

Chairman's Message

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

Dear Shareholders & Stakeholders,

It is always a pleasure to pen my message for Fraser & Neave Holdings Bhd (F&NHB)'s annual reports. This year, I do so with added pride as 2023 marks F&N's 140th anniversary. This milestone not only commemorates our legacy but also celebrates the enduring relationship cultivated with Malaysians. Beautifully encapsulated by our nationwide campaign "Kisah Kita... Selamanya", the theme signifies the ways in which we have been there with Malaysians, and for Malaysians, celebrating their cherished moments for as long as any of us can remember.



The celebration doesn't just stop here in Malaysia, as we commemorate TEAPOT's 15th anniversary in Thailand, Cambodia and Laos in October 2023. Since its introduction in 2007, TEAPOT has become the No. 1 condensed milk in Cambodia and Laos since 2020 and the second largest brand in the evaporated milk category in Thailand since 2022. These achievements will make the celebrations all the more meaningful for our customers and consumers alike.

Amid the celebrations, it was an opportune time for me to reflect on how the Group has evolved and innovated with the latest technologies while remaining conscious about contributing to the community and environment. Present in 93 countries, F&N truly understands our consumers and is committed to delivering Pure Enjoyment, Pure Goodness for generations to come.



CHAIRMAN'S MESSAGE

PROFIT
BEFORE TAX



RM624.7
million

DIVIDEND
FOR THE YEAR



77 sen
per share *

PROFIT FOR
THE YEAR



RM542.0
million

BASIC
EARNINGS
PER SHARE



146.5
sen

* Includes proposed final dividend of 33.0 sen per share and special dividend of 17.0 sen per share, which will only be recognised in the financial statements upon shareholders' approval.

BETTER TOGETHER AS ONE

A key success of F&NHB has been our continuous growth. This financial year, we focused on integrating our two latest businesses, Cocoland and Sri Nona, with F&N for better operational and commercial synergies. Combining Cocoland's confectionary leadership with Sri Nona's Halal products will pave the way for a robust Halal food pillar, an initiative that aligns with our commitment to catering to diverse consumer needs.

Through F&N AgriValley, we are developing Ladang Permai Damai to become an integrated dairy farm with a crop plantation. Our goal to produce 200 million litres of milk annually for local and international markets while achieving self-sufficiency in cattle feed is progressing steadily. The dairy farm not only reduces our reliance on imported milk but also contributes significantly to the local agricultural industry, in line with the Malaysian Government's aspiration to enhance food security. We held the ground-breaking ceremony in June 2023 and are on track towards completing Phase 1 by 2025.

As always, the Board is fully supportive of Management's growth plans. Indeed, the Board dedicates a couple of days every year to brainstorm with Management and discuss the way forward during our strategy retreats. At the latest retreat, we identified opportunities for new growth and strategies that set the course ahead in the mid to longer term. Underlying our discussions, we bore in mind the importance of staying true to our global values of caring for stakeholders, collaboration and creating value as we move Forward Together.



CREATING STAKEHOLDER VALUE

The common denominator in our global values is value creation for our stakeholders. This principle has guided us and continues to be our North Star in all decisions.



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Living up to our promise of Pure Enjoyment, Pure Goodness, we continue to delight our customers with products that are good for them. This year, we introduced the brand-new 100PLUS PRO High Protein to boost athletes' performance and recovery. As with last year, we also promoted the importance of staying hydrated on World Hydration Day. This is especially important as the temperature keeps rising along with incidents of severe dehydration. Meanwhile, nearly two-thirds of our ready-to-drink portfolio today carries the Healthier Choice Logo, closing the gap to meeting our 2025 sustainability targets.



In relation to our business partners, we continue to add value to our customers. This is especially true in Thailand, where we have reached out to more than 50,000 hawkers through our Hawker Management Programme over the last decade. The holistic programme enables us to engage regularly with operators, leveraging technology to manage customer relations, as well as track and analyse data. F&N Dairies Thailand also raises the visibility of hawkers through stall decorations, regular updates on the latest promotions and product recipes so that they stay top of mind with consumers.

We continue to build on the Halal Sourcing Partnership programme launched with Halal Development Corporation Berhad (HDC) in FY2019. To date, we have mentored 16 small and medium-sized enterprises (SMEs) to qualify as Halal vendors for large and multi-national companies (MNCs). Of those, two have progressed to become registered Halal suppliers, including some partnering with F&NHB.

For the second consecutive year, F&NHB participated in the World Halal Business Conference Australia 2022, which focused on Halal requirements and sustainability. We also continued to promote the integration of environmental, social and governance (ESG) principles in the Halal industry via the Halal Sector Forum 2023. Organised by HDC in conjunction with the Malaysia International Halal Showcase (MIHAS) 2023, the forum aimed to promote sustainability and ethical practices in the Halal market.



CHAIRMAN'S MESSAGE

Our engagements with Halal authorities are not just limited to Malaysia. To support the growth of the regional Halal industry, we also engage with international Halal bodies, such as Majelis Ulama Indonesia and the Central Islamic Council of Thailand (CICOT), to ensure Halal compliance and to build a common synergy between Halal authorities in this region.

To ensure deeper understanding of the Halal concept, we have also instituted comprehensive training for all employees on the subject, including tailored training conducted in the native languages of our foreign workers.

Recognising that our employees are our most valuable assets, we continue to prioritise their well-being. In July 2023, we provided free influenza vaccinations to over 1,000 employees nationwide. We also continued with a project close to my heart, the Chairman's Award, which inspires all-round excellence among our employees' children. This year, RM206,000 in cash was awarded to 71 secondary and tertiary students who produced outstanding academic and extracurricular results.

To reinforce our role in building a better society, we leveraged on festive seasons to reach no fewer than 500 beneficiaries, including orphans, disabled and senior citizens in 14 homes, extending donations of essential items such as F&N products, kitchen equipment and clothing.



We also maintained F&NHB's tradition of supporting our national athletes while promoting sports generally. This year, we proudly welcome two new 100PLUS ambassadors – Olympic silver medallist and professional track cyclist Dato' Mohd Azizulhasni Awang and rising badminton star Ng Tze Yong.

As for our shareholders, I am pleased to share that F&NHB's robust performance allowed us to distribute an interim dividend of 27 sen per share in June 2023. Additionally, we are proposing a special dividend of 17 sen per share over and above a final dividend of 33 sen per share for the financial year. This brings the total dividend payout for FY2023 to RM282.4 million, which is 28.3% higher than FY2022.

SUSTAINABILITY-DRIVEN BUSINESS GROWTH

Emerging from the pandemic, our resolution to build a sustainable future has only strengthened. The Board, through the Sustainability & Risk Management Committee (SRMC), is ensuring the seamless integration of ESG considerations in all our strategies and decision-making processes. Strengthening our sustainability platform through robust governance, accountability and training is our core focus area.

To ensure ESG principles are ingrained in our business, we have amplified our organisation-wide awareness training. In FY2023, the Board and Senior Management underwent training on sustainable agriculture in line with our mission to establish one of the most sustainable dairy farms in the country. Meanwhile, all executives were trained on the significance of sustainability and environmental preservation to our business. We aim for every employee to undergo ESG training by 2025.



In managing and mitigating climate change, we have aligned ourselves with the Task Force on Climate-Related Financial Disclosures (TCFD). Following the identification of material transition drivers and physical climate-related risks in our operations and supply chain, we initiated the process of quantifying these key risks through scenario analysis this year. Our objective is to present a comprehensive TCFD report ahead of Bursa Malaysia's 2025 deadline.

On the ground, we continue to reduce our carbon footprint through various initiatives. Notably, the rooftop solar photovoltaic (PV) system installed at our Shah Alam plant is not only one of the biggest in Malaysia but also supplies over half of the electricity needed to produce 100PLUS. This achievement is highlighted with a "Solar" emblem on our 100PLUS packaging to signify our commitment to renewable energy sources. Plans are underway to extend solar roof systems to our other facilities.



In managing and mitigating climate change, we have aligned ourselves with the Task Force on Climate-Related Financial Disclosures (TCFD).

This year, we also went nationwide with our School Recycling Programme, attracting the involvement of over 1,400 primary and secondary schools throughout every state in Malaysia.

Meanwhile, the team in Thailand conducted a water conservation initiative at the Chet Sao Noi Waterfall National Park, which provides water for the Wang Muang plant. This was to prevent soil erosion, thus helping to prevent forest fires in the dry season.



CHAIRMAN'S MESSAGE

AWARDS & RECOGNITION

At F&NHB, integrating sustainability principles into our operations is driven by a deep-rooted sense of responsibility. It is truly gratifying to receive ongoing recognition by industry experts that not only attest to our dedication to excellence, but also serve as vital tools to communicate our commitment towards a better business, a better planet, and a better society to our stakeholders.

In FY2023, we were honoured to receive the Gold Award for Consumer Products and Services at The Edge Malaysia ESG Awards 2023. In our second S&P Global Corporate Sustainability Assessment (S&P CSA), we were ranked sixth out of 101 companies in the beverages industry globally.

CONSUMER PRODUCTS & SERVICES

GOLD FRASER & NEAVE HOLDINGS BHD



In terms of employee relations, we made our mark at the Employee Experience Awards (Malaysia), winning Gold for Best HR Digital Transformation Strategy and Silver for Best Onboarding Experience. We were also voted among the Top 5 Graduates' Choice of Employer to Work For in 2023, particularly in the Fast-Moving Consumer Goods category at the Graduates' Choice Award 2023 (GCA).

Notably, our operations in Thailand continued to receive accolades for their outstanding dedication to employee safety, as well as community development through its Farming Excellence programme with local Thailand-based milk cooperatives. F&N Dairies Thailand received Thailand's National Safety Award 2023 and CSR-DIW Continuous Award 2023 from the Ministry of Industry Thailand and the Thailand Labour Management Excellence Award 2023 by the Department of Labor Protection and Welfare, Ministry of Labour Thailand.

Our robust ESG platform has consistently earned us a place as a constituent of the FTSE4Good Bursa Malaysia Index (F4GBM) for the fifth year running, with an improved rating of 4.6 out of 5.0 and reaching the 100th percentile in June 2023. F&NHB is also a constituent of the FTSE4Good Bursa Malaysia Shariah (F4GBMS) Index for the third consecutive year, a testament to our ethical and Shariah-compliant business practices.

Our collective efforts for the Halal industry and community earned us the prestigious Halal Innovation Excellence Award at the recent World Halal Excellence Award 2022 (WHEA 2022). Underlining our commitment to sound governance practices, F&NHB was included in the ASEAN Asset Class by meeting the standards set by the ASEAN Capital Markets Forum (ACMF) in its 2021 ASEAN Corporate Governance Scorecard (ACGS).

Meanwhile, the quality of our sustainability reporting continues to be best-in-class and saw us win the Platinum award for the second consecutive year at the National Annual Corporate Report Awards (NACRA) 2022.



ACKNOWLEDGEMENTS

The fact that F&NHB has grown from strength to strength over the last 140 years bears testimony not only to the strategic acumen of the succession of leadership at the helm of the Group but also to the strength of the partnerships we have built with countless stakeholders who have contributed to our business successes. I want to take this opportunity to thank all these stakeholders, from our consumers and customers to our business partners, shareholders, employees and directors.

With profound sadness, we mourn the loss of our former Non-Independent Non-Executive Director Dato' Jorgen Bornhoft. On behalf of the Board and management team, I would like to offer our deepest condolences to the family of Dato' Bornhoft. In his tenure as a Non-Independent Non-Executive Director for nine years and eight months, Dato' Bornhoft had played a critical role in helping steer the organisation.

Separately, we would like to welcome Mr Michael Chye as a Chief of Beer Product Group at Thai Beverage Public Company Limited, the Chief Executive Officer at BeerCo Limited, the Legal Representative/ Chairman of the Board of Management at Vietnam F&B Alliance Investment Joint Stock Company, and the Legal Representative at Vietnam Beverage Company Limited. He also sits on the Board of Vinamilk (Vietnam Dairy Products Joint Stock Company).

We have achieved a great deal since our humble beginnings as a manufacturer of carbonated soft drinks. Nevertheless, we have a vision of accomplishing much more. With the unwavering support of all our internal as well as external stakeholders, we can reach far greater heights as we move Forward Together as one.

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