

QAF LIMITED SUSTAINABILITY REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017



SUSTAINABILITY REPORT



In partnership with the Philippines Red Cross and the Department of Education, Gardenia Philippines donates bread loaves to the children of Cabuyao Central School, Philippines

BOARD STATEMENT

The Board of Directors (the “**Board**”) is pleased to present the inaugural Sustainability Report of QAF Limited (“**QAF**” or “**Company**”).

The business of the Company and its subsidiaries (the “**QAF Group**” or “**Group**”), and the Company’s strategy of pursuing long term sustainable growth and value creation are, we believe, tied to the Group’s ability to manage its material environmental, social and governance (“**ESG**”) impacts. Sustainable business practices and responsible business conduct help foster strong identification with the Group’s products and brands, and assist to further strengthen consumer trust and loyalty. These, in turn, enhance our brand equity.

The issues and challenges involved with sustainability can however be complex. The adoption, practical implementation and development of sustainable practices is a journey, and one that must take place and evolve in the context of multi-faceted local and regional social, economic, environmental and commercial circumstances, including market competition and differing local laws and practices. Sustainability is a global issue that should be addressed on a global basis by governments, industries, corporate citizens, local communities and other stakeholders. Prior to this

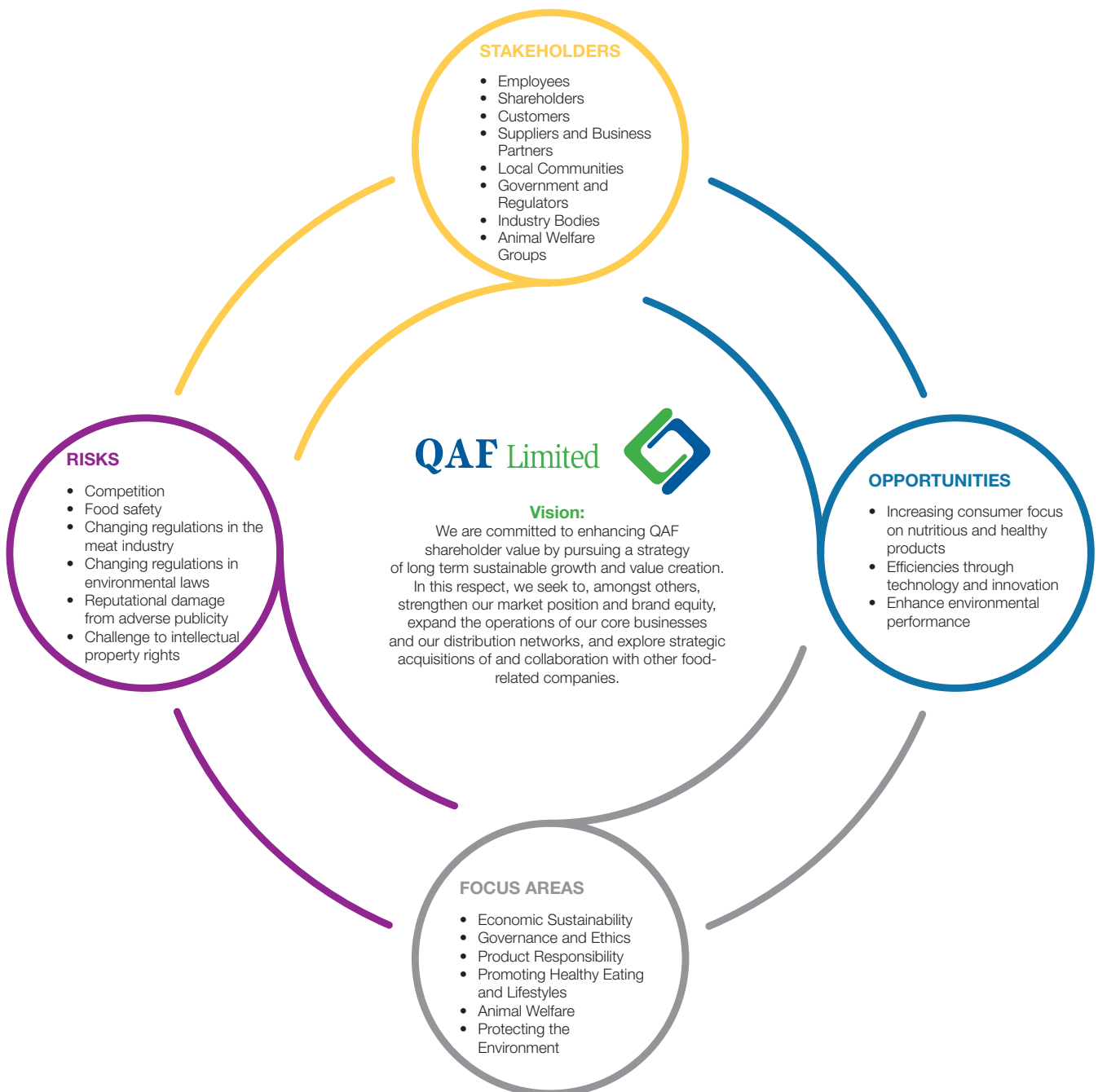
inaugural report, the Group has adopted sustainable business practices, and is pleased to reiterate its commitment thereto. In this report we share a description of our brands and what we stand for, how sustainability is integrated within the QAF Group, as well as our approach towards stakeholder engagement and materiality assessment. We also showcase some of the efforts and initiatives of the Group in the countries in which it operates, many of which are on-going and evolving. It is recognized however that the path ahead will be challenging. The Company intends to adopt a balanced approach whilst it strives to improve, and continues to explore constructive learning opportunities for sustainability.

Having regard to the above, the Board has considered sustainability issues as part of its strategic formulation, determined the ESG factors material to the Group’s business for coverage in this report and overseen the management and monitoring of risks and opportunities relating to the material ESG factors. To assist it, the Board has tasked the Audit and Risk Committee of the Company to review and make recommendations to the Board on the sustainability matters and the Company has appointed an external consultant to advise it on this report. Please refer to page 41 in the section entitled “*Governance And Ethics – Sustainability Governance*” for information on our governance structure.

SUSTAINABILITY REPORT

ABOUT THIS REPORT

This report summarizes key aspects of the Company's approach towards sustainability and progress to-date, with a focus on the Group's material ESG topics. We provide information on the process adopted for identification of the material ESG topics covered by this report, applicable related policies, if any, practices and performance, and the targets for 2018.



SUSTAINABILITY REPORT

RELIABILITY AND METHODOLOGY

[GRI 102-54]

This report has been prepared in line with the requirements of the sustainability reporting requirements of the Singapore Exchange Securities Trading Limited Listing Manual (Rules 711A and 711B). It has been developed with reference to the Global Reporting Initiative (“GRI”) Standards (2016), including the GRI Food Processing Sector Disclosures. The GRI Standards framework sets out the principles and standard disclosures that organizations can use to report their ESG performance and impacts. We have selected the GRI Standards as our sustainability reporting framework as we believe it provides robust guidance and is widely accepted as a global standard for sustainability reporting.

REPORT SCOPE

[GRI 102-46] [GRI 102-50]

For the purpose of reporting under the above Methodology (including reporting on our FY2017 performance and 2018 targets for the material ESG topics), we have considered the Group’s key operations, namely, its Bakery business in Singapore and the Philippines, and its Primary Production business in Australia. Focus has therefore been placed on the main lines of business where significant ESG impacts are expected to arise.

In addition, whilst not strictly part of our report scope, we have provided some information relating to the Group’s other businesses such as its Australian bakery operations and Trading and Logistics business, and the Group’s joint venture bakery operations in Malaysia.

FEEDBACK

[GRI 102-53]

If you wish to provide feedback on this report, please send your comments to sustainability@qaf.com.sg.



SUSTAINABILITY REPORT

OUR BUSINESS

[GRI 102-2] [GRI 102-4]

QAF is a leading multi-industry food company listed on the Singapore Exchange Securities Trading Limited. Our core businesses are Bakery, Primary Production, and Trading and Logistics. The Group has extensive food-related operations and distribution network in the Asia-Pacific region including Singapore, Malaysia, the Philippines, Australia, Myanmar, Cambodia, Hong Kong, Taiwan, Macau and Brunei.

OUR VISION

[GRI 102-16]

We are committed to enhancing QAF shareholder value by pursuing a strategy of long term sustainable growth and value creation. In this respect we seek to, amongst others, strengthen our market position and brand equity, expand the operations of our core businesses and our distribution networks, and explore strategic acquisitions of and collaboration with other food-related companies.

OUR BRANDS – WHAT WE STAND FOR

This report focuses on the Group's key operations through its *Gardenia* brand and the various Rivalea-owned brands. Backed by years of experience and expertise in the food industry, the Group has developed distinctive brands which are synonymous with the qualities described below:

Gardenia

The brand *Gardenia* is associated with qualities such as good taste, freshness, nutritional value, trust and reliability.

In a highly competitive market, we believe these values are a key reason for *Gardenia*'s continued success. Commitment to these values has enabled us to be a household brand name and forge lasting relationships with our consumers and the communities in which we operate.

Gardenia aims to be the premier brand in the bakery industry and seeks to improve and adapt to suit consumer needs while staying true to our core brand values.

We are pleased to report that in 2017, *Gardenia* achieved “*Top Influential Brand*” and “*Superbrands*” status for the *Bread Category* in Singapore.

In 2017, *Gardenia* also attained the status of “*Singapore's Number 1 Selling Bread Brand*”, leading the bread industry in the “*Total Bread Category*” and “*Wholemeal Bread Segment*” both in sales value and volume in a survey conducted by The Nielsen Company (for the period from October 2016 to September 2017).

Under our Group's joint venture in Malaysia, *Gardenia* was voted consumers' “*Most Preferred Brand*”, clinching the Gold Award-Foodstuff Category for the 8th consecutive year in the prestigious 2017 Putra Brand Awards.



SUSTAINABILITY REPORT

Rivalea

Our Group carries on our Australian Primary Production business through the Rivalea group (“**Rivalea**”). Rivalea is Australia’s largest pork producer and one of Australia’s leading vertically integrated pork companies with a sizeable investment in pig farming, pork processing and feed milling over a history of more than 45 years. Rivalea’s brands include *Family Chef*, *Murray Valley*, *High Country*, *St Bernard’s Free Range* and *Riverview Farms*. Rivalea also produces and markets stockfeed under established brands such as *Optimilk*, *Veanavite*, *Slingshot*, *Grolean*, *Nutrimax* and *Eggstra*.

Rivalea’s vision is to be the preferred supplier of Australian pork by building on its core competencies in pork supply and stockfeed milling to offer a range of products and services which maximise business efficacy and profit. Rivalea’s vision is underpinned by three core values: *Quality* (achieve customer satisfaction every time), *People* (an engaged team who takes ownership) and *Integrity* (accountability to all stakeholders at every decision). Running parallel with these core values is Rivalea’s over-arching focus on safety and animal welfare: *Safety* (Rivalea’s safety focus is “Everyone home safe every day”) and *Animal Welfare* (Rivalea is committed to providing quality care to every animal, every day).



Rivalea’s office at Corowa

Rivalea’s commitment to animal welfare has been recognised – it received the “*Good Farm Animal Welfare Award*” from Compassion in World Farming in 2011. As a testament to its commitment to sound environmental practices, Rivalea was named a finalist in the Business Leadership Award at the 2017 *Green Globe Awards*, in recognition of its efforts to minimize its environmental footprint by installing a biogas power generation facility in Corowa, New South Wales. This was a significant achievement as the *Green Globe Awards* is a leading environmental award sponsored by the New South Wales government, recognising excellence, leadership and innovation. Please refer to page 35 in the section entitled “*Integrating Sustainability Within QAF – Opportunities for our business – Enhance environmental performance*”.



Rivalea’s farm at Corowa

SUSTAINABILITY REPORT

INTEGRATING SUSTAINABILITY WITHIN QAF

In line with our approach of integrating sustainability in our business operations, for the purpose of identifying and assessing our material ESG risks, we took reference from our enterprise risk management (ERM) framework. This approach was adopted so that material ESG risks are considered in the context of our overall risk environment, and the risks identified have direct bearing on our strategies and business operations. Set out below are some risks and opportunities which our sustainability approach endeavours to manage or (as appropriate) harness. For more information on such risks, please refer to our Corporate Governance Report at pages 75 and 76 of the Annual Report.

Key risks to our business



COMPETITION



FOOD SAFETY



CHANGING REGULATIONS
IN THE MEAT INDUSTRY



CHANGING REGULATIONS IN
ENVIRONMENTAL LAWS



REPUTATIONAL DAMAGE
FROM ADVERSE PUBLICITY



INTELLECTUAL PROPERTY
RIGHTS

- **Competition:** The inability to remain efficient and competitive is a key risk. The Group's Bakery segment faces direct competition from local bakery chains as well as supermarket chain stores with their own "in-house" brands. The Primary Production division faces competition from local producers and cheap imports.
- **Food safety:** These risks include products not satisfying product or food safety requirements and the contamination of ingredients due to non-compliance of product handling procedures.
- **Changing regulations in the meat industry:** The Primary Production segment is regulated by numerous health and food safety organisations and subject to regulatory sanctions. In Australia, changes in these regulations will have an impact on the segment's cost and operations.
- **Changing regulations in environmental laws:** The operations of the Primary Production segment are subject to onerous regulatory licensing which requires substantial maintenance and monitoring, and breach of such requirements and the attendant consequences is a risk faced by this segment.
- **Reputational damage from adverse publicity:** With increasing use of social media, negative publicity published on social media and the inability to address the issues promptly and effectively can adversely affect the Group's business.
- **Intellectual property rights:** Challenge to or inadequate protection of the Group's brands and other intellectual property rights and/or proprietary information can adversely affect the Group.

To manage certain of these risks, we focus on, *inter alia*, providing consumers quality healthy food options in the form of our *Gardenia* bakery products. We also place strategic focus on product responsibility, the promotion of healthy (and affordable) eating and lifestyles, animal welfare, as well as responsible business practices. We believe that these will help foster strong identification with the Group's products and brands, and assist to further strengthen consumer trust and loyalty. Please refer to the write-up on our material ESG factors on pages 41 to 52 for more information.

SUSTAINABILITY REPORT

Opportunities for our business

Increasing consumer focus on nutritious and healthy products:

The market place is complex, involving shifting consumer preferences and demographics. Whilst these changes pose challenges, they also give rise to opportunities that we may harness to create business value. Consumers are actively seeking nutritious and healthy product options, as well as options to fit their busy and active lifestyles. Driving research and development to improve or increase nutritional or health benefits of our products and promoting a healthy lifestyle help us cater to ever-changing consumer preferences and stay relevant. The Group's Bakery business has a sizable research and development division which focuses not only on food safety, but also the nutritional value of our bread and bakery products. Examples of product innovation and attention to shifts in consumer needs:

- With a rapidly ageing population in Singapore, Gardenia identified consumers' demand for a nutritious, soft textured, smaller-sized loaf suitable for older adults. In 2016, the company launched the *Gardenia Super Fine & Soft 14-Grain Loaf* with a soft and easy-to-chew texture. The loaf is packed with essential minerals and vitamins for the elderly such as calcium for bone health, protein to aid in building body tissues, selenium to enhance immunity and Vitamin E with anti-oxidant functions.

- In 2017, the popularity of *Gardenia Cream Rolls* paved the introduction of two new variants of Wholemeal Cream Rolls packed with the delicious fusion of two cream flavours of Cranberry & Vanilla, and Peanut Butter & Caramel. The full range of Cream Rolls is also specially created with Super Fine and Soft Wholemeal Flour and enriched with vitamins B1, B2 and B3, for the enjoyment and convenience of busy and active consumers who are looking for grab and go snacks.
- In Singapore, one out of nine persons aged 18 to 69 suffers from diabetes, which comprises more than 400,000 of the population. In support of the fight against diabetes, Gardenia has focused on the promotion of the *Gardenia Low GI Nutri Multi-Grain Loaf* which is suitable for diabetics and health-conscious consumers. Gardenia was the pioneer in developing and introducing low GI bread loaves to the Singapore market. Certified low GI and low in sugar, this loaf provides slow release of glucose into the blood stream to help attain better diabetes control in the long run. Close to 9,000 loaves of the *Gardenia Low GI Nutri Multi-Grain Bread* have been sponsored to the community in 2017. To further promote the *Gardenia Low GI Nutri Multi-Grain Loaf*, Gardenia collaborated with retailer Giant Hypermarket to provide 50 cents savings vouchers to more than 9,000 consumers during roadshows and events.



Gardenia mascot at the Diabetes and Metabolism Centre, Singapore General Hospital



Gardenia Singapore's Low GI Nutri Multi-Grain Loaf is suitable for diabetics and health conscious consumers and is distributed at many health promotion events

SUSTAINABILITY REPORT

- **Efficiencies through technology and innovation:**

The creation, development and implementation of new technologies and operational processes can deliver mutual benefits for our business and the environment. Some examples:

- Our Gardenia subsidiary in Singapore has created and is the owner of the intellectual property rights to an innovative IT solution, the Business to Business (B2B) Electronic Data Exchange known as the "*Paperless Mobility Solution*", which reaps benefits for both our business and the environment. This Solution is an automated digital process for delivery, invoicing and confirmation of delivery/purchase which functions through, *inter alia*, a software App installed on the mobile electronic devices (smartphones) of Gardenia's salesmen that is communicable electronically with the retailer's device or computer system. This IT solution which encompasses e-invoicing, eliminates the need to print hard copy paper invoices and substantially reduces transcription errors arising during the delivery/collection process between Gardenia and its retailers (which had led to discrepancies between the parties' respective records). *Paperless Mobility Solution* allows Gardenia's e-invoice data to be transmitted seamlessly and electronically or digitally into the computer systems of retailers such as the latter's back-end computer systems. This initiative was taken by Gardenia to address issues it had previously encountered with collection, in full and on a timely basis, of amounts invoiced to its retailers, which also generated voluminous paperwork and involved time and resources. With the implementation of *Paperless Mobility Solution*, we have managed to reduce, and helped our business retailers who adopt the system such as a major supermarket chain, to reduce, paper consumption significantly. Administrative efficiency is also enhanced, enabling greater focus on other aspects of our business. We have patent pending in Singapore for this innovative Solution.
- Our Primary Production subsidiary employs a team to oversee its formal Environmental Management System, managing compliance

with environmental laws and regulations, identifying/managing environmental risks and energy generation, and advising operational groups on key issues. In 2017, it continued to expand its database to record the use of energy and water. This system records a wide range of data to assist in monitoring and key decision making. System reports help to identify areas of opportunity and assist in timely reporting of statutory information.

- Our Trading and Logistics subsidiary has commenced undertaking certain work functions electronically via the use of tablets, in place of carrying them out manually. This initiative, which involves work areas such as quality assurance and food safety audits, was implemented in 2017 to increase work efficiencies, reduce manual processes such as printing and filing, and reduce paper consumption.

- **Enhance environmental performance:**

In addition to our *Paperless Mobility Solution*, the Group's biogas collection facilities in Australia, which capture and burn methane generated from its farming operations, reduces the operations' impact on global warming. The generator at the Corowa operations has the capacity to supply approximately 25% of the Corowa site's power requirements, thereby reducing Rivalea's emissions associated with grid electricity and delivering cost savings to Rivalea's business.



Rivalea's biogas generator with capacity to supply 25% of the Corowa site's power requirements

SUSTAINABILITY REPORT

OUR FY2017 PERFORMANCE AT GLANCE



Governance and Ethics

- Commitment towards upholding corporate governance - donation to Corporate Governance Week organized by Securities Investors Association Singapore
- Signatory to ethics and integrity - Gardenia Philippines is a signatory to the Integrity Initiative program in the Philippines



Product Responsibility

- Food safety – in respect of the Group's Bakery business in Singapore and the Philippines and the Group's Primary Production business, approximately 84% and 100%, respectively, of the total production volume were manufactured at sites certified by an independent third party based on internationally recognised food safety standards
- Maintaining product safety and hygiene – Gardenia Singapore achieved Grade A status in the Food Safety Excellence Scheme under the Agri-Food & Veterinary Authority for the 23rd consecutive year in 2017



Promoting Healthy Eating and Lifestyles

- Encouraging healthy eating and lifestyles – Gardenia participated and conducted various health promotion initiatives in partnership with healthcare and community organisations such as the Singapore Health Promotion Board, Singapore Heart Foundation and Diabetic Society of Singapore
- Gardenia organized school health outreach programs and provided educational bread and plant tours



Animal Welfare

- In 2017, Rivalea developed and released "*Guiding Principles for Animal Welfare*", which is a published document on Rivalea's website, demonstrating its commitment to animal welfare

SUSTAINABILITY REPORT

OUR FY2017 PERFORMANCE AT GLANCE



Protecting the Environment

- Rivalea was selected as a finalist for the 2017 *Green Globe Awards* in recognition of its efforts to reduce its environmental footprint by installing a biogas generator facility in Corowa, New South Wales, Australia
- Creation of the B2B Electronic Data Exchange Solution, *Paperless Mobility Solution*, by Gardenia Singapore, which reduces paper consumption and environmental impact
- Donations to Wildlife Reserves Singapore Conservation Fund in support of biodiversity protection, and the Borneo Conservation Trust, Malaysia to support preservation of habitat and migration routes of Borneo's endangered wildlife such as the orangutan



Gardenia Singapore's e-invoice system, *Paperless Mobility Solution*



Ms Hazlinah Harun, Gardenia Malaysia, presents donation cheque to Datuk Dr. L. Ambu of the Borneo Conservation Trust, Sabah



Ms Cynthia Samboo, Gardenia Singapore (5th from left), presents donation cheque to Dr. Sonja Luz, Wildlife Reserves Singapore (4th from left) for the Wildlife Reserves Singapore Conservation Fund



Enriching Communities

- Established Gardenia Bursary Programme – S\$100,000 pledged to each of Nanyang Technological University and National University of Singapore, over a 5-year period
- Donation of fresh bakery products – Gardenia donates fresh bakery products and bread loaves to various charitable causes, underprivileged schoolchildren and victims of calamities and disaster reliefs including donations of bread to refugees in evacuation centres



Dr C.S. Ng, Gardenia Singapore (left), with Mr Victor Tay, NTU, at the cheque presentation ceremony for Gardenia Singapore's Bursary Programme for NTU students



Our People

- In 2017, Rivalea provided support financially and through mentoring nine employees with bachelor and post-graduate studies, and over 84 employees with nationally-accredited qualifications

SUSTAINABILITY REPORT

OUR SUSTAINABILITY APPROACH

STAKEHOLDER ENGAGEMENT

[GRI 102-40] [GRI 102-42] [GRI 102-43]

We identify our key stakeholders as groups of people and organisations who we consider are significantly affected by, or have the capacity to significantly influence, our Group's key business operations and strategies.

We communicate with our key stakeholders with the objective of understanding their material interests and concerns with a view to arriving at informed business decisions and policies. The table below summarises our approach to key stakeholder engagement.

Key Stakeholders	Engagement methods
Employees	<ul style="list-style-type: none"> • Training and career development programs • Health and wellness campaigns and initiatives, such as on-site health screening and vaccination for employees • Social and team-building activities
Shareholders	<ul style="list-style-type: none"> • Release of announcements and other relevant disclosures through SGXNet and QAF's website and where appropriate, through the media • Annual General Meetings and Extraordinary General Meetings, where necessary
Customers	<ul style="list-style-type: none"> • Participation in interactive roadshows held in conjunction with health promotion campaigns or initiatives • Advertisements, and marketing and sales promotion activities • Interaction via websites and social media platforms
Suppliers and Business Partners	<ul style="list-style-type: none"> • Supplier meetings • Audit of production facilities
Local Communities	<ul style="list-style-type: none"> • Participation in interactive roadshows held in conjunction with health promotion campaigns or initiatives • School health outreach activities • Tours of bread production facilities • Initiatives to give back to society, including supporting learning institutions through bursaries and various educational, philanthropic, community and charitable causes
Government and Regulators	<ul style="list-style-type: none"> • Routine and ongoing communication and collaboration • Compliance with mandatory reporting requirements
Industry Bodies	<ul style="list-style-type: none"> • Co-operation and/or collaboration with industry bodies such as Australian Pork Limited (APL)
Animal Welfare Groups	<ul style="list-style-type: none"> • Work with animal welfare groups to determine animal welfare program research strategies and direction such as the Animal Welfare Science Centre (AWSC)

SUSTAINABILITY REPORT

MATERIALITY ASSESSMENT

[GRI 102-47]

A formal materiality assessment was conducted by the Company to identify and prioritise the material ESG risks and opportunities that will act as barriers or enablers to achieving our key business goals. An independent sustainability consultant was engaged to facilitate a three-step process as summarised in the table below. The materiality assessment was guided by the GRI Materiality Principle.

	Activities conducted	We considered:
Step 1 Identify material ESG factors	<ul style="list-style-type: none"> Background research Online questionnaire completed by key executives from various business units 	<ul style="list-style-type: none"> Global and local emerging sustainability trends Sustainability focus areas and challenges for the industry, as identified by peers Risks identified in the Group's Enterprise Risk Management (ERM) framework Guidance from the GRI Standards (2016) and the GRI Food Processing Sector Supplement
Step 2 Prioritise material ESG factors	<ul style="list-style-type: none"> Workshop attended by key executives from various business units 	<ul style="list-style-type: none"> Significance to the business Concern to key stakeholders
Step 3 Validate material ESG factors	<ul style="list-style-type: none"> Validation and approval by the Audit and Risk Committee 	<ul style="list-style-type: none"> Relevance to the business, organisational strategies, business model and key stakeholders

The assessment yielded six material ESG factors which form the focus of this report, namely, Economic Performance, Anti-corruption, Customer Health and Safety, Healthy and Affordable Food, Animal Welfare and Effluents and Waste. Whilst we have also provided information relating to Energy, Emissions, Local Communities, and Training and Education, these are non-material ESG topics for the purposes of this report.

SUSTAINABILITY REPORT

Focus Areas		GRI Topics	Read more in our:
	Economic Sustainability Our financial performance, and economic value generated and distributed.	<ul style="list-style-type: none"> Economic Performance 	<ul style="list-style-type: none"> Financial Contents, pages 87 to 186
	Governance and Ethics Our governance structure, ethics and integrity, and anti-corruption policies.	<ul style="list-style-type: none"> Anti-corruption 	<ul style="list-style-type: none"> Sustainability Report, page 41
	Product Responsibility Producing food products are safe, hygienic and nutritious.	<ul style="list-style-type: none"> Customer Health and Safety 	<ul style="list-style-type: none"> Sustainability Report, pages 42 to 44
	Promoting Healthy Eating and Lifestyles Catering to customers' varying nutritional needs and tastes, and spreading the benefits of a healthy diet and lifestyle.	<ul style="list-style-type: none"> Healthy and Affordable Food 	<ul style="list-style-type: none"> Sustainability Report, pages 45 to 49
	Animal Welfare Our commitment to the respectful and humane treatment of animals.	<ul style="list-style-type: none"> Animal Welfare 	<ul style="list-style-type: none"> Sustainability Report, pages 50 and 51
	Protecting the Environment Optimising our operations to be more environmentally sustainable.	<ul style="list-style-type: none"> Effluents and Waste Energy* Emissions* 	<ul style="list-style-type: none"> Sustainability Report, pages 52 to 55
	Enriching Communities Contributing our resources towards the welfare of the less fortunate and fostering ties within the communities in which we operate.	<ul style="list-style-type: none"> Local Communities* 	<ul style="list-style-type: none"> Sustainability Report, pages 56 to 59
	Our People Investing in developing the skills and capabilities of our workforce.	<ul style="list-style-type: none"> Training and Education* 	<ul style="list-style-type: none"> Sustainability Report, page 59

*Non-material ESG topics

SUSTAINABILITY REPORT

GOVERNANCE AND ETHICS

QAF places high priority on fostering and maintaining consumer trust and is committed to upholding good ethical standards and integrity in its business practices. This involves robust corporate governance as well as an accountable and transparent management system. Our corporate governance practices are guided by the Code of Corporate Governance 2012. Further information can be found in our Corporate Governance Report on pages 61 to 86 of the Annual Report. Our Corporate Governance Report notes, amongst others, that the review of the Group's system of internal controls and risk management is a continuing process, and the system as adopted by the Group is designed to manage rather than eliminate the risk of failure to achieve business objectives. Part of the Group's business is located in regional countries which are challenging and different control environments to operate in and where laws and practices differ from those in Singapore. No system can provide absolute assurance against the occurrence of, amongst others, fraud or other irregularities. Management continues to review and look at areas of improvement in particular in relation to operational and compliance risks.

SUSTAINABILITY GOVERNANCE

[GRI 102-18]

The Audit and Risk Committee ("**ARC**") of the Board is tasked to review and make recommendations to the Board on the sustainability policies, practices, targets and performance including the governance structure and sustainability reporting framework adopted. It validates and approves the ESG factors identified as material to the Group's business for reporting herein. The ARC is supported by the Sustainability Working Committee which comprises certain key executives of the Company, who draw on executives of the various business units.

ANTI-CORRUPTION

QAF is opposed to fraud and corruption, both of which are inconsistent with our values. Our employees are expected to conduct themselves in a professional and ethical manner.

QAF has in place a Whistleblowing Policy which provides an avenue for employees and officers of the Group to raise in confidence, concerns about actual or suspected improprieties about, *inter alia*, financial reporting, internal controls, accounting and audit matters and corruption, bribery and fraud, and offer reassurance that they will be protected from reprisals for whistleblowing in good faith. Whistleblowing complaints received directly by the ARC Chairman or other channels are handled in conjunction with members of the ARC and, where considered appropriate, relevant senior management personnel. The ARC considers the information provided and decides the course of action.

In the Philippines, Gardenia is a signatory to the Integrity Initiative program, a private-sector led campaign to promote common ethical and acceptable integrity standards in the business community and various sectors of society. Gardenia Philippines communicates its anti-corruption policies to its suppliers and requires them to pledge to abide by its integrity standards.

Internal audits of our Group entities are conducted periodically to monitor for risk of corruption and report adverse findings. Based on our internal audits and confirmation sought from relevant Group entities, there were no confirmed incidents of corruption in FY2017. We are presently working on a formal code of conduct for our Group including anti-corruption policy to guide the actions of our employees ("**Code of Conduct**") and plan to adopt the Code of Conduct in FY2018.

Performance for FY2017 [GRI 205-3]

Performance

Zero confirmed incidents of corruption based on checks referred to above

Target for FY2018

Target

To adopt a Code of Conduct for our Group in FY2018

SUSTAINABILITY REPORT

PRODUCT RESPONSIBILITY

As a major food producer and manufacturer, QAF considers customers' confidence in its products to be of paramount importance. It is our priority to produce food which meet all applicable food safety standards and are of consistently high quality and nutritious.

COMMITMENT TO FOOD SAFETY AND QUALITY

Gardenia and Rivalea take steps so as to ensure that their products and production processes are safe, hygienic, and comply with accepted specifications and government regulations. A significant percentage of the Group's production volume from its key Bakery operations as well as its Primary Production business is produced on sites certified by independent third parties according to internationally recognised food safety management system standards. In addition, these key bakery operations meet the stringent requirements of certain food management system standards, such as the Hazard Analysis and Critical Control Point ("HACCP") international certifications. HACCP is a food safety management tool which provides a framework for companies to prevent and control food hazards. HACCP certification demonstrates our commitment to manufacture our products according to stringent food safety procedures. The Group's Australian bakery operations also meet Safe Quality Food (SQF) standards.

Gardenia

The Gardenia operations follow a stringent set of standard operating procedures with the objective of ensuring that products and production processes comply with the relevant regulations and quality standards. In Singapore, employees are regularly sent for training courses in food safety. In the Philippines, suppliers are expected to undergo a stringent accreditation process and raw materials to be used in *Gardenia* products are subject to strict inspection procedures for consistent quality standards.

- **Singapore** and **Philippines**: Gardenia operations have attained ISO 9001:2008 food safety and quality control accreditations.

In addition, Gardenia operations comply with Good Manufacturing Practice (GMP) hazard management procedures to check that its products are produced consistently and controlled according to quality standards. The operations are subject to annual quality audits to check that performance is in compliance with these food hygiene and food safety standards. Gardenia operations also undergo audits by local legislation bodies (such as the Agri-Food & Veterinary Authority ("AVA") in Singapore) and institutional customers.

Gardenia Singapore achieved Grade A status in the Food Safety Excellence Scheme under the AVA for the 23rd consecutive year in 2017. That same year, Gardenia Singapore was accredited with BizSAFE Level 3 by Workplace Safety & Health Council. These achievements followed from Gardenia Singapore having been awarded, in 2015, the prestigious Platinum Award by the AVA for achieving Grade A status in the Food Safety Excellence Scheme for 20 consecutive years. It was the first local bakery in Singapore to receive this award, recognition of Gardenia's consistently high standards in food hygiene, sanitation and processing. In addition, all *Gardenia* bakery products are certified Halal.

The Group's joint venture Gardenia operations in Malaysia has attained ISO 22000:2005 Food Safety Management System. Gardenia Malaysia's production plants and products have received Halal certification by The Department of Islamic Development Malaysia (JAKIM). In 1994, Gardenia Malaysia had taken a pro-active role to set up a special Internal Halal Committee so as to ensure that all requirements were adhered to and Halal regulations were complied with. This initiative was taken before the introduction of the "*Hala*" certification and logo in Malaysia, and reiterates Gardenia Malaysia's commitment in serving its customers to the best of its ability.

SUSTAINABILITY REPORT

Rivalea

In Australia, Rivalea possesses accreditations under or with:

- the Australian Pork Industry Quality Program
- Export Registered Australian Standard Meat Establishment guidelines
- Global Food Safety Institute Standard SQF Code for Food Safety and Quality Management
- Australian Livestock Processing Industry Animal Welfare Certification
- Australian Government Export Approved Arrangement
- FeedSafe (a Code of Good Manufacturing Practice run by the Stockfeed Manufacturers Council of Australia) and
- accreditations with Australia's major supermarket chains.

Rivalea operates under independently accredited quality systems. Its operations adhere to a quality systems manual which is prepared in line with the requirements of, *inter alia*, the AS/NZS ISO 9001:2008, HACCP, Export Control (Meat and Meat Products) Orders, SQF 2000 and Woolworths Supplier Excellence Program. These quality systems emphasise continuous improvement, and focus on in-line problem prevention rather than end-product defect detection. Rivalea monitors the systems, and defects or non-conformities detected, if any, are acted on and rectified, as appropriate. Employees undergo training and receive a formal set of work instructions with respect to their responsibilities on matters such as food safety, personal hygiene, operation of equipment, handling and storage of food, and animal handling. Trained quality assurance personnel monitor processes for compliance, record findings and initiate corrective actions to manage non-conformance.

The majority of Rivalea's animals are processed through its pork processing plants. This enables Rivalea to achieve better quality carcasses and meat cuts at high hygiene and sanitation standards. The adjoining boning facility uses technologies to efficiently and hygienically debone the meat which is vacuum-packed into case/slice ready primals. The team of food safety and quality

assurance officers at the on-site microbiology laboratory undertakes daily testing of both products and equipment to check for compliance with food safety and customer standards. The laboratory is accredited with the National Association of Testing Authorities.

Rivalea's systems are subject to internal and external audit assessments. A full time Australian Government Veterinary Officer is stationed on-site at each of its processing plants and Australian Government Authorised Officers conduct regular inspections. Rivalea is also subject to monthly audits conducted by the Australian Government Department of Agriculture. In addition, its pork processing plants and feed mill operations undergo annual certification audits conducted by independent internationally accredited bodies.

Rivalea undertakes audits of its suppliers. Site audits are conducted before Rivalea's initial approval of any meat product suppliers and meat product storage facilities. All potential suppliers of meat products, food ingredients and food handling equipment are subject to a Food Safety Questionnaire and Quality Assurance risk assessment to assess whether they are suitable as an approved supplier for Rivalea.



Rivalea's research and development personnel at work

SUSTAINABILITY REPORT

IMPROVING FOOD NUTRITION

Besides upholding food safety, QAF also strives to nourish individuals and families through its products. We endeavour to improve the nutritional content of our bakery products to deliver products that not only taste good, but also deliver health benefits to consumers.

Gardenia

The Group maintains laboratories that focus on the development of new products, selection of the nutritional values of specific products, product shelf-life testing and provision of technical inputs and equipment specification for new production equipment. The laboratories are responsible for the selection and testing of raw materials and ingredients, trial bakes, sensory evaluation, refining of nutritional values of products, establishment of production process parameters, and product costing.

They are also responsible for compliance of new products and ingredients with local food legislation provisions, including labelling requirements, and initiating the Halal certification process. The laboratories are equipped to undertake bread quality assessment, packaging, and other quality control parameters, and for conducting basic microbiological testing. To maintain food quality, the Group together with its Malaysian joint venture operations has an in-house research and development division which currently employs a total of 28 persons, consisting of 14 professional staff, 9 laboratory technicians and 5 baking technologists.

We seek to produce a wide range of *Gardenia* products that are value-for-money and cater to consumers' varying nutritional needs and tastes. The *Gardenia* range of products includes bread with low Glycemic Index ("**GI**") suitable for diabetics and bread made from Canadian purple wheat, an ingredient which is high in anti-oxidants.

- **Singapore:** Gardenia's wholegrains range of high-fibre bakery products carries the Health Promotion Board ("**HPB**")'s "*Healthier Choice Symbol*" to help consumers make healthier food choices. Gardenia held ten promotions during the year in retail stores island-wide in Singapore to encourage consumers to purchase wholemeal products.
- **Philippines:** Gardenia's bread products are enriched with vitamins and minerals which exceed the minimum requirement set by the Food and Drug Association and the Department of Health. Its range of healthy wheat products forms the fastest growing product sector in the Philippines.

Under the Group's joint venture in Malaysia, Gardenia promoted the consumption of a high-fibre diet through its fibremeal range of bread products during the year. The range comprises five products of varying fibre levels to cater to different tastes and needs, and will carry the Malaysia Ministry of Health's "*Healthy Choice Logo*" in 2018. The nutritional information on *Gardenia* products of the Malaysian operations is verified by the American Institute of Baking, and the GI values of its sandwich loaves are tested by the University of Sydney and Temasek Polytechnic of Singapore.

Performance for FY2017 [GRI FP5]

Performance

In respect of the Group's Bakery business*, 84% of total production volume was manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards.

In respect of the Group's Primary Production business, 100% of total production volume was manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards.

Target for FY2018

Target

In respect of the Group's Bakery business*, to at least maintain the FY2017 percentage of total production volume manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards.

In respect of the Group's Primary Production business, maintain FY2017 performance.

*This covers the Singapore and Philippines bakery businesses, in line with our report scope.

SUSTAINABILITY REPORT

PROMOTING HEALTHY EATING AND LIFESTYLES

To meet the different nutritional needs of its customers, QAF develops specific products with enhanced nutritional formulation to address some of those needs, whilst seeking not to compromise on affordability or accessibility.

ACCESSIBILITY AND AFFORDABILITY

Gardenia has established a strong brand presence and a reputation for high-quality and value-for-money products. We strive to ensure that *Gardenia* products are accessible to consumers. Each day, *Gardenia* bread is delivered 'straight from the oven' by our fleet of over 1,400 vans and trucks to nearly 50,000 supermarkets, convenience stores and general trade channels all over Singapore, the Philippines and Malaysia.

- **Singapore:** Approximately 280 *Gardenia* bread vending machines located in selected high-density residential areas, corporations and schools also provide customers with greater convenience and accessibility to *Gardenia*'s bread and bakery products around the clock, rain or shine. *Gardenia* was the first bakery to introduce loaf bread vending machines in Singapore. Similar to retail outlets, the daily-issued loaves and buns are replenished every day so that consumers have greater and more convenient access to fresh bread.

To promote the affordability of *Gardenia* products, *Gardenia* held various promotions throughout the year, during which certain of its products were sold at discounted prices. This promotion was also extended to corporations and institutions during which they enjoyed a special bulk price for certain *Gardenia* products.



Gardenia Singapore's bread vending machine



Fleet of *Gardenia* delivery trucks at the *Gardenia* bakery plant at Laguna, Philippines

- **Philippines:** *Gardenia* handles direct distribution of bread products through retailers so as to achieve accessibility to fresh products. *Gardenia* products are widely distributed throughout the entire Luzon archipelago through its Laguna plant in northern Philippines while its Cebu plant in southern Philippines caters to the Visayas and Mindanao markets. To meet the growing demand from consumers in the Philippines, *Gardenia* is setting up new production plants in Mindanao and Luzon.

To meet the growing demand for value-priced bread by the consumers in the Philippines, *NeuBake*, an affordable and good-tasting bread made by *Gardenia*, was launched.

Other than traditional media, *Gardenia* engages consumers through digital platforms such as *Facebook*, *Instagram*, *Twitter* and *Youtube*, providing opportunities for the brand to effectively interact with the younger and internet-savvy consumers.

PROMOTING HEALTHY LIFESTYLES

Gardenia is in a position to play a role in providing consumers and communities access to, and understanding the benefits of, a nutritious, balanced diet and healthy lifestyle through education and health promotion activities. We aim to help people make healthier choices so as to improve their well-being. *Gardenia* works with partners to promote balanced diets and regular physical activity, giving individuals the support they need to lead better, healthier lives.

SUSTAINABILITY REPORT

Health promotion initiatives

The Group's Gardenia operations play an active role in health promotion initiatives to spread the benefits of a healthy diet and lifestyle to the community. In 2017, Gardenia took part in the following initiatives:

Singapore:

- To promote the consumption of wholegrains, Gardenia distributed wholemeal and multi-grain breads for numerous community outreach events. During the year, it worked closely with numerous partners such as the People's Association, Singapore Cancer Society, Singapore Heart Foundation, HPB and Singapore Kindness Movement to distribute wholemeal bread to the public, especially for family and health related events.
- Since 1992, Gardenia has been a supportive partner of the HPB in various nationwide health promotion initiatives. In 2017, it contributed as a Gold Partner in two major campaigns to promote the importance of wholegrains in Singaporeans' daily diet – “Eat, Drink, Shop Healthy” and “Healthy Lifestyle Festival SG” (“HLFSG”).
- Gardenia supported the “Eat, Drink, Shop Healthy” nation-wide campaign by incorporating the message of “Turn Healthy Habits into Wins” on the packaging of Gardenia Fine Grain Wholemeal Bread loaf for a one-month duration. Gardenia also participated in 10 interactive roadshows at various heartland supermarkets to educate consumers to select products with the *Healthier Choice* symbol.



Gardenia booth at the Healthy Lifestyle Festival SG event organised by the Health Promotion Board, Singapore

- For the HLFSG campaign, Gardenia participated in three roadshows. Four recipe demonstrations were conducted at the roadshows to encourage the public to make nutritious meals using *Gardenia* Low GI Nutri Multi-Grain Loaf. A direct imprint of the HLFSG campaign details was printed on the packaging of *Gardenia* Super Soft & Fine Enriched Wholemeal White Bread for three months. Gardenia also participated in a 2-day Anchor Event to educate consumers to stay healthy in fun and easy ways.
- Gardenia has worked closely with various partners such as Diabetic Society of Singapore, the HPB, Singapore Health Services and numerous healthcare and community organisations to promote the *Gardenia* Low GI Nutri Multi-Grain Loaf, which is suitable for diabetics and health-conscious consumers. Gardenia participated in the World Diabetes Day event organized by the Diabetic Society of Singapore in November 2017 at the Suntec Convention. The theme for the event was “Women & Diabetes”. Gardenia was the exclusive bread sponsor for the event, and 1,200 loaves of *Gardenia* Low GI Nutri Multi-Grain bread and *Gardenia* non-woven bags were distributed to the public. In addition, a recipe demonstration was conducted to educate participants on how to create a healthy meal using the *Gardenia* Low GI bread and learn more about the benefits of low GI foods. A *Gardenia* booth was set up where consumers sampled *Gardenia* Low GI Nutri Multi-Grain bread.



Recipe demonstration by Gardenia Singapore at the World Diabetes Day - “Women and Diabetes” event

SUSTAINABILITY REPORT

Philippines:

- The Nutrition and Wellness team of Gardenia in the Philippines strengthened its campaign to practice healthy living and observe an active lifestyle through an aggressive implementation of the Corporate Wellness Movement. This program is designed to cater to the health information needs of employees from government and the Business Process Outsourcing (BPO) firms. In 2017, they were able to facilitate free nutrition counselling, diet prescription and bread sampling to more than 80,000 employees.

Under the Group's joint venture in Malaysia, Gardenia undertook health promotion initiatives, such as co-sponsoring the Nutrition Month Malaysia 2017 health carnival in partnership with the Nutrition Society of Malaysia, Malaysian Dietitians' Association and the Malaysian Association for the Study of Obesity, which carried the theme, "*Eat Smart + Move More = Recipe for Healthy Families*". To teach the young healthy eating habits and nutrition in a fun and effective way, Gardenia Malaysia collaborated with nutritionists from University Kebangsaan Malaysia to organise cooking workshops for children and teenagers. The participants were taught how to cook healthy meals for the family using *Gardenia* bread.



Cooking workshop for children and teenagers organised by Gardenia Malaysia in collaboration with nutritionists from University Kebangsaan Malaysia

Throughout Nutrition Month, Gardenia Malaysia sponsored its healthy Canadian Purple Wheat bread for activities organised by government/private hospitals and regional Health Departments in Malaysia. It also supported health events organised by hospitals in Malaysia in its effort to promote healthy eating and fibre consumption. Some of the programs involved educating children with Type 1 diabetes to take control of their diet, as well as the distribution of Wholegrain bread in conjunction with World Heart Day.

In 2017, Gardenia Malaysia also collaborated with the National Diabetes Institute and University Malaya Medical Centre by providing low GI bread to the participants of the Diabetes Camps. The camps were organised to help participants cope with the disease.



World Bread Day event at the Diabetes and Metabolism Centre, Singapore General Hospital



Nutrition Month Malaysia 2017 health carnival event co-sponsored by Gardenia Malaysia in partnership with the Nutrition Society of Malaysia, Malaysian Dietitians' Association and the Malaysian Association for the Study of Obesity

SUSTAINABILITY REPORT

School health outreach

To take the message of healthy eating to the young, the following school outreach initiatives were undertaken in 2017:

- Singapore:** Gardenia worked with external vendor Rise&Shine to showcase a healthy breakfast skit to some 25,000 students from 20 primary schools. The skit focused on health messages endorsed by the HPB, such as the “Healthy Plate” concept, which taught the importance of eating balanced meals. The children were given an individually packed Healthier Choice Gardenia Wholemeal Hamburger Bun and an activity worksheet, “Fun with Gardenia – A Healthier Breakfast, A Healthier You!” containing breakfast-related games, as well as easy recipes to create at home with their parents.
- Philippines:** Gardenia’s Nutrition Assistance Program assists students of public elementary schools with high incidents of malnourishment and malnutrition in the Philippines. Gardenia sends breads to chosen schools for one school year term, aiming to improve the nutritional condition of malnourished students. In 2017, Gardenia sponsored breads to more than 2,400 students in nine schools in Laguna and Cebu. At the end of the school year term, students are expected to improve their nutritional condition through the help of the feeding program, partnered with a healthy lifestyle and a balanced diet.



Primary school students in Singapore watching a Healthy Breakfast skit by Gardenia Singapore

Gardenia’s School Nutri-Tour program in the Philippines provides a half-day activity that focuses on nutrition education, sandwich recipe demonstration, entertainment activities and bread sampling. Approximately 75,000 private and public elementary schools benefitted from this program during the year.



Gardenia Singapore’s activity worksheet for children, “Fun with Gardenia - A Healthier Breakfast, A Healthier You”



Nutrition Assistance Program event organised by Gardenia Philippines at the Southville Elementary School, Cavite, Philippines

SUSTAINABILITY REPORT



Visitors at an educational tour of the Gardenia bakery plant at Laguna, Philippines

Educational bread plant tours

As part of its outreach to the larger community, Gardenia provides free tours of its bread production facilities. Visitors learn the bread production process, attend nutrition talks and sample *Gardenia* products. During the year:

- **Singapore:** More than 30,000 visitors, including students, youths and the elderly, visited the Gardenia plant in Singapore. Focusing on

promoting the benefits of wholegrains, the educational tours allow visitors to better understand the importance of a healthy diet, as well as sample Gardenia's wide range of healthier choice wholegrain products.

- **Philippines:** The Gardenia plant at Laguna played host to some 180,000 visitors.

The Gardenia Malaysia plant also welcomed many visitors (over 40,000) from all walks of life.

Performance for FY2017 [G4-DMA]

Performance

The Group's Gardenia operations* conducted and participated in a range of activities which included health promotion initiatives, school health outreach and educational bread plant tours.

Target for FY2018

Target

The Group's Gardenia operations* aim to broaden the scope of its health promotion programmes (for example, the promotion of Low GI Nutri Multi Grain Loaf to fight against diabetes) and initiatives to reach out to more consumers.

*This covers the Singapore and Philippines bakery businesses, in line with our report scope.

SUSTAINABILITY REPORT

ANIMAL WELFARE

According to the Food and Agriculture Organisation of the United Nations, over 60 billion terrestrial animals are raised worldwide each year for food. This number is set to double by 2050. We recognise that consumers have become increasingly concerned about the way in which animals reared for food are managed and cared for. Today, food quality is determined not only by the taste and pricing of the product, but also by ethical issues such as the welfare of the animals from which the product was produced.

Rivalea is a proactive leader in the Australian pork industry with a focus on continuous improvement in the area of animal welfare. It is committed to “*caring for every animal, every day*”. Examples of Rivalea’s best practice and leadership in animal welfare include the following:

- Rivalea removed all gestation stalls and is 100% Gestation Stall Free accredited under APIQ, with pregnant sows accommodated in social groups which enable them to move freely and perform natural social behaviours.
- Rivalea is currently rolling out a “*Treat Program*” which uses small edible cubes as “*treats*” to further foster positive interactions between Rivalea employees and its pigs.
- Conducting trials in areas of housing environment enrichment, reduced confinement sow housing in pregnancy, lactation and weaning, improving piglet survival in free range systems, ecoshelter systems, outdoor areas for growing pigs, humane euthanasia and CO₂ stunning.
- Developing low confinement sow breeding, loose farrowing pen systems.
- Consultation with experts to develop best practice systems at its pork processing plants.
- Working with customers, animal welfare groups, industry bodies, universities and community to determine animal welfare program research strategies and direction, conduct research produce recommendations and establish best practices. Involvement in Australian Pork Limited (APL), the Animal Welfare Science Centre (AWSC), the Pork CRC (Cooperative Research Centre for High Integrity Pork), APRIL (Australasian Pork Research Institute Ltd) and the Victorian and New South Wales Farmers’ Federations.

SUSTAINABILITY REPORT

Recognising that animal welfare is an integral component of its business, in 2017, Rivalea developed and published a set of *Guiding Principles for Animal Welfare* on its website, with a focus on:

- Having staff and systems that deliver high standards of animal welfare and maintain the needs of animals at all times.
- Providing all relevant staff in contact with animals with specific animal welfare training.
- Recognising high levels of staff care and empathy towards our pigs in our animal welfare awards recognition program.
- Implementing systems and living environments that offer the animals greater opportunity to experience enhanced welfare.
- Regularly reviewing and updating Rivalea's training and operating systems so that optimum care is provided for all animals.
- Using independently audited animal welfare quality systems – such as APIQ, the Australian Animal Welfare Standards and Guidelines for the Land Transport of Livestock and the Australian Livestock Processing Industry Animal Welfare Certification System.
- Applying Rivalea's Pig Health and Antibiotic Stewardship policies, which provide a framework for antibiotic stewardship considering animal welfare, food safety, stockperson wellbeing, legal

obligations, judicious use, prudent oversight, consumer concerns, scientific application and human medical concerns.

In line with these *Guiding Principles*, Rivalea has implemented the Welfare Awards Program which recognised five award winners in 2017, including one overall Annual Animal Welfare Champion. Rivalea employees are the single largest contributor to quality animal welfare, and Rivalea continues to maintain strong internal standards of training, awareness and application of its animal welfare priorities.

Rivalea operates one of the largest private research and innovation groups in the Australian pig industry and has made significant contributions to pig research over the past 20 years. Research programs are conducted in the areas of animal welfare, genetics and animal breeding, veterinary science, reproduction, growth and nutrition, meat science and food safety and new product development. Rivalea's research and innovation division also undertakes contract research programs for external clients such as multinational animal health companies. The results and practical experiences we are gaining through the research is valuable to the industry and our research outcomes are widely published in peer-reviewed scientific publications, industry publications and at national and international conferences.

Performance for FY2017 [GRI FP13]

Performance

Zero incidents of significant non-compliance with Australian laws and regulations related to transportation, handling, and slaughtering practices for live terrestrial animals.

Target for FY2018

Target

Zero incidents of significant non-compliance with Australian laws and regulations related to transportation, handling, and slaughtering practices for live terrestrial animals.

SUSTAINABILITY REPORT

PROTECTING THE ENVIRONMENT

As a leading food producer, QAF is committed to being a socially responsible organisation and strives to take measures to manage its environmental impact. We have actively looked into and identified opportunities to manage such impact, and these measures also help to improve efficiencies and deliver cost reductions for the business.

EFFLUENTS AND WASTE

The food industry generates large quantities of waste in the manufacture its products. The production process creates waste in the form of wastewater, solid waste, food waste and packaging waste.

We aim to reduce our environmental footprint through management of the wastewater generated from our production processes. Wastewater generated from our operations goes through a stringent treatment process at wastewater treatment plants before being reused or discharged into the environment.

Gardenia

In Singapore, wastewater discharged by Gardenia is collected through a network of sewers that leads to the water reclamation plants managed by the Singapore Public Utilities Board. The wastewater is treated in accordance with applicable international standards, and part of the treated water is sent to a separate treatment system at the NEWater Plants whilst the rest is returned to the sea.

In the Philippines, in compliance with the governing rules and regulations of the Department of Environment and Natural Resources and the Laguna Lake Development Authority, Gardenia submits Self-

Monitoring Report and Compliance Monitoring Report quarterly and semi-annually, respectively. Monthly effluent samples are collected by an accredited testing laboratory for analysis of the following parameters: pH value; discharge temperature; colour; oil and grease; Biological Oxygen Demand; Chemical Oxygen Demand; and Total Suspended Solids for the purpose of ensuring that water quality standards are met.

Rivalea

Rivalea’s piggeries produce a significant volume of wastewater. Via its Waste Water Treatment System, wastewater is treated biologically (typically in anaerobic and aerobic lagoons) and is then either evaporated or diluted to allow disposal by irrigation onto agricultural land (either owned by Rivalea or third parties). Rivalea monitors the quality and volume of wastewater that it irrigates onto agricultural land, as well as the capability of the irrigation sites and the resulting nutrient application rates. Rivalea has engaged independent consultants to recommend how it should monitor and manage groundwater impacts in the future.

At the processing plant in Victoria, wastewater is collected and pre-treated onsite using a Dissolved Air Flotation (“DAF”) process which clarifies the water and removes suspended material such as solids (sludge) and oil. The water is then pumped from the site and discharged to the sewer in line with the Trade Waste Agreement with City West Corporation. Rivalea’s farm at Corowa uses treated water to grow crops, which are either used in its operations or sold to other farmers. The sludge from the DAF is disposed of as prescribed waste, and is transported offsite to be processed at a dedicated composted facility.

Performance for FY2017 [GRI 306-1]	
Performance	
Complied with the applicable regulations and requirements of the local authorities in respect of the quality of wastewater discharge.	
Target for FY2018	
Target	
Systems are in place to provide for the handling of wastewater produced in a manner that complies with laws and regulations on wastewater discharge of a material nature.	

SUSTAINABILITY REPORT



Rivalea's biogas collection facility at Corowa captures and burns methane generated from its farming operations

ENERGY AND EMISSIONS

The effects of climate change can disrupt business operations and bring about potentially dire consequences. We have taken steps to use cleaner and more cost-efficient energy sources and contribute to global carbon emissions reduction.

Gardenia

- **Singapore:** Gardenia uses liquefied petroleum gas for its main ovens for its baking processes. Delivery trucks also undergo regular maintenance to reduce air pollution.
- **Philippines:** Gardenia uses liquefied petroleum gas in its baking processes. Delivery trucks also undergo regular maintenance to reduce air pollution.

Under the Group's joint venture in Malaysia, Gardenia uses electrical-powered steam generators in its plants. During the year, the halogen lights on the production floors were replaced with LED high-efficiency lights to lower energy consumption costs.

Rivalea

Rivalea has two biogas collection facilities that capture and burn methane generated from its farming operations. In FY2016 and FY2017, Rivalea delivered 37,000 tonnes of Australian Carbon Credit Units (i.e., tonnes of avoided CO₂ emissions) under its seven-year carbon abatement contract with the Australian Government (via the Clean Energy Regulator) to deliver a total of 112,000 tonnes of Australian Carbon Credit Units. In the second half of FY2017, Rivalea secured a second seven year contract for delivery of an additional 240,000 Australian Carbon Credit Units, to be generated from a new biogas project to be commissioned in late 2018.

A 500kW biogas generator facility was commissioned in 2017 at Rivalea's Corowa farm, making use of the methane generated from one of the farm's effluent ponds. The generator has the capacity to supply about 25% of the Corowa site's power requirements, thereby reducing Rivalea's emissions associated with grid electricity and delivering cost savings to Rivalea's business. In 2017, Rivalea registered a significant achievement – it was selected as a finalist in the Business Leadership Award at the 2017 *Green Globe Awards*. For more information, please refer to page 32 in the section entitled "Our Brands – What we stand for – Rivalea" and page 35 in the section entitled "Integrating Sustainability Within QAF – Opportunities for our business – Enhance environmental performance".



Solar panels installed on the rooftops of Bakers Maison's factories in Australia

SUSTAINABILITY REPORT

OTHER ENVIRONMENTAL-RELATED INITIATIVES

- Our Group's bakery operations in Australia, which manufactures and distributes *Bakers Maison* bakery products, has also adopted environmentally-friendly initiatives to manage its impact on the environment. It uses natural gas, instead of electricity, in its ovens, and whenever it considers practicable.

Its new factory building, which has been designed to be energy efficient and "green rated", is installed with energy-efficient LED and sensor-activated lighting including a 5,000 litre water tank that collects rainwater for re-use. In addition, approximately 2,100 square metres of solar panels have been installed on the factory roof of the new building to generate 200kW of energy that supplies approximately 15% of its electricity requirements.

- The B2B Electronic Data Exchange, *Paperless Mobility Solution*, created by our Gardenia subsidiary in Singapore, is an eco-friendly solution which eliminates the need for hard copy paper invoices and substantially reduces paper consumption. Please refer to page 35 in the section entitled "*Integrating Sustainability Within QAF – Opportunities for our business – Efficiencies through technology and innovation*" for more information.

In addition, Gardenia actively encourages consumers to reduce the use of plastic bags. During the year, it gave away reusable shopping bags and sandwich boxes at various retail outlets in Singapore. The reusable shopping bags are also sold at Gardenia's vending machines in Singapore.

- In the Philippines, Gardenia employees planted over 2,000 seedlings across the forest landscape of Laguna in collaboration with the Department of Environment and Natural Resources – Provincial Environment and Natural Resources Office ("**DENR-PENRO**"). The tree planting activity was part of the DENR-PENRO's National Greening Program and the Philippine Master Plan for Forestry Development, which aims to have 6.8 million hectares of existing forests protected, conserved and sustainably managed in 10 years.

Since 2014, Gardenia Philippines has been active in participating and investing in the sustainable management and protection of existing forests not just through tree-planting activities, but also in tree-caring programs.

- Our Trading and Logistics subsidiary undertakes certain work functions electronically via the use of tablets to reduce paper consumption. Please refer to page 35 in the section entitled "*Integrating Sustainability Within QAF – Opportunities for our business – Efficiencies through technology and innovation*" for more information.
- We appreciate the cause advocated by certain groups such as non-governmental organizations (NGOs) regarding protection of our environment in the context of sustainable development. In particular, we support the cause of groups that take constructive steps on these issues including reducing the impact of deforestation on our environment and the natural habitat of wildlife caused by human activities such as rampant palm oil cultivation, logging and mining. Over the years, the Group has undertaken many environmental-related initiatives. In 2017, the Group made a



Employees of Gardenia Philippines participate in a tree-planting activity in Laguna, Philippines

SUSTAINABILITY REPORT

donation to the Wildlife Reserves Singapore Conservation Fund to support the work of Wildlife Reserves Singapore in biodiversity protection. The Group's joint venture, Gardenia Malaysia, made a donation to the Borneo Conservation Trust, Malaysia (BCT). The BCT was established to preserve the habitat and migration routes of Borneo's endangered wildlife such as the orangutan. The migration route is located along the Kinabatangan and the Segama rivers in Sabah, and the BCT works to manage, lease or buy back wetlands and riverine forests to form a "green corridor" that will allow wildlife to move from place to place without encountering human civilization or plantations¹.

In recent years, the palm oil industry in particular has faced ethical concerns from various groups regarding the effects of its production on the environment, wildlife and native communities. There are on the other hand, groups that seek to promote better understanding of the various economic, technological and environmental advantages of palm oil and its products, including the impact on the livelihoods of smallholders and economies of poorer producing countries. For example, palm oil is traded in 160 countries, more than 40% of oil palm cultivation in Malaysia is owned by nearly 640,000 smallholders and the industry has contributed to one of the largest poverty alleviation projects in the world. Malaysia has also stated that it has taken steps to ensure that the orangutan population in Malaysia is no longer compromised, and it has initiated plans to conserve the orangutans². Indonesia produced 35 million tons of palm oil in 2016, which accounted for around 55% of global production. Smallholder plantations in the country account for over 40% of palm oil production³ and the palm oil sector contributed to 5.5 million direct employment and 12 million indirect employment⁴. The Group, which has bakery operations in regional countries including Malaysia, believes that the palm oil issue is therefore not a straightforward one and requires resolution and participation on a global



basis by all stakeholders including governments, sovereign wealth funds which are strong advocates of conservation, industries, all in the supply chain, smallholders, local communities and consumers. There is presently no global consensus on the certification standard for sustainable palm oil. For example, the Roundtable on Sustainable Palm Oil (RSPO) is a private certification standard jointly initiated by transnational NGOs and corporations⁵. The governments of major palm oil producers, Indonesia and Malaysia, have on the other hand their own respective national certification standards, the ISPO⁶ and the MSPO. MSPO will be made mandatory for oil palm plantations, smallholders and palm oil mills in Malaysia by the end of 2019⁷. The European Commission has stated that it considers that palm oil production has to be addressed in a balanced manner as it presents both opportunities and challenges. Whilst palm oil production is associated with environmental risks, it contributes to lifting people out of poverty in the producing countries. Further, other vegetable oil crops have lower productivity and require extensive use of land and other inputs⁸. The Group presently uses sustainable palm oil from a source that practices a policy of "No Deforestation, No Development on Peat and No Exploitation of People and Local Communities" for selected bakery products. The Group will continue to review the matter including market practice and developments relating to various certification standards for palm oil.

¹ Source – BCT website (<http://www.borneotrust.org/background/>)

² Source – South China Morning Post (<http://www.scmp.com/country-reports/business/topics/malaysia-business-report-2017/article/2125189/promoting-sustainable>)

³ Source – The Jakarta Post (<http://www.thejakartapost.com/news/2017/09/08/indonesia-to-increase-palm-oil-production-to-42-million-tons-by-2020.html>)

⁴ Source – Ministry of Foreign Affairs Republic of Indonesia website (<https://www.kemlu.go.id/en/berita/berita-perwakilan/Pages/Palm-Oil-Producing-Countries-Agreed-to-Encourage-Cooperation-on-Palm-Oil-Development.aspx>)

⁵ Source – Roundtable on Sustainable Palm Oil website (<https://rspo.org/about>)

⁶ Source – Indonesian Sustainable Palm Oil website (ispo-org.or.id/index)

⁷ Source – Malaysian Palm Oil Certification Council website (<https://www.mpocc.org.my/single-post/2017/02/25/Malaysia-sets-timeline-for-MSPO-certification-compliance>)

⁸ Source – European Union Statement to Malaysia (https://eeas.europa.eu/delegations/malaysia_en/34789/EU%20Responds%20to%20The%20Star%20Article%20on%20European%20Parliament%20Resolution%20on%20Palm%20Oil%20and%20Deforestation%20of%20Rainforest)

SUSTAINABILITY REPORT

ENRICHING COMMUNITIES

We strive to use our reach and influence to create positive value for the communities in which we operate. We play a role in local communities by generating direct and indirect jobs and contribute through various wider social initiatives. Set out below are some of the highlights of our community development initiatives.

COMMUNITY ENGAGEMENT

During the year, the Group contributed its resources towards the welfare of the less fortunate through support of various philanthropic, community and charitable causes:

Singapore

In support of the food industry in Singapore, the Group has set up two bursary programmes. We established the Gardenia Bursary Programme in May 2017 and pledged a gift of S\$100,000 to students of the Nanyang Technological University (“**NTU**”). Spanning a five-year period with each bursary valued at S\$10,000, this programme supports financially challenged students from the NTU School of Mechanical and Aerospace Engineering and NTU School of Biological Sciences, Food Science and Technology Programme. Two bursaries will be awarded in each academic year.

In June 2017, we also pledged a gift of S\$100,000 under the Gardenia Bursary Programme for National University of Singapore (“**NUS**”) Science students over five years. The bursaries are valued at S\$10,000 each, and will give financially disadvantaged students the opportunity to enjoy the full benefit of NUS Science’s holistic education without financial worries. Two bursaries will be awarded in each academic year.



Dr C.S. Ng, Gardenia Singapore (left), with Deputy Dean, Professor Peter Ho, NUS, at the cheque presentation ceremony for Gardenia Singapore's Bursary Programme for NUS students



In celebration of World Bread Day, Gardenia Singapore distributes cream rolls to children from a special needs school

Through initiatives like the Gardenia Bursary Programme, we seek to give back to the community and help future generations of talented students achieve their educational and career aspirations.

Gardenia also continued its collaboration with the Rotary Club of Singapore North to distribute heavily subsidized bread loaves to less fortunate families living in the Teck Ghee area, on a weekly basis.

In celebration of World Bread Day 2017, Gardenia launched the “*Gardenia Cares*” logo. The “*Gardenia Cares*” programme focuses on caring for the health of the community, the elderly, the needy and youths.

Employees from Gardenia volunteered to distribute *Gardenia* loaves during World Bread Day. *Gardenia* Low GI Nutri Multi-Grain loaves were distributed to the public and healthcare professionals at the Singapore General Hospital – Diabetes Metabolism Centre and Sengkang Health at Alexandra Hospital. *Gardenia* Super Fine & Soft Wholemeal Bread (100%) were distributed door-to-door to seniors and needy families living in rental blocks in Tampines. *Gardenia* Cream Rolls were also given to students of the Association for Persons with Special Needs schools.



Employees of Gardenia Singapore who volunteered to distribute bread loaves door-to-door to seniors and needy families living in HDB blocks in Tampines, Singapore

SUSTAINABILITY REPORT

Philippines

As part of Gardenia's commitment to give back to the less fortunate, Gardenia continued its regular bread donations to nearly 60 selected charitable institutions in the Philippines, under its Daily Bread Program, donating more than 12,000 bread loaves weekly.

Gardenia also utilized other channels to donate bakery products to marginalized communities and economically depressed areas. It supports other noble causes and organizations through donations of about 12,000 bread loaves every month.

Gardenia's celebration of Beneficiaries Day every year aims to uplift the spirit and bring joy to unprivileged individuals. In 2017, Gardenia catered to more than a hundred abused and abandoned children of Bahay Tuluyan ng mga Bata, Casa Miani and Nayon ng Kabataan foundations. Employees volunteered in the activities comprising a factory tour, fun games, entertaining mascot appearances and photo-taking held at the Gardenia Laguna plant.

During the year, 50 Gardenia employees participated in outreach activities at Galalan Elementary School in Laguna, Haven for Children and Elsie Gaches Village in Alabang, Philippines.



Children of Bahay Tuluyan ng mga Bata at a Beneficiaries Day event organised by Gardenia Philippines at the Gardenia plant in Laguna, Philippines

Australia

Rivalea established a new model focusing on supporting its local community including the Regional Cancer Centre (cancer treatment and research), Food Share (meals for the disadvantaged) and the Amaranth Foundation (mental health support).

Rivalea also sponsored a new Children's Playground Project, devoted to replacing and upgrading the play equipment for local children which was damaged in flood waters, as well as sponsoring new netball courts for a local sports club. The new courts go towards developing, fostering and promoting a pathway for local youth and young adults to take up the game of netball within a positive and supportive environment.

Rivalea continued to support pre-school education, pledging a donation which goes towards families from disadvantaged backgrounds. This donation enables these families to give their children a good start to their early education through fees assistance.

Malaysia

Under the Group's joint venture in Malaysia, Gardenia donated more than 300,000 units of bakery products to various charitable causes. For the 5th year running, Gardenia Malaysia donated fresh bakery products to school children from 300 underprivileged families. It also supported more than 65 charity homes with regular bread donations, an initiative it has undertaken since 1991. Its "Bag-to-School" school bag distribution program also benefited more than 500 students, with special attention given to abandoned and abused children, and children from single-parent families.



Employees of Gardenia Malaysia distribute school bags to underprivileged children in Malaysia under its "Bag-to-School" Program

In celebration of Ramadan, Gardenia Malaysia treated the orphans from two neighbourhood schools, Sekolah Kebangsaan Seksyen 16 and Sekolah Kebangsaan Seksyen 19, to a special tour of the Gardenia factory. Games were organized for the children and each child was given a Hari Raya money packet.

SUSTAINABILITY REPORT

RESPONDING TO CALAMITIES AND DISASTER RELIEF EFFORTS



Gardenia Philippines distributes bread loaves at Parola Compound, Tondo, Manila to victims of fires under its Response Agad (Quick Response) for Fire Victims program

In 2017, Gardenia distributed bread to over 6,000 families in the Philippines who were victims of fires under its Response Agad (Quick Response) for Fire Victims program. The programme is a partnership established between the Rotary Club Alabang and Gardenia. In addition, Gardenia donated more than 26,000 bread loaves to families affected by calamities.

In partnership with the Philippine Red Cross and the military, Gardenia also donated about 27,000 bread loaves to, amongst others, refugees in evacuation centres.

COMMUNITY INVOLVEMENT

The Group takes an active part in community activities to foster close relationships and strong ties within the communities in which we operate:

Singapore

Gardenia Singapore partnered with the Singapore Kindness Movement (“SKM”) for the 13th year to

promote SKM’s Kindness message, “*Kindness. It is up to us*”. It also promoted the Kindness message together with a festive message of “*Spread the Goodness, Share the Joy*” on the bread packaging of the Gardenia Wholemeal Banana Walnut Loaf, Gardenia Fruit & Nut Loaf and Gardenia California Raisin Loaf. The bread loaves were sold at 3,500 retail outlets, reaching out to thousands of households across Singapore.

Philippines

As mentioned on page 54 in the section entitled “*Other Environmental-Related Initiatives*”, Gardenia Philippines employees planted seedlings across the forest landscape of Laguna in collaboration with the Department of Environment and Natural Resources – Provincial Environment and Natural Resources Office.

Malaysia

Under the Group’s joint venture in Malaysia, Gardenia provides internships to students from different educational fields from the local universities to give them real working experience that will prepare them for future employment. It continues to nurture close relationships with the community heads of the locations where it has production and distribution facilities. In 2017, Gardenia organised a gathering to celebrate the Hari Raya festival in Malaysia. The gathering enhanced better understanding and closer relationship between Gardenia employees and the community. Gardenia Malaysia also takes a pro-active approach to maintaining open lines of communication with the community heads of the locations where it has production facilities. This has led to close relationships and better understanding within the communities and has contributed positively to *Gardenia’s* image.

Australia

In Australia, local high school and university students can gain work experience in Rivalea’s production facilities and participate in key research projects. This initiative has often led to students becoming valued future employees.

Rivalea also offers a Graduate program with an 18-month rotation scheme to enable new graduates to experience different areas of the business. The program helps to develop a cross-skilled, knowledgeable workforce.

Rivalea’s staff participates in various events to keep involved with the community including tree planting with local High School students, Clean Up Australia Day with



SUSTAINABILITY REPORT

local volunteers, Historical Society “*history hour*” and volunteering at local family fun days.

These events not only build strong and positive relationships with its communities, but also allow local people to learn more about Rivalea and its people and of potential career opportunities within the business.

OUR PEOPLE

Our people are the key driving force behind our successes and achievements. The Group, together with its joint venture operations in Malaysia, employs more than 8,000 people in Singapore, the Philippines, Malaysia and Australia.

INVESTING IN TRAINING AND EDUCATION

We offer various career development programs that enable our employees to enhance their skills and capabilities to meet the changing needs of the business:

- Gardenia operations in Singapore, the Philippines and the Group’s joint venture in Malaysia provide local and overseas training and exposure for employees.
- At Rivalea, employees have access to various training, development and career opportunities, including tertiary education. Rivalea has an in-house learning and development team, and is equipped with its own dedicated training facilities tailored resources.

In 2017, Rivalea supported nine employees with bachelor and post-graduate studies, and over 84 employees with nationally-accredited qualifications. It also conducted many workshops, training sessions and courses. Rivalea supports employees who are studying, not only with financial assistance, but also by providing resources and access to its internal learning and development personnel, who are able to offer mentoring and advice.

During the year, a major emphasis on training was around Rivalea’s Workplace Health & Safety obligations and strategy. This involved the roll out of a large number of quality education programs to employees at all levels and all sites.

INVESTING IN FAMILY WORK-LIFE BALANCE

We strive to provide a work environment that recognises the need for work-life balance as professional and business performance can be affected by personal and family demands:

- **Singapore:** Gardenia provides complimentary transportation, meals, and a loaf of fresh bread daily to all employees to help to defray the costs of living. On special occasions, special loaves such as the premium *Gardenia* Fruit & Nut Loaves or mini hampers are distributed to employees.
- **Philippines:** Gardenia provides programs and activities that focus on welfare and development of its employees. Its popular Wellness Week, a week-long health and wellness campaign for employees, is held every quarter. It also organises annual family plant tours for its employees.
- **Malaysia:** Under the Group’s joint venture in Malaysia, in addition to free daily transportation and complimentary meals, Gardenia organises plant tours for employees and their families. The tours encourage family bonding and give family members a better understanding of the working environment. Gardenia also maintains a staff welfare fund to provide financial assistance to families of the employees who have suffered bereavement or misfortune.
- **Australia:** Rivalea funds an Employee Assistance Program that provides confidential and free support and counselling on a wide range of personal matters for employees and their family members.

MOVING FORWARD

Going forward, we intend to continue to seek solutions to further improve our sustainability practices and better support our business strategies. We will continue to review the relevance of our material ESG factors and monitor their performance to facilitate key stakeholders’ understanding of our sustainability approach and, where applicable, performance over time.

