

# Sustainable Transformation at Dairy Farm

**Dairy Farm Group is going through a significant transformation. We are transforming every level of our business and bringing together all our banners under one Dairy Farm. This business change is all about putting our customers at heart of everything we do, whilst building a sustainable long-term business which serves the communities around us. It is also a demonstration of how we live our values; to care passionately, do the right thing, respect each other and put our customers first.**

The Dairy Farm Group is going through a significant multi-year transformation, bringing together all our banners under one Dairy Farm.

While it is essential that the business transforms, at the operating level this move towards best practice in Asian retail also gives rise to an opportunity to improve our impact on our communities, allowing us to take greater steps to becoming a more sustainable business. With the business change, the Group can leverage its scale and resources to take a collective stance on key issues such as the environment, responsible consumption and social inclusion. This transformation and alignment of our businesses is also a demonstration of how we live our values: to care passionately, do the right thing, respect each other and put our customers first. By putting our customers at the heart of everything we do, we are building a sustainable long-term business which serves the communities around us.

## 2019 Progress

We firmly believe in giving back to the communities in which we live and work, supporting the community initiatives of NGOs and other charitable organisations who share our goals and values.

During 2019, we strengthened our efforts to support the communities around us. We collaborated more closely with industry and government authorities in the regions we operate to help find solutions to tackle large societal problems. A good example of this is our involvement in “Drink without Waste” (“DWW”) in Hong Kong which is an industry and NGO-led body aiming to align industry and government on the path towards a statutory producer responsibility scheme, increasing the recovery of plastic beverage waste in Hong Kong and creating a circular economy. As part of our commitment to DWW, Dairy Farm has embarked on a pilot scheme of Reverse Vending Machines located at some of our

retail locations to support DWW's long term goal of diverting plastic that would otherwise go to landfill.

We are also working smarter within our own businesses, with food waste being a key focus. In our new and refitted stores where improvements in our supply chain and better product sourcing are already in place, we have seen food waste in our 'Fresh' category reduced by 50%.

Plastic waste is also being addressed as a priority and in our reformatted Giant and Upscale stores, we have visibly reduced our plastic packaging and wrapping. In April 2019 we introduced new internal guidelines in Hong Kong to use less plastics in stores and have, so far, achieved a 25% decrease in plastic waste. Internal training has also been stepped up, with frontline team members, to ensure the effectiveness of these initiatives is maximised. We are working with our suppliers too – requesting them to use much less plastic; light-weighting plastic, removing unnecessary foam, as well as removing single-use plastics in our in-store cafes and Store Support Centres. Incorporating new and innovative materials going forward will help ensure that our customers get their products in perfect and fresh condition, while reducing the impact of single use plastics through design of products with greater environmental focus.

Our customers trust us to be a responsible retailer and to provide them with the best products sourced from around the globe. We are improving guidelines to our suppliers on quality with a greater emphasis on responsible sourcing. A good example of this is our commitment to have Own Brand eggs cage-free in Taiwan supermarkets by 2025 and for all our upscale food businesses to follow suit by 2028. Dairy Farm is

taking a more holistic approach to tackling animal welfare issues with respect to food safety, food quality and sustainable environmental management. Over time, we aim to influence positive environmental, ethical practices and behaviour across the agricultural supply chain, addressing and solving issues in a sustainable way. All of these initiatives focus on doing the right thing for those customers who want more transparency on where their food comes from and how it was produced. We aim to provide them with the choices they want, respecting their preferences, and creating greater awareness within our communities.

Health plays a major role in our business with our health and beauty banners supporting the communities they serve with our trusted brands. Our businesses support vulnerable groups in their respective communities, running activities promoting health and wellbeing. For example, Guardian in Indonesia recently ran a #StrongerTogether campaign for the LovePink Foundation in the fight against breast cancer and how early detection saves lives.

As we refit and reformat our existing store network, significant consideration has been given to the environmental impact of these programmes. Trials are currently underway to utilise recycled pallet material in some of our upscale stores in Malaysia and Hong Kong. The fixtures and cladding have been produced from pallets taken from our local Distribution Centres that were destined for disposal. New initiatives around materials used, improvement programmes, education and behavioural change are being rolled out across the portfolio with physical improvements being made to insulation, more energy efficient refrigeration and installation of LED lighting where possible. Energy

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efficiency targets and monitoring systems are now in place with a view to actively reduce energy use across our stores and warehouses. With these programmes, and through subtle changes to behaviour, as well as the ongoing education of our team members in stores and support Centres, we have seen a significant combined reduction of 6 Million kWh across our Hong Kong, Singapore and Malaysian Markets\*.

PT Hero, was awarded one of the Most Valued Business in Indonesia in 2019 in recognition of Hero's momentum in sustainability initiatives. Hero also won SINDO INOVASI 2019 for CSR Innovation and received the Human Initiative Award, and Best Partner in Humanity in recognition of Hero's service to the communities across Indonesia including; Hero and Giant supermarkets ongoing children's education development programmes; IKEA's Bunk Beds for Lombok, and their support to help build a "Children Playing Center" in Lombok as communities there are still suffering the aftereffects of the 2018 earthquakes. Hero was given the Gold Award in the Womens Empowerment Category and Industrial Relations Award 2019, and Best Social Dialogue Awards Category for the strong commitment shown in labour relations.

IKEA launched its "People and Plant Positive" plan in 2019 and the "Three Roads Forward" programme to drive continual improvement. The IKEA sustainability strategy has 4 areas of focus. Waste management, to reduce operational waste in stores and prolong IKEA product life. Energy Efficiency and Independency, using 100% renewable energy and increasing energy efficiency by 2030. Circular IKEA, rental and leasing of furniture, waste material remade and circular packing. People and Planet, incorporating much greater coworker community involvement activity.

Without the hard work and dedication of our 230,000 team members we would not be able to support and serve our customers and contribute to the communities around us. The wellbeing and safety of our team members, and other working parties is paramount to Dairy Farm. We are committed to providing a safe working environment and creating a culture that values health, safety and wellbeing of our team members, as well as our customers.

### Looking forward to a more Sustainable Future

While acknowledging these achievements, as a Group of businesses, we are only at the start of our sustainability journey. We have some work ahead but we will not duck hard challenges in favour of tokenism. Our focus is on making real, sustainable and long-term progress. Our aim is to embed impactful growth into our businesses and not treat sustainability as a 'bolt-on function' but to integrate it into the fabric of our business progress and growth.

### Sustainable Development at Dairy Farm 2020-2025

Dairy Farm is now in the process of building an enduring sustainable business that is aligned with our corporate strategy and commercial ambitions. This sustainable transformation won't happen overnight, it will be a multi-year programme and takes place in tandem with the broader business transformation. We have a five-year sustainability development timeline 2020-2025 and in the coming year we will establish Group wide policies and set the Group agenda whilst supporting the transformation. There is undoubtedly much work to do, but Dairy Farm's sustainable transformation sits across all our values as a business...

\* Data from City FM Monthly Energy Report Dated 25th February 2020.



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