



Y.A.M. TENGGU SYARIF BENDAHARA PERLIS
SYED BADARUDIN JAMALULLAIL
IBNI ALMARHUM TUANKU SYED PUTRA
JAMALULLAIL
Chairman

Chairman's Message

Dear Shareholders and Stakeholders,

As I write this message, in October 2021, the pandemic in Malaysia and Thailand seems to be gradually abating. New infections and morbidity numbers are trending down, and the Malaysian government has just opened up inter-state travel. In other words, there are good reasons to be hopeful after more than a year-and-a-half of economic as well as social restrictions.

For us at Fraser & Neave Holdings Bhd (F&NHB), the financial year that has just ended (FY2021) was our first full year of operations impacted by COVID-19. And, yet, the Group has continued to deliver – not just financially but also in terms of contributions to our key stakeholders and society at large.

Amidst a highly challenging operating landscape, we maintained market leadership in our key categories. We remained steadfast in our long-term priorities and launched a fourth business pillar – Halal Packaged Food – with the acquisition of Sri Nona Companies. More importantly, we were able to ‘Reimagine’ the way we operate to be more efficient while placing the well-being of our people and community above all else. Continuing to live our Global Values of Caring for Stakeholders, Collaboration and Creating Values, we have strengthened the Group at a fundamental level such that, as soon as the economy picks up, we will be ready to accelerate our growth once again.

CHAIRMAN'S MESSAGE

CREATING VALUE

I truly believe that every cloud has a silver lining. Although the pandemic severely disrupted businesses everywhere, it also led to a great deal of introspection and the realisation that corporations like F&NHB are part of wider ecosystems on which we are dependent. Our sustainability rests on the sustainability of this ecosystem. Acknowledging this, we have spent a great deal of time and resources during the year building the resilience of our ecosystem by caring and creating value for the people within it.

A key focus area has been to hasten the nation's recovery from the pandemic by supporting the Government's efforts in vaccinating the country. We encouraged our employees and those of our trade partners to be vaccinated through our employees' vaccination programmes; and as of August 2021, we reached 90 per cent full vaccination at the workplace. We also supported the government's vaccination programme via a #HidratkanDiriSihatkanBadan campaign, which saw F&NHB distribute one million bottles of the nation's preferred isotonic beverage, 100PLUS, at major vaccination centres. This was our way of promoting the immunisation programme while ensuring people maintained optimal hydration throughout the critical period.

Further nurturing our stakeholder ecosystem, we have been motivated to show our gratitude for the tireless devotion of the country's frontliners and support communities that are most affected by the pandemic. Since its outbreak in March 2020, we have distributed over two million products to various beneficiaries nationwide. During the month of *Ramadhan* this year, F&N products were distributed via our 'Keberkatan Plus Plus' programme to 20,000 beneficiaries, including B40 families and 100 underprivileged homes. In Thailand, we took care of our community of 20,000 hawkers by giving them F&N products to help them tide over the year.

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As a food and beverage (F&B) manufacturer, our consumers are our *raison d'être* – hence ensuring we live up to our brand promise of 'Pure Enjoyment. Pure Goodness' will always be a top priority. Along with greater health-consciousness, we have been placing increasing focus on healthier products. Among others, we have invested significantly into lowering the sugar content of our portfolio without compromising on taste. This year, with the launch of F&N Sparkling, F&N Bandung and est Cola Brown Sugar in Malaysia, as well as BEAR BRAND GOLD Acerola Cherry and a 50 per cent lower-sugar, low-fat F&N Magnolia Choc Malt Milk in Thailand, we now have no less than 69 products endorsed with the Healthier Choice logo.

Efforts to optimise our product portfolio are integral to maximising our profits, hence also shareholder value creation. And it pleases me to share that, despite the tough operating environment, the thought that went into our products, our route-to-market and marketing efforts all combined to enable us to offer the same dividends that we did the previous financial year. In June, we paid out an interim single-tier dividend of 27.0 sen per share, translating into RM99 million. At our upcoming annual general meeting (AGM), the Board will be proposing a final dividend of 33.0 sen per share. In respect of ongoing SOPs, this year's AGM will be held virtually, as was the AGM for FY2020.

Finally, my account of value creation would not be complete without also mentioning a programme close to my heart: The F&NHB Chairman's Award. This is presented annually to children of employees who achieve outstanding academic and extra-curricular performance. And it gives me great pleasure to share that, in 2021, we handed out cash prizes totalling RM218,100 to 73 deserving children.

SUSTAINABILITY AT THE CORE

Given the massive changes and challenges brought about by COVID-19, in FY2021, we re-assessed our material matters and refreshed our materiality matrix. We also outlined a new set of sustainability targets to be achieved by 2025.

Among these is the goal to achieve 100 per cent physical Roundtable on Sustainable Palm Oil (RSPO)-certified palm oil by 2025. This is an ambitious target, but one that we are confident of meeting given the progress made on this front. Having reached a key milestone in 2020 of purchasing RSPO credits for 100 per cent of our palm oil requirement, we have begun our transition with 20 per cent uptake of physical RSPO certified palm oil and 80 per cent in credits this year.

F&N Group also scored the highest among 12 Asian companies included in the WWF Palm Oil Buyers Scorecard (POSB) 2021 and ranked 46 out of 142 global respondents. This is something we can justifiably be proud of and will continue to work on over the next few years.

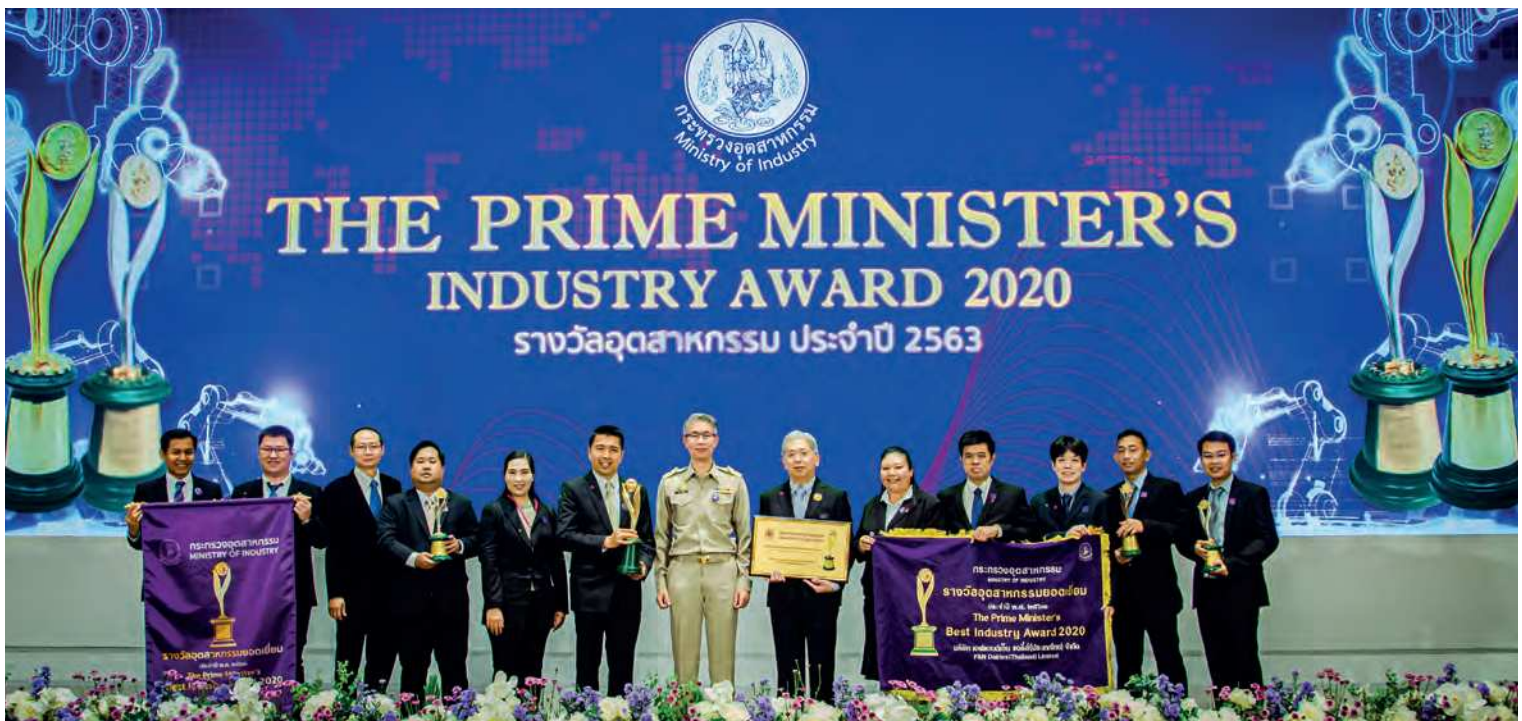
Our materiality matrix now includes four new material matters, among which is Human Rights. Although there is minimal risk of human rights violation in our Malaysian and Thai operations, we recognise that such risks may exist within our extended supply chain. We have conducted a human rights risk assessment to obtain greater clarity on the totality of our risks across our value chain, following which we have developed a Human Rights Policy and a due diligence manual.

Another global issue on which we are placing greater emphasis is waste management, and specifically that of plastic. Towards this end, we are a founding member of the Malaysia Recycling Alliance (MAREA), comprising companies in the fast-moving consumer goods (FMCG) industry, which seeks to find sustainable solutions



to the management of post-consumption packaging. F&NHB is also further strengthening our environment, social and governance (ESG) understanding and performance by joining the CEO Action Network (CAN), an informal coalition of CEOs and Board members focused on sustainability advocacy, capacity building, and performance.

Finally, we are cognisant of the need to nurture greater gender diversity in decision-making positions. Towards this end, we made a positive step forward by welcoming another female member to our Board this financial year. At the management level, women already make up 45 per cent of the total, far exceeding the 30% baseline.



CHAIRMAN'S MESSAGE

AWARDS

Enhanced focus on creating ESG value saw F&NHB emerge as a top quintile company in our very first S&P Global Corporate Sustainability Assessment (CSA), hitting 86th percentile and ranking among the top 10 companies in the beverages industry*. We were also included in the FTSE4Good Bursa Malaysia Index 2021 for the third year in a row, and made it into the newly-introduced FTSE4Good Bursa Malaysia Syariah Index. The latter reflects investments made into ensuring all our products are halal, and that our value chain is Syariah-compliant.

Efforts to decrease our carbon footprint and enhance our waste management have led to several environmental awards. F&N Dairies Thailand received the prestigious Prime Minister's Best Industry Award 2020, while in Malaysia, the Group was recognised with three awards at the Prime Minister's Hibiscus Award 2019/2020. The Pulau Indah Plant won an Exceptional Achievement Award and the State Award for Selangor, while our plant in Shah Alam won a Notable Achievement Award. Meanwhile, our plant in Kuching won a Merit in the Medium Enterprise Category at the Sarawak Chief Minister's Environment Award 2019/2020.

It was also very heartening to be recognised for the quality of our sustainability reporting when our Sustainability Report 2019 won Silver at the National Annual Corporate Report Awards (NACRA) 2020. Efforts to connect more with our employees during the pandemic have not gone unnoticed, as F&NHB received the Silver Award under the Excellence in HR Communication Strategy in HR Excellence Awards 2020 Malaysia.

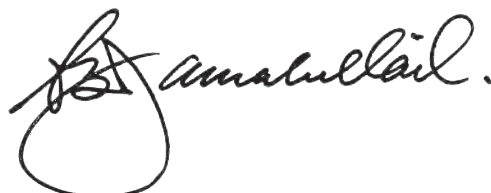
ACKNOWLEDGEMENTS

028 Our performance overall in FY2021 is indicative of organisational resilience that has been built over many years, which is the result of the contributions of various stakeholders. I want to take this opportunity to thank everyone concerned – from our customers, consumers, business partners and shareholders, to our employees and Directors – for your invaluable support.

This year, we bid farewell to Dato' Sri Johan Tazrin Bin Hamid Ngo who is leaving after the Annual General Meeting. On behalf of the Board, I would like to record our appreciation for his services and contribution as an Independent Non-Executive Director for the past nine years. We wish him the best in his future undertakings.

At the same time, we welcome Dato' Ng Wan Peng, who joined our Board on 30 July 2021. Serving as an Alternate Director to Dato' Sri Johan Tazrin Bin Hamid Ngo, Dato' Ng brings with her vast experience in IT and digitalisation, which will be very relevant as F&NHB navigates the Industrial Revolution 4.0.

To the entire F&NHB family, I would like to express my sincere gratitude for your hard work and commitment to the Group at a time when your support was most needed. Our ability to get through perhaps the most demanding year boils down to your tenacity and resilience. As mentioned earlier, the signs are there of a better tomorrow. We can therefore expect many fresh opportunities to come our way. Let us work together to make the most of these as we continue to delight our consumers and add value to all our other stakeholders.



**Y.A.M. Tengku Syarif Bendahara Perlis
Syed Badarudin Jamalullail
Ibni Almarhum Tuanku Syed Putra Jamalullail**
Chairman

*2021 S&P Global Corporate Sustainability Assessment (Score date: Nov 12, 2021)

