

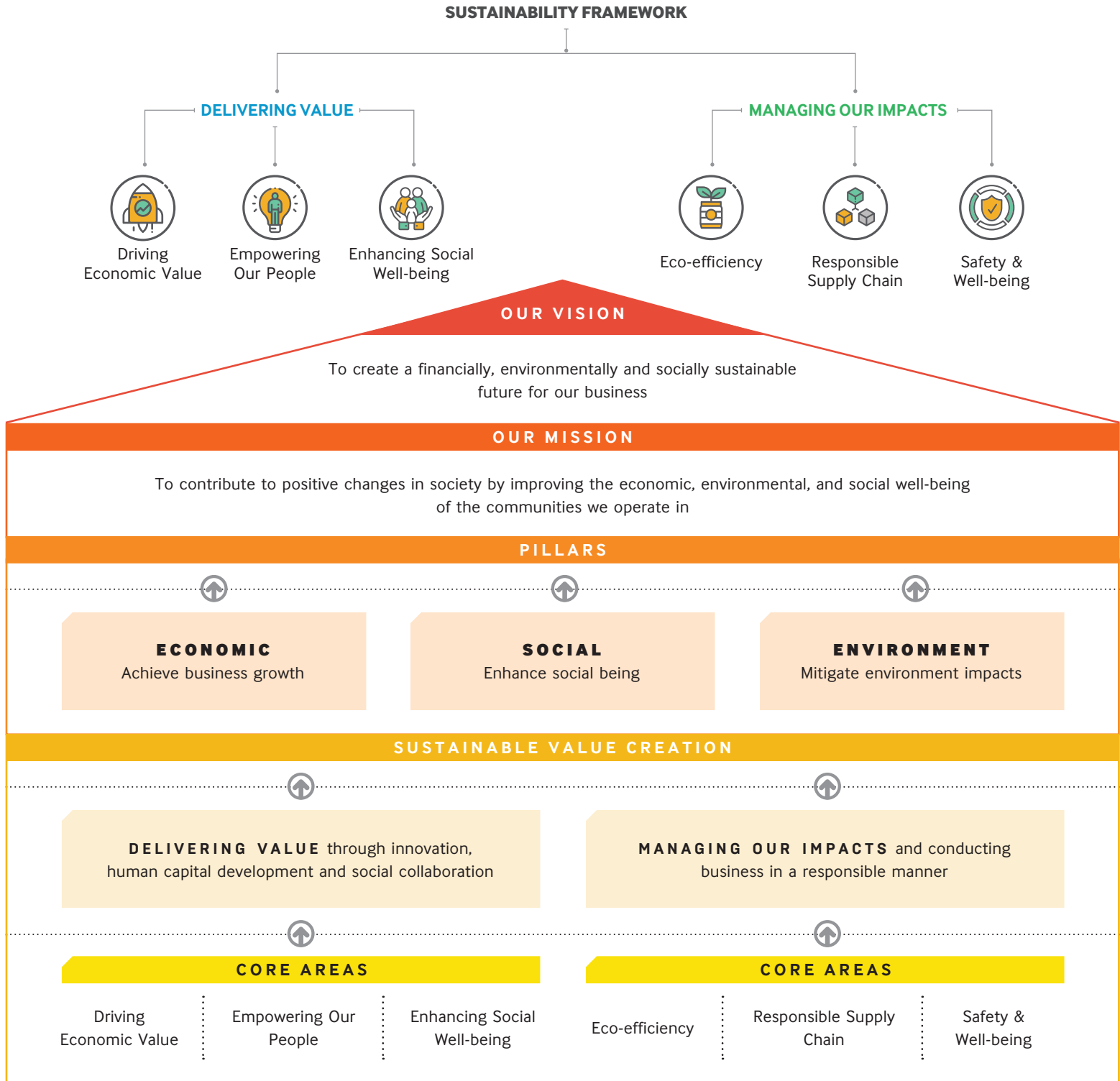
Our Sustainability Approach

GRI 102-16 to GRI 102-18; GRI 102-40; GRI 102-42 to GRI 102-44; GRI 102-46; GRI 102-47; GRI 408-1; GRI 409-1

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 conducting business in a responsible manner.



MANAGEMENT AND GOVERNANCE

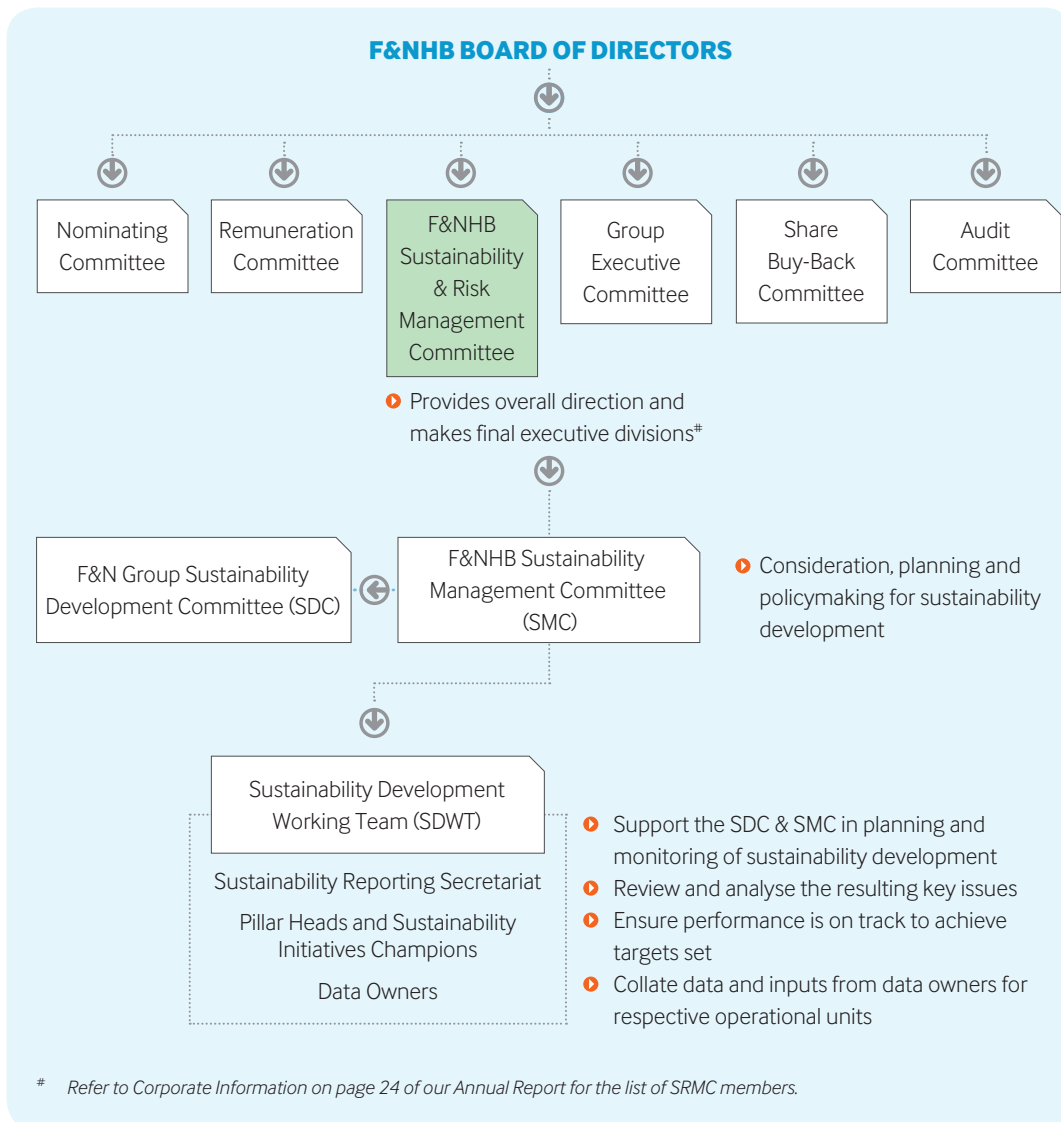
Sustainability is embedded in F&NHB’s culture. Our Board’s Charter sets out their responsibility to “include strategies on economic, environmental and social considerations underpinning sustainability.” Hence, our Board ensures sustainability principles guide F&NHB’s long-term business direction, and 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 vital support to the management team. SRMC has the responsibility to approve all strategic initiatives and policies related to sustainability.

Headed by the Chief Executive Officer (CEO), the F&NHB Sustainability Management Committee (SMC) then 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, headed by CEO Non-Alcoholic Beverages, Fraser & Neave, Limited in considering, planning and embedding sustainability development matters.

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

In FY2020, the SRMC convened on sustainability matters four times, and the SDC three times.



- F&NHB SUSTAINABILITY MANAGEMENT COMMITTEE (SMC):**
- Lim Yew Hoe** (Lead)
Chief Executive Officer*
 - Lai Kah Shen**
Director, Finance/Chief Financial Officer*
 - Waradej Patpitak**
Director, Manufacturing, F&N Dairies (Thailand) Limited
 - Bart Lim**
Managing Director, Domestic Commercial Operations (Peninsular Malaysia)
 - David Hoong**
Senior Director, Human Capital
 - Suchit Riewcharoon**
Managing Director, F&N Dairies (Thailand) Limited
 - Dr. Yap Peng Kang**
Senior Director, Manufacturing/ Group Research & Development*
 - Graham Lim**
Director, Brand Marketing
 - Karen Tan**
Director, Communications, Corporate Affairs & Sustainability**
 - Kelleigh Foo**
Senior Manager, CEO Office & Risk Management
- * F&N Group Sustainability Development Committee
** F&N Group Sustainability Reporting Secretariat

Our Sustainability *Approach*

RISK MANAGEMENT

F&NHB integrates material sustainability topics into our overall Risk Management framework by identifying specific risks, opportunities and key priorities for the financial year to drive our strategic decisions. This helps us to innovate better products and create more meaningful value for our stakeholders. Specific sustainability risks are identified and dealt with as part of the Enterprise Risk Management (ERM) framework. Risk appetite and risk tolerance statements are reviewed by the SRMC and approved by the Board annually. At the end of the financial year, the Board receives assurance from the CEO and Chief Financial Officer that the risk management and internal control system in place for the Group is adequate and effective to address risks which the Group considers relevant and material to its operations through the ERM Validation Report and Comfort Matrix.

Examples of non-financial risks include cyber risks, ensuring skills for digital transformation and the impacts of climate change on commodity prices. Amidst the evolving technology-resilient business environment, the group has developed a Cybersecurity Framework to guide businesses on managing cybersecurity risks. Regular training and constant updates related to cyber threats are provided to all employees to raise awareness level.

> [Read more in our Annual Report under Principal/Key Risks and Mitigation](#)

KEY POLICIES

F&NHB's governance system is supported by various policies and frameworks to ensure that relevant controls are established, and our processes are working as intended.

F&NHB supports the UN Guiding Principles on Business and Human Rights, International Labour Organisation (ILO) guidelines, Thailand's Labour Protection Act and Malaysia Employment Act 1955, and have extended these guidelines and legal requirements in our internal policies.

The F&N Code of Business Ethics & Conduct, recently revised in August 2019 and reviewed in June 2020, states the principles upheld by F&N related to integrity, respect and excellence. This Code is communicated to our employees by email and is also made available on our intranet. It requires an annual acknowledgement and declaration to be completed by employees to disclose possible conflicts of interest with F&N, and the annual declaration is reviewed with new employees as part of their induction programmes.



Scan here to read these policies

Any violation of Code can be reported via these mechanisms:

1. Email to whistleblowing@fn.com.my
2. Email to noncompliance@fn.com.my
or
3. Any reporting mechanism provided in existing F&NHB's policies

0 **reported breaches**
of the code of conduct

F&NHB has a No Gift Policy and stringent criteria for donations and sponsorships in accordance to the F&N Anti-Bribery and Anti-Corruption Policy (ABC Policy). Whistleblowing of suspected bribery and corruption can be reported by employees or external parties to the Chairman of the Audit Committee. There has been zero report of employees or external parties corruption and bribery in this financial year.

0 **report of corruption**
and bribery




F&NHB also has a Code of Business Practices for Third Parties, putting in place an anti-bribery and anti-corruption management system (ABCMS) to consolidate and manage elements, policies, objectives and processes in relation to bribery and corruption risks. 100% of our employees in Malaysia have made the Integrity Pledge and Declaration of Conflict of Interest submissions.

F&NHB suppliers are expected to conduct their business in accordance with ethical business standards and applicable laws, following the F&N Supplier Code of Practice. Suppliers are expected to treat their employees equally, with respect and dignity, in accordance with International Labour Organization (ILO) standards and applicable labour laws.

Policies including F&N Code of Business Ethics & Conduct and F&N ABC Policy are also communicated through F&N's internal app, Fraserians Connect and training sessions.





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 is used in our planning and strategy for sustainable value creation.

	Engagement Channels and Frequency of Engagements	Key Concerns	How F&NHB creates value for this stakeholder
 <p>SHAREHOLDERS AND INVESTORS</p>	<ul style="list-style-type: none"> • Annual General Meetings (AGMs) • Regular face-to-face meetings & conference calls • Office/plant visits, as and when required • Investor Days/briefing 	<ul style="list-style-type: none"> • Transparent & accurate disclosure • Return on investment • Sustainable financial & operational performance 	<ul style="list-style-type: none"> • Managing our resources effectively enables us to maximise profits which benefit shareholders through sustainable shareholder returns and dividend payouts • Maintaining a strong balance sheet to take advantage of opportunities as they arise and protect against unforeseen risks • Dividend Payout Ratio: 53.6% • Dividend per Share: 60.0 sen* • Total Dividend Payout: RM220.1 million • Basic Earnings per Share: 111.9 sen <p><i>* Included proposed final dividend of 33.0 sen, which will only be recognised in the financial statements upon shareholders' approval</i></p>
 <p>EMPLOYEES</p>	<ul style="list-style-type: none"> • Biennial employee engagement survey • Annual CEO town hall/roadshow • Annual dinner • Festive gatherings • Sports tournaments • F&N Chairman's Award • iConnect (intranet), F&N BITES (news update), monthly email news highlights, digital TV, Fraserians Connect (mobile app) • F&N Voice WhatsApp channel • Dialogues with unions 	<ul style="list-style-type: none"> • Compensation & benefits • Competency development • Senior leadership • Learning & development • Rewards & recognition • Safety at work • COVID-19 related safety precautions and employee wellness 	<ul style="list-style-type: none"> • Employing 204 new employees in FY2020 • Career advancement and ability to reach individual potential • Paying RM297.4 million in total employee remuneration and benefits in FY2020 • Female representation in our workforce: 31% of total employees – 45% of total managerial positions • Boosting earning potential of employees with training and development • Awarding RM228,225 to 99 children of employees in 2020 under F&N Chairman's Award. Since 2003, F&NHB has disbursed close to RM4 million to >2,000 children • Virtual wellness programmes • Strict hygiene practice and sanitary environment in the workplace
 <p>DISTRIBUTORS AND TRADE CUSTOMERS</p>	<ul style="list-style-type: none"> • Annual customer meetings • Annual factory visits • Annual business planning • Regular business development activities • Joint supply chain meetings • Quarterly business reviews • Customer appreciation events 	<ul style="list-style-type: none"> • Latest consumer & shopper trends • Product innovation • Customer relationship management • Shopper loyalty programmes • Improving customer service level • Business practices & ethics • Efficient delivery systems • COVID-19 related payment challenges 	<ul style="list-style-type: none"> • Partnership with over 220,000 retailers and outlets in Malaysia, Thailand, Cambodia and Laos • Source of income and job creation at our distributors • Supporting the livelihood of 40,000 hawkers in Thailand, Laos and Cambodia • Case-to-case flexible payment method

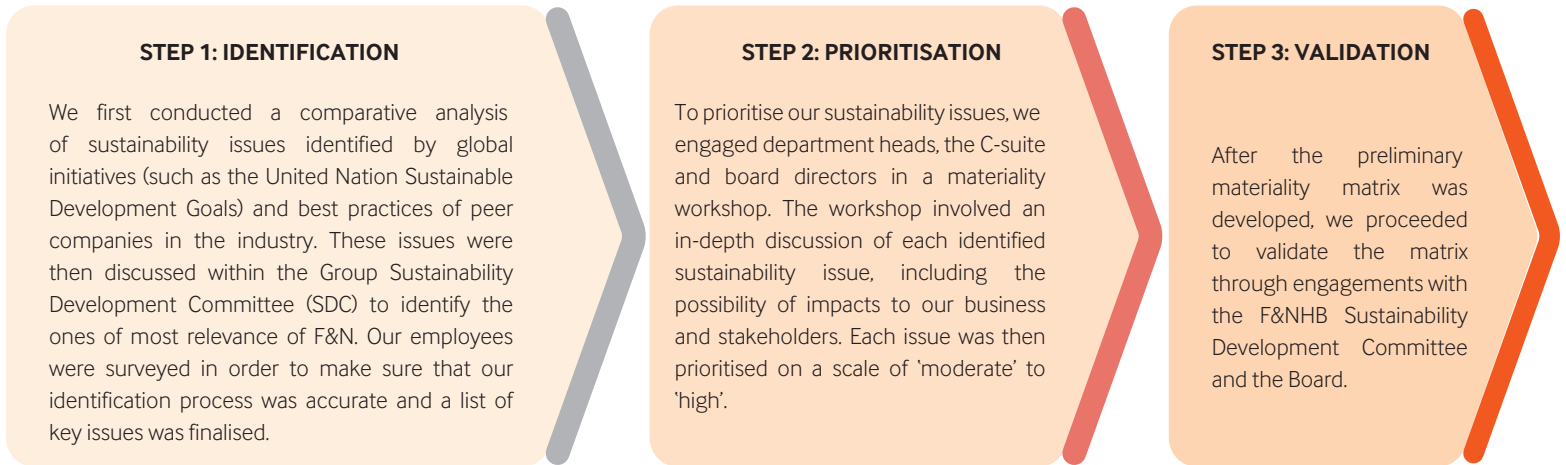
Our Sustainability *Approach*

KEY STAKEHOLDERS' ENGAGEMENT (CONT'D)

	Engagement Channels and Frequency of Engagements	Key Concerns	How F&NHB creates value for this stakeholder
 <p>CONSUMERS</p>	<ul style="list-style-type: none"> Marketing & sales promotions Brand communication through advertising On-going social media interactions On-ground events & activities Dedicated consumer hotline 	<ul style="list-style-type: none"> Product quality & safety Consumer health & safety Fair & reasonable product pricing Social & community engagement Environmental-friendly packaging 	<ul style="list-style-type: none"> Launching innovative solutions to address the needs of our consumers in 82 countries worldwide Fulfilling consumers' demand for safe and quality products Providing accessible products through an extensive distribution network coverage 10 new products launched in FY2020 47 products with 'Healthier Choice Logo' in FY2020
 <p>COMMUNITIES</p>	<ul style="list-style-type: none"> Collaborations & partnerships Meetings Outreach programmes Meetings/dialogues with community representatives Leadership programmes Sponsorships to more than 10 communities 	<ul style="list-style-type: none"> Social & environmental responsibility Job opportunities for locals Promotion of good health & quality of life Skill development in sports & leadership Stimulating local economies 	<ul style="list-style-type: none"> Social investment in FY2020: > RM400,000 Nurturing local sports champions Advocating active lifestyles via sports events and activities Partnering with local councils to develop collaterals to increase awareness on COVID-19 prevention for 430 schools across Malaysia Supporting over 200 beneficiaries from vulnerable communities
 <p>REGULATORS</p>	<ul style="list-style-type: none"> Active collaborations e.g. Federation of Malaysian Manufacturers Meetings with government agencies and statutory bodies Collaboration & partnerships with local councils 	<ul style="list-style-type: none"> Good governance Fair labour practices Safety at work Compliance with laws & regulations Water & waste management Environmental-friendly labelling & packaging Greenhouse gas emission (GHG) Recycling awareness COVID-19 standard operating procedures 	<ul style="list-style-type: none"> Compliance with regulation to mitigate against systemic risk Adhering to sustainable practices to protect our stakeholders Contributing RM112.8 million in tax for FY2020 Active industry collaboration and knowledge exchange with government agencies and statutory bodies Adhering to COVID-19 guidelines and social distancing measures
 <p>SUPPLIERS</p>	<ul style="list-style-type: none"> Supplier meetings Annual audits Tender Management System Annual supplier assessment review and audit 	<ul style="list-style-type: none"> Fair & robust procurement system Support of local businesses Social & environmental responsibility Ethics - anti-bribery & corruption 	<ul style="list-style-type: none"> Working with local suppliers (94% of our suppliers are local) Total Supplier Spend: RM3.21 billion 75% local purchase value

OUR MATERIAL ISSUES

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

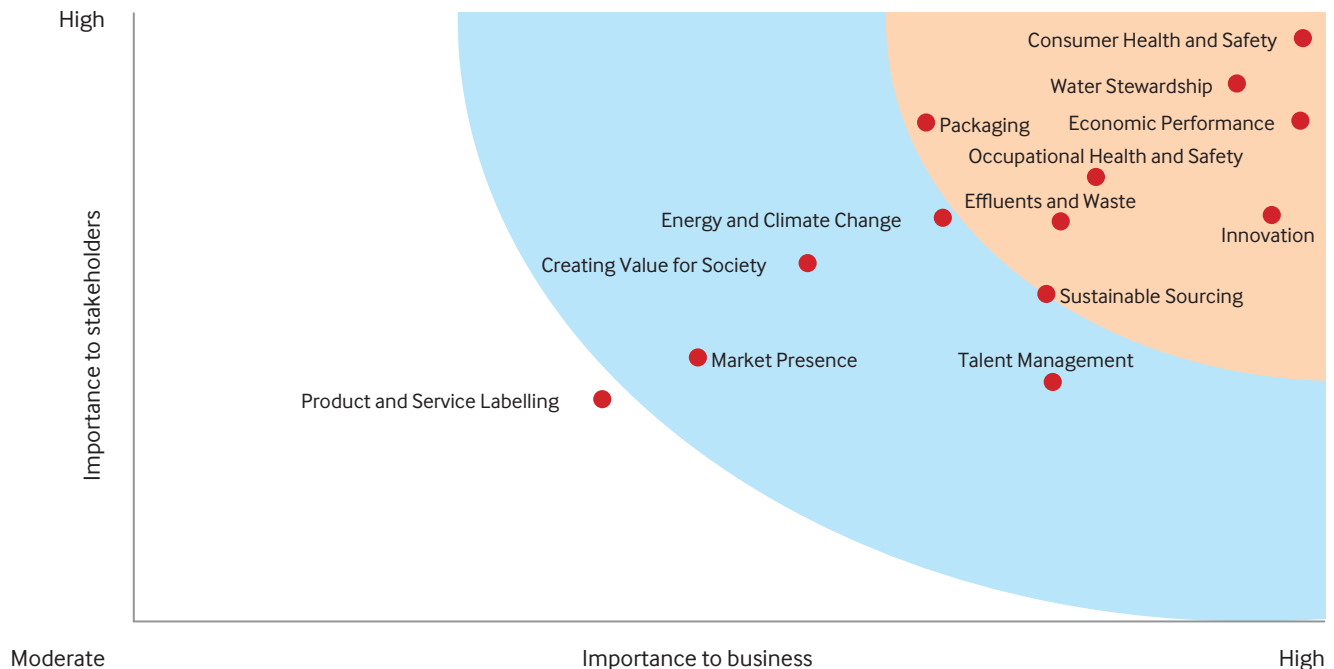


FY2020 MATERIALITY MATRIX

Following the initial materiality exercise in 2017, we have continued to review the 15 materiality issues every year.

In 2019, we have subsumed 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 as shown in the materiality matrix below.

Our most significant material topic 'Consumer Health and Safety' is extremely relevant this year amidst the COVID-19 pandemic as communities are becoming more discerning of their health and hygiene. 'Economic Performance' is vital as we continue to ensure adequate supply to the market as well as the contribution to our frontliners and people in need whilst maintaining a resilient financial performance. The 'Occupational Health and Safety' issue is also increasingly important in light of the pandemic.



Our Sustainability Approach

The material issues have been mapped into the six pillars of our Sustainability framework and the 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.



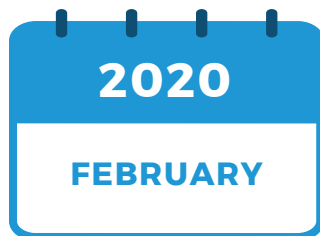
UPDATING OUR MATERIAL ISSUES

We have conducted a materiality assessment this year, with the support of an independent consultant, to engage our internal and external stakeholders to get their input on the material issues for F&N.

An initial list of ESG topics was drafted based on peer benchmarking and external trends analysis. Input from internal and external stakeholders were considered to streamline the list of sustainability topics and determine the key material topics for F&N going forward. The process to determine the material issues impacting our sustainable value creation resulted in a review and refresh of our Materiality Matrix for FY2021.

We have set medium term 2025 sustainability targets, especially for 'high' materiality issues. The 2021 materiality matrix and 2025 sustainability targets will be reflected in next year's Sustainability Report.

F&N MATERIALITY ASSESSMENT 2020



TREND AND PEER ANALYSIS

- Survey of best practices among peers
- Development of sustainability trend



STAKEHOLDER ANALYSIS

- Surveys with 954 F&N employees
- Interviews or questionnaires with 17 key external stakeholders

MATERIALITY ASSESSMENT WORKSHOP

- Two separate senior management workshops in Malaysia and Singapore, to review and finalise prioritisation of sustainability topics

Our Sustainability *Approach*

MATERIAL ISSUES AND OUR COMMITMENTS

	Material Issue	UN Sustainable Development Goals	Main Boundaries							
			Employees	Suppliers	Customers	Consumers	Shareholders/ Investors	Communities	Regulators	
Driving Economic Value	Economic Performance 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>		•	•	•		•	•		
	Innovation 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	Talent Management 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> <i>GRI 405-1 Diversity of Governance Bodies and Employees</i>	 	•					•	•	
	Market Presence 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	Creating Value for Society 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	Occupational Health & Safety 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>		•						•	
	Consumer Health & Safety 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>	 	•		•	•			•	

			Main Boundaries						
Material Issue		UN Sustainable Development Goals	Employees	Suppliers	Customers	Consumers	Shareholders/ Investors	Communities	Regulators
Safety and Well-being (Cont'd)	Product and Labelling								
	<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>GRI 417-1, 417-2 <i>Marketing and Labelling</i></p>	 	•		•	•			•
Responsible Supply Chain	Sustainable Sourcing								
	<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>GRI 204-1 <i>Procurement Practices</i></p>	 							
Eco-efficiency	Water Stewardship								
	<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>GRI 303-1, 303-2, 303-3, 303-5 (2018) <i>Water and Effluents</i></p>		•		•	•		•	•
	Effluents and Waste								
	<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>GRI 303-4 (2018) <i>Water and Effluents</i> GRI 306-2 <i>Effluents and Waste</i></p>	  	•					•	•
	Packaging								
<p>We use innovative packaging to meet consumers' demand and seek out innovative processes to reduce post-consumption waste.</p>		•	•	•	•			•	•
Energy and Climate Change									
<p>We curb our contribution to climate change by managing our 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>GRI 302-1, 302-3 <i>Energy</i> GRI 305-1, 305-2, 305-4 <i>Emissions</i></p>	 	•						•	•

Our Sustainability *Approach*

CIRCULAR ECONOMY

GRI 103-2

A circular business model can be defined as the way an organisation creates, delivers and captures value with, and within, closed material loops and chains. F&NHB is committed to working towards a more circular economy by applying the principles of:

- ▶ Prioritising renewable inputs
- ▶ Keeping products and materials in use
- ▶ Recovering by-products and waste.

These principles guide our approach to managing materiality topics. More than half of our materiality topics have links to a circular economy:

- **Innovation:** We design new solutions for products and processes which contribute to resource efficiency and the prevention of waste. F&N built an innovation centre in Singapore for R&D, focusing on health and sustainability. Other than packaging, the innovation centre will also look into water efficiencies, energy conservation, environmental programmes and waste management.
- **Water Stewardship:** We manage water use and recover and reuse water where possible. This year, we extended our water stewardship commitment to our supply chain partners. For example, bridging water optimisation gaps with our sugar manufacturers and chemical suppliers, and partnering with our suppliers to provide clean and sufficient water supply to Chaiyaphum Province, Thailand during the annual dry season.
- **Effluents and Waste:** We minimise waste (in production and post-consumption) and help to create by-products from the residual liquid and solid waste. For example, we converted 1,250 MT of industrial sludge into fertiliser this year. We have also significantly exceeded our 2020 target and reduced solid waste intensity by 62%.
- **Packaging:** We reduce raw materials needed and aim to ensure that packaging can be recycled, reused or composted. F&N proactively innovates, develops and sources sustainable packing solutions for our products. We have implemented various packing solutions in 2020, and are on track to meet our goal to have our beverage packaging to be fully recyclable.
- **Energy and Climate Change:** We reduce our energy needs, use renewable energy and/or recover energy from our operations. Our energy and climate change strategy includes: improving energy efficiency in our operations, renewable energy programme, carbon footprint reduction in our value chain, route planning and managing climate change risks to our operations.
- **Sustainable Sourcing:** We favour suppliers whose environmental practices adhere to circular economy principles. In June 2020, we launched a new Supplier Code of Conduct which covers business ethics, environmental management, human rights and occupational health and safety.
- **Creating Value for Society:** Beyond the company, F&N raises awareness on the circular economy and good waste management practices by conducting education programmes for school children in Malaysia and Thailand.

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

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