

# Better Business: Responsible Business Fundamentals

As a prominent F&B organisation in Southeast Asia, F&N recognises the scale of the impact our business has on the societies and environments in which we operate. It is our responsibility to make informed decisions by balancing social, environmental and financial value creation impacts.

We strive to be a regional leader in Better Business by embedding Responsible Business Fundamentals in the way we do business, including:

## Responsible Business Practice

- ▶ Governance and Ethics
- ▶ Policy and Regulation
- ▶ Economic Performance

## Responsible Product Stewardship

- ▶ Product Quality and Safety
- ▶ Product and Service Labelling
- ▶ Innovation

## Responsible Supply Chain

- ▶ Supply Chain Stewardship

# RESPONSIBLE



## Targets for Better Business

Material Topic	Target
<b>Product Quality and Safety</b>	▶ 100% of plants and production processes certified with the FSSC scheme 22000 and Halal Standard (or equivalent) by 2025.
<b>Innovation</b>	▶ 10% product innovation for commercialised F&N products by 2025
<b>Supply Chain Stewardship</b>	▶ 100% of active key suppliers accept and comply with F&N's Supplier Code of Practice by 2025

## Contributing to SDGs

Primary	2 ZERO HUNGER 	8 DECENT WORK AND ECONOMIC GROWTH 	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 		
	3 GOOD HEALTH AND WELL-BEING 	6 CLEAN WATER AND SANITATION 	7 AFFORDABLE AND CLEAN ENERGY 	15 LIFE ON LAND 	16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	17 PARTNERSHIPS FOR THE GOALS 
Secondary						

## Responsible Business Practice

Responsible business practice is the foundation of F&N's business and is critical in maintaining trust with stakeholders. We manage business practices through transparent communication of robust governance policies and standards of ethical behaviour. These practices flow into every part of F&N, including our financial performance, risk management, and our interactions with suppliers and customers.

In this chapter, we will elaborate on how we ensure responsible business practices in the following sections:

- ▶ Governance and Ethics
- ▶ Policy and Regulation
- ▶ Economic Performance

### GOVERNANCE AND ETHICS

GRI Index: GRI 102-16, GRI 205-3

SDG:



ESG issues are incorporated in the formulation of F&N's business strategy. As part of the Board's Conduct of Affairs, the Board "considers sustainability issues such as environmental and social factors as part of its strategic formulation". Hence, F&N's long-term business direction is ensured by the Board to be guided by sustainability principles. They have an ultimate oversight of all sustainability issues.

As a Board level committee, the F&N SRMC is responsible for steering the Group's on-going sustainability efforts. This committee ensures sustainability risks and opportunities are considered at the highest level of F&N by providing strong support to the management team. The SRMC has the responsibility to approve all strategic initiatives and policies related to sustainability in F&N.

The F&N SDC supports the overall direction of the SRMC by monitoring and reporting the progress of F&N's sustainability projects. The SDC is supported by the Sustainability Development Working Team which consists of cross-functional representatives who take on various roles. They monitor the performance of designated goals, drive initiatives at an operational level, and gather data for reporting. In FY2021, the SRMC convened on sustainability matters three times, and the SDC three times.



### Sustainability Development Committee

**Lee Meng Tat** (Chairman)  
Chief Executive Officer, Non-Alcoholic Beverages, F&N

**Lim Yew Hoe**  
Chief Executive Officer, F&NHB

**Siew Peng Yim**  
Chief Executive Officer, Times Publishing Group

**Hui Choon Kit**  
Chief Financial Officer & Group Company Secretary, F&N

**Josephine Woo\***  
Senior Director, Group Human Capital, F&N

**Lai Kah Shen**  
Director, Non-Alcoholic Beverages Finance, F&N

**Dr Yap Peng Kang\***  
Senior Director, Manufacturing and Corporate R&D, F&N

**Jennifer See**  
Managing Director, Singapore and YFI Malaysia, FNFS

**Waradej Patpitak\***  
Director, Manufacturing, F&NDT

**Celine Tan\***  
Director, Marketing (Beverages), F&N

\* Pillar Heads in the Sustainability Development Working Team

# Responsible Business Practice

## APPROACH

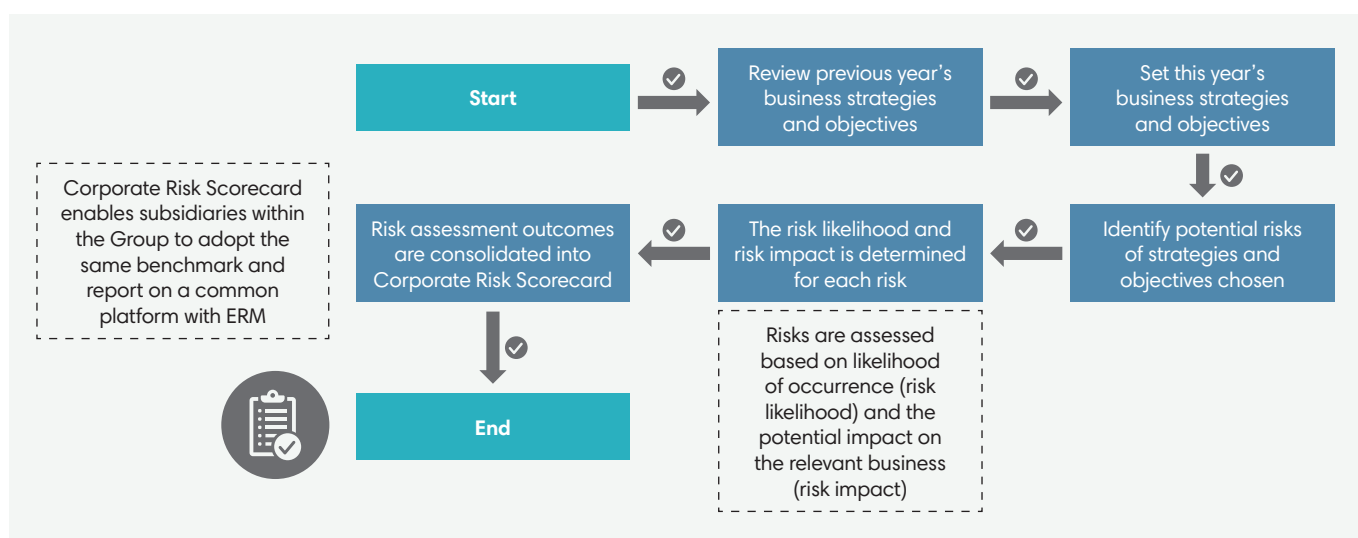
### Risk Management

F&N integrates material sustainability topics into our overall Risk Management framework by identifying specific risks, opportunities, and key priorities to drive our strategic decisions.

Sustainability risks are considered from three perspective:

- ▶ Review of risks from external sources, such as environmental trends, consumer trends, expectations from stakeholders, and legal and regulatory developments;
- ▶ Review of potential impact F&N products have on the environment; and
- ▶ Review of new and emerging risks from external sources as well as within the organisation.

Risk appetite and risk tolerance statements are reviewed by the SRMC and approved by the Board annually. At the end of the financial year, the Board receives assurance from the CEO and Chief Financial Officer that the risk management and internal control system is adequate and effective to address the risks from key material topics identified by the Group.



Risks are identified through the Enterprise Risk Management ("ERM") Validation Report and Comfort Matrix, which assesses the likelihood of risk occurrence and potential impact on relevant business objectives. The outcomes of identified risks are consolidated in a Corporate Risk Scorecard as a reference for the rest of the Group.

Each business division has a dedicated risk coordinator to conduct risk analyses with management. Risk coordinators compile reports for timely submission to division heads and conduct briefings on risk policies and practices.

Examples of ESG-related risks considered F&N Key Risks include:

- ▶ Increasing awareness of sugar consumption among consumers
- ▶ Plastic usage and its impact on health and the environment
- ▶ Supply chain management
- ▶ Talent management
- ▶ Product quality and safety
- ▶ Human rights

→ Read more about the risk management process in our Annual Report on page 60.

## CORPORATE GOVERNANCE

### Key policies

F&N's governance system is supported by policies and frameworks to ensure relevant controls and processes are in place.

### List of policies

- ▶ Anti-Bribery Policy
- ▶ Human Rights Policy
- ▶ Supplier Code of Practice
- ▶ Code of Business Conduct
- ▶ Personal Data Protection Policy
- ▶ Whistle-Blowing Policy
- ▶ Workplace Safety, Health & Security Policy
- ▶ Environmental, Safety and Health Policy

**Violations of any codes can be reported through any of these mechanisms:**

1. Email to [fnlwhistleblowing@fngroup.com.sg](mailto:fnlwhistleblowing@fngroup.com.sg)
2. Contact us at +65 6273 6789
3. Any reporting mechanism provided in existing F&N policies

F&N supports the UN Guiding Principles on Business and Human Rights, International Labour Organisation (“ILO”) guidelines, Thailand’s Labour Protection Act and Malaysia Employment Act 1955, and has covered these guidelines and legal requirements in our internal policies.

The F&N Code of Business Conduct states the principles upheld by F&N, which are related to integrity, respect, and excellence. This Code is communicated to our employees and is made available on our intranet. To disclose possible conflicts of interest with F&N, an annual acknowledgement and declaration by employees is required.

During the reporting year, F&N executives went through training on risk management, ESG, anti-bribery, whistleblowing, and business ethics. The Board sets good principles of ethics and values for the Group, ensures proper accountability within the Group, and seeks to ensure that obligations to shareholders and other stakeholders are understood and met. In FY2021, there were no substantiated bribery cases and 4 corruption cases. The 4 corruption cases took place in Thailand and involved sales staff who misappropriated payment from customers.

## POLICY AND REGULATION

GRI Index: GRI 307-1, GRI 419-1

SDG:



F&N places a high importance on regulatory compliance across our operations and engages with policymakers in a responsible and transparent manner.

Ensuring halal compliance and maintaining halal integrity is of utmost importance in Malaysia, a pre-dominantly Muslim country. It is F&N’s imperative to ensure strict adherence and implementation of halal standards throughout our operations, and even the supply chain, to provide confidence to our Muslim consumers.

## APPROACH

### Halal Policy

Halal integrity is maintained throughout F&N’s supply chain, including our distributors and retailers. F&N scrutinises the handling process of our ingredients in our operations and supply chain to prevent mixing non-halal ingredients with the halal ingredients.

F&NHB has adopted a 2-tier halal management structure to drive halal development at the Group level:

- ▶ F&NHB established a Group Halal Council in 2016 to determine policies and strategies, with the support of the Halal Affairs Department in implementation.

- ▶ Each of its manufacturing facilities has an internal Halal Committee that is responsible for all matters pertaining to Halal compliance in the supply chain; from the procurement of ingredients and raw materials, management of manufacturing facilities and personnel involved in production processes, to the storage, warehousing, and transportation of our products.

F&N is awarded with product halal certifications by complying to halal audit requirements by regulatory authorities such as the Department of Islamic Development Malaysia (JAKIM) and other relevant Islamic certification authorities, such as MUI, CICOT, MUIS and adherence to Good Halal Manufacturing Practices.

### Halal Standards

- ▶ F&NHB’s products are halal certified by JAKIM and other relevant authorised Islamic certification bodies, in accordance with the Halalan Toyyiban standards and the Islamic Shariah Law requirements.
- ▶ F&NHB contributes to developing halal-related standards with the Federation of Malaysian Manufacturers (“FMM”) and JAKIM through trade associations, such as the Sertu standards and Malaysian Standard 1514 Good Manufacturing Practice (GMP for food).
- ▶ F&N commits to adhering with the halal standards and requirements by strengthening our employees’ awareness and understanding through the following initiatives:
  - Regular halal awareness training programme.
  - Auditing our distributors and training transporters to actively ensure the downstream of our supply chain is halal compliant.
  - Perform Sertu (ritual cleansing) on our second-hand machines brought into our factories.
  - Strictly prohibit non-halal food/drinks within factory premises, including the office and canteen.

## PERFORMANCE

F&N is an apolitical company and does not contribute in any way to any political party or activity.

We are an active member of various trade associations such as FMM, Thai Chamber of Commerce, Federation of Thai Industry and Thai Dairy Industry Association.

### Policy and Regulatory Body Engagements

- ▶ Business Continuity during COVID-19  
To adapt our business operations to the COVID-19 restrictions, F&N worked closely with relevant regulatory bodies – like the Ministry of Health and Ministry of International Trade and Industry in Malaysia, to ensure business continuity. F&NHB obtained relevant approvals for maintaining operations during the lockdown in Malaysia and secured maximum output while subjected to reduced production hours and workforce, as stipulated by the authorities.



## Responsible Business Practice

### Product and Service Labelling

We ensure that our marketing and advertising activities do not violate any ethical standards. F&NHB adheres to the Malaysian Code of Advertising Practice in Malaysia and the Consumer Protection Act of B.E. 2522 (1979) in Thailand. In Malaysia, F&NHB is a signatory to the 'Responsible Advertising to Children' initiative and have pledged to restrict marketing to children under 12 years of age.

### Quality Management

We adhere to all health and safety regulations applicable to the F&B industry for the markets in which we operate. All F&N products are manufactured under stringent international quality and food safety standards; our production processes at every stage are subjected to rigorous quality control procedures.

### Nutrition

F&N has collaborated with authorities like Singapore's Health Promotion Board, Singapore Food Agency, Ministry of Health, and FMM to adhere to food safety regulations.

### Employee Safety, Health and Well-being

Safety is integrated across our operations through the implementation of Environmental, Safety and Health ("ESH") systems and monitoring processes. Our adhesion to international standards – ISO 14001 and ISO 45001 for our major sites, demonstrates our commitment to extend our safety practices beyond compliance with national regulations. All employees, workers and activities are covered by our ESH systems, and all workers receive adequate training and safety equipment as appropriate.

### Environmental Compliance and Management

The F&B manufacturing process involves the generation of liquid (effluent) and solid wastes. We strive to improve our solid waste management by identifying key waste streams that we can recycle and reduce waste from.

Our ESH Policy and adherence to the circular economy principles provides waste management guidance to F&N – e.g. the quality of our effluent discharges. We apply strict standards to our waste management and continuously explore alternative uses for 'waste' from our operations.

## ECONOMIC PERFORMANCE

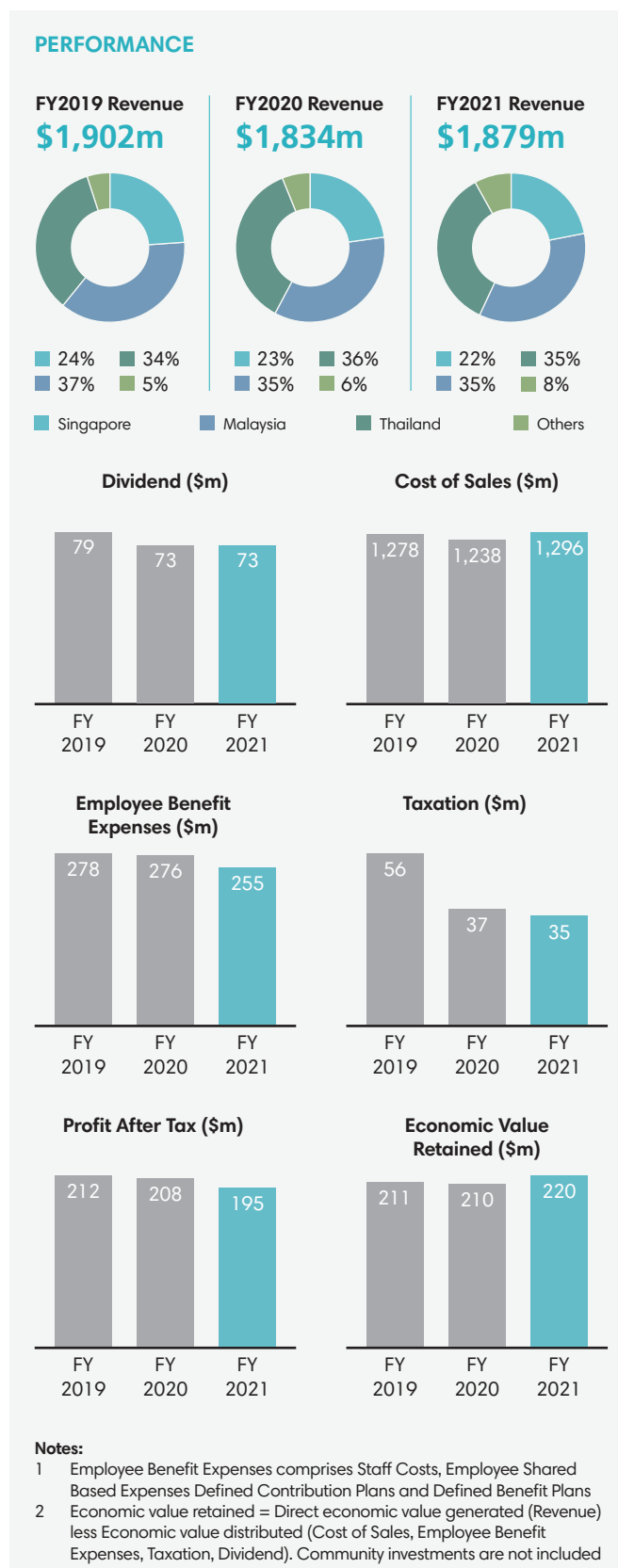
GRI Index: GRI 201-1

F&N's business success is based upon long-term value creation for our stakeholders. This is achieved by maintaining leadership in our core markets, leveraging innovative technologies, engaging our employees' expertise to meet consumers' evolving demands, and to enter new markets. Our economic performance provides us with a firm foundation to continue delivering the products our customers love.

The F&N Business Model is explained in detail on page 16 of this Report. F&N's economic performance depends upon six capitals – Financial, Manufactured, Intellectual, Human, Social and Relation, and Natural. Our sustainability initiatives support F&N's abilities to create financial value.

Our full economic performance can be found in our audited financial statements, as part of our FY2021 Annual Report:

- ▶ Group Financial Highlights, pages 10 to 11
- ▶ Group Financial Statements, pages 88 to 189



## Responsible Product Stewardship

We live by our brand promise 'Pure Enjoyment. Pure Goodness' – in other words, we commit to our consumers to deliver good quality products that meet safety standards. Our product decisions centres around our customers – F&N provides relevant product information, which our customers view as important, to enable them to make informed purchasing decisions. To meet the changing needs and wants of our customers, we also continuously find ways to innovate.

In this chapter, we elaborate on how responsible business practices are ensured:

- ▶ Product Quality and Safety
- ▶ Product and Service Labelling
- ▶ Innovation

### PRODUCT QUALITY AND SAFETY

GRI Index: GRI 416-2

SDG:



Product Quality and Safety is a core principle embedded in F&N's culture. Our 138 years of success is built on offering products that have earned the trust, created the satisfaction, and have considered the well-being of our consumers. This requires a holistic approach to quality and safety across our products.

### APPROACH

From boots to boardroom, we promote a culture of good product quality and safety standards. F&N adheres to all health and safety regulations applicable to the F&B industry for the markets we operate in. Our plants are certified with international standards – FSSC 22000, ISO 22000 and HACCP Food Safety management systems, and our production processes at all stages are subjected to rigorous quality control procedures. The F&N SRMC regularly reviews the key risks relating to product quality and safety.

All critical suppliers were audited on food safety regulations and standards, and none were found to be non-compliant this year. We assess a range of quality assurance and food security criteria to safeguard the health of consumers and the safety of workers in our supply chain. Our suppliers are assessed on the basis of: the implementation and monitoring of good manufacturing processes, use of protective clothing, food safety management systems, and chemical management.

We are committed to good product quality and food safety and have obtained local and international certifications, such as:			
FNFS	F&NHB (including F&NDT)	F&NUL	F&NCM
<ul style="list-style-type: none"> <li>▶ ISO 22000:2005 0 Food Safety Management System</li> <li>▶ FSSC 22000 – Food Safety System Certificate</li> <li>▶ Halal certification</li> </ul>	<ul style="list-style-type: none"> <li>▶ ISO 22000:2005 0 Food Safety Management System</li> <li>▶ FSSC 22000 – Food Safety System Certificate</li> <li>▶ Halal certification</li> </ul>	<ul style="list-style-type: none"> <li>▶ ISO 22000:2005 0 Food Safety Management System</li> <li>▶ FSSC 22000 – Food Safety System Certificate</li> <li>▶ Halal certification</li> </ul>	<ul style="list-style-type: none"> <li>▶ FSSC 22000 – Food Safety System Certificate</li> <li>▶ Halal certification</li> <li>▶ Food Safety According to HACCP System MS 1480:2007</li> </ul>
<ul style="list-style-type: none"> <li>▶ Good Manufacturing Practice</li> </ul>	<ul style="list-style-type: none"> <li>▶ Food Safety According to Hazard Analysis and Critical Control Point (HACCP) System MS 1480:2007</li> <li>▶ Good Manufacturing Practice</li> </ul>		<ul style="list-style-type: none"> <li>▶ Veterinary Health Mark (VHM) Certification (required for the export of dairy products)</li> </ul>

## Responsible Product Stewardship

Our production facilities follow strict operational procedures to ensure our products are stored and transported in good condition, e.g. appropriate temperature range, lighting and stress on packages.

At F&N, we believe listening and acting on customers' feedback is critical to the customer experience. We provide multiple communication channels for customers to connect with us and share their feedback or enquiries – our product website, email address, or F&N's social media accounts like Facebook and Line. In Singapore, we have a hotline for customers to contact us directly.

### 2025 TARGETS

F&N has set a 2025 target to achieve 100% of plants and production processes certified with the FSSC scheme 22000 and Halal Standard (or equivalent). At the end of FY 2021, 100% of our plants are certified halal, with 63% certified with FSSC 22000.

We focus our efforts on ensuring high halal standards through a holistic approach – incorporate a high halal standards culture, strengthen internal control, engage private and public stakeholders, and maintain halal communications. In the coming years, we will explore other initiatives to meet this target by 2025. More details can be found in the 'Policy and Regulation' section of the Report.

### PERFORMANCE

#### GRI 416-2 (2016)

Incidents of non-compliance concerning the health and safety impacts of products and services

- ▶ 0 incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services.

### PRODUCT AND SERVICE LABELLING

GRI Index: GRI 417-1, GRI 417-2

#### SDGs:



Packaging and labelling are the primary means for F&N to communicate information about our product quality, nutrition, safety, and disposal methods in a transparent manner. It is essential that our labelling is comprehensive, accurate and clear for our consumers to make informed purchasing decisions.

### APPROACH

Our comprehensive processes and controls ensure our labelling adheres to Singapore Food Regulations and to the guidelines set by the Singapore Food Agency. F&N adheres to the Food Act in Malaysia and all requirements of the Food and Drug Administration in Thailand.

All information disclosed on our labels are reviewed regularly by internal experts from Research and Development ("R&D") teams, Scientific & Regulatory Affairs teams, and dietitians, to ensure rigorous quality standards. Labels are then submitted to government authorities for verification and endorsement.

F&N goes beyond mandatory labelling requirements because we believe our customers deserve clarity and transparency in their purchases. Some of such comprehensive information included in our labels are – the Nutrition information panel at the back-of-pack which is not mandated by current regulations, the HCS and Healthier Choice Logo (“HCL”) for relevant products in Singapore and Malaysia, respectively, and the energy icon at the front-of-pack for selected products in Malaysia. The Halal logo is also displayed on our Halal certified products for our Muslim consumers to easily identify suitable products that meet their diet requirements.

Our customers are increasingly concerned about the environmental footprint of our products. 100% of F&N products with carton packaging are Forest Stewardship Council (“FSC”) certified cartons and labelled as such. FSC cartons are from responsibly managed forests and other controlled sources where new trees replace the ones harvested, through planting or natural regeneration.

We strictly adhere to marketing and advertising policies – the Singapore Code of Advertising Practice, Malaysian Code of Advertising Practice and the Consumer Protection Act of B.E. 2522 (1979) in Thailand. In Malaysia, F&NHB is a signatory to the ‘Responsible Advertising to Children’ initiative and have pledged to restrict marketing to children under 12 years of age. F&NHB adopts the guidelines by the Malaysian Advertisers Association, which pledges to ethical marketing standards, on a voluntary basis. F&N ensures our employees are aware and up to date with our stance on marketing ethics. Existing employees go through an annual training as a refresher course and our new marketing and communication hires participate in marketing ethics training during their new hire orientation.

## PERFORMANCE

### GRI 417-1 (2016)

Requirements for product and service information and labelling



### GRI 417-2 (2016)

Incidents of non-compliance concerning product and service information and labelling

- ▶ Throughout our product information, labelling and marketing communications efforts in FY2021, to the best of our knowledge, there was no incident of non-compliance with regulations or voluntary codes resulting in a fine, penalty or warning.

## Other performance

- ▶ Our RTD dairy products for the Thailand market have fully complied with the service labelling for Guideline of Daily Amounts (GDA) since April 2021.

# Responsible Product Stewardship

## INNOVATION

### SDGs:



Innovation is central to F&N's long-term business success. It represents a response to growing concerns about social and environmental issues. By investing in product and process innovation, F&N is able to evolve to deliver new and unique product offerings which cater to consumers' changing needs and improve production efficiency. We are further guided by the circular economy principles – to continuously innovate for longer shelf life and improve the recyclability of our product packaging to reduce waste. This year, we achieved 9% of product innovation for commercialised F&N products.

### APPROACH

F&N's R&D Unit in Singapore is supported by teams in Malaysia and Thailand. The unit leads efforts for continuous improvements to our product formulas according to changes in consumer preferences and the regulatory environment, while exploring methods to improve our products' functional benefits and shelf life. F&N collaborates with Nanyang Technological University ("NTU") through the F&N-NTU Food & Beverage Innovation Lab in Singapore to foster research that will result in better food packaging and conversions of spent produce from food processing as future valuable resources.

**Consumer-Focused Product Innovation:** Meeting consumer's evolving needs through product choice and availability

**Employee-Driven Process Innovation:** Improving our operations to increase resource efficiency, reduce environmental impact and adopt circular economy practices

### Our Innovative Framework

#### Priority Areas



Continuous improvement to deliver high-quality innovative beverage products to consumers.

More new products to expand our target consumer groups.

#### External Collaboration



Collaborate with authorities such as Singapore's Health Promotion Board, Singapore Food Agency ("SFA"), Ministry of Health ("MOH"), Federation of Malaysian Manufacturers and Thailand's Food and Drug Administration to adhere to food safety regulations and support national health priorities.

Collaborate with research institutes to access cutting-edge research and scientific studies to discern the efficacy of our products.

#### Innovation Culture



Develop products based on scientific research, consumer insights and tastes relevant to evolving Asian lifestyles.

Constantly refine our products to meet the changing needs of consumers and ensure consistent delivery of good taste and the right nutritional values.



### Consumer-Focused Product Innovation

Innovation in F&N is guided by changing consumer demands with regards to – Health & Wellness, Convenience, and Sustainability. These concerns are addressed by F&N in the following ways:

**Convenience** – Our consumers can easily order F&N products on e-commerce platforms and have it delivered to them. The F&NHB flagship online store – F&N Life, was launched in January 2020 in Malaysia to allow consumers to order F&N products in

bulk at competitive prices, with delivery to their homes. F&N Life offers product details and nutritional values, recipes, and loyalty programmes.

**Health & Wellness** – Developing healthy and nutritious products that our consumers love.

→ More details can be found in 'Nutrition' section of the Report

**Sustainability** – Choosing materials sourced sustainably.

→ More details can be found in 'Supply Chain Stewardship' section of the Report

### Innovative beverage and dairy products launched in Singapore, Malaysia and Thailand in FY2021

#### Singapore



1. F&N FRUIT TREE FRESH Prune Mixed Fruit Juice
2. F&N ICE MOUNTAIN Drinking Water
3. FARMHOUSE Dark Chocolate Low Fat Flavoured Milk
4. F&N ICE MOUNTAIN Sparkling Water Yuzu Osmanthus
5. F&N MAGNOLIA Luscious Strawberry Low Fat Milk
6. F&N Ice Cream Soda Zero
7. F&N NUTRISOY Fresh Soya Milk infused with Ondeh Ondeh flavour
8. F&N NUTRIWELL Roselle

#### Malaysia



1. EST Cola Brown Sugar
2. F&N Bandung
3. F&N Sparkling – Apple Barley, Espresso, Honey Lemon
4. GOLD COIN Juara Cream Malt
5. SUN VALLEY Cordial – Kurma and Madu, Mango
6. F&N ICE MOUNTAIN Mineral Water (6L)

#### Thailand



1. F&N MAGNOLIA Chocolate Malt reformulated with 50% less sucrose
2. BEAR BRAND Sterilised Milk (150ml)
3. BEAR BRAND GOLD Acerola Cherry (140ml)
4. TEAPOT SCM Squeeze Tube – Strawberry Yogurt (150g)
5. TEAPOT SCM Milk Duo Sachet (25g)
6. TEAPOT SCM Stand-up Pouch (500g)
7. F&N MAGNOLIA Lactose-free Single Serve Pack – Peppermint Brownie, Plain, Vanilla White Chocolate

## Responsible Product Stewardship

F&N Innovative Products			
Product	New Product Type	Product with HCS/HCL	Product with New Packaging Format
Malaysia			
F&N Sparkling – Apple Barley, Espresso	✓	✓	
F&N Sparkling – Honey Lemon	✓		
EST Cola Brown Sugar	✓	✓	
F&N ICE MOUNTAIN Mineral Water (6L)		✓	✓
F&N Bandung	✓	✓	
GOLD COIN Juara Condensed Milk	✓		
SUN VALLEY Cordial – Kurma and Madu, Mango	✓		
Thailand			
TEAPOT SCM Stand-up Pouch (500g)			✓
TEAPOT SCM Milk Duo Sachet (25g)			✓
TEAPOT SCM Squeeze Tube – Strawberry Yogurt (150g)	✓		
F&N MAGNOLIA Lactose-free Single Serve Pack – Plain (180ml)			✓
F&N MAGNOLIA Lactose-free Single Serve Pack – Vanilla White Chocolate, Peppermint Brownie (170ml)			✓
BEAR BRAND GOLD Acerola Cherry (140ml)	✓	✓	
BEAR BRAND Sterilised Milk (150ml)			✓
F&N MAGNOLIA Chocolate Malt reformulated with 50% less sucrose	✓		
Singapore			
F&N ICE MOUNTAIN Drinking Water (300ml)		✓	✓
F&N ICE MOUNTAIN Sparkling Water Yuzu Osmanthus	✓	✓	
FARMHOUSE Dark Chocolate Low Fat Flavoured Milk	✓	✓	
F&N NUTRIWELL Roselle	✓	✓	
F&N NUTRISOY Fresh Soya Milk infused with Ondeh Ondeh flavour	✓	✓	
F&N FRUIT TREE FRESH No Sugar Added Prune & Mixed Fruit Juice Drink	✓	✓	
F&N MAGNOLIA Luscious Strawberry Low Fat Milk	✓	✓	

## Employee-Driven Process Innovation

At F&N, the two aspects of employee-driven process innovation are:

**Cost and eco-efficiency** – F&N reviews the current system processes to improve efficiency in our plants through innovation – enabling water savings, reduction in GHG emissions and minimising resource consumption. We leverage on circular economy principles to reuse and recycle wastewater where possible. More details can be found in the ‘Energy and Climate Change’ and ‘Water Stewardship’ sections of this Report.

**Cultivating an innovative mind-set** – We encourage a ground-up empowerment of employees throughout our Business Units by cultivating an innovative culture. This year, our employees have contributed to F&N’s innovation efforts through our flagship Way of Work (“WOW”) Award – an innovation competition organised for employees.

### WOW Award

Organised by ThaiBev, F&N’s parent company, the WOW Award competition encourages employees to present new concepts, business models, or processes that will support the organisation in cost reductions and efficiency gains. F&N employees participated in the competition to drive process innovation within the organisation. The outcomes were two notable projects – TEAPOT Duo Sachet, increase convenience for our consumers, and an operational efficiency initiative that improves nutrition in fresh milk (details can be found in the ‘Nutrition’ section of the Report).

The TEAPOT Duo Sachet is a new portable packaging that increases convenience for our consumers. The working team called “X men double sachet” devised the idea and was the runner up in the WOW Award competition. They developed the TEAPOT Duo Sachet from a F&N existing tube machine that was modified and resulted in cost savings of about THB 3 million (about SGD 122,000) for F&NHB.



## Responsible Supply Chain

In today's world, a resilient supply chain is key to ensuring business success. F&N collaborates with our partners upstream of the supply chain to mitigate supply chain risks. In the following chapter, we elaborate on how we engage and work with our suppliers to reduce environmental and social impacts of F&N products.

### SUPPLY CHAIN STEWARDSHIP

GRI Index: GRI 204-1, GRI 308-1, GRI 414-1

#### SDGs:



The COVID-19 pandemic has caused massive disruptions to global supply chain. Other key supply chain risk factors include changing weather and climate conditions, regulatory changes imposed by the government, human rights risks – poor working conditions, and forced and child labour. Having a resilient and sustainable supply chain enables us to manage the cost of raw materials and ensure it is sustainably sourced as they have direct impact on F&N operations and the bottom line of the business.

#### APPROACH

As a market-leading F&B company, we constantly work with the counterparts of our supply chain, including business partners, suppliers and vendors, to understand their needs, and deliver mutually sustainable solutions that create long lasting value. We encourage our stakeholders to improve their sustainability performance throughout the supply chain, where applicable, and lead by example.

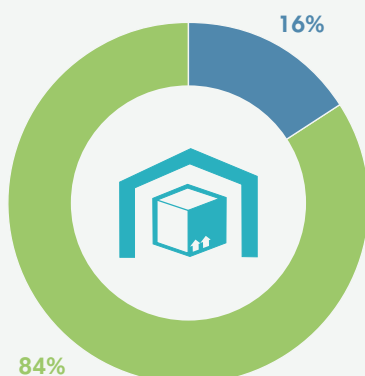
The cornerstones to our Supply Chain Stewardship are as follows:

- ▶ Sustainable Sourcing
- ▶ Sustainable Supply Chain Policies
- ▶ Supplier Management
  - Identify Risks: Screening and Critical Suppliers Identification
  - Manage Risks: Supplier Capacity Building and Partnerships
  - Monitor Risks: Monitoring, Auditing and Corrective Action Planning

#### 2025 TARGET

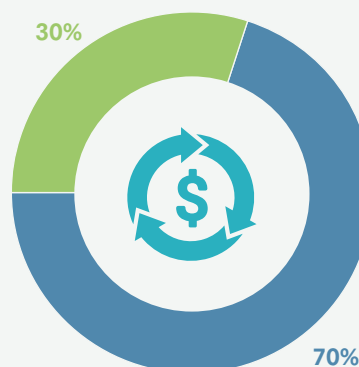
- ▶ 100% of active key suppliers accept and comply with F&N's SCOP by 2025.
  - As at September 2021, 67% of suppliers have accepted and complied with F&N's SCOP

Group Suppliers by Supplier Category



■ % of direct material suppliers  
■ % of indirect material suppliers

Proportion of Spending on Materials



■ % of purchase value spent on direct material  
■ % of purchase value not spent on indirect material



## PERFORMANCE

<b>GRI 204-1 (2016)</b> Proportion of spending on local suppliers	▶ F&N works with about 91% local suppliers where possible, representing almost 70% of our purchase value expenditures.
<b>GRI 308-1 (2016)</b> New suppliers that were screened using environmental criteria	▶ Over the year, a total of over 1,500 suppliers were screened using the new environmental criteria.
<b>GRI 414-1 (2016)</b> New suppliers that were screened using social criteria	▶ Over the year, a total of over 1,500 suppliers were screened using the new social criteria.

## INITIATIVES



### Sustainable Sourcing

As a F&B business, we are dependent on the supply of raw materials including sugar, palm oil, aluminium and resin for production operations. We aim to source raw materials certified with eco-credentials, including RSPO, VIVE, BONSUCRO and FSC, whenever possible, as part of our sustainable supply chain strategy.



### Sustainable Palm Oil

Palm oil is a widely used raw material in F&B products and is one of the raw materials in our supply chain. Irresponsible palm oil cultivation has caused — and continues to cause — significant environmental and social damage. As such F&N understands the importance of our actions and business practices on the support for sustainable palm oil production.

F&N became an ordinary member of the RSPO in August 2017 to reiterate our support for the use of CSPO in products. Currently, 100% of palm oil used at F&N is RSPO certified. 20% of the RSPO CSPO is physical while 80% is offset by RSPO credits. Out of the 227 global companies which had participated in the WWF POBS 2021, F&N was ranked 46. This puts us in the top 25% across all manufacturers/retailers/hospitality companies which were invited to participate, and the highest scoring amongst the Asian companies.

→ For more information on F&N Group's ranking in the palm oil buyers score card, visit this site: <https://palmoilscorecard.panda.org/#/scores/46>



### Sustainable Sugar

Sugar is a critical raw material for F&N's products. We procure sustainable sugar under the guidance of the VIVE sugar certification programme.<sup>3</sup> F&N is also exploring the possibility of using BONSUCRO certified sugar products for our operations in Thailand. This year, F&N has procured 24,000 metric tonnes of VIVE certified sustainable sugar. This is the second year that F&N has purchased VIVE-certified sustainable sugar.



### Sustainable Paper

Paper is an essential component in F&N's printing operations, we understand the importance of sourcing paper sustainably and supporting sustainable forest management.

Times Publishing Group, our subsidiary firm, is certified with Programme for the Endorsement of Forest Certification ("PEFC") Chain of Custody. The PEFC Chain of Custody certification tracks forest-based products from sustainable sources to the finished product. Each step of the supply chain is closely monitored through independent auditing to ensure that unsustainable sources are excluded. This is an ongoing initiative since 2009.

While 100% of our paper products used in carton packaging carry the FSC certification.

<sup>3</sup> VIVE is a voluntary, continuous improvement sustainability programme for ingredient supply chains, covering all operations and activities for producers through to end users that have a bearing on sustainability.



## Responsible Supply Chain

### Policies

F&N supports the UN Guiding Principles on Business and Human Rights and F&NHB is a member of the Supplier Ethical Data Exchange. The 2025 target is to ensure that suppliers are compliant with the F&N SCOP. By the end of FY2021, 67% are compliant with the F&N SCOP.

Our SCOP includes the following requirements: business ethics,<sup>4</sup> whistle blowing, communications, competitors, environmental management, human rights, and occupational health and safety. Suppliers are expected to treat their employees equally, with respect and dignity, in accordance with the ILO standards and applicable labour laws under the SCOP. This covers child and compulsory labour, equality, human capital development, layoff practices, wages and benefits, and working hours.

### Supplier Management – Identify Risks

High or variable costs and uncertain availability of raw materials pose commercial risks to F&N. To mitigate these risks, especially key risks, we established a BCP to proactively ensure product supply.

### Screening

F&N has a systematic screening process for all new suppliers on environmental and social criteria. These criteria reflect the commitments towards the environment (such as reducing waste, pollution and water usage) and society (including human rights and labour practices). Suppliers are assessed annually to verify if they have:

1. Implemented an environmental policy
2. Undertaken audits to monitor environmental performance and compliance
3. Maintain an ISO14001 compliant Environmental Management System

During the pre-qualification screening of suppliers, we assess our suppliers on delivery capacity, technical capabilities, ESG company policies and certifications.

### Critical Suppliers Identification

Critical suppliers are active direct (tier 1) material suppliers with a sales value greater than MYR 1 million per annum (for F&NHB suppliers) and/or irreplaceable suppliers. Direct material suppliers are those who supply packaging materials, raw ingredients and auxiliary materials. Irreplaceable suppliers are single-source suppliers. We conduct a vendor performance evaluation for critical suppliers annually and consider their sustainability performance.

### Supplier Capacity Building and Partnerships

In the past year, we have engaged with over 4,000 global and local suppliers across our supply chain, including manufacturers, wholesalers, retailers, importers/merchants, contractors and professional service providers. A successful case study on our supplier capacity building and partnership programme this year is Farming Excellence System in Thailand.

### Farming Excellence System – Thailand

Since 2013, F&N has been collaborating with local Thailand-based farmers in cooperatives that supply F&NNT with fresh milk. Our efforts last year focused on Nakhon Ratchasima Province reaching to 2,000 farmers. This year, we channelled our efforts to Chaiyaphum Province.

Supplier engagement at F&NNT takes a ground-up and collaborative approach. Understanding the challenges brought about by weather and climate change, from the dairy farmers, F&NNT installed a large water storage tank to increase water security. This minimises the need to travel long distances to access reservoirs and water resources, especially during times of droughts. This THB 460,000 (about SGD 18,700) investment is able to supply 1.68 million litres of water every month for up to 180 households across communities in Chaiyaphum Province. This provides a sufficient water supply for up to 24 farms, consisting of over 950 cattle, to minimise disruptions from droughts and ensure farmers can continue their farming operations sustainably, and enhance the supply chain resilience of F&NNT.

### Supplier Management – Monitor Risks

#### Monitoring, Auditing and Corrective Action Planning

The Group works closely with our suppliers and conducts regular audits to ensure standards and practices for food safety and the environment are maintained throughout the value chain. Non-compliant or underperforming suppliers must demonstrate their commitment to taking necessary corrective actions within a predefined period, or risk having contracts terminated.

F&N exploring the update of the evaluation checklist to include additional ESG criteria, such as corporate governance and human rights.

4 Antitrust, business gift, legal compliance, confidentiality and conflict of interest.