



FRASER & NEAVE HOLDINGS BHD



Sustainability Report 2018



F&N's enduring legacy is embedded within the fabric of Malaysian lives. Through the years, we have met our consumers' needs by offering them quality products that fit every lifestyle and occasion.

We will continue to remain relevant by transforming F&N to become the No. 1 total beverage company in the region by 2020. We have laid the groundwork for a rewarding future by delighting our consumers with more choices, differentiated packaging as well as enhancing our products in an ever changing consumer environment.

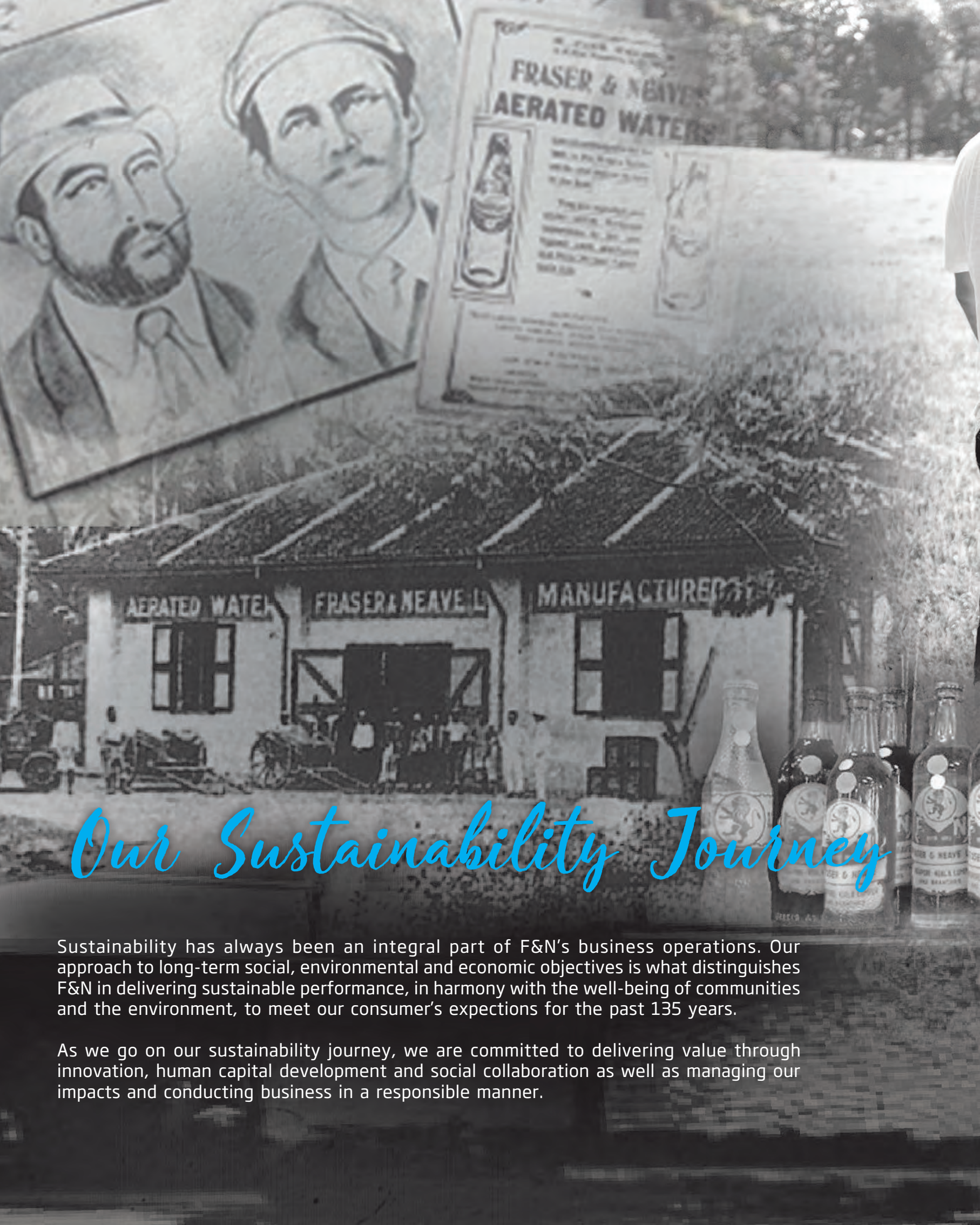
To steer the company to greater heights, we will incorporate innovation in every aspect of our business. To make the organisation more efficient, we will continuously identify and strengthen levers to improve operational efficiency, streamline processes and instil sustainable practices every way we can.

We are confident that with our heritage, our people and our brands, we will continue to grow and prosper. We are excited for the future and we are ready for any challenges that may arise.



The Future is Now
and We Are

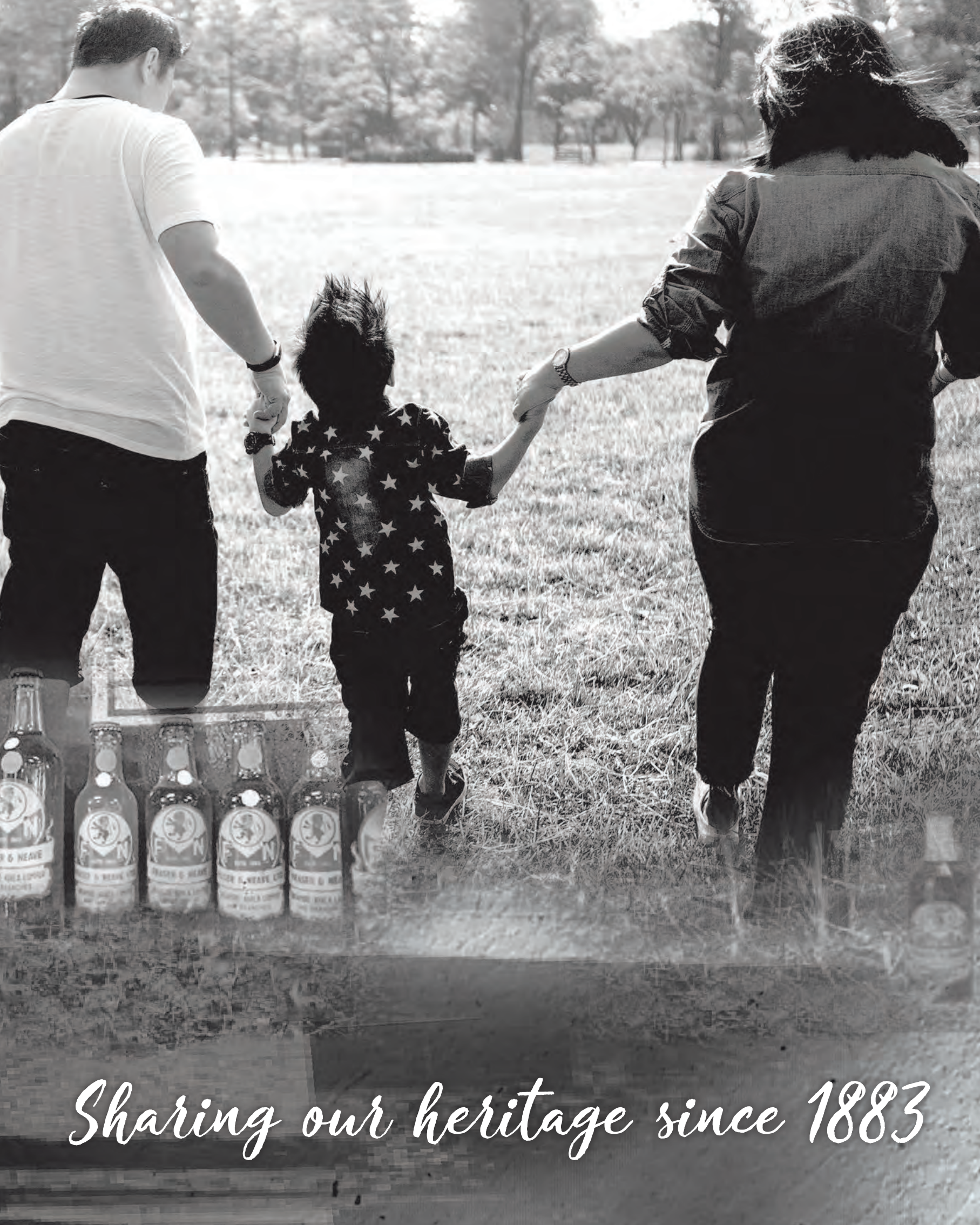
READY 
to Forge Ahead



Our Sustainability Journey

Sustainability has always been an integral part of F&N's business operations. Our approach to long-term social, environmental and economic objectives is what distinguishes F&N in delivering sustainable performance, in harmony with the well-being of communities and the environment, to meet our consumer's expectations for the past 135 years.

As we go on our sustainability journey, we are committed to delivering value through innovation, human capital development and social collaboration as well as managing our impacts and conducting business in a responsible manner.



Sharing our heritage since 1883



C **RE** **ATE** VALUE FOR ALL

Our mission is to contribute to positive changes in society by improving the economic, environment and social well-being of the communities we operate in.





CARE FOR OUR PEOPLE AND PLANET

We continue to make positive strides in minimising our environmental impact by implementing green technologies, and promoting reduce, reuse and recycle along our value chain.

At the same time, we are passionate about empowering our people and community through social development and offering healthier product alternatives to care for societal well-being of our current and future generations.





FORGINGAHEAD

for the future...



SUSTAINABILITY
REPORT

20
18

Follow the steps below to scan the QR code reader in 3 easy steps

WELCOME TO FRASER & NEAVE HOLDINGS BHD'S SUSTAINABILITY REPORT FOR THE FINANCIAL YEAR 2018



ANNUAL REPORT

Provides a comprehensive assessment of the Group's performance and financial statements for 2018.



SUSTAINABILITY REPORT

Delivers a balanced report on our efforts to create value for stakeholders, and complies with the Global Reporting Initiative (GRI) standards and Bursa Malaysia Securities Berhad Main Market Listing Requirements in relation to Sustainability Statements in Annual Reports.



Download the "QR Code Reader" on App Store or Google Play



Run the QR Code Reader app and point your camera to the QR Code



Get access to the soft copy of our reports, video and contact information

We also welcome your feedback to make sure we are covering the things that matter to you. Go to www.fn.com.my or scan the code on the right with your smartphone.

Vision

To become the leading total beverage company in Malaysia and the region

Mission

To provide superior returns to our shareholders, excellent value for our customers and a rewarding career for our employees



Soft copy version of F&NHB Sustainability Report 2018

The full version of F&NHB Sustainability Report 2018 is available from our website.



Contact Us

What's inside this report



57th

ANNUAL GENERAL MEETING

venue:

Ballroom 1, First Floor
Sime Darby Convention Centre
1A, Jalan Bukit Kiara 1
60000 Kuala Lumpur

date:

Wednesday, 23 January 2019

time:

10:00 a.m.

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GENERAL

OUR SECOND

Standalone **Sustainability Report**
(produced in line with the GRI Standards - Core Options)

ON TRACK IN
ACHIEVING OUR
Sustainability
Targets for
2020 **10**

SAFETY & WELL-BEING

Lowered the amount of
sugar contained per ml of
all our beverages by

34
per cent since 2004



20
products with
**Healthier Choice
Logo**
in FY2018

75%
of our product categories
has at least one
**healthier choice
option**

ENHANCING SOCIAL WELL-BEING

**Our commitment to
create greater social
equity through:**

- ▶ Strengthening vulnerable groups
- ▶ Promoting environmental consciousness
- ▶ Spreading festive cheer
- ▶ Promoting healthy lifestyles & nutrition



School Recycling Programme

- ▶ Reached **364** schools this year
- ▶ Expanded this programme to schools in Subang Jaya, Melaka Tengah, Perlis, Ampang Jaya and Petaling Jaya
- ▶ More than **2.5** million kg of recyclables were collected

Official hydration partner for

>1,000
**sports events
this year**

FACTS AT A GLANCE 2018

ECO-EFFICIENCY

Reduced solid waste ratio by

4%

Reduced energy intensity ratio by

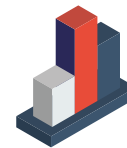
3%

Launched a nation-wide employee recycling programme

EN GREEN++

More than **70,000 kg** of recyclables were collected

DRIVING ECONOMIC VALUE



Employee-driven projects delivered **COST SAVINGS/COST AVOIDANCE:** Approximately

RM10 million per annum

Reduced PET resin usage by **40%**

Introduced

13

new products that are either healthier option and/or increased convenience

3

RESPONSIBLE SUPPLY CHAIN

Purchased **30%** of **RSPO** credits for our palm oil usage.



Supplier Productivity Enhancement Programme in Thailand

- Sponsored 10 milking tester machines to 10 milk cooperatives, helping 3,500 farmers in improving milk quality
- Sponsored 2,500 sets of automatic jet cleaning milking machines to 10 milk cooperatives, benefitting 2,500 farmers

Reduced > **236 MT** of packaging materials through light-weighting initiatives

EMPOWERING OUR PEOPLE

Employment:

>2,700 people

Provided an average:

16.77 training hours per employee per year



Our senior management are hired from local community:

100% in Thailand

97% in Malaysia

Launched Global Values

Collaboration, Creating Values, Caring for Stakeholders

JOINT MESSAGE FROM OUR CHAIRMAN & CEO

Dear Shareholders,

Fraser & Neave Holdings Bhd ('F&NHB' or 'the Group') has been successful over the past 135 years because we are willing to embrace short-term impacts in order to ensure long-term sustainability. Society is evolving rapidly, and F&NHB's resilience and openness to change is more important than ever.

Lowered the amount of sugar contained per milliliters of all our beverages by **34 per cent**



Reduced PET resin packaging by **40 per cent**

More than 2.5 million kg of recyclables were collected

**Tengku Syarif Bendahara Perlis
Syed Badarudin Jamalullail Ibni Almarhum
Tuanku Syed Putra Jamalullail**

Chairman

Lim Yew Hoe
Chief Executive
Officer



It therefore gives us great pleasure to introduce our second standalone sustainability report, which provides you with an insight into how F&NHB are confronting the important economic, environmental and social sustainability issues of our time.

This report has been prepared in accordance with the Global Reporting Initiative Standards (Core), which represent global best practice in sustainability reporting. We hope you would notice the improvement in the quantitative data provided in this year's report compared with last year. This improvement will continue in future years, and F&NHB are committed to providing consistent sustainability reporting indicators, which will allow stakeholders to understand change in our performance over time.

F&NHB exists in order to create value. Of course, this includes value for shareholders, employees, suppliers, customers and consumers. But it also includes value to the communities in which we operate, and to the wider environment. As we continue our sustainability journey it is humbling to witness the impact we have on various stakeholders, and we are constantly reminded of the responsibility we have to maximise positive value creation and minimise the negative impacts that our operations have.

Our personal sustainability highlight from the past year is the progress we have made in offering healthier options and revamping our flagship product, 100PLUS, to become the lowest sugar carbonated isotonic drink in the industry. We believe we have a responsibility to help shift consumer preferences towards the consumption of less sugar, and over the last 15 years we have progressively lowered the amount of sugar contained per milliliters of all our beverages by 34 per cent. We will continue to innovate to meet changing demands and to remain relevant to our customers.

In FY2018, we continued to champion an active lifestyle through a series of *Aktifkan Malaysiaku* - 100PLUS Day across major cities that reached 14,000 Malaysians, in addition to elevating sports development through collaboration with Ministry of Education, Ministry of Sports and National Sports Council. 100PLUS is also the proud sponsor of Sukan Malaysia (SUKMA) and the AFF Suzuki Cup 2018.

As one of the largest beverage manufacturers in the region, other important issues for our stakeholders include Water Stewardship, Effluents and Waste, and Energy and Climate Change. A new group target to reduce our greenhouse gas intensity has been added this year, as our commitment in the global call-to-action on Energy & Climate Change management. We continue to make positive strides in managing our eco-efficiency on the back of strong employee-driven innovation. Our environmental impact performance showed improvement from FY2017 and we are on track towards achieving our 2020 goals.

Through our innovation conventions (Winning as One and Excel as One), our employees have demonstrated inspiring creativity and dedication to improving the way we manage our water and energy consumption. We have implemented many of these employee-driven initiatives, which have resulted in reduced resource consumption and approximately RM10 million in cost-savings or cost avoidance for our business.

We are proud of the efforts F&NHB are making to ensure sustainability in our business, but also recognise that we can and should improve our performance in some aspects. For instance, while we fulfil consumers' demand for more convenience in today's lifestyle, we are seeking solutions to reduce the amount of post-consumption waste generated from our products. We have reduced PET resin packaging by 40 per cent for selected products, and we strive to make further reductions to our other products.

We will also continue to promote a zero-waste mentality starting at a young age, by increasing our outreach to local municipal councils and schools to educate children of the 5R principles (Reduce, Reuse, Recycle, Rethink, and Reinvent). Our school recycling program has reached 364 schools this year and expanded to five new locations. More than 2.5 million kilograms of recyclables were collected since we began the programme 12 years ago.

To further strengthen our commitment to sustainability, this financial year FY2018 sees the introduction of Sustainability goals as a new corporate shared key performance indicator (KPI) for all executives which will bring effect to the employees' annual performance bonus. The goals are cascaded to employees to emphasise the mindset that Sustainability is the responsibility of every employee in making F&N a sustainable organisation.

On behalf of the Board and management, we reiterate F&NHB's commitment to all aspects of sustainability, and we pledge to act to contribute to better lives and a healthy planet for future generations. Thank you for your continued support.



School recycling programme has reached **364 schools**

Tengku Syarif Bendahara Perlis
Syed Badarudin Jamalullail Ibni
Almarhum Tuanku Syed Putra Jamalullail
Chairman

Lim Yew Hoe
Chief Executive Officer

ABOUT THIS REPORT



“
Welcome to the
F&NHB
Sustainability
Report 2018
”

6

We are proud to present our second annual sustainability report. Our Sustainability Report 2017 was a pivotal point in our sustainability journey, as it was the first year that we issued a standalone report that is aligned with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

This year, we have further enhanced our reporting approach and have prepared the Fraser & Neave Holdings Bhd (F&NHB) Sustainability Report 2018 in accordance with the Global Reporting Initiative (GRI) Standards 'Core Option'.

Read together with our annual report, this sustainability report will give stakeholders a comprehensive picture of how F&NHB is balancing our financial goals with social and environmental imperatives. We are pleased to take this opportunity to share our commitments and progress in generating value for our stakeholders and conducting our business in an environmentally and socially responsible manner. As such, this report is organised into two primary themes on sustainable value creation in our six core areas:

01 Delivering value through innovation, human capital development & social collaboration

- a. Driving Economic Value
- b. Empowering our People
- c. Enhancing Social Well-Being



02 Managing our impacts & conducting business in a responsible manner

- a. Eco-efficiency: Water, Waste, Packaging, Energy and Climate Change
- b. Responsible Supply Chain
- c. Safety & Well-being




REPORTING PERIOD & SCOPE

The reporting period for this report aligns with F&NHB's financial year: 1st October 2017 to the 30th September 2018. The data and information presented in this report have been obtained from the following key operations in Malaysia and Thailand.



Malaysia

- F&N Dairies Manufacturing Sdn Bhd
- F&N Beverages Manufacturing Sdn Bhd
- F&N Beverages Marketing Sdn Bhd
- Fraser & Neave (Malaya) Sdn Bhd
- Borneo Springs Sdn Bhd



Thailand

- F&N Dairies (Thailand) Limited

ASSURANCE POLICY

F&NHB's policy is to align our reporting of non-financial information with the best and most up-to-date standards and protocols available at the beginning of our financial year. We believe in reporting against reliable data and strive to improve the quality of our non-financial disclosures.

We are aiming to obtain external assurance on our subsequent sustainability reports in the near future. We will also expand upon our engagement process to include input from external stakeholders.

CONTACT US

We value and appreciate all feedback to help make our future reports more relevant to our stakeholders. Please direct your comments, feedbacks or other queries to:

-  : groupcomms@fn.com.my
-  : +603 9235 2288
-  : Communications & Corporate Affairs Department, F&N Point, No. 3, Jalan Metro Pudu 1, Fraser Business Park, off Jalan Yew, 55100 Kuala Lumpur, Malaysia

ABOUT FRASER & NEAVE HOLDINGS BHD

GRI 102-2 to 9

Who We Are

Fraser & Neave Holdings Bhd ("F&NHB" or the "Group") is one of Malaysia's diversified blue-chip companies with expertise and prominent standing in the food and beverage business.

Listed on Bursa Malaysia's Main Board, F&NHB is amongst the region's oldest and most established companies with its brands enjoying the distinction of being a market leader and household name in many categories.

8 Founded in 1883 by John Fraser and David Chalmers Neave, from whom the 'F&N' initials are derived, F&N has evolved into an iconic household brand that is trusted by generations while fulfilling its promise of "Pure Enjoyment, Pure Goodness" through its wide portfolio of well-loved brands.

The Group has an annual turnover in excess of RM4 billion from its core business in the manufacture, sale and marketing of beverages and dairy products. Today, the Group is one of the largest beverage manufacturers and distributors in the region with products such as 100PLUS, F&N Fun Flavours, F&N NutriSoy, F&N SEASONS, F&N ICE MOUNTAIN, OYOSHI, est Cola and RANGER. Within the dairies line, we produce sweetened condensed and evaporated milk, as well as packaged milk and juice products under the F&N, TEAPOT, F&N Magnolia, FARMHOUSE and F&N Fruit Tree brands.

F&NHB is also an exclusive manufacturer, marketer and distributor of CARNATION, Milkmaid and IDEAL canned milk products in Malaysia, Brunei and Singapore; and CARNATION and Bear Brand products in Thailand, Cambodia and Laos. F&NHB also has exclusive rights to market and distribute Sunkist products in Malaysia and Brunei.

The Group's operating businesses are organised according to products and services, namely Food and Beverages Malaysia (F&B Malaysia) which encompass both Soft Drinks and Dairies Malaysia business; Food and Beverages Thailand (F&B Thailand); and Property and others.

GEOGRAPHICAL FOOTPRINT

Thailand

2

Dairy Plants

Malaysia

3

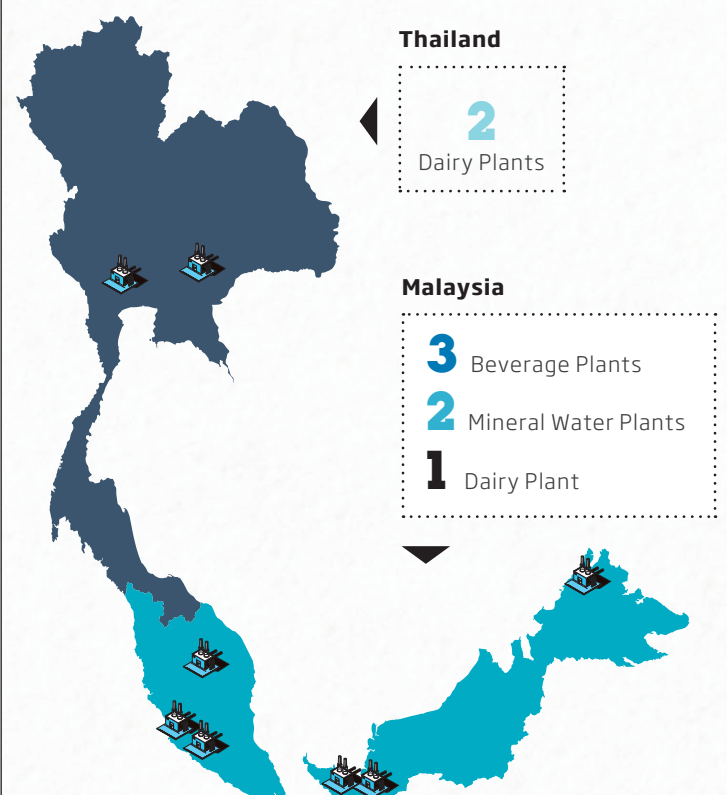
 Beverage Plants

2

 Mineral Water Plants

1

 Dairy Plant




F&NHB is headquartered in Kuala Lumpur, Malaysia. We have eight manufacturing facilities in Malaysia and Thailand which are serving the needs of our customers in the region.

F&NHB operates in Malaysia, Brunei, Thailand and Indochina and exports products to more than 68 countries across the globe.

TOTAL WORKFORCE

69%


MALE




1,927

31%

FEMALE



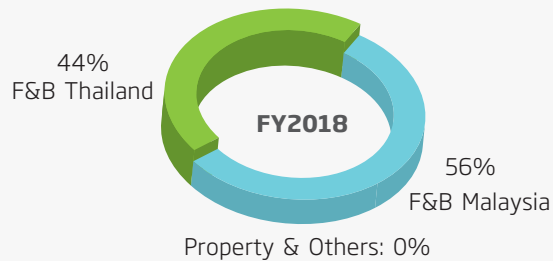
872

Permanent Contract	
1,745	818
	
182	54
Temporary Contract	

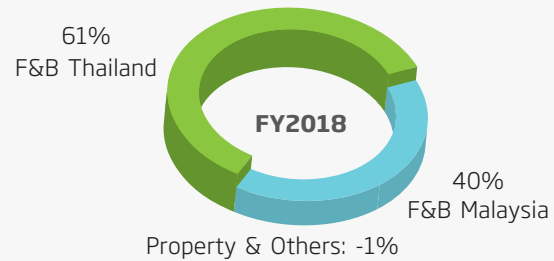
* All our employees are full time.

FY2018 REVENUE AND OPERATING PROFIT BY SEGMENT

Group Revenue
Contribution by Business Segment (%)

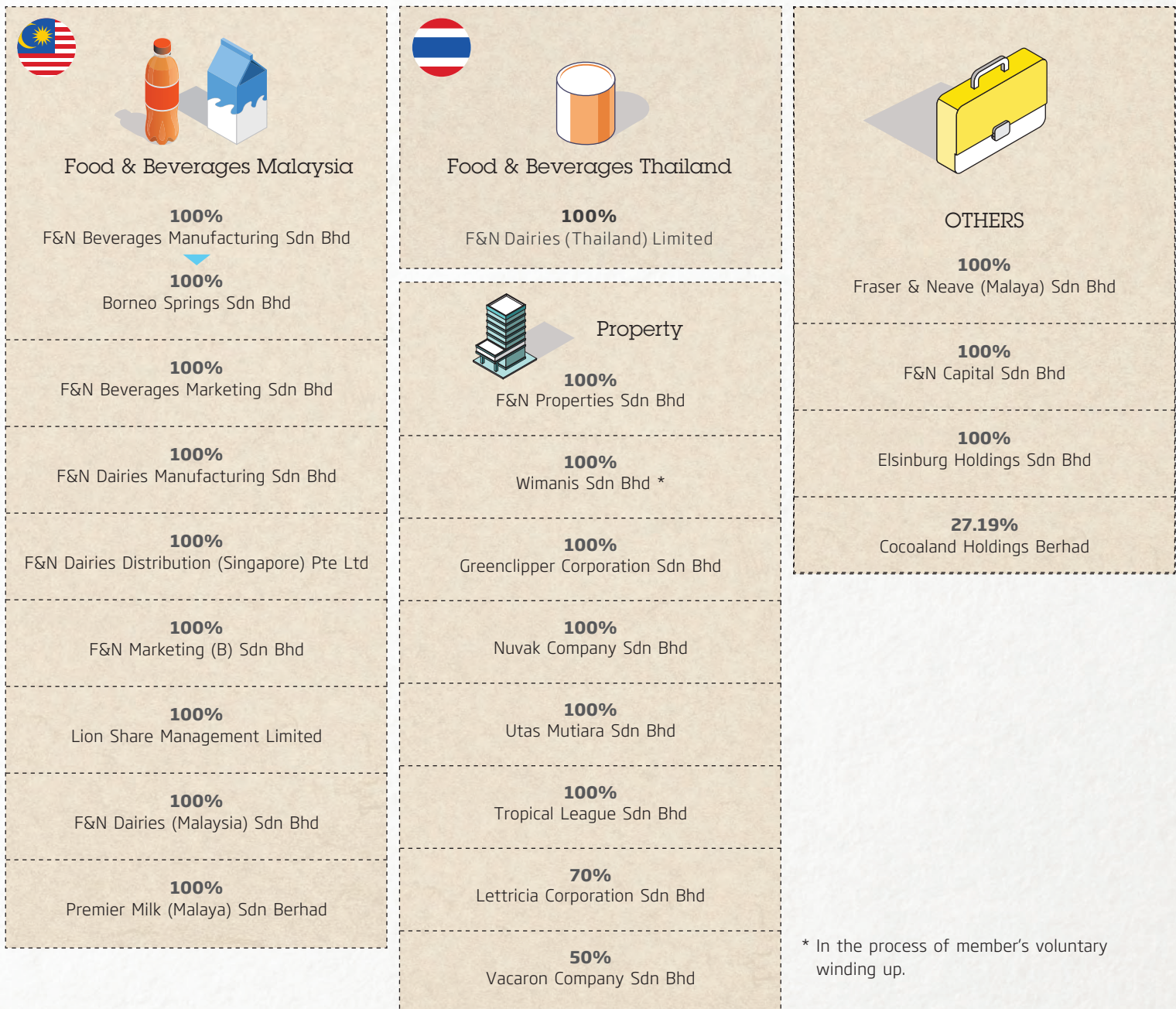


Group Operating Profit
Contribution by Business Segment (%)



CORPORATE STRUCTURE

as at 30 November 2018



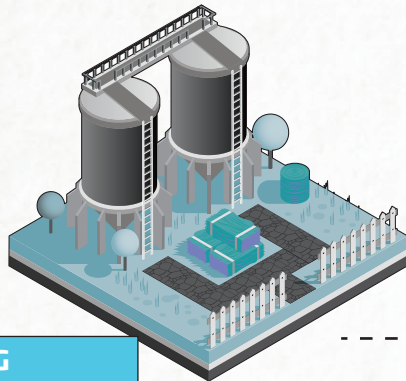
OUR SUPPLY CHAIN

The preparation, production and packaging of our beverages and dairy products require a range of raw materials, equipment, and other goods and services.

We have engaged with a total of **2,379** global and local suppliers across the value chain, including manufacturers, wholesalers, retailers, importer/merchants, contractors and professional services providers. During the past financial year, we have spent a total of **RM3.03 billion** on products and services provided by our suppliers.

01

SOURCING

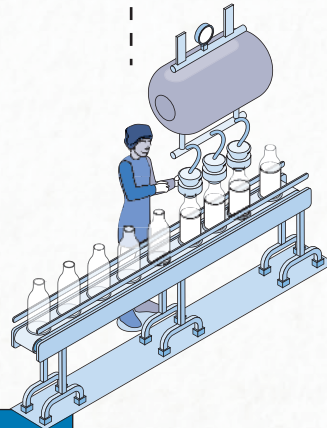


10

We work closely with our suppliers to ensure their goods and services meet quality, environmental and social standards, in addition to our internal stringent standard. This helps ensure that our products are safe and of high quality. To safeguard the sustainability of our business, we have put risk management mechanisms in place to proactively manage risks associated with the commodities we rely upon.

02

PRODUCTION

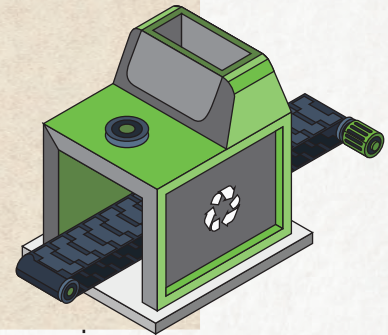


We have implemented a standardised safe production process, in accordance with international standards, throughout all of our operations. We strive for eco-efficient processes, in which we provide good value and maximum benefit without polluting the environment and surrounding communities. We strive to optimise resource use and consider the environmental and social impacts of water consumption, waste, effluent and emissions during all production stages.

05

POST- CONSUMPTION PACKAGING MANAGEMENT

We minimise the impact of post-consumer waste through research and development to deliver innovative and environmentally-friendly packaging. We are continuously seeking out sustainable packaging that also meets the needs of our consumers. In addition to applying the 3R principles of reduce, reuse, and recycle throughout F&NHB, we are spreading awareness of these principles to the local communities in which operate.



04

MARKETING & SALES

Responsible marketing and sales practices are of great importance to F&NHB. We demonstrate consumer and societal responsibility by providing healthier product options and informative product labels. We also seek feedback from our customers on our products to improve our marketing practices and most importantly, to create sustainable value for our consumers and for our business.



03

DISTRIBUTION

We have a fully integrated and extensive distribution system and network to ensure that our products are efficiently distributed to our consumers. Our focus is to minimise the environmental and social impacts from transportation by managing our energy use, while safeguarding the safety of our personnel and local communities. We are also continuously innovating our processes and implementing digital technologies to promote improved efficiency.



VALUE CREATION BUSINESS MODEL

We are an important contributor to local economies. Our business has an impact either directly through our core operating activities, or indirectly through the value we create in our communities. Our business is built in a profitable, responsible and sustainable manner. We give back to local communities through job creation, across our value chain through the sourcing of ingredients, raw materials, equipment and services.

Value Added by F&NHB

OUR CAPITALS (INPUTS)

FINANCIAL CAPITAL relates to our capital and funding (from operations and investments) that are used efficiently and effectively to support our business and operational activities.

Share Capital : RM816.8 million

Shareholders' Equity : RM2,312.3 million

Return on Shareholders' Equity : 16.7%

HUMAN CAPITAL is represented by our people and our commitment to attract, develop and retain our talent. Our investment in management and leadership development; and the knowledge, skills and experience they collectively bring to enable innovative and competitive solutions to drive and create value for our business.

Total No. of Employees : 2,799 employees

Local Senior Management : Malaysia - 97%
Thailand - 100%

SOCIAL & RELATIONSHIP CAPITAL reflect our citizenship and the strong long term relationships we have with all our stakeholders, including customers, strategic partners, employees, investors, governments, regulators and the communities within which we operate. Our social 'licence to operate' is due to our reputation and the trust we have earned from key stakeholders.

INTELLECTUAL CAPITAL We have continuously invested in product and process innovation to increase our product range, and improve efficiency and productivity.

Our research and development at F&N are guided by the following five principles:

- **Innovation & Creation in terms of** processes, packaging and sensory science.
- **Scientific Advances** for application in our processes and products.
- **Technical Developments** that support quality improvement and cost optimisation.
- **Regulatory Compliance** of our local and export business.
- **Quality Products** that meet food safety standards.

Equity from 20 well-loved brands.

New product formulations and recipes.

Innovative process and technology.

Strategic Partnership: ThaiBev, Fraser and Neave, Limited, Nestle, Sunkist.

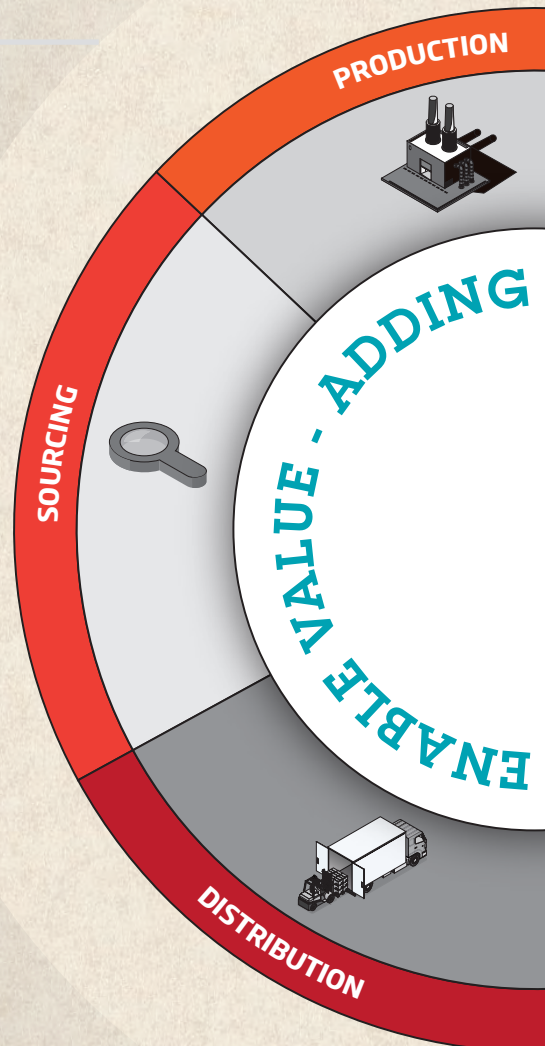
MANUFACTURED CAPITAL encompasses our business structure and operational processes, our production and logistics assets including our physical and digital infrastructure, as well as information technology that provides the framework and mechanics of how we do business and meet the demands of our stakeholders.

8 Manufacturing Facilities : 6 in Malaysia, 2 in Thailand

21 Warehouses : 19 in Malaysia, 2 in Thailand

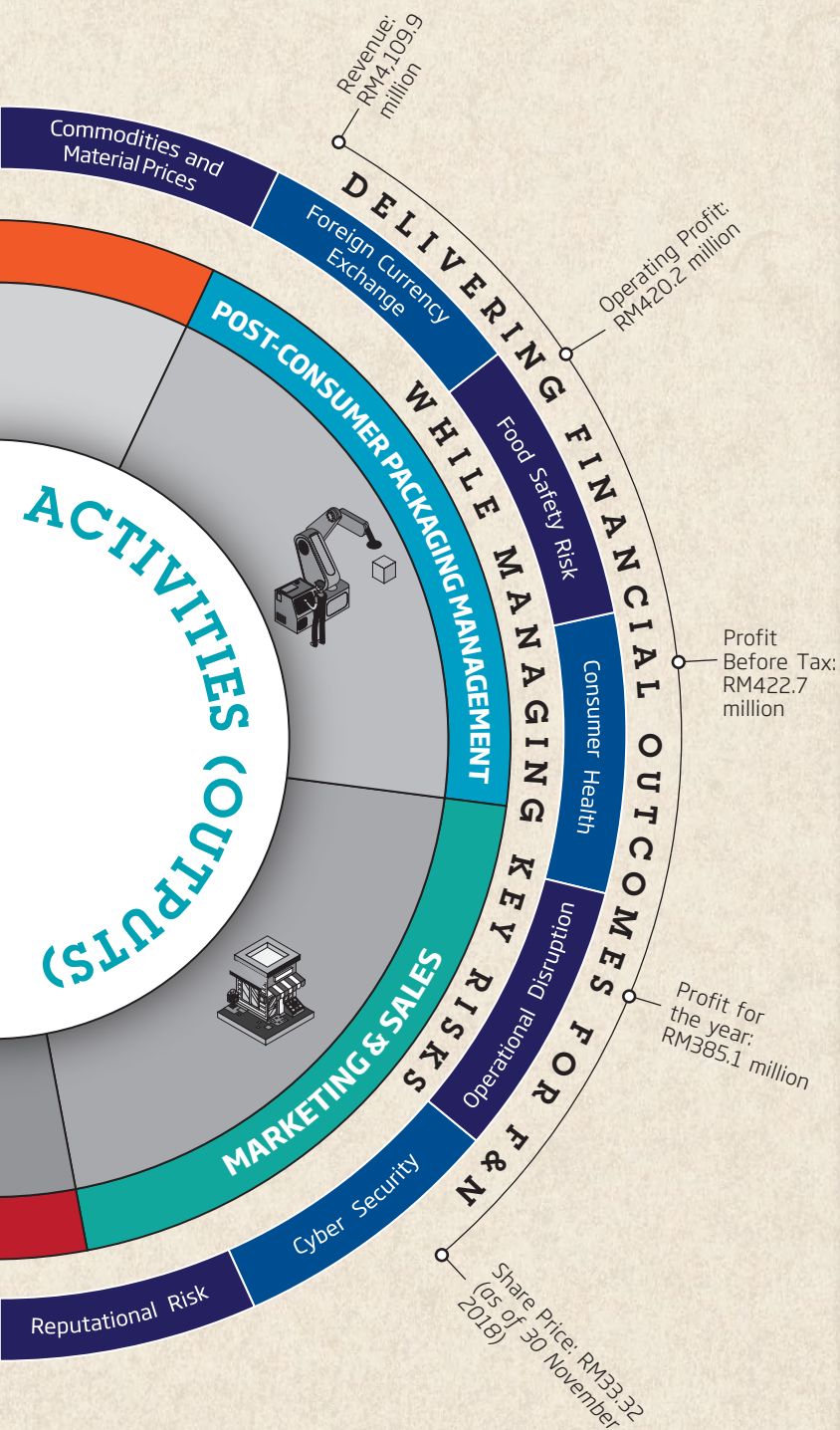
Production Capacity : 120 million cases per year

NATURAL CAPITAL Water is a fundamental element of our products, and our business is dependent on clean water supply. Our activities also require energy, as well as raw materials like sugar, aluminum and resin which we seek to use efficiently and source responsibly. We also ensure an efficient effluents and waste management process to protect biodiversity and ecosystems' health.



Our activities generate income for shareholders, employees and the countries where we operate; provide revenue for suppliers; support customer's livelihood; meet consumers' evolving needs; and enhance community well-being.

Value Created for F&NHB and Our Stakeholders



VALUE CREATED FOR OUR STAKEHOLDERS

<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 Maintained a strong balance sheet to protect against unforeseen risks Dividend Payout Ratio: 55% Dividend per Share: 57.5 sen * Total Dividend Payout: RM210.8 million Basic Earnings per Share: 104.9 sen <p><i>* Included proposed dividend of 30.5 sen, which will only be recognised in the financial statements upon shareholders' approval.</i></p>	<p>SHAREHOLDERS & FINANCIAL INVESTORS</p>
<ul style="list-style-type: none"> Employed 289 new employees in FY2018 Career advancement and ability to reach individual potential Paid RM294.4 million in total employee remuneration and benefits in FY2018 Female representation in our workforce: <ul style="list-style-type: none"> - 31% of total employees - 40% of Executives category Boost earning potential of employees with training and development Awarded RM285,300 to 139 children of employees in 2018 under Chairman's Award. To date, F&NHB has disbursed RM3.8 million to >2,100 children 	<p>EMPLOYEES</p>
<ul style="list-style-type: none"> Strategic business development with >210,000 retailers and outlets in Malaysia and Thailand Source of income and job creation at our distributors Support the livelihood of >54,000 hawkers in Thailand, Laos and Cambodia 	<p>DISTRIBUTORS & TRADE CUSTOMERS</p>
<ul style="list-style-type: none"> Launched various innovative solutions to address the needs of our consumers in 68 countries worldwide Fulfilled consumers' demand for safe and quality products through extensive network coverage 13 new products launched in FY2018 20 products with Healthier Choice Logo in FY2018 	<p>CONSUMERS</p>
<ul style="list-style-type: none"> Social investment in FY2018: >RM1 million Nurturing local sports champions Advocating active lifestyles via sports events and activities Partnered with 364 schools in Malaysia to inculcate recycling habits >1,100 beneficiary of social investment programmes since 2011 	<p>COMMUNITIES</p>
<ul style="list-style-type: none"> Comply with regulation to mitigate against systemic risk Adhere to sustainable practices to protect our stakeholders Tax Contribution in FY2018: RM37.6 million Active industry collaboration and knowledge exchange with government agencies and statutory bodies 	<p>REGULATORS</p>
<ul style="list-style-type: none"> Total Suppliers: >2,300 (global and local) >98% local suppliers Total Supplier Spend: RM3.03 billion >77% local purchase value 	<p>SUPPLIERS</p>

“

Our Sustainability Approach

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OUR SUSTAINABILITY APPROACH

GRI 102-18

SUSTAINABILITY VISION & FRAMEWORK

As the global context becomes increasingly defined by volatility and unpredictability, prioritising sustainability is no longer an option for businesses but the only viable path. F&N recognises the range of emerging risks and challenges that we must respond to.

To continue delivering value to our stakeholders, we must root our activities in resilience and embrace the inter-connections we share with our communities and environment. It is thus 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.

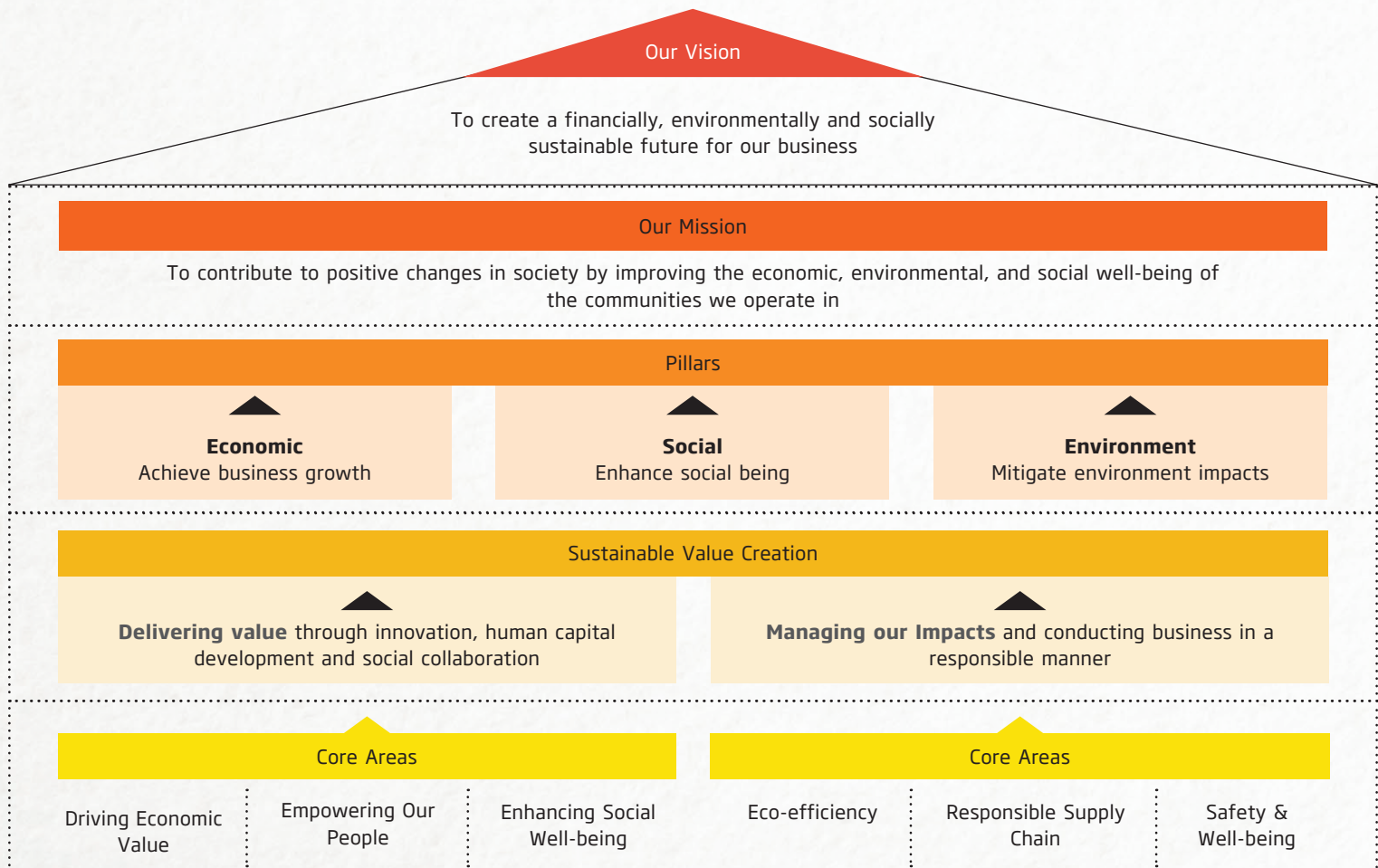
Our overall sustainability framework comprises six core areas, under the theme are:

Delivering Value

- 01 Driving Economic Value
- 02 Empowering Our People
- 03 Enhancing Social Well-Being

Managing our Impacts

- 04 Eco-efficiency
- 05 Responsible Supply Chain
- 06 Safety & Well-being

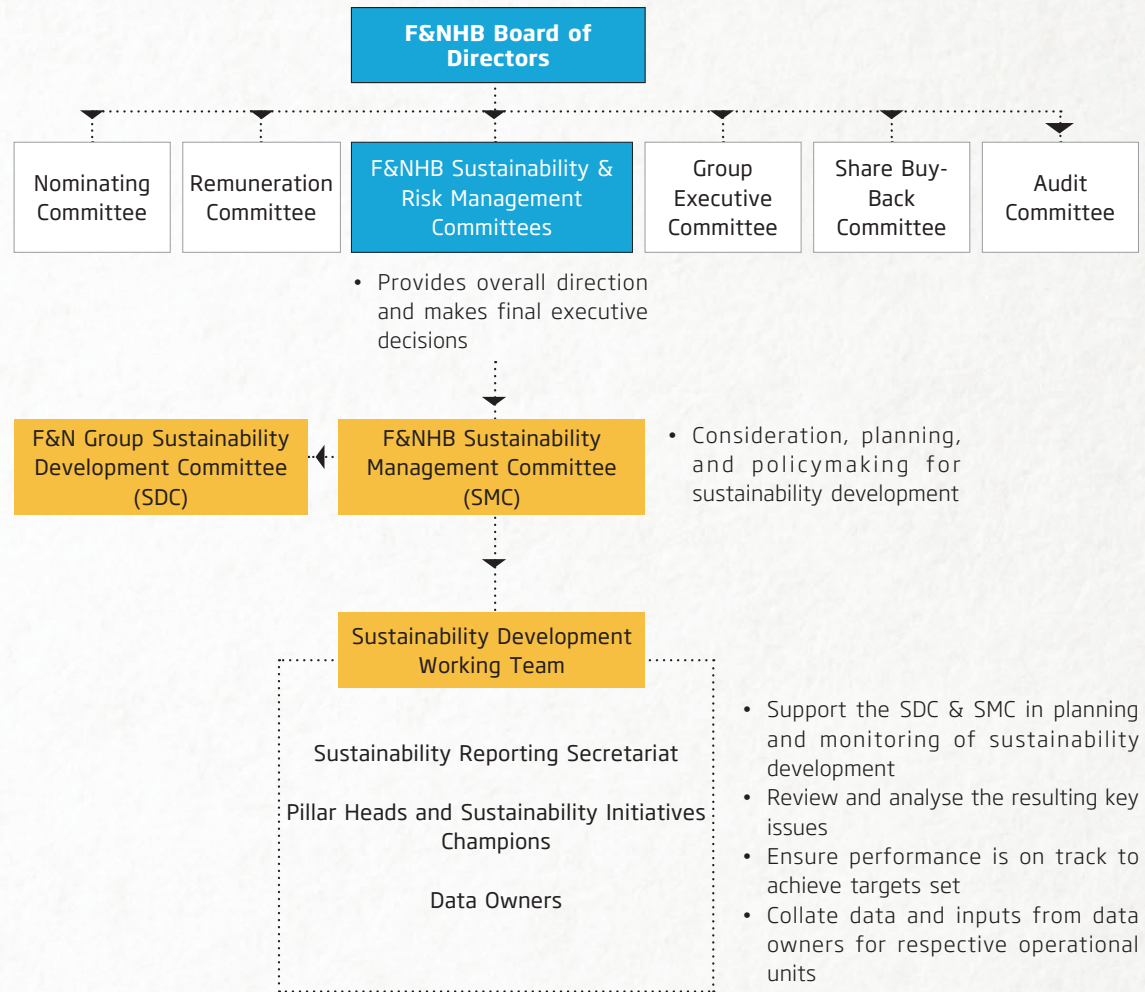


MANAGEMENT & GOVERNANCE STRUCTURE

Sustainability is embedded in every level of operation at F&N. From the Board level, the F&NHB Sustainability and Risk Management Committee ensures that our business direction is guided by sustainability. Headed by the CEO and staffed by senior managers, 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 policymaking of sustainability development matters.

They are supported by the Sustainability Development Working Team, which consists of representatives from various functions that take on various roles of Sustainability Reporting Secretariat, Pillar Heads and Sustainability Initiative Champions and Data owners to monitor progress of designated goals, drive initiatives at operational level, identify challenges in performance, and gather data for reporting.










F&NHB SUSTAINABILITY MANAGEMENT COMMITTEE

<p>Lim Yew Hoe Chief Executive Officer</p> <p>Lai Ming Kong Senior Vice President, Domestic Commercial Operations <i>(Seconded to Fraser and Neave, Limited with effect from 1st October 2018)</i></p> <p>Karn Chitaravimol Managing Director, F&N Dairies (Thailand) Limited</p> <p>Karen Tan Head, Communications & Corporate Affairs</p>	<p>Tan Hock Beng Senior Vice President, Finance & Procurement/ Chief Financial Officer</p> <p>Bart Lim Senior Vice President, Domestic Commercial Operations <i>(appointed with effect from 1st October 2018)</i></p> <p>Dr. Yap Peng Kang Senior Vice President, Manufacturing/ Corporate Research & Development</p>	<p>Waradej Patpitak First Vice President, Manufacturing</p> <p>David Hoong Senior Vice President, Human Capital, Organisation & Technology Management</p> <p>Graham Lim Vice President, Brand Marketing</p>
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OUR KEY STAKEHOLDERS & HOW WE ENGAGE WITH THEM

We strive to build and maintain strong relationships based on trust and respect with our employees, suppliers, customers, shareholders and investors, consumers, regulators, non-governmental organisations (“NGOs”) and local communities. We utilise various platforms where our stakeholders can voice their opinions, concerns, demands, and suggestions, as shown in the table below. Information received via these channels feed into our planning and strategy for sustainable value creation.

	Engagement Channels	Issues Raised	Actions Taken
 <p>Employees</p>	<ul style="list-style-type: none"> • Biennial employee engagement survey • Annual CEO town hall/roadshow • Annual gatherings • iConnect (intranet), F&N Digest (biannual newsletter), email news highlights, quarterly CEO messages • F&N Voice feedback channel 	<ul style="list-style-type: none"> • Communication with employees • Senior leadership • Learning & development • Rewards & recognition • Safety at work 	Refer to: <ul style="list-style-type: none"> • Section on Talent Management (pages 36-43) • Section on Occupational Health and Safety (pages 76-78)
 <p>Suppliers</p>	<ul style="list-style-type: none"> • Supplier meetings • Annual audits • Tender management system 	<ul style="list-style-type: none"> • Fair & robust procurement system • Support of local businesses • Social & environmental responsibility 	Refer to: <ul style="list-style-type: none"> • Section on Sustainable Sourcing (pages 70-73)
 <p>Distributors & Trade Customers</p>	<ul style="list-style-type: none"> • Annual customer meetings • Annual factory visits • Annual business planning • 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 • Strategic business development • Business practices & ethics • Competitive operational system • Efficient delivery system 	Refer to: <ul style="list-style-type: none"> • Joint Message from our Chairman & CEO (pages 4-5) • Section on Innovation (pages 31-35)
 <p>Shareholders & Investors</p>	<ul style="list-style-type: none"> • Annual general meetings (AGMs) • Face-to-face meetings & conference calls • Office/plant visits • Investor Days 	<ul style="list-style-type: none"> • Transparency in disclosure • Business/financial performance • Disclosure on relevant information to shareholders 	Refer to: <ul style="list-style-type: none"> • Joint Message from our Chairman & CEO (pages 4-5) • About This Report (pages 6-7) • Section on Economic performance (page 30)
 <p>Consumers</p>	<ul style="list-style-type: none"> • Marketing & sales promotions • Brand communication through advertising • Social media interaction • 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 • Environment-friendly packaging 	Refer to: <ul style="list-style-type: none"> • Section on Innovation (pages 31-35) • Section on Consumer Health and Safety (pages 79-82) • Section on Health and Nutrition (page 55) • Section on Product and Service Labelling (page 83)

	Engagement Channels	Issues Raised	Actions Taken
 Regulators	<ul style="list-style-type: none"> Active participation in industry collaborations e.g. Federation of Malaysian Manufacturers Meetings with government agencies and statutory bodies 	<ul style="list-style-type: none"> Tax transparency Social & environmental responsibility Fair & legal labour practices Safety at work Compliance with laws & regulations Water & waste management Environment friendly labelling & packaging Greenhouse gas emissions (GHG) 	Refer to: <ul style="list-style-type: none"> Section on Consumer Health and Safety (pages 79-82) Section on Health and Nutrition (page 55) Section on Product and Service Labelling (page 83) Section on Creating Value for Society (pages 44-54) Section on Water Stewardship (pages 58-60) Section on Effluents & Waste (pages 61-64) Section on Packaging (page 75) Section on Energy & Climate Change (pages 65-69) Section on Talent Management (pages 36-43) Section on Occupational Health and Safety (pages 76-78)
 Communities	<ul style="list-style-type: none"> Collaboration & partnership Meetings Outreach programmes Meetings with community representatives Leadership programmes Donation Sponsorships 	<ul style="list-style-type: none"> Consumer health & safety Social & environmental responsibility GHG emissions Job opportunities for locals Promotion of good health & quality of life Skills development in sports & leadership Stimulating local economies 	Refer to: <ul style="list-style-type: none"> Section on Consumer Health and Safety (pages 79-82) Section on Health and Nutrition (page 55) Section on Product and Service Labelling (page 83) Section on Creating Value for Society (pages 44-54) Section on Water Stewardship (pages 58-60) Section on Effluents & Waste (pages 61-64) Section on Packaging (page 75) Section on Energy & Climate Change (pages 65-69) Section on Talent Management (pages 36-43) Section on Market Presence (page 43)

OUR MATERIAL ISSUES

We undertook our first materiality assessment in January 2017 to identify, prioritise, validate and review relevant sustainability issues. Our Sustainability Development Committee revisited the 15 material issues identified last year and confirmed that these topics remain important. The major change this year is the increased importance of Talent Management to the business. The right talent acquisition and capability building of our people are critical now more than ever, to accelerate F&NHB's growth and innovation agenda.

Our Three-Step Process for Assessing Key Sustainability Issues

01 Identification

We first conduct a comparative analysis of sustainability issues and best practices of peer companies in the industry. These issues are then discussed within the SMC to identify the ones that are relevant to F&NHB. The results of this discussion are shared and confirmed with employees through a survey. From these sessions and survey, a list of key issues, opportunities, and challenges facing the Group is developed.

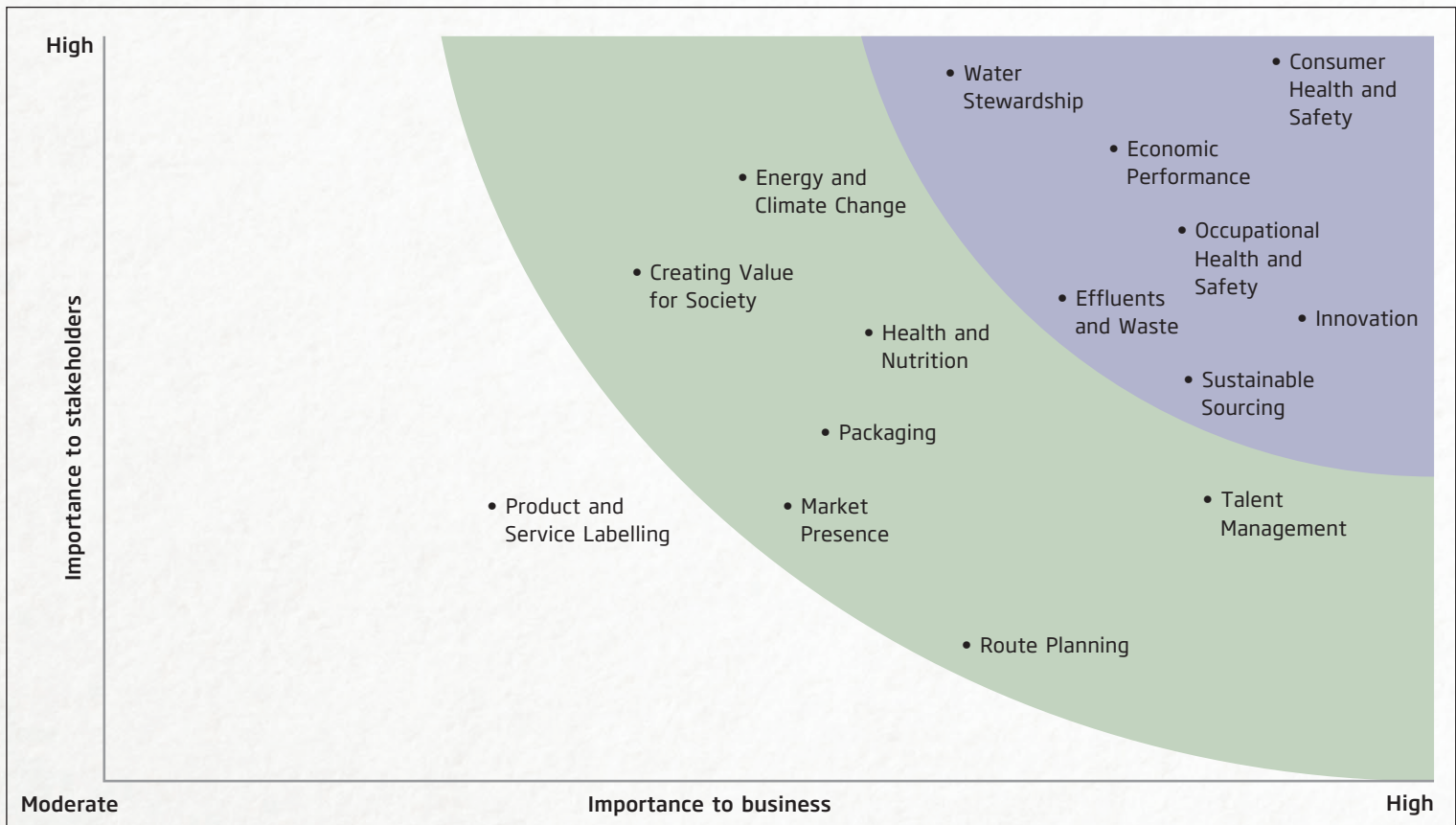
02 Prioritisation

To prioritise our sustainability issues, we engage board of directors and top management team in a materiality workshop. The workshop involves an in-depth discussion of each identified sustainability issue, the likeliness of impact to our business, and the likeliness of impact to our sustainability. With these criteria, each issue is then prioritised on importance and plotted on the matrix from low to high.

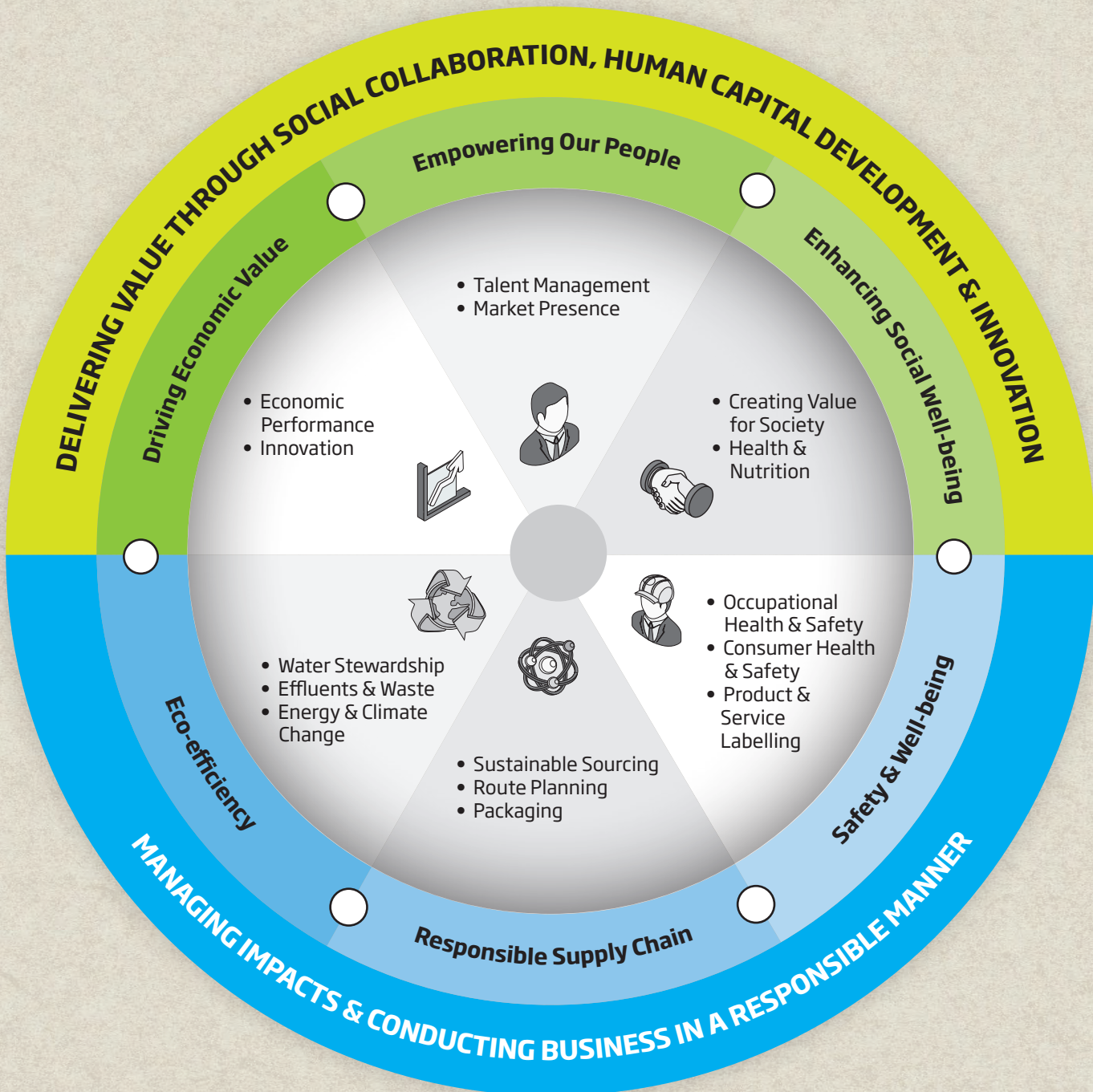
03 Validation

After a preliminary materiality matrix has been developed, we then proceed to validate the matrix through engagements with the SMC and the Board. The next step involves collecting feedback from stakeholders on this Sustainability Report for use in updating and developing next year's materiality matrix and Sustainability Report.












OUR MATERIALITY MATRIX

















The material issues have been categorised into the six Core Areas of our Sustainability framework, in two main themes, which will provide sharper focus on how we want to create value for each material issue. As part of the review process and setting targets for the next financial year, we will re-evaluate our material issues, achievements and goals. Our performance in FY2018 will serve as a benchmark to guide us in strategising and setting our sustainable development goals in the coming years.



IDENTIFIED BOUNDARIES FOR MATERIAL ISSUES

Material Topic	SDG(s)	Boundaries						
		Employees	Suppliers	Customers	Consumers	Shareholders/ Financial Investors	Communities	Regulators
M01 Economic Performance								
GRI 201-1 Economic Performance		•	•	•		•		
M02 Innovation								
		•		•	•	•		
M03 Sustainable Sourcing								
GRI 204-1 Procurement Practices		•	•			•		
M04 Talent Management								
GRI 401-1, 401-2 Employment; GRI 404-1, 404-2 Training and Education	 	•					•	•
M05 Market Presence								
GRI 202-2 Market Presence		•					•	
M06 Occupational Health & Safety								
GRI 403-2 Occupational Health and Safety	 	•						•
M07 Consumer Health & Safety								
GRI 416-1, 416-2 Customer Health and Safety	 	•			•		•	•
M08 Health & Nutrition								
		•			•		•	•

IDENTIFIED BOUNDARIES FOR MATERIAL ISSUES (CONTINUED)

Material Topic	SDG(s)	Boundaries						
		Employees	Suppliers	Customers	Consumers	Shareholders/ Financial Investors	Communities	Regulators
M09 Product & Service Labelling								
GRI 417-1, 417-2 Marketing and Labelling	 	•			•			•
M10 Creating Value for Society								
GRI 413-1 Local Communities	   	•					•	•
M11 Water Stewardship								
GRI 303-1, 303-3 Water		•		•	•		•	•
M12 Effluents & Waste								
GRI 306-1 Effluents and Waste	  	•					•	•
M13 Energy & Climate Change								
GRI 302-1, 302-3 Energy GRI 305-1, 305-2, 305-4 Emissions	 	•					•	•
M14 Route Planning								
		•	•	•				•
M15 Packaging								
		•	•		•		•	•

OUR COMMITMENTS

Delivering Value through Social Collaboration, Human Capital Development and Innovation



I. Driving Economic Value

1. Economic Performance

We are committed to creating direct economic value for our shareholders through the generation of profits, which will also benefit our employees through a fair remuneration package.

2. 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 concerns on health, social and environmental issues.



II. Empowering Our People

3. Talent Management (Empowering Growth)

We recruit the right talent, train them, and keep them motivated via career development goals and reviews.

4. Market Presence

We contribute to the economic well-being of employees by paying them attractive salaries.



III. Enhancing Social Well-Being

5. Creating Value for Society:

We strive to create a positive impact on local communities through social development projects.

6. Health & Nutrition

We promote healthy lifestyles and the consumption of nutritious products, in line with consumer needs.

Managing Impacts and Conducting Business in a Responsible Manner



IV. Eco-Efficiency

7. Water Stewardship

We seek to use water efficiently across the value chain and employ water resources risk management to ensure sufficient water for our production purposes.

8. Effluents & Waste

We comply with international and national standards in effluents and waste management. These include actions to minimise waste in the production process and post consumption.

9. Energy & Climate Change

We curb our contribution to climate change by managing our GHG emissions from our production processes and transport. This includes creating greater energy efficiencies in our operations and minimising carbon footprint as much as possible.



V. Responsible Supply Chain

10. Sustainable Sourcing

We promote sustainable and responsible procurement and sourcing via sourcing risks management, supplier selection, and local sourcing.

11. Route Planning (Transportation)

Optimising our routes to market, including the transfer of products, goods, and materials as well as employees, serves to reduce our carbon emissions, minimise costs, and improve efficiencies.

12. Packaging

We use innovative packaging to minimise our environmental impact and meet consumers' demand.



VI. Safety & Well-being

13. 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.

14. Consumer Health & Safety

We are committed to producing beverages of the highest quality that are safe, and which address health concerns. Our products comply with relevant standards across their entire life cycle.

15. Product & Service Labelling

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.

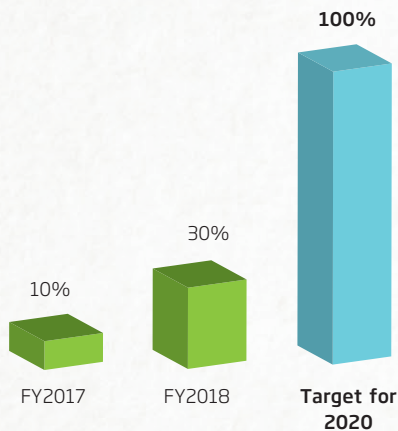
SUMMARY OF OUR GROUP TARGETS & PROGRESS

As part of our commitment to sustainability, we have established 9 key performance targets in 2017 for the entire F&N Group including Singapore, Malaysia and Thailand, based on the high priority material issues identified. These medium-term performance targets are set to be achieved by 2020.

Recognising the importance placed on climate change, a new target to reduce our greenhouse gas intensity has been added this year, as part of our commitment in the global call-to-action on Energy & Climate Change management.

SUSTAINABLE SOURCING

To purchase 100% of Roundtable on Sustainable Palm Oil (RSPO) credits for palm oil usage by 2020



CONSUMER HEALTH & SAFETY

To offer at least one healthier choice option in all our product categories

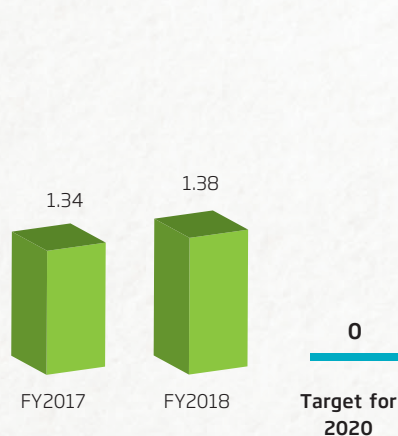


75%

9 out of 12 product categories have healthier choice option

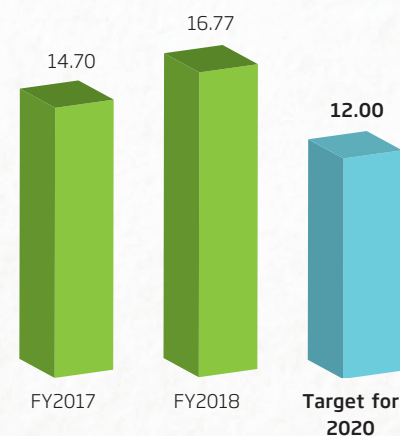
OCCUPATIONAL HEALTH & SAFETY

To have 0 Lost Time Injury Frequency Rate by 2020



TALENT MANAGEMENT

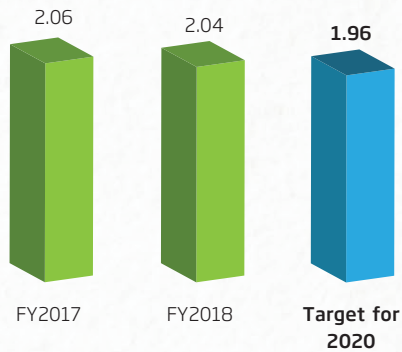
To provide an average of at least 12 training hours per employee per year by 2020



SUMMARY OF OUR GROUP TARGETS & PROGRESS

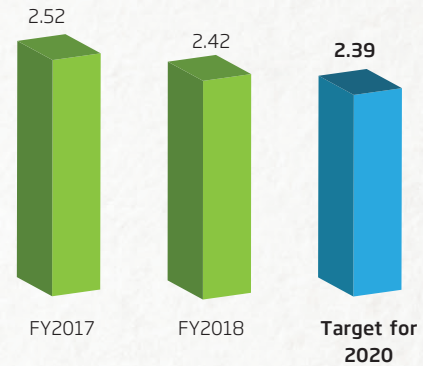
WATER STEWARDSHIP

To reduce the water ratio at our plants by 5% from 2017 by 2020



EFFLUENTS & WASTE

To reduce solid waste ratio at our plants by 5% from 2017 by 2020

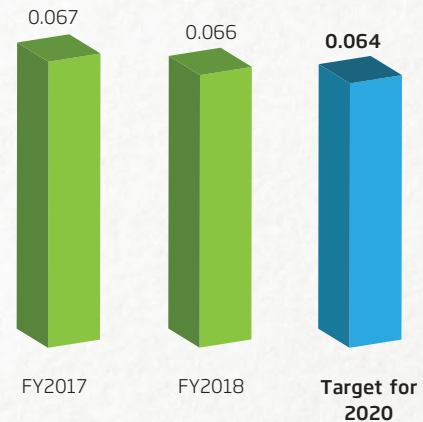


ENERGY & CLIMATE CHANGE

To reduce energy intensity by 5% from 2017 by 2020



To reduce greenhouse gas (GHG) emissions ratio by 5% from 2017 by 2020



INNOVATION



To invest in product and process innovation to increase our product range, and improve efficiency and productivity.

We have implemented many innovation projects to improve our product range, and improve efficiency and productivity.

Read more in pages 31-35.

CREATING VALUE FOR SOCIETY



We will continue to provide outreach and engagement programmes across Malaysia and Thailand by exploring and implementing appropriate outreach programmes to address community needs.

We have continued to provide outreach and engagement programmes across Malaysia and Thailand via several programmes.

Read more in pages 44-54.

“ Delivering Value Through Innovation, Human Capital Development and Social Collaboration ”

Material Issues

- M01 Economic Performance
- M02 Innovation
- M04 Talent Management
- M05 Market Presence
- M08 Health & Nutrition
- M10 Creating Value for Society

Contributing to SDGs



A young woman with dark hair tied back, wearing a blue denim shirt and blue headphones, is smiling broadly. She is holding several beverage bottles, including a clear plastic bottle with a mountain logo, a green bottle labeled 'The High Life Water', and a red and white bottle. A young man with dark hair and glasses, wearing a yellow jacket over a maroon shirt, is looking at her and smiling. They are standing in front of a modern building with a curved facade. The background is slightly blurred, showing other buildings and a clear sky.

We are committed to creating sustainable value for our consumers, shareholders, employees, and the local communities in which we operate. We seek to maintain our leadership position in the dairy and beverages market and continue to reward our valued shareholders with strong long-term returns. We are empowering our employees by encouraging a culture of collaboration and innovation. We are also dedicated to enhancing social well-being through our long-standing community outreach programmes and by developing products and initiatives that promote good health and nutrition.

DRIVING ECONOMIC VALUE

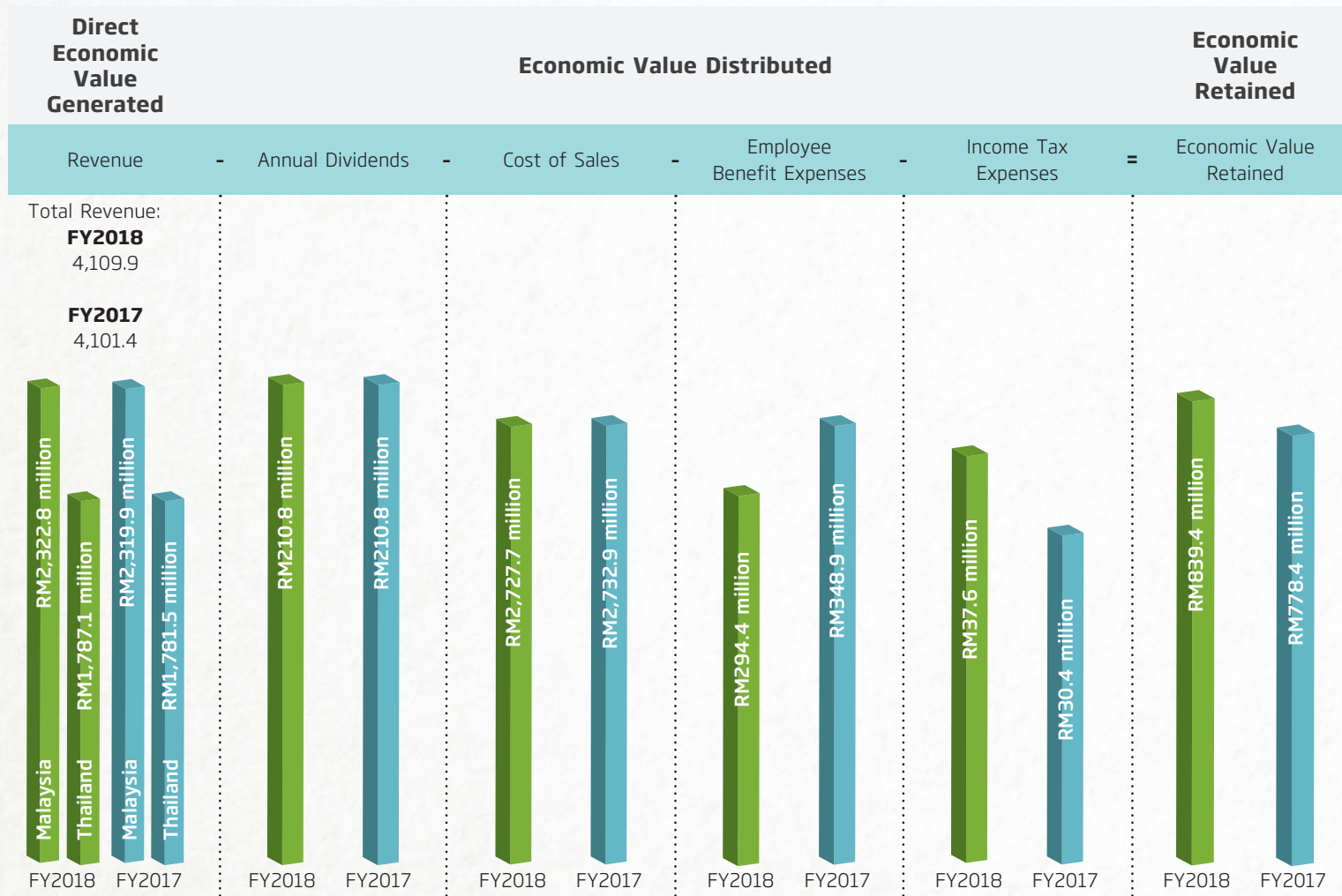
F&NHB strives to deliver sustainable long-term value for its stakeholders. We are achieving this by maintaining leadership by continuously investing in our brands and leveraging innovative technologies and our employees' expertise to improve our existing products and enter new markets.

This section presents a snapshot of our economic performance, which provides us with a firm foundation to continue delivering the products that our consumers love. F&NHB's contribution to economic development in the local communities where we operate is highlighted in the Market Presence section in our Sustainability Report.

In the Innovation section, we share our approach to remaining relevant to consumers, through improving existing products and introducing new products and packaging. Each year we become increasingly more aware of how we can innovate to maximise positive impacts - and minimise negative impacts - of our products and processes, and in this section, we highlight the initiatives that we are implementing to achieve this.

ECONOMIC PERFORMANCE

GRI 201-1



Notes:


- Employee benefit expenses comprise wages, salaries, contributions to state plans, expenses/(income) related to defined benefit plans, share-based payment expense, one-off restructuring costs and other staff costs.
- Economic value retained is calculated by direct economic value generated (revenue) - economic value distributed (annual dividends, cost of sales, employee benefit expenses and income tax expenses). Community investments are not included.

Read more about our financial performance in our Annual Report 2018.

INNOVATION

Innovation is central to maintaining sustainable value creation. This is as true now as at any point in our 135-year history. We are continuously leveraging innovations to deliver value through new and unique product offerings to meet consumers’ evolving needs toward healthier beverage choices, flexibility and affordability. Through innovation we also improve the operational efficiency of our manufacturing processes and better manage our impacts on the environment.

Over the past year, we have been diligently creating and launching new products with lower sugar content and more convenient packaging to cater to the diverse needs of our customers. We have also been implementing employee-driven innovative manufacturing processes that increase productivity and environmental performance.



2020 Target:
To invest in product and process innovation to increase our product range, and improve efficiency and productivity

Progress in 2018:
We have invested in product and process innovation to increase our product range, and improve efficiency and productivity through:

▶ Thirteen new products introduced in FY2018 that is either healthier option and/or increased convenience

▶ Employee-driven innovation projects deliver cost savings or cost avoidance of approximately RM10 million per annum.

▶ Improved our operational and fleet efficiency with digital technology using ePOD and vehicle management system

Our Innovation Framework

 Priority Areas	 External Collaboration	 Innovation Culture
<p>Continuous improvement to deliver high-quality innovative products to consumers.</p> <p>More new products to expand our target consumer groups.</p>	<p>Collaborate with authorities such as the Ministry of Health (MoH), Federation of Malaysian Manufacturers (FMM) and Thailand’s Food and Drug Administration (FDA) to adhere to food safety regulations and support national health priorities.</p> <p>Collaborate with research institutes to access cutting-edge research and scientific studies to discern the efficacy of our products.</p>	<p>Develop products based on scientific research, consumer insights and tastes relevant to evolving Asian lifestyles.</p> <p>Constantly refine our products to meet the changing needs of consumers and ensure consistent delivery of good taste and the right nutritional values.</p>

Our Research & Development Approach

Our R&D unit, based in Singapore with teams in Malaysia and Thailand, is driving the creation of new products that our consumers love. The unit also leads efforts for continuous improvements to our product formulas according to changes in regulatory environment while searching for ways to improve a product’s functional benefit and shelf life.

Our research and development at F&N are guided by the following five principles:

 <p>Innovation & Creation</p>	 <p>Scientific Advances</p>	 <p>Technical Developments</p>	 <p>Regulatory Compliance</p>	 <p>Quality Products</p>
<p>in terms of products, processes, packaging and sensory science (a scientific method of measuring and interpreting consumers’ response to prototypes/products based on the senses of taste, smell and touch/texture).</p>	<p>for application in our processes and products.</p>	<p>that support quality improvement and cost optimisation.</p>	<p>of our local and export business.</p>	<p>that meet food safety standards.</p>

Consumer-Focused Innovation

At F&NHB, we continuously strive to deliver our “Pure Enjoyment, Pure Goodness” promise to our consumers by offering healthier options and more convenience without compromising on taste.

We draw upon local knowledge of consumer preferences to develop products that meet our customers’ needs. Our new products are thoroughly tested before they reach the shelves to ensure that they are safe for our consumers and of the highest quality.

We launched thirteen new products during FY2018. These products provide our customers with healthier options and improved packaging to cater to the various occasions and needs of our consumers.

WHAT'S NEW?



- | TEAPOT Kopi & Teh Tarik - Sweetened Creamer |
- | TEAPOT Gold - Sweetened Creamer, Evaporated Filled Milk |
- | Gold Coin Kopi & Teh Tarik - Sweetened Creamer |
- | TEAPOT Extra - Evaporated Creamer, Sweetened Creamer |
- | F&N ICE MOUNTAIN Drinking Water |
- | 100PLUS Blackcurrant | 100PLUS Reduced Sugar |
- | 100PLUS ACTIVE Powder | F&N Lemon Lime |
- | F&N SEASONS Juice - Mango, Apple, Lychee and Orange |



- | TEAPOT Squeeze - Fresh Milk, Chocolate & Strawberry |
- | CARNATION® Plus - Sweetened Condensed Milk |
- | F&N Magnolia Barista 100% Pasteurised Milk |

...and more exciting products coming soon!

Healthier Options

We invest heavily in the development of healthier products. One of our main focus areas is to reduce the sugar index of our beverages, and we have made progress year-on-year: in 2004, our beverages contained on average 9.5g of sugar per 100ml, and this has fallen by 34 per cent to 6.3g/100ml in 2018.

We are committed to maintaining this reduction in sugar content throughout our product range, and to also promote a healthy lifestyle for all consumers.

This year, the 100PLUS range has been reformulated to meet consumers' demand for healthier option in the local ready-to-drink beverages market. This includes a new option of 100PLUS Reduced Sugar which has sugar content of only 4g/100ml, does not contain any artificial sweetener and has become the lowest sugar carbonated isotonic drink in the market.

Following the reformulation, we are proud that our full range of 100PLUS products have been certified with the Healthier Choice Logo by the Malaysia Ministry of Health. Our FARMHOUSE Fresh Milk, OYOSHI Green Tea, F&N Magnolia Lo-Fat Hi-Cal Milk products and the new F&N ICE MOUNTAIN Drinking Water have also received this accreditation.

Our constant search for ways to improve a product's formulation and functional benefit also helped us reduce the sugar content of F&N SEASONS range. In addition, the full range of F&N SEASONS which include Tea, Soya, Juice and Asian Drinks is now 100% free of preservatives or artificial coloring.

Increased Convenience

We have been differentiating our products and packaging to cater to consumers' demand for greater convenience and flexibility. We have launched 100PLUS ACTIVE in powder sachets which are convenient for people who are constantly on the move. Malaysian athletes who recently competed at the Gold Coast Commonwealth Games used the 100PLUS ACTIVE powder sachets to meet their hydration and energy needs while contending at high-level competition.

We are conscious of our responsibility to manage the environmental impacts associated with our product packing. We have implemented innovative processes to reduce the PET resin packaging of key products (as detailed on page 34), and we are continuously seeking solutions and green technologies to go even further in reducing our post-consumption waste (as detailed on pages 46 and 63).



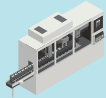
Our Sweetened Condensed Milk and Evaporated Milk are now available in flexible packaging from single serve stick and squeezable tube to 20kg bag to cater to different needs of our customers and consumers.



Process Innovation

We continuously seek out the most up-to-date technical and scientific advances to improve the efficiency of our operations while minimising environmental impacts. Over the past year, we have implemented innovative technologies to reduce post-consumption waste, automate processes to enhance efficiency, and improving fleet efficiency and safety.

01



Reducing Packaging Material

The new Aseptic Cold-Filling Polyethylene Terephthalate (PET) line at the Shah Alam plant has been producing 100PLUS ACTIVE 1 litre pack, F&N SEASONS tea range, and OYOSHI since March 2018. Employing the latest technology, the new line the new line is able to reduce the use of PET resin packaging material by 40 per cent and maintain a longer sterile environment within the aseptic chambers, equating to less production downtime and eliminating microbial contamination.

The state-of-the-art line also provides for longer product shelf life with less flavour loss and flexibility in bottle design due to the ambient filling. The commissioning of the new line will further accelerate F&NHB's expansion into new offerings in the near future.

02



Digital Efficiency

The pervasiveness of our products and the breadth of our product portfolio means that technology acts as a critical enabler in enhancing our operational efficiency and resource utilisation. In July 2018 we implemented ePOD (electronic proof of delivery) in Malaysia which eliminated the need for hardcopies of invoices. With ePOD, smart-phones are utilised to transmit information of signed invoices upon signed invoices upon the delivery of goods. Our SAP system is updated real-time once our customers receive their product, thereby improving the efficiency of our revenue recognition process.

03



Improving Fleet Efficiency & Safety

During the past year we have made great strides in enhancing the efficiency and safety of our fleet management process through improved dispatching. Our Vehicle Management System (VMS) maximises the usage of warehouse loading bays at our factories and assigns each truck with its own designated waiting area, thereby increasing safety at the bays as truck traffic is reduced. The VMS generates various reports from the data collected including total trucks in the bay per day, total trucks loaded by checker, and the duration of loading of trucks by bay/checker, which are utilised to further improve fleet efficiency and minimising carbon footprint.

04



Network Harmonisation

Previously, our sites at Singapore, Malaysia and Thailand are each connected to its own MPLS networks, with expensive international private circuit connecting the three networks. Understanding the constantly evolving cyber threat landscape, our IT team found the right solution SD-WAN, Software-defined Wide Area Network.

To date, this has connected 40 sites in Malaysia, Thailand, Singapore, Vietnam and Myanmar.

- Reduction in lead time to connect new offices from three months to two hours
- Reduction in overall network costs by RMB00,000 every year
- Improvement in network security
- Easier access to corporate resources by mobile employees

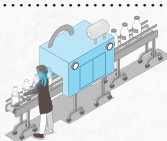
Future Ready Investments



We have invested approximately

RM500 million in capital expenditures

to elevate our product innovation capabilities and cost competitiveness. Projects implemented include (details on each of these initiatives can be found in the *Annual Report 2018*):



600 bottles per minute water line in Shah Alam, Malaysia



- Cold-aseptic filling PET line & warehouse, Shah Alam, Malaysia
- Debottlenecking programme at dairy plant in Pulau Indah, Malaysia



- Sweetened condensed milk pouch & tube filling line, Rojana, Thailand
- Combi blow, mould & filling machine, Shah Alam, Malaysia



Mineral water plant expansion, Bentong, Malaysia

Employee-driven Innovation

We encourage our employees to find ways to improve the way we do things through process and product innovation. At the “Winning as One” convention (running for the past 11 years in Thailand) and the “Excel as One” convention (running for the past four years in Malaysia), various teams present their ideas to enhance our productivity, cost savings and/or product quality. This year, the teams presented innovations that improve productivity and would deliver cost savings totaling approximately RM9.8 million per annum.



Winning as One Convention (WAO)

WAO is an annual convention in Thailand to promote continuous improvement in productivity, quality, cost, delivery, safety, ethics and environment, and create innovative cost-savings initiatives. Held on 6th July 2018, this convention has successfully identified solutions which will result in a cost savings of 13.8 million THB (approximately RM1.8 million) per year.

Themed Step into World Class Manufacturing, F&N Dairies Thailand is determined to maintain an excellence performance and continual development towards being the best in Innovation in the Food and Beverages Industry.

Excel as One Convention (EAO)

The annual EAO convention in Malaysia took place on 5th September 2018. Our theme this year was “Transformation of Manufacturing Innovation Excellence Towards World Class Quality & Lowest Cost”. The theme is a continuation of last year’s: “Manufacturing Excellence towards Lean and Innovation”. Ahead of the convention, participants presented initiatives that would enhance quality and reduce resource consumption, resulting in lower costs and increased competitiveness.

There were 225 participants from our F&N Dairies Manufacturing in Pulau Indah and F&N Beverages Manufacturing located in Shah Alam, Bentong & East Malaysia. The teams generated innovative ideas and lean practices that can be incorporated into our daily activities.

The total cost savings of the initiatives identified by the teams that participated at the 2018 EAO convention is RMB million per annum.

The winning team of Innovative Creative Circle (ICC) this year successfully reduced the downtime of flanging section at Pulau Indah plant from 4 hours to 1 hour, saving about RM220,000. Their innovation will also help to reduce the rejection of materials during production.

This year’s convention was participated by more than 200 people and served as a conducive platform for employees to share their best practices with their colleagues from F&N Malaysia and Thai Beverage.

The winning team this year devised a systematic approach to reduce machine breakdown at KLIKLOK Line 2. They analysed breakdown by using QC technique to find out root causes and set action plan to reduce breakdown of KLIKLOK machine. Through the project, machine efficiency has increased from 89.9% to 92%.

 Cost savings of **13.8 million THB**



 Cost savings of **RM8 million per annum**

EMPOWERING OUR PEOPLE

The success of F&N is driven by our dedicated workforce. We strive to empower our employees through a supportive corporate culture and comprehensive human capital management approach. In this section we describe the core elements of our talent management strategy, which is driven by our *Human Capital Roadmap 2020* and *Seven Modules for Strategic Human Capital Transformation*.

TALENT MANAGEMENT

GRI 202-2
GRI 401-1, GRI 401-2
GRI 404-1, GRI 404-2

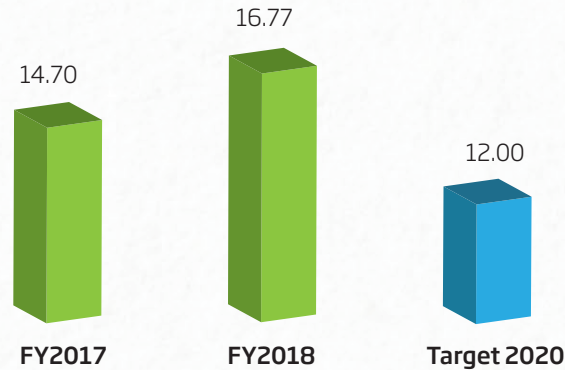


Our Target:

To provide an average of at least 12 training hours per employee per year by 2020

Progress in 2018:

Average training hours per employee in 2018 is more than 16 hours.



Our people determine how well we perform. As such, we strive to create a stimulating work environment, where talent is nurtured and rewarded, and employees are engaged, challenged and empowered to perform to their highest potential.

We constantly look to hire and retain talent who will enable us to maintain our competitive edge and those who have a global outlook as the Group further expands in the international market. Therefore, an engaging corporate culture and robust training and development are central to F&NHB's approach to achieve a high performing, sustainable organisation.



F&NHB was awarded at the **Malaysia Best Employer Brand Awards 2018** by the Employer Branding Institute, in recognition of us: providing our employees with exemplary learning and development opportunities; communicating distinctiveness in employee hiring; our training & retention practices; ensuring regular communication with employees of all levels; and continuous excellence in innovation.

This year, F&NHB was also nominated as one of the Top 5 Finalists for the inaugural **Graduates' Choice Award 2018** in the Fast-Moving Consumer Goods category based on voting by 15,000 undergraduates nationwide. This Award recognises organisations that have demonstrated "Exceptional Employer Branding" through its excellence and distinction in graduates recruitment throughout Malaysia.

In the **Human Resource HR Excellence Awards 2018 Malaysia**, F&NHB was awarded Bronze in Excellence in HR Innovation by Human Resources Magazine, the best read and most trusted magazine for HR professionals in Asia since 2004. This award is a testament to our proactive role in integrating flexibility and agility into our business processes through innovations.



Roadmap & Strategy

F&NHB has a clear strategic plan to continue positioning ourselves as a preferred employer, and this is guided by:

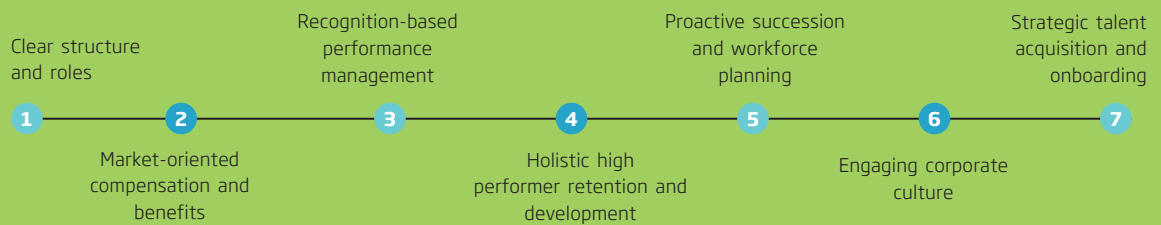
- Our Human Capital Roadmap to 2020
- Seven Modules for Strategic Human Capital Transformation

FIVE-YEAR HUMAN CAPITAL ROADMAP



7

Modules For Strategic Human Capital Transformation



1. Clear Structure and Roles

We use the 'Beverest' total performance management system (TPMS) to integrate our human capital processes and systems across the Group. This helps us to make sure that each employee is aware of the expectations and responsibilities for their role, their team and for the Group as a whole.



2. Market-oriented Compensation and Benefits

We pay our employees fairly and carry out regular reviews to ensure that our remuneration packages remain competitive, and in harmony with other Group companies. Benefits provided to employees include life insurance, health care, disability and invalidity coverage, parental leave, retirement provision, and stock ownership options.

F&NHB’s human resources policies go beyond labour regulations and statutory requirements in Malaysia. Management engages actively with union leaders for balanced collective agreements.

F&NHB does not restrict freedom of association and are actively participating with our seven formal employee-unions, representing Executives, Supervisors and Workers across Malaysia for collective-bargaining. For more information on our various collective agreements, you may access <http://www.mp.gov.my/en/>

STANDARD BENEFITS OFFERED TO FULL-TIME EMPLOYEES	
Life Insurance	✓ By job grade
Health Care	✓ By job age, staff category and/or job grade
Disability and Invalidity Coverage	✓ By job grade
Parental Leave	✓ All eligible employees under the law
Retirement Provision	✓ For certain categories of employees
Stock ownership	✓ By job grade-F&NHB Shares
Others	1. Enhanced Provident Fund 2. Long Service Award

GRI 401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees

3. Recognition-based Performance Management

Employees collaborate with their supervisors to set SMART goals and KPIs for the year. A Performance Assessment Review takes place twice a year, to appraise outcomes and identify development opportunities.

Our policy is to support the provision of ‘Limitless Opportunities’ to employees from the moment they join the company, and our Performance Management framework which supports our individual development plans (IDPs). There are four stages to our IDP approach:

Discuss career aspiration

- Career Aspiration
- Geographic Mobility
- Career Path & Career Worksheet



Assess required competency

- 360 Leadership Assessment
- Functional Competency Assessment



Dialogue with Line Managers

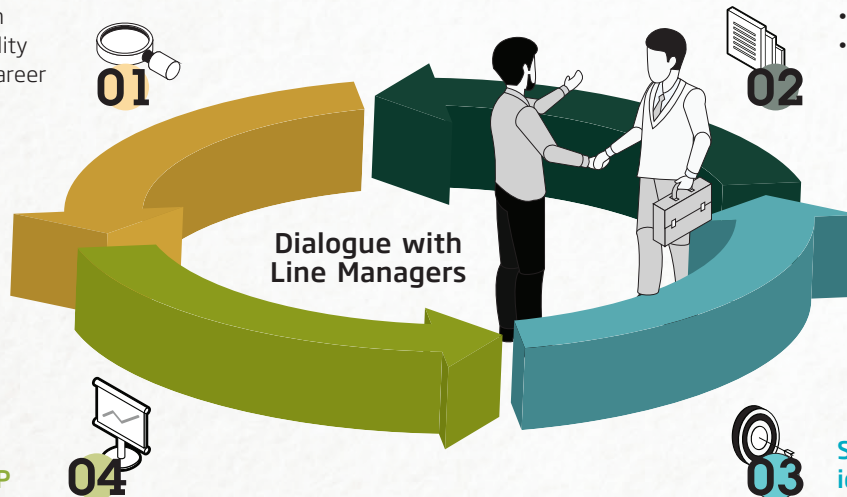
Implement & follow-up the IDP

- Learning Management System
- IDP Review



Set development goal & identify learning intervention

- IDP
- Blended Learning Catalogue (70:20:10)



4. Holistic High Performer Retention and Development

We give every employee the opportunity to grow with the company and perform to their best. At F&NHB, each employee is supported to implement their individual development plan, using the 70/20/10 Learning Model:



Based on employee feedback and our assessment of skills needs, key employee training programmes held during the year are:

Programme	Focus	Employees Targeted
7 Habits of Highly Effective People	Self-management & interpersonal skills	Top, middle, junior management & employees
Business Acumen	Driving for Business Performance	Top, middle, junior management & employees
Microsoft Office Competency	Microsoft Office Skills	Top, middle, junior management & employees
Education Assistance Programme	For various technical and professional certification	Non-unionised employees
Communication Skills	Leadership through Deep Listening	Top, middle, junior management
Functional and Technical Training	Functional and Technical Skills	Manufacturing
Management Development Programme	Leadership & Management Skill	Top & middle management
Coaching Skills	Leadership through effective coaching	Top & middle management

GRI 404-2: Programmes for Upgrading Employees and Transition Assistance Programmes

5. Proactive Succession and Workforce Planning

Through our annual Talent Review and Succession Planning process, we identify employees who can be future leaders at F&NHB. Working alongside the Talent Management Team, these employees chart individual career development pathways to ensure they are in the best position to succeed at a high level.

Talent management is closely linked with succession planning, and in combination provide us with a steady pipeline of future leaders who are able to support our business needs. Interventions will include job rotations, transfers and project assignments to accelerate their development and exposure to various operations within the Company.

6. Engaging Corporate Culture

F&NHB promotes a culture of engagement and inclusion. At the heart of this are our Global Values, which epitomise that the best outcomes happen when we work together.



Senior management regularly engage with all employees through various channels, such as: town hall meetings and briefings; CEO "teh-tarik" sessions; quarterly CEO messages; intranet updates; and employee newsletters.

With the objective of implementing a strong feedback culture in the workplace, this year also see the introduction of F&N VOICE - an easy and quick feedback channel which enables employees to share real-time feedback, ideas and suggestions directly with senior management via WhatsApp mobile messaging platform.



F&NHB organises a wide range of activities to promote engagement and support healthy lifestyles. Employees are encouraged to partake in sports and other physical activities through membership of internal sports clubs, badminton and golf tournaments, as well as zumba classes.

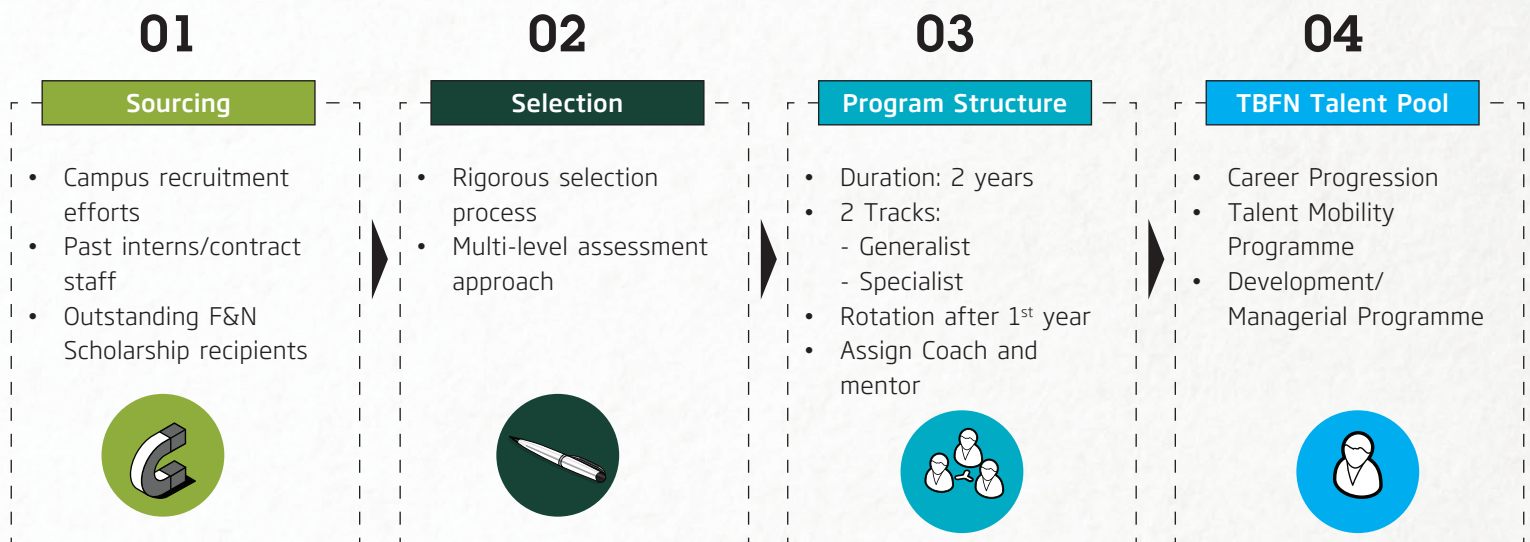
Since 2003, F&NHB has been presenting a Chairman's Award to children of employees who attain excellent academic and cocurricular achievements. The award is an employee appreciation initiative and provides motivation for their children to strive for excellence. A total of RM285,300 in cash was awarded to 139 recipients this financial year. To date, F&NHB has disbursed nearly RM3.8 million to over 2,139 children under the programme.



7. Strategic Talent Acquisition and Onboarding

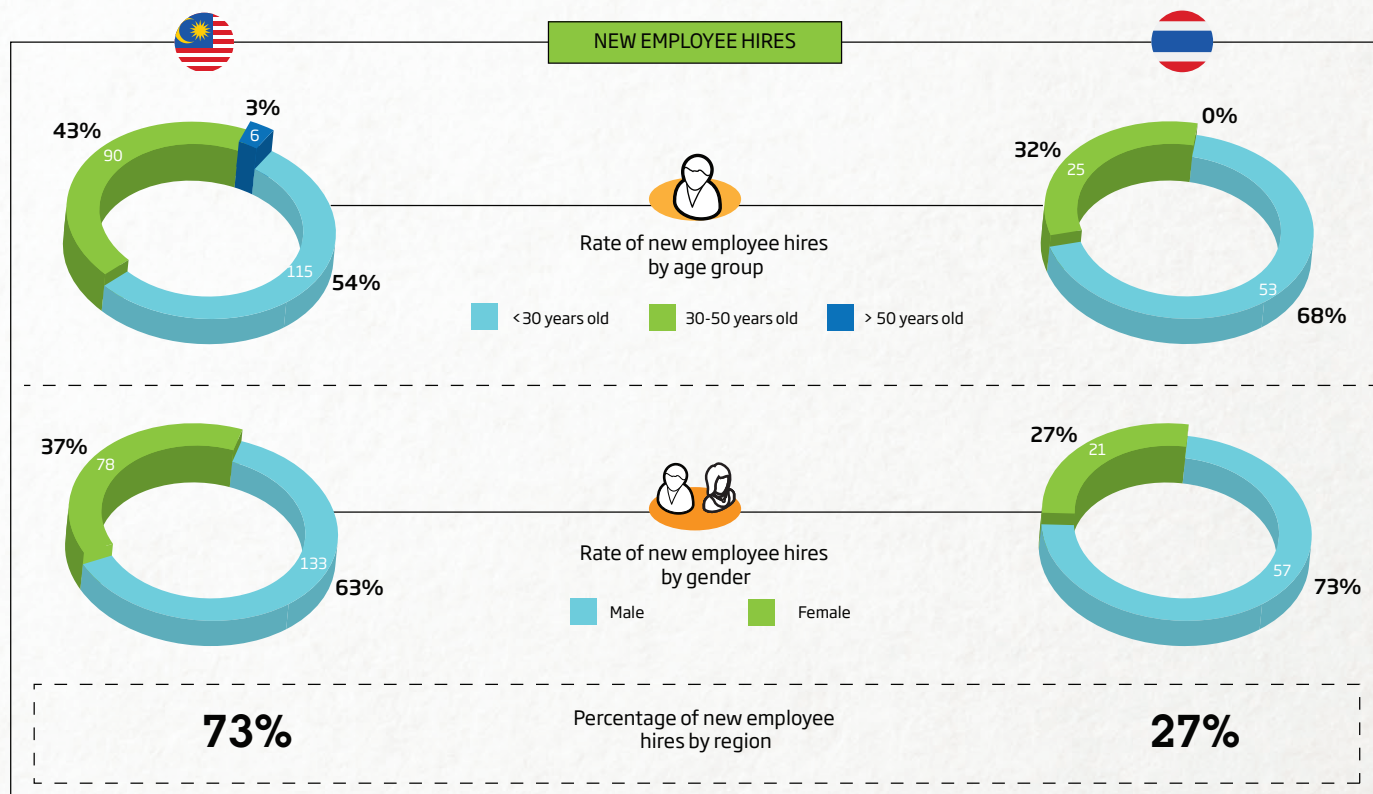
Our preference at F&NHB is to promote from within and develop the talent already available to us. Where this is not possible, our human resources team ensures that we are able to recruit external applicants with abilities and experience that match the company's needs. Our 'Future-ready Manager Programme' describes the way that we replenish and grow our pool of future executives. We use a variety of assessment tools as part of a rigorous process to recruit the very best candidates. As soon as they join the team, the successful candidates begin a formal two-year programme to get a wide variety of experience.

F&NHB recognises equal opportunity for all people without regard to race, gender, religion and any other unrelated criteria to employment requirement. We comply strictly to prevailing legislation on Employment of the countries we operate, which includes no hiring of minors.



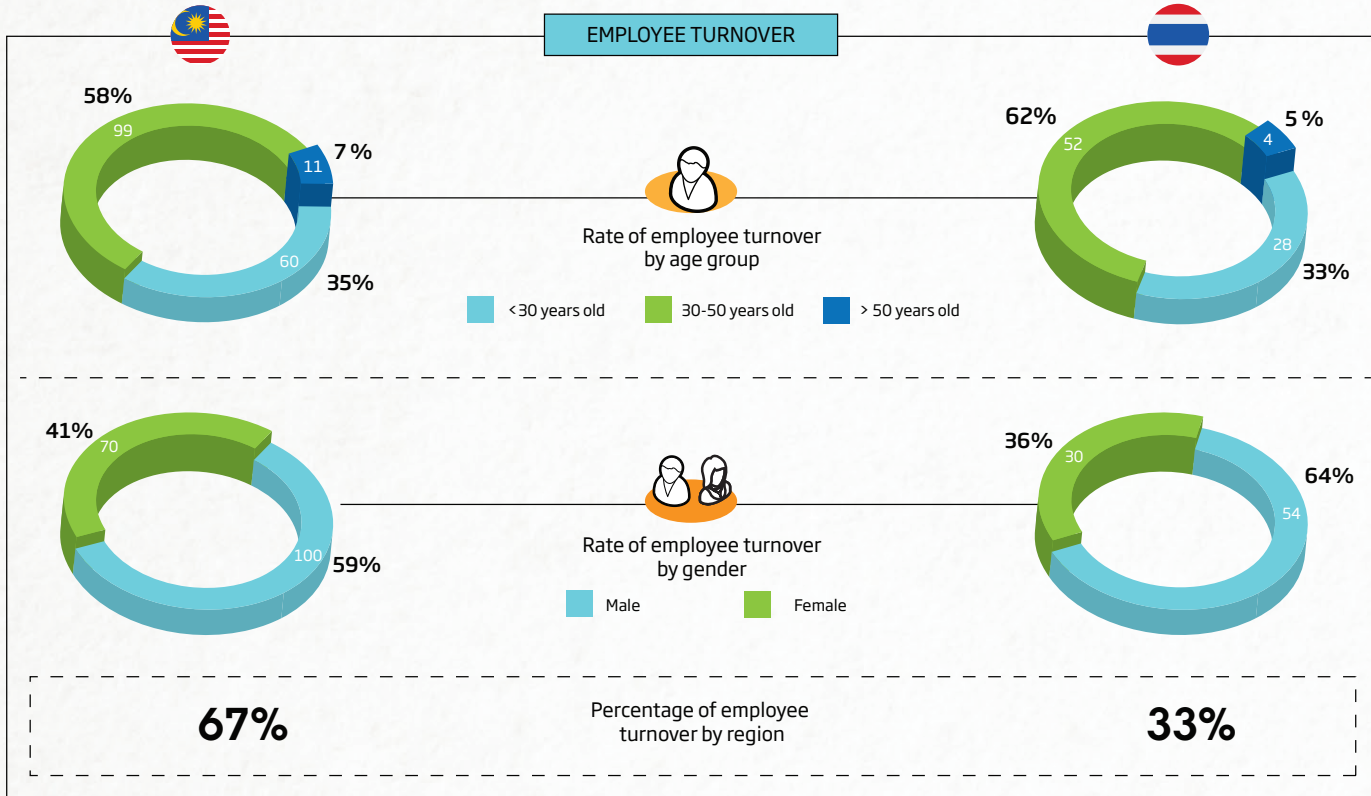
Our Performance Highlights

GRI 401-1: New Employee Hires & Employee Turnover



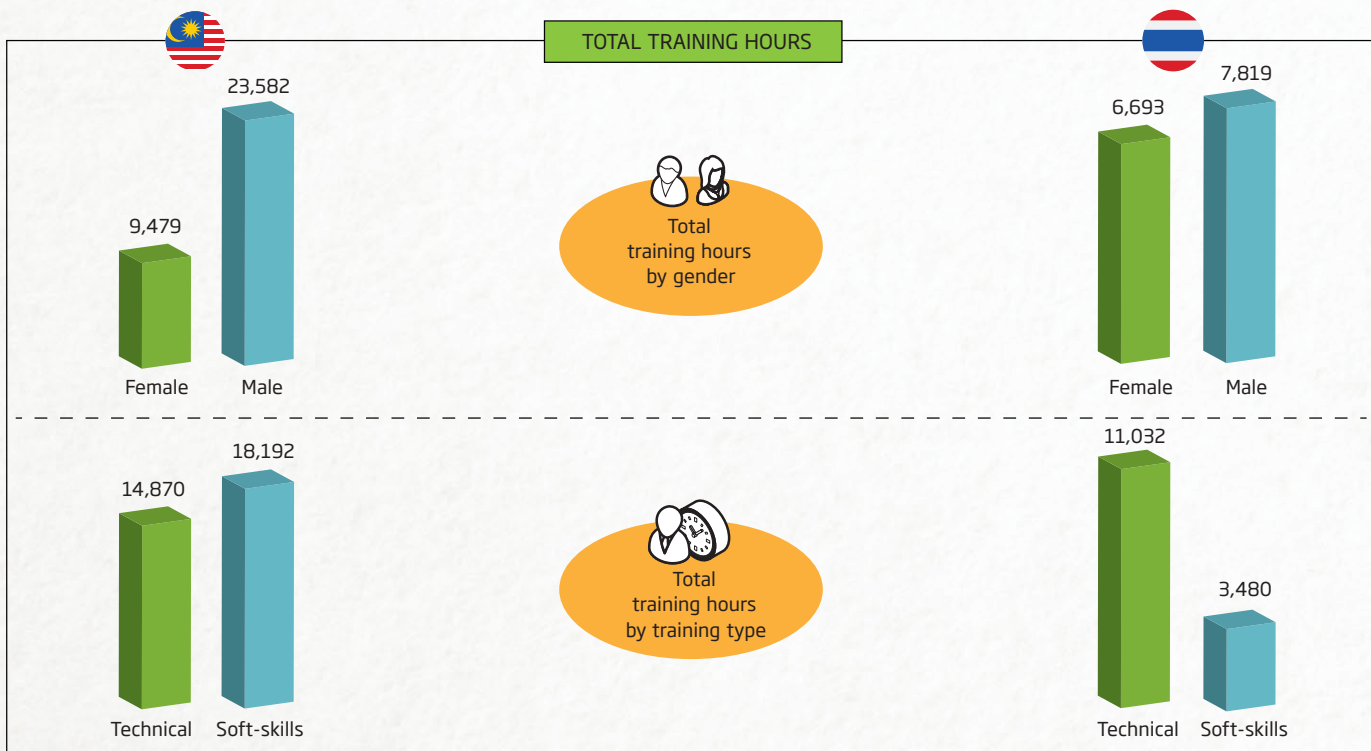
Our Performance Highlights (Continued)

GRI 401-1: New Employee Hires and Employee Turnover



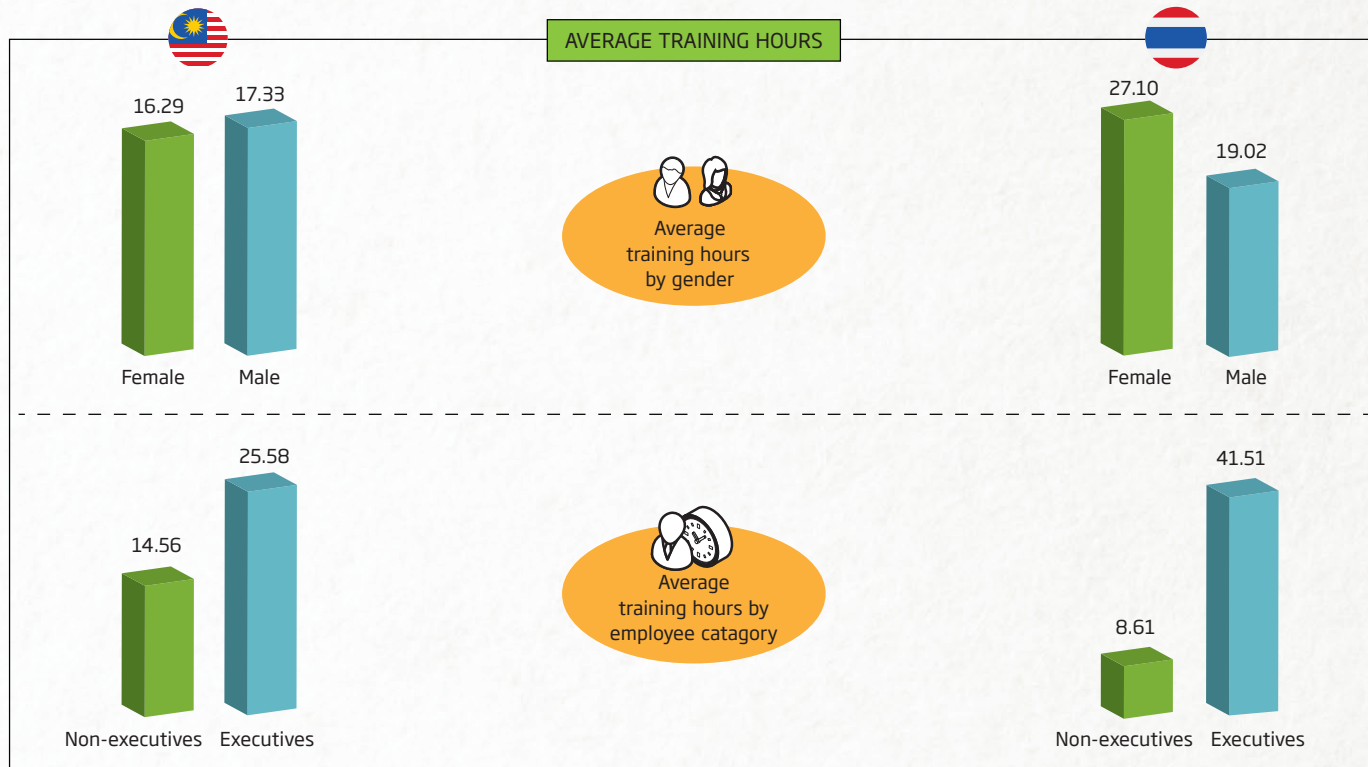
42

GRI 404-01: Average Hours of Training per Year per Employee



Note:

1. The total training hours by gender is proportional with our gender ratio in the Company.



Note:

1. The definition of employee category varies by countries, based on the local requirements of each country.
2. There is a significant increase in training hours in FY2017 and FY2018 due to compulsory training programme such as Beverest system implementation training and 7-habits programme.

MARKET PRESENCE

GRI 202-2

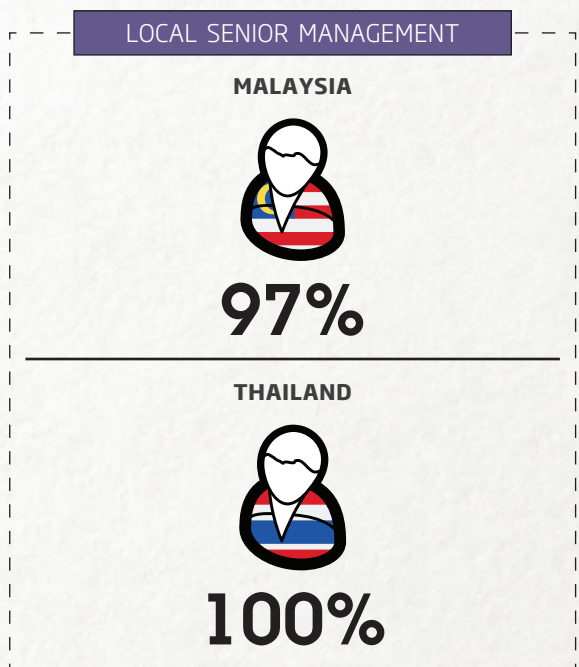
F&NHB hiring practices are aligned with the interests of the local economy, and we are determined to become the employer of choice in whichever market we occupy. We are proud that 100% of our senior management in Thailand, and 95% of our senior management in Malaysia, are hired from the local community.

Our compensation packages are regularly reviewed and updated to be competitive with market benchmarks. Remuneration packages have been standardised across the Group to ensure that the highest expectations are being embodied across our operations. These standards are strictly maintained but are also reviewed frequently to allow for necessary adaptations with local circumstances.

F&NHB does not participate nor condone forced labors of any kind as well as use intimidation or manipulation on our employees, which contradicts their human and employment rights as stipulated in the respective laws of the countries where we operate.

Note:

1. Senior Management are employees whose job grade is 12 and above for Malaysia and job grade is 11 and above for Thailand. Local employees are defined as people who are either born in or who have legal rights to reside permanently in our significant locations of operations, which are in Malaysia, Brunei, Thailand and IndoChina.



GRI 202-2: Proportion of Senior Management Hired from the Local Community

ENHANCING SOCIAL WELL-BEING

At F&N, we strive to enhance social well-being through our community outreach programmes and by developing products and initiatives that promote good health and nutrition. In the next section, we detail our commitment and initiatives to strengthen vulnerable groups, promote environmental protection and support active lifestyles.

CREATING VALUE FOR SOCIETY

GRI 413-1

At F&NHB, we believe that sustainable business growth occurs when our communities grow alongside us. This firstly means that we ensure our operations do not create any negative impacts on our surrounding communities, and it also means that we strategise our investments to create value where the needs of our business intersect with the needs of society.



Target:

We will continue to provide outreach and engagement programmes across Malaysia and Thailand by exploring and implementing appropriate outreach programmes to address community needs.

Progress in 2018:

We have continued several outreach programmes in FY2018 to strengthen vulnerable groups, promote environmental consciousness, and support sports active lifestyles, in addition to continuing our tradition of spreading cheers through various festive celebrations.

Our Approach

In each market that we operate, we undertake a number of long and short-term programmes that serve to create greater social equity. To that end, we have developed four main thematic areas where we focus our community investments:

01

Strengthening Vulnerable Groups

Inequality of opportunity has emerged as a major global challenge in recent years. Seeing as our consumers and employees come from all segments of society, we realise that this inequality undermines the development and potential of both our business and our communities. To take leadership in tackling this issue, we have chosen to focus on strengthening vulnerable groups such as underprivileged children around our operational areas. Through investing in educational programmes- including both technical skills and soft skills - and avenues that promote a conducive environment for education, F&NHB works towards a more equal society where the growth of business and society together flourish.

02

Promoting Environmental Consciousness

While companies have a critical role to play in minimising our environmental footprints and mitigating climate change impacts, sustainable development cannot be achieved by companies alone without behavioural changes at the individual level. Besides maintaining eco-efficiency in our operations (see pages 58-69), we have taken the task of promoting environmental consciousness in our communities as another priority to address in order to maintain sustainability.

03

Spreading Festive Cheer

In addition to basic needs and environmental sustainability, our community development programme includes a priority that is signature to our brand. As the promise of our brand is to deliver "Pure Enjoyment, Pure Goodness" to all, we have developed initiatives to sponsor festive celebrations in our communities. Here, we aim to promote diversity and celebrate various cultures through ensuring that our sponsorships reach a variety of vulnerable groups.

04

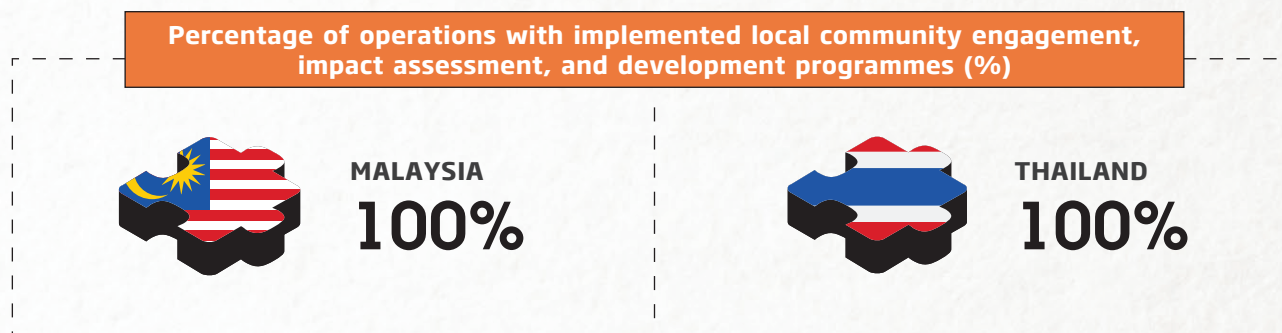
Promoting Healthy Lifestyles & Nutrition

As a food and beverage business, F&NHB's products have direct impacts on the health of our consumers. Therefore, it is our part of our commitments to encourage responsible consumption where we can. This is accomplished through advocating healthy lifestyles through physical activity and consumption of nutritious products, in line with consumer needs.


We thus prioritise community investments that support sports and active lifestyles to better care for our consumers while also creating value for communities.

Our Performance Highlights

GRI 413-1: Operations with Local Community Engagement, Impact Assessments, and Development Programmes



The following table summarises our various community development projects:

Theme	Activity	Timeline	Areas
Strengthening Vulnerable Groups - Children 	Donation of Library	2017 - 2018	TH - Wat Lin Thong School, Ang Thong
	F&N ICDL (International Computer Driving License) Annual Programme	2011 - ongoing	MY - Montfort Boys Town, Shah Alam and Melaka
	F&N E.L.I.T.E. (Empowering Lives through Education) Programme	2011 - ongoing	MY - Pangsapuri Enggang, Puchong, Selangor
	F&N Leadership Programme	2015 - ongoing	MY - Rumah Ilham, Selangor
Promoting Environmental Consciousness 	Save Our Seas (S.O.S)	2012 - ongoing	MY - Redang Island TH - Chonburi
	Annual F&N School Recycling Programmes	2006 - ongoing	MY - Shah Alam, Penang Island, Seberang Perai, Kuching Utara, Subang Jaya, Melaka Tengah, Perlis, Ampang Jaya and Petaling Jaya
Sponsoring Festive Celebrations 	Chinese New Year Celebrations	2002 - ongoing	MY - Kuching, Kuantan, Butterworth and Melaka
	Hari Raya Celebration	2002 - ongoing	MY - Selangor
	Deepavali Celebration	2002 - ongoing	MY - Kuala Lumpur and Selangor
	Christmas Celebration	2002 - ongoing	MY - Kuala Lumpur and Selangor
Supporting Sports and Active Lifestyles 	Active Lifestyle Events such as 100PLUS Day	1983 - ongoing	MY - Johor, Terengganu, Kedah and Kuala Lumpur
	Nurturing Golf Champions	2001 - ongoing	MY
	Grassroot Badminton	2003 - ongoing	MY
	Grassroot Football	2011 - ongoing	MY

1) Strengthening Vulnerable Groups

In 2018, F&NHB continued its annual programmes with the International Computer Driving Licence (ICDL), Kassim Chin Humanity Foundation (KCHF), and Rumah Ilham. In light of the November 2017 floods in Kelantan, F&NHB also took part in responding to the natural disaster and supporting flood victims.

F&NHB Community Investment on Strengthening Vulnerable Groups			
Programme	Timeline	Total Investment	No. of Students
Empowering Youth with Basic Computer Skills	2011 - 2018	RM160,000	390 students
Free Kindergarten & Tuition Classes (Kassim Chin Humanity Foundation)	2011 - 2018	RM534,204	442 students
Leadership Programme for Underprivileged Youth	2015 - 2018	RM225,000	170 children

Empowering Youth with Basic Computer Skills

While information technology (IT) skills are deemed necessity today, not everyone can afford computer literacy programmes. F&N sees this as a gap in community development, and has thus initiated a partnership with ICDL, the world’s leading computer skills certification, to provide these skills to Malaysia’s underprivileged youth. To date, 390 students of Monfort Town have gained the certification through the International Computer Driving Licence (ICDL) Programme.



In 2018, the Montfort ICDL Programme accepted 46 students in Shah Alam and 33 students in Melaka. This is an increase in the number of registered students from last year in both locations. 20 students received certification in Graphic Design and Multimedia, while 15 students graduated in the field of Computer Maintenance. Additionally,

the past year also saw the Contact Center Association of Malaysia (CCAM) providing support with arranging job placements within the contact centre industry. 7 students have so far successfully received job offers.

Free Kindergarten & Tuition Classes

In collaboration with Kassim Chin Humanitarian Foundation (KCHF), we have continued to support vulnerable young people through the Empowering Lives Through Education (E.L.I.T.E.) programme for the seventh year. Through this programme, free kindergarten and tuition classes are given to underprivileged children in Pangsapuri Enggang, Puchong. To date, a total of 442 children have benefitted from the F&N E.L.I.T.E. programme (223 between 5-6 years old and 219 between 7-17 years old). This year, we provided financial support of RM20,000 to refurbish the classrooms, to repair the cabling and air-conditioners and give the wall fresh coat of painting.

Back-to-school Supplies Drive

To kick-start the new school year, we have also organised a charity drive to fund the essential back-to-school supplies (uniforms, shoes, socks and books) for students at Pangsapuri Enggang through a special sale of a limited edition t-shirt to our colleagues during our CEO Townhall last November 2018.

We have successfully collected RM9,500 in sales and the Company further supported the cause with donation of RM5,000. And we have brought smiles to 29 primary school students and 8 secondary students at Pangsapuri Enggang through this charity drive!



Leadership Programme for Underprivileged Youth

F&NHB has been partnering with Leaderonomics, a social enterprise dedicated to transforming communities through leadership development. Organised since 2015, the programme aims to nurture discipline, develop interpersonal skills, boost self-confidence and encourage teamwork among young residents of Rumah Ilham. This year, 42 children, aged between nine and 17 years old participated in a two-day, one-night leadership camp. Acting as trainers, these children applied their knowledge and skills acquired from the camp into organising leadership development programme for children from KAFA Integras Hidayatul Islamiah Kampung Baru Hicom. F&NHB has so far invested RM225,000 in the programme benefitting over 170 children who are now more confident and better prepared to contribute in a meaningful way to society.



“Some of the key elements that were emphasised on at this programme were the importance of two-way communication, self-confidence during interaction with others and keeping good eye contact with others when engaging with them. Leadership helps the participants raise their self-esteem and solve problems creatively. My friends and I are happy to have been able to impart our knowledge to the participants and hopefully, we managed to make a difference in their lives,”

16-year-old Muhd Danish who aspires to become an aircraft engineer.



Library for Children Project

The devastating flood that ravaged Thailand in 2012 caused catastrophic damage to the school library of much underfunded Wat Lin Thong school in Ang Thong province. The room, books collection and equipment were all damaged.

Through “Library for Children” project, our team in Thailand was in a mission to reinvigorate the flood- damaged library. Funds from the Company, along with donation from our employees, allowed the school to refurbish the library, install book shelves and air-conditioners, and also to purchase new sets of educational books, including science and mathematics. We also donated 4 computers, 1 printer and 1 scanner to help setup the IT corner in the library. To extend the books collection, our employees also donated books.



Students from Wat Lin Thong School can now read books in the refurbished library



660,000 THB

of financial support to refurbish the library

Temple Cleaning

F&N employees from Thailand volunteered their time to clean the interior and exterior of Khok Mayom Temple, near our Rojana factory at Ayutthaya, Thailand on July 2018, as part of our efforts in maintaining good relationship with community where we operate.



“Special Stories”

When natural disasters strike...

In November 2017, the floods in Kelantan displaced over 14,000 Malaysians and caused catastrophic damage. We took swift action and contributed RM20,000 worth of products to 7 relief centres in Kelantan, communities within Pasir Tumpat and Kuala Krai in Kelantan. While we do not currently have natural disasters as a strategic priority for our community investments, we consider it our duty to respond appropriately when the well-being of our communities have been compromised such as they were in these floods.



Reaching out to:

7 relief centres
in Keteroh, Gual Periok, Rantau Panjang, Alor Pasir and Bunut Susu.

About 2,000 families (almost 5,500 people)
Donated over **1,000 cartons** of products worth almost **RM20,000**

2) Promoting Environmental Consciousness

MALAYSIA

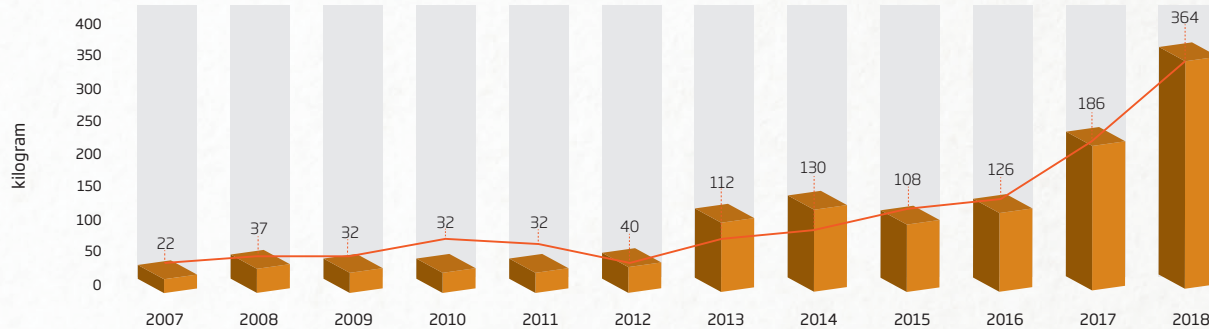
School Recycling Programmes

F&NHB has been partnering with schools across Malaysia since 2007 to educate the next generation on the importance of recycling and promote the preservation of the planet. F&NHB sponsors a recycling competition between schools nationwide, with prizes ranging from RM200 - RM1,400. Over the past year, F&N has expanded this programme to schools in Subang Jaya, Melaka Tengah, Perlis, Ampang Jaya and Petaling Jaya.

This year, F&N, together with Majlis Bandaraya Petaling Jaya (MBPJ) has introduced the "5R Adventure" programme to inculcate good recycling habits among pre-schoolers. The programme's mascot, R Boy plays an active role in encouraging the pre-schoolers to collect recyclables in a fun and interactive way.



Number of Schools Reached and Total Collection through School Recycling Programme



F&N Save Our Seas (SOS) Malaysia

Since 2011, F&NHB has been collaborating with Reef Check Malaysia, Marine Park Terengganu and DM Scuba to rehabilitate and conserve marine life, create awareness about the importance of marine conservation and responsible behaviours on the beach and towards our sea creatures and encourage proper waste disposal and recycling among communities and tourists at Redang Island. Through this programme, our team and partners have been conducting reef rehabilitation initiatives through collecting coral fragments planting them in nursery sites, then transplanting them in natural permanent sites at Paku Kecil and Terumbu Kili dive sites. Every year, our team and partners visit the reef rehabilitation sites to perform checks and maintenance on the man-made reefs. Our coral reef rehabilitation initiative has now shown promising rejuvenation with corals of different colonies on the man-made reefs.

Save Our Seas (SOS) - Thailand

At F&N Thailand, we raise environmental awareness through our employees and their families. For the past year, 30 employees and family members participated in a trip on marine conservation at Samae-San Sattahip District in Chonburi Province.

Employees and family members learned about the importance of marine conservation and were trained on making Staghorn coral frames with PVC pipes through a session with Professor Prasarn Sangpaiboon, an expert on Artificial Coral Reef Restoration.



3) Spreading Festive Cheer

Chinese New Year Celebration

F&NHB employees organised Chinese New Year celebrations with underprivileged children and senior citizens from Sarawak Hun Nam Siang Tng in Kuching, Sarawak; the Handicapped & Mentally Retarded Children Centre (Pusat Penjagaan Kanak-kanak Terencat Akal) in Kuantan, Pahang; Rumah Charis in Butterworth, Penang; and Pertubuhan Kebajikan Warga Emas & Anak Yatim Nazareth, Melaka. A total of 123 senior citizens benefitted from RM12,000 worth of donations.



“I could see how enthusiastic and passionate the F&NHB employees were in making the celebration a success. The goodie bags definitely made the residents’ day and the home’s staff have made sure to include all the various items given in each of the goodie bags.”

- Janette Teo, Operation Manager at Rumah Charis



“I am happy to be here. Not only do we get to try out different types of food and drinks in a beautiful hotel, but we also got to mingle with the friendly F&N team.”

- Hannaniah Rusmi, 13



Hari Raya Celebration

To commemorate the spirit of giving and sharing during the fasting month, F&NHB treated 80 children from Rumah Baitus Sakinah, Malaysia to a buffet at Concorde Hotel Shah Alam, and presented them with Raya goodies that include baju Melayu, baju Kurung, songkok, tudung and duit raya in the anticipation of festive celebration.





Deepavali Celebration

For the "Festival of Lights", F&NHB gifted new "Deepavali clothes" and other goodies to 68 children of Rumah Kebajikan Rita. To encourage the children to put their baking skills to the test and help generate income for the home, F&NHB also sponsored a two-tier oven to the home this year.

“I am most excited to use this oven as I can bake my favourite delicacies to share with my friends.”

Tamilselvi Bala Murugan, 14

Christmas Celebration

45 children from underprivileged backgrounds were treated to a full day of games, ice cream, and other treats at the Sunway Velocity Mall.



“Christmas gives us an opportunity to instill the spirit of sharing and caring for the community. This Christmas activity brought together underprivileged children from across three homes, and it was all about encouraging them to get out, socialise, and have fun. Spreading joy and laughter is the essence of Christmas, and this was the best way to spread the festive spirit.”

- Karen Tan, F&NHB Head of Communications & Corporate Affairs

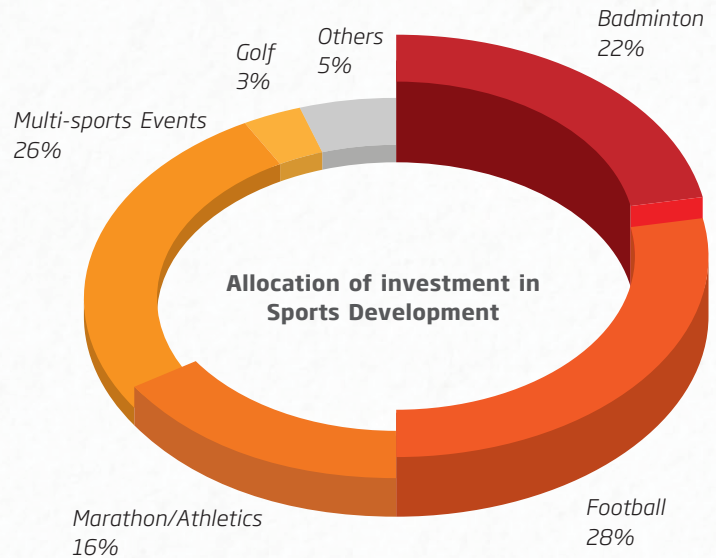
4) Promoting Healthy Lifestyles & Nutrition

100PLUS has a long and proud tradition of supporting youth development through sports and promoting active lifestyles to the community.

We believe that sport has an important role in all societies and a powerful tool to support nation-building. Besides improving health for all ages, sport can cut barriers, making it a powerful tool to promote social integration and foster tolerance within communities.

Access to and participation in sport is especially vital to youth development as it teaches core values such as co-operation and respect, as well as instill discipline and confidence. Thus, 100PLUS is passionate in supporting schools and grassroots programmes to nurture future generation of champions.

In 2018, we continued our commitment with the following initiatives:



Grassroot Development in Badminton

We have been supporting the Badminton Association of Malaysia (BAM) in organising the 100PLUS National Junior Circuit, a premier youth development competition to motivate young and rising players to excel in the game, as top players eventually progress to become future national stars. Majority of the current national players, including Tan Wee Kiong, Goh V Shem, Chan Peng Soon, Goh Liu Ying and Goh Jin Wei competed in the 100PLUS National Junior Circuit during their junior days.

Since 2003, 100PLUS is the official partner for all BAM events and activities, including the Malaysian Open and Malaysian Masters.

Grassroot Football Programmes

100PLUS sponsors the Ministry of Education-organised League known as Liga Kementerian Pendidikan Malaysia (KPM) since 2011. The Football League encourages children from different parts of Malaysia to develop their football skills.



Nurturing Golf Champions

As a proud sponsor of Malaysia Junior Golf Open since 2011, we promote golfing among children and support talent development from the amateur to professional level. In partnership with the Malaysian Golf Association, this annual event attracts players from across Southeast Asia.

Empowering Women in Sports

To support women's sports, F&NHB also sponsored the 2018 Asian Football Confederation (AFC) Women's Football Day. While the annual event has been organised since 2014, this year included an initiative to showcase women in football across Asia called the "It's My Game" campaign.



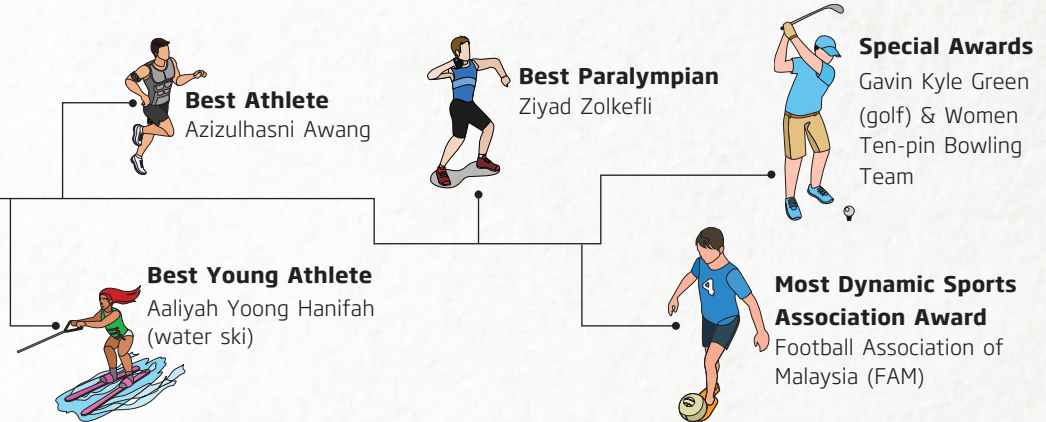
Official Partner for the National Sports Council

F&N provided 100PLUS Active sachets to the National Sports Council for Malaysian athletes competing abroad.

A proud advocate of local sports development, we recognise our local sports personalities through the annual Sportswriters Association of Malaysia (SAM)-100PLUS Awards and we have been the main sponsor of this award 2006.



Winners of SAM-100PLUS Awards 2017



Supporting Local Sports Scene

100PLUS continued its proud tradition in youth development by continuing to sponsor the 19th edition of the Sukan Malaysia or SUKMA in Perak this year. The 19th SUKMA events included a total of 427 events across 12 districts and garnered the participation of 8,000 athletes and 4,000 officials and volunteers.

Official Partner for KL Sports City

As part of our long-standing support towards local sports scene, 100PLUS is the official beverage partner for the iconic Kuala Lumpur Sports City (KLSC). A 1,400-metre long 100PLUS-themed cycling track has been created around the National Stadium to encourage active lifestyle.



Regional Sports Contribution

100PLUS is also the proud regional sponsor of AFF Suzuki Cup 2018, the most watched football tournament in Southeast Asia.

Special Stories

Aktifkan Malaysiaku - 100PLUS Day

In an effort to encourage active living among Malaysians, 100PLUS brought along a series of "100PLUS Day" across major cities in Malaysia, including Johor Bahru, Kuala Terengganu and Sungai Petani, leading up to the grand finale that was held in Bukit Jalil, Kuala Lumpur on 3rd December 2017. "100PLUS Day" covered a series of fun activities, including a 5km Inflatable Obstacle Fun Run, Zumba sessions and the audition in search for local talent to join the 100PLUS ambassadors in a game challenge during the grand finale in Bukit Jalil.

More than 14,000 Malaysians participated in the 100PLUS Day at Johor Bahru, Kuala Terengganu, Sungai Petani and Bukit Jalil

54



Official partners for more than
1,000 sports events this year

Sponsored more than
100 sports day this year

HEALTH & NUTRITION

Beyond safeguarding our consumers' safety while consuming our products, we are also committed towards developing products and initiatives that promote their health and nutrition. The F&N Nutrition Charter guides us in product development, marketing communication, and initiatives to advocate healthy lifestyles. This Nutrition Charter outline our principles and commitment to develop products that are not only great in taste, but also healthy for consumers of different age groups, in line with our brand promise of "Pure Enjoyment, Pure Goodness".

Towards Healthier Options

Our commitment towards developing healthy and nutritious products is expressed in our focus on R&D efforts to innovate healthier options for our consumers, see section on 'Consumer Health & Safety' (see pages 79-82). In FY2018, we have continued to reduce sugar content in our products (see page 81).

Spreading Nutritional Awareness

All F&N products are labelled and advertised responsibly (see page 83) to promote healthy choices. We also have conducted other initiatives to spread nutritional awareness in addition to our regular marketing and communication.

Promoting an Active Lifestyle

We believe that an active lifestyle can make a great contribution to a well-balanced life. Our approach focuses on supporting professional athletes in their skill development and competition, and organising active lifestyle events for the general public. We have shared many highlights in the 'Creating Value for Society' section of this report (see pages 52-54).



Bear Brand collaborated with Thai Red Cross Society during blood donation drives from January through February 2018. The objective of this initiative was to spread awareness about the nutritional importance of folate, especially to women. Folate is not only important for pregnant women, it also helps in red blood cell formation. During this exercise, a total of 55,000 servings of Bear Brand Sterilised Milk Hi Folate were handed out.

Managing Our Impacts & Conducting Our Business in a Responsible Manner

Material Issues

- M03 Sustainable Sourcing
- M06 Occupational Health & Safety
- M07 Consumer Health & Safety
- M09 Product & Service Labelling
- M11 Water Stewardship
- M12 Effluents & Waste
- M13 Energy & Climate Change
- M14 Route Planning
- M15 Packaging

Contributing to SDGs



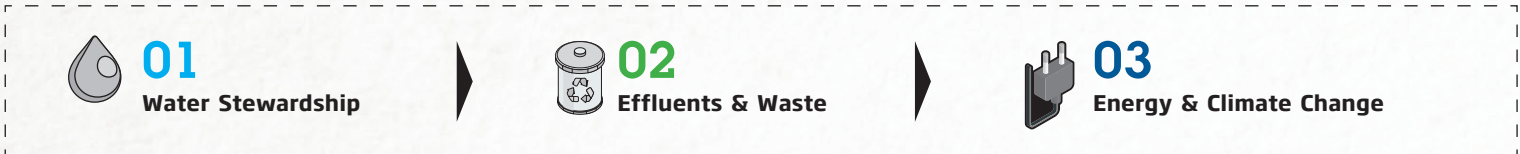
To grow sustainably, we must ensure that our products are not only safe, tastier and healthier, but are also friendly to the environment. Our employees are constantly seeking innovative approaches to manage our energy and water consumption. Reducing waste is one of our top priorities; we strive to reduce, reuse and recycle wherever possible along our value chain.

Recognising that post-consumption waste is an important issue in the areas in which we operate, we are continuously in search of solutions to tackle packaging waste. We are also committed to working with our suppliers to implement environmental and social good practice. The top priority in how we conduct our business is the safety of our employees and consumers; we aim to go a step beyond legal requirements and promote well-being through positive interventions.



ECO-EFFICIENCY

In the previous part of this report we described many of the ways in which we deliver economic and social value. This part of the report sets out the main ways in which F&NHB ensure sustainable value creation by minimising environmental impact associated with our operations. As part of our materiality assessment, we have identified three main issues in relation to our eco-efficiency efforts:



We implement environmentally sustainable business practices in alignment with F&NHB's core values, and employees are guided by our Environmental Policy at all times.

Our Environmental Policy

All of our operations in Malaysia and Thailand are guided by the following principles, to:

- Provide senior management support and resources to drive our environmental agenda.
- Comply with applicable environmental legislation and regulation and other requirements that we subscribe to.
- Continually enhance our environmental performance and standards.
- Use natural resources wisely and adopt best practices in our daily operations.
- Continuously improve our processes to reduce water & energy consumption and minimise waste.
- Prevent air, water and other pollution, and dispose of waste safely and responsibly.

Our employees, business partners and stakeholder groups are all aware of our Environmental Policy and have given their support for our goals. To ensure that our policies are valid and up to date, they are reviewed regularly.

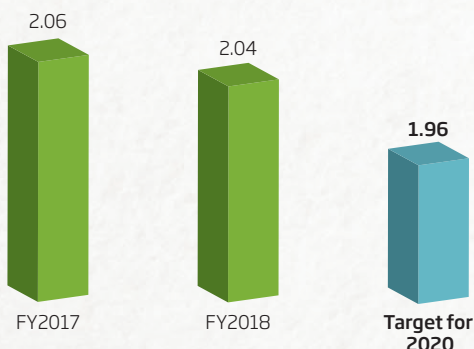
In the following pages we will explain our targets, management approach and performance for each of our eco-efficiency areas of focus: water stewardship; effluents & waste; and energy & climate change. We will show that eco-efficiency is not just about reducing the environmental impacts of our operations, it also often makes good business sense for F&NHB.

WATER STEWARDSHIP

GRI 303-1, GRI 303-3

Target: To reduce the water ratio at our plants by 5% from 2017 by 2020.

Progress in 2018: Water ratio in 2018 has reduced by 1% from 2017.






Our Approach

Many regions in both Thailand and Malaysia have faced floods in recent years, and the effects of climate change are likely to exacerbate such problems in the future. All life is dependent on accessible and safe water supplies, and F&NHB has a duty to manage our water use accordingly to safeguard availability for local communities.

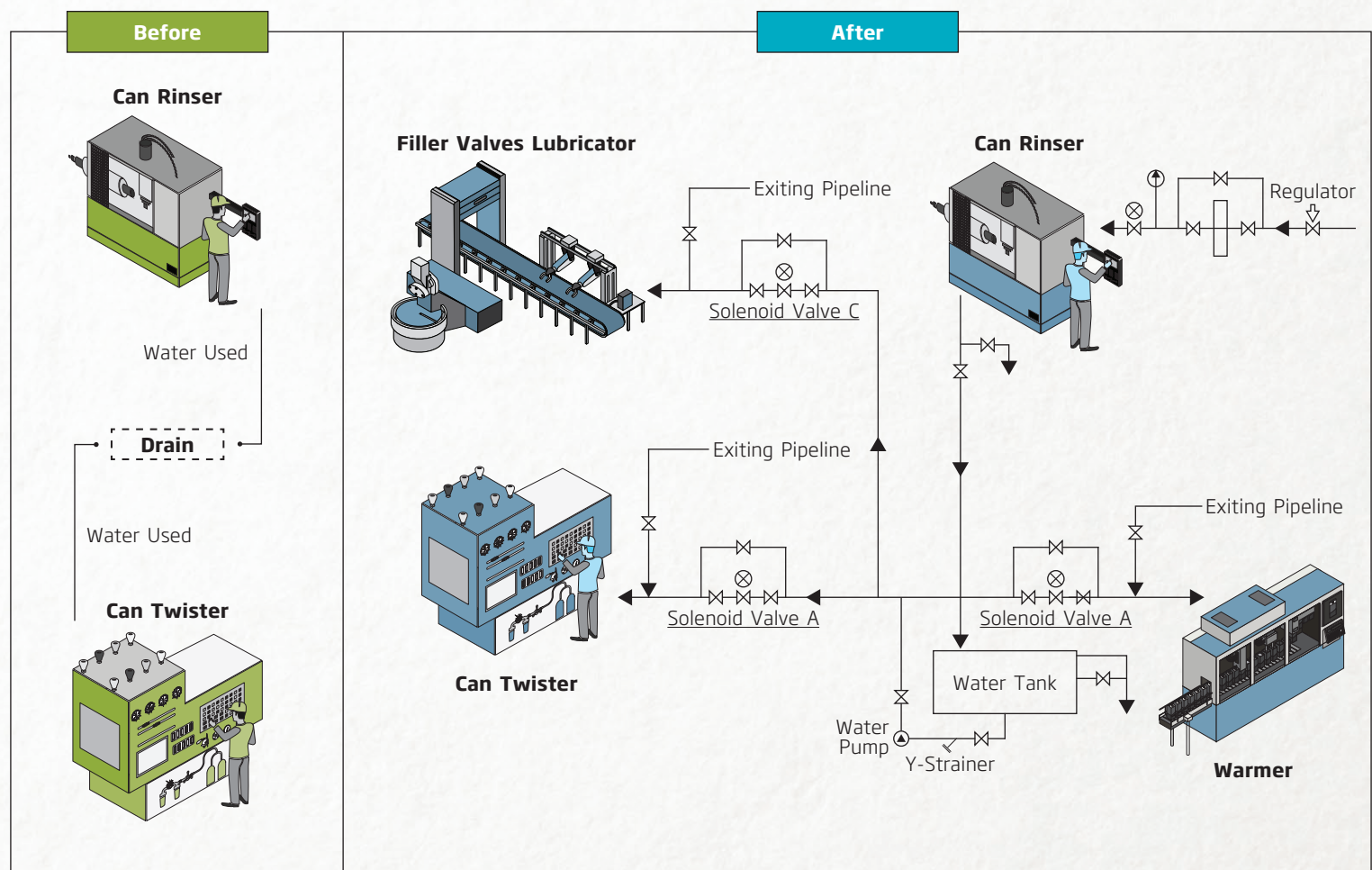
Within the guidance of our Environmental Policy, our integrated approach to responsible water stewardship includes: efficiency measures; the safe return of wastewater from our operations; and mitigating risk in water supply. It also includes responsible sourcing of raw materials, which is described in a later chapter.

Water is a fundamental element of our products, and our business is dependent on a reliable water supply. A lack of effective water management can therefore have serious financial implications, as such water risk is a topic that is regularly monitored as part of our Enterprise Risk Management. We have a range of water assessment and action policies that are applied across our facilities. This includes: daily monitoring of consumption; the recovery of effluent water using ultrafiltration; and the collection and use of rainwater.

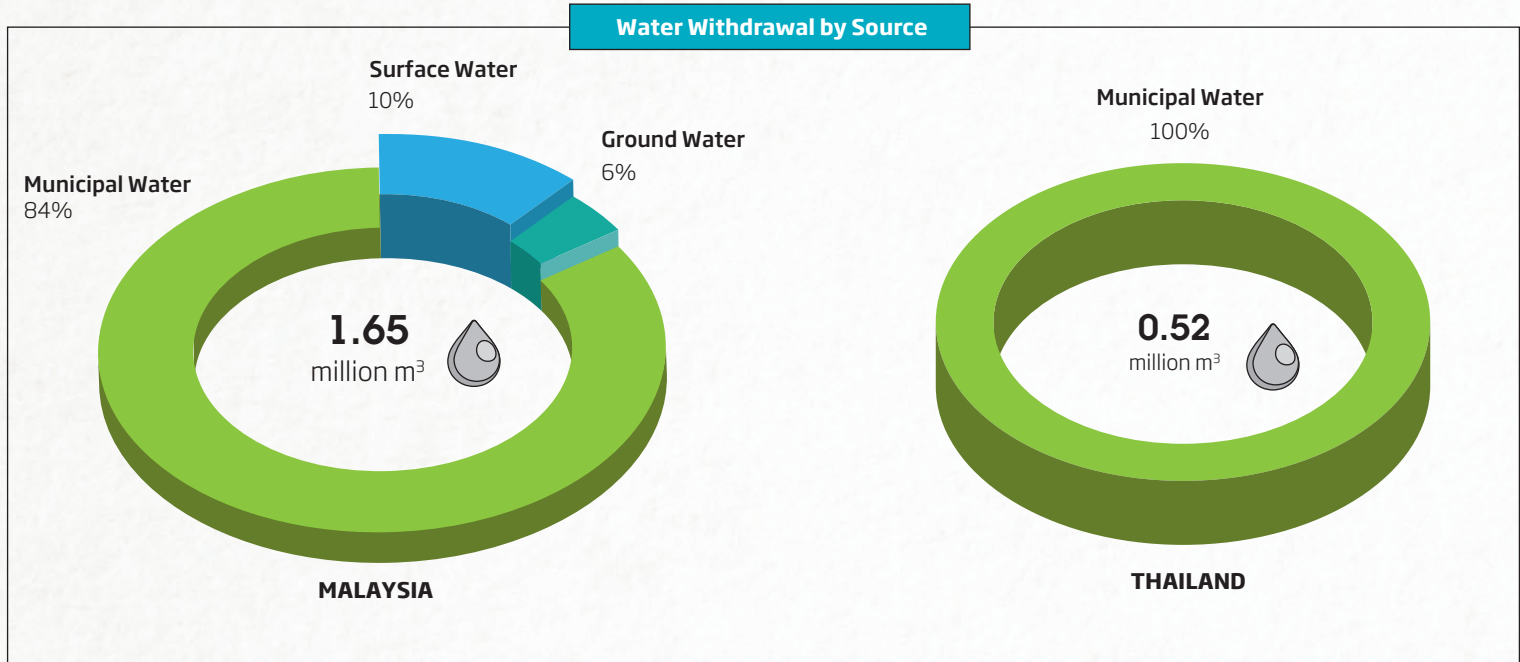
We take every opportunity and approach to reduce water consumption and meet our 2020 water intensity target and are carrying out various projects and initiatives to achieve this.

<p>Can Rinsers Water Recovery - Shah Alam Plant</p> 	<p>F&N has identified that water consumption can be reduced during the can warmer procedure in the production phase and this can be achieved through recovering water usage from the can rinsers and twister phase. Previously, water from the can rinsers and can twister phase are drained out after it has been used in this process. A water recovery system has since been installed and implemented to reuse water from the can rinsers and twister phase so that it can be reused in the can warming phase, hence reducing water consumption and costs significantly.</p>	<p>Water Reduction: 35,458.56 m³/year Cost Savings: RM80,845.52/year</p>
<p>Condensate Recovery Project - Shah Alam Plant</p> 	<p>Steam loss during the production phase is an area where we can reduce water consumption, most notably in the pasteurisation phase through steam trap replacement and appropriate piping system. Steam header automatic valves have also been installed at various points to reduce steam loss. This initiative has contributed significantly to water consumption reduction targets and cost savings.</p>	<p>Water Reduction: 14,755 m³/year Cost Savings: RM33,644.60/year</p>
<p>Rain Harvesting System</p> 	<p>F&N will soon be implementing a rainwater harvesting system to extract rain water that can be used to reinforce the process cooling tower and evaporative condenser (EVC). This will allow F&N to significantly reduce municipal water consumption.</p>	<p>We have just started the project. Achievements will be shared in our next Sustainability Report.</p>

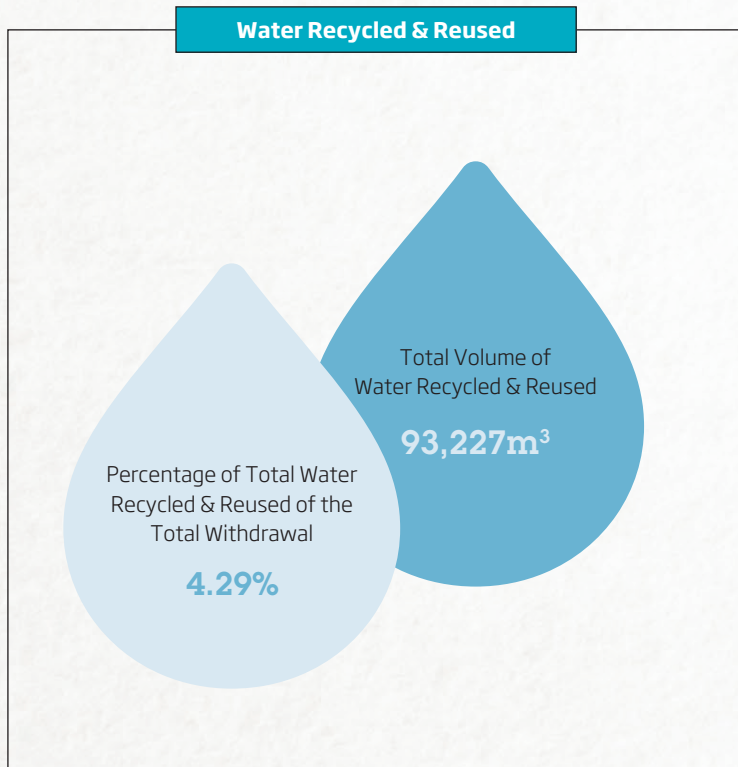
Can Rinsers Water Recovery



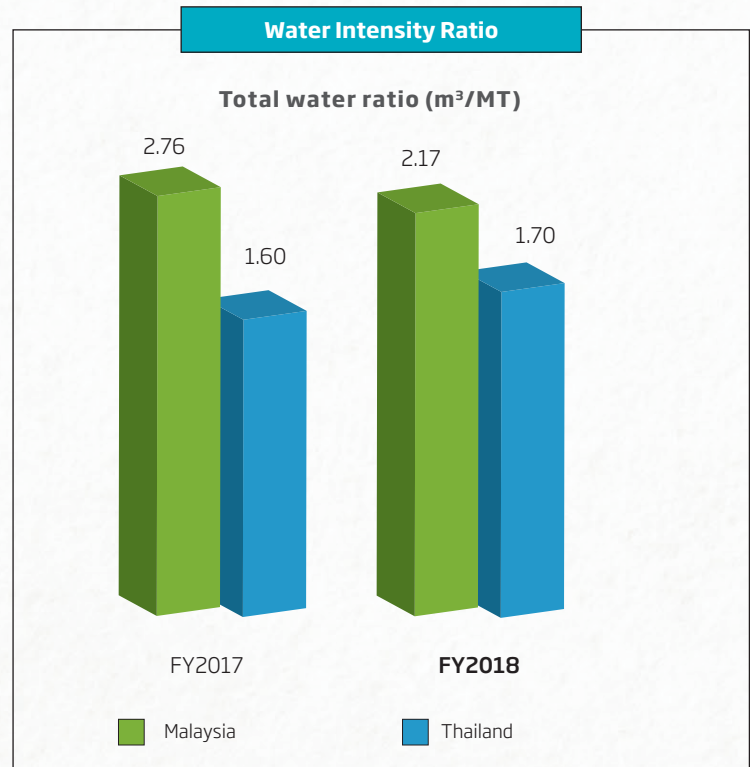
Our Performance Highlights



GRI 303-1: Water Withdrawal by Source



GRI 303-3: Water Recycled & Reused



Notes:

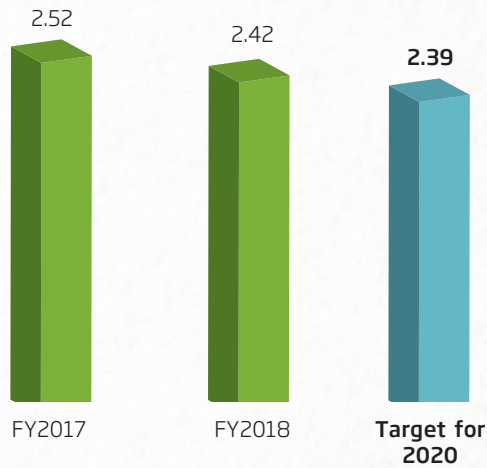
1. Water intensity ratio is calculated based on the total amount of water withdrawal (in cubic meter, m³) per metric tonne of product (MT).
2. Water withdrawal (Surface water, Ground water and Municipal water) is measured through the use of a meter.
3. Refer to the section on Performance Summary for the volume of rainwater collected directly and stored by F&N.

EFFLUENTS & WASTE

GRI 306-1

Target: To reduce solid waste intensity by 5% from 2017 to 2020.

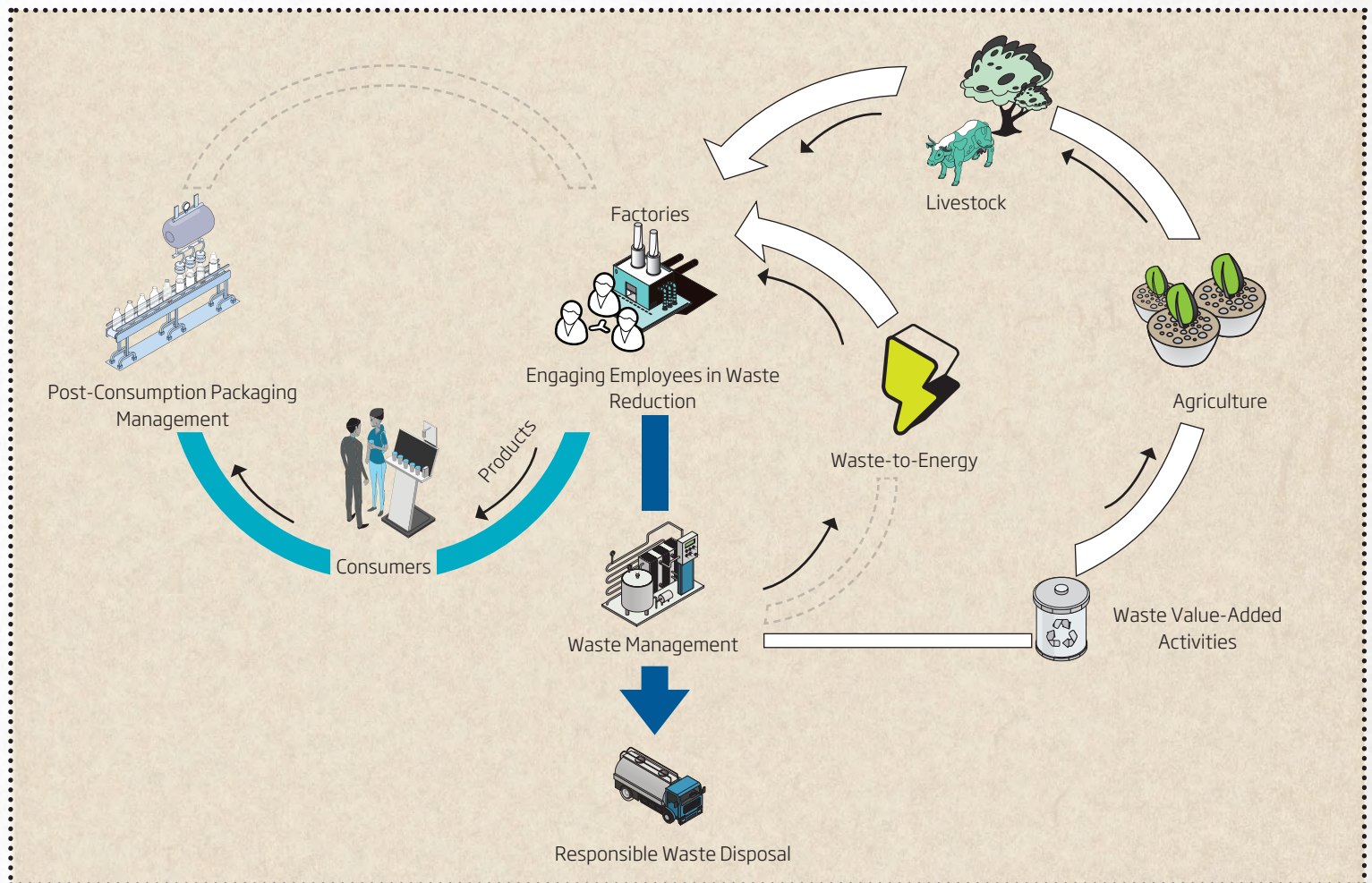
Progress in 2018: Solid waste intensity in 2018 has reduced by 4% from 2017.



Our Approach

The food & beverage manufacturing process involves the generation of liquid wastes (effluents) and solid waste, but there are also numerous ways to avoid and recycle waste. We continuously strive to reduce solid waste and wastewater from operations, and this means complying with and going beyond relevant regulations.

Under the guidance of our Environment Policy and the 5R philosophy, we are committed to reduce, reuse, recycle, rethink and reinvent. F&NHB adopts a “circular economy” framework in its operations (see diagram below), and we are exploring opportunities in waste-to-energy conversion and post-consumption packaging management to regenerate materials and energy as part of a closed loop system.



Using 3R in Managing our Waste

We are committed to meeting our waste reduction targets by 2020 and the company has been implementing best practice at all our operating sites. This includes: leveraging innovation to use less material, improving production processes to reduce waste production; and expand opportunities to turn waste into value-add products.

Our dairy manufacturing plants in Thailand and Malaysia are leading the way in our commitment towards zero effluents and solid waste. One way we do this is by converting industrial sludge from production into organic fertiliser, which is then distributed to local farmers.

Wastewater from our industrial effluent treatment plant in Malaysia is treated and reused (for cleaning, toilet flushing, utilities and other functional purposes). Rejected water from our Thai water treatment plant and boiler is transferred to a pond for watering of grass and plants. Okara waste from soy extraction at our beverages production are converted into animal feed.

Engaging Employees towards our 'Green' Ambition

We believe that the culture of zero discharge, zero waste and zero landfill, starts from each individual. As such, we also organise activities to enhance environmental awareness and 3R - Reduce, Reuse and Recycle behaviour among our employees through communication platforms and recycling programmes.

Waste to Wealth Campaign

F&N Dairies Manufacturing Plant in Pulau Indah has been steadily reducing its solid waste generation over the past 5 years. In 2018, a 'Waste to Wealth Campaign' was launched to drive towards Zero Waste by 2020, focusing on the importance of recycling waste at the workplace. This campaign emphasises that all employees can contribute and play a vital role in waste reduction.

A mini exhibition was set up to display how non-hazardous waste generated from our production process can be recycled and generated into new products. The display included organic fertilisers (dairy sludge), carton boxes that were recycled and reused for packaging purposes, and metal plates made from recycled F&N metal cans. These innovative solutions were available for employees to observe and build understanding.

Recycling bins, compost bins and general waste bins were placed at all operating sites and are accessible by all employees, including clear illustrations on how to categorise and segregate each waste type. Resulting from this campaign, our plant in Pulau Indah has achieved 100% recycling rate of its solid waste this year, effectively become the first manufacturing facility within F&N Group to achieve zero waste (non-hazardous waste). With the success of this campaign, we are now emulating similar programmes towards zero waste in other production sites.





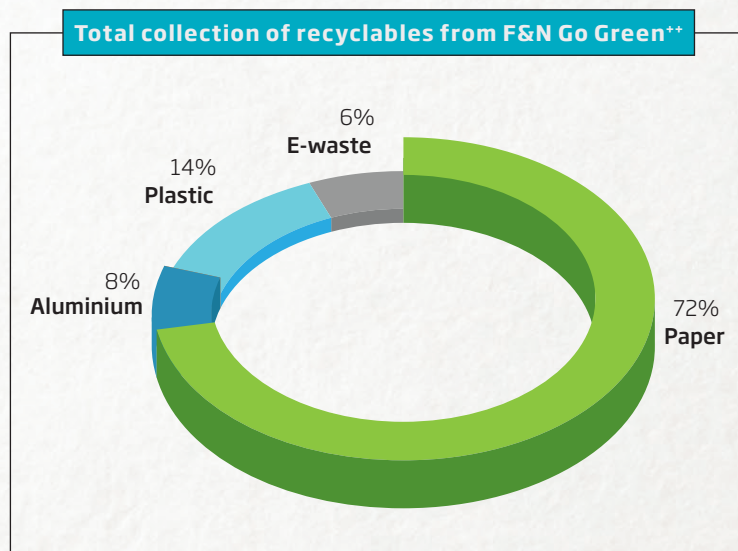
F&N Go Green Programme

Following the success of the recycling campaign with schools, F&N Go Green++, a nation-wide employee recycling programme was organised in Malaysia this year to generate greater awareness of applying the 5R philosophy among employees. F&N Go Green++ Champions and sub-committee were appointed at each of our office and plant location and played an important role of leading the initiative and motivating employees to collect recyclable items at their respective locations.

As part of the programme, F&N Green Carnivals were organised at 5 locations during July and August 2018. The activities for the carnival were designed to enhance 5R awareness amongst employees as well as share the Sustainability journey of F&NHB in a fun way. The information and activities in the Green Carnival include:

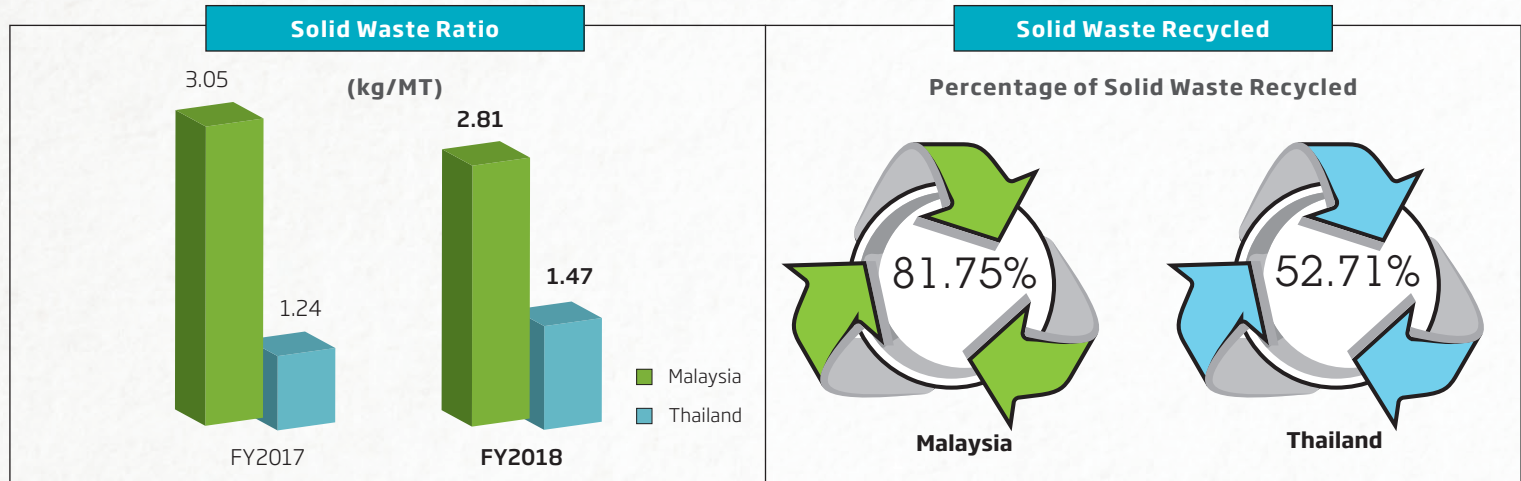
- Recycling tetra packaging by Tetra Pak Malaysia
- Recycling industrial waste into useful materials by KPT
- Showcase of fabric products such as scarves and towels made from recycled PET bottles
- The company's sustainability commitments and initiatives
- Upcycling workshop using milk cartons
- Placed fabric collection bins at KL, Shah Alam and Pulau Indah offices in collaboration with KLOTH Malaysia

The enthusiasm from our people was overwhelming and we are proud to have collected more than 75,000 kilograms of recyclables (an average of 39 kilograms per employee) throughout the 6-month programme. We have also seen a significant increase in employees' knowledge on 5R philosophy and proper recycling.



Our Performance Highlights

We have a target to reduce solid waste intensity by 5% from 2017 to 2020 and have already achieved 4% reduction this year compared to 2017 driven by the successful 'Waste to Wealth' programme. We also aim to increase the proportion of solid waste recycled.



Notes:

1. Solid waste intensity ratio is calculated based on the total amount of waste generated (in kilogram, kg) per metric tonne of product (MT).
2. Solid waste recycled is the percentage of waste generated that was sent for recycling.
3. The total volume of planned and unplanned water discharges are not reused by another organisation.
4. The data for solid waste refers to only industrial waste from manufacturing.

GRI 306-1: Water Discharge by Quality and Destination

Overall total volume of water discharged by destination (m ³)			
	River	Wastewater treatment system of industrial estate	TOTAL
Malaysia	1,106,055	13,952	1,120,007
Thailand	-	263,407	263,407

Overall total volume of water discharged by quality (m ³)				
	Chemical oxygen demand (COD) (mg/L) ¹	Biological oxygen demand (BOD) (mg/L) ²	Total suspended solids (TSS) (mg/L) ³	TOTAL
Malaysia	107.03	25.74	60.56	193.33
Thailand	81.00	13.50	38.00	132.50

Notes:

1. The data for Malaysia excludes our two water plants in Matang and Bentong as they do not have Waste Water Treatment Plant and they are unable to measure the water discharged.
2. The data for Thailand excludes our one dairy plant in Rojana as they do not have Waste Water Treatment Plant and they are unable to measure the water discharged.

[1] COD is the measure of the amount of oxygen required to oxidise soluble and particulate organic matter in water. It provides an index to assess the effect discharged water would have on the receiving environment. Higher COD levels mean a greater amount of oxidisable organic matter which will reduce dissolved oxygen (DO) levels. Low DO levels are harmful to higher aquatic life forms.

[2] BOD is the amount of DO bacteria will consume to break down organic material present in a given water sample at certain temperature over a specific time period. As with the COD, the higher the BOD, the less able the water body is to support healthy aquatic life.

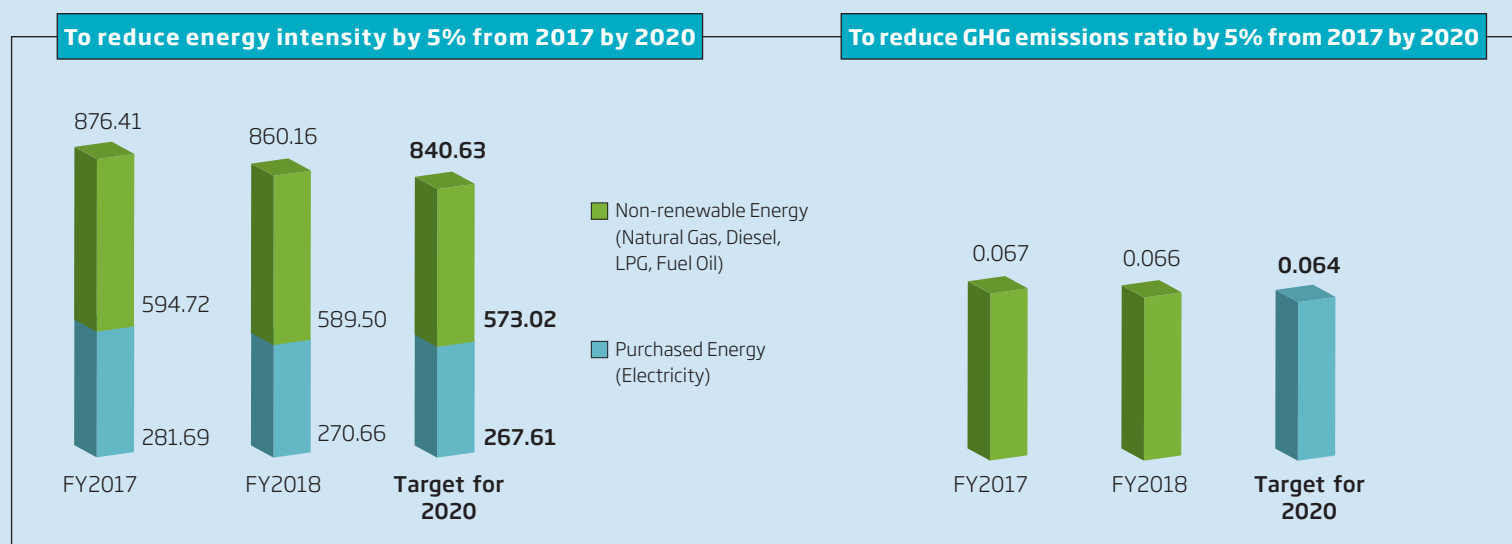
[3] TSS is the dry-weight of particles trapped by a filter. It is a water quality parameter used to assess the quality of wastewater after treatment in a wastewater treatment plant.

ENERGY & CLIMATE CHANGE

GRI 302-1, GRI 302-3
GRI 305-1, GRI 305-2, GRI 305-4

Our Targets:

Recognising climate change as a significant global challenge of the 21st century, F&NHB is committed to reduce our energy consumption and GHG emissions intensity as one of the main priorities in our 2020 Vision. We also have a responsibility to help minimise carbon footprints across our value chain, ranging from manufacturing, packaging, storage and logistics, to end use and disposal.



Our Approach

Malaysia’s government has targeted a 45% reduction in GHG intensity by 2030 from a 2005 baseline, and Thailand has a reduction target of 30% by 2036 from a 2010 baseline. As a key producer in both markets, F&NHB is committed to support the governments’ targets and we have set an initial goal to reduce our energy intensity by 5% between 2017 and 2020.

Our energy and climate change related activities can be broken down into four priority areas. The first three relate to minimising our own impacts, and the final one relates to how we are adapting to climate change risks:

01

Energy efficiency in our operations

02

Renewable energy sourcing & generation

03

Reducing carbon in our value chain

04

Operations’ exposure to climate change risk

Energy efficiency in our operations

Improving energy efficiency in our operations makes business sense just as much as it helps to reduce our environmental impacts. We have a range of initiatives including: technical solutions for our buildings and equipment (for example timers, LED lighting); process solutions to eradicate wasted energy (for example heat recovery from boilers); and behavioural solutions to reinforce a culture of good practice throughout our workforce (for example daily monitoring of energy consumption):

UHT Tubular Heat Exchanger Water Recovery Project - Shah Alam

This project aims to reduce both energy (natural gas) and water consumption. We installed a condensate tank connected to tubular heat exchanger tanks in which water would ordinarily be drained after usage. With the condensate tank installed, used water is redirected towards the boiler water tank for other purposes, reducing natural gas and water usage.

Energy Saving:
RM4,048
mmbtu/year

Cost Savings:
RM108,046/year

Energy Reduction Project - Pulau Indah

Our Pulau Indah plant embarked on an energy reduction project to reduce the consumption of natural gas and electricity.

- Variable Speed Drive was installed for sugar silo blower motor and cooling tower fan motor.
- Waste heat was recovered using economiser and heat exchanger.
- Steam was condensated from evaporator to channel boiler feedwater.



Energy intensity ratio at Pulau Indah reduced by
6%

Replacing fluorescent and highbay light - Rojana

Our plant in Rojana will soon implement this project to reduce electricity by replacing the current lighting fixture to energy efficiency lighting, which are fluorescent lighting to LED light and highbay lighting to LED highbay.

Energy Saving:
3,242,72 GJ/
year

Cost Savings:
900,000 THB/
year

Renewable energy sourcing and generation

Energy efficiency can make a significant contribution, but we recognise that in order to decouple our activities from GHG emissions, we must transition from hydrocarbon-based energy to renewable energy. We have begun to do this and are making moves to source more of our electricity from low-carbon and renewable sources. Further to this, we are also exploring options to generate our own renewable energy at our sites.

**Solar Energy
- Pulau Indah**

A proposal to install a solar PV system at our Pulau Indah site which will provide an alternative source of energy for our operations is being evaluated. If approved, the site's roof area of 25,000m² will be used to provide a capacity of 3,000kWh generating system which will enable F&N to significantly reduce energy consumption from the grid and utilise renewable energy for its operations.

System Capacity:
3MW_p (3,000 kWh)

Cost Savings:
RM1,515,000/year

Reducing carbon in our value chain



As we make improvements to our own operations through energy efficiency and renewable energy use, the natural next step is to share best practice and encourage improvement along our full value chain. We are still at the beginning of these efforts, but understand that it is essential to support our business partners to reduce their own GHG emission impacts. Further details of our approach to reducing emissions related to transportation are detailed under "Route Planning" section.

Operations' exposure to climate change risk

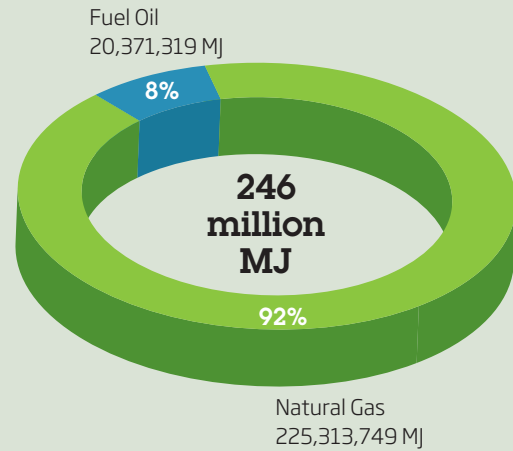
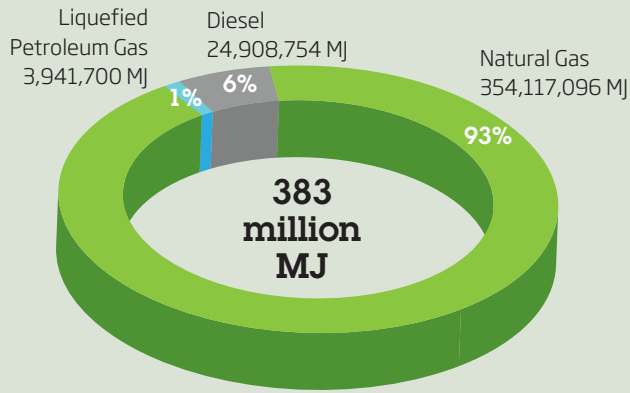


F&NHB's operations and supply chain face increasing impacts from climate change. This includes impacts from rising sea levels, extreme temperatures, farming shortages and water availability. We must be resilient to climate change risks. Climate change risks are monitored and managed as part of our Enterprise Risk Management process, which is under the responsibility of the Sustainability and Risk Management Board Committee. Identified climate change related risks include flooding and mineral water sourcing and contamination. To manage these risks, we work closely with state authorities and local councils that monitor climate change risks. We also have robust incident escalation procedures and response plans in place as part of our BCM.

Our Performance Highlights

GRI 302-1: Energy Consumption within the Organisation

Fuel consumption from non-renewable fuel source



- Natural Gas
- Diesel
- Liquefied Petroleum Gas
- Fuel Oil

Malaysia



Thailand



Malaysia

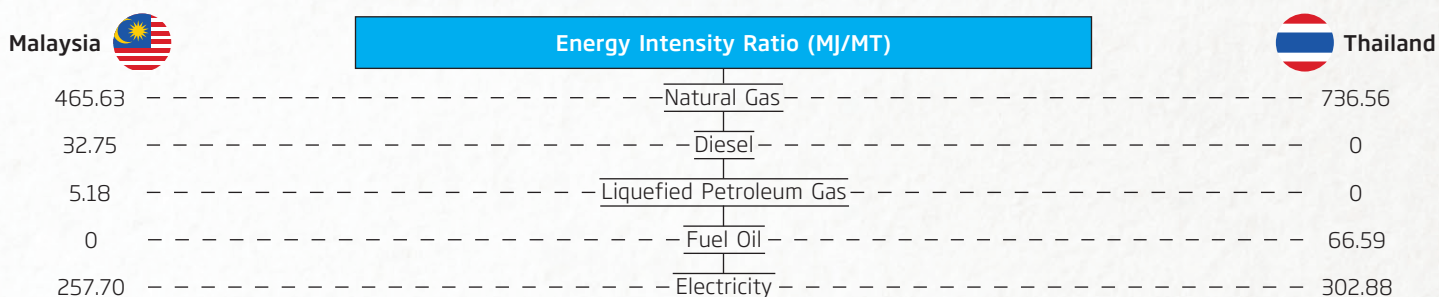


Purchased Energy (Electricity)

Thailand



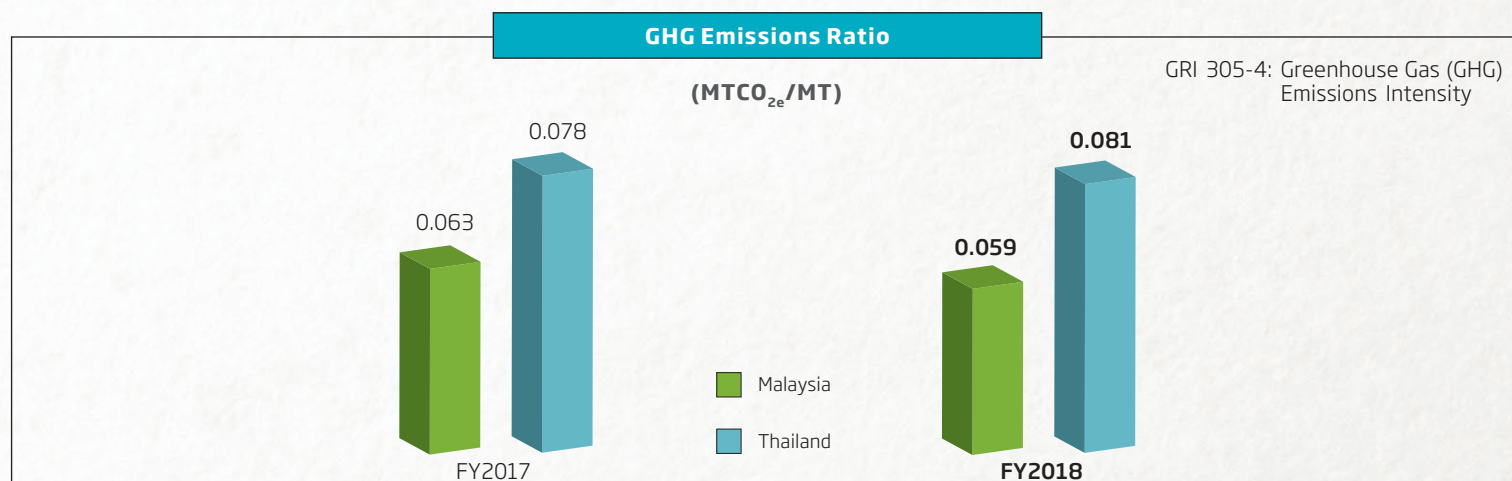
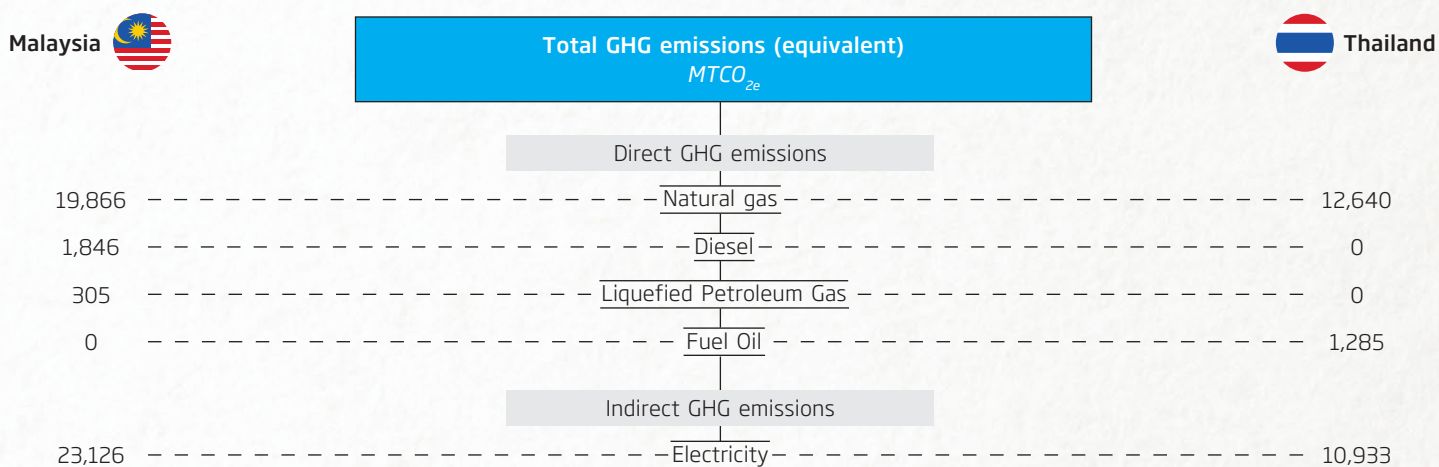
GRI 302-3: Energy Intensity



Notes:

1. Energy intensity ratio is calculated based on the total amount of energy consumed (in megajoule, MJ) per metric tonne of product.
2. The Energy intensity ratio is for energy consumed within F&N only.

GRI 305-1: Direct (Scope 1) GHG Emissions (CO_{2e}) | GRI 305-2: Energy Indirect (Scope 2) GHG Emissions (CO_{2e})



Notes:

1. Data for FY2018 using the same reporting scope as that of the base year FY2017.
2. The greenhouse gas emissions were calculated from carbon dioxide and then converted into carbon dioxide equivalent per metric tonne of product, following the Global Warming Potentials (GWP).
3. GHG emissions intensity ratio is calculated based on the total amount of CO₂ generated (in metric tonne, MT) per metric tonne of product.

RESPONSIBLE SUPPLY CHAIN

As a market-leading food & beverage company, we constantly work with our business partners, suppliers and vendors to deliver mutually sustainable solutions that create long lasting value. We also lead by example, encouraging others to improve in order to achieve best environmental and social practice throughout our supply chain.

The following three chapters demonstrate some of the ways we work with and ensure our business partners, suppliers and vendors abide by the same principles of sustainability that we do:

01 Sustainable Sourcing

02 Packaging

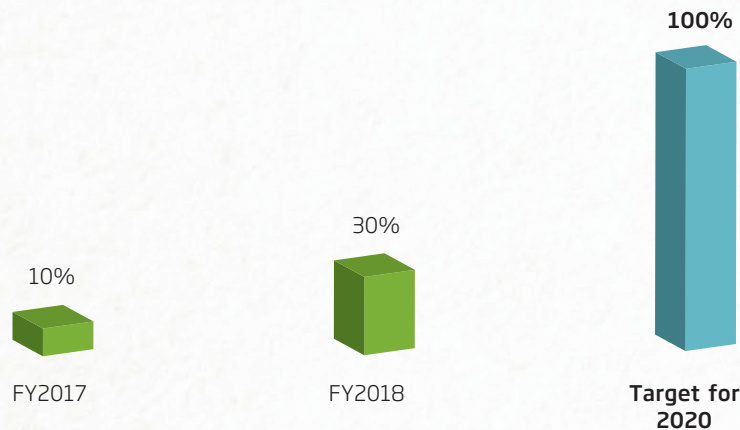
03 Route Planning

SUSTAINABLE SOURCING

GRI 204-1

Target: To purchase 100% of RSPO credits for palm oil usage by 2020.

Progress in 2018: Purchased about 30% of RSPO credits for our palm oil usage.



Our Approach

Irresponsible oil palm cultivation has caused - and continues to cause - deforestation, displacing animals and people from their land with irreparable impact to biodiversity and eco-system in those areas.

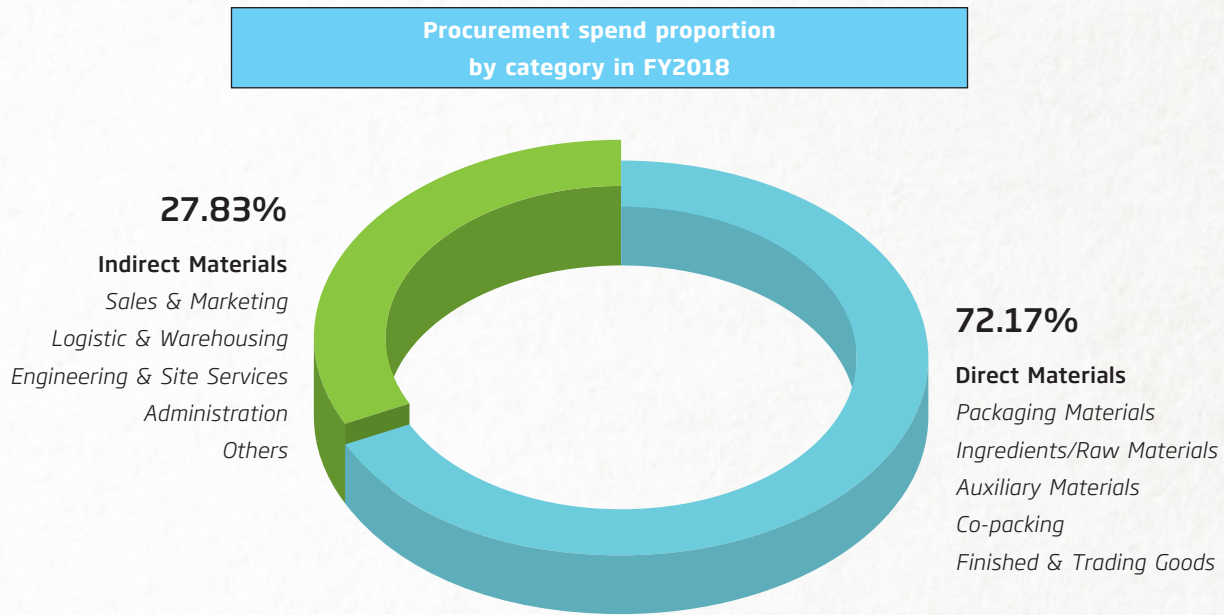
We understand that our actions and business practices pertaining to the sourcing of sustainable palm oil play a significant part in safeguarding a sustainable environment for the well-being of society. We therefore wish to reiterate our commitment to using Certified Sustainable Palm Oil (CSPO) in our products and have embarked on this journey by becoming an ordinary member of RSPO on 14 August 2017.

We promote sustainable and responsible procurement and sourcing via risks management and conscientious supplier selection by pre-qualifying new vendor with a checklist on environmental and ethical/responsible sourcing aspects, which also include anti-child labor policy. Our procurement policies in Malaysia and Thailand guide us in selecting the best quality goods and services that do not compromise sustainability principles. These policies also help us establish and maintain credibility and mutual trust with our suppliers.



Our Procurement Policy covers standard principles of ethical business practice. While we have a business imperative to obtain goods and services at the best price in a timely manner, this is done only through means that adhere with guidelines and principles of fair play and transparency.

Supplier Categories



Addressing Risks in our Supply Chain

Heightened costs and decreased availability of raw materials pose commercial risks. We undertake risk assessments on our suppliers' pricing and capacity to deliver goods and services. For key risks, we have established Business Continuity Plans to proactively ensure product supply.

We conduct annual supplier audits to ensure compliance with food safety regulations and standards as well as assess the quality, safety and environmental performance of critical suppliers. Non-compliant or underperforming suppliers must demonstrate they are committed to taking the necessary corrective actions within a predefined period, or risk penalty or/and having their contracts terminated.

Recognising that procurement of raw materials is linked to environmental and social issues such as water resource management and human rights, the Group assess the environmental performance of our raw material and primary packaging suppliers annually by verifying if they have: (i) implemented an environmental policy; (ii) undertaken audits to monitor their environmental performance and compliance; and (iii) maintain an ISO 14001 compliant environmental management system.

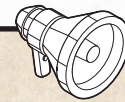
We assess a range of quality assurance and food security criteria to safeguard the health of consumers and the safety of workers in our supply chain. Such criteria include the implementation and monitoring of good manufacturing processes, use of protective clothing, food safety management system, and chemical management.

Enhancing Supplier Productivity

Our approach to leveraging the partnerships we have with suppliers to improve our sustainability performance is two-fold. Firstly, we ensure that suppliers who have had incidents of non-compliance are encouraged to take corrective actions and are appropriately communicated to about possible avenues to improve their sustainability performance. Secondly, we also take initiatives to further enhance supplier productivity for those who have already reached minimum standards.

Through our supplier productivity enhancement programme, we have been building capacity for local milk farmers in Thailand and are in the process of expanding this programme to Malaysia.

Since 2013, we have been collaborating with local milk farmers in the cooperatives who provide us with milk supply. We introduce new technologies and equipment to the farmers like milk machine tester and automatic jet cleaning milking machines that help them to increase their productivity and improve milk quality. Working closely with the cooperatives, we have also organised seminars and produced quarterly educational newsletters for the farmers. In 2016, we have also trained the farmers to plant napier grass which improves the quality of cow's milk by enhancing its fat, solids and protein content.



Highlights

- Sponsored **10** milking tester machines to **10** milk cooperatives, helping

3,500 farmers in improving milk quality

- Sponsored **2,500** sets of automatic jet cleaning milking machines to **10** milk cooperatives, benefitting **2,500** farmers

- Organised quarterly seminars for farmers from

16 milk cooperatives

0 incident of non-compliance with food safety regulations and standards.

GRI 416-2: Incidents of Non-Compliance concerning the Health and Safety Impacts of Products and Services

With the success of this collaboration in Thailand, we have now initiated plans to develop a similar programme in Malaysia. This year, in Malaysia, we have signed a Memorandum of Understanding (MOU) with Koperasi Pegawai-Pegawai MARDI Berhad (KoMARDI), a government agency under the Ministry of Agriculture and Agro-based Industry Malaysia to apply F&NHB's business expertise and strength in manufacturing technology with KoMARDI's production potential to together produce sustainable milk. F&NHB will purchase KoMARDI's total production of fresh milk.

Our Performance Highlights

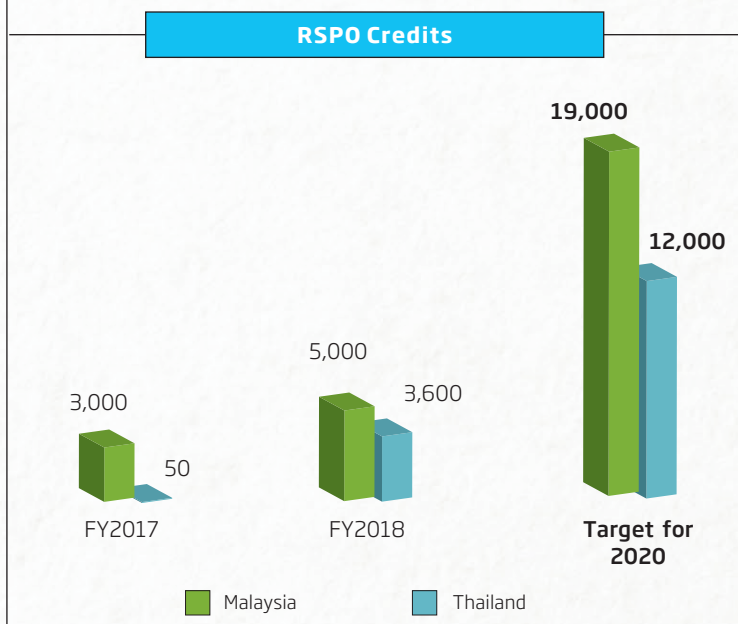
Eco-credentials

We source materials that are certified by eco-credentials, such as the Forest Stewardship Council (FSC), to ensure that they are produced in an environmentally, economically, and socially responsible manner. All paper products used in the tetra packaging of our chilled beverages carries the certification.

We have a roadmap to purchase RSPO credits for 100% of our palm oil usage in 2020. This year we have reached our interim target and purchased a total of 8,600 credits, representing about 30% of our palm oil usage.

The Roundtable on Sustainable Palm Oil (RSPO) issues credits that act as proof that one tonne of certified palm oil was produced by an RSPO-certified company or independent producer and has entered the global palm oil supply chain. F&NHB purchases RSPO Credits to support the production of certified sustainable palm oil.

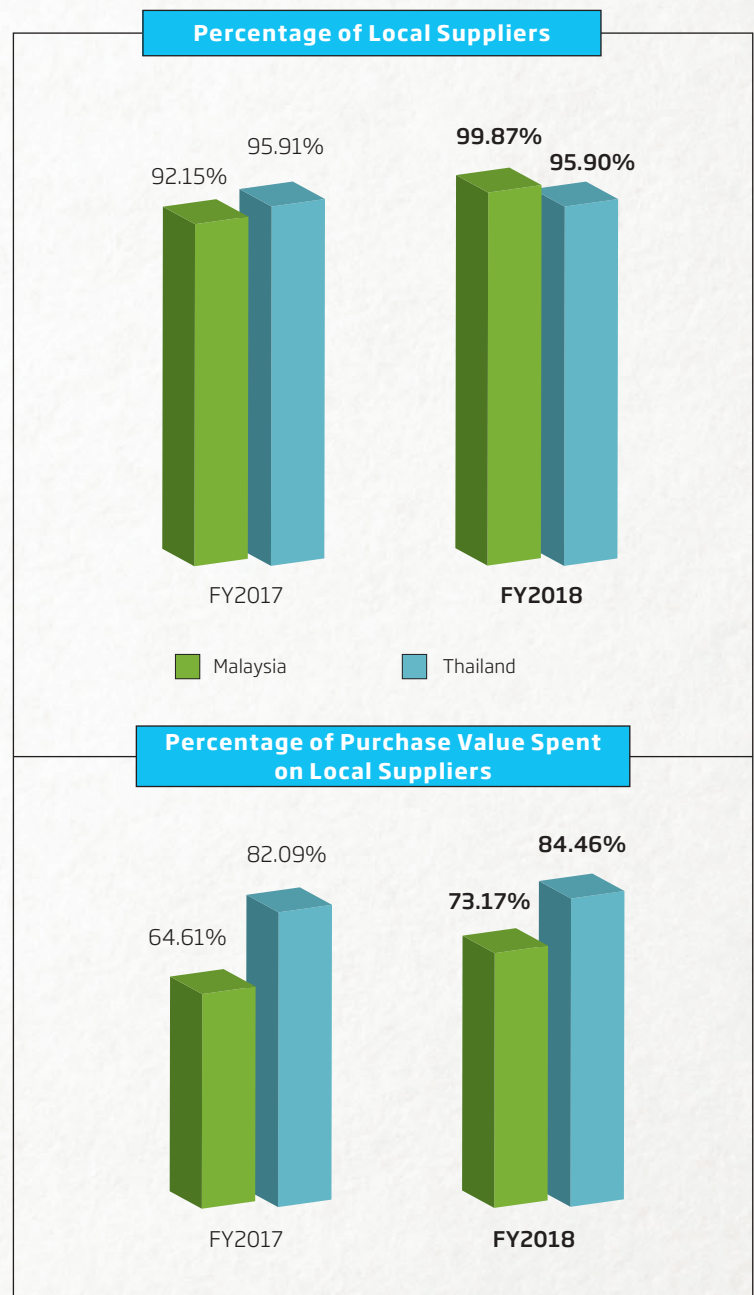
5,000 RSPO Credits bought in Malaysia in FY2018
3,600 RSPO Credits bought in Thailand in FY2018



Local Suppliers

F&NHB engages with local suppliers where possible to support the local economy and minimise environmental impacts from transportation. More than 98% of our suppliers are local and more than 77% of our purchase value spent are on local suppliers.

GRI 204-1: Proportion of Spending on Local Suppliers



Note:

1. Local suppliers refer to a group of suppliers who operate their business in the country where as F&NHB's operation is located, which are in Malaysia, Brunei, Thailand and IndoChina.

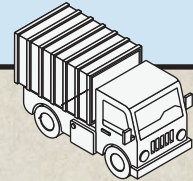
ROUTE PLANNING

Optimal route planning can help us to reduce time and costs as well as carbon footprint. We have therefore made efforts to streamline our distribution networks over the past few years.

Our Malaysia operations made significant progress during the year by switching from single-deck truck to double-decker trucks. We have also increased the product load per truck deck from 22 pallets to 26 pallets. We are now able to move more goods per trip and reduce the number of trips, at the same time achieving savings on logistics costs and improving stock movement efficiency. To date, the cost savings achieved are estimated about RM420,000 and total loads reduction are about 700 loads.

We have also implemented a Vehicle Management System in our Malaysia operations to improve the efficiency and safety of our fleet management. This allows for monitoring of the daily truck usage which will help us to further optimise our routes by leveraging the data collected to achieve greater emissions reduction in the future.

F&NHB has made more than RM500 million of capital investments since 2014 on new lines and warehouses across our production facilities in various location. This decentralisation strategy also mean that our manufacturing and warehouse operations are closer together, resulting in shorter routes to market and lower carbon emissions from logistics.



Cost savings :
RM420,000

Loads reduction :
700 loads



Double-decker trucks

PACKAGING

We strive to ensure our packaging protects the integrity of the contents and it is user and eco-friendly on top of fulfilling the visual and functional aspects to our consumers. There is much scope for innovation in packaging, which we have been exploring over the years. This has helped us maintain a healthy packaging ratio, namely volume of packaging material used as a measure of quantity of product.

There is increasing stakeholder awareness of the importance of environmentally-friendly packaging, especially in relation to plastics. The Group will continue to focus on innovation to increase the recyclability of the primary and secondary packaging used in our products.

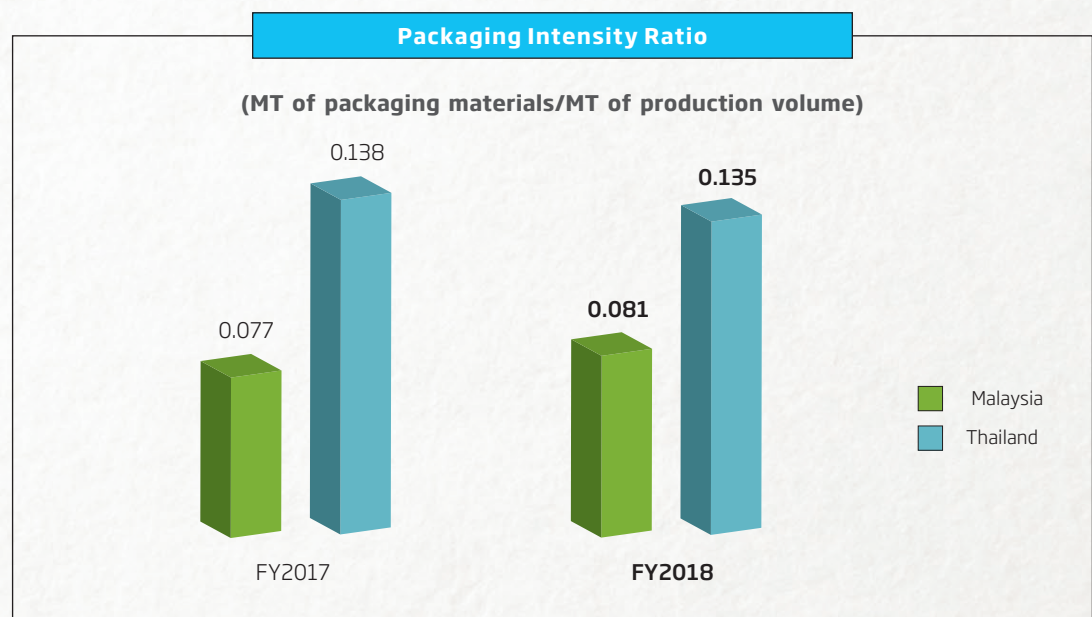
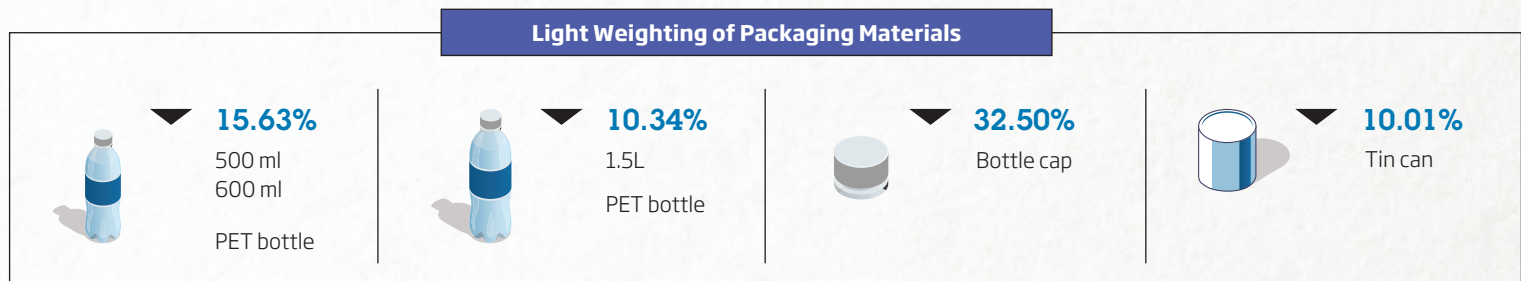
Our Approach

We have a two-pronged approach to reduce the environmental impacts of our packaging: first, by improving the environmental performance of our packaging, and second, by regularly seeking and evaluating new innovations and technology in packaging materials and processes.

This year, we have launched a new Aseptic Cold-Filling Line at our plant in Shah Alam, which currently produces 100PLUS ACTIVE, F&N SEASONS and OYOSHI products. This new line uses advanced technology that enables lesser usage of PET resin packaging material by 40 per cent. In addition, the products have a longer shelf life, which leads to less waste.

Through our sustained efforts, we continue to leverage on innovation and technological advancement to reduce the weight of our packaging.

- Our beverage plants in Malaysia have reduced the weight of PET bottles (500ml, 600ml and 1.5L) and water cap, and this has helped to save material usage by about 70 MT this year.
- Our dairy plant in Malaysia has reduced tin material usage by about 166 MT this year.



Notes:

1. Packaging intensity ratio is calculated based on the total amount of packaging material used (in metric tonne, MT) per metric tonne of product.
2. Thailand produces more single serve packaging which has a higher ratio of packaging used per tonne of product compared to Malaysia.

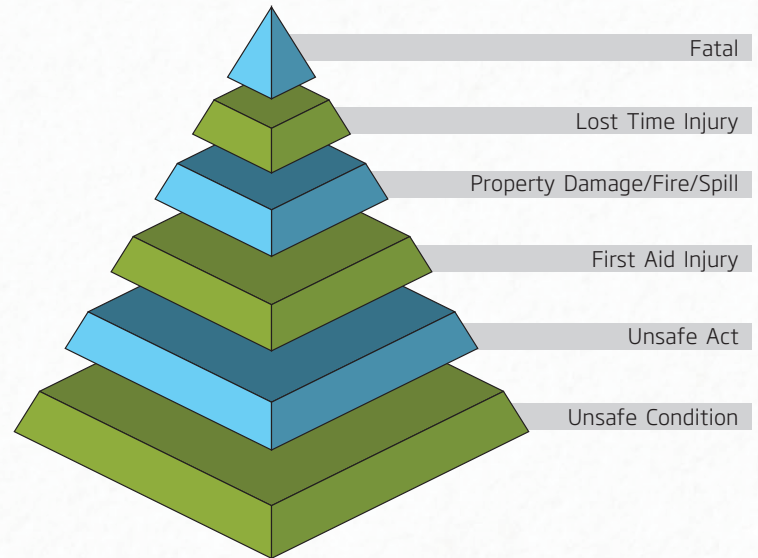
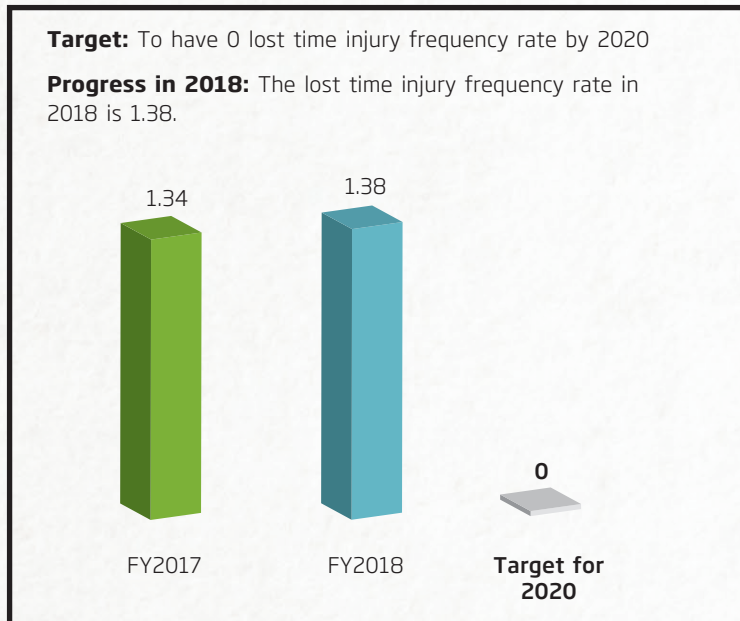
SAFETY & WELL-BEING

The safety of our employees and consumers is core to our relentless pursuit of sustainable value creation.

At F&NHB, our holistic approach encompasses creating a proactive safety culture and healthy workforce; embodying our brand promise of “Pure Enjoyment, Pure Goodness” through product safety and nutrition; as well as enabling consumers to make informed purchasing choices through accurate and appropriate labeling and responsible marketing.

OCCUPATIONAL HEALTH & SAFETY

GRI 403-2



Job Safety Pyramid

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Our Health and Safety Management plan complies with relevant laws and regulations in the country where we operate, supported by appropriate policies and programmes to safeguard the health and safety of our employees and contractors at all times.

Our Approach

We believe that working as a team is the best way to achieve our aim of zero lost days due to accidents. We cultivate a proactive ‘safety first’ culture for employees, so they are aware of their responsibilities for both themselves and their colleagues. This includes advocating a healthy lifestyle for our employees through awareness of a nutritious diet, physical activity and stress reduction measures.

Creating a Safety Culture

F&NHB has established safety, health, and environment (SHE) systems and monitoring processes across our operations. Beyond compliance with national regulations, our safety practices adhere to International standards including ISO 14001 and OHSAS 18001. All employees receive adequate training, information and instruction, as well as proper safety gear wherever appropriate.

On the ground, we have Company Emergency Response Teams (CERT), who are trained to mobilise and ensure the safety of our employees. Safety Committees oversee our safety systems and programmes to ensure their effectiveness. Safety Committees across our operations meet every month to discuss accidents and near-misses and determine appropriate actions to reduce risks. They also conduct audits on our SHE systems, develop annual safety plans, and initiate programmes to increase awareness of health and safety issues among employees.

Healthy Workforce

Our Health Risk Assessment Committee is staffed with trained personnel who can comprehensively review areas where employees may be exposed to health risks. Here, we focus on ensuring an environment conducive to employee wellbeing and incentivise healthy habits. Our work environment is enhanced with ergonomic facilities to prevent office-related injuries and includes shower facilities to help employees integrate physical activity into their daily work life. Employees have free access to company-organised events such as badminton tournaments and zumba classes.

Air quality, brightness, temperature and noise levels are monitored in all of our facilities. In April 2018, we provided audiometric tests for all at-risk workers, with follow-up doctor consultations where impairments were identified.

In 2018, our employees attended a total of 5,049 hours of safety training, 895 employees participated in at least one safety training activity. Training topics included:

- Fire Prevention and Safety
- Chemical and Gas Handling Management
- First Aid Training and CPR
- Forklift Driver Certification
- Scheduled Waste
- Confined Space
- Electrical Safety

In both Malaysia and Thailand, we organised regular activities to engage our employees more frequently on safety topics. Some of these activities included safety, health and environment awareness week, a SHE Drama activity, an internal ISO 45001 audit and training, and some guest lectures from the Ministry of Health and the Department of Environmental. In Thailand, there is also a monthly newsletter sent to employees about health & safety issues.



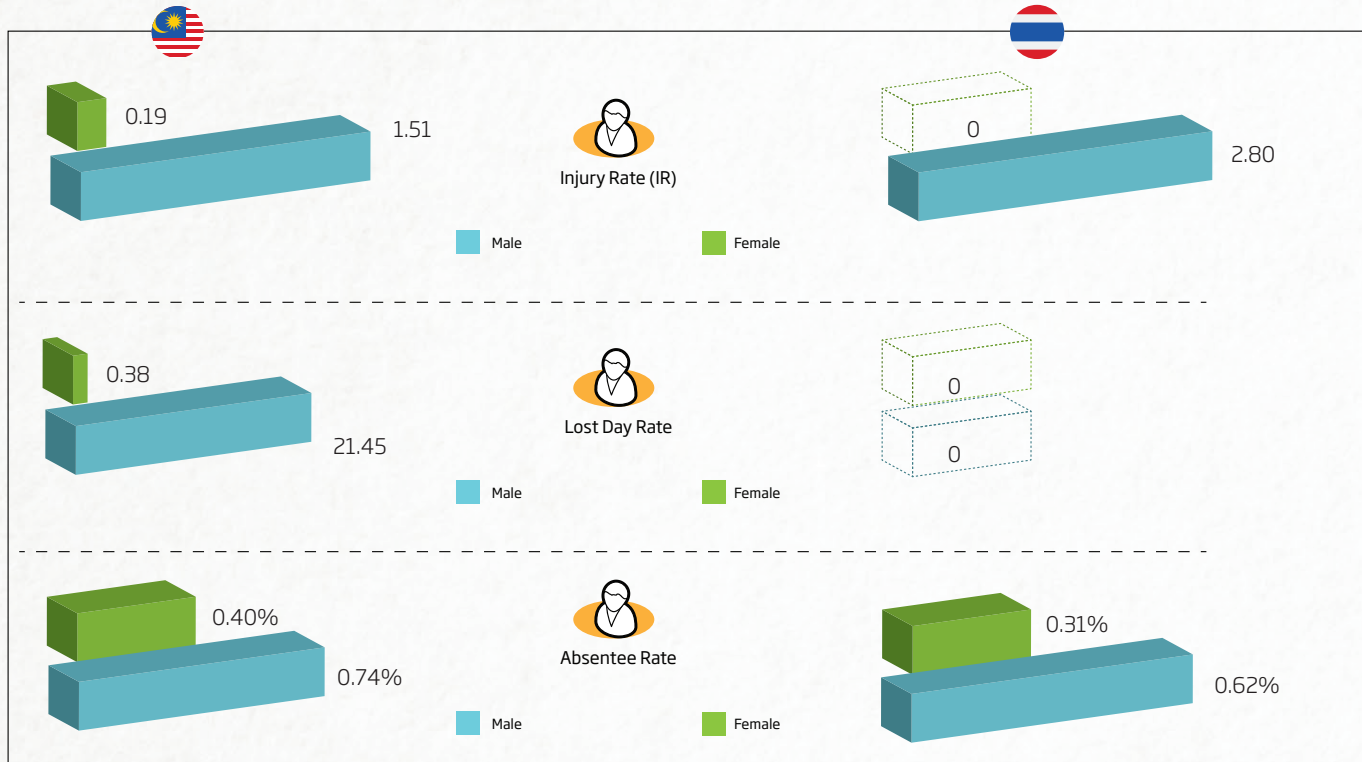
Safety, Health and Environment Exhibition



ISO 45001 - Awareness/Internal Audit

Our Performance Highlights

GRI 403-2: Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender



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	Malaysia	Thailand
Injury Rate (IR)	1.69	2.80
Occupational Diseases Rate (ODR)	0	0
Absentee Rate	1.23%	1.08%
Lost Day Rate (LDR)	21.83	0
Work-related Fatalities	0	0

We also maintained:

0
occupational diseases rate

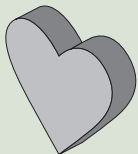
0
work-related fatality

Notes:

1. Injury rate is calculated by number of workplace accident reported/number of man-hours worked * 1,000,000.
2. Types of injury, with a breakdown by region and gender have not been disclosed as we need to standardise the types of injury across the Group to be able to disclose the figures accurately the following year.
3. Occupational disease rate is calculated by number of occupational disease reported/number of man-hours worked * 1,000,000.
4. Lost day rate is calculated by number of man-days lost to workplace accidents/number of man-hours worked * 1,000,000.
5. Absentee rate is calculated by number of absentee days/number of man-days worked.

CONSUMER HEALTH & SAFETY

GRI 416-1, GRI 416-2



Target:
We will offer at least one healthier choice option in all our product categories by 2020.

Progress in 2018:
We offer at least one healthier choice option in 75% of our product categories.

9 out of 12 product categories



Product safety and quality are of paramount importance to F&NHB, and we live by our brand promise: “Pure Enjoyment, Pure Goodness”. We place emphasis on producing, marketing and selling our brands responsibly, and enable consumers to make informed purchasing choices. We consistently maintain the highest standards so that customers have full confidence when purchasing our products.

Our Approach

Quality & Safety

Our 135 years of success are built on mutual trust by our customers, and we are committed to enhancing their future wellbeing. This requires a holistic approach to safety across the life cycle of our products. In previous chapters. We have described how consumer health & safety is a key part our R&D; and how our food safety assurance cycle requires suppliers’ pre-qualification in previous .chapters.

In our own operations, we adhere to all health and safety regulations applicable to the food and beverage industry in the markets where we operate. All F&N products are manufactured under stringent international quality and food safety standards. Our plants are certified with FSSC 22000,

ISO 22000 and HACCP Food Safety management systems and all stages of our production processes are subjected to rigorous quality control procedures.

Other certifications include Quality Management System ISO 9001, Accredited Laboratory and Good Manufacturing Practice, Customer health and safety matters are regularly reviewed by the Sustainability & Risk Management Board Committee to ensure we maintain the highest standards in our food safety and quality.

Our plants have been certified under various systems:

<p>Malaysia </p> <ul style="list-style-type: none"> • FSSC 22000 Food Safety System Certification • ISO 9001:2015 Quality Management System • ISO 22000:2005 Food Safety Management System • ISO/IEC 17025:2005 Accredited Laboratory • ISO/TS 22002-1: 2009 Prerequisite Programme on Food Safety • MS 1480:2007 Food Safety According to Hazard Analysis and Critical Control Point (HACCP) System • Good Manufacturing Practice (GMP) • Halal Certification • ISO 14001:2004 Environmental Management System • Occupational Health and Safety Management System OHSAS 18001: 2007 • Veterinary Health Mark (VHM) Certification Scheme 	<p>Thailand </p> <ul style="list-style-type: none"> • ISO 22000:2005 Food Safety Management System • Hazard Analysis and Critical Control Point (HACCP) • Good Manufacturing Practice (GMP) • Food Safety System Certification 22000: 2010 • Halal Certification • ISO 14001: 2015 Environmental Management System • Occupational Health and Safety 18001: 2007 • ISO/IEC 17025 Laboratory Accreditation • Green Industry Level 4 • Labour Relations and Welfare Certificate 2013 - 2018
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Halal Assurance

All our products are halal certified by the Department of Islamic Development Malaysia, and other relevant authorised certification bodies. An internal Halal Committee is set up in each of our manufacturing plants and is responsible for halal compliance in our supply chain, from materials selection and purchasing, to the storage, warehousing, and transportation of our products. During the year, we have held 17 workshop sessions involving 773 employees in order to raise awareness about halal. Key responsible employees have also attended a series of professional training sessions related to halal internal audit and assurance. We also prohibit non-halal food and drinks within factory premises including the office and canteen.

Nutrition

We have a Nutrition Charter which outlines our principles and commitment to health and nutrition. The charter guides all aspects of our product development, marketing and initiatives to advocate healthy lifestyles. We live by our "Pure Enjoyment. Pure Goodness" philosophy, and this means that we provide a wide choice of nutritious products in an assortment of delicious flavours. Our philosophy means innovating constantly to satisfy changing consumer preferences. For example, OYOSHI tea products are brewed from high quality organic tea leaves; our soya bean milk beverages are made with first grade Non-GMO (genetically modified organisms) soy beans; and none of our products sold in Malaysia and Thailand contain Partially Hydrogenated Oils ('trans fatty acids').

We also look for opportunities to spread awareness on nutrition with other partners. For example, Bear Brand collaborated with Thai Red Cross Society during blood donation drives in early 2018. The objective of this initiative was to spread awareness about the nutritional importance of folate, especially to women. Folate is not only important for pregnant women, it also helps in red blood cell formation. During this exercise, a total of 55,000 servings of Bear Brand Sterilised Milk High Folate were handed out.

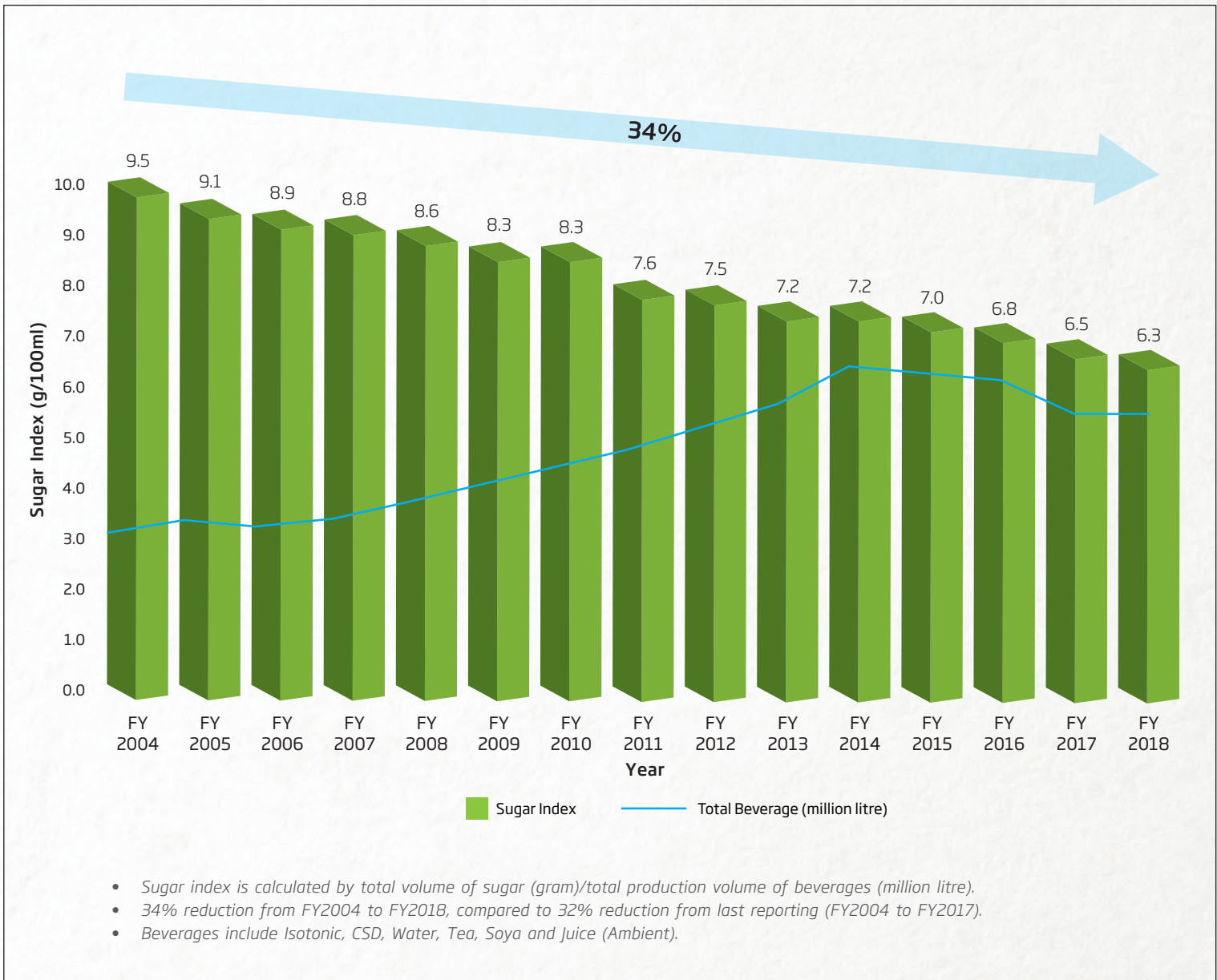
Healthier Option

We put much emphasis on developing healthier products, such as by adding vitamins and minerals to boost products' nutritional value. Many of our products in both Malaysia and Thailand carry the 'Healthier Choice' logo.

<p>Products with Malaysia's 'Healthier Choice'</p> <ul style="list-style-type: none"> • 100PLUS Full Range <ul style="list-style-type: none"> - Original - Reduced Sugar - ACTIVE - Lemon Lime - Blackcurrant - Berry - Orange • FARMHOUSE Fresh Milk • F&N Magnolia Lo-Fat Hi-Cal Milk • OYOSHI Green Tea • F&N SEASONS Chrysanthemum • F&N ICE MOUNTAIN Drinking Water • F&N ICE MOUNTAIN Mineral Water 		<p>Products with Thailand's 'Healthier Choice'</p> <ul style="list-style-type: none"> • F&N Magnolia Pasteurised Milk Full Fat • F&N Magnolia Pasteurised Milk Low Fat • F&N Magnolia Plus Gingko Plain Flavour • Bear Brand Sterilised Milk Non-Fat • Bear Brand Sterilised Milk Regular • Bear Brand Sterilised Milk Low Fat • Bear Brand Sterilised Milk High Folate
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Consumers are becoming more informed of the possible health effects associated with excessive sugar consumption, and in response we are decreasing our sugar index (the amount of sugar contained per millilitres of all our beverages).

Sugar Index: Total Beverages



F&N ICE MOUNTAIN Drinking Water undergoes a world class purification process which consists of a three-tier filtration, followed by ultraviolet treatment, reverse osmosis and finally an ultra-shield process. To preserve the water purity, each bottle and cap goes through five decontamination steps to produce the ultimate clean drinking water.

Our Performance Highlights

GRI 416-1, GRI 416-2

In FY2018, F&NHB maintained our health and safety standards, and to the best of our knowledge there were no significant incidents of non-compliance with regulations resulting in a fine, penalty or warning.

Percentage of significant product categories for which health and safety impacts are assessed for improvement by country (%)



100%

Malaysia



100%

Thailand

We are making good progress towards having at least one healthier choice in each product category by 2020; there are currently healthier options in nine out of 12 product categories. And we will continue to innovate our products and continue our progress to achieve our 2020 target.



75%

9 out of 12 product categories have healthier choice option



PRODUCT & SERVICE LABELLING

GRI 417-1, GRI 417-2

Our packaging and labelling are the primary method through which we communicate information to consumers about our products’ quality, nutrition, safety and disposal. It is therefore essential that our labelling is comprehensive and clear, allowing our busy customers to make fully informed purchasing decisions.

Our Approach

Our labelling adheres to the Food Act in Malaysia and requirements of the Food and Drug Administration in Thailand. But we go beyond mandatory requirements, and for all products we provide information on: ingredients; sourcing; energy per serving size; recommended daily allowances (RDA) of the different nutritional components; expiry dates; and nutrition tips,

All information disclosed on our labels is subject to a review process involving a range of internal experts including our R&D and Scientific & Regulatory Affairs teams, plus dietician advice. Labels are then sent to government authorities for verification and endorsement.

In order to make it as easy as possible for consumers to understand fundamental information (Calories and contribution to recommended daily Calorie intake), we include ‘front of pack labelling’ for an increasing range of our products in Malaysia. This includes our 100PLUS range and F&N NutriSoy.

We take care to ensure that our marketing and advertising activities do not make any ethical breaches. We adhere to the Malaysian Code of Advertising Practice in Malaysia and the Consumer Protection Act of B.E. 2522 (1979) in Thailand. In Malaysia, we are a signatory to the ‘Responsible Advertising to Children’ initiative, and have pledged to severely restrict marketing to children under 12 years of age. For example, we will only advertise children’s products that meet specific nutritional criteria based on accepted scientific evidence and national and international dietary guidelines.

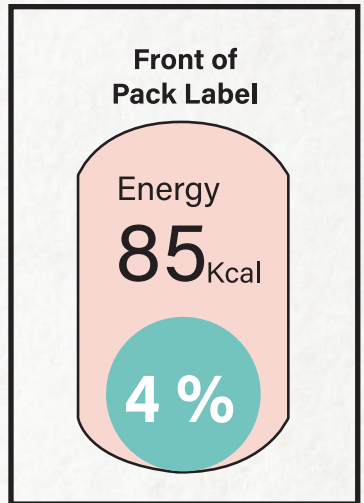
Our Performance Highlights

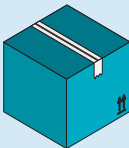

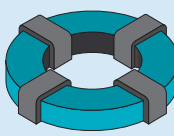

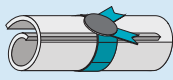
GRI 417-2

Throughout all of our product information, labelling and marketing communications efforts in FY2018 to the best of our knowledge, there was no incident of non-compliance with regulations or voluntary codes resulting in a fine, penalty or warning.

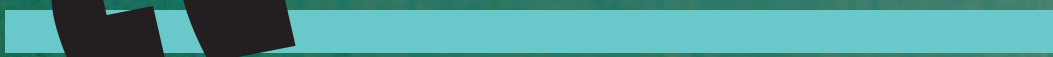
GRI 417-1

All our product categories comply with product labelling requirements as below:



 <p>01</p> <p>The sourcing of components of the product or service</p>	 <p>02</p> <p>Content, particularly with regard to substances that might produce an environmental or social impact</p>	 <p>03</p> <p>Safe use of the product or service</p>	 <p>04</p> <p>Disposal of the product and environmental/social impacts</p>	 <p>05</p> <p>Others such as Halal logo, Certification on HACCP, Nutritional information</p>
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Performance
Summary
& Content Index



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PERFORMANCE SUMMARY

GRI Standards	Reference	Unit	FY2017 (Baseline Year)	FY2018
DRIVING ECONOMIC VALUE				
<i>Material Topic: Economic Performance</i>				
GRI 201-1 Direct economic value generated and distributed	Direct economic value generated	RM million	4,101.4	4,109.9
	Revenue	RM million	4,101.4	4,109.9
	Economic value distributed	RM million	3,323.0	3,270.50
	Annual dividends	RM million	210.8	210.8
	Cost of sales		2,732.9	2,727.7
	Employee benefit expenses		348.9 *	294.4
	Income tax expenses		30.4	37.6
	Economic value retained	RM million	778.4 *	839.4

* Change from last year's report: Boundaries expanded to include other staff costs under "Employee benefit expenses".

GRI Standards	Reference	Unit	FY2017		FY2018	
			Malaysia	Thailand	Malaysia	Thailand
EMPOWERING OUR PEOPLE						
<i>Material Topic: Talent Management</i>						
GRI 401-1 New employee hires and employee turnover	Total new employee hires	Person	163	85	211	78
	- Age under 30 years old		94	46	115	53
	- Age between 30 - 50 years old		63	39	90	25
	- Age over 50 years old		6	0	6	0
	- Male		101	53	133	57
	- Female		62	32	78	21
	Total employee turnover		611	55	170	84
	- Age under 30 years old		157	18	60	28
	- Age between 30 - 50 years old		297	36	99	52
	- Age over 50 years old		157	1	11	4
	- Male		402	33	100	54
	- Female		209	22	70	30
GRI 404-1 Average hours of training per year per employee	Total training hours	Hours	23,474	14,484	33,062	14,512
	Average training hours per employee per year					
	- Male	Hours	12.08	17.50	17.33	19.02
	- Female		12.47	28.67	16.29	27.10
	- Executives		14.98	35.44	25.58	41.51
	- Non-executives		10.64	12.34	14.56	8.61
	Average hours of training per employee per year		12.20	21.78	17.02	22.05
Group average hours of training per employee per year	14.70		16.77			

GRI Standards	Reference	Unit	FY2017		FY2018	
			Malaysia	Thailand	Malaysia	Thailand
Material Topic: Market Presence						
GRI 202-2 Proportion of senior management hired from the local community	Percentage of senior management hired from local community	%	90	100	97	100
ENHANCING SOCIAL WELL-BEING						
Material Topic: Creating Value for Society						
GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	Percentage of operations with implemented local community engagement, impact assessment, and development programmes	%	100	100	100	100
ECO-EFFICIENCY						
Material Topic: Water Stewardship *						
GRI 303-1 Water withdrawal by source	Total volume water withdrawal	m ³	1,999,598	480,805	1,650,383	521,193
	- Surface water	m ³	180,200	0	171,286	0
	- Ground water		650,388	0	91,217	0
	- Rainwater collected directly and stored by F&N		431	0	290	0
- Municipal water supplies or other water utilities	1,168,579		480,805	1,387,590	521,193	
GRI 303-3 Water recycled and reused	Total volume of water recycled and reused	m ³	239,270	3,160	76,387	16,840
	Percentage of volume of water recycled and reused	%	12.00	0.66	4.63	3.23
	- Total volume of water recycled	m ³	217,540	540	40,273	0
	- Total volume of water reused		21,730	2,620	36,114	16,840
Water intensity	Total volume of water consumed	m ³	1,999,598	480,805	1,650,383	521,193
	Water intensity ratio	m ³ /MT	2.76	1.60	2.17	1.70
	Group water intensity ratio	m ³ /MT	2.06		2.04	

* Change from last year's report: Boundaries expanded to include our Pak Chong plant in Thailand.

GRI Standards	Reference	Unit	FY2017		FY2018	
			Malaysia	Thailand	Malaysia	Thailand
Material Topic: Effluents and Waste **						
GRI 306-1 Water discharge by quality and destination	Total water discharge by destination	m ³	824,297	228,771	1,120,007	263,407
	- River	m ³	810,131	0	1,106,055	0
	- Wastewater treatment system of industrial estate		14,166	228,771	13,952	263,407
	Total water discharge by quality	mg/l	314.66	101.21	193.33	132.50
	- COD	mg/l	184.70	66.44	107.03	81.00
	- BOD		33.24	8.22	25.74	13.50
	- TSS		96.72	26.55	60.56	38.00
Solid waste intensity ratio	Total waste generated *	kg	2,206,354	372,280	2,134,666	450,720
	Solid waste intensity ratio	kg/MT	3.05	1.24	2.81	1.47
	Group solid waste intensity ratio	m ³ /MT	2.52		2.42	
Solid waste recycled	Total waste generated	kg	10,302,273	1,508,760	11,697,341	953,080
	Waste generated that was sent for recycling	kg	8,095,919	1,136,480	9,562,675	502,360
	Percentage of solid waste recycled		78.58	75.33	81.75	52.71
	Group percentage of solid waste recycled	%	78.17		79.56	

* Change from last year's report: Boundaries for "Total waste generated" tightened to exclude waste generated that was sent for recycling.

** Change from last year's report: Boundaries expanded to include our Pak Chong plant in Thailand.

GRI Standards	Reference	Unit	FY2017		FY2018	
			Malaysia	Thailand	Malaysia	Thailand
Material Topic: Energy and Climate Change **						
GRI 302-1 Energy consumption within the organisation	Total energy consumption within the organisation	MJ	575,608,770	322,063,159	578,950,496	338,336,407
	Fuel consumption from non-renewable fuel sources	MJ	374,086,498	235,060,474	382,967,550	245,685,068
	- Natural Gas	MJ	345,453,676	216,232,348	354,117,096	225,313,749
	- Diesel		23,782,122	0	24,908,754	0
	- Liquefied Petroleum Gas		4,850,700	0	3,941,700	0
	- Fuel Oil		0	18,828,126	0	20,371,319
	Energy purchased for consumption					
- Electricity	MJ	201,522,272	87,002,685	195,982,946	92,651,339	
GRI 302-3 Energy intensity	Total energy intensity ratio	MJ/MT	795.57	1070.85	761.26	1106.03
	Group total energy intensity ratio	MJ/MT	876.41		860.16	
	Energy intensity ratio					
	- Natural Gas	MJ/MT	477.47	718.97	465.63	736.56
	- Diesel		32.87	0	32.75	0
	- Liquefied Petroleum Gas		6.70	0	5.18	0
	- Fuel Oil		0	62.60	0	66.59
- Electricity	278.53		289.28	257.70	302.88	
GRI 305-1 Direct (Scope 1) GHG emissions (CO_{2e}) *	Total direct GHG emissions (equivalent)	MTCO _{2e}	21,517	13,319	22,017	13,925
	Direct GHG emissions					
	- Natural gas	MTCO _{2e}	19,380	12,131	19,866	12,640
	- Diesel		1,762	0	1,846	0
	- Liquefied petroleum gas		375	0	305	0
- Fuel oil	0		1,188	0	1,285	
GRI 305-2 Energy indirect (Scope 2) GHG emissions (CO_{2e}) *	Total indirect GHG emissions (equivalent)	MTCO _{2e}	23,779.628	10,266.317	23,125.988	10,932.858
	Indirect GHG emissions					
	- Electricity	MTCO _{2e}	23,780	10,266	23,126	10,933
GRI 305-4 Greenhouse gas (GHG) emissions intensity *	Total GHG emissions (equivalent)	MTCO _{2e}	45,297	23,585	45,143	24,858
	Total GHG emissions intensity ratio	MTCO _{2e} /MT	0.063	0.078	0.059	0.081
	Group total GHG emissions intensity ratio	MTCO _{2e} /MT	0.067		0.066	

* Change from last year's report: Standardised the conversion rate in accordance to WRI GHG Emissions Factors.

** Change from last year's report: Boundaries expanded to include our Pak Chong plant in Thailand.

GRI Standards	Reference	Unit	FY2017		FY2018	
			Malaysia	Thailand	Malaysia	Thailand
RESPONSIBLE SUPPLY CHAIN						
<i>Material Topic: Sustainable Sourcing</i>						
GRI 204-1 Proportion of spending on local suppliers	Percentage of local suppliers	%	92.15	95.91	99.87	95.90
	Percentage of purchase value spent on local suppliers		64.61	82.09	73.17	84.46
SAFETY & WELL-BEING						
<i>Material Topic: Occupational Health & Safety</i>						
GRI 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work	Injury Rate (IR)	Case/million hours	7.47	6.42	1.69	2.80
	Occupational Diseases Rate (ODR)		0	0	0	0
	Lost Day Rate (LDR)	Lost day/million hours	119.86	21.09	21.83	0
	Absentee Rate (AR) *	%	-	-	1.23%	1.08%
	Work-related Fatalities	Case	0	0	0	0
	Lost Time Injury Frequency Rate (LTIFR)	Case/million hours	1.63	0	1.66	0
	Group Lost Time Injury Frequency Rate (LTIFR)	Case/million hours		1.34		1.38

* Reporting of absentee rate beginning this year.

GRI Standards	Reference	Unit	FY2017		FY2018	
			Malaysia	Thailand	Malaysia	Thailand
Material Topic: Consumer Health & Safety						
GRI 416-1 Assessment of the health and safety impacts of product and service categories	Percentage of significant product and services categories for which health and safety impacts are assessed for improvement	%	100	100	100	100
GRI 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Total number of incidents of non-compliance concerning the health and safety impacts of products and services	Case	0	0	0	0
Material Topic: Product & Service Labeling						
GRI 417-1 Requirements for product and service information and labelling	Type of product and service information required by the organisation's procedures for product and service information and labelling	%	100	100	100	100
GRI 417-2 Incidents of non-compliance concerning product and service information and labelling	Total number of incidents of non-compliance concerning product and service information and labeling	Case	0	0	0	0

GRI CONTENT INDEX

For “In Accordance: Core”

This report is developed in accordance with GRI STANDARDS “core requirements”.

GENERAL DISCLOSURES		
Profile Disclosure	Description	Reference page/Explanation
STRATEGY AND ANALYSIS		
GRI 102-14	Joint message from our Chairman & CEO	Pages 4-5
ORGANISATIONAL PROFILE		
GRI 102-1	Name of organisation	Page 8
GRI 102-2	Primary brands, products and services	Page 8
GRI 102-3	Location of the organisation's headquarters	Page 8
GRI 102-4	Number of countries where the organisation operates and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	Page 7
GRI 102-5	Nature of ownership and legal form	This information is available in our Annual Report.
GRI 102-6	Markets served	This information is available in our Annual Report.
GRI 102-7	Scale of the organisation	This information is available in our Annual Report.
GRI 102-8	Information on employees and other workers	Page 8 Most people who work on behalf of F&NHB are employed by F&NHB. We also employ contractors for construction projects, logistics, cleaning and other services.
GRI 102-9	Describe the organisation's supply chain	Pages 10-11
GRI 102-10	Report any significant changes during the reporting period regarding the organisation's size, structure, ownership or its supply chain	No significant changes from previous reporting
GRI 102-11	Addressing the precautionary approach or principle	This information is available in our Annual Report, section on Addressing our Risk & Opportunities.
GRI 102-12	External charters, principles or initiatives endorsed	Page 83 - Pledge on Responsible Advertising towards Children
GRI 102-13	Membership of association and advocacy organisations	Page 70 - Roundtable on Sustainable Palm Oil
GRI 102-41	Collective bargaining agreements	We have a strong commitment to transparent dialogue. In FY2018, 33% of our employees were covered by collective bargaining agreements.

GENERAL DISCLOSURES		
Profile Disclosure	Description	Reference page/Explanation
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
GRI 102-45	Report coverage of entities included in the consolidated financial statements	This information is available in Annual Report.
GRI 102-46	Process for defining the report content and the aspect boundaries	Page 20
GRI 102-47	Material aspects identified	Page 20
GRI 103-1	For each material Aspect, report the Aspect Boundary within and outside the organisation	Pages 22-23
GRI 102-48	The effect of any restatements of information provided in previous reports	No restatement of information
GRI 102-49	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	The scope has been extended to include our plant in Pak Chong, Thailand for environment data reporting.
REPORT PROFILE		
GRI 102-50	Reporting period	Page 7
GRI 102-51	Date of most recent previous report	Page 7
GRI 102-52	Reporting cycle	Page 7
GRI 102-53	Contact point for questions	Page 7
GRI 102-54	'In accordance' option, the GRI content index and external assurance	Page 7
STAKEHOLDER ENGAGEMENT		
GRI 102-40	List of stakeholder groups engaged by the organisation	Pages 18-19
GRI 102-42	Basis for identification and selection of stakeholders	F&NHB divides its stakeholders into 8 categories: 1) employees, 2) suppliers, 3) customers, 4) consumers; 5) investors; 6) communities; 7) regulators, and 8) non-governmental organisations (NGOs). We are currently establishing guidelines for appropriate stakeholder engagement across these eight categories, to ensure that our stakeholders are given the opportunity to voice their demands, opinions, concerns and suggestions.
GRI 102-43	Approaches to stakeholder engagement	Pages 18-19
GRI 102-44	Response to key topics and concerns raised	Pages 18-19
GOVERNANCE		
GRI 102-18	Governance structure of the organisation	Page 17
ETHICS AND INTEGRITY		
GRI 102-16	Values, principles, standards and norms of behaviour such as codes of conduct and code of ethics	Pages 5, 12, 13 and 83

SPECIFIC DISCLOSURES

Profile Disclosure	Description	Reference page/Explanation
DRIVING ECONOMIC VALUE		
Material Topic: Economic Performance		
GRI 103-2	The management approach and its components	Page 30
GRI 201-1	Direct economic value generated and distributed	Page 30
Material Topic: Innovation		
GRI 103-2	The management approach and its components	Pages 31-35
EMPOWERING OUR PEOPLE		
Material Topic: Talent Management		
GRI 103-2	The management approach and its components	Pages 36-41
GRI 401-1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	Pages 41-42
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Page 38
GRI 404-1	Average hour of training per year employee	Pages 42-43
GRI 404-2	Programmes for upgrading employee skills and transition assistance programmes	Page 39 Currently, we do not have any transition assistance programme.
Material Topic: Market Presence		
GRI 103-2	The management approach and its components	Page 43
GRI 202-2	Proportion of senior management hired from the local community	Page 43
ENHANCING SOCIAL WELL-BEING		
Material Topic: Creating Value for Society		
GRI 103-2	The management approach and its components	Pages 44-54
GRI 413-1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	Page 45
Material Topic: Health and Nutrition		
GRI 103-2	The management approach and its components	Page 55

SPECIFIC DISCLOSURES		
Profile Disclosure	Description	Reference page/Explanation
ECO-EFFICIENCY		
Material Topic: Water Stewardship		
GRI 103-2	The management approach and its components	Pages 58-59
GRI 303-1	Total water withdrawal by source	Page 60 F&NHB is not operating in any areas with water stress.
GRI 303-3	Percentage and total volume of water recycled and reused	Page 60
Material Topic: Effluents and Waste		
GRI 103-2	The management approach and its components	Pages 61-63
GRI 306-1	Total volume of water discharged by quality and destination	Page 64
Material Topic: Energy and Climate Change		
GRI 103-2	The management approach and its components	Pages 65-67
GRI 302-1	Total energy consumption	Page 68 Although F&NHB is not currently using renewable sources, we are looking into options to generate our own renewable energy at the Pulau Indah plant.
GRI 302-3	Energy intensity ratio	Page 69
GRI 305-1	Scope 1 - direct GHG emissions (CO ₂)	Page 69
GRI 305-2	Scope 2 - indirect GHG emissions (CO ₂)	Page 69
GRI 305-4	Greenhouse gas (GHG) emissions intensity	Page 69
RESPONSIBLE SUPPLY CHAIN		
Material Topic: Sustainable Sourcing		
GRI 103-2	The management approach and its components	Pages 70-72
GRI 204-1	Percentage of purchase value spent on local suppliers	Page 73
Material Topic: Route Planning		
GRI 103-2	The management approach and its components	Page 74
Material Topic: Packaging		
GRI 103-2	The management approach and its components	Page 75

SPECIFIC DISCLOSURES

Profile Disclosure	Description	Reference page/Explanation
SAFETY & WELL-BEING		
Material Topic: Occupational Health and Safety		
GRI 103-2	The management approach and its components	Pages 76-77
GRI 403-2	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities, by region and by gender	Page 78
Material Topic: Consumer Health and Safety		
GRI 103-2	The management approach and its components	Pages 79-81
GRI 416-1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Page 82
GRI 416-2	Total number of Incidents of non-compliance concerning the health and safety impacts of products and services	Page 82
Material Topic: Product and Service Labelling		
GRI 103-2	The management approach and its components	Page 83
GRI 417-1	Type of product and service information required by the organisation's procedures for product and service information and labelling	Page 83
GRI 417-2	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	Page 83

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