

Joint Message

FROM OUR CHAIRMAN & CEO



Chairman

TENGGU SYARIF
BENDAHARA PERLIS
SYED BADARUDIN
JAMALULLAIL IBNI
ALMARHUM TUANKU SYED
PUTRA JAMALULLAIL

Chief Executive Officer

LIM YEW HOE

“ We are encouraged by our resilient performance this year which is the result of **hard work and dedication of our people**, underpinned by our **strong ESG practices** to drive economic progress. ”

DEAR SHAREHOLDERS & STAKEHOLDERS,

At F&N, sustainability is a key business driver and a critical component of our 137 years of success. As such, it gives us great pleasure to present our Sustainability Report for the financial year ended 30 September 2020 (FY2020). The report communicates what sustainability means to us; what our goals are; and the initiatives implemented to achieve these.

In the following pages, we hope not only to communicate our performance against set targets but also to demonstrate leadership where opportune, with the sustainability challenges faced.

To ensure relevance of the report, we continue to be guided by the GRI Standards. Meanwhile, the accuracy of selected Health, Safety and Environment (HSE) disclosure has been externally validated once again by Lloyd's Register Quality Assurance (LRQA).



[Read more about LRQA's assurance statement on pages 110 to 111 of this SR](#)

PROGRESS AMIDST THE CHALLENGING TIMES

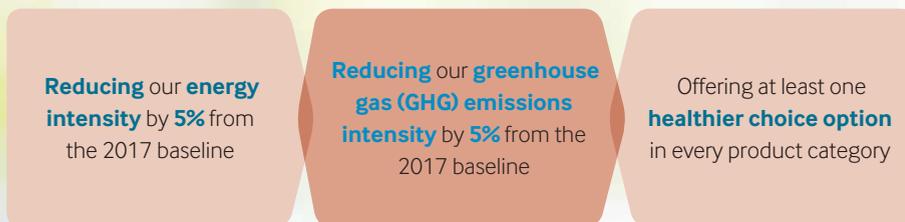
FY2020 was extremely challenging because of the COVID-19 pandemic. Yet, the Group continued to focus on the 10 Sustainability Commitment Targets established in 2017, with commendable results. Of the 10 goals that had been set for the year 2020, we achieved five while making good progress on another three.

Despite all the current initiatives which we have put in place, COVID-19 related circumstances certainly have impacted demand and disrupted operations. That, in turn, affected our ability to operate in the most efficient manner, including for water and energy utilisation; and delayed our plans for new projects implementation.

The five key sustainability targets achieved were:



The three material areas in which we achieved improvement were:



Meanwhile, we need to focus more on the following two priorities:

- a) Achieving zero lost time injury frequency
- b) Reducing our water intensity by 5% from the 2017 baseline

For a better understanding of the key factors supporting our performance milestones and gaps, please refer to the relevant chapters in the Sustainability Report.

> [Read more about a summary of our progress on pages 32 to 35 of this SR](#)

Overall, we are pleased to share that our sustainability performance remains noteworthy according to independent assessors. Not only have we been included as a constituent of the FTSE4Good Bursa Malaysia Index (F4GBM) for the second year running, this time around we attained a higher rating for our Environmental, Social and Governance (ESG) practices. This is an important external validation on the progress of our sustainability efforts to deliver value to our stakeholders.

OUR RESPONSE TO COVID-19

More than anything, the unprecedented situation caused by COVID-19 has reaffirmed the critical role that our enlarged pool of stakeholders play in our business continuity. Consequently, it further reinforced the importance that the Group manage sustainability-related social risks that could affect our employees, suppliers, customers, as well as the community.

Within the workplace, we are ensuring our employees' well-being by replacing face-to-face meetings with videoconferencing. We have also implemented all the standard operating procedures (SOPs) and guidelines issued by the authorities for employees working at our plants, and encouraged our corporate employees to work from home even when this was not mandatory. Additionally, we have set up a 24-hour employee care line.

With the benefit of a well-oiled and resilient supply chain, the close partnership with our suppliers and trade partners helped to ensure minimal supply disruption and adequate inventory of our core products. During the Movement Control Order (MCO) in Malaysia, we worked closely with raw and packaging material suppliers to optimise our output despite operating with a reduced workforce and fewer hours, as stipulated by the authorities. Our e-commerce platform, F&N Life was also quickly scaled up to meet the rapid increase in demand from consumers for non-contact shopping.

To support communities most affected by the pandemic, we identified vulnerable groups and handed out our products to them. Throughout Ramadan and Raya, we distributed over 500,000 products to about 10,000 underprivileged families.

Meanwhile, in a show of appreciation for frontline healthcare workers and the police force, we also distributed more than 650,000 products to help them keep hydrated and energised while they worked tirelessly to serve the country.

> [Read more about these initiatives on pages 38 to 39 of this SR](#)

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THE YEAR IN REVIEW

At F&N, we continuously invest in product innovation with our consumers' health and safety in mind. This year, amidst the pandemic, new products launched included three beverages with zero sugar, namely 100PLUS Zero, F&N ICE MOUNTAIN Sparkling and OYOSHI Gold No Sugar Premium Japanese Green Tea. We also launched Sunkist Pure Juice Drink and Carnation Plus SCM 0% fat, 25% reduced sugar. These have contributed to an increase in our portfolio of products certified with the Healthier Choice Logo, from 41 in 2019 to 47 in 2020.

To assure environmental sustainability, we are keen advocates of the circular economy and continue to look for ways to reduce the volume of packaging material used while minimising waste. A highlight this year was to introduce F&N ICE MOUNTAIN Drinking Water cartons made from recyclable paper and capped with bio-based caps made from sugarcane. Collaborating with industry peers, we have also become a founding member of a coalition of manufacturers that seeks to promote a more sustainable future through increasing the recycling of post-consumption packaging waste in Malaysia.

Last year, we mentioned plans to install a solar photovoltaic (PV) system at our Rojana plant in Thailand. It gives us pride to share that in April 2020, the solar roof system was commissioned. Going a step further, F&NHB is now investing RM30 million into energy conservation initiatives which will include setting up similar systems at our Shah Alam, Pulau Indah and Bentong

plants in Peninsular Malaysia. Once completed in 2021, our total installed renewable energy capacity of 10 MWp, will generate energy equivalent to the electrical consumption of 3,700 typical households in Malaysia.

In terms of governance, we continue to enhance our framework of integrity. This year, F&NHB established three new policies to reinforce an ethical corporate culture, namely the F&N Anti-Bribery and Anti-Corruption Policy, a Code of Business for Third Parties, and F&N Supplier Code of Practice. We also reviewed the F&N Code of Business Ethics and Conduct.

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. We are pleased to share that our efforts to uplift the halal eco-system, as well as extend Malaysia's strong halal leadership to our network were recognised this year. We received the Halal Food and Beverage Excellence Award at the World Halal Excellence Awards 2020 in Malaysia while the Central Islamic Council of Thailand (CICOT) has named F&N Dairies Thailand as Thailand's Best Halal Company of the Year 2020.

We are encouraged by our resilient performance this year which is the result of the hard work and dedication of our people, underpinned by our strong ESG practices to drive economic progress. This has allowed us to continue to offer our shareholders steady dividends.





TOWARDS F&N GROUP 2025 SUSTAINABILITY AMBITION

In FY2020, the Group conducted a refreshed and robust materiality assessment and engagement sessions with internal and external stakeholders to define new goals for 2025. Reflecting our sustainability priorities, these entail greater contribution towards addressing the complex and interconnected challenges of climate change at the local and global scale.



Overall, our 2025 goals will accelerate our sustainability momentum throughout our business and strengthen our commitment to creating long-term value for our stakeholders.

We look forward to 2021 as we embark on the new journey outlined. On behalf of the Board and management, we re-affirm our commitment to continual improvement of F&NHB's sustainability performance and working with all stakeholders to ensure future prosperity for all. Thank you for your continued support.

**TENGGU SYARIF BENDAHARA PERLIS SYED BADARUDIN JAMALULLAIL
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Chairman

LIM YEW HOE

Chief Executive Officer