

SUSTAINABILITY STATEMENT



AS A HOMEGROWN COMPANY FOUNDED TO PROVIDE A MORE NUTRITIOUS DAIRY ALTERNATIVE TO MALAYSIANS, OPERATING SUSTAINABLY HAS ALWAYS BEEN CORE TO OUR PURPOSE AT FARM FRESH.

Apart from our central commitment to develop healthy and safe dairy and plant-based products for our customers, we have a responsibility to produce our products using farming and processing practices that minimise our impact on the environment, an objective which we are continually making progress towards through our adoption of sustainable practices across all our farms and the completion of our inaugural carbon footprint inventory exercise.

At the same time, we aspire to generate shared value between our business and local communities – providing long-term employment and career advancement opportunities to locals, upskilling our partner-farmers and supporting micro-entrepreneurs in rural and economically disadvantaged areas. These efforts are in addition to the youth outreach and CSR programmes which we have developed in-house and in collaboration with government agencies.

In totality, our sustainability efforts represent a holistic approach to value creation; one that will continue to deliver sustainable, long-term value for communities, our stakeholders and the planet in proportion with our expansion as an organisation.



ABOUT THIS STATEMENT

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

In addition, we have aligned our sustainability practices with the United Nations Sustainable Development Goals ("UN SDGs").

SCOPE & BOUNDARY

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

REPORTING PERIOD & CYCLE

This statement covers our sustainability performance for the financial year ended 31 March 2022 ("FY2022"), unless otherwise stated.

EXTERNAL ASSURANCE

In the continued development of our approach towards sustainability reporting, we have maintained an internal review methodology for the disclosure of this year's Sustainability Statement. 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.

SUSTAINABILITY HIGHLIGHTS

335.0
million litres

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

FY2021: 289.6 million litres

86.4 million kg

of solid waste recycled and removed from waste discharge

FY2021: 64.8 million kg

687,876 kg

of chemical fertiliser removed from our cycle

FY2021: 573,000 kg



428.8
million litres

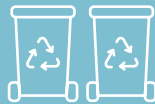
of municipal water saved through rainwater harvesting and tube well pumping

FY2021: 401.5 million litres

28%

of turnover from products using fully recyclable, sustainably sourced packaging

FY2021: 33%



The carbon emissions intensity of our Malaysian farms is

27% lower than the average Asian dairy farm



18.8%

of our portfolio comprises alternative milk products

All our completed Malaysian farms have received the **Certified Humane® accreditation**

We recorded **zero** work-related fatalities and serious injuries in FY2022

FY2021: Zero fatalities and serious injuries



RM133.9 million

in income generated for stockists, dealers and agents under our home dealer programme

FY2021: RM151.5 million

RM3.2 million

in income generated for our partner-farmers

FY2021: RM8.6 million

72%

of our total workforce across farms and production facilities recruited from rural and underserved communities

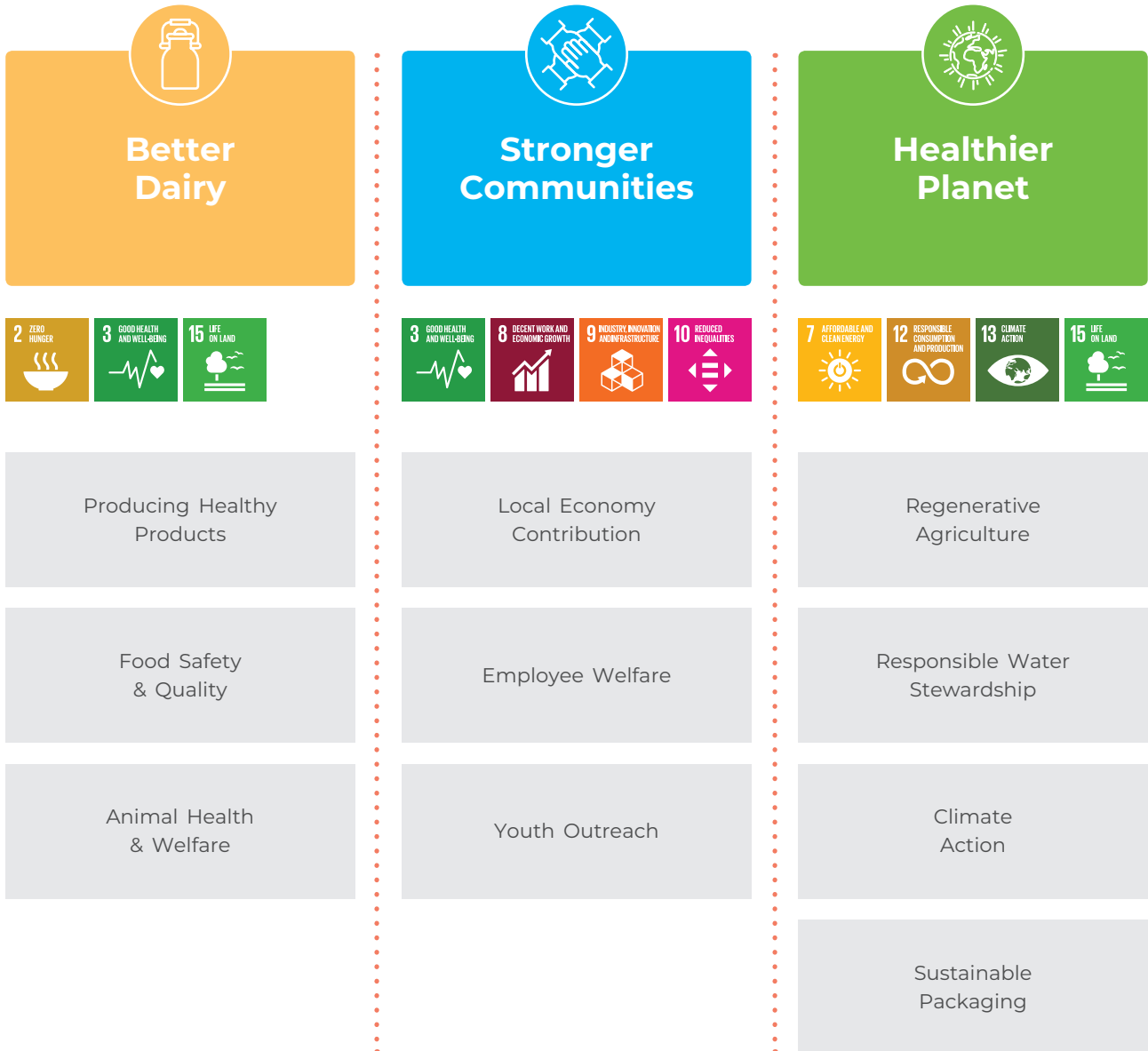
FY2021: 72%

OUR SUSTAINABILITY FOCUS AREAS

Our sustainability efforts are anchored on the three key focus areas of **Better Dairy**, **Stronger Communities** and **Healthier Planet**.

Each of these focus areas have been aligned with the United Nations Sustainable Development Goals (“UN SDGs”), in line with the The Dairy Declaration of Rotterdam, which recognises the UN SDGs as the overarching framework for the dairy industry in achieving sustainable development by 2030.

The mapping of the UN SDGs to each focus area and in turn each of our sustainability material matters is shown below and further explored within this statement.



ENGAGING OUR STAKEHOLDERS

Our stakeholders provide us with insight into the full impact of our business practices, empowering us to formulate sustainability strategies that balance their needs and those of our business. We practice open dialogue with each of the groups shown below, with their input being the first step in our detailed materiality determination process.

Stakeholder	Their Expectations	Mode and Frequency of Engagement
 Customers	Delivering safe, healthy and affordable food that meets their nutritional needs and taste preferences at a reasonable price	<ul style="list-style-type: none"> O Our corporate website O Our social media channels P Customer surveys and focus groups P Face-to-face interactions at roadshows and other on-ground marketing events
 Distributors	Providing full and updated information on our products, clarity on distribution area and product resale price, and (specifically for stockists and dealers under our home dealer programme) support in business development and sales	<ul style="list-style-type: none"> P Face-to-face interactions and calls P Circulars and e-mail communication P Visits and assessments P Distributor training courses
 Employees	Providing a working environment and culture that is safe and respectful, while offering fair opportunities for career advancement, skills development and income growth	<ul style="list-style-type: none"> P Circulars and e-mail communication P Employee townhalls P Training courses SA Team-building events A Employee appraisals
 Governments & Regulators	Operating 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"> O E-mail communication O Face-to-face interactions and calls P Seminars, training sessions and dialogues P On-site inspections and audits A Our Integrated Annual Report
 Investors & Shareholders	Ensuring sustainable and profitable long-term growth while safeguarding against reputational damage through ethical and responsible business practices	<ul style="list-style-type: none"> O IR website P E-mail communication P One-on-one meetings P Investor briefings P Site visits P Our quarterly financial result briefings A Our Annual General Meeting A Our Integrated Annual Report
 Local Communities	Sharing 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"> O Community initiatives and outreach programmes P Face-to-face interactions and calls P Visits to local communities
 Suppliers	Maintaining a fair and robust procurement system and approach to anti-bribery and anti-corruption, while supporting the Malaysian business ecosystem	<ul style="list-style-type: none"> O E-mail communication P Face-to-face interactions and calls P Supplier visits and assessments

O = Ongoing

P = Periodically

SA = Semi-Annually

A = Annually

DETERMINING WHAT MATTERS

We have developed a comprehensive materiality determination process to provide an objective view on the issues that are most important towards generating shared value. This process uses the insights provided by our stakeholders, allied with analysis of prevailing issues, risks and trends that are relevant to the food and dairy industry and our business, resulting in the identification of sustainability material matters which then form the basis for our sustainability efforts each year.

Determination of Risks

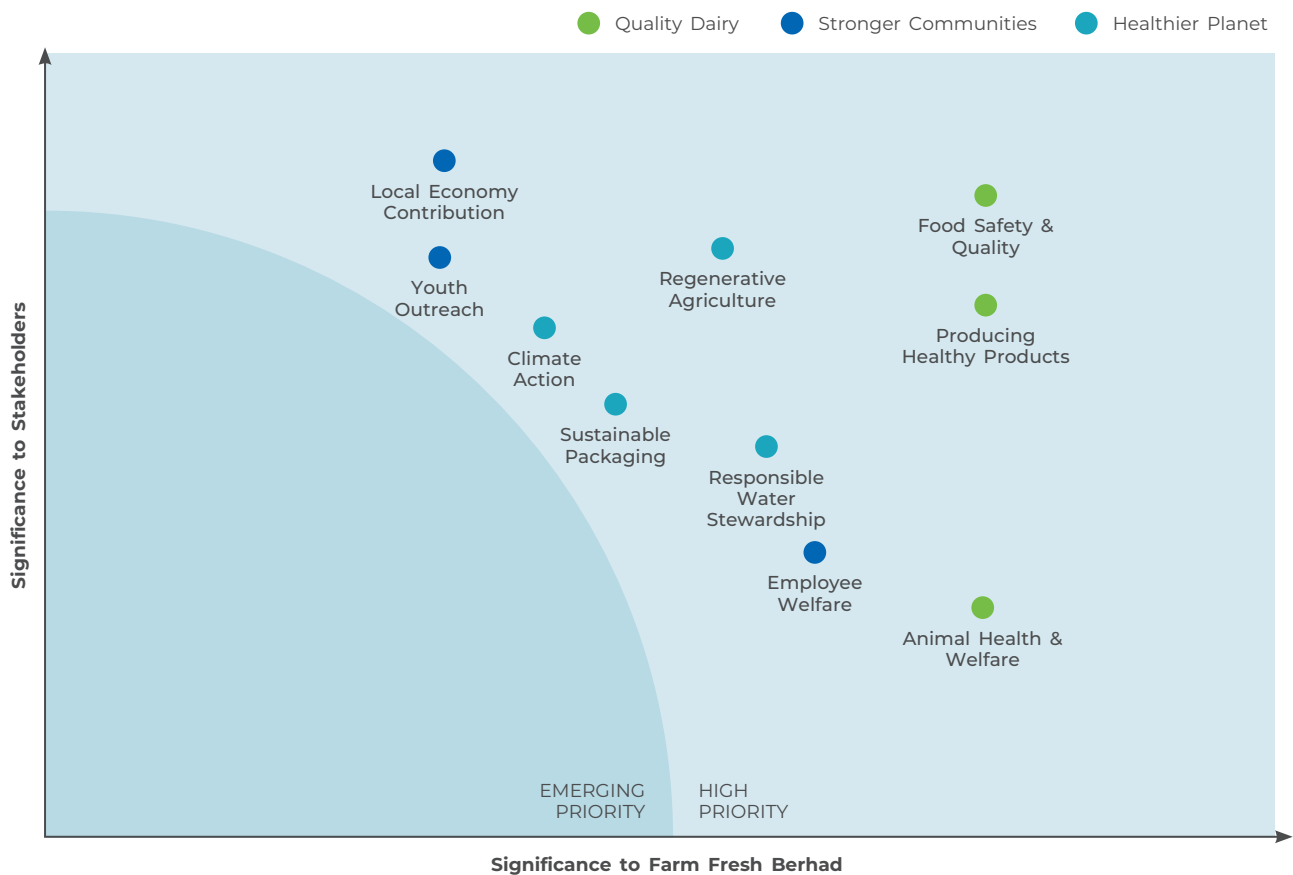
The Audit and Risk Management Committee develops a robust list of risks specific to the food and dairy industries and our business, with a focus on our core market of Malaysia.

Assessment of Business Impact

The Board of Directors conducts a thorough assessment of each risk, with factors considered including consumer needs, impacts to communities where we operate, regulatory concerns and potential impacts to brand reputation.

MATERIALITY MATRIX











The matrix shown below was generated as a result of our materiality determination process, detailing the significance of each sustainability material matter to the Group and to our stakeholders.



DETERMINING WHAT MATTERS

MAPPING OUR SUSTAINABILITY MATERIAL MATTERS

The table below describes why each of the sustainability material matters disclosed in this statement is significant to the Group, and indicates stakeholders which ranked the matter as 'high priority' during our engagements with them.

Sustainability Material Matter	Why It Matters	Who It Matters To
BETTER DAIRY		
Producing Healthy Products	Producing fresh and healthy dairy and plant-based products is our core mission as an organisation and our point of difference.	
Animal Health & Welfare	The health of our livestock has a direct impact on the nutritional value and safety of the products we pass to our customers, and in turn our reputation and potential for growth.	
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.	
STRONGER COMMUNITIES		
Local Economy Contribution	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.	
Employee Welfare	Ensuring that our employees can work in a happy, safe and well nourished environment enhances productivity and the sustainability of our business.	
Youth Outreach	By enforcing good habits - in life and nutrition - amongst the youth of today, we can leave a positive legacy that lasts for generations.	
HEALTHIER PLANET		
Regenerative Agriculture	Producing in balance and equilibrium with our natural environment by adopting regenerative agriculture practices is the best way to ensure product quality and deliver long-term impact for the environment and local communities.	
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.	
Climate Action	The agrifood industry is one of the largest contributors to global greenhouse gas emissions, and carbon emissions are increasingly becoming a major determinant of consumer purchasing decisions.	
Sustainable Packaging	Adopting sustainable packaging reduces the ecological footprint of our products while encouraging our customers to reduce their environmental impact as well.	

SUSTAINABILITY GOVERNANCE

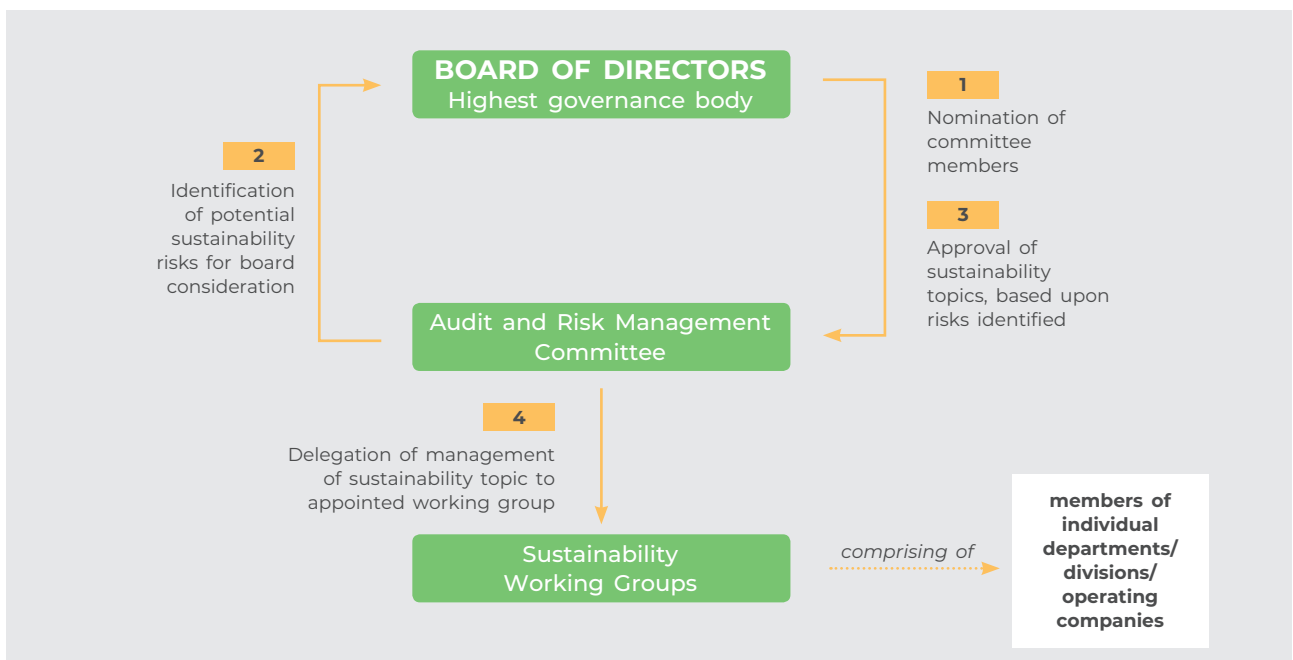


To deliver on our sustainability agenda, we leverage a robust governance structure that provides the necessary leadership, oversight and accountability for sustainability across the Group.

The Board of Directors (“Board”) forms the highest sustainability governance body within Farm Fresh Berhad. The Board is supported by the Audit and Risk Management Committee (“ARMC”), who are responsible for identifying risks related to sustainability.

Based on risks and potential topics identified by the ARMC, the Board plans to select key sustainability material matters that form the pillars of our sustainability initiatives each year. The ARMC then forms working groups to mobilise strategies and initiatives addressing the specific sustainability material matters 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 ARMC, who then report directly to the Board.

Finally, the Board plans to conduct 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.





1

2 ZERO HUNGER



3 GOOD HEALTH AND WELL-BEING



15 LIFE ON LAND



Better Dairy

PRODUCING HEALTHY PRODUCTS

WHY IT MATTERS:

Since our founding, producing healthy dairy has been our core mission, reflected in our tagline of "Dairy, Just As Nature Intended". Over the years, consumers have come to associate our brands with dairy and plant-based products that are free of preservatives, unnatural colourings and other foreign substances, and maintaining this commitment is critical to executing on our expansion plans and delivering value over the long-term.

OUR PERFORMANCE:

- 100% of our products are free from preservatives, artificial colourings and flavourings, and other foreign substances
- 100% of our products meet endorsed nutritional guidelines
- 18.8% of our portfolio of products comprise alternative milk products to cater to a wider range of preferences and dietary requirements

OUR ACTIONS & INITIATIVES:

Adopting an Integrated Supply Chain

As a fully vertically integrated dairy producer with a presence from farming to distribution, we are uniquely placed to accurately monitor the quality of our products and its ingredients. Accordingly, all our products meet the highest food and safety standards, leveraging a healthy dairy livestock who are treated in line with recognised animal welfare practices (see 'Food Safety & Quality' and 'Animal Health & Welfare' for more).

The oversight capabilities we have developed have in turn enabled us to successfully launch a satellite network of partner-farmers to whom we provide training on our processes and standards. Through ongoing mentorship, frequent seminars and technical support provided to these farmers, we have been able to transfer our knowledge to the growing Malaysian dairy farming community and increase our production capacity while maintaining our high standards in nutritional quality.

Developing Complementary Nutrition Products

As consumer preferences and dietary requirements continue to evolve, alternative milk products and plant-based milks are capturing a growing market share. Supported by our strong research and development capabilities, we have responded proactively, becoming the first company to launch organic milk, kurma milk, lactose-free milk, oat milk and almond milk products within the Malaysian market. 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. Furthermore, many are available in UHT/ambient varieties, maximising their shelf life and hence their reach outside larger population centres.

Future Plans

- We will continue to explore ways to enhance the nutritional and functional benefits offered by all our products and carry out further research and development into new dairy and plant-based recipes.
- We will further drive awareness and uptake of our products amongst children and families, aided by our strategic penetration into school canteens and our impending development of a fresh-milk based formula milk for children aged two to six years old.

ANIMAL HEALTH & WELFARE

WHY IT MATTERS:

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.

OUR PERFORMANCE:

- All our farms adhere to the Group's Good Animal Husbandry Practices (GAHP)
- All our completed Malaysian farms have received the Certified Humane® accreditation
- 60% of our cows across all farms have access to tunnel-ventilation barns
- 95.9% of our cows across all farms have access to dry sand-bedded areas for relaxation

OUR ACTIONS & INITIATIVES:

All our farms adhere to the Group's Good Animal Husbandry Practices (GAHP), which sets out specific and strict practices in animal health care, nutrition and housing. The code was developed in line with the Malaysian Good Agricultural Practices (myGAP) and the World Organisation for Animal Health's guidelines.

Moreover, we continuously research, develop and implement animal health and welfare practices that are optimised to tropical climates, maximising the wellbeing and comfort of our herd while increasing their raw milk output, yield and longevity. These best practices trickle down to our network of partner-farmers, raising standards in livestock rearing across the country.

Animal Feed Practices

To ensure that our entire herd receives a ration that is well balanced nutritionally, we employ a total mixed ration feeding regime. Different in-house feed formulas are developed for different members of our herd, taking into consideration their specific nutritional needs and their point in the breeding cycle.

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 through the process of vermicomposting. This sustainable practice not only reduces the animal waste we generate but also produces more nutritious feed for our cows. A variety 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 Healthcare Practices

At each of our farms we have designated teams responsible for animal healthcare, including veterinarians as well as animal science and husbandry graduates, and 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.

All our completed Malaysian farms have received the Certified Humane® accreditation from Humane Farm Animal Care, a globally-recognised non-profit certification programme aimed at improving the lives of farm animals. We are the first player in Asia to receive this certification and we intend to obtain similar certifications for our Taiping farm and for our farms in Australia.

OUR ACTIONS & INITIATIVES: (CONT'D.)

Animal Welfare Practices

Our Australian Friesian-Sahiwal and Holstein Jersey 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. All barns are equipped with soakers that spray water on the cows at six regular intervals throughout the day, further enhancing cow comfort. All cows also have access to clean and comfortable dry sand bedded areas where they can eat, drink and relax freely, while cows at our Australia-based farms are allowed to graze on grass outside their barn.

Our efforts to maximise animal welfare are aided by our animal breeding processes, whereby our dedicated IVF unit continually conducts research and development with the objective of optimising the genetic mix of our cows, enabling the breeding of cows ideally suited to our harsh tropical climate.

Driving Innovation in Animal Health and Welfare

With the aim of developing improved practices for the health and welfare of our cows and contributing to best practices in our region, we continually engage in fruitful collaborations with tertiary institutions and scientific research firms. These collaborations serve to lower the cost of herd medicinal care, shift resources to preventive care, and to improve yields through increased animal wellbeing and productivity.

Collaboration	Objective	Intended Long-Term 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.
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.

Future Plans

- We will continue to invest in state-of-the-art animal health and welfare technologies at all our farms while furthering our collaborations with tertiary institutions and research firms to develop improved animal health and welfare practices catered to tropical climates.
- We will share the outcomes of our R&D activities with the Malaysian government under the National Dairy Industry Development (NDID) programme with the aim of empowering positive impact across the industry.

FOOD SAFETY & QUALITY

WHY IT MATTERS:

The quality and safety of our products is core not only to our sustainability agenda but our business as a whole. By maintaining the highest and most stringent standards in our farming, production and distribution processes, we have been able to deliver nutritional benefit to our customers, grow trust in our products and deliver a stronger impact for local communities through our continued growth and expansion.

OUR PERFORMANCE:

- 100% of our processing facilities across Malaysia and Australia are operated in accordance with the GMP and HACCP food safety and quality principles
- All our staff in our processing facilities are trained in GMP and HACCP food safety practices
- We have had no product recalls due to safety reasons since 2014

OUR ACTIONS & INITIATIVES:

As a fully vertically integrated dairy company, we maintain strong oversight of our inputs, processes and outputs across the value chain with minimal reliance on external suppliers. Even dairy that has been acquired from outside the Group predominantly comes from our satellite network of partner-farmers, who adhere strictly to our processes and are monitored on an ongoing basis.

In alignment with international standards, all our processing facilities in Malaysia and Australia adhere to the Hazard Analysis Critical Control Points (HACCP) control system and the Good Manufacturing Practices (GMP), with all our staff in our processing facilities trained in GMP and HACCP food safety practices.

Adoption of Local and International Standards

All our farms and processing 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.

OUR ACTIONS & INITIATIVES: (CONT'D.)

The Farm Fresh Food Safety Management System

Building upon the controls established by the HACCP and GMP standards, our in-house food safety management system includes the following key controls amongst others:

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

A dedicated food safety management team, comprising an HACCP team leader, maintenance supervisors, internal auditors, Quality Assurance (QA) professionals and our production managers, are responsible for the implementation of the system. The team is independent of our operational teams 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

The food safety management team are also responsible for overseeing the regular maintenance of existing equipment to ensure they are functioning to the highest possible standards.

Biosecurity Practices

Cognisant of the major risk that any outbreak of diseases poses to our herd and our business, we have adopted strict herd biosecurity measures across all our farms in adherence with our GAHP manual and the practices outlined by the myGAP certification.

In line with its attendant practices, 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.

Future Plans

- We aim to have 100% of our processing facilities attain the FSSC 22000 certification – a standard recognised by the Global Food Safety Initiative (GFSI) – by the end of 2022.
- We will step up our work with our partner-farmers to implement HACCP and GMP standards across all farms that supply dairy to the Group.



2



Stronger Communities

LOCAL ECONOMY CONTRIBUTION

WHY IT MATTERS:

Within Malaysia, our products reach many suburban and rural areas, the majority of which are underserved and suffer from a lack of economic opportunities. As a vertically integrated dairy producer, we have the responsibility to provide sustainable employment opportunities within these communities and empower people through skills development and education programmes. Doing so generates shared value that uplifts these regions while aiding our business objectives.

OUR PERFORMANCE:

- 72% of our total workforce across our farms and processing facilities were recruited from rural and underserved communities
- 116 students from local universities and colleges have benefitted from our internship programmes
- We have 45 stockists, 900 home dealers and 1,772 agents within our home dealer programme
- 80% of the micro-entrepreneurs within our home dealer programme are women

OUR ACTIONS & INITIATIVES:

Rural Employment and Talent Development

Across our operational footprint, we have adopted a “local first” policy, where we first seek to fulfil staffing requirements within local communities before exploring options available in key urban markets. Presently, 72% of our total workforce across our farms and processing facilities have been recruited from rural communities within Malaysia, including 11 from within the indigenous *Orang Asli* community.

We have also developed a range of talent development programmes that provide a pathway for local graduates to become productive members of our workforce. Our range of internship programmes include collaborations with reputable universities and colleges, providing internships and potential fulltime employment to 116 high-performing students since 2019.

In 2021, we collaborated with the East Coast Economic Region Development Council (ECERDC) to launch the Farm Fresh Scholarship Programme, providing *Orang Asli* children with educational and financial support from primary to university level. The first pilot batch of the programme included the top 20 *Orang Asli* students at Standard 5 and Standard 6 levels across five local schools in the district of Rompin, and we aim to ensure that 80% of the selected students successfully pursue university studies and 100% go on to work with us in future.

Uplifting Local Farmers

With the aim of promoting fair pricing for local farmers and cost-effectively meeting our dairy sourcing demands, we set up a satellite network of partner-farmers based in rural areas of Malaysia whose dairy we would purchase for sale under the Farm Fresh brand. This is more than a supplier-buyer relationship, with partner-farmers availed of knowledge transfer opportunities through mentorship and able to access technical support from the Group at all stages of the production process.

Since 2011, we have met our dairy sourcing needs using this network, paying our partner-farmers rates a fair market price for raw milk and helping to raise 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.

LOCAL ECONOMY CONTRIBUTION

OUR ACTIONS & INITIATIVES: (CONT'D.)

The Farm Fresh Home Dealer Programme

In 2016, we established our home dealer programme, a first-of-its-kind distribution network spanning rural regions in Malaysia that do not have a major grocery store or supermarket. The network not only enabled us to expand the reach of our products, but has also provided sustainable income generating opportunities to micro-entrepreneurs in underserved areas. Presently, we have 45 stockists, 900 home dealers and 1,772 agents across all states in Malaysia, of which 80% are women. These independent contractors distribute Farm Fresh and Yarra Farm products within their communities, earning income on a commission basis while educating their friends and family on the nutritional benefits of dairy products.

As part of our commitment to their professional development, we conduct frequent seminars and courses for our stockists, ensuring that they are fully up to date on our product range, pricing and their distribution area. We also launched an e-commerce website in 2019 called Farm Fresh Mart which supports the sales efforts of stockists and home dealers. The website details home dealers and their agents by location and availability of stock, providing customers with the option of either purchasing our products online from the home dealer or agent, calling a home dealer or agent directly, or heading to the nearest stockist or home dealer to purchase our products. As a result, it has assisted significantly in the business development efforts of our stockists and dealers.

Thanks to the home dealer programme, stockists can earn up to RM25,000 a month while home dealers can generate a monthly income of up to RM5,000, a significant improvement on average salaries in these regions. Meanwhile, our sales to stockists within the network comprised 30% of our total revenue in FY2022, evidence that the programme has delivered a strong impact on our bottom line.

Furthermore, we received the ASEAN Inclusive Business Award in 2020 as a testament to the positive social benefits that we have provided through our home dealer programme.

Future Plans

- We plan to expand the Farm Fresh Scholarship Programme to an additional 24 schools in Pahang pending the completion of our pilot year
- With the growth of our product portfolio, we will further expand our home dealer programme through roadshows and other outreach avenues, providing additional income generation opportunities across Malaysia
- We will develop strategies to increase female representation within the home dealer network, with an emphasis on enabling economic empowerment and financial freedom for housewives

YOUTH OUTREACH

WHY IT MATTERS:

Healthy and nutritious food has a major role to play in the development of future generations, and as Malaysia's leading homegrown dairy company we are uniquely positioned to inculcate better consumption habits, starting at school.

OUR PERFORMANCE:

- We have engaged students from 64 schools under the *Amalan Perkhidmatan Kantin Terbaik* campaign since 2018
- We have distributed 6,178,020 packets of milk to 205,934 students across 2,987 schools under the *Rancangan Makanan Tambahan* supplementary food programmes

OUR ACTIONS & INITIATIVES:

Since 2018, we have stewarded two ongoing school programmes that are aligned with our vision of promoting better nutrition and health amongst youth.

Amalan Perkhidmatan Kantin Terbaik

Translating to 'Best Canteen Service Practices', *Amalan Perkhidmatan Kantin Terbaik* was created by the Malaysian Ministry of Education and 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. The campaign addresses the increasing incidence of obesity amongst Malaysia, harnessing a school-wide effort involving students and teachers, canteen operators, and Parents and Teachers Associations (PIBG) to impact change at a young age.

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 programmes which provide free meals to primary school students from rural areas and low-income households. Through our involvement, we supply 200ml UHT chocolate milk packets for every RMT meal, playing our part to meet the nutritional requirements for physical growth and mental development.

EMPLOYEE WELFARE

WHY IT MATTERS:

The majority of our employees are based in our farms and processing facilities, facing occupational hazards that involve dealing with heavy machinery, working with livestock in high heat and humidity, and engaging in construction or repair work. Our commitment to them is to make their work as safe as possible by aligning our practices with international standards in occupational health and safety measures, while providing employee healthcare, subsidised meals, and a holistic employee experience that caters to the development of the whole person.

OUR PERFORMANCE:

- We recorded zero work-related fatalities and serious injuries in FY2022
- Our employees received an average of 4 hours of safety and health training in FY2022
- 100% of our employees are covered by our Safety Management System and our Safety, Health and Environmental Policy
- Subsidised meals and free accommodation are provided to 80% and 50% of farm employees respectively

OUR ACTIONS & INITIATIVES:

Our approach to employee welfare encompasses implementing robust occupational health and safety systems for all staff across our farms and processing facilities, and providing housing and resources for sustainable and healthy living to our farm-based employees.

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 encompasses safe work practices for functions across our operations, in line with international and national-level standards including:

- MS 1722:2003
- OHSAS 18001
- ISO 1400

Implementing Hazard Identification, Risk Assessment and Risk Control (HIRARC) Procedures

Our HIRARC procedures provide an important control mechanism when carrying out potentially hazardous activities, with specific procedures outlined for operating and conducting maintenance on machines enforced across all farms and production facilities. Furthermore, additional measures have been implemented to ensure that emerging hazards are detected early, including:

- Periodic safety audits of processing facilities
- Chemical exposure monitoring to measure and control exposure to hazardous chemicals
- Annual audiometric testing carried out on employees working at our processing facilities to measure noise exposure and its effects on hearing
- Establishing internal Emergency Response Teams (ERT) to evacuate employees and fight fires in the event of an emergency

OUR ACTIONS & INITIATIVES: (CONT'D.)

Our HIRARC procedures are overseen by dedicated safety officers, who monitor personnel safety and conduct periodic safety audits of our factory premises to ensure that they are maintained as a safe environment of work.

In addition, 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 according to the demands of their role, while Personal Protection Equipment (PPE) is given to employees wherever necessary to ensure their safety. The orientation programme offered to all new employees also includes a comprehensive safety awareness component.

Engaging In Dialogue with Our Employees

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

- Carrying out regular inspections of workplaces, including specific inspections of machinery, equipment, substances, appliances and processes employed in the course of work
- Investigating any workplace accidents, near miss accidents, dangerous occurrences, occupational poisoning and occupational diseases, and to report any significant findings and recommended corrective actions to the management
- Assisting in the development of safety and health rules, and safe systems of work
- Reviewing the effectiveness of existing safety and health policies and recommending revisions where necessary

The committee includes employer and employee representatives, facilitating meaningful dialogue on health and safety issues while providing an avenue for emerging risks to be elevated to the attention of the management.

Encouraging Sustainable Living

Through our farms, we aim to support the economic advancement of rural communities (see 'Local Economy Contribution' for more), and our commitment in this area extends to providing our farm-based employees with meal subsidies and free accommodation. Presently, subsidised meals and free accommodation are provided to 80% and 50% of farm employees respectively. These employees are also provided with access to vegetables and fish grown and reared on-site to nourish their daily meals.



3



Healthier Planet

REGENERATIVE AGRICULTURE

WHY IT MATTERS:

Our farms span a total of 5,416 acres of land, a large footprint that encompasses landbanks in close proximity to protected natural environments and local communities. As such, it is vital that we adopt circular farming practices which minimise external and unnatural inputs, reduce the waste we generate, and nourish the land upon which we produce. By doing this, we can accrue value across our value chain, from the health of our livestock to the nutritional benefits enjoyed by our customers, while protecting our landbanks from degradation.

OUR PERFORMANCE:

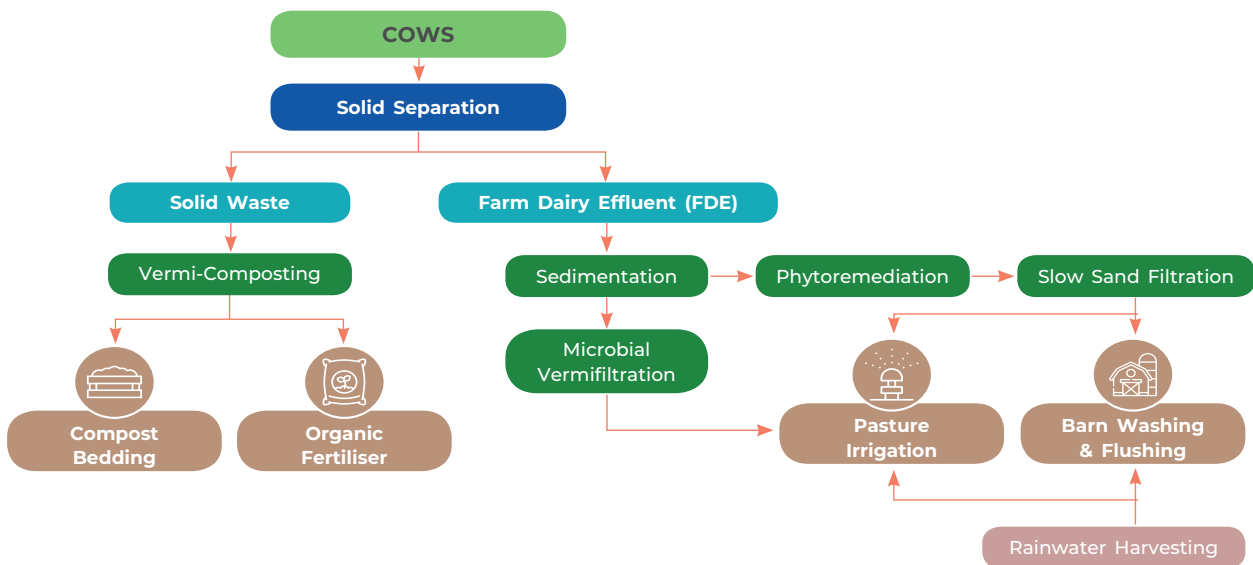
- 34.3 million kg of organic fertiliser produced from animal waste
- 335.0 million litres of FDE recycled and removed from waste discharge
- 86.4 million kg of solid waste recycled and removed from waste discharge
- 687,876 kg of chemical fertiliser removed from our production cycle
- 267.7 acres of farmland irrigated by recycled FDE

OUR ACTIONS & INITIATIVES:

Since 2014, we have progressively implemented regenerative agriculture practices at our Muadzam Shah and UPM farms which are geared towards two key outcomes:

- 1 Minimising non-recyclable organic waste generated
- 2 Maximising the use of natural resources that we have access to

To achieve circularity in our farming practices, we strive to remove our dependency on external inputs such as chemical fertilisers and instead use waste generated by our herd to fulfil key functions, as the chart below shows.



Specifically, through a process of vermicomposting, we utilise treated solid waste to form part of the mix for animal bedding, increasing our herd comfort and health, and as organic fertiliser for grass grown at both farms, which in turn forms a major component of the feed provided to our cows. We also treat liquid animal waste to aid with pasture irrigation and use it together with recycled rainwater for the washing and flushing of our barns.

Through the adoption of these practices, we have diverted animal waste discharge from landfills and sewerage systems, indirectly reducing the amount of methane released into the environment through landfill decomposition and the use of chemicals to treat waste in the sewerage systems. Concurrently, we benefit from a reduced reliance on external sources of water for our operations, and usage of chemical fertilisers, which are known to degrade soil health.

REGENERATIVE AGRICULTURE

OUR ACTIONS & INITIATIVES: (CONT'D.)

The table below outlines the regenerative agricultural practices we have adopted and the benefits they enable in greater detail:

Function	Processes Undertaken	Benefits
Compost Bedding	African Nightcrawler worms are used to break down solid waste produced by our cows into vermicompost (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
Organic Fertiliser	The vermicompost 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 • Minimises waste discharge that enters the drainage system • Improves physical characteristics of the soil such as water holding capacity, aeration and porosity, all of which benefit soil fertility • Using organic fertiliser results in more nutritious feed for our cows
Barn Washing and Flushing	<p>After solid separation, the Farm Dairy Effluent (FDE) that is isolated undergoes three major processes:</p> <ol style="list-style-type: none"> 1. It is filtered by sitting in sedimentation ponds. This process uses gravity to split and remove any remaining solids from the liquid waste 2. Phytoremediation uses living plants to effectively treat the effluent against contaminants and excess nutrient content 3. 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 • 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
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 mean that our pastures can be adequately watered even during the dry season, thus producing nutritious grass all year round

Future Plans

- We aim to implement regenerative agriculture practices across all our farms within the next three years
- We aim to launch our first biogas plant at our Muadzam Shah farm, which will utilise animal waste to produce biofuel for our operations, thereby reducing our carbon footprint
- We will develop an action plan to implement regenerative agriculture practices at all farms operated by our partner-farmers

RESPONSIBLE WATER STEWARDSHIP

WHY IT MATTERS:

The sustainable extraction and discharge of water is central to maintaining the health of our soil and the long-term quality of our products. In addition, our farms and processing facilities are located in close proximity to local communities who depend on the land for their livelihoods. As a result, we have a responsibility to lessen our disruption to the natural water table and minimise water-based discharge that enters local waterways.

OUR PERFORMANCE:

Water withdrawn by source	FY2022 (megalitres)
Municipal sources*	2,883.8
Groundwater and Surface water (incl. tube well pumping, rainwater, water from rivers)	428.8
Total	3,312.6

*Includes 2,397 megalitres from our Australian farms, where there are no groundwater and surface water sources available for extraction.

- 428.8 million litres of municipal water saved per year through tube well pumping and rainwater harvesting
- 13% reduction in municipal water usage due to adoption of tube well pumping and rainwater harvesting

OUR ACTIONS & INITIATIVES:

We aim to minimise our extraction of surface and municipal water, and have consciously invested in new technologies that allow us to harness rainwater and groundwater in serviceable volumes. Our efforts are aided by our adoption of regenerative agriculture practices (see 'Regenerative Agriculture' for more), which utilise treated liquid animal waste for use in barn washing and pasture irrigation, minimising our reliance on the water table for our needs.

Harnessing Groundwater and Rainwater

We have installed rainwater harvesting and tube well pumping systems across all our farms, reducing our use of municipal water by a total of 428.8 million liters.

By extracting groundwater found at the bottom of the water table, tube well pumping reduces the impact of our water withdrawal needs on surface water, which is a crucial resource for soil health and neighbouring farms. Additionally, groundwater is more easily available year round and less susceptible to droughts, meaning that during such occurrences we are less reliant on municipal water as a backup resource. Meanwhile, our rainwater harvesting systems channel rainwater for use in barn washing and flushing, irrigation, the washing of our herd and the maintenance of our farm-based machinery.

The Role of Regenerative Agriculture Practices

Untreated animal waste poses a major threat to water sources, with the potential for contamination that would affect the entire dairy production value chain. By introducing regenerative agriculture practices which treat solid and liquid animal waste for use across key functions, we have effectively distanced water from animal waste and mitigated against this risk.

In total, our regenerative agriculture practices remove 86.4 million kg of solid waste and 335.0 million litres of liquid waste per year from potential entry into the water table and local waterways.

Future Plans

- We will continue to scale up our rainwater harvesting and tube well pumping systems with the goal of attaining a 60% reduction in the use of municipal water by 2025, compared to peak levels
- We will develop an action plan to implement sustainable water withdrawal and management strategies at all farms operated by our partner-farmers, in addition to implementing regenerative agriculture practices at these farms

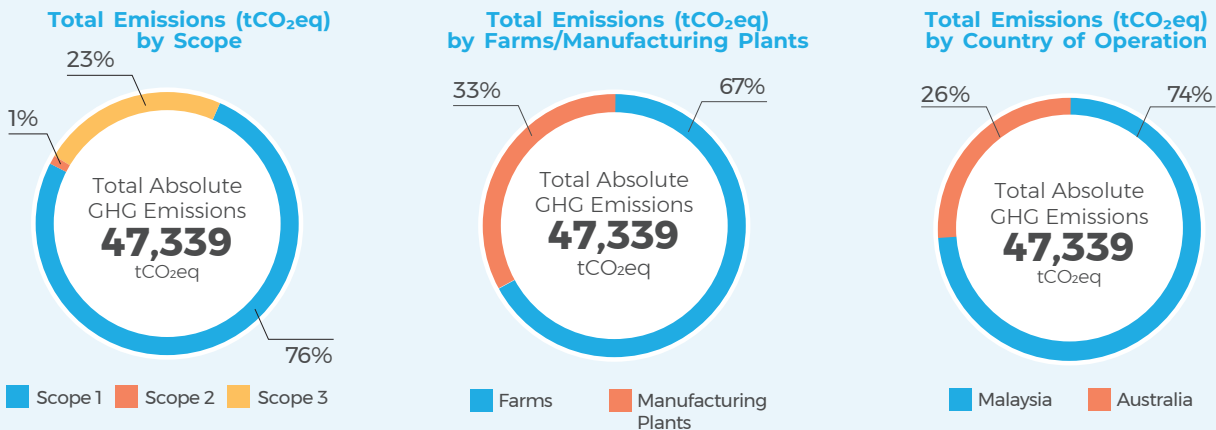
CLIMATE ACTION

WHY IT MATTERS:

According to the Food and Agriculture Organisation (FAO) of the United Nations, 31% of all human-caused Greenhouse Gas (GHG) emissions come from agrifood systems. This includes emissions from farming and land use, food production and the food supply chain, all of which apply to our operations.

Therefore, as an environmentally responsible organisation, it is incumbent upon us to seek out and implement sustainable measures to reduce our carbon footprint, including by introducing renewable sources to our energy mix. In doing so, we can set an impactful example in environmental management as a leader within the Malaysian and regional dairy farming communities.

OUR PERFORMANCE:



Benchmarking of Our Emissions Against Dairy Farms in Asia and Oceania²



Our Malaysian farms have an emissions intensity of **2.4kg** CO₂e/kg FPCM (27% lower than 2015 average of dairy farms in Asia)



Our Australian farms have an emissions intensity of **0.7kg** CO₂e/kg FPCM (47% lower than the average of dairy farmer in Oceania)

FPCM = fat and protein corrected milk

Reduced Emissions Due to Transition From Daily Spread to Composting of Manure

The table below shows the substantial decrease in untreated manure discharged into the environment, and its corresponding reduction in GHG emissions, as a result of our transition from daily spread to composting of cow manure.

Description	Daily Spread	Compost	% Decrease
Amount of manure discharged (kg N)	42,619	19,440	54.4
GHG Emissions (tCO ₂ eq/year)	307	146	52.5

OUR ACTIONS & INITIATIVES:

Our emissions come from a variety of sources including methane from enteric fermentation, nitrous oxide from fertilisers, carbon dioxide from tillage, and the burning of fossil fuels to power our processes and maintain machinery across our farms and processing facilities.

In seeking to reduce our footprint, we have implemented regenerative agriculture practices (see 'Regenerative Agriculture' for more) across our Muadzam Shah and UPM farms, before taking our efforts further with our inaugural carbon emissions inventory which was conducted in 2021. The exercise helped us identify actionable strategies to further reduce emissions which we are progressively introducing across our value chain.

¹ Carbon footprint exercise completed in July 2021 by an external consultant, based on the Greenhouse Gas Protocol Agriculture Guidance.
² Based on comparison with report issued by Food and Agriculture Organization of the United Nations and Global Dairy Platform Inc. in 2019.

OUR ACTIONS & INITIATIVES: (CONT'D.)

Reducing Nitrous Oxide Emissions

As part of our regenerative agriculture practices, we use treated animal waste for pasture fertilisation. Normally, pasture fertilisation would necessitate the use of chemical fertilisers, leading to the release of Nitrous Oxide – a Greenhouse Gas. Therefore, by using vermicompost as a substitute we have been able to reduce our emissions and improve soil quality at the same time, leading to nutritionally superior feed for the benefit of our cows at a lower cost to the environment.

Nitrous Oxide is also released from untreated waste matter, so by reusing animal waste for productive purposes we have enabled a further reduction to our farm-based emissions.

Adopting Renewable Energy

Leveraging our regenerative agricultural practices, we are set to launch our first biogas plant at our Muadzam Shah farm by 2023. The plant – our first renewable energy source – will use animal waste to produce biogas which will displace diesel usage for our boilers, accelerating the decarbonisation of our operations, and will be followed by an additional biogas plant at our Taiping farm. We already have solar PV running in both our Muadzam Shah and Larkin facilities, and a further one currently being planned for our Taiping facility.

In total, our progressive introduction of renewable energy is helping us reduce our dependence on the Malaysian national power grid. We aim 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.

Undertaking A Group-wide Carbon Inventory

In July 2021, we completed a Group-wide carbon footprint inventory exercise based on the GHG Protocol Corporate Accounting and Reporting Standard, covering the period of January 1 to December 31 2020, across our farms and processing facilities in both Malaysia and Australia.

The exercises covered all three emissions scopes:

- Scope 1 GHG emissions, comprising mainly direct emissions from machinery, equipment and motor vehicles operated at our farms and processing facilities, as well as enteric fermentation, manure management, and soil management at the farms
- Scope 2 GHG emissions, including indirect emissions related to the electricity purchased and consumed by the machinery and equipment at the farms and processing facilities
- Scope 3 GHG emissions, comprising mainly indirect emissions that are not recognised in Scope 2 plus emissions from business travel including by car, train and flight

In addition to enabling the development of emissions reduction strategies (see the 'Future Plans' section for more), the findings of the inventory exercise revealed that the emissions intensity of our Malaysian and Australian farms are 27% and 47% lower than the average of dairy farms in Asia and Oceania respectively (both based on a 2015 average), providing a strong base upon which to achieve further improvements.

Future Plans

Based on the insights provided by our carbon footprint inventory exercise, we have identified a variety of strategies to further reduce our Group-wide carbon footprint, including:

- Replacing existing anaerobic lagoons with anaerobic digestion tanks at our Muadzam Shah Farm, enabling us to use our farm-sourced manure to produce biofuel
- Installing solar thermal systems to reduce the use of diesel for our boiler and generator units
- Installing biogas and solar energy generation systems across various farms and processing facilities, as explained above

Looking forward, we target for our initiatives to achieve a 25% reduction in our Group-wide GHG emissions over the next five years (an average reduction of 5% per annum).

SUSTAINABLE PACKAGING

WHY IT MATTERS:

As a producer of packaged goods, we have a duty to consider a variety of sustainability issues including the origin and volume of the raw materials used, the environmental impact of processes used to manufacture the packaging, the recyclability of the packaging and the ability of the packaging to contribute to food waste reduction. Each of these factors carries a large potential ecological footprint.

Moreover, consumers are more environmentally aware than ever and are increasingly choosing FMCG brands based on their sustainability credentials, of which packaging is one of the most visible.

OUR PERFORMANCE:

- 28% of our turnover comes from products that use fully recyclable, FSC® Forest Stewardship Council certified packaging

OUR ACTIONS & INITIATIVES:

Our commitment to sustainable packaging starts with using packaging that is sustainably sourced – that is, sourced from 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.

Adopting Sustainably Sourced and Recyclable Packaging

In 2018, we adopted Tetra Pak paper packaging for our UHT products which is made from 75% paper, 20% plastic, 5% aluminium and is 100% recyclable. Furthermore, all paperboard used in the solution is FSC® Forest Stewardship Council certified and fully traceable, coming from FSC® certified forests and other controlled sources.

By purchasing Tetra Pak packaging, we are supporting the socially, environmentally and economically sound management of forests. Key aspects of Tetra Pak's commitment also 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 strive to ensure that all packaging suppliers we work with have a similarly robust commitment and action plan relating to sustainable packaging. We will achieve this by developing area-specific sustainability criteria for suppliers with a focus on ingredients and packaging materials, and by evaluating a significant portion of our key suppliers according to detailed sustainability assessment templates that include sustainable packaging.

OUR ACTIONS & INITIATIVES: (CONT'D.)

Inculcating Recycling Practices Amongst Malaysians

Recyclable packaging only serves its purpose when it is recycled, and we have developed an awareness strategy that aims to inculcate recycling as a part of everyday life amongst Malaysians.

By working with Tetra Pak, we have opened a recycling education centre at our UPM farm. The purpose of the centre is 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.

We have also engaged with youth through the Used Beverage Cartons (UBC) Recycling Contest, which aims to develop an awareness of the circular economy amongst school-going children. The programme reached a total of 64 schools across Malaysia.

Future Plans:

- We intend to increase our use of sustainably sourced Tetra Pak packaging to cover more of our packaging requirements, including our 200ml and 1L sizes
- We strive to launch sustainability-linked supplier criteria within the next two to three years, which will include criteria on sustainably sourced packaging
- We will continue to invest in creating school-based campaigns that educate youth on the importance of recycling