

# ADVANCING STRATEGICALLY, GROWING SUSTAINABLY.

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## SUSTAINABILITY REPORT

2017



## CORPORATE PROFILE

Established in 1883, Fraser and Neave, Limited (“F&N”) is a leading Southeast Asia Consumer Group with expertise and prominent standing in the Food & Beverage and Publishing & Printing industries.

Leveraging its strengths in marketing and distribution, research and development, brands and financial management, F&N 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 7,600 people worldwide.

## VISION

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

## MISSION

To be ASEAN’s leading owner and provider of quality and innovative products that consumers choose and trust. To support our mission, we are guided firmly by our commitment to create value for our stakeholders by ensuring that our corporate actions positively impact the socio-economic and environmental factors.

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Accompanying this sustainability report:  
F&N Annual Report



Download it at [www.fraserandneave.com/investor-relations](http://www.fraserandneave.com/investor-relations)

## BOARD STATEMENT

“The Board is pleased to present our first Global Reporting Initiative (GRI) and SGX compliant sustainability report.”

### SUSTAINABILITY OVERVIEW

The Board of Fraser and Neave, Limited (F&N or the Group) recognises that the Group’s success is determined not only by our financial performance but also by our non-financial factors such as our reputation and the relationships we have built. Over the last 134 years, we have become well-known in the markets where we operate – namely Singapore, Malaysia and Thailand – and enjoy strong relationships with consumers, customers and business partners. To safeguard our future, we are committed to further enhance our reputation and develop relationships so as to create value for our stakeholders.

Sustainability is not something new at F&N; neither is it an add-on to our operations. Rather, it is the way we go about our business. This includes the activities we undertake across our operations to ensure we generate economic values and contribute to our communities where we operate; ensure the health and safety of our people; and how we manage our environmental footprint.

### SUSTAINABILITY GOVERNANCE

The work of preserving our journey is both exciting and never-ending, and we are proud to continue to take the lead in F&N’s current efforts.

At the Board level, we have tasked the Board Executive Committee to assume an advisory role to the Project Management Committee (PMC). PMC provides overall direction and support for the execution of the sustainability reporting initiative, including addressing roadblocks, through offering recommendations on resources and systems processes to ensure the project remains on track. Also, the PMC keeps the Board informed.

At the same time, we know that sustainability must be supported by all employees. Long-term sustainability requires a multi-level, multi-disciplinary approach to the development of new products, reviews of existing products and processes, and efforts to help customers and communities address environmental and social issues. Therefore, in addition to instilling and inculcating our core values, practices and policies, we also encourage employee involvement in promoting sustainable development.

### SUSTAINABILITY FOR THE FUTURE

The publication of our annual sustainability reports is an extension of our commitment to sustainability. Indeed, the act of providing greater disclosure on our environmental, social and governance (ESG) performance is integral to stakeholder value creation, and is something we strive to improve over the years. It is a reflection of the high priority we place on communicating our sustainability efforts that we have released this Singapore Exchange (SGX)-compliant report ahead of the SGX’s deadline. While we have made great progress, we are only just embarking on our sustainability reporting journey.

The Board is pleased to present our first Global Reporting Initiative (GRI) and SGX compliant sustainability report. At the same time, we are encouraged by management’s determination to explore innovative ways to further enhance our sustainability practice, and look forward to reporting on these in the years to come.

## MESSAGE FROM CHAIRMAN OF PMC



“Essentially, we would like to ensure that as we achieve financial success, we also fulfil our obligations to our stakeholders. This includes understanding the impacts our everyday practices have on our society, economy and environment.”

### Lee Meng Tat

Chairman of Project Management Committee

It gives me pleasure to present F&N's first sustainability report produced in line with the GRI G4 framework. A key difference from previous reports is the structured approach adopted, based on having conducted a materiality assessment and focusing on the issues that were highlighted as being important. We provided further clarity on how continuous improvement is built into our operations; we established key quantitative baseline performance targets according to GRI-defined sustainability performance indicators.

While sustainability is not new to this 134-year old organisation, the reporting of our sustainability practices is still a work-in-progress (WIP). I am pleased to share our current results, achieved by leveraging existing initiatives, which further entrenches our relevance and viability.

The materiality assessment is key in this respect, as it provides clarity on what we should be reporting while also guiding us as to which areas in our operations we need to invest more time and attention on. While still a WIP, this new reporting approach represents a significant step in moving beyond our traditional “Corporate Social Responsibility” disclosure. It adopts a more holistic approach to Sustainability.

Essentially, we would like to ensure that as we achieve financial success, we also fulfil our obligations to our stakeholders. This includes understanding the impacts our everyday practices have on our society, economy and environment.

In terms of our social contract, we take great responsibility in producing beverages that are not only great-tasting but also contribute to consumers' health and well-being. In this regard, I am very proud that F&N has been at the forefront of this sugar reduction effort. The sugar index of our beverages portfolio has been reducing significantly over the years. As a result, a large number of our beverage products, existing and new, have been accorded

the Healthier Choice certification by the relevant authorities in Singapore and Malaysia while obtaining Food and Drug Administration (FDA) approval in Thailand.

As for our environmental impact, F&N continues to make positive strides in reducing waste and improving energy efficiencies in our operations across the board – in our plants as well as corporate offices. We continue to invest in green production lines and systems to reduce water consumption and waste, and keep our greenhouse gas (GHG) emissions low.

We constantly seek ways to reduce our environmental impact from our operations, and integrate sustainability into our business strategy. This can be seen from our commitment to the progressive use of sustainable palm oil in our products. We have begun by becoming an ordinary member of Roundtable on Sustainable Palm Oil (RSPO) and targeting to purchase RSPO credits for 100% of our palm oil usage by year 2020.

As we continue to refine and enhance our processes, F&N will work towards achieving greater alignment of our Vision 2020 with the SGX's Practice Note and GRI sustainability reporting guidelines. In the near future, we would like to also integrate the United Nation's Sustainable Development Goals (SDGs) into our sustainability initiatives, as we fully support the promotion of social equity, and for corporations to play their part in protecting the environment. These actions will support our aim to be listed in the Dow Jones Sustainability Index (DJSI), to be among the best-in-class performing companies who adopt sustainable best practices.

I hope that, in reading this report, you glean an insight into our commitment to contribute to a sustainable world. That underlines our business and will drive us to achieve our goal of becoming a reliable and sustainable Food & Beverage (F&B) leader in ASEAN.

## ABOUT THIS REPORT

This is F&N's first sustainability report to be developed based on the GRI G4 guidelines. These guidelines look beyond financial performance and corporate governance practices, which are already outlined in our annual report, to examine our non-financial performance – and especially our performance with regard to our internal and external communities as well as the environment.

Using the GRI G4 sustainability reporting guidelines, we are providing a deeper and broader account than we have in the past of our actions to:

- 1) give back to the communities in which we operate;
- 2) play our part in protecting the natural environment;
- 3) invest in quality products; and
- 4) grow our employees professionally as we provide them with a stimulating work environment.

Read together with our annual report, this sustainability report gives stakeholders a comprehensive picture of how F&N is balancing our financial goals with our social and environmental imperatives. It underlines our commitment to conduct our business in an ethical and sustainable manner, and offers insight into how we aim to create stakeholder value.

As a leading consumer goods player in the region, we impact the lives of a wide range of stakeholders in innumerable ways. Through a materiality assessment, however, we have been able to determine which issues are most important to F&N as a company, as well as those that are most important to our stakeholders. These are the areas we have reported on.

The information contained has been presented according to four main categories, namely:

- 1) Creating Shareholder Value – we outline ways in which we seek to enhance our economic performance;

- 2) Responsibility to Stakeholders – we detail how we strengthen our relationships with our suppliers, employees and consumers;
- 3) Responsibility to the Community – we describe our outreach programmes; and
- 4) Responsibility to the Environment – we describe the ways in which we strive to reduce waste and increase energy efficiency.

The data presented have been obtained from significant operations of F&N in Singapore (F&B and Printing), Malaysia (F&B and Printing) and Thailand (F&B). It covers the financial year from 1 October 2016 to 30 September 2017. In accordance with the GRI G4's Core Option, we have provided a content index to make it easier for stakeholders to access information that is relevant or important to them.

This year, we have strengthened our internal data collection and consolidated procedures to enable us to provide a comprehensive picture of our operations. Furthermore, we have extended our data reporting to include a range of GRI indicators, as we move forward with reporting in accordance with GRI G4 guidelines for sustainability reporting. This year's data will become the baseline for our target setting and we will continue to work on improving our data quality to enhance our reporting process and transparency, and to ensure a consistent basis for reporting on our sustainability performance using the GRI G4 framework.

We have set medium-term performance targets to be achieved by 2020 for some of our priority material issues. Moving forward, we also seek to expand our engagement process to include inputs from external stakeholders, while taking into account feedback on this report. In addition, we will be looking to obtain external assurance on the data provided.

We value your feedback as it will help make our future reports more relevant. Please direct your comments or queries to [sustainability@fnngroup.com.sg](mailto:sustainability@fnngroup.com.sg).

Entities included in this sustainability report:



FRASER AND NEAVE, LIMITED

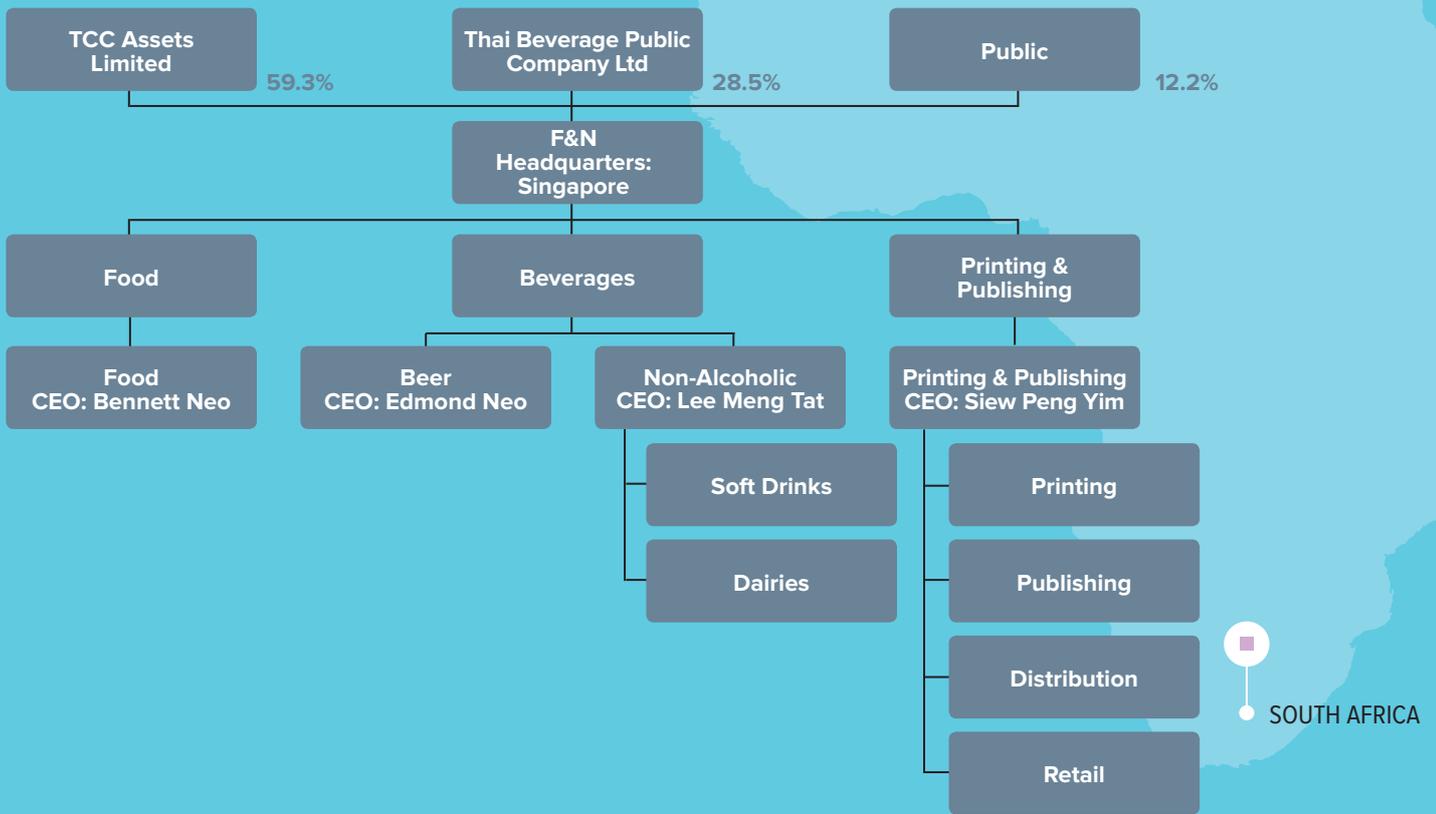


# THIS IS F&N

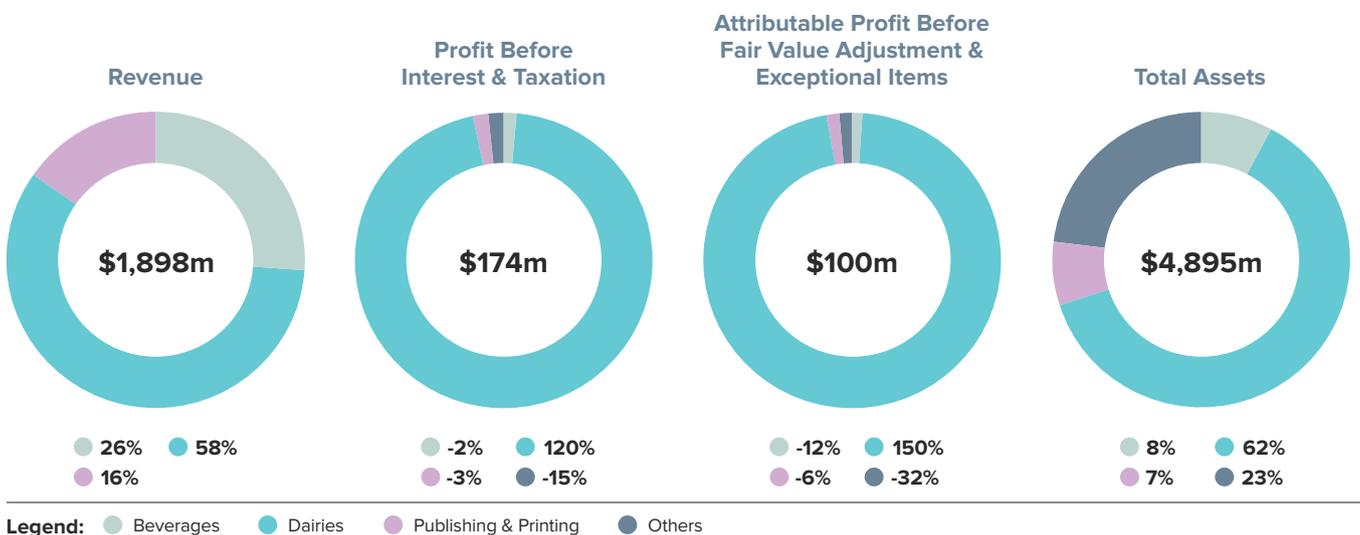
F&N's F&B business and operations are executed mainly through our listed entity in Malaysia, Fraser & Neave Holdings Bhd (F&NHB). A blue-chip company with market leading positions in Malaysia and Thailand, F&NHB's primary activities include the manufacture, marketing, distribution and sales of soft drink and dairy products under brands like 100PLUS, F&N SEASONS, F&N MAGNOLIA, OISHI and F&N NUTRISOY. F&NHB employs about 2,700 people and ranks in Malaysia's 100 Leading Graduate Employers. Its products are available in over 50 countries worldwide.

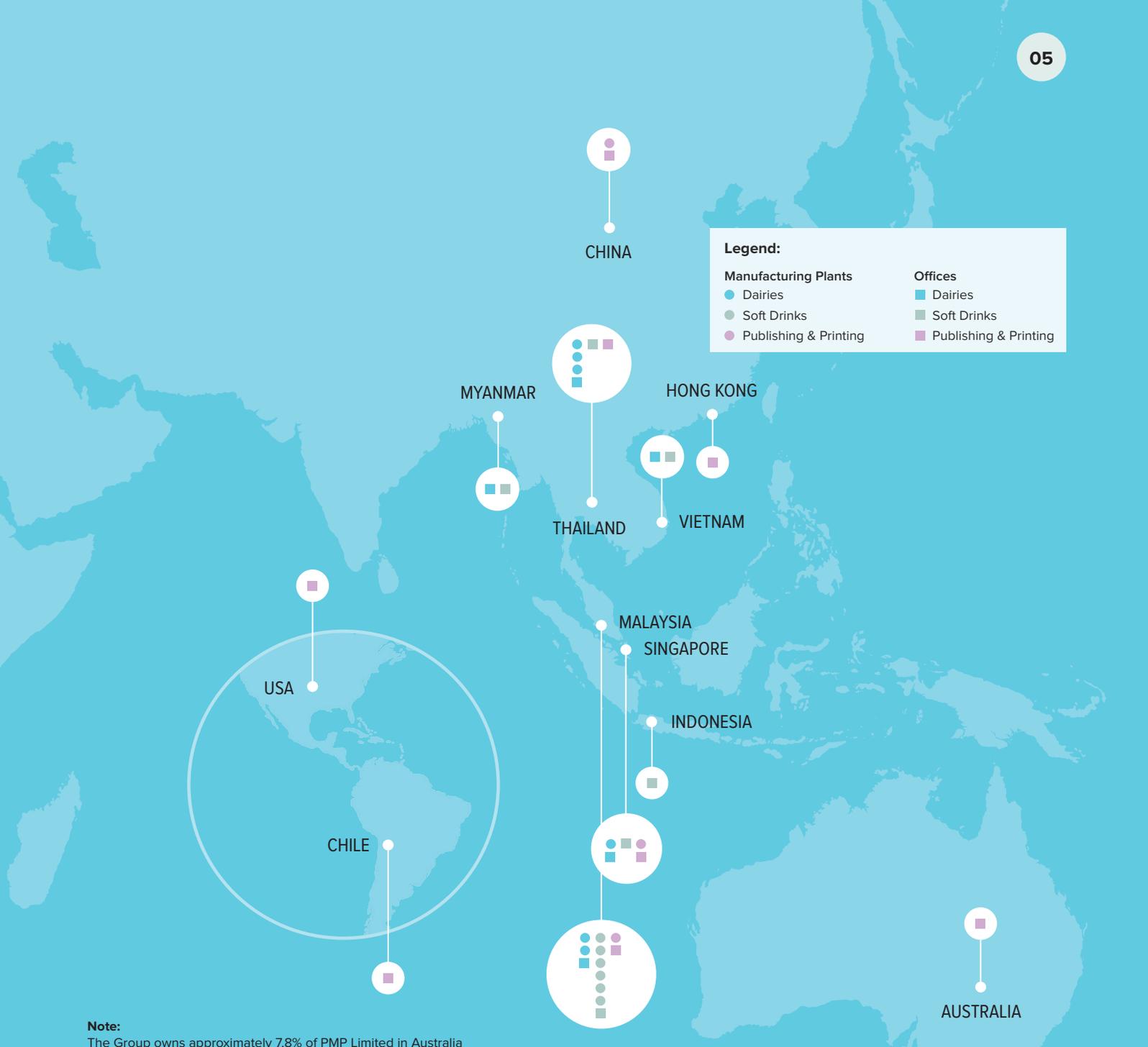
As listed companies, both F&N and F&NHB comply with the rules and regulations of the relevant stock exchanges. Each company has its own independent board and management.

## Corporate Structure and Ownership



## Contribution by Segment





**Note:**  
The Group owns approximately 7.8% of PMP Limited in Australia

### Employee Breakdown



**Legend:** ● Singapore ● Malaysia ● Other Regions

## THIS IS F&N

### F&N BUSINESS MODEL

F&N's business model targets sustainable, long-term value creation for its stakeholders. It achieves this by leveraging its key resources (People, Intellectual, Process, Financial and Stakeholder Relationships) to deliver profitable growth, to drive efficiency and operational excellence, to preserve the health and safety of the people working in, and with, F&N, and to protect the environment and build local communities relations, while manage operational risks of its businesses and adhere to ethical principles of corporate governance.

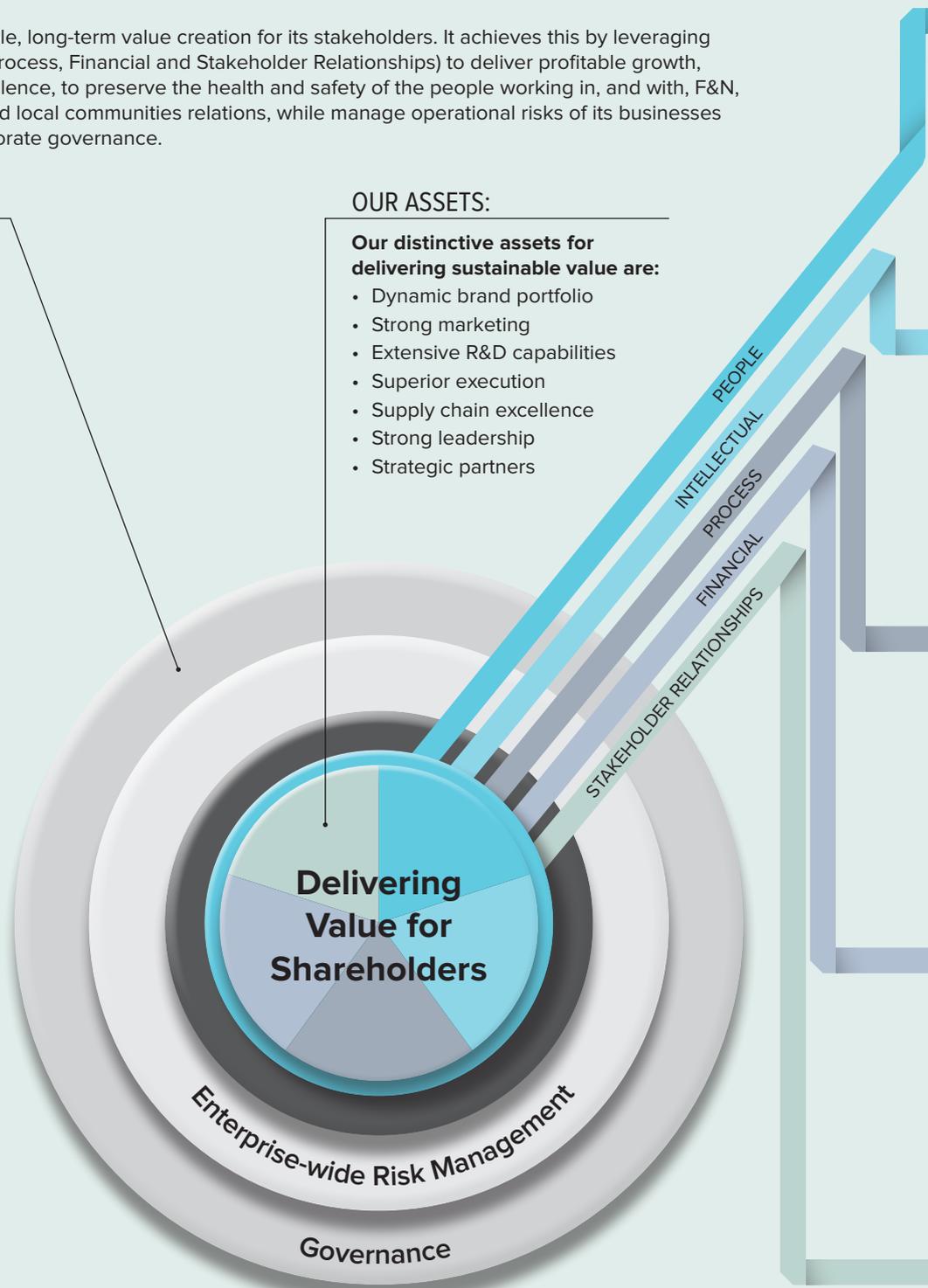
#### OUR GROWTH DRIVERS:

- **Clearly targeted portfolio of brands and products**
  - While the Group continues its brand portfolio strategy so as to maximise consumer reach, it will focus its investment on and drive the growth of its Power Brands.
- **Leading through innovation**
  - F&N generates new innovation each year, in products development or processes, so as to maintain sustainable leadership in its industry.
- **Strive for commercial excellence**
  - We continuously identify and strengthen levers to improve operational efficiency, increase brand presence and sell-through, and streamline internal processes to accelerate decision-making, and make F&N leaner and more efficient.
- **Investments focusing on *right to win***
  - F&N prioritises its investments on markets where it has a *right to win* and markets that offer the best medium- to long-term growth and profitability opportunities, encompassing the way it competes, its capabilities with which it will compete, and the portfolio decisions. The Group is focused on Southeast Asia, particularly Indonesia, Myanmar and Vietnam.
- **Commit to talent development**
  - F&N's strategy incorporates a roadmap for attracting, developing and retaining our most valuable asset – People. We set out specific, actionable steps that are either already in place, or under development, to support our businesses in becoming the best at what they do.

#### OUR ASSETS:

##### Our distinctive assets for delivering sustainable value are:

- Dynamic brand portfolio
- Strong marketing
- Extensive R&D capabilities
- Superior execution
- Supply chain excellence
- Strong leadership
- Strategic partners

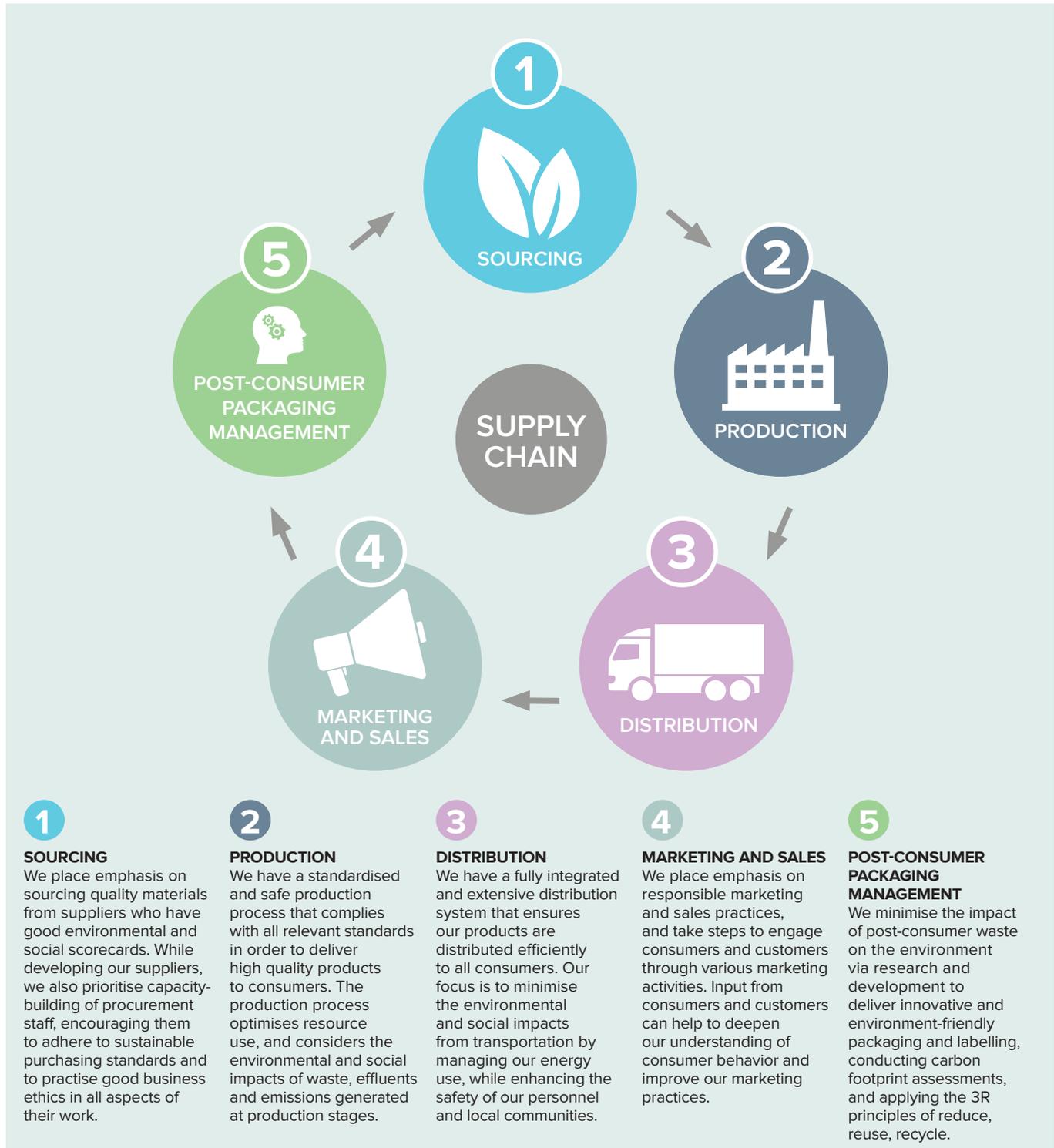


F&N KEY RESOURCES	VALUE ADDING ELEMENTS	VALUE CREATED	VALUE SHARED WITH
 <p><b>PEOPLE</b></p> <p>We are committed to attracting, developing and retaining the very best talent, an important asset.</p>	<p>IN OUR CORE MARKETS OF MALAYSIA, SINGAPORE AND THAILAND, AND NEW MARKETS</p>  <p><b>520M CONSUMERS</b></p>	<p>WE CREATE VALUE FOR OUR STAKEHOLDERS BY MANAGING AND DEPLOYING OUR RESOURCES AND ASSETS EFFICIENTLY AND EFFECTIVELY</p>  <p><b>REVENUE \$1,898M</b></p>	 <p><b>EMPLOYEES</b></p> <p>Our employees are our partners in shaping our success. We foster a culture of continuous learning, development and reward for our employees in a healthy and safe work environment.</p>
 <p><b>INTELLECTUAL</b></p> <p>We are committed to building our knowledge-based assets – brands, processes and technology – that connect with the way our consumers live.</p>	<p><b>12 FOOD &amp; BEVERAGE MANUFACTURING FACILITIES</b></p> 	 <p><b>PBIT \$174M</b></p>	 <p><b>CONSUMERS</b></p> <p>With the end consumer in mind, we produce a range of products that address evolving consumer preferences and a wide spectrum of lifestyles.</p>
 <p><b>PROCESS</b></p> <p>We recognise the impact our operations have on the environment and the local communities where we operate and are committed to continuous efficiency improvements.</p>	 <p><b>OVER 253,000 OUTLETS</b></p>	<p><b>OUR PRODUCTS ARE AVAILABLE IN 112 COUNTRIES</b></p> 	 <p><b>PARTNERS</b></p> <p>We partner responsible and sustainable businesses. Throughout our supply chain, we create value and support job creation beyond our business.</p>
 <p><b>FINANCIAL</b></p> <p>We seek to use our funds generated from operations or investments efficiently and effectively.</p>	<p><b>STRATEGIC PARTNERSHIP WITH:</b></p> 	<p>WE EMPLOY OVER <b>7,600 EMPLOYEES</b> IN 11 COUNTRIES</p>  <p><b>30 NEW F&amp;B PRODUCTS LAUNCHED IN FY2017</b></p>	 <p><b>SHAREHOLDERS</b></p> <p>Managing our resources effectively enables us to maximise profits which benefit shareholders through sustainable shareholder returns.</p>
 <p><b>STAKEHOLDER RELATIONSHIPS</b></p> <p>We look to build long-term relationships with customers, strategic partners, employees, investors and communities through stakeholder engagement initiatives.</p>	 	 <p><b>24 PRODUCT AND PROCESS EXCELLENCE AWARDS</b></p>	 <p><b>COMMUNITIES</b></p> <p>Our business is built in a profitable, responsible and sustainable manner. We give back to local communities through job creation, useful products and services, social responsibility programmes and minimisation of environmental impact.</p>

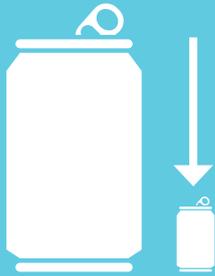
## THIS IS F&N

### OUR SUPPLY CHAIN

We require a range of raw materials for the production of our beverages; paper for printing; as well as equipment and machinery for our factories and warehouses. We engage with about 3,600 suppliers globally, including Malaysia, Singapore, Thailand, Taiwan, India, Australia, New Zealand, the US and UK. Our suppliers also provide us with materials used in our distribution and retail operations. For the financial year under review, we spent an estimated \$1.2 billion on products and services provided by our suppliers.



## SUSTAINABILITY HIGHLIGHTS 2017



SUGAR LEVEL HAS  
**DECREASED**  
**28%** TO  
6.2G/100ML



PACKAGING  
FOR ALL OUR  
PASTEURISED  
PRODUCTS ARE  
**RECYCLABLE**



UP TO **96%** OF  
OUR RAW MATERIAL  
REQUIREMENTS  
ARE **LOCALLY-**  
**SOURCED**



WE ARE A  
MEMBER  
OF RSPO



ALL OPERATIONS  
ACROSS THE GROUP  
**ENGAGED IN**  
**COMMUNITY**  
**PROJECTS,**  
IMPACT ASSESSMENTS  
AND/OR DEVELOPMENT  
PROGRAMMES



**NO WORK-**  
**RELATED**  
**FATALITIES**  
**IN FY2017**



THE GROUP  
**RECYCLED**  
**AND REUSED**  
A TOTAL OF  
**239,846M<sup>3</sup>**  
OF WATER



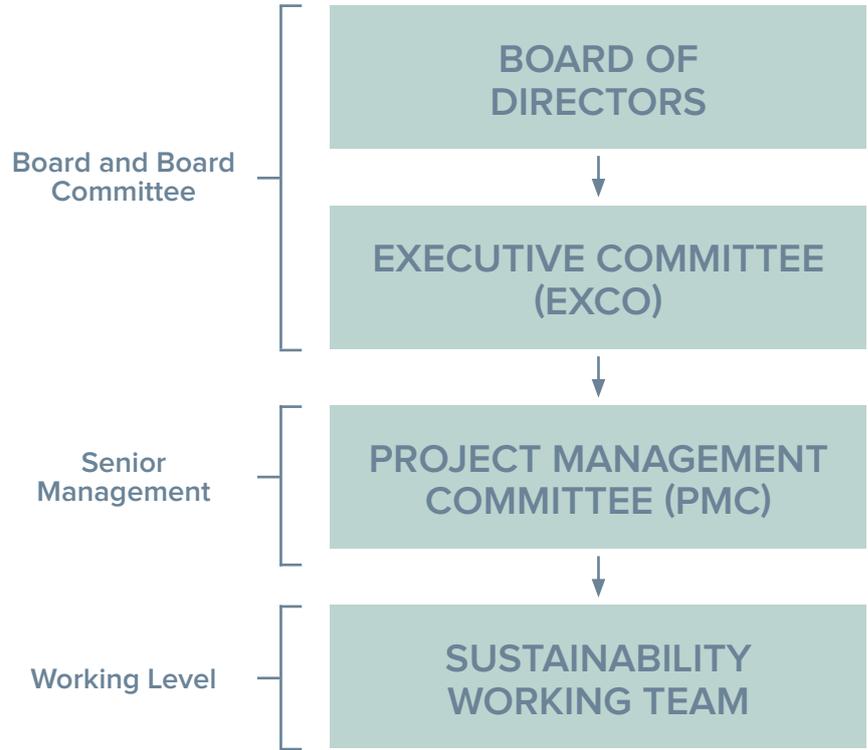
PACKAGING  
INDEX FOR PET  
PACKAGING  
**DECREASED**  
**TO 31.2G/L**

## OUR SUSTAINABILITY APPROACH

### OUR SUSTAINABILITY APPROACH

F&N has set up a dynamic team to manage and implement our sustainability efforts. The responsibility for steering and aligning our company-wide sustainability strategy is with the Board Executive Committee (EXCO) on the Board level. EXCO is supported by a Project Management Committee (PMC), chaired by the Chief Executive Officer of Non-Alcoholic Beverages (NAB) and staffed by employees of key functions, regions and levels. The PMC provides general direction and monitors the progress of F&N's sustainability reporting project.

In FY2017, the PMC convened on sustainability matters four times, the Exco once, and the Board twice. The PMC provided inputs and comments which have been incorporated to strengthen our sustainability agenda.



## PROJECT MANAGEMENT COMMITTEE

**LEE MENG TAT (CHAIRMAN)**  
Chief Executive Officer, Non-Alcoholic Beverages (NAB), F&N

**SIEW PENG YIM**  
Chief Executive Officer, Times Publishing Group

**HUI CHOON KIT<sup>1</sup>**  
Chief Financial Officer, F&N

**LAI KAH SHEN**  
Financial Controller (F&B Division), F&N

**JENNIFER SEE**  
General Manager, Singapore and Indonesia, FNFS

**LIM YEW HOE**  
Chief Executive Officer, F&NHB

**ANTHONY CHEONG (until 30 Sep 2017)**  
Group Company Secretary, F&N

**JOSEPHINE WOO**  
First Vice President, Group Human Capital, F&N

**DR YAP PENG KANG**  
Head, Research and Development, F&N

**KHALID ALVI**  
Senior Vice President, Group Marketing, NAB & General Manager, F&N Interflavine Pte Ltd

**Note:**

<sup>1</sup> Mr Hui Choon Kit was appointed Chief Financial Officer and Company Secretary of F&N on 1 October 2017

To raise the standards of sustainability reporting and increase awareness, a series of comprehensive workshops and trainings were conducted for Directors, the PMC and Sustainability Working Committee. These included Directors' training in Kuala Lumpur, three awareness workshops in Singapore and Kuala Lumpur, and certified training courses for the different data owners.

### Who Our Key Stakeholders Are And How We Engage With Them

Our sustainability efforts are anchored on understanding and fulfilling the needs of our stakeholders while delivering our financial targets. We seek to create strong relationships based on trust and respect with our employees, suppliers, customers, shareholders and financial investors, consumers, and local

communities via regular engagement. Through open, two-way dialogue with our stakeholders, we are able to explain our business objectives while listening to their concerns.

Different platforms are used to engage effectively with different stakeholder groups, as indicated in the table below.

STAKEHOLDER	ENGAGEMENT CHANNEL	ISSUES RAISED	ACTIONS
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Bi-annual employee engagement survey</li> <li>• Annual CEO townhall/roadshow</li> <li>• Annual gatherings</li> <li>• iConnect (intranet)</li> <li>• F&amp;N Communique, F&amp;N Digest and internal newsletters</li> <li>• Monthly email news highlights</li> <li>• Quarterly messages from the CEO</li> </ul>	<ul style="list-style-type: none"> <li>• Learning &amp; development</li> <li>• Rewards &amp; recognition</li> <li>• Safety at work</li> </ul>	Refer to sections: <ul style="list-style-type: none"> <li>• Talent Management (Pg. 28 – 30)</li> <li>• Occupational Health and Safety (Pg. 30 – 31)</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Supplier meetings</li> <li>• Annual audits (approved vendor list)</li> <li>• Tender Management System</li> </ul>	<ul style="list-style-type: none"> <li>• Fair and robust procurement system</li> <li>• Support of local business</li> <li>• Social and environmental responsibility</li> </ul>	Refer to sections: <ul style="list-style-type: none"> <li>• Sustainable Sourcing (Pg. 25 – 26)</li> <li>• Creating Value for Society (Pg. 39 – 41)</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Annual customer meetings</li> <li>• Annual factory visits</li> <li>• Annual business planning</li> <li>• Business development activities</li> <li>• Joint supply chain meetings</li> <li>• Quarterly business reviews</li> <li>• Customer appreciation events</li> </ul>	<ul style="list-style-type: none"> <li>• Latest consumer and shopper trends</li> <li>• Product innovation</li> <li>• Customer Relationship Management</li> <li>• Sustainable Shopper Loyalty programme</li> <li>• High customer service levels</li> <li>• Strategic business development programmes</li> <li>• Business practices and ethics</li> <li>• Competitive operational system</li> <li>• Efficient delivery system</li> </ul>	Refer to sections: <ul style="list-style-type: none"> <li>• Sustainable Sourcing (Pg. 25 – 26)</li> <li>• Innovation (Pg. 18 – 23)</li> </ul>
<b>Shareholders and financial investors</b>	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Face-to-face meetings and conference calls</li> <li>• Office/Plant visits</li> <li>• Investors' Day</li> <li>• Conferences</li> <li>• Analysts' Briefings</li> </ul>	<ul style="list-style-type: none"> <li>• Business and financial performance</li> <li>• Market/Industry overview and outlook</li> </ul>	Refer to section: <ul style="list-style-type: none"> <li>• Economic Performance (Pg. 17)</li> </ul>

## OUR SUSTAINABILITY APPROACH

STAKEHOLDER	ENGAGEMENT CHANNEL	ISSUES RAISED	ACTIONS
<b>Consumers</b>	<ul style="list-style-type: none"> <li>• Marketing and sales promotion activities</li> <li>• Brand communication through above-the-line and below-the-line advertising</li> <li>• Interactions with consumers via social media</li> <li>• Partnership in events/activities</li> <li>• Dedicated consumer hotline</li> </ul>	<ul style="list-style-type: none"> <li>• Product quality and safety</li> <li>• Consumer health and safety</li> <li>• Fair and reasonable product pricing</li> <li>• Social and community engagement</li> </ul>	Refer to sections: <ul style="list-style-type: none"> <li>• Innovation (Pg. 18 – 23)</li> <li>• Consumer Health and Safety (Pg. 32 – 33)</li> <li>• Health and Nutrition (Pg. 34 – 36)</li> <li>• Product Service and Labelling (Pg. 36 – 37)</li> </ul>
<b>Communities</b>	<ul style="list-style-type: none"> <li>• Activities in local communities</li> <li>• Meeting with community representatives</li> <li>• Leadership programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Job opportunities for local communities</li> <li>• Stimulating local economies</li> <li>• Promotion of good health and quality of life for communities</li> <li>• Skills development in sports and leadership</li> </ul>	Refer to sections: <ul style="list-style-type: none"> <li>• Talent Management (Pg. 28 – 30)</li> <li>• Creating Value for Society (Pg. 39 – 41)</li> </ul>

### Materiality Assessment

In January 2017, we conducted our first materiality assessment to identify, prioritise, validate and review relevant sustainability issues, taking into account issues highlighted by industry leader and peers as well as views of our internal stakeholders. This enabled us to report meaningfully on the changing business landscape. The assessment involved an employee sustainability survey and a number of meetings and workshops with employees, management and directors to identify relevant sustainability aspects that were deemed most pertinent to them. The team also examined external benchmarks for the potential economic, environmental and social impact F&N has, and then pre-select the most important sustainability issues.

In future, we aim to involve key external stakeholder groups for a more objective assessment of the issues important to them. Issues that are of high importance will not only be reported but will be taken into account in our business plans and decisions.

The materiality assessment involved the following three steps:

#### Step 1:

##### IDENTIFICATION

Preliminary issues were identified based on a comparative analysis conducted of peer companies and industry best practices in sustainability. These issues were discussed with the PMC to distil those that were relevant to F&N. Subsequently, employees were surveyed to obtain their views on material issues. From these sessions and survey, we crafted a list of key issues, opportunities and challenges facing F&N.

#### Step 2:

##### PRIORITISATION

To provide weightage to the material issues identified in Step 1, they were reviewed by our CEOs, heads of department and directors. This allowed us to prioritise the issues according to how likely they are to impact our business and the extent to which they are likely to impact our sustainability. Their level of importance was thus plotted – from moderate to high.

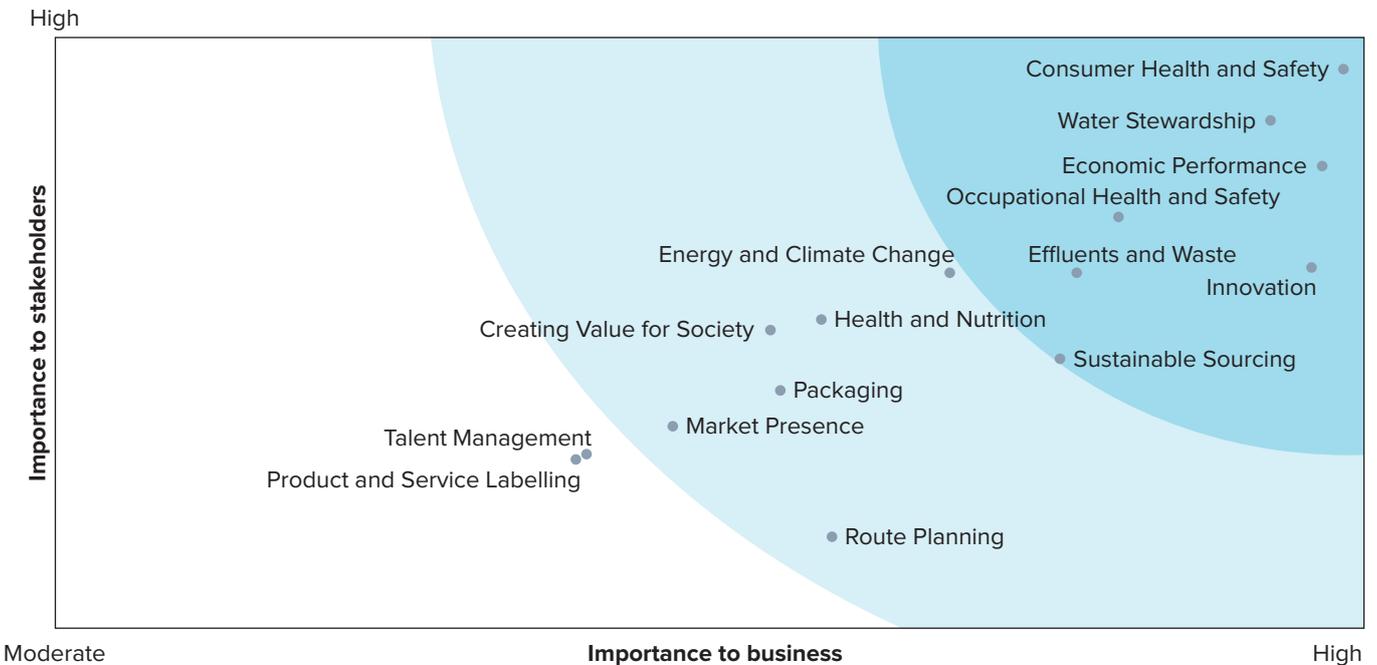
#### Step 3:

##### VALIDATION

Based on outcome of the workshop, we were able to plot a preliminary materiality matrix, which was then validated by the PMC and the Board. The next step in this process involves obtaining feedback on this report from stakeholders. This feedback will be used to develop next year's sustainability report.

### F&N Materiality Matrix\*

The following matrix depicts 15 issues that are seen to be of high importance to both F&N and our stakeholders. We have focused on these material issues in this report as they are more likely to have an impact on the sustainability of our business.



\* Results across activities have been combined and scores have been averaged to develop this materiality matrix

### Identified boundaries for material issues

Material Issues	Within the organisation	Outside the organisation				
	Employees	Suppliers	Customers	Consumers	Shareholders / Financial Investors	Communities
<b>Create Value for Shareholders</b>						
Economic Performance	✓	✓	✓		✓	
Innovation	✓		✓	✓	✓	
<b>Responsibility to Stakeholders</b>						
Sustainable Sourcing	✓	✓				
Talent Management	✓				✓	
Market Presence	✓					✓
Consumer Health and Safety	✓			✓		✓
Health and Nutrition	✓			✓		✓
Product and Service Labelling	✓			✓		
Occupational Health and Safety	✓					
<b>Responsibility to Community</b>						
Creating Value for Society	✓					✓
<b>Responsibility to Environment</b>						
Water Stewardship	✓		✓	✓		✓
Effluents and Waste	✓					✓
Energy and Climate Change	✓					✓
Route Planning	✓	✓	✓			
Packaging	✓	✓		✓		✓

## OUR SUSTAINABILITY APPROACH

As part of the process of reviewing our operational efficiency and setting targets for the next financial year, we will re-evaluate our material issues, achievements and goals. Our performance in FY2017 will serve as the baseline for our target-setting and strategising our sustainable development in the coming years. The Sustainability Report will be published annually to disclose our initiatives and update on our progress.

The material issues have been categorised into the following four categories:

### Our Commitments

OUR MISSION	MATERIAL ISSUES	GRI ASPECTS
<b>CREATING SHAREHOLDER VALUE</b> 	Economic Performance Innovation	Economic Performance -
<b>RESPONSIBILITY TO STAKEHOLDERS</b> 	Sustainable Sourcing Talent Management Market Presence Consumer Health and Safety Health and Nutrition Product and Service Labelling Occupational Health and Safety	Procurement Practices Employment Training and Education Market Presence Customer Health and Safety - Product and Service Labelling Occupational Health and Safety
<b>RESPONSIBILITY TO THE COMMUNITY</b> 	Creating Value for Society	Local Communities
<b>RESPONSIBILITY TO ENVIRONMENT</b> 	Water Stewardship Effluents and Waste Energy and Climate Change Route Planning Packaging	Water Effluents and Waste Energy; Emissions - -

## DESCRIPTION

We are committed to creating direct economic value for our shareholders through the generation of profits.

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 social and environmental issues.

We promote sustainable and responsible procurement and sourcing by managing sustainable sourcing risk, supplier selection and local sourcing.

We attract, nurture, motivate and retain talents via career development goals and reviews.

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

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

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

We ensure adequate information on our products and services, in line with relevant laws and regulations. This helps consumers make informed purchasing choices.

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.

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

We seek to be a responsible water steward by eliminating unsustainable water use throughout our value chain.

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 packaging.

We minimise our impact on climate change by managing our GHG emissions and air pollution from our production processes and transportation. This includes creating greater energy efficiencies in our operations and using as much renewable energy as possible.

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

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

# CREATING SHAREHOLDER VALUE

## MATERIAL ISSUES

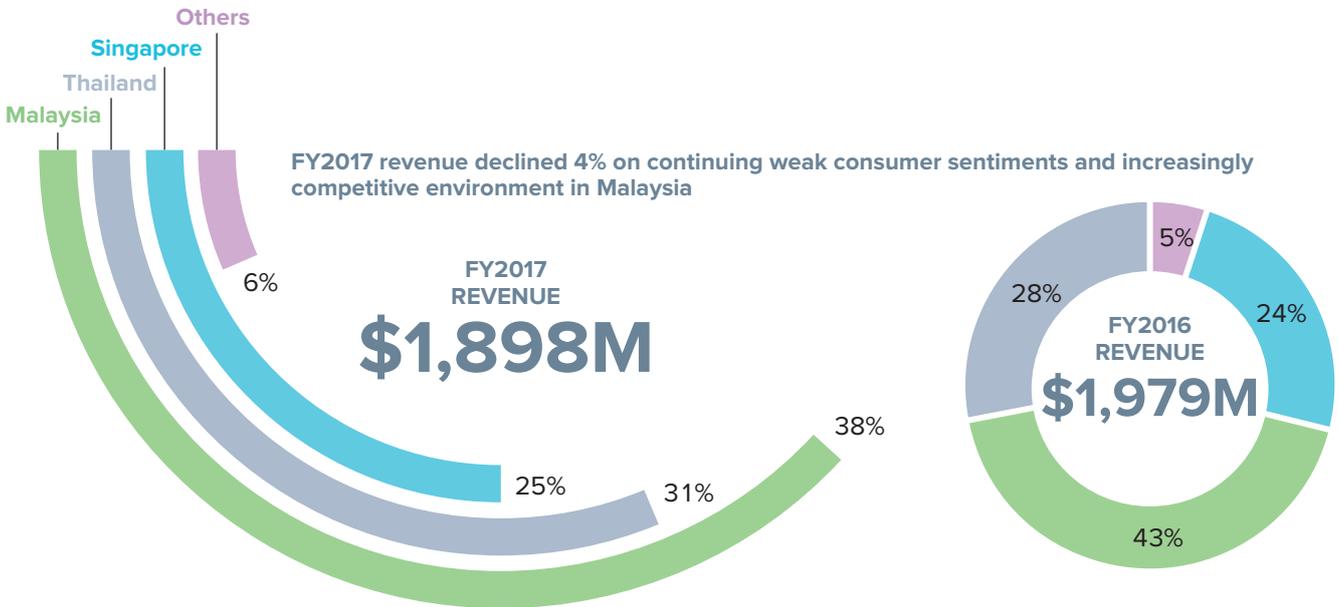
- Economic Performance
- Innovation

We value our shareholders and seek to reward them with healthy returns based on profits on a long-term basis. This requires us to maintain our leadership in the various beverage categories that we are in, keeping up with consumer trends and continuously offering products that delight our consumers. It also requires us to manage our operations efficiently and cost-effectively, encouraging a culture of productivity and innovation among our employees.

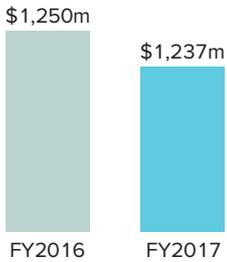


# ECONOMIC PERFORMANCE

Our economic performance is managed as part of our business strategy. For a more in-depth discussion, please refer to our Annual Report.



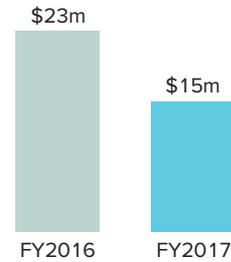
**COST OF SALES**  
Cost of sales fell 1% on lower sales, albeit higher input costs



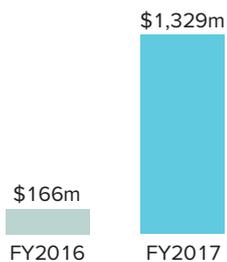
**EMPLOYEE BENEFIT EXPENSES<sup>3</sup>**  
As a result of voluntary separation scheme, staff costs fell 3%



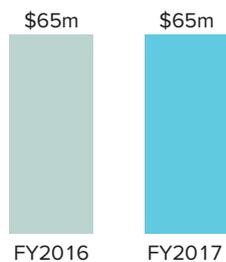
**TAXATION**  
In line with lower earnings, tax fell 35%



**PROFIT AFTER TAX**  
Boosted by realisation of fair value adjustment reserve<sup>1</sup>



**DIVIDEND**  
Total FY2017 dividend amounted to 4.5 cents per share, same as last year



**ECONOMIC VALUE RETAINED<sup>2</sup>**



**Notes:**

- 1 One-off realisation of fair value adjustment reserve upon change of interests in Vinamilk
- 2 Economic value retained = Direct economic value generated (Revenue) less Economic value distributed (Cost of Sales, Employee Benefit Expenses, Taxation, Dividend). Community investments are not included
- 3 Employee Benefit Expenses comprises Staff Costs, Employee Shared Based Expenses Defined Contribution Plans and Defined Benefit Plans

## CREATING SHAREHOLDER VALUE

### INNOVATION

Innovation is critical to maintaining our leadership positions and competitive advantage in the marketplace. By innovating, we can develop better, more exciting products to tantalise our customers; we can design more environment-friendly processes as well as packaging to minimise our environmental impact; and we are able to increase operational efficiencies hence reduce our costs. Innovation helps us meet increasing demand for healthier food while increasing our speed to market, giving us a competitive advantage over other F&B players.

#### Our Innovative Framework

PRIORITY AREAS	EXTERNAL COLLABORATION	INNOVATION CULTURE
<p>Continuous improvement to deliver high-quality innovative beverage products to consumers.</p> <p>More new products to expand our target consumer groups.</p>	<p>Collaborate with authorities such as Singapore's Health Promotion Board (HPB), Agri-Food &amp; Veterinary Authority (AVA), Ministry of Health, 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 great taste and the right nutritional values.</p>

#### Product Innovation

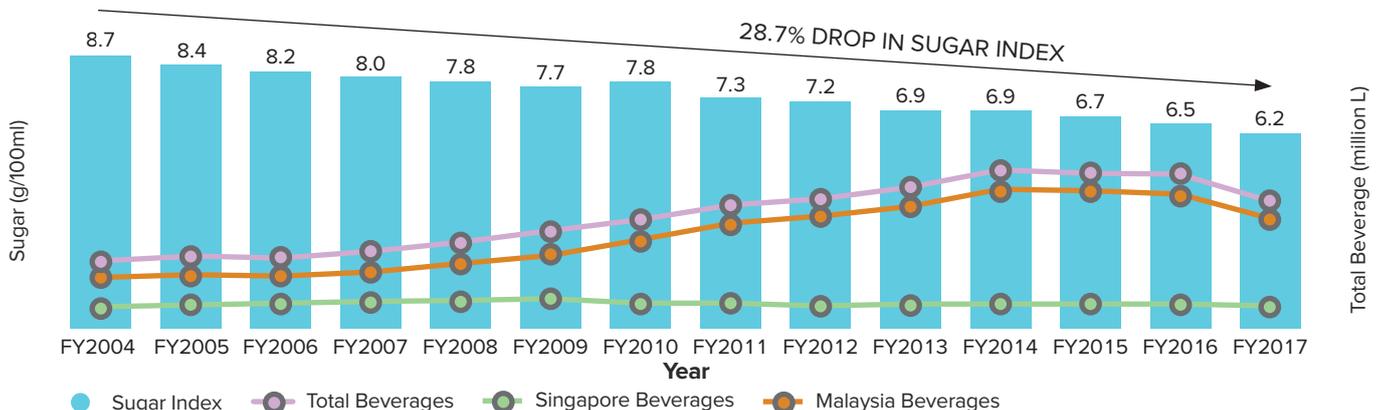
Product innovation at F&N is led by a Research & Development (R&D) unit based in Singapore, with teams in Malaysia and Thailand. In addition to the development of exciting new products that are both delicious and nutritious, the R&D team adapts existing product formulas according to process changes and changes in the regulatory environment, while searching for ways to improve a product's shelf-life and meet growing demand for environment-friendly packaging.

Any change in a product recipe necessarily requires a large amount of R&D to ensure the new formula does not compromise on taste, safety or nutritional value. In addition, the new formula would have to meet our cost and manufacturing capabilities constraints.

#### Sweet Success with Less Sugar

In recent years, the team has focused on reducing the sugar content of various products while retaining their nutritional value by incorporating proteins, antioxidants, calcium and other vitamins and minerals. As a result, F&N's Sugar Index – which measures the amount of sugar in our beverages in grams per 100 millilitres (g/100ml) – has been dropping steadily over the years – sugar index fell 28% between FY2004 and FY2017. At the same time, an increasingly large number of our beverages are being recognised by the relevant authorities for their nutritional value. In Singapore, a large number of our products are endorsed with HPB's Healthier Choice Symbol (HCS); and in Malaysia, four products have been awarded the Healthier Choice Logo by Malaysia's Ministry of Health.

#### Sugar Index for Total Beverages\* (Singapore and Malaysia)



\* Beverages include isotonic, carbonated soft drinks, tea, soya, juice and water range of products

In response to the Sugar Control Strategy initiated by Singapore's HPB, we have pledged to:

- ✦ Reduce the average sugar content across our ready-to-drink products by 10% in two years
- ✦ Cap the sugar content of sugar-sweetened beverages at 12%

To achieve our targets, R&D constantly engages with suppliers and research institutes to look for alternative sources of sugar, such as low-calorie sweeteners. F&N has been at the forefront of this health movement. As a result of our efforts, F&N today does not have any sweetened beverages over 12% sugar content. We remain fully committed to further reduce the sugar content across our entire ready-to-drink portfolio, and to invest in and promote a HCS portfolio.

In developing new products, R&D is guided by:

- ✦ **Innovation & creation** in terms of product, processes, packaging and sensory science. Sensory science refers to a scientific method of measuring and interpreting consumers' response to prototypes/products based on the senses of sense, smell and touch (texture). For example, before a new supplier of raw materials is engaged, taste sessions are held to determine if there is any significant difference in taste of the end product using the new ingredients
- ✦ **Technical developments** that support quality improvement and cost optimisation
- ✦ **Quality products** that meet food safety standards and qualify as alternative suppliers/OEM
- ✦ **Regulatory compliance** on local and export business
- ✦ **Scientific advances** for application in our processes and products

#### Award-Winning Products

Our financial performance is determined to a large extent by sales of our portfolio of products. Sales, meanwhile, is affected by consumer preference and choice. As consumer tastes tend to evolve, we engage an independent market research agency to help us monitor our 'brand health', namely how well regarded our brands are by consumers.

Arising from these three-monthly surveys, we were able to understand the impact of marketing activities on an ongoing basis. The surveys are conducted either door-to-door or by Computer Assisted Phone Interviews (CAPI) among consumers aged 12-19, who were selected randomly.

Using the results of brand health surveys, as well as our own observations of market trends, we keep evolving our products to meet consumers' tastes. As a result, many of our brands are leaders in their categories, and have won numerous awards for being consumer favourites. Among the accolades this year are:

#### Product of the Year Award

The award is given to packaged goods that demonstrate innovation and were launched within the year. Winners are determined by the

votes of more than 2,000 households through online and face-to-face surveys conducted by The Nielsen Company (Malaysia) Sdn Bhd. In 2017, 100PLUS Active won in the Isotonic Category while OISHI won in the Green Tea Category.

#### Family Choice Campaign

Awards under this programme are given based on the votes of more than 6,000 consumers who participated in a survey conducted by Giant Malaysia from 6 April – 3 May 2017. 100PLUS was named the Best Isotonic Drink while F&N Sweetened Condensed Creamer won in the Best Condensed Creamer category.

#### Putra Brand Awards

Putra Brand Awards is the premier brand awards in Malaysia. It is the only brand awards in the country endorsed by Malaysia External Trade Development Corporation (MATRADE) and supported by the Branding Association of Malaysia (BAM), the Malaysian Advertisers Association (MAA), and the Media Specialists Association (MSA). 100PLUS was once again named one of the top brands in the Non-Alcoholic Beverage category in 2017 while its marketing team won The Board of Governor's Putra Marketer of the Year award for their innovation and creativity in building the brand. The awards are based on market research conducted on about 6,000 consumers.



FAMILY CHOICE CAMPAIGN  
 .....  
**100PLUS NAMED  
 BEST ISOTONIC DRINK**

## CREATING SHAREHOLDER VALUE



During the year, seven new products were launched in Singapore, each of which was awarded the HCS by HPB. The HCS was introduced to help consumers make healthier choices while grocery shopping. In Singapore, about 2,600 food products spanning over 60 food categories such as convenience meals, sauces, beverages and breakfast cereals now carry the symbol.

### F&N MAGNOLIA Gotcha

This year, the F&N MAGNOLIA Gotcha range, targeted at Singaporean children was enhanced with yet another healthy product - F&N MAGNOLIA Gotcha Jelly Cool. The ice cream with a jelly core is free of trans-fat and low in calories. Like all F&N MAGNOLIA Gotcha ice creams, the new variant also carries the HCS.

### F&N FRUIT TREE Fresh Wonders Zesty Lime and F&N FRUIT TREE Fresh Wonders Luscious Berries

Both F&N FRUIT TREE Fresh Wonders drinks are made from 100% juice with no added sugar or artificial sweetener, and are the first drinks in Singapore to incorporate chia seeds – a superfood

that is rich in antioxidants, omega-3 and omega-6 fatty acids, which have been associated with cardio-protective effects<sup>1</sup>. They are also high in Vitamin C, which has been linked with reduced risk of cardiovascular diseases<sup>2</sup> and contain immune-boosters<sup>3</sup> Vitamins A and E.



### OISHI Kabusecha Tea (No Sugar and Low Sugar)

OISHI Kabusecha Tea is full of flavonoids and antioxidants which help to protect the body from free-radical damage<sup>4</sup>. The tea is made from the youngest leaves at the top of branches, which are partially shaded one to two weeks prior to harvesting to protect against direct sunlight and increase their amino acid content<sup>5</sup>. OISHI Kabusecha Tea is also free from preservatives and artificial colouring.



- 1 Source: Journal of Food Science and Technology, 2016
- 2 Source: Journal of the American College of Cardiology, 2003
- 3 Source: British Journal of Nutrition, 2002; Nature Reviews Immunology, 2008
- 4 Source: Proceedings of Japan Academy Journal Series B, 2012
- 5 Source: World Heritage Encyclopedia

**F&N SEASONS Ice Lemon Tea Reduced Sugar**

The new reformulated drink has 36% less sugar than our regular iced lemon tea, and contains antioxidants. It has been endorsed with the HCS by Singapore's HPB.



**Healthier F&N MAGNOLIA Milk**  
 During the year, we also launched a reduced sugar version of F&N MAGNOLIA Low Fat Hi Cal Chocolate Flavoured Milk, which has been certified with the 'Lower in Sugar' Healthier Choice symbol.

In Malaysia, we launched 100PLUS Active and F&N NUTRISOY Fresh. 100PLUS Active, formulated to be non-gassy to meet a general preference by athletes, has been awarded the Healthier Choice Logo by the Nutrition Division of the Ministry of Health. F&N NUTRISOY Fresh is the first pasteurised fresh soya milk in Malaysia, and comes in a lite (less sweet) option.

We also introduced new F&N SEASONS Sleek Cans in November for all F&N SEASONS tea products in Malaysia. The taller and slimmer cans are visually attractive, can be stored in small compartments, and are easier to hold.

Consumers in Thailand welcomed two new BEAR BRAND products - BEAR BRAND Sterilised Milk High Folate and BEAR BRAND Gold Goji Berry rich in Vitamin A. The former, with high folate and iron content, enhances blood circulation. The latter, meanwhile, is enriched with vitamin A for better eyesight.




**เอาใจใส่ ทุกความรู้สึก**  
 ด้วยคุณค่าจากนมโคแท้ 100%

เนสท์โรสตราหม เพื่อคนที่คุณรักและตัวคุณเอง

## CREATING SHAREHOLDER VALUE

### PACKAGING INNOVATION

We continually strive to innovate the packaging of our products to reduce our environmental footprint and address potential health and safety concerns, as well as appeal to consumer's various usage occasions.

We recently introduced flexible packaging for sweetened condensed milk, catering specifically to buyers' needs in the export market, which has a significantly better product to packaging ratio than the conventional cans. Production of the new laminate packaging emits less CO<sub>2</sub>, and there is less waste to dispose of once the product has been consumed. Two new flexible formats have been introduced – the bag in box (BIB) and single serving stick.

### PROCESS INNOVATION

We also continuously look to improve our production efficiencies by, amongst others, investing in new, more efficient machinery and equipment. Among our recent investments are:

#### **Electronic For Imaging Technique.**

Electronic For Imaging (EFI) has been installed in our Printing business to integrate all processes into a single, seamless workflow where information is shared from its source, without users

having to make double or triple entries at different stages. It also allows certain users to have remote access as part of their job requirement. This enhances efficiencies, enabling a more mobile work environment. To date, the system has led to cost reduction of close to \$300,000.

**\$300,000**  
IN SAVINGS  
FROM THE EFI  
TECHNIQUE SYSTEM

#### **Soy Extraction Plant Upgrade.**

An upgrade at our soy extraction plant in Singapore in 2014 has enabled us to increase our protein yield in a single decanter operation to 70%, from 60% previously.

#### **Integrated Warehouse.**

F&NHB has invested over \$59 million in an integrated warehouse in Shah Alam. It will boast an aseptic cold-filling polyethylene terephthalate (PET) line that has a maximum capacity of 720,000 bottles a day. This is expected to not only increase production by 10%, or 6.5 million cases annually, but will also enable the Malaysian operations

**THE ASEPTIC COLD-FILLING LINE WILL REDUCE RESIN PACKAGING MATERIAL USAGE BY 40%**  
FURTHER LOWERING OUR CARBON FOOTPRINT AND PACKAGING COSTS

to expand into new product offerings and packaging formats. In addition, this new PET line will also reduce resin packaging material usage by 40%, further lowering our carbon footprint and packaging costs. The new line will also be integrated with a new warehouse to further reduce our transportation carbon emissions.

**Excel As One Convention.** F&NHB has been organising the convention since 2015, inviting shop floor employees to present innovative ideas to help improve productivity, increase efficiencies and reduce costs in the production lines. In FY2017, the convention saw 22 projects that carried a combined cost savings of about \$2.4 million per annum.



The winning project in the Innovative and Creative Circle (ICC) category, To Improve Preform Gripper Efficiency, corrected a misalignment in the shaft of the machinery to reduce downtime, and led to savings of about \$500,000 a year.

**IN 2017, AT THE EXCEL AS ONE CONVENTION, 22 TEAMS PRESENTED PROJECTS THAT CARRIED COMBINED COST SAVINGS OF \$2.4 MILLION PER ANNUM**

The winning project in the Kaizen category reduced the downtime of the depalletiser due to twist height changeover by 90%. The twist height had to be changed whenever the production line changes from producing tall cans to the standard cans. The team managed to automate the changes required, saving time and reducing the likelihood of damage caused by manual handling.

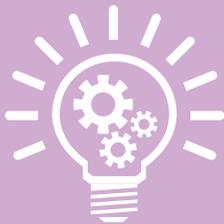
**COST SAVINGS FROM THE POD BASED ON FY16 AND F17 CONSUMPTIONS**

	<b>PRINTER RENTAL</b> <b>26%</b>
	<b>PAPER USAGE</b> <b>16%</b>
	<b>TONER USAGE</b> <b>3%</b>

**Print-On-Demand.** Since May 2017, five Printers On Demand (POD) have been installed in the Malaysia corporate office to minimise unnecessary printing hence reducing paper, ink and energy consumption. In addition to saving paper, the new system ensures confidentiality of information. Based on FY2016 and F2017 consumption, the printers saw about 26% cost savings from printer rental, 16% savings from paper usage, and 3% savings from toner usage.

**Integrated Business Planning (IBP).** Based on 2017 statistics for Beverages and Dairies, the average monthly forecast accuracy is about 66% and 55% respectively, where the forecast is usually more than the actual sales. This has led to higher than optimal production, with the concomitant costs of inventory. In June 2017, F&NHB introduced a dynamic analytics solution that crunches large amounts of data to provide more accurate forecasts quickly. By better synchronising supply with demand, we can reduce the number of inventory days. We expect to realise cost benefits from the system only in 2018 after some fine-tuning to produce better forecasts.

**Winning As One Convention.** At the convention, held annually since 2010, our employees in Dairies Thailand present innovative ideas to help improve productivity, quality, delivery, safety and work ethics while helping to reduce costs and protect the environment. The latest convention, held on 21 July 2017, saw the participation of about 200 employees.



**OUR TARGET:**  
We invest in product and process innovation to increase our product range, and improve efficiency and productivity.

The winners of the Kaizen category presented a “Packing 24 cans per tray” innovation to produce single-layer product trays through the modification of the tray packing machine at an estimated cost of \$850. In comparison, purchase of a new machine to perform the function would have cost about \$830,000.

The winning team under the Small Group Activity category presented a “Reduction of breakdown of Samwoo machine in 2kg pouch packing line” project in which they managed to reduce the frequency of the machine’s breakdown by about 57%. As a result, output increased by 2 million pouches per annum and there was less damage to products caused by machine breakdown.

Innovative ideas presented at this convention have brought about an average saving of approximately \$790,000 annually thus far.

**AT THE WINNING AS ONE CONVENTION, ABOUT 200 EMPLOYEES PRESENTED INNOVATIVE COST SAVINGS IDEAS THAT HAVE ACHIEVED AN AVERAGE ANNUAL SAVING OF \$790,000**

# RESPONSIBILITY TO STAKEHOLDERS

## MATERIAL ISSUES

- Sustainable Sourcing
- Talent Management
- Market Presence
- Occupational Health and Safety
- Consumer Health and Safety
- Health and Nutrition
- Product and Service Labelling

Among our key stakeholders are our suppliers, employees and consumers. Their support to F&N is critical to our long-term sustainability, and we are committed to maintaining strong relationships with them through ethical behaviour that respects their needs and expectations. We have various policies to care for the interests of our stakeholders and safeguard their rights. We also invest considerable time in instilling our corporate values in our people so they are able to play their part in building our legacy of honesty, trust and integrity.



## SUSTAINABLE SOURCING

Sustainable sourcing means ensuring all our vendors and suppliers abide by the same principles of sustainability that we do. We take pains to ensure ingredients used in our products are of the highest quality and our products are produced in an environmentally-friendly manner. We also seek paper products – for beverage packaging and our printing business – that have been produced with minimal disruption to the environment.

**INGREDIENTS USED IN OUR PRODUCTS ARE OF THE HIGHEST QUALITY AND OUR PRODUCTS ARE PRODUCED IN AN ENVIRONMENT-FRIENDLY MANNER**

Further underlining the sustainability of our operations, we make sure all our suppliers and vendors practise good governance and embrace the well-being of their own stakeholders. This applies to suppliers and vendors who support our sourcing, production and distribution needs, as well as those who provide marketing and sales services and packaging management. Suppliers who fulfil our requirements are welcomed as part of the F&N family, and stand to benefit from policies that aim to create win-win relationships with them.

### Procurement Policy

Our Procurement Policies in Singapore, Malaysia and Thailand help us obtain the best goods or services at the best price in a timely manner, meeting our needs. They also help our teams establish strong relationships based on respect and trust with our suppliers by ensuring fair play. We do not accept or offer gifts to suppliers; we protect the confidentiality of their information, and expect the same of them. If any employee has an interest in a supplier, this interest has to be made known.

Our Procurement Policies also guide the development of tenders and contracts and, later, their execution.

### Managing Sustainable Sourcing Risks

In line with Supplier Performance Tracking under our Procurement Policy, we conduct audits on our suppliers every year to ensure sustainable sourcing of ingredients and compliance with food safety regulations and standards. Non-compliant or underperforming suppliers must demonstrate they are committed to taking the necessary corrective actions within a predefined period, or risk having their contracts terminated.

Tests are done on all raw materials from new sources that enter the production process. Other criteria used in the selection of new suppliers include their employment policies and ethical business practices. This is demonstrated by F&N becoming a member of the Roundtable on Sustainable Palm Oil (RSPO) to ensure the production of palm oil used in our beverages or creamers has been sustainable, causing minimal impact on the environment.

### Local Sourcing

F&N engages local suppliers where possible in order to create local employment and to support the local economy. When looking for suppliers, we start from areas closest to our operations. This has the added benefit of minimising pollution from reduced transport distances.

KEY ACHIEVEMENTS IN SINGAPORE	KEY ACHIEVEMENTS IN MALAYSIA	KEY ACHIEVEMENTS IN THAILAND
<ul style="list-style-type: none"> <li>For all chilled brands, we use Forest Stewardship Council (FSC) certified carton for our tetra packaging.</li> <li>The entire supply chain for Times Publishing Group complies with the FSC and Programme for the Endorsement of Forest Certification (PEFC) standards, from the manufacturing of printed materials to processing and logistics.</li> </ul>	<ul style="list-style-type: none"> <li>All paper products used in the tetra packaging of chilled beverages carry the FSC certification</li> <li>Business Continuity Plans have been established to ensure sustainable product supply.</li> </ul>	<ul style="list-style-type: none"> <li>Since 2016, F&amp;N Dairies Thailand's Agricultural and Manufacturing team has been helping farmers in the Dan-Khun-Thot Milk Cooperative to plant Napier grass, which improves the quality of milk by enhancing its fat, solids and protein content. Through this project, farmers have been able to increase the selling price of their milk by an average of about \$0.02/kg.</li> <li>Direct shipment of cans from suppliers whose factories are located nearby has lowered fuel consumption and pollution.</li> </ul>

## RESPONSIBILITY TO STAKEHOLDERS

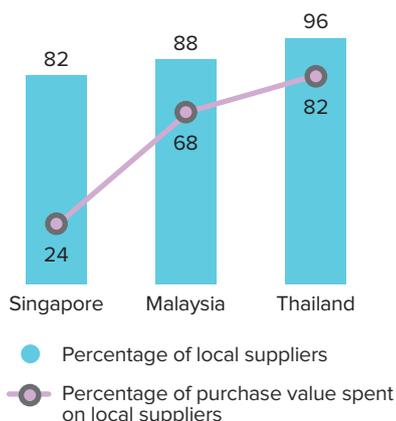
### RSPO Membership

As one of Southeast Asia’s leading fast-moving consumer packaged goods companies and one of the largest users of palm oil in our canned milk business, we understand that our actions and business practices pertaining to the sourcing of sustainable palm oil plays a significant part in safeguarding a green environment for the well-being of society. We therefore wish to reiterate our commitment to using only 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.

### Performance data (FY2017 baseline)

#### G4-EC9

Proportion of spending on local suppliers at significant locations of operation (%):



**OUR TARGET:**  
The Group has set a target to purchase 100% RSPO credits for our palm oil usage by 2020.

### TALENT MANAGEMENT

Our People determine how well we perform. They translate strategies into actions that will help take us closer to our end goals. We are constantly looking to hire and retain talent who will enable us to maintain our competitive edge within the markets we are currently operating in, and who have the potential to take us to new markets as the Group further expands in the international space.

#### Empowering our People

We believe everyone has the potential to grow with the company and contribute to a high-performing, sustainable organisation. To realise our employees’ potential, and to equip them constantly with new skills and knowledge, we provide them with training and professional development programmes. Learning and development is integral to the culture at F&N and comprises 70% on-the-job training, 20% learning from others (through coaching, mentoring, feedback, knowledge sharing); and 10% classroom sessions and/or workshops.

**LEARNING AND DEVELOPMENT IS INTEGRAL TO THE CULTURE AT F&N**

- 70%** on-the-job training
- 20%** learning from others (through coaching, mentoring, feedback, knowledge sharing)
- 10%** classroom sessions and/or workshops

Highlights of employees training programmes held during the year:

PROGRAMME	FOCUS	EMPLOYEES TARGETED
<b>7 Habits of Highly Effective People</b>	Self-management & interpersonal skills	Senior, middle, junior management & employees
<b>People Competency Development Programme</b> - Level 1 Operational Engineering Certificate course.	Technical and professional certification	Manufacturing employees
<b>ASEAN Management Development Programme (AMD) 2017</b>	Leadership & Management Development	Senior and middle management
<b>NPD Project Management &amp; Collaboration</b>	Project management skills	Middle, junior management and employees
<b>Rules of Engagement</b>	Understanding of and commitment to deliver results	Middle, junior management and employees
<b>Middle-Managers Development Programme</b>	Managing change and people in teams	Middle management
<b>ThaiBev-NUS Senior Executive Leadership Programme</b>	Leading regional and global teams	Senior management

Particular emphasis is placed on potential leaders. Through our annual Talent Review and Succession Planning, we identify employees who have what it takes to lead in the company and, working with the Talent Management team, chart individual career development pathways to ensure high-potential employees are kept motivated

while we can fill all critical leadership positions. Talent management is closely linked with succession planning to ensure a steady pipeline of future leaders who are able to support our business needs.

In FY2015, we charted a five-year Human Capital (HC) Roadmap that seeks

to establish F&N as a preferred employer with attractive remuneration packages and a dynamic work environment in which employees are presented with opportunities to showcase their abilities and are rewarded for exemplary performance.



**Integrated HC System**

We have invested in a HC system known as Beverest to integrate our HC processes and systems across most of the Group, and support the provision of ‘Limitless Opportunities’ to our people from the time they join the company. The system will be going live in stages starting 16 October 2017. New recruits will benefit from an on-boarding programme, while existing employees will benefit from simplified processes, many of which they will be able to perform on their own using self-serve functions. The system allows for more effective setting and monitoring of key performance indicators (KPIs) and support the

development of individual development plans encompassing learning management. All relevant data on employees will be readily accessible allowing for workforce analytics to allow us to better serve our people.

**Employee Engagement**

Employees who are engaged feel a deeper sense of belonging to the company and are more motivated to perform to the best of their ability. Management therefore engages with our people regularly through various channels – from Meet-the-CEO sessions, briefings and company intranet to employee newsletters and circulars.

**MANAGEMENT ENGAGES EMPLOYEES VIA**

- MEET-THE-CEO SESSIONS
- BRIEFINGS
- COMPANY INTRANET
- EMPLOYEE NEWSLETTERS
- CIRCULARS

## RESPONSIBILITY TO STAKEHOLDERS

### HC Highlights in Malaysia

To attract and retain the best talent, F&NHB has a well-oiled incentives system that is aligned with other systems within the company. The system is continuously updated to provide compensation packages that are competitive within the industry.

In addition to formal training and development, informal knowledge-sharing sessions are held during which managers present useful or interesting ideas to employees from different departments focusing on topics that would help enhance productivity and product quality. Such sessions help to enhance overall performance and efficiency while strengthening inter-

departmental relationships within the company.

Since 2003, in conjunction with F&N's 120th anniversary, F&NHB has been presenting a Chairman's Award to academically high-achieving children of employees. A total of about \$94,000 in cash was awarded to 130 recipients this financial year. To date, F&NHB has disbursed an estimated \$1.1 million to over 2,000 children under the programme.

F&NHB's HC policies go beyond labour regulations and statutory requirements in Malaysia. Management engages actively with union leaders for balanced collective agreements to enhance the well-being of

employees. The company also prepares employees for retirement. The company's comprehensive and effective HR policies led to it receiving the Asia Best Employer Brand Award in 2016.

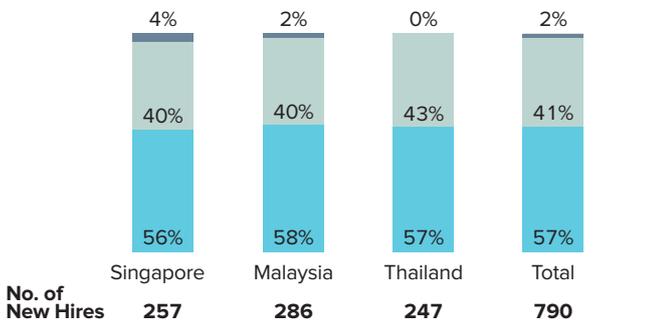


### Performance data (FY2017 baseline)

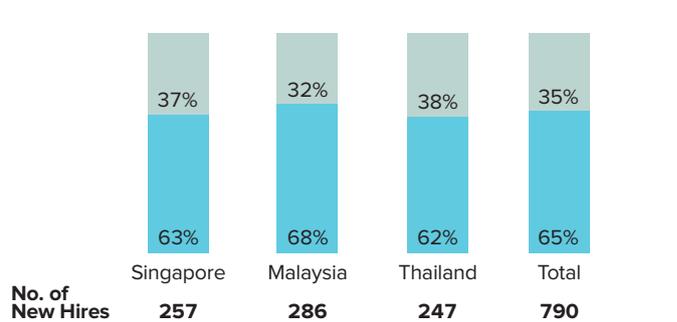
#### G4-LA1

### Total number and rates of new employee hires and employee turnover by age group, gender and region:

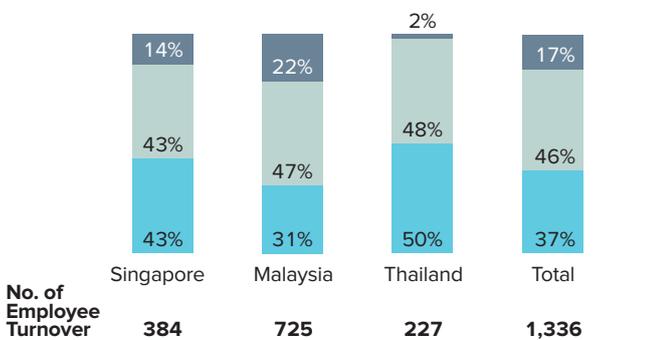
#### New hiring by age group (%)



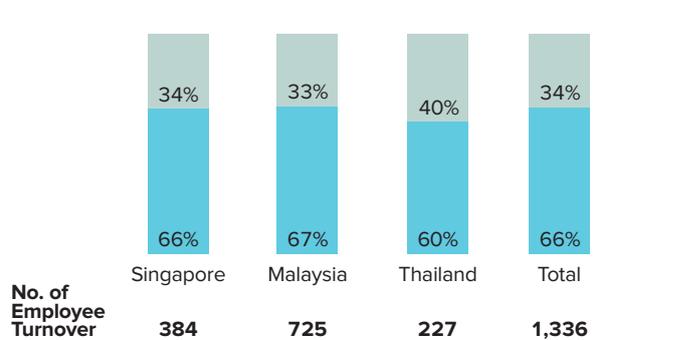
#### New hiring by gender (%)



#### Employee turnover by age group (%)



#### Employee turnover by Gender (%)



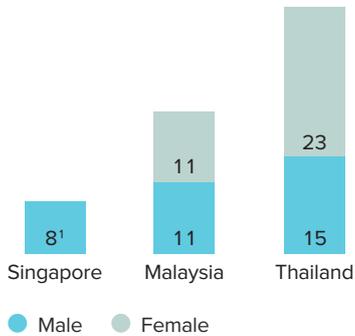
#### Notes:

- 1 Rate of employee turnover by age group is calculated by number of employee turnover for age group / total number of employee turnover for country \* 100
- 2 Rate of employee turnover by gender is calculated by number of employee turnover for gender group / total number of employee turnover for country \* 100
- 3 Rate of employee turnover by region is calculated by number of employee turnover for region / total number of employee turnover in total \* 100
- 4 Employee turnover refers to the number of employees who left F&N Group voluntarily or through dismissal, retirement, or death
- 5 Total employee turnover in Malaysia includes the number of employees who left F&NHB Group under a voluntary separation exercise this year

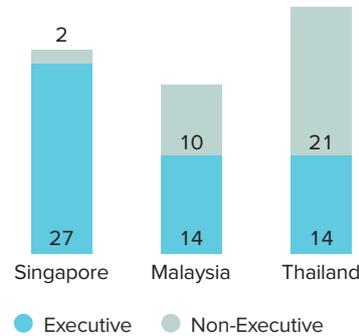
## G4-LA9

### Average hours of training per year per employee by gender, and by employee category

Average training hours by gender (hours)



Average training hours by category (hours)



**Note:**

<sup>1</sup> The breakdown by Gender for Singapore is not available for this report. We have put in place systems for gathering, tracking and reporting.

## G4-LA2

### Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation:

#### Standard benefits offered to full-time employees

	SINGAPORE	MALAYSIA	THAILAND
<b>Life insurance</b>	Yes, by job grade	Yes, by job grade	Yes, by job grade
<b>Health care</b>	Yes, by age, staff category and/or job grade	Yes, by age, staff category and/or job grade	Yes, by age, staff category and/or job grade
<b>Disability and invalidity coverage</b>	Yes, by job grade	Yes, by job grade	Yes, by job grade
<b>Parental leave</b>	Yes	Yes	Yes
<b>Retirement provision</b>	No	Yes, by job grade	Yes, by job grade
<b>Stock ownership</b>	Yes, by job grade	Yes, by job grade	No
<b>Others</b>	<ol style="list-style-type: none"> <li>1. Company Product Allowance (By job grade)</li> <li>2. Long-Service Award</li> <li>3. Annual Membership Subscription to professional bodies (By job grade)</li> <li>4. Phone Subsidy (By job grade)</li> </ol>	<ol style="list-style-type: none"> <li>1. Car Loan (By job grade)</li> <li>2. Long-Service Award</li> <li>3. Annual Membership Subscription to professional bodies (By job grade)</li> <li>4. Phone Subsidy (By job grade)</li> <li>5. Festive Drinks</li> </ol>	<ol style="list-style-type: none"> <li>1. Provident Fund</li> <li>2. Long-Service Award</li> </ol>

## RESPONSIBILITY TO STAKEHOLDERS

### G4-FP3

**No working time has been lost due to industrial disputes, strikes and/or lock-outs**



#### OUR TARGET:

The Group has set a target of providing an average of at least 12 training hours per employee per year by 2020.

### MARKET PRESENCE

F&N adopts a long-term approach in our compensation philosophy to ensure that incentives are aligned with other systems within the company for business sustainability, and are updated according to changes in the business. We provide competitive total compensation packages to ensure we are able to attract and retain talents, with salaries increasing with seniority

We are committed to hiring locally where possible in order to support the local economies. We are also consciously of filling as many senior management positions as possible with locals, and seek to promote internally as opposed to bringing in external management. This is evident in Thailand and Malaysia where 100% and 90% of our senior management are locals, respectively.

### OCCUPATIONAL HEALTH AND SAFETY

The safety of our employees is paramount. Various programmes are organised to cultivate a culture in which everyone takes responsibility for his/her own safety as well as those of their colleagues. At the same time,

we promote healthy lifestyles and encourage employees to engage in physical activities, eat balanced, nutritional diets and manage factors such as stress that could affect their well-being.

We allocate sufficient resources to ensure our buildings, workplace, equipment and other systems are maintained in good order and do not pose any risk to the safety, health or general well-being of our people.

#### Creating a Safety Culture

Employees at our plants are provided adequate training, information and instruction to carry out their functions safely. This includes handling and storage of potentially hazardous chemicals, and use of proper safety gear. We require employees to report accidents, hazards and unsafe work practices to their immediate supervisors. We also regularly review our safety policies to improve our risk assessment and management.

Safety is an ongoing journey, and various initiatives are implemented to enhance our safety culture. During the year, for example, we began to use anti-static devices at our forklift refilling stations in Malaysia as an explosion protection standard.

Both our F&B and P&P divisions have Company Emergency Response Teams (CERTs) that have been trained to mobilise and perform the right remedial actions in any adverse situation, ensuring the safety of our employees and safeguarding our business continuity.

**ZERO**  
WORK-RELATED  
FATALITIES IN  
**ALL THREE**  
REGIONS

### Responsibilities of Safety Committees

We have Safety Committees at the organisational level that are responsible for identifying health and safety hazards, and recommending corrective actions in order to safeguard work safety and workplace safety standards for employees. These committees meet every month to discuss accidents and incidents, and determine programmes to increase awareness of health and safety issues among employees while developing strategies to make the work environment safer and healthier.

### Focus on Health in Singapore

Annual health screenings by the Singapore Anti-Tuberculosis Association (SATA) CommHealth are organised for employees. Employees are encouraged to sign up for the health checks in order to keep track of their personal well-being.



**PERSONAL  
HEALTH  
SCREENINGS ARE  
ORGANISED FOR  
EMPLOYEES**

We also encourage our employees to engage in active lifestyles, and are fully supportive of events such as the SGX Bull Charge Charity Run. This year was the fifth consecutive year that F&N and 100PLUS were the Official Attire Sponsor and Official Hydration Partner, respectively, of the event. F&N employees not only participated in the run, but also contributed in their own way to the charitable organisations targeted.

Meanwhile, we aim for our plant in Singapore to be Occupational Health and Safety Assessment Series (OHSAS) 18001 and bizSAFE Star certified by the end of 2017 to reinforce our commitment to creating a Safety Culture.

**Focus on Health in Malaysia**

In line with increasing focus on employee health in our Malaysian operations, a Health Risk Assessment Committee has been established comprising trained personnel. Health screenings are organised yearly, in addition to various activities, to enhance awareness of the importance of good health and how this can be achieved. Among the programmes conducted during the financial year were mental and physical wellness talks and audiometric (hearing) tests for employees exposed to high-noise level environments. The work environment is enhanced with ergonomic facilities to prevent office-related injuries. Smoking is discouraged by designating no-smoking areas, while nursing rooms and fridges for milk storage are provided to enable working mums to breast-feed.

**Focus on Health in Thailand**

Our premises in Thailand are equipped with shower facilities to encourage employees to engage in more physical activity by, for example, making use of recreational spaces available as well as cycling to work. As in Malaysia, the work environment is enhanced with ergonomic facilities to prevent office-related injuries. Smoking is discouraged by designating no-smoking areas, while nursing rooms and fridges for milk storage are provided to enable working mums to breast-feed.



**OUR TARGET:**  
The Group's target is to reduce our injury rate by 5% from 2017 by 2020.

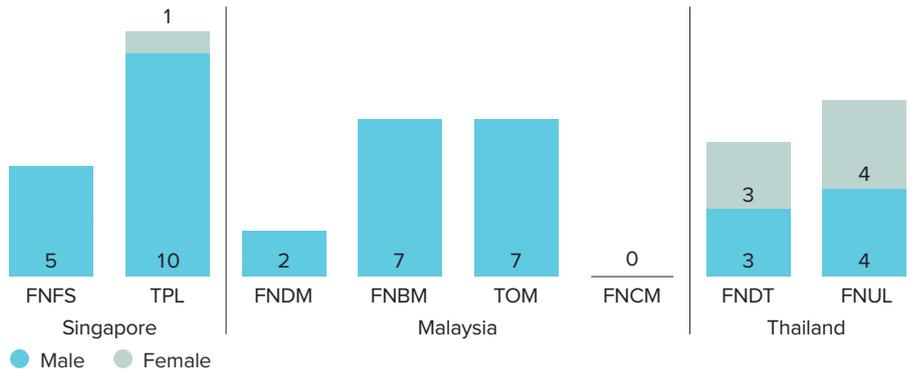
**Performance data (FY2017 baseline)**

**G4-LA6**

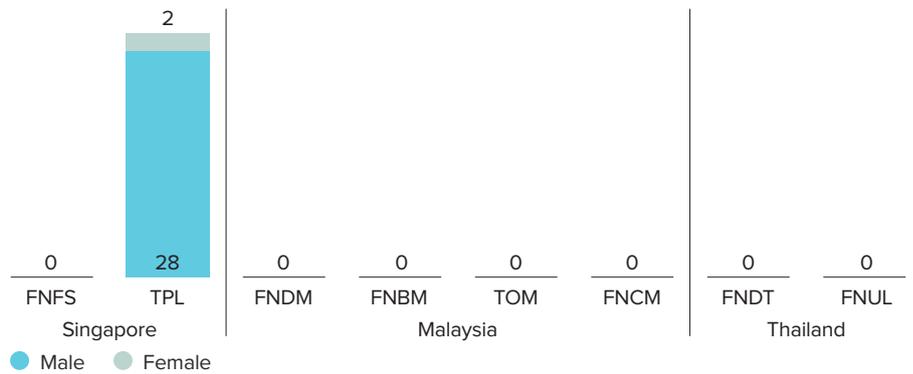
**Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities, by region and by gender:**

**Total workforce**

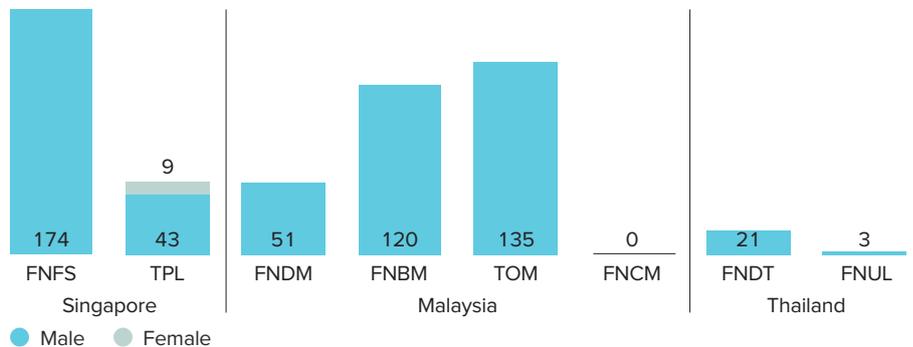
**Injury Rate (IR)**



**Occupational Diseases Rate**



**Lost-Day Rate**



**Notes:**

- 1 Independent contractors are not required to submit the data to us. However, we only engage contractors who comply with the respective national legislation on safety. For example, in Singapore, they comply with the WSH Act and provide us with their Risk Assessment
- 2 Injury Rate is calculated by number of workplace accident reported / number of man-hours worked \* 1,000,000
- 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 Absenteeism rate has not been disclosed because we need to standardise absenteeism rate across the Group to be able to disclose the figures accurately the following year

## RESPONSIBILITY TO STAKEHOLDERS

### CONSUMER HEALTH AND SAFETY

Our brand promise says it all - *Pure Enjoyment. Pure Goodness*. While we seek to delight consumers with great tastes and the promise of fun times, we place even more emphasis on maintaining the highest quality standards so our products are not only safe for consumption, but also contributes to better health.

We adhere to health and safety regulations applicable to the F&B industry in the markets where we operate, such as the ISO 22000:2005 Food Safety Management System, Hazard Analysis and Critical Control Point (HACCP) and Good Manufacturing Practice. Going a step further, we will target to provide consumers with healthier choices for almost all our soft drink and dairy products.

In Singapore, 55% of our products meet the HCS guidelines, and carry the HCS awarded by the HPB. This includes all seven new products launched during the financial year. In Malaysia, four products have been endorsed with the Healthier Choice Logo (HCL) recently introduced by the Ministry of Health, namely *100PLUS*, *100PLUS Active*, *FARMHOUSE* Fresh and *F&N MAGNOLIA* Lo-Fat Hi-Cal Milk. Our operations in Thailand, meanwhile, regularly receives the FDA Quality Award from the Thai FDA. These endorsements by health authorities validate our *Pure Goodness* value proposition.



**IN SINGAPORE,**  
**55%** OF OUR PRODUCTS MEET THE HCS GUIDELINES AND CARRY THE HCS AWARDED BY THE HPB



We are committed to product quality and food safety and have obtained local and international certifications such as:



#### SINGAPORE

- Food Safety Management System (ISO 22000:2005)
- Licence to operate food establishment
- Halal Certification
- bizSAFE3 for workplace safety



#### MALAYSIA

- Food Safety Management System (ISO 22000:2005)
- Food Safety System Certification (FSSC 22000:2013)
- Food Safety According to Hazard Analysis and Critical Control Point (HACCP) System (MS 1480:2007)
- Prerequisite Program on Food Safety (ISO/TS 22002-1: 2009)
- Halal Certification
- Good Manufacturing Practice (GMP)
- Quality Management System (ISO 9001:2015)
- Energy Management Gold Standard Certification (ASEAN Energy Management Scheme)
- Occupational Safety and Health Management System (OHSAS 18001: 2007)
- Environmental Management System (ISO 14001:2014)
- Veterinary Health Mark (VHM)



#### THAILAND

- Food Safety Management System (ISO 22000:2005)
- Food Safety System Certification (FSSC 22000:2010)
- Hazard Analysis and Critical Control Point (HACCP)
- Good Manufacturing Practice (TAS 9023:2007)
- Eco-friendly Organisation (Carbon Reduction Label 2013, Green Industry System Level 3)
- Environmental Management System (ISO 14001:2014 Level 3)
- Occupational Health and Safety (OHSAS 18001:2007)



**IN MALAYSIA,**  
**20** PRODUCTS HAVE BEEN ENDORSED WITH THE HEALTHIER CHOICE LOGO BY THE MINISTRY OF HEALTH

## Healthier Beverages

Quality and safety for our consumers are F&N's top priority. Our actions to ensure quality and food safety starts with and is built into the product development stage where products are developed according to consumers' preference and in compliance with all food and safety and regulatory requirements.

Our R&D teams have been working conscientiously on developing healthier beverages by reducing sugar and fat content in our products, and adding vitamins and minerals where possible without compromising on taste and overall experience. As a result, over the years we have successfully lowered the amount of sugar contained per millilitre of all our beverages. From a baseline of 8.7g/100ml in FY2004, our sugar index has dropped 28%, to 6.2g/100ml in FY2017.

To preserve the quality and integrity of our products, attention is also paid to the entire value chain of our operations, from the sourcing of raw ingredients to the manufacturing of products and their distribution.

- ✦ Only high-quality raw materials and ingredients are used.
- ✦ Raw materials/ingredients as well as our final products are stored and transported in appropriate containers at the right temperature.
- ✦ Employees in the production line are trained in food management and hygiene.
- ✦ The most appropriate packaging is used for safety and convenience. BPA is not intentionally added to the coating of cans as it has been linked with diabetes, cardiovascular disease, obesity and reproductive development issues, among others.<sup>1</sup>
- ✦ A strict cold chain management system ensures proper handling throughout the distribution process of our pasteurised and ice cream products.
- ✦ We audit our suppliers via a Supplier Performance Tracking initiative to ensure compliance with food safety regulations and standards.

To enable consumers to make informed dietary choices, all ingredients used in our products are listed clearly on the labels. Taking health issues a step further, we seek to develop more organic products.

## Enhancing the Freshness of Milk

In Thailand, we have been working closely with dairy farmers to improve the quality of their fresh milk under a 'Develop valuable raw milk project' undertaken in collaboration with Dan-Khun-Thot Milk Cooperative at Nakhon Province. Through the initiative, the quality of cow's milk has been improved by enhancing its fat, solids and protein content.

## Halal Certification

All F&NHB products in Malaysia and Thailand are halal certified by the Department of Islamic Advancement Malaysia (JAKIM) and other relevant bodies. Efforts are also being made to ensure the entire operations in Malaysia comply with *Halalan Toyyiban* regulations and requirements. This entails compliance in products and services, workplace practices, consumer engagement, as well as in environmental actions. A number of products in Singapore have also been halal certified by the Islamic Religious Council of Singapore.

Our initiatives in Malaysia include the following:

- ✦ Introduction of 400ml pack sizes (as compared to the conventional 500ml PET packs) this year for *100PLUS*, *F&N Fun Flavours* and *EST* as part of our commitment to provide portion control sizes to our consumers
- ✦ Educate hawkers and stall owners to offer teh tarik kahwin – in which *F&N* Evaporated Creamer is combined with *F&N* Sweetened Creamer - to reduce sugar content of the popular teh tarik



## OUR TARGET:

The Group aims to offer at least one healthier choice option in all our product categories.

<sup>1</sup> Study published in the journal Environmental Research, see <http://edition.cnn.com/2016/06/29/health/canned-foods-bpa-risk/index.html>

## RESPONSIBILITY TO STAKEHOLDERS

### HEALTH AND NUTRITION

Health and nutrition are interlinked. Good health comes from having a good diet; and we ensure that our products contribute to consumers getting all the nutrients they need. We keep abreast of nutritional updates and seek to understand the needs of individuals across different ages. This knowledge is applied to the development of targeted products. We are guided by the F&N Nutrition Charter in our product development, marketing communication and initiatives to advocate healthy

lifestyles. This Nutrition Charter (<http://www.fnnfoods.com/fn-new-product-nutrition-guidelines/>) outlines F&N's principles and commitment to health and nutrition.

#### Milking Nutritional Goodness

Milk contains many nutrients that are essential to proper bone development in children, and prevent the effects of ageing on bone density. While promoting the goodness of milk we have also been researching on ways to fortify our milk products with supplements to add to their nutritional value.

We recently introduced *F&N MAGNOLIA* Gingko UHT in the Thai market, supplementing the milk with ginkgo extracts and vitamin B12. Gingko is said to increase blood circulation to the head and to have positive effects on mental well-being. This year, we added to our portfolio of nutritionally enhanced milk products in Thailand with the launch of *BEAR BRAND GOLD* Goji Berry and *BEAR BRAND GOLD* Hi Folate. Goji berries are said to be a 'superfood' containing Vitamins A, B2 and C as well as iron, selenium and other antioxidants which help to boost the immune system and brain activity, protect against heart disease and cancer, and improve life expectancy<sup>1</sup>. The Hi Folate variant, meanwhile, enhances blood circulation.

#### Why Our Soya is so Good

We have also been enhancing the nutritional value of our soya milk products. In 2014, we introduced our first fortified soya beverage, *F&N NUTRISOY* with Calcium, which contains nine times more calcium than normal soya milk, and is further enriched with vitamin D to aid in the absorption of the mineral. The beverage offers added value to women and other consumers concerned about bone health. In FY2016, we added *F&N NUTRISOY* Lite to our soya range, offering all the goodness of soy protein in a formulation that is low in fat, less sweet and contains zero cholesterol, preservatives or colouring.

#### Other Nutritious Drinks

We offer the benefits of antioxidant-rich green tea to consumers through the *OISHI* range. Different variants of the tea have been developed, all of which however are brewed from 100% natural tea leaves grown in certified organic plantations. The latest variant, *OISHI* Kabusecha Tea, is packed with even more health benefits thanks to the particular cultivation method used – in which the tea trees are partially shaded one to two weeks prior to harvesting to protect against direct sunlight. This increases the amino acid content of the leaves.

Our *SUNKIST* 100% Orange juices are among the few truly fresh juice choices in the local markets where we operate. They are made from fresh fruit, contain no added sugar or preservative while being rich in vitamin C.

**แข่งเรียนหรือแข่งจับ**  
**ต๋องไว้ ต้องบำรุงสมองทุกวัน**

**B12**  
**กิงโกะ**  
ช่วยบำรุงระบบประสาทและสมอง  
อร่อย จำฝังใจทุกวัน

1 From <https://www.nhs.uk/Livewell/superfoods//are-goji-berries-a-superfood.aspx>



**Health via Sports**

Physical activity is essential to keeping healthy, and is something we advocate as an integral part of our philosophy of promoting a good life. We encourage children's participation in sports through various programmes targeted at schools and communities.

**Football at the Grassroots**

We have been supporting the Ministry of Education Malaysia's Football League which encourages children from

rural and urban areas all around the country to develop their football skills. The championship has been an annual event since 2011, with some players graduating to the state league and even playing in the national team.

**Nurturing Junior Golfers**

We promote golfing among children and support talent development from the amateur to professional level by being a title sponsor of the 100PLUS Junior Golf. The annual event, organised since 2001 in partnership with the Malaysian Golfers Association, attracts participants from Southeast Asia. Past winners such as Kelly Tan and Gavin Kyle Green have subsequently turned professional.

**Grassroots Development in Badminton**

Since 2003, we have been partnering the Badminton Association Malaysia in organising the 100PLUS National Junior Circuit/Junior League. The badminton championship motivates young players to excel in the game, as top players eventually progress to the national squad.

**Sponsoring a Healthy Lifestyle**

We also sponsor marathons, walks, fun runs, school sports and car-free mornings.



Nurturing Junior Golfers



Grassroots development in badminton



Football at the Grassroots

## RESPONSIBILITY TO STAKEHOLDERS

### Partnerships With HPB Singapore

EVENT	DESCRIPTION
<b>National Steps Challenge Season 2 (October 2016 to April 2017)</b> – Main Partner	<p>The National Steps Challenge™ encourages Singaporeans to walk more in their daily lives, and track the number of steps taken to be rewarded. The aim is to clock 10,000 steps a day. <i>100PLUS</i> is the Main Partner of this campaign.</p> <p>Instead of waiting for buses, for example, <i>100PLUS</i> urges commuters to walk to the nearest MRT station. A series of out-of-home displays are deployed at bus stops providing information such as the number of steps and distance covered.</p>
<b>Healthy Lifestyle Festival SG (November 2016)</b> – Platinum Partner	<p>During the month-long Healthy Lifestyle Festival SG, roadshows are organised island-wide to educate Singaporeans about the rewards of a healthy lifestyle.</p>
<b>Eat, Drink, Shop Healthy Challenge (August to October 2017)</b> – Platinum Partner	<p>The Eat, Drink, Shop Healthy (EDSH) Challenge encourages consumers to make healthier choices when purchasing meals, drinks or products. Consumers can earn Healthpoints after purchasing healthier items at participating outlets or stalls, which could be redeemed for supermarket and F&amp;B vouchers.</p> <p>To support the campaign, we ran a series of advertisements and advertorials about our wide range of HCS products.</p>
<b>Bright Smiles, Strong Bones (July to September 2017)</b>	<p><i>F&amp;N MAGNOLIA</i> sponsored the Bright Smiles, Strong Bones programme, aimed at educating preschoolers about the importance of drinking milk. A total of 15 sessions were held, reaching out to about 3,000 young children.</p>

### PRODUCT AND SERVICE LABELLING

We believe in enabling consumers to make informed purchasing choices, hence we ensure that all our products are accurately and appropriately labelled. Particular attention is paid to stating any additives and ingredients known to cause hypersensitivity such as gluten, prawns, eggs, etc.

We also provide information on energy per serving size, recommended daily allowances of the different nutritional components, their functions, nutrition tips as well as endorsements from the authorities.

In addition, the country of origin of the product is stated along with the name and address of the manufacturer or importer, and its expiry date.

In Singapore, we adhere to the labelling requirements of the Singapore Food Regulations as well as to the guidelines set down by AVA. In Malaysia, we abide by the Food Act and the Food Regulations, while in Thailand, we follow the guidelines of the FDA Thailand.

#### Responsible Marketing & Advertising

Responsible labelling is part of a larger responsibility to communicate in an ethical manner with consumers. This encompasses the messages that are conveyed through our ads and marketing material.

In Malaysia, we adhere to The Malaysian Code of Advertising Practice by the Advertising Standards Authority Malaysia, while in Thailand we comply with the advertising practices and standards as advocated by the Consumer Protection Act of B.E. 2522 (1979).



## OUR PLEDGE TO CHILDREN

In Malaysia, as a signatory to the Responsible Advertising to Children Pledge, we will only advertise products targeting children under 12 that meet specific nutritional criteria based on accepted scientific evidence and/or applicable national and international dietary guidelines.

The pledge is promoted by the Ministry of Health, Malaysian Advertisers Association and Federation of Malaysian Manufacturers Food Manufacturing Group.

### Performance data (FY2017 baseline)

In 2017, 100% of our product categories complied with product labelling requirement for G4-PR3.

	YES	NO
The sourcing of components of the product or service	✓	
Content, particularly with regard to substances that might produce an environmental or social impact	✓	
Safe use of the product or service	✓	
Disposal of the product and environmental/social impacts	✓	

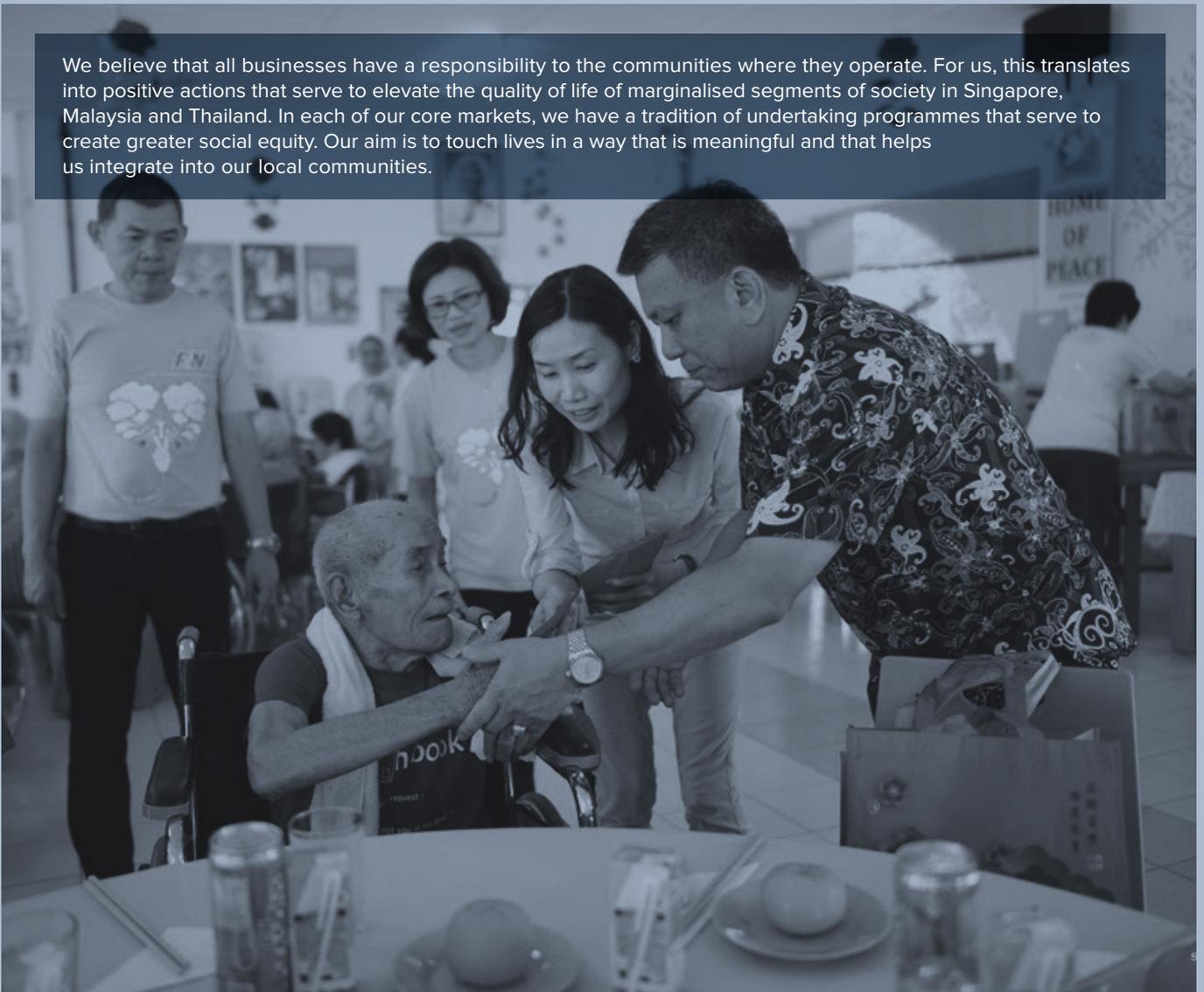
There were also no incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling. Our Scientific and Regulatory Affairs Department as well as Halal Affairs Department ensure compliance of all pack labels with regulations.

# RESPONSIBILITY TO THE COMMUNITY

## MATERIAL ISSUES

- Creating Value for Society

We believe that all businesses have a responsibility to the communities where they operate. For us, this translates into positive actions that serve to elevate the quality of life of marginalised segments of society in Singapore, Malaysia and Thailand. In each of our core markets, we have a tradition of undertaking programmes that serve to create greater social equity. Our aim is to touch lives in a way that is meaningful and that helps us integrate into our local communities.



**CREATING VALUE FOR SOCIETY**

We have both a natural and business interest in the well-being of society. While we care for the under-privileged, and seek to make a meaningful difference to their lives, any positive action taken within our local communities enhances our business as our consumers come from all segments of society. Over the years, our community outreach programmes have become integral to our operations, encouraging inclusiveness among employees, enhancing their level of work satisfaction, and serving as a pull factor in attracting talent. In addition,

these community projects strengthen our corporate reputation and brand value.

To us, corporate social responsibility comprises “acts of love to enhance the community’s well-being by cultivating empathy in employees and making a meaningful impact on the less fortunate.”

**Singapore**

In Singapore, employees regularly volunteer to spend quality time with the marginalised, bringing lightness and joy to their lives. During the year, three outreach programmes were held:



**OUR TARGET:**  
We will continue to provide outreach and engagement programmes across Singapore, Malaysia and Thailand to address community needs.

EVENT	DESCRIPTION
<b>Party With Seniors</b>	Senior citizens from Lions Befrienders were invited to spend half a day at F&N Foods where they played bingo, sang songs and had a good time.
<b>Bringing Smiles To Those Who Need Them Most</b>	Volunteers from F&N, NTUC FairPrice and Singapore Kindness Movement packed and distributed 600 goodie bags among the less privileged residents of Jalan Tenteram. Each bag contained two cartons of 1L F&N NUTRISOY UHT milk, cooking oil, instant coffee, macaroni, biscuits and instant noodles.
<b>Assisi Fun Day</b>	F&N staff and family members spent the Sunday with senior citizens from Lions Befrienders at a kampong themed carnival organised by Assisi Hospice. Proceeds from the carnival were channelled to patients at the hospice.



## RESPONSIBILITY TO THE COMMUNITY

### Malaysia

Our colleagues in Malaysia carry out a number of ongoing community programmes focused on bridging the educational gap and equipping marginalised youth with life skills to help them create brighter futures for themselves and their families. These efforts serve to elevate the quality of life of the underprivileged and support the government's nation-building agenda.



#### Leadership Programme

F&NHB sponsors a Leaderonomics programme that seeks to empower children from the Yayasan Anak-Anak Yatim Pinggir TTDI (Rumah Ilham) home with leadership skills. Organised since 2015, the programme includes teambuilding camps, motivational workshops, excursions and community projects to nurture discipline, develop interpersonal skills, boost self-confidence and encourage teamwork. F&NHB has so far invested an estimated \$29,000 in the programme benefitting over 40 children who are now more confident and better prepared to contribute in a meaningful way to society.



#### International Computer Driving License (ICDL)

F&NHB, through its F&N IT Corner initiative, provides Montfort Town youth the opportunity to pick up computer skills and gain the ICDL. The six to eight-month programme enables participants to manage files, word processing, develop spreadsheets, databases and presentations, as well as information and communication functions. Since 2010, more than 340 students have gained the ICDL.

Impressed by the initiative, the Contact Centre Association of Malaysia (CCAM) has recently established a programme to groom ICDL graduates for rewarding careers in the contact centre industry. To date, 27 students have secured job placements at contact centres following their stint with CCAM.



#### Free Kindergarten & Tuition Classes

Since 2011, F&NHB has been supporting the Kassim Chin Humanity Foundation via the Empowering Lives Through Education (E.L.I.T.E) programme, under which free kindergarten and tuition classes are given to over 600 underprivileged children and youth in Pangsapuri Enggang, Puchong. In 2014, an e-Learning Centre was set up equipped with educational software. To date, F&NHB has invested about \$150,000 in E.L.I.T.E, helping 365 children to improve their academic performance, thus setting them on a surer footing for future success.

### Other Community Outreach Programmes

	EVENT	DESCRIPTION
Festive Celebrations	Chinese New Year	Every year, F&NHB organises luncheons for old folks and gives them the necessities that they require to help them celebrate this joyous occasion.
	Ramadhan	To celebrate Ramadhan, F&NHB presents orphans with new clothes and other gifts while treating them to a sumptuous meal out.
	Deepavali	Children from the Sri Sai Home in Klang are taken shopping for new Deepavali clothes and treated to a vegetarian lunch.
	Christmas	Children from a selected home are taken shopping for clothes and other essentials, following which they are treated to a Christmas party.

## Thailand

**Donation of Medical Equipment**

FNDT donated walking aids, wheelchairs and mattresses to the Sambundit Hospital Ayutthaya on 10 February 2017. On the same day, the Company also organised fun activities for the community living around the Rojana factory.

**Mangrove Rehabilitation Programme**

FNDT's Volunteer Club participated in a mangrove rehabilitation programme in Ban Khun Samut Chin, Samut Prakan Province. The reforestation activity aims to conserve the mangrove forest ecosystem as well as build barriers in order to protect Samut Prakan Province's coastlines against erosion and storm surges.

**Zip-top Donation Campaign**

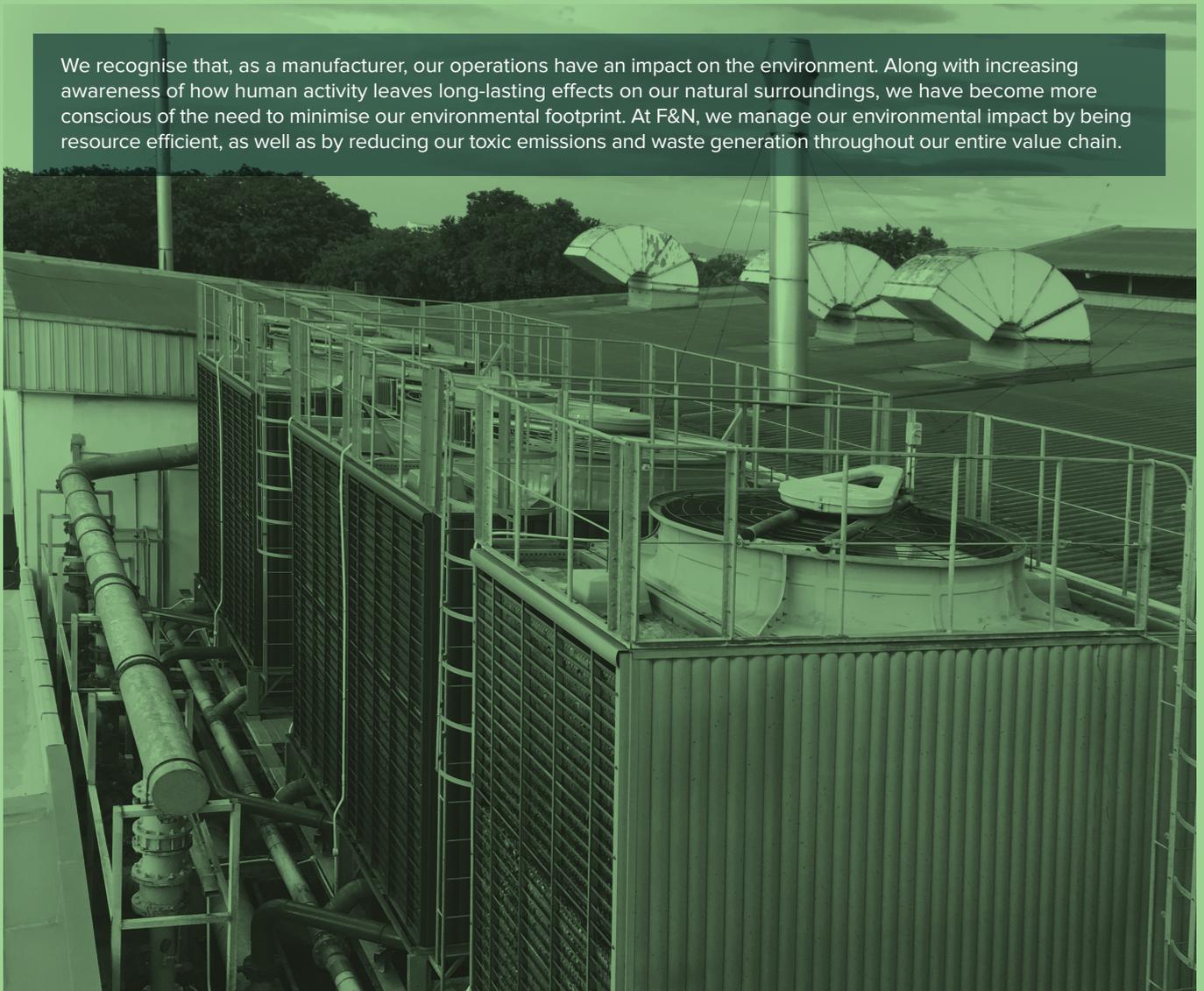
In conjunction with *BEAR BRAND*'s 80<sup>th</sup> Anniversary celebration, an activity was organised to collect the zip-top rings from the milk cans, which were then given to the Protheses Foundation of Her Royal Highness, the Princess' Mother, for use in the manufacture of prosthetic limbs. FNDT also donated about \$4,000 in total to the Foundation.

# RESPONSIBILITY TO THE ENVIRONMENT

## MATERIAL ISSUES

- Water Stewardship
- Effluents and Waste
- Energy and Climate Change
- Route Planning
- Packaging

We recognise that, as a manufacturer, our operations have an impact on the environment. Along with increasing awareness of how human activity leaves long-lasting effects on our natural surroundings, we have become more conscious of the need to minimise our environmental footprint. At F&N, we manage our environmental impact by being resource efficient, as well as by reducing our toxic emissions and waste generation throughout our entire value chain.



## WATER STEWARDSHIP



Water is essential in our production lines, hence is a critical natural resource for us. Given that it is also scarce, we are committed to sustainable water management. As outlined in our Environmental Policy, we strive to improve our processes and procedures so as to continuously reduce our water consumption.

In FY2017, the total water withdrawal was about 2.9 million m<sup>3</sup> at the Group level.

### Singapore

Singapore has several ongoing water reduction initiatives:



#### Water Reduction with New Evaporative Condenser

The ice-bank chilled water system uses ammonia to supply chilled water for process cooling and milk tankers. After evaporation, ammonia is compressed and condensed in evaporative condensers. Our milk tankers are cooled using a glycol system. To achieve better energy efficiency, we integrated an ice-bank into the glycol system in December 2014. Subsequently, a higher capacity evaporative condenser was installed. The new evaporative condenser replaces the two older condensers, cutting down on the need for water from lower evaporation loss.



#### Water Reduction with Condensate Recovery

We have a York chiller to supply chilled water for the air-conditioning in our administration building and certain parts of the production area such as the UHT production corridor and filling areas. During the heat exchange, moisture in the intake air is condensed by chilled water in the Air Handling Unit (AHU). In this project, we installed a PVC pipe to recover the condensate water from the AHU to supply the cooling tower. The chiller is operated 24 hours, six days a week and is shut down on Saturday midnight when production operations stop, hence we expect to achieve significant savings. However, we are unable to quantify the actual reduction in make-up water to the cooling tower as there was no water meter in the cooling tower prior to installing this condensate recovery system.



Water usage in the washrooms of our premises is high due to high water pressure and less than optimal systems. However, we have started to replace our old toilet and tap systems with more efficient models.

As of April 2017, we have replaced 20 foot-pedal operated taps in the toilets and wash basins of our production facilities with sensor-operated models. In June 2017, we replaced three manual taps in the washrooms for the Finance department with spring-operated systems.

Although we are confident that the new taps will reduce our water consumption, we are unable to quantify our total savings as we have to date installed a water meter only in the production area, and not for all the washrooms.

#### Water Reduction with Small Diameter Hose

Our equipment and factory floors are hosed down for cleaning purposes. To reduce water wastage, we will be replacing the bigger diameter hoses (3/4" and 1") with smaller 0.5" hoses. Nozzles have also been affixed at the hose end to cut off water flow when it is not needed.

## RESPONSIBILITY TO THE ENVIRONMENT

### Malaysia

We have been enhancing our water management efficiency in Malaysia by daily monitoring of consumption, collecting and storing rain and production water for utility purposes (e.g. cleaning, toilet flushing and watering plants), and implementing water saving projects at manufacturing plants.

**Recovery of Condensate.** Evaporated condensate<sup>1</sup> is recovered from the Evaporator in our Dairies operations and fed back to the feed tank at the boiler house. Conductivity sensors installed will ensure that only condensate of acceptable quality is reused at the boiler house feed tank. This decreases our water usage for steam production.

**Retort Water Recovery.** Our water needs are reduced by recovering water wastage from the retort process in our Beverages plant. Recovered water is channelled back into the retort process and recycled. Tank cleaning and weekly microbe testing on water samples are carried out to ensure the cooling system water's quality. The drainage setting was reduced from 5% to 3% in the second cooling process by installing a sensor and relay to further reduce water wastage. There is an estimated water savings of 94,000 m<sup>3</sup> annually, which translates to cost savings of about \$70,000.

**CIP System.** As of the new financial year, a new Clean In Place (CIP) system will be implemented in our ice cream operations. Currently, our manual CIP system consumes a lot of water due to one-way flow, meaning that water flows directly to the drain. The new CIP system employs a two-way flow concept, enabling the circulation of water during the cleaning process which will reduce the volume of water consumed. It will also shorten the cleaning time from five hours to four hours, saving time and labour costs. The system will be implemented in stages, and will be completed by FY2020.

### Thailand

In Thailand, concerted efforts by our Dairies operations are made to reduce water consumption at the farm level as well as at our milk collection centre. With the exception of FY2012 when there were massive floods, water usage has been decreasing by approximately 10% every year since FY2010, when the Rojana plant was commissioned.

**Bleeding of Evaporative Condensers.** Previously, in order to maintain water hardness at an optimum level that prevents scale deposits from forming, some water would be released into drains from the evaporative condensers at our ice cream operations. Scale deposits undermine the performance of the evaporative condensers resulting in energy wastage. Now, we use chemicals to control water hardness. This is estimated to reduce water usage by 1.5%.

**Extending CIP Cycle Time.** In our Dairies operations, we extended the CIP cycle time. CIP is conducted after each production cycle to clean, rinse and sanitise the equipment. By extending the CIP cycle time for Sterilised Milk and Evaporated Milk products, CIP frequency can be reduced, translating into increased production output with less water usage.



#### OUR TARGET:

We intend to reduce the water intensity ratio at our plants across the Group by 5% from 2017 by 2020.

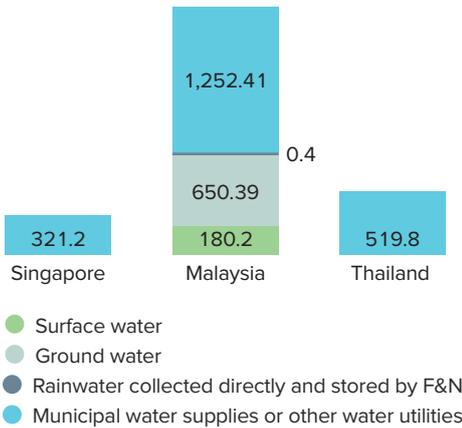


<sup>1</sup> The water separated from evaporation processes.

Performance data (FY2017 baseline)

G4-EN8

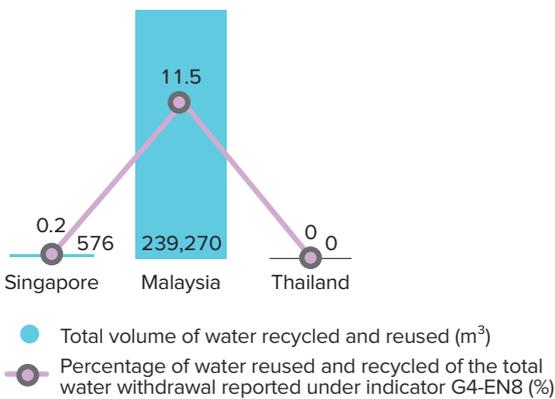
Total water withdrawal by source ('000 m<sup>3</sup>)



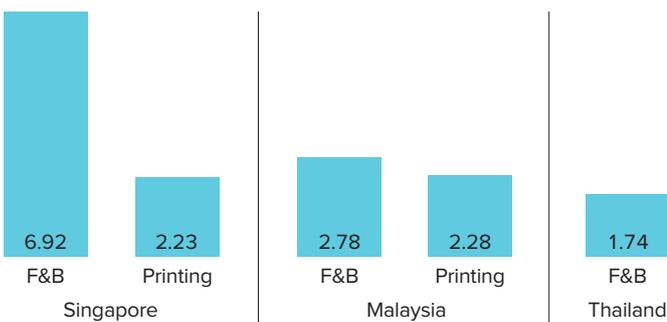
Note:  
1 Water withdrawal (Surface water, Ground water and Municipal water) is measured through the use of a meter

G4-EN10

Percentage and total volume of water recycled and reused



Water intensity ratio (m<sup>3</sup>/MT of product)



Note:  
1 Water intensity ratio is calculated based on the total amount of water withdrawal (in cubic meter, m<sup>3</sup>) per metric tonne of product

GUIDED BY AN ENVIRONMENTAL POLICY, WE SEEK TO:

-  Provide senior management support and resources to drive our environmental agenda.
-  Comply with applicable environmental legislation and regulations 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.

We ensure our employees, business partners and other stakeholders are aware of our Environmental Policy and play their part to support our goals. To keep relevant, we review this policy every three years and incorporate new knowledge and trends as these evolve.

## RESPONSIBILITY TO THE ENVIRONMENT

### EFFLUENTS & WASTE



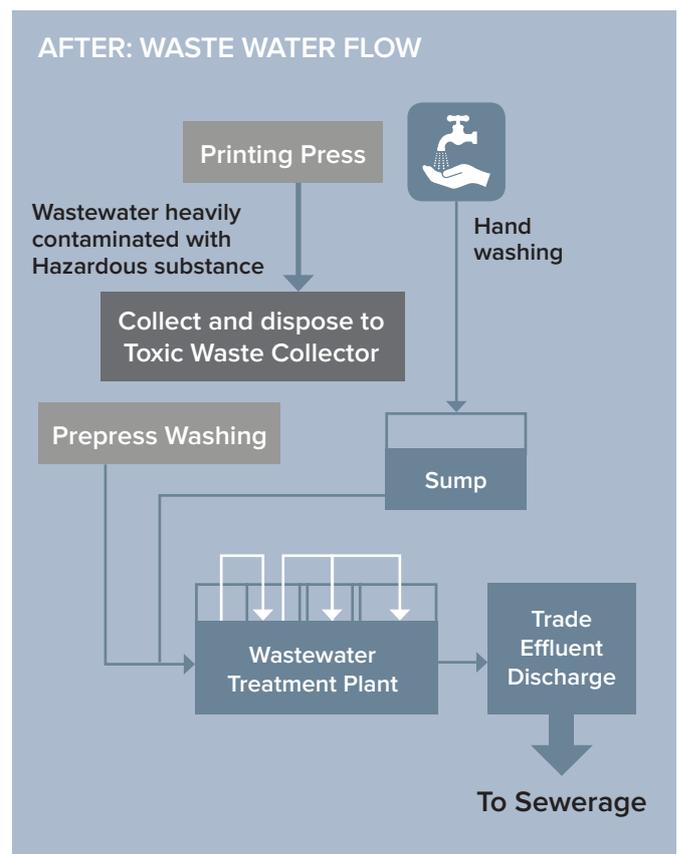
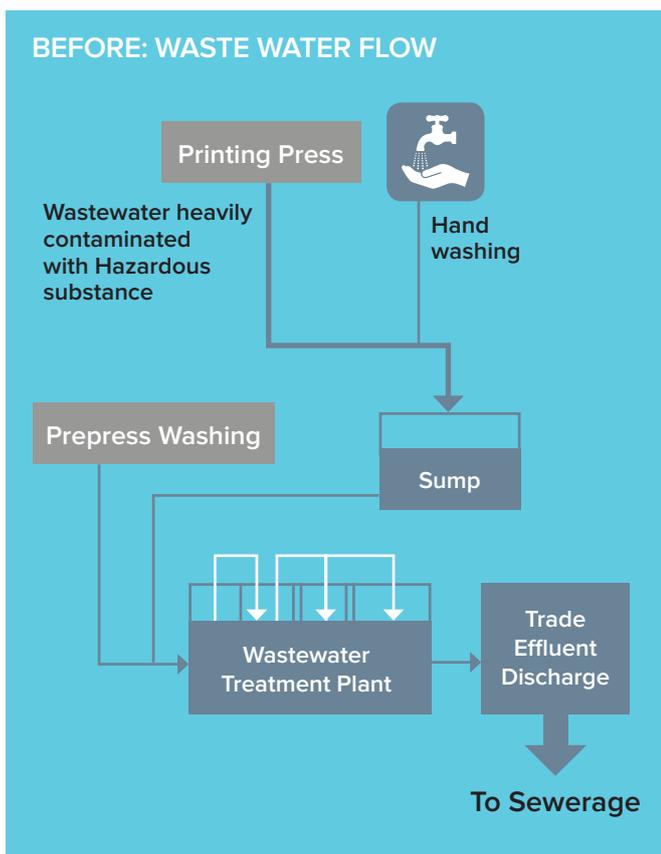
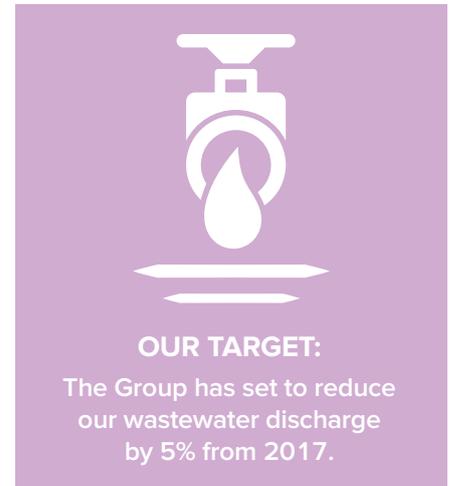
Both our core businesses – F&B and P&P – use materials and/or resources, some of which ends up as waste. We ensure such waste does not have a negative impact on surrounding communities or the environment. At the same time, we recognise that the less materials we use, the less waste we generate. Hence, we engage in the 3Rs of reduce, reuse and recycle as far as possible. While minimising our environmental impact, this has the added benefit of also reducing our costs.

In FY2017, the Group total volume of wastewater discharged was 1.4 million m<sup>3</sup>.

#### Singapore

All recyclable waste at our F&B plant in Singapore is collected by third-party collectors and recycled as per National Environment Agency (NEA) regulations. Paper waste from our printing plant is similarly recycled and reused.

**Isolation of Waste Water.** Printing generates wastewater which can be contaminated with hazardous substances resulting in high Chemical Oxygen Demand (COD) effluents. Before the water is released into the public sewerage system, therefore, it is processed at a Waste Water Treatment Plant (WWTP). As an additional measure, we isolate wastewater that is known to be heavily contaminated with hazardous substances for disposal through a licensed Toxic Industrial Waste collector.



**Centralised Ink Pump System.** We have also reduced our ink tin can waste with the installation of a centralised ink pump system. Ink for our Sheetfed printing machine traditionally comes in small tin cans (1kg or 2kg), with an average usage of about 2,000 cans per month. The ink contaminated cans have to be treated before being recycled, increasing the cost for disposal. To work around this issue, we installed a centralised ink pump system that transfers ink from larger drums into reusable small containers. This reduces our environmental impact as well as disposal costs.

To further reduce the toxicity of our waste, we use soya-based ink which is environment-friendly.



### Malaysia

In Malaysia, wastewater from our manufacturing plants is treated and used for cleaning, toilet flushing and other functional purposes. Sludge from Pulau Indah is sent to a waste processing vendor where it is converted into fertilisers. Used batteries, chargers and toner cartridges are recycled while old newspapers, used packaging materials (such as containers, trays and bottles) are sold as part of a waste-to-wealth initiative.

#### Recycling Programme with Schools.

F&NHB has also been partnering local municipal councils to run a recycling programme with schools in Shah Alam, Penang and, as of this financial year, Kuching, in Sarawak. The programmes in Shah Alam and Penang have been growing in terms of number of participating schools and the volume of recyclables collected. The programme in Shah Alam was launched in 2007 and Penang in 2012. Inclusive of the programme in Sarawak, a total of about 363,000kg of recyclables were collected in FY2017, marking yet another record. The involvement of children in this programme creates a

stronger sustainable value, as the habit of recycling acquired in youth is likely to carry on throughout their lives. This year, to instil a culture of reuse, a new award category was introduced – for the most creative use of recyclable materials. To further promote the idea of re-use, we organised up-cycling workshops for 144 teachers in Seberang Prai and, separately, for residents and members of the Penang Deaf Association, Cheshire Home, Old Folks Association and several other NGOs.

### Thailand

Our Thai operations are committed to zero discharge, zero waste and zero landfill.

**Ultra-filtration System.** To reduce the volume of wastewater discharged from the Dairies plant, an ultra-filtration system with a turbidity sensor was installed to recycle the effluent water. The production process has been designed to stop using the effluent water if it is dirty and resume only when it is clear. This initiative will not only help to reduce the volume of wastewater discharged, but will also lessen our water footprint.

**Recycle Rejected Water.** Taking their recycling a step higher, this year, the team started to recycle water rejected from the water treatment plant and boiler by channelling it into a recycle pond which serves as a source of water for utility purposes such as cleaning and watering the plants as well as grass.

#### Convert Sludge into Organic Fertiliser.

Starting three years ago, sludge from our dairies production is turned into organic fertiliser which is then distributed to employees. This year, we started giving away these organic fertilisers to local farmers near our plant. The small effort is one way we help our suppliers and give back to the community where we can.

Internally, employees are encouraged to practice the 3Rs by, for example, double-sided printing and separating recyclable materials such as plastic and aluminum from general waste.

# RESPONSIBILITY TO THE ENVIRONMENT

## Performance data (FY2017 baseline)

### G4-EN22

#### Total water discharge by geography and quality:

Overall Total volume of water discharged by geography ('000 m<sup>3</sup>)

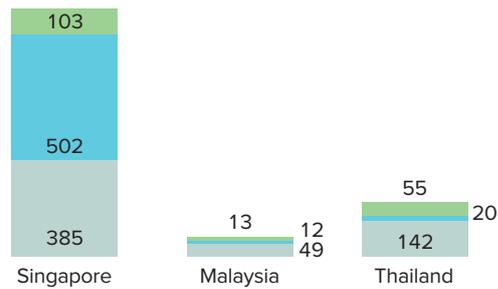


- River
- Wastewater treatment system of industrial estate
- Others (Public Sewerage)

**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 total volume of planned and unplanned water discharges are not reused by another organisation.

Average water discharged by quality (mg/L)

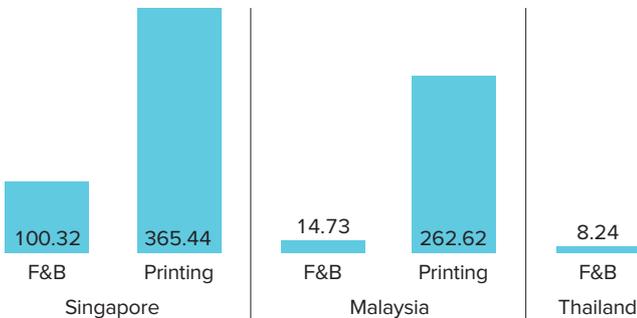


- Chemical Oxygen Demand (COD)<sup>3</sup>
- Biochemical Oxygen Demand (BOD)<sup>4</sup>
- Total Suspended Solids (TSS)<sup>5</sup>

**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 Singapore on COD excludes our Dairies & Beverages plant as only BOD is measured to align with the computation of trade effluent tariff by Singapore's Public Utilities Board (PUB).
- 3 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.
- 4 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.
- 5 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.

Solid waste intensity ratio (Waste generated in kg/MT of product)

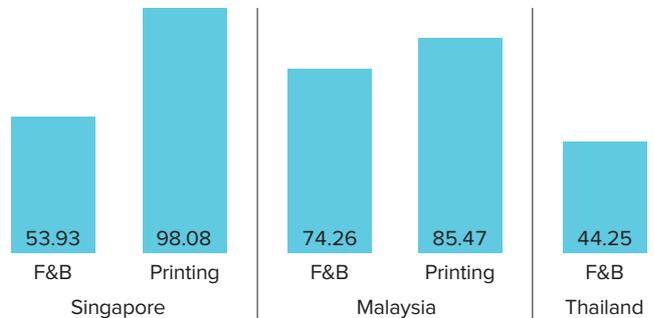


- Solid waste intensity ratio

**Notes:**

- 1 Solid waste intensity ratio is calculated based on the total amount of waste generated (in kilogram, kg) per metric tonne of product

Solid waste recycled



- Percentage of solid waste recycled

**Notes:**

- 1 Solid waste recycled is the percentage of waste generated that was sent for recycling

## ENERGY AND CLIMATE CHANGE



Given the nature of our operations, we feel a sense of responsibility towards environmental protection. This has grown stronger in recent years along with pressing global issues such as climate change.

The use of fuel and electricity releases greenhouse gases (GHG) such as carbon dioxide (CO<sub>2</sub>) that contribute to climate change. As part of our commitment to protecting the environment under our Environmental Management Policy, we are making every effort to reduce our carbon footprint across our value chain from manufacturing to packaging and logistics by reinventing our procedures and adopting energy efficient systems as widely as possible. In addition, we are looking into replacing conventional hydrocarbon-based energy with cleaner sources of renewable energy.

Our efforts to preserve the environment have numerous benefits. While safeguarding quality of life for the current and future generations, they also establish F&N as an environment-conscious corporation.

### Energy Management at F&N

Group-wide, we have started the process of greening our operations by progressively replacing conventional lights in our offices and production areas with light emitting diodes (LED), which consume less electricity. At the same time, various initiatives are being undertaken at our manufacturing plants to optimise energy consumption and minimise our environmental footprint.

### Energy Efficiency in Singapore

Since 2013, we have been reporting our energy consumption to NEA, as required, and have consistently exceeded its guideline of achieving an average annual energy savings of at least 1%, with savings of more than 2%. Our energy efficiency is the result of various initiatives, which include:

- ❖ **Overhaul of Solar System.** We installed a 4.8KWp solar system in 2010, which however did not function optimally. In 2015, the system was overhauled and electricity is now being generated more efficiently in the administration building.
- ❖ **Enhancing of Boiler Efficiency.** Operationally, in October 2016, we enhanced our boiler efficiency by optimising its air-fuel ratio – reducing the oxygen concentration in the flue gas from about 9.8% to 3%. This reduced the amount of diesel needed by about 80,000kg as compared to FY2016.

Although we expect our energy savings to be impacted significantly by the conversion of our milk tankers to refrigerated containers, we are optimistic that we will still meet NEA's target. We also expect to meet NEA's requirement for companies to implement the ISO50001 Energy Management System by 2019, ahead of the 2022 deadline.

Other energy efficiency initiatives include:



#### Conversion of Conventional Lighting to LED type

- Including production areas, offices, storage, facilities, and perimeter lightings.
- Reduced energy and improves the luminance of the workplace.



#### Replacement of Inefficient Cooling Tower

- With the new highly efficient cooling towers, it improves the heat transfer of condenser water and results in a more efficient chiller system.
- Also reduces water consumption by minimizing and utilizing the feedwater



#### Improvement of Air Compressors configuration

- Isolated machines with high pressure(12 bar) requirement from centralized air compressors and setup stand alone Air compressor to these machines.
- Lowered down the pressure setpoint of centralized air compressors from 12 bar to 7.5 bar. Lowering the setpoint will reduce the energy consumption of Air compressors.

**ANNUAL  
REDUCTION  
OF MORE THAN  
500 TONS  
OF CO<sub>2</sub>**

## RESPONSIBILITY TO THE ENVIRONMENT

### Energy Efficiency in Malaysia

In Malaysia, we support the government's target of reducing the country's GHG emissions intensity (as a measure of GDP) by 45% by year 2030 from a 2005 baseline. Our initiatives include:

- ❖ **Heat recovery system in boiler.** Using an economiser to recover heat losses via hot flue gases helps to increase the water temperature fed into the boiler. This saves energy usage for boiler operations.
- ❖ **Steam Condensate Recovery.** Hot evaporated condensate (about 90°C), which is usually sent directly to the drain is fed back to the boiler. This reduces the amount of steam needed to be produced in the boiler. The decrease in natural gas usage is about 100 MJ per m<sup>3</sup> of condensate recovered.
- ❖ **Wafer and Cup & Cone (CNC) Machines.** Both machines, which have been in use more than 20 years, create wastage, have low yields, and require manual processes which means more manpower. Management will be replacing both the Wafer and CNC production lines to ice cream tubs by around mid-2018. The process of filling ice cream into tubs is easier, requires less manpower, and consumes less electricity as well as steam while reducing waste.

### Energy Efficiency in Thailand

Thailand's Ministry of Energy has targeted a 30% energy intensity reduction by year 2036 from a 2010 baseline, as stated in its Energy Efficiency Development Plan (EEDP) 2015 - 2036. Our Thai operations has developed several initiatives to support the government's goals by reducing its environmental footprint.

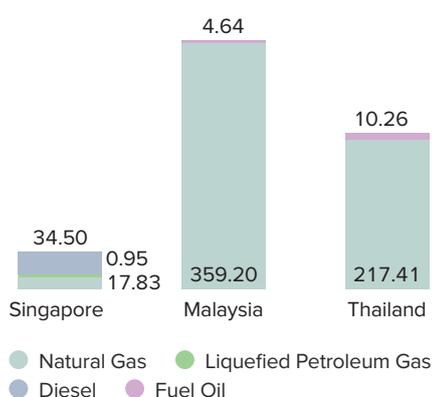
- ❖ **Heat Recovery Steriliser System.** The Steriliser machine consists of three shell segments, namely the Preheat, Cooker and Cooler. After products go through the Cooker at 123°C, they have to be cooled down to 40°C using water. Heat from water discharged from the Cooler is recovered and channelled to the Preheat shell. This has allowed for at least 50% reduction in steam consumption, while the lower load on the cooling tower will bring about additional energy savings and carbon reduction in our Dairies operations.
- ❖ **Moisture Content in Refrigeration System.** In our ice cream operations, we take care to monitor the moisture content in the refrigeration system. An increase of moisture content in the refrigeration system by 1% would translate to an increase in power consumption by about 2%. To help maintain our moisture content at less than 0.5%, we have installed an Ammonia Purifier which is to be implemented by October 2017.

### Performance Data (FY2017 baseline)

#### G4-EN3

#### Energy consumption within F&N:

Total fuel use from non-renewable sources in megajoules (million megajoules)



Electricity, heating, cooling and steam purchased for consumption<sup>3</sup> (million megajoules)



In FY2017, F&B Singapore self-generated 31.33 and 0.02 million megajoules of electricity<sup>1</sup> and steam<sup>2</sup> respectively.

- 1 Self-generated electricity is included in the calculations for energy consumption, energy intensity ratio and CO<sub>2</sub> emissions as the energy (solar energy) consumed to generate it has not been accounted for
- 2 Self-generated steam is not included in the calculations for energy consumption, energy intensity ratio and CO<sub>2</sub> emissions as the energy (fuel) consumed to generate it has already been accounted for
- 3 There is no heating, cooling and steam purchased for consumption



# GROUP TOTAL NON-RENEWABLE FUEL CONSUMED ..... 644.79 MILLION MEGAJOULES

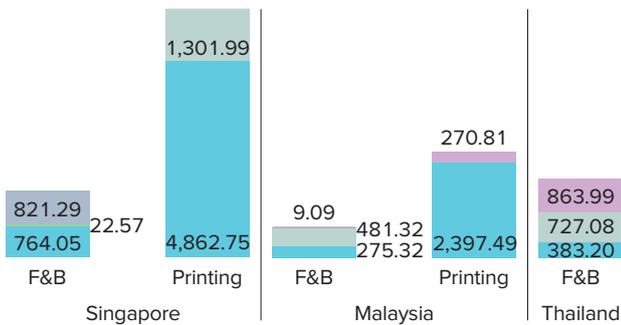


## OUR TARGET:

We target to reduce the Group's energy intensity by 5% between 2017 and 2020.

### G4-EN5

#### Energy intensity ratio (MJ/MT of product)



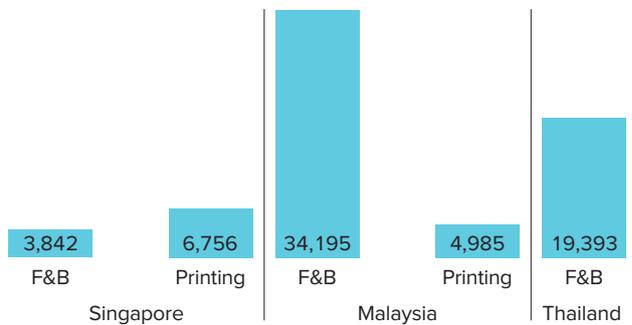
- Electricity
- Liquefied Petroleum Gas
- Diesel
- Natural Gas
- Fuel Oil

**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

### G4-EN16

#### Indirect GHG emissions (MT CO<sub>2</sub>)



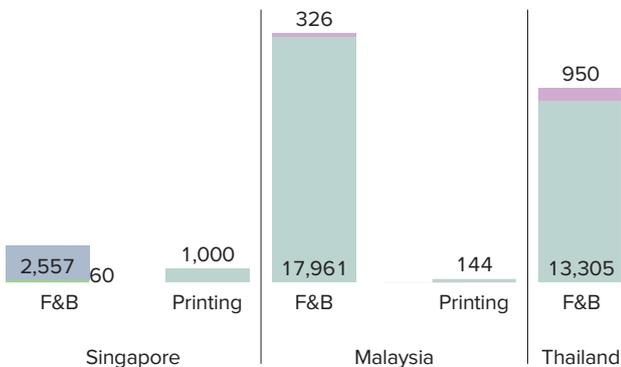
- Electricity

**Notes:**

- 1 CO<sub>2</sub> emissions for Singapore estimated based on the conversion factor from Energy Market Authority of Singapore (EMA)
- 2 CO<sub>2</sub> emissions from Malaysia estimated based on the conversion factor from Green Building Index (GBI)
- 3 CO<sub>2</sub> emissions from Thailand estimated based on the conversion factor from Thailand Greenhouse Gas Management (Public Organisation) (TGO)

### G4-EN15

#### Direct GHG emissions (MT CO<sub>2</sub>)



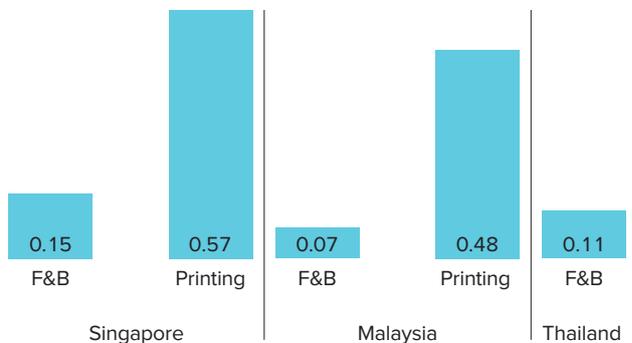
- Liquefied Petroleum Gas
- Diesel
- Natural Gas
- Fuel Oil

**Notes:**

- 1 CO<sub>2</sub> emissions for Singapore estimated based on the conversion factor from Greenhouse Gas (GHG) Protocol
- 2 CO<sub>2</sub> emissions from Malaysia estimated based on the conversion factor from Green Building Index (GBI)
- 3 CO<sub>2</sub> emissions from Thailand estimated based on the conversion factor from Thailand Greenhouse Gas Management (Public Organisation) (TGO)

### G4-EN18

#### Greenhouse gas (GHG) emissions intensity (MT CO<sub>2</sub>/MT of product)



- GHG emissions intensity ratio

**Notes:**

- 1 GHG emissions intensity ratio is calculated based on the total amount of CO<sub>2</sub> generated (in metric tonne, MT) per metric ton of product

## RESPONSIBILITY TO THE ENVIRONMENT

### ROUTE PLANNING



We put much thought into our route planning because it has the potential to save time and costs, while also reducing our carbon footprint.



#### SINGAPORE

We are optimising the product load per truck. Two years ago, we increased the load from 20 pallets to 22 pallets and have been looking into more ways to increase the stacking load per pallet, without exceeding the maximum tonnage limits set by the Land Transport Authority (LTA) Singapore.



#### MALAYSIA

**Rationalisation of Logistics.** Since the Dairies and Soft Drinks operations in Malaysia were merged in 2015, there has been a rationalisation of logistics. While in the past there were separate distributors for products in the two different operations, today the same distributor manages the entire portfolio. This reduces the number of distributors and trips made for the country operations. In addition, the decentralisation of manufacturing and warehousing operations has resulted in shorter routes to the market.

**Loading of 22 Pallets.** During the year, our Beverages operations in Malaysia also embarked on an initiative to load 22 pallets as opposed to 20 pallets. This was implemented after the switch from 2-way to 4-way. The Dairies operations were already loading 22 pallets onto their trucks.

To date, the cost savings achieved are estimated to be about \$90,000.



#### THAILAND

Thailand

**Transportation Management System.** Our ice cream operations in Thailand used to have two fleets of transporters delivering products in and around Bangkok, each fleet supporting different customer groups. Using a Transportation Management System, however, we believe we can plan our routes better and combine the two fleets into one. From October 2017, when the fleets are combined, we expect the number of trucks used a day to drop by about 20%, with an accompanying estimated \$82,000 in savings per year.

**PACKAGING**



Attractive packaging draws consumers' attention. More than just focus on the visual aspects of packaging, however, we ensure it protects the integrity of the contents, and is user- as well as environment-friendly.

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 much scope for innovation in packaging, which we have been exploring over the years. The Group will continue to focus on packaging innovation. This has helped us maintain a healthy packaging ratio – namely volume of packaging material used as a measure of quantity of product.

**Malaysia**

We are currently exploring packaging that could potentially reduce our environmental footprint significantly in Malaysia:

1. Change the packing of our 1.0L and 1.2L ice creams to recyclable carton boxes by 2018.
2. Reduce the thickness of the current plastic tub and lid of the 1.0L and 1.2L packaging.
3. In our Shah Alam plant, a Sustainability Pad project to convert carton tray to carton pad with naked shrink wrap packing for mineral and drinking water products would be launch in December 2017, starting with the range of 1.5L products. This project is estimated to reduce paper board usage for 1 pallet of 1.5L product by about 34m<sup>2</sup>.
4. In Kota Kinabalu, under a Carton Pad Project to be completed by November 2017, we are converting

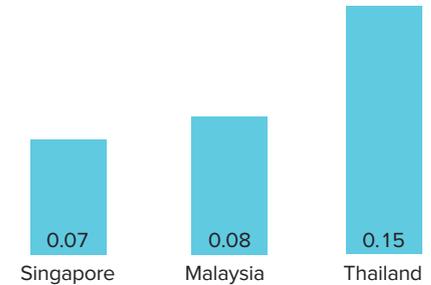
half tray cartons into carton pads for all PET 1.5L & PET 500ml products. The conversion is expected to save about 66,000kg of carton paper and 3,800kg of shrink film, resulting in an estimated \$50,000 in annual savings.

5. In Matang, we are converting full cartons to shrink wrap with half-tray for 500ml & 1.5L products (estimate to be implemented in December 2017) and PVC labels to OPP labels (March 2017). Labelling, packaging & palletising operations will also be automated thereby eliminating ergonomic issues encountered by workers on manual palletising works. Base on budgeted sales volume for FY2018, we will save an estimated \$125,000 and \$90,000 annually on label and carton box cost respectively, while reducing the volume of packaging materials used.

We also ensure that the packaging for pasteurised juices and milk are recyclable.

**Performance Data (FY2017 baseline)**

**Packaging intensity ratio (MT of packaging material/MT of Finished Product)**

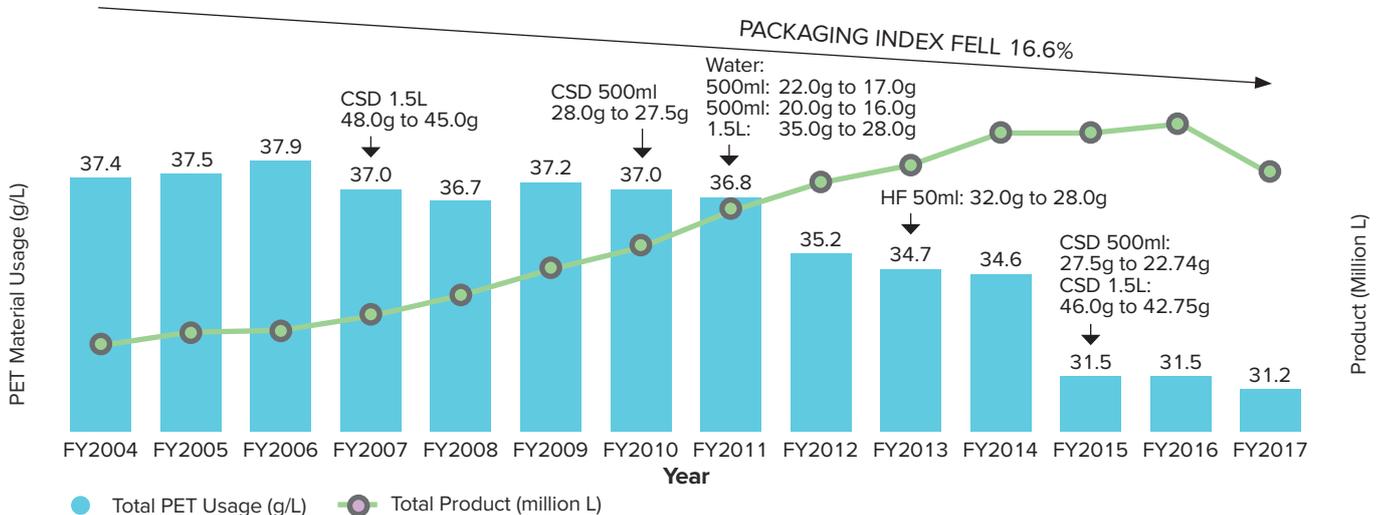


● Packaging intensity ratio

**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, as compared to Singapore and Malaysia.

**Packaging Index for PET Beverages\* (Singapore and Malaysia)**



\* Beverages include the 350ml, 380ml, 400ml, 500ml, 600ml and 1.5L of isotonic, carbonated soft drinks (CSD), Asian soft drinks and water range of products

## GRI G4 CONTENT INDEX

### For “In Accordance: Core”

This report is developed in accordance with GRI G4 guidelines: Core option

GENERAL STANDARD DISCLOSURES			
Profile Disclosure	Description	Reference page / Comments	UN SDGs mapping to Disclosure
<b>STRATEGY AND ANALYSIS</b>			
<b>G4-1</b>	Statement from the CEO	Pg. 2	-
<b>ORGANISATIONAL PROFILE</b>			
<b>G4-3</b>	Name of organisation	Pg. 3	-
<b>G4-4</b>	Primary brands, products and services	Pg. 4	-
<b>G4-5</b>	Location of the organisation’s headquarters	Pg. 3	-
<b>G4-6</b>	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	Pg. 3	-
<b>G4-7</b>	Nature of ownership and legal form	Pg. 3	-
<b>G4-8</b>	Markets served	Pg. 4-5	-
<b>G4-9</b>	Scale of the organisation	Pg. 7	-
<b>G4-10</b>	Breakdown of workforce	Pg. 4	-
<b>G4-11</b>	Percentage of total employees covered by collective bargaining agreements	50% of our employees are covered by collective bargaining agreements.	-
<b>G4-12</b>	Describe the organisation’s supply chain	Pg. 8	-
<b>G4-13</b>	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.	-
<b>G4-14</b>	Addressing the precautionary approach or principle	Refer to Annual Report (Pg. 58 -59).	-
<b>G4-15</b>	External charters, principles or initiatives endorsed	Pg. 1	-
<b>G4-16</b>	Membership of associations and advocacy organisations	RSPO	-

## GENERAL STANDARD DISCLOSURES

Profile Disclosure	Description	Reference page / Comments	UN SDGs mapping to Disclosure
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## IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

<b>G4-17</b>	Report coverage of entities included in the consolidated financial statements	Pg. 3	-
<b>G4-18</b>	Process for defining the report content and the aspect boundaries	Pg. 12	-
<b>G4-19</b>	Material aspects identified	Pg. 13	-
<b>G4-20</b>	For each material Aspect, report the Aspect Boundary within the organisation	Pg. 13	-
<b>G4-21</b>	For each material Aspect, report the Aspect Boundary outside the organisation	Pg. 13	-
<b>G4-22</b>	The effect of any restatements of information provided in previous reports	No restatement of information.	-
<b>G4-23</b>	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	No significant changes from previous reporting.	-

## STAKEHOLDER ENGAGEMENT

<b>G4-24</b>	List of stakeholder groups engaged by the organisation	Pg. 11-12	-
<b>G4-25</b>	Basis for identification and selection of stakeholders	Pg. 11-12	-
<b>G4-26</b>	Approaches to stakeholder engagement	Pg. 11-12	-
<b>G4-27</b>	Response to key topics and concerns raised	Pg. 11-12	-

## REPORT PROFILE

<b>G4-28</b>	Reporting period	Pg. 3	-
<b>G4-29</b>	Date of most recent previous report	05 Jan 2017	-
<b>G4-30</b>	Reporting cycle	Pg. 3	-
<b>G4-31</b>	Contact point for questions	Pg. 3	-
<b>G4-32</b>	'In accordance' option, the GRI content index and external assurance	Pg. 3	-
<b>G4-33</b>	Policy and current practice regarding external assurance	Pg. 3	-

## GOVERNANCE

<b>G4-34</b>	Governance structure of the organisation	Pg. 4	-
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## ETHICS AND INTEGRITY

<b>G4-56</b>	Values, principles, standards and norms of behaviour such as codes of conduct and code of ethics	Pg. 6	-
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## GRI G4 CONTENT INDEX

SPECIFIC STANDARD DISCLOSURES			
Profile Disclosure	Description	Reference page / Comments	UN SDGs mapping to Disclosure
<b>CREATING SHAREHOLDER VALUE</b>			
<b>Material Issue: Economic Performance</b>			
G4-DMA	Disclosures on Management Approach	Pg. 17	
G4-EC1	Direct economic value generated and distributed	Pg. 17	
<b>RESPONSIBILITY TO STAKEHOLDERS</b>			
<b>Material Issue: Sustainable Sourcing</b>			
G4-DMA	Disclosures on Management Approach	Pg. 25-26	 
G4-EC9	Percentage of purchase value spent on local suppliers	Pg. 26	
<b>Material Issue: Talent Management</b>			
G4-DMA	Disclosures on Management Approach	Pg. 26-28	   
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	Pg. 28	
G4-LA9	Average hours of training per year per employee by gender	Pg. 29	
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Pg. 29	
G4-FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country	Pg. 30	
GA-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Pg. 26	
<b>Material Issue: Market Presence</b>			
G4-DMA	Disclosures on Management Approach	Pg. 30	
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	The ratio is 1:1, F&N does not practice discrimination or segmentation of entry wage levels. Wages are determined by labour supply-demand, competencies, and job scope.	

SPECIFIC STANDARD DISCLOSURES			
Profile Disclosure	Description	Reference page / Comments	
<b>Material Issue: Consumer Health and Safety</b>			
<b>G4-DMA</b>	Disclosures on Management Approach	Pg. 32-33	 
<b>G4-PR1</b>	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	100% of significant product categories for F&N are assessed for improvements on health and safety impacts.	
<b>Material Issue: Product and Service Labelling</b>			
<b>G4-DMA</b>	Disclosures on Management Approach	Pg. 36-37	
<b>G4-PR3</b>	Type of product and service information required by the organisation's procedures for product and service information and labelling	100% of significant product categories are covered by and assessed for compliance.	
<b>G4-PR4</b>	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	Pg. 37	
<b>Material Issue: Occupational Health and Safety</b>			
<b>G4-DMA</b>	Disclosures on Management Approach	Pg. 30-31	 
<b>G4-LA6</b>	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities, by region and by gender	Pg. 31	
<b>RESPONSIBILITY TO THE COMMUNITY</b>			
<b>Material Issue: Creating Value for Society</b>			
<b>G4-DMA</b>	Disclosures on Management Approach	Pg. 39-41	 
<b>G4-SO1</b>	Percentage of operations with implemented local community engagement, impact assessments, and development programs	100% of F&N operations have implemented local community engagement, impact assessments, and/or development programmes.	

## GRI G4 CONTENT INDEX

SPECIFIC STANDARD DISCLOSURES			
Profile Disclosure	Description	Reference page / Comments	
<b>RESPONSIBILITY TO THE ENVIRONMENT</b>			
<b>Material Issue: Water Stewardship</b>			
<b>G4-DMA</b>	Disclosures on Management Approach	Pg. 43-45	 
<b>G4-EN8</b>	Total water withdrawal by source	Pg. 45	
<b>G4-EN10</b>	Percentage and total volume of water recycled and reused	Pg. 45	
<b>Material Issue: Effluents and Waste</b>			
<b>G4-DMA</b>	Disclosures on Management Approach	Pg. 46-47	  
<b>G4-EN22</b>	Total volume of water discharged by quality and destination	Pg. 48	
<b>Material Issue: Energy and Climate Change</b>			
<b>G4-DMA</b>	Disclosures on Management Approach	Pg. 49-50	  
<b>G4-EN3</b>	Total energy consumption	Pg. 50	
<b>G4-EN5</b>	Energy intensity ratio	Pg. 51	
<b>G4-EN15</b>	Scope 1 - direct GHG emissions (CO <sub>2</sub> )	Pg. 51	
<b>G4-EN16</b>	Scope 2 - indirect GHG emissions (CO <sub>2</sub> )	Pg. 51	
<b>G4-EN18</b>	Greenhouse gas (GHG) emissions intensity	Pg. 51	



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