

Sustainability Highlights 2019

13%
reduction in Lost Time Injury Frequency Rate



Healthier options
offered in 14 of 15 ready-to-drink beverage categories



39%
reduction in Sugar Index (2004 - 2019)

70%
of our 2019 palm oil usage equivalent in Roundtable on Sustainable Palm Oil ("RSPO") Credits has been purchased

208 MT
reduction in usage of PET resin packaging material



90%
of beverages packaging is recyclable

25%
reduction in Solid Waste Intensity Ratio*

31 and 11
training hours per employee for Executive and Non-Executive categories

External assurance
on selected F&N Health, Safety and Environment ("HSE") disclosures

* at the group-level, compared to FY2017

Board Statement

OVERVIEW OF SUSTAINABILITY

The Board is pleased to present the Fraser and Neave, Limited (“**F&N**” or the “**Group**”) third Sustainability Report in accordance with the internationally recognised Global Reporting Initiatives (“**GRI**”) Standards (Core) which is in compliance with the Singapore Exchange’s (“**SGX**”) Listing Rules 711A and 711B. This report encapsulates the Group’s overarching approach to sustainability, providing greater clarity to our stakeholders on material issues from Environmental, Social and Governance (“**ESG**”) factors that may impact our business, as well as strategies that we have implemented to mitigate these risks. This year, we made great strides toward achieving ambitious 2020 sustainability goals. Each of the Group’s commitments and targets are described in detail on pages 23 to 25 of this report. We remain committed to reducing our environmental impact, enhancing the Group’s economic value, fostering mutually beneficial relationships with our communities and ensuring the health and safety of our staff.

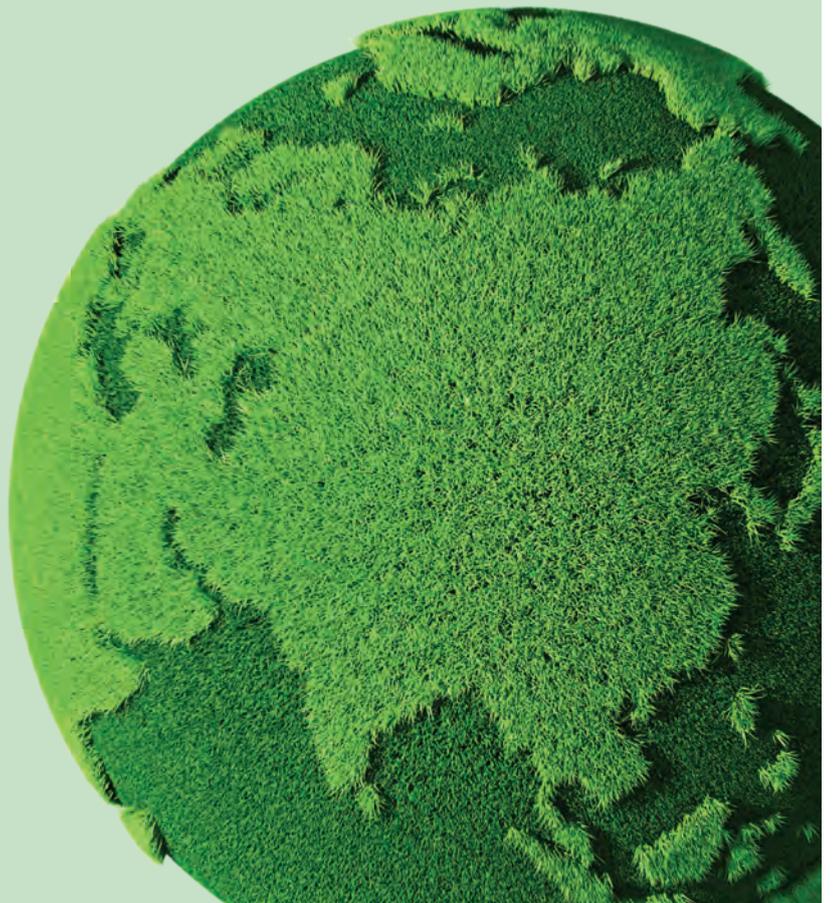
SUSTAINABILITY GOVERNANCE

The Board has overall responsibility for sustainability and incorporates sustainability issues as part of its strategic formulation. While it continues to take the lead in the Group’s sustainability direction, the Board has tasked the Sustainability and Risk Management Committee (“**SRMC**”) with responsibility for steering the Group’s sustainability efforts. The SRMC is supported by the Sustainability Development Committee (“**SDC**”), which is chaired by Mr Lee Meng Tat, Chief Executive Officer, Non-Alcoholic Beverages and comprises business CEOs and senior executives across various functions. The SDC supports the SRMC and monitors the progress of the Group’s sustainability initiatives.

2020 AND BEYOND

Today, the responsibility to do even more than what we have done so far to transform F&N, sustainably, is even greater. As one of the leading consumer groups in Singapore and the region, we will continue to anchor sustainability in the Group and advance toward a sustainable circular economy.

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Message from Chairman of SDC



Mr Lee Meng Tat
Chairman of Sustainability
Development Committee

OVERVIEW OF 2019 SUSTAINABILITY REPORT

GRI 102-14

At F&N, sustainability is an integral part of our operations. F&N's vision is to be a stable and sustainable Food & Beverage ("**F&B**") leader in the ASEAN region, and in the following pages, we provide an insight into how F&N shows leadership for the sustainability challenges faced.

This report has been prepared in accordance with the GRI Standards (Core), which represent global best practice in sustainability reporting. By adhering to GRI Standards, we are able to demonstrate performance for F&N's material sustainability issues consistently over time. We have improved our data collection processes

by aligning and integrating them with the Thai Beverage Public Company Limited's ("**ThaiBev**") parameters.

ThaiBev has been a member of the DJSI World and DJSI Emerging Markets since 2016, and constantly works on improving their sustainability processes through learning and best practice sharing. They first became the Beverages industry leader in the RobecoSAM Corporate Sustainability Assessment in 2018 and continues to retain the title in 2019.

By benchmarking our sustainability processes and performance against the industry leader, we ensure that our processes and performance would further improve through best practices sharing and knowledge transfer.

ACHIEVEMENTS AND PROGRESS IN 2019

For the first time this year, we have external verification on the sustainability data disclosed in this report. Lloyd's Register Quality Assurance ("LRQA") has conducted an external assurance on selected F&N HSE disclosures. The external assurance serves to ensure the accuracy of the sustainability data disclosed in this report. LRQA's assurance statement can be found on page 92 of this report.

Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong ESG practices. This year, our subsidiary, Fraser & Neave Holdings Bhd ("F&NHB"), has been rated by FTSE4Good Bursa Malaysia Index ("F4GBM") with positive results, and included as part of the F4GBM. This indicates the strong ESG practices in place at F&NHB.

Consumer Health and Safety is our most important sustainability topic and has been key to the success of our business over the decades. I am glad that we continue to lead in this area. 90% of our ready-to-drink ("RTD") beverages sold today in Malaysia contain less than 5g of sugar per 100ml (below the sugar sweetened beverages excise duty threshold) and consumers have responded positively to the reformulated products. This ensures that we continue to provide healthier beverages, which do not compromise on taste, to our consumers. More information regarding other initiatives promoting good health and safety for our consumers can be located on page 77 of this report.

Waste generated by packaging has been increasingly in the spotlight globally. The material issue of Packaging has consequently been adjusted in the F&N materiality matrix to reflect its high importance to F&N. We are committed to sourcing sustainably and supporting efforts to reduce the usage of packaging materials. At the Singapore Packaging Agreement ("SPA") Awards 2019 held on 17 Jul 2019, F&N Foods Pte Ltd ("FNFS") had received a Merit Award for its initiative to reduce the packaging used while still maintaining the integrity and quality of the product. With support from the National Environment Agency ("NEA") in Singapore,

FNFS had also launched a nationwide recycling initiative, Recycle N Save, on 31 Oct 2019. 50 Smart Reverse Vending Machines ("RVM") are scheduled to be placed island-wide by March 2020 in a bid to encourage the public to recycle the packaging of their consumed beverages. With the launch of this initiative, F&N reinforces its commitment to play its part in protecting the environment by ensuring that its packaging is environmentally friendly, and at the same time, encouraging and rewarding consumers who recycle the cans and bottles. At Times Printers, packaging waste is also reduced by decreasing the amount of paper used for the packing of books and magazines through reusing the aluminium plate interleaf paper and the slit waste from the paper reel outer roll.

At the heart of our sustainability approach is Innovation. We encourage employee-driven innovation at dedicated conventions where teams submit ideas for continual improvement and showcase their projects to share learnings and knowledge to help improve the efficiency and product quality of F&N's manufacturing operations. Our employees at F&N Dairies Thailand ("F&NDT") initiated the award winning Gemba Kaizen project at Rojana Plant where the team re-looked the mechanism of the display box at the packing line and incorporated the Karakuri Kaizen mechanism (leveraging on gravitational energy). This innovation in production contributed towards significantly reducing the packing line's electricity usage and frequency of machine faults.

PLANS FOR 2020

2020 will be an exciting year for sustainability at F&N. The 2020 Group sustainability performance will be assessed against our 2020 Group sustainability targets. This outcome will impact the setting of the new 2025 Group sustainability targets, which are slated to commence in 2021. We will also engage a range of stakeholders to determine our new material topics and materiality matrix for 2021. We will continue to embed sustainability throughout our business, and lead by example for long-term value creation.

F&N appreciates your interest in our 2019 Sustainability Report and is very grateful for your continuous support.

About This Report

WELCOME TO THE F&N SUSTAINABILITY REPORT 2019

GRI 102-45; GRI 102-50 TO GRI 102-54

This is our third annual Sustainability Report, in compliance with SGX. We are proud to continue our sustainability journey and reporting in alignment with the GRI Standards 'Core Option'. This year, to promote greater accountability and ownership, we further enhanced our reporting to include more disclosures on our most important sustainability topics.

Read together with our Annual Report, this Sustainability Report gives our stakeholders a comprehensive picture of how F&N integrates 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 while conducting our business in an environmentally and socially responsible manner.

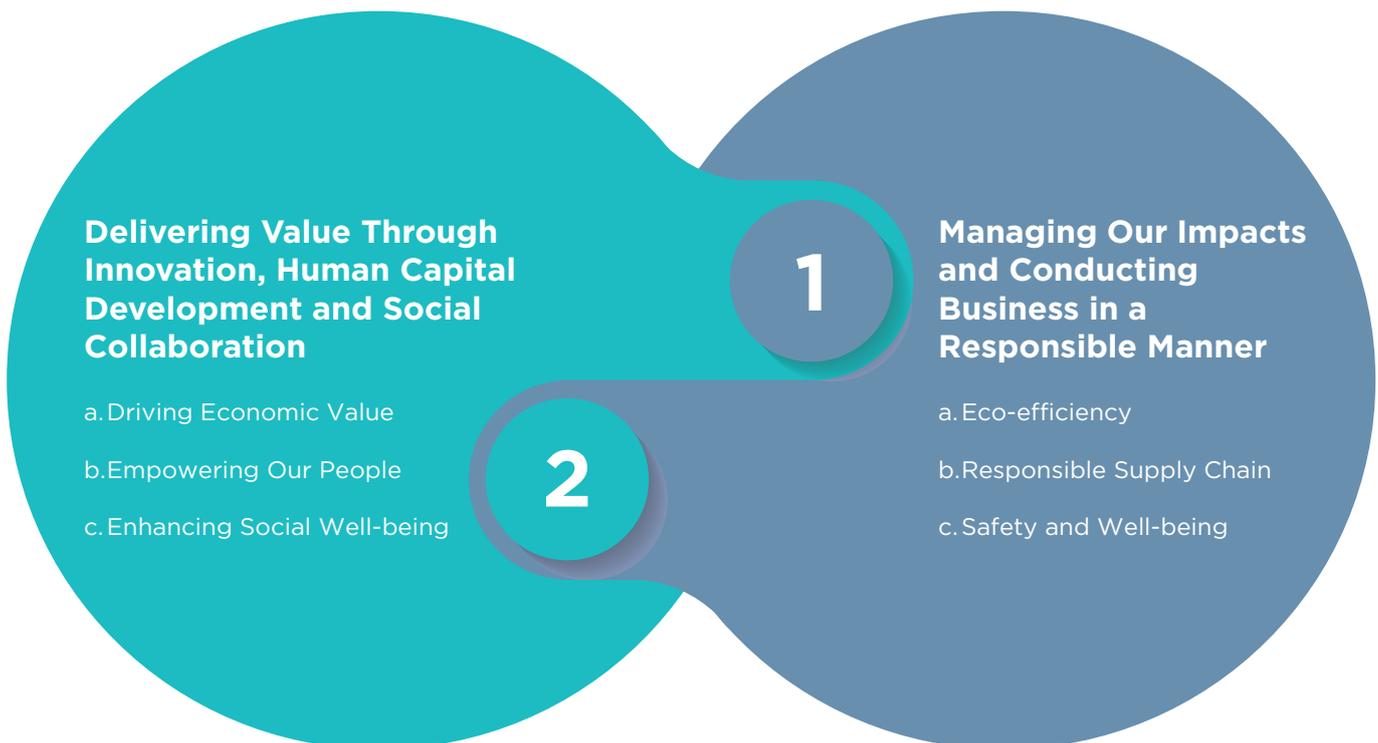
F&NHB, a subsidiary company, has been included in the F4GBM for the first time this year. Its inclusion in the Index demonstrated the Group's commitment to sound corporate governance and responsible environmental and social practices.



FTSE4Good

F&NHB has been independently assessed according to the FTSE4Good criteria and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong ESG practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

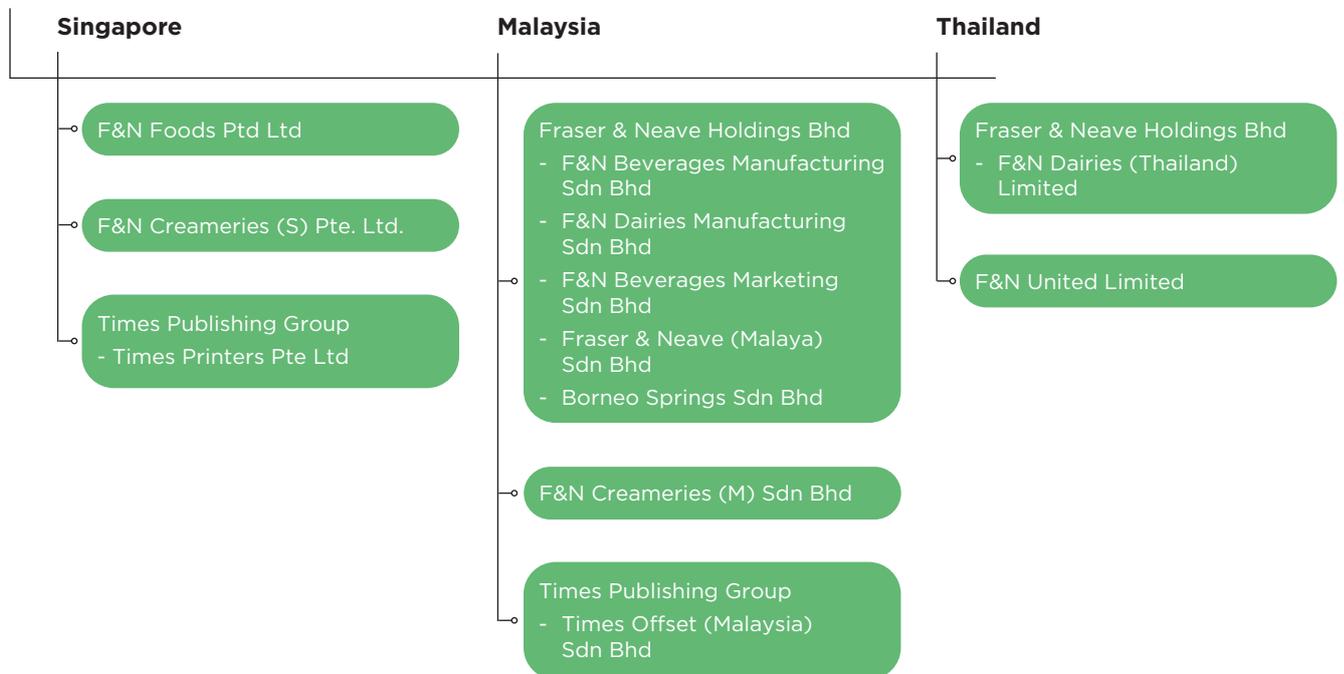
Similar to last year, this report is organised in two primary focus, each with three 'core areas':



REPORTING PERIOD AND BASIS OF SCOPE

The reporting covers the period from 1st October 2018 to 30th September 2019. Unless otherwise stated, the information contained in this report covers the Group’s operations in Singapore, Malaysia and Thailand.

Specifically, for environmental data, the report covers the Group’s significant operations in 13 manufacturing sites in Malaysia, Singapore and Thailand, excluding Yoke Food Industries Sdn. Bhd in Malaysia and Print Labs in Singapore.



ASSURANCE POLICY

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

For the first time this year, we have obtained external assurance on selected HSE data presented in this report. This aims to increase the confidence in our reporting practices and the quality of our disclosures. The assurance statement is included in page 92 of this report.

CONTACT US

We value and appreciate all feedback to help make our future reports more relevant to our stakeholders. Please direct your comments and questions to:

Email: sustainability@fnngroup.com.sg

Phone number: +65 6318 9393

Mail: Sustainability Reporting Department
 438 Alexandra Road
 #07-00 Alexandra Point
 Singapore 119958

About F&N

WHO WE ARE GRI 102-2 to 102-10

F&N originated more than a century ago from the spirited decisions of two enterprising young men, John Fraser and David Neave, who diversified from their printing business to pioneer the aerated water business in Southeast Asia (“SEA”) in 1883.

The entrepreneurial spirit, embodied by our founders, remains in today’s F&N. As a soft drink company, F&N seized the growth opportunities and ventured into the beer brewing business in 1931 in partnership with The Heineken Company and built a very successful beer empire in Asia Pacific – through its joint venture company, Asia Pacific Breweries Limited (“APB”). In 1959, it entered the Dairies business by forming a canned milk joint venture with Beatrice Foods of Chicago, and in 2007, it acquired Nestle’s liquid canned milk business in Thailand, Malaysia, Singapore and Brunei, and accelerated its growth in the dairy business. Today, F&N is the largest canned milk producer in SEA. In 1985, the Group diversified into the Properties business. Starting with the redevelopment of its soft drinks and brewery sites in Singapore, F&N soon grew its property arm – Frasers Centrepoint Limited (“FCL”, now known as Frasers Property Limited) to become one of the leading property companies in Singapore with multi-national businesses in residential, hospitality, retail, commercial and industrial properties.

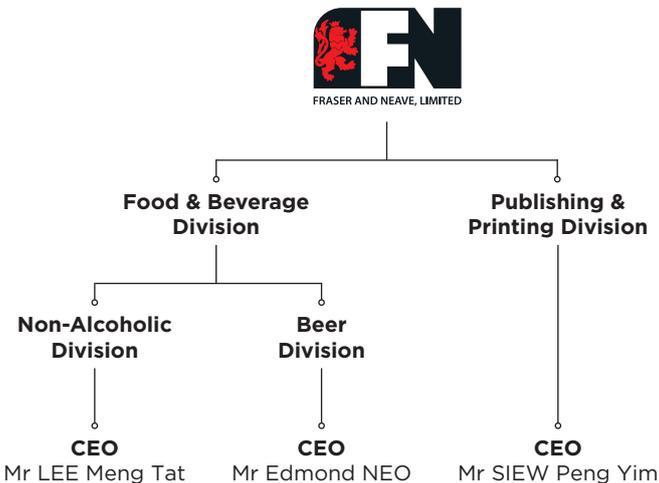
In 2012, F&N divested its equity stake in APB to realise a substantial value for shareholders. In 2014, the Group demerged FCL through a listing on the Singapore Stock Exchange, thereby transferring value to shareholders.

Today, F&N is a leading Asia Pacific Consumer Group with expertise and prominent standing in the F&B and Publishing & Printing industries. Leveraging its strengths in marketing and distribution, research and development (“R&D”), brands and financial management, as well as years of acquisition experience, the Group provides key resources and sets strategic directions for its subsidiary companies across both industries.

Listed on the Singapore Stock Exchange, F&N ranks as one of the most established and successful companies in the region with an impressive array of renowned brands that enjoy strong market leadership. F&N is present in 11 countries spanning Asia Pacific, Europe and the USA, and employs over 7,700 people worldwide.

There have been no significant changes to F&N’s operations, ownership or supply chain during the past year. The Group’s operating businesses are organised according to products and services, namely F&B Division (Non-Alcoholic and Beer) and Publishing & Printing Division.

F&N is headquartered in Singapore. We have 17 production facilities in Malaysia, Singapore, Thailand, China and Myanmar which are serving the needs of customers and consumers in the Asia Pacific region.



Founded in 1883

7,700+ employees

40+ brands

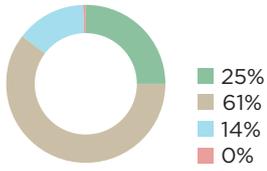
60+ manufacturing and warehousing facilities in 11 countries

130+ export markets

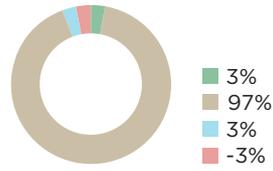
640+ million consumers in SEA

CONTRIBUTION BY SEGMENT

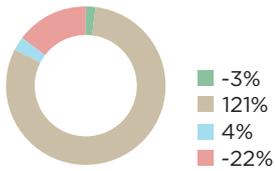
\$1,902m
Revenue



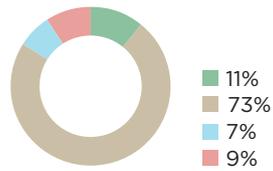
\$284m
Profit Before Interest & Taxation



\$153m
Attributable Profit Before Fair Value Adjustment & Exceptional Items



\$4,719m
Total Assets

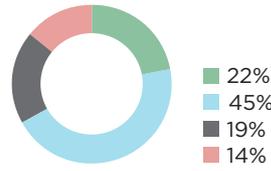


Legend:

- Beverages
- Dairies
- Publishing & Printing
- Others

EMPLOYEE BREAKDOWN

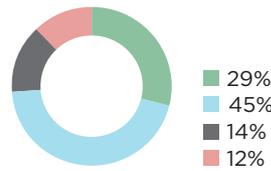
6,600
Full-Time



1,100
Contract



2,400
Executive



5,300
Non-Executive



Legend:

- Singapore
- Malaysia
- Thailand
- Others



- A** USA
- B** Chile
- C** India
- D** Myanmar
- E** China
- F** Hong Kong
- G** Thailand
- H** Vietnam¹
- I** Malaysia
- J** Singapore
- K** Brunei
- L** Indonesia

Legend:

- | Manufacturing Plants | Offices |
|-----------------------|-----------------------|
| Dairies | Dairies |
| Soft Drinks | Soft Drinks |
| Beer | Beer |
| Publishing & Printing | Publishing & Printing |

Note:

1. F&N owns an effective 20.01% stake in Vietnam Dairy Products Joint Stock Company

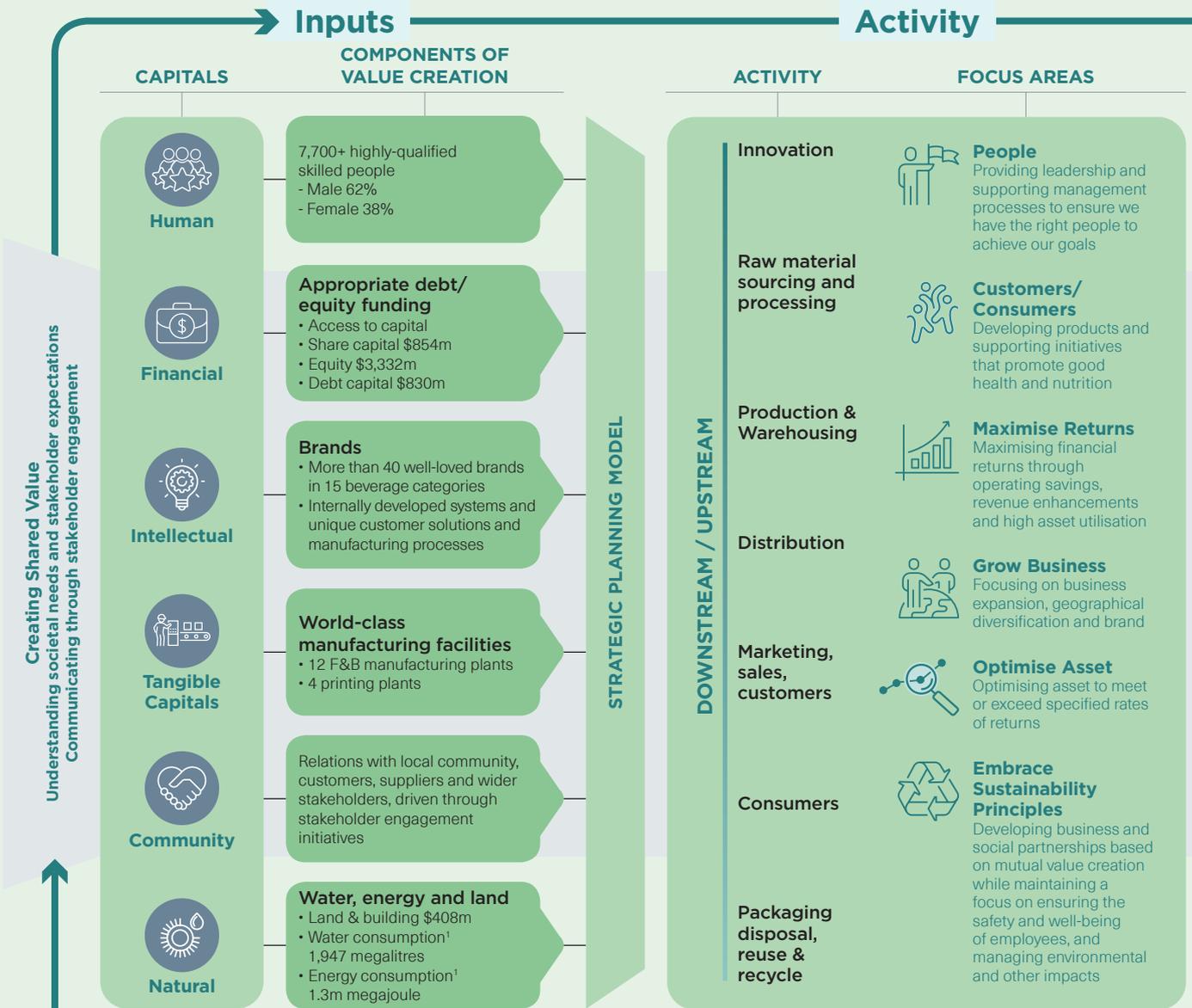
F&N Business Model

Our Vision

To be a stable and sustainable Food & Beverage leader in the ASEAN region

Our Strategy

- Winning with Brands**
 Focusing resources on and drive the growth of brands that are in the medium- to high-growth segments and where F&N has a right to win
- Winning with Innovation**
 Focusing on offering new products that appeal to our customers and consumers
- Winning in Marketplace**
 Focusing on strengthening levers to execute a strong go-to-market strategy that reduces cost and risk
- Winning with People**
 Focusing on attracting and retaining the talent we need to achieve our growth priorities



Note:
 1 Included water and energy consumed at the Group's significant operations in Malaysia, Singapore and Thailand

Core areas of sustainability:

- Driving economic value
- Empowering our people
- Enhancing social well-being
- Promoting eco-efficiency

Our Businesses

Food & Beverage (Soft Drinks, Dairies, Beer)
Offering innovative products to consumers



Publishing & Printing
Enriching lives through knowledge

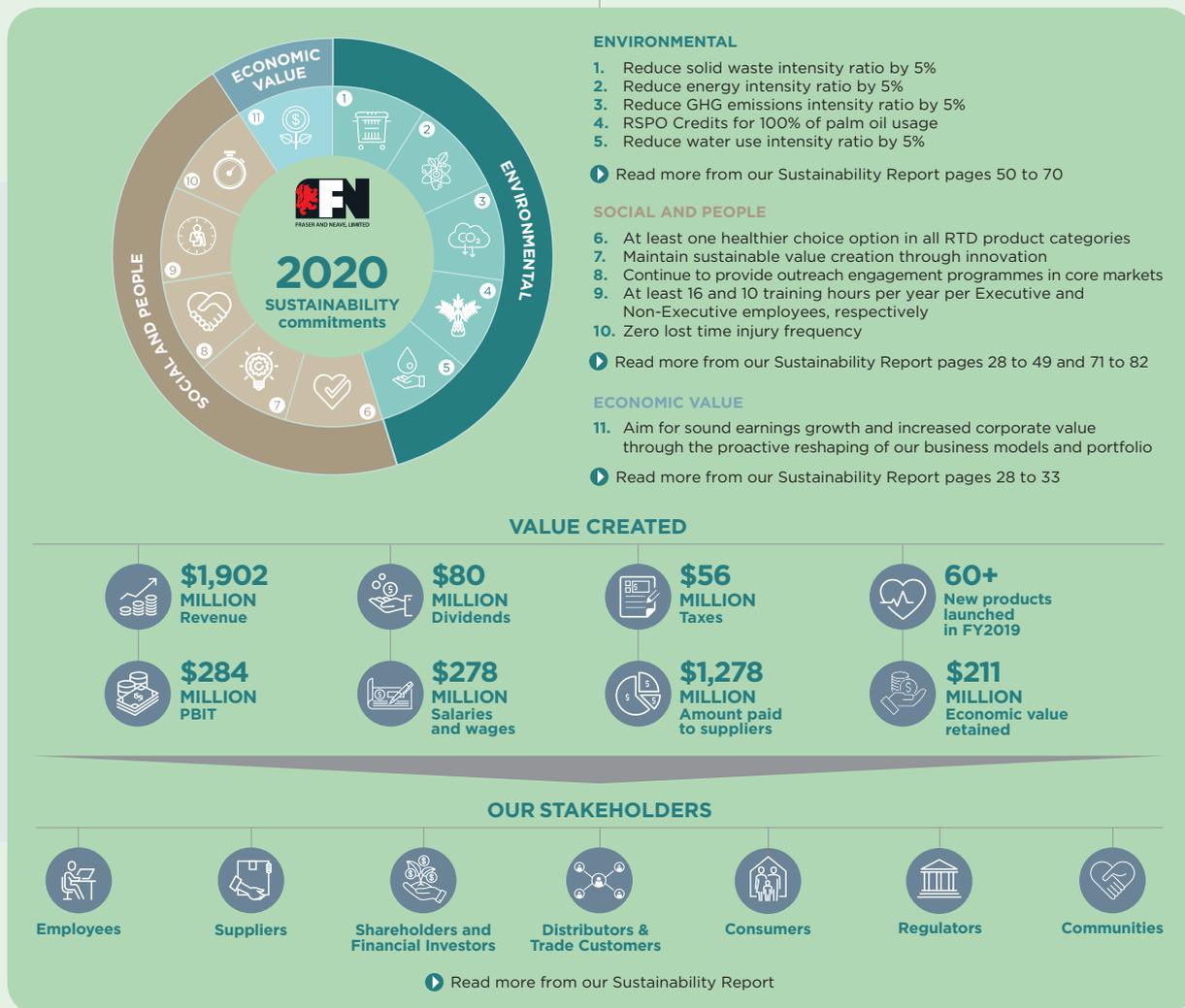


Other Strategic Investments
Delivering economic returns to stakeholders



Outputs

SUSTAINABILITY GOALS



Understanding societal needs and stakeholder expectations
 Communicating through stakeholder engagement
 Creating Shared Value

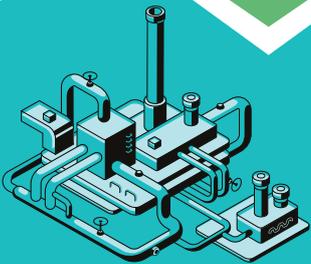
- Responsible supply chain
- Safety and well-being
- Corporate governance
- Learning organisation

Our Supply Chain

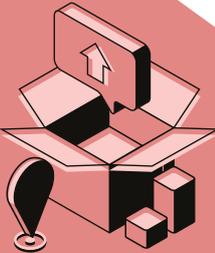
The preparation, production and packaging of our beverages and consumables for printing requires a range of raw materials, equipment, and other goods and services. In FY2019, we engaged with over 4,500 global and local suppliers across our supply chain. F&N worked with manufacturers, wholesalers, retailers, importer/merchants, contractors, professional services providers, etc and spent a total of about \$1.5 billion on products and services.



Sourcing
 To provide the highest quality standards for our customers and consumers, we have also been seeking out and working with suppliers who meet high quality in standards and are socially, ethically and environmentally responsible. To ensure the sustainability of our business, we have risk management mechanisms in place to manage issues associated with the commodities upon which we rely.



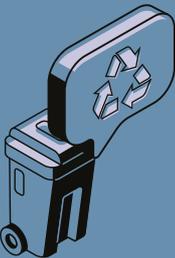
Production
 We have implemented a standardised safe production process, in accordance with international standards, throughout our operations. We strive for eco-efficient processes, in which we optimise the socio-economic value we create, while minimising our negative environmental and social impacts from all production stages.



Distribution
 We have a fully integrated and extensive distribution system to ensure that our products are efficiently distributed to our customers and consumers. Our focus is to minimise the environmental and social impacts from transportation by managing energy usage while safeguarding the safety of our personnel and local communities. We also continuously innovate our processes and implement digital technologies to drive efficiency.



Marketing and Sales
 Responsible marketing and sales practices are of great importance to F&N. We demonstrate societal responsibility by providing healthier product options and informative product labels. We also work with regulators and seek feedback from our customers on our products to improve our marketing practices.



Post-Consumption Packaging Management
 We minimise the impact of post-consumer waste by delivering innovative and environmental-friendly packaging. We continuously seek out sustainable packaging that also meets the needs of our consumers. In addition to applying Circular Economy principles throughout F&N, we also promote environmental awareness in the communities we operate.

Our Sustainability Approach

SUSTAINABILITY VISION AND FRAMEWORK

GRI 102-16; GRI 102-18; GRI 102-40; GRI 102-42 to GRI 102-44; GRI 102-46; GRI 102-47; GRI 102-49

It is our vision to create a financially, environmentally, and socially sustainable future for our business by:

1
Delivering value through innovation, human capital development and social collaboration; and

2
Managing our impacts and conducting business in a responsible manner.

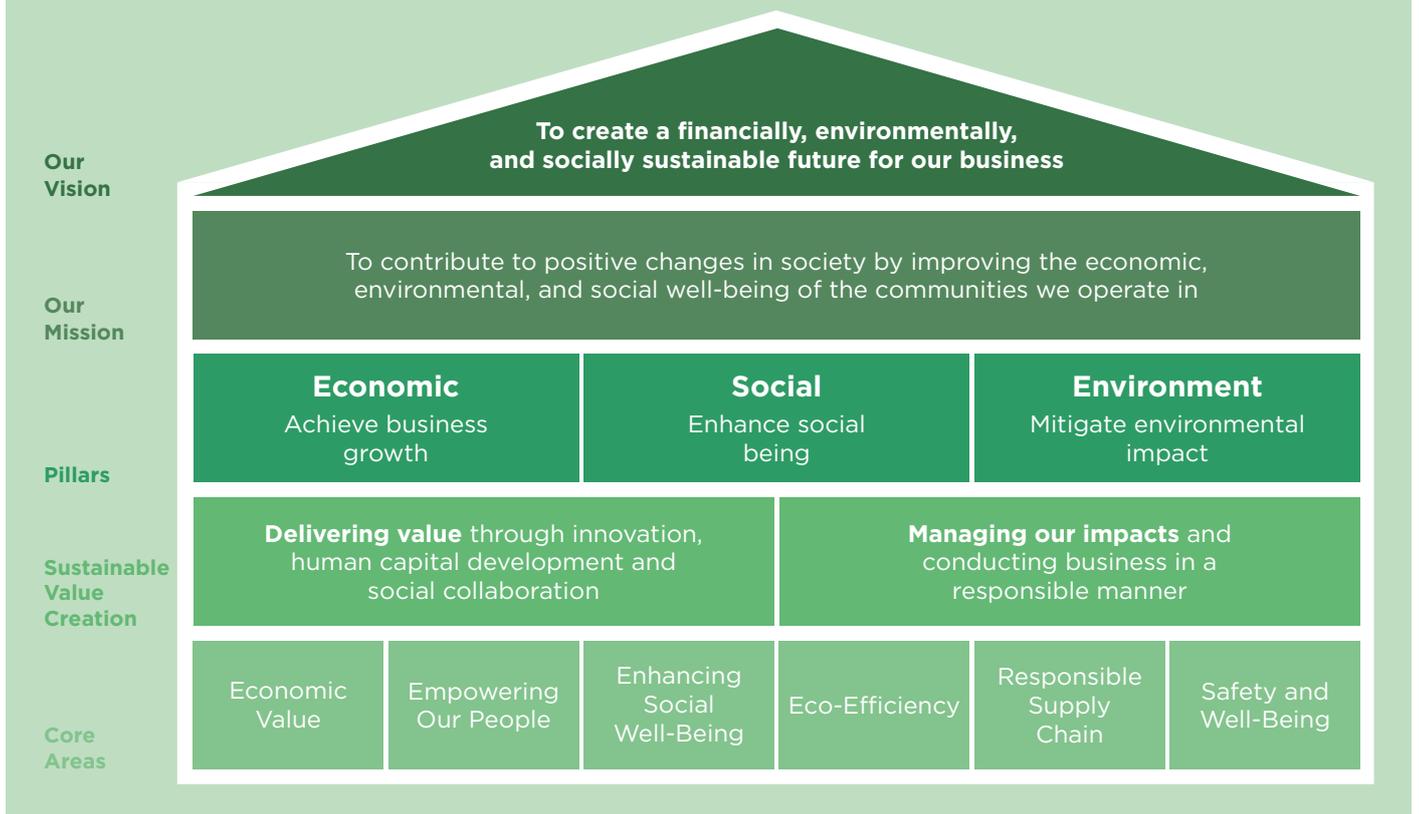
Our sustainability framework comprises six core areas, under the

Delivering Value theme are:

- 1) Driving Economic Value;
- 2) Empowering Our People; and
- 3) Enhancing Social Well-Being.

Managing our Impacts theme are:

- 1) Eco-Efficiency;
- 2) Responsible Supply Chain; and
- 3) Safety and Well-Being.



Our Sustainability Approach

MANAGEMENT AND GOVERNANCE STRUCTURE

F&N Board of Directors recognises the importance of sustainability in the Group’s business operations and performance and oversees the overall strategic plan including considering sustainability and environmental issues as part of its strategic formulation.

The SRMC ensures sustainability risks and opportunities are considered at the highest level of F&N by providing strong support to the management team. The SRMC has the responsibility of steering and aligning company-wide sustainability strategy.

Headed by CEO Non-Alcoholic Beverages, and supported by senior personnel from key functions, regions and levels, the SDC supports the SRMC by providing general direction, monitoring and reporting the progress of F&N’s sustainability projects.

The SDC is supported by the Sustainability Development Working Team, which consists of cross-functional representatives that takes on the various roles of: Sustainability Reporting Secretariat; Pillar Heads; Sustainability Initiative Champions; and Data Owners. Together, they monitor the progress of designated goals, drive initiatives at operational level, identify challenges in performance, and gather data for reporting.

In FY2019, the SRMC and SDC each convened three times on sustainability matters.

All F&N Directors and employees pledge to adhere to F&N’s Code of Business Ethics & Conduct, which includes principles related to integrity, respect and excellence. The Code is reviewed with new employees as part of their induction programme, while updates are communicated to staff by email and are also made available on our intranet.



SUSTAINABILITY DEVELOPMENT COMMITTEE

- Lee Meng Tat (Chairman)**
Chief Executive Officer, Non-Alcoholic Beverages, F&N
 - Lim Yew Hoe**
Chief Executive Officer, F&NHB
 - Siew Peng Yim**
Chief Executive Officer, Times Publishing Group
 - Hui Choon Kit**
Chief Financial Officer & Group Company Secretary, F&N
 - Josephine Woo***
Senior Director, Group Human Capital, F&N
 - Lai Kah Shen**
Director, Non-Alcoholic Beverages Finance, F&N
 - Dr Yap Peng Kang***
Senior Director, Manufacturing and Corporate R&D, F&N
 - Jennifer See**
Managing Director, Singapore and YFI Malaysia, FNFS
 - Waradej Patpitak***
First Vice-President, Manufacturing, F&NHB
 - Celine Tan***
Director, Marketing (Beverages), F&N
- * Pillar Heads in the Sustainability Development Working Team

KEY STAKEHOLDERS' ENGAGEMENT

F&N's stakeholders include any individual or group who are impacted by or interested in our activities. We strive to build and maintain strong relationships, based on trust and respect, with all stakeholders and utilise various platforms where they can voice their opinions and suggestions, as shown in the table below. Information received via these channels are fed into our planning for sustainable value creation and reporting.

Engagement Channels	Typical Issues Raised	F&N Actions
Investment Community		
<ul style="list-style-type: none"> • General meetings of Shareholders (AGM & EGM) • Face-to-face meetings and conference calls • Office/plant visits • Investor Day • Website and SGXNET announcements, presentations, press releases • Annual reports 	<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"> • Section on Our Sustainability Approach (pg. 13-22) • Section on Economic Performance (pg. 27)
Employees		
<ul style="list-style-type: none"> • Biennial employee engagement survey • Robust compensation and benefits framework • Annual CEO town hall/roadshow • Annual gatherings • Sports tournament • Communicate, iConnect (intranet), F&N Digest (biannual newsletter), email news highlights, quarterly CEO messages 	<ul style="list-style-type: none"> • Engagement with employees • Learning and development opportunities • Equitable rewards and recognition • Safe and healthy work environment 	Refer to: <ul style="list-style-type: none"> • Section on Economic Performance (pg. 27) • Section on Talent Management (pg. 34-41) • Section on Market Presence (pg. 42) • Section on Occupational Health and Safety (pg. 71-76)
Distributors and Trade Customers		
<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 and shopper trends • Product innovation • Customer relationship management • Shopper loyalty programmes • Improving customer service level • Business practices and ethics • Competitive operational system • Efficient delivery systems 	Refer to: <ul style="list-style-type: none"> • Section on Innovation (pg. 28-33) • Section on Consumer Health and Safety (pg. 77-81)

Our Sustainability Approach

Engagement Channels	Typical Issues Raised	F&N Actions
Consumers		
<ul style="list-style-type: none"> Marketing and sales promotions Brand communication through advertising Social media interactions On-ground events and activities Dedicated consumer hotline 	<ul style="list-style-type: none"> Product quality and safety Consumer health and safety Fair and reasonable product pricing Social and community engagement Environment-friendly packaging 	Refer to: <ul style="list-style-type: none"> Section on Innovation (pg. 28-33) Section on Consumer Health and Safety (pg. 77-81) Section on Product and Service Labelling (pg. 82-83)
Suppliers		
<ul style="list-style-type: none"> Supplier meetings Annual audits Tender Management System 	<ul style="list-style-type: none"> Fair and robust procurement system Support of local businesses Social and environmental responsibility Ethics – anti bribery and corruption 	Refer to: <ul style="list-style-type: none"> Section on Sustainable Sourcing (pg. 66-70)
Communities		
<ul style="list-style-type: none"> Collaborations and partnerships Outreach programmes Meetings/dialogues with community representatives Leadership programmes Sponsorship of sporting events Donation of food and beverages to the less privileged and elderly 	<ul style="list-style-type: none"> Consumer health and safety Social and environmental responsibility Greenhouse gas emissions Job opportunities for locals Promotion of good health and quality of life Skills development in sports and leadership Stimulating local economies 	Refer to: <ul style="list-style-type: none"> Section on Consumer Health and Safety (pg. 77-81) Section on Product and Service Labelling (pg. 82-83) Section on Creating Value for Society (pg. 43-49) Section on Market Presence (pg. 42) Section on Water Stewardship (pg. 52-54) Section on Effluents and Waste (pg. 54-57) Section on Packaging (pg. 58-60) Section on Energy and Climate Change (pg. 60-65) Section on Talent Management (pg. 34-41)
Regulators		
<ul style="list-style-type: none"> Active participation on industry collaborations e.g. Singapore's Health Promotion Board; Federation of Malaysian Manufacturers Meetings with government agencies and statutory bodies Collaboration and partnerships with local councils 	<ul style="list-style-type: none"> Good governance Fair and legal labour practices Safety at work Compliance with laws and regulations Water and waste management Environment friendly labelling and packaging Greenhouse gas emissions Recycling awareness 	Refer to: <ul style="list-style-type: none"> Section on Our Sustainability Approach (pg. 13-22) Section on Consumer Health and Safety (pg. 77-81) Section on Product and Service Labelling (pg. 82-83) Section on Water Stewardship (pg. 52-54) Section on Effluents and Waste (pg. 54-57) Section on Packaging (pg. 58-60) Section on Energy and Climate Change (pg. 60-65) Section on Occupational Health and Safety (pg. 71-76)

OUR MATERIAL ISSUES

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

Step 1

Identification

We conducted a comparative analysis of sustainability issues identified by global initiatives (such as the Sustainable Development Goals) and best practices of industry peers in the industry. These issues were discussed with the SDC to identify issues most material to F&N. We also surveyed our employees to obtain their views and seek further confirmation on the key issues. A list of 15 material issues were identified.

Step 3

Validation

We were able to develop a preliminary materiality matrix based on the outcome from Step 2. It was then validated through engagements with the SDC and the Board.

Step 2

Prioritisation

To prioritise the material sustainability issues identified in Step 1, we engaged department heads, the C-suite, and the Board in a materiality workshop. The workshop involved an in-depth discussion of each identified material sustainability issue, including the likelihood of impacts to our business and stakeholders, and the extent to which they would affect our sustainability. Each material issue was then plotted, based on importance, on a scale from moderate to high.

Our Sustainability Approach

FY2019 MATERIALITY MATRIX

Following the initial materiality assessment in 2017, we review and update our 15 materiality issues every year to identify priority sustainability issues across our value chain.

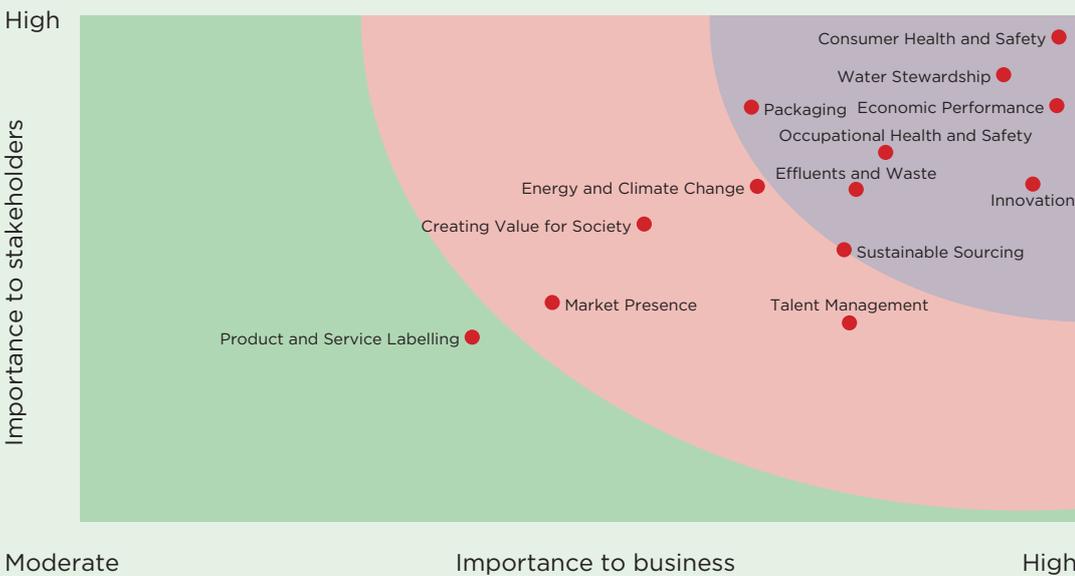
Over the past year, public awareness on plastics waste have grown considerably, both globally and locally, and is now an issue of key importance to business, governments and the public. The Singapore government has designated 2019 as the “Year Towards Zero Waste” while the Malaysian Government published a ‘Roadmap Towards Zero Single-use Plastics 2018-2030’. At F&N, the SDC has also assessed that the ‘Packaging’ materiality topic is increasingly important to F&N’s business and its stakeholders

and has shifted it to the upper right quadrant of the materiality matrix.

For a more holistic reporting, this year we had subsumed:

- a) the ‘Health and Nutrition’ topic under ‘Consumer Health and Safety’ and ‘Creating Value for Society’; and
- b) the ‘Route Planning’ topic under ‘Energy & Climate Change’ to be aligned with the circular economy approach.

As at FY2019, the Group has now 13 materiality issues.

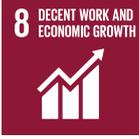
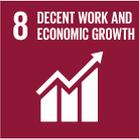
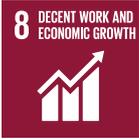


By mapping our material issues to the United Nations Sustainable Development Goals (“UN SDGs”), we have aligned our business and sustainability goals to contribute to the UN SDGs. This allows us to focus on how our sustainability initiatives for each material issue translate towards fulfilling the respective UN SDGs.

F&N will conduct a materiality assessment exercise in 2020 to help ensure our strategy is focused in the right areas, to assess the changing sustainability landscape and to understand and prioritise the issues that matter to our business and our stakeholders.

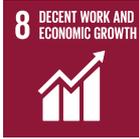


Material Issues and Our Commitments

Material Topic	Main Sustainable Development Goals	Main Boundaries						
		Employees	Suppliers	Customers	Consumers	Investment Community	Communities	Regulators
M01 Economic Performance								
<p>We are committed to creating direct economic value for our shareholders through the generation of profits and for our employees through stable and rewarding employment.</p> <p><i>GRI 201-1 Economic Performance</i></p>		●	●	●		●		
M02 Innovation								
<p>We invest in product and process innovation to increase our product range and improve efficiency and productivity. Innovation is critical not only for long-term business success but also in response to growing concern about social and environmental issues.</p>		●		●	●	●		
M03 Sustainable Sourcing								
<p>We promote sustainable and responsible procurement and sourcing via a risk management and supplier selection that is integrated with ESG factors, as well as a focus towards local sourcing to contribute to local economic development when possible.</p> <p><i>GRI 204-1 Procurement Practices</i></p>	 	●	●			●	●	
M04 Talent Management								
<p>We recruit the best talent, train them, and keep them motivated via career development goals and reviews.</p> <p><i>GRI 401-1, 401-2 Employment; GRI 404-1, 404-2 Training and Education</i></p>	 	●					●	●
M05 Market Presence								
<p>We contribute to the economic development in the local communities in which we operate by hiring locally and providing our employees attractive salaries and comprehensive benefit packages.</p> <p><i>GRI 202-2 Market Presence</i></p>		●					●	

Our Sustainability Approach

Material Issues and Our Commitments

Material Topic	Main Sustainable Development Goals	Main Boundaries						
		Employees	Suppliers	Customers	Consumers	Investment Community	Communities	Regulators
M06 Occupational Health and Safety								
<p>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.</p> <p><i>GRI 403-9, 403-10 (2018) Occupational Health and Safety</i></p>	 	●						●
M07 Consumer Health and Safety								
<p>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. We promote the consumption of nutrition products, in line with consumer needs.</p> <p><i>GRI 416-1, 416-2 Customer Health and Safety</i></p>	 	●		●	●			●
M08 Product and Labelling								
<p>We provide accessible and adequate information on our products and services, in line with relevant laws and regulations. This helps consumers make informed purchasing choices.</p> <p><i>GRI 417-1, 417-2 Marketing and Labelling</i></p>	 	●		●	●			●
M09 Creating Value for Society								
<p>We strive to create a positive impact on local communities through social development projects focused on: strengthening vulnerable groups with education and basic needs; supporting sports and active lifestyles; promoting environmental consciousness; and spreading festive cheer.</p> <p><i>GRI 413-1 Local Communities</i></p>	   	●					●	●

Material Topic	Main Sustainable Development Goals	Main Boundaries						
		Employees	Suppliers	Customers	Consumers	Investment Community	Communities	Regulators
M10 Water Stewardship								
<p>We seek to use water efficiently across the value chain and employ water resource risk management to ensure that our activities do not threaten water resources in the long-term for both our own operations and our local communities.</p> <p><i>GRI 303-3, 303-5 (2018) Water and Effluents</i></p>								
M11 Effluents and Waste								
<p>We comply with international and national standards in effluents and waste management. These include actions to minimise waste in the production process.</p> <p><i>GRI 303-4 (2018) Water and Effluents; GRI 306-2 Effluents and Waste</i></p>	  							
M12 Energy and Climate Change								
<p>We curb our contribution to climate change by managing our Greenhouse gas (“GHG”) emissions from our production processes and transport. This includes creating greater energy efficiencies in our operations and using as much renewable energy as possible.</p> <p><i>GRI 302-1, 302-3 Energy</i> <i>GRI 305-1, 305-2, 305-4 Emissions</i></p>	 							
M13 Packaging								
<p>We use innovative packaging to meet consumers’ demand and seek out innovative processes to reduce post-consumption waste.</p>								

Our Sustainability Approach

CIRCULAR ECONOMY

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

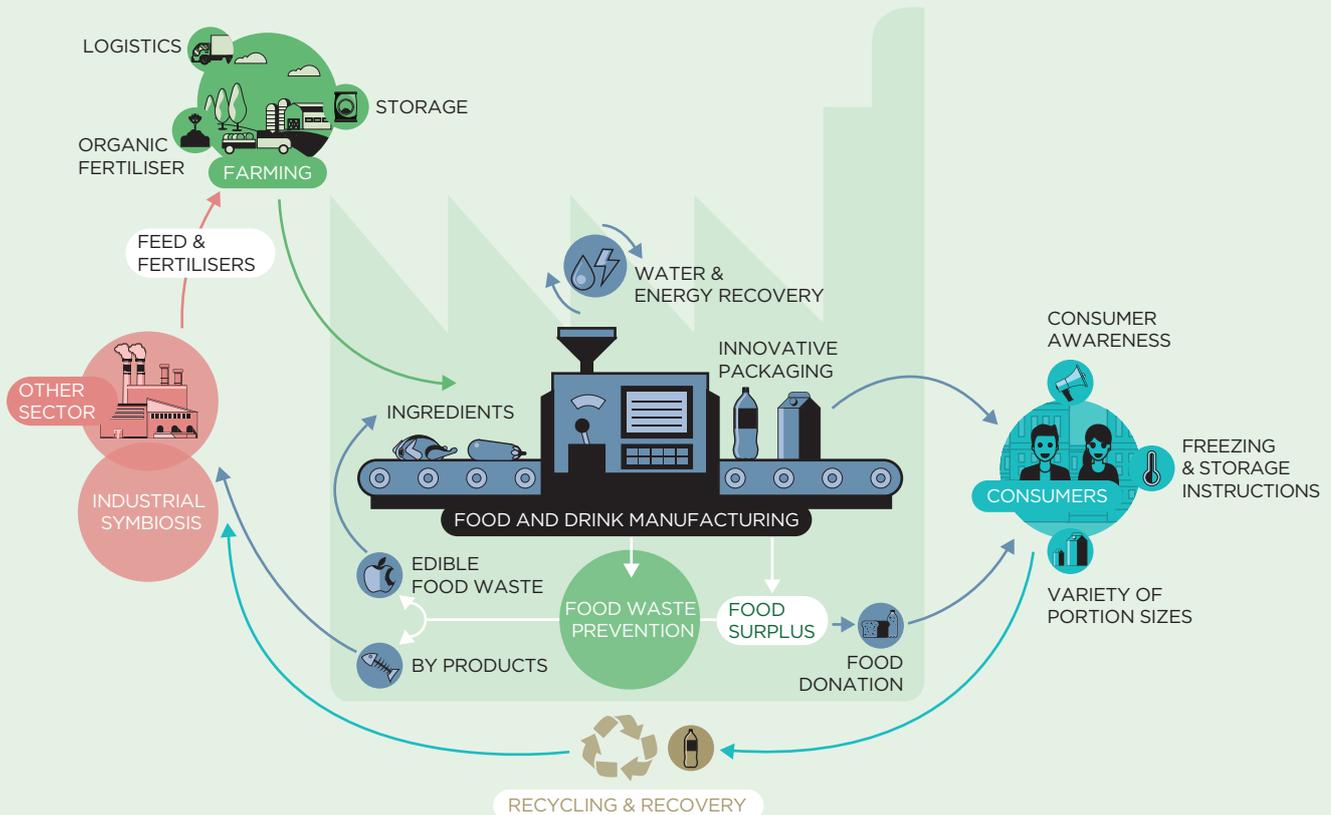
- i) prioritising renewable inputs;
- ii) keeping products and materials in use; and
- iii) recovering by-products and waste.

Our approach to managing materiality topics is guided by these principles. More than half of our materiality topics have links to circular economy:

- **Innovation:** we creatively design new solutions for products and processes which contribute to resource efficiency and the prevention of waste;

- **Water Stewardship:** we manage water use and recover and reuse water where possible;
- **Effluents and Waste:** we minimise waste (in production and post-consumption) and help to create by-products from the residual liquid and solid waste;
- **Packaging:** we reduce raw materials needed and aim to ensure that packaging can be recycled, reused or composted;
- **Energy and Climate Change:** we reduce our energy needs, use renewable and/or recover energy from our operations;
- **Sustainable Sourcing:** we favour suppliers whose environmental practices adhere to circular economy principles; and
- **Creating Value for Society:** we raise awareness, for example, through our School Recycling Programmes.

These links are explored in more details in the chapters which follow.



Our Commitment

PEOPLE

- Occupational Health & Safety
- Talent Management



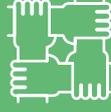
ENVIRONMENT

- Sustainable Sourcing
- Water Stewardship
- Effluents & Waste
- Energy & Climate Change: Reduce energy intensity
- Energy & Climate Change: Reduce GHG emissions



SOCIAL

- Consumer Health & Safety
- Innovation
- Creating Value for Society



As part of F&N's commitment to sustainability, we have established 10 key performance targets for the F&N Group, including Singapore, Malaysia and Thailand, based on the high priority material issues identified. F&N is on track to achieve these medium-term performance sustainability goals by 2020.

1. Key Material Issue **Sustainable Sourcing**

Group Target for 2020 To purchase RSPO Credits for 100% palm oil usage by 2020

Interim Target Purchase RSPO Credits for 70% of projected palm oil usage by 2019

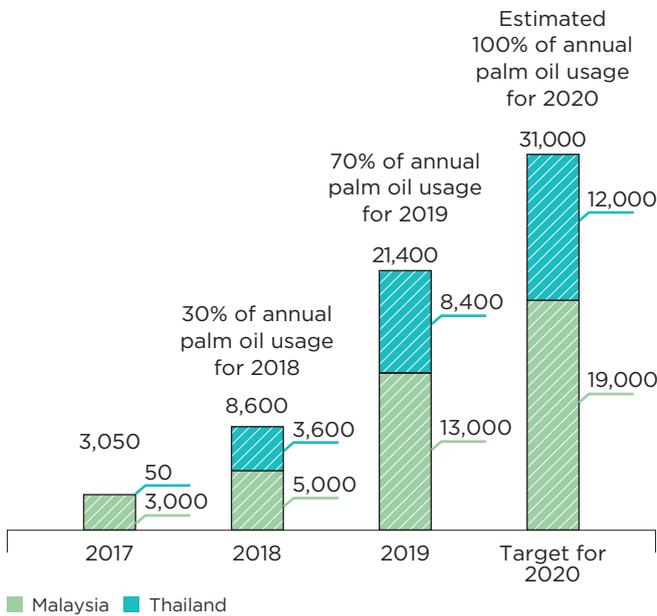
Progress We have achieved the interim target for 2019 by purchasing 21,400 RSPO Credits which accounts for about 70% of our 2019 palm oil usage.

2. Key Material Issue **Occupational Health and Safety**

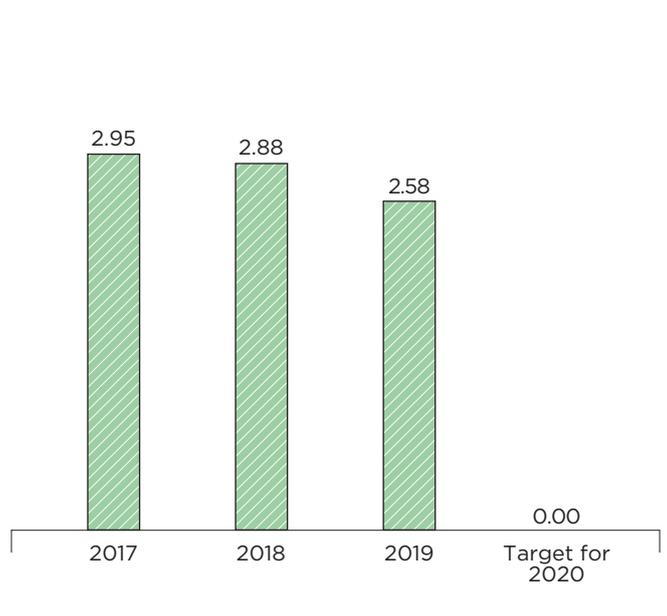
Group Target for 2020 To have zero Lost Time Injury Frequency Rate by 2020

Progress

Total Number of RSPO Credits Purchased



Group Lost Time Injury Frequency Rate



Our Commitment

3. Key Material Issue **Consumer Health and Safety**

Group Target for 2020 To introduce at least one healthier choice option in all our product categories by 2020

Progress We have healthier alternate products for 14 of the 15 (93%) product categories.

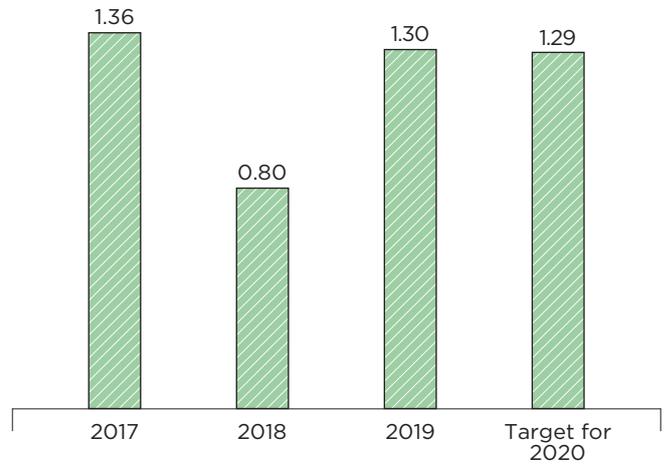
CHILLED / PASTEURIZED	<ul style="list-style-type: none"> • Milk • Drinking/Eating Yoghurt • Fruit Juice • Soya • Asian Soft Drinks 	All product categories have at least one healthier choice
AMBIENT	<ul style="list-style-type: none"> • Isotonic • Water • Carbonated Soft Drinks • Tea • UHT & Sterilised Milk • UHT Soya • Juice • Energy • Asian Soft Drinks • Frozen 	Product categories which do not have at least one healthier choice 1. Energy

4. Key Material Issue **Water Stewardship**

Group Target for 2020 To reduce the water intensity ratio at our plants by 5% from 2017 by 2020

Progress

Group Water Intensity Ratio (m³/MT)



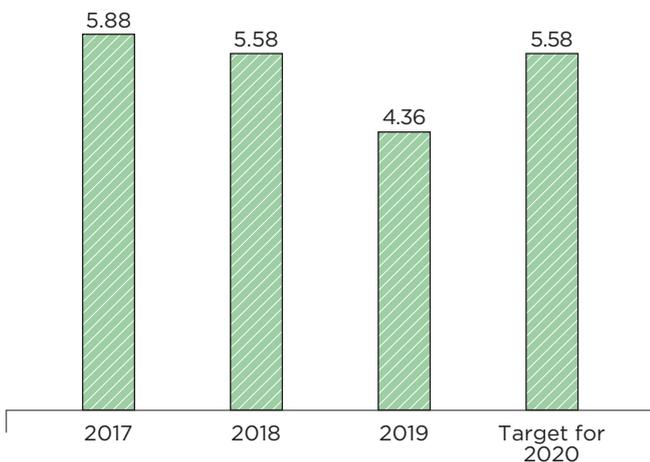
* Water refers to the water consumed within F&N (Water Consumption = Water withdrawal – Water discharged)

5. Key Material Issue **Effluents and Waste**

Group Target for 2020 To reduce solid waste intensity ratio by 5% from 2017 by 2020

Progress

Group Solid Waste Intensity Ratio (kg/MT)

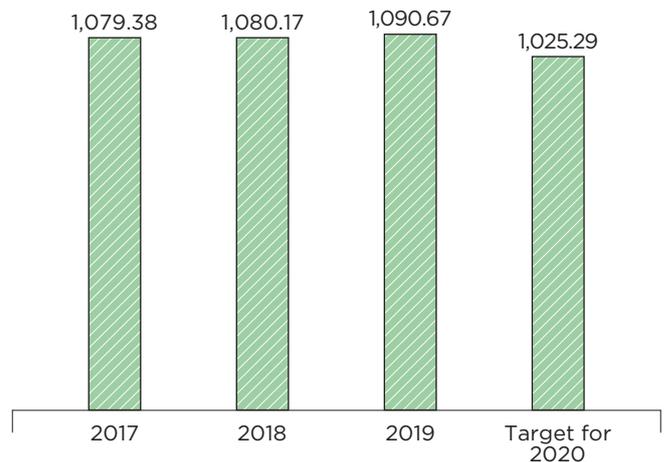


6. Key Material Issue **Energy and Climate Change**

Group Target for 2020 To reduce energy intensity ratio by 5% from 2017 by 2020

Progress

Group Energy Intensity Ratio (MJ/MT)

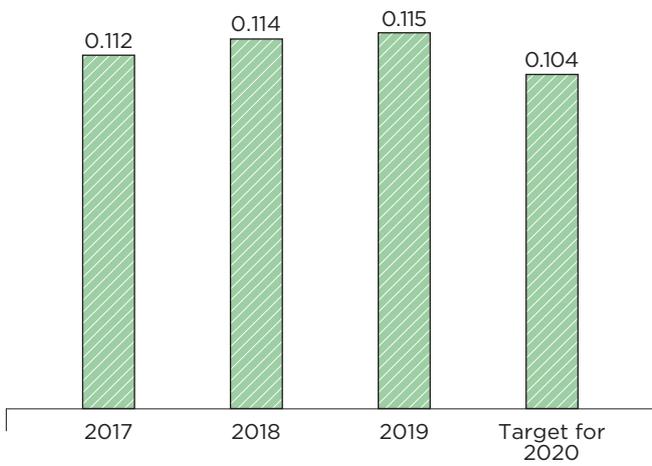


7. Key Material Issue Energy and Climate Change

Group Target for 2020 To reduce GHG emissions intensity ratio by 5% from 2017 by 2020

Progress

Group GHG Emissions Intensity Ratio (MT CO_{2e}/MT)



8. Key Material Issue Innovation

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

Progress

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

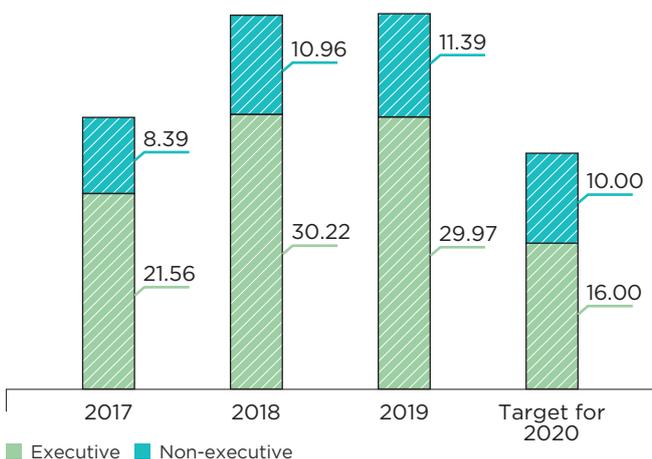
Read more in pages 28-33.

9. Key Material Issue Talent Management

Group Target for 2020 To provide an average of at least 16 and 10 hours of training to employee categories, Executive and Non-executive, respectively, by 2020

Progress

Group Average Training Hour per Employee by Employee Category



10. Key Material Issue Creating Value for Society

Group Target for 2020 To provide outreach and engagement programmes across Singapore, Malaysia and Thailand by exploring and implementing appropriate outreach programmes to address community needs

Progress

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

Read more in pages 43-49.