

**FARM FRESH
HOLDINGS BERHAD**

BETTER DAIRY

STRONGER COMMUNITIES

HEALTHIER PLANET



2020 Sustainability Report

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For more information, please visit
www.farmfresh.com.my



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LOI TUAN EE
Managing Director

MESSAGE FROM THE MANAGING DIRECTOR

Thank you for taking the time to read Farm Fresh Holdings Berhad's inaugural Sustainability Report, anchored on the key focus areas of **Better Dairy, Stronger Communities** and **Healthier Planet**.

As Malaysia's largest home-grown dairy company, our success is due to a simple but effective approach. We place great importance on sustainably farmed, highly nutritious and preservative-free products, delivering these products to retail outlets as freshly as possible, and relying upon local expertise and labour at every stage of the process.

Responsible business starts with recognising that broader contributions to the environment and society help our business thrive. At Farm Fresh Holdings Berhad, we aim to create shared value between our business activities and the economic and social conditions of the communities within which we operate.

In 2020, we developed a comprehensive [materiality and risk assessment process](#)

to identify and mitigate against risks affecting our value chain and our stakeholders. This process enabled us to generate eleven sustainability topics which will drive our creation of long-term value in the future, and which are explored in detail within this report in compliance with the GRI Standards.

From farm to shelf, we have the opportunity to be a uniquely Malaysian success story in the dairy industry. We're doing this by integrating business and sustainability in ways that nourish our environment, empower local micro-entrepreneurs and employees, and promote positive nutritional habits amongst future generations.

Thank you for joining us on this journey.

Loi Tuan Ee
Managing Director

OUR SUSTAINABILITY PERFORMANCE IN 2020

Generating Environmental Value



181.6 MILLION LITERS
of Farm Dairy Effluent (FDE)
recycled and removed from
waste discharge



34.3 MILLION KG
of solid waste recycled
and removed from
waste discharge



573,000 KG
of chemical fertiliser removed
from our production cycle



70% OF GRASS
produced is free of
chemical fertilisers



37 %
of our turnover comes from products
that use fully recyclable, FSC™ Forest
Stewardship Council™ certified,
sustainably sourced packaging



401.5 MILLION LITERS
of water saved by harvesting rainwater
and adopting tube well pumping



Generating Social Value



492 STAFF MEMBERS
(88% of current workforce) were
recruited from rural and underserved
communities



80%
of all farm based employees
provided free accomodation
and 65% meal subsidies



RM48.8 MILLION
in income generated for **38 stockists, 801
home dealers, and 1,312 agents** under the
Farm Fresh Home Dealer network



8
training hours
per employee



RM38.1 MILLION
in additional income generated
for local farmers



6,178,020 PACKETS OF MILK
distributed to **205,934 students** across **2,987 schools**
under supplementary food programmes organised by the
Malaysian Ministry of Education

ABOUT THIS REPORT

This is the the first Sustainability Report produced by Farm Fresh Holdings Berhad, hereafter referred to as “FFH”, “the Group” or “Farm Fresh Holdings”.

This report has been prepared in compliance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements and in reference to the Global Reporting Initiative (GRI) Standards. With guidance from the GRI Standards, the report covers the following key principles:

STAKEHOLDER INCLUSIVENESS

identifying and addressing our stakeholders’ expectations

SUSTAINABILITY CONTEXT

presenting our performance in the wider context of sustainability

MATERIALITY

identifying and prioritising the key sustainability issues that the Group encounters

COMPLETENESS

reporting all sustainability topics that are relevant to the Group, and which influence our stakeholders

Scope & Boundary

This report includes all subsidiaries under Farm Fresh Holdings Berhad, with an emphasis on Malaysia due to the concentration of the Group’s operations in Malaysia.

Reporting Period & Cycle

The Group follows an annual reporting cycle, with an end of financial year at 31 March of each calendar year. However, as this is the first Sustainability Report produced by the Group, this report discloses impacts from 1 January 2020 to 31 December 2020. Certain financial figures, where indicated, are based on the audited financial year ended 31 March 2020.

Key Stakeholders

Five key stakeholders are considered in the course of this report. These stakeholder groups were selected on the basis of:

- 1) The degree to which they may be affected by the Group’s initiatives and actions, and
- 2) The degree to which their participation in the Group’s sustainability initiatives and actions can enable the Group to make a positive economic, environmental and social impact.

External Assurance

In development of our approach towards sustainability reporting, we have maintained an internal assurance methodology for the disclosure of this year’s Sustainability Report. As the Group makes further traction within our sustainability journey, we will firmly consider the adoption of an external assurance for our disclosures in the near future.

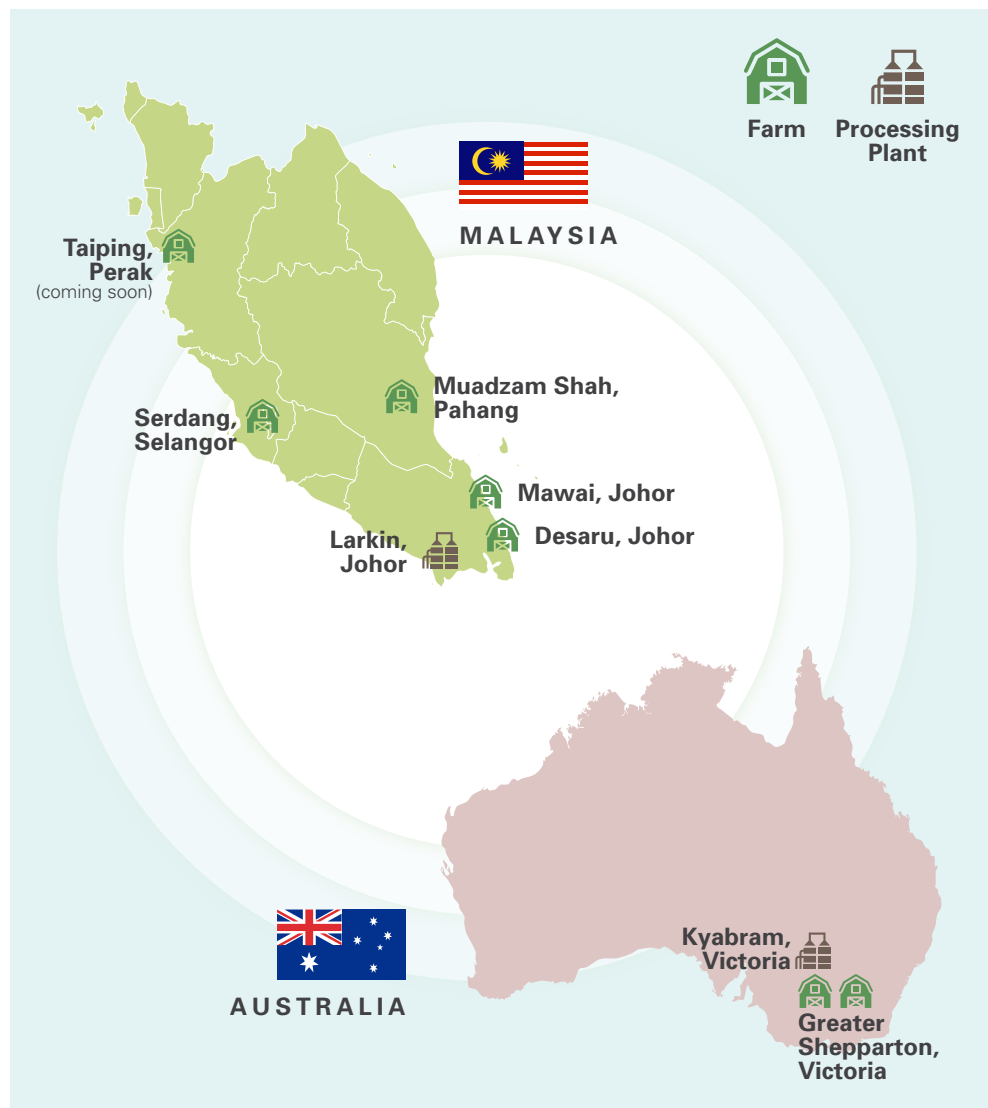
This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. For more information see: www.globalreporting.org

For enquiries regarding this report, kindly contact Mohd Khairul Mat Hassan, Group Chief Financial Officer at khairul@farmfreshmilk.com.my



WHO WE ARE

WHO WE ARE



**RM303
MILLION**
Sales (FY2020)

70%
Sales Growth
(FY2020)

**RM198
MILLION**
Capitalisation
(31 March 2020)

5,887
Livestock Animals
(31 March 2020)

Our Reach & Presence

Farm Fresh Holdings Berhad is a private limited company headquartered in Johor Bahru, Malaysia, with interests in the production of dairy- and plant-based milk and yogurt products, as well as an import division that distributes selected foodstuffs produced in Australia within the Malaysian market.

While our primary market is our home country of Malaysia, our products are also sold in Singapore, with plans under development to expand our reach throughout Southeast Asia. To cater to rising demand for our products, we currently own and operate four farms in Malaysia and two in Australia, all of which specialise in milk-based dairy products.

There are two flagship brands under our stewardship - Farm Fresh and Yarra - which collectively make up 96% of our sales. Other brands under Farm Fresh Holdings Berhad include Nubian Goat's Milk and IXL (an Australian founded brand of fruit jams). In total, we offer 39 different products under our brands.

As of March 2020, our herd size totals 5,887 livestock animals across all our farms, producing a total of 50 to 60 million liters of saleable product per year. We generated RM303 million in sales in FY2020, a year-on-growth of 70%, and our total capitalisation stands at RM198 million as of 31 March 2020.

Our Brands



Malaysia's largest
homegrown dairy brand



Our brand of Australia-
farmed milk, freshly flown
and free of preservatives



A nutritionally wholesome
alternative for those with
lactose intolerance

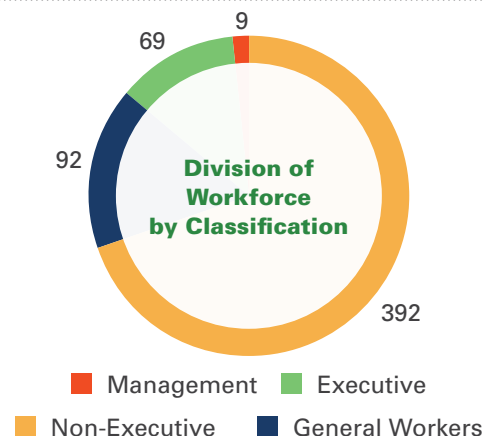
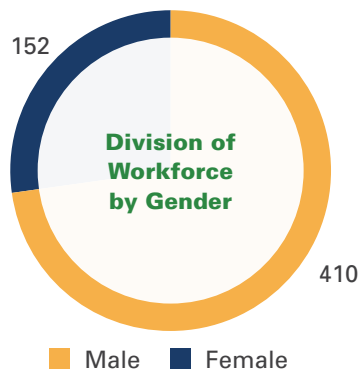
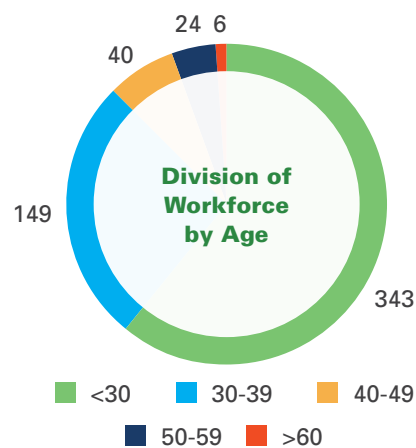


A renowned manufacturer
of jams, preserves
and sauces

WHO WE ARE

Our Workforce

Our workforce of 562 staff are the backbone of our business, and span our locations in Malaysia, Singapore and Australia. A full breakdown of our workforce by gender, age, nationality and classification can be seen below.



Presently, none of our employees are covered by collective bargaining agreements.

Our Supply Chain

Our trusted suppliers and service providers - spanning ingredients, packaging, milk processing equipment, and medicines and equipment for animal welfare, amongst others - help us reach our output targets across our farms and production facilities. As of 31 Dec 2020, we have a total of 324 suppliers across 17 countries.

In our efforts to concentrate value within our local communities, we have also pioneered a satellite farmer network that empowers rural dairy farmers to increase the quality and volume of their output via knowledge transfer initiatives.

Participation in Associations and External Initiatives






Although we are not part of any formal associations, we strive to be an active member of our industry and our home country of Malaysia by participating in initiatives that bring benefit to local communities.

We are active in various voluntary initiatives including:

- Ongoing collaborations with the Malaysian Agricultural Research and Development Institute (MARDI), Bayer Malaysia and University Putra Malaysia (UPM) to develop improved practices in animal health and welfare using scientific research
- The Used Beverage Cartons Recycling Contest, which educates school children in Malaysia on the importance of recycling
- *Amalan Perkhidmatan Kantin Terbaik*, a campaign lead by the Malaysian Ministry of Education and Malaysian Ministry of Health to encourage healthy, safe, and hygienic food practices in schools
- *Rancangan Makanan Tambahan (RMT)*, the Malaysian Ministry of Education's supplementary food programme that focuses on schools in rural and underserved communities

OUR KEY STAKEHOLDERS

We pride ourselves on being a company that is locally rooted and community focused. Through open dialogue with our stakeholders, we are able to forge mutual understanding and make strategic decisions that create holistic and sustained value for our partners.

Stakeholder	Their Expectations	Mode and Frequency of Engagement
Customers 	Deliver safe, healthy and affordable food that meets their nutritional needs and taste preferences at a reasonable price	<ul style="list-style-type: none"> • Providing product information through our website and social media channels - ● • Customer surveys and focus groups - ● • Roadshows and on-ground marketing activities - ●
Employees 	Provide a working environment and culture that is safe and respectful, while offering fair opportunities for career advancement, skill development and income growth	<ul style="list-style-type: none"> • Electronic communication - ● • Training and product knowledge sessions - ● • Team building events - ● • Employee appraisals - ●
Governments & Regulators 	Operate in accordance with all local, state and federal laws and regulations, while contributing to national development through community outreach and knowledge transfer initiatives	<ul style="list-style-type: none"> • Electronic communication - ● • Product reviews by regulatory authorities - ● • Participation in dialogues and forums - ● • Attendance at regulator-organised seminars and training sessions - ● • Participation in government nutrition and rural development initiatives - ●
Investors 	Ensure sustainable and profitable long-term growth while safeguarding against reputational damage through ethical and responsible business practices	<ul style="list-style-type: none"> • Electronic communication - ● • Updates through in-person or virtual meetings - ● • General meetings - ● • Annual Reports and Sustainability Reports - ●
Local Communities 	Share the economic benefits of our growth by providing employment and collaborative business opportunities, while protecting communities against negative environmental or social impacts	<ul style="list-style-type: none"> • Community outreach programmes - ● • Our satellite farmer and Farm Fresh Home Dealer Network empowerment programmes - ● • Roundtable consultations with community leaders - ●

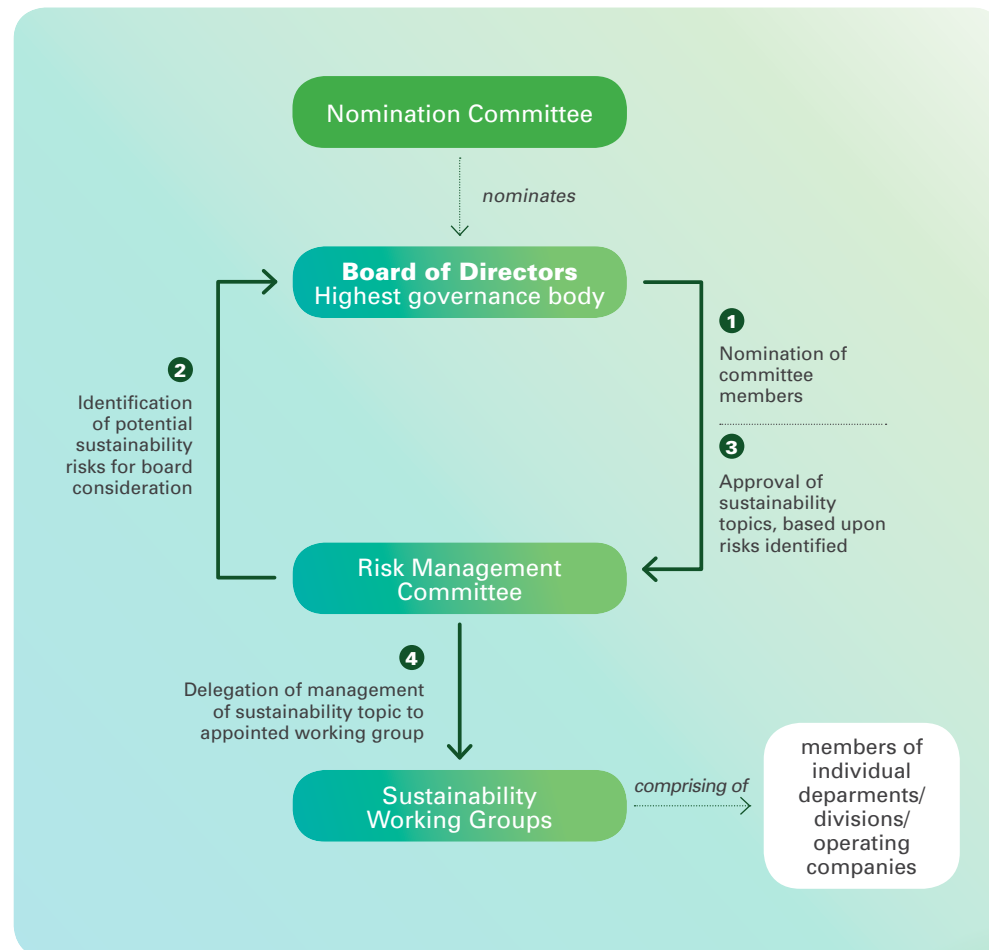
● Ongoing ● Periodically ● Semi-Annually ● Annually



OUR APPROACH TO SUSTAINABILITY

SUSTAINABILITY GOVERNANCE

A robust approach to risk management ingrains sustainability in the Group's organisational processes, providing a strong framework for identifying sustainability topics that will have a material impact on our environmental, social and economic performance.



As detailed in the diagram, the Board of Directors ("Board") forms the highest sustainability governance body within Farm Fresh Holdings Berhad. The Board are nominated by the Nomination Committee ("NC") and in turn appoint the Risk Management Committee ("RMC"), who are responsible for identifying risks related to sustainability.

Based on risks and potential topics identified by the RMC, the Board selects key sustainability topics that form the pillars of our sustainability initiatives each year.

The RMC then forms working groups to mobilise strategies and initiatives addressing the specific sustainability topics selected by the Board. These working groups may comprise members of the Board, members of key management, and employees whose work scope aligns with the topic in question. Through well-established data management processes, outcomes of strategies are then reported by working groups to the RMC, who then report directly to the Board.

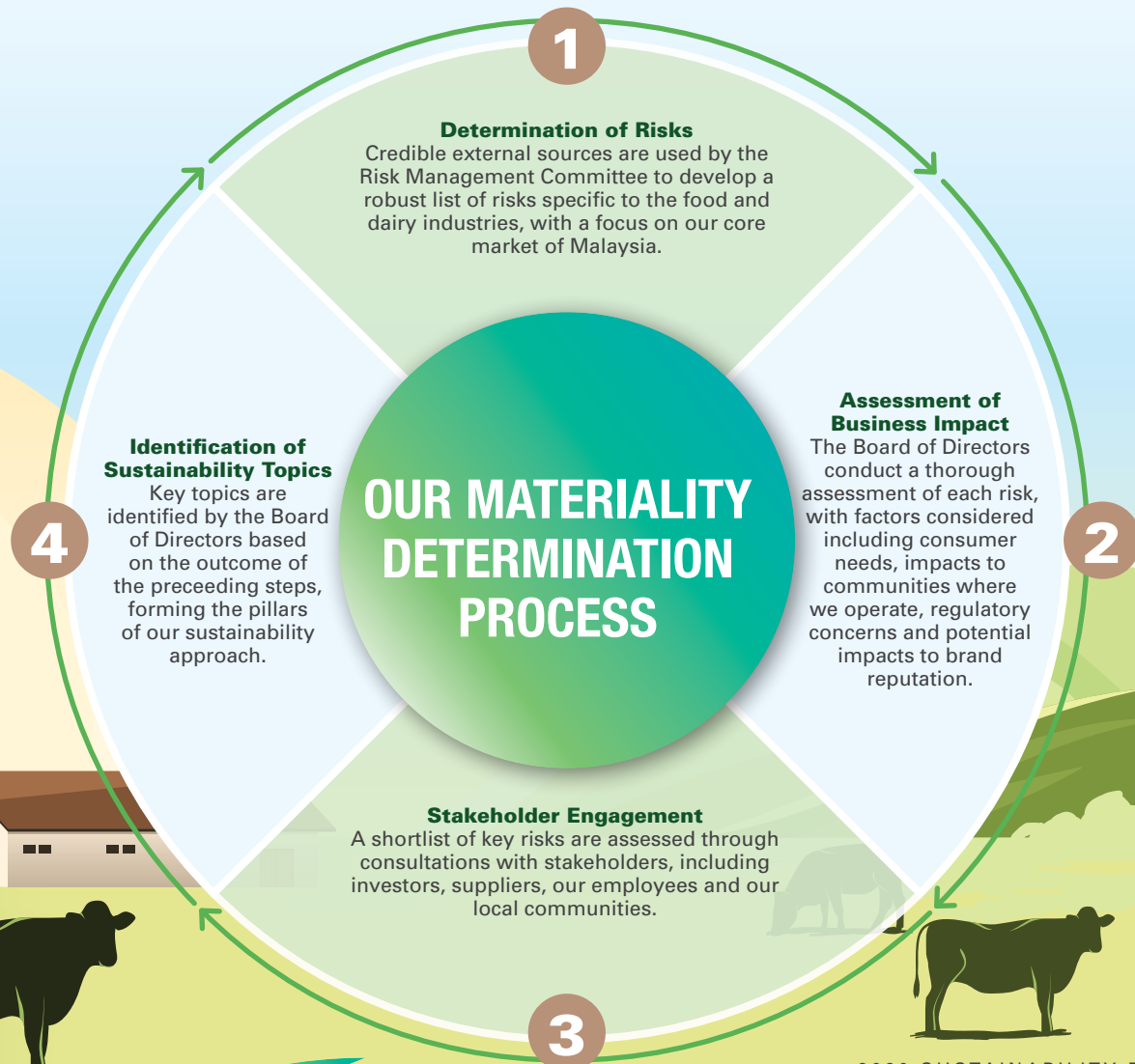
Finally, the Board conducts quarterly reviews of the Group's sustainability roadmap, priorities and key challenges, assessing how the individual sustainability working groups are implementing its sustainability strategies against targets set.



DETERMINING WHAT MATTERS

Our Materiality Determination Process

We developed a comprehensive materiality and risk assessment process to provide an objective view on what matters most, and to whom. By identifying and assessing issues relevant to the food industry, our business, and stakeholders, we are able to adopt a broader and more holistic strategy to generate long-term value.



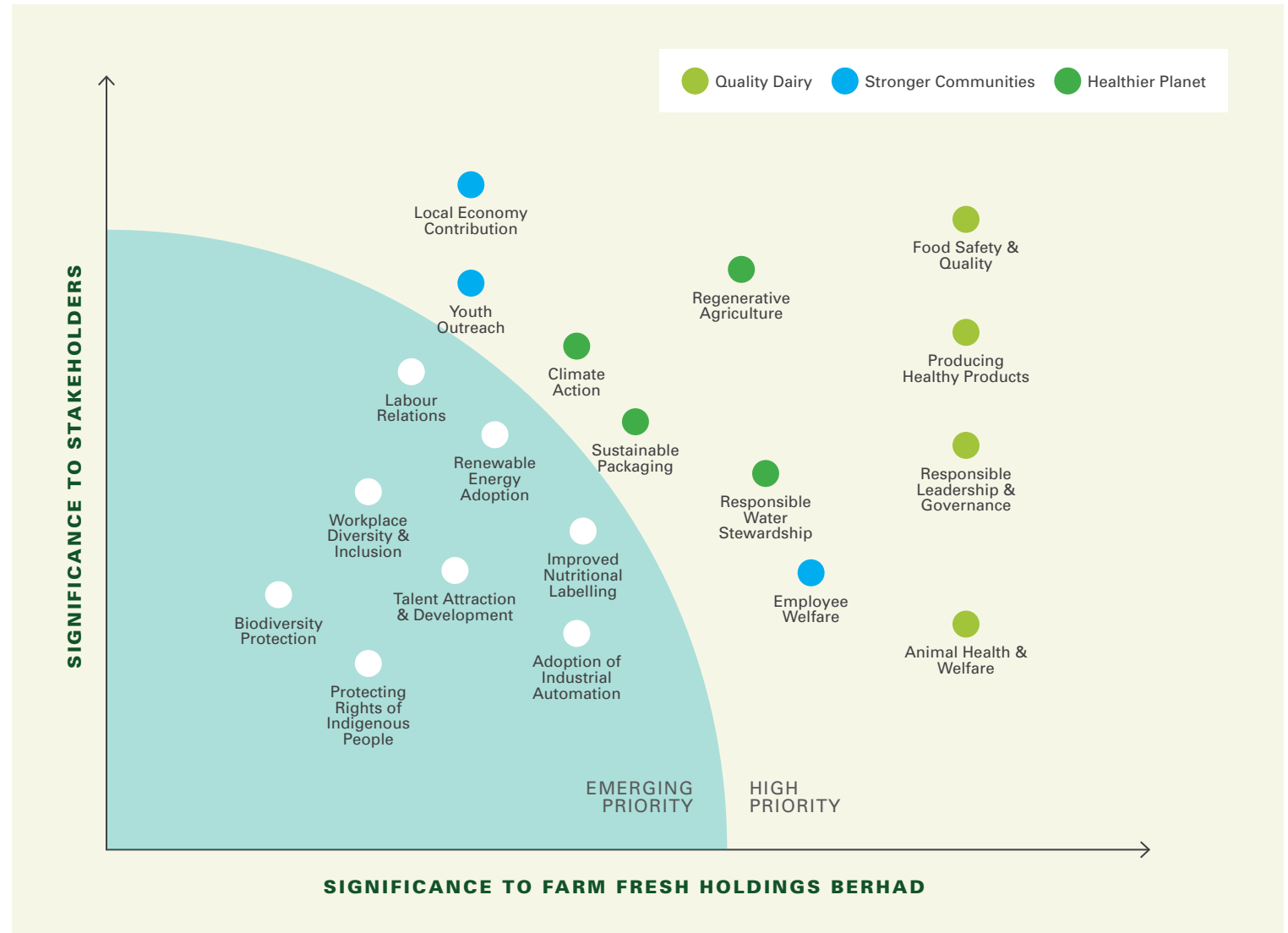
MAPPING OUR SUSTAINABILITY TOPICS

A cross-analysis exercise was then conducted to develop a Materiality Matrix, mapping shortlisted sustainability topics (and their implied risks) against the topic's significance to stakeholders and the topic's significance to the Group.

Based on the Materiality Matrix developed as a result, sustainability topics were grouped into two groups:

- High Priority
- Emerging Priority

The ten high priority topics, which are approved by the Board, will be disclosed in this report.



CLASSIFYING OUR SUSTAINABILITY TOPICS



To provide a sharper focus to our sustainability approach, each of the sustainability topics identified was classified under one of our three sustainability key focus areas:

Quality Dairy, Stronger Communities and Healthier Planet.



These three key focus areas were then aligned to the United Nations Sustainable Development Goals (UN SDGs). This is in line with The Dairy Declaration of Rotterdam, which recognises the UN SDGs as the overarching framework for the dairy industry in achieving sustainable development by 2030.





DETAILED MATERIALITY ANALYSIS

Sustainability Topic	Why It Matters	Who It Matters Most To	What We Have Done	Outcomes	Future Plans
Producing Healthy Products 	Fresh and healthy dairy is our core mission as a company and our point of difference	<ul style="list-style-type: none"> Customers Governments & Regulators Investors 	<ul style="list-style-type: none"> Continued to commit to not using preservatives and colourings across our full product range Adopted an integrated supply chain for enhanced management of dairy production and key quality factors Developed complementary nutrition products, such as plant-based milks, that cater to changing preferences, without compromising on our nutritional promises and commitments 	<ul style="list-style-type: none"> 100% of our products are free from preservatives and colourings 100% of our products meet endorsed nutritional guidelines 	<ul style="list-style-type: none"> Continue to explore ways of enhancing the nutritional benefits offered by all our products Further invest in research and development to formulate new, healthy additions to our product range
Animal Health & Welfare 	The health of our livestock has a direct impact on the nutritional value and safety of the product we pass to our customers	<ul style="list-style-type: none"> Customers Governments & Regulators Investors 	<ul style="list-style-type: none"> Aligned with leading standards for good agricultural practice, including the myGAP and World Organisation for Animal Health guidelines Adopted best practices in day-to-day animal care covering hoof care management, cow vaccination and daily health checks, in line with the Group's Good Animal Husbandry Practices (GAHP) Developed innovative animal housing strategies catered to maximising comfort and reducing stress in hot climates Continue to grow our own grass on our farms, which is fertilised organically using vermi-compost Collaborated with tertiary institutions and scientific research firms to innovate further improvements to animal health and welfare Conducted research on cross-breeding genetic technology to enhance the Australian Friesian-Sahiwal breed for higher milk yield in tropical climates Developed an in-vitro fertilisation (IVF) unit to accelerate the development of our herd genetics and produce more cows that thrive in our harsh tropical environment. 	<ul style="list-style-type: none"> 60% of our milking cows have access to tunnel-ventilation barns 80% of our cows have access to compost-bedded barns or lounging areas. 70% of our grass is free of chemical fertilisers 	<ul style="list-style-type: none"> Attain the internationally recognised Certified Humane® accreditation by Q2 2021 Continue to work with research firms to develop improved animal health practices Step up our collaboration with regulators to share knowledge and encourage good animal health and welfare practices at the national level



DETAILED MATERIALITY ANALYSIS

Sustainability Topic	Why It Matters	Who It Matters Most To	What We Have Done	Outcomes	Future Plans
Food Safety & Quality 	As a dairy producer, we must ensure that our products meet the highest food safety standards while providing for key nutritional needs	<ul style="list-style-type: none"> Customers Governments & Regulators Investors 	<ul style="list-style-type: none"> Aligned with the Hazard Analysis Critical Control Points (HACCP) system to assist with the control of biological, chemical, and physical hazards across our production chain Adopted the Good Manufacturing Practices (GMP) to further enhance our food hygiene and safety standards Developed our own Farm Fresh Food Safety Management System, which includes key food safety controls catered to the unique demands of our value chain 	<ul style="list-style-type: none"> 100% of our production facilities operated in accordance with HACCP and GMP standards 100% of staff in production facilities trained in HACCP and GMP practices 3 internal food safety audits conducted in FY2020 Zero food safety related recalls since the launch of our Muadzam Shah farm and Larkin production facility Zero incidences of non-compliance with food safety regulations 	<ul style="list-style-type: none"> Attain the FSSC 22000 certification for all our production facilities by the end of 2022 Further develop our staff training initiatives in food safety in order to promote standardisation of processes Implement the same standards across our suppliers, including our satellite farmers
Responsible Leadership & Governance 	Implementing a culture that embraces a diversity of opinions and supports progressive business practices is key to long-term value creation	<ul style="list-style-type: none"> Governments & Regulators Investors Employees 	<ul style="list-style-type: none"> Implemented sound risk management processes that cover sustainability issues amongst other key risk areas Committed to enhancing diversity at the board level Developed a comprehensive Ethical Trading Policy and Code of Conduct and Business Ethics 	<ul style="list-style-type: none"> Independent Directors comprise 4 out of 7 Board members (meeting the best practices of the Malaysian Code of Corporate Governance (MCCG)) Females comprise 3 out of 7 Board members (exceeding the best practices of the Malaysian Code of Corporate Governance (MCCG)) 	<ul style="list-style-type: none"> Hold regular Board and Committee meetings while ensuring good attendance record by Board members Undertake annual assessments of Board performance and that of individual directors Obtain external assurance for our Sustainability Report covering the reporting period ending on 31 March 2022



DETAILED MATERIALITY ANALYSIS

Sustainability Topic	Why It Matters	Who It Matters Most To	What We Have Done	Outcomes	Future Plans
Local Economy Contribution 	<p>Many of our farms are located in rural and suburban areas, where average monthly income is below the national average. We have the opportunity to empower change and uplift livelihoods</p>	<ul style="list-style-type: none"> • Employees • Governments & Regulators • Local Communities 	<ul style="list-style-type: none"> • Offered employment and career advancement opportunities to rural and indigenous populations near our farms • Provided upskilling programmes for employees to learn industry-specific skills • Encouraged young talent to enter the industry through our internship programme • Developed our satellite farmer programme whereby we empower local dairy farmers with knowledge in the areas of productivity and raw milk quality, while purchasing their milk at a fair market price • Launched our highly successful Farm Fresh Home Dealer Network, which allows rural and suburban micro-entrepreneurs to become dealers or stockists for Farm Fresh brand products 	<ul style="list-style-type: none"> • 492 staff (88% of current workforce) were recruited from rural and underserved communities • RM38.1 million in additional income generated for local farmers • RM48.8 million in income generated for 38 stockists, 801 home dealers, and 1,312 agents under the Farm Fresh Home Dealer network • 80% of our micro-entrepreneurs under the Farm Fresh Home Dealer network are women 	<ul style="list-style-type: none"> • Expand our Farm Fresh Home Dealer network through roadshows and other outreach avenues • Develop strategies to increase representation of female micro-entrepreneurs under the programme • Further develop upskilling initiatives for our farmers and dealers
Youth Outreach 	<p>By enforcing good habits - in life and nutrition - amongst the youth of today, we can leave a positive legacy that lasts for generation</p>	<ul style="list-style-type: none"> • Governments & Regulators • Local Communities 	<ul style="list-style-type: none"> • Partnered with the Malaysian Ministry of Education to provide our milk as part of supplementary food programmes that targets students from rural areas and low-income households (<i>Rancangan Makanan Tambahan (RMT)</i>) • Collaborated with the Malaysian Ministry of Education and Ministry of Health on a campaign to raise awareness on the importance of healthy, safe, and hygienic food practices in schools (<i>Amalan Perkhidmatan Kantin Terbaik</i>) • Developed the Used Beverage Cartons Recycling Contest to promote recycling as a habit among schoolchildren across Malaysia 	<ul style="list-style-type: none"> • 6,178,020 packets of milk distributed to 205,934 students across 2,987 schools under supplementary food programmes • 64 schools reached under the <i>Amalan Perkhidmatan Kantin Terbaik</i> campaign 	<ul style="list-style-type: none"> • Continue our involvement in government supplementary food programmes and nutrition campaigns • Invest in creating additional school-based campaigns run solely by Farm Fresh Holdings Berhad


DETAILED MATERIALITY ANALYSIS

Sustainability Topic	Why It Matters	Who It Matters Most To	What We Have Done	Outcomes	Future Plans
Employee Welfare 	Ensuring that our employees can work in a happy, safe and well nourished environment enhances productivity and the sustainability of our business	<ul style="list-style-type: none"> Employees Governments & Regulators Investors 	<ul style="list-style-type: none"> Introduced the Farm Fresh Safety Management System and Safety, Health and Environment (SHE) policy in accordance with local and international standards Adopted safe work practices that include hazard identification, risk assessment and risk control procedures Established the Safety, Health and Environment Committee to represent the interests of employees and facilitate health and safety initiatives Provided comfortable housing and meal subsidies to farm-based employees, while encouraging sustainable and healthy living by growing vegetables and rearing fish on-site for consumption 	<ul style="list-style-type: none"> Zero work-related fatalities and zero serious injuries in FY2020 100% of staff took part in employee health and safety training programmes in FY2020 4 hours of safety and health training per employee in FY2020 80% of all farm based employees provided free accommodation and 65% meal subsidies 	<ul style="list-style-type: none"> Expand our housing and meal subsidy plans to employees at all farms Further develop our employee engagement consultations to promote healthy dialogue
Regenerative Agriculture 	Producing in balance and equilibrium with our natural environment by adopting sustainable farming practices is the best way of ensuring long-term product quality alongside positive impacts on the environment and local communities	<ul style="list-style-type: none"> Governments & Regulators Investors Local Communities 	<p>Developed sustainable farming practices that minimise animal waste discharge by:</p> <ul style="list-style-type: none"> Utilising treated solid waste as a source of nutrition for animal feed production through a process of vermi-composting Channelling treated solid waste to form part of the mix for animal bedding, increasing animal comfort and claw health Treating liquid animal waste to aide with barn washing and pasture irrigation 	<ul style="list-style-type: none"> 181.6 million liters of water saved per year by recycling Farm Dairy Effluent (FDE) 267.7 acres of farmland irrigated from recycled FDE 34.3 million kg of organic fertiliser generated per year from solid waste 573,000 kg of chemical fertiliser removed from our cycle per year 	<ul style="list-style-type: none"> Implement regenerative agriculture practices across all our farms by 2022 Launch our first Biogas plant at our farm in Muadzam Shah by 2022

DETAILED MATERIALITY ANALYSIS

Sustainability Topic	Why It Matters	Who It Matters Most To	What We Have Done	Outcomes	Future Plans
Climate Action 	Agricultural activities and associated land use changes are one of the largest contributors to global greenhouse gas emissions	<ul style="list-style-type: none"> Customers Governments & Regulators Investors 	<ul style="list-style-type: none"> Adopted regenerative agriculture practices that reduce emissions of Nitrous Oxide Currently building our first Biogas plant at our Muadzam Shah farm, which will utilise farm manure for power generation and reduce our reliance on the National power grid and fossil fuels as a whole We have confirmed the installation of a commercial-grade solar farm at our Muadzam Shah farm that will further increase our usage of renewable energy 	<i>(To be reported in future Sustainability Reports, pending the completion of a full carbon footprint inventory exercise)</i>	<ul style="list-style-type: none"> Complete a Group-wide carbon footprint inventory exercise based on the GHG Protocol Corporate Accounting and Reporting Standard, by June 2021 Develop carbon emissions reduction targets based on the outcome of the carbon footprint inventory exercise
Responsible Water Stewardship 	Our business is farm-based, and we have a responsibility to extract and treat water in ways that minimises our impact on the environment and on the livelihoods of local communities	<ul style="list-style-type: none"> Governments & Regulators Investors Local Communities 	<ul style="list-style-type: none"> Adopted rainwater harvesting and tube well pumping technology to reduce our reliance on municipal water supply systems and surface water Utilised regenerative agricultural practices to treat solid and liquid animal waste, removing potential sources of water pollution and contamination. 	<ul style="list-style-type: none"> 401.5 million liters of water saved per year by adopting rainwater harvesting and tube well pumping Municipal water use reduced by 46% due to tube well pumping and rainwater harvesting 	<ul style="list-style-type: none"> By 2025, increase reduction in water withdrawn from municipal sources to 60% compared to peak levels by installing rainwater harvesting and tube well pumping systems across all our farms Develop an action plan to implement sustainable water withdrawal and management strategies at all our satellite farms, alongside the implementation of regenerative agriculture practices

DETAILED MATERIALITY ANALYSIS

Sustainability Topic	Why It Matters	Who It Matters Most To	What We Have Done	Outcomes	Future Plans
Sustainable Packaging 	Adopting sustainable packaging reduces the ecological footprint of our products while encouraging our customers to reduce their environmental impact as well	<ul style="list-style-type: none"> Customers Governments & Regulators Local Communities 	<ul style="list-style-type: none"> Supported sustainable forestry by adopting the use of FSC™ certified Tetra Pak packaging in selected items of our product range 	<ul style="list-style-type: none"> 37% of our turnover comes from products that use fully recyclable, FSC™ Forest Stewardship Council™ certified, sustainably sourced packaging 	<ul style="list-style-type: none"> We will increase the use of sustainably sourced Tetra Pak packaging to total 50% of our turnover by 2025 We will launch a recycling education centre at our farm in Serdang that will be open to the general public Continue to invest in creating school-based campaigns that educate youth on the importance of recycling while providing workable strategies to implement recycling as a part of daily life



1 BETTER DAIRY



PRODUCING HEALTHY PRODUCTS

Producing fresh and healthy dairy was our founding mission as a company and continues to drive our work today. From ensuring that our products are free of preservatives to maintaining an integrated supply chain that allows us to control the source of our ingredients, our tagline of **“Dairy, Just As Nature Intended”** has become our differentiating factor in the market and the engine behind our ability to drive shared value for the environment and local communities.

What We Have Done



Remaining True To Our Promises

When the Farm Fresh brand was launched in 2008, the Malaysian market was dominated by international brands selling powdered reconstituted milk. We made it our point of difference to always produce dairy that would be completely free of preservatives, colourings, and other unnatural ingredients, a promise which we continue to fulfil today.

Adopting An Integrated Supply Chain

We have maintained an integrated supply chain even as our presence has grown from one farm to six, enabling us to accurately monitor the quality of our dairy and its ingredients. While not all our milk comes from farms under our ownership, we’ve managed to increase our production capacity whilst maintaining our processes by establishing a network of satellite farms run by local farmers who adhere to the “Farm Fresh way”.

Through ongoing mentorship, frequent seminars and technical support provided to our satellite farmers, we’re able to transfer our knowledge to the growing Malaysian dairy farming community while procuring milk that meets our high nutritional standards.

Developing Complementary Nutrition Products

The global market for milk continues to evolve, with plant-based milk accounting for an increasing share of all retail milk sales. With an eye on this growing market, we launched a range of milk alternatives including Almond, Oat and Soy Milk varieties in 2020. Free from preservatives and colourings, just like our dairy varieties, these new additions to our product range are equally nutrient-dense, providing high quality protein, vitamins and minerals in an easily absorbable form.

PRODUCING HEALTHY PRODUCTS

Our Performance



100%
of our products
are free from
preservatives and
colourings



100%
of our products meet
endorsed nutritional
guidelines



We maintain an
**INTEGRATED
SUPPLY CHAIN**
that allows control
over all ingredients
and processes
involved in
production

Future Plans

- We will continue to explore ways of enhancing the nutritional benefit of our products without compromising on our promise of **"Dairy, Just As Nature Intended"**
- We will develop a plan to further invest in research and development, with the goal of formulating new, healthy additions to our product range, especially in the area of plant-based milks



ANIMAL HEALTH & WELFARE

Our animals are the foundation of our success. By ensuring that they are well looked after, comfortable and nutritiously fed, we are not only taking care of their health and that of their offspring, but the long-term health of our business.

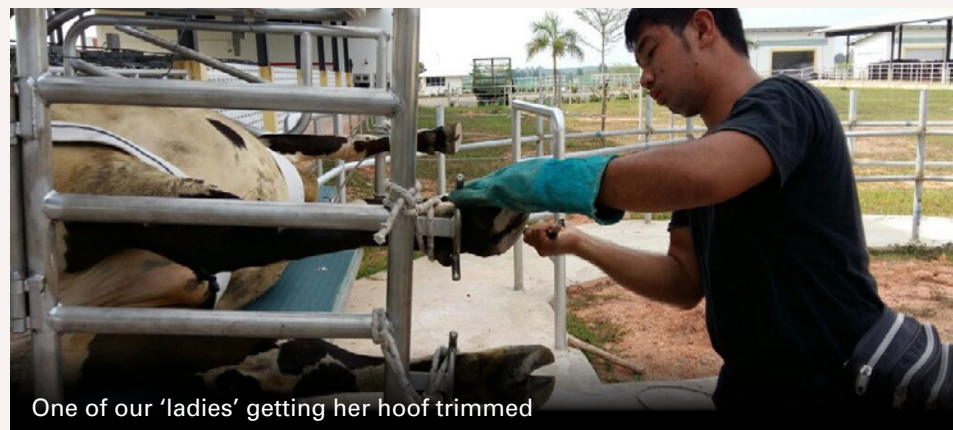
Through continuous research, development and implementation of animal health and welfare approaches that are optimised to tropical climates, we are refining best practices that trickle down to the local farming community, improving the quality of dairy we pass on to our customers while raising national standards in livestock rearing in the process.

Our Approach

All our farms adhere to the Group's Good Animal Husbandry Practices (GAHP), which sets out specific and strict procedures for animal health care, nutrition and housing practices. This code was developed in line with the Malaysian Good Agricultural Practices (myGAP) and the World Organisation for Animal Health's guidelines, with additions to cater to the unique challenges that producing dairy in tropical climates poses.

As an increasing proportion of our milk production pivots towards our satellite farms, we have since introduced training programmes to educate farmers about our animal health and welfare standards, assisting them to implement our standards through working sessions and on-farm visits by domain experts.

What We Have Done



One of our 'ladies' getting her hoof trimmed

Health Care Practices

At each of our farms, we have designated teams that concentrate solely on animal health care, led by an Animal Health Compliance Manager. The responsibility of these teams is to provide veterinary care for the entire herd, including delivery of newborns and medical treatment of sick animals, and to carry out daily health checks on all members of our herds.

A major part of their work is in caring for cow hoofs. Hoof care is a major contributor to cow health, ensuring their ability to move between milking parlour, feed bunk and watering holes in comfort. To optimise hoof health, all cows have their hoofs trimmed twice per year - 60 days before giving birth and 120 days after giving birth - to ensure that their weight is properly distributed on all four legs and to prevent hoof lesions.

Regular vaccinations are another key component of animal health - limiting biosecurity risks while maximising dairy production by reducing cow lameness. All cows at our Malaysian farms are given vaccinations for Foot and Mouth Disease (FMD), while global biosecurity risks are consistently monitored to advise the addition of further vaccinations as may be deemed necessary.

Animal Nutrition

All our cows are fed with a total feed mix containing essential nutrients to support the development of their immune system and optimise milk yield. The bulk of our feed mix is comprised of grass planted on-site at our farms, which are free of pesticides and are organically fertilised using animal waste broken down by vermi-composting worms. This sustainable practice not only reduces the animal waste generated by our farms but also produces more nutritious feed for our cows. A variety

ANIMAL HEALTH & WELFARE

What We Have Done

of farm-grown and pesticide-free crops, including corn, soybean, and palm kernel, are also added to the mix for volume and nutritional balance.

Animal Comfort

Our Australian Holstein Jersey and Friesian-Sahiwal cows are not native to Malaysia, and are particularly susceptible to stresses from heat and humidity which can lower feed intake, milk production and reproductive efficiency. To mitigate against these risks, we have implemented a variety of solutions to maximise comfort inside and outside barns.

To keep our cows cool enough to produce abundant milk, tunnel-ventilation barns have been installed at all our farms. These are barns built with enclosed sides and large fans on one end, driving convective heat loss by pulling air from one end of the barn to the other, and cooling cows in the process through a wind-chill effect. All barns are also equipped with soakers that spray water on the cows at six regular intervals throughout the day, further enhancing cow comfort.

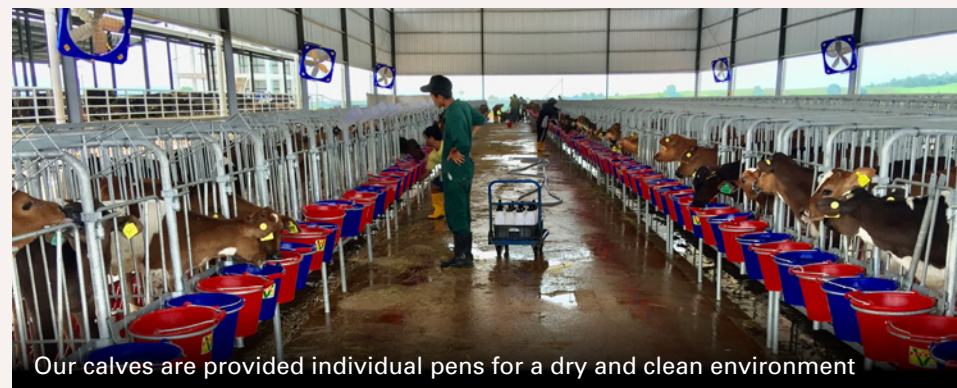
Time spent in the cooling atmosphere

of barns is balanced with time spent grazing freely on pasture, providing for our cows' physical and mental wellbeing needs. As a general rule, calves, heifers, and pregnant cows are allowed to graze. Meanwhile, medium to high production cows are kept indoors as they are metabolising energy for milk production, thus operating at a higher body temperature that is unsuitable for grazing.

Finally, specific cow bedding solutions have been designed to maximise comfort when sleeping. With the adoption of sustainable farming practices at our Muadzam Shah and Serdang farms, solid waste produced by our cows can be used as part of the mix for bedding after it has undergone a vermi-composting process. This promotes strong claw health and increases comfort, while minimising the waste discharge that enters drainage systems.

Pioneering Innovation in Animal Health and Welfare

Our desire to be a leader in animal health practices tailored to tropical climates has led us to collaborate with tertiary institutions and scientific research firms to develop novel approaches in animal health



Our calves are provided individual pens for a dry and clean environment

and welfare. The long-term goal of our research and development agenda is to lower the cost of medicinal care, shift resources to preventive care, and to improve yields through increased animal wellbeing and productivity.

The results of our ongoing research initiatives are shared with local farmers in order to uplift the standards of local dairy production.

Collaboration	Objective	Intended Outcome
Malaysian Agricultural Research and Development Institute (MARDI)	Research the potential of local herbs as a remedy to control bovine mastitis in cows.	Adopt local herbs as a sustainable and organic disease control solution, substituting the use of clinical drugs.
Bayer Malaysia	Research the effect of Catosal™ on milk yield in peak- and late-lactation stage cows. Catosal™ is a source of Vitamin B12 and phosphorus for the prevention or treatment of deficiencies of these nutrients in animals.	Increase milk productivity while ensuring that our cows remain strong, healthy, and well-nourished with important nutrients.

ANIMAL HEALTH & WELFARE

What We Have Done

Collaboration	Objective	Intended Outcome
Universiti Putra Malaysia (UPM)	Investigate the relationship between claw trimming and claw health, animal welfare and milk production.	Establish best practices in claw trimming that are specific to our climactic conditions, and that can be applied across our farms.

In addition to these collaborations, we have formed an in-house task force to conduct research on cross-breeding genetic technology, with the aim of enhancing the Australian Friesian-Sahiwal breed found on our farms for higher milk yields in tropical climates. This potential breakthrough could have a substantial positive impact not only on our production capacity and quality, but also that of the Malaysian dairy industry as a whole. We commit to sharing the results of this research with the Malaysian government within the frameworks provided by the National Dairy Industry Development (NDID) programme.



Cows are fed with a total feed mix containing essential nutrients to support healthy development and maximise milk yield

IVF Research and Development

We have embarked on a journey to further improve the genetics of our cows via an in-vitro fertilisation (IVF) unit to complement our breeding unit. The strategy employed involves selecting the top 5 to 10% of our herd based on the wealth of data that we have from our herd management systems, and then propagating them further to create a superior gene pool locally.

Conventional assisted reproductive methods can provide us one calf per year. IVF enables us to obtain up to 20 offspring per year from these genetically superior dams. We anticipate that using IVF will further accelerate the development our herd genetics to the next level in order to produce more cows that thrive and perform well in our harsh tropical environment.



A member of our research and development team engaged in in-vitro fertilisation

ANIMAL HEALTH & WELFARE

Our Performance



60%

of milking cows across all farms have access to tunnel-ventilation barns



80%

of cows across all farms have access to compost-bedded barns or lounging areas

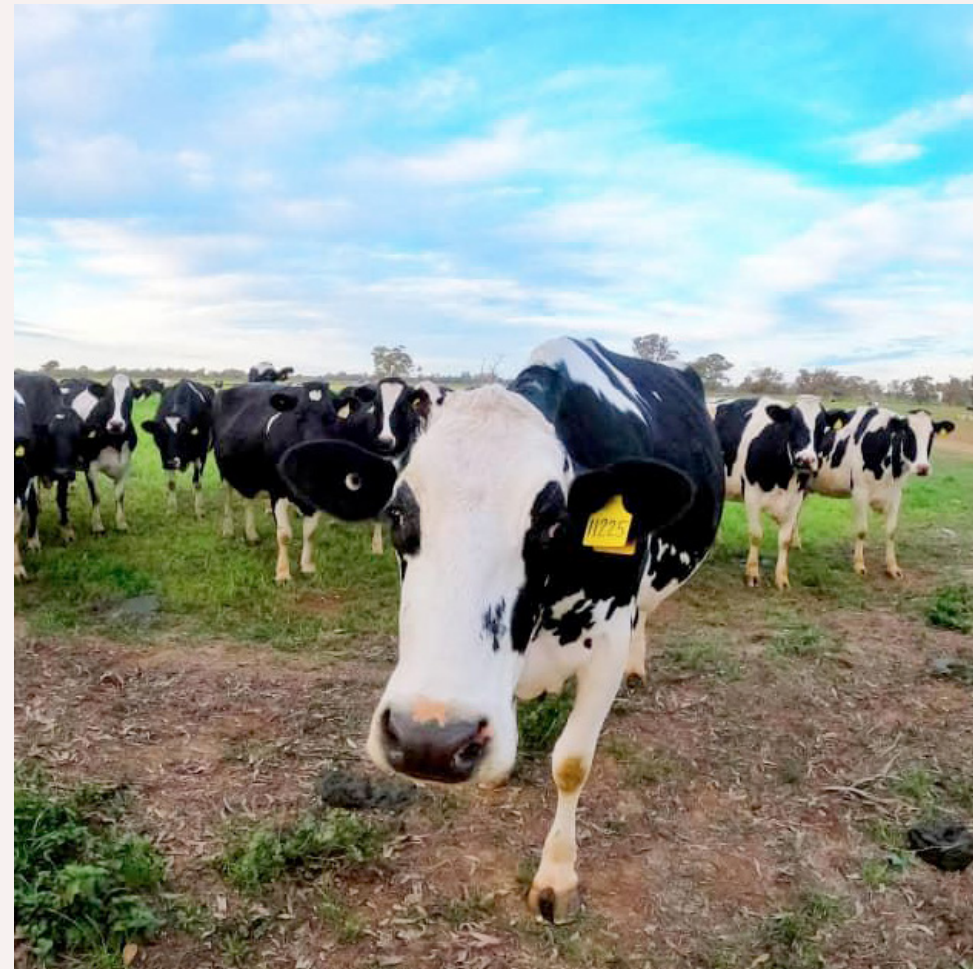


70%

of grass produced is free of chemical fertilisers

Future Plans

- We plan to attain the internationally recognised Certified Humane® accreditation by Q2 2021, aligning us with the strictest global humane standards and requiring that our standards be third party audited on an annual basis
- We will continue to explore collaborations with tertiary institutions and research firms to develop improved animal health and welfare practices catered to tropical climates
- We will step up our collaboration with regulators and governments to share knowledge and encourage good animal health and welfare practices at the national level. In particular, we will establish stronger knowledge sharing processes with the Malaysian government under the National Dairy Industry Development (NDID) programme.



FOOD SAFETY & QUALITY

Put simply, ensuring the highest standards in food safety and quality is mission-critical. From farm to shelf, our adoption of local and internationally recognised food safety and quality controls protects health and enhances the trust that consumers place in our products, having a direct impact on our ability to continue our growth trajectory and better provide for the welfare of our employees and suppliers.

Our Approach

Stringent control over our inputs, processes and outputs has been a defining feature of our company since our founding on a single farm in Malaysia. Till today, we retain an integrated supply chain that allows us to closely monitor each and every aspect of the dairy production process with minimal reliance on external suppliers.

As we have evolved into a multi-national dairy company, our adoption of the Hazard Analysis Critical Control Points (HACCP) control system and the Good Manufacturing Practices (GMP) in 2019 has enabled us to encode our well-established food safety practices across our locations in Malaysia and Australia. Meanwhile, we have continually increased resources allocated to staff training on food safety and food handling standards, and invested in advanced technology that allows us to improve food safety outcomes.

What We Have Done

Adoption of Local and International Standards

All our farms and production facilities have been certified against the following standards and systems:

- The **Halal** certification - an international accreditation certifying that all of our products are prepared by halal methods.
- The **Malaysian Good Agricultural Practices (myGAP)** - a comprehensive certification scheme introduced by the Malaysian Department of Agriculture for the agricultural, aquaculture and livestock sector. The scheme recognises farms which adhere to the Good Agricultural Practices (GAP) resource management system, which provides practices that ensure high levels of food safety.
- The **Good Manufacturing Practices (GMP)** - a set of standards that encapsulate the essential principles of food hygiene and safety in the food processing industry. The standards are defined and certified by the Malaysian Ministry of Health's section for food safety and quality.
- The **Hazard Analysis Critical Control Points (HACCP)** - a management system that assists with the control of biological, chemical, and physical hazards across the production chain, from procurement and production, to manufacturing, distribution and consumption.
- The **Quality Assurance Programme (QAP)** - a management education programme for total quality management formulated and implemented by the Department of Veterinary Services, under the Malaysian Ministry of Agriculture and Agro-Based



Industry. The QAP is specific to the livestock industry, and encapsulates specific codes of practice at all levels of the supply chain.

The Farm Fresh Food Safety Management System

Building upon the controls established by the HACCP and GMP standards, and mindful of the need to customise our approach to food safety to suit the challenges of producing dairy in Malaysia, we developed an in-house food safety management system that includes the following key controls amongst others:

FOOD SAFETY & QUALITY

What We Have Done

Action	Frequency
Review of critical control points (CCP) monitoring record and implementation of corrective actions	Daily
Checking of cleaning and maintenance activity records	Weekly
HACCP team meetings	Twice monthly
Testing of raw materials and finished products	Quarterly
Review of HACCP plan	Half-Yearly and every time a report is made
Checking of mock recall reports	Yearly
Supplier audits	Yearly
Full internal audits	Yearly
Management review meetings	Yearly and as deemed necessary

Responsibility for implementing the management system lies with a dedicated food safety management team, comprising an HACCP team leader, maintenance supervisors, internal auditors, Quality Assurance (QA) professionals and our production managers. The food safety management team is independent of our operational teams, ensuring impartiality, and have the authority to initiate additional processes and actions as they deem necessary including:

- Mock product recalls
- Random samplings of products
- Laboratory-based chemical analyses of products
- Gap analyses of staff training and knowledge standards with respect to food safety
- Evaluations of conformity to national-level food safety regulations
- Review of food safety documentation
- Customer complaint reviews

Our Performance



100%

of our production facilities are operated in accordance with GMP and HACCP standards and controls



100%

of staff in our production facilities are trained in HACCP and GMP food safety practices



3

internal food safety audits conducted in FY2020



ZERO

product recalls due to safety reasons since the launch of our Muadzam Shah farm and Larkin production facility



ZERO

incidences of non-compliance with food safety regulations

Future Plans

- We aim to have 100% of our production facilities attain the FSSC 22000 certification (a standard recognized by the Global Food Safety Initiative (GFSI)) by the end of 2022.
- We will further develop our staff training initiatives in food safety in order to promote standardisation in processes and increase the frequency of training
- We will continue to refine our food safety management systems to greater empower our food safety management team in conducting reviews of our processes in this area
- We will step up our work with our satellite farmers to implement HACCP and GMP standards across all farms that supply dairy to Farm Fresh Holdings Berhad

RESPONSIBLE LEADERSHIP & GOVERNANCE

As a soon to be publicly listed company, we have taken steps to implement policies and codes of conduct at the Board level that inculcate a culture embracing of diversity and in firm support of ethical business practices, in line with the Group's values.

At the point of this report's publishing, the majority of Board members (4 out of 7) comprise Independent Directors, while female representatives comprise 3 out of 7 directors. Both figures meet or exceed governance best practices as stated in the Malaysian Code of Corporate Governance (MCCG), reflecting a commitment to Board impartiality and a diversity in viewpoints that is critical to ensuring sound decision making.

We firmly believe that strong governance policies, buttressed by a diverse board which brings a range of industry and wider experience to the table, will enable the Group to develop business strategies that ensure sustained growth and enhance our contributions to the environment and society in the long run.

What We Have Done

Sound Risk Management Processes

In order to ensure stringent and effective risk management, a dedicated Risk Management Committee ("RMC") is responsible for overseeing the Group's overall risk management framework and its related policies.

The RMC are appointed by the Board and, in order to ensure impartiality in the process of risk identification, Independent Directors are required to comprise the majority of members within the RMC, and to fill the role of Chairman of the committee at all times.

The RMC's key roles and responsibilities include:

- Approving appropriate risk management frameworks and measurement methodologies
- Reviewing and recommending risk management strategies and policies for the Board's approval
- Identifying, assessing and monitoring key business risks and reviewing the extent to which key business risks are being managed
- Ensuring infrastructure, resources and systems are in place and adequate for risk management
- Reviewing reports on risk exposure, risk portfolio composition and risk management activities

In all these areas of responsibility, the RMC's scope of work covers sustainability-related risks and topics, and the RMC is furthermore responsible for identifying sustainability risks for the Board's consideration and forming working groups to mobilise strategies and initiatives addressing the specific sustainability topics selected by the Board.

Diversity at the Board Level

The Group recognises that a diverse Board will inculcate and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of Directors.

The Nomination Committee ("NC") is responsible for reviewing and assessing Board composition on behalf

of the Board, and recommending appointments of new Directors. In doing so, the NC is required to consider the benefits of all diversity aspects to maintain an appropriate range and balance of skills, experiences and backgrounds on the Board.

With regard to gender diversity, the NC is required to propose and implement measures that ensure gender diversity objectives are adopted in Board recruitment and succession planning processes. Meanwhile, the Group commits to maintaining an accommodating boardroom culture and environment that is free from harassment and discrimination in order to attract and retain female participation on the Board.

RESPONSIBLE LEADERSHIP & GOVERNANCE

What We Have Done

Ensuring Ethical Trading

As an international brand, we have a responsibility to uphold and improve upon ethical practices that ensure our products are manufactured in conditions that are not detrimental to the goods, or harmful to those people working with our products.

An Ethical Trading Policy has been established to set out our standards in several key areas:

Freedom of employment

Safe and hygienic working conditions

Child labour

Fair compensation

Working hours

Discrimination

Harsh or inhumane treatment

In addition to our fully-owned subsidiaries, all our suppliers are required to comply with the terms of this policy.

Code of Conduct & Business Ethics

The Farm Fresh Holdings Berhad Code of Conduct and Business Ethics (COBE) applies to all employees of the Group, instituting comprehensive practices that are in line with the laws, regulations and best practices of Malaysia and the dairy industry, as well the values of the Group.

The COBE covers:

- Policies regarding conflicts of interest
- Definitions and rules surrounding corrupt and unethical practices including:
 - solicitation and bribery
 - accepting gifts and entertainment
- Policies regarding antitrust / competition laws
- Rules regarding use of corporate assets
- A detailed framework regarding compliance, internal controls and procedures
- Policies regarding confidentiality, disclosure and communications
- Policies regarding appropriate workplace behaviour including:
 - Policies regarding appropriate workplace behaviour including drug and alcohol use
- The Group's Safety, Health and Environment (SHE) policy
- The Group's Whistleblowing Policy

Our Performance



Independent Directors comprise

4 OUT OF 7

Board members (meeting the best practices of the Malaysian Code of Corporate Governance (MCCG))



Females comprise

3 OUT OF 7

Board members (exceeding the best practices of the Malaysian Code of Corporate Governance (MCCG))



There are

3 INDEPENDENT NON-EXECUTIVE DIRECTORS

on the board, out of which **only one is an Executive Director**, in line with governance best practices

Future Plans

- We will hold regular Board and Committee meetings while ensuring good attendance record by Board members
- We will undertake annual assessments of Board performance and that of individual directors
- We will obtain external assurance for our Sustainability Report covering the reporting period ending on 31 March 2022



2 STRONGER COMMUNITIES

3 GOOD HEALTH AND WELL-BEING



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



LOCAL ECONOMY CONTRIBUTION

Producing dairy “just as nature intended” is at the core of the Farm Fresh mission. While this primarily means ensuring that our dairy is free of preservatives and contaminants and delivered to customers as freshly as possible, we believe our duty also extends to sharing the benefits of our growth with local communities and enabling human ambition and progress.

Within Malaysia, our products reach many suburban and rural areas, many of which are underserved with income levels far below levels seen in urban areas. Through empowerment programmes that harness the human capital present in these communities, we are generating shared value that brings economic opportunity, improves livelihoods, enables social change and leaves a legacy of empowerment.

Our Approach

With our supply chain and distribution systems, as well as in employing staff at our farms and production facilities, we have adopted a “local-first” policy, whereby we first seek to fulfil requirements within local suburban and rural communities before exploring options available in key urban markets. This strategy has enabled us to look beyond the most obvious human capital sourcing options and develop bespoke approaches that create mutual benefit between Farm Fresh Holdings Berhad and our local communities.

What We Have Done

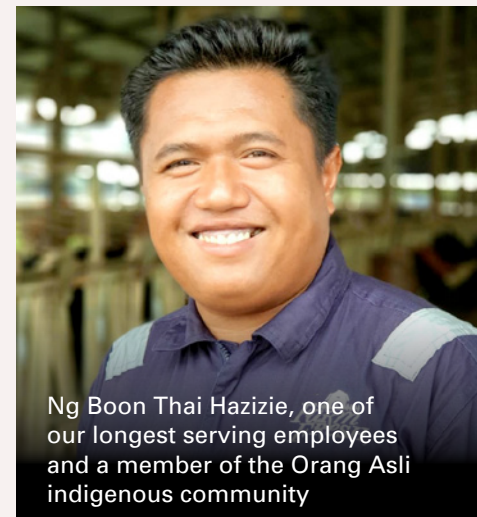
Rural Employment Opportunities

In 2015, we were appointed the anchor company for the Muadzam Shah Cattle Research and Innovation Centre (MSCRIC) under the East Coast Economic Region Development Council (ECERDC), a human capital development programme aimed at improving economic opportunities offered to residents of the traditionally underserved East Coast region of Malaysia.

This appointment paved the way for the launch of our second, and to date largest, farm in Muadzam Shah, Pahang. It also enabled us to create 235 new jobs in the communities surrounding Muadzam Shah, including within the indigenous *Orang Asli* community. The opportunities provided to members of this community, and rural populations near our farms as a whole, are enabling a higher standard of living and increased opportunities for career advancement.

Hiring and Training Future Talents

Through collaborations with reputable local universities in Malaysia including Universiti Putra Malaysia (UPM), Universiti Malaysia Sabah (UMS), Universiti Malaysia Kelantan (UMK), and Universiti Teknologi MARA



Ng Boon Thai Hazizie, one of our longest serving employees and a member of the Orang Asli indigenous community

(UiTM), we offer internship programmes that enable young talent to gain first-hand experience of the challenges involved in running a commercial-level dairy company. Promising candidates are offered the opportunity to continue their education as full-time employees of Farm Fresh Holdings Berhad.

Our internship has impacted 58 students as of November 2020:

21 students
from Universiti
Putra Malaysia
(UPM)

3 students
from Universiti
Malaysia Sabah
(UMS)

27 students
from Universiti
Malaysia Kelantan
(UMK)

4 students
from Universiti
Teknologi MARA
(UiTM)

3 students
from international institutions
(Cambridge University, Murdoch
University, and IPB University)

LOCAL ECONOMY CONTRIBUTION

What We Have Done

Contribution to Local Farmers

With the aim of promoting fair pricing for local farmers and raising our production levels, we set up a network of rural farmers whose dairy we would purchase for sale under the Farm Fresh brand. As part of our commitment to the programme, farmers are availed of knowledge transfer opportunities through mentorship, while being able to access technical support from Farm Fresh Holdings Berhad at all stages of the production process.

However, the value generated from this network goes beyond knowledge transfer alone. With the aim of uplifting income standards amongst farmers, we commit to paying our farmers rates per litre of fresh milk produced in excess of prevailing market prices.

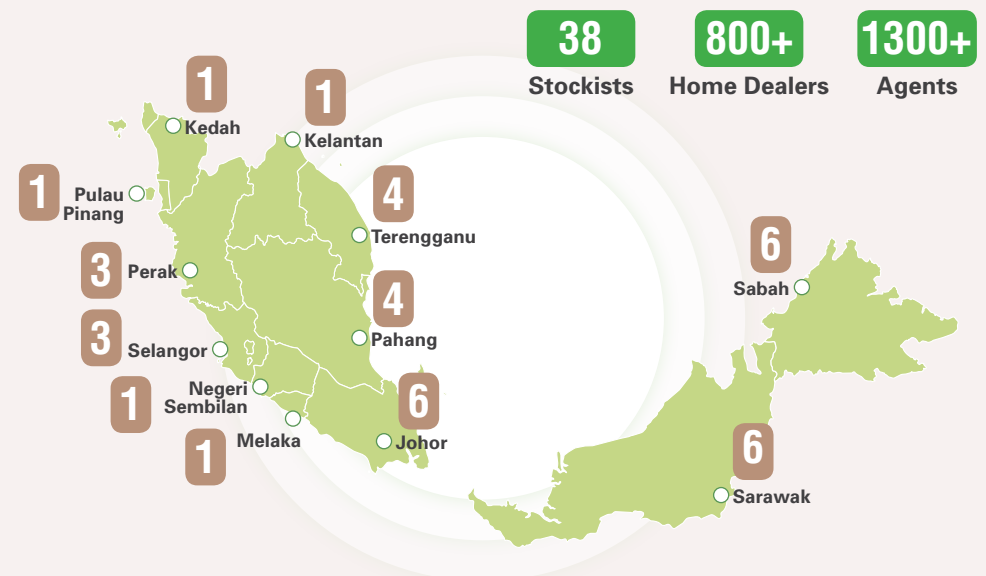
This has changed the entire industry landscape since 2013, when the market price was RM1.40 per litre. Our ex-farm price at that time of RM2.40 per litre (now increased to RM2.80 per litre) bucked the trend of foreign processors paying for our local milk by referencing powdered milk prices, and now foreign processors are also paying a price of around RM2.80 per litre of milk. With total milk production in Peninsular Malaysia at 27.6 mil litres, our trailblazing action back in 2013 has effectively resulted in additional income of RM38.1 million per year for local farmers.

Ultimately, our actions will have the effect of raising national dairy production levels in line with the Malaysian government's aspiration for domestic consumption in this sector to be self-sufficient by the year 2025.



One of our local farmers

The Farm Fresh Home Dealer Network



In 2016, we established the Farm Fresh Home Dealer Network, a first-of-its-kind rural and suburban dealer network in the Malaysian dairy industry. The network was borne out of the need to secure distribution of our products to suburban and rural communities which do not have a major grocery store or supermarket. Having spent time on the ground in many of these communities, we saw an

opportunity to work with members of the local population.

The resulting network that we developed empowers local residents to distribute Farm Fresh and Yarra products within their communities as micro-entrepreneurs, earning income on a commission basis while educating their friends and

LOCAL ECONOMY CONTRIBUTION

What We Have Done

family on the nutritional benefits of dairy products. We also indirectly empower women in the community as 80% of our micro-entrepreneurs are women. These home dealers are supported by regional stockists, who store and supply our products within their regional catchment area.

Thanks to the home dealer network, stockists can earn up to RM25,000 a month while home dealers can generate a monthly income of up to RM5,000, a significant jump compared to incomes in their geographical area. As a result, the initiative has been a continued success, with 38 stockists and 801 home dealers now serving every corner of Malaysia.



One of our stockists carrying out outreach activities at a local school

Our Performance



492 STAFF

(88% of current workforce) were recruited from rural and underserved communities



RM38.1 MILLION

in additional income generated for local farmers



RM48.8 MILLION

income generated for **38** stockists, **801** home dealers and **1,312** agents under the Farm Fresh Home Dealer Network



80%

of our micro-entrepreneurs under the Farm Fresh Home Dealer network are women

Future Plans

- We will further expand our Farm Fresh Home Dealer Network through roadshows and other outreach avenues that provide access to suburban and rural communities in Malaysia
- With the aim of leveraging the Farm Fresh Home Dealer Network as a tool for female empowerment, we will develop strategies to increase female representation amongst our network, with a emphasis on enabling economic empowerment and financial freedom for housewives
- With the aim of developing transferrable skills that open the door to a wider range of future career opportunities for our satellite farmers, dealers and stockists, we will further develop upskilling and training initiatives, leveraging the knowledge of subject-matter experts within our business network

YOUTH OUTREACH

As Malaysia's leading home-grown dairy company and a pioneer in offering fresh and preservative-free products, we are uniquely positioned to develop and promote initiatives that encourage responsible consumption within society. As such, engaging with youth forms a major part of our social impact agenda. By using our reach and brand presence, we're engendering healthy habits amongst younger generations, helping to build a more sustainable future for the communities of which they are crucial members.

Our Approach

We've adopted a two-prong strategy for youth outreach:

1 Participating in government initiatives

2 Developing our own youth campaigns

Both approaches place emphasis on reaching students within the environment of their schools, where we can effectively collaborate with teachers to maximise learning outcomes. Furthermore, we commit to long-term participation, meaning that the positive impact we generate can be compounded over years and decades.

Our campaigns thus far have focused on two key habits that we feel are essential in sustainability: 1) adequate and balanced nutrition, and 2) recycling and the circular economy.

What We Have Done

Amalan Perkhidmatan Kantin Terbaik

Together with the Malaysian Ministry of Education and Ministry of Health, this campaign aims to raise awareness on the importance of healthy, safe, and hygienic food practices in schools, while educating students about the importance of consuming foods that are free of preservatives, colourings and added sugar.

Malaysia is currently the most obese country in Asia, and by reaching students



at a young age and encouraging the participation of the entire school community, including students and teachers, canteen operators, and Parents and Teachers Associations (PIBG), *Amalan Perkhidmatan Kantin Terbaik* aims to break the circuit of malnutrition that Malaysia increasingly faces.

We have participated in *Amalan Perkhidmatan Kantin Terbaik* since 2018, and have engaged with a total of 64 schools within this time period.

Rancangan Makanan Tambahan (RMT)

Since 2018, we have also participated in the Malaysian Ministry of Education's supplementary food programme that provides additional food to primary school students, with a focus on students in rural areas and from low-income households.

With our participation now in its third year, we continue to supply 200ml UHT chocolate milk packets in every RMT meal, playing our part to meet the

nutritional requirements for physical growth and mental development. The campaign complements our ongoing work in rural and suburban economic development.

The Used Beverage Cartons (UBC) Recycling Contest

In recent years, we've taken substantial steps to adopt sustainably sourced and recyclable packaging.

To further our commitment towards the growth of the circular economy, we developed the UBC Recycling Contest, promoting recycling as a habit among schoolchildren across Malaysia.

The contest was run parallel to *Amalan Perkhidmatan Kantin Terbaik* as an intra-school contest, with the school that collected the highest number of used beverage cartons for recycling crowned champion.

YOUTH OUTREACH

Our Performance



6,178,020

packets of milk were distributed to **205,934** students across **2,987** schools under supplementary food programmes



64 SCHOOLS

were reached by *Amalan Perkhidmatan Kantin Terbaik* and the Used Beverage Carton Recycling Contest

Future Plans

- We will continue our involvement in government supplementary food programmes and nutrition campaigns
- We will invest in creating additional school-based campaigns run solely by Farm Fresh Holdings Berhad to maximise our reach and impact



EMPLOYEE WELFARE

Our employees work across a variety of locations, facing specific challenges that may involve dealing with heavy machinery, working with livestock in high heat and humidity, and engaging in construction or repair work. Our commitment is to make this work as safe, productive and meaningful as possible by adopting site-specific health and safety measures in line with national and international standards.

Our Approach

We adopt a holistic approach to employee welfare that goes beyond implementing occupational health and safety systems and includes providing housing and resources for sustainable and healthy living to our farm-based employees. As many of our farms are located in rural and underserved areas, we consider it our responsibility to take this all-encompassing approach to welfare, in line with our values as a company.

What We Have Done

Establishing the Farm Fresh Safety Management System

To cater to the unique challenges that our workplaces pose our employees, we developed a Safety Management System (SMS) and Safety, Health and Environment (SHE) Policy in accordance with Malaysian regulations and laws, including:

- Occupational Safety and Health Act (OSHA) 1994
- Use and Standard of Exposure Chemical Hazardous to Health (USECHH) 2000
- Control of Industrial Major Accident Hazards (CIMAH) 1996
- Environmental Quality Act 1974: Environmental Quality (Prescribed Premises) (Scheduled Wastes Treatment and Disposal Facilities) Order 1989 and 2006
- Fire Services Act 1988

This management system and policy is also in line with international and national-level standards including:

- MS 1722:2003
- OHSAS 18001
- ISO 1400

Safe work practices are an important aspect of the management system.

Hazard Identification, Risk Assessment and Risk Control (HIRARC) procedures have been put in place to reduce the likelihood of the occurrence of a hazardous event that can pose a threat to employee safety, while specific procedures for operating and conducting maintenance on machines are enforced across all farms and production facilities. Employees working at our production facilities are also required to undergo annual audiometric testing to measure noise exposure and its effects on hearing.

Additional measures have been put in place to ensure that potential hazards to employees are detected early and mitigated against. These include:

- Periodic safety audits of production facilities
- Chemical exposure monitoring to measure and control exposure to hazardous chemicals



EMPLOYEE WELFARE

What We Have Done

- Establishing an Emergency Response Team (ERT) to evacuate employees and to fight fires in the event of an emergency. This is an internal organisation consisting of volunteer employees designed to respond to emergencies before the arrival of public agencies

Engaging In Dialogue with Our Employees

Worker participation and consultation is key to the successful implementation of an occupational health and safety management system. Our Safety, Health & Environment Committee features employee and employer representatives, facilitating productive dialogue on safety and health challenges as well as preventative measures that can be implemented to mitigate against workplace hazards.

The Safety, Health & Environment Committee has several key responsibilities:

- To carry out regular inspections of workplaces, including specific inspections of machinery, equipment, substances, appliances and processes employed in the course of work
- To assist in the development of safety and health rules, and safe systems of work
- To review the effectiveness of safety and health programmes
- To carry out in-depth studies of workplace accidents, near miss



- accidents, dangerous occurrences, occupational poisoning or occupational diseases, and to report any significant findings and recommended corrective actions to the Management
- To review safety and health policies in place and recommend revisions where necessary
- To assist in organising and implementing occupational health and safety programmes

Furthermore, all employees are provided with occupational first aid training, Confined Space training, forklift handling training, reachtruck handling training and Hazard Identification, Risk Assessment and Determining Control (HIRADC) training. The orientation programme offered to all new employees also includes a comprehensive safety awareness component.

EMPLOYEE WELFARE

What We Have Done

Encouraging Sustainable Living

As a responsible dairy company, we've taken steps to align our farm-based employees with sustainable living practices, thereby improving their mental and physical health. Presently, 80% of our farm-based employees enjoy free accommodation on the premises where they work, with a 65% subsidy provided to cover the costs of their daily meals. Additionally, we grow vegetables and rear fish onsite at each of our farms, which are then provided to employees free of charge to nourish their daily meals.

This holistic approach to employee welfare forms a pillar of our commitment to rural and suburban development, and plays an important role in attracting and retaining talent.



Vegetables grown on our Muadzam Shah farm, which are provided free of charge to on-farm employees

Our Performance



ZERO

work-related fatalities and **ZERO** serious injuries in FY2020



100%

of employees covered by the Farm Fresh Safety Management System (SMS) and Safety, Health and Environmental (SHE) Policy



4 HOURS

of safety and health training per employee in FY2020



80%

of all farm-based employees provided free accommodation and 65% meal subsidies

Future Plans

- We will explore means of expanding employee-employer consultations in order to gather more detailed feedback on our occupational health and safety measures
- We will explore ways that we can expand and improve upon our housing and meal subsidy plans

3 HEALTHIER PLANET



REGENERATIVE AGRICULTURE

Quality, nutritious dairy depends foremost on the quality of the land upon which it is produced. By adopting sustainable farming practices that use only the natural resources and outputs of the land and its inhabitants, we can ensure balance and equilibrium with our environment over the long-term, nourishing instead of depleting the gifts that nature has provided us.

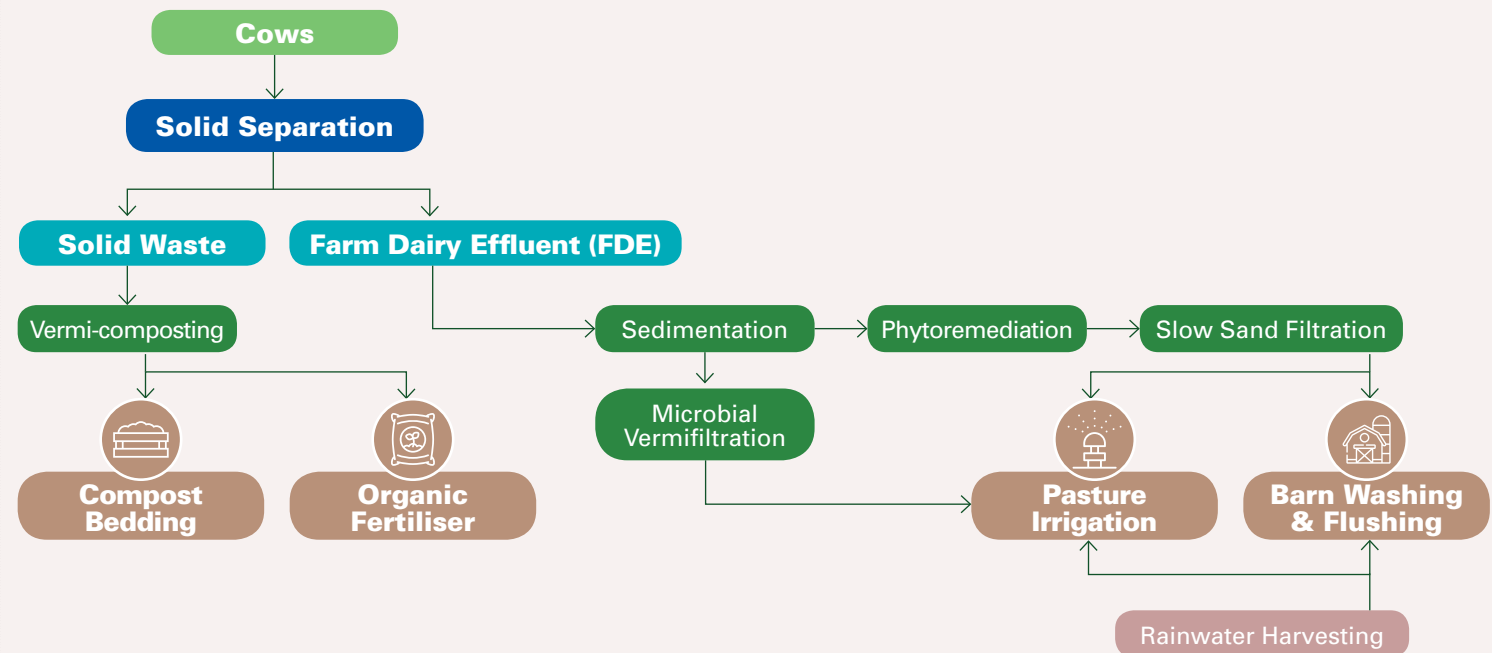
We believe that by living in harmony with our land and its resources, value can be accrued throughout the production chain, from the health of our livestock to the nutritional benefits enjoyed by our customers.

Our Approach

Maximising the reuse of animal waste is central to our regenerative agriculture strategy. While commonly seen as a source of air pollution, when treated correctly animal waste is a crucial source of nutrients for enhanced crop production and improved soil quality, while also forming a low-impact substitute for external inputs in essential farm-based functions such as animal bedding and barn flushing.

In addition to reducing waste discharge, this approach to agriculture lowers our carbon footprint while reducing our reliance on chemical fertilisers, accruing long-term benefits for the health and vitality of the land upon which we produce.





The diagram below outlines the regenerative agriculture practices that we have introduced and the farm-based functions they fulfil. To date, these practices have been introduced at our Muadzam Shah and Serdang farms.



REGENERATIVE AGRICULTURE

What We Have Done

Our regenerative agriculture processes involve the treatment of solid animal waste and liquid animal waste for use in compost bedding, producing organic fertiliser, barn washing and flushing, and pasture irrigation. The processes involved in each use case, and their respective benefits, are detailed in the table below.

No.	Outcomes	Process	Benefits
1.	Compost Bedding 	African Nightcrawler worms are used to break down solid waste produced by our cows into vermi-compost (worm castings), which is then used as part of the mix for the bedding of our cows.	<ul style="list-style-type: none"> Promotes claw health and creates a comfortable environment for cows After 5 to 6 months of composting, the bedding becomes the perfect feed for vermiculture composting Minimises waste discharge that enters the drainage system
2.	Organic Fertiliser 	The vermi-compost produced from solid waste is also spread over our pasture as an organic fertiliser for grass, which in turn forms a major component of the feed provided to our cows	<ul style="list-style-type: none"> Reduces the usage of chemical fertilisers, which are known to degrade soil health. Using organic fertiliser results in more nutritious feed for our cows Minimises waste discharge that enters the drainage system
3.	Barn Washing & Flushing 	<p>After solid separation, the Farm Dairy Effluent (FDE) that is isolated undergoes three major processes:</p> <ol style="list-style-type: none"> It is filtered by sitting in sedimentation ponds. This process uses gravity to split and remove any remaining solids from the liquid waste Phytoremediation uses living plants to effectively treat the effluent against contaminants and excess nutrient content Finally, the effluent goes through a slow sand water purification process that removes turbidity and pathogenic organisms <p>The resulting water is then used in tandem with recycled rainwater for the washing and flushing of our barns.</p>	<ul style="list-style-type: none"> Reduces reliance on external sources of water, especially during drought seasons Minimises waste discharge that enters the drainage system Minimises contamination of groundwater and surface water by reducing the amount of toxic waste released into the environment
4.	Pasture Irrigation 	<p>FDE can also be used for irrigating our pasture, provided that it goes through microbial vermifiltration after the solid separation and sedimentation processes.</p> <p>Vermifiltration is a biological wastewater treatment process that uses composting worms to treat water, with the output being water that is suitable for watering pasture.</p>	<ul style="list-style-type: none"> Filtered FDE contains beneficial nutrients for plant growth, feeding a positive cycle that in turn leads to more nutritious feed for our cows and produce for our customers The use of irrigation ponds enables our pastures to be adequately watered even during the dry season, thus producing nutritious grass all year round

REGENERATIVE AGRICULTURE

Our Performance



34.3 MILLION KG
of organic fertiliser
produced from animal
waste per year



181.6 MILLION LITERS
of Farm Dairy Effluent
(FDE) recycled and
removed from waste
discharge per year



573,000 KG
of chemical fertiliser
removed from our
production cycle
per year



267.7 ACRES
of farmland irrigated
from recycled FDE



African Nightcrawler worms used in the process of vermi-composting



Cows resting on compost bedding at our Muadzam Shah farm

Future Plans

- We will implement regenerative agriculture processes across all our farms by 2022
- To achieve the twin goals of reducing our carbon footprint while recycling animal waste, we will launch our first Biogas plant at our Muadzam Shah farm by 2022

RESPONSIBLE WATER STEWARDSHIP

As farmers, we understand the crucial role that water plays in sustainable, high quality dairy production. By withdrawing, consuming and discharging water responsibly, we can maintain the long-term health of not only our land and its soil, but also the broader ecosystem of which it is a part.

Our farms and production facilities are also located in close proximity to local communities who depend on the land for their livelihoods. As a result, we have a heightened responsibility to ensure that we lessen our disruption to the natural water table and minimise water discharge that enters local waterways.

Our Approach

Our water management strategies focus primarily on developing sustainable sources for water withdrawal that lessen our extraction of surface and municipal water. To achieve this, we have consciously invested in new technologies that allow us to access rainwater and groundwater in serviceable volumes, while continuing to develop our pasture irrigation systems to ensure that this water is distributed to crops effectively, thus maximising yield.

Regenerative agriculture practices have also made a meaningful contribution to our water stewardship outcomes by removing animal waste from contact with water sources, thus minimising the risk of ground and surface water contamination.

Collectively, these strategies form a cohesive and holistic approach to water stewardship that we have implemented at our Muadzam Shah and Serdang farms, and which we intend to replicate across all our farms in the near future.

What We Have Done



Reducing Overall Water Use

All our farms and production facilities measure their water use and monitor water quality continually to identify areas for improvement.

Harnessing Groundwater and Rainwater

Our farms have substantial water needs to cater for irrigation, cow health and our machinery.

To meet these demands sustainably, we installed tube well water pumps at our Muadzam Shah farm that extract groundwater. Using tube well pumps reduces the impact of our water withdrawal needs on surface water, which is a crucial resource for soil health and neighboring farms. Additionally, groundwater is more easily available year round and less susceptible to droughts, meaning that we will be able to further reduce our use of municipal water as a backup resource in such circumstances.

RESPONSIBLE WATER STEWARDSHIP

What We Have Done

We have also installed rainwater harvesting systems at our Muadzam Shah and Serdang farms that channel rainwater for use in barn washing and flushing. In 2020, this new addition, combined with the use of tube well and surface water, reduced our use of municipal water by a total of 401.5 million liters. This is equivalent to 36% of our total water usage.

The Role of Regenerative Agriculture Practices

Although our regenerative agriculture practices may not have a direct effect on our water usage levels and withdrawal sources, these practices have the potential to distance a major source of surface water and groundwater pollution: animal waste. By sustainably treating and reusing solid and liquid animal waste for use in pasture irrigation and fertilisation, cow bedding and barn washing, 34.3 million kg of solid waste and 181.6 million litres of liquid waste per year are effectively removed from potential entry into the water table and local waterways.

Our Performance

Water withdrawn by source	2020
Municipal sources	710 Megaliters
Groundwater (well water)	429 Megaliters
Rainwater harvesting and surface water (incl. water from rivers)	183 Megaliters
Total	1,112 Megaliters



46%

reduction in water withdrawn from municipal sources due to using tube well pumping and rainwater harvesting



401.5 MILLION LITERS

of water saved per year by harvesting rainwater and adopting tube well pumping

Future Plans

- By 2025, we will increase reduction in water withdrawn from municipal sources to 60% compared to peak levels by installing rainwater harvesting and tube well pumping systems across all our farms
- We will develop an action plan to implement sustainable water withdrawal and management strategies at all our satellite farms, alongside the implementation of regenerative agriculture practices



CLIMATE ACTION

Globally, agricultural activities and their associated land use changes are one of the largest contributors to climate change, responsible for 14% of global anthropogenic greenhouse gas emissions according to the Food and Agriculture Organisation of the United Nations (FAO). However, while livestock farming's direct sources of emissions include methane from enteric fermentation, nitrous oxide from fertilisers and carbon dioxide from tillage, industrial-scale operations such as ours also require substantial amounts of power to function efficiently, which if generated through the burning of fossil fuels also entails significant greenhouse gas emissions.

As a consequence and in seeking to set an impactful example in environmental management as a leader within the Malaysian dairy farming community, we have a responsibility to adopt progressive agricultural and energy use practices that reduce our carbon footprint.

What We Have Done

Reducing Nitrous Oxide Emissions Through Regenerative Agriculture Practices

Regenerative agriculture practices are enabling us to avoid common practices that increase greenhouse gas emissions. In fertilising our soil for the growing of animal feed, for instance, using vermi-compost as a substitute for chemical fertilisers results in improved nutritional benefits while circumventing the application of nitrogen to the soil. Aside from reducing emissions of Nitrous Oxide, this process also improves soil quality and soil carbon sequestration.

Looking beyond vermicomposting alone, our regenerative agriculture

practices necessitate the treatment and reuse of animal waste, therefore reducing the emission of Nitrous Oxide from untreated waste matter.

Moving Towards Renewable Energy

Taking our holistic approach to farm management a step further, our next phase of implementation will involve building our first Biogas plant at our Muadzam Shah farm. The plant promises to drive environmental value in multiple ways - in addition to further mitigating against the negative consequences of untreated animal waste, it will transform this waste into a vital source of power, allowing us to reduce our dependence on the Malaysian national power grid and transition towards the use of renewable energy.

The plant is set to launch in 2022 and will be complemented by a commercial-grade solar farm that will also be introduced at our Muadzam Shah farm in the near future. This solar farm represents a cost-efficient and environmentally friendly means of meeting our power needs, leveraging the clean power of the sun instead of fossil fuels.

In addition to lowering our carbon footprint, our aim is to become a net energy producer in the mid- to long-term, allowing us to sell the excess energy we generate back to the grid at a profit, and open a new and sustainable revenue stream.

Future Plans

We understand that in order to become a true steward of our planet, we need to develop a deeper understanding of our climate impacts and their sources. To this end, we have commissioned a Group-wide carbon footprint inventory exercise based on the GHG Protocol Corporate Accounting Standard that will cover all our farms and production facilities.

The exercise will provide us specific detail on the types of greenhouse gases we are emitting and where these emissions are at their most concentrated. This will allow us to develop focused corporate strategies around greenhouse gas emissions reductions that define success based on established industry benchmarks.

We aim to commence this exercise by June 2021.

SUSTAINABLE PACKAGING

Our planet's resources are finite. As a leading consumer goods brand, we need to recognise the role that packaging plays in the exploitation of natural raw materials and support the use of packaging that carries as low an ecological footprint as possible. Doing so not only contributes towards the protection of our shared natural environment but also the communities whose lives and livelihoods depend on it.

Our Approach

Our commitment to sustainable packaging starts with using packaging that is sustainably sourced - that is, sourced from natural resources, such as rainforests, which are sustainably and sensitively managed. Doing this means that we are limiting the long-term impact that our products have on the depletion of these resources.

The second part of our commitment, which we are currently developing further, is to lower the footprint of our products after consumption by promoting recycling. While we are transitioning towards using fully recyclable materials for all our product varieties, we also want to play a bigger role in recycling awareness and adoption, especially amongst younger generations.

What We Have Done

Adopting Sustainably Sourced and Recyclable Packaging

In 2018, we adopted Tetra Pak paper packaging for our UHT products (which in 2020 makes up to 37% of our turnover). The packaging we use is made from 75% paper, 20% plastic, 5% aluminium and is 100% recyclable. Furthermore, all paper used in the solution is FSC™ Forest Stewardship Council™ certified, supporting sustainable forestry and ensuring that forests are managed in a socially, environmentally and economically sound way.

By laying down a series of strictly regulated standards, known as FSC's 10 Principles of Forest Stewardship, the council ensures that forests are logged responsibly with the protection of the environment, workers, and local communities given utmost importance.



Key aspects of their commitment include:

- Identifying and upholding indigenous peoples' legal and customary rights of ownership, use and management of land, territories and resources affected by activities
- Contributing to maintaining or enhancing the social and economic wellbeing of local communities

- Maintaining and conserving ecosystem services and environmental values in the area of impact

Moving forward, we will continue to demand that all packaging suppliers we work with have a similarly robust commitment and action plan relating to sustainable forest management.

SUSTAINABLE PACKAGING

What We Have Done



Developing Our Strategy Around Recycling

Offering our consumers viable options to recycle our packaging is the next step in our sustainable packaging journey. Presently, we are working with Tetra Pak to launch a recycling education centre at our farm in Serdang that will be open to the general public. The purpose of this centre will be to build awareness of the recyclability of our packaging and educate

consumers on how they can adopt simple and effective recycling habits within their homes and workplaces.

Engaging with youth is key to making a long term difference here, and through the Used Beverage Cartons Recycling Contest, we have already reached a total of 64 schools throughout Malaysia. This is an initiative that we expect to grow substantially in future.

Our Performance



37% OF OUR TURNOVER
comes from products that use fully recyclable, FSC™ Forest Stewardship Council™ certified, sustainably sourced packaging

Future Plans

- We will increase the use of sustainably sourced Tetra Pak packaging to total 50% of our turnover by 2025
- Our recycling education centre located at our farm in Serdang is set to launch in 2022
- We will continue to invest in creating school-based campaigns that educate youth on the importance of recycling while providing workable strategies to implement recycling as a part of daily life

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Farm Fresh Holdings Berhad

11, 1, Jalan Petaling, Kawasan Perindustrian Larkin,
80350 Johor Bahru, Johor
Tel: 1-800-88-1228