

# Introduction to Economic Pillar

## RESPONSIBLE BUSINESS FUNDAMENTALS



F&N recognises the significant impact our business has on the societies and environments in which we operate. It is our responsibility as a prominent food and beverage organisation in Southeast Asia, to make informed decisions by carefully weighing the social, environmental, and financial implications of our activities.

We strive to be a regional leader by incorporating Responsible Business Fundamentals into the fabric of our operations, which includes 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

## 2025 SUSTAINABILITY TARGETS AND FOCUS AREAS



### PRODUCT QUALITY AND SAFETY

FSSC 22000 and Halal Standard (or equivalent) certification for all plants by 2025



### INNOVATION

10% product innovation for commercialised F&N products by 2025



### SUPPLY CHAIN STEWARDSHIP

100% of active key suppliers accept and comply with F&N's SCOP by 2025

### Contributing to SDGs

#### Primary



#### Secondary



# RESPONSIBLE BUSINESS PRACTICE

Our business is built on the foundation of upholding responsible business practices. We communicate our robust governance policies and standards of ethical behaviour transparently, to maintain trust with our stakeholders. 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 elaborate on how we support responsible business practices in the organisation:

- Governance and Ethics
- Policy and Regulation
- Economic Performance

## GOVERNANCE AND ETHICS

### GRI Index:

GRI 2-9, GRI 2-12, GRI 2-13,  
GRI 2-14, GRI 2-15, GRI 2-16,  
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". 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. For further information on the Sustainability Development & Risk Management Governance Structure, refer to "TCFD and Climate Risk Management" summary on page 35 of this Report. In FY2023, the SRMC and SDC convened on sustainability matters three times each.



**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"**



## Sustainability Development Committee (SDC) Composition

**Hui Choon Kit** (Chairman)  
Chief Executive Officer

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

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

**Christopher Leong**  
Senior Director, Group Finance

**Josephine Woo\***  
Senior Director, Group Human Capital

**Lai Kah Shen**  
Director, Group Finance

**Dr Yap Peng Kang\***  
Senior Director, Group R&D and Projects

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

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

**Celine Tan\***  
Director, Regional Marketing (Beverages)

\* Pillar Heads in the Sustainability Development Working Team

# RESPONSIBLE BUSINESS PRACTICE

## Approach

### Risk Management

Risk appetite and risk tolerance statements are reviewed by the SRMC and approved by the Board annually. Each business division has a dedicated risk coordinator to conduct risk analysis with management. The risk coordinators will be responsible to compile and submit the report to the division heads as well as to conduct briefings on risk policies and practices.

Management identifies risks through the Enterprise Risk Management (“ERM”) process by assessing the likelihood of the risks’ occurrences and their potential impact on business. The outcomes of identified risks are consolidated in a Corporate Risk Scorecard as a reference for the rest of the Group. At the end of the FY, the Board receives assurance from the CEO of the company, Senior Director, Group Finance, Business Unit CEOs, Chief Financial Officer, and other key management who are responsible for each of the Group’s business divisions, that the risk management and internal control systems are adequate and effective in addressing the risks, including key climate-related risks and opportunities, identified by the Group. Through our internal and external mechanisms, the Board would be informed of concerns around potential or identified negative ESG impacts raised by stakeholders.

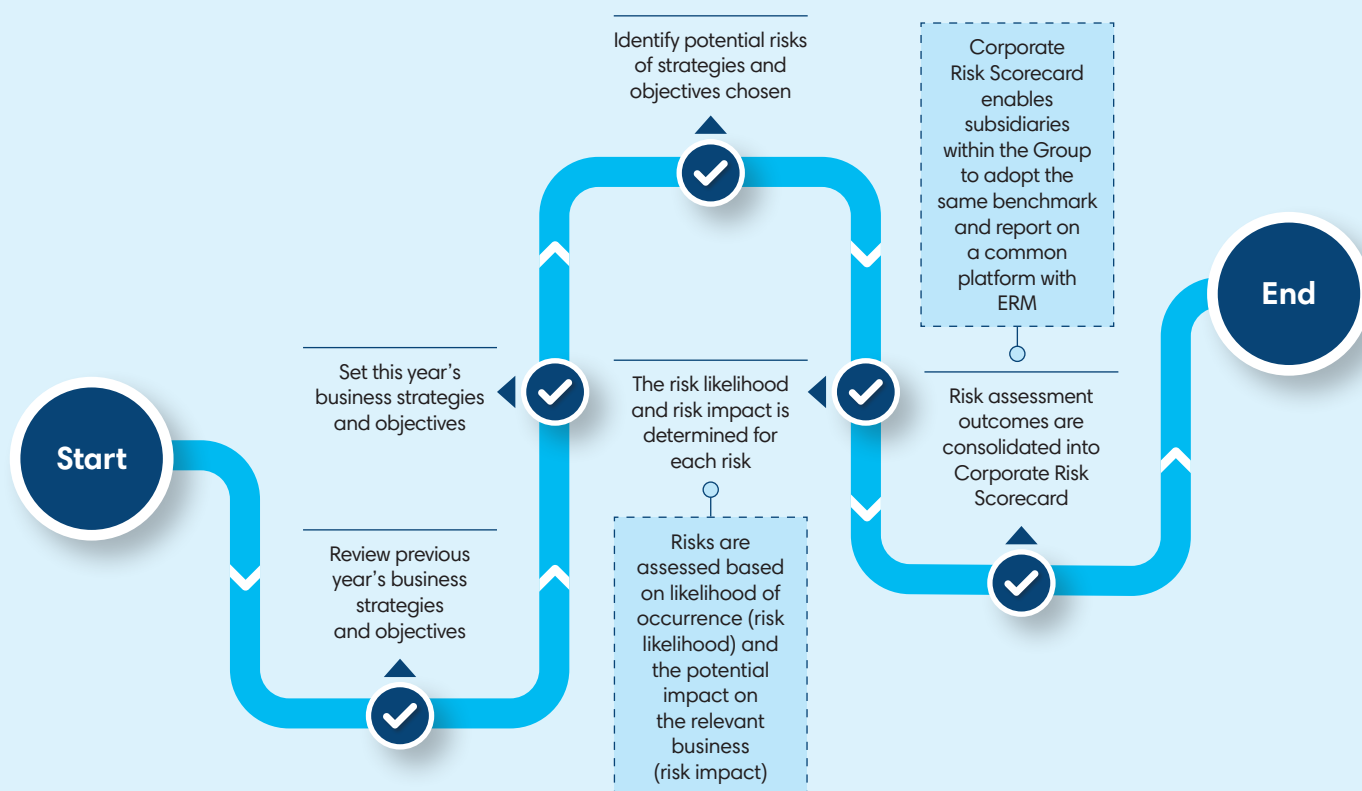
To drive our strategic decisions for the FY, we have identified the key priorities for sustainability issues, including the related risks and opportunities, and integrated it into our overall risk management framework.

Three perspectives were considered in assessing the sustainability risks:

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

Some of the examples of key sustainability-related risks F&N had identified were:

- 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
- Climate Change



## CORPORATE GOVERNANCE

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

### 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

### 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

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.

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 FY2023, 100% of our operations were assessed for corruption, and there were no known substantiated bribery and corruption cases.

## POLICY AND REGULATION

### GRI Index:

GRI 2-23, GRI 2-24, GRI 2-26, GRI 2-27

### SDG



F&N places 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, to meet the needs and provide confidence to our local and global Muslim consumers. 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:

- With support from the Halal Affairs Department, F&NHB established a Group Halal Council in 2016 to determine policies and strategies.
- Each of its manufacturing facilities has an internal Halal Committee which 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 with the 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 the Good Halal Manufacturing Practices.

# RESPONSIBLE BUSINESS PRACTICE

## 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 to 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

### 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 has 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. Every stage of our production processes is 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 alignment with 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 appropriate safety equipment, where applicable.

### 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 from which we can recycle and reduce waste.

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.

### New SGX Sustainability Reporting guidelines

SGX had updated the Sustainability Reporting guidelines to also mandate listed companies to subject

- The sustainability reporting process to internal review by the Internal Audit ("IA") function; and
- All Board directors to undergo sustainability training.

In line with the SGX Listing Rule 711B, the IA Department conducts an internal review of the Group's sustainability reporting process. Such a review focus on the design of the internal controls and compliance with policies and procedures; ensuring data accuracy and integrity of the sustainability reporting process for selected business units included in the approved internal audit plan. In FY2023, no material issues were identified through this review.

F&N had also ensured that the Board Directors had attended the recommended sustainability training courses. All of the Board Directors in office, as at the end of FY2023, had completed the required training on sustainability matters, as prescribed by SGX, during the course of FY2023.



## 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.

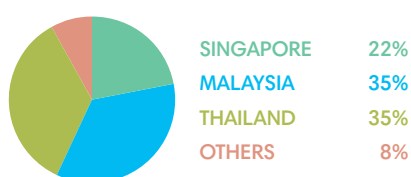
The F&N Business Model is explained in detail on pages 16 and 17 of this Report. F&N's economic performance depends upon six capitals – Financial, Manufactured, Intellectual, Human, Social and Relation, and Natural. Our sustainability initiatives support F&N's abilities to create financial value.

Our full economic performance can be found in our audited financial statements, as part of our FY2023 Annual Report:

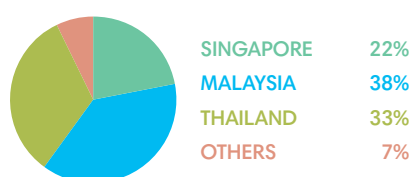
- Group Financial Highlights, pages 14 to 15
- Group Financial Statements, pages 107 to 114

### Performance

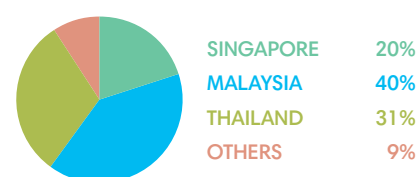
#### FY2021 Revenue \$1,879m



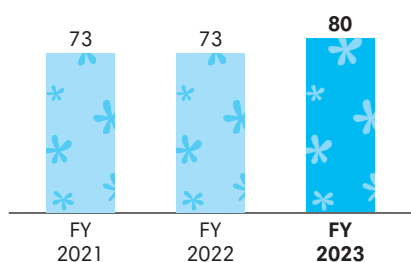
#### FY2022 Revenue \$2,003m



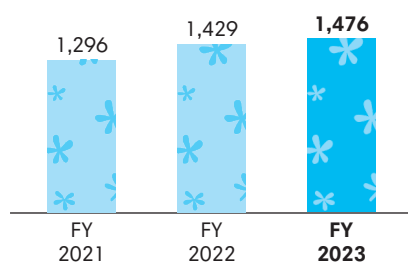
#### FY2023 Revenue \$2,099m



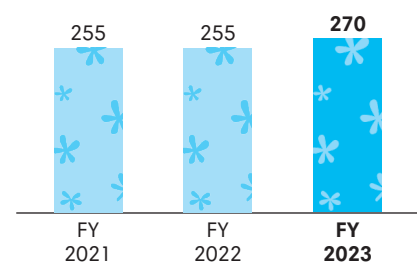
#### Dividend (\$m)



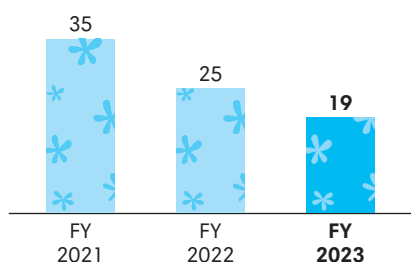
#### Cost of Sales (\$m)



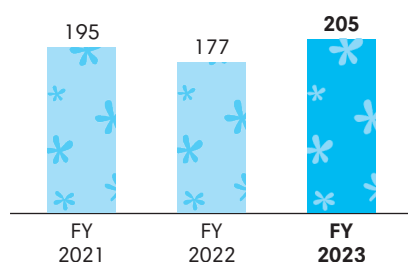
#### Employee Benefit Expenses<sup>1</sup> (\$m)



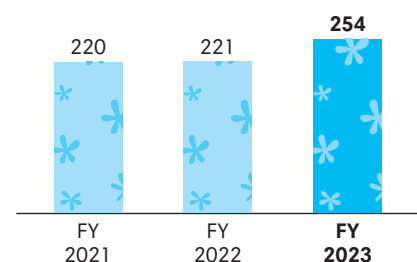
#### Taxation (\$m)



#### Profit After Tax (\$m)



#### Economic Value Retained<sup>2</sup> (\$m)



#### Notes:

- 1 Employee Benefit Expenses comprise Staff Costs, Employee Shared Based Expenses Defined Contribution Plans and Defined Benefit Plans
- 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

# RESPONSIBLE PRODUCT STEWARDSHIP

**Our philosophy ‘Pure Enjoyment. Pure Goodness’ is our commitment to consumers to deliver good quality products that adhere to safety standards. Putting our customers first in our product stewardship approach, we are committed to provide product information that is viewed as important by our customers. We also continuously innovate to meet the changing needs and wants of our customers.**

In this chapter, we elaborate on how responsible product stewardship is 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 140 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 related 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>• 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> <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>• 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> <li>• Veterinary Health Mark (VHM) Certification (required for the export of dairy products)</li> </ul>

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.



**Product Quality and Safety is a core principle embedded in F&N's culture. Our 140 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.**

## 2025 Target

### Target

FSSC scheme 22000 and Halal Standard (or equivalent) certification for all plants by 2025



### Performance

At the end of FY2023, 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.

## Performance

### GRI 416-2

All product categories comply with product labelling requirements



0 incidents of non-compliance concerning the health and safety impacts of products and services.

## PRODUCT AND SERVICE LABELLING

### GRI Index:

GRI 417-1, GRI 417-2

### SDGs



We communicate information about our product quality, nutrition, safety, and disposal methods in a transparent manner by means of our packaging and labelling. 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 dieticians, 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.



# RESPONSIBLE PRODUCT STEWARDSHIP

## Performance

**GRI 417-1 (2016)**  
Requirements for product and service information and labelling



The sourcing of components of the product or service



Content, particularly with regard to substances that might produce environment or social impact



Safe use of the product or service



Disposal of the product and environmental/ social impacts



Other such as Halal logo, Certification on HACCP, Nutritional information

All product categories comply with product labelling requirements

**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 FY2023, 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.

## INNOVATION

### SDGs



Innovation plays a pivotal role in securing F&N's long-term business success. It serves as a proactive approach to address the growing concerns surrounding societal and environmental issues. F&N evolves to deliver new and unique product offerings, catering to consumers' changing needs and improving production efficiency. We are further guided by the principles of circular economy, driving us to continually innovate to extend product shelf life and enhance recyclability of our packaging to minimise waste.



**Innovation plays a pivotal role in securing F&N's long-term business success. It serves as a proactive approach to address the growing concerns surrounding societal and environmental issues.**

## Approach

The R&D Unit of F&N in Singapore receives backing from teams located in Malaysia and Thailand. This unit leads the efforts for driving continuous improvements to our product formulations, in alignment with consumer preferences and regulatory requirements. Simultaneously, exploring innovative approaches to enhance the functional benefits and shelf life of our products.

F&N engages in a collaborative partnership with Nanyang Technological University ("NTU") through the F&N-NTU Food & Beverage Innovation Lab based in Singapore. This collaboration aims to nurture research endeavours focused on advancing food packaging technology and converting waste from food processing into valuable resources for the future. Our collaboration with NTU extends beyond the lab to include research. Our Group R&D team had also co-authored 3 innovation-related research papers with NTU around the topics of food nutrition.

### 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.



### 2025 Target

#### Target

10% product innovation for commercialised F&N products by 2025



#### Performance

At the end of FY2023, we achieved 5% of product innovation for commercialised F&N products.

### 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&N flagship online store – F&N Life – was launched in January 2020 in Malaysia and November 2021 in Singapore 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 the 'Nutrition' section of this Report.

**Sustainability** – Choosing materials sourced sustainably. More details can be found in the 'Supply Chain Stewardship' section of this Report.



**Innovation in F&N is guided by changing consumer demands with regards to – Health & Wellness, Convenience, and Sustainability.**

# RESPONSIBLE PRODUCT STEWARDSHIP

## INN VATIVE

### *Beverage and Dairy Products*

Key launches in Singapore,  
Malaysia and Thailand in FY2023



*Singapore*



#### SINGAPORE

- |                                      |  |  |
|--------------------------------------|--|--|
| 1. FARMHOUSE Café Latte – 475ml      | 4. F&N Sweetened Condensed Milk – 380g | 6. ICE MOUNTAIN Original New Limited Edition Sparkling – 325ml |
| 2. F&N Evaporated Creamer – 385g     | 5. ÖMILK – 1L                          | 7. F&N Sweetened Creamer – 2.5kg                               |
| 3. F&N Evaporated Filled Milk – 385g |  |  |

Malaysia

Thailand



## MALAYSIA

## THAILAND

8. F&N MAGNOLIA SMOO UHT Milk Plain – 180ml
9. F&N MAGNOLIA SMOO UHT Milk Chocolate – 180ml
10. 100PLUS Pro High Protein – 500ml

1. 100PLUS Zero – 1.75L
2. 100PLUS Pro – 500ml
3. TEAPOT UHT Evaporated Creamer – 1L
4. F&N SEASONS Apple – 1L
5. F&N SEASONS Lychee – 1L

1. TEAPOT Sweetened Condensed Milk Nom Yen Flavoured – 150g



# RESPONSIBLE PRODUCT STEWARDSHIP

## 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 'Energy and Climate Change' and 'Water Stewardship' section 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 had contributed to F&N's innovation efforts through the flagship Innovation Excellence Day 2022 – a special event to recognise and showcase innovations.

## Excel as One Convention 2023

Our F&NDT team organised its annual World Class Manufacturing – Excel as One Convention 2023, where manufacturing teams were encouraged to propose and implement innovative and cost-saving initiatives. This year, innovative ideas initiated through the convention was expected to potentially result in average cost savings of around THB 31 million (about SGD 1.18 million).



*Excel as One Convention*



# RESPONSIBLE SUPPLY CHAIN

Collaborating with upstream value chain partners is key to mitigating supply chain risks. More importantly, working with suppliers help drive efficiencies and provide better insights into our supply chain, thereby amplifying our operational strengths, allowing identification of areas for improvement and forming a resilient and robust supply chain, which is essential for business success.

In the following chapter, we elaborate on how F&N engages and works with suppliers to reduce environmental and social impacts of our products.

## SUPPLY CHAIN STEWARDSHIP

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

### SDGs



Climate-related disruptions are projected to intensify in coming years as global warming continues. While the impacts of climate change affect all aspects of society, it can be particularly potent to global supply chains, which have an important role in facilitating required products and services to people. Other key supply chain risk factors include regulatory changes imposed by the government and 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

Being a market leader in the F&B industry, we maintain ongoing collaborations with our supply chain counterparts, encompassing business partners, suppliers, and vendors, to understand their needs and provide sustainable solutions to foster enduring value for all parties involved. We actively promote the enhancement of sustainability performance among our stakeholders within the supply chain, whenever feasible, and set the standard through our own actions.

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



**As of September 2023, 98% of key active suppliers have accepted and complied with F&N's SCOP.**

### 2025 Target

#### Target

100% of active key suppliers accept and comply with F&N's SCOP by 2025

#### Performance

As of September 2023, 98% of key active suppliers have accepted and complied with F&N's SCOP.

### Performance

#### GRI 204-1

Proportion of spending on local suppliers



F&N works with about 92% local suppliers, where possible, representing over 90% of our purchase value expenditures.

#### GRI 308-1

New suppliers that were screened using environmental criteria



Over the year, a total of over 60 new suppliers were screened using the environmental criteria.

#### GRI 414-1

New suppliers that were screened using social criteria



Over the year, a total of over 60 new suppliers were screened using the social criteria.

#### Note:

Local suppliers refer to suppliers who conduct their businesses within the respective countries where F&N's operations (as covered in this report) are based, namely Singapore, Malaysia and Thailand.

# RESPONSIBLE SUPPLY CHAIN

## Performance

### Group Suppliers by Supplier Category



#### Notes:

- 1 Direct suppliers refer suppliers who supply materials that are related to the production of finished goods.
- 2 Indirect suppliers refer to suppliers who supply materials that are not related to the production of finished goods.

### Proportion of Spending on Materials



## Initiatives

### Sustainable Sourcing

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

#### 1. 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. As of September 2023, we had achieved our interim target, to purchase 60% physical RSPO CSPO and 40% RSPO credits for our palm oil consumption, for 2023<sup>3</sup>.

#### 2. 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.

Our beverage and dairy paper carton packaging carries the FSC certification, ensuring that the paper products used to produce them comes from responsibly managed forests that provide environmental, social, and economic benefits.

#### Notes:

- 3 As calculated by calendar year in alignment with the RSPO Annual Communication of Progress.
- 4 Antitrust, business gift, legal compliance, confidentiality and conflict of interest.

### Sustainable 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 FY2023, 98% were 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

#### 1. 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.

#### a. 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:

- Implemented an environmental policy
- Undertaken audits to monitor environmental performance and compliance
- 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.

### b. 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.

## 2. Manage Risks

### a. Supplier Capacity Building and Partnerships

In FY2023, we had engaged with over 3,700 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 is the Farming Excellence System in Thailand.

## FARMING EXCELLENCE SYSTEM Thailand

Since 2013, F&N had been collaborating with local Thailand-based farmers in cooperatives that supply F&N with fresh milk. The capacity building and partnership efforts of the 'Farming Excellence System' initiative encompasses over 2,000 farmers. It consists of 3 key programmes:

- Sharing information about good farming practice to improve milk quality through booklets, guidelines, newsletters, and training programmes;
- Conducting assessments at farms and engaging with farmers; and
- Sustainability projects

Supplier engagement at F&N takes a ground-up and collaborative approach. For instance, F&N contributed about THB 1.1 million (about SGD 41,800) toward the construction of a new Milk Collection Centre in Nakorn Rachasima to upgrade the facilities of the KhaoYai Milk Cooperative to support the farmers. This helped improve the quality of milk produced and ensured that farmers could continue their farming operations sustainably, enhancing the resiliency of F&N's supply chain.



## 3. Monitor Risks

### a. 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 is exploring the update of the evaluation checklist to include additional ESG criteria, such as corporate governance and human rights.