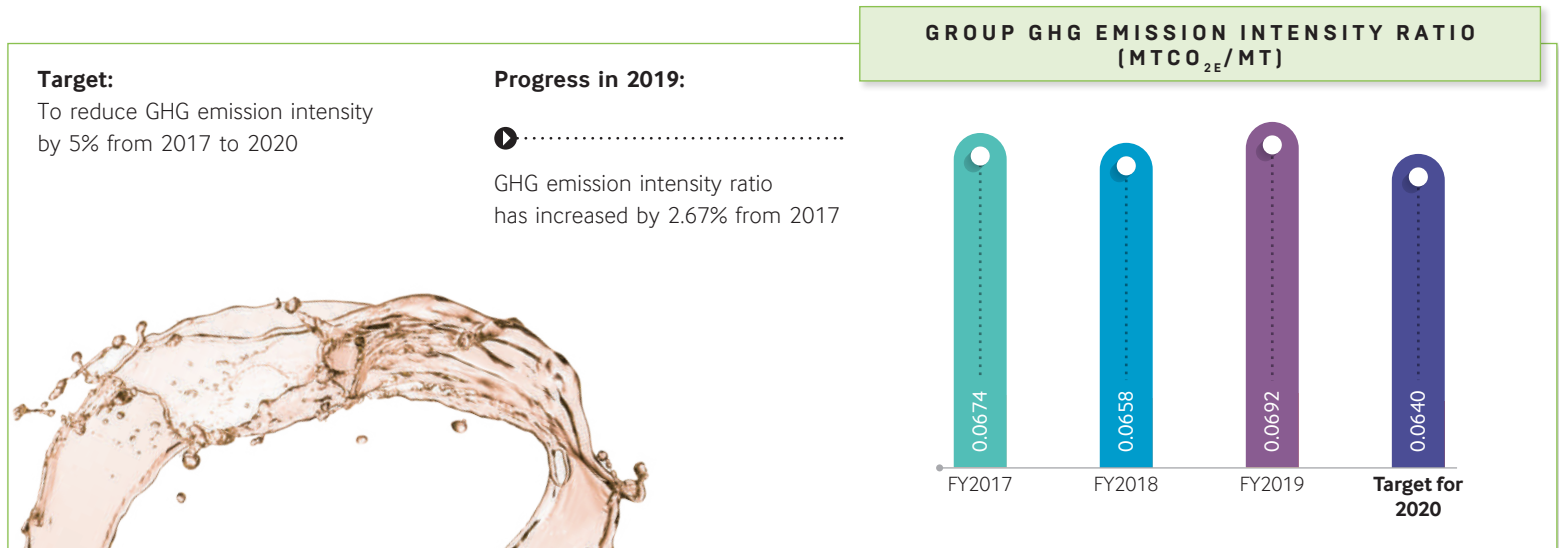
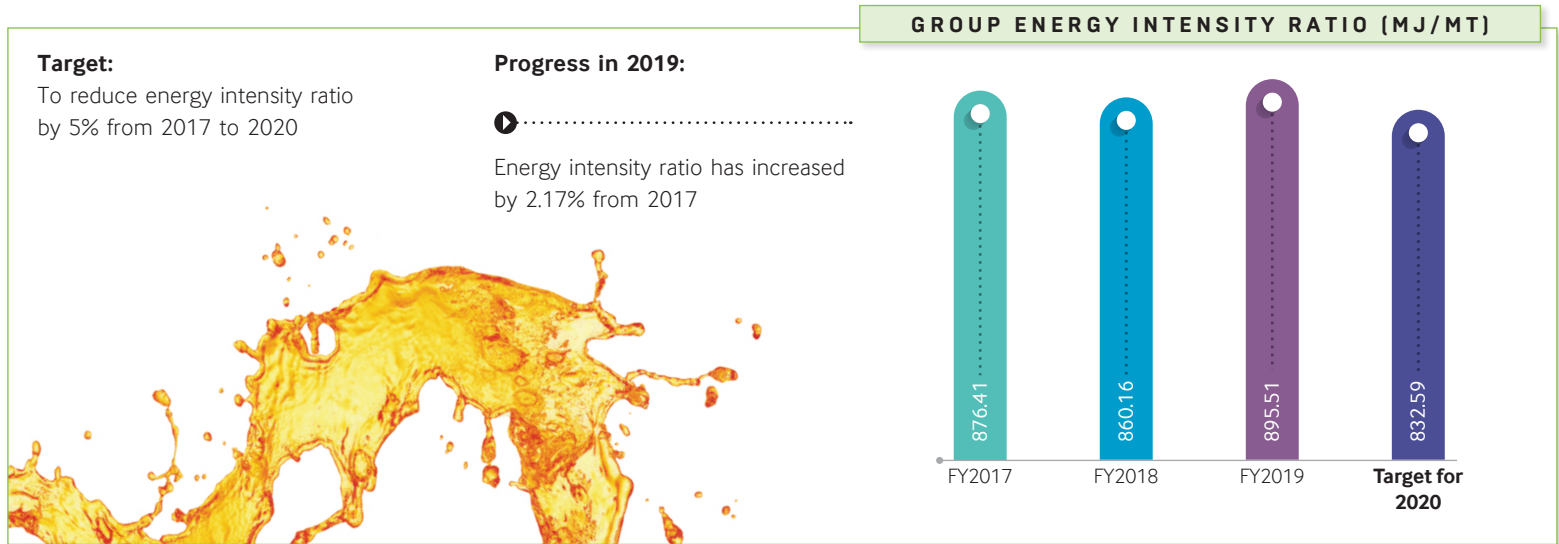
- Packaging intensity ratio is calculated based on the amount of packaging materials used (in metric tonne, MT) per metric tonne of product.

Managing Our Impacts

ENERGY AND CLIMATE CHANGE

GRI 302-1; 302-3; 305-1; 305-2; 305-4

Climate change is a defining global challenge of the 21st century, and F&NHB is committed to reduce our energy consumption and GHG emission intensity as one of the main priorities for our 2020 Vision. As part of our contribution, we also have a responsibility to help minimise carbon footprints across our value chain, ranging from manufacturing, packaging, storage and logistics, to end use and disposal.



Note:

The energy intensity ratio and GHG emission intensity ratio are higher in FY2019 because of two additional production lines at Shah Alam plant, which have a higher energy consumption ratio compared to other lines, as well as lower production output at our plant in Pulau Indah. Excluding the two additional lines in Shah Alam, energy intensity ratio in FY2019 is 859.79 MJ/MT and GHG emission intensity ratio in FY2019 is 0.0659.

We remain committed to achieving our 2020 energy intensity and GHG emission reduction targets.

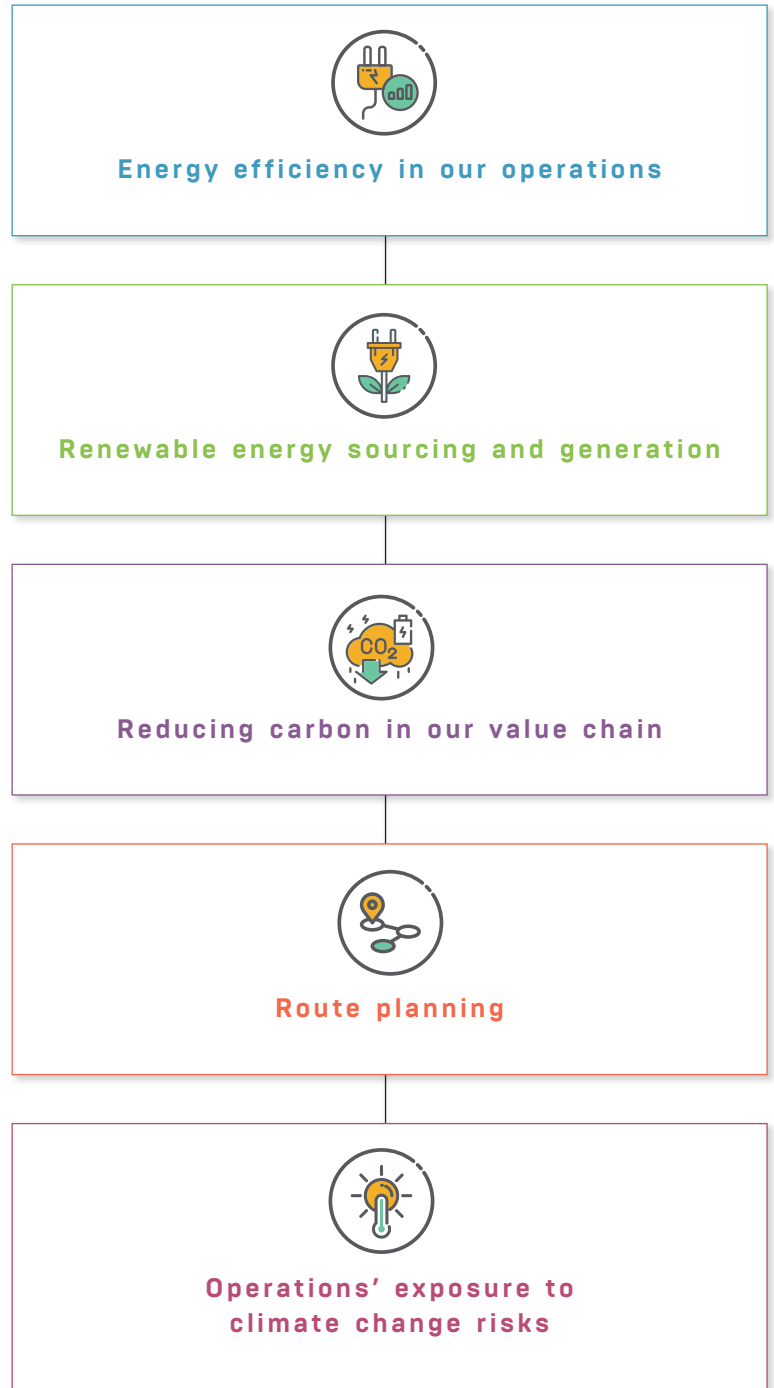
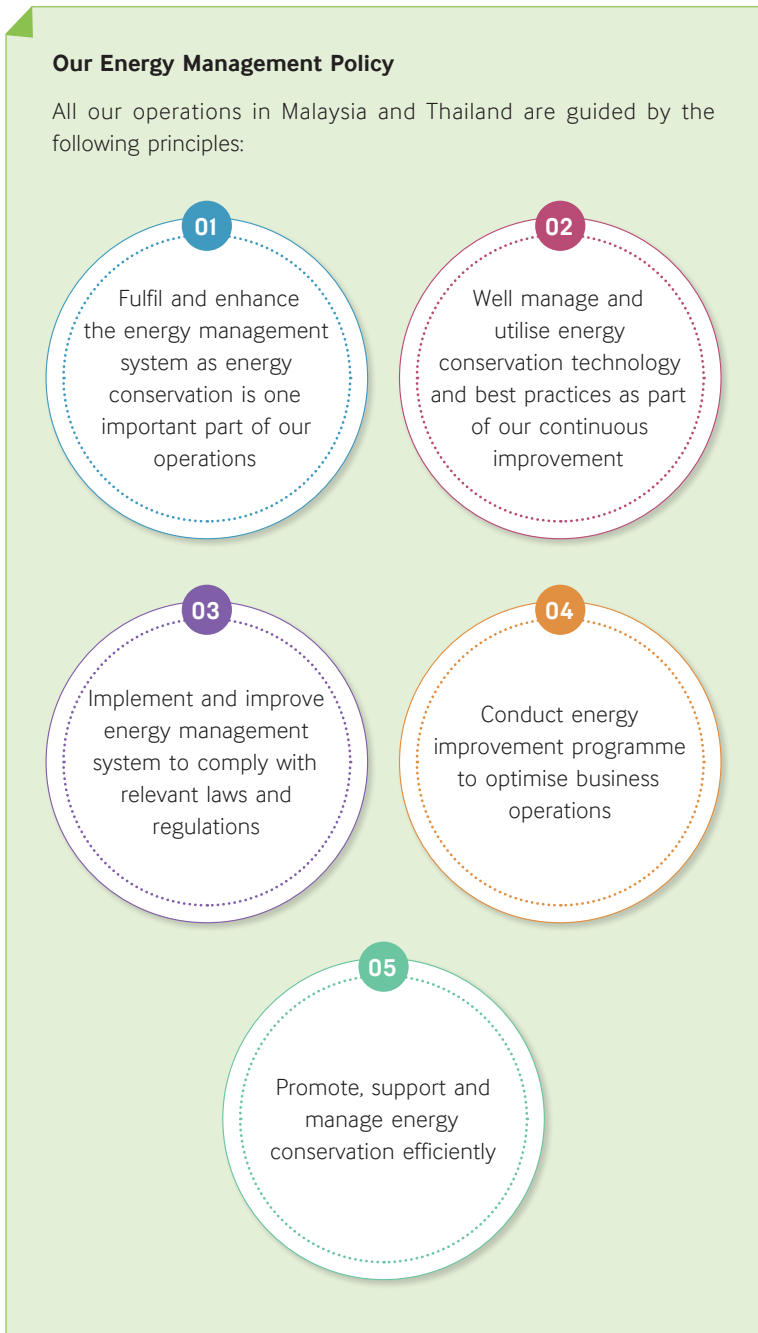
ECO-EFFICIENCY

OUR APPROACH

Malaysia’s government has targeted a 45% reduction in GHG intensity by 2030 from a 2005 baseline, and Thailand has a reduction target of 30% by 2036 from a 2010 baseline. F&NHB has an initial target: between 2017 and 2020, we aim to reduce intensity by 5%.

As with the other eco-efficiency topics, the framework for our approach is our Energy Management Policy. We regularly review the policy to ensure that it is valid and up-to-date.

Various actions during manufacturing, storage and transportation require energy. We have applied a range of initiatives, based on circular economy principles, to improve our energy performance. Our energy and climate change related activities are broken down into five priority areas. The first four relate to minimising our own direct and indirect impacts, and the final one relates to how we are adapting to climate change risks:



Managing Our Impacts

Energy Efficiency in Our Operations

Improving energy efficiency in our operations makes business sense just as much as it helps to reduce our environmental impacts. As part of our innovative approach across the group, we have a range of initiatives, including process solutions to eradicate wasted energy (for example installation of Variable Speed Drives and Intelligent Flow Controller); and behavioural solutions to reinforce a culture of good practice throughout our workforce (for example daily monitoring of energy consumption):

VSD for Cooling Tower – Pulau Indah site	Through installation of Variable Speed Drives (VSD), the motor speed of cooling tower fan is modulated based on an analogue input from a temperature sensing device. This helps to reduce the electricity consumption.	Electricity Saving: > 330,000 MJ/year Cost Savings: RM35,000/year
Intelligent Flow Controller (IFC) for Main Air Compressor – Pulau Indah site	Our plant in Pulau Indah installed IFC for Main Air Compressor to help in stabilising the pressure of compressed air and it can avoid the pressure fluctuation (about 8 psig). This elimination of fluctuation saves up to 5% of electricity usage.	Electricity Saving: > 360,000 MJ/year Cost Savings: RM39,000/year
Centralised Cooling Extension – Shah Alam site	With the extension of new lines, our plant in Shah Alam conducted electricity conservation by implementing Centralised Cooling extension for temperature fine-tuning. This system is a combination of each line’s cooling system which continuously circulates, evaporates and condenses a fixed supply of refrigerant in a closed system.	Electricity Saving: > 720,000 MJ/year Cost Savings: RM56,000/year

Renewable Energy Sourcing and Generation

Energy efficiency can make a significant contribution, but we recognise that in order to ultimately decouple our activities from GHG emission, we must transition from hydrocarbon-based energy to renewable energy. We have begun to do this by sourcing more of our electricity from low-carbon and renewable sources. Further to this, we are also exploring options to generate our own renewable energy at our sites.

Solar Energy Proposal	A proposal to install a solar photovoltaic (PV) system at our Rojana site will provide an alternative source of energy for our operations. This will enable Rojana Site to significantly reduce energy consumption from the grid and utilise renewable energy for its operations. We will expand this into other plants after successful implementation at Rojana site.	Plant Capacity: 999 kWp (1,300 MWh) per year Cost Savings: 6.35 million baht/year
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Reducing Carbon in Our Value Chain

As well as making improvements to our own operations through energy efficiency and renewable energy use, F&NHB is able to share best practice and encourage improvement along our full value chain. We are still at the beginning of these efforts but understand that it is essential to support our business partners and customers to reduce their own GHG emission impacts.

ECO-EFFICIENCY

Route Planning

Optimal route planning can help us to reduce costs and be more environmental-friendly. We have therefore streamlined our distribution networks over the past few years.

Our Malaysia operations made significant progress in recent years by switching from single-deck trucks to double-decker trucks. We have also increased the product load per truck deck from 22 pallets to 26 pallets. We are now able to move more goods per trip and therefore reduce the number of trips. For FY2019, the cost savings achieved were estimated to be about RM300,000.

During the past year, we have implemented the Oracle Transport Management (OTM) system that has an overall efficient control over logistics operations in Malaysia, which comprises overall in-bound, out-bound and export of containers. Through this system, our Distribution team now has full visibility of all the transportation activities throughout the entire supply chain. With this web-based system, we are able to improve our operational efficiency through:

- Optimised operational planning – our team can plan and optimise shipments based on cost, service level and asset utilisation;
- Improved fleet management – our team can better manage the fleets by transporters, from driver and equipment assignment, dispatch, asset tracking, event management and supplier payment. With the GPS integration into OTM, our planners can track the trucks at any time to ensure safety and timely arrival at destinations.

F&NHB has made more than RM800 million of capital investments since 2014 on new lines and warehouses across our production facilities in various locations. This decentralisation strategy also means that our manufacturing and warehouse operations are closer together, resulting in shorter routes to market and lower carbon emissions from logistics.

We have also invested RM78 million in a sophisticated Automated Storage Retrieval System (ASRS) at our new integrated warehouse at Shah Alam plant, which will reduce the need for forklifts thus further reducing carbon footprint of our warehouse operations. Read more about the ASRS in page 040.



Double-decker trucks

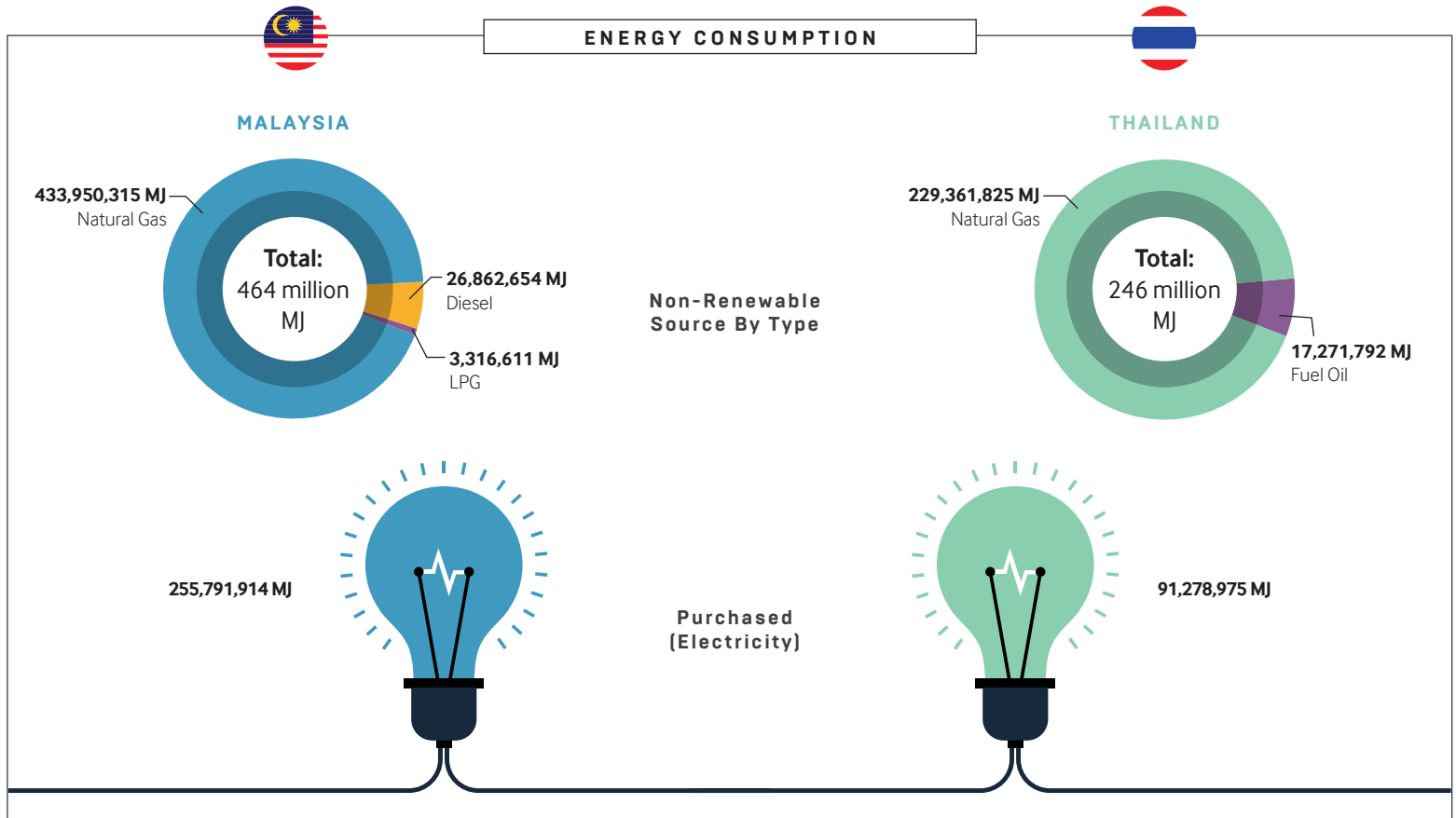
Operations' Exposure to Climate Change Risk

F&NHB's operations and supply chain face risks due to climate change impacts. This includes impacts from rising sea levels, extreme temperatures, farming shortages and water availability. Climate change risks are monitored and managed as part of our Enterprise Risk Management process, which is under the responsibility of the Sustainability and Risk Management Board Committee. Identified climate change related risks include flooding and mineral water sourcing and contamination. To manage these risks, we work closely with state authorities and local councils which monitor climate-change risks. We also have robust incident escalation procedures and response plans in place as part of our Business Continuity Management (BCM).

Managing Our Impacts

OUR PERFORMANCE HIGHLIGHTS

GRI 302-1: Energy Consumption within the Organisation



GRI 302-3: Energy Intensity

Malaysia			Energy Intensity Ratio (MJ/MT)	Thailand		
FY2017	FY2018	FY2019		FY2017	FY2018	FY2019
6.70	5.18	3.93	Liquefied Petroleum Gas	0	0	0
477.47	465.63	514.71	Natural Gas	718.97	736.56	679.25
32.87	32.75	31.86	Diesel	0	0	0
0	0	0	Fuel Oil	62.60	66.59	51.07
278.53	257.70	303.40	Electricity	289.28	302.88	269.92

Notes:

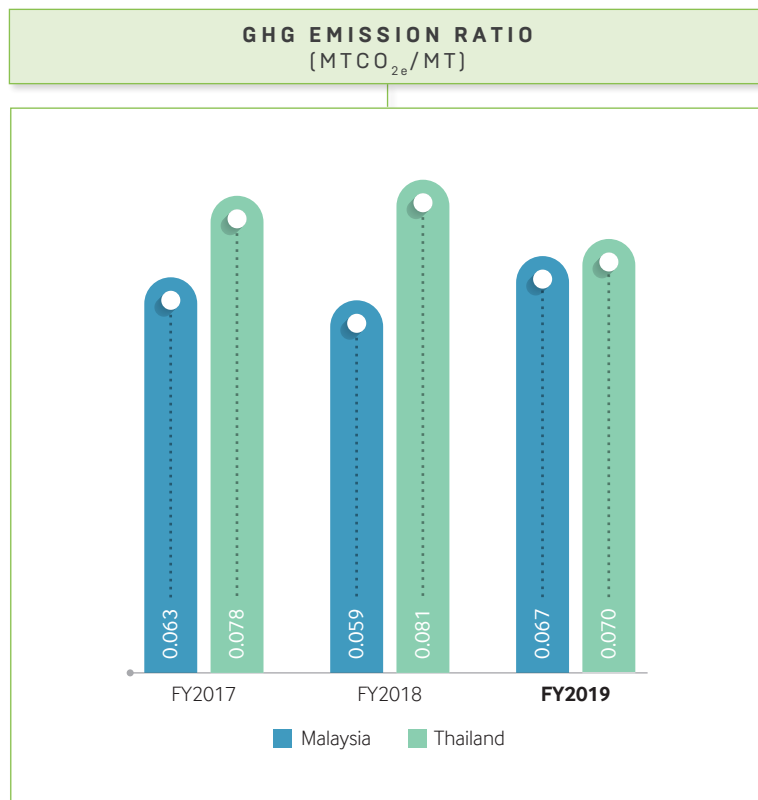
1. Energy intensity ratio is calculated based on the total amount of energy consumed (in megajoule, MJ) per metric tonne of product volume.
2. The energy intensity ratio is for the energy consumed within F&NHB only.

ECO-EFFICIENCY

GRI 305-1: Direct (Scope 1) GHG Emission (CO_{2e}) | **GRI 305-2:** Indirect (Scope 2) GHG Emission (CO_{2e})

Malaysia			Total GHG Emission (Equivalent) (MTCO _{2e})	Thailand		
FY2017	FY2018	FY2019		FY2017	FY2018	FY2019
			Direct GHG Emission			
375	305	209	Liquefied Petroleum Gas	0	0	0
19,380	19,866	24,235	Natural Gas	12,131	12,640	12,867
1,762	1,846	1,991	Diesel	0	0	0
0	0	0	Fuel Oil	1,188.00	1,285	1,337
			Indirect GHG Emission			
23,780	23,183	30,183	Electricity	10,266	10,933	10,771

GRI 305-4: Greenhouse Gas (GHG) Emission Intensity



Notes:

1. Data for FY2019 using the same reporting scope as that of the base year FY2017.
2. The greenhouse gas emissions were calculated from carbon dioxide and then converted into carbon dioxide equivalent per metric tonne of product, following the Global Warming Potentials (GWP).
3. GHG emission intensity ratio is calculated based on the total amount of CO_{2e} generated (in metric tonne, MT) per metric tonne of product.

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 also lead by example, encouraging others to improve sustainability performance throughout our supply chain.

SUSTAINABLE SOURCING

GRI 204-1

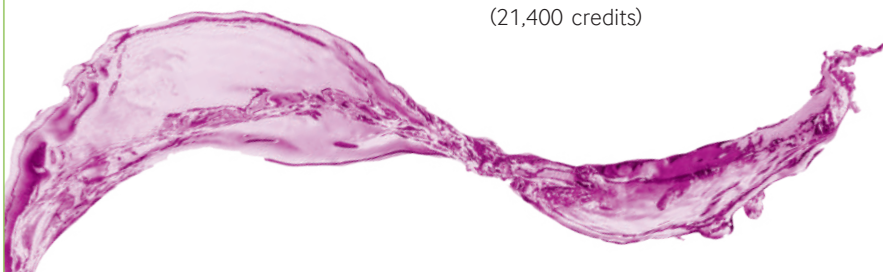
Target:

To purchase 100% of Roundtable on Sustainable Palm Oil (RSPO) credits for palm oil usage by 2020 (31,000 credits)

Progress in 2019:

▶
 On target - 70% of RSPO credits for total projected palm oil usage (21,400 credits)

Our target for 'Sustainable Sourcing' specifically relates to palm oil. Although this represents a relatively minor proportion (less than 3% of total expenditure on products and services), it has potentially major indirect impacts as irresponsible oil palm cultivation has caused – and continues to cause – significant environmental and social damage. We understand that our actions and business practices pertaining to the sourcing of sustainable palm oil is important and, becoming an ordinary member of RSPO in August 2017, we re-iterate our commitment to using only Certified Sustainable Palm Oil (CSPO) in our products by 2025.



RESPONSIBLE SUPPLY CHAIN

OUR APPROACH

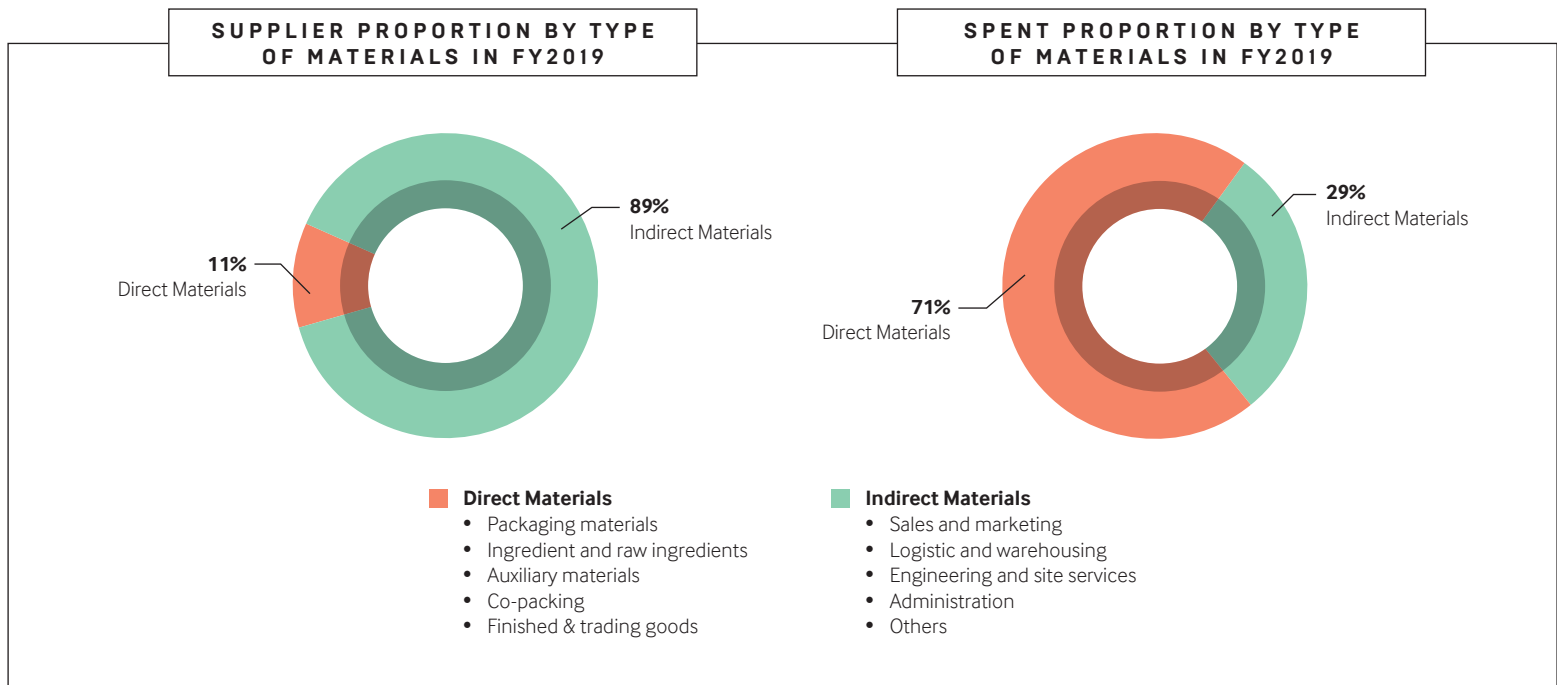
During the past year, we engaged with over 3,100 global and local suppliers across our supply chain, including manufacturers, wholesalers, retailers, importer/merchants, contractors and professional services providers. We recognise that sustainability in our own operations is futile, unless we also work with these partners to ensure best practice across our supply chain for all sustainability issues.

F&NHB promotes sustainable and responsible procurement and sourcing via risk management and conscientious supplier selection. We are a member of the Supplier Ethical Data Exchange and conduct regular audits on our suppliers to ensure standards and practices for food safety and the environment are maintained throughout the value chain.

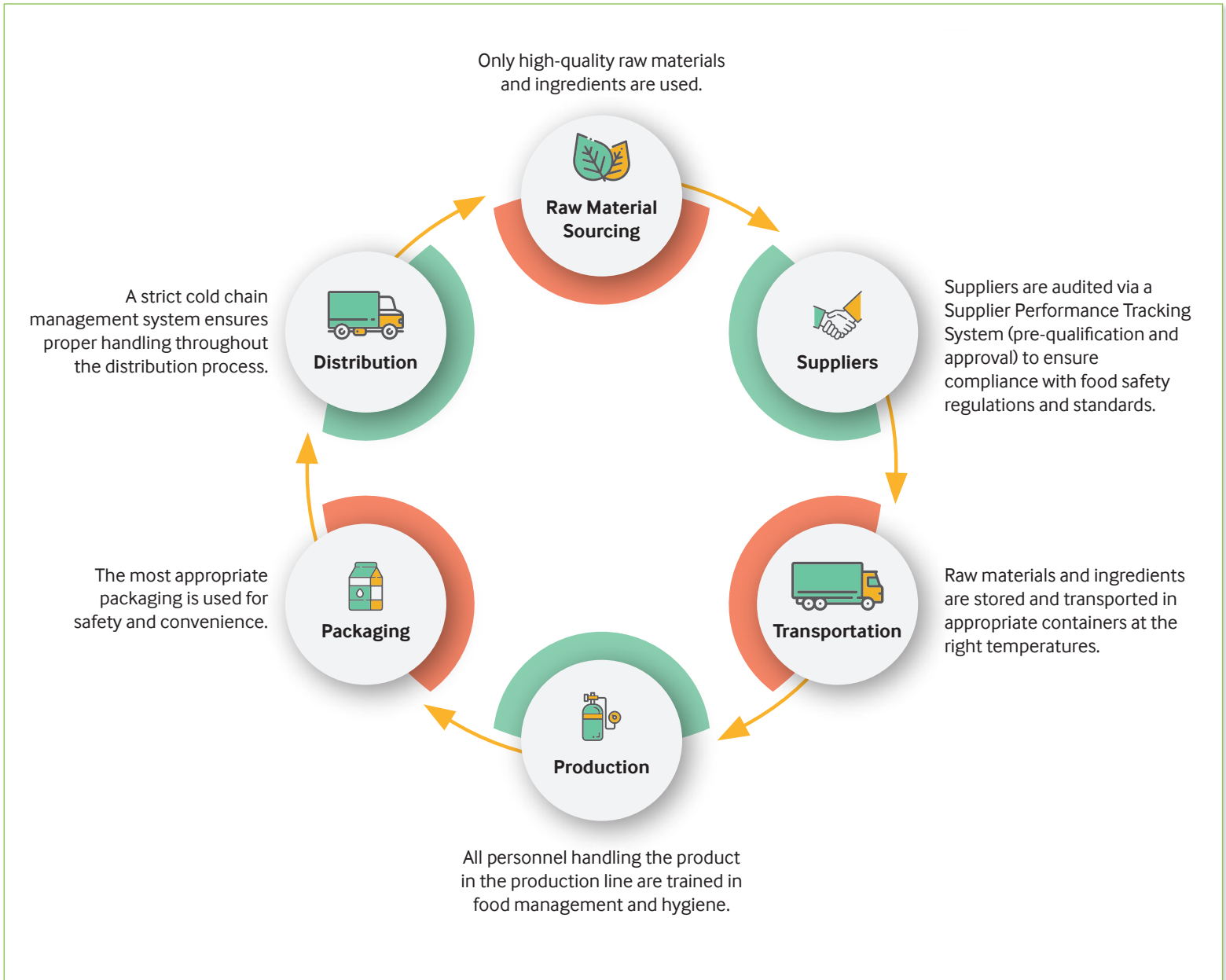
F&NHB supports the UN Guiding Principles on Business and Human Rights across our value chain. Next year, we aim to introduce a 'Supplier Guiding Principles', which will cover areas and standards which we abide by in relation to: child labour; forced labour; promotion of non-discrimination and equal opportunities; freedom of association; collective bargaining; the elimination of excessive working hours; fair minimum wages; and health and safety standards, thereby applying our circular economy principles beyond our own operations.

Our Procurement Policy covers our full commitment to standard principles of ethical business practices throughout the supply chain. While we have a business imperative to obtain goods and services at the best price in a timely manner, this is done only through means that adhere to guidelines and principles of fair play and transparency.

Supplier Categories



OUR SUPPLY CHAIN



RESPONSIBLE SUPPLY CHAIN

Screening our Suppliers

At F&NHB, we have a systematic screening process for all potential new suppliers using environmental and social criteria. These criteria reflect our commitments towards the environment (such as reducing waste, pollution and water resources) and society (including human rights and labour practices).

We also assess the environmental performance of our raw materials and primary packaging suppliers annually by verifying if they have:

- 01



implemented an environmental policy
- 02



undertaken audits to monitor their environmental performance and compliance
- 03



maintained an ISO 14001 compliant environmental management system

Addressing Risks in our Supply Chain

High or variable costs and uncertain availability of raw materials pose commercial risks to F&NHB. We therefore undertake risk assessments on our suppliers' prices and capacity to deliver goods and services. For key risks, we have established Business Continuity Plans to proactively ensure product supply.

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. Criteria include the implementation and monitoring of good manufacturing processes, use of protective clothing, food safety management systems, and chemical management.

Non-compliant or underperforming suppliers must demonstrate that they are committed to taking corrective actions within a pre-defined period or risk having their contracts terminated. This year, all critical suppliers were audited on food safety regulations and standards, and none was found to be in non-compliance.

0 incident

of non-compliance with food safety regulations and standards.

GRI 416-2: Incidents of Non-Compliance concerning the Health and Safety Impacts of Products and Services

Halal Sourcing Partnership Programme

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 (HDC) on the Halal Sourcing Partnership Programme (HSPP).

Through this collaboration, F&NHB shared Halal industry best practices whilst providing technical advice and knowledge transfer to small and medium enterprises (SMEs). 37 SMEs showcased their products during the pitching sessions in Penang and Kuala Lumpur. Successful companies then underwent further screening, coaching and monitoring to elevate their capability to be qualified as Halal vendors for multi-national corporations.

Managing Our Impacts

Special Feature

Enhancing Supplier Productivity

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.

This year, we worked with Thepsathit Milk Cooperative, one of our milk suppliers in Thailand, to tackle the water shortage problem during the annual dry seasons by providing a champagne tank and piping route to the Thepsathit community. Around 50 employees volunteered in this programme, which provided more than 200 residents with clean and sufficient water supply during the dry season.

01

Sponsored **3** milking tester machines to **3** milk cooperatives, helping **690** farmers in improving milk quality.

02

Organised quarterly seminars for **120** farmers from **4** milk cooperatives, covering various topics including procurement policy, quality evaluation, cost reduction and long-term supply.

03

Supported **45** farmers in the cow feed production project, using Napier grass for total mix ration production to improve milk yield and reduce cost.

Mr. Chatchawal Maneetap's work recognised by the Animal Husbandry Association of Thailand

The Animal Husbandry Association of Thailand has recently recognised Mr. Chatchawal Maneetap, Agricultural Business Manager in F&N Dairies (Thailand) Limited for his work to support the Thai animal production industry in Thailand. He contributed to the invention of simple-to-use cleaning equipment for milking machines, for which he received the Thailand Kaizen award. Mr. Maneetap also helped to introduce antibiotic and somatic cell count control in fresh milk, which is helping farmers nationwide.



We have been a milk supplier to F&N for many years, and have developed a strong relationship that is mutually beneficial. There is a lot of knowledge sharing between the two companies, which is not something you get with all business relationships. We provide F&N with information about the upstream fresh milk farming, while they keep us updated about what's happening in the downstream dairy business of producing and marketing sweetened and evaporated condensed milk.

Because F&N is an international company, they also open our minds to the international standards that a dairy farm like us can aspire to. Through this knowledge, we are inspired to keep improving our standards and quality. At the same time, we provide them information on the issues that local farmers face. This helps them understand the needs of their other fresh milk suppliers.



Emil Kachchap
Division Manager of International Relations, Farm Chokchai

As a relatively new dairy company, TFMs really appreciates the support that we get from F&N. From the time that we opened and started supplying milk to them about two years ago, they have gone beyond being just a client to becoming more like our business partner. Their agriculture team has been working closely with our people to provide us with the knowledge and skills to improve the quality of our milk. They conduct training sessions with our farmers on feeding cattle and how to keep them healthy. They have also helped us acquire new technologies that enable us to run our farms more efficiently.



R Lerkchai Ramanee
Manager, TFMs Milk Collection Center and Farm

We feel privileged to have found a business customer that takes our interest to heart. With the relationship that we have developed, I am confident that we will continue to be a partner to F&N for many more years to come.

RESPONSIBLE SUPPLY CHAIN

OUR PERFORMANCE HIGHLIGHTS

Certification

We source raw materials which are certified with eco-credentials, such as the Forest Stewardship Council (FSC) and Certified Sustainable Palm Oil (CSPO), to ensure that they are produced in an environmentally and socially responsible manner. All paper products used in the tetra packaging of our beverages carries the certification.

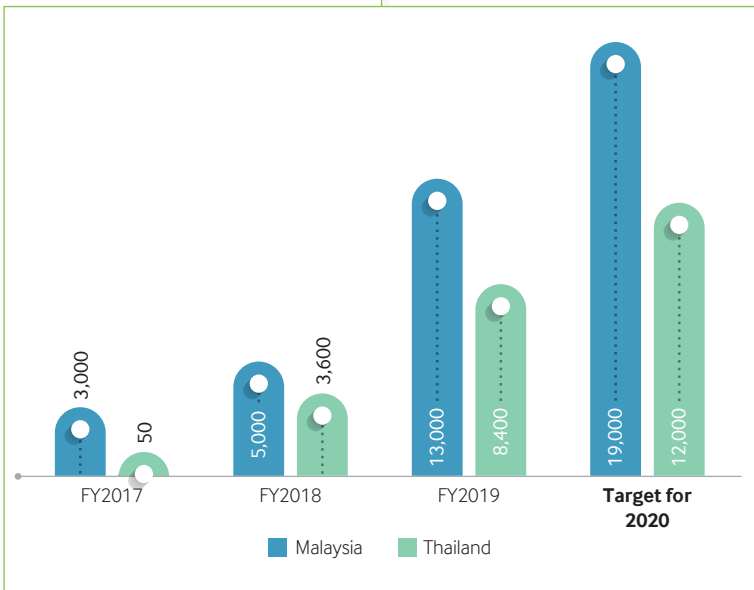
We have a roadmap to purchase RSPO credits for 100% of our projected palm oil usage in 2020. This year, we have reached our interim target and purchased a total of 33,050 credits to-date, representing about 70% of our palm oil usage.



RSPO issues credits which act as proof that one tonne of certified palm oil was produced by an RSPO-certified company or independent producer and has entered the global palm oil supply chain. F&NHB purchases RSPO Credits to support the production of certified sustainable palm oil.

13,000 RSPO Credits bought in Malaysia
8,400 RSPO Credits bought in Thailand

PURCHASE OF RSPO CREDITS



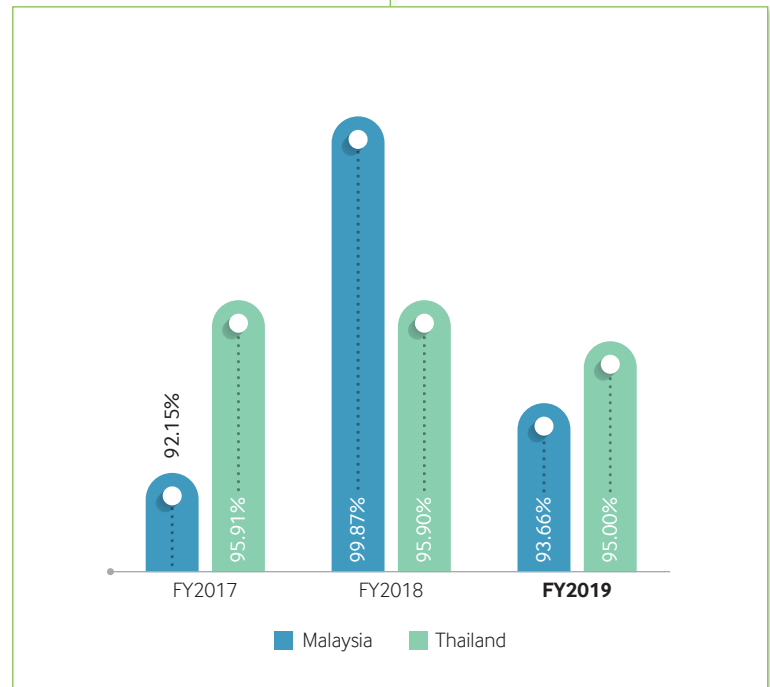
Note:

- Local suppliers refer to a group of suppliers who operate their business in the country where as F&NHB's operation is located, which are Malaysia, Brunei, Thailand and IndoChina.

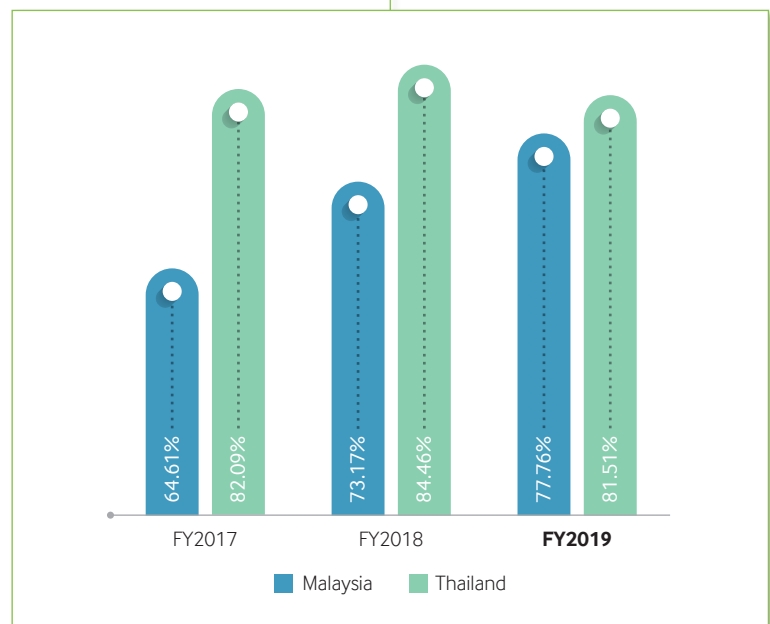
Supporting Local Suppliers

F&NHB engages with local suppliers where possible to support the local economy and minimise environmental impacts from transportation. More than 94% of our suppliers are local, representing more than 79% of our purchase value expenditures.

PERCENTAGE OF LOCAL SUPPLIERS



PERCENTAGE OF PURCHASE VALUE SPENT ON LOCAL SUPPLIERS



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.

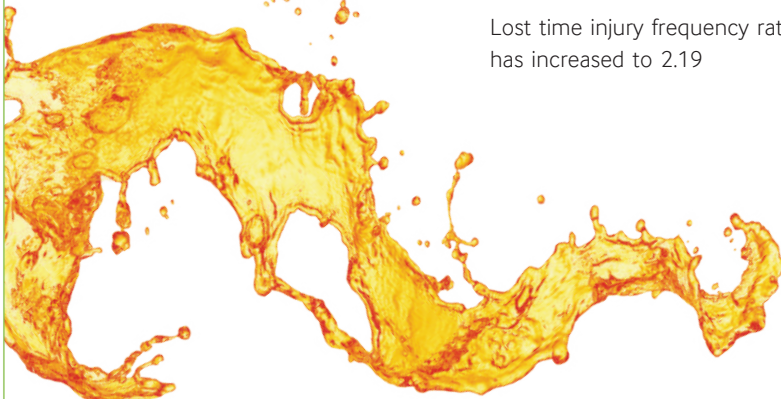
OCCUPATIONAL HEALTH & SAFETY

GRI 403 (2018): 403-9, 403-10

GROUP LOST TIME INJURY FREQUENCY RATE

Target:

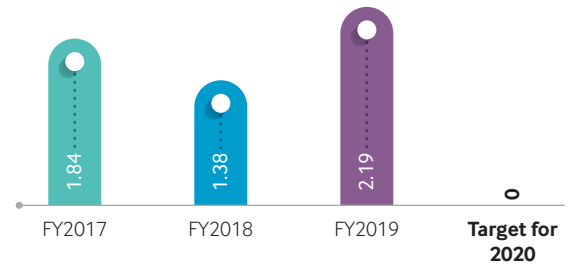
To have zero lost time injury frequency rate (LTIFR) by 2020



Progress in 2019:

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Lost time injury frequency rate has increased to 2.19

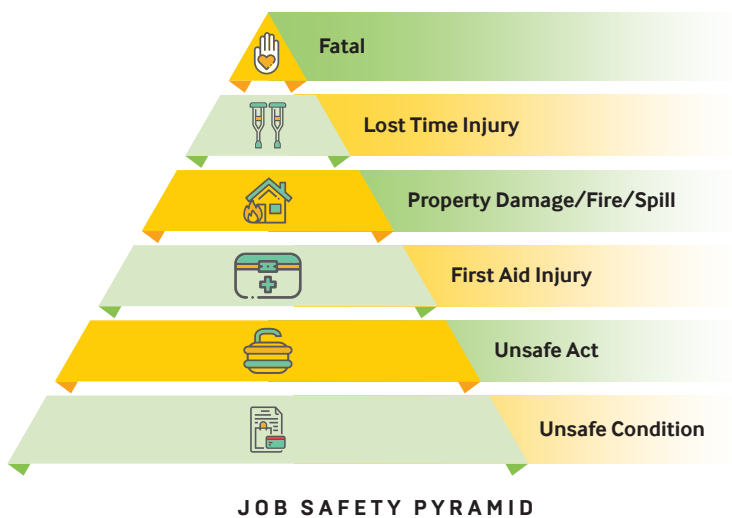


SAFETY & WELL-BEING

OUR APPROACH

In F&NHB, we believe working as a team is the only way to achieve our aim of zero lost days due to accidents. We cultivate a proactive 'safety first' culture for employees, so they are aware of their responsibilities for both themselves and their colleagues. This includes advocating a healthy lifestyle through awareness of nutrition, physical activity and stress reduction measures.

To further strengthen our commitment to safety culture, a) Lost Time injury Frequency Rate; and b) number of Safety & Health initiatives were incorporated in FY2019 as part of shared key performance indicators (KPIs) for all executives.



CREATING A SAFETY CULTURE

F&NHB has in place, Safety, Health, and Environment (SHE) systems and monitoring processes across our operations. Beyond compliance with national regulations, our safety practices adhere to International standards including ISO 14001 and OHSAS 18001 for our 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. And this year, we have also set up a Safety & Health Committees for our corporate office and regional sales offices. These committees oversee our safety systems and programmes to ensure their effectiveness and meet every month to discuss accidents or near-misses and determine appropriate actions to reduce risks. They also conduct audits on our SHE systems, develop annual safety plans and programmes to increase awareness of health and safety issues among employees.

Employees are encouraged to report any potential risks or hazards. They do this by informing their safety representative or supervisor, or a more formal report to our safety committees with the option to remain anonymous. On ground, we have Company Emergency Response Teams (CERT) who are trained to mobilise quickly and ensure the safety of our employees, should any incidents occur.

HEALTHY WORKFORCE

We focus on ensuring an environment that is conducive to employee well-being and promoting healthy habits to keep our people healthy and happy.

Our Health Risk Assessment Committee is trained to review areas where employees may be exposed to health risks. Our work environment is enhanced with ergonomic facilities to prevent office-related injuries and includes shower facilities to help employees integrate physical activity into their daily work life.

Employees access company-organised events such as badminton tournaments and Zumba classes and free medical check-ups. A gym was also set up in our headquarter office this year to encourage office employees to stay healthy.

Air quality, brightness, temperature and noise levels are monitored in all our facilities. We conduct regular monitoring on noise levels at our facilities. For all workers working at area with high noise level, we provide hearing protector to reduce the noise exposure level. We also conduct audiometric tests regularly for all at-risk workers, with follow up-doctor consultations where hearing impairments were identified.

In 2019, our employees attended a total of 2,436 hours of occupational health and safety training. Training topics included:

- Fire Prevention and Safety
- Chemical and Gas Handling Management
- First Aid Training and CPR
- Forklift Driver Certification
- Scheduled Waste
- Confined Space
- Electrical Safety
- Working at Height
- Radiation Safety and Health

In both Malaysia and Thailand, we organised regular activities to engage our employees on safety topics which include safety, health and environment awareness week, an internal ISO 45001 audit and training, monthly newsletter and sharing sessions from local regulatory bodies.

All workers (employees and contractors) have access to occupational health services in relation to their relevant activities. This includes hygiene, ergonomics, protective equipment and first aid kits. F&NHB is advised by accredited consultants on SHE matters. Where any work-related health matters occur, F&NHB pays relevant treatment costs and allow for any required time away from work.

We offer healthcare insurance to employees based on staff category and/or job levels. Malaysia and Thailand offer health care for all and we help to facilitate good health coverage for all workers by organising an annual health screening and encouraging all employees to participate. Any work-related illness will receive follow-up consultations with doctors, if identified.

Managing Our Impacts

OUR PERFORMANCE HIGHLIGHTS

In FY2019, there were 17 recordable work-related injuries and 0 incident of recordable work-related ill health for both employees and non-employees.

Our Group LTIFR this year was 2.19 per one million hours worked. We remain focused on achieving a zero-accident workplace. This shows our zero-tolerance attitude towards workplace accidents and the importance we place on our employees' safety.

GRI 403-9 (2018) – Work-related injuries | GRI 403-10 (2018) – Work-related ill health

Malaysia			Occupational Health & Safety	Thailand		
FY2017	FY2018	FY2019		FY2017	FY2018	FY2019
1.63	1.66	1.84	Work-related Injuries	0	0	0
0	0	0	High-consequence Work Related Injuries	0	0	0
0	0	0	Fatalities	0	0	0

WORK-RELATED INJURIES



WE MAINTAIN 0

high-consequence work-related injury

WE MAINTAIN 0

fatality

WE MAINTAIN 0

work-related illness

SAFETY & WELL-BEING

CONSUMER HEALTH & SAFETY

GRI 416-1, 416-2

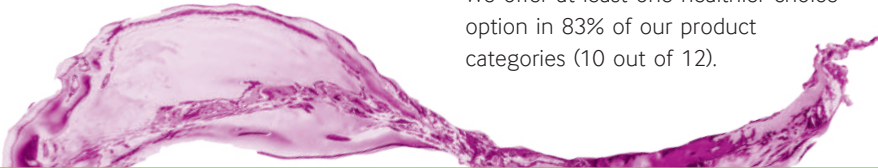
Target:

We will offer at least one healthier choice option in all our product categories by 2020.

Progress in 2019:

▶
 We offer at least one healthier choice option in 83% of our product categories (10 out of 12).

Consumer Health & Safety is fundamental for F&NHB as shown in our materiality matrix. It is identified as our most important sustainability topic. We live by our brand promise of 'Pure Enjoyment, Pure Goodness' by producing, marketing and selling our brands responsibly, enabling consumers to make informed purchasing choices. We consistently maintain the highest standards so that customers have full confidence when purchasing and consuming our products.



OUR APPROACH

Quality & Safety

Our 136 years of success are built on mutual trust with our consumers, and F&NHB is committed to enhancing their future well-being. This requires a holistic approach to safety across the life cycle of our products. In previous chapters, we have described how consumer health is a key part our innovation efforts, and about our food safety assurance.

In our own operations, we adhere to all health and safety regulations applicable to the food and beverage industry for all markets in which we operate. All F&N products are manufactured under stringent international quality and food safety standards. Our plants are certified with FSSC 22000, ISO 22000 and HACCP Food Safety management systems, and all stages of our production processes are subjected to rigorous quality control procedures.

Other certifications include: Food Safety Management System ISO 22000; Quality Management System ISO 9001; Accredited Laboratory; Good Manufacturing Practice; and Hazard Analysis and Critical Control Point standards. Our Sustainability & Risk Management Board Committee regularly reviews our key risks in relation to consumer health and safety.

Malaysia 	
FSSC 22000 Food Safety System Certification	ISO 9001:2015 Quality Management System
FSSC 22000 Food Safety System Certification	ISO 22000:2005 Food Safety Management System
ISO/IEC 17025:2005 Accredited Laboratory	ISO/TS 22002-1: 2009 Prerequisite Programme on Food Safety
MS 1480:2007 Food Safety According to Hazard Analysis and Critical Control Point (HACCP) System	Good Manufacturing Practice (GMP)
ISO 14001:2015 Environmental Management System	Industry Responsibility of Food Safety Certification Scheme (MeSTI)
Energy Management Gold Standard Certification (ASEAN Energy Management Scheme)	Halal Certification – JAKIM & MUI
	Veterinary Health Mark (VHM) Certification

Thailand 
ISO/IEC 17025 Accredited Laboratory
Good Manufacturing Practice (GMP)
Halal Certification
Green Industry Level 4
Labour Relations and Welfare Certificate 2013-2018
ISO 22000:2005 Food Safety Management System
Hazard Analysis and Critical Control Point (HACCP)
Food Safety System Certification 22000:2010

Managing Our Impacts

Halal Assurance

All our products are Halal-certified by the Department of Islamic Development Malaysia (JAKIM) and other relevant authorised certification bodies. Each of our manufacturing plants has a Halal Committee, responsible for Halal compliance in our supply chain (from materials selection and purchasing, to the storage, warehousing, and transportation of our products).

During the year, we held 94 workshop sessions involving 1,131 employees to further raise awareness about Halal. Employees with responsibility in Halal matters for F&NHB also attended a series of professional training sessions related to Halal internal audit and assurance. The Halal Awareness training was also conducted to our key transporters in 2019. Non-halal food and drinks are strictly prohibited within factory premises including offices and canteens.

99% of our employees in Malaysia underwent Halal Awareness training as of 2019. Continuous training for new joiners is on-going.



Nutrition Charter

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. The principles of the Nutrition Charter are:

<p>01</p> <p>Led by our brand promise of 'Pure Enjoyment. Pure Goodness' to consumers - to deliver products which are not only great-tasting but also packed with nutritional goodness</p>	<p>02</p> <p>To develop products based on proven scientific evidence and research, and consumer insights and tastes relevant to evolving Asian lifestyles</p>	<p>03</p> <p>To actively self-regulate and ensure accountability via strong corporate governance</p>	<p>04</p> <p>To provide safe, high-quality and affordable products to all our consumers</p>	<p>05</p> <p>To innovate and constantly refine our products to meet the changing needs of all our consumers and ensure consistent delivery of good taste and the right nutritional values.</p>
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Towards Healthier Options

We put much emphasis on developing healthier products. Beyond lowering sugar content, we also boost our product's functional quality by adding vitamins and minerals. Many of our products carry the 'Healthier Choice Logo' by the Ministry of Health Malaysia and Ministry of Public Health of Thailand. This year, we expanded our 'Healthier Choice Logo' certified product range to 41, from 20 last year:

Malaysia 				Thailand 	
100 PLUS	FARMHOUSE	F&N CSD	F&N MAGNOLIA	F&N MAGNOLIA	BEAR BRAND
<ul style="list-style-type: none"> Original Reduced Sugar Berry Lemon Lime Orange Blackcurrant Active 	<ul style="list-style-type: none"> Fresh Milk Pasteurised Low Fat Hi Calcium Milk (Pasteurised) Omega Low Fat Milk (Pasteurised) 	<ul style="list-style-type: none"> Lychee Pear Orange Sarsi Strawberry Zappel Fruitade Ice Cream Soda Ginger Ade Grape 	<ul style="list-style-type: none"> Fresh Milk Pasteurised Barista Milk Fresh Milk (Pasteurised) Low Fat Hi Cal Milk (Pasteurised) Skim Milk 0% Fat (Pasteurised) Chocolate Flavoured Milk (UHT) 	<ul style="list-style-type: none"> Pasteurised Milk Full Fat Pasteurised Milk Low Fat Plus Gingko Plain Flavour 	<ul style="list-style-type: none"> Sterilised Milk Non-fat Sterilised Milk Regular Sterilised Milk Low Fat Sterilised Milk High Folate Gold White Tea Gold White Malt Gold Goji Berry Gold White Kidney Beans
F&N ICE MOUNTAIN	OYOSHI GREEN TEA	F&N SEASONS	SUNKIST		
<ul style="list-style-type: none"> Mineral Water Drinking Water 	<ul style="list-style-type: none"> Green Tea Original 	<ul style="list-style-type: none"> Chrysanthemum Pu-erh Chrysanthemum Tea 	<ul style="list-style-type: none"> Growers Selection Orange Juice (No sugar added) 		

SAFETY & WELL-BEING

Our philosophy of 'Pure Enjoyment, Pure Goodness' means innovating constantly to satisfy consumers' increasing preference for natural ingredients. For example, OYOSHI tea products are brewed from high quality organic tea leaves; our soya bean milk beverages are made with first grade Non-GMO (genetically modified organisms) soy beans; and none of our products sold in Malaysia and Thailand contain Partially Hydrogenated Oils (trans fatty acids). We provide alternative and healthier options to cater for consumers with food intolerance, such as lactose-free milk.

Another aspect of the healthier offering is our commitment to reducing sugar content in our products. This year, we re-formulated a large portion of our product variants to contain less than 5g/100ml sugar. This includes:

- Full range of 100PLUS RTD variants
- Full range of F&N Fun Flavours Carbonated Soft Drinks, except F&N Mixer
- F&N SEASONS Asian Drinks
- F&N SEASONS Soya

As a result, more than 90% of our RTD products sold this year are now healthier options (below the sugar sweetened beverage excise duty threshold).

Some highlights from new products introduced this year:



F&N Lychee Pear

Our first carbonated soft drinks launched April this year which has received the 'Healthier Choice Logo' from Ministry of Health Malaysia, with 4.9g/100ml sugar.



F&N SEASONS Double Fruits Tea

Our new range of healthier option tea with refreshing fruit combinations launched in July this year: F&N SEASONS Apple Pomegranate Tea and F&N SEASONS Watermelon Lychee Tea, with no added preservatives or colouring.



F&N SEASONS Pu-erh Chrysanthemum Tea

Our new unsweetened drink made from Pu-Erh tea and sweet chrysanthemum launched during this year's Chinese New Year, with no added preservatives, colouring or sugar.



F&N Magnolia Plus Lactose Free Milk

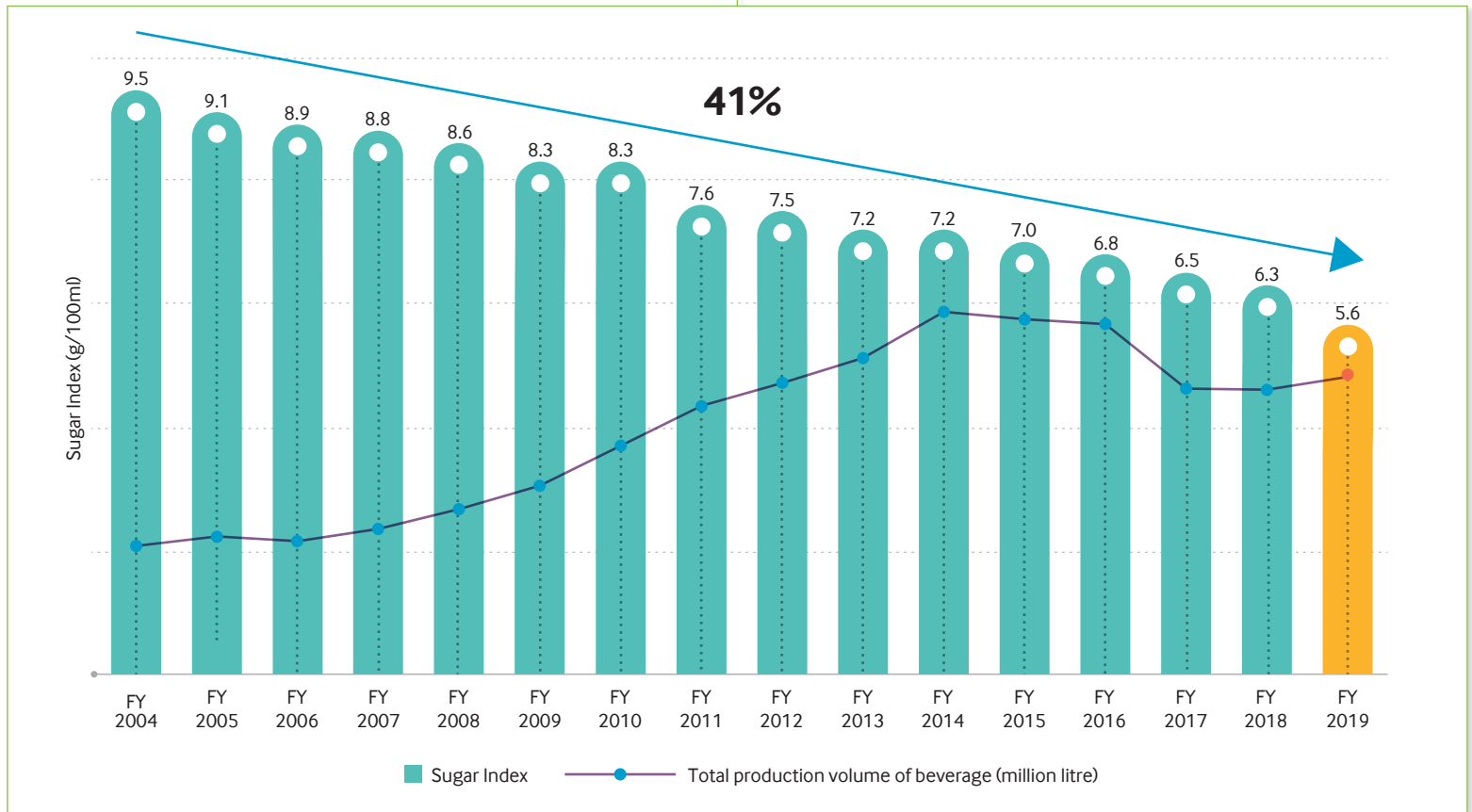
Our new range of pasteurised milk launched in April 2019 to meet the growing demand from consumers with food intolerances.

Managing Our Impacts

Recognising the negative effects associated with excessive sugar consumption, F&NHB has taken the initiative to proactively decrease the sugar content in our beverages since 2004. This is achieved gradually without compromising on the taste of our products and their acceptance by consumers.

As a result, the overall sugar index (grammes of sugar content per 100ml) of our beverages is at 5.2g/100ml which is 11% lower than last year and equivalent to 41% reduction from FY2004.

FY2019 SUGAR INDEX [TOTAL BEVERAGES]



Sugar index

is calculated by total volume of sugar (gramme)/total production volume of beverages (million litre).

Beverages

include Isotonic, CSD, Water, Tea, Soya and Juice (Ambient).



41%

reduction from FY2004 to FY2019



11%

reduction from FY2018 to FY2019



Nutrition for Soon-to-be Mothers

This year, BEAR BRAND collaborated with Nestle Mom & Me Club to educate consumers about the importance of folate to expecting mothers. Soon-to-be mothers were provided with product knowledge during the in-store promotional exercise and servings of BEAR BRAND High Folate Sterilised Milk were handed out to mothers who were in their first trimester of pregnancy.

SAFETY & WELL-BEING

OUR PERFORMANCE HIGHLIGHTS

In FY2019, F&NHB maintained our health and safety standards and, to the best of our knowledge, there was no significant incident of non-compliance with regulations resulting in a fine, penalty or warning.

Percentage of significant product categories for which health and safety impacts are assessed for improvement by country (%)



We are making good progress towards having at least one healthier choice in each product category by 2020. There are currently healthier options in ten out of twelve product categories.

83%
10 out of 12 product categories have **healthier choice option.**

For ambient juice category, we are committed to offer at least one healthier option in next year.

For “Energy” product category, we currently do not have a healthier option available, as we believe that reducing the sugar level of our energy drinks too drastically would result in a loss of its functionality and purpose, which is to provide our consumers, who require it, with an energy boost.

PRODUCT AND SERVICE LABELLING

GRI 417-1; GRI 417-2

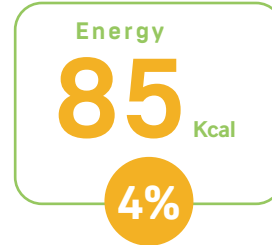
Our packaging and labelling is the primary method through which we communicate information to consumers about our products' quality, nutrition, safety and disposal. It is therefore essential that our labelling is comprehensive and clear, allowing our consumers to make fully informed purchasing decisions.

OUR APPROACH

Our labelling adheres to the Food Act in Malaysia and requirements of the Food and Drug Administration in Thailand. All information disclosed on our labels is subject to a review process involving a range of internal experts including our R&D and Scientific & Regulatory Affairs teams, plus dietician advice. Labels are then submitted to government authorities for verification and endorsement.

We go beyond mandatory requirements, and for all products we provide information on ingredients, sourcing, energy per serving size, recommended daily allowances (RDA) of the different nutritional components, expiry dates and nutrition tips.

FRONT OF PACK LABEL



In order to make it as easy as possible for consumers to understand fundamental information (Calories and contribution to recommended daily calorie intake), we include 'front of pack labelling' for most of our RTD products.

We ensure that our marketing and advertising activities do not make any ethical breaches. We adhere to the Malaysian Code of Advertising Practice in Malaysia and the Consumer Protection Act of B.E. 2522 (1979) in Thailand. In Malaysia, we are a signatory to the 'Responsible Advertising to Children' initiative and have pledged to restrict marketing to children under 12 years of age. For example, we will only advertise children's products which meet specific nutritional criteria based on accepted scientific evidence, and national and international dietary guidelines.

OUR PERFORMANCE HIGHLIGHTS

Throughout our product information, labelling and marketing communications efforts in FY2019, to the best of our knowledge, there was no incident of non-compliance with regulations or voluntary codes resulting in a fine, penalty or warning.

