The Group continued to sustain and carry out its corporate responsibility related activities under the ambit of its corporate theme of Nurturing Sustainability. Being ‘a price-taker and not a price-maker’, the overall business plan for an upstream oil palm player remains the yield-cost-margin equation. The overall objective is to sustain “Profit” and continue to enhance value for the shareholders while living the shared value to balance operational agenda with the socio-environmental stewardship of “People and Planet”.

### STATEMENT AND REPORT ON Corporate Responsibility

In line with the above, the Group’s sustainability framework classifies the activities into four pillars of sustainability namely “Productivity and Innovations”, “Care for Environment”, “Investor in People” and “Returning to Community”. This framework has been intertwined into our business model towards producing palm oil in a responsible and sustainable manner. Our initiatives under this framework are also in line with Bursa Malaysia’s CSR framework that centres on the Environment, Workplace, Community and Marketplace.

#### CR Framework Comparison

<table>
<thead>
<tr>
<th>NO.</th>
<th>BURSA MALAYSIA’S CSR FRAMEWORK</th>
<th>IJMP’S CR FRAMEWORK ON “NURTURING SUSTAINABILITY”</th>
<th>CORRESPONDING STATEMENTS IN THE REPORTING YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Environment</td>
<td>● Care for Environment</td>
<td>● Statement and Report on Environment</td>
</tr>
<tr>
<td>2</td>
<td>Workplace</td>
<td>● Investor in People</td>
<td>● Statement and Report on Workplace</td>
</tr>
<tr>
<td>3</td>
<td>Community</td>
<td>● Returning to Community</td>
<td>● Statement and Report on Community</td>
</tr>
<tr>
<td>4</td>
<td>Marketplace</td>
<td>● Productivity and Innovations</td>
<td>● Statement and Report on Marketplace,</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>● Statement on Corporate Governance</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>● Statement on Risk Management and Internal Control</td>
</tr>
</tbody>
</table>
STATEMENT AND REPORT ON ENVIRONMENT

Statement on Environment

On the environmental aspect, the Group’s pillar of sustainability — “Care for Environment” focuses on specific and relevant environment related initiatives which promote environmental protection, site conservation and biodiversity enhancement. Pursuit of best management practices is an important cornerstone in resource stewardship over soil, water, air and waste management in the plantation landscape. Other key projects in the Group include maintaining a centre of excellence, known as the “Hundred Acre Wood” in Sugut, dedicated to conservation endeavours. Engagements with the relevant stakeholders are also carried out to enhance awareness and establish a more dynamic dialogue platform.

Report on Environmental Stewardship in Land Use, Conservation and Carbon Sequestration

Environmental stewardship has been embedded into our business model to ensure the long-term economic and environmental viability of our agricultural activities. The Group is committed to minimise the impact of its agricultural activities to the environment by pursuing green initiatives such as biodiversity conservation, enhancement and protection, responsible resource management and implementation of effective pollution prevention measures.

The Group has classified 8% of its land bank in its Malaysian operations, equivalent to 5,818 acres, for conservation purposes. The conservation areas comprise various landscapes which include secondary forest, wetlands, water bodies and hilly terrains that are located at various sites in the operating units. The overall land use for the Group is highlighted in the Chart below.

The Group’s in-situ rehabilitation and green-enhancement programme at selected conservation sites includes the planting of suitable forest tree saplings. Flood resistant tree species as bongkul (Neonauclea subdita) which was planted earlier at some of the operating units in Sugut have been nurtured and are now growing vigorously in the low-lying areas that are not suitable for sustainable oil palm cultivation. Other tropical timber species such as kapur paji (Dryobalanops lanceolata), jelutong (Dyera costulata) and belian (Eusideroxylon zwageri) tree saplings are also being cultivated in the nursery. To-date, there are about 1,200 tree saplings at the nursery sites located in the operating units. These tree saplings will be planted at the remnant areas of the degraded forest and in riparian reserves which have been demarcated as conservation sites.

The Group’s icon for sustainability and conservation project - the “Hundred Acre Wood” which is located in Sg. Sabang Estate, Sugut region continues to serve as the centre of eco-conservation initiatives as well as for natural science education and training efforts of the Group. The Hundred Acre Wood hosts an arboretum containing 400 stands of tropical rainforest tree species, 150 species of local medicinal plants collection, tropical fruit trees and recently a newly and enhanced set-up orchid sanctuary. Eight (8) percent of all flowering plants in the world are orchids, making them the largest family of plants classified as angiosperms. As such, orchids figure prominently in plant conservation. In the reporting year, efforts have been initiated to expand the collection of orchids to include about 250 varieties derived from the vicinity and elsewhere. Some of the orchids are indigenous species found in Sabah which include Phalaenopsis bellina, Paphiopedilum rothschildianum, and the new addition Paraphalaenopsis labiokensis. The identification of the various orchid species is still on-going. Orchids that have been sighted at their own natural habitats in the surrounding areas are also being recorded for future reference. This sanctuary will serve as a good educational and study site for local students interested in botany.

Paphiopedilum dayanum, endemic to Borneo is among the orchid collection
The emission management of greenhouse gas (GHG) is an issue of global importance. The Group has initiated GHG emission measurement involving the processing plants and more work will be carried out to monitor and manage GHG emissions in the operations. The Group will strive to minimise GHG emissions through an integrated approach which incorporates the industry's best practices while continuing to evaluate and implement available new technologies. Apart from GHG emissions, it must be appreciated that oil palms are productive perennial crops that have high rates of net primary productivity and biomass growth thus contributing to carbon sequestration. The Group has been monitoring the amount of carbon sequestered from the plantations. Based on the methodology developed by Malaysian Palm Oil Board (MPOB), the total carbon sequestered in FY2013 has reached more than 779,000 metric tonne or an average 31 metric tonnes per planted hectare in Malaysian operations. It is approximately 3% higher compared to the previous year. As oil palm trees in Indonesia attained maturity, the amount of carbon sequestered thereat totalled 203,254 metric tonnes which is a 39% increase compared to the previous year.
The population and composition of birds in oil palm plantations vary according to the availability of food supplies and breeding habitats. There are birds which are classified as fruit-eaters feeding on weed berries or granivores which feed on seeds of grasses, whilst most of them are insectivores feeding on caterpillars, small beetles, grasshoppers and ants. Insectivorous birds can play an important function in the oil palm ecosystem as part of the Integrated Pest Management (IPM) approach in managing pest and diseases in the plantation. The insectivorous birds can be effective biological control agents that prey on oil palm pests such as caterpillars and bagworms. The Oriental Magpie Robin, Yellow-Vented Bulbul, Greater Coucal and Yellow-Bellied Prinia are some of insectivorous birds that are commonly found in the oil palm plantations. The natural pest control services rendered by these birds can potentially help to reduce chemical usage in plantation, thus minimising the impact on the environment.
The Group recognises the importance of bird population in the oil palm environment. The Group adopts a green policy in weed control, eliminating selective weeds and whilst the palm circles are kept clear. This practice facilitates in the maintenance of non-deleterious natural vegetation while allowing epiphytic ferns to grow on tree trunks. The natural vegetation may provide adequate nesting sites for some of these insectivorous birds in the plantation.

The Group has initiated collaboration with the Borneo Bird Club Sandakan to conduct bird surveys at the Hundred-Acre Wood, Sg. Sabang estate and Minat Teguh estate. During the survey, the birders recorded 72 species of birds in the Hundred-Acre Wood and 45 species of birds at Minat Teguh estate over a short duration.

In addition to the above, the Group has been actively supporting the much acclaimed and celebrated annual Borneo Bird Festivals since the first edition was organised back in year 2009. Employees from the Group have also participated and rendered voluntary assistance in organising the event. Various educational talks and bird watching activities are organised during the festival. The target group of the festival includes budding birders amongst the schoolchildren and youth. The Group believes through such activities, awareness of bird conservation can be nurtured in the community and among the younger generation.

**Report on Resource Stewardship**

The Group places great care in the stewardship of its natural resources and is committed to protect and enhance these resources through various management policies and sustainable agricultural practices.

**Soil Management**

The Group is prudent and adopts the industry’s best practices in its soil management. The planting of leguminous cover crops (LCC) is a standard Group practice. The legumes protect surface soil from erosion, recycle plant nutrients and enhance the soil’s organic and moisture content. In addition, a green policy of minimal weeding is practiced. Blanket spraying of the groundcover species is strictly prohibited, contributing to the enhancement of biodiversity in the estate ecosystem. Contour terraces are constructed on hilly terrain. Palm oil milling by-products such as the empty fruit bunches, biocompost and dried decanter cakes are also utilised in the plantations to improve soil fertility and assist in conditioning the soil.

The Group’s fertiliser programme is based on recommendations by the in-house qualified agronomist. The recommendations are scientific based on the analysis of oil palm leaf nutrient contents and yield performance profiles of the oil palm trees.

The Group also practices an integrated pest management programme (“IPM”) which involves a combination of different pest management techniques in order to maintain the pest population at levels below the thresholds that cause economic losses. The Group’s R&D Department also implements an effective pest census and surveillance system to monitor the levels of pest population and their natural predators. Predatory insects such as Platynopus sp. and Cantheconedia sp. are bred in the insectarium for biological control of leaf-eating caterpillars. In the reporting year, 6,575 predatory insects were released into the fields. Another key component in the IPM is the planting of beneficial plants such as Antigonon leptopus, Cassia cobanensis and Turnera subulata. These beneficial plants help to provide the beneficial insects with both shelter and food in the form of their nectar. In the reporting year, more than 12,000 polybags of beneficial plants were distributed and planted in the fields. The plantings of beneficial plants have doubled compared to the previous year to encourage the proliferation of natural predators.

**Water Conservation**

Water management is a crucial protocol in oil palm cultivation and processing. Any acute deficits or surpluses of water would create stress for the oil palms and adversely affect their yields. The Group is careful in managing its water resources and adopts the industry’s best practices to optimise water utilisation.

In nursery management, the drip irrigation system has been introduced and used for a number of years since the replanting programme started in the Sandakan region. This is further improved with the introduction of additional drippers to reduce water wastage resulting from soil surface evaporation and to achieve high uniformity in the seedling growth. Water table management with tidal gates and drainage system at the coastal and low lying areas are well implemented. In the undulating and hilly terrains, harvesting of rainwater occurs through road side water trenches and silt pits have been constructed to prevent soil moisture losses and erosion.

All operating units have at least one water reservoir for water security and as part of the risk management measures during the drought seasons. Water is treated before being channeled to households and the water quality is closely monitored. Treated water samples are sent to an accredited third party laboratory for analysis to ensure that the treated water quality conforms to World Health Organisation (“WHO”) drinking water standard guidelines and is safe for human consumption. Beside this, all houses in the plantations are equipped with water storage tanks to harvest rain water.
Palm oil mill effluent (POME) is treated before being channeled to the DOE approved fields for land irrigation. The Group constantly monitors the performance of the effluent treatment systems and improves the Biological Oxygen Demand (BOD) level through the latest innovations and technologies.

Air Quality Management

The Group adheres strictly to zero-burning policy in all land clearing sites. This policy has been incorporated into land clearing contracts in which external contractors are engaged. The zero-burning technique also contributes towards a cleaner environment. In all the replanting areas of Desa Talisai estates, all the oil palm biomass are shredded and spread in the field to decompose *in-situ*. The return of the biomass to the soil also helps to improve and restore soil fertility.

The Group has achieved significant progress in reducing smoke and air pollution levels at all processing plants. The air pollutant levels are closely monitored through the Continuous Emission Monitoring Systems (CEMS) that are linked to the Department of Environment (“DOE”). Several operating units have also incorporated soil sealant technology at the main roads and housing sites to reduce dust in the vicinity.

Byproducts/ Waste Management

The Group practices a zero waste discharge policy in the palm oil milling process. For example, by-products such as empty fruit bunches (“EFB”) and treated POME are recycled into the fields as mulch and irrigation respectively. Both EFB and POME are also used to produce biocompost. On the other hand, by-products such as mesocarp fibres and shells from the oil palm fruits are fully utilised as boiler fuel to generate power and steam in replacement of non-renewable fossil fuel.

The Group aligned its waste management strategy and policies in accordance with the legal regulatory framework and the industry’s best practices. All the disposal and treatment methods are in adherence to the regulatory requirements, in particular those applicable to scheduled wastes. Wastes which are classified as scheduled wastes are securely stored, labeled and disposed in accordance to the Environmental Quality (Scheduled Waste) Regulations, 2005.

Domestic wastes are collected on routine basis and disposed at the designated landfill sites. The landfill sites are carefully selected based on site topography and soil suitability to avoid water source contamination. Recycling bins are located at strategic places to encourage our people to practice 3Rs (Reduce, Reuse and Recycle). In addition, an employee recycling campaign, ‘Greening Saturday’ is also organised on a quarterly basis at the Sandakan town level.