

FGV

Ingenuity
Incorporated

SUSTAINABILITY REPORT **2014 / 2015**



GLOBAL AGRIBUSINESS
SMALLHOLDERS AT HEART

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Foreword



We are driven by not just the need to create a sustainable business that is financially successful but to ensure that we contribute towards the total wellbeing of society. By making positive contributions and ensuring that the safety and quality of our environment are not in any way encroached upon. FGV, as a business entity, has a responsibility towards our smallholders to build upon their dreams and to see that the fruits of their labour meet sustainable, global standards.

At the heart of our business lies therein the livelihood of 112,635 settlers, toiling in the heat as they grow their plantations and reap the fruits of their labour. Notwithstanding the fluctuating prices of Crude Palm Oil (CPO) and other environmental factors that have an effect on their earnings, at Felda Global Ventures Holdings Berhad (FGV), we believe that our smallholders are crucial to our success.

By diversifying into various areas and renewing interests in the second-generation settlers in the plantations and supporting businesses, we are moving forward with a positive stance. As a business, we have realigned our strategies against a more sustainable platform. By doing this, we are reducing any negative impact on our smallholders and the plantations, making us a more viable alliance in the eyes of potential international partners.

In this Sustainability Report, we describe how we carry out our responsibilities to protect our future and that of our smallholders.



“ Our commitment level to sustainability is 110% and we are embedding sustainability throughout our organisation and supply chain business partners. ”

Dato' Zakaria Arshad
Group President / CEO,
Felda Global Ventures Holdings Berhad

Message from the Group President / Chief Executive Officer

Redesigned and Future Ready

I am pleased to present the second Sustainability Report for Felda Global Ventures Holdings Berhad (FGV) which highlights our sustainability focus and performance for 2014-2015. In the two years since our first Sustainability Report, FGV has always had an ambitious vision and the time is now opportune for FGV to deepen its commitment to sustainability and to its smallholder base by embedding it in our vision for FGV as a global agribusiness.

Since taking over the helm in April this year, FGV has embarked on a far-reaching realignment strategy. When the new Transition Plan was rolled out in May, it was based on five leadership principles. Enshrined within this, our priority is focused on three areas, namely, internal capabilities, sweating assets and reducing complexity. We are concentrating on our assets and markets where we hold leading positions or where we are able to generate sustainable growth. As part of this strategy, we are consolidating our business to ensure FGV is sustainable over the long-term.

At FGV, a low-cost position is important as it enables the resources to capitalise faster on new opportunities whilst still maintaining attractive margins.

While we can differentiate ourselves through strategic policies, market positioning and technological leadership, we consider cost leadership to be our key competitive advantage. One of my main objectives is to turn FGV into an efficient and cost-effective organisation. Our goal is to reduce the administration costs of the company and achieve a cost reduction of RM100 million through several austerity measures. These plans are on track and we are seeing the results coming to fruition.

Sustainability is a top priority and business imperative for us especially with more companies placing a great deal of emphasis to the Environmental, Social & Governance (ESG) factors, in measuring the sustainability and ethical impact of an investment. Our commitment level to sustainability is 110% and we are embedding sustainability throughout our organisation and supply chain business partners. Given the importance of sustainability in our business, it is inherent that the company focuses on the Group's resources on realigning its operations and helping its stakeholders to realise the company's full potential.

We have made much progress that has improved our environmental performance and created shared value throughout our value chain. One of our key strategies in accelerating our commitment to sustainability, is the introduction of the Group Sustainability Policy (GSP) which applies to our operations, subsidiaries and suppliers. Through the implementation of the GSP, we intend to reduce the gaps in sustainability issues in our supply chain which is pertinent to our core business success as well as our reputation.

At this point, it must be highlighted, that we had withdrawn the Roundtable on Sustainable Palm Oil (RSPO) Principles and Criteria (P&C) certificates of our 58 mill complexes on 3 May 2016, because we acknowledge there are labour and social issues along our supply chain that need to be addressed. We remain committed to RSPO certification and have always been in active communication with the RSPO and other regulatory bodies, in making sure the sustainability of our business and operations are intact. To this end, we have engaged a sustainability partner to provide independent advice in managing the labour and social issues evident amongst some of the FELDA settlers and contractors.

I would also like to emphasise that at FGV we are blessed due to the legacy that FELDA has left us. We carry on with the basic theme of “improving peoples’ lives” by working with FELDA, the 112,635 families of settlers in the FELDA schemes and the other supply chain partners to produce more than 3 million tonnes of crude palm oil. Therefore, we cannot afford to exclude the settlers from being part of our sustainability journey. We are confident our collaboration with FELDA will ensure the settlers achieve their RSPO certification within the stipulated time.

In demonstrating our commitment to RSPO, we have intensified our training and awareness development programmes throughout the organisation, as well as our supply chain business partners and FELDA settlers. Topics covered in the development programmes range from the importance of sustainability to Good Agricultural Practices. We expect this will allow for a more inclusive certification between commercially-managed plantations by FGV and FELDA settlers. We have established a new time-bound plan to certify all 72 mill complexes to RSPO

within five years from 2017 to 2021. The re-certification initiative will cost FGV up to RM34 million over the next three-year period. The ultimate objective is to strengthen our image as a socially responsible global agribusiness, ensuring no FELDA settlers are left out. We have been on the ground to experience and understand the problems faced by our smallholders so that we can bring meaningful improvements in the quality of their lives.

We have taken several measures to ensure we are transparent with our partners and all stakeholders with regards to how our products are derived and that we conduct our business responsibly. But, while our current targets are a measure of our progress, they are only a step in our sustainability journey.

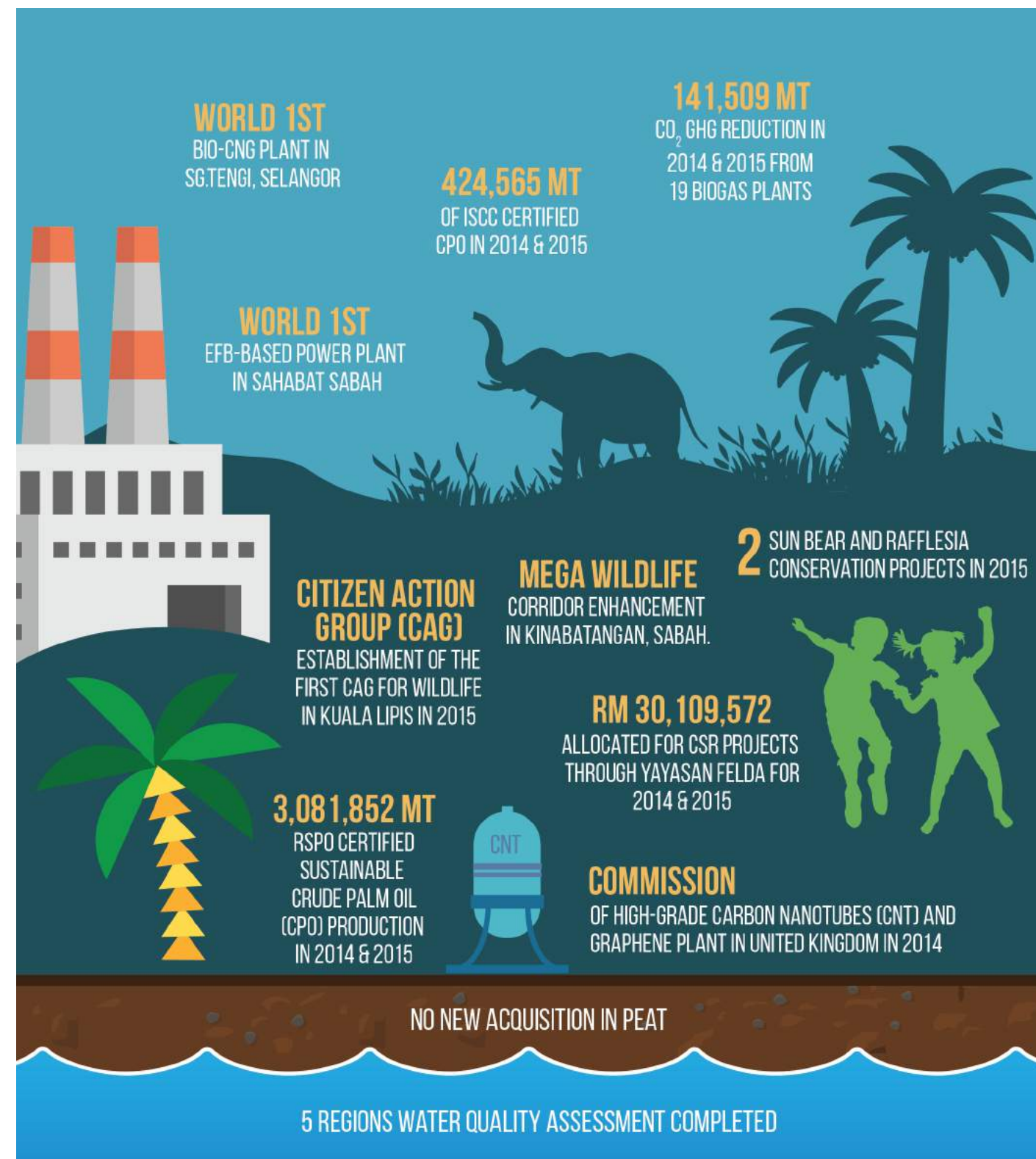
We are also aware that the current market is imposing stricter criteria with respect to curbing deforestation, habitat destruction and human rights infringement across plantations globally. FGV, on our part, will be transparent in our disclosure, and will continue to engage and collaborate with all stakeholders to drive change on the ground, whilst enabling long-term growth for the industry and community. At FGV, we are deploying

our management resources decisively towards areas of sustainability. FELDA is a success story and we want FGV to continue this legacy. Our approach to sustainability is based on continuous improvement and we will work diligently on delivering positive impact and achieving the 2020 goals that we have set for ourselves. It is my fervent hope that through a cohesive action plan and increased engagements with all parties, these will help foster a better understanding of the need to be compliant at all times.

I have always held this belief that if we are honest and transparent, we will build trust and respect with our stakeholders. In conclusion, I would like to extend my sincere appreciation for the strong support that we have received from our shareholders, customers, partners and employees in the implementation of our sustainability initiatives. FGV's commitment to sustainability is indeed a journey and we are committed and passionate about achieving our vision to become the world's largest socially and environmentally responsible agribusiness.


Dato' Zakaria Arshad
 Group President/CEO,
 Felda Global Ventures Holdings Berhad

2014 & 2015 Trends, Insights and Analysis



Sustainability Issues and Our Commitments

Our Systemic Initiatives to Monitor, Diagnose and Act

TABLE 1.0: SUSTAINABILITY ISSUES AND COMMITMENTS

SUSTAINABILITY ELEMENTS OF CONCERN	OUR COMMITMENTS	OUR PROGRESS/ ACHIEVEMENTS 2014 -2015	FUTURE TARGETS
Degradation of High Conservation Value (HCV) forest and biodiversity	<ul style="list-style-type: none">• No new plantings in HCV and biodiversity areas from Nov 2005.	<ul style="list-style-type: none">• There has been no new development in HCV area.• Established a Citizen Action Group (CAG) in FGVPM Wilayah Kuala Lipis to complement, highlight and take ownership in managing HCV and Environment related issues in the region.• Made formal commitment in the research, conservation and awareness of Sun Bear and Rafflesia in Malaysia.• Supported the rehabilitation and release of five sun bears in 2015.	<ul style="list-style-type: none">• Continuous engagement with local communities, RSPO, and related stakeholders on preserving HCV areas.• More CAG to be formed in other operating regions that have significant biodiversity issues.• Establishment of one stop centre for Rafflesia Research Conservation and Interpretation.• Enhancement of riparian reserves and forest boundaries.
Sustainable palm oil certification	<ul style="list-style-type: none">• To certify 72 mill complexes to RSPO standards by 2017.• Certify associated smallholders within three years of mills certification.• ISCC and MSPO certification as per market demand.	<ul style="list-style-type: none">• Certified 58 mill complexes to RSPO standard but decided to withdraw the RSPO Principles and Criteria due to shortcomings in the supply base.• Certified 15 mill complexes to ISCC in 2014 but reduced to 3 in 2015 due to lower market demand.	<ul style="list-style-type: none">• To certify all of our mill complexes to RSPO standards by 2021.• To take smallholders on board with sustainable certification.• Support independent smallholders to deploy sustainable palm oil practices.• Support independent smallholders in sustainable palm oil certifications.
Peatland development	<ul style="list-style-type: none">• No new land acquisition with significant peat (more than 20% of the concession area).• No new planting on peat regardless of size and depth, for lands purchased after Jan 2016.	<ul style="list-style-type: none">• No new land acquisition with significant peat in 2014 and 2015.	<ul style="list-style-type: none">• Expand the policy to cover our third party suppliers.

SUSTAINABILITY ELEMENTS OF CONCERN	OUR COMMITMENTS	OUR PROGRESS/ ACHIEVEMENTS 2014 -2015	FUTURE TARGETS
Waste management	<ul style="list-style-type: none">• Identification of waste for reuse, recycle and disposal in an environmentally and socially responsible manner.• Participate in pesticide container recycling programme.• Maximum utilisation of biomass waste from mill operations.• Handle scheduled waste according to legal provisions.	<ul style="list-style-type: none">• All RSPO certified premises implement the triple rinsing methods.• Six compost plants use EFB to produce compost.• 100% collection of fertiliser bags.	<ul style="list-style-type: none">• Introduce the triple rinsing method to our associated smallholders.• Full utilisation of EFB.• Finding alternate means of environmentally friendly disposal methods when legal prohibitions are not attainable.• Full utilisation of POME.
Non-sustainable practices in the supply chain	<ul style="list-style-type: none">• Supplier mapping and verification by FGV or appropriate agents.• Exploring options to map risk associated with supply basin.	<ul style="list-style-type: none">• Severed ties with our FFB suppliers growing oil palm in forest reserves.	<ul style="list-style-type: none">• Stop sourcing from entities found to be in violation to FGV's Sustainability Policy.
Reduce agrochemical usage	<ul style="list-style-type: none">• Implement IPM practices to manage major pests in oil palm plantation.• Reduce the use of paraquat.	<ul style="list-style-type: none">• Conducted extensive research on biocontrol agents.• Expanded in areas planted with beneficial plants that attract natural predators.	<ul style="list-style-type: none">• Establishment of microbe centres to promote the use of micro-organism to enhance the growth of oil palm and to reduce pesticide consumption.• Invest in developing pest and disease resistant varieties.• Increase the use of biopesticides.



Fresh fruit bunches enroute to the mill

Sustainable Progress and Scorecard

Targets & Achievements

TABLE 2.0: TARGETS AND ACHIEVEMENTS

TARGET	YEAR	ACHIEVEMENT		DETAILS
		2014	2015	
Allocation of 2% net profit to Yayasan FELDA	Annual	Achieved	Achieved	–
Average Biological Oxygen Demand (BOD) levels below 100ppm in all mill complexes	2014	Achieved	98%	Two mills were non-compliant due to the use of effluents for land irrigation that fulfills legal requirement.
BOD levels below 20 ppm in new mill complexes	2014	Achieved in Ulu Belitong mill	Achieved in Ulu Belitong mill	Not achieved in two other mills in 2014 & 2015
High Conservation Value (HCV) landscape assessment of existing plantations in Malaysian operations	2014	In progress	Achieved	–
No expansion on HCV forest areas for new planting	2014	Achieved	Achieved	–
No land expansion without Free, Prior and Informed Consent (FPIC)	2014	Achieved	Achieved	–
No new land acquisition on peat	2014	Achieved	Achieved	–
Water quality assessment of major river systems within plantations in Peninsular Malaysia	2014	Covered in 41 river systems	Covered in 65 river systems	–
Water usage ratio of 1 tonne of water per tonne of Fresh Fruit Bunch (FFB) at our mills	2014	Not achieved	Not achieved	2014 – 1: 1.17 2015 – 1: 1.22
Publish carbon report for RSPO certified Malaysian operations	2016	Achieved	Achieved	Submitted to RSPO
All mill complexes in Malaysia are RSPO certified	2017	In progress	In progress	58 mill complexes RSPO certified
Zero fatalities	2017	Not achieved	Not achieved	Reduction from 4 in 2014 to 3 fatalities in 2015
Achieve average of 22.5% Oil Extraction Rate (OER)	2018	In progress	In progress	2014 – 21.01% 2015 – 20.91%
Methane capture facilities installed in 59 mill complexes	2018	In progress	In progress	19 biogas plants have been installed as at Dec 2015
Process 17,000,000 tonnes of FFB	2018	In progress	In progress	Achieved +/- 15 million MT per annum
RSPO certification of FFB from associated smallholders in Malaysia	2020	In progress	In progress	44,577 smallholders certified

A Global Mission of Enabling Sustainable Growth and Progress

United Nations Global Compact Malaysia's Perspective



Mr. Ramesh Kana
President, Global Compact Network Malaysia

“It is definitely important for companies like FGV to continuously improve upon their sustainable practices.”

United Nations Global Compact is driving the adoption of the 2030 Global Goals within the private sector. This indicates that the Global Compact has an expectation for all of these private sector organisations to operate within a responsible business model that seeks to mitigate environmental and social risks as an integral part of their commercial approach. Specifically, for the oil palm plantations sector, there remain key issues such as biodiversity and environmental degradation, exploitation of manpower within supply chains and displacement of local communities via estate exploration, serving as the main hurdle for the sustainable operation of oil palm plantations. All these issues are now part of the 2030 Global Goals championed by the United Nations.

FGV shares the same trait as FELDA that is a showcase of how social development for smallholders can be achieved hand-in-hand with business growth. FGV, acting as a large plantation group operating in multiple countries, is rated as an organisation that is genuinely aspiring to run their business in a responsible manner. This is obvious with regard to FGV's brave decision to withdraw RSPO certifications, with the aim of ensuring that they are in full compliance of sustainability standards and not merely pay lip service without actual evidencing of positive social and environmental impact. In addition, FGV has also demonstrated leadership qualities in several areas of the Global Goals. For instance, "Reduced Inequalities" for the constant improvement of the quality of smallholders' lives and "Resource Management" by the generation of clean energy from waste.

As an organisation with a global footprint amongst the world's largest palm oil producers, FGV has an opportunity to shape the Global Goals credentials of this sector. In promoting the goals of sustainable development in the oil palm plantations sector, FGV can take the lead in enabling supply chains traceability to smallholders, which enables the development of fair trade mechanisms. This is to ensure smallholders are not being exploited and are free from deforestation or other environmental issues in the upstream oil palm supply chain. On the other hand, FGV should also offer thought leadership insights into developing a sustainable palm oil sector by leveraging their experience in connecting smallholders into global supply chains, as this will be the next challenge faced by the upstream oil palm sector.

It is definitely important for companies like FGV to continuously improve upon their sustainable practices for the benefit of their corporate image and the environment. This is because future generations are demanding a sustainable world. Hence, organisations that are not embracing sustainability values will be irrelevant and eliminated, as future talent will make decisions based on sustainability factors. As a responsible organisation, they should understand that even though the profit is infinite, nonetheless, the resources needed for the future generation is finite.

Our Alignment with UNGC Standards

UNGC Ten Principles

At FGV, we ensure sustainability remains ingrained in the organisation by aligning our standards to that of UNGC with innovative, cross-sectoral collaboration, as well as navigating this process by identifying key gaps and imposing practical solutions.

As part of implementing responsible business conduct, we are also aligning ourselves with the United Nations (UN) Sustainable Development Goals (SDGs) that aim to eradicate poverty, combat inequality, and protect our planet, all of which are related to addressing the world's most prominent economic, social, environmental and governance challenges of this time. At the most basic level, the ten principles of UN Global Compact serve as the foundation for our company while we further advance ourselves into the 17 SDGs.

HUMAN RIGHTS (PRINCIPLES 1,2,3)

FGV sees human rights as an essential part of the sustainability mandate. We respect and protect our employees by upholding the Universal Declaration of Human Rights (UDHR) and pledge to resolve any labour and social issues in accordance to the International Labour Organisation (ILO).

LABOUR (PRINCIPLES 3,4,5,6)

The Malaysian Agriculture Producers Association (MAPA) guides our labour policy, which sets the minimum wage standard regulated by the Ministry of Human Resources. We strongly abide to a zero tolerance of harassment and abuse at the workplace and our collective bargaining agreement includes insurance for all our foreign guest workers. Our culture embraces the diversity of people in our organisation and promotes equal employment opportunity regardless of race, religion, age, marital status and nationality.

ENVIRONMENT (PRINCIPLES 7,8,9)

We strongly advocate sustainable palm oil plantation and processing by actively engaging with sustainable certification bodies such as RSPO, ISCC, MSPO and ISPO. We also comply with Malaysian Palm Oil Board (MPOB) policies for reduction of environment risks as well as practicing Good Agricultural Practices (GAP) and Good Management Practices (GMP). We conduct High Conservation Value assessments, Social and

Environmental Impact Assessments, with the participation of local communities to identify and mitigate potential social and environmental impact. We strongly support the conservation of significant flora, fauna and ecosystems and engage in wildlife conservation projects that provide sustainable livelihoods for local communities staying along the lower Kinabatangan river.

ANTI-CORRUPTION (PRINCIPLE 10)

FGV is a signatory to the Corporate Integrity Pledge and the Integrity Pact with the Malaysian Anti-Corruption Commission in 2012. We promote anti-corruption awareness and provide training for our employees.



Our Purpose

A Consistent Focus on Sustainability

WHO WE ARE, WHY WE ARE HERE

FGV operates as a Malaysian-based global agricultural and agri-commodities company. FGV is the world's largest Crude Palm Oil (CPO) producer and the third largest oil palm plantations operator.

The backbone of FGV dates back to more than 50 years ago, when the Federal Land Development Authority was established. This body was formed as part of the Land Development Ordinance of 1956. It aimed to provide land for the marginally poor, landless and rural families to resettle and develop agri-based land.

Through a structurally-managed scheme that enabled a progressive and productive community, these families' socio-economic standing was elevated due to a stable income. FGV was established in 2007 and initially operated as the commercial arm of FELDA. FGV produces oil palm and rubber plantation products, soybean and canola products, oleochemicals and sugar products.

The company was listed on Bursa Malaysia Securities Berhad under the Main Market on 28 June 2012. The initial public offering, which was the world's third largest in 2012, raised RM10.4 billion. FGV owns 431,622 hectares of plantation land bank in Malaysia and Indonesia with 96% constituting of oil palm and producing 5 million tonnes of FFB annually.

FGV remains an integral part of the FELDA Group as it lends support to FELDA settlers through strategic management services and practices as well as extension services and high quality planting materials. To date, FGV accounts for a workforce of more than 18,000 employees encompassing the group, its subsidiaries, as well as joint-venture companies and associates.

OUR MISSION & VISION

Our mission is our roadmap, which lends purpose to FGV as a company and serves as a guideline against which we base all our actions and decisions. Our vision is the framework that allows us to accomplish sustainability and growth.

FGV's strategy is geared towards being one of Malaysia's leading globally diversified, integrated agribusiness with long-term profitable growth and focus on the expansion of its business with forward-looking products and services.

FGV acts responsibly towards its shareholders, business partners, employees, society and the environment in every one of its business areas, regions and locations across the globe. The company is committed to technologies and products that unite the goals of customer value and sustainable development.

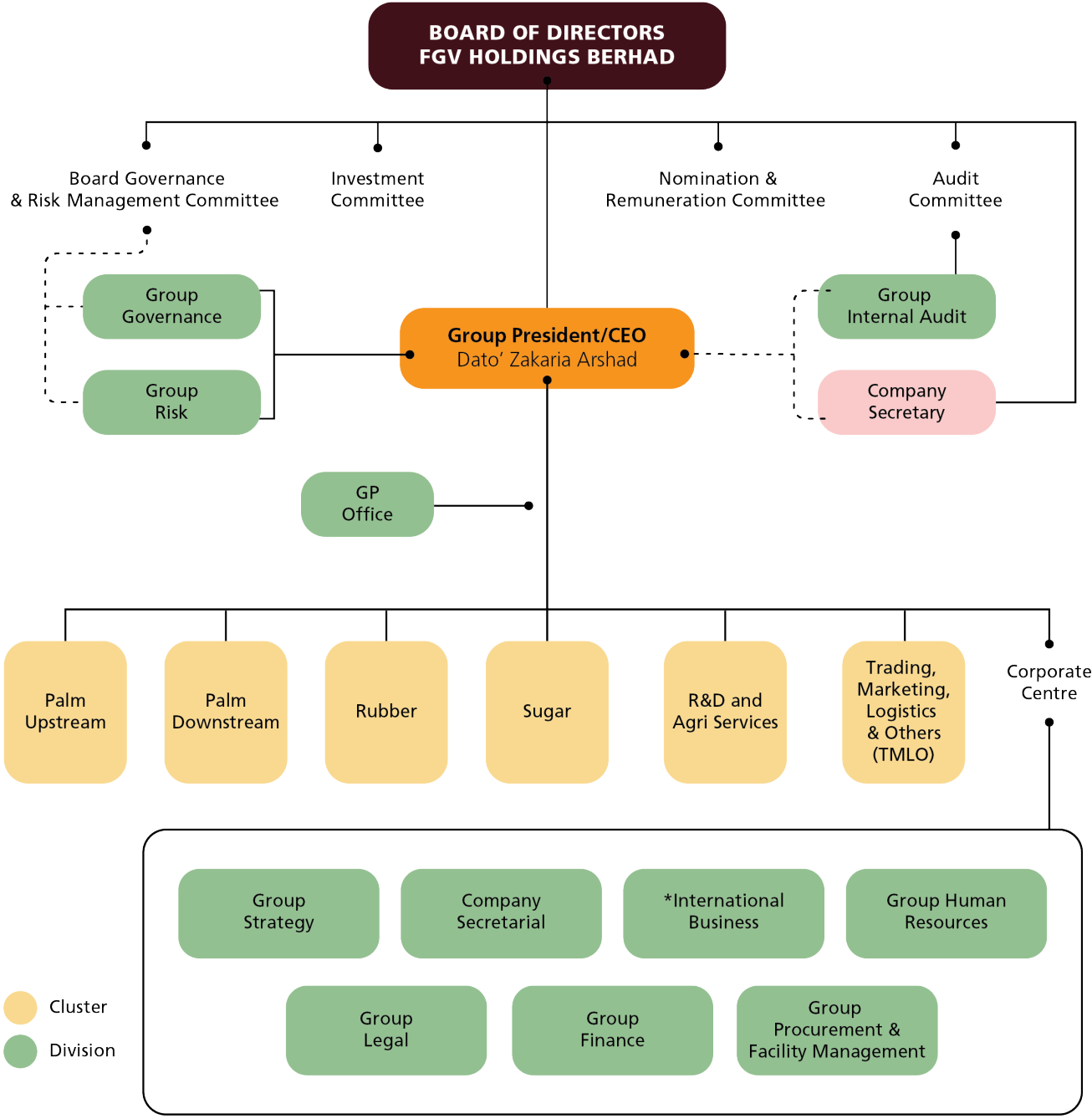
FGV has operations in more than 10 countries across North America, Europe, Asia and the Middle East. Applying breakthrough technology to create products as well as possessing the unparalleled ability to serve customers over a broad spectrum of needs with best practices, FGV aspires to become the world's largest socially and environmentally responsible agribusiness.



Menara FELDA

OUR GROUP ORGANISATIONAL CHART

(as at 1 September 2016)



*Sustainability and Environment Department (SED) is under International Business Division

Managing and Evolving Our Global Presence

FGV Around the Globe

With more than 50 years of experience, we have a unique capability to connect our expertise to supply Crude Palm Oil and other products and services as well as provide sugar, rubber, trading, marketing and logistics to address a vital global need.

- MALAYSIA**

 - 409,044 ha of land bank
 - 72 mills
 - 5 crushing plants
 - 7 refineries
 - 1 oleochemical plant*
 - 6 rubber processing facilities
 - 2 sugar refineries
 - 4 bulking installations
 - 7 transport hubs
- INDONESIA**

 - 22,578 ha of land bank^
 - 1 refinery*
 - 1 rubber processing facility
 - 1 bulking installation
 - 2 trading offices
- CAMBODIA**

 - 1 rubber processing facility
- THAILAND**

 - 1 rubber processing facility
- CHINA**

 - 2 refineries
 - 1 bulking installation
- PAKISTAN**

 - 1 refinery*
- UAE**

 - 1 trading office
- TURKEY**

 - 1 refinery*
- FRANCE**

 - 1 trading office*
- SPAIN**

 - 1 trading office*
- UK**

 - Graphene production facility
- USA**

 - 1 oleochemical plant



 Oleochemicals

 Sugar Facilities

 Rubber Manufacturing

 Plantations

 Sales & Marketing

 Refineries

 Distribution of Packed Products

 Bulking Installations

* Joint-ventures
^ Exclude oil palm estates held under joint-venture
Information extracted from FGV Annual Integrated Report 2015

OUR FINANCIALS

Our financials give us the opportunity to illustrate our achievements and how, in turn, our work brings our vision and mission to fruition.

FGV achieved a resilient performance despite a challenging financial year in 2015, marked by lower Crude Palm Oil (CPO) prices, environmental effects such as El Nino, sluggish global economic growth, and increased volatility of oil prices and exchange rates. In 2015, the Group recorded a revenue of RM15.56 billion and Profit before Zakat and Taxation was RM378.97 million compared against RM15.26 billion and RM970.82 million respectively in 2014. Even though the revenue is slightly higher, profit was reduced due to, among others, lower average CPO prices, lower oil extraction rates, increase in administrative cost mainly because of foreign exchange losses incurred and decrease in financial income.

The resilient performance was a result of our integrated structure whereby our diverse business segments across every aspect of the agricultural value chain insulated the Group from the weak commodity price and mitigated the effects of the external risks in 2015. Our Transformation

Programme, which hedged on the three focal pillars of Enhancing Revenue, Cost Optimisation and Operational Excellence, also prepared us for the challenges faced. The healthy performance from our sugar business helped improve our bottom line in 2015.

For the Financial Year ended 31 December 2015, the Group recorded a Profit After Tax and Minority Interest of RM106.99 million which translated to Earnings Per Share of 2.9 cent. Our balance sheet remains strong and we will continue to manage each of our value drivers diligently to create value for our shareholders on a sustainable basis. The Net Assets per Share as at 31 December 2015 was RM1.77.

Despite the challenging environment, the dividend paid for the 2015 financial year was 4 sen per share, which demonstrated our commitment to deliver value.

OUR SHAREHOLDERS

FGV is committed to delivering a focused, well grown business to our valued shareholders.

TOP 10 LARGEST SHAREHOLDERS AS AT 18 MARCH 2016

(Without aggregating the securities from different securities account belonging to the same Depositor)

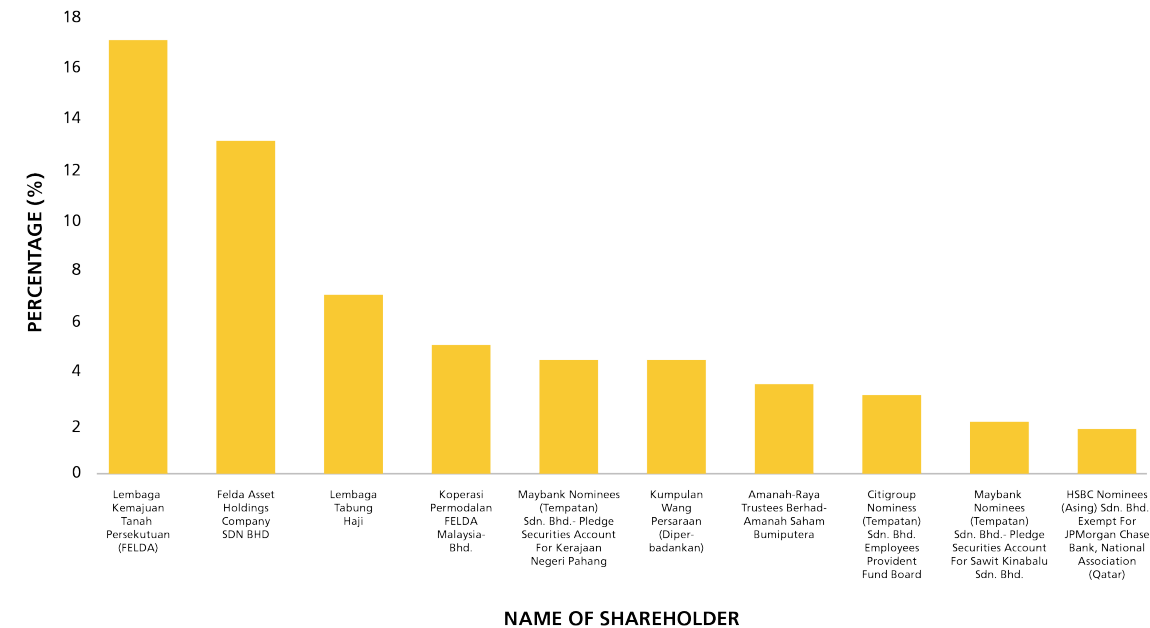
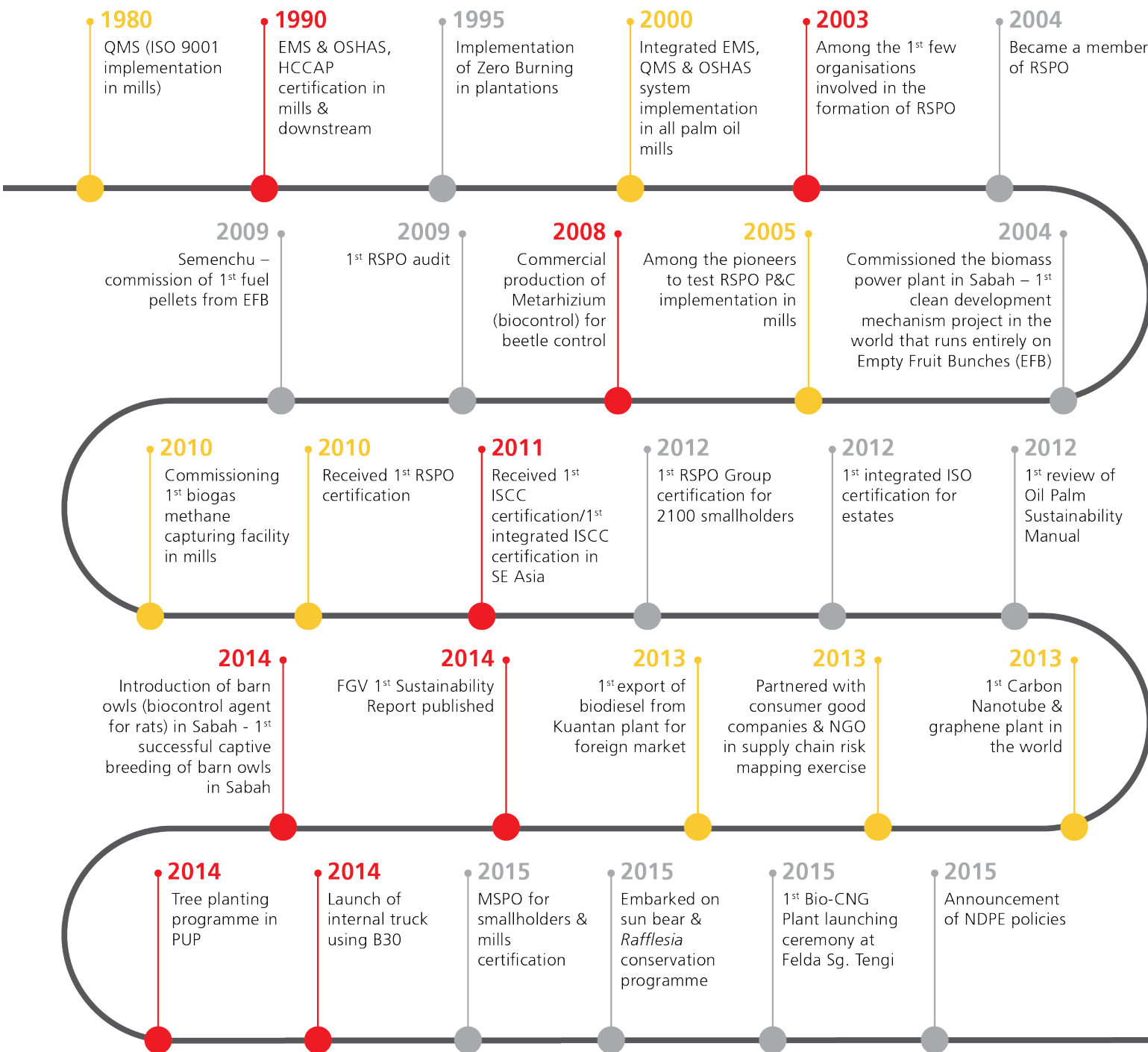


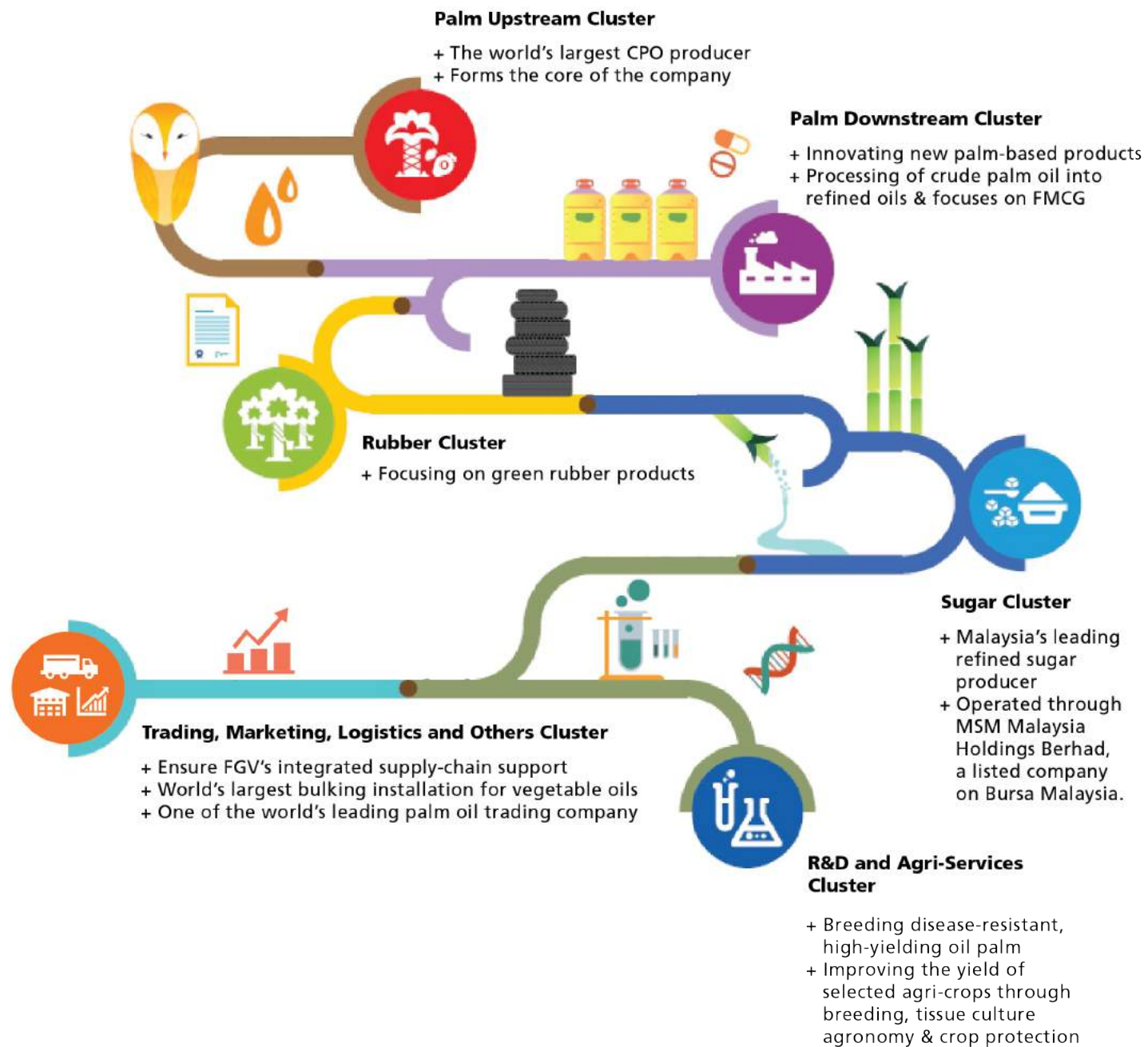
Figure 1: Top 10 largest shareholders of FGV

OUR SUSTAINABILITY JOURNEY



Our Value Chain

Working with Our Supply Chain



Our Business Operations

Expanding Strategic Capacities



PALM UPSTREAM

Palm Upstream is the main reason FGV has been bestowed the status of being the world's largest CPO producer and the world's third largest oil palm estate operator.

FGV's largest revenue earner has a total land bank of 431,622 hectare area in Malaysia and Indonesia. The largest of its plantations in Malaysia are located in Pahang and Sabah. In Indonesia, upstream activities are focused in Kalimantan.

Fresh Fruit Bunches (FFB) amounting to 15 million tonnes are processed annually out of which 5 million tonnes are derived from its own plantations with the remaining 10 million tonnes coming from FELDA settlers and independent suppliers. CPO production from our 72 mills has produced more than 3 million tonnes annually making FGV the largest producer of CPO globally.

To date, FGV is on track with its expansion plans and upgrading initiatives. It is strategically designed to secure CPO and feedstock supplies for its downstream objectives. FGV is en route to accomplishing its mill certification and upgrading programme in meeting RSPO and other world class certification requirements.

Aligned with its global position, FGV has maintained its efforts in improving its plantations with the implementation of Best Management Practices. New technologies have been introduced by way of new tools for harvesting and pruning. These innovative tools are set to enhance productivity and efficiency resulting in an increase in produce and a healthy FFB yield giving FGV an edge over more conventional farming methods.

Felda Palm Industries Sdn Bhd (FPI) had also embarked on a renewable energy project to use palm oil mill effluent to produce biogas. Today, it has the largest number of biogas plants installed within its mills. FPI is now pioneering technology to develop the first commercial scale palm-based bio-compressed natural gas (Bio-CNG) in the world.



PALM DOWNSTREAM

FGV's palm oil sector is set to change its course through the increased contribution from the downstream segment.

The Palm Downstream Cluster includes the production of oleochemicals, biodiesel, edible oil fats and Fast Moving Consumer Goods (FMCG) and enables the upstream operations by ensuring a guaranteed uptake of CPO and its by-product palm kernels for producing Crude Palm Kernel Oil (CPKO).

Given the steady and secured pipeline of CPO, FGV is able to produce more profitable products and since then it has paved a lucrative path into new market segments in high growth industries such as FMCG, Oil & Gas and ingredient segments.

These strategic measures have allowed FGV to establish itself as one of the market leaders in the biodiesel industry, with a refinery that produces certified Palm Methyl Ester for both local and international markets.

The company's pillar brands, i.e. Saji, Adela, Sunbear and Sri Pelangi have steadily grown. The FMCG product lines that include margarine, instant noodles, mayonnaise, creamer, *vanaspati* and bread spread have enjoyed a continual growth.

FGV has optimised its interests in the oleochemical industry through strategic investments in Twin Rivers Technologies-US, FGV's fully-owned subsidiary in the United States, and its synergistic partnership with Procter & Gamble Malaysia to form homegrown FELDA Procter & Gamble (FPG).

Twin Rivers Technologies – US site is RSPO certified and offers Mass Balance Palm Fatty Acids into North American market. It has recently invested in a Combined Heat and Power natural gas-fired power plant to provide electricity and high pressure steam to the oleochemical plant. The power plant provides on-going efficiency gains and energy cost saving of more than 20% per year.



TRADING, MARKETING, LOGISTICS AND OTHERS

The Trading, Marketing, Logistics and Others (TMLO) Cluster is set to be the major revenue contributor to FGV Group attributed from trading business and supported by logistics and storage services across the business chain, elevating the FGV Group's status to be a global diversified agro-commodity player.

A multi-billion ringgit business operation, the TMLO Cluster is tasked with connecting and controlling the flow of assets across all of FGV's businesses. The Cluster owns one of the largest transportation business and the world's largest bulking and storage facility for edible vegetable oil.

The Trading & Marketing business, which is the lead revenue contributor to the TMLO Cluster, is able to generate high volumes of external oil trading from existing and new markets. On the logistics end covering transport and storage facilities, the Cluster is expanding the integrated logistics services such as Multimodal Transport Operation under Felda Transport Services Sdn Bhd. Whilst the vegetable oil terminal operation under Felda-Johore Bulk Group handles up to 40% of Malaysia's total palm oil exports, the storage capacities set to expand by focusing on strategic partnerships with port operators, various palm oil players and storage operators.

The TMLO Cluster is forging partnerships with overseas integrated logistics providers in key export markets. In addition, the Cluster is supporting FGV Trading to become an international palm oil trader. In 2016, continuous upgrades and expansion of in-house facilities have been performed to prepare the Cluster towards achieving the long-term strategic ambition plan.

The Cluster's trading activities have been fully integrated making way for a seamless operating system encapsulating in its entirety, from the Cluster storage to handling, through trading and product delivery to clients. It will look to expand beyond CPO-intended trading capabilities to include other vegetable oils.



SUGAR

FGV is the leading refined sugar producer in the country through its listed subsidiary MSM Malaysia Holdings Berhad (MSM).

MSM, through its refineries, continues to grow exponentially with the increase in global demand for its quality refined sugar.

By teaming up with regional powerhouses and related businesses across the sugar supply chain, FGV has taken steps to be in full control of the sugar value chain, venturing into future business opportunities in the midstream and downstream segments.

In 2016, FGV's sugar business further strengthens its position with a trading office in Dubai as it continues to reinforce its competitiveness in both domestic and export markets. With its footing in Dubai established, MSM has the opportunity to diversify its income stream from foreign earnings through destination trading of raw and refined sugar on top of export sales of refined sugar.

Domestic and global expansion plans are focused on midstream and downstream activities to boost capacity as well as strong value chains. With the Dubai trading operation running effectively, FGV's raw sugar trading business is set to be enhanced. On top of that, the Johor refinery project will ramp capacity from the current 1.25 million tonnes to 3.25 million tonnes targeted in 2025.

FGV is moving towards South East Asia (SEA) for growth possibilities and it remains aggressive to explore Mergers and Acquisitions (M&A) opportunities in sugar-related assets as well as strategic alliances to further expand its business. This proactive search for opportunities on a global scale is in line with its long-term strategy to become an integrated sugar player that is involved in upstream, midstream, downstream and trading.



R&D AND AGRI-SERVICES

Spanning over four decades of research and development, FGV's world class R&D and Agri-services Cluster's key objective is to generate cutting-edge agribusiness technologies to enhance operational performance and commercial utilisation across all of FGV's interests.

Incorporated in 2014, the R&D and Agri-Services Cluster has culminated into one of South East Asia's largest biotechnology centres, specialising in the production of oil palm clones with specific traits. This includes improving the yield of selected crops in a sustainable manner through breeding, tissue culture, agronomy, crop-protection and thereby reducing pressure on land development without the intensification of agrochemical use.

A notable success is the award winning *Yangambi* planting material which commands 43% market share at present in Malaysia. Our latest activity is producing planting materials of specific traits that include high yielding, disease tolerant and drought resistant palm. Its focus in bio-molecular marker research has led to the pioneering of marker-assisted oil palm breeding and selection. This will further enhance the current award-winning FELDA *Yangambi* brand as a market leader.

FGV intends to increase productivity by applying new technologies such as wireless sensor technology, geographical information systems, remote sensing, and automation mechanism of daily operations to improve productivity and efficiency. Through the "Creation of Revenue Programme", it has adopted a new enzyme technology to increase Oil Extraction Rate (OER) of palms.

The R&D Cluster also engaged in optimising waste and by-products to generate new products with higher-growth, higher-margin industries; and the provision of high quality food and innovative non-food products and services.



RUBBER

Part of FGV's crop diversification programme is to rebalance its reliance on palm oil. Hence, processed rubber is expanding its operations and leveraging new frontiers in the industry.

This Cluster is catapulting the Group's current rubber processing businesses into becoming a leading integrated rubber player. FGV Rubber Sdn Bhd (FGVR) has made formidable inroads in the natural rubber industry with over six decades of experience in upstream plantation capabilities, followed by ventures in midstream segments.

The Rubber Cluster's expansion plans focus on processing capacities, and the downstream segment by way of elevating its presence in the natural rubber value chain.

FGV's presence sprawls over 14,000 hectares with operations in five midstream rubber-processing facilities plus one specialised processing facility for green rubber. Raw material sourced is maintained within the Group's rubber plantations.

FGV's overseas presence in this Cluster spans over Thailand, Indonesia and Cambodia. Working in tandem with the Malaysian Rubber Board (MRB) and various consultation teams, FGVR has ventured into the commercialisation of two trademarked variations of Green Rubber called Ekoprena™ and Pureprena™. These have diverse market applications and give FGVR a considerable boost in producing sustainable 'green' products.

EKOPRENA™, is a form of Epoxidised Natural Rubber, which provides a good wet grip, low rolling resistance and low noise, ideal for use as tyre treads. PUREPRENA™ is a new generation of Deproteinised Natural Rubber and suitable for use in hydromounts, large absorbers, suspension bushes and helicopter rotor bearings.

A Technology Transfer Agreement was signed with MRB to commercialise Ekoprena™ and Pureprena™. Thus, this Cluster has started production of Green Rubber at FGVR's Palong 8 processing facility.

Plantations and Mills

A Step Towards Transparency

OIL PALM PLANTATION

The Palm Upstream Cluster of our group generates the largest revenue. We own a total land bank of more than 431,000 hectares across Malaysia and Indonesia, excluding the 475,000 hectares of land owned by FELDA settlers who supply Fresh Fruit Bunches (FFB) to us. An estimated 95% of the total land bank owned are located in Malaysia while the remaining 5% are located in Indonesia. **Figure 2** shows the land bank distribution across the states of Malaysia where the largest plantations in Malaysia are located in Pahang and Sabah. Standing proud as the world's third largest oil palm estate operator, we processed 14.79 million and 14.83 million tonnes of FFB for the years 2014 and 2015, respectively.

Annually, we produce more than 3 million tonnes of Crude Palm Oil (CPO) from our 72 palm oil mills. The trend in CPO production for the past three years (2013-2015) is depicted in **Figure 3**. The FFB for processing are derived from our own plantations ($\pm 32\%$), FELDA scheme ($\pm 40\%$) and outgrowers ($\pm 28\%$) for year 2014 and 2015 (**Figure 4**). Therefore, the FELDA scheme settlers consisting of 112,635 families are our important stakeholders in terms of FFB supply base.

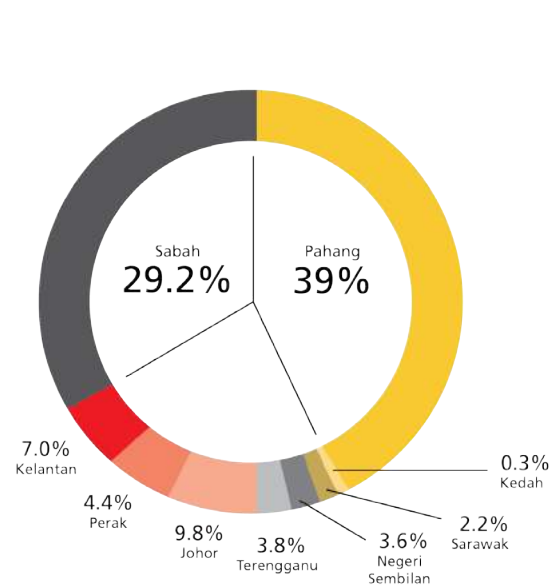


Figure 2: The land bank distribution across the states of Malaysia

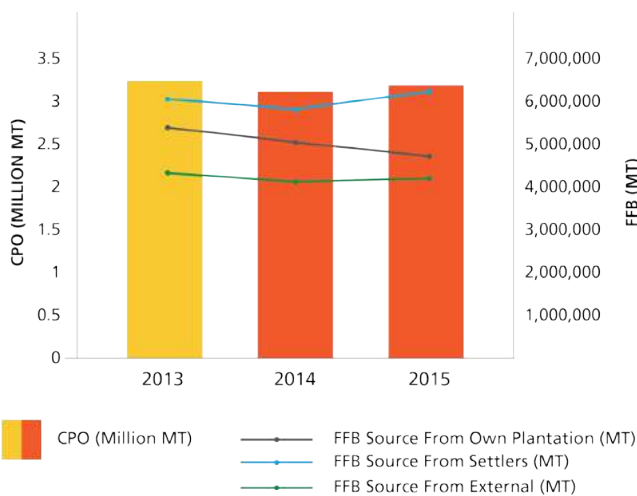


Figure 3: 3-year trend in Crude Palm Oil (CPO) production

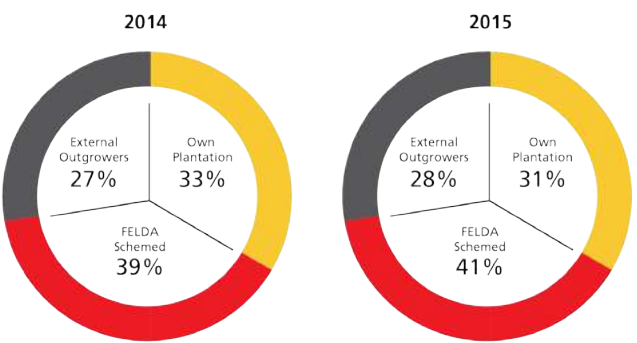


Figure 4: Source of FFB in 2014 & 2015

OIL PALM YIELD

The high oil yield of the oil palm is generally recognised, as the oil palm is capable of producing roughly 7.5 times higher oil yield than other oil crops (groundnut, sunflower, rapeseed, coconut etc.). **Figure 5** shows the oil yield of oil palm and other major oil crops, displaying oil palm being the prominent oil yielding crop as compared to other oil crops.

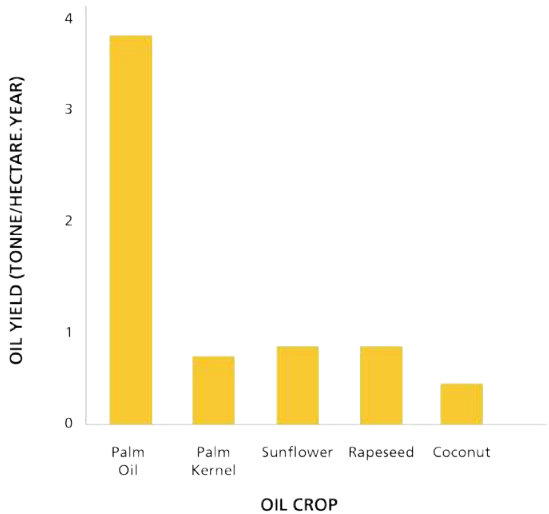


Figure 5: Comparison of average oil yield for major oil crop seeds in the world

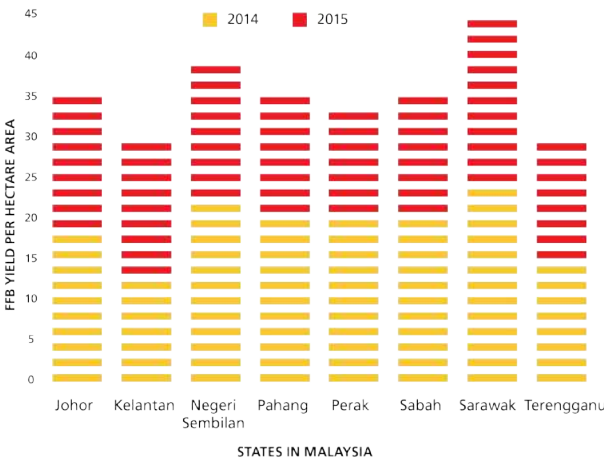


Figure 6: FFB yield per hectare area of the states in Malaysia

FRESH FRUIT BUNCHES (FFB) YIELD

Generally, the economic lifespan of an oil palm is approximately 25 years. Oil palm begins fruiting after 30 months of being planted in the fields and are commercially harvested 6 months later. Nevertheless, the oil palm yield remains relatively low at this stage. The oil palm yield increases and reaches its peak production between 7 years to 18 years. This is followed by gradual decrease of oil palm yield after 18 years. A fully matured oil palm plantation produces 18 to 30 metric tonnes of FFB per hectare of land area. However, the oil yield depends on a variety of factors, including the quality of planting materials, age of oil palm, weather and soil conditions, plantation management, timing of harvesting and processing of FFB.

The harvested FFB must be processed within 24 hours to minimise the buildup of fatty acids in order to maximise the quality and volume of extracted palm oil. **Figure 6** shows the FFB yield per hectare area of the states in Malaysia for both year 2014 and 2015. The average FFB yield per hectare area for both years are estimated to be around 18 tonnes/hectare.year. This is because most of the oil palm trees in the FGV Group are in the old age group (>21 years) as shown in **Figure 7**.

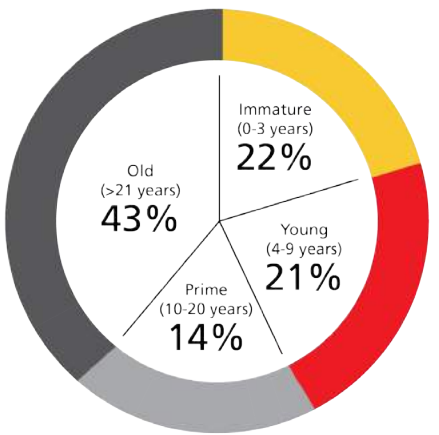


Figure 7: Palm age profile in FGVPM's plantations

Statement from the Chief Strategy Officer

Developing Sustainable DNA



Mr. Fakhrunniam Othman
Chief Strategy Officer,
Felda Global Ventures Holdings Berhad

“ We have developed five principal thrusts to serve as guidance for business initiatives to be measured against. ”

FGV’s business strategy is to align its vision with the current industry outlook and to chart its initiatives in that direction. FGV aims to fulfill these initiatives by the year 2020 with a 360-degree approach where every aspect of the company’s operations is analysed and improved upon. The ultimate goal is to become a reputable and commendable global agribusiness player.

To achieve this goal, we have established sustainability as an integral part of the Group’s strategy. Sustainability is no longer confined to just the plantations but it is now an all-encompassing criterion as to how FGV is managed. It is about the business having a sustainability strategy that supports our ambition to be a global leader in the palm oil sector.

At FGV, the awareness on sustainability is disseminated to all levels within the various Clusters in our value chain. However, it is vital to our success that consistency is maintained in the approach and that priorities are adhered to. It is important that direction is established in a manner that resonates with FGV’s vision and, inspires action accordingly.

For that purpose, FGV has developed five principal thrusts to serve as guidance for business initiatives to be measured against. All new initiatives undertaken must fall within these thrusts.

1. Thriving For Operational Excellence

As a leader in the palm oil sector, FGV has to establish efficiency in productivity and be governed by best practices. It is inherent that we deliver exceptional quality products at competitive costs using the latest technologies and know-how. We must show exemplary leadership in the maintenance of our plantations that results in optimum output. This would then translate into greater business opportunities that eventually means robust earnings and growth.

2. Expansion of Core Business

Strategies are borne from expansion plans to boost growth. Strengthening FGV’s core business primes it for internal growth as well as expansion for external growth. FGV continues to expand its plantation assets and at the same time diversify into other agribusiness crops. This shall leverage on our core business expertise and strengthen our market position through economies of scale. The expansion into other agribusiness crops also allows us to arbitrage between various commodities.

3. Moving Down the Value Chain

FGV has positioned itself to move further down the value chain from being a niche player in the palm upstream business to producing consumable goods such as shortening, cooking oil and ghee amongst others. The R&D investments made by FGV in developing downstream products allow us to make inroads into premium markets. The downstream products business helps in managing the volatility in the commodities markets.

4. Growth in Adjacent Fields

The fourth thrust involves growing in the adjacent fields which would arbitrage against volatility in core business. This would allow the firm to capitalise on expertise developed from the core business to create new revenue streams.

FGV has developed capabilities to capitalise the entire palm oil value chain. In that process, FGV has also developed necessary support services such as IT, security, transportation and engineering to manage its plantations and operations.

The company has the logistics and transportation assets to expand the reach into integrated logistics using the same core team, operating systems and concept of business. It is just a matter of maximising the usage.

5. Innovation and Sustainability

Sustainability is an integral guardrail in FGV’s growth plan and is progressively being embedded into the company’s operational ‘eco-system’ in the context of organisation’s capacity, financial, stakeholders and customers.

Innovation is important for the growth of FGV. We see innovation as an important aspect of our growth strategy, especially in developing new products and cost-saving programmes. The company undertakes applied research and the findings are then used to develop further downstream and consumer products.

We have an R&D council that primarily reviews R&D programmes and drives innovative culture, at the same time ensuring sustainability remains one of the main criterion in our plans. We are also undertaking the re-certification of all our mills so that our products are recognised as Certified Sustainable Palm Oil (CSPO) products. The response to these initiatives from various stakeholders have been very positive and encouraging.

FGV will continue to demonstrate its commitment to sustainability by ensuring elements of sustainability are embedded at every level of the organisation and its decision-making processes.



Our expansion down the value chain

Statement from the Chief International Business Officer

Enabling Success by Embedding the Sustainability Culture and Pervasive Engagement with Stakeholders



Mr. Denys Collin Munang
Chief International Business Officer,
Felda Global Ventures Holdings Berhad

The department has developed a Group Sustainability Policy (GSP) that is, amongst others, aligned with the UN Sustainable Development Goals and International Labour Organisation (ILO) guidelines with more emphasis and commitment to social compliance. On 25 August 2016, the Group Sustainability Policy was approved by FGV's Board of Directors.

FGV has also been reviewing its long-term plans, targets, businesses and strategies moving towards the year 2020, by embedding sustainability initiatives into its strategic plan. When approaching the company's strategic plans for 2020, the basic rule of our business planning process is to ensure that for each Cluster (palm, sugar, rubber, and related businesses in transportation etc.), sustainability initiatives are embedded and internalised by key management and employees.

FGV is embedding sustainability using the balance scorecard method. The balance scorecard method is a strategic management approach that encompasses finance, business processes, consumers, and organisational capacity. In simple terms, the basic principle of "doing more with less", such as using less water in the system which reduces the impact on the environment, right down to producing high-yielding crops and assuring our customers with green certification, will translate into risk reduction and an increase in revenue.

For us, sustainability is a prerequisite for a business case, not just a policy. Doing more with less is a management tenet adhered to at FGV and this starts from improving productivity and innovation, right down to how FGV manages its capital expenditure. It applies to all FGV's business units where, sustainability is a key mention under innovation, making it the main thrust of FGV's future operations.

We performed a gap analysis on our environmental compliance and the results were exemplary. On social compliance, FGV has engaged a leading NGO to perform a gap analysis and verifications on its behalf and in the spirit of transparency, made such reports available to the public. Following this study, FGV intends to develop a social compliance management system with plans to work in tandem with a sustainability partner, who will assist us in delivering an actionable and measurable plan

“Sustainability is about being future ready; from the people to the products.”

FGV is a responsible corporate organisation adhering to Malaysia's laws and regulations, as well as fully subscribing to the Principles and Criteria of the RSPO. As of the second quarter of 2016, the company has increased its commitment to sustainability by transforming its sustainability unit into a full-fledged department in the Corporate Centre. The Sustainability & Environment Department (SED) comes under the purview of the Chief International Business Officer who manages sustainability issues at group level.

to address the issues. One of the reasons for working with a reputable NGO and sustainability partner with regard to social compliance is to ensure that there is a measurable and impartial view.

Ensuring that our foreign guest workers understand their rights when working with FGV, we have translated the employment contract into five different languages such as Bengali, Tamil, Nepali, Tagalog and English. Another social factor that FGV is currently improving is the accommodation for the foreign guest workers. To alleviate this issue, new additional workers' housing to accommodate 1,836 foreign guest workers are being constructed over the period of eight years.

The pilot programme to build lockers for workers' passports to allow them convenient and secure access has been successfully initiated. In addition to this, FGV is also taking a supply chain mapping and traceability approach by developing its own in-house software. It is important to identify, and to know where the sources come from, and to have this data at hand, to meet the traceability requirements of our customers and more importantly to better manage our supply base that is made up largely by smallholders. FGV has 72 mill complexes that process Fresh Fruit Bunches (FFB) from various plantations.

We are committed to a three-year time-bound plan to certify all of our mill complexes and estates with an RSPO certification. Having certified 58 mill complexes prior to our voluntary withdrawal, we are confident of meeting this plan to certify all our mills within the time-bound plan. FGV is pushing and funding more RSPO and sustainability awareness initiatives (on-site training, workshops, etc.) with FELDA. FGV spends more than RM2 million annually for smallholders' training.

FGV's sustainability engagement is paramount. We have been intensifying our engagement with stakeholders, especially NGOs, customers and shareholders. Hence, it is also adopting communications using different mediums such as social media, which appears to be very effective, reaching out to FGV internally as well as externally.

We believe in, embedding the culture of sustainability, and encouraging behavioural change within the organisation and, at the same time, constantly improving our internal processes to achieve our sustainability goals. For FGV, sustainability is about being future-ready from the people to the products. FGV believes that if we are future-ready, we will be capable of reaching out to more customers, establish business longevity, and earn a premium for our products.



The basic principle of "doing more with less" by producing high-yielding crops and assuring our customers with green certification, will translate into risk reduction and an increase in revenue

Corporate Governance

Going Beyond the Checkbox

FGV’s strategic approach to sustainability is initiated at the Board level and comes with the assurance that sustainability is treated as an integral part of our business.



BOARD BALANCE AND COMPOSITION

The Board composition is in compliance with paragraph 15.02 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The composition of the Board fairly reflects the interest of the significant Shareholders, without compromising the interest of the minority Shareholders. The Independent Non-Executive Directors on the Board act as caretakers of the minority Shareholders, and their views carry significant weight in the Board’s decision-making process. The presence of Independent Non-Executive Directors fulfills a pivotal role in corporate accountability. Although all the Directors have equal responsibility at the Board level, the roles of these Independent Non-Executive Directors are particularly important as they provide unbiased and independent views, advice, as well as judgement to take account of the interests, not only of the Group, but also that of minority Shareholders, employees, customers, suppliers and the many communities within which the Group conducts its business. The Board places great importance on the balance of its Independent Non-Executive Directors since they serve as an essential source of impartial and professional guidance to protect the interest of the Shareholders.



BOARD DIVERSITY

The Board has identified the need to improve gender diversity on the Board and will continue efforts to seek female candidates to take up Board positions. The Board will continue to seek to appoint capable and competent Directors in order to reach at least 30 percent female representation on the Board.



INITIATIVES TOWARDS ACHIEVING EXCELLENCE

FGV is committed to strengthening good corporate governance practices and instilling human governance in business operations throughout FGV Group. As such, FGV has outlined 6 strategic initiatives aimed at promoting and supporting FGV Group’s corporate governance roles and responsibilities.

Firstly, FGV has initiated a **Corporate Governance Checklist (FGV-CGCL)** comprising a list of activities related to creating and reviewing the necessary documents, policies, procedures and work instructions as the risk management mechanism for FGV Group and to meet the corporate governance requirements. There are 8 policies and procedures which were developed and enhanced in the Financial Year 2016, namely 1) External Gift, Entertainment & Hospitality Policy (GEH), 2) Asset Personal Interest Declaration Policy (APID), 3) Code of Business Conduct & Ethics (CoBCE), 4) Shareholders Communication Policy, 5) Group Sustainability Policy, 6) Risk Management Framework, 7) Board Nomination & Election Policy and Procedures, 8) Board Remunerations Policy. These documents shall be reviewed at every two years or when deemed necessary.

Secondly, FGV shall provide a standard code of corporate governance which formulates standard corporate governance practices applicable to FGV Group and serves as a governance foundation in executing FGV’s business decisions and activities.

The third initiative is formulating **FGV Corporate Governance and Compliance Plan (FGV-CGCP)** which establishes FGV’s short and long term corporate governance strategies and identifies the roles and responsibilities of the respective parties in FGV Group in carrying out the tasks identified in the FGV-CGCP.

The **FGV Corporate Governance Scorecard (FGV-CGS)** is a scoring tool to assess the corporate governance compliance within the Group and assist the implementation of corporate governance initiatives in the FGV Group.

The fifth initiative is the **FGV Corporate Governance Award (FGV-CGA)**, whereby recognition and reward given to FGV Business Clusters that exhibit high performance and excellent corporate governance attributes within the Group. The FGV-CGA assessment was successfully completed in Financial Year 2015 and the winners were awarded during the prize giving ceremony organised in March 2016.

The sixth initiative is the **Corporate Governance Consultancy & Special Project (FGV-CG Consultancy)**, which is undertaken to provide corporate governance advisory in relation to governance issues in FGV Group.

Additionally, FGV Group in fulfilling its commitment to uphold the principles of transparency, integrity and good governance, has implemented various Ethics & Integrity Awareness programmes since 2014 up to 2016 whereby engagement sessions were held with employees and vendors of FGV Group located throughout Malaysia. Further, FGV has cumulatively obtained the signatures on the Integrity Pledge from about 54% from the total number of FGV Group staff overall.



SUSTAINABILITY AGENDA

FGV’s sustainability policy as developed in 2016 encompasses the Group in its entirety. The Group acknowledges the importance of maintaining best practices in sustainability. Hence we have created a Sustainability and Environment Department (SED) in our organisation.

The advent of this new, full-fledged department means that all employees, contractors, business partners and the broader supply chain, regardless of role or position within the company, are accountable and responsible for maintaining high standards of sustainability in the business.

With a sustainability-monitoring department in place, the broader aspects of sustainability will be measured against initiatives undertaken by the Group. Such initiatives will be deemed unviable should they fall short of the guidelines drawn by the department.

All matters related to sustainability is handled by SED, where specific issues identified or reported by any stakeholder will be dealt through a Sustainability Response Team (SRT). The progress in attending to these issues will be discussed at quarterly Executive Committee meetings and escalated to the Board of Governance and Risk Management Committee (BGRMC) which reports directly to the FGV Board.



UPHOLDING INTEGRITY

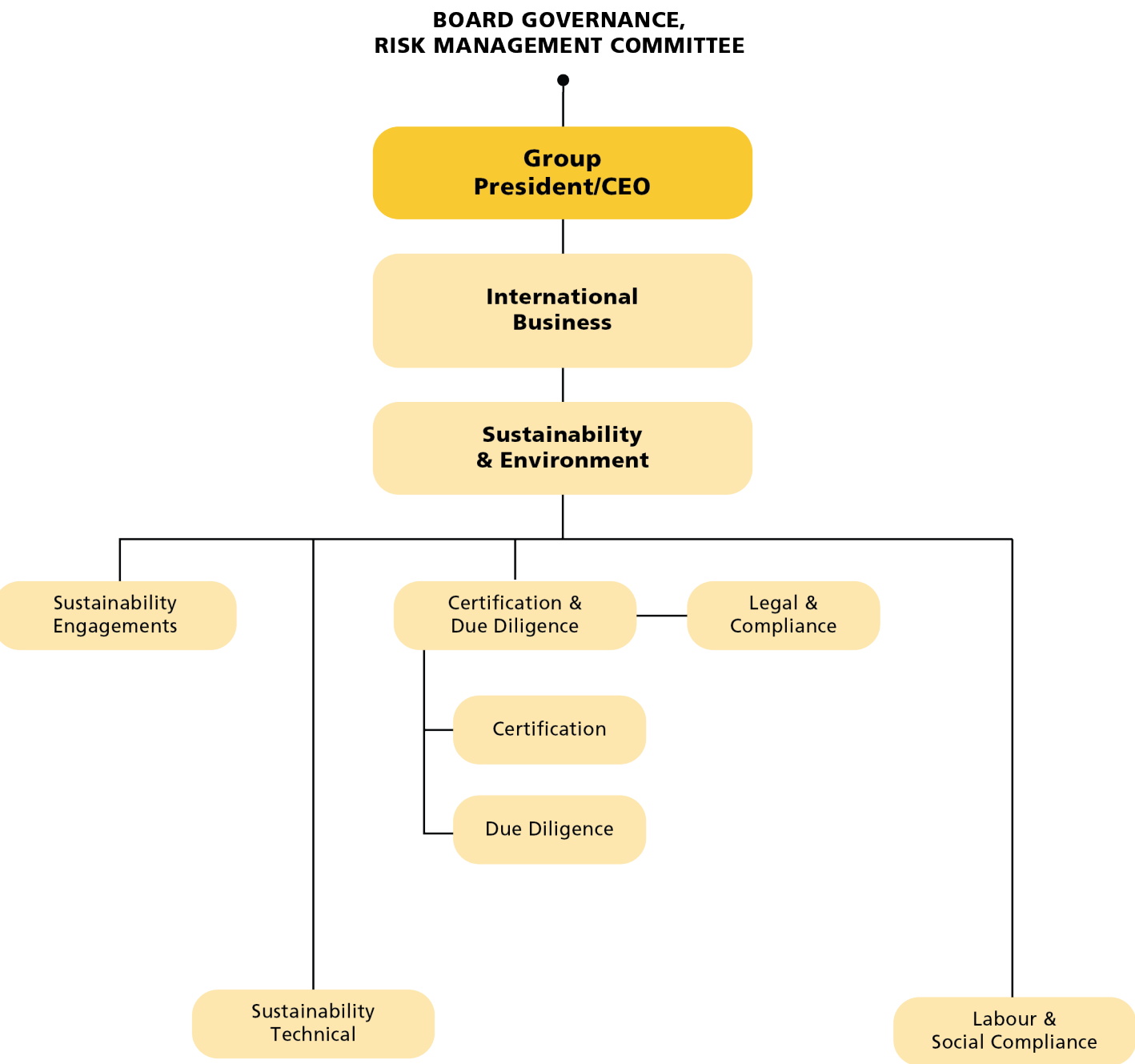
Spearheading FGV’s sustainability initiative is the move to withdraw RSPO certification to ensure that proper, rehabilitative measures have been taken. Given that FGV, a preponent of RSPO, had an active role promoting sustainable practices since its inception in 2004, FGV felt it was our responsibility to withdraw when we realised some shortcomings in our supply base. We are still undertaking certification and fixing the problems at the same time. We will resume certification once the issues have been addressed adequately and have communicated our plans to the RSPO. We envisage completing the RSPO mill complex certification by 2021.

On the other hand, FGV has also pursued International Sustainability and Carbon Certification (ISCC) since its introduction in 2011 to meet the requirement of sustainable biofuel markets in Europe. ISCC is an independent and international sustainability certification that considers GHG savings in the production system that can be used to show compliance with sustainability requirements to authorities, business customers, and consumers. We managed to certify up to 15 mills and a biodiesel plant in 2014, but limited to only three mills in 2015 due to the lower demand for palm-oil based biofuel in Europe. The ISCC certification can be increased when there is demand in the European market. Besides, FGV has been actively involved in the development of Malaysian Sustainable Palm Oil (MSPO), known as the first Malaysian palm oil sustainability certification scheme. MSPO certification is an alternative to other sustainability certification schemes for smallholders due to the cheaper costs involved. We currently have 3 mills certified to MSPO.

Such is the company’s commitment to ensure sustainable practices are undertaken for the greater good of the community and its people.

Sustainability Department Organisational Chart

(as at September 2016)



Our Sustainability Policy

Pervasive Sustainability Practices

FGV has drawn up a policy to address key sustainability issues and put in place pertinent criteria to gauge success.

Objectives have been established to facilitate FGV’s commitment to adhere to sustainability measures in the way it conducts its business. This ensures that activities undertaken by the company will create stakeholder trust and long-term value. In addition, FGV will execute strategies that will address Economic, Environmental and Social (EES) risks and pursue opportunities to achieve business excellence. FGV will adhere to applicable laws and regulations in the regions where the company operates.

FGV endeavours to implement business practices that reduce environmental impact, deploy water conservation efforts and exercise fire control measures. There will be no open burning except for controlled burning for the management of certain pest and disease upon strict regulatory approvals.

As the plantations are in close proximity to forest reserves, which are home to endangered, rare and threatened species, FGV will ensure that there is minimum impact on those areas rich in biodiversity. With the appropriate action plans drawn up, FGV will ensure that in carrying out our operations, there will be no undue threat to wildlife but instead will endeavour to inculcate programmes that enhance and enrich wildlife habitats. In line with this, FGV has announced 4 new policies to be implemented from January 2016, namely HCV Management Policy, Peat Management Policy, New Planting Policy and Zero Burning Policy.

Waste reduction and management programmes will be maintained to identify its potential use as resources. A zero waste management policy will be encouraged throughout the company.

Greenhouse gas emissions will be monitored and the management will report its carbon footprint gradually from 2016.

FGV will build and empower both employees and settlers to promote economic growth by providing jobs, upskilling, education and enhancing the standard of living. It will maintain the smallholders’ best interests by ensuring that there is continuous improvement in managing social issues.

FGV will adhere to human rights frameworks defined in the Universal Declaration of Human Rights and the International Labour Organisation’s Core Conventions to ensure that the working conditions are non-exploitative. FGV has implemented provisions for equal opportunity and prohibition of underage workers. It will continue to champion the guidelines on human trafficking and forced labour exploitation, sexual harassment and violence. Within a legal framework, employees are also allowed to form and join trade unions to bargain for their needs collectively.

FGV will also continue to ensure the sustainability of the raw materials it uses and its value chain partners are to comply with sustainability laws and regulations. The company will also improve traceability of raw materials to build stakeholder trust and to ensure raw materials are derived from areas where there is no new planting on peat, deforestation or exploitation.



FGV’s commitment towards adhering to sustainability measures

Sustainability Strategy

Creating and Delivering Outcomes

FGV’s sustainability strategy and how it is developed and operationalised within the organisation is illustrated in **Figure 8**. Our vision, policy and strategy (Tier 1, 2 & 3) are the overarching elements for the implementation of sustainability initiatives. Tier 4 which is essentially the Sustainability Road Map provides goals and targets that need to be achieved by the respective departments within a specified timeline.

Each department will then develop action plans detailing how the goals and targets are to be achieved. The sustainability action plan (Tier 5) is essentially the working document for FGV’s operationalisation of the sustainability strategies whilst the last tier is a mechanism to measure performance, conduct audits and report the findings which are then communicated back to our management.

Under its Strategic Plan 2020, FGV has charted its course to become a reputable global agricultural business player with palm as its main commodity, and to become one of the world’s top 10 agribusiness conglomerates by 2020. In aspiring to achieve the company’s sustainability vision, FGV has built its sustainability strategy on the principles of the Sustainable Development Goals (SDG) established by the United Nations. The SDGs include a set of 17 goals to eradicate poverty, promote healthy life styles,

equal opportunities for education, gender equality and empowerment of women, environmental sustainability (clean water & sanitation, sustainable energy), promote sustainable economic growth, sustainable cities and industrialisation, sustainable consumption & production, climate resilience, protection of marine and terrestrial biodiversity, advocate peace and justice and strengthen global partnerships by 2030.

Sustainability strategies have been drawn up to enable the different business units to deliver value for the Group and contribute towards the long-term value creation for FGV’s shareholders and stakeholders. Our sustainability business model is built on the premise of doing more with less to ensure that our agricultural activities are productive with maximised yields. This is achieved by implementing Good Agricultural Practices (GAP) and Good Management Practices (GMPs) for the efficient use of natural resources and to safe-guard the long-term productivity of cultivated land. These practices include mechanisation, use of high productivity equipment, scientific nutrient management, soil enrichment using organic fertilisers as well as the use of beneficial microorganisms at the plantations. Further, FGV’s Research & Development Division has developed high-yielding seeds to ensure high productivity at its plantations.

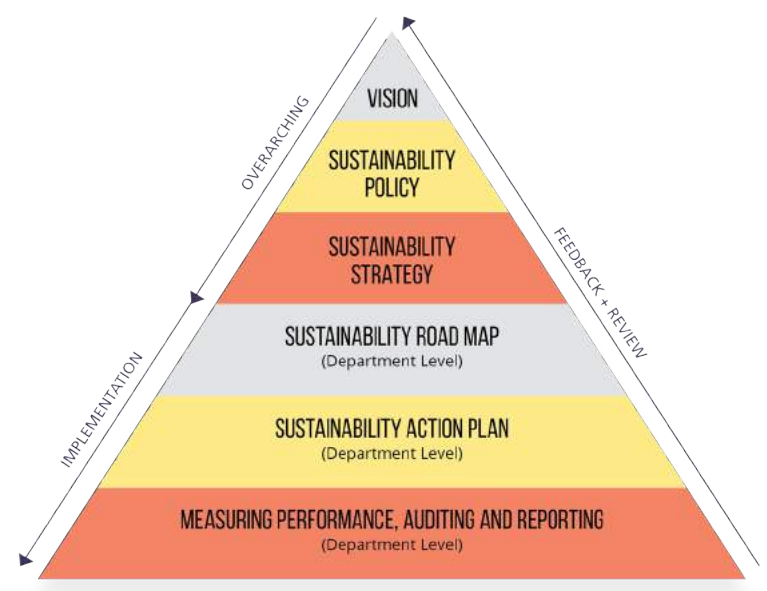


Figure 8: Sustainability Strategy Hierarchy

In translating the philosophy of the SDGs within the organisation, FGV has identified elements within these 17 goals that relate to the sustainability of the Group and have embedded them into the company’s core values defined by the acronym PRIDE – Partnership, Respect, Integrity, Dynamism and Enthusiasm. In order to operationalise the sustainability vision at the working level, FGV’s sustainability strategy is to embed sustainable initiatives into the four core elements of the company’s Strategic Plan 2020 (SP20). This is illustrated in **Figure 9** below with details provided in **Table 3.0**.



Figure 9: Embedding Sustainability in FGV’s Strategic Plan 2020 (SP20)

TABLE 3.0: SUSTAINABILITY INITIATIVES IN STRATEGIC PLAN 2020 (SP20)

CORE ELEMENT OF THE SP20	SUSTAINABILITY INITIATIVES	DETAILS
Customer	Green Certification	<ul style="list-style-type: none">• Roundtable on Sustainable Palm Oil (RSPO) certificates.• International Sustainability and Carbon Certification (ISCC).• Malaysian Sustainable Palm Oil Certification (MSPO).
	Green Branding	<ul style="list-style-type: none">• Sustainable certified crude palm oil or palm oil products by the certification body listed above.
	Conform to Social and Regulatory Requirements	<ul style="list-style-type: none">• Compliance to applicable regulations including Environmental Quality Act, 1874, Occupational Safety & Health Act, 1994, Factories & Machineries Act, 1967, Acts enforced by the Ministry of Human Resources and other relevant legislations.• Prescribe to the United Nations Sustainable Development Goals.• Conform to the policies of the Malaysian Palm Oil Board (MPOB).
Internal Process	Work/Partner with NGOs, Governments, Stakeholders. Work with Supply Chain Partners to ensure compliance to Sustainability Practices	<ul style="list-style-type: none">• In promoting transparency and awareness, FGV is committed to actively reach out to various stakeholders such as industry associations, NGOs, government agencies, media, partners, suppliers and customers through various platforms including dialogues, roundtable discussions and corporate responsibility programmes primarily focusing on sustainability causes.• Adoption of the United Nations Sustainable Development Goals to ensure strong commitment across the Group.• Contribution to a mega biodiversity corridor project which provides sustainable livelihood for local communities along the lower Kinabatangan River.• Protection and conservation of endangered, rare and threatened flora and sensitive ecosystems.• Continuous improvement in operational excellence.• Rehabilitation of riparian reserves and the protection of buffer zones along forest reserves in Sahabat, Sabah.
	Eco-efficiency, Eco-friendly Products.	<ul style="list-style-type: none">• RSPO, ISCC and MSPO certifications.
	Reduce Production/ Life Cycle Impact. Reduce Costs (fuel, water, electricity, waste). Measure and benchmark.	<ul style="list-style-type: none">• Best Management Practices (BMP) – harvesting and pruning by using new tools such as graphite harvesting poles and innovation ablation methods and tools.• New technologies – Unmanned Aerial Vehicles (UAV) and tablet-based Plantation Micro-Macro Programme (PMMP) to enhance estate management. These innovations improve efficiency and productivity as well as increase FFB yield.• Establishment of data centre for sustainable performance indicators reporting.
Organisational Capacity	Embed Culture of Sustainability	<ul style="list-style-type: none">• Committed to a culture that embraces and respects diversity of people in their organisation.• Equal employment opportunity regardless of race, religion, national, age, marital status.• Communication (understand, easy/simple, desirable, rewarding, habit).

CORE ELEMENT OF THE SP20	SUSTAINABILITY INITIATIVES	DETAILS
Organisational Capacity (contd.)	Embed Culture of Sustainability (contd.)	<ul style="list-style-type: none">• Profitability of the FGV business contributed to shareholders. Example, distribution of dividends to settlers via Koperasi Permodalan FELDA.• Contribution to the general public through Yayasan FELDA.
	Encourage behaviour/ attitude change	<ul style="list-style-type: none">• Signatory to the Corporate Integrity Pledge and the Integrity Pact with the Malaysian Anti-Corruption Commission in 2012.• Integrity initiatives - FGV Integrity Plan.• Integrity and anti-corruption training and awareness.• Employee code of business practice.• Establishment of the Governance & Risk Management Division.• Corporate Governance Department.• Compliance, Ethics & Integrity.• Enterprise Risk Management.• Procurement Code of Practice.• Whistle Blowing Policy.• Declaration of assets and interests to the Chief Human Resources Officer by FGV management and senior executives.• Established a Vendor Integrity Pact.• SMART (System, Method, Accountable, Reliability, Transparent).• PRIDE (Partnership, Respect, Integrity, Dynamism and Enthusiasm).• Functional Capability Development, Leadership Programmes, & Developmental Capability Development.
	Reduce costs	<ul style="list-style-type: none">• Minimising business operational costs by reducing employee's turnover.• Reducing risk of not having the right successors in place for critical positions.
Financial	Higher Growth Revenue	<ul style="list-style-type: none">• Attract international customers of sustainable certified palm oil companies.• Premium price for certified sustainable/premium products• Improved market access and market penetration, especially in Europe.
	Reduce sustainability risks	<ul style="list-style-type: none">• Implementation of Good Agricultural Practices (GAP) & Good Management Practices (GMP).• Responsible sourcing of raw materials.• Supplier/vendor management.• Good governance.• Business continuity plan.
	Reduce costs	<ul style="list-style-type: none">• Minimising business operational costs by reducing employee's turnover.• Reducing risk of not having the right successors in place for critical positions.

Statement from the Head of Palm Upstream Cluster

A Strategy for Value Creation and Growth



Mr. Palaniappan Swaminathan
*Head of Palm Upstream Cluster,
Felda Global Ventures Holdings Berhad*

“ We have always been committed to sustainable practices. ”

FGV has always been committed to sustainable practices. The oil palm industry itself is very well regulated in Malaysia given the legal framework that is in place. By adhering to these regulations, FGV mills achieved ISO certifications as far back as the eighties and nineties.

FGV has taken very firm and strict measures in controlling open burning. Those found violating our zero burning policy have been reprimanded. While we fell and shred old palms during replanting, Empty Fruit Bunches (EFB) are either composted or returned to the field as mulching. To date we have established six composting plants that

produce high grade compost with the use of wastewater and EFB. While the compost is channelled back into the field as organic fertilisers, less effluent are discharged into the rivers that in turn greatly reduces the impact on the environment. FGV has been actively using anaerobic digested effluents for irrigation. With its polishing plants in place for the further removal of organics, they are able to reduce the Biochemical Oxygen Demand (BOD) in the water discharged into the rivers.

Recently, FGV has adopted the biogas capture methods in the mills. This has been instrumental in reducing the carbon footprint as well as leading the way to electric power generation resulting from using EFB as a fuel source. The initial project started at the Sahabat plantation with a 7.5MW plant and we have just started the second one in Jengka with a 12.5 MW plant.

FGV has also taken the lead in reducing its water footprint, as well as its use of nitrogen fertilisers and nitrate contamination. All this would not have been possible if not for our R&D. In 2015, FGV allocated RM40 million for R&D alone. Instead of solely relying on chemicals for pest control, we have focused our research on biological control. FGV now uses fungus and pheromones to kill certain insect pests. FGV is also developing beneficial microbes to help improve plant health and reduce disease incidences. With this, the company has minimised the use of agrochemicals tremendously. Other sustainable initiatives in the field include soil conservation, replanting with terraces, cover crops, riparian reserves, and the protection of animals such as pygmy elephants. In addition, FGV has resorted to planting timber on steep areas and introducing subsoil manuring. The former helps keep the slopes stable whilst the latter has improved yields and reduced the use of fertilisers.

Human capital management in the plantation is one of the company's main challenges. FGV has many foreign guest workers in its plantations and has undertaken initiatives to encourage more locals to come back to work on the plantations. Mechanisation is an area that is being reviewed to reduce labour. FGV endeavors to train plantation workers to become skilled in using these mechanised tools. With this we hope to attract more Malaysians to work in the plantations. Having said that the use of foreign guest workers is inevitable at the moment. When we employ

foreigners in our plantations, we make sure their welfare is well taken care of and their rights are protected. A pilot project has been initiated which allows foreign guest workers full access to their passports. A locker in the plantation office enables them to keep their passports safely secured whilst they are out in the field providing our foreign guest workers greater freedom. The success of this project has mooted the way for the second phase.

FGV has a strong relationship with the people of Lombok, Indonesia having provided sound employment for them in the Malaysian plantation sector for many years. One of our initiatives include providing the families of our workers from overseas with three months' allowance to manage their households before the foreign guest workers can start sending their salaries back. FGV has also taken steps to bridge the gap between the foreign guest workers and their families by introducing banking accounts to ensure their hard earned money is transferred safely across countries. FGV has also provided schooling benefits for foreign guest workers whose families follow them to Malaysia. Not wanting to deprive their children of a proper education, FGV has set up schools to ensure that their children have the opportunity of an education.

There are about 112,635 settlers in FELDA, and most of them are associated to FGV mills. They supply oil palm fruit bunches to FGV mills on a regular basis from more than 400,000 hectares of plantation. Given this huge number of settler families within a confined geographical area, there can be instances where settlers who are short of labour may resort to hiring workers from the open market. Occasionally, some may end up employing foreign guest workers without valid travel documents or work permits. This may also happen to some independent smallholders who are not associated with FELDA. FGV recognises that this social issue is of primary concern amongst the supply chain.

To curb this, FGV has established a synergistic partnership with Procter and Gamble to implement initiatives to certify some independent smallholders supplying FFB to our mills. A committee with the MIT Global SCALE (Supply Chain and Logistic Excellence) Network has been formed to undertake the certification process. Though a challenge, FGV is forging ahead to ensure the certification process is adhered to with the aim of bringing the smallholders plantings in line with FGV's overall sustainability goals.



FGV's oil palm plantations are very well regulated with its current sustainability measures

Stakeholder Engagement

Moving Beyond Communications



Engaging smallholders in sustainable palm oil production

We believe that the contribution and support of our stakeholders are pivotal for us to achieve our sustainability goals and targets. Stakeholder engagement is recognised as an integral aspect of our sustainability strategy for continued progress towards realising our sustainability vision. We continuously engage our stakeholders at various platforms to understand their concerns. This ensures proactive communications, both formal and informal, with stakeholders across the entire value chain, including the government, investors, customers, suppliers, and Non-Governmental Organisations (NGO) for better decision making. By actively engaging our stakeholders, we are able to identify risks and opportunities in the way we do business. Through this process, a transparent and trustworthy relationship is forged.



Dato' Zakaria addressing the settlers in FELDA Palong 1

TABLE 4.0: OUR STAKEHOLDER GROUPS AND HOW WE ENGAGE THEM

TYPE OF STAKEHOLDER	ISSUES OF CONCERN	FORM OF ENGAGEMENT
Employees	Compensation, personal career development, retirement plan, fringe benefits, governing policies, general welfare.	<ul style="list-style-type: none">• Management meetings with representatives of local and foreign employees• Circulation of internal policies• In-house human resources programmes and events• Internal portal• Awareness trainings
Regulatory agencies and statutory bodies	Compliance, environmental emissions and discharges, security issues, labour practices and health issues.	<ul style="list-style-type: none">• Inspections by local authority (DOE, DOSH etc.)• Active engagement with agencies and embassies• Stakeholder consultations
NGOs	Environmental and social issues in relation to the sustainability of oil palm, Free, Prior and Informed Consent (FPIC), deforestation, development on peat soil and biodiversity protection, climate change, environmental awareness.	<ul style="list-style-type: none">• Trainings and meetings with Roundtable on Sustainable Palm Oil (RSPO) working committees• Malaysian Nature Society (MNS) for Corporate Social Responsibility (CSR) programmes
FELDA settlers	Grading and prices of FFB, tackling diseases in oil palm, presence of foreign guest workers in the estates, RSPO certification, understanding environmental impacts from mill operations, compliance to SOPs, climate change and crop failure.	<ul style="list-style-type: none">• Meetings with FELDA scheme managers• RSPO pre-certification assessments• Awareness trainings
Investors (Government & State government holdings, institutional investors, international investors, bank brokers, shareholders)	Group financial performance, global business strategy, governance.	<ul style="list-style-type: none">• Quarterly investor briefings• Circulars/Notices• Annual general meetings
Customers (Internal buyers & external buyers, JV partners)	Pricing, quality, support services inventory/supply commitment, sustainable licenses, traceability licenses.	<ul style="list-style-type: none">• Field days/Open days• Tradeshow/roadshows• Engagement meetings• Surveys
Suppliers	Service delivery, project scope payment schedule, pricing of services, sustainable standards.	<ul style="list-style-type: none">• Contract negotiations• Vendor registrations• Site visits/meetings• Annual Procurement• Integrity Assessment
Government	Improving FELDA communities in their constituency.	<ul style="list-style-type: none">• FGV group functions (conferences, exhibitions, press luncheons etc.)
JV Partners	Regulatory compliance, alignment in sustainability strategies	<ul style="list-style-type: none">• Management meetings

Materiality Assessment

Our Robust Approach in Managing Sustainability

OUR APPROACH

Materiality assessment is the process of identifying and prioritising the Economic, Environmental and Social (EES) issues that influence the way we operate. It is pivotal in our sustainability journey as it helps us address issues that matter the most to us and our stakeholders and effectively report them. The findings of the assessment are also valuable in developing our sustainability strategy and roadmap. We define our material issues in terms of:

- The degree of impact on our sustainability vision and mission;
- The potential impact on our operations, or through our value chain;
- The importance of these issues to our key stakeholders.

When we developed our Strategic Plan 2020, we undertook an in-depth materiality assessment based on the Global Reporting Initiative 4 (GRI 4) guidelines to identify relevant EES issues. The identified EES issues were then prioritised in order of importance based on our definition of materiality as described above with the aid of a multi-criteria decision support system. The use of a scientific approach in our assessment ensures the accuracy of the outcome of the process. This process of identification and prioritisation will be part of FGV's periodic review of its sustainability strategy to cater for changes in the organisation's operations, stakeholder feedback and emerging trends.

The final results of our materiality assessment are illustrated in the matrix below (Figure 10), where the issues are grouped into three categories, namely, moderate, high and very high.

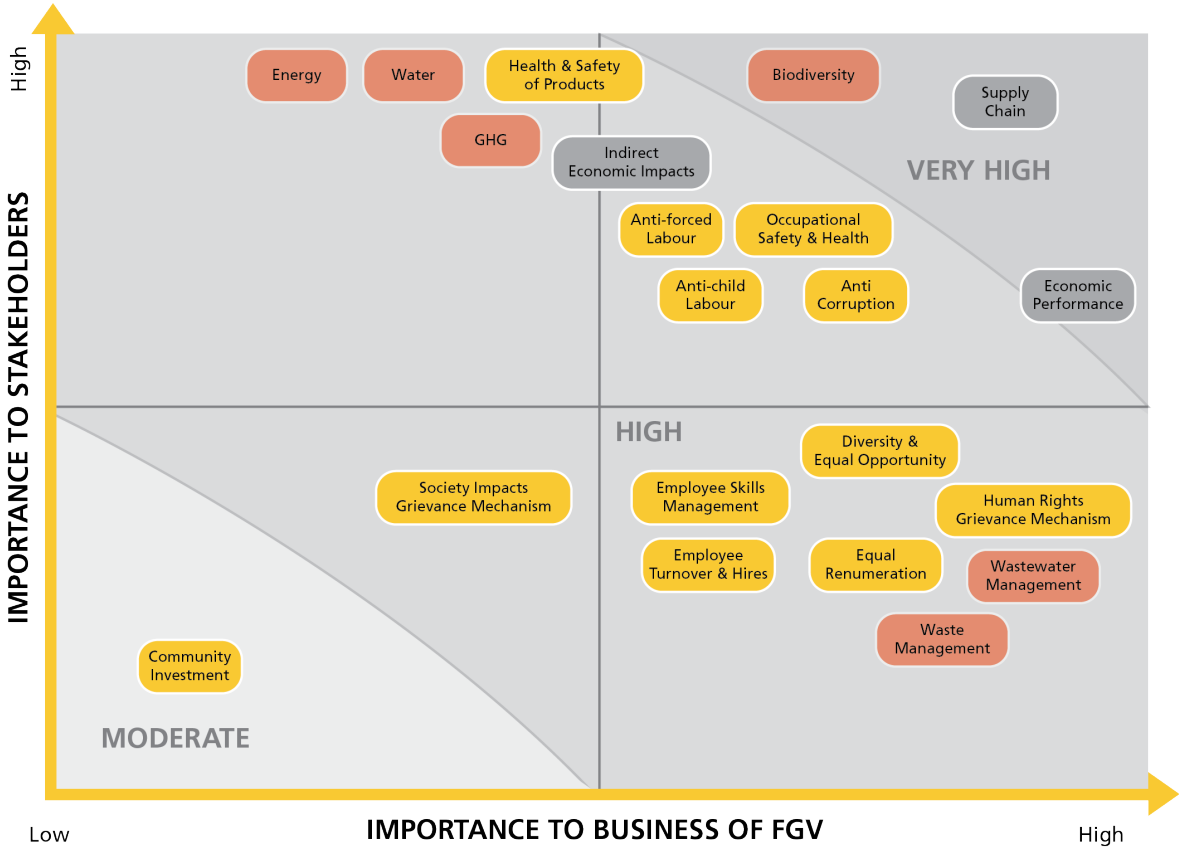


Figure 10: Matrix of Materiality Assessment

Sustainability Performance Indicators

Ongoing Targets and Commitment

At FGV, we have developed a good understanding of what is important to our company and our industry before selecting sustainability performance indicators. We have used these indicators as a tool to measure, monitor, and report our company's performance.

We have identified short, medium and long-term targets to be achieved in our operational units within a specific time period. Our current achievement of these targets are illustrated in Table 2.0 (page 9).

Although significant improvements were observed, we were not able to achieve some of the targets in 2014/2015 due to certain reasons. Notable measures are being taken to achieve these targets in the near future. Following recent developments within FGV, industry and stakeholders' concerns, we have revised three targets and added 20 new targets. Our new list of targets and commitments are shown in Table 5.0, 6.0 and 7.0.

TABLE 5.0: TARGETS AND ONGOING COMMITMENTS

MAINTAINED TARGETS	TARGET YEAR
Allocation of 2% net profit to Yayasan FELDA	Annual
No expansion of HCV forest areas in new planting	On-going commitment
No land expansion without Free Prior and Informed Consent (FPIC)	On-going commitment
No new acquisition in peat	On-going commitment
Water usage ratio of 1 tonne of water per tonne of Fresh Fruit Bunch (FFB) at our mills	On-going commitment
Average Biological Oxygen Demand (BOD) levels below 100ppm in all mills	2014
BOD levels below 20ppm in new mills	2014
Zero fatalities	2017
Achieve average oil extraction rate (OER) of 22.5%	2018
Methane capture installed in 59 mills	2020
Process 17,000,000 tonnes of FFB	2018

TABLE 6.0: REVISED TARGETS AND ONGOING COMMITMENTS

REVISED TARGETS	TARGET YEAR	REMARKS
Water quality assessment of major river systems within FGV operations	Annually	In areas identified as having a need for analysis
RSPO certification of all mill complexes in Malaysia	2021	Following self-withdrawal of RSPO certificate in 2016 and the new/recertification plan as agreed with RSPO
RSPO certification of FFB from associated smallholders in Malaysia	2024	Three years allowance to bring smallholders into certification

TABLE 7.0: NEW TARGETS AND ONGOING COMMITMENTS

NEW TARGETS	TARGET YEAR	REMARKS
Sustainability Awareness forums for smallholders	Annually	To emphasise sustainability requirements and stakeholder expectation from palm oil producers
Prepare smallholders for sustainability certification	Annually	As a commitment to smallholders development
No new planting on High Carbon Stock (HCS) areas	Annually	Commitment to our New Planting Policy (NPP)
All employees paid above legal minimum wage	2016	For FGV directly employed employees
Develop traceability system for our supply base	2016	To identify all our sources of CPO (mills)
Establish regional action groups to address environmental issues around FGV operational areas.	2016	Aimed to include local communities in environmental management
Roll out group sustainability policy	2017	To streamline sustainability initiatives in FGV and communicate our commitment to our stakeholders
Identify all conservation sites in FGV operational area	2017	Effective management for conservation areas.
Develop smallholder oil palm planting equivalent to at least 20% of the total area planted by FGVK	2017	In oil palm plantations in Indonesia
100% traceable to palm oil mills	2017	As the first step towards full traceability of our supply base
Carbon report of FGV plantation operation	2017	As a voluntary disclosure
Develop SOPs for No Deforestation, No Peat, No Exploitation (NDPE) policies.	2017	For an effective implementation of NDPE policies

NEW TARGETS	TARGET YEAR	REMARKS
Establishment of grievance mechanism system	2017	To provide a transparent, open and predictable process for dealing with issues across FGV supply chains
Summarise group total pesticide usage by type	2017	Data collection to establish reduction targets
Publish traceability dashboard	2018	Being transparent in our sourcing
Expand the Sustainability Report scope	2018	According to internal roadmap
Eliminate Paraquat use in general weed control	2020	To be achieved in all FGV's managed plantations
Reduce GHG emission by 25% from baseline emission in 2014	2020	As an initiative to reduce global warming
100% traceable to plantations for FGV-owned mills	2020	To better understand risks associated with our supplier's operations
Sustainable certifications for the independently sourced FFB.	2025	Commitments to bring independent suppliers into sustainable palm oil production



Briefing stakeholders on FGV's sustainability targets and commitments

FGV, FELDA and Society

Linking Corporate Strategy with Society

FGV helps spur variety of charitable causes and initiatives focusing on education, healthcare and philanthropic programmes through Yayasan FELDA, which benefits settler’s communities, rural populace and Malaysians at large.



FGV’s scholarship recipients

In 2014 and 2015, FGV allocated a total amount of RM30,109,572 through Yayasan FELDA as their Corporate Social Responsibility (CSR) for the year of 2014 (RM22,781,890) and 2015 (RM7,327,682).

Education and training have been the foremost objectives of Yayasan FELDA since its inception in 2003. To date, some 17,288 students comprising of the second and third generations of FELDA community members have received training through these programmes.

Yayasan FELDA has held intensive English courses approved by City & Guild’s London for Excellence at its Kolej Yayasan FELDA. In addition, courses in Health, Office Management, Multimedia Animation, Computer Programming, Tailoring, Hair Salon Services, Food Preparation and Service, Pastry Baking, Front Office and Housekeeping are also offered at its four Yayasan FELDA colleges across the country.

Yayasan FELDA has also been bestowed vocational status by City & Guilds for its Fashion, Hair and Beauty courses at the Raja Alias campus as well as for Food Preparation and Service courses at the Mempaga campus. Yayasan FELDA also provides pre-school education through Tadika Semai Bakti. The kindergarten, has 7 teachers and 15 assistants. In addition to this, Yayasan FELDA also runs Golf Academy

Felda with professional golf training skills provided by Kolej Universiti Islam Sultan Azlan Shah.

Another mission of Yayasan FELDA is to improve the health and wellness of our communities. We do this through engaging experiences that provide them with products, services and advice to best meet their wellness needs.

We live this commitment every day in every community we serve. Yayasan FELDA has set-up the FELDA Hemodialysis Centre to provide treatments that filters and purifies the blood using a machine for kidney failures. Complimentary eye checks and distribution of spectacles, health screening and breast checks in collaboration with MAKNA as well as general medical assistance are amongst the activities we provide.

Yayasan FELDA also incorporates social programmes that benefit the communities. This includes sponsoring religious programmes such as Nur Ilmu and Al-Quran, and Sejadah. Kasih FELDA endeavours to provide home repairs within the community whilst Gema Bakti empowers the community with a mobile PA system for their numerous community-held programmes. In addition to this, through the Sahabat Korporat Tabung Haji, Yayasan FELDA provides multivitamins and aid to the pilgrims.

ENRICHING INTERNATIONAL COMMUNITIES

FGV has trained 54 Gabonese trainee settlers who underwent an extensive four-month training programme to develop the oil palm industry in their own country. FGV has collaborated with the Gabonese government through OLAM International Ltd under the GRAINE project, with the intention of enabling a farming economy as well as providing food for the Gabonese people. Upon completion of their training, the Gabonese government will provide land to them to develop, an opportunity that provides employment and elevates the socio-economic infrastructure of the country as well as eradicating poverty.

In its endeavour to enrich communities outside Malaysia, FGV has reached out to the Indonesian guest workers, a large percentage of whom are from Lombok, with a lucrative incentive amounting to RM1.5 million. Each one will receive 500,000 Rupiah (RM150) to assist their families after three months of employment. They will also be presented RM50 per person upon arrival in Malaysia to assist in communicating with their families in Indonesia.

FGV has found that by extending compassion to these workers from Indonesia as well as their families and gaining their trust, more Indonesian guest workers have expressed their desire to work for the company.



FGV training Gabonese settlers to develop and manage their own plantations

HUMANITARIAN AID

The year 2014 and 2015 saw several natural disasters around the world. Malaysia herself was not spared as she experienced natural disasters with massive floods and earthquakes in Sabah. Projek Tautan Kasih, consisting of volunteers from FGV’s employees, reached out to the flood victims. Through this project, more than RM800,000 in the form of cash/funds, clothing and essential necessities were successfully distributed to employees and families in the states affected by the floods. The volunteers also helped clean houses and areas that were badly affected.

During the earthquake in Sabah, FGV donated RM150, 000 for the affected victims. In May 2015, Delima Oil Products Sdn Bhd (DOP), a subsidiary of FGV, donated food items such as SAJIMee, ADELA margarine and Sunbear peanut butter worth RM20,000, to aid the Nepalese Earthquake victims.

Apart from natural disasters, FGV’s concerns also included the hardship encountered by refugees seeking asylum in foreign grounds. In line with this, FGV extended RM120,000 to MERCY Malaysia towards the cause of the Rohingya. The funds were used to provide medical aid as well as basic necessities other than food.

In FGV, our focus has always been to improve the socioeconomic status of smallholders. We provide them with quality planting materials at affordable prices and assist them in cultivating their farm in a sustainable manner based on the industry’s best agronomic practices. During this process, we have also managed to certify up to 44,577 oil palm settlers in association with our palm oil mills to RSPO standards. Currently, we are in negotiations with some NGOs and governmental agencies to extend similar services to independent smallholders.



Donation for Nepal Earthquake Relief

Our Employees and Workforce

Maintaining, Cultivating and Preserving an Inclusive Culture

FGV Group embraces a culture that respects and leverages on the diversity of our people, our customers and our communities. This is of paramount importance to excel in the way we perform our business, work together effectively, and nurture employees' needs and requirements. As a global organisation, we are committed to working towards having a diverse workforce with a range of individual attributes spanning a spectrum of different cultures, ethnic backgrounds, genders and ages.

We also encourage equal opportunity for all employees regardless of race, religion, nationality, age, marital status, or any other characteristic as protected by local legislation and regulations. In addition, we provide equal access and opportunities to our employees in terms of recruitment, retention and training. Our employees are encouraged to improve their skills and knowledge through hands-on training and field experience designed to maximise their capabilities. We also encourage the participation of our employees in national and local events to enhance their exposure and industrial experience. Among all these categories, we prioritise diversifying our talent pool and promote gender balance, especially at management levels.

We strongly believe in cultivating and retaining quality employees due to their pivotal role towards the success and growth of the FGV Group. Hence, we are regularly organising scheduled employee development and training programmes to further enhance the skills and productivity of our employees. These programmes include leadership development programmes and First Line Manager programmes, with recognised qualifications such as Executive Master in Management (People Leadership) and Diploma in Management (Front Line Leaders). The top performers of the FGV Group are usually selected for participation in these courses which are conducted by private training vendors in collaboration with tertiary institutions such as Asia e-university and the Australia Institute of Management.

Furthermore, we have also implemented soft skills and technical training to upgrade our employee skills. For instance, we provide ACCA, CIMA, and ICAEW for trainee accountants to facilitate continued self-development. The total number of employees funded by us in 2014 and 2015 who received formal qualifications was 24 and 39 respectively. In addition, we also provide retirement and severance courses for employees who are facing retirement and termination. In summary, the total training hours that have been provided to our employees are 634,973 and 476,749 hours per year for 2014 and 2015, respectively.

Malaysia passed the Minimum Wage Order 2012 in January 2013, stipulating a minimum wage of RM900 per month for workers in Peninsular Malaysia and RM800 for workers in Sabah, Sarawak, and Labuan. The law was enforced as of 1 January 2014. We ensure that our workers are paid based on the in-house "Kadar Upah Kerja" (work wage rates) which is guided by the collective agreement between Malaysian Agricultural Producers Association (MAPA) and the National Union of Plantation Workers (NUPW) regardless of gender differences.

CAUSE FOR CONCERN

There were allegations on potential labour issues at some of our plantations especially pertaining to contractors. We conducted an independent assessment which confirmed that there were no such incidents. However, realising that this is a potential concern, we have implemented the necessary measures including communicating our sustainability policy to our contractors and their workers.

DIVERSITY OF THOUGHT

FGV Group's total employees globally numbered 18,898 and 18,623 in 2014 and 2015 respectively, with Malaysian itself holding 99.8% of the total workforce. Employee categories are divided into three levels, namely management level, executive level and non-executive staff. **Figure 11** shows the total number of employees divided into the three categories for both 2014 and 2015. The number of non-executive staff are 15,929 and 15,588 in 2014 and 2015 respectively; the executive staff at 2,228 and 2,293 in 2014 and 2015 respectively; while the management staff at 741 and 742 in 2014 and 2015 respectively.

Figure 12 displays the total number of male employees by categories. The minimum entry level wage for both males and females is set at RM900.

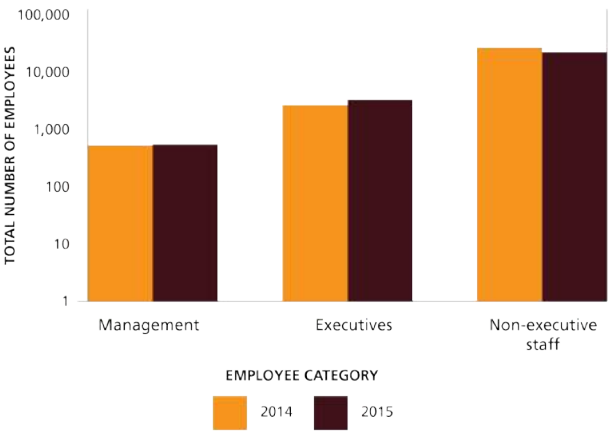


Figure 11: Total number of employees by category

On the other hand, the total number of female employees are 2,813 and 2,809 respectively, in 2014 and 2015. The percentage of women in leadership positions increased by 2% in 2015. **Figure 13** displays the total number of female management, executive and non-executive employees, showing their distribution for the three categories. Our group portrayed an overall turnover rate of 4.5% in 2015, which is lower than the normal industry turnover rate of 12%.

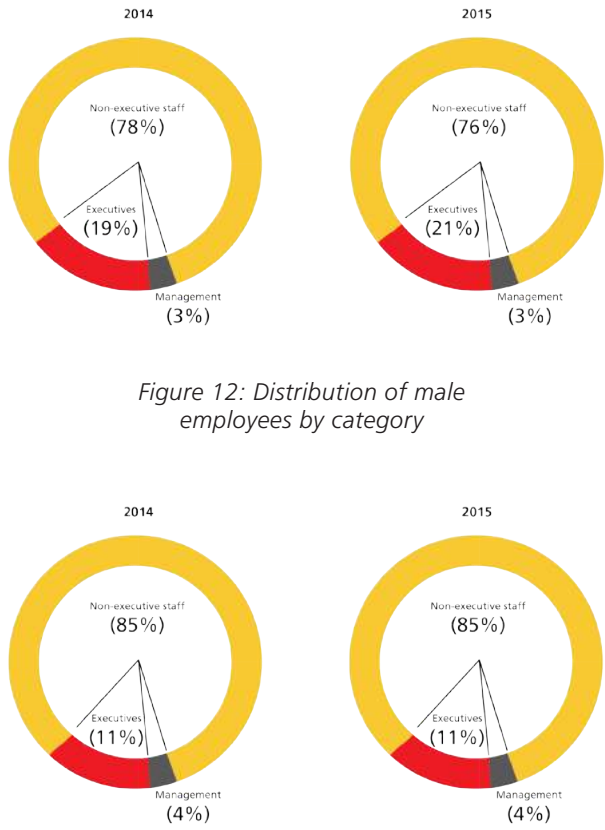


Figure 12: Distribution of male employees by category

Figure 13: Distribution of female employees by category

As part of our commitment to promoting a diversified workforce, we have reported the age breakdown of employees within our organisation. Generally, employees who fall within the 30 to 50-year-old age group are estimated to be 48.4% and 49.6% in 2014 and 2015 respectively, representing the largest segment of the total workforce. Apart from this, the younger generation with an age group of less than 30 years old are estimated at 35.0% and 31.8% in 2014 and 2015 respectively; while the age group older than 50 years is estimated at 16.5% and 18.6% in 2014 and 2015 respectively. **Figure 14** shows the percentage breakdown of FGV's employees for 2014 and 2015 according to age.

We also employed a total of 32,764 and 29,865 foreign guest workers in 2014 and 2015, respectively, with the breakdown of their nationalities shown in **Figure 15**. The ethnicity of our local employees is shown in **Figure 16**.

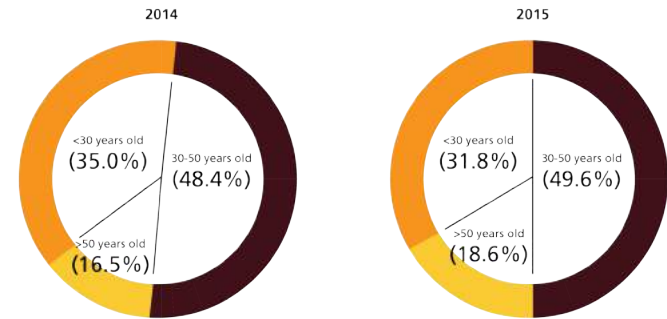


Figure 14: Breakdown of total employees according to age for 2014 and 2015

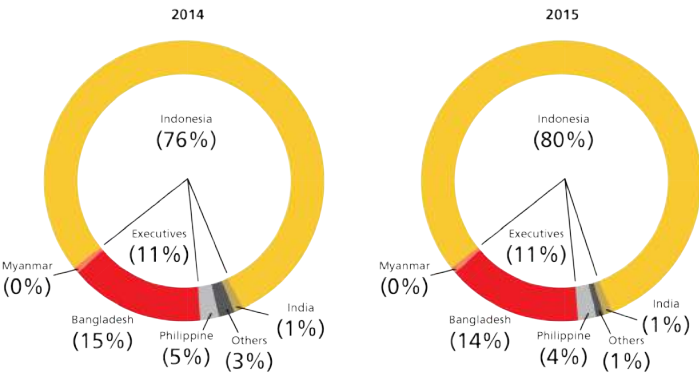


Figure 15: Breakdown of foreign guest workers' nationalities in 2014 and 2015

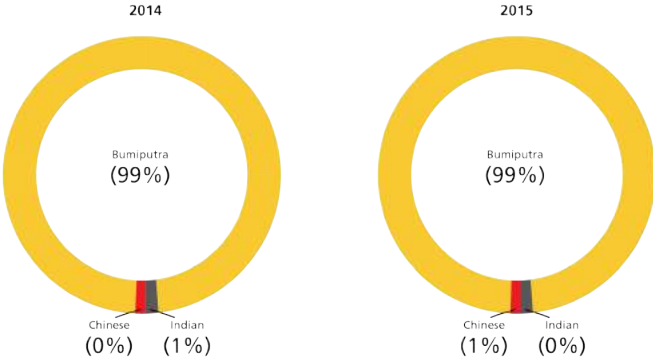


Figure 16: Breakdown of ethnicity of employees for 2014 and 2015



Foreign guest workers in FGV's workforce

In the Words of FELDA Settlers

A Journey of Hope and Perseverance



————— Madam Manuyah, mother of Dato’ Zakaria Arshad

Madam Manuyah binti Abbas
Settler at FELDA Palong 1

Life in the rural areas in Jelebu was very difficult. We toiled in the rice fields, which we didn’t own but leased. Our takings were halved and we were left with a meagre sum to raise a family. There was never any money in our pockets as it all went towards paying for our upkeep.

My late husband was with the army. He was presented with an option to be a guard or to take on the scheme proposed by FELDA in 1973. He was reluctant to consider the latter option as I had just delivered our youngest daughter, the ninth offspring, and then here we were, ready to embark on a journey to start a new life in the jungle!

Initially, he was in two minds, but I urged him to take the deal for the future of our children; to give them a better life. When we first arrived, life was tough for us. We received monetary aid of RM75 a month. It wasn’t much but we had to make do. My late husband would toil in the fields from the wee hours of the morning tapping rubber and, when he was done in the fields, he would return to have lunch

and then spend his afternoons working as a barber at the street corner. Later in the evening, he would go and work as a security guard. He worked very hard to supplement our earnings so that the family could have a better life.

I sold *gulai* (curry) at the corner shop to supplement our income. There was no time to idle. I would also work alongside my husband at the plantation by spraying pesticide on our crops. I didn’t just limit my daily activities to managing the household.

Food wasn’t a big problem as we grew vegetables to feed our family. The house was small with one room, a hall and a kitchen. The children did not complain much or want material possessions, as this way of life was all they knew. When they were not at school they would help out in the plantation.

In comparison, life at the plantation was a welcome reprieve from life in the rural areas but not without hard work. The scheme offered by FELDA was good and over time, we thrived. I am thankful that my late husband worked so hard to provide his best for the family. He ensured that our children grew up well and would always encourage them to study hard in order to lead a more comfortable life. As the head of the family, he made a lot of sacrifices.

Today, my son, Dato’ Zakaria Arshad, is the Group President/ CEO of FGV. It is indeed a proud moment not just for my family but for the entire community and for settlers across the country. He serves as an inspiration to other settlers and their children that with hard work and perseverance, we can make it.

People now look to my son to make changes. Being a settler’s son, he understands the hardships they face and they live in hope that he will work hard in ensuring that they lead better lives. I am proud of his achievements and know that many of the settlers look forward to seeing him make changes.

DATO’ ZAKARIA ARSHAD: LIFE AS A SETTLER’S SON



————— From FELDA settler’s son to Group President / CEO

Life in the plantation was tough as I was growing up. As school holidays approached, I braced myself for the hard work that was lying in wait, knowing all too well that my friends would be having a good time whilst I logged the plantation, helping my family.

Chores would start from the wee hours of the morning: tapping rubber, applying pesticide and fetching water. In the evenings, tapping tools had to be sharpened, in preparation for the following day’s work. In the early days, we grew rubber trees on the plantation. I still have a scar from a cut I suffered whilst tapping rubber. The blades were very sharp. Another memorable incident was when I slipped on a rainy day, whilst carrying a bucket of latex. I was covered from head to toe in latex and cleaning up was a difficult task! Despite the hard work, there was never a dull moment living life on a plantation. Eventually, I left to work and study in Kuala Lumpur. For a good four years, I joined my brother selling fruits. We’d wake up at 4am to go to the market to buy fruits and then prepare the fruits to sell. Once we closed our little business for the day at 10pm, I’d start studying. This was before my Form Five exams, after which, I pursued my bachelor’s degree at Universiti Sains Malaysia.

In comparison, life working in the plantation was more rewarding than when we were living in the rural areas in Jelebu. Though we lived in a one-room house, we still had some money left over. Today, the house has been refurbished with nine rooms!

Entrepreneurship was in my blood and knowing well enough that money and opportunities were hard to come by, I knew I had to make it work and not neglect my studies.

Today, my management traits stem from my life’s experiences in the plantation as well as my tough upbringing. It is no wonder that I mull over spending the company’s money, no doubt a paltry sum to a large company, but to a settler’s son, it’s a big amount.

I owe it to my late father and mother for what I have become today. The tough life lessons that have been ingrained in me will be the ones I carry with me forever, regardless of position or status.

In the Words of FELDA Settlers

Planting the Seed of a Better Life



Mr. Hussein and his wife have toiled the fields since 1974

Mr. Hussein bin Zakaria
Settler at FELDA Palong 1

In the 70s, the economic situation was volatile and the rural folk were hit badly. We were barely making ends meet at that time. The government offered those who were badly hit by the economy to improve their livelihoods for a brighter future.

In 1974, with my young wife by my side, I applied for the FELDA scheme. We received the approval with mixed feelings: on one hand, excited for the opportunity to build a new life and, on the other, worried if we could manage what was expected of us.

So we embarked on a new journey. We left our familiar surroundings in Terengganu and moved to Palong in Gemas, Negeri Sembilan, not knowing what to expect. Our new dwelling was amidst the jungle and a far cry from where we were coming from.

FELDA gave us 12 acres of land with rubber saplings already planted and required maintenance. Our new home was a modest one-bedroom house.

At that time, we were given a monthly allowance of RM69 by FELDA to manage our household while waiting for the rubber trees to mature. It was a struggle then as there were no means to supplement our income in a rural area that was relatively new, with only some 29 families in a similar predicament. Rubber trees that were bent needed to be straightened. I undertook the task of straightening these trees and FELDA paid me an additional wage.

Challenges were plenty to deal with. Plying red earth roads to work were not easy, especially after a heavy downpour. Communication and distance to the hospital for medical emergencies were challenging. Whilst we had a nurse present, the medical services provided were basic and inadequate for the more serious cases or even childbirth. Hence, we depended on the midwives living amongst us to help with the delivery of babies in the community.



Mr. Hussein with his children, who have moved on to live in the city

My seven children were born here. They have all had a hand in working on the plantation. In those days, life was simple and there were no modern trappings like the internet and television. They were never left wanting. Today, my children have all moved to the city to gain education and employment.

With the current scheme, the FELDA settlers' children benefit from education aid for tertiary level education. In the early days, we would only be able to study up to secondary level if we were lucky, but today our children have managed to pursue higher education with the help of FELDA.

FELDA allocates RM500 for a diploma course and RM1000 for a degree per student. FELDA has also tied-up with a local private university to provide scholarships and this has opened doors for many of our children to pursue various fields of education.

Whilst none of my children have shown an interest in taking over the plantation work, one child who works at Felda Technoplant Sdn. Bhd. FELDA has since taken over the manning of the plantations and, as the plantation owner, I just manage and supervise the daily work ensuring that manure and pesticides have been applied to the crops accordingly.

Depending on the harvest, we can earn up to RM4000 or more per month but when the yield is low during drought, FELDA pays us at least RM1000 per month to keep us going. These days, with 400 families in our community, we do not face as many challenges as before. The facilities around us have improved and we enjoy a much better standard of living.

Stimulating Local Economy

View of Community Leader from West Kalimantan



YF Surifin

In Indonesia, FGV's activities are focused in West Kalimantan. YF Surifin, District Environmental Officer, Sebangki District, Kabupaten Landak, West Kalimantan Province, shares how the people's lives have changed incrementally since FGV's joint venture initiative with the Indonesian government.

The introduction of oil palm plantations in Indonesia has had a positive impact on its people. It has helped open job opportunities for them, hence improving their standard of living. From an economic standpoint, there is great benefit that the plantation owners have derived from the joint venture with FGV.

Those who work in FGV plantations have seen a steady increase in their earnings and with more stringent regulations in place, have reaped the benefits of better quality products. They are willing to adapt to change quickly knowing that their lives would improve. Their social status has moved up, enabling more people to own motorcycles. To cater to this, more motorcycle workshops have been erected. Food stalls have become a common sight, catering to the needs of plantation workers.

We have seen how the opportunities derived from running these plantations have given rise to more job opportunities indirectly. From processing and production to transportation facilities, the people here are able to seek employment outside the plantations too.

We hope that as the palm oil business thrives in the future; schools, roads, and bridges will be built as well as scholarship grants to be offered. This will improve the living standards and increase production, allowing the business and the people to prosper.

“ We have seen how the opportunities derived from running these plantations have given rise to more job opportunities indirectly. ”

Women Empowerment

Integrating Women in Business

Empowering women and achieving gender equality requires proactive action and policies. FGV has endeavoured to tailor existing policies and programmes – or establish new ones – to realise women's empowerment. FGV has adopted techniques that its businesses can use to contribute to the advancement of women's empowerment within the organisation.

The promotion of gender balance serves as one of our main priorities, especially increasing our women leadership positions at management levels. At present, FGV consists of 11% women directors, and the board is still advocating women board members. Subject to the availability of board positions on the FGV Group Board, we plan to meet our target of 30% of women on our board.

In addition, FGV also takes part in the Women in Leadership (WIL) Malaysia programme, organised by LeadWomen in collaboration with the Institute of Chartered Accounting England and Wales (ICAEW). This programme consists of group coaching and mentoring sessions aimed at supporting the careers of potential future women leaders in business across all industry sectors.

FGV Group Human Resources is active in organising charity-based activities. These programmes cultivate mutual trust and friendship among employees while promoting good values and increasing the engagement level amongst them. We have formally launched SureFGV club on 9 December 2015 to implement all sports and

recreation programmes focusing on our core values of PRIDE, which refers to partnership, respect, integrity, dynamism and enthusiasm. The SureFGV club consists of two sub-clubs; Sure FGVriders Club to exercise Corporate Social Responsibility activities, and FGV Women's Club to promote sisterhood and create bonding among women employees in FGV. FGV Women's Club has executed the first fitness programme for women. In addition to that, FGV Women's Club will also engage on more programmes such as a charity-based programme that is in the pipeline for the upcoming year.

Harnessing the power of women in leadership roles is fundamental and can lead the change to positive reframing of women in their roles at the workplace. Generating better inclusive strategies where women can advance as fast as their male peers and make meaningful contributions at work, will form the substance needed by FGV to tap into unparalleled talent; an answer to the impending talent management challenge by the nation to acquire and retain the right talent in any organisation.



Women in leadership positions are increasing in FGV

Organisational Health and Safety

Ensuring a Healthy and Safe Working Environment

At FGV, our long-term success depends upon ensuring the safety of our workers. A safe and healthy workplace is the fundamental right of our employees and it is also a business imperative. Since the formation of the Health, Safety & Environment (HSE) Department, we have taken the responsibility to maintain a productive workplace by minimising the risk of accidents, injury and exposure to health hazards.

The management of HSE within the Group comes under the purview of the HSE Steering Committee which oversees HSE matters Group-wide. The Committee provides direction, top level support and Cluster perspective on safety matters. The Corporate HSE department then develops strategies, sees to its implementation, and monitors safety performance. These initiatives are then cascaded down to the individual business units.

FGV practices a comprehensive risk management programme that involves employees, contractors and vendors. Contractor Safety Workshops are held to equip them to perform Hazard Identification, Risk Assessment and Determining Control (HIRADC). FGV also conducts Chemical Health Risk Assessments (CHRA) once every five years. FGV has to date conducted more than 60 CHRAs, mostly involving the plantation business. In addition, FGV performs Chemical Exposure Monitoring where exposed workers are subjected to annual medical check-ups. Personal Protective Equipment (PPE) is provided to FGV employees and contract workers at no additional cost. Noise Monitoring checks as well as Indoor Air Quality Surveys are also carried out regularly.

A year-long audit programme sees the Group's Safety and Health Officers based in various companies within the Group and across the region visiting different work-sites. The programme was complemented by Level Two Audits conducted by the Corporate HSE Department. The audits aim to guide rather than find fault, with a view to cultivate a better safety culture. In addition, Level One audits by senior management were also introduced in 2015, to assess the quality of HSE leadership in-situ. This was to demonstrate top management's commitment as well as to connect with ground-level operations.

To ensure all HSE Management personnel possess the required know-how, numerous capacity-building and training programmes are conducted throughout the year. These range from general awareness training to specific skill training to enhance technical competencies.

FGV has a 92-member Emergency Response Team at Menara FELDA, registered with the *Jabatan Bomba dan Penyelamat*. The team comprises medics, equipment teams, fire fighters, search and rescue personnel, floor wardens and security officers. This team will be deployed immediately as the first response in the event of an emergency or threat to our operations.

Added to this, FGV runs various promotional programmes to further engage its employees and stakeholders on workplace safety and occupational health. Topping the list is FGV's inaugural World OSH Day celebration in April 2015. The event included a conference, workshops, talks and an exhibition booth while competitions such as slogan writing, poetry, selfie taking and a Safety Hunt were organised, as a means to educate as well as to encourage staff participation in FGV's safety and health programmes.

In 2014, FGV became the first private sector organisation to launch the *Komuniti Sihat Perkasa Negara* (KOSPEN) programme at Serting. The programme saw the participation of 3,000 employees, their families and foreign guest workers. They were screened and educated in efforts to reduce the incidence of Non-Communicable Diseases. This programme was extended to Pasir Gudang in November 2015 with 1,000 employees and workers at five subsidiaries as the target beneficiaries.

The HSE Plantation Caucus was initiated by FGV in 2015. This is an informal networking platform for HSE professionals in large plantation companies to engage with their counterparts across the sector to share and report on operational safety issues.

FGV has also become the only company in Selangor to participate in the Department of Safety & Health (DOSH) School Programmes. FGV's HSE team conducted safety audits, workplace inspections, a Chemical Health Risk Assessment, first aid workshops and chemical safety training programmes at Kolej Vokasional Klang. FGV also contributed funds towards installing safety signs, billboards and the setting-up of Kelab Rakan OSH. Notably, FGV's mentee became the first vocational school in the country to obtain MS1722 certification.

As an acknowledgement of its technical expertise, as well as FGV's leading activities in biogas, FGV has also been invited to help draft the National Biogas Guidelines, which will be issued in 2017. FGV is one of only two private organisations involved.

Figure 17 shows our Group Accident Report for 2014 and 2015. Our record shows a decreased number of fatalities from 4 fatalities in 2014 to 3 in 2015. Accidents causing permanent disability had reduced by 66.7% while other incidents increased by 12.2%; making the total accidents recorded in our Group from a total of 351 in 2014 to 390 in 2015. The increase in number of accidents is due to companies which were newly acquired on 2015 by FGV. Serious efforts have since been made to manage OSH risks to make it a healthier and safer workplace.

All these underscore FGV's belief that sustainable success can only be achieved through the company's most valuable asset – its people. Therefore, ensuring their wellbeing at work is a culture that is paramount to the company's success.

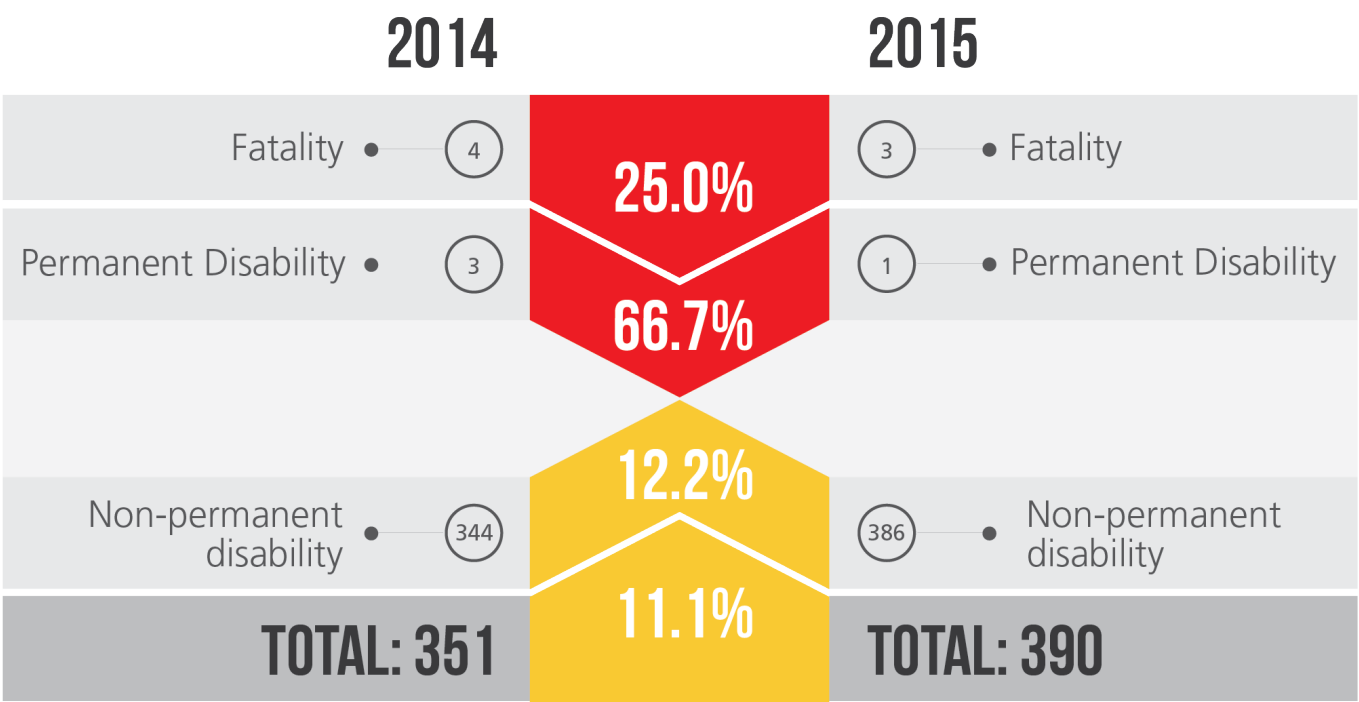


Figure 17: FGV Group Accident Report 2014 and 2015

Sustainable Agricultural Practices

Responsible Usage of Chemicals and Fertilisers

We adopted leguminous cover crops to control soil erosion and encourage organic matter in the soil. Responsible usage of chemicals and fertilisers serve as part of our commitment to improve the quality and productivity of the land without harming the surrounding environment and protecting the health of our workers.

MAINTAIN SOIL FERTILITY AND QUALITY

We strive to maintain the quality and fertility of our soil in order to sustain high yields. We enrich our soils with right amount of organic and inorganic fertilisers. Whenever possible, we recycle back palm organic matter to the plantation in the form of Empty Fruit Bunches (EFB) and compost to improve soil health. The deployment of best soil conservation practices that includes planting of leguminous cover crops, reduces soil erosion and improves soil properties. These legume cover crops also enrich soil nitrogen through the fixation of free atmospheric nitrogen.

CHEMICAL HANDLING

In FGV plantations, chemicals are often applied manually by trained workers. Workers handling agrochemicals are given appropriate Personal Protective Equipment (PPE) complimentary for their safety and well-being. FGV ensures all our workers are compliant with these safety measures by supervising them and through internal safety audits. Workers who handle chemicals are required to go for annual medical check-ups. We are consistently implementing best practices in an integrated manner to manage pest. The use of chemicals remains our least preferred option.

PARAQUAT USAGE

Paraquat is a herbicide that has been generally used in oil palm plantations. Although it is defined as an extremely harmful chemical to human health and the environment (classified as class 1B in the World Health Organisation guidelines), the Malaysian government has not banned the usage of Paraquat in oil palm plantations due to its effectiveness when administered properly. FGV has a tight control of Paraquat usage where we have reduced the usage of this dangerous chemical to a minimal level. FGV is targeting zero Paraquat usage in the near future to reduce the potential hazards to our workers.

RESPONSIBLE AGROCHEMICAL USAGE

We do not encourage blanket spraying on our oil palm growths. Weeds are usually managed on an ad-hoc basis depending on the weed coverage in specific area.

As for fertiliser, we use optimum rates to ensure maximum profitability with minimum impact to the environment. The scientifically-based fertilisers recommendation takes into consideration leaf and soil nutrient status, palm age, yield potential and the expected yield for that particular year in determining the optimum rate.

INTEGRATED PEST MANAGEMENT

Integrated Pest Management (IPM) is an approach to manage pests in a way that inflicts minimal risks to people and the environment. It culminates from the use of many techniques in a concerted effort to contain a specific pest effectively, below its threshold level.

Pest management is an important component in oil palm cultivation. In its absence, pest population could explode to cause serious threat to oil palm production. Prolonged chemical usage will not only be detrimental to the environment but also lead to resistance build-up by the pest, requiring higher doses or more potent chemicals in future. IPM is the preferred approach in managing major pests in FGV. It is an ecosystem-based strategy focusing on long-term prevention of pests involving chemical, cultural, biological, and physical practices as well as implementation of a proper Monitoring and Surveillance System (MSS). The MSS will provide information on the pests' presence and activity thus enabling us to determine the right time to control a particular pest and encourage natural predators of the target pests. This multipronged approach minimises the use of chemicals.

Amongst the major IPM programmes are in the control of Rhinoceros Beetle (*Oryctes rhinoceros*), leaf eating caterpillars, rats and *Ganoderma boninense*.

Oryctes rhinoceros usually attacks young palms during their immature period. Severity of damage is much dependent on the continuity of replanting in that particular region every one to two years. Normally, the first replanting phase suffers less damage compared to the second phase of replanting. Biopesticide with the commercial brand, ORY-X, (powder formulation with 20% active ingredient of *Metarhizium anisopliae* var. *major*) is applied through the 'artificial breeding site technique' to control the population of the rhinoceros beetle. The product is applied onto the artificial breeding sites (size 10'L x 10'W x 4'D) containing oil palm debris at four times application at 3-monthly interval within one year period.

The treatment of *M. anisopliae* plots resulted in a statistically significant difference in terms of percentage of infected grubs, as compared to the standard practice

(chemical insecticide treatment) plots. The result indicated that this integrated approach of using *M. anisopliae* has a strong potential towards establishing biologically based management practices to control rhinoceros beetle over a large-scale replanting programme.

Under natural conditions, the population of leaf-eating pests such as nettle caterpillars and bagworms are kept under control by various insect predators. To promote and sustain the high predator population, beneficial host plants e.g. *Cassia cobanensis*, *Euphorbia heterophylla* and *Antigonon leptosus* are established in the field to provide food, shelter and breeding sites for the beneficial insects.

Rats are the most important vertebrate pest in oil palm plantations. An integrated approach of rat control is by using the Barn Owl (*Tyto Alba*) as a biological control agent. Rat baits such as *warfarin* and *chlorophacinone* are used only during an outbreak, with no apparent ill effect on the barn owls.



Barn Owls (*Tyto Alba*)

Delineating Biodiversity in High Conservation Value (HCV) Areas

Living in Harmony with Biological Diversity

Biodiversity is at the heart of FGV’s operations as some of the Group’s plantations are located within close proximity of forest reserves or conservation areas that are natural habitats of endangered, rare and threatened species. Operating sustainably means living in harmony with natural resources and biodiversity. FGV has put in place a policy that ensures its development area does not encroach into High Conservation Value (HCV) areas and to avoid peat land. The group has pledged to undertake conservation initiatives for the continuous protection of the natural ecosystem and its services.

Many of our oil palm plantations are in the fringes of natural forest reserves that are home to endangered, rare and threatened species. Therefore, as part of our sustainability commitment, our group has pledged not



Our diverse avifauna

to undertake any new development in areas that are environmentally sensitive or under protection, such as primary forests, wildlife reserves, peat lands, or land containing any HCV. We are making continuous efforts to preserve the pristine environment of these areas whilst reducing the impact on biodiversity as much as possible.

By using practical approaches to protecting the flora and fauna, we engage in periodical awareness programmes organised in collaboration with governmental agencies and Non-Governmental Organisations (NGOs).

One of our largest conservation efforts is the conservation initiative dedicated to the forest reserves located within the Kinabatangan River Basin on the east coast of the Malaysian state of Sabah in Borneo. These reserves are one of the richest biodiversity areas within the country. With our commitment to best management and sustainability practices, we are working closely with the Wildlife Department, Forestry Department and various NGOs such as Borneo Conservation Trust (BCT) for the conservation of biodiversity within the Lower Kinabatangan Basin.

CAUSE FOR CONCERN

In March 2016, we were informed by our Kalimantan operations and stakeholders on the incidence of encroachment in PT Citra Niaga Perkasa HCV 4 area (peat land). We have communicated this case to RSPO and our remedial action can be reviewed at <http://www.feldaglobal.com/sustainability/>



Mr Denys Collin Munang extending RM1.7 million for biodiversity conservation initiatives in the Lower Kinabatangan Basin

In 2015, we contributed RM1.7 million to a five-year biodiversity conservation initiative with BCT. This five-year project is to support the re-establishment, restoration and protection of key migratory routes for wildlife to safely migrate to the Lower Kinabatangan Basin, as well as to provide sustainable alternative livelihoods for the local communities living along the Kinabatangan River. The animals migrating through the Lower Kinabatangan Basin include Borneo Pygmy Elephants, Orang Utans and the Proboscis monkeys.

One of our subsidiaries in Sabah, Pontian United Plantations (PUP), has embarked on programmes to enhance the riparian reserves including the re-establishment of riparian reserves by providing a land corridor of 50 metres along the riverbank for the re-establishment of riparian forests. By providing this corridor, we have voluntarily surrendered approximately 20 hectares of our productive land for the re-establishment

CAUSE FOR CONCERN

The Begahak community has raised a land conflict issue in FELDA Sahabat 1 & 2 and FGVP Sahabat 55 to the Sabah Land Department and RSPO. Realising this, we had several discussions to resolve the issue amicably. Recently, participatory mapping has been successfully conducted, paving the way towards a resolve.



RSPO team visit to Tree Planting Programme in Pontian United Plantations (PUP)

of the riparian reserves. By felling the oil palm trees along this new corridor, sunlight can penetrate to the ground and enhance the growth of indigenous tree species. These 20 hectares’ form part of the existing 280 hectares of the riparian reserve that functions as a wildlife corridor. Recently, we have initiated an oil palm ecosystem project to enhance biodiversity (species abundance and richness) in an oil palm plantation of 5000 ha in Central Pahang, Malaysia.

The identification and management of wildlife are equally critical in our path towards sustainability. Our HCV assessment has indicated the presence of a variety of flora and fauna around our operational areas (**Table 8.0**). This includes *Rafflesia spp* (status: *Critically Endangered*), the largest floral species in the world, and the Malayan sun bear (*Helarctos malayanus*) (status: *Vulnerable*), the smallest bear in the world. Both these species are listed under the IUCN Red List of threatened species. We uphold the principle of Free, Prior and Informed Consent (FPIC) with the local communities before the implementation of any land development.

TABLE 8.0: ENDANGERED, RARE AND THREATENED SPECIES IDENTIFIED IN THE VICINITY OF FGV’S PLANTATIONS

NO	IUCN STATUS						WCA	SCIENTIFIC NAME	COMMON NAME
	CR	EN	VU	NT	DD	NE			
1								<i>Dicerorhinus sumatrensis</i>	Sumatran rhinoceros (Badak Sumatera)
2								<i>Manis javanica</i>	Scaly anteater (Tenggiling)
3								<i>Prionailurus planiceps</i>	Flat-headed cat (Kucing hutan)
4								<i>Tapirus indicus</i>	Malayan Tapir (Badak cipan)
5								<i>Cuon alpinus</i>	Red dog, Dhole (Anjing Hutan)
6								<i>Viverra zibetha</i>	Large spotted civet (Musang titik besar)
7								<i>Panthera tigris</i>	Malayan tiger (Harimau belang)
8								<i>Elephas maximus</i>	Asian elephant (Gajah)
9								<i>Symphalangus syndactylus</i>	Siamang
10								<i>Megaerops wetmorei</i>	Wetmore’s tailless Fruit Bat (Cencadu)
11								<i>Hipposideros orbiculus</i>	Roundleaf horseshoe bat
12								<i>Macaca arctoides</i>	Stump-tailed macaque (Beruk kentoi)
13								<i>Panthera pardus</i>	Leopard (Harimau kumbang)
14								<i>Petinomys genibarb</i>	Whiskered flying squirrel (Tupai terbang berjambang)
15								<i>Helarctos malayanus</i>	Malayan sun bear (Beruang Matahari)
16								<i>Prionailurus viverrinus</i>	Fishing cat (Kucing Ikan)
17								<i>Rusa unicolor</i>	Sambar deer (Rusa)
18								<i>Bos gaurus</i>	Gaur (Seladang)
19								<i>Arielulus societatis</i>	Benom Pipistrelle (Kelawar benom)
20								<i>Neofelis nebulosa</i>	Clouded leopard (Harimau Dahan)
21								<i>Sus barbatus</i>	Bearded pig (Babi Bodoh)
22								<i>Capricornis sumatrensis</i>	Serow (Kambing gunung)

NO	IUCN STATUS						WCA	SCIENTIFIC NAME	COMMON NAME
	CR	EN	VU	NT	DD	NE			
23								<i>Presbytis siamensis</i>	Black-thighed leaf monkey (Lontong ceneka saiam)
24								<i>Hipposideros lekaguli</i>	Lekagul’s roundleaf horseshoe bat (Kelawar lekagul)
25								<i>Kerivoula intermedia</i>	Small woolly bat (Kelawar hutan kecil)
26								<i>Chimarrogale hantu</i>	Malayan water shrew (Cencurut air)
27								<i>Phoniscus atrox</i>	Groove-toothed bat (Kelawar putih telinga)
28								<i>Hipposideros doriae</i>	Lawa’s roundleaf horseshoe bat (Kelawar ladang bulat lawas)
29								<i>Rhinolophus convexus</i>	Convex horseshoe bat (Kelawar)
30								<i>Hipposideros nequam</i>	Malayan roundleaf horseshoe bat
31								<i>Hesperoptenus doriae</i>	Doria’s false Serotine (Kelawar petang palsu sederhana)
32								<i>Myotis hermani</i>	Herman’s bat (Kelawar badan merah)
33								<i>Berlymys bowersii</i>	Bower’s rat (Tikus buku kasar)
34								<i>Rhinolophus chiewkweeae</i>	Chiewkwee’s horseshoe bat (Kelawar)

Sources: IUCN Red List (Version 2016-2)
Wildlife Conservation Act 2010 (716) (Amendment of Schedule Order 2014)

CR

EN

VU

NT

DD

NE

Critically Endangered

Endangered

Vulnerable

Near Threatened

Data Deficient

Not Evaluated

Protected (1st Schedule)

Totally Protected (2nd Schedule)

WCA Wildlife Conservation Act 2010

THE RAFFLESIA

The *Rafflesia* is a unique species as it only produces flowers (petals) without any leaves, branches or roots visible to the naked eye and is the species with the biggest flower in the world. Today, its microhabitat is at risk due to the destruction of tropical rainforests and natural ecosystems. Ignorant developers as well as poor awareness of the general public of its ecology and environmental needs often cause these threats. There are at least 10 species of *Rafflesia* in the wild but two of them (i.e. *R. Azlanii* and *R. Cantleyi*) are endemic to Peninsular Malaysia, i.e. they cannot be found in any other part of the world. Perak is the only state in Peninsular Malaysia that is home to three species (including the two endemic species and *R. Kernii*) and one of the significant spots is Gerik, a small town near many FELDA and FGV plantations.

Realising this, FGV has collaborated with Forest Research Institute of Malaysia (FRIM) to establish a Rafflesia Conservation and Interpretation Centre (RRIC) in Gerik, Perak with the following objectives:



The Rafflesia flower

- 1

To set up a national centre for Rafflesia research and conservation in the country
- To establish a “showcase garden” complete with plaques with useful information for visitors with in-situ and ex-situ species

2
- 3

To provide an avenue for scientific research
- To provide training and public education to increase awareness of the Rafflesia and biodiversity conservation

4
- 5

To become the key tourism icons for the Rafflesia in Malaysia and the world.

THE SUN BEAR

Not only being native to South East Asia, the sun bear is one of few fully protected wildlife that is known to be present in most of the regions where FGV operates. Therefore, it was chosen to be the specimen of interest for FGV to initiate conservation efforts.

Tag-named the Sun Bear Conservation Programme, it was officially initiated in May 2015, in collaboration with the National Wildlife Department (PERHILITAN), Malaysia Nature Society (MNS) and Universiti Kebangsaan Malaysia (UKM). The programme looks into the management of injured and orphaned individuals by PERHILITAN and the release of successfully rehabilitated animals in the forests, where the Sun Bear belongs. UKM is involved in conducting appropriate research for a successful rehabilitation programme whereas MNS is responsible for creating

public awareness on environmental care and conservation. The programme will see at least five Citizen Action Groups (CAG) that consist of FELDA/FGV staff and local communities being established and trained to manage environmental and wildlife conflicts in their respective regions. Our first CAG with 40 members has been established in Kuala Lipis, adjacent to the central forest spine of Peninsular Malaysia.

With the help of national coordinators of “Kelab Pecinta Alam” in more than 100 secondary schools in Malaysia, attempts have been made to streamline sun bear conservation activities with main activities of nature lovers’ clubs.



“Avi” the sun bear released at Kuala Terengganu primary forest

Water Footprint Assessment

Ensuring Minimal Impacts on Water Resources

The extraction of 1 tonne of Crude Palm Oil (CPO) from Fresh Fruit Bunches (FFB) requires about 5 – 7.5 tonnes of water and more than 50% of the water will form the Palm Oil Mill Effluent (POME), the waste water from mills.

WATER CONSUMPTION

Oil palms require a substantial amount of water not only for good growth and high yield, but also for processing of FFB in the production of CPO. Therefore, it is critical for us to efficiently manage water in our mills. The main source of water supply to our mills is water abstracted from nearby rivers. As shown in **Figure 18**, water consumption per tonne of FFB processed was 1.51, 1.17 and 1.22 in 2013, 2014 and 2015 respectively, which are within the industry norms. As some communities rely on rivers and streams to meet their requirements, it is crucial for us to ensure the extraction for oil palm does not bring about undue pressure to the communities in the region. In that note, we are working with Universiti Kebangsaan Malaysia to develop reliable methods to measure water stress in any given region, with the intention of identifying areas with high water stress may warrant special attention. This will enable FGV to prioritise our water conservation efforts and limit unwarranted activities that may further affect water availability to surrounding communities.

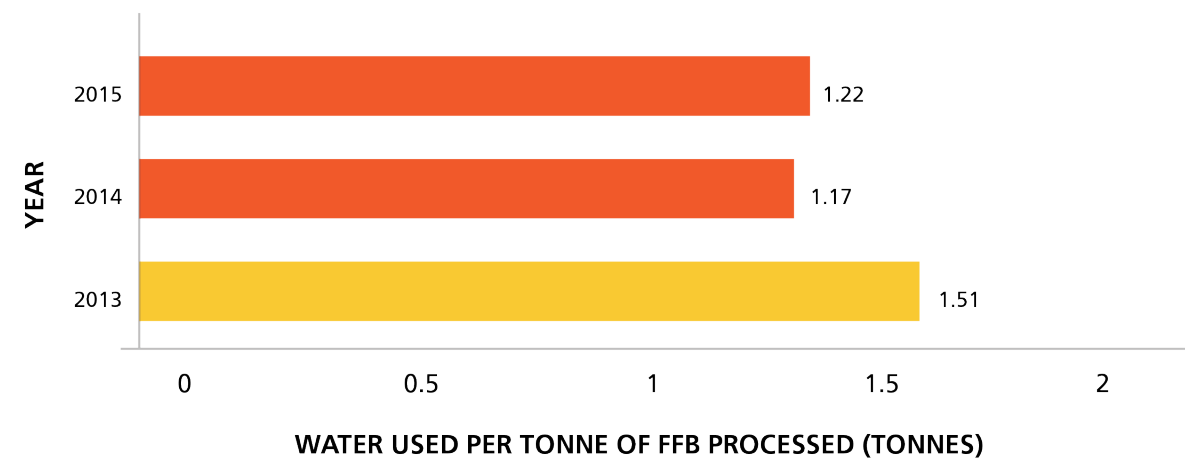


Figure 18: Water used per tonne of FFB processed

WATER DISCHARGE

On average, palm oil mills generate about 2.5 metric tonnes of Palm Oil Mill Effluent (POME) for every tonne of CPO production. Although organic, the raw POME is highly acidic and has high Biological Oxygen Demand (BOD) due to its rich nutrient content. Therefore this will result in high pollutant loading to the receiving watercourse if discharged in untreated form.

To ensure the POME is fit for release, it has to undergo a series of treatment processes to meet the regulatory standard that has been made more stringent from time to time. The current discharge limit for BOD is below 100ppm and 20ppm for some specific mills.

We treat the POME to ensure the discharge complies with legal limits and that our treatment methods are efficient. The average BOD data for 2014 and 2015 are 47 ppm and 63 ppm respectively, which is well below the discharge limit. We undertake regular desludging of the POME ponds as part of our mill maintenance programme.

WATER CONSERVATION

Water is a vital source for many life forms, therefore, its availability and quality has to be maintained. To ensure water availability for good palm growth, we deploy several water conservation measures in the field. This includes, moisture conservation pits, sponge pits and bundings at valleys.

We monitor the water quality of major river systems located within our operational areas in Peninsular Malaysia. This is undertaken by comparing the water quality between the exit point (of a river system) and the entry point in our plantations, based on the Department of Environment's Water Quality Index (WQI).

We have identified a total of 135 major river systems that are impacted by our operations and have analysed 51, 41, and 65 river systems in 2013, 2014, and 2015, respectively. The data obtained has confirmed that our operations have not contributed to the deterioration of the water quality of these river systems.

CAUSE FOR CONCERN

Despite following stringent measures, there are occasions where discharge exceeds regulatory limits, especially during high crop seasons where the mills had to process beyond capacity.



FGV treats POME to ensure discharge complies with legal limits

Greenhouse Gas (GHG) Capture Renewable Energy Initiatives

Combating Climate Change to Save our Earth

Greenhouse gases trap heat in the atmosphere, making the planet warmer which could harm our ecosystems, biodiversity and the livelihood of people worldwide.

BIOGAS PLANTS FOR THE CAPTURE OF GREENHOUSE GAS EMISSIONS

Biogas is a naturally formed gas when Palm Oil Mill Effluent (POME) decomposes in the absence of oxygen. All these unharnessed gases are hazardous and could potentially contribute to global climate change known as global warming. A typical biogas is usually composed of a large percentage of methane (50-75%), carbon dioxide (25-45%), together with trace amounts of other gases.

If POME collection is uncontrolled and poorly managed, methane will be released directly into the atmosphere. Methane is a Greenhouse Gas (GHG) with 21 times more destructive power compared to carbon dioxide. Hence, biogas capture from POME for methane recovery is definitely an important initiative for the mitigation and reduction of GHG emissions.

We started to monitor our GHG emissions from oil palm biogas plants in 2013 and continuously collect and monitor our data with the intention of reducing our carbon footprint from possible GHG source emissions. Furthermore, our biogas plants play an important role in wastewater treatment for POME which is able to reduce Chemical Oxygen Demand (COD) up to 90%. This is clearly demonstrated in our ongoing effort to install our palm oil mills with methane capture facilities. We already have 19 biogas plants installed in 19 palm oil mills with another six biogas plants under construction in 2015. Based on our preliminary calculations, we will be able to reduce our GHG emissions by 26.3% over the next five years. **Figure 19** illustrates Felda Global Ventures Plantation Malaysia (FGVPM)'s GHG reduction estimated up until 2019.

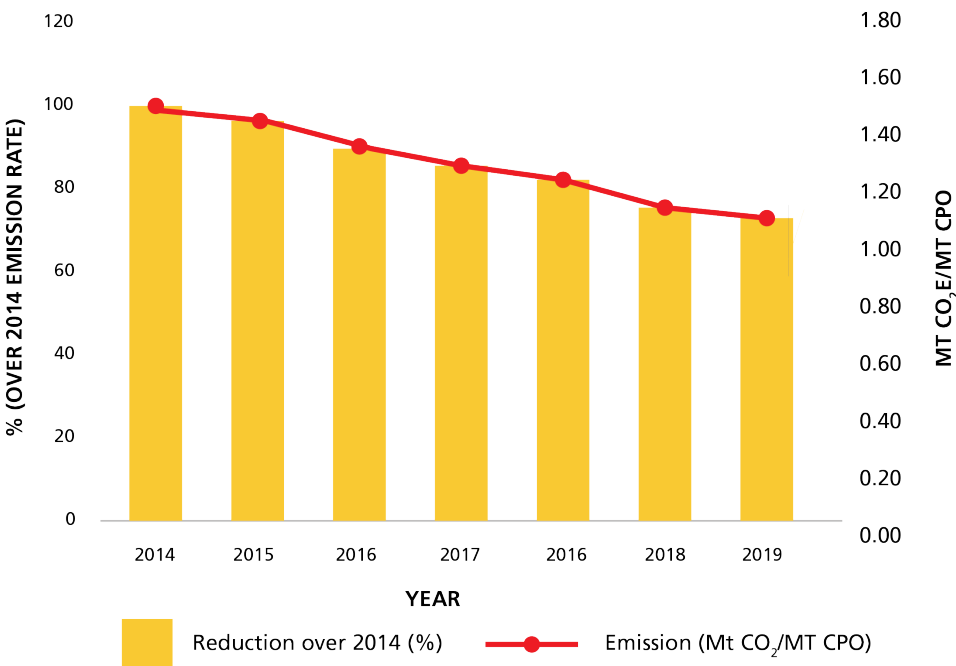


Figure 19: FGVPM's GHG reduction estimates (2014 as base year)

Being one of the pioneers in the industry, FGV through Felda Palm Industries Sdn Bhd (FPI) started its biogas capturing projects as early as 2007. To date, standing as a single palm plantation company, FGV has the highest number of biogas plants in the world. We have monitored and calculated our reduction of carbon dioxide emissions for 2013, 2014 and 2015 to be 35,411 MT, 68,695 MT, and 72,814 MT, respectively, as shown in **Figure 20**. The data of carbon dioxide emission reductions for 2014 and 2015 were calculated from 10 and 12 of our operating biogas plants, respectively.

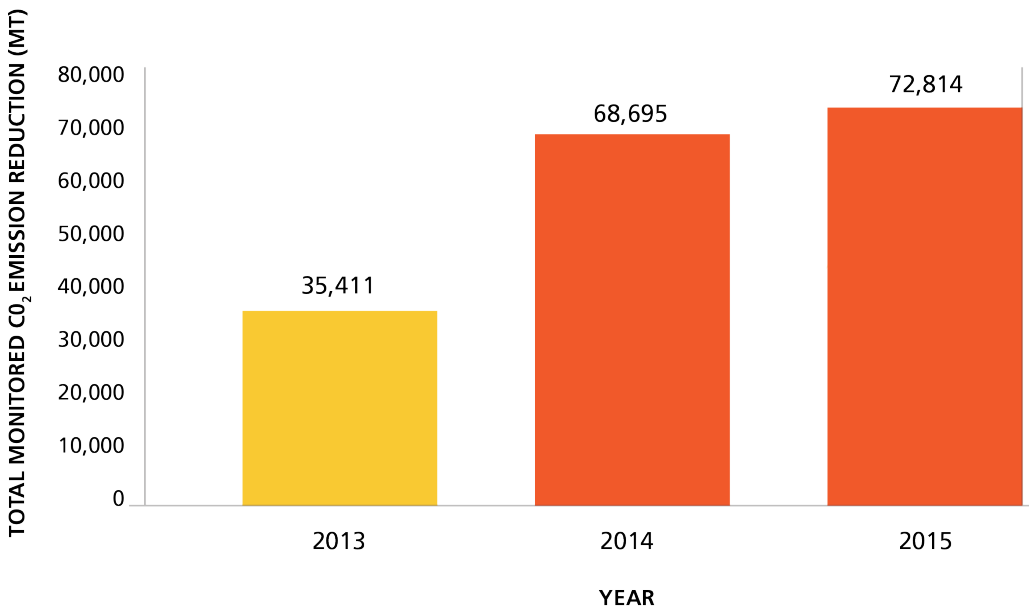


Figure 20: Total monitored carbon dioxide emission reductions for 2013, 2014 and 2015

Two of our biogas capture plants located in FPI Umas palm oil mill and FPI Serting Hilir palm oil mill have been successfully generating electricity for domestic use in those areas. The electricity generated by these biogas plants for 2013, 2014 and 2015 are presented in **Table 9.0**. These plants can generate up to a maximum of 1.2 MW of electricity to cater to the "Umas's Complex" which includes residential areas, schools, offices and commercial premises. Before this, the users were dependent on electricity generated from diesel-powered generators. Currently, the electricity generated by the Serting Hilir biogas plant supplies to the national grid.

TABLE 9.0: ENERGY EXPORT OF UMAS AND SERTING HILIR BIOGAS PLANTS

ENERGY GENERATION	2013	2014	2015
Umas biogas plant (kWh)	1,364,787.80	6,109,815.80	3,440,898.00
Serting Hilir biogas plant (kWh)	1,399,420.00	1,495,724.00	370,414.00

CONVERSION OF EMPTY FRUIT BUNCHES TO PELLETS USED AS RENEWABLE FUEL

Empty Fruit Bunches (EFB) is suitable for conversion into renewable fuel feedstock. Our biomass residue of EFB is shredded and utilised as solid fuel for the operation of steam boilers. This utilisation of EFB as a fuel for firing steam boilers delivers significant cost savings because the by-product can be put to economical use rather than becoming a waste product.

FGV is proud to showcase our maiden EFB biofuel plant located in Semenchu, producing a total of 2729.77 MT pellets in 2015. These pellets are produced using EFB from our palm oil mills and is commercially sold to third parties for power generation as a replacement for conventional fossil fuel.



FGV Bio-Compressed Natural Gas (Bio-CNG) plant

WORLD’S 1ST PALM-BASED BIO-COMPRESSED NATURAL GAS

Our determination to extract further value resulted in Felda Palm Industries Sdn Bhd (FPI) pioneering new technologies to establish the first commercial-scale palm based Bio-Compressed Natural Gas (Bio-CNG) plant in the world. The Bio-CNG plant based in Sg. Tenggi Kuala Kubu Baru, Selangor is a collaboration between FPI, Malaysia Palm Oil Board (MPOB) and Sime Darby. It showcases the successful utilisation of biogas in a commercial scale. The plant can produce up to 80,000 million British thermal units (MMBtu) per annum of bio-compressed natural gas. Bio-CNG is an alternative to fossil fuels like Liquefied Petroleum Gas (LPG) and Medium Fuel Oil (MFO). Commercial production started in April 2016 for its first customer, a wheel manufacturer for passenger and light commercial vehicles.

BIOMASS PLANT FOR ELECTRICITY GENERATION AS INDEPENDENT POWER PRODUCER (IPP)

Biomass power plants utilise the burning of organic waste to produce electricity and steam. Our Sahabat Biomass power plant built in Lahad Datu, Sabah, in 2004 is the first EFB based Clean Development Mechanism (CDM) project in Malaysia. It is also the first in the world to run on 100% treated EFB. This Sahabat Biomass power plant supplies steam and electricity to the neighbouring industrial premises, offices, residential areas and a resort. The plant is rated to have a 7.5 MW turbine generator with a maximum capacity of 16 MT/hr steam boiler.

We are pleased to announce our second biomass plant in FELDA Jengka 9, Pahang, expected to start operation by 2016. This biomass power plant is an advanced renewable energy plant with a design capacity of 12.5 MW that will be able to consume EFB at a rate of 320,000 tonnes annually. This plant complies with the Acceptance Test by Sustainability Energy Development Authority (SEDA) Malaysia and soon will be operational, supplying power to the national grid in 2016.

OTHER UTILISATION OF BIOMASS AND MILL BY-PRODUCTS

FPI also develops dried long fibre and EFB shredded fibre by converting EFB as a low value waste to high value environmental friendly renewable products. These dried long fibres were processed from shredded EFB to be sold as raw material for industrial applications such as mattress manufacturing. On the other hand, EFB shredded fibre can be used to produce bio-oil through the pyrolysis process, a decomposition brought about by high temperature. The bio-oil produced could be viable as renewable energy in the future.

Our composts are derived from aerobic decomposition of EFB mixed with POME. These composts are very practical for maintaining soil moisture, preventing soil erosion, and also serve as an effective alternative source of weed control. Palm oil mills also produce other biomass by-products apart from EFB, they include Palm Kernel Shell (PKS) and Decanter Cake. PKS is a high grade renewable biofuel resource and is widely-used as feedstock for boiler, pyrolysis process, gasification process and also cement manufacturing process. On the other hand, Decanter Cake is the solid sludge separated from the POME which can be directly used as organic fertiliser or to be blended with EFB fibre for the production of organic composts. **Figure 21** shows the amount of the by-products produced by the palm oil mills and indicates the total metric tonnes of biomass utilised in 2014 and 2015.

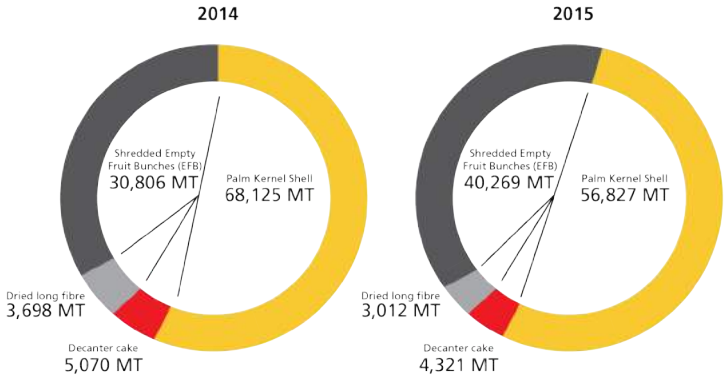


Figure 21: Utilisation of biomass residue and mill by-products (MT)

About This Report

This is FGV's sustainability report for the calendar year 2014-2015. We are committed to continuously update our sustainability progress and engage openly with our stakeholders through transparent sustainability reporting. We recognise that multi-stakeholder engagement plays an important role in achieving sustainable palm oil production. Through sustainability reporting, we provide our stakeholders a better understanding on our approach to sustainability and progress in meeting these commitments.

SCOPE OF THIS REPORT

This report covers mainly the Group's upstream operations of oil palm plantation in Malaysia and Indonesia. The contents of this report primarily include activities carried out within the financial period of January to December 2014 and January to December 2015. This report covers our economic, environmental and social performance across our plantation and mills in Malaysia. Our first sustainability report covered the financial year January to December 2013.

REPORTING STANDARDS

For this sustainability reporting, we have adopted the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines. These reporting guidelines set out a framework for our reporting, with the principles and standard disclosures we have to reporting for our economic, environmental and social performance. We have adhered our report to define stakeholder engagement, materiality assessment, sustainability commitment and achievement, and the complete information of significant economic, environmental, and social impact for assessment of our company's performance.

ASSURANCE

We are committed in working towards the full assurance of the information used in our sustainability report and we intend to do this progressively. As for now, we have assured data on number of new land with significant area in peat, number of fatalities as a result of occupational accidents, number of river systems analysed for water quality, total contribution from FGV Group to Yayasan FELDA, number of ISCC certified mills, tonnes of RSPO certified sustainable palm oil production capacity as well as total GreenHouse Gas (GHG) emission reduction in palm oil mills operations. Details of our assurance report can be read in our Annual Report 2014 and 2015. (<http://www.feldaglobal.com/>)



Glossary

Biodiversity - The diversity (number and variety of species) of plant and animal life within a region.

Biological Oxygen Demand (BOD) - The amount of oxygen used when organic matter undergoes decomposition by micro-organisms.

Fresh Fruit Bunch (FFB) - Bunches harvested from the oil palm, with each bunch weighing 5kg to 50kg and may contain 1,500 or more individual fruits.

Global Reporting Initiative (GRI) - A multi-stakeholder standard for sustainability reporting, providing guidance on determining report content and indicators.

High Conservation Value - The concept of High Conservation Value Forests (HCVF) was first developed by the Forest Stewardship Council (FSC) in 1999 as their 9th principle. The FSC defined HCVF as forests of outstanding and critical importance due to their environmental, socio-economic, cultural, biodiversity and landscape value.

Integrated Pest Management (IPM) - Pest control strategy that uses an array of complementary methods: mechanical devices, physical devices, genetic, biological, legal, cultural management, and chemical management. These methods are undertaken in three stages: prevention, observation, and intervention. It is an ecological approach with a main goal of significantly reducing or eliminating the use of pesticides.

IUCN Red List - The International Union Conservation of Nature and Natural Resources (also known as the World Conservation Union) is an organisation based in Switzerland which is involved in the preservation of natural resources and publishes the Red Data book which lists the endangered species of every nation.

NGO (Non-Governmental Organisation) - In this report, used to refer to grass-roots and campaigning organisations focusing on environmental or social issues.

Palm Oil Mill Effluent (POME) - By-product from the process of extracting crude palm oil from fresh fruit bunches in palm oil mill.

Peat - Organic soils with plant material (either sapric, hemic of fibric) occupying more than 50cm in the 0-100cm soil depth.

Roundtable on Sustainable Palm Oil (RSPO) - A global, multi-stakeholder initiative with the vision to transform the oil palm market by making sustainable palm oil the norm.

Stakeholders - Any group or individual affected by or can affect the company's operations.

Sustainability - A term expressing a long-term balance between social, economic and environmental objectives often linked to Sustainable Development which is defined as "Development that meets the need of current generations without compromising the needs of future generations".

Employee - An individual who is, according to national law or practices, recognised as an employee of the organisation.

Foreign guest worker - Generic term for any person performing work, regardless of the contractual relationship from abroad.

Global Reporting Initiative Content Index

General Standard Disclosures

We are reporting according to the Global Reporting Initiative’s (GRI) G4 Sustainability Reporting Guidelines at the core level for our Sustainability Report 2014/2015. This sustainability report communicates the critical information on the environment, society, and the economy impacts of FGV corporate organisation.

General Standard Disclosures		
MATERIAL ASPECTS	DMA AND INDICATORS	PAGES
Strategy and Analysis		
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G4-2	Key Impacts, Risks and Opportunities	6-7, 9, 41-43
G4-3	Name of the organisation.	1-3,12
G4-4	Primary brands, products, and services.	19-21
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G4-6	Number of countries where the organisation operates, and names of countries where the organisation has significant operations specifically relevant to the sustainability topics.	14-15
G4-7	Nature of ownership and legal form.	12,16
G4-8	The markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	14-15
G4-9	The scale of the organisation.	14-15
G4-10	The organisation’s workforce.	46-48
G4-11	The percentage of total employees covered by collective bargaining agreements.	31
G4-12	The organisation’s supply chain.	18
G4-13	Significant changes during the reporting period regarding the organisation’s size, structure, ownership, or its supply chain.	12-21
G4-14	The precautionary approach or principle is addressed by the organisation.	28-29, 31-35
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	32-35
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organisations.	29, 34-35
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G4-17	Entities included in the organisation’s consolidated financial statements or equivalent documents.	16
G4-18	The process for defining the report content and the Aspect Boundaries.	72
G4-19	The material Aspects identified in the process for defining report content.	40
G4-20	Aspect Boundary within the organisation.	40

G4-21	Aspect Boundary outside the organisation.	40
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements.	–
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	72
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G4-24	List of stakeholder groups engaged by the organisation.	38-39
G4-25	Basis for identification and selection of stakeholders with whom to engage.	38-39
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G4-27	The key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	38-39
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G4-29	Date of most recent previous report (if any).	72
G4-30	Reporting cycle (such as annual, biennial).	72
G4-31	Provide the contact point for questions regarding the report or its contents.	79 (Back Cover)
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G4-33	The organisation’s policy and current practice with regard to seeking external assurance for the report.	72
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G4-34	The governance structure of the organisation, including committees of the highest governance body.	28-29
G4-35	The process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	29-30
G4-36	Appointment of an executive level position(s) with responsibility for economic, environmental and social topics, reporting directly to the highest governance body.	29-30
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G-56	The organisation’s values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	31

Global Reporting Initiative Content Index

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Specific Standard Disclosures					
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		Our Purpose – <i>Who We Are, Why We Are Here, Our Mission & Vision, Our Financials, Our Shareholders</i>	12,16	–	–
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		Our Sustainability Policy	31	–	–

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Biodiversity	G4-EN12	Description of significant impact of activities, products, and services on biodiversity in protected areas of high biodiversity value outside protected areas.	60-65	P7	GL15
Biodiversity	G4-EN13	Habitats protected or restored.	60-65	P7	GL15
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Anti-Corruption	G4-SO5	Confirmed incidents of corruption and actions taken.	NIL	P10	–
Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	NIL	–	–
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Marketing	G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marking communications, including advertising, promotion, and sponsorship, by type of outcomes.	34-35 No reported incidents of non compliance.	–	–

* P refers to Principle of United Nation Global Compact (UNGC) and GL refers to Goal of Sustainable Development Goals (SDGs)

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