

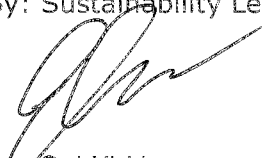
 DUTCH LADY MILK INDUSTRIES BERHAD (DLMi)	<b>POLICY CODE</b>	CA 003
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**Abbreviations:**

DLMI	Dutch Lady Milk Industries Berhad
EESG	Economic, Environmental, Social & Governance
FC	FrieslandCampina
UN SDGs	United Nations Sustainable Development Goals
NSRF	National Sustainability Reporting Framework
SSC	Sustainability Steering Committee

## 1. Introduction

### Objective

The aim of DLMI Sustainability Policy and Guidelines ('this Policy or Guide') is to:

- Articulate what Sustainability means at DLMI and demonstrate our strong commitment to responsible business practices.
- Enhance the understanding of DLMI stakeholders - including investors and shareholders, employees, distributors and partners, customers, regulators and policymakers, and civil society - on our sustainability framework and approaches.
- Achieve compliance with our business practices and stakeholder behaviour with this Policy.

The ultimate objective is to establish key minimum requirements in identifying, managing, monitoring and reporting DLMI's EESG risks & mitigation towards shaping a sustainable business.

### 1.12 Scope

The DLMI Sustainability Policy & Guidelines apply to its Malaysian market undertakings, partners and stakeholders where DLMI has direct management control of operations as well as relationships. All business practices and stakeholder negotiations are aligned with this Policy and follow national legislation and local regulations where applicable. This Policy also serves as a single source guidance document for DLMI: All Departments; Business Enablers; and Support Functions; All Relationships (customers/consumers/partners) irrespective of the type of service or product offered or shared by DLMI; All Suppliers, Vendors, Contract Partners; Members of the Board of Directors of DLMI; Employees.

### 1.13 Accountability

This Policy & Guidelines document is co-owned by the DLMI Sustainability Steering Committee and Corporate Affairs Department and any changes or corrections proposed must be notified to the DLMI Sustainability Lead who has the overall responsibility for the implementation and application of this Policy.

This Policy will be reviewed yearly or on a needs-be-basis to ensure the Board approved accountability on sustainability as articulated in the Board Charter, including DLMI's EESG risk monitoring, integration and performance are supported with appropriate policy interventions that are well articulated, communicated and tracked for compliance.

## 1.14 Sustainability in DLMI

*Our differentiated position on sustainability using 'efficiency' and 'equity' lens.*

**"Development that meets the needs of the present without compromising the ability of future generations to meet their own needs" United Nations, Our Common Future, 1987**

At **Dutch Lady Milk Industries (DLMI) Berhad**, our interpretation of the above definition of Sustainability as per the United Nations, Burtland Commission (Our Common Future, 1987) can be applied in the context of:

- Our **PURPOSE** of 'Nourishing Our Planet and People in Every Stage of Life', which is all about creating intergenerational equity, where we strive to leave our business as well as our ecosystem in a better shape for our future generations of stakeholders
- Our **PEOPLE** in terms of expanding opportunities for learning and development to make our growth inclusive and meaningful
- Our **PERFORMANCE** by way of improving economic efficiencies in the production process with optimal combination of outputs based on the most responsible and efficient combination of inputs
- Our **POTENTIAL** to create shared value for all the stakeholders associated with our business as well as those in our ecosystem

Our Sustainability orientation is in keeping with FrieslandCampina's commitment to '**Nourishing a Better Planet**', where our focus is on better nutrition for the world's consumers, and a good living for our farmers, now and for generations to come.

### **Sustainability Statement of Purpose**

We are committed to Nourishing Our Planet and People in Every Stage of Life, creating a Thriving Future for all.

This also means demonstrating greater accountability towards the welfare and well-being of our planet and people. Our mantra for creating a Thriving Future is to inspire responsible business practices in ecosystems where we operate, mobilising our multiple stakeholders to participate, contribute and benefit from their relationship with DLMI.

## 1.15 Our Sustainability Guiding Principles

### Our Long-term Impact Philosophy

*We aspire to make six great transitions to positively create EESG impact*

Inspired by *Thriving: The Breakthrough Movement to Regenerate Nature, Society and the Economy* (Dr Wayne Visser, 2022), **The Thriving Philosophy** provides guiding principles that will catalyse our business to make Six Great Transitions, positively impacting economic, environmental, social and governance (EESG) footprint. The framework allows us to take an evidence-based approach to determining and prioritising our sustainability focus areas. The approach examines systemic breakdowns (real and potential) along our value chain and informs various aspects of integration towards necessary breakthroughs. The transitions from various breakdowns to breakthroughs will create new opportunities for both DLMI and its stakeholders.

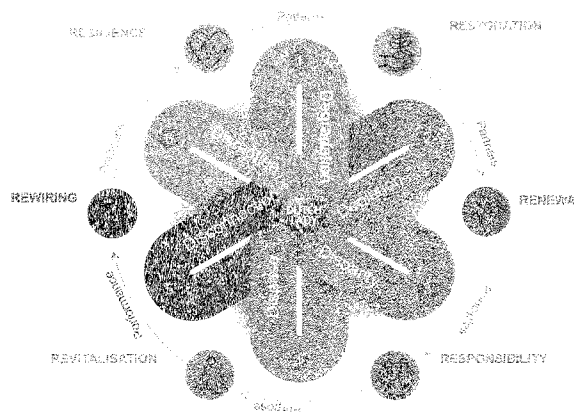


Figure 1: DLMI's Thriving Philosophy

The table below indicates a process that will help us map potential systemic breakdowns in our value chain with our material risks as well as opportunities for integration and breakthrough. We aspire to create a meaningful impact.

	Systemic Breakdowns	Material Risks	Aspects of Integration & Breakthroughs	Potential/Real Opportunities
1	<b>Degradation</b> of ecosystems where we operate due to different kinds of pollution, land use, farm management etc. but in the context of materiality	Energy, Waste, Water, and Emissions Management risks [Corporate Liability & Regulatory Compliance]	<b>Restoration</b> of our ecosystems by first identifying <b>patterns</b> and then addressing negative impacts at the source	Contribute to <b>Ecoservices</b> economy by protecting/conserving natural capital/nature



2	<b>Depletion</b> of resources that go as critical material inputs / raw materials	Supply Chain & Procurement risks [Resource Crunch, Pricing, and Procurement Reliability]	<b>Renewal</b> of resources through circular solutions and business models by collaborating with <b>partners</b> for advocacy	Contribute to the <b>Circular</b> economy by closing the loop on energy and materials
3	<b>Disparity</b> of communities exacerbated by inequality and discrimination	Discrimination risk  [Culture that promotes Psychological Safety as well as Equitable and Inclusive Policies]	<b>Responsibility</b> in communities by embracing the <b>principles</b> of diversity, equity and inclusion	Contribute to <b>Access</b> economy through the inclusion and participation of diverse people in our value chain.
4	<b>Diseases</b> caused by unhealthy lifestyles and harmful workplaces	Productivity and Performance risks [Holistic Wellbeing of Employees]	<b>The revitalisation</b> of our people by being true to our <b>purpose</b> of nourishing them and propelling their well-being and welfare	Contribute to the <b>Well-being</b> economy by ensuring the physical and mental health of the people and communities we serve
5	<b>Disconnection</b> from or by technologies as a result of digital divide and automation	Technology and Innovation risks  [Technology for Future-Proof solutions]	<b>Rewiring</b> of technologies with innovation and markets to accelerate <b>performance</b> and tap new <b>potential</b>	Contribute to the <b>Digital</b> economy by deploying technology to improve efficiencies and tackle social and environmental challenges.
6	<b>Disruption</b> of infrastructure due to natural disasters, pandemics, crises	Business Continuity Risks [Risks of Physical and Transition Risk as well as Just Transition]	<b>Portfolio</b> management (of assets, physical infrastructure and operations) to address risks and strengthen	Contribute to the <b>Risk</b> economy by building our capability and capacity to prevent, adapt to and recover from all kinds of crises.

			<b>resilience</b> for social and economic continuity	
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## DLMI Sustainability Framework

*Intent & Impact through Seven Focus Areas, Thriving Philosophy, and UN SDGs*

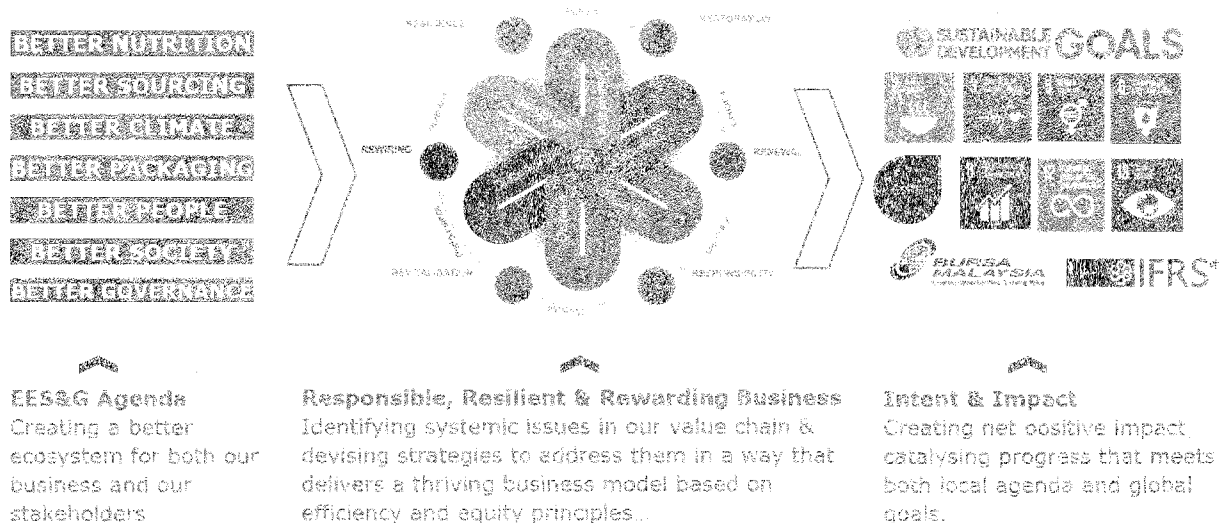
In championing DLMI's sustainability focus areas:



Our **INTENT** is to address systemic breakdowns and make that transition to a better, thriving business ecosystem.



Our **IMPACT** is measured in terms of the value we create for and share with both business and stakeholders.



While DLMI contributes to eleven of the seventeen UN Sustainable Development Goals (UNSDGs), we aim to maximise/prioritise our contribution to seven (DLMI – SDGs 2, 3, 5, 6, 8, 12, 13 vs. FC - SDGs 2, 8, 12, 13 and 15) of them based on areas where we have the utmost control/influence and in areas where we can take definitive action to move the needle.



## Guiding Principles for Implementation: *Getting the Intent & Impact Right*

**No Harm:** The first consideration is always to avoid harm (to both people and the environment), followed by minimising harm at the source through planned interventions.

Offsetting strategies and outward investments to be the last resort or consideration.



**Materiality First:** The second consideration is to take a balanced perspective on risks by prioritising aspects that are most material to our people and business and that most affect their resilience and growth. Establishing boundaries and scope that best address short, medium and long-term risks will go a long way.

**Value Always:** The third consideration is to prioritise mitigation efforts that focus on improving production and work efficiencies as well as creating equitable opportunities for learning and growth. This would mean inward investments that enhance and deliver value to our business and stakeholders.

In applying the above three guiding principles, the following five key contexts will always be examined in identifying and prioritising mitigation action on EESG risks:

1. How and to what extent are we responsible for the EESG issue at hand?
2. What is the level of influence and control that we have on both mitigation action and outcomes?
3. What is our position as a listed entity as well as given local regulations and stakeholder expectations?
4. What is the financial and non-financial impact and how much can we move the needle on matters that are important to both business and stakeholders in our immediate ecosystem?
5. How are we aligning or not aligned with global strategies (FC), if not aligned, is there a valid justification supported by evidence?

At DLMI, our endeavour is always to examine our mitigation strategies in the context of the intent and impact. This means adhering to the following mitigation hierarchy (in the same order):

1. We AVOID negative impacts by ensuring all new decisions concerning our production and operations take into account technologies, solutions, and processes that do not harm AND that have positive impacts on the environment or people in

our ecosystem.

2. We MINIMISE negative impacts to the best possible extent through adequate management systems and interventions in carrying out responsible production and operations, which could call for a recalibration of business policies, processes, and practices.
3. We NEUTRALISE the long-term residual negative impacts that cannot be avoided but only as a last resort by purchasing and retiring high-quality carbon credits and carbon offsets.

### **Guiding Principles for Implementation: *Decarbonisation & Offsetting Strategy*** **– The Triple 5 Rule**

“The prescribed guidelines below must/will be applied in the context of market conditions, regulatory developments and business and stakeholder priorities at any given point in time. The recommended thresholds below, including time frames, will be applied in the context of the focus scopes (scope 1 and/or scope 2 and/or scope 3) as well as the headline targets and milestone years (2030 and/or 2050). These may be subject to change with valid justifications and evidence.”

For reference, we seek guidance from the Voluntary Carbon Markets Integrity Initiative (VCMI) for Codes of Best Practice and the Integrity Council for Voluntary Carbon Market (ICVCM) for prescriptions on the effectiveness of the credits.

**The 5-Year Threshold:** All efforts will be designed and delivered over a period in multiple tranches of 5 years to minimise negative impacts from the baseline year to effectively contribute to the set targets towards 2030 and 2050. This will allow a fair assessment every 5 years to either extend the timeline to continue at-source interventions or explore offsetting strategies to mitigate residual impact. The residual impacts are defined as the balance of impacts that are inherent to our business model and which we may not be able to mitigate 100% through efficiency and at-source interventions. In short, we intend to allow sufficient time to channel resources (financial and non-financial interventions) to reduce harm at source to the best possible extent or low.

**The 5-Star Rating:** When purchasing carbon credits or offset projects, there will be 5 key considerations to include, 1) effective governance that ensures quality, integrity, transparency, and program-level requirements for robust independent validation and verification of mitigation activities 2) additionality i.e. the reductions of removals would not have occurred in the absence of the incentive created by carbon credit revenues 3) permanence i.e. the reductions or removals shall be permanent and if there exists a risk of reversal, appropriate and adequate measures exist to address or compensate reversals 4) quantification of reduction or removal

based on science-based approaches and 5) no double-counting i.e. the reductions or removals shall be counted only once, including avoidance of double issuance, double claiming and double use.

The 5-Phase Approach: The percentage of carbon credits that will be purchased and retired will progressively increase YoY (over 5 years or less) making them equivalent to or greater than 100% of the residual impacts. The purchase of credits or offsets will be the last resort after dedicating resources towards improving internal efficiencies to achieve the best possible outcomes.

### **Guiding Principles for Implementation: *Priority Carbon Credits***

To mitigate any Residual Impact, DLMI will prioritise the purchase of Carbon Credits / Offsets that are linked to the following 5 nature-based sequestration efforts in addition to Nutrition and related programmes. However, in case the following options are not available in the local market, DLMI will rely on its global office and or local expertise to choose the next best options available.

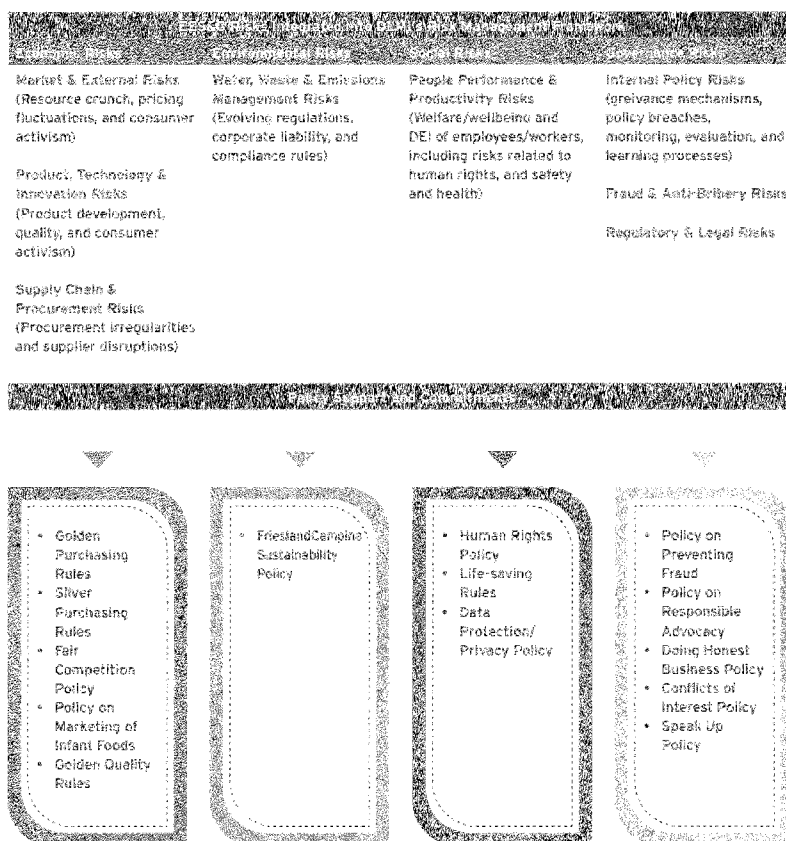
## **1.16 Sustainability Governance**

### *Managing It All With Integrity & Transparency*

#### **Governance: Risk Management Frameworks**

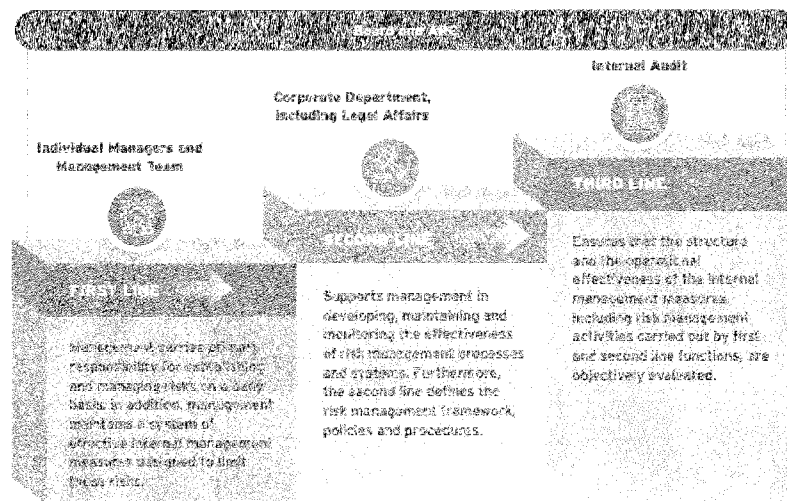
Critical to shaping a sustainable business is our preparedness, capability and capacity to identify and address both financial and non-financial risks arising from economic, environmental, social and governance (EESG) impacts due to our business, operations, and growth. These risks may arise in the process of fulfilling DLMI's multiple roles as dairy manufacturer, investor, purchaser, corporate donor, employer and industry/business partner. Such risks may have serious consequences in terms of DLMI's market position and reputation, financial losses, legal implications and stakeholders' perceptions.

DLMI's Enterprise Risk Management Framework allows us to examine risks at two levels: 1) Project-level near to medium-term risks and 2) Enterprise-level medium to long-term risks. Our efforts are focused on conducting annual due diligence to appraise near-term risks and gain full visibility of long-term risks.



The risk management framework is further structured around the **Three Lines of Defense Model**, which ensures comprehensive risk oversight and accountability across all levels of the organization:

1. **First Line of Defense** – Operational Management: Responsible for identifying and managing risks as part of day-to-day operations. Control owners and Control Performers are accountable for ensuring day-to-day activities related to sustainability including managing risks and key control activities are conducted as per design.
2. **Second Line of Defense** – Risk Management and Compliance: Provides oversight, guidance, and support to ensure that risk management practices are consistent and effective. Legal and Sustainability Leads will provide guidance, ensure policy and procedures related to sustainability are updated and available, conduct monitoring and provide assistance to the First Line of Defense.
3. **Third Line of Defense** – Internal Audit: Provides independent assurance on the effectiveness of governance, risk management, and internal controls.



This model fosters an integrated and systematic approach to managing risk, ensuring alignment with organizational objectives and regulatory standards.

### Governance: Risk Assessment and Monitoring

The Corporate Affairs Director (CAD) is responsible for conducting thorough risk assessments and overseeing the continuous monitoring of identified risks. This includes ensuring that any emerging risks or changes to existing risks are promptly identified, evaluated, and reflected in the Enterprise Risk Assessment (ERA) updates. The CAD will ensure that all risk-related activities align with the organization's risk management framework and support informed decision-making.

The risk assessment mechanism and methodology will be conducted in line with:

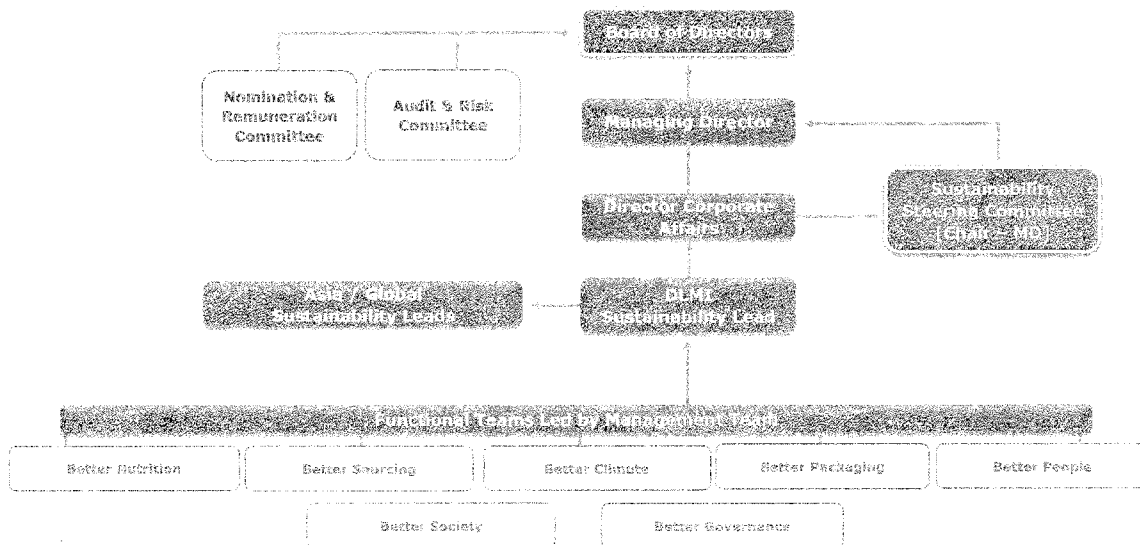
1. ERA
2. National Sustainability Reporting Framework (NSRF)

### Governance: Sustainability Steering Committee

Established in 2022 for operationalisation with effect from 2023, the main purpose of the Sustainability Steering Committee (SSC) is to lead sustainability strategy formulation as well as EESG integration approaches by supporting various functional teams. Chaired by the Managing Director, SSC assumes the following roles and responsibilities:

1. Promoting the value of accountability in mindset and behaviour, motivating meaningful sustainability action
2. Providing necessary oversight and counsel for devising, implementing, monitoring, and reporting on sustainability framework, strategies, policies, and programmes including climate action and social justice
3. Pre-empting and deliberating on various sustainability risks as well as related governance

4. Reviewing sustainability strategies proposed by DLMI Sustainability Lead and recommending to the Board of DLMI represented by the Chair/Managing Director
5. Reviewing and approving various sustainability-related policies and programmes
6. Reviewing and approving external reporting frameworks, disclosures, and assurance processes in keeping with relevant local legislation and regulatory requirements as well as global values/strategies of FrieslandCampina



**The Chair** reports to the Board of DLMI on critical/material EESG/sustainability matters based on SSC's quarterly proceedings

**The Director of Corporate Affairs** appraises the Chair on various material issues and proposals related to policies and programmes on a quarterly basis

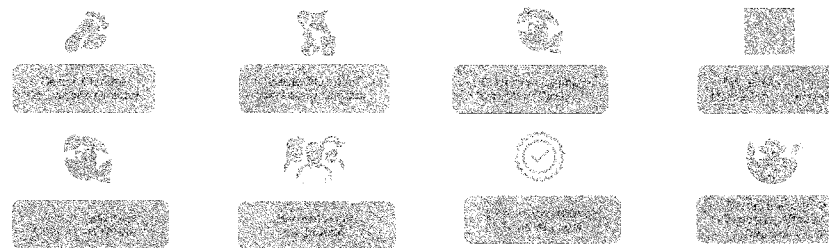
**The Functional Heads (MTs)** apprise the Director of Corporate Affairs on their respective areas of sustainability performance, issues and proposed solutions

The SSC agenda is part of management team meetings. Any and all key decisions on sustainability are initiated by Director of Corporate Affairs clearly outlining pros & cons as well as recommendations

## Governance: DLMI Sustainability Pillars and Ownership

The DLMI sustainability framework is built on key pillars, each designed to drive our sustainability agenda and ensure long-term environmental, social, and economic impact. The designated owners for each pillar are responsible for its implementation and performance. The DLMI sustainability pillars and their respective owners are as follows:

## DLMI's 8 sustainability pillars



These pillars represent our commitment to sustainable practices across all areas of our operations, with each owner accountable for driving progress in their respective domains.

### Management System for Compliance

The implementation and application of this Policy by every function/department is critical to meet the intent/objectives as well as the desired level of Policy effectiveness. Key components of this Policy are incorporated into an induction/cascade module, which will be used to raise awareness of all our stakeholders, including new employees, suppliers, and business partners amongst others.

Within our Management system for compliance, roles and responsibilities have been defined and training and audit programmes for compliance monitoring have been set up. Furthermore, this system puts in place provisions for reporting, allegation handling, continuous improvement and transparent engagement.

### Responsibilities

The Board of DLMI holds overall accountability for this Policy. The Sustainability Steering Committee as well as the DLMI Sustainability Lead is overall responsible for the implementation and application of this Policy.

Directors of relevant / all Corporate Staff Departments have the responsibility to ensure compliance with this Policy within their respective scopes. They can delegate the responsibility for the implementation, application and compliance monitoring to the champions of respective material matters/risks.

Such leaders are responsible for the day-to-day application of this Policy within their Operating scope. Leaders advise and support the business in implementing and applying this Policy in daily activities, e.g. through the adoption of appropriate procedures, provision of training on relevant material matters/risks, tracking and reporting performance data, monitoring and internal reporting of non-compliances. They also ensure that DLMI employees, distributors, suppliers and partners are aware of and receive training about this Policy.

Corporate Affairs/Sustainability Unit is responsible for compliance monitoring and reporting on the application of this Policy. The Corporate Affairs/Sustainability Unit also undertakes, where necessary, regular review and update of this Policy as well as other supporting documents such as training material etc.

## Training

This document is made available to all critical stakeholders to ensure uniform application of this Policy throughout DLMI. Corporate Affairs / Sustainability Unit trains Topic leaders who in turn ensure that training is given to relevant DLMI employees within their business entity (train-the-trainer approach). Training and knowledge testing are part of the induction programme for new DLMI employees from all departments. Refresher trainings will be planned at regular intervals, for example, to communicate about Policy updates.

External stakeholders including suppliers and customers are made aware of the key principles of this policy through one-on-one engagement and/or by making it available on DLMI Corporate Website. Communication and training activities concerning this policy will be monitored. Records of training attendance and test activities shall be maintained and reported annually.

## Monitoring

The sustainability activities and processes shall be subjected to either internal review by DLMI's internal auditor or by an independent assurance provider. To ensure our organization's continued commitment to sustainability, internal Sustainability Assurance will be conducted **biannually** for mandatory regulated indicators. These assessments will take place every six months to evaluate and verify adherence to our sustainability goals, performance metrics, and regulatory requirements.

Based on the material assessments, DLMI will determine whether an indicator is to be subjected to internal or external verification. In addition, verification will also be conducted in line with the following:

1. NSRF
2. FrieslandCampina Reporting Guidelines

Findings from these assessments (internal and external) will be presented to the Steering Committee and Audit Committee for the next course of action. Confirmed non-compliances will be followed up. A corrective action plan will be developed, reported and implemented within a specific timeframe. Considering the continuously evolving regulatory landscape on Sustainability in Malaysia as well as the evolving reporting and assurance requirements from listed companies in Malaysia, external audits will be conducted in line with the NSRF and the assessment of risk conducted in DLMI.



## **Allegations handling**

Concerns about potential non-compliance with this Policy, national legislation and/or local regulations related to sustainability that are suspected not to be in line with this Policy can be raised by any person, including DLMI employees. DLMI employees who notice or believe that there has been a breach of this Policy have the responsibility to report it as soon as possible. Any concern that is raised in good faith will not lead to any retaliation or unfair treatment.

Compliance complaints can be raised openly or anonymously to DLMI directly and/or indirectly via the Speak Up Platform and/or Email [sustainabilitymy@frieslandcampina.com](mailto:sustainabilitymy@frieslandcampina.com). All complaints will be dealt with following the defined Speak up policy and procedure.

All complaints shall be documented, assessed, where required investigated and a response and update of the outcome will be provided to the complainant. Appropriate corrective actions will be taken to address complaints that have been substantiated.

## **Reporting**

### **Internal reports**

Once a year, a status report is prepared jointly by the Manager, Internal Control and Lead, Sustainability on the application of this Policy, the compliance of our sustainable business practices and the effectiveness of the management system. The annual report is prepared with information provided by the respective functional departments and contains:

- Status and findings of internal verifications and external audits
- Summary of compliance complaints handled
- Summary of reported non-compliances (both internal & external) including nature, outcome of investigation, status and corrective actions proposed and/or taken
- Summary of sustainability KPIs and training activities during the last year
- Recommendations to address any shortcomings and/or deficiencies in compliance and the effectiveness of our management system
- External reporting and position papers

The internal report is shared with the Board through the Sustainability Steering Committee as well as the Managing Director.

## **Transparent engagement**

### **Stakeholder dialogue and disclosures**

DLMI seeks contact and consistent relations with a wide range of external stakeholders, including governments, regulators and legislators, civil society and others in the business environment, such as peer companies, to share our perspective regarding the application of this policy.

DLMI also actively participates in discussions and works in partnership with peer companies and civil society through industry platforms to continuously improve our policies and principles.

This Policy is published on the DLMI corporate website. DLMI is transparent about its positions and communicates them to the stakeholders involved. External positions related to sustainability are made publicly available. We also disclose our membership in global, regional or local sustainability-focused organisations, including those related to the dairy sector, as well as other collaborations and partnerships.

**For any additional information or clarification, please write to [sustainabilitymy@frieslandcampina.com](mailto:sustainabilitymy@frieslandcampina.com)**