



# Our Sustainability Approach



# OUR SUSTAINABILITY APPROACH

GRI 102-16; GRI 102-18; GRI 102-40; GRI 102-42 to GRI 102-44; GRI 102-46; GRI 102-47; GRI 102-49

## SUSTAINABILITY VISION AND FRAMEWORK

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

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

Our overall sustainability framework comprises six pillars:



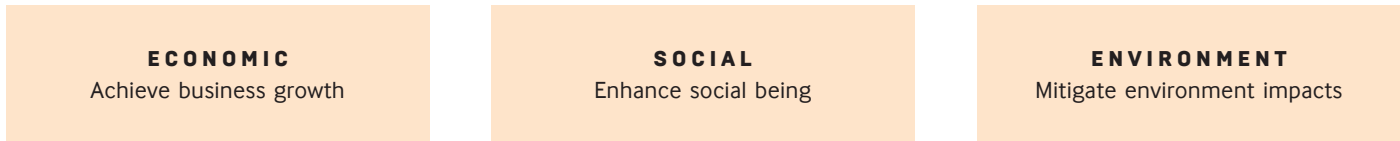
### OUR VISION

To create a financially, environmentally and socially sustainable future for our business

### OUR MISSION

To contribute to positive changes in society by improving the economic, environmental, and social well-being of the communities we operate in

### PILLARS



### SUSTAINABLE VALUE CREATION



**Sustainability In F&N**

**MANAGEMENT AND GOVERNANCE STRUCTURE**

Sustainability is embedded in F&NHB's culture. Our Board Charter sets out their responsibility to "include strategies on economic, environmental and social considerations underpinning sustainability." Hence, our Board ensures F&NHB's long-term business direction is guided by sustainability principles, and they have ultimate oversight of all sustainability issues.

Our Sustainability and Risk Management Committee (SRMC) ensures sustainability risks and opportunities are considered at the highest level of F&NHB by providing strong support to the management team. SRMC has responsibility to approve all strategic initiatives and policies related to sustainability.

Headed by the CEO, the F&NHB Sustainability Management Committee (SMC) translates the overall direction into specific policies and goals for functions. The SMC team works in alignment with the Sustainability Development Committee (SDC) at the F&N Group level in considering, planning, and embedding sustainability development matters.

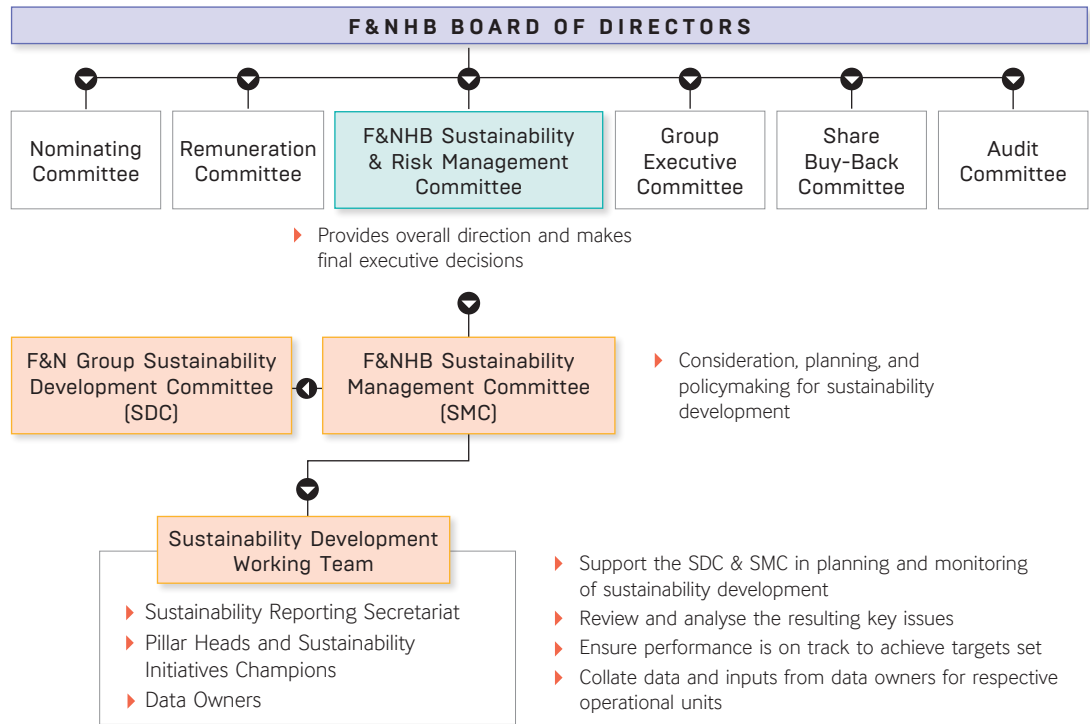
SMC is supported by the Sustainability Development Working Team, which consists of cross-functional representatives which take on various roles of: Sustainability Reporting Secretariat; Pillar Heads; and Sustainability Initiative Champions and Data Owners. Together, they monitor progress of designated goals, drive initiatives at operational level, identify challenges in performance, and gather data for reporting.

In FY2019, the SRMC convened on sustainability matters four times, and the SDC three times.



**Mr. Lee Kong Yip**  
Chairman  
F&NHB SRMC

"The SRMC ensures sustainability risks and opportunities are considered at the highest level of F&NHB and drives the company towards achieving its goal of becoming a reliable and sustainable food & beverage leader."







- F&NHB SUSTAINABILITY MANAGEMENT COMMITTEE (SMC):**
1. Lim Yew Hoe (Lead), Chief Executive Officer\*
  2. Lai Kah Shen, Director, Finance/Chief Financial Officer (appointed with effect from 4 February 2019)\*
  3. Tan Hock Beng, Senior Director, Procurement & Special Projects
  4. Waradej Patpitak, First Vice President, Manufacturing\*
  5. Bart Lim, Managing Director, Domestic Commercial Operations (Peninsular Malaysia)
  6. David Hoong, Senior Director, Human Capital, Organisation & Technology Management
  7. Karn Chitaravimol, Managing Director, F&N Dairies (Thailand) Limited (retired with effect from 1 April 2019)
  8. Suchit Riewcharoon, Managing Director, F&N Dairies (Thailand) Limited (appointed with effect from 1 April 2019)
  9. Dr. Yap Peng Kang, Senior Director, Manufacturing/Corporate Research & Development\*
  10. Graham Lim, Director, Brand Marketing
  11. Karen Tan, Head, Communications & Corporate Affairs\*\*
  12. Kelleigh Foo, Senior Manager, CEO Office & Risk Management
- \* F&N Group Sustainability Development Committee  
\*\* F&N Group Sustainability Reporting Secretariat




## OUR SUSTAINABILITY APPROACH

## KEY STAKEHOLDERS' ENGAGEMENT

F&NHB's stakeholders include any individual or group who are impacted by or interested in our activities. We strive to build and maintain strong relationships based on trust and respect with all stakeholders, and utilise various platforms where they can voice their opinions and suggestions, as shown in the table below. Information received via these channels are used in our planning and strategy for sustainable value creation.

	Engagement Channels	Typical Issues Raised	F&NHB Actions
 Shareholders & Investors	<ul style="list-style-type: none"> <li>• Annual General Meetings (AGMs)</li> <li>• Face-to-face meetings &amp; conference calls</li> <li>• Office/plant visits</li> <li>• Investor Days/briefings</li> </ul>	<ul style="list-style-type: none"> <li>• Transparent and accurate disclosure</li> <li>• Return on investment</li> <li>• Sustainable financial and operational performance</li> </ul>	Refer to: <ul style="list-style-type: none"> <li>• Our Sustainability Approach (pages 020-029)</li> <li>• Economic Performance (page 035)</li> </ul>
 Employees	<ul style="list-style-type: none"> <li>• Biennial employee engagement survey</li> <li>• Annual CEO town hall/roadshow</li> <li>• Annual dinner</li> <li>• Festive gatherings</li> <li>• Sports tournament</li> <li>• F&amp;N Chairman Award</li> <li>• iConnect (intranet), F&amp;N DIGEST (newsletter), monthly email news highlights, digital TV</li> <li>• F&amp;N Voice WhatsApp channel</li> <li>• Dialogues with unions</li> </ul>	<ul style="list-style-type: none"> <li>• Compensation and benefits</li> <li>• Competency development</li> <li>• Senior leadership</li> <li>• Learning &amp; development</li> <li>• Rewards &amp; recognition</li> <li>• Safety at work</li> </ul>	Refer to: <ul style="list-style-type: none"> <li>• Economic Performance (page 035)</li> <li>• Talent Management (pages 042-051)</li> <li>• Market Presence (page 052)</li> <li>• Occupational Health and Safety (pages 089-091)</li> </ul>
 Distributors & Trade Customers	<ul style="list-style-type: none"> <li>• Annual customer meetings</li> <li>• Annual factory visits</li> <li>• Annual business planning</li> <li>• Business development activities</li> <li>• Joint supply chain meetings</li> <li>• Quarterly business reviews</li> <li>• Customer appreciation events</li> </ul>	<ul style="list-style-type: none"> <li>• Latest consumer &amp; shopper trends</li> <li>• Product innovation</li> <li>• Customer relationship management</li> <li>• Shopper loyalty programmes</li> <li>• Improving customer service level</li> <li>• Business practices &amp; ethics</li> <li>• Efficient delivery systems</li> </ul>	Refer to: <ul style="list-style-type: none"> <li>• Innovation (pages 036-041)</li> <li>• Consumer Health and Safety (pages 092-096)</li> </ul>
 Consumers	<ul style="list-style-type: none"> <li>• Marketing &amp; sales promotions</li> <li>• Brand communication through advertising</li> <li>• Social media interactions</li> <li>• On-ground events &amp; activities</li> <li>• Dedicated consumer hotline</li> </ul>	<ul style="list-style-type: none"> <li>• Product quality &amp; safety</li> <li>• Consumer health &amp; safety</li> <li>• Fair &amp; reasonable product pricing</li> <li>• Social &amp; community engagement</li> <li>• Environment-friendly packaging</li> </ul>	Refer to: <ul style="list-style-type: none"> <li>• Innovation (pages 036-041)</li> <li>• Consumer Health and Safety (pages 092-096)</li> <li>• Product and Service Labelling (page 097)</li> </ul>

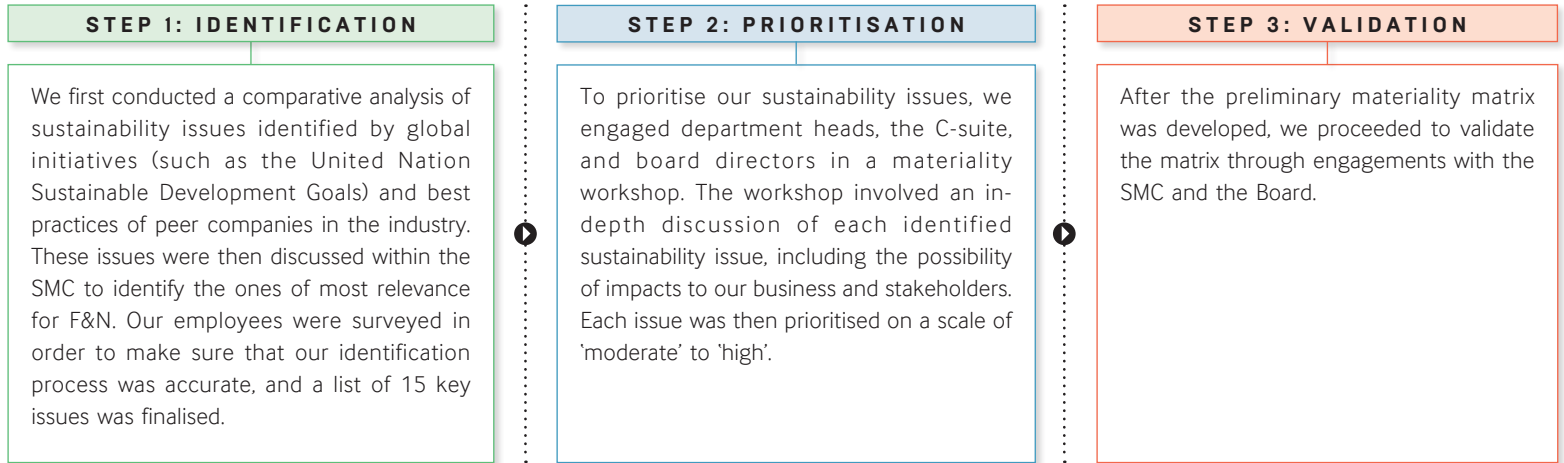
Sustainability In F&N

	Engagement Channels	Typical Issues Raised	F&NHB Actions
 Communities	<ul style="list-style-type: none"> <li>• Collaborations &amp; partnerships</li> <li>• Meetings</li> <li>• Outreach programmes</li> <li>• Meetings/dialogues with community representatives</li> <li>• Leadership programmes</li> <li>• Sponsorships</li> </ul>	<ul style="list-style-type: none"> <li>• Social &amp; environmental responsibility</li> <li>• Job opportunities for locals</li> <li>• Promotion of good health &amp; quality of life</li> <li>• Skills development in sports &amp; leadership</li> <li>• Stimulating local economies</li> </ul>	Refer to: <ul style="list-style-type: none"> <li>• Economic Performance (page 035)</li> <li>• Creating Value for Society (pages 053-065)</li> <li>• Market Presence (page 052)</li> <li>• Water Stewardship (pages 070-071)</li> <li>• Effluents and Waste (pages 072-075)</li> </ul>
 Regulators	<ul style="list-style-type: none"> <li>• Active collaborations e.g. Federation of Malaysian Manufacturers</li> <li>• Meetings with government agencies and statutory bodies</li> <li>• Collaboration &amp; partnerships with local councils</li> </ul>	<ul style="list-style-type: none"> <li>• Good governance</li> <li>• Fair labour practices</li> <li>• Safety at work</li> <li>• Compliance with laws &amp; regulations</li> <li>• Water &amp; waste management</li> <li>• Environment friendly labelling &amp; packaging</li> <li>• Greenhouse gas emission (GHG)</li> <li>• Recycling awareness</li> </ul>	Refer to: <ul style="list-style-type: none"> <li>• Our Sustainability Approach (pages 020-029)</li> <li>• Consumer Health and Safety (pages 092-096)</li> <li>• Product and Service Labelling (page 097)</li> <li>• Water Stewardship (pages 070-071)</li> <li>• Effluents &amp; Waste (pages 072-075)</li> <li>• Packaging (page 076)</li> <li>• Energy &amp; Climate Change (pages 077-082)</li> <li>• Occupational Health and Safety (pages 089-091)</li> </ul>
 Suppliers	<ul style="list-style-type: none"> <li>• Supplier meetings</li> <li>• Annual audits</li> <li>• Tender Management System</li> </ul>	<ul style="list-style-type: none"> <li>• Fair &amp; robust procurement system</li> <li>• Support of local businesses</li> <li>• Social &amp; environmental responsibility</li> <li>• Ethics - anti-bribery &amp; corruption</li> </ul>	Refer to: <ul style="list-style-type: none"> <li>• Sustainable Sourcing (pages 083-088)</li> </ul>

OUR SUSTAINABILITY APPROACH

OUR MATERIAL ISSUES

We undertook our first materiality assessment in 2017 to assess our most important sustainability issues. This assessment was based on three steps: Identification; Prioritisation; and Validation.



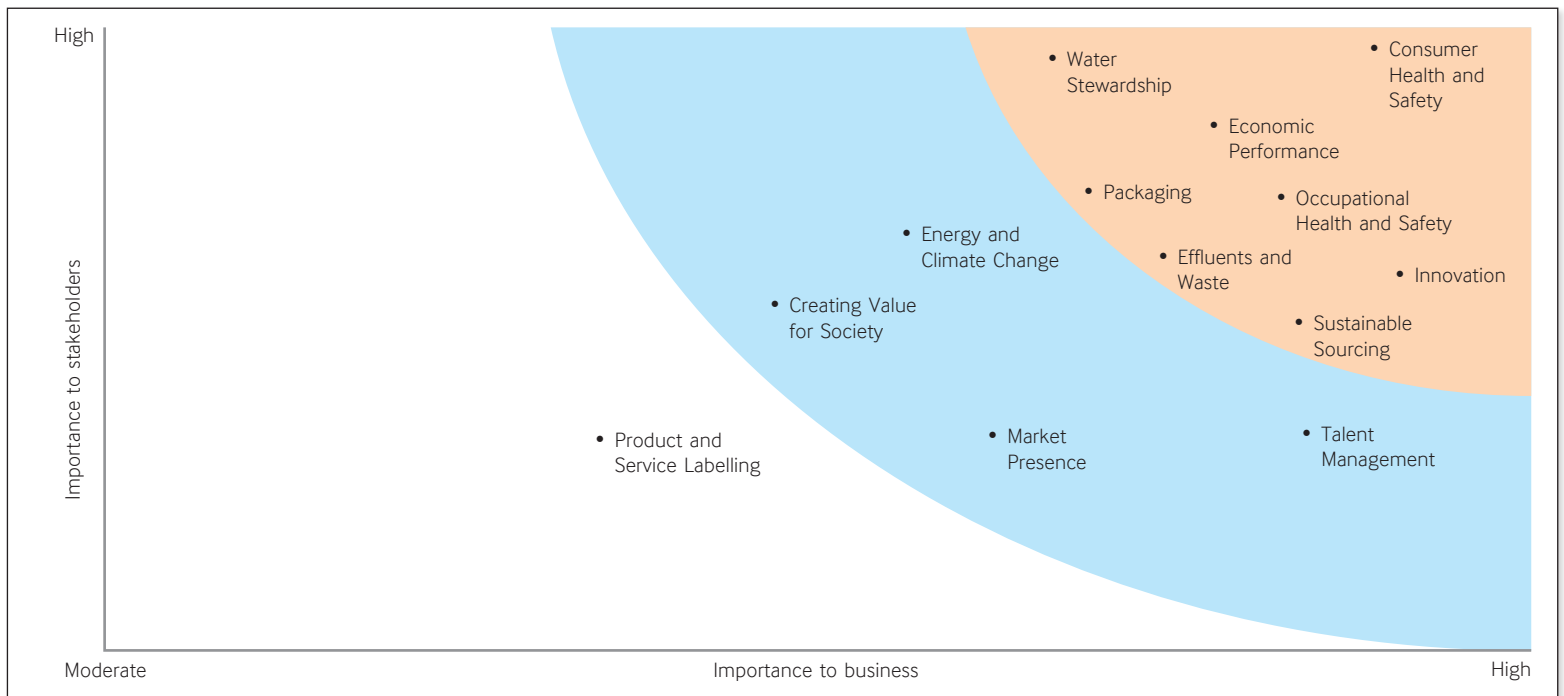
FY2019 MATERIALITY MATRIX

Following the initial materiality exercise in 2017, we have continued to review the 15 materiality issues every year. In 2018, the 'Talent Management' issue became increasingly important to the Group in light of our growth and innovation agenda.

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.

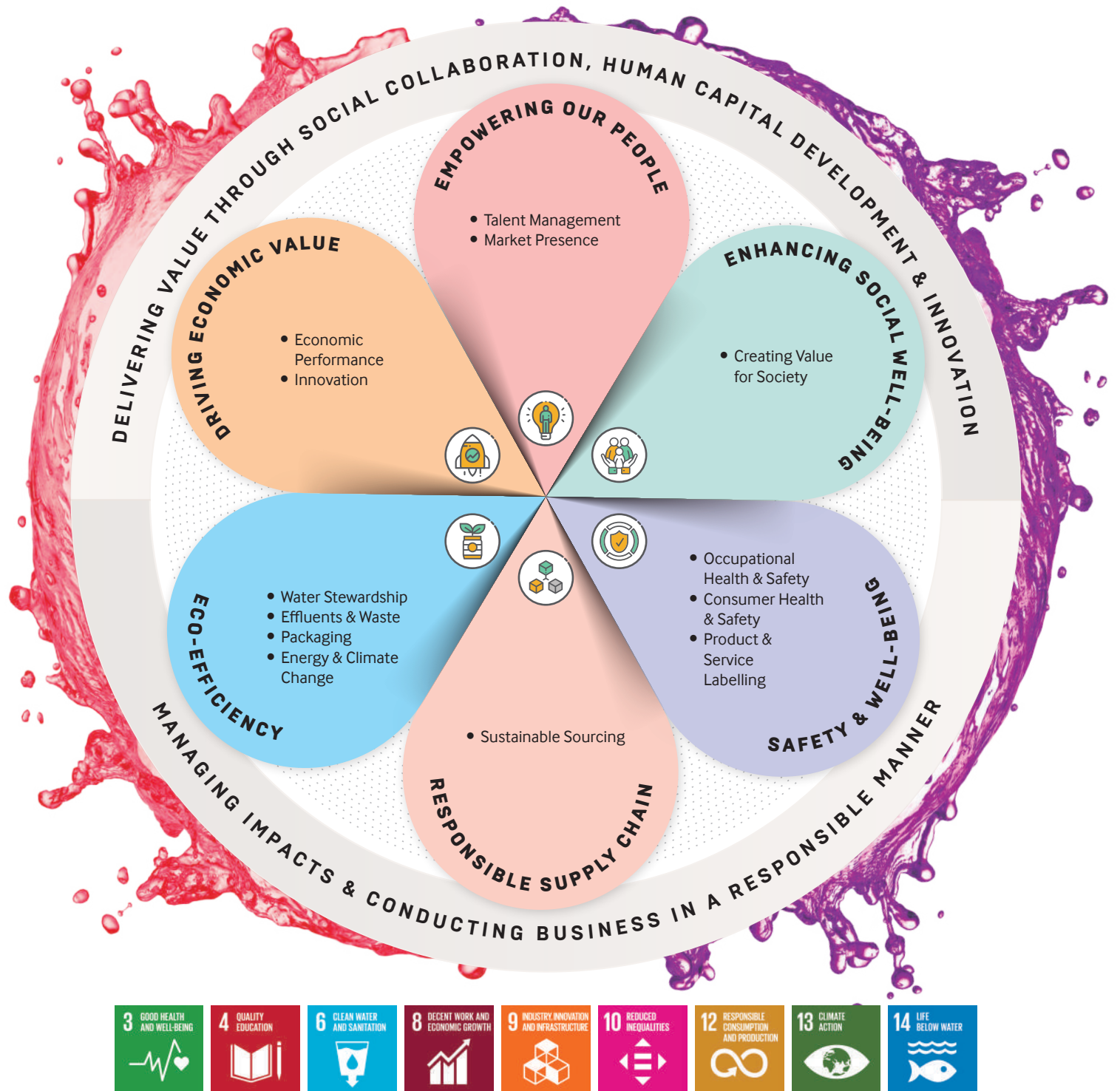


**Sustainability In F&N**

The material issues have been mapped into the six pillars of our Sustainability framework and the United Nations Sustainability Development Goals (UN SDG) they contribute towards.

Through this framework, we align our business and sustainability goals with sharper focus on how we create value for each material issue as well as our contribution towards the UN SDGs, particularly towards Goal 3; Goal 4; Goal 6; Goal 8; Goal 9; Goal 10; Goal 12; Goal 13; Goal 14.

F&NHB is committed to conducting a materiality assessment exercise in 2020. This exercise will help us better understand stakeholders' concerns and changing societal expectations. It will also help set our medium and long-term sustainability targets, especially for 'high' materiality issues.



OUR SUSTAINABILITY APPROACH

MATERIAL ISSUES AND OUR COMMITMENTS

	Material Issue	Main Sustainable Development Goals	Main Boundaries						
			Employees	Suppliers	Customers	Consumers	Shareholders/ Investors	Communities	Regulators
Driving Economic Value	<b>Economic Performance</b> We are committed to creating direct economic value for our shareholders through the generation of profits and for our employees through stable and rewarding employment. <i>GRI 201-1 Economic Performance</i>		•	•	•		•	•	
	<b>Innovation</b> We invest in product and process innovation to increase our product range, and improve efficiency and productivity. Innovation is critical not only for long-term business success but also in response to growing concern about social and environmental issues.		•		•	•	•		
Empowering Our People	<b>Talent Management</b> We recruit the right talent, train them, and keep them motivated via career development goals and reviews. <i>GRI 401-1, 401-2 Employment</i> <i>GRI 404-1, 404-2 Training and Education</i>		•					•	•
	<b>Market Presence</b> We contribute to the economic development in the local communities in which we operate by hiring locally and providing our employees attractive salaries and comprehensive benefit packages. <i>GRI 202-2 Market Presence</i>		•						•
Enhancing Social Well-being	<b>Creating Value for Society</b> We strive to create a positive impact on local communities through social development projects focused on: strengthening vulnerable groups with education and basic needs; supporting sports and active lifestyles; promoting environmental consciousness; and spreading festive cheer. <i>GRI 413-1 Local Communities</i>		•					•	•
Safety and Well-being	<b>Occupational Health &amp; Safety</b> Our health and safety management plan complies with relevant laws and regulations. It is supported by appropriate policies and programmes to safeguard the health and safety of our people at all times. <i>GRI 403 (2018) Occupational Health and Safety</i>		•						•
	<b>Consumer Health &amp; Safety</b> We are committed to producing products of the highest quality which are safe, and which address health concerns. Our products comply with relevant standards across their entire life cycle. We promote the consumption of nutrition products, in line with consumer needs. <i>GRI 416-1, 416-2 Customer Health and Safety</i>		•		•	•			•

**Sustainability In F&N**

	Material Issue	Main Sustainable Development Goals	Main Boundaries							
			Employees	Suppliers	Customers	Consumers	Shareholders/ Investors	Communities	Regulators	
Safety and Well-being (Cont'd)	<b>Product and Labelling</b>									
	<p>We provide accessible and adequate information on our products and services, in line with relevant laws and regulations. This helps consumers make informed purchasing choices.</p> <p><b>GRI 417-1, 417-2</b> Marketing and Labelling</p>	 	•		•	•			•	
Responsible Supply Chain	<b>Sustainable Sourcing</b>									
	<p>We promote sustainable and responsible procurement and sourcing via a risk management and supplier selection that is integrated with ESG factors, as well as a focus towards local sourcing to contribute to local economic development when possible.</p> <p><b>GRI 204-1</b> Procurement Practices</p>	 								
Eco-efficiency	<b>Water Stewardship</b>									
	<p>We seek to use water efficiently across the value chain and employ water resource risk management to ensure that our activities do not threaten water resources in the long-term for both our own operations and our local communities.</p> <p><b>GRI 303-1, 303-2, 303-3, 303-5 (2018)</b> Water and Effluents</p>		•		•	•		•	•	
	<b>Effluents and Waste</b>									
	<p>We comply with international and national standards in effluents and waste management. These include actions to minimise waste in the production process.</p> <p><b>GRI 303-4 (2018)</b> Water and Effluents <b>GRI 306-2</b> Effluents and Waste</p>	  	•					•	•	
	<b>Packaging</b>									
	<p>We use innovative packaging to meet consumers' demand and seek out innovative processes to reduce post-consumption waste.</p>		•	•	•	•		•	•	
	<b>Energy and Climate Change</b>									
	<p>We curb our contribution to climate change by managing our Greenhouse Gas (GHG) emission from our production processes and transport. This includes creating greater energy efficiencies in our operations and using as much renewable energy as possible.</p> <p><b>GRI 302-1, 302-3</b> Energy <b>GRI 305-1, 305-2, 305-4</b> Emissions</p>	 	•					•	•	

OUR SUSTAINABILITY APPROACH

CIRCULAR ECONOMY

F&NHB is committed to contributing to a more Circular Economy by preserving the value of resources for as long as possible, and applying circular economy principles of:

- 01 prioritising renewable inputs
- 02 keeping products and materials in use
- 03 recovering by-products and waste.

Our approach to managing materiality issues is guided by these principles. More than half of our materiality issues have particular links to the circular economy:

- **Innovation:** we creatively design new solutions for products and processes which contribute to resource efficiency and the prevention of waste;
- **Water Stewardship:** we manage water use and recover and reuse water where possible;
- **Effluents and Waste:** we minimise waste (in production and post-consumption), and generate new products with liquid and solid waste;
- **Packaging:** we reduce materials needed, and aim to ensure that packaging can be recycled, reused or composted;
- **Energy and Climate Change:** we reduce our energy needs, use renewables and recover energy from our operations;
- **Sustainable Sourcing:** we favour suppliers whose environmental practices adhere to circular economy principles; and
- **Creating Value for Society:** we raise awareness, for example through our School Recycling Programme.

These links will be explored further in the chapters which follow.

