STATEMENT AND REPORT ON SUSTAINABILITY

About This Report 49
Message from the CEO and Managing Director 50
Key Highlights of FY2018 and FY2019 Priorities 51
Sustainability Commitment 53
Sustainability Governance 54
Managing Material Aspects 55

PRODUCTIVITY AND INNOVATIONS
- Economic Value Creation and Distribution 57
- Regulatory Compliance and Ethical Conducts 57
- Stakeholder Engagements 58
- Forging Partnerships 61
- Marketplace Collaborations 62
- Priming and Driving Innovations 62
  • Plantation Digitalisation 63
  • Plantation Mechanisation and Process Enhancement 63
  • From Seed to Peak 63
  • Aerial Technology 64
  • 3-MCPDE and Glycidyl Esters 64
- Sustainability Certification and Quality Assurance 65
  • ISCC-EU 65
  • MSPO 65
  • ISPO 65
  • Quality and Process Assurance 65
  • Traceability and Supply Chain Management 66

CARE FOR ENVIRONMENT
- Conservation and Land Use 68
  • Managing High Conservation Value Areas 68
  • Biodiversity Protection 70
  • Rehabilitation and Conservation 73
  • Peatland Protection 73
  • Fire Mitigation and Management 74
- Resource Stewardship 75
  • Water Stewardship 75
  • Effluent and Waste Management 76
  • Responsible Pesticide Use 77
  • Integrated Pest Management 77

- Carbon Emission and Energy Management 78
  • GHG Emission Intensity 79
  • GHG Protocol Emissions 79
  • Air Emission Monitoring 80
  • GHG Reductions 80
  • Energy Management 81

INVESTOR IN PEOPLE
- Occupational Safety and Health 83
  • OSH Performance 84
  • SOHELP 84
  • Ergonomic Risk Assessment 85
  • Hearing Conservation Programme 85
  • Chemical Health Risk Assessment 85
  • Medical Care and Well Being 86
  • Security in Operations 86
- Respect for Human Rights 87
  • Grievance Procedure and Whistle Blowing 87
  • Guest Workers’ Passport Lockers 87
- People Asset 88
  • Gender Committee 88
  • Recruitment and Talent Retention 89
  • Employees Remuneration and Welfare 90
  • Employees Engagements 91
  • Empowering Children with Education 91
  • Promoting Sports and Cultural Heritage 92

RETURNING TO COMMUNITY
- Community Care and CSR Initiatives 94
  • Youth Sports Development 94
  • Breast Health Awareness 94
  • Community Outreach and Development 95
  • Smallholder Transformation Project- The “Rurality” Project 96
  • Volunteerism and Scholarships 96

GRI CONTENT INDEX 97
ABOUT THIS REPORT

This is the Group’s second year’s effort to integrate the Sustainability Report into its Annual Report.

This report was prepared in accordance with Global Reporting Initiative ("GRI") Standards: Core option and guided by the Bursa Malaysia’s Sustainability Reporting Framework. This report focuses on activities carried out within the Group’s financial year from 1 April 2017 to 31 March 2018, with comparable prior year statistics, where available and relevant. Any significant changes beyond the reporting period will be reported in the following year’s report.

In line with the implementation of best practices and continuous sustainability improvement, this report demonstrates the Group’s alignment of focus and goals to meet the Sustainable Development Goals that contributes to sustainable development and the betterment of the society. This report provides an insight into how the Group’s core values and prime strategic objectives enhance long term value creation for stakeholders. It is the manifestation of the Group’s passion, perseverance and a purpose-driven mantra striving towards delivering sustainable performance with IJM’s Mark of Excellence.

The scope of this report covers the environmental, social and economic performances across the Group’s operations in Malaysia and Indonesia. The Group strives to provide an overview of the management strategies and approaches in managing sustainability aspects in its business and the continuous progress in meeting its commitments. Moving forward, the Group will endeavour to improve its data consolidation and enhance its reporting. External assurance of this reporting would be explored in future years.
Businesses today need purpose-driven organisations that can effectively manage the triple bottom lines of their financial, social and environmental risks, obligations and opportunities. There is increasing demand to balance the expectations of diverse stakeholders while the businesses have to continue building on sustainable models that can also enhance their shareholders’ long-term value.

The Group, a mid-sized plantation company, is committed to produce palm oil in a responsible and sustainable manner. The Group will strive to ensure that it delivers its commitment on sustainability aspects by operating in an economically, environmentally and socially responsible manner.

The Group espouses a sustainability framework which it has referred to as “Nurturing Sustainability”, as its organisational mantra. This framework intertwines key sustainability aspects to enable the Group to realise its vision and mission in managing a balanced mix between sustainable growth and the interests of diverse stakeholders. By ingraining these key sustainability aspects, managing the material sustainability matters and pursuing a multitude of impactful corporate responsibility initiatives, the Group is confident that its ventures will continue to create shared values and deliver positive social-environmental footprints. In the longer term, the Group believes that its ventures would contribute constructively to the socioeconomic development and help to generate multiplier effects that lead towards an inclusive wealth sharing and socio-economic environment.

In the reporting year, the Group reviewed its materiality assessment in mapping and reprioritising its focus on managing material sustainability aspects. The Group continues to incorporate the guidance from Bursa Malaysia’s Sustainability Reporting Guide and structured its reporting in accordance to the Core level of the GRI Sustainability Reporting Guidelines. This report is prepared with the objective to enable its relevant stakeholders to understand and appreciate the Group’s sustainability commitments and approach in managing material sustainability matters relating to its operations in a structured manner.

In the reporting year, the Group continues to pursue best practices in its operations that support its business sustainability. Thus, it continues to embrace initiatives such as managing effective stakeholder engagements which involve strengthening dialogues with a multitude of stakeholders including non governmental organisations (“NGOs”), customers, employees and the surrounding communities; environmental management systems with structures, best practices and processes in place that can help embed environmental efficiency and mitigate risks; and also reporting and disclosures with measurements and controls at the heart of instituting sustainability. Thus, the Group supports Bursa Malaysia Securities Berhad’s listing requirements to improve its sustainability disclosures.

The table in the next page provides a review of the Group’s key sustainability highlights in the reporting year followed by the key areas of priorities for FY2019. Going forward, the Group will continue to nurture sustainability focusing on improving operational excellence in its supply chain while strengthening its socio-environmental components related to its business.
FY2018 KEY HIGHLIGHTS AND FY2019 PRIORITIES

MARKETPLACE

1. The lagged effect from prolonged drought coupled with incessant rains have adversely affected crop production in FY2018. Efforts will be intensified to raise the yields while operational costs are prudently managed. Crop production in the Indonesian operations will step up with more maturing areas, while a pragmatic replanting programme would be continued by the Group in the Malaysian operations.

2. The Group will continue to refine its site-specific mechanisation initiatives involving in-field crop evacuations and explore further innovative technologies that best-fit the plantation and processing operations.

3. In FY2018, the Group’s entire Malaysian operations were certified under the ISCC-EU certification. The Group will re-certify in the next reporting year if the demand for International Sustainability and Carbon Certification (“ISCC”) certified palm oil remains. In addition, all operations in Malaysia have also been successfully audited under the main audit assessment and should be completely certified under the Malaysian Sustainable Palm Oil (“MSPO”) mandatory scheme by the next reporting year. In the Indonesian operations, Binai estate was successfully certified under the Indonesian Sustainable Palm Oil (“ISPO”) scheme.

4. The Group had initiated mapping crop suppliers for identification of crop sources to its palm oil mills in the Malaysian operations and had also extended the activity to the Indonesian operations in the reporting year. The mapping activities are expected to be completed by the next reporting year.

5. During the reporting year, the Group entered into a Memorandum of Agreement with the Malaysian Palm Oil Board (“MPOB”) for a pilot trial towards mitigating the 3-Monochloropropanediol (“3-MCPD”) through chloride reduction in the Desa Talisai Palm Oil Mill in Sandakan.

ENVIRONMENTAL ASPECTS

1. A Memorandum of Understanding (“MoU”) was entered into with the Sabah Forestry Department for the conservation of one (1) of the Group’s conservation sites, “Secret Garden” in Sugut region. A comprehensive management plan will be established by the next reporting year.

2. The Group continues to uphold its commitment on High Conservation Value (“HCV”) protection and no open burning practice. The commitment will continue to be cascaded to all its business partners in the supply chain.

3. The Group recognises the importance of adopting landscape approach in the addressing of HCV areas, both within and outside of its concession boundaries. The concerted efforts together with the surrounding stakeholders are important to manage the balance between economic, community and conservation interests. In FY2018, the Group continued with its multitude of partnerships with NGOs to promote awareness on wildlife protection and conservation.

4. The Group continues to adopt a practical approach in managing conservation sites. In FY2018, it continued surveying the HCV areas in the Malaysian and Indonesian operations in FY2019. An on-going tree planting project and mangrove site rehabilitation project were carried out and will be continued in FY2019 and beyond.

5. The Group collaborated with the Sabah Wildlife Department in the Wildlife Warden Programme in FY2018. Wildlife monitoring and patrolling will be enhanced and implemented in FY2019.

6. The Group continued to explore cost-effective and innovative technologies in pollution controls, greenhouse gas emission reductions as well as compliance to new legal requirements.
STATEMENT AND REPORT ON SUSTAINABILITY

OUR PEOPLE

1. The Group strives to provide a safe workplace for its employees and to achieve the goal of zero fatality at the workplace. This goal was achieved for the last four (4) consecutive reporting years. The Group will continue to work fervently towards realising this target again in FY2019.

2. In FY2018, the Group participated in the Systematic Occupational Health Enhancement Level Programme ("SOHELP") - an initiative by the Department of Occupational Safety and Health Malaysia ("DOSH") to enhance the occupational health in the areas of chemical safety, ergonomics at the workplace and hearing conservation. The programme will be finalised and completed in FY2019.

3. Human rights continued to be an important aspect in the Group. In FY2018, the Group initiated the provision of passport lockers for the safekeeping of travel documents of the guest workers in Sijas estate. The passport lockers will be provided for the guest workers in all other operating units in the Malaysian operations, at a later date.

4. The Group continued with various employee engagements and development programmes in FY2018. In FY2019, a systematic employees’ competency evaluation system will be implemented in the Malaysian operations to address competency gaps of staff handling their given tasks.

5. In FY2018, another Humana learning centre was established at the Rakanan Jaya North estate in the Malaysian operations to provide an informal education facility to the children of guest workers living on the plantation.

LOCAL COMMUNITIES

1. The Group continued to cascade its commitments on sustainability to business partners and other stakeholders, particularly the crop suppliers and contractors. The Group is targeting to implement a supplier evaluation system in FY2019.

2. In FY2018, the Group continued with its partnership initiative under the Rurality project with The Forest Trust. A social entrepreneurship project was launched to assist the smallholders to market their handicraft products as part of their income diversification. Evaluation is being undertaken to replicate the project to other smallholders in the Sugut region.

3. The Group continued with its core CSR initiatives including youth sport development and breast health awareness involving partnerships with external parties. In the reporting year, the Group also continued fostering the spirit of sharing and volunteerism amongst its employees and all these activities will continue in FY2019.
The Group adopts an organisational sustainability framework, referred to as “Nurturing Sustainability” which comprises key sustainability aspects in the production of sustainable palm products. This framework encompassed four (4) intertwined pillars of sustainability, namely Productivity and Innovations, Care for Environment, Investor in People and Returning to Community.

Under the framework “Nurturing Sustainability”, the Group strives to produce palm products in a responsible and sustainable manner by:-

- Complying with relevant local, national and international laws and regulations.
- Committing to the principles under the national sustainability standards which include the MSPO and ISPO. The Group will also continue to advance into other international sustainability standards which are applicable to its business activities.
- Adopting good agricultural and milling practices in the operations.
- Working continuously towards better and innovative agricultural and milling practices.
- Respecting human rights of its relevant stakeholders in the supply chain including the local communities.
- Striving to protect natural resources and high conservation value areas.
- Adopting no burning policy in the new planting and re-planting activities.
- Promoting positive environmental impacts and establishing site-specific conservation and rehabilitation initiatives.
- Creating shared values through constructive partnerships and effective engagements with relevant stakeholders.

This policy is applicable to all operations in the IJM Plantations Group and its relevant business associates.
The Group’s sustainability strategy is governed by the Board of Directors and implemented using the following framework.

- **Board of Directors**
- **Audit Committee**
- **Management Committee**
- **Sustainability Steering Teams in Malaysian and Indonesian Operations**
- **Operations Sustainability Working Teams**

The Board of Directors is responsible for approving the directions and overall sustainability strategy for the Group. The Audit Committee oversees the assurance activities with respect to sustainability management and reporting processes. The Management Committee, led by the CEO and Managing Director (“CEO & MD”) ensures that the strategies are implemented and are in accordance with the Group’s policies. The Management Committee is also responsible to update and apprise the Board of Directors on the progress of the Group’s sustainability initiatives and of any significant matters that may arise.

The sustainability steering teams in both the Malaysian and Indonesian operations are the key drivers of the sustainability initiatives and work closely with the sustainability working teams from the operations and relevant external stakeholders. They are responsible to ensure the sustainability initiatives and implementation plans are consistent with the Group’s sustainability strategy. Sustainability working teams are dedicated teams within the operating units that implement the sustainability initiatives in their operations and meet on a regular basis to review the progress and sustainability related initiatives.
The Group reviewed the material aspects by taking into consideration the concerns of the Group’s key stakeholders on the Group’s business. In this reporting year, the Group streamlined to eight (8) material aspects from 20 material aspects in the previous reporting year and categorised the issues accordingly to the sustainability framework. Some of the material aspects were combined to better manage the reporting flow and focus was placed to report the common key indicators. The material aspects were then assessed by the Group’s Sustainability Steering Team to ensure that these issues were being governed under the Group’s policies and commitments and that the respective implementation plans were in place.

The Group also reviewed the significant risks and opportunities in regards to its sustainability development under the context of the global sustainability goals and industrial trends. The key indicators under each material topic were reviewed and discussed periodically in the management meetings to ensure control measures and progress of the implementation targets were being monitored. The material aspects are shown in the following table and are discussed according to their respective sustainability framework.
PRODUCTIVITY AND INNOVATIONS
PRODUCTIVITY AND INNOVATIONS

ECONOMIC VALUE CREATION AND DISTRIBUTION

The Group’s principle of shared destiny in the economic value creation and distribution through its business is summarised in the Statement of Value Added and Distribution on page 4.

Set against the backdrop of a challenging landscape in the reporting year, the Group was able to generate total value add amounting to RM375.1 mil (2017: RM421.9 mil). This was shared and distributed across to various stakeholders. In the reporting year, the employees through their services to the Group were recipients of RM144.8 mil (38.6%) (2017: RM133.4 mil (31.6%)). The government through taxes and cesses collected RM59.8 mil (15.9%) (2017: RM82.1 mil (19.5%)) while the providers of capital received a total of RM105.6 mil (28.2%) (2017: RM69.3 mil (16.4%)) which included the dividend paid out. The balance of RM64.9 mil (17.3%) (2017: RM 137.1 mil (32.5%)) was retained for future reinvestment.

In achieving a total revenue of RM747.2 mil, 49.8%, RM372.1 mil was channelled for the purchase of goods and services in order to meet the needs of the overall business. Inevitably, this has helped in the local economies both directly and indirectly, and facilitated the generation of many spin-offs and multiplier effects towards ensuring continuity in an inclusive wealth creation and economic environment.

Distribution of Total Value Added ("TVA")

- 38.6% Employees
- 28.2% Capital Providers
- 15.9% Taxes and Cess
- 17.3% Reinvestment

REGULATORY COMPLIANCE AND ETHICAL CONDUCTS

The Group is committed to conduct its business activities ethically and in compliance with relevant legal requirements and regulations. This is vital to gain confidence and build trust amongst stakeholders. The Group recognises that this is a shared commitment to create a corporate culture within the Group to operate the businesses in an ethical manner. Thus, employees were briefed on their roles and responsibilities to perform their respective duties in accordance to the Group’s policies and core values.

The Group’s Code of Ethics and Conduct document defines the ethical standards and conduct at work. Any employee, supplier and contractor, who knows of a violation of the Code, is encouraged to whistle blow through the Whistle Blowing Mechanism. The mechanism is available on the IJM website and on the internal website portal system. The management will ensure no individual will be discriminated against for reporting on violations of the Code and will ensure the confidentiality of the identity of the persons who made the report. During the reporting year, there were no reports of misconduct and violation on laws and regulations within the Group.
STATEMENT AND REPORT ON SUSTAINABILITY

STAKEHOLDER ENGAGEMENTS

The Group continued to adopt an open and proactive approach in the engagement with relevant stakeholders. Over the years, the Group had benefited from the engagement activities with various key stakeholders and many of those engagement activities had led to constructive collaborations and partnerships.

The key stakeholders identified are those groups that have significant impacts or are influenced by the Group’s business activities. The Group engages with the key stakeholders through various platforms or channels at certain intervals throughout the year. During the engagement process, information and feedbacks were collected to better understand and improve the management of the potential risks and material issues concerning the Group’s activities. The table below summarises the engagement process and the topics of discussion with the various key stakeholder groups.

<table>
<thead>
<tr>
<th>KEY STAKEHOLDER</th>
<th>ENGAGEMENT CHANNELS</th>
<th>FREQUENCY</th>
<th>AREA OF INTERESTS</th>
<th>OUTCOMES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>Fraternity association</td>
<td>Periodic</td>
<td>1. Relevant issues and updates on the plantation industry</td>
<td>1. Compliance with the regulations and better understanding on the changes in laws or latest requirements</td>
</tr>
<tr>
<td>Authorities and</td>
<td>Two-way dialogue through organised seminars</td>
<td>Periodic</td>
<td>2. Governance in compliance with regulations</td>
<td>2. Establishing biodiversity management plans for better management of the conservation sites</td>
</tr>
<tr>
<td>Regulators,</td>
<td>One-to-one meetings</td>
<td>As and when needed</td>
<td>3. Surveys on conservation sites with Sabah Forestry Department</td>
<td></td>
</tr>
<tr>
<td>Industry</td>
<td>Site visits and inspections</td>
<td>Periodic</td>
<td>4. Support the government initiative in national sustainability certification</td>
<td></td>
</tr>
<tr>
<td>Associations</td>
<td>Engagement surveys</td>
<td>Periodic</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Constructive partnerships</td>
<td>Upon mutual agreements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investors and</td>
<td>Active correspondences to address queries</td>
<td>As and when needed</td>
<td>1. Business strategy and impacts</td>
<td>1. Enhancing insights on business progress and performance</td>
</tr>
<tr>
<td>Shareholders,</td>
<td>Analysts briefings</td>
<td>Periodic</td>
<td>2. Operational performance</td>
<td>2. Establishing good relationship and affirmative standing with the investors</td>
</tr>
<tr>
<td>Fund Managers</td>
<td>Site visits</td>
<td>At least once a year</td>
<td>3. Sustainability updates and focused aspects</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Corporate website</td>
<td>Updates as and when needed</td>
<td>4. Socio-environmental practices and commitments</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Annual reports</td>
<td>Once a year</td>
<td>5. Governance and compliance with new regulations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Annual general meeting</td>
<td>Once a year</td>
<td>6. Updates on corporate changes and decisions made</td>
<td></td>
</tr>
<tr>
<td><strong>KEY STAKEHOLDER</strong></td>
<td><strong>ENGAGEMENT CHANNELS</strong></td>
<td><strong>FREQUENCY</strong></td>
<td><strong>AREA OF INTERESTS</strong></td>
<td><strong>OUTCOMES</strong></td>
</tr>
<tr>
<td>---------------------</td>
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<td>--------------</td>
</tr>
</tbody>
</table>
| Local Communities and Smallholders | Community outreach and development programmes | Periodic | 1. Socio-environmental practices and requirements  
2. Supply chain issues  
3. Sharing of knowledge on agricultural best practices  
4. Pricing mechanism and crop quality | 1. Forging enhanced understanding on the Group’s policies and sustainability practices  
2. Improving relationships and establishing long term partnerships  
3. Developing and implementing shared initiatives |
|                      | Recurrent dialogues and engagements | At least once a year | 1. Forging enhanced understanding on the Group’s policies and sustainability practices  
2. Improving relationships and establishing long term partnerships  
3. Developing and implementing shared initiatives | 1. Forging enhanced understanding on the Group’s policies and sustainability practices  
2. Improving relationships and establishing long term partnerships  
3. Developing and implementing shared initiatives |
|                      | Strategic partnerships | Upon mutual agreements | 1. Forging enhanced understanding on the Group’s policies and sustainability practices  
2. Improving relationships and establishing long term partnerships  
3. Developing and implementing shared initiatives | 1. Forging enhanced understanding on the Group’s policies and sustainability practices  
2. Improving relationships and establishing long term partnerships  
3. Developing and implementing shared initiatives |
| Customers | Meetings | Periodic | 1. Supply chain issues  
2. Quality and productivity  
3. Sustainability updates – certifications, traceability, best management practices  
4. Socio-environmental practices and specific aspects | 1. Forging enhanced understanding of the Group’s policies and commitment to sustainable palm oil production  
2. Augmenting long term partnerships and relationships |
|                      | Phone calls and correspondences | Periodic | 1. Sustainability related topics  
2. Academic research and findings on the industry  
3. Challenges in the industry  
4. Smallholders development and awareness training  
5. Joint awareness trainings related to wildlife conservation and river protection | 1. Internship programmes to provide exposure to the schools/ college leavers  
2. Strategic partnerships that benefit both parties  
3. Understanding the Group’s sustainability related progress and updates |
|                      | Site visits | As and when needed | 1. Sustainability related topics  
2. Academic research and findings on the industry  
3. Challenges in the industry  
4. Smallholders development and awareness training  
5. Joint awareness trainings related to wildlife conservation and river protection | 1. Internship programmes to provide exposure to the schools/ college leavers  
2. Strategic partnerships that benefit both parties  
3. Understanding the Group’s sustainability related progress and updates |
|                      | Strategic partnership | Upon mutual agreement | 1. Sustainability related topics  
2. Academic research and findings on the industry  
3. Challenges in the industry  
4. Smallholders development and awareness training  
5. Joint awareness trainings related to wildlife conservation and river protection | 1. Internship programmes to provide exposure to the schools/ college leavers  
2. Strategic partnerships that benefit both parties  
3. Understanding the Group’s sustainability related progress and updates |
|                      | Engagement and meetings, correspondence | Periodic | 1. Sustainability related topics  
2. Academic research and findings on the industry  
3. Challenges in the industry  
4. Smallholders development and awareness training  
5. Joint awareness trainings related to wildlife conservation and river protection | 1. Internship programmes to provide exposure to the schools/ college leavers  
2. Strategic partnerships that benefit both parties  
3. Understanding the Group’s sustainability related progress and updates |
|                      | Site visits | As and when needed | 1. Sustainability related topics  
2. Academic research and findings on the industry  
3. Challenges in the industry  
4. Smallholders development and awareness training  
5. Joint awareness trainings related to wildlife conservation and river protection | 1. Internship programmes to provide exposure to the schools/ college leavers  
2. Strategic partnerships that benefit both parties  
3. Understanding the Group’s sustainability related progress and updates |
| Contractors and Suppliers | Discussions and meetings | Periodic | 1. Sustainability related matters including certifications, traceability, best management practices  
2. Product specifications and work quality  
3. Company’s policies and governance  
4. Relevant laws and regulations applied  
5. Feasibility and practicality of the new products or technologies | 1. Raising of awareness on the Group’s policies and practices  
2. Augmenting relationships and establishing long term business partnerships  
3. Driving for innovations in the current operations and practices |
|                      | Briefings and trainings | At least once a year | 1. Sustainability related matters including certifications, traceability, best management practices  
2. Product specifications and work quality  
3. Company’s policies and governance  
4. Relevant laws and regulations applied  
5. Feasibility and practicality of the new products or technologies | 1. Raising of awareness on the Group’s policies and practices  
2. Augmenting relationships and establishing long term business partnerships  
3. Driving for innovations in the current operations and practices |
|                      | Products and/or technology trial | As and when needed | 1. Sustainability related matters including certifications, traceability, best management practices  
2. Product specifications and work quality  
3. Company’s policies and governance  
4. Relevant laws and regulations applied  
5. Feasibility and practicality of the new products or technologies | 1. Raising of awareness on the Group’s policies and practices  
2. Augmenting relationships and establishing long term business partnerships  
3. Driving for innovations in the current operations and practices |
### Key Stakeholder: Employees

<table>
<thead>
<tr>
<th>Engagement Channels</th>
<th>Frequency</th>
<th>Area of Interests</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee engagement survey – “My Voice”</td>
<td>Once every two (2) years</td>
<td>1. Operational performance</td>
<td>1. Enhancing understanding on the Group’s policies, cultures and core values</td>
</tr>
<tr>
<td>Town-hall meetings</td>
<td>At least once a year</td>
<td>2. Sustainability updates and practices</td>
<td>2. Improving awareness on the Group’s commitment on the sustainability practices</td>
</tr>
<tr>
<td>Various operational and committee meetings</td>
<td>Periodic</td>
<td>3. Welfare and remuneration</td>
<td>3. Enhancing and enriching inclusiveness and team work</td>
</tr>
<tr>
<td>Get-together events and sporting activities</td>
<td>Periodic festive celebrations</td>
<td>4. Workplace and living conditions</td>
<td>4. Constructive feedbacks and comments for improvements</td>
</tr>
<tr>
<td>Briefings and trainings</td>
<td>Periodic</td>
<td>5. Safety and health issues and practices</td>
<td>5. Positive engagements with employees and creating a shared destiny culture.</td>
</tr>
<tr>
<td>Employee Wellness Programme</td>
<td>Periodic</td>
<td>6. CSR initiatives</td>
<td>6. Balancing work-leisure lifestyle</td>
</tr>
<tr>
<td>Annual appraisals</td>
<td>Once a year</td>
<td>7. Group’s directions, vision, policies and practices</td>
<td>7. Building a conducive work environment</td>
</tr>
<tr>
<td>8. Human resource related matters</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Visit by customers to Desa Talisai Palm Oil Mill to appreciate the operations and social-environmental practices in the Group

Study visit by participants from a local university to Quality, Training and Research Centre (“QTRC”)
FORGING PARTNERSHIPS

The Group continues to engage in partnerships and collaborations with the stakeholders that were established and sustained for many years. The partnerships were mutually formed on the basis of creating shared benefits for involved parties. The Group is confident that the partnerships will continue to deliver positive impacts to the relevant stakeholders and sustained in the upcoming years.

<table>
<thead>
<tr>
<th>Commencement Year</th>
<th>No of years</th>
<th>Organisation</th>
<th>Project and Engagement Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>17</td>
<td>Universiti Malaysia Sabah</td>
<td>Internship programme, research activities and students field visits</td>
</tr>
<tr>
<td>2002</td>
<td>16</td>
<td>Tripartite partnership-Sabah Rugby Union (“SRU”), Eagles Rugby Club (“ERC”) and Sabah Education Department</td>
<td>Youth rugby sports development programme in Sabah</td>
</tr>
<tr>
<td>2006</td>
<td>12</td>
<td>Sandakan Pink Ribbon</td>
<td>Grass-root breast health awareness and outreach initiatives</td>
</tr>
<tr>
<td>2007</td>
<td>11</td>
<td>NGO Humana Child Aid Society Sabah</td>
<td>Education for guest workers’ children in Sabah</td>
</tr>
<tr>
<td>2010</td>
<td>8</td>
<td>Duchess of Kent Hospital in Sandakan</td>
<td>Blood donation campaigns and health-related activities</td>
</tr>
<tr>
<td>2011</td>
<td>7</td>
<td>NGO Borneo Bird Club Sandakan</td>
<td>Avian fauna surveys and awareness program</td>
</tr>
<tr>
<td>2012</td>
<td>6</td>
<td>International Plant Nutrition Institute (“IPNI”)</td>
<td>Oil palm best management practices project “Seed to Peak”</td>
</tr>
<tr>
<td>2012</td>
<td>5</td>
<td>ACGT Sdn Bhd and Genting Green Tech Sdn Bhd</td>
<td>Research and development trials in relation to use of genomics-based solutions to increase productivity</td>
</tr>
<tr>
<td>2014</td>
<td>4</td>
<td>Wildlife Rescue Unit and Sabah Wildlife Department</td>
<td>Wildlife relocation, conservation awareness and human-elephant conflict issues</td>
</tr>
<tr>
<td>2015</td>
<td>3</td>
<td>Malaysian Palm Oil Council</td>
<td>Palm Oil Bootcamp for local tertiary students</td>
</tr>
<tr>
<td>2015</td>
<td>3</td>
<td>NGO The Forest Trust (“TFT”)</td>
<td>Smallholders’ outreach Rurality Project</td>
</tr>
<tr>
<td>2016</td>
<td>2</td>
<td>NGO World Wildlife Fund (“WWF”) Sabah</td>
<td>River water stewardship and forest fire mitigation</td>
</tr>
<tr>
<td>2017</td>
<td>1</td>
<td>Sabah Forestry Department</td>
<td>MoU on the conservation works at IJMP’s Secret Garden Project</td>
</tr>
<tr>
<td>2017</td>
<td>1</td>
<td>Bornean Sun Bear Conservation Centre and Wildlife Rescue Unit</td>
<td>Environmental awareness outreach programme</td>
</tr>
<tr>
<td>2018</td>
<td>&lt;1</td>
<td>Sabah Wildlife Department</td>
<td>Honorary Wildlife Warden Programme and awareness trainings</td>
</tr>
</tbody>
</table>

Workshop on “4R Nutrient Stewardship” in partnership with the International Plant Nutrition Institute (“IPNI”) in Sandakan, Sabah
MARKETPLACE COLLABORATIONS

The Group is an active member of the Malaysian Estate Owners’ Association (“MEOA”). At present, the CEO & MD is a Council and Working Committee Member following his retirement as the President. The CEO & MD was also a board member of the MPOB in the reporting year. The Group participated actively in the plantation industry related presentations at various platforms including those organised by MPOB, the Malaysian Oil Scientists and Technologists’ Association (“MOSTA”) and MEOA. Employees were also actively involved with the branch of the local Incorporated Society of Planters. Topics shared ranged from sustainability, industry competitiveness and prevailing issues relating to the plantation industry. In the reporting year, the Group also actively participated in commemorating the 100 years celebration of the commercialisation of oil palm in Malaysia (1917-2017).

The Group strives to make contribution while learning from others in leveraging its knowledge and expertise with the wider industry fraternity. Visits and workshops were organised to facilitate the networking and exchange of ideas on issues pertaining to the industry. The Group endeavours to inspire others and together raise the bar in managing the challenges confronting the plantation industry.

PRIMING AND DRIVING INNOVATIONS

Implementing strategies for effective plantation innovations in the operations are imperative especially against the backdrop of acute labour shortage, dynamic business landscape and increasing customer expectations. The Group’s commitment in driving innovations was driven by the objective to improve operational efficiencies and productivity, while promoting the culture of continuous improvement.

The Group’s research and development (“R&D”) team continues to pursue with breeding, progeny testing and selection trials towards producing high yielding oil palm planting materials. Besides, the Group has also invested and evaluated various technologies and innovative mechanisms to improve the operational efficiencies and enhance social-environmental footprints in the operations. The following were the key innovation projects implemented in the reporting year.

GROUP’S KEY PRESENTATION ENGAGEMENTS IN FY2018

<table>
<thead>
<tr>
<th>No.</th>
<th>Event/Conference/Meeting</th>
<th>Date</th>
<th>Location</th>
<th>Title/Theme</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>MOSTA Ipoh, Malaysia</td>
<td>12 September 2017 to 14 September 2017</td>
<td>Oil Palm Best Practices Workshop 2017</td>
<td>“Infrastructures and Social Responsibility For High, Sustainable Oil Palm Yields - IJMP’s Perspective”</td>
</tr>
</tbody>
</table>
Plantation Mechanisation and Process Enhancement

Since 2011, the Group had carried out trials of using various combinations of machineries for in-field mechanisation and customised the best options against the site-specificity in estates. Motorised wheel barrows, mini-tractors, net and crane system, bin system and the latest grabber system were utilised for in-field crop collections based on time-motion and cost-benefit studies.

In the reporting year, the Group carried out trials and introduced light-weight graphite harvesting poles against the conventional aluminium-based harvesting poles. The new poles are more durable, easier to be lifted and shifted vertically and have the potential to increase the productivity of the harvesters.

The mill operations have also incorporated constructive upgrading works and innovative modifications in the processes to enhance efficiency. In the reporting year, installation of additional empty fruit bunch (“EFB”) presses in the mills had reduced the losses and hence improved on the oil extraction rates achieved. The Group will continue to conduct trials and explore cost effective and innovative technologies and ways to reduce the dependency on labour and enhance operational productivity and efficiency.

From Seed to Peak

The Group enthusiastically collaborated with IPNI since 2012 on commercial scale field experiments to intensify bunch yields in oil palm replants by implementing best management practices (“BMPs”) from the oil palm nursery stage through to the mature crop. The completed nursery stage showed the Group’s innovative practices to be on par with current BMPs and how nutrient use efficiency can improve. Data collected also track soil changes to show the impact of cultivation during the experiments, as an indicator of sustainability.

In the reporting year, the Group and IPNI also conducted a training course on applying 4R Nutrient Stewardship principles in oil palm nutrient management. 4R refers to the four ‘rights’ in nutrient management i.e. using the RIGHT SOURCE of nutrients, at the RIGHT RATE, applied at the RIGHT TIME and in the RIGHT PLACE. Both partners believe that application of 4R principles in oil palm nutrient management will help growers and managers meet the nutrient needs of the palms in a responsible and sustainable manner.

IPNI has an inspiring and mutually beneficial engagement collaborating with IJMP. Such collaborations with leading industry players like IJMP is a fundamental strategy in generating relevant information and strengthening capacities to support positive changes in the oil palm industry.

Dr. Thomas Oberthür
Director IPNI Southeast Asia

Plantation Digitalisation

The Group continues the usage of Global Positioning System (“GPS”) enabled hand-held devices in tracking plantation activities. All estate operations in the Malaysian operations had implemented the digital supervision system and this has proven to be useful in estate management and supervision. In the conventional method, information on crop production and productivity of the harvesters were manually recorded. Efficiency in estate supervision improved after using this digital data logger system. Real time information enabled quick response times and shortcomings could be rectified promptly. The Group will extend the usage of this system into agronomic performance and pest and disease monitoring. The agronomic information is currently incorporated into the existing database and correlated with the real time data. The complexity of the data analysis will be simplified and made ready to be utilised by estate management. The Group is also evaluating the implementation of the digital data logger system for the Indonesian operations.
3-MCPDE and Glycidyl Esters

3-monochloropropanediol esters ("3-MCPDE") and Glycidyl Fatty Acid Esters ("GE") are contaminants that can form during food processing and refining of edible oils and fats at high temperatures. Based on a report published by the European Food Safety Authority in May 2016, these substances are food safety concerns for vegetable oil refiners and consumers. The report elaborated on the safety of 3-MCPDE and GE with respect to human health, based on the available evidence from animal studies. Based on the studies conducted by the MPOB, one of the possible factors that contributes to the formation of 3-MCPDE is the chloride in crude palm oil ("CPO"). In the reporting year, the Group had entered into a Memorandum of Agreement with MPOB for a pilot trial. The project involves a CPO washing system in Desa Talisai Palm Oil Mill that removes the chloride from the CPO.

Aerial Technology

The unmanned aerial vehicles ("UAV"), or commonly known as drones, have been used increasingly in plantation management. The Group embarked on the use of drones coupled with GPS in the oil palm tree census. Surveys conducted using drones on the land boundaries and potential palm nutritional conditions could provide useful and accurate information to facilitate more effective estate management and resource planning. In the reporting year, a Geographic Information System was introduced to couple with the drones for wider application and multiple data gathering. The Group targets to conduct HCV surveys using drones in the next reporting year to obtain more accurate land area data and also to monitor any encroachment activities.

Training on using drones in Sugut Region

Plantation digital supervision in Sabang estate

Grabber system for crop evacuation in Excellent Challenger estates
SUSTAINABILITY CERTIFICATION AND QUALITY ASSURANCE

Presently, the Group’s operating units are certified under various national and international certification schemes. The approach is to focus and prioritise standards that are consistent with the Group’s overall commitments to improve market access while delivering value and assurance to customers. The Group also took consideration of the prevailing market demands and prudently manages the cost involved in the overall certification processes.

International Sustainability and Carbon Certification (“ISCC”)

ISCC is a multi-stakeholder organisation that provides a globally applicable certification system for the sustainability of biomass and bioenergy products. ISCC aims to provide a holistic sustainability solution for fully traceable and deforestation free supply chains, and ensure that the certified producers are ecologically and socially sustainable. As an added value to the ISCC certification, certified estates under ISCC-PLUS have been determined to be equivalent to the Sustainable Agriculture Initiative FSA Silver level.

All the Group’s palm oil mills and their respective internal supplying estates in the Malaysian operations were certified under this voluntary scheme. The total ISCC EU certified palm oil dispatched from the mills were 72,697 MT in the reporting year or 51% of total CPO production in the Malaysian operations. The management had decided to discontinue the ISCC-PLUS scheme in the reporting year, as there was no demand for this certificate in this region. Notwithstanding this, Desa Talisai Palm Oil Mill is still certified under both ISCC-EU and ISCC-PLUS for food and feed. Following the EU Parliament’s proposed ban on the usage of palm oil in biofuel production by 2020 and the subsequent proposal recently to phase out palm oil as transport fuel by 2030, the sustained demand for ISCC-EU certified palm oil remains uncertain. The Group will however continue to pursue with the re-certification under the ISCC-EU certification scheme in the next reporting year, as long as there is a cost-benefit advantage derived from the ISCC-EU certified oils.

Malaysian Sustainable Palm Oil (“MSPO”) Certification

MSPO is the national sustainability certification scheme for oil palm plantations, smallholders and the palm oil supply chain in Malaysia. All oil palm industry players in Malaysia are mandated to be certified under the MSPO certification scheme by the end of 2019. One of the Group’s palm oil mills, Desa Talisai Palm Oil Mill and three (3) supplying estates were certified under the MSPO scheme since 2015. The other operations in Malaysia were successfully audited under the main audit at the time of reporting. The entire Malaysian operations will be certified under the MSPO scheme by the next reporting year.

Indonesian Sustainable Palm Oil (“ISPO”) Certification

ISPO is a national sustainability certification scheme established in 2011 for the Indonesian oil palm industry. The Group had embarked on the ISPO auditing process since 2014. In this reporting year, another estate in Kalimantan, namely Bina Estate was successfully certified under this scheme. The target to complete all Stage 1 audits in this reporting year was achieved, with the exception of two estates where certain pending documentation are yet to be issued by the relevant authorities.

Quality and Process Assurance

The Group’s processes and palm oil products were certified under quality management systems such as Good Manufacturing Practice and Standard and Industrial Research Institute of Malaysia (SIRIM) quality standards. The Group’s Malaysian operations were still certified under the MPOB Code of Good Practices covering activities in the nursery, estate operations and kernel crushing processes. The Group strived to adhere to the stringent production requirements and deliver the best quality products in compliance to the customers’ requirements and expectations. Customers’ feedback and comments were promptly addressed and follow-up meetings were arranged.
Traceability and Supply Chain Management

The Group receives only crops from known and legal sources. In the reporting year, 70% of the fresh fruit bunches ("FFB") processed in the Group’s mills were from its own estates and the balance 30% were from independent and schemed smallholders, collecting centre, plasma and “Kemitraan” schemes. In line with the customers’ growing demand for accountability and transparency, the Group tracked and monitored the sources and movement of palm products produced from the estates and processing plants.

In the reporting year, the Group’s operations could trace 98% of the FFB processed at the mills to their sites of origin. The remaining 2% were from the external collecting centre in Sandakan region where the crops were collected from the smallholders and local villagers by collection operators. The Indonesian operations were able to achieve 100% traceability of FFB to the estates of origin. All CPO and palm kernel products were produced from the Group’s mills and kernel crushing plants with no CPO and kernel sourced externally.

All operating units in the Malaysian operations were certified under the ISCC EU certification scheme for biofuels and the movement of the sustainable products were monitored under the ISCC’s mass balance supply chain traceability system.

The Group continued with the mapping of its crop suppliers in both the Malaysian and Indonesian operations, of which basic information of the suppliers and GPS coordinates were obtained. Visits to smallholders were also conducted to strengthen engagements with the smallholders and the potential sustainability risks were assessed under the landscape approach. The mapping project is ongoing with the target to complete by the next reporting year.

Active smallholders supplying crops to the Group’s mills in the Malaysian operations account for a total hectarage of about 2,033 ha. Whereas in the Indonesian operations, the Group are developing about 11,000 ha under the Group’s outgrowers scheme.

The purchases of products or services by the Group were conducted through established and approved procurement processes. Suppliers were carefully reviewed prior to any awards of contracts. Contract awardees were required to adopt the Company’s sustainability policies and practices. The clause on compliance to the Group’s policies were enforced through legally-binding agreements. In addition, stakeholder engagement meetings or one-to-one meet ups with briefing sessions were organised to cover the Group’s sustainability practices and to discuss any prevailing gaps. The contractors also signed self-declarations of their commitments to comply with the Group’s sustainability policies. The Group is currently developing the self-assessment or evaluation forms for all engaged suppliers and contractors targeted to be implemented by the next reporting year.
CARE FOR ENVIRONMENT
CONSERVATION AND LAND USE

Managing High Conservation Value Areas

The Group is committed to the protection of HCV areas located within the surroundings of its concessions. No deforestation of HCV and peatland should be carried out in any new plantings. The Group will strive to commit new development contractors and relevant stakeholders within the supply chain to adhere to this new planting policy. As part of continuous improvement, the integrated HCV - High Carbon Stock (“HCS”) assessment will be part of the new management approach prior of any new plantings in the future, in addition to the requirement for Social and Environmental Impact Assessment. Only assessors accredited by the HCV Resource Network’s Assessor Licensing Scheme will be appointed to conduct the HCV-HCS assessments.

Awareness on the Group’s no deforestation policy has been cascaded to the Group’s independent and schemed smallholders through annual stakeholder engagement meetings. In the meantime, more frequent patrols in the HCV areas were carried out, especially in the Indonesian operations where encroachment occurs in HCV areas within the Group’s concessions. In spite of all the ongoing and enhanced efforts, safeguarding these areas from conversions by third parties remains a major challenge.

A total of about 4,192 ha (2017: 4,180 ha) of the Group’s land were identified as HCV areas across the Malaysian and Indonesian operations. There were changes in the areas set aside compared to the previous reporting year due to improved accuracy from the ongoing re-surveying conducted. In the Group’s operations in Indonesia, all the HCV areas proposed in the HCV assessment by external assessors were surveyed and demarcated to derive precision on land areas identified for follow-up management purposes. Internal HCV assessments were also carried out in the Malaysian operations including those areas that were to be rehabilitated or restored. An area of approximately 62.47 ha would be classified as a conservation area and will be excluded from any future development. Collectively, the Group had set aside areas of 4,255 ha for the purpose of conservation. There was also a total of about 680 ha of flood prone areas still under evaluation for conservation. The Group targets to have a more precise total area set aside in future reporting when the finalised assessment and surveying undertakings are completed.

HCV management and monitoring plans have been established for all operating units, reviewed annually and updated in accordance to guidelines and regulations in tandem with the site specificity and incorporating any new findings. The Group’s “Hundred Acre Wood” in Sugut continued to be maintained and additional plants were included. Another similar initiative was started in the Indonesian operations located at Binai estate. In the Malaysian operations, the Group had set aside an area for conservation, known as “Secret Garden” in the reporting year. Apart from this, the Group had also set aside buffer zones along the river and areas bordering with the state’s gazetted forest reserves in accordance to the regulations and conditions set under the replanting activities’ Environmental Impact Assessment. The Group is committed to no development in the gazetted forest reserves and is guided by the local and national laws and regulations in protecting the forest reserves, such as the Forest Enactment 1968, Wildlife Conservation Enactment 1997 and Environmental Protection Enactment 2002 for the management of buffer zones.

In addition, the Group also recognises the importance of adopting the landscape approach in managing the HCV areas and concerted efforts in engaging with neighbouring stakeholders in mitigating wildlife poaching and encroachment into the HCV areas. The Group participated in engaging with the smallholders in areas where human-elephant conflicts occurred in the Malaysian operations. It also collaborated with the Forestry and Wildlife Department in capacity building training and conservation awareness among the local villagers.

Bongkul tree at rehabilitation site in Sg. Sabang estate
Below is the summary of the management strategies and the respective targets and status of progress in managing the HCV and conservation areas in the reporting year.

<table>
<thead>
<tr>
<th>STRATEGIES</th>
<th>OBJECTIVES</th>
<th>TARGET</th>
<th>STATUS AS OF FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Internal re-surveying on the HCV areas and conservation areas in existing plantation operations</td>
<td>Obtained updated land areas and information/conditions of the areas</td>
<td>To survey all areas in the operations which are classified as conservation and HCV areas by FY2018</td>
<td>On-going surveying work, expected to be completed in the next reporting year</td>
</tr>
</tbody>
</table>
| ii. Establishing site specific conservation and biodiversity management plan | Better management with site-specific conservation and rehabilitation works | **Malaysian Operations:**
  i. Partnerships or collaborations with external expertise in establishing the management plans;
  ii. Establishing site specific management plans for Sugut region by FY2018
**Indonesian Operations:**
Implement and monitor the management plans for all the estate operations. | **Malaysian Operations:**
  i. MoU between IJMP and Sabah Forestry Department was signed on 17th August 2017;
  ii. Sabah Forestry Department team has conducted ground survey of flora and fauna in designated conservation area, Secret Garden;
  iii. Targeted to complete the biodiversity management plan for Secret Garden in FY2019
**Indonesian Operations:**
On-going implementation and monitoring plan with periodic audits. |
| iii. Rehabilitation and enhancement | To rehabilitate and enhance the conservation sites with the planting of suitable tree species | **Malaysian Operations:**
Rehabilitation of riparian reserves in the Sandakan region to be implemented by FY2018
**Indonesian Operations:**
Continuation with the "Sejuta Pohon" tree planting project involving planting of suitable local tree species at specific rehabilitation plots targeted to be completed by FY2020 | **Malaysian Operations:**
  i. Areas of rehabilitation project were identified;
  ii. Planting of suitable tree saplings will be initiated in FY2019
**Indonesian Operations:**
Planted more than 40,000 trees |
| iv. Monitoring | i. To monitor that the management plans are implemented;
 ii. To review plans for continuous improvement | Implementing effective monitoring programmes by FY2018 | **Malaysian Operations:**
Formation of patrolling teams for each operating unit in Sugut region. Reporting of any illegal hunting or encroachment activities in the protected areas
**Indonesian Operations:**
On-going. Continuous monitoring programmes with patrolling activities |
| v. Awareness and engagement with relevant stakeholders | To collaborate with relevant bodies or NGOs in the promotion of conservation awareness among the surrounding communities and employees | Continue to organise effective awareness and training activities | **Malaysian Operations:**
  i. Honorary Wildlife Warden Programme conducted by Sabah Wildlife Department in Sugut region involving smallholders supplying crops to the Group’s mill;
  ii. Talk on ‘Protected Wildlife Species in Sabah’ by Wildlife Rescue Unit (“WRU”) and WWF-Sabah and ‘Awareness on Bornean Sun Bear’ by Bornean Sun Bear Conservation Centre to employees and local communities
**Indonesian Operations:**
Training and awareness talks were organised on the topics of protected species found in the plantation landscape |
STATEMENT AND REPORT ON SUSTAINABILITY

Organised wildlife conservation awareness talks for employees and children in the Malaysian operations

Tree planting activity at IPS Mill in the Indonesian operations

Periodic environmental monitoring at conservation sites

Conservation site - Hundred-Acre Wood at Sg. Sabang estate

Biodiversity Protection

Where endangered, rare and threatened species of biodiversity were found or encountered within the Group’s premises including those in HCV areas or conservation sites, adaptive management plans and monitoring activities were initiated. These include collaborations with state government agencies and local NGOs in the translocation of wildlife and ongoing awareness training on topics pertaining to wildlife monitoring and the applicable laws.

In the reporting year, the Group signed a MoU with the Sabah Forestry Department to establish baseline information and develop a management plan for the “Secret Garden” in its Malaysian operations.

A scientific expedition was conducted in the reporting year that covered forest ecosystem assessment and documentation of various plant groups and wildlife, including mammals, birds and insects.

From the survey, seven (7) plant species were found to be endemic to Sabah, and at least four (4) Bornean endemic moth species and two (2) Bornean endemic butterfly subspecies were also discovered in the Secret Garden. In the interest of protecting these species, a forest management plan will be established as part of the outcomes from the MoU with the Sabah Forestry Department.
In the operations bordering with the state’s gazetted forest reserves, forest buffer zones were also demarcated and governed under the respective state regulations. Hunting is not allowed and signboards displaying ‘No Hunting’, ‘No Setting Traps’ were erected at strategic locations within the estates. In addition, Standard Operating Procedures (“SOP”) were also put in place to assist the operating units in handling human-wildlife conflicts. In the reporting year, the Group took the initiative to organise a Honorary Wildlife Warden Training Programme with the assistance of the Sabah Wildlife Department for its selected employees. The training was also opened to neighbouring smallholders. 26 participants were certified as ‘Honorary Wildlife Wardens’ under this programme, including four smallholders. The training equipped participants with the know-hows in handling wildlife and conducting patrols.

Interviews with people on the ground and surveys were conducted annually to monitor conditions or movements of the animal species in the operating units. The Group will strive to improve the biodiversity monitoring programme and re-strategise its patrolling activity in the next reporting year.

“IJM Secret Garden” was inspired by Frances Hodgson Burnett’s 1911 novel entitled “The Secret Garden”. Its locality being the last remaining forest that is dominated with young emergent trees and some dipterocarp tree species. This forest remnant was a logged over secondary forest and has previously been gazetted for agricultural purposes. The Group decided to set it aside for conservation purpose. Secret Garden is located in Sungai Sabang estate, Sugut which is approximately 4 hours’ drive from Sandakan.
The summary of the International Union for Conservation of Nature’s ("IUCN") List of Threatened Species sighted in the Group’s operations for this reporting year are as follows:

<table>
<thead>
<tr>
<th>SPECIES</th>
<th>CRITICALLY ENDANGERED</th>
<th>ENDANGERED</th>
<th>VULNERABLE</th>
<th>NEAR THREATENED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mammals</td>
<td></td>
<td>6</td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td>Reptiles</td>
<td></td>
<td></td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Birds</td>
<td>-</td>
<td>1</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td>Plants</td>
<td>13</td>
<td>10</td>
<td>10</td>
<td>2</td>
</tr>
</tbody>
</table>

Endemic to Sabah, Shorea kudatensis (Photo credit to John B. Sugau)

Endemic to Borneo, Potanthus omaha maesina (Photo credit to Eyen Khoo)

Monkey Moth (Photo credit to Dr. Arthur Chung)

Black and Crimson Pitta (Photo credit to Cede Prudente)
Rehabilitation and Conservation

As reported in the previous year, employees from the Group initiated a two (2) years ex-situ mangroves trees rehabilitation project at Tandawan, Elopu Forest Reserve in Sabah. In this reporting year, about 1,000 seedlings and 2,000 propagules of mangrove trees were planted during IJM’s Give Day Out 2017. To-date, a total of 1,300 Rhizophora sp. seedlings, 2,700 propagules and 200 saplings of various selected tree species such as Ketapang and Aru were planted. In the Indonesian operations, more than 40,000 trees of various species including fruit trees and local tree species were planted at various sites within the Group’s operations under the “Sejuta Pohon” initiative in the reporting year. A total of 310,323 trees have been planted since the Group participated in this programme which was initiated in 2015.

The Group continued the partnership with NGOs in the promotion of conservation awareness and capacity building involving relevant stakeholders. This includes collaborations with the WWF, Bornean Sun Bear Conservation Centre, and also State government authorities involving the Sabah Forestry Department and Sabah Wildlife Department. In the reporting year, more children-oriented awareness fun-talks were organised focusing on the children living on the plantation.

Peatland Protection

About 10% of the total planted hectares of the Group’s operations were planted on peatlands, where all of the cultivation on peatlands in the Malaysian operations was carried out before year 2001. There shall be no new plantings on peatlands regardless of depth in any future developments. The Group acknowledges the importance of HCS areas and has taken a pragmatic approach in moving towards better management and protection of HCS areas in any future development. In addition, the Group adopted industry BMPs on the existing cultivation on peatlands. This includes implementing effective drainage and water management systems, adopting effective fertilisation practices as per the nutrient recommendations, as well as implementing good standards in road and palm lining management.
STATEMENT AND REPORT ON SUSTAINABILITY

Fire Mitigation and Management

The Group adhered to strict zero-burning policy, where no fire was involved in land preparation during replanting and new development activities. Smallholders, suppliers, contractors and other relevant stakeholders in the supply chain were informed and briefed on the Group’s zero-burning policy. In the reporting year, the Group did not experience severe and prolonged droughts in its Indonesian operations and areas caught by fire were significantly reduced. There were two (2) fire incidents reported in the year, which involved the labour housing and illegal burning by local villagers in areas neighbouring the Group’s property. The Group recognised the need to strengthen dialogues with the local villagers on their agricultural practices which frequently involved burning for land clearing. The Group will continue to conduct community workshops to educate the local communities about the environmental and social consequences arising from slash-and-burn farming.

Emergency Response Teams were established in the operating units and the teams were trained from time to time to ensure preparedness in handling any fire incidents. Regular fire drills and training were carried out to ensure employees and their family members living in the operating units are prepared when fires occur.

In the event of a prolonged dry season, surveillance and periodic patrols are conducted in areas with high fire risks, such as peatlands and any areas bordering degraded forests. In addition, the Group’s firefighting facilities located in the palm oil mills in the Malaysian operations were inspected and certified by the Fire and Rescue Department of Malaysia annually.

AREAS IN THE OPERATIONS AFFECTED BY FIRES

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MALAYSIAN OPERATIONS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planted (Ha)</td>
<td>2.00</td>
<td>0.01</td>
<td>0</td>
</tr>
<tr>
<td>Unplanted* (Ha)</td>
<td>0.08</td>
<td>0</td>
<td>0.16</td>
</tr>
<tr>
<td><strong>INDONESIAN OPERATIONS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planted (Ha)</td>
<td>28.16</td>
<td>0.06</td>
<td>0</td>
</tr>
<tr>
<td>Unplanted* (Ha)</td>
<td>0.08</td>
<td>0.24</td>
<td>20.00</td>
</tr>
<tr>
<td><strong>TOTAL NUMBER OF FIRE INCIDENTS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group</td>
<td>28</td>
<td>4</td>
<td>2</td>
</tr>
</tbody>
</table>

Note: * Includes incident in the housing complexes

"Sosialisasi" session with local communities on zero burning practise

Fire-fighting simulation training
RESOURCE STEWARDSHIP

Water Stewardship

The Group’s strategies in water management are centred on water use optimisation and reduction in water consumption or wastages. The Group strives to ensure water resources are utilised in the most optimum way with minimal impact to the environment.

Below are some measures implemented under the water management strategies:

i. Minimising water wastage by using the drip irrigation system for watering seedlings in the oil palm nurseries;
ii. Monitoring the water usage per tonne of FFB processed in order to reduce generation of Palm Oil Mill Effluent ("POME");
iii. Recycling in the use of POME for land irrigation and application in the fields;
iv. Increasing additional capacity of water storage and constructing reservoirs;
v. Continuing to explore innovative and cost effective technologies in optimising water usage;
vii. Protecting the riparian reserves and surface water quality.

In the reporting year, the water usage by the mills averaged 1.17 m$^3$ of water usage per tonne of FFB processed. The target was not to exceed 1.50 m$^3$ per tonne of FFB processed. With stringent usage, the Group managed to work within the target limit set. Thus, one of the continuous improvement plan targeted in the next three (3) years is to reduce the threshold target from 1.50 m$^3$ to 1.40 m$^3$ per tonne of FFB processed. An additional palm oil mill in the Indonesian operations was in its full operations in the reporting year. Collectively, the Group consumed 1.27 million m$^3$ of water for mill processing. This was the major water usage component for the Group.

Apart from monitoring water usage, the Group also conducted periodic river water sampling to ensure that the health of the river flowing through was not negatively affected by the Group’s business activities. In addition, apart from river water sampling, the sampling of plankton and sediments were also conducted for observation as one of the key indicators of river health.

The Group’s water sources are mainly from rain-fed ponds or reservoirs. The water demand for offices in town was met by water supplied by the local utility company. The Group strives to improve the accuracy of water usage reporting despite the challenges in measuring water usage from the rain-fed system. Additional recording meters have been installed to track the usage of water. In the reporting year, recording meters were installed for all water treatment plants supplying in-house treated water to housing villages and nursery in the Malaysian operations. The goal is to consolidate and account for the major water consumption by the various operating units in the next reporting.

Water reservoir in a plantation in the Indonesian operations
Effluent and Waste Management

Effluent and waste generated from the Group’s operations were managed in accordance to the guidelines and regulatory requirements. In 2018, total POME generated from the Group’s mill operations was 693,680 m³. The POME was then treated by the ponding system and further treated with tertiary treatment system to achieve permissible quality limits. The treated POME was reused to irrigate the field through land irrigation and land application systems. Discharge water samples were collected at various designated sampling stations for third party laboratory tests. The Biochemical Oxygen Demand (“BOD”) was determined on a monthly basis by accredited laboratories where the results of the analysis were then submitted to the local environmental authorities on a quarterly basis. In the reporting year, the POME discharge quality parameters in all the Group’s mills were within the stipulated regulatory limits. Although the regulatory stipulated limit for some of the Group’s mills’ discharge is equivalent or higher than 1000 mg/l for BOD limit, the Group strives to maintain its effluent discharge quality to be less than 500 mg/l.

BOD LEVELS FOR THE GROUP’S MILL OPERATIONS

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BOD LEVEL FOR LAND IRRIGATION</strong> (BOD Limit : 20 mg/l)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY2015</td>
<td>10</td>
<td>9</td>
<td>10</td>
<td>9</td>
</tr>
</tbody>
</table>
| **BOD LEVEL FOR LAND APPLICATION**
1. Malaysian Operations (BOD Limit : 1000 mg/l) | 228    | 207    | 68     | 73     |
| 2. Indonesian Operations (BOD Limit : 5000 mg/l) | NA*    | 261    | 204    | 390    |

* NA : Not Available

The Group had identified various sources of waste and their respective potential impacts on the health of the people and the environment. Scheduled waste generated from the operations were stored, labelled and disposed by the licensed collectors in adherence to the local environmental regulations. In the reporting year, about 80 mt of scheduled waste was disposed by the collectors of which over 70% of this scheduled waste was spent oil. The quantities of scheduled waste generation were monitored and the inventory was reported online to the Department of Environment (“DOE”) on a monthly basis. The Group has personnel who are competent in the handling of scheduled waste and in the preventive measures in the event of any accidental spillages.

The Group continued to reuse and recycle wastes generated in the operations as much as possible to reduce the impact to the environment. Ultimately, the Group is working towards a dynamic and innovative waste management system aimed towards waste reduction and recycling. However, the promotion on waste recycling is a continuous endeavour. The Group recognises the importance to put in more effective efforts in raising awareness among employees in practicing recycling and waste segregation. In the reporting year, about 1,756 mt of domestic wastes were generated from the operating units and 232 mt of recyclable items were sent to the recycling centre, whilst the remaining were sent to dedicated landfill sites in the operations. There were also constraints in recycling in the operations such as non-availability of recycling centres in the vicinity and limited recyclable items accepted by the recycling centre.

In the reporting year, a total of 557,395 mt of biomass residues were generated from mill operations. More than 97% of the biomass generated were utilised as fuel source or as mulch in the fields whilst the remaining were converted to biocompost or sold to external parties as alternative fuel.

BY-PRODUCTS GENERATED FROM MILL OPERATIONS

<table>
<thead>
<tr>
<th></th>
<th>TOTAL QUANTITY PRODUCED (MT)</th>
<th>TOTAL QUANTITY RECYCLED (MT)</th>
<th>USAGE TYPE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiber</td>
<td>249,148</td>
<td>249,148</td>
<td>Fuel</td>
</tr>
<tr>
<td>Shell</td>
<td>52,065</td>
<td>50,193</td>
<td>Fuel</td>
</tr>
<tr>
<td>EFB</td>
<td>256,181</td>
<td>246,072</td>
<td>Mulch &amp; Fuel</td>
</tr>
</tbody>
</table>
Responsible Pesticide Use

The Group is committed to reducing and phasing-out chemicals that fall under the World Health Organization Class 1A and 1B and Stockholm or Rotterdam Conventions, and continues to work with stakeholders in determining suitable and effective alternatives for pest control.

Herbicides accounted for more than 80% of the total pesticide load as it is important to keep the oil palm circles weed free for the ease of estate operations. Over the years, the Group had worked closely with agrochemical vendors to evaluate various new herbicide products that were able to prolong the length of time for weed control and reduce the number of herbicide rounds in a year. Thus, labour costs and amount of herbicides used may be substantially reduced when the number of weeding rounds is reduced. The Group will continue to monitor the pesticide usage and explore for better agricultural practices or alternatives to minimise the pesticide usage in the Group.

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Herbicides</td>
<td>2.64</td>
<td>3.36</td>
<td>3.20</td>
</tr>
<tr>
<td>Fungicides</td>
<td>0.02</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Rodenticides</td>
<td>0.49</td>
<td>0.75</td>
<td>0.52</td>
</tr>
<tr>
<td>Insecticides</td>
<td>0.17</td>
<td>0.13</td>
<td>0.16</td>
</tr>
<tr>
<td>TOTAL USED</td>
<td>3.32</td>
<td>4.24</td>
<td>3.88</td>
</tr>
</tbody>
</table>

Competency training in accordance with the Standard and Safe Operating Procedure is conducted on a regular basis to ensure all chemical handlers are competent in conducting their work relating to chemicals. Apart from safe chemical handling, respective emergency response plans, first aids and nozzle calibration trainings are also part of the annual training programme. In addition, personal protection equipment including protective eyewear, facial masks, gloves and boots are provided for employees handling chemicals in accordance with the recommendation in the Hazard Identification, Risk Assessment and Risk Control ("HIRARC") and Chemical Health Risk Assessment ("CHRA") protocol. Annual medical surveillance programme was carried out for employees dealing with pesticides and other chemicals to ensure that their health were not affected from the exposure to chemical hazards.

Integrated Pest Management

Integrated Pest Management ("IPM") is widely practiced in the Group’s operations. This consists of four (4) main components – Prevention, Monitoring, Physical Control, and Chemical Control being the last resort. The Group’s R&D teams are responsible for the stewardship and monitoring of the IPM implementation in the Group and to ensure that the pest and disease occurrences are below the threshold levels, in collaboration with the estates.

**Prevention**
- Planting of beneficial plants
- Release of predatory bugs
- Planting of cover crops and no blanket spraying on weed control

**Monitoring**
- Pest and disease census by R&D team
- Census is carried out by taking random frond samples for insects counts and damage assessment

**Physical Control**
- Removal of Ganoderma infected oil palm trees
- Use of pheromone traps to manage Rhinoceros beetles when the pest is above threshold levels

**Chemical Control**
- Chemical treatment is only carried out when the damage exceeds established critical thresholds
STATEMENT AND REPORT ON SUSTAINABILITY

In the reporting year, about 5,700 of predatory bugs, *Platynopus melanoleucus* were released into the field as part of biological control for leaf eating caterpillars. Beneficial plants such as *Turnera sp.* and *Cassia sp.* continued to be planted at strategic locations within the estates. For any *Ganoderma* infected palms, they were removed as soon as possible in accordance to the Group’s SOP to avoid infecting nearby oil palm stands.

As the Group’s operations in the Sugut region in Malaysia will undergo replanting in the near future, management of *Rhinoceros* beetles will be an important aspect of operations. The Group will take the correct preventive measures to reduce the infestation of *Rhinoceros* beetles in all the replanting sites. In order to control the population of this pest, pheromone traps will be placed at strategic places around the replanting areas and diligent monitoring will be implemented.

As part of the commitment to minimise the use of chemicals in the operations, cattle integration in the oil palm plantations was introduced in year 2017. At the moment, there is only one cattle integration site at Excellent Challenger 2 estate as part of the pilot project in the Malaysian operations. The efficiency of the cattle grazing as a substitute for herbicide usage is still under evaluation.

CARBON EMISSION AND ENERGY MANAGEMENT

The Group continued to monitor and manage the greenhouse gas (“GHG”) emissions based on available data and information from the operating units. The emissions were measured using toolkits that were aligned with the calculation methodology from the EU Renewable Energy Directive and guidelines from ISCC 205 - GHG Emissions 3.0. The GHG measurements however, did not include the emissions from land use change, conservation areas set aside and carbon sequestrations. The carbon emissions data for the Malaysian operations were also externally verified during the annual ISCC re-certification audits.

In the reporting year, the Group has generated about 212,990 tonnes of carbon dioxide equivalent, tCO₂-e, about 6% increase from the base year of 2016. This resulted mainly from the increased volumes of fertiliser usage in the Group’s estate operations which was required to recover nutrient levels and to sustain the FFB production after the prolonged drought. The major contributor to GHG emissions was still the methane gas from the POME treatment, followed by the fertiliser usage in the plantation.
GHG Emissions Intensity

GHG emission intensity indicates the total carbon emissions per tonne of product produced by the operating units involving the oil palm estates and processing mills. In the reporting year, there were no significant changes in the GHG emissions in both operations in the estates and palm oil mills.

GHG Protocol Emissions

The reporting methodology of the GHG emissions is based on the GHG Protocol, including the establishment of the emissions categories involving Scopes 1, 2 and 3. Scope 1 refers to direct GHG emissions which was defined as “emissions from sources that are owned or controlled by the organisation”. In the reporting year, the emission sources included in Scope 1 are fertilisers, fuel used (diesel and petrol), methane from POME, pesticides, chemicals, lubricants and processed water usage from the palm oil mills. Scope 2 refers to indirect GHG emissions which was the consumption of purchased grid electricity. In this reporting year, emission from Scope 3 has been incorporated, i.e. fuel used by the Group’s third-party contractors in FFB transportation and machineries. There was higher consumption of purchased grid electricity in the reporting year mainly by the Group’s kernel crushing plant as there was more processing of palm kernel carried out. Emissions in Scope 3 were mainly attributed by the wider usage of mechanisation for in-field crop evacuation in the estate operations.

<table>
<thead>
<tr>
<th></th>
<th>Malaysia FY2017</th>
<th>Malaysia FY2018</th>
<th>Indonesia FY2017</th>
<th>Indonesia FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1* (tCO₂-e)</td>
<td>109,987</td>
<td>114,102</td>
<td>70,941</td>
<td>91,710</td>
</tr>
<tr>
<td>Scope 2* (tCO₂-e)</td>
<td>3,968</td>
<td>4,017</td>
<td>80</td>
<td>88</td>
</tr>
<tr>
<td>Scope 3* (tCO₂-e)</td>
<td>1,855</td>
<td>2,058</td>
<td>1,312</td>
<td>1,015</td>
</tr>
<tr>
<td>Total</td>
<td>115,810</td>
<td>120,177</td>
<td>72,333</td>
<td>92,813</td>
</tr>
</tbody>
</table>

*Notes:
Scope 1: Direct GHG emissions which is defined as emissions from sources that are owned or controlled by the organisation such as fertilisers, fuel used (diesel & petrol), methane from POME, pesticides, chemicals, lubricants and processed water usage from palm oil mill.
Scope 2: Indirect GHG emissions which include consumption of purchased grid electricity.
Scope 3: Indirect GHG emissions which are not directly owned or controlled by the organisation such as fuel used by the contractor for crop transportation and machineries.
Greenhouse Gas Reductions

The Group continued to explore and source for innovative technologies and practices to reduce carbon emissions. The emission reduction strategies were focused on the following areas:

- **a. Optimising the water usage per tonne of FFB processed in mill in order to reduce POME generation;**
- **b. Using of POME in the biocomposting facility;**
- **c. Installing of solar panel systems to minimise usage of non-renewable energy (diesel) for power generation;**
- **d. Installing and connecting of power supply from the nearest grid line to operations wherever feasible;**
- **e. Sourcing for alternatives in methane gas avoidance eg. de-watering device to reduce organic loads;**
- **f. Enhancing the efficiencies of the POME treatment and ensure functionality of the ponding systems.**

One of the Group’s palm oil mills in the Indonesian operations, IPS continues to utilise the mixture of POME, decanter solids and shredded fibre in the biogas digester system to produce electricity for operations and domestic usage.

Air Emission Monitoring

In the Malaysian operations, gaseous emissions were monitored through the Continuous Emission Monitoring System which is connected online to the Department of Environment in Putrajaya. Apart from that, stack emission monitoring was carried out by an environmental consultant for submission to the authority twice a year. The DOE had imposed a more stringent air quality standard under the Environmental Quality Act (Clean Air Regulations) 2014, in which the emission dust concentration shall not be exceeding 150mg/Nm$^3$ in all palm oil mills. Despite the challenges to comply with this new standard, evaluations are ongoing with the various available technologies in the market that can potentially achieve this new emission target. In the Indonesian operations, periodic ambient air monitoring were carried out to monitor the pollutant levels in the surrounding outdoor air by an accredited environmental consultant.

Air quality monitoring at IPS mill, Kalimantan

**STATEMENT AND REPORT ON SUSTAINABILITY**
**Energy Management**

The Group continued to monitor the usage of renewable and non-renewable sources for energy production to ensure efficient utilisation. In the reporting year, a total of 128,280 gigajoule ("GJ") of energy was generated, of which more than 70% of the energy was generated using renewable sources. The renewable sources are from milling biomass like palm fibres, palm kernel shells and EFB, while the non-renewable sources consist of diesel and energy purchased from utility companies.

The Group was able to substitute about 82% of non-renewable fossil fuels with renewable sources from the palm oil mills for energy generation, which was equivalent to around 27,000 tCO$_2$-e carbon emissions savings if non-renewable sources were used instead of biomass.

Feasibility studies were carried out on the connectivity to the on-grid electricity supply in the areas that were still dependent on fossil fuel-powered generation. In the reporting year, Desa Talisai Palm Oil Mill in the Sabah operations was connected to the power supply grid from its nearest grid line and this reduced the fossil fuel consumption for power generation during non-processing periods.

### Energy Consumption for the Group’s Operations, FY2018 (%)

- **30%** Non-Renewable Energy (Diesel & Grid Electricity)
- **70%** Renewable Energy (Fibre & Shell)

### Energy Consumption for the Group’s Operations, FY2016, FY2017 & FY2018 (GJ)

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable Energy (Fibre &amp; Shell)</td>
<td>33,687</td>
<td>33,934</td>
<td>37,607</td>
</tr>
<tr>
<td>Non-Renewable Energy (Diesel &amp; Grid Electricity)</td>
<td>109,231</td>
<td>84,946</td>
<td>90,673</td>
</tr>
</tbody>
</table>

**Notes:**

1. Data converted from electricity readings in kilo watt (kWh) - direct measurement from the meters and the utility bills
2. Emission factor in reference to Biograce v 4d, 2014
INVESTOR IN PEOPLE
INVESTOR IN PEOPLE

OCCUPATIONAL SAFETY AND HEALTH ("OSH")

The Group’s commitment to securing a safe and healthy workplace for all employees and contractors engaged at work is reflected in the Group’s Environmental, Occupational Safety & Health Policy, which is summarised as follow:

In striving to secure a safe and healthy work environment, the Group shall strive towards:

- Establishing and using appropriate best practices incorporating occupational safety and health practices at work;
- Improving work procedures and taking preventive measures on potentially hazardous practices while creating a safe workplace for all;
- Complying with the applicable statutory and regulatory requirements;
- Increasing awareness and accountability at all levels and providing on-going training for our employees and contractors to conduct all their activities in an environmentally responsible, safe and healthy manner;
- Pursuing continuous improvements on aspects of operations that can further enhance the occupational safety & health of all our employees.

In order to implement and monitor the policy, the following strategies were adopted:

- A risk-based approach to identify, manage and take preventive measures on the potential hazards and risks in the workplace through the HIRARC and CHRA;
- Refreshers and training on safe operating procedures and respective competency trainings to ensure the employees are competent in handling their job tasks;
- Inculcation of the culture of individual accountability and responsibility on self well-being and that of other personnel and facilities under their care;
- Regular dialogues and discussions with stakeholders, including the employees, local communities and relevant authorities on the safety and health related issues;
- Periodic inspections by safety & health officers and close supervision by the heads of operations to ensure the operations and practices are in accordance to the Group’s policies and safety procedures;
- Constant reviews and revisions of the safe operating documents, HIRARC, policies and relevant practices.

Road safety campaign in Sijas estate, Sandakan
STATEMENT AND REPORT ON SUSTAINABILITY

OSH Performance

The Group’s goal is to achieve zero fatality and 5% reduction in the total accident cases with lost days at the workplace. For the four (4) consecutive years since 2015, zero fatality was recorded at the workplace in the Group.

The Group monitored the OSH performance through the Lost Time Injury Frequency Rate (’LTIFR’) and Lost Time Injury Severity Rate (’LTISR’) which represented the number of accidents with lost days for every 1 million man-hours worked, and the LTISR signified the total days lost for every one million man-hours worked. These indicators enable the management to track the effectiveness of preventive measures and plans undertaken to improve occupational safety and health performance in the operations.

Both the LTIFR and LTISR have improved in the reporting year. In addition, the Group has recorded about 36% reduction in the number of accident cases with lost days. This was welcomed as set against the Group’s goal of 5% reduction from the previous year.

<table>
<thead>
<tr>
<th>Operations</th>
<th>Total accidents with lost days</th>
<th>LTIFR (per 1,000,000 hours worked)</th>
<th>LTISR (per 1,000,000 hours worked)</th>
<th>Fatality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estates</td>
<td>85</td>
<td>4.46</td>
<td>13.90</td>
<td>0</td>
</tr>
<tr>
<td>Mills</td>
<td>11</td>
<td>5.48</td>
<td>65.26</td>
<td>0</td>
</tr>
</tbody>
</table>

From the total accident cases with lost days recorded in the reporting year, 85 cases occurred in the estate operations. However, the accident cases recorded in the mill operations were normally with higher severity rate, mainly due to the higher hazards involving working with heavy machineries.

Systematic Occupational Health Enhancement Level Program ("SOHELP")

Two (2) of the Group’s operating units in the Sandakan region, Desa Talisai Palm Oil Mill and Desa Talisai North estate had participated in the SOHELP programme, in collaboration with the DOSH. The SOHELP programme was established under the initiative of the National Occupational Safety and Health Management Program-20, which was targeted to prevent the development of occupational diseases. The programme aimed to enhance occupational health performance at the workplace under three (3) focal areas, which were on chemical handling, ergonomics at the workplace and hearing conservation. Verification audits were conducted by the DOSH officers and plans were established to improve the performances related to the focal areas.
Ergonomic Risk Assessment

Initial Ergonomic Risk Assessment was conducted internally in the Malaysian Operations in collaboration with DOSH and the Occupational Health Doctor ("OHD") to assess the various ergonomic risks associated with the work tasks and activities in the plantations and processing plants. The Group targets to complete the initial assessment in the next reporting year and will produce action plans in reducing the ergonomic risks according to the assessment findings.

Hearing Conservation Programme

Hearing conservation programme was initiated to prevent occupational hearing loss for those working in the processing operations. The noise levels were monitored to ensure that workers were exposed under the acceptable noise levels at the workplace. Annual audiometry evaluations are conducted by the appointed OHD on all workers who were exposed to the noise intensity above the threshold levels. In addition, all processing plants in the Malaysian operations had conducted the Noise Boundary Assessment to determine the various noise levels at the processing plants and ensure that the noise levels did not exceed the permissible levels as advocated by the DOE. Based on the assessment, appropriate hearing protective gears were provided to the workers who were exposed to the hearing risks.

Chemical Health Risk Assessment ("CHRA")

CHRA were carried out at all operating units which were involved in handling of chemicals. Training programmes in the various aspects on chemical handling including the use of personal protective equipment for workers exposed to hazardous chemicals were conducted and documented. Annual medical surveillance and biological monitoring were conducted for those who were exposed to chemical risks under the recommendations of the CHRA. The CHRA was renewed every five (5) years and the Group adhered to the timeline for re-assessment. In addition, health status examinations were also conducted for the employees working in confined spaces.

Annual medical surveillance at Binai estate
Medical Care and Well Being

Routine inspections at the housing areas were carried out by the respective safety and health committees in the operating units to ensure that the Group’s properties were well maintained and hygiene standards were in accordance to the Group’s policies. Regular fogging and “gotong-royong” campaigns were organised to ensure that the living environment was free from the contagious diseases and sanitation conditions were satisfactory to the Group’s standards. Vaccination and health checks for children in the plantations were also conducted by the clinic nurses and by the local health department officers.

In the reporting year, a personal wellness programme was initiated in the Malaysian operations. The employees monitored their body composition on a monthly basis at the respective estate clinics and the head office in Sandakan. The management also encouraged its employees to stay mentally and physically healthy through exercises, such as Yoga, Zumba dance, Cross-Fit classes and hobby-oriented activities, like soap and terrarium making classes. Health talks and screening were also organised in collaboration with the local hospital.

Security briefing at Pertama estate

Security in Operations

The Group worked closely with related local government agencies to safeguard the estates and associated facilities to provide a secure environment for the employees living in the operating units. Internal security personnel were engaged to enhance the security with scheduled patrolling carried out to maintain security vigilance of the surrounding areas in the plantations. The Group also instructed the operating units to be watchful and alert on security risks in the operations. Security is also a topic of discussion during the Joint Consultative Committees’ deliberations held quarterly.
Grievance Procedure and Whistle Blowing

The Group will not tolerate violations of the human rights principles and will address in a fair, effective and consultative manner for any grievances or complaints. The Group’s guidelines and grievance procedures to handle social related issues are stated in the Group’s Social Manual. The grievance procedures provide a non-discriminatory and fair treatment framework for all involved stakeholders. Anonymous whistle-blowing channels were also available to enable employees and other third parties to report actual or suspected misdeeds without the fear of repercussions. Complaints can be lodged manually using the complaint forms from the respective operating units’ offices and address to any head of operating units/departments in the Group or email to ijmpit@ijm.com.

RESPECT FOR HUMAN RIGHTS

The Group is committed to protect the rights of its employees and treating them with dignity and respect in line with all relevant legal requirements and regulations and the United Nations’ Guiding principles on human rights. The Group’s commitment is reflected in its Human Rights Policy, which uphold the following principles: -

1. Promote diversity and inclusive culture in the workplace, premised on mutual trust and respect, and avoid practices that discriminate against gender, marital status, race, nationality, ethnicity or age;
2. Zero tolerance on any form of harassment, abuse or discrimination based on any personal characteristic;
3. Maintain a workplace that is free from abuse, harassment, intimidation and any other unsafe working conditions;
4. Non employment of children in any kind of work;
5. Zero tolerance to any form of forced labour, slavery, human trafficking and sexual exploitation;
6. Practice two-way communication with representatives of employees, and when the need arises, the Group resolves complaints and grievances through an open, transparent and consultative process.
7. All employees have the right to form and join organisations of their own choice and to bargain collectively as per applicable laws;
8. Respect the rights of people in communities impacted by the Group’s activities. The Group seeks to identify any adverse impacts arising from its activities and takes appropriate steps to mitigate and address them. Free, prior and informed consent negotiations are held prior to commencing any new operations.

The policy has been communicated to all employees, contractors and the smallholders supplying crops to the mills. The Group strives to commit its employees and the partners in its business supply chains to adhere to this policy.

Guest Workers’ Passport Lockers

All employment in the Group is voluntary and the guest workers were recruited directly through the appropriate government approved channels. The Group prohibits any form of forced and bonded labour, including the withholding of workers’ travel documents, wages, passports and any personal belongings without their consent. In the reporting year, the Group had initiated the passport lockers room in Sijas estate in the Malaysian operations, to enable the guest workers’ free access to their passports without any restrictions. A similar practice will be implemented in the other Malaysian operations.

Passport lockers in Sijas estate
STATEMENT AND REPORT ON SUSTAINABILITY

PEOPLE ASSET

The Group employed 9,931 people as at 31 March 2018. Workers employed in the Malaysian operations were mostly non-Malaysians. They were mainly workers from Indonesia and with less than 2% from Philippines.

From the total workforce, 32% were women and 68% were male employees, which is in line with the industry norm. The Group actively encouraged the women to excel in the plantation industry. However, the men’s work participation was significantly higher due to the heavy physical nature of the tasks involved in plantations. Women were mostly engaged in the weeding, loose fruit collection and gardening activities. Notwithstanding this, there were representations of female talents in the management team, mainly involved in R&D and administrative activities. Day care centres and kindergartens were also available in operating units to support the Group’s female employees and their children.

Employment and promotions are based on the qualifications and the ability needed for the work to be performed. This commitment is governed under the Group’s Diversity and Inclusion Policy.

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Female</td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Senior Management</td>
<td>0</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>Management</td>
<td>9</td>
<td>71</td>
<td>8</td>
</tr>
<tr>
<td>Executives</td>
<td>36</td>
<td>148</td>
<td>38</td>
</tr>
<tr>
<td>Non-Executives</td>
<td>176</td>
<td>478</td>
<td>165</td>
</tr>
<tr>
<td>Workers</td>
<td>3,033</td>
<td>5,644</td>
<td>3,186</td>
</tr>
<tr>
<td>Total</td>
<td>3,254</td>
<td>6,348</td>
<td>3,397</td>
</tr>
</tbody>
</table>

Gender Committee

The Group assisted the female employees in the operations to establish the gender committees which included the representatives from the workers category and management to promote female participation and empowerment at the workplace. The committees also functioned as a formal channel to manage sexual harassment complaints and provide support for domestic violence victims. In the reporting year, training on “Sexual Harassment in the Workplace” coordinated by the NGO, Women’s Aid Organisation was organised along with other self-development programmes such as cooking and make up classes, health talks and family planning.

“Sosialisasi” session in Binai estate on topic of gender equality
Recruitment and Talent Retention

In the Malaysian operations, the higher turnover was among the workers who had completed their tenure of employment and returned to their home countries. Despite the number of employees leaving the Group surpassing the new hires, the turnover rate for workers were reduced in the reporting year. Higher turnover was observed for the younger generation and most of them were from the executives and non-executives categories. Workforce recruitment and retention is difficult in the plantation industry, particularly in the Malaysian operations, where strict entry rules had restricted the employment of guest workers. It was also challenging to attract and retain young employees due to the remoteness of the operations’ locations and the nature of the plantation tasks. Besides offering competitive remuneration and a conducive working culture, the Group will continue to nurture its young talent and empower them to explore innovative technologies and best-fit ideas in the operations.

Turnover Rate - Workers

<table>
<thead>
<tr>
<th>Year</th>
<th>Malaysian Operations’ Workers Turnover Rate</th>
<th>Indonesian Operations’ Workers Turnover Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>27%</td>
<td>-</td>
</tr>
<tr>
<td>2017</td>
<td>21%</td>
<td>15%</td>
</tr>
<tr>
<td>2018</td>
<td>31%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Group Turnover and New Hire Chart

- **2016**: 118 Female, 20 Male
- **2017**: 2 Female, 2 Male
- **2018**: 1 Female, 2 Male

<table>
<thead>
<tr>
<th>Year</th>
<th>New Hire Female</th>
<th>Turnover Female</th>
<th>New Hire Male</th>
<th>Turnover Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>118</td>
<td>2</td>
<td>12</td>
<td>20</td>
</tr>
<tr>
<td>2017</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>2018</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>
Employee Remuneration and Welfare

Employees in the Malaysian operations were remunerated at least the minimum wages as guided by the Malaysian Minimum Wages Order 2016. For the operations in Indonesia, the Group adhered to the local minimum wage agreements fixed by each provincial government and all related new guidelines or revisions made to the agreements. Wage payments were made timely and wage records were countersigned by the workers to acknowledge their receipt of the remuneration and they were briefed to understand how payments were calculated.

For eligible employees, benefits such as long-term incentive programmes involving share options were granted based on the annual performance appraisals, organisational performance and as governed by the established by-laws. Other typical benefits, such as housing, utilities, medical, sports facilities, places of worship and access to basic education were also provided in the operating units. Employees’ performances were appraised annually with discretionary salary increments and bonuses awarded accordingly. For those employees who had served for more than 20 years, their contribution was duly recognised with the Group’s Long Service Awards. In the reporting year, 23 employees in the Malaysian operations were awarded with their Long Service Awards.

Apart from that, the Group continued to upgrade the existing houses and build new houses for the employees in the operating units. Places of worship, medical cares, clinics and sports facilities were also part of the Group’s care and commitment towards the wellbeing of its employees. The management recognised the needs of the employees on the accessibility to affordable food and daily necessities. The management periodically checks and monitors the pricing for the essential items sold in the grocery stores in the operating units. The employees were also encouraged to grow their own vegetables in the operating units through the Green projects.
Empowering Children with Education

The Group prohibits the employment of child labour in the operations. The minimum age of employment as defined by law was strictly adhered to and was made known to the recruitment team, operations and the associates throughout the Group’s business supply chain. Basic education and day care centres were provided at the operating units to ensure that workers’ children had access to basic education and young children were taken care of during working hours. A series of activities were organised for the children during their year-end school holidays such as colouring competitions, handicraft making activities and fun learning videos. The Group provides transportation for children in the operations to the local schools and learning centres. In the reporting year, two (2) additional units of purpose-made vehicles were purchased to send the children to local schools and learning centres in the plantations in the Sugut region of the Malaysian operations.

In the reporting year, an additional Humana Learning Centre was set up and officiated in Rakanan Jaya North estate. The Group now has four (4) Humana Learning Centres and two (2) units of Continuous Learning Centres in the Malaysian operations. In addition, the Group operates twenty-five (25) day care centres and six (6) kindergartens to cater for the children at the operating units.

Employee Engagements

The Group promotes employee engagements through different platforms at periodic intervals. Through townhall meetings, surveys and consultative meetings, the top management was able to identify the strength and opportunities for improvement in creating a better workplace for its employees. The Group also strives to provide quality living environments and a safe workplace along with attractive remuneration packages for its employees. Joint Consultative Committee meetings are organised on a quarterly basis as platforms to discuss various issues and concerns arising from aspects relating to the workplace and the living environment. The workers’ representatives in the committee are elected by all the employees themselves in the operating units.

All employees were trained and re-trained under a structured development programme based on the individual training needs and the types of jobs performed. In the reporting year, technical and competency training to other soft skills training were conducted. The Group aims to develop a diverse, competent and dedicated talent pool that will drive and sustain growth and value for the Group. In the reporting year, the Group conducted 802 training sessions and achieved a total of 2,235 training hours. Going forward, the average training hours per employee will be reported.

NOTES:

i. Humana Learning Centre – Collaboration with a local social NGO in Malaysia, Humana Child Aid Society Sabah to provide basic education for the guest workers’ children aged between 5-12 years of age in the plantations in Sabah.

ii. Community Learning Centre – An educational programme initiated by the Indonesian Government for Indonesian guest workers’ children aged between 13-15 years of age with home studies, to be followed subsequently with their tertiary education in their home country.
Promoting Sports and Cultural Heritage

The Group encourages its employees to participate in sports with the provision of sporting facilities such as football fields and sporting equipment in the operating units. Friendly matches and competitions with neighbouring estates were organised to enhance teamwork and *esprit de corps* among the employees and fraternity fellowship with the surrounding neighbours. In addition, the Group also promoted social and cultural integration and inter-racial harmony through the celebration of festive occasions, such as the Labour Day, Ramadan and other festive gatherings.

The Group also continued to promote local cultural heritage and traditions. Festivals such as the Harvest Festival (or locally known as Pesta Ka’amatan), Dayak and Erau cultural events were celebrated in the operating units. Through the cultural activities, employees of different ethnicities were able to celebrate, share and appreciate each other's customs and traditions.
RETURNING TO COMMUNITY
COMMUNITY CARE AND CSR INITIATIVES

Youth Sports Development

The Group continued to promote youth development through rugby sports in the State of Sabah. The tripartite partnership with the Sabah Education Department, SRU and ERC continued with grooming students from 53 primary and 65 secondary participating schools in Sabah State under the Academy for Sabah Rugby Excellence partnership. In the reporting year, the Group also sponsored and supported in the organising of the state level Junior Age-Group Tournament which was participated by 43 school teams from the state of Sabah.

Breast Health Awareness

The Group started its journey in promoting breast health awareness in 2006. The Group continued working closely with a local NGO, the Sandakan Pink Ribbon (“SPR”) in the promotion of breast health awareness amongst the public and young school-going girls. In the reporting year, the Group’s outreach team volunteered and conducted awareness talks at the local secondary school, SMK Elopura 2 in Sandakan. In addition, funds were raised in the month of Pink October through a Zumba charity dance at the head office in Sandakan. The funds collected were channelled to SPR for their breast cancer survivors’ support programme. Female employees were trained and encouraged to practice regular breast self examinations and annual clinical screening by in-house nurses in the operating units. The Group will continue to sustain this initiative and will also strive to extend the awareness programme to more students in rural areas in the coming year.
Community Outreach and Development

The Group is constantly seeking to make a difference in the livelihood of the surrounding communities in the areas where it is operating. This includes employment and business creation opportunities, as well as support services, to help drive positive socio-economic impacts. In cases of emergency, the surrounding communities were given access to the estate health clinics and ambulances. The Group also extended local support services such as in the provision of materials and machineries to repair roads, constructing and maintenance of community facilities, wherever possible.

The Group respects the land use and tenure rights of the local communities, and practice the principles of Free, Prior and Informed Consent (FPIC) in all the negotiations and interactions with the relevant stakeholders. The Group also engaged with the surrounding local communities to promote mutual understanding and to create a harmonious relationship built on trust and respect. Meetings were organised to discuss various topics of mutual concern. The local stakeholders were also made aware of the Group’s communication mechanism including the grievance procedures. The Group believes that by promoting transparent avenues for dialogue with its stakeholders, any potential issues or conflicts can be amicably and fairly resolved.

In the reporting year, various awareness programmes were initiated involving the neighbouring stakeholders which included sharing of information on wildlife protection and conservation. The Group also hosted a river conservation programme with WWF-Sabah. Selected local villagers in the Sugut region were trained on river water quality monitoring and the importance of river conservation. In the Indonesian operations, frequent meet up and “sosialisasi” sessions with local communities were carried out to share and extend the information on fire mitigation and prevention in the areas with higher exposure or risk to fire hazards.
Smallholder Transformation Project - The "Rurality" Project

The Group continued to collaborate with an NGO, The Forest Trust in a smallholder transformation project called “Rurality” which was started in the year 2015. Rurality project was targeted on the smallholders supplying crops to Desa Talisai Palm Oil Mill in the Sandakan region. To date, 82 smallholders had participated and were assessed under this project with a total of 334 ha mapped.

Through the Rurality Project, the smallholders from Ulu Muanad village had participated in a Community Elephant Monitoring Training Programme and established a monitoring group to mitigate and implement a long-term strategy in handling human-elephant conflict at Ulu Muanad village.

Another initiative launched during the reporting year was to encourage the smallholders in diversifying their income sources through planting of fast-growing crops and making of hand-made handicrafts with local ethnicity elements. The handicraft products were subsequently marketed through the Group’s social entrepreneurship project. This has provided a platform for the Ulu Muanad women’s group to promote, market and sell their handicraft products.

Volunteerism and Scholarships

The Group supports and encourages its employees to be actively involved in community outreach initiatives. In the 6th edition of the Group-wide community outreach programme themed “IJM Give Day Out”, volunteers in the Malaysian operations continued the planting of mangrove trees in an ex-encroachment site identified in Sandakan.

In the reporting year, the Group had volunteered in the conservation awareness outreach programme organised by the local NGO Bornean Sun Bear Conservation Centre and continued to support the local annual Borneo Bird Festival in Sabah. In total, the Group organised six (6) blood donation drives in the Malaysian operations and contributed a total of 154 pints of blood to the local blood bank in Sandakan in the reporting year.

In addition, the Group continued to host field-day visits and internship programmes from local academic institutions to share and enlighten the potential young local talent with insights of the plantation industry. Since 2006, the Group had awarded full scholarships to deserving undergraduates studying in tertiary institutions under the IJMP Scholarship scheme. The Group also renders support to the Montfort Youth Training Centre in Kota Kinabalu and the Monfort Youth Hostel in Sandakan.
## GLOBAL REPORTING INITIATIVE (GRI) STANDARDS CONTENT INDEX

<table>
<thead>
<tr>
<th>GRI Standards</th>
<th>Disclosure</th>
<th>Reference/Response</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GRI 102: General Disclosure</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Organisational Profile</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 102-1 Name of the organisation</td>
<td>Front cover</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 102-2 Activities, brands, products, and services</td>
<td>Management Discussion and Analysis</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>GRI 102-3 Location of headquarters</td>
<td>Corporate Information</td>
<td>b</td>
<td></td>
</tr>
<tr>
<td>GRI 102-4 Location of operations</td>
<td>Location of Operations</td>
<td>05</td>
<td></td>
</tr>
<tr>
<td>GRI 102-5 Ownership and legal form</td>
<td>Group Corporate Structure</td>
<td>06</td>
<td></td>
</tr>
<tr>
<td>GRI 102-6 Markets served</td>
<td>Management Discussion and Analysis</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>GRI 102-7 Scale of the organisation</td>
<td>Management Discussion and Analysis, Financial Statements</td>
<td>18, 101</td>
<td></td>
</tr>
<tr>
<td>GRI 102-8 Information on employees and other workers</td>
<td>People Asset</td>
<td>88</td>
<td></td>
</tr>
<tr>
<td>GRI 102-9 Supply chain</td>
<td>Traceability and Supply Chain Management</td>
<td>66</td>
<td></td>
</tr>
<tr>
<td>GRI 102-10 Significant changes to the organisation and its supply chain</td>
<td>There were no changes during the reporting period regarding size, structure, ownership or supply chain. However, changes in the senior management and Board of Directors are featured in the Profile of Board of Directors &amp; Secretary and Profile of Senior Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 102-11 Precautionary Principle or approach</td>
<td>Statement on Risk Management and Internal Control</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td>GRI 102-12 External initiatives</td>
<td>Forging Partnerships, Marketplace Collaborations</td>
<td>61, 62</td>
<td></td>
</tr>
<tr>
<td>GRI 102-13 Membership of associations</td>
<td>Membership in MEOA</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 102-14 Statement from senior decision-maker</td>
<td>Management Discussion and Analysis</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td><strong>Ethics And Integrity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 102-16 Values, principles, standards, and norms of behaviour</td>
<td>Vision, Mission, Culture and Core Values; Regulatory Compliance and Ethical Conducts</td>
<td>02, 57</td>
<td></td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 102-18 Governance structure</td>
<td>Statement on Corporate Governance</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td><strong>Stakeholder Engagement</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 102-40 List of stakeholder groups</td>
<td>Stakeholder Engagements</td>
<td>58-60</td>
<td></td>
</tr>
<tr>
<td>GRI 102-41 Collective bargaining agreements</td>
<td>Respect for Human Rights</td>
<td>87</td>
<td></td>
</tr>
<tr>
<td>GRI 102-42 Identifying and selecting stakeholders</td>
<td>Stakeholder Engagements</td>
<td>58-60</td>
<td></td>
</tr>
<tr>
<td>GRI 102-43 Approach to stakeholder engagement</td>
<td>Stakeholder Engagements</td>
<td>58-60</td>
<td></td>
</tr>
<tr>
<td>GRI 102-44 Key topics and concerns raised</td>
<td>Stakeholder Engagements</td>
<td>58-60</td>
<td></td>
</tr>
<tr>
<td><strong>Reporting Practice</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 102-45 Entities included in the consolidated financial statements</td>
<td>Financial Statements</td>
<td>101</td>
<td></td>
</tr>
<tr>
<td>GRI 102-46 Defining report content and topic boundaries</td>
<td>About This Report</td>
<td>49</td>
<td></td>
</tr>
<tr>
<td>GRI 102-47 List of material topics</td>
<td>Managing Material Aspects</td>
<td>55</td>
<td></td>
</tr>
<tr>
<td>GRI 102-48 Restatements of information</td>
<td>About This Report: There is no restatement of information</td>
<td>49</td>
<td></td>
</tr>
<tr>
<td>GRI 102-49 Changes in reporting</td>
<td>About This Report: No significant changes</td>
<td>49</td>
<td></td>
</tr>
<tr>
<td>GRI 102-50 Reporting period</td>
<td>About This Report</td>
<td>49</td>
<td></td>
</tr>
<tr>
<td>GRI 102-51 Date of most recent report</td>
<td>Annual Report 2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 102-52 Reporting cycle</td>
<td>About This Report</td>
<td>49</td>
<td></td>
</tr>
<tr>
<td>GRI 102-53 Contact point for questions regarding the report</td>
<td>Corporate Information</td>
<td>b</td>
<td></td>
</tr>
<tr>
<td>GRI 102-54 Claims of reporting in accordance with the GRI Standards</td>
<td>About This Report</td>
<td>49</td>
<td></td>
</tr>
</tbody>
</table>
# STATEMENT AND REPORT ON SUSTAINABILITY

## GRI Standards Disclosure Reference/Response Page

<table>
<thead>
<tr>
<th>GRI Standards</th>
<th>Disclosure</th>
<th>Reference/Response</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>102-55</td>
<td>GRI content index</td>
<td>Global Reporting Initiative (GRI) Standards Content Index</td>
<td>97-99</td>
</tr>
<tr>
<td>102-56</td>
<td>External assurance</td>
<td>About This Report; External assurance will be applied in the future</td>
<td>49</td>
</tr>
</tbody>
</table>

## GRI 103: Management Approach

<table>
<thead>
<tr>
<th>103-1</th>
<th>Explanation of the material topic and its Boundary</th>
<th>Managing Material Aspects</th>
<th>55</th>
</tr>
</thead>
<tbody>
<tr>
<td>103-2</td>
<td>The management approach and its components</td>
<td>Sustainability Commitment; Productivity and Innovations; Care for Environment; Investor in People; Returning to Community</td>
<td>82,93</td>
</tr>
<tr>
<td>103-3</td>
<td>Evaluation of the management approach</td>
<td>Sustainability Commitment; Productivity and Innovations; Care for Environment; Investor in People; Returning to Community</td>
<td>53,56,67</td>
</tr>
</tbody>
</table>

## GRI 201: Economic Performance

| 201-1         | Direct economic value generated and distributed | Management Discussion & Analysis; Managing Material Aspects; Economic Value Creation and Distribution; Financial Statements | 4,18-27, 55,57, 101 |

## GRI 202: Market Presence

| 202-2         | Proportion of senior management hired from the local community | People Asset; All senior management are Malaysian nationals | 88 |

## GRI 203: Indirect Economic Impacts

<table>
<thead>
<tr>
<th>203-1</th>
<th>Infrastructure investments and services supported</th>
<th>Investor in People; Returning to Community; Financial Statements</th>
<th>82,93, 101</th>
</tr>
</thead>
<tbody>
<tr>
<td>203-2</td>
<td>Significant indirect economic impacts</td>
<td>Investor in People; Returning to Community</td>
<td>82,93</td>
</tr>
</tbody>
</table>

## GRI 205: Anti-Corruption

<table>
<thead>
<tr>
<th>205-2</th>
<th>Communication and training about anti-corruption policies and procedures</th>
<th>Regulatory Compliance and Ethical Conduct</th>
<th>57</th>
</tr>
</thead>
<tbody>
<tr>
<td>205-3</td>
<td>Confirmed incidents of corruption and actions taken</td>
<td>Not affected yet</td>
<td></td>
</tr>
</tbody>
</table>

## GRI 301: Materials

<table>
<thead>
<tr>
<th>301-1</th>
<th>Materials used by weight or volume</th>
<th>Resource Stewardship</th>
<th>75</th>
</tr>
</thead>
<tbody>
<tr>
<td>301-2</td>
<td>Recycled input materials used</td>
<td>Resource Stewardship</td>
<td>75</td>
</tr>
</tbody>
</table>

## GRI 302: Energy

| 302-1         | Energy consumption within the organisation | Energy Management | 81 |

## GRI 303: Water

<table>
<thead>
<tr>
<th>303-1</th>
<th>Water withdrawal by source</th>
<th>Not disclosed in this Report</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>303-3</td>
<td>Water recycled and reused</td>
<td>Water Stewardship; Through rain harvesting and land irrigation</td>
<td>75-76</td>
</tr>
</tbody>
</table>

## GRI 304: Biodiversity

<table>
<thead>
<tr>
<th>304-1</th>
<th>Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas</th>
<th>Conservation and Land Use</th>
<th>68</th>
</tr>
</thead>
<tbody>
<tr>
<td>304-3</td>
<td>Habitats protected or restored</td>
<td>Conservation and Land Use</td>
<td>68</td>
</tr>
<tr>
<td>304-4</td>
<td>IUCN Red List species and national conservation list species with habitats in areas affected by operations</td>
<td>Biodiversity Protection</td>
<td>70-72</td>
</tr>
</tbody>
</table>

## GRI 305: Emissions

<table>
<thead>
<tr>
<th>305-1</th>
<th>Direct (Scope 1) GHG emissions</th>
<th>GHG Emission Intensity; GHG Protocol Emissions</th>
<th>79</th>
</tr>
</thead>
<tbody>
<tr>
<td>305-2</td>
<td>Energy indirect (Scope 2) GHG emissions</td>
<td>GHG Emission Intensity; GHG Protocol Emissions</td>
<td>79</td>
</tr>
<tr>
<td>305-3</td>
<td>Other indirect (Scope 3) GHG emissions</td>
<td>GHG Emission Intensity; GHG Protocol Emissions</td>
<td>79</td>
</tr>
<tr>
<td>305-4</td>
<td>GHG emissions intensity</td>
<td>GHG Emission Intensity</td>
<td>79</td>
</tr>
<tr>
<td>305-5</td>
<td>Reduction of GHG emissions</td>
<td>GHG Reductions</td>
<td>80</td>
</tr>
<tr>
<td>GRI Standards</td>
<td>Disclosure</td>
<td>Reference/Response</td>
<td>Page</td>
</tr>
<tr>
<td>---------------</td>
<td>------------</td>
<td>--------------------</td>
<td>------</td>
</tr>
<tr>
<td>GRI 306: Effluents and Waste</td>
<td>306-1 Water discharge by quality and destination</td>
<td>Effluent and Waste Management</td>
<td>76</td>
</tr>
<tr>
<td></td>
<td>306-2 Waste by type and disposal method</td>
<td>Effluent and Waste Management</td>
<td>76</td>
</tr>
<tr>
<td></td>
<td>306-3 Significant spills</td>
<td>No significant spill was reported</td>
<td></td>
</tr>
<tr>
<td></td>
<td>306-5 Water bodies affected by water discharges and/or runoff</td>
<td>No water bodies were affected by the Group’s activities</td>
<td></td>
</tr>
<tr>
<td>GRI 307: Environmental Compliance</td>
<td>307-1 Non-compliance with environmental laws and regulations</td>
<td>No non-compliance was reported</td>
<td></td>
</tr>
<tr>
<td>GRI 401: Employment</td>
<td>401-1 New employee hires and employee turnover</td>
<td>Recruitment and Talent Retention</td>
<td>89</td>
</tr>
<tr>
<td></td>
<td>401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees</td>
<td>Employees Remuneration and Welfare</td>
<td>90</td>
</tr>
<tr>
<td>GRI 403: Occupational Health and Safety</td>
<td>403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities</td>
<td>Occupational Safety and Health</td>
<td>83</td>
</tr>
<tr>
<td></td>
<td>403-3 Workers with high incidence of high risk of diseases related to their occupation</td>
<td>Occupational Safety and Health</td>
<td>83</td>
</tr>
<tr>
<td>GRI 404: Training and Education</td>
<td>404-2 Programmes for upgrading employee skills and transition assistance programs</td>
<td>Employee Engagements</td>
<td>91</td>
</tr>
<tr>
<td></td>
<td>404-3 Percentage of employees receiving regular performance and career development reviews</td>
<td>Employee Engagements</td>
<td>91</td>
</tr>
<tr>
<td>GRI 405: Diversity and Equal Opportunity</td>
<td>405-1 Diversity of governance bodies and employees</td>
<td>People Asset</td>
<td>88</td>
</tr>
<tr>
<td>GRI 406: Non-discrimination</td>
<td>406-1 Incidents of discrimination and corrective actions taken</td>
<td>No incidents were reported</td>
<td></td>
</tr>
<tr>
<td>GRI 407: Freedom of Association and Collective Bargaining</td>
<td>407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk</td>
<td>Traceability and Supply Chain Management; Respect for Human Rights; No violation of right was reported to freedom of association and collective bargaining in the operating units for this reporting period.</td>
<td>66,87</td>
</tr>
<tr>
<td>GRI 408: Child Labour</td>
<td>408-1 Operations and suppliers at significant risk for incidents of child labour</td>
<td>Empowering Children with Education</td>
<td>91</td>
</tr>
<tr>
<td>GRI 409: Forced or Compulsory Labour</td>
<td>409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour</td>
<td>Respect for Human Rights</td>
<td>87</td>
</tr>
<tr>
<td>GRI 411: Rights of Indigenous Peoples</td>
<td>411-1 Incidents of violations involving rights of indigenous peoples</td>
<td>Not effected yet</td>
<td></td>
</tr>
<tr>
<td>GRI 412: Human Rights Assessment</td>
<td>412-1 Operations and suppliers at significant risk for incidents of child labour</td>
<td>Respect for Human Rights ; All employees were trained on the Group’s Human Rights Policy and practices.</td>
<td>87</td>
</tr>
<tr>
<td>GRI 413: Local Communities</td>
<td>413-1 Operations with local community engagement, impact assessments, and development programs</td>
<td>Traceability and Supply Chain Management; Returning to Community</td>
<td>66,94-96</td>
</tr>
<tr>
<td></td>
<td>413-2 Operations with significant actual and potential negative impacts on local communities</td>
<td>No significant negative impacts on the local communities where we operate based on FPIC and social impact assessments.</td>
<td></td>
</tr>
</tbody>
</table>