

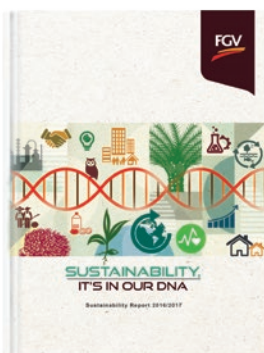


SUSTAINABILITY, IT'S IN OUR DNA

Sustainability Report 2016/2017

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Sustainability defines the future of our organisation. We recognise our responsibility to reduce our environmental impact and make meaningful contributions for the good of society.

We have efficiently and effectively responded to developments within and external to our organisation by integrating responsible environmental and social practices into everything we do. Open and transparent reporting of our progress is a key part of our Sustainability activities.

We are geared towards meeting the needs of a sustainable future and creating value for our trusted Shareholders whilst staying true to the aspirations of our Smallholders, ensuring that the fruits of their labour meet sustainable, global standards.

The double-helix structure of the DNA molecule in our cover design encapsulates the centrality of our organisation's readiness to progressively reshape and adapt to our operating landscape. The icons represent the Sustainable Development Goals (SDG) that are embedded throughout our organisation, value chain and business practices including global partnership and cooperation, access to safe and affordable housing, sustainable agriculture, climate change, Research and Development (R&D) as well as sustainable conservation and development.

ABOUT THIS REPORT

THIS IS THE THIRD SUSTAINABILITY REPORT FOR FELDA GLOBAL VENTURES HOLDINGS BERHAD (FGV OR THE GROUP) WHICH DISCLOSES OUR SUSTAINABILITY JOURNEY SO FAR IN A TRANSPARENT AND OBJECTIVE MANNER. THROUGH THIS REPORT, WE AIM TO PROVIDE OUR DIVERSE STAKEHOLDERS A BETTER UNDERSTANDING OF FGV'S APPROACH TO SUSTAINABILITY AND OUR PROGRESS IN MEETING OUR SUSTAINABILITY COMMITMENTS OVER THE 2016 TO 2017 PERIOD. THIS REPORT ALSO SERVES AS A TOOL TO DEMONSTRATE TO OUR STAKEHOLDERS AND OTHER INTERESTED PARTIES HOW FGV CONTINUES TO UNDERTAKE ITS OPERATIONS IN A RESPONSIBLE AND SUSTAINABLE MANNER ON THE ECONOMIC, ENVIRONMENTAL AND SOCIAL (EES) FRONTS.



REPORTING SCOPE AND BOUNDARIES

The contents of this biennial Report primarily cover the Group's Sustainability activities carried out between 1 January 2016 and 31 December 2017. In this Report, we have expanded the scope of our reporting so that it goes beyond the Group's upstream operations of oil palm plantations in Malaysia and Indonesia and now encompasses our non-plantation businesses over which we have full control, as well as all subsidiaries and leased facilities. Nevertheless, a good portion of this Report mostly covers the EES performance across our estates and mills in Malaysia and Indonesia. This Report should be read together with other parts of our Annual Integrated Report 2017 to provide a comprehensive overview of our Group's performance which is available online on our website.



Annual Integrated Report 2017: <http://www.feldaglobal.com/investors/annual-reports/>

Our approach to Sustainability is driven by a strong focus on key material issues, as identified through our materiality assessment with a diverse range of Stakeholders. This Report provides a detailed view of FGV's plantation issues, initiatives and progress.

A STATEMENT IN ACCORDANCE WITH GRI G4 SUSTAINABILITY REPORTING GUIDELINES

As the previous years, our Sustainability Report 2016/2017 is 'In Accordance' with the GRI G4 Guidelines - Core option which communicates the critical information about the EES impacts of our business.

REPORTING PROCESS AND ASSURANCE

The Group adheres to the principles of good governance, such as ensuring the reliability and completeness of the information presented in this Report. This Report was reviewed extensively by the Technical Reporting Committee (TRC) and vetted by the Management Reporting Committee (MRC) which members are the relevant heads of departments prior to submission to the Sustainability Steering Committee (SSC). The SSC then recommended this Report to the Board Governance & Risk Management Committee (BGRMC), who after having reviewed and assessed the content of this Report recommended it to the Board of Directors (BOD) for their final approval. The Board then gave the final approval for this Report.

FGV remains committed to working towards the full assurance of the information used in this Report and we intend to do this in a progressive manner. In this Report, we have assured 2016 data on six Key Performance Indicators (KPI) which are: number of safety boxes installed in estates, total contribution from FGV allocated to Yayasan Felda, number of new land acquisitions with significant area in peat, number of International Sustainability & Carbon Certification (ISCC) certified mills, tonnes of Roundtable on Sustainability Palm Oil (RSPO) certified sustainable palm oil production capacity as well as total Greenhouse Gas (GHG) emission reduction in palm oil mills operations.



Details of our Independent Assurance Report can be read in our Annual Integrated Report 2016 on pages 355-356

As we move forward, we remain committed to strengthen the foundations of our Report, ensuring transparency and engaging openly with our multiple Stakeholders.

AN OVERVIEW OF FGV

G4-56

Vision

To be among the World's Leading Integrated and Sustainable Agribusiness that Delivers Value to Customers and Stakeholders especially the Smallholders.

G4-56

Mission

To be a Global Leader by:

- ▶ Creating value through our human capital
- ▶ Championing our locally invested culture
- ▶ Building an integrated value chain advantage
- ▶ Cultivating diversification in commodities and geography

G4-56

Our Core Values and Guiding Principles

We believe in according our people a harmonious work environment to keep them highly engaged. Our hope is that all our employees will live out our core values in their daily lives as we aspire to build a high-performance culture. Our core values are made up of five essential guiding principles, known as PRIDE which stand for the following:



Partnership

The best solutions and ideas come from working together with both colleagues (internal) and business partners (external).



Respect

Our sustained success and achievement can only come with respect for people, be it our colleagues, peers, customers and partners; as well as the environment, the key source of our business.



Integrity

Integrity is about being trustworthy, honest and sincere. In the context of FGV, it means being responsible and accountable for one's own actions and behaviours. Each employee is accountable for the Group's success and business reputation.



Dynamism

We strive to discover and create ideas and growth potential from uncharted opportunities, in the best interests of our Stakeholders and communities, beyond traditional boundaries.



Enthusiasm

We strive to lead with passion and work with enthusiasm. We are enthusiastic about what we do in all that we do, committed to the growth and future of our agri-business as well as to propagating sustainable development around the world.

G4-4, G4-9

Our Profile

11
Countries

440,577
Hectares (Ha)
Total landbank in
Malaysia and Indonesia
(inclusive of rubber)



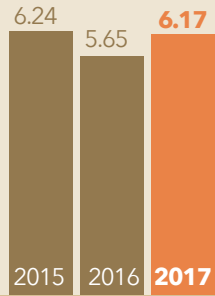




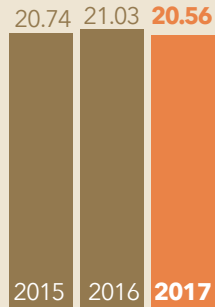
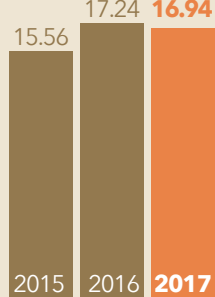
69
Palm Oil Mills

2.99
million metric
tonnes (MT)
of Crude Palm Oil
Produced

More than
19,000
Employees

AN OVERVIEW OF FGV

Our Businesses are Organised into Three Sectors:

<h3>Plantation Sector </h3> <p>PALM UPSTREAM</p> <ul style="list-style-type: none"> Total landbank <ul style="list-style-type: none"> Malaysia : 417,999 Ha Indonesia : 22,578 Ha Supported by 69 Mills processing 15.10 MILLION MT OF FRESH FRUIT BUNCHES <p>PALM DOWNSTREAM</p> <ul style="list-style-type: none"> TOTAL DOMESTIC MARKET share of 35% in the cooking oil segment <p>10 refineries around the world, including JOINT VENTURES</p> <p>RESEARCH & DEVELOPMENT AND AGRI-SERVICES</p> <ul style="list-style-type: none"> Producer of award-winning planting material YANGAMBI with 42% market share Launched TWO PRODUCTS for commercialisation, PLANTgerminus™ and EZgrow™ 	<p>G4-9</p> <h3>Key Financial Metrics</h3> <p>(as at 31 December 2017)</p> <p>MARKET CAPITALISATION RM6.17 billion</p>  <table border="1"> <tr> <th>Year</th> <th>Market Capitalisation (billion)</th> </tr> <tr> <td>2015</td> <td>6.24</td> </tr> <tr> <td>2016</td> <td>5.65</td> </tr> <tr> <td>2017</td> <td>6.17</td> </tr> </table>	Year	Market Capitalisation (billion)	2015	6.24	2016	5.65	2017	6.17									
Year	Market Capitalisation (billion)																	
2015	6.24																	
2016	5.65																	
2017	6.17																	
<h3>Sugar Sector </h3> <p>SUGAR</p> <ul style="list-style-type: none"> Malaysia's leading refined sugar producer with 58% of DOMESTIC MARKET SHARE ANNUAL production capacity of 1.25 MILLION MT 	<h3>Logistics and Support Businesses (LSB) Sector </h3> <p>LOGISTICS</p> <ul style="list-style-type: none"> One of the world's largest edible oil storage with capacity of 954,900 MT 433 liquid and cargo tankers 3 warehouses 2 jetty operations Manage approximately 30% of Malaysia's total palm oil export 	<p>TOTAL ASSETS RM20.56 billion</p>  <table border="1"> <tr> <th>Year</th> <th>Total Assets (billion)</th> </tr> <tr> <td>2015</td> <td>20.74</td> </tr> <tr> <td>2016</td> <td>21.03</td> </tr> <tr> <td>2017</td> <td>20.56</td> </tr> </table> <p>REVENUE RM16.94 billion</p>  <table border="1"> <tr> <th>Year</th> <th>Revenue (billion)</th> </tr> <tr> <td>2015</td> <td>15.56</td> </tr> <tr> <td>2016</td> <td>17.24</td> </tr> <tr> <td>2017</td> <td>16.94</td> </tr> </table>	Year	Total Assets (billion)	2015	20.74	2016	21.03	2017	20.56	Year	Revenue (billion)	2015	15.56	2016	17.24	2017	16.94
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G4-1

MESSAGE FROM THE CHAIRMAN

To Our Stakeholders,

In 1956 Malaya was still a colonial outpost of the British empire. Eventually, our colonial masters would peacefully return the country to us but the Malayan Government-in-waiting knew what they were inheriting - a population without the skills or resources to pull itself out of poverty and, a country devoid of the social and physical infrastructure needed to inspire industry and economic activity.

Thankfully for Malaya, and later Malaysia, it was a different time. Our nation's leaders were able to design, a land alienation scheme that would empower its poorest people, giving them land and the resources required for agriculture. Malaya's founding fathers knew that the success of Felda Land Development Authority (FELDA) could spell the success of Malaysia. And they were right.

FELDA supported the development of the palm oil industry. It created farmers and entrepreneurs and most importantly, social mobility. People who had nothing were given opportunity and hope. Today, the palm oil industry is the fourth largest contributor to Malaysia's Gross Domestic Product (GDP) and the largest employer in the nation. Malaysia has more than half a million Smallholder families and many millions more who grew from the roots of FELDA.

From the same roots came FGV, the world's largest producer of palm oil.

From the seat I occupy as the Chairman of FGV, I have a vantage point. On the one hand, FGV supports more than 112,000 small farmers who produce and supply more than a third of our palm oil. These farmers represent the hope of the young country in 1956, and millions of others today who are just like they were. On the other hand, we have rich nations imposing increasingly stringent environmental standards that prevent access to economic and social development for the world's poorest. However, they do little to demand reparation for damage already done by those who enjoy the fruits of an apparent first mover advantage.

It is apparent that we live in a world of inequalities. The gulf between the haves and have nots is growing wider and, the realities of poverty and malnutrition are colliding with the need to repair a damaged planet.

Meanwhile, the world's population continues to grow and the demands on the planet's depleting resources are increasing. Third world Governments are grappling



Datuk Wira Azhar Abdul Hamid
Chairman

with the challenge of lifting their poorest citizens out of poverty. And, yes, the world's forests and other ecosystems need to be protected in some parts of the world and restored in many others.

How then do we find real, equitable and sustainable solutions for all these apparently conflicting needs?

Denying the world's poorest access to economic and social development is not a solution. Requiring poor nations to conserve forests while ignoring the loss of potential economic value by such conservation, is not a solution. Depriving poor people's access to basic human needs is not a solution. Ignoring the responsibilities of developed nations and protectionists regimes is not a solution.

At FGV, we are ready for an honest and transparent dialogue with all our Stakeholders to resolve our own moral dilemmas. Our very origins tie us to the most disadvantaged people in a still colonised Malaya, with little to support its vision other than hope. It was this

hope, founded on the audacious spirit of the founding fathers of our nation, that enabled the development of Malaysia's agriculture industry, the economic backbone of any developed country.

FGV seeks to find solutions for responsible development. FGV supports the unequivocal right of nations and people to equitable and sustainable development. FGV believes that forests are a valuable natural and economic resource and there is an urgent need to recognise this value.

Dear Stakeholders, my personal plea to you is: Work with us to find real solutions where people will emerge winners and the needs of our future generations are safeguarded.

Datuk Wira Azhar Abdul Hamid
Chairman

G4-1, G4-2

MESSAGE FROM THE GROUP PRESIDENT/ CHIEF EXECUTIVE OFFICER

Dear Valued Stakeholders,

I am pleased to present FGV's third Sustainability Report which encapsulates our Sustainability performance and progress for the 2016-2017 period. Bearing the theme "Sustainability, It's In Our DNA", this Report also serves to portray that the principles of sustainable development are deeply embedded within the makeup of our organisation and are integral to the smooth running and long-term viability of our business. In developing this Report, the team at FGV wanted to relay our true progress - whether they were our successes or shortcomings - in as transparent a manner as possible. As such, for each of the core Economic, Environmental and Social (EES) areas, we decided to zero in on several challenges that the Group had been facing and show our progress in tackling these issues head-on. As we focused our efforts on understanding the real issues that Stakeholders faced, we were able to develop and deliver tangible solutions that will bring real benefits, not just for the immediate-term, but in the long-run. I believe we are on track and will stay the course to fulfil our Sustainability aspirations.



Dato' Zakaria Arshad
Group President / Chief Executive Officer

On the **Economic front**, FGV made bold progress in managing our agricultural business. Our profit margins keep growing year by year indicating our employees' dynamism and enthusiasm in managing the integrated and sustainable agribusiness. We also continued to take measures to strengthen the weak links in our supply chain. Back in 2016, upon recognising that there were some serious shortcomings in labour supply chain, we voluntarily withdrew all Roundtable on Sustainable Palm Oil (RSPO) Principles and Criteria (P&C) certificates. Given that almost 70% of Fresh Fruit Bunches (FFB) are sourced from external parties, Sustainability within the supply chain is a crucial matter to FGV.

To meet our customers' expectations and our own obligations to the RSPO, we set out to have all our operating units or complexes certified to RSPO P&C standards by 2021. By the end of December 2017, a total of 16 complexes have been audited, of which eight complexes have received RSPO P&C certification. Come to the end of 2021, we plan to have 69 palm oil mills

certified in accordance with RSPO and Malaysian Sustainable Palm Oil (MSPO) standards.

On the **Environmental front**, we immediately took measures to address allegations that FGV was deforesting peat forests in Kalimantan. This raised concerns among several key Stakeholders about our commitment to managing peatlands. To reaffirm this commitment to our Stakeholders, we enhanced the FGV Group Sustainability Policy (GSP) in 2017, to expand the policy commitments accordingly.

On the **Social front**, we continue to make sound progress in tackling allegations of social and human rights violations at our plantations. Through our collaborations with third parties and a host of key Stakeholders within the palm oil industry, we were able to deliberate on key issues and to develop specific action plans for the Group. We have also come up with potential solutions to address pressing issues within our industry.

MESSAGE FROM THE GROUP PRESIDENT/ CHIEF EXECUTIVE OFFICER

In addressing these issues, continual engagement and communication are key to our success. We are transparent about the issues we face and have been sharing our progress via electronic media, conference calls and face-to-face meetings to ensure our business partners and Stakeholders are kept abreast of all our Sustainability endeavours.

STRENGTHENING BONDS, EFFECTING TANGIBLE CHANGE

Being a long-time advocate of Stakeholder consultation, FGV is committed to strengthen Stakeholder engagement and building consensus amongst Stakeholders in the palm oil value chain so that we can better tackle emerging issues and drive change on the ground. We are steadfast in adopting a multi-stakeholder approach and collaborating with our peers, partners and other relevant Stakeholders to do much more. As such, we intend to continue organising and participating in workshops as well as roundtable forums to help mitigate the issues and close the gaps within the industry.

In building goodwill amongst industry Stakeholders and to safeguard the integrity of our products along our supply chain, we collaborated with the Malaysian Palm Oil Board (MPOB) to conduct awareness and training sessions on sustainable, ethical, good agricultural practices, as well as Health, Safety and Environmental (HSE) best practices. The response from more than 2,000 individuals comprising contractors, workers, employees, Fresh Fruit Bunch (FFB) suppliers and FELDA settlers has been encouraging.

In line with our efforts for continuous improvement and to protect the rights of our foreign guest workers, we initiated Malaysia's first passport safety box project in 2016. This ensures passports are kept in a secure place and allows workers full access to them at any time. To date, 3,250 safety boxes have been installed at 17 estates and the utilisation rate continues to be favourable.

In tandem with this and in support of our Board's vision to enhance the welfare of our workers who are part of our extended family, we are fast-tracking upgrading works of housing and other social amenities to provide a more conducive work-life environment.

We have also taken measures to ensure that any new developments do not encroach into areas that are environmentally sensitive or under protection, such as primary forests, wildlife reserves, peatlands, or areas with High Conservation Value (HCV). Over the period under review, we established five Citizen Action Group (CAG) programmes with local communities, to manage environmental issues in and around our operational areas.

We continue to make good progress in reinforcing our position as an ally to Stakeholders and communities as well as a friend to the environment.

We have also worked hard to strengthen our Sustainability governance practices. In 2016, the Group Sustainability and Environment Department (GSED) was established. Following this, 2017 saw us setting in place a Sustainability Steering Committee (SSC) to address emerging issues expeditiously. Today, all updates and issues in this area are reported periodically to the Executive Committee (EXCO) and Board Governance & Risk Management Committee (BGRMC).

Aside from our plantation operations, we are committed to embedding the principles of sustainable development in non-plantation businesses. In 2017, we extended our Sustainability awareness sessions to our non-plantation businesses, including our refinery, logistics and bulking facilities. We continue to focus our efforts on monitoring specific Sustainability initiatives within our non-plantation businesses and we commit to continuous improvements in our activities.

MOVING FORWARD INTO FY2018 AND BEYOND

The year 2017 saw Malaysia celebrating 100 years since the first commercial cultivation of the oil palm in the state of Selangor in 1917. The introduction of oil palm has undoubtedly transformed the nation and elevated the livelihoods of many Malaysians. Having been brought up within a family of FELDA settlers myself, I can personally attest to how the tough but fruitful life on the plantations honed me and my peers for the better. It helped to improve the wellbeing of the communities around us. Today, palm oil cultivation continues to transform countless lives within our nation as we reinvest

MESSAGE FROM THE GROUP PRESIDENT/ CHIEF EXECUTIVE OFFICER

the proceeds into the Malaysian economy. Being one of the most widely used and versatile edible oils in the world, palm oil will continue to be the major edible oil traded globally.

Going forward, we expect to see significant changes in the industry as well as our own operations. As a son of FELDA settlers and a beneficiary of the FELDA Smallholder programme, I believe the mandatory introduction of the Malaysian Sustainable Palm Oil or MSPO standard will further uplift the socio-economic status of those directly involved with palm oil and, continue to strengthen the industry in a sustainable manner.

As these developments take place, we are aware that there may be an impact on our EES bottom line. As such, we remain resolute in our efforts to make the most of the opportunities presented and rise above all challenges we face. The Group will maintain its focus on delivering good operational, financial and sustainable performance as we prepare to embrace the next phase of our Sustainability journey.

IN APPRECIATION

FGV's good progress to date is owed to the worthy efforts of many parties.

I wish to express my heartfelt appreciation to our Board of Directors for their wise counsel in helping steer FGV along its Sustainability journey. To FGV's Management, my deep appreciation for your leadership and your unwavering commitment to driving and managing matters within the Group. To the Management of our Plantation Operations and the Sustainability Team, my utmost gratitude for helping us overcome the hurdles we face in our efforts to obtain RSPO Certification. To the diligent, dedicated and loyal workforce at FGV who continue to successfully implement the many initiatives we have rolled out to date, a big thank you for your worthy efforts.

We also owe a debt to the many NGOs who have provided constructive counsel and helped us move forward more effectively. A big thank you also to our partners for helping us address our social compliance issues in a tangible manner. I call upon all our Stakeholders

to lend us their continuing support as we set our sights on achieving our vision "To be among the World's Leading Integrated and Sustainable Agribusiness that Delivers Value to Customers and Stakeholders, especially the Smallholders."

Whilst FGV has made significant strides forward on the Sustainability front over the years, we recognise that we still have much to do, as ours is a journey of continuous improvement. As such, we will work diligently to achieve the 2020 goals we have set ourselves to deliver positive outcomes. As we do so, we will continue to be transparent in our disclosures and will undertake close engagement and collaboration with all Stakeholders to drive change, whilst enabling long-term growth for the industry and community.

I trust this Report will provide valuable insights into FGV's Sustainability journey and our efforts to become a model for responsible corporate behaviour. We value your feedback and welcome any suggestions you may have for strengthening our Sustainability mandate. Thank you.



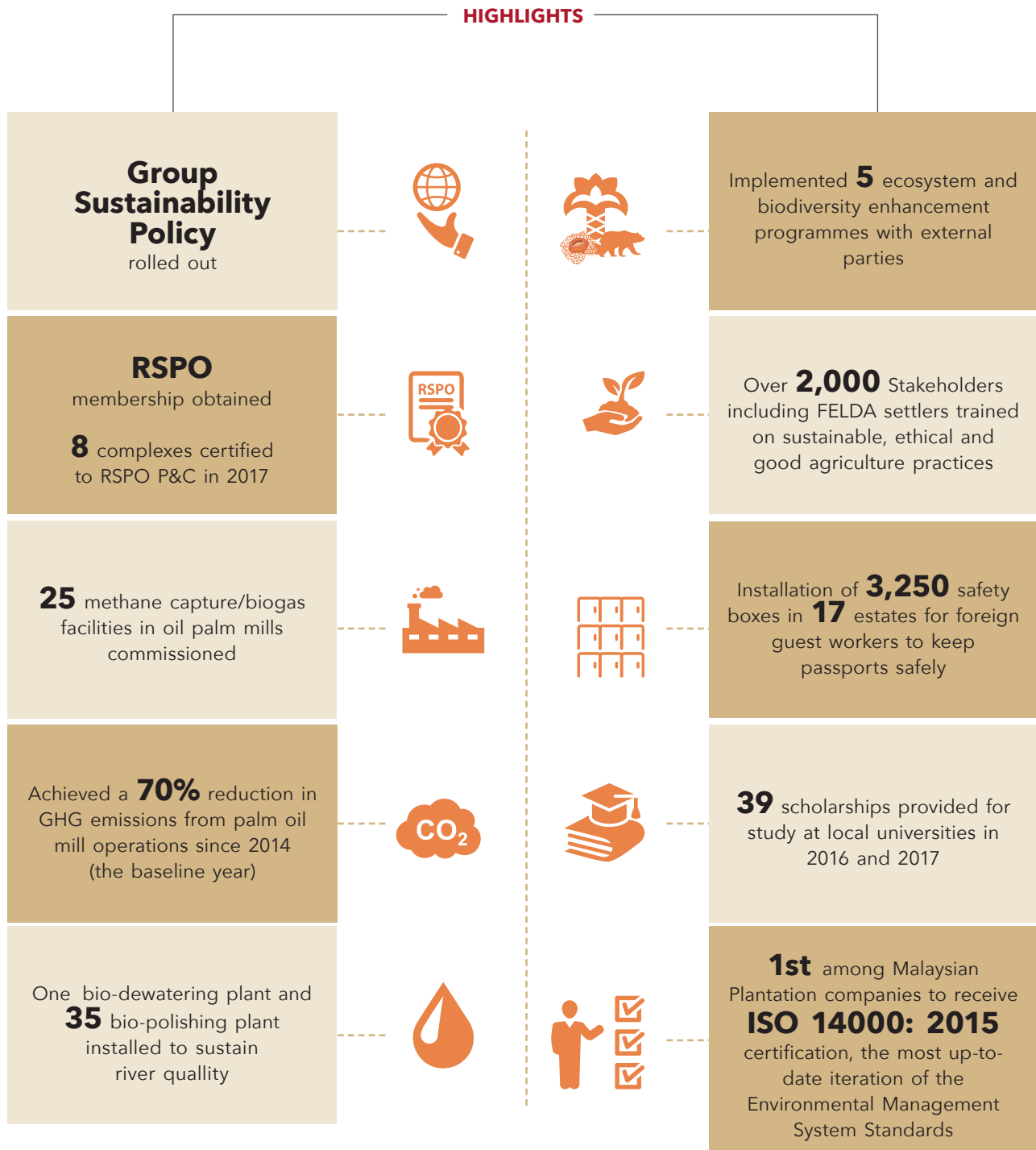
The Group will maintain its focus on delivering good operational, financial and sustainable performance as we prepare to embrace the next phase of our Sustainability journey.



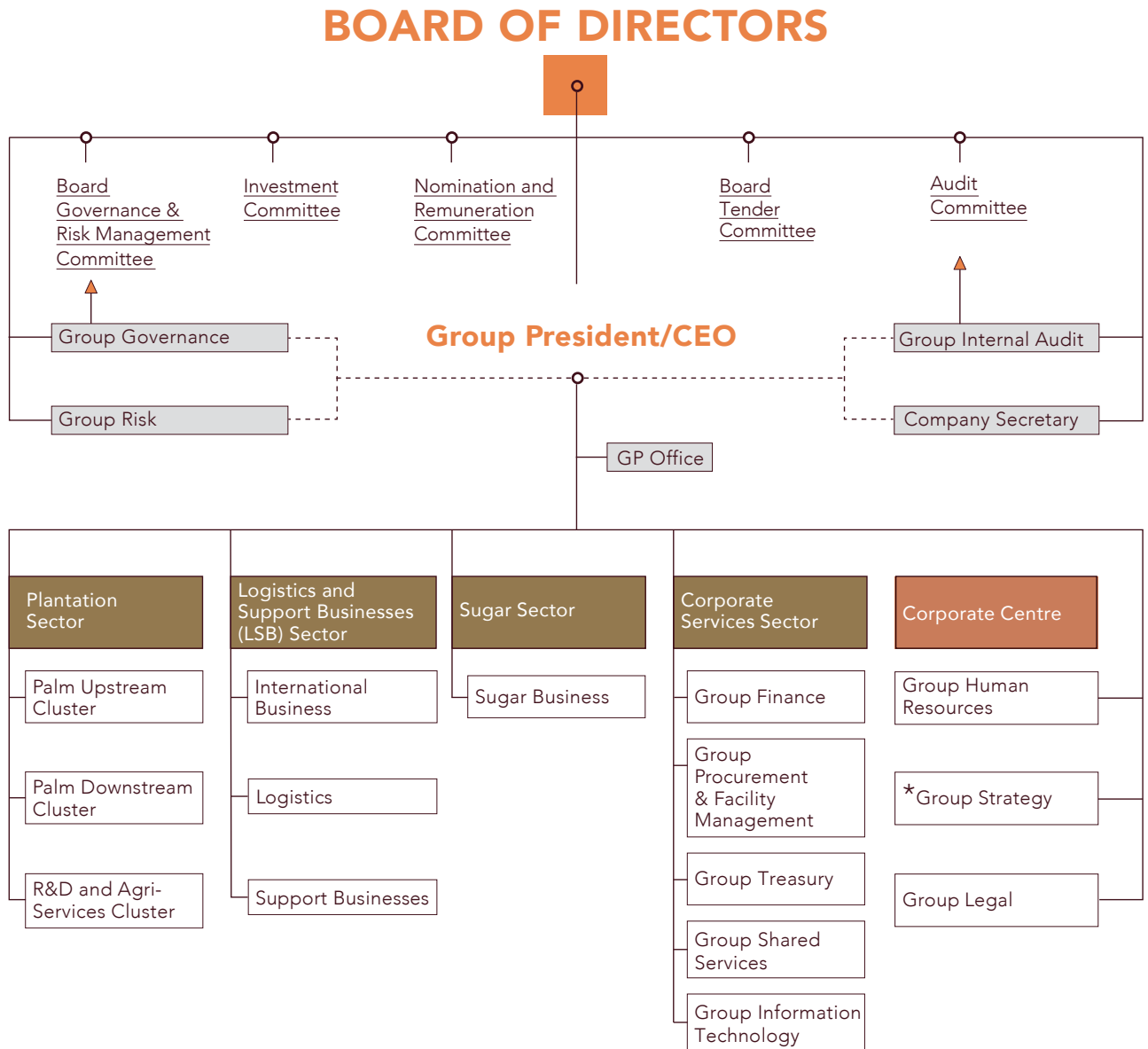
Yours sincerely,

Dato' Zakaria Arshad
Group President / Chief Executive Officer

SUSTAINABILITY HIGHLIGHTS 2016/2017



GROUP ORGANISATION STRUCTURE



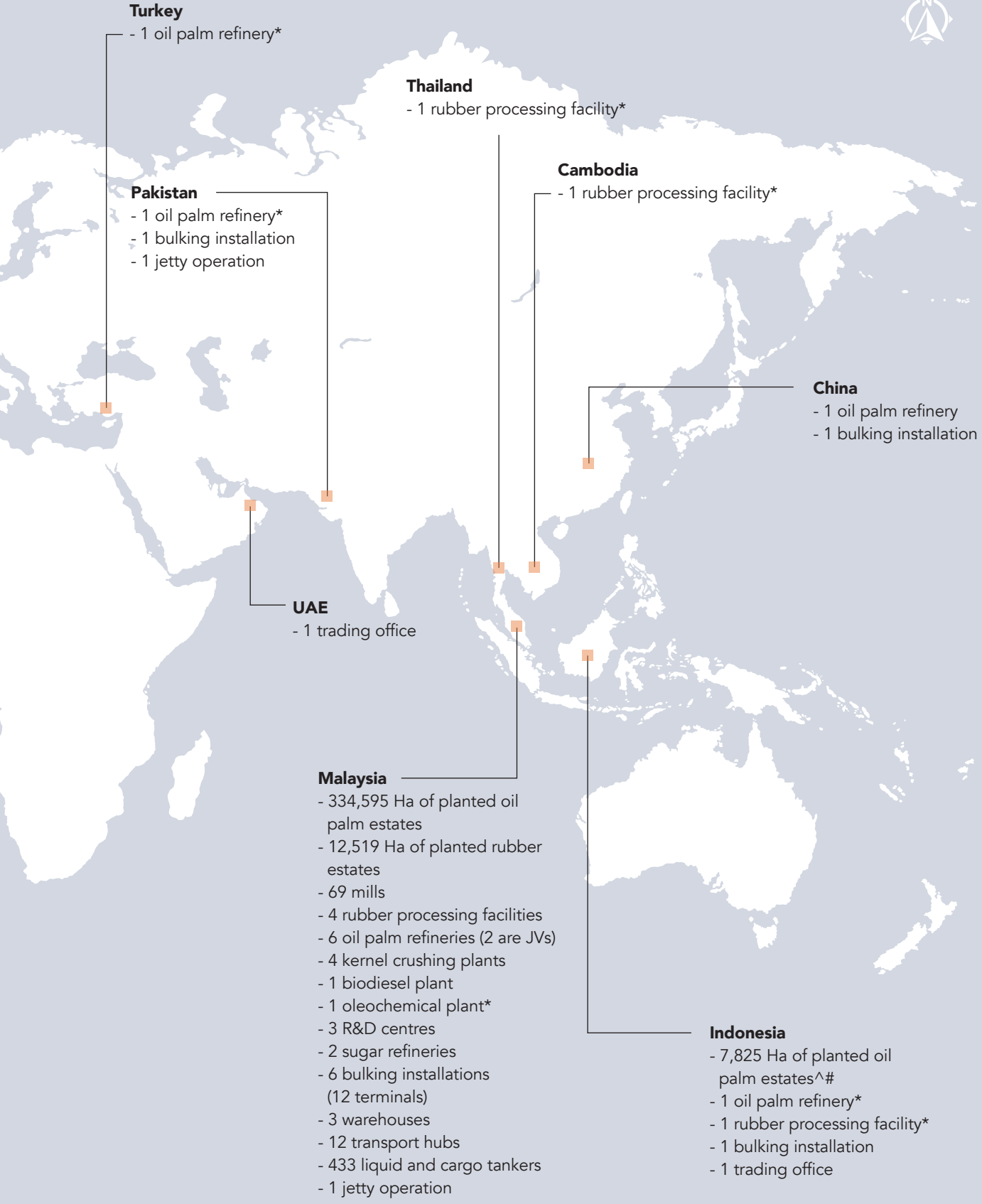
* The Group Sustainability & Environment Department (GSED) is under the Group Strategy Division

OUR GLOBAL PRESENCE



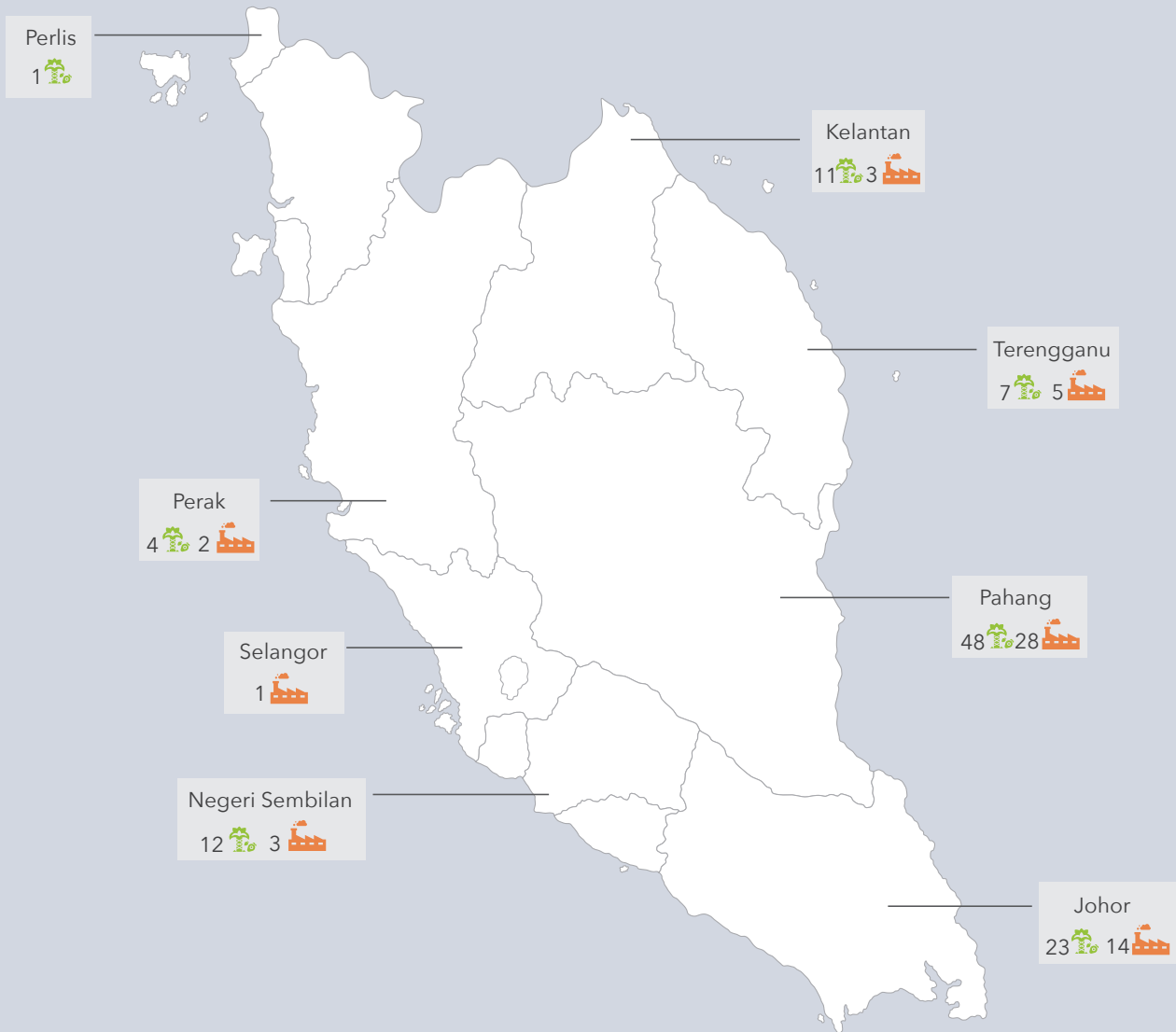
WE OPERATE IN 11 COUNTRIES

* Joint Ventures
^ Excluding oil palm estates held under joint ventures
Inclusive of plasma

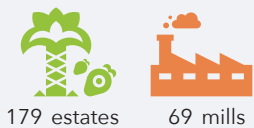


PLANTATION OPERATIONS OVERVIEW

(AS AT 31 DECEMBER 2017)



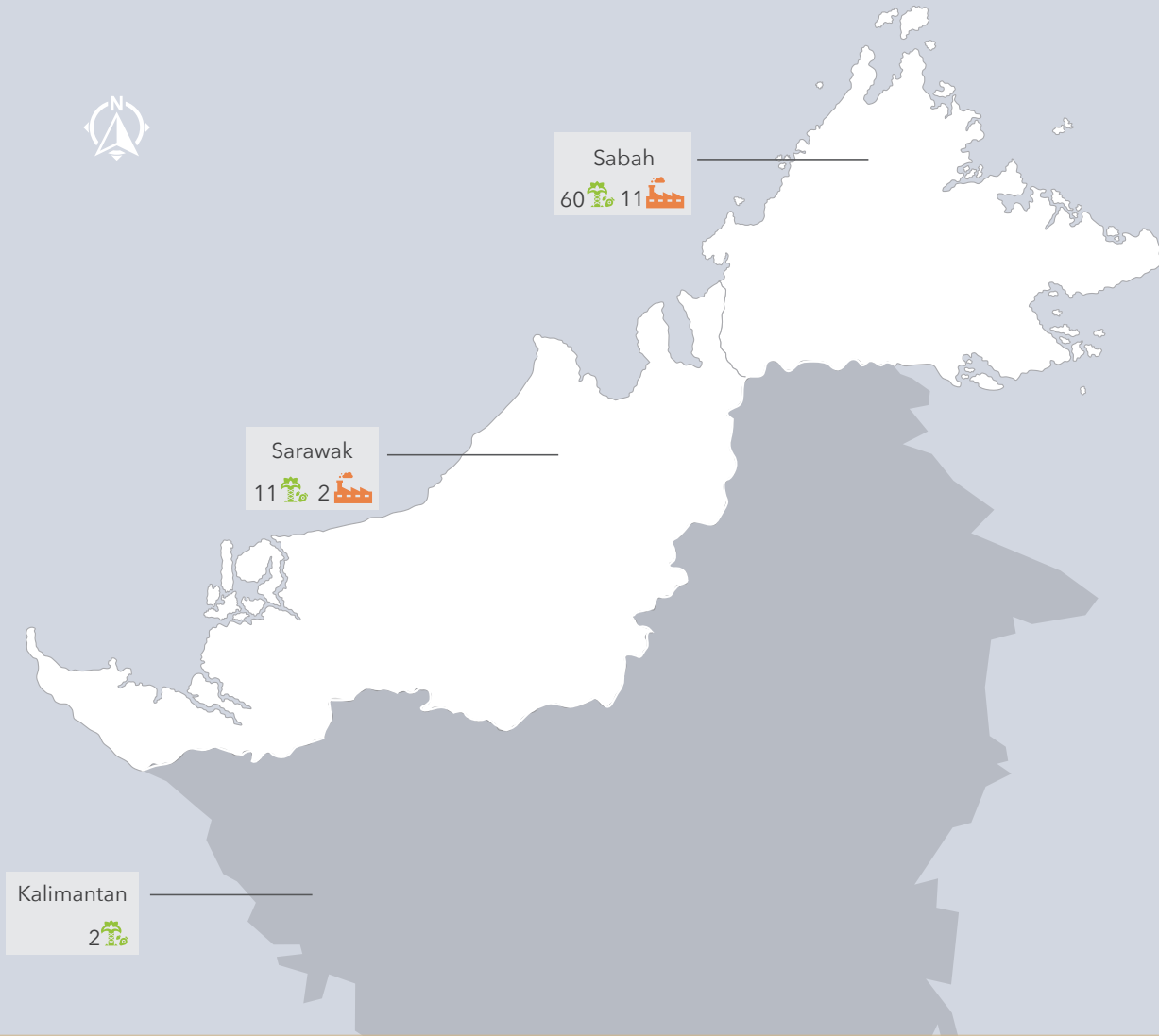
PLANTATION DETAIL



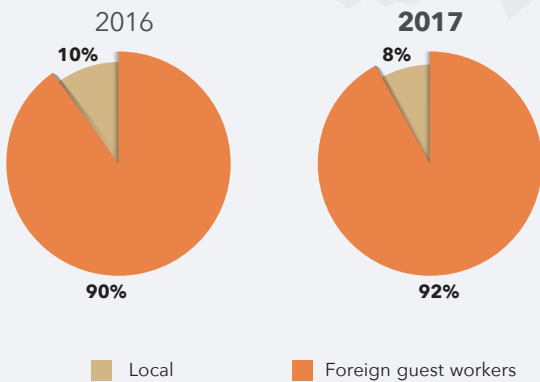
PLANTATION LAND MANAGED (HA)



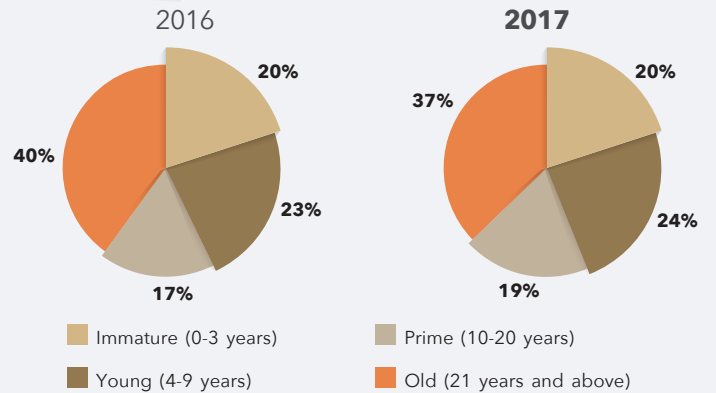
* Exclude 42,000 Ha of landbanks held under joint venture.



DISTRIBUTION OF WORKERS EMPLOYED (ESTATES)



DISTRIBUTION OF PALM AGE (% OVER TOTAL LAND)



OUR VALUE CHAIN

OUR BUSINESS ACTIVITIES THAT CREATE VALUE

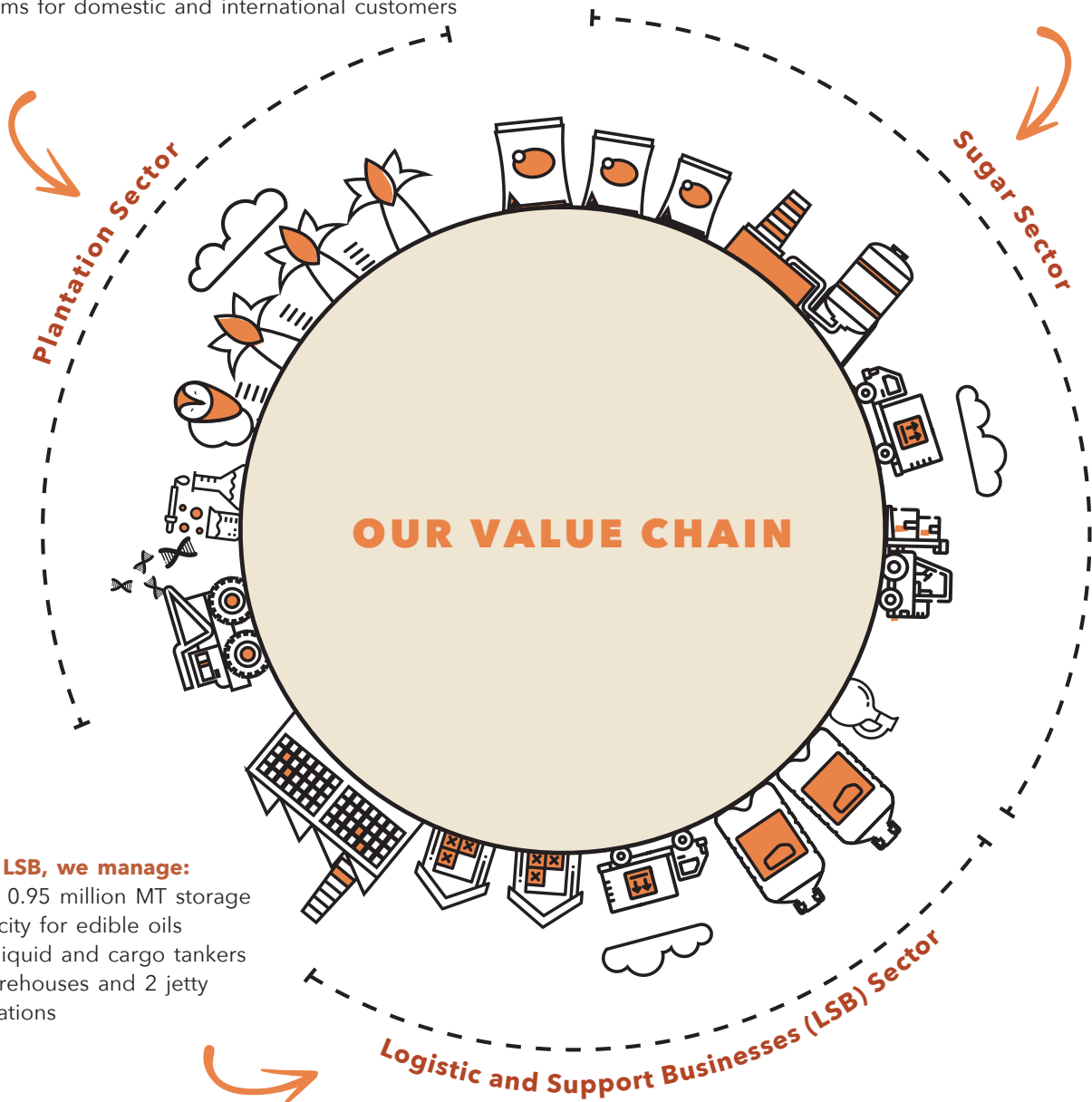
On an Annual Basis:

- ▶ We process 15 million MT of FFB to produce 3 million MT CPO and 0.80 million MT of PK
- ▶ We produce 0.39 million MT of CPKO
- ▶ We sell 61% of our CPO to the market
- ▶ We refine 39% of CPO internally to produce palm olein, industrial and specialty fats for industrial usage and consumer consumption

In 2017, we increased our Stock Keeping Units to 143 items for domestic and international customers

Through MSM Malaysia Holdings Berhad (MSM):

- ▶ We produce more than 1 million MT refined sugar annually for domestic and export markets
- ▶ We export 14% of our sugar to countries like Singapore, Papua New Guinea, Hong Kong, New Zealand and South Korea
- ▶ We produce seven types of products from sugar for the domestic market



Under LSB, we manage:

- ▶ Over 0.95 million MT storage capacity for edible oils
- ▶ 433 liquid and cargo tankers
- ▶ 3 warehouses and 2 jetty operations

CORPORATE GOVERNANCE

Our Board of Directors is the highest governing body of FGV and is responsible for the strategic direction of the Group. The Board is made up of Directors who are subject matter experts and bring to the table a wide range of skills and qualifications including their financial, governance, legal and corporate acumen, expertise in mergers and acquisitions, knowledge on public policy and regulatory matters, as well as global experience.

As of 31 December 2017, our Board chaired by Datuk Wira Azhar Abdul Hamid, had 11 members, the majority of whom were Independent Directors. In line with our aspiration to have greater gender diversity on our Board, we had two female Directors on the Board as at 31 December 2017. The Board is supported by FGV's Management team that is responsible for the execution of the Group's strategy and operation.



For more details on our corporate governance structure and process, please refer to FGV's Annual Integrated Report 2017 on page 63

OUR CORPORATE GOVERNANCE CULTURE

The Board is committed to ensure there is a strong and effective system of corporate governance in place to support the successful execution of FGV's Strategy. We have in complied with the majority of provisions and applied the main principles of the Malaysian Code on Corporate Governance 2017 (MCCG 2017).



The Governance Overview Statement should be read in conjunction with our Governance Report Card, which is available online at <http://www.feldaglobal.com/our-company/corporate-governance/>

The Board recognises that a healthy corporate culture is fundamental to FGV's business and strategy. FGV's corporate culture is defined through our Constitution, the Board Charter, our various Business Principles and the Code of Business Conduct and Ethics for Employees (CoBCE). Together, these elements set out what we require from our employees and how we expect business to be carried out. By embedding "The FGV Way" into our processes, we are building a culture of speed, simplicity and trust. FGV's culture is not static and has evolved over time, reflecting the changing environment we operate in.

CORPORATE INTEGRITY

FGV does not support bribery and corruption in any form and we are committed to behaving professionally, fairly with integrity in all our business dealings. Since the signing of the Malaysian Corporate Integrity Pledge on 9 April 2012, FGV remains firm in upholding the principles of integrity as a well as to creating a business environment and value chain that is free from corruption and in compliance with laws and ethical values.

The Group is deeply committed to complying with and executing the Directors' Code of Ethical Compliance (CoEC), Code of Business Conduct and Ethics for Employees (CoBCE), Code of Business Practice (CoBP), External Gift, Entertainment and Hospitality Policy (GEH), Asset Personal Interest Declaration Policy (APID), Whistleblowing Policy and Procedures, the Corporate Integrity Pledge, the Integrity Pact and FGV Integrity Plan. As we do this, we are steadfast in ensuring FGV's success by:

- (a) Upholding FGV's core values - PRIDE - which encompasses the values Partnership, Respect, Integrity, Dynamism and Enthusiasm;
- (b) Delivering on our promise of quality products and services to customers;
- (c) Performing to the best our abilities at global standards, whilst continuously improving the quality of our products and services;
- (d) Adhering to all laws, policies, procedures, rules, regulations and guidelines, and
- (e) Adopting an open and honest attitude in all aspects



More information on the CoBCE, CoBP, GEH Policy, APID Policy, Whistleblowing Policy and the Board Charter can be found in the Corporate Governance Report on in FGV's website, <http://www.feldaglobal.com/our-company/corporate-governance/>

CORPORATE GOVERNANCE



FGV signs SPRM's Corruption-Free Pledge

SUSTAINABILITY GOVERNANCE

At FGV, the Board of Directors has oversight for and sets the tone for the Group's Governance structure. The Board is accountable for our Sustainability strategy and performance as well as for ensuring that FGV's Strategic Plan (SP20 (V2)) takes into account the Sustainability of the Group's business with attention given to the environmental, social and governance aspects of the business.

The Board Governance & Risk Management Committee (BGRMC), which reports directly to the Board, receives quarterly updates on Sustainability matters and escalates this information to the Board. This enables the Board to fulfil its role in reviewing the adequacy and integrity of the Group's internal control systems and our compliance with applicable laws and regulations.

The Group President / Chief Executive Officer (GP/CEO) of FGV has the overall management responsibility for Sustainability. He provides strong stewardship towards incorporating Sustainability into our business practices and places and emphasis on Sustainability beyond compliance which takes into account the proper identification, evaluation, monitoring and management of EES risks and opportunities. Meanwhile, the Chief Strategy Officer (CSO) oversees the overall operational Sustainability performance of the Group.

Sustainability actions and the implementation of the various initiatives are cascaded down to the business units through the Group Sustainability & Environment Department (GSED) under the purview of the CSO. The Head of the GSED assists the CSO to ensure our overall Sustainability performance by executing the Sustainability strategy, overseeing the functions under the GSED and recommending the necessary documents to the Sustainability Steering Committee, Executive Committee (EXCO), the BGRMC and the Board.

As most of our Sustainability issues revolve around our Plantation Sector, we have formed a Sustainability Steering Committee (SSC) in 2017. The SSC is task to look into the day-to-day management of Sustainability matters and to address emerging operational issues expeditiously. This SSC is chaired by the Chief Operating Officer (COO) of the Plantation Sector.

CORPORATE GOVERNANCE

Sustainability Governance Structure



SUSTAINABILITY JOURNEY

2016 - 2017

- Withdrawal of all RSPO certificates in May 2016 and subsequently received own RSPO membership in December 2016
- Audited 16 complexes and certified eight complexes to RSPO certifications in 2017
- Rolled out the Group Sustainability Policy (GSP)
- Signed a Memorandum of Agreement (MoA) with Sabah Forestry Department (SFD) for a Tree Planting Programme
- Signed a Memorandum of Understanding (MoU) with SUHAKAM to improve FGV's SCHR practices
- Organised the 1st Labour Issues Workshop on Oil Palm Plantations
- Executed the Social Compliance and Human Rights (SCHR) Action Plan
- Undertook a joint venture with Universiti Teknologi Malaysia (UTM) to develop a Mill Sustainability Index
- Rehabilitated and released a total of 33 sun bears into their natural habitat under the Sun Bear Conservation Programme (SBCP)
- Installed a total of 3,250 boxes for passport safe keeping at 17 estates

2014 - 2015

- Introduction of barn owls (biocontrol agent for rats) in Sabah - 1st successful captive breeding of barn owls in Sabah
- FGV's 1st Sustainability Report published
- Tree Planting Programme in PUP
- Announcement of NDPE policies
- 1st Bio-CNG Plant launching ceremony at Felda Sg. Tenggi
- Embarked on the sun bear and *Rafflesia* conservation programme
- MSPO for Smallholders and mills certifications

2012 - 2013

- 1st RSPO Group certification for 2,100 Smallholders
- 1st integrated ISO certification for estates
- 1st review of Oil Palm Sustainability Manual
- Partnered with consumer goods companies and NGOs in a supply chain risk mapping exercise
- 1st export of biodiesel from Kuantan plant for the foreign market

2009 - 2011

- 1st RSPO audit
- Semenchu – commission of 1st fuel pellets from EFB
- Received 1st ISCC certification-1st integrated ISCC certification in Southeast Asia
- Commissioned 1st biogas methane capturing facility in mills

2004 - 2008

- Became a member of RSPO
- Commissioned the biomass power plant in Sabah – 1st Clean Development Mechanism Project in the world that runs entirely on Empty Fruit Bunches (EFB)
- Among the pioneers to test RSPO P&C implementation in mills
- Commercial production of Metarhizium (biocontrol) for beetle control

2000 - 2003

- Integrated EMS, QMS & OSHAS system implementation in all palm oil mills
- Among the 1st few plantation organisations involved in the formation of RSPO

1980 - 1995

- QMS (ISO 9001 implementation in mills)
- EMS & OSHAS, HCCAP certification in mills and downstream
- Implementation of zero burning in plantations



SUSTAINABILITY AT FGV

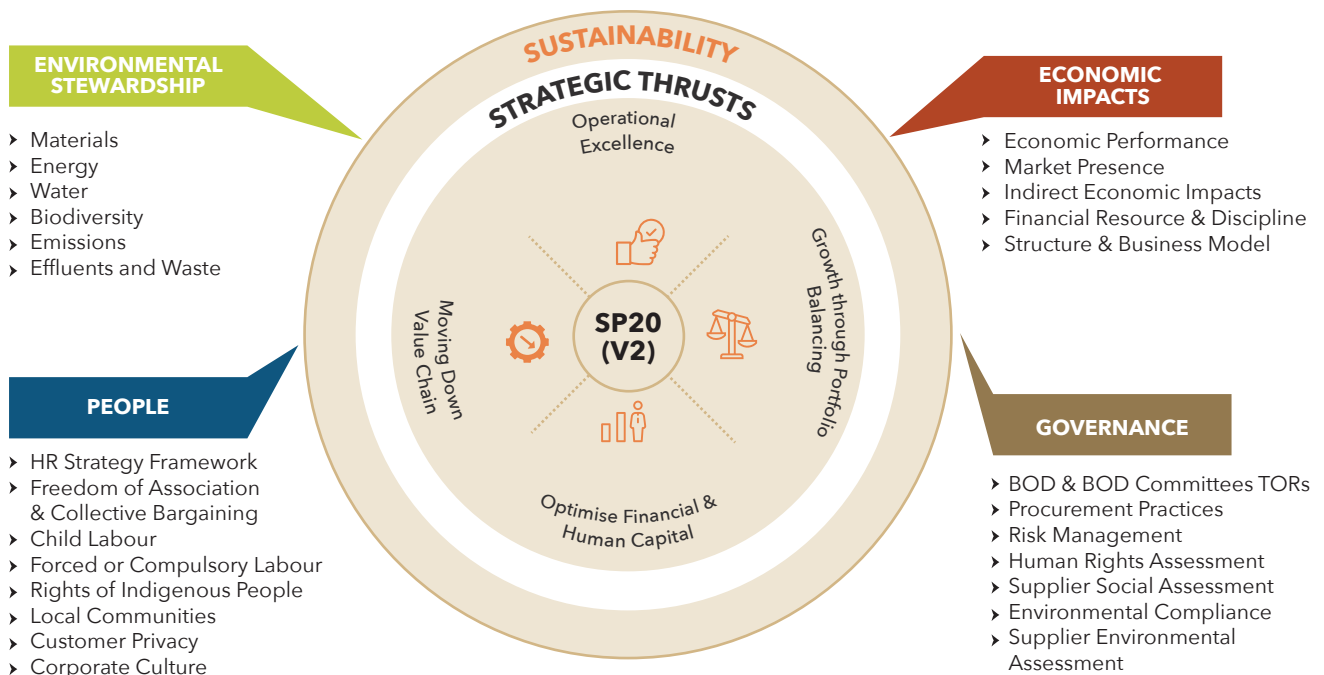
Sustainability remains a top priority and business imperative for the Group and is essential to our long-term success. Our Sustainability efforts are not only geared towards growing our business optimally, but on simultaneously delivering tangible social value creation, whilst using natural resources responsibly, and maintaining sound relationships with our Stakeholders.

EMBEDDING SUSTAINABILITY WITHIN OUR ORGANISATION

Today, the global market is undergoing change at a pace never experienced before. Change is being driven by the Industry 4.0 evolution, increasingly complex regulatory environments and Sustainability pressures coupled with discerning and increasingly sophisticated consumers - all of which are forcing global agri-commodity players to become more agile, innovative and sustainable to simply survive.

Against this backdrop, the Group's Strategic Plan (SP20 (V2)), which guides the holistic development of our business strategies and goals, embeds Sustainability into every aspect of our business operations. The revised Group's vision statement - "To be among the World's Leading Integrated and Sustainable Agribusiness that Delivers Value to Customers and Stakeholders especially the Smallholders" - underscores this revised ambition. This will help to ensure that our drive to achieve our economic goals is balanced out with efficient resource utilisation and strict adherence to corporate guardrails. With its inclusion in the SP20 (V2), Sustainability is now an integral part of our corporate culture and value creation activities.

To propel us forward on our Sustainability journey, we have introduced the Group Sustainability Policy (GSP) which is applied across the Economic, Environmental and Social (EES) components of our business as well as the day-to-day operations of the Group, its subsidiaries and contractors. As we adopt a holistic approach to business management through upholding EES principles, we continue to work closely with our various Stakeholders to identify and address Sustainability matters that substantially influence their decision-making.



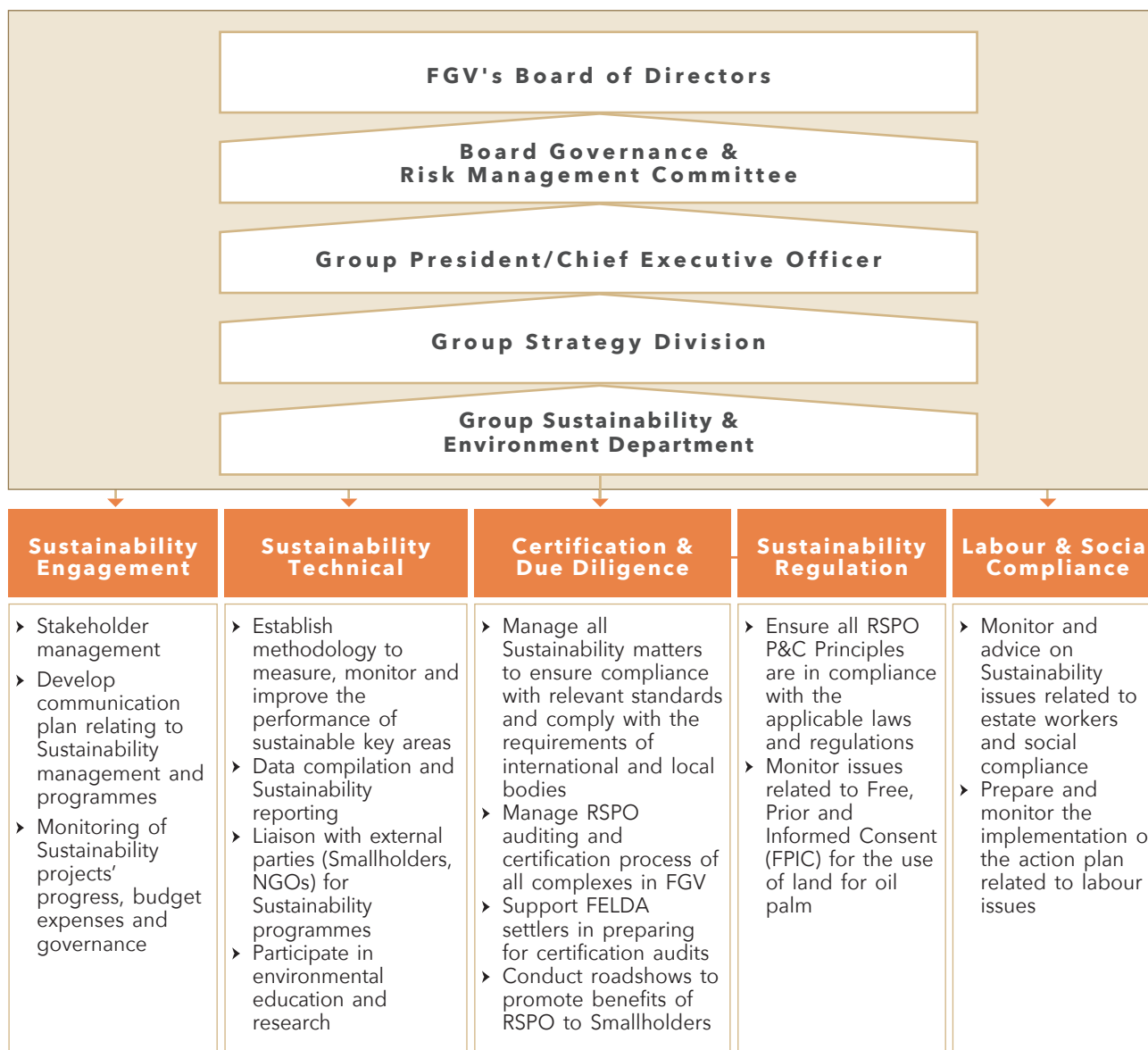
Embedding Sustainability into SP20 (V2) - Balancing the Goals, Resources and Guardrails

GROUP SUSTAINABILITY & ENVIRONMENT DEPARTMENT (GSED)

ROLES, STRUCTURE AND ACTIVITIES

Established in 2016, the Group Sustainability & Environment Department or GSED's main roles include:

- ▶ Developing, implementing and monitoring environmental strategies, policies and programmes that promote sustainable development in FGV;
- ▶ Reviewing the business operations, carrying out environmental audits and assessments, identifying and resolving environmental problems and ensuring the necessary changes are implemented, to enable FGV maintain its licence to operate and drive business growth; and
- ▶ Conducting Stakeholder engagement activities and reporting environmental performance to internal and external Stakeholders.



GROUP SUSTAINABILITY & ENVIRONMENT DEPARTMENT (GSED)

SUMMARY OF GSED ACTIVITIES IN 2016/2017

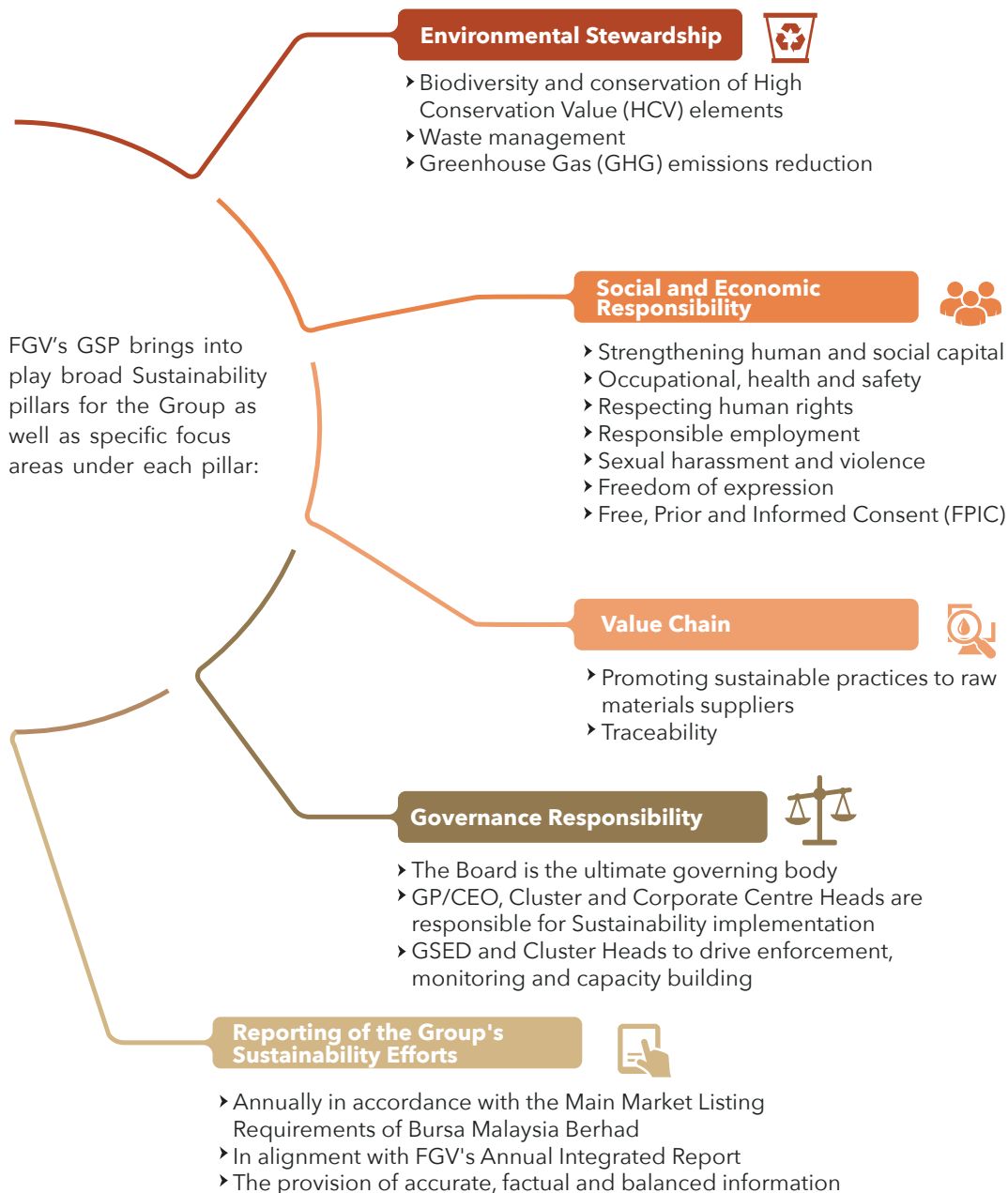
Key GSED activities in 2016	Key GSED activities in 2017
<p>Certification and Due Diligence</p> <ul style="list-style-type: none"> ▶ Undertook Sustainability certification: <ul style="list-style-type: none"> > RSPO certification: 58 complexes; > ISCC certification: 5 mills; and > MSPO certification: 3 complexes. ▶ Timber Tree Planting programme with Sabah Forestry Department in Sahabat 54. ▶ Memorandum of Understanding (MoU) signing ceremony with Sabah Forestry Department in Kota Kinabalu. ▶ Obtained FGV RSPO membership in December 2016. ▶ Engagement with Tanjung Sosor community to address HCV clearance in PT CNP. ▶ Meeting with Begahak community to address community conflict in our supply chain. 	<p>Certification and Due Diligence</p> <ul style="list-style-type: none"> ▶ ISCC certification for 7 mills. ▶ Received RSPO certification for 8 complexes. ▶ Soft launch of SPOMS (Traceability of Product, FGV-ToP and Audit Integrated Management System, FGV-AIMS). ▶ RSPO Awareness Programmes involving 74 contractors ▶ RSPO training conducted for all levels of management. ▶ 2nd phase of tree planting (5,000 trees) in Sahabat, Sabah. ▶ Coordinated third party verification assessment in PT TAA and PT CNP. ▶ Meeting with <i>Badan Restorasi Gambut</i> on peat issue in Kalimantan.
<p>Sustainability Regulations</p> <ul style="list-style-type: none"> ▶ Monitored the Free, Prior and Informed Consent (FPIC) issues for the use of land for oil palm. ▶ Liaison with external parties on matters to facilitate the implementation of the human rights frameworks defined in the Universal Declaration of Human Rights (UDHR) and the International Labour Organisation's (ILO) Core Conventions to ensure that the working conditions are non-exploitative. 	<p>Sustainability Regulations</p> <ul style="list-style-type: none"> ▶ The development of a National Master Listing based on the Annexure to the RSPO P&C. ▶ The development of an International Master Listing based on the Annexure to the RSPO P&C. ▶ Developed the Legal Register for National Laws and Regulations (210 Acts and regulations). ▶ Developed the Legal Register for International Conventions (37 conventions) by phases. ▶ Developed the Compliance Monitoring Log Report (CMLR) based on the aforesaid National and International Master Listings. ▶ Quality representative for ISO 9001:2015 and coordinator of the GSED Risk Register. ▶ Reviewed agreements and documentation related to Sustainability matters.

GROUP SUSTAINABILITY & ENVIRONMENT DEPARTMENT (GSED)

Key GSED activities in 2016	Key GSED activities in 2017
<p>Sustainability Technical</p> <ul style="list-style-type: none"> ▶ Study on stream water quality in palm oil growing regions in FGV. ▶ Collaborated on JV research with Universiti Teknologi Malaysia on Mill Sustainability Index and Universiti Kebangsaan Malaysia on Water Stress Index Study. ▶ Developed four new procedures on zero burning, new acquisition of land, peat management and HCV management. ▶ Rehabilitated and released 10 sun bears back into the wild through the Sun Bear Conservation Programme (SBCP). ▶ Established four Citizen Action Groups (CAG) to engage local communities in managing environment/HCV elements better. ▶ Ground-breaking ceremony of the Rafflesia Research Conservation & Interpretive Centre (RCIC). ▶ Published FGV's 2nd Sustainability Report. 	<p>Sustainability Technical</p> <ul style="list-style-type: none"> ▶ Established the 5th CAG in Gerik to engage local communities in managing environment/HCV issues collectively. ▶ Development of Standard Operating Procedures (SOPs) and Terms of Reference (TORs) for CAG members. ▶ Rehabilitated and released eight sun bears back into the wild/natural habitat through the Sun Bear Conservation Programme (SBCP). ▶ Identification of biological diversity through the Oil Palm Ecosystem Project in Pusat Perkhidmatan Pertanian Tun Razak (PPPTR), Pahang. ▶ FGV mill risk mapping for site verification. ▶ Policies and SOPs review (Sustainability-related).
<p>Sustainability Engagement</p> <ul style="list-style-type: none"> ▶ Organised the Labour Issues Workshop on Oil Palm Plantations which saw participation from various key industry players, NGOs and Government organisations. ▶ Attended the EU RSPO Roundtable event in Milan. ▶ Engaged with customers and participated in the panel session on labour issues at the RSPO Roundtable event in Bangkok, Thailand. ▶ Contributed article to UN Environment's <i>Our Planet</i> Magazine. ▶ Participated in Procter & Gamble's (P&G) Palm External Advisory Programme. ▶ Organised briefings and site visits for our customers, business partners and foreign embassies. ▶ Produced two Sustainability videos. ▶ Presented on Emerging Labour Issues at the ISCC Regional Stakeholder Dialogue in Penang. 	<p>Sustainability Engagement</p> <ul style="list-style-type: none"> ▶ Enhanced the FGV Group Sustainability Policy (GSP). ▶ Signed MoU between FGV, FELDA and SUHAKAM on Social Compliance and Human Rights (SCHR) for: <ul style="list-style-type: none"> > Action Plan on Support for Transformative Initiative; > Stakeholder consultation; > Capacity building programmes; and > Visit and monitoring activities. ▶ FGV inaugurated the long-term organisation-wide SCHR Action Plan project (Plantation Sector) focusing on social and human rights issues. ▶ Organised briefings and site visits for FGV's customers and business partners.
<p>Labour & Social Compliance</p> <ul style="list-style-type: none"> ▶ Installed 1,750 safety boxes for passport keeping project in 10 estates. ▶ Translated employment contract into five different languages. 	<p>Labour & Social Compliance</p> <ul style="list-style-type: none"> ▶ Translation of payslips into Bengali, Tamil, Nepali, Tagalog and Bahasa Indonesia. ▶ SCHR Action Plan initiatives to mitigate labour issues based on five main aspects: <ul style="list-style-type: none"> > Forced and bonded labour > Employment contract > Unethical recruitment > Minimum wage > Health and safety

GROUP SUSTAINABILITY POLICY (GSP)

With the rollout of the new SP20 Strategic Blueprint in 2016, the Group developed a Group Sustainability Policy (GSP) covering all business clusters. The GSP's mandate is to create trust and long-term value for the Group, our Shareholders and our Stakeholders; to execute the Group's strategy in addressing EES impacts and opportunities; to achieve business and operational excellence; and to ensure compliance with the laws and regulations of the respective jurisdictions.



 Full GSP can be read at <http://www.feldaglobal.com/sustainability/sustainability-governance/sustainability-policies/>

STAKEHOLDER ENGAGEMENT

FGV remains committed to strengthen ties with our diverse Stakeholders through undertaking effective engagement activities and addressing issues that affect their interests.

The following table lists the Stakeholder groups that FGV engages with. It outlines our approach to Stakeholder engagement, including the means or platform through which engagement is carried out, the frequency of engagement, and the key topics and concerns that have been raised. It also shows how the organisation has responded to those key topics and concerns through our reporting.

Stakeholders Group	Engagement Methods	Frequency	Key Topics and Concerns
Employees	<ul style="list-style-type: none"> ▶ Periodical Sustainability issues updates through email blasts and FGV's Sustainability webpage ▶ Awareness training through Stakeholder consultations for settlers ▶ Management meetings 	Monthly, quarterly basis	<ul style="list-style-type: none"> ▶ FGV Group Sustainability Policy (GSP) ▶ RSPO & MSPO certifications
FELDA Settlers	<ul style="list-style-type: none"> ▶ Meetings with FELDA scheme managers ▶ Sustainability awareness training sessions ▶ FGV Stakeholder consultations 	Monthly, quarterly basis	<ul style="list-style-type: none"> ▶ RSPO & MSPO certifications ▶ Grading and prices of FFB ▶ Tackling oil palm diseases ▶ Presence of foreign guest workers in the estates ▶ Understanding environmental impact from mill operations ▶ Compliance with SOPs ▶ Climate change ▶ Crop failure
Investors	<ul style="list-style-type: none"> ▶ Quarterly investor briefings ▶ Circulars/notices ▶ Annual general meetings 	Annually	<ul style="list-style-type: none"> ▶ Group financial performance ▶ Global business strategy ▶ Governance
Government Statutory Bodies	<ul style="list-style-type: none"> ▶ Stakeholder consultations ▶ Awareness training sessions ▶ Dialogues sessions ▶ Sharing of expertise ▶ Collaboration through MoUs 	Quarterly basis	<ul style="list-style-type: none"> ▶ Support for the Transformation Initiative on SCHR Action Plan ▶ Social and human rights issues focusing on foreign guest workers' minimum wage
Government Regulatory Bodies	<ul style="list-style-type: none"> ▶ Periodical inspections ▶ Stakeholder consultations 	Annually	<ul style="list-style-type: none"> ▶ Compliance with: <ul style="list-style-type: none"> > Environmental emissions and discharge regulations > Security practices > Labour practices > Health practices

STAKEHOLDER ENGAGEMENT

Stakeholders Group	Engagement Methods	Frequency	Key Topics and Concerns
NGOs	<ul style="list-style-type: none"> ▶ Face to face meetings ▶ Working group meetings ▶ Email enquiries ▶ Conference calls ▶ Corporate Social Responsibility (CSR) initiatives with respective NGOs ▶ Training sessions and meetings with RSPO Working Groups 	Monthly, quarterly basis	<ul style="list-style-type: none"> ▶ Allegations from: <ul style="list-style-type: none"> > Chain Reaction Research: Planting on peat and deforestation > Greenpeace: High Carbon Stock (HCS) approach > Rainforest Action Network (RAN): Updates on GSP issues
Customers	<ul style="list-style-type: none"> ▶ Periodical meetings and conference calls ▶ Periodical Sustainability issue updates through email blasts and FGV's Sustainability webpage ▶ Email enquiries ▶ Field visits to FGV plantations and FELDA complexes 	Monthly, quarterly basis	<ul style="list-style-type: none"> ▶ Social and human rights issues ▶ Kalimantan peat development plan ▶ RSPO withdrawal and re-certification process ▶ RSPO time-bound plan ▶ Grievance mechanism ▶ Revised GSP and future policies ▶ HCS approach
Suppliers	<ul style="list-style-type: none"> ▶ Contract briefing and training sessions ▶ Contract negotiations ▶ Vendor registrations ▶ Site visits/meetings ▶ Annual procurement ▶ Integrity assessment 	Quarterly basis	<ul style="list-style-type: none"> ▶ Education on the following revised documents: <ul style="list-style-type: none"> > Employment contracts > Salary slips > Minimum wage > Personal Protection Equipment (PPE) service delivery ▶ Project scope and payment schedule ▶ Pricing of services ▶ Sustainable standards
JV Partners	<ul style="list-style-type: none"> ▶ Periodical updates on FGV's Sustainability webpage and email blasts ▶ Conference calls ▶ Management meetings ▶ Face to face meetings ▶ Email enquiries 	Monthly, quarterly basis	<ul style="list-style-type: none"> ▶ Social and human rights issues ▶ Kalimantan peat development plan ▶ RSPO withdrawal and re-certification process ▶ RSPO time-bound plan ▶ Grievance mechanism ▶ Revised GSP and future policies ▶ HCS approach

MATERIALITY ASSESSMENT

OUR APPROACH

FGV aims to present a holistic and accurate view of our strategic thinking and responses to the issues in our operating landscape. These issues are significant to our Stakeholders and may impact our long-term value creation.

Several factors were taken into account in identifying the key material matters for the year under review, including:

- ▶ Material matters in 2016;
- ▶ Issues highlighted by our key Stakeholders in previous engagements;
- ▶ Significant issues discussed during our Board meetings;
- ▶ The most significant risks highlighted in our risk register; and
- ▶ Issues relating to global megatrends and Sustainable Development Goals (SDG).

The above formed the first step in this four-part process:

1 Identify Material Matters

We performed a preliminary round of interviews and engagements, studied our risk register listings, industry research publications and other factors that should be considered in determining issues of significance. This served to achieve a balance between consistency and the injection of new perspectives into the process.

2 Interview Key Stakeholders

A total of 57 interviews were conducted with key internal and external Stakeholders, where they ranked the identified issues according to how important they were to the Stakeholders. This provided us a better understanding of their concerns and perspectives, whilst unearthing several new material issues.

3 Develop Materiality Matrix

Stakeholders' rankings were then collated and presented in the materiality matrix shown on the right. These issues were also mapped to our corporate Sustainability pillar (Economic, Environmental and Social) in line with the holistic approach, we take to the formulation of our business strategies.

4 Validation Materiality Matrix

The matrix was then reviewed and validated by senior management personnel to check for completeness and ensure all angles have been covered.

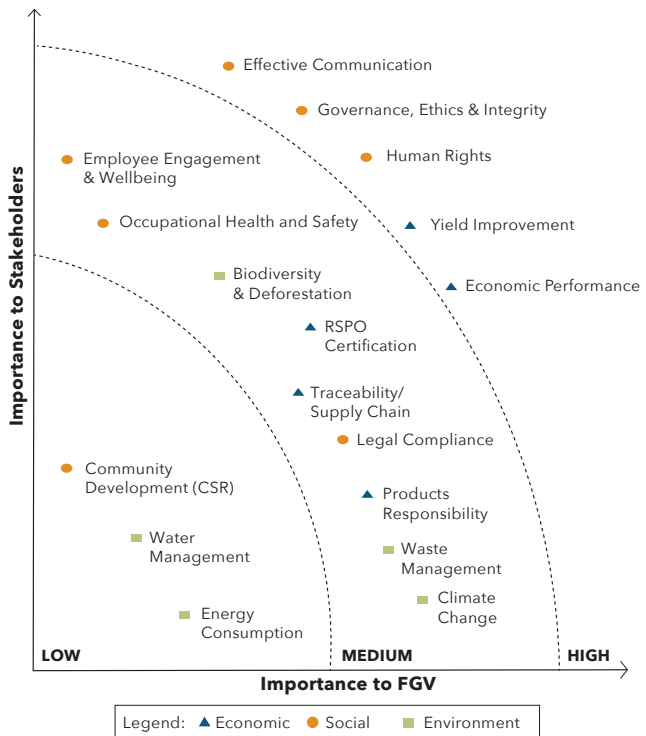
AN OVERVIEW OF OUR MATERIAL MATTERS

The significant issues that could impact our ability to create value are presented in the matrix below. The issues on the top-right quadrant are most important to our Stakeholders and business. The top five material issues are Yield Improvement; Economic Performance; Governance, Ethics & Integrity; Effective Communication; and Human Rights.

The material issues for the period under review differed somewhat in importance from the previous Sustainability Report. As FGV is now embarking into its third year of producing the Integrated Report, FGV's management decided to streamline the materiality assessment for the whole Group. From 2017 onwards, the Report will adopt the Group's materiality assessment, which covers the EES elements as a way for the organisation to become more sustainable and contribute to a sustainable global economy.

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

MATERIALITY MATRIX














For further details, please refer to the table overleaf and the details of the materiality assessment in FGV's Annual Integrated Report 2017

MATERIALITY ASSESSMENT

KEY MATERIAL ISSUES AND MITIGATING MEASURES

Material Issues	Sustainable Development Goals (SDG)	Risks	Mitigating Measures
Yield Improvement	  	<ul style="list-style-type: none"> ▶ Erratic weather conditions disrupting the growth of palm oil fruits. ▶ Ageing oil palm profile affecting overall palm oil yield. ▶ Shortage of foreign guest workers to work in the estates. ▶ High dependency on human skills for operational activities. ▶ Shrinking market share locally and globally. 	<ul style="list-style-type: none"> ▶ Focus efforts on best practices in the maintenance of our estate's infrastructure including using innovative irrigation methods to mitigate the impact of harsh weather. ▶ Replanting programme has been ongoing since 2009 and will continue until the age profiles of our plantations reach ideal levels. ▶ Continuously foster close collaborations with relevant local and foreign authorities to have more varied access to foreign guest workers, including those from Indonesia, Bangladesh and India. ▶ Increase mechanisation techniques to reduce dependency on labour. ▶ Progressively review and strengthen our marketing strategy and approach. We have also embarked on the innovation of our Downstream products to diversify our income stream.
Economic Performance	 	<ul style="list-style-type: none"> ▶ Fluctuation of local and international commodity prices affecting prices of FFB, CPO and other palm oil-based products. ▶ Volatility of raw sugar price. ▶ Volatile foreign exchange movements. ▶ Escalating operational costs. 	<ul style="list-style-type: none"> ▶ Strict estate cost management to achieve savings and lower our break-even point, allowing margins even during periods of low CPO prices. ▶ Continually engage with the Government on refined sugar ceiling price, to mitigate the impact of scenarios where raw sugar prices reach untenable levels. ▶ Apply a strict hedging policy to reduce exchange rate exposure through specific hedging mechanisms. Controls and a monitoring oversight framework are in place to ensure risk associated with foreign exchange transactions are consistently and actively managed. ▶ Concerted drive towards cost containment and reduction across the Group. Budgets are closely scrutinised and monitored, ensuring continued adherence.

MATERIALITY ASSESSMENT

Material Issues	Sustainable Development Goals (SDG)	Risks	Mitigating Measures
Governance, Ethics and Integrity	  	<ul style="list-style-type: none"> ▶ Adverse reputational impact arising from perceived weakness in internal governance. ▶ Potential loss arising from inadequate internal controls. 	<ul style="list-style-type: none"> ▶ Ensure that the Group complies with the latest requirements of the Companies Act 2016 and Malaysian Code on Corporate Governance (MCCG 2017), as well as Bursa Malaysia’s Main Market Listing Requirements (MMLR). ▶ Enhance the Group’s governance through instituting comprehensive and more stringent policies and procedures across the Group.
Effective Communication	  	<ul style="list-style-type: none"> ▶ Distorted market perception related to past unsuccessful business transactions and ventures. ▶ Land Lease Agreement (LLA) considerations. 	<ul style="list-style-type: none"> ▶ Frequent engagements with key Stakeholders (e.g. employees, FELDA settlers, investors, customers) to provide them with updates and first-hand information related to the Group. ▶ Focus on maintaining a cordial relationship with FELDA (the biggest Shareholder) and strive to meet our Shareholders’ expectations so that questions on LLA do not arise.
Human Rights	    	<ul style="list-style-type: none"> ▶ Loss of opportunity in RSPO market due to non-certification status. ▶ Not meeting Sustainability standards result in adverse reputational repercussions that can impact FGV’s wider businesses. 	<ul style="list-style-type: none"> ▶ Group Sustainability & Environment Department (GSED) has introduced structural, systematic and customised programmes which include detailed action plans to achieve RSPO certification by 2021. ▶ Communicate with key Stakeholders (e.g. FELDA settlers, investors, customers, NGOs) to address any issues related to Sustainability.

SUSTAINABILITY RISK MANAGEMENT

The following are some risks we have identified that may impinge upon the Sustainability of our business. We spell out how we are taking the relevant measures to mitigate these risks.

Risk Description	Mitigation Measures
Incomplete profile of FFB supply base along the supply chain	<ul style="list-style-type: none"> › Monitoring the Traceability of Product (FGV-ToP) which is a part of the Sustainable Palm Oil Management System (SPOMS) for FFB supply base. › Regular engagement with relevant departments.
Likelihood of non-compliance to the Company's Standard Operating Procedures (SOPs) and relevant legislation	<ul style="list-style-type: none"> › Developing corrective action plans. › All operating units to update the Non-Conformance Reportings (NCRs) based on corrective actions. › Monitoring reports of non-conformance disclosures.
Impacts of RSPO New Planting Procedure (NPP)	<ul style="list-style-type: none"> › Establishing SOPs for due diligence and NPP. › Monitoring the assessment needed for NPP. › Reviewing the requirements with Land Management Unit (LMU) and the Replanting Department.
Lack of compliance on legal requirements	<ul style="list-style-type: none"> › Developing master listing for laws. › Reviewing applicable legal requirements by complexes. › Establishing SOPs for Sustainability requirements.
Lack of commitment of contractors	<ul style="list-style-type: none"> › Conducting training and roadshows on RSPO certification. › Assessment on commitments of contractors' contracts.
Stakeholder's issues/concern are not listed in the Customer Grievance List	<ul style="list-style-type: none"> › Developing internal and external grievance SOPs and procedures. › Consultations with internal and external Stakeholders.
Addressing allegations of human rights abuses	<ul style="list-style-type: none"> › Improving data gathering procedures. › Updating the records of contractors' workers. › Reviewing the policy and SOPs on human resources practices. › Engaging SUHAKAM and external consultants for advice.
Recruitment practices of foreign guest workers	<ul style="list-style-type: none"> › Developing supplier guidelines for responsible business conduct. › Enforcement and control by monthly reporting.
Lack of competence and skills of Emergency Response Team (ERT) members	<p>Implementation of effective Emergency Response Programmes such as:</p> <ul style="list-style-type: none"> › ERT induction › Fire drill exercises › Engagement with Fire and Rescue Department of Malaysia
Lack of awareness on Health, Safety and Environment (HSE) measures among FGV's employees	<p>Organise Health, Safety and Environment (HSE) Awareness Programmes for all FGV's employees such as:</p> <ul style="list-style-type: none"> › FGV email blasts on related topics in HSE › Conduct HSE awareness campaigns and training › Workplace inspection › Safety talks by HSE expert and FGV's top management › Safety toolbox talk during roll call

PERFORMANCE SCORECARD

FGV SUSTAINABILITY TARGETS AND ACHIEVEMENTS 2016/2017

TARGETS	TARGET YEAR	ACHIEVEMENTS		REMARKS
		2016	2017	
(A) Governance				
Roll out Group Sustainability Policy (GSP)	2017	GSP was made public on August 2016	Enhancements to the GSP were made in August 2017	To streamline Sustainability initiatives in FGV and communicate our commitment to our Stakeholders
Establishment of grievance mechanism system	2017	-	The grievance mechanism is being reviewed for coherence with the relevant international conventions/guidelines and its practicality for implementation	To provide a transparent, open and predictable process for dealing with issues across FGV supply chains
100% traceable to palm oil mills (Phase 1)	2017	PKO - 100% traceable CPO - 100 % traceable	PKO - 100% traceable CPO - 100 % traceable	Only for physically handled oil
100% traceable to plantations for FGV-owned mills	2021	Mapping the FGV FFB dealers network	Prioritise high-risk mills for traceability exercise	To better understand risks associated with our suppliers' operations
Develop traceability system for our supply base	2025	Developed the FGV-ToP in 2016	FGV-ToP goes live in Jan 2017 phase 1 completed	To identify all our sources of FFB up to plantation and Smallholders level: <ul style="list-style-type: none"> ▶ Phase 1 - Traceable up to mill (Completed) ▶ Phase 2 - Traceable up to FGV estates and FELDA settlers ▶ Phase 3 - Traceable up to outgrowers and independent Smallholders
(B) Economic				
Achieve average Oil Extraction Rate (OER) of 20.50%	2018	Achieved 20.63%	Achieved 19.77%	Prolonged raining seasons in 2017 increase the water content in the FFB
Process 14,000,000 MT of FFB	2018	Processed 12.18 million MT due to disruption of extreme weather	Processed 14.43 million MT as crop production recovered nationwide	-
RSPO certification of all mill complexes in Malaysia	2021	Obtained separate RSPO membership from FELDA	Audited 16 complexes of which eight complexes are RSPO-certified as of Dec 2017	Based on new FGV Time-Bound Plan (TBP) as agreed with RSPO
Sustainability Awareness forum for Smallholders	Annually	Achieved	Achieved	To emphasise Sustainability requirements and Stakeholder expectation from palm oil producers

PERFORMANCE SCORECARD

TARGETS	TARGET YEAR	ACHIEVEMENTS		REMARKS
		2016	2017	
(B) Economic				
RSPO certification of FFB from associated Smallholders in Malaysia	2024	-	-	There were no associated Smallholders in the eight RSPO certified complexes
Sustainable certifications for the independently sourced FFB	2024	-	Provide trainings and awareness on GAP as the basis to start the certification initiative	This target is removed due to MSPO being mandatory for all oil palm producers
Prepare Smallholders for Sustainability certification	Annually	-	-	This target is removed due to the mandatory MSPO certification initiatives were taken over by MPOB
(C) Environment				
No expansion of HCV forest areas in new planting	2009	Achieved	Achieved	In FGV operations
No land expansion without Free Prior and Informed Consent (FPIC)	2009	Achieved	Achieved	-
No new acquisition in peat	2014	Achieved	Achieved	-
Average Biological Oxygen Demand (BOD) levels below 100 ppm in all mills	On-going commitment	Average of 75 ppm in all mills	Average of 78 ppm in all mills	-
No new planting on High Carbon Stock (HCS) areas	2017	-	Achieved	There were some allegations on FGV's operations which are still undergoing verification
Establish regional action groups to address environmental issues around FGV operational areas	2018	Established four CAG groups in Kuala Lipis, Terengganu, Sabah, Johor	Established fifth CAG in Gerik	The action groups are located in areas of high concern
Reduce GHG emissions by 25% from baseline emission in 2014	2020	Reduced emissions by 27% as compared to baseline figure in 2014	Reduced emissions by 70% as compared to baseline figure in 2014	As an initiative to reduce global warming

PERFORMANCE SCORECARD

TARGETS	TARGET YEAR	ACHIEVEMENTS		REMARKS
		2016	2017	
(C) Environment				
Identify all conservation sites in FGV operational areas	2021	Achieved	Achieved	Total of 11,923.20 Ha HCV area has been identified as of 2017
Eliminate paraquat use in general weed control	2021	Established policy on zero paraquat usage	-	Reduced gradually since 2015 and expecting to achieved target in 2018
Methane capture installed in 59 mills	2020	-	Installed 25 biogas plants as of Dec 2017	Given current financial limitations and management cost saving initiatives, the management has opted for the Built-Own-Operate/Build-Own-Operate-Transfer concept for installing methane capture facilities at mills
Water usage ratio of 1.2 MT of water for each MT of FFB processed at our mills	On-going commitment	1.34 MT of water per MT of FFB processed	1.27 MT of water per MT of FFB processed	Target has been revised from 1.0 MT to 1.2 MT of water per MT of FFB processed at our mills
Water quality assessment of major river systems within FGV operations	Annually	29 major river systems were analysed	16 major river systems were analysed	Monitoring is proceeding as scheduled as per FGV's RSPO certification process
(D) Social				
All employees paid above legal minimum wage	2016	Average wage per employee per month: <ul style="list-style-type: none"> ▶ Peninsular Malaysia: RM1,368 ▶ Sabah & Sarawak: RM1,234 	Average wage per employee per month: <ul style="list-style-type: none"> ▶ Peninsular Malaysia: RM1,522 ▶ Sabah & Sarawak: RM1,332 	-
Zero fatalities	2017	Five	Four	Including contractor workers
Develop Smallholder oil palm planting equivalent to at least 20% of the total area planted by FGVK	2017	In Progress	In Progress	Progress halted due to stop in development work
Allocation of 2% net profit to Yayasan Felda	Annual	Achieved*	Achieved	-

* This data point has been independently audited. Please refer to our Independent Assurance Report in FGV's Annual Integrated 2016 on pages 355-356

FORMALISING SUSTAINABILITY FOR NON-PLANTATION BUSINESSES

While FGV as a Group has been pursuing the agenda of Sustainability for some time now, it is our palm oil business that has gained much of the limelight due to the nature of the business. Given the emphasis on Sustainability which has now been embedded within the SP20 (V2), we are beginning to see our non-plantation businesses moving to formalise their Sustainability progress.

SUSTAINABILITY TRAINING WORKSHOP FOR NON-PLANTATION BUSINESSES

In July 2017, a Strategic Sustainability workshop customised for all non-plantation businesses was conducted. Participants for the workshop included all top management and key personnel from each business cluster. The workshop sought to take FGV's non-plantation businesses through the process of moving from an "operational approach" towards a more "strategic approach" in relation to Sustainability. The workshop focused primarily on a shared understanding of these businesses' material matters as well as the respective Economic, Environmental, and Social (EES) risks and opportunities. The sessions were divided into three parts with Part 1 covering the topic "Understanding Sustainability", Part 2 focusing on "Flagship Programmes", and Part 3 covering "Monitoring, Evaluation and Communication."

Participants were provided an overview of the new obligations and reporting framework that supports Sustainability disclosure today, namely the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines, and were taken through an assessment of current Sustainability practices at FGV, the strategies on how to scale up, plus a series of exercises relating to the mapping of material issues. By the end of the workshop, each non-plantation business cluster was tasked with identifying a Sustainability Flagship Programme which would help embed Sustainability elements within their respective operations.

Some of the Sustainability related flagship programmes are as follows:

Non-Plantation Businesses	Flagship Programmes
Milling and Refineries	<ul style="list-style-type: none"> › Focus on saving processing costs › Reduce energy consumption (fossil fuel/natural gas/electricity) › Optimise water usage › Use of rainwater for utility purposes › Implement effluent water recycling
Research & Development	<ul style="list-style-type: none"> › Development of biofertiliser › Utilisation of genomic tools to select low height increment, high yielding oil palm progenies
Logistics	<ul style="list-style-type: none"> › Reduce energy (fossil fuel/ natural gas) consumption › Improve average downtime for equipment

MILL SUSTAINABILITY INDEX

In 2016, in collaboration with Universiti Teknologi Malaysia, FGV began to develop the Sustainability Index (SI) called "i-sustain" which is a holistic system to measure the Sustainability performance of a mill by using a palm oil mill as a proxy. The system is able to display the Sustainability status of a mill based on pre-determined key performance indicators on the EES fronts by extracting information from the main database. This will enable the monitoring of a mill's progressive performance on EES elements against set benchmark targets without requiring further manual input.



ADDRESSING ECONOMIC IMPACT

As FGV focuses on sustainable development, we are bringing into play the strategies and activities that are helping us meet the needs of our business and Stakeholders today, whilst safeguarding, strengthening and sustaining the human and natural resources that will be required in the future. As we go about our daily business, the economic dimension of Sustainability remains a prime consideration. This dimension is integral to our business as a robust, reliable and sustainable economic dimension upholds not just the Group but various other essential activities. These include our ability to continually create good Stakeholder value, to ensure the wellbeing of our employees, FELDA settlers and other Stakeholders, to uphold the integrity of our products, and to contribute towards society and nation building, among other things. In our pursuit of sustainable development, we remain committed to developing our capacity by strengthening our Sustainability credentials and supply chain.

SUSTAINABILITY CERTIFICATION

As we set our sights on building our capacity, we are simultaneously working to strengthen our Sustainability credentials through the Roundtable on Sustainable Palm Oil (RSPO), International Sustainability & Carbon Certification (ISCC) and Malaysian Sustainable Palm Oil (MSPO) certification.

The RSPO is a global organisation that aims to transform the palm oil industry and lead it on a more sustainable path in collaboration with other Stakeholders in the global supply chain. Established in 2004, the RSPO defines the criteria utilised by industry players to ensure sustainable production of palm oil. Though membership is voluntary, the RSPO requires a certification process that enables members, growers and organisations to meet certain requirements, namely the RSPO Principles & Criteria (RSPO P&C) set through a multi-stakeholder approach to ensure the credibility of their palm oil Sustainability claims. One of the key RSPO missions is to monitor and evaluate the EES impact of the cultivation, distribution and use of palm oil in world markets.

As a key proponent of the RSPO, FGV has long played an active role in promoting sustainable practices by applying the RSPO P&C. FGV was amongst the first organisations to obtain mill certification back in 2010, and the first in the world to organise a Smallholder group to obtain RSPO Fresh Fruit Bunch (FFB) Certification. In the process of certifying our complexes, we also certified about 40,000 FELDA scheme Smallholders.

RSPO MEMBERSHIP

Following the discovery of labour issues arising along the supply chain to the mills, highlighted by the *Wall Street Journal* (WSJ) in July 2015, FGV made a decision to withdraw all its 58 RSPO Certificates (with projected supply capacity of 1,830,900 MT* of certified sustainable palm oil (CSPO)) in May 2016 to ensure that the key concerns identified would be addressed and improvements implemented. To ensure that the Sustainability of our



Ensuring high productivity by using GAP in all our plantation operation

business and operations remained intact, we maintained active communication with the RSPO and other regulatory bodies as well as pro-actively embarked on various courses of action. This included engaging a Sustainability partner to review and provide independent advice on managing the labour and social issues evident among some of the workers and contractors. It has been culminated in various action plans to remedy the situation.

Throughout all this, we remained committed to RSPO P&C and took steps to re-certify our mills after addressing labour issues and other Sustainability concerns along our supply chain. This exercise has led to more inclusive certification between FGV's commercially-managed plantations and FELDA settlers. This issue has not affected certifications under the FELDA Group's RSPO Supply Chain Certification System (SCCS) for our four Palm Kernel (PK) crushing plants and downstream refineries.

* This data point has been independently audited. Please refer to our Independent Assurance Report in FGV's Annual Integrated 2016 on pages 355-356

SUSTAINABILITY CERTIFICATION

Revised Plan to Obtain RSPO Certification for All 71 FGV Complexes

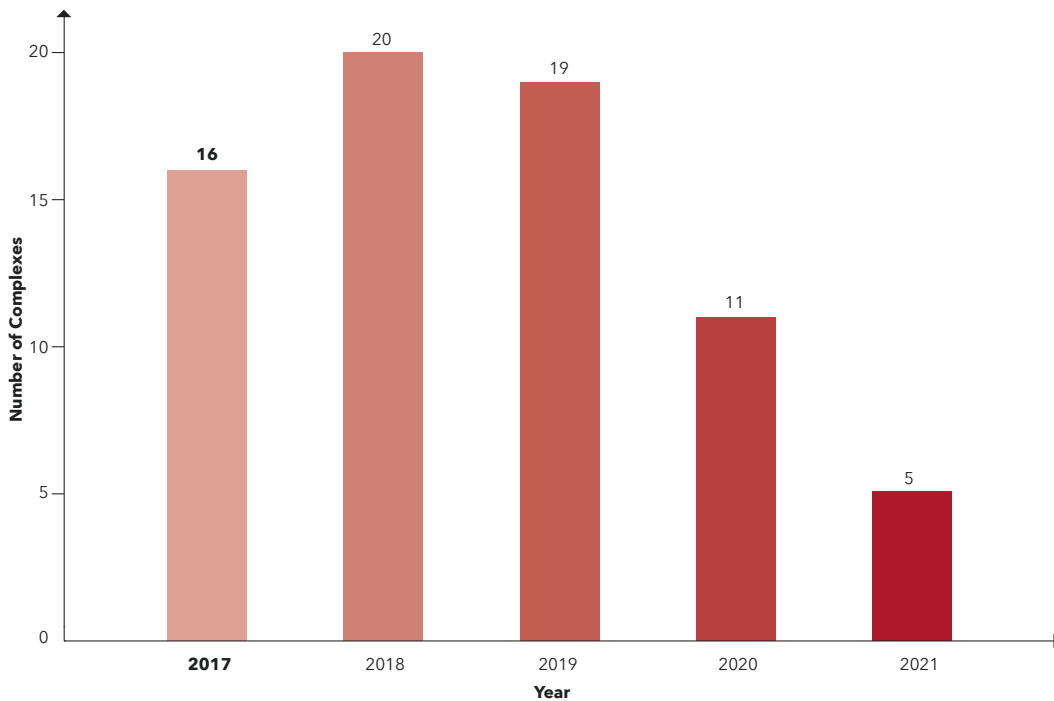
Thanks to a committed workforce, following FGV’s voluntary withdrawal from RSPO P&C certificates in May 2016, the RSPO certification process is back in progress. Sixteen complexes were audited and eight complexes successfully received the RSPO certificates. A further 20 complexes are expected to be audited for main RSPO and MSPO assessment by the end of 2018.

The progress of the certification process up to 31 December 2017 is described in the figure below:

Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
December 2016	January - May 2017	June - July 2017	August	December 2017
New membership and completion of the time-bound plan	Partial certification assessment	Public notification for main RSPO assessment	RSPO main assessment begins for 16 complexes	16 complexes audited and eight complexes certified as of December

FGV’s RSPO Certification Time Bound Plan

FGV plans to progressively certify all 71 complexes to both RSPO and Malaysian Sustainable Palm Oil (MSPO) standards by the end of 2021. This comprises 69 palm oil mills and two complexes without palm oil mills.



FGV’s RSPO time-bound plan 2017 to 2021

In tandem with our time-bound plan, we intend to take associated Smallholders with Sustainability certificates on board.

SUSTAINABILITY CERTIFICATION

Proactive Stakeholder Consultation

Stakeholder Consultation is a valuable communication channel that FGV champions to build consensus by incorporating our Stakeholders' diverse opinions into the Group's Sustainability management policy. The guideline we adhere to for administering Stakeholder Consultation in oil palm cultivation is iterated in RSPO P&C 6.2: "There are open and transparent methods for communication and consultation between growers and/or millers, local communities and other affected or interested parties." In conducting these meetings, we make the most of existing, accessible local venues as well as cater to the different language needs of foreign guest workers within a multi-stakeholder forum.

When FGV thinks about Sustainability, we think first about people and the ways in which communities can be empowered through effective and ethical practices. In 2017, we conducted seven Stakeholder Consultations covering 16 locations and 1,327 participants to convey FGV's policies and practices and at the same time garner Stakeholders' feedback and suggestions on areas for improvement. Communications take into account differential access to information by women as compared to men, village leaders as compared to day labourers, new versus established community groups, and different ethnic groups. Due consideration is given to third parties such as community groups, NGOs and Government agencies (or a combination of these) that can help facilitate communication within Smallholder schemes and the surrounding communities.

Number of Stakeholder Consultations that have been conducted:

Location	Number of Participants
Selancar 2B	57
Keratong 09	72
Besout	159
Bukit Sagu	63
Lepar Hilir	41
Aring	38
Chiku	55
Kechau B	117
Selendang	80
Maokil	63
Palong Timur	75
Serting Hilir	51
Tenggaroh Timur	128
Kemasul	137
Neram	108
Chini	83
Total participants	1,327



The panelist deliberating their input during a Stakeholder Consultation Programme

SUSTAINABILITY CERTIFICATION

Mitigation plans drawn up to counter anticipated challenges to our operations are summarised in the following table:

Challenges	Mitigation Plans
Stakeholders' concerns	Communication to our Stakeholders through FGV Sustainability Reports, letters to our business partners, and quarterly updates on Sustainability via FGV's website
Changes in global policies	Enhancements to FGV's Sustainability policies to align with global requirements
Implementation of Sustainability management	Implementation of a Sustainability Steering Committee (SSC) and restructuring of the Group Sustainability & Environment Department (GSED) to oversee, manage and implement Sustainability initiatives and issues throughout FGV's supply chain
Certification of schemed Smallholders	Provide Sustainability certification manpower and technical advice to FELDA in helping them throughout the certification process

INTERNATIONAL SUSTAINABILITY & CARBON CERTIFICATION (ISCC)

ISCC is the first biofuel standard to be recognised by the European Union (EU) and the most widely acknowledged amongst the many biofuel standards available today. FGV has sought ISCC certification since 2011. The number of our mills with ISCC certification is dependent on market demand in order to meet the requirements for sustainable biofuel in the European market. While we had 15 mills certified to the ISCC standard when demand for biodiesel was high, in 2017 we only certified seven mills which produced approximately 116,400 MT of ISCC-certified CPO.

Many Governments are now revising their biofuels policies to pro-actively support and promote research and development in second-generation technologies including renewable diesel, Biomass To Liquids (BTL) projects, algae and cellulosic diesel.

Year	No. of mills with ISCC certification	Tonnes of ISCC certified CPO
2016	5*	66,000
2017	7	116,400

ISCC certified CPO production (MT) in 2016 and 2017

On top of this, stricter ISCC GHG emissions criteria (in terms of the carbon savings for biodiesel) as per the EU Renewable Energy Directive from 2018 onwards, may reduce the number of FGV mills eligible for ISCC certification. This will be due to the lower FFB yields per hectare expected from mills with estates undergoing replanting programmes.

** This data point has been independently audited. Please refer to our Independent Assurance Report in FGV's Annual Integrated 2016 on pages 355-356*

SUSTAINABILITY CERTIFICATION

MALAYSIAN SUSTAINABLE PALM OIL (MSPO) CERTIFICATION

The MSPO standard covers the palm oil industry supply chain comprising independent and organised Smallholders, estates and palm oil mills. It also includes Smallholders in Sustainable Palm Oil Clusters (SPOC) and other group management systems in Malaysian operation.



Onsite training by our Sustainability Officer to FELDA settlers

FGV had worked closely with Stakeholders and other members in the industry to develop the MSPO, the first Malaysian Palm Oil Sustainability Certification Scheme. The MSPO is similar to the RSPO and ISCC but takes into consideration the national socio-economic agenda – focusing particularly on developing marginalised local communities – while adhering to all local, national and ratified international laws and treaties. The MSPO certification is an alternative to other Sustainability certification schemes and benefits producers especially Smallholders due to the cheaper cost involved in MSPO certification without compromising on rigour.

FGV was among the first few plantation companies to be MSPO-certified in 2015. Currently, we have one mill and three estates that are MPSO-certified and we will expand the certification programme to comply with the Government's request to be fully certified by December 2018. Companies without RSPO certification, however, have until December 2019 to complete their MSPO certification.

At the International Palm Oil Congress and Exhibition 2017 (PIPOC 2017) organised by the Malaysian Palm Oil Certification Council (MPOCC) on 13 November 2017, FGV's representative joined the panel for the "Certified

Sustainable Palm Oil Forum (CSPO): The Way Forward" and shared our experience and insights into the challenges faced in achieving MSPO certification among Smallholders. Today, FGV is doing its part to prepare FELDA schemes for MSPO certification by providing both manpower and technical advice as well as conducting awareness exercises and training. We are also rendering assistance by appointing group managers and helping with Standard Operating Procedures (SOP) preparation. To date, we have organised and delivered training on MSPO to more than 7,000 Smallholders.

ENSURING SUSTAINABILITY THROUGHOUT THE FGV SUPPLY CHAIN

CAPACITY BUILDING/TRAINING

FGV's structured, systematic and customised training programme for its supply chain partners, including Smallholders (mainly FELDA settlers), third party Fresh Fruit Bunch (FFB) suppliers and FGV contractors, imparts knowledge that helps raise productivity and the return on investment that the country earns from the agricultural sector.

The 112,635 FELDA settlers in the country play a vital and important role in the country's economy. Since FELDA's first land scheme in Lurah Bilut, Pahang was set up in 1956, the settlers together with their children have grown to more than five million people. The settlers own more than 800,000 Ha of oil palm land all over the country which produces the feedstock for some 5% of the world's output or approximately 3 million MT of crude palm oil production. The export value totals over RM40 billion contributing a large portion of the country's gross domestic product. FELDA settlers play an integral role in the economy and will continue to do so for many years to come.

By imparting our knowledge on methods to improve yield, Good Agricultural Practices (GAP), Personal Protective Equipment (PPE) for safety, and bookkeeping for financial management, settlers can generate more income to spend and play their part in stimulating the economy. The objectives of the training programmes also include disseminating Sustainability practices throughout the palm oil value chain to protect biodiversity and the ecosystem.

Today, FGV is also playing a major role in enhancing the wellbeing of FELDA settlers by modernising infrastructure and facilities on the schemes, improving human capital, introducing an innovative and creative culture as well as world-class management techniques to increase productivity. We want to ensure that the next generation of Smallholders are educated to enhance their socio-economic quality of life and ensure the schemes generate an attractive economic return to help bridge the gap between urban and rural areas.

Training initiatives are part of FGV's commitment to Sustainability and to meet the strict criteria imposed by the market to curb deforestation, habitat destruction and labour exploitation. It is imperative that FGV engages with its key Stakeholders in the palm oil value chain to keep them abreast of Sustainability issues and to drive change on the ground, whilst striving for long-term growth for the industry and community.

In October 2016, we initiated the first phase of the RSPO-related training programme among specific Stakeholders to counter *Wall Street Journal* (WSJ) allegations. Here, we focused our efforts on FELDA employees, FELDA settlers and FGV's contractors who provide various kinds of services to FGV's estates as well as deploy contract workers to perform various services.

To comply with our Social Compliance and Human Rights (SCHR) Action Plan, we conducted a series of contractors' training sessions on improving labour management practices in Malaysia involving more than 250 contractors over 2016 and 2017. Contractors were trained on the best practices to increase labour productivity as well as improve on the administration of worker-related matters such as employment contracts, the minimum wage, PPE, housing and amenities, insurance, as well as passport and work permit requirements.

This training was also an opportunity for us to communicate and review the development of our four new policies on the ethical recruitment of foreign guest workers, human rights, internal grievance mechanism process and responsible sourcing. The interactive training sessions with contractors proved to be beneficial as it enabled them to voice their concerns on specific matters and work with us to make improvements going forward.

It is absolutely crucial that our contractors embark on the Sustainability journey with us to reap long-term benefits. In 2017, more than 1,640 FGV and FELDA top management and field supervisors jointly attended specially tailored Sustainability Awareness Training Programmes spread over 60 sessions conducted until October 2017.

FGV has also been working closely with the Malaysian Palm Oil Board (MPOB) to train FELDA settlers by improving their knowledge on labour practices and GAP to improve FFB yield and the Oil Extraction Rate (OER), among other relevant agricultural practices. In 2017, the MPOB conducted MSPO training on GAP over six sessions for over 2,000 employees and 5,000 FELDA settlers. On top of this, RSPO and MSPO Awareness Training Programmes were conducted through Stakeholder consultation sessions at 16 FGV complexes and 22 FELDA schemes.

RAW MATERIALS AND VALUE CHAIN

RAW MATERIALS AND THE VALUE CHAIN

FGV's diverse number of economic activities depends on a comprehensive value chain to provide raw materials as well as for other supporting services to function. FGV's business clusters make use of produce raw materials and other resources from our plantations, Smallholders and other suppliers. Our value chain begins with these materials and extends to processing, packaging, transportation and distribution. We are committed to ensure the Sustainability of the raw materials sourced, utilised and distributed, and encourage our value chain partners to embrace sustainable practices, such as occupational health and safety practices, waste management practices and environmental conservation through our engagement with them.

We recognise that the strength of our Sustainability framework is only as strong as its weakest link, and so we have taken stringent measures to ensure that our value chain partners comply with Sustainability laws and regulations. The Group, therefore conducts proactive communications, both formal and informal, with our Stakeholders to encourage better decision making, as well as to identify risks and opportunities in their relationship with us. Realising the potential risk of our palm product being tainted by unsustainable raw materials, we are in the process of drawing up supplier guidelines to bind all our suppliers to ethical conduct in their sourcing practices.

The Responsible Sourcing Policy that FGV is in the process of developing is our commitment to engage with our suppliers to address issues in our supply chain in a time-bound manner by fixing achievable target resolution dates depending on the complexity of the issues. By guiding our suppliers to overcome any variances, we can help transform palm upstream sourcing to meet our goal of processing only 100% sustainable and traceable FFB.

The Group sees innovation as an important driver in improving our value chain, especially in developing new products and cost-saving programmes. FGV undertakes applied research and the findings are used to develop further downstream consumer products. We have a Research & Development (R&D) Council that primarily reviews R&D programmes and drives our innovation culture whilst ensuring Sustainability remains one of the main criteria in our plans.



Enhancing mechanisation to optimise labour productivity

TRACEABILITY

Traceability is an essential element of our business which follows the chains of the supply running across various sectors. Without traceability, it is difficult to ensure that our end-products are sustainable. This is becoming an increasingly important consideration for our customers, especially those looking to confirm the status of sustainable product delivery across the entire value chain.

FGV is working on establishing the traceability of its raw materials to ensure that they are derived from responsible sources. The Group, therefore, conducts proactive communications, both formal and informal, with our Stakeholders to encourage better decision making, as well as to identify risks and opportunities in their relationships with us.

We endeavour to work closely with our value chain partners to ensure that traceability and transparency are embedded in their practices to create a more sustainable value chain. To this end, we have developed our own computerised traceability system called Traceability of Product (FGV-ToP) as part of an overall Sustainable Palm Oil Management System (SPOMS).

FGV-ToP went live in January 2017. Tracking the origin of products has become particularly challenging to us as we purchase FFB for our mills from third parties in addition to the FFB from our own estates and Smallholders. While we are able to trace all our FFB and Palm Kernel (PK) up to supplying mills, tracing these to the plantation of origin has been problematic for external crops. To facilitate better traceability of our products, we are working with our business partners to develop a model to identify Sustainability risks associated with specific geographical areas. Our engagement with suppliers on the implementation of RSPO standards will help us gather information on traceability up to the plantation level.

SPOMS also includes the Audit Integrated System (FGV-AIMS) which stores content digitally for ease of access. The system allows for all Sustainability-related documents to be captured, digitised and indexed in the FGV-AIMS system for ease of access and utility.



Receiving FFB from a third party supplier

TRACEABILITY

A brief view of SPOMS

PHASE

1

FGV-AIMS

Documentation System

- ▶ Digitalisation of Sustainability File Management System for all mills and estates
- ▶ Auditing - Auto-generation of internal audit checklist and reports
- ▶ Dashboard view of certification status

PHASE

2A

FGV-ToP

Product Traceability up to Mill

- ▶ Buyer is able to trace the product suppliers up to mill-level
- ▶ Buyer is able to identify the number of mills in the supply chain as well as the names of mills supplying PK and CPO to downstream facilities i.e. refineries and RSPO certification of products. The focus is on the mill first as this will lead to the location of the estates
- ▶ Traceability portal

PHASE

2B

Traceability from Mill up to Estates

- ▶ All FGV products can be traced to the estates of origin
- ▶ Complies with RSPO P&C requirements
- ▶ Traceability of FFB from each estate inclusive of third party suppliers
- ▶ Mapping of estates and the location of Smallholders, HCV areas, forest reserves and peat areas



G4-DMA

ENVIRONMENTAL STEWARDSHIP

FGV is committed to the implementation of business practices and initiatives that reduce or mitigate environmental risks where possible. Our commitment is to the responsible use and protection of the natural environment through conservation and sustainable practices. Our strategy seeks to advance the environmental performance of our operations and our Stakeholders, right across our value chain, including our suppliers, vendors and other associated entities.

UPHOLDING NO DEFORESTATION, PEAT AND EXPLOITATION (NDPE) COMMITMENTS

FGV is committed to enforcing our No Deforestation, Peat and Exploitation (NDPE) commitments throughout all our plantations. In early 2017, in response to an allegation in the media about an incursion by FGV into a peat forest in West Kalimantan, Indonesia, an independent assessor was brought in to undertake a verification assessment. The following is a description of the background of these events, our findings, and the actions we have taken to uphold our NDPE commitments.

BACKGROUND

In April 2017, Chain Reaction Research (CRR) in cooperation with Aidenvironment, published reports accusing FGV's operation in PT Temilia Agro Abadi (PT TAA) of deforestation of natural peat forest; clearance of High Conservation Value or HCV areas; violation of our own Group Sustainability Policy (GSP); non-compliance with the RSPO P&C; and violating customers' NDPE policies in PT TAA and PT Citra Niaga (PT CNP).

FINDINGS

Subsequent to the issuance of CRR's first report, FGV engaged a third-party assessor to verify the validity of CRR's claims. The third-party assessor found that there was no deforestation of natural forest at the PT TAA plantation by FGV. In actual fact, prior to the acquisition of PT TAA's land, natural forest had been completely destroyed by massive forest fires in the 1980s and in 1997. Continuous logging operations by logging companies and activities by the local communities in the past had added to the destruction. It was also substantiated that FGV has complied with the RSPO New Planting Procedure (NPP) and procured all necessary approvals from the relevant authorities in Indonesia in respect of the development of PT TAA's land which commenced only in late 2014.

It was also verified that the buffer zone area on the east side of PT TAA's concession had not been damaged by land clearing. As such, there was no encroachment by FGV into the identified HCV areas. Moreover, there were also no repeat offences related to peat forest clearance by PT TAA or PT CNP as alleged. The clearance in 2015 of 191.8 Ha of HCV area at PT CNP was carried out under the instructions of the local community to the contractor without PT CNP's knowledge and approval. The incident had been reported by FGV to the RSPO in 2016 and a satisfactory solution had been agreed upon. Following the establishment of FGV's Group Sustainability Policy (GSP) in August 2016 and its enhancement in 2017, we are today very much in alignment with our customers' strict requirements regarding their NDPE policies.

UPHOLDING NO DEFORESTATION, PEAT AND EXPLOITATION (NDPE) COMMITMENTS

ACTIONS TAKEN

Following the findings of third-party verification and feedback from our Stakeholders, the following actions were taken to add clarity to the matter both for our Stakeholders and our operating units:

Enhancement of the GSP to strengthen the following elements:

- ▶ FGV's pledge to no deforestation, no conversion of HCV areas, no new planting on peatland immaterial of size and depth, and no development of areas classified as having High Carbon Stock (HCS), is extended to all areas irrespective of when the lands were acquired or owned by the Group.
- ▶ FGV's endeavour to rehabilitate peatlands that have been planted after 25 August 2016 in consultation with relevant Stakeholders, and to immediately cease all new development on peatland irrespective of when the land was acquired.

Stop-Work Order

With the enhancements in the GSP in August 2017, all land development work in any peatlands at PT TAA and PT CNP shall be permanently discontinued.

Community Programmes at PT TAA and PT CNP

FGV is committed to maintaining the existing good relationships with the local communities at PT TAA and PT CNP and will endeavour to continue its engagement with them. We are working with a local partner to formulate community programmes to address the concerns of these communities.



FGV is committed to ensuring new developments do not encroach into areas that are environmentally sensitive or under protection

FREE, PRIOR AND INFORMED CONSENT (FPIC)

Free, Prior and Informed Consent (FPIC) is a specific right that pertains to indigenous peoples and is recognised in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). It allows indigenous populations to give or withhold consent to a project that may affect them or their territories. Once they have given their consent, they can withdraw it at any stage. Furthermore, FPIC enables them to negotiate the conditions under which the project will be designed, implemented, monitored and evaluated. This is also embedded within the universal right to self-determination.

FPIC takes a bottom-up approach with regard to participation by and consultation with an indigenous population. FPIC is to be undertaken prior to the beginnings of any development on ancestral land or the use of resources within the indigenous population's territory.

FGV upholds the rights of indigenous people and the surrounding communities by ensuring that any development or acquisition in or around the vicinity of their land is not in violation of their rights based on traditional and customary practices. FGV also upholds the principles of FPIC, which is clearly stated in the UNDRIP.

This is to ensure that we secure the understanding, cooperation and support of the local communities in our development plans and to establish appropriate boundaries and expectations between all parties. Our aim is to mitigate any risk of conflict arising from our developments and to align the interests of the communities with the Group. We are committed to holding proper consultations and engagements with local communities to identify



Group photo with the Begahak Community during a consultation meeting in Sahabat 55

expectations, terms and insights to obtain FPIC. The determination of local communities' tenure rights will be based on the findings of a Social Impact Assessment (SIA) and through continuous engagement in fair and informed negotiations over access rights to land and other natural resources.

The Group also believes in non-violent conflict and dispute resolution, utilising legal channels as a means for peaceful and legitimate resolution that is agreeable to both parties. We are committed to work with relevant Stakeholders to ensure that a balanced, mutually agreed and structured conflict resolution system is accessible to Smallholders, indigenous and rural communities and other affected Stakeholders.

In 2016, the Begahak community in Sabah raised a land dispute issue relating to Felde Sahabat 1 & 2 and FGVPM Sahabat 55 to the Sabah Land Department and the RSPO. Since the matter was raised to the RSPO, FGV being an RSPO member, took the issue on board and tried to resolve the issue through several meetings.

As part of the resolution process, we conducted an investigative assessment and a participatory mapping exercise together with the Begahak community. FGV also engaged a social mediator to assess the community's demands and serve as a mediator between all parties. The findings of the assessment were then submitted to the Sabah Land Department which subsequently issued a statement confirming that the Begahak community has no rights over the disputed area. The Begahak community, however, was not satisfied with the findings and the issue is still pending review by the RSPO's complaints panel.

All of FGV's areas are established plantations. The FPIC process is normally performed before a new area is taken over or during the due diligence process in an acquisition. Since the confirmation of a separate RSPO membership for FGV, the Begahak issue has been referred to FELDA for any further deliberation.

BIODIVERSITY AND CONSERVATION OF HCV ELEMENTS

Biodiversity is at the heart of FGV’s operations as some of the Group’s plantations are located in close proximity to forest reserves or conservation areas that have intrinsic value to the ecosystem and are the natural habitats of Endangered, Rare and Threatened (ERT) species. To mitigate the impact of our presence near their natural habitat, we are also formally committed to the conservation of these ERT species.

Operating in a sustainable manner means mitigating threats to biodiversity arising from our operations, responsibly managing natural resources and protecting natural habitats. FGV has in place a policy that ensures new developments do not encroach into areas that are environmentally sensitive or under protection, such as primary forests, wildlife reserves, peatlands, or land containing any HCV element.

The Group has pledged to undertake conservation initiatives for the protection of the natural ecosystem. We are making a continuous effort to preserve the pristine environment of these areas whilst reducing the impact on biodiversity as much as possible. We engage in periodical awareness programmes to disseminate our policies on the protection of habitat organised in collaboration with Governmental agencies and Non-Governmental Organisations (NGOs). As part of our business plan, FGV abides by the principle of precautionary approach to HCV management.

G4-EN11

IDENTIFICATION OF HIGH CONSERVATION VALUE (HCV) AREAS FOR AVOIDANCE AND PROTECTION

Terrestrial biodiversity - referring to the variety and variability of life on earth and measured by the variation at the genetic, species and ecosystem levels - tends to be greater near the equator, which seems to be the result of the warm climate and high primary productivity.

In 2017, we identified 12 new HCV areas giving us a total of 11,923.20 Ha within our land boundaries in Peninsular Malaysia, East Malaysia and Indonesia. The total HCV hectareage managed by location is summarised in the following table:

Location	HCV area size (Ha)
Peninsular Malaysia	319.50
Sabah & Sarawak	8,823.75
Indonesia	2,779.95

Areas of HCV managed (Ha)

We continue to ensure that our operations do not pose a threat to wildlife and will be establishing programmes to enhance and enrich the habitats of endangered species.



Crested serpent eagle perching in conservation areas in our plantation

FGV will be performing individual biodiversity assessments on these areas every two years to develop management and monitoring plans.

All new oil palm conversion areas will be HCV-assessed by a qualified assessor to ensure that we are in compliance with our new GSP and that there is no planting on HCV, peat and HCS areas.

BIODIVERSITY AND CONSERVATION OF HCV ELEMENTS

G4-EN14

PROTECTING RARE AND ENDANGERED SPECIES

Through our HCV assessments, we have identified some rare and endangered species within our concessions and our operation borders. The table below shows the summary of the numbers of Endangered Species on the International Union for Conservation of Nature (IUCN) Red List in FGV operational areas.

Species	Category	Numbers
Mammals	Critically Endangered	2
	Endangered	7
	Vulnerable	13
	Near Threatened	6
	Data Deficient	4
	Not Evaluated	2

Numbers of species of concern (based on the IUCN Red List) around FGV's plantations

CURRENT CONSERVATION INITIATIVES

The identification and management of wildlife are important in our path towards Sustainability. A recent HCV assessment we commissioned, has indicated the presence of a variety of flora and fauna around our operational areas. This includes the *Rafflesia* spp. The largest floral species in the world, and the Malayan Sun Bear. Both species are listed under the International Union for Conservation of Nature (IUCN) Red List of threatened species.

Malayan Sun Bear Conservation Programme (SBCP)

Not only is it native to Southeast Asia, the sun bear is one of the few fully protected wildlife that is known to be present in most of the regions where FGV operates. The species is categorised as "Vulnerable" under the IUCN Red List of threatened species and is also listed as a "Totally Protected Species" (2nd Schedule) under the Wildlife Conservation Act 2010 (716). Therefore, it has been chosen as the species of interest for FGV to initiate and build conservation efforts around.



One of the Citizen Action Group (CAG) members established in Sabah

BIODIVERSITY AND CONSERVATION OF HCV ELEMENTS

The Malayan Sun Bear Conservation Programme (SBCP) is a collaboration between FGV, the Department of Wildlife and National Parks (DWNP), Malaysian Nature Society (MNS) and Universiti Kebangsaan Malaysia (UKM). The SBCP promotes the Save The Sun Bear Campaign to highlight the plight and reduce the numbers of sun bears falling to poachers, human-wildlife conflict and disappearing habitat. The SBCP entails various aspects of sun bear conservation activities including the rescue, rehabilitation and release of displaced bears back into the wild where the sun bear belongs. The SBCP is also actively involved in research primarily into bear ecology, biology, population and distribution, as well as education and awareness on wildlife activities.

Some of the SBCP's key achievements include the development of a management plan for Malayan Sun Bears in Peninsular Malaysia and its research in publications on the sun bear as well as on wildlife capacity building. The SBCP is also preparing a training module for primary and secondary schools to build awareness on the importance of sun bear conservation through organised nature camps. The SBCP has successfully rehabilitated

and released 18 sun bears back into the wild in Pahang, Johor and Terengganu since its establishment. Together with our partners, we have developed Standard Operating Procedures (SOPs) for 3R (Rescue, Rehabilitate & Release) guidelines.

Under the SBCP, five Citizen Action Groups or CAGs known as *Sahabat Beruang Matahari* (SBM) were established to engage local communities in helping manage the environment and HCV elements. At present, we have established CAG groups in Gerik, Kuala Lipis, Kuala Terengganu, Sabah and Johor, where the incidence of wildlife conflicts especially with sun bears has been high. The CAG groups to date comprise more than 160 members from FGV, FELDA staff and the local communities. The CAG members have been trained to identify environmental issues of concern within a stipulated location and formulate the appropriate actions to be taken with the help of local regulatory agencies. The CAG members have basic training on HCV elements of interest in the region as well as map reading, Global Positioning System usage and protocols on boundary patrols.

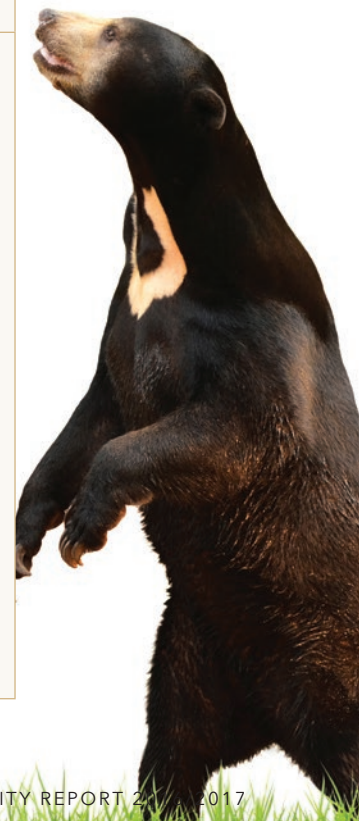


Monitoring the activity of rescued sun bear in the rehabilitation centre

BIODIVERSITY AND CONSERVATION OF HCV ELEMENTS

Malayan Sun Bear Conservation Programme (SBCP) Activities as at December 2017	
Rehabilitation	<ul style="list-style-type: none"> ▶ To date, 33 bears have been rescued and of these, 18 bears have fulfilled the criteria for release and have been released back to the wild. In 2017, four bears were released. ▶ Introduced the sun bear play enrichment programme. ▶ Implemented an improvised diet programme (close to the sun bears' natural feeding habitat), for successful adaptation upon their release. ▶ Aside from enabling direct observation inside their enclosures, CCTVs were installed within all sun bear cages to enable 24-hour monitoring. ▶ Currently constructing a new building for separate enclosures away from the tiger enclosure. ▶ Several suitable release sites have been identified for future releases.
Research	<ul style="list-style-type: none"> ▶ Developed SOPs/guidelines for: <ul style="list-style-type: none"> > Receiving sun bears at the rehabilitation centres; > The release protocol (determining sun bears' readiness for release into the wild/nature); > The rehabilitation process to return the bears to their natural habitats; and > Rescue operations. ▶ Research activities in captivity, in the wild and post-release.
Awareness	<ul style="list-style-type: none"> ▶ Creating awareness on the Malayan Sun Bear through the Wildlife-CEPA Programme and three KPA Schools & Youth Programmes. ▶ Conducted an in-house road show and exhibitions (<i>Gempak Keluarga FELDA</i> and Save the Sun Bear Campaign) as well as public events on wildlife themes (<i>Raptor Watch</i> and <i>Pesta Sayap</i>) to promote the conservation of wildlife, with the sun bear as the flagship species. ▶ Conducted CAG-MyCat training in wildlife monitoring. ▶ Preparing CAG members to organise and mobilise activities such as awareness campaigns, trainings, visits, exhibitions and meetings as well as to report on wildlife-human conflicts and monitor encroachment in their respective regions. ▶ Supporting the Citizen Sciences Programme on Wildlife - this involves the set up of a mini lab on wildlife, environmental monitoring, the establishment of the Central Forest Spine as a refuge for the sun bear and other large mammals, a wildlife workshop, seminar and forum. ▶ Publication of scientific articles in <i>Malayan Naturalist</i> (3/2016) and (3/2017) and <i>Malayan Nature Journal</i>, as well as the publication of Malayan Sun Bear fact sheets.

Sun bear, one of the protected mammals found around our plantations



BIODIVERSITY AND CONSERVATION OF HCV ELEMENTS

The SBCP provides a central learning repository to gather and deliver information about sun bears to practitioners in Government agencies and academicians that are involved in wildlife research and conservation works. The SBCP conducted an Expert Lecture Series Symposium in conjunction with and hosted by DWNP in September 2017. The symposium that aims to promote sun bear conservation initiatives was attended by more than 150 participants from various backgrounds and covered a number of topics which included:

- ▶ FGV's aspirations for the Sun Bear Conservation Programme;
- ▶ Roles of rehabilitation centres in managing human-sun bear conflicts in Peninsular Malaysia;
- ▶ The Malayan Sun Bear Conservation Project: Research planning and approaches; and
- ▶ Roles of local communities in managing conflicted sun bears.



Readers can find more information and progress updates on the SBCP on Facebook at <https://web.facebook.com/groups/673055916205986/> and on the website www.malayansunbearmns.weebly.com.

G4-EN11

RAFFLESIA CONSERVATION AND INTERPRETIVE CENTRE (RCIC)

Back in 2016, a ground-breaking ceremony was held at Felda Bersia Gerik, Perak on a 223 Ha plot of land contributed by FELDA for a purpose-built facility for the research, education, training, recreation, eco-tourism and conservation of the *Rafflesia* species. Called the Rafflesia Conservation and Interpretive Centre (RCIC), the facility, which is a collaboration between FGV and the Forest Research Institute of Malaysia (FRIM), is the first joint project between the private sector and a Government agency in Peninsular Malaysia dedicated to Rafflesia research and conservation.

The initiative to establish RCIC was initiated in 2013 following the discovery of *Rafflesia* population at Felda Bersia Timur in the nearby Sungai Lebey area, Gerik, Perak. Community background information was assessed at Kg. Felda Bersia, Kg. Bersia Lama, Kg. Bongor and

Kg. Bandariang through the Rapid Rural Appraisal (RRA) Programme. On-going survey and mapping of *Rafflesia* and *Tetrastigma* research plots in-situ and ex-situ eventually led to the identification of conservation project sites.

In 2017, the suitability of the sites' topography for exhibition and research plots was identified through Detailed Aerial Mapping (LiDAR) activities which covered 226 Ha. The technical plan for physical development (scheduled for completion in 2019) will include the Zone A component (a 1.8 km boardwalk) and Zone B component (a boardwalk in ex-situ plot). Through the recent inventory programme and species mapping activities for both in-situ and ex-situ, significant numbers of *Rafflesia* species (10 populations) and the flower host *Tetrastigma* (19 populations) have been identified at the RCIC project site.



Rafflesia kerrii found blooming adjacent to our plantation in Gerik, Perak

BIODIVERSITY AND CONSERVATION OF HCV ELEMENTS

The *Rafflesia* is a unique species as it only produces flowers (petals), without any leaves, branches or roots visible to the naked eye, and the biggest flower in the world. Today, its micro-habitat is at risk due to the destruction of tropical rainforests and natural ecosystems. Ignorant developers as well as poor awareness by the general public of its ecology and environmental needs often are the cause of these threats. There are at least 10 species of *Rafflesia* in the wild but two of them (*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. kerrii*) and one of the significant spots is Gerik, a small town near many FGV and FELDA plantations.

The objectives of the RCIC are (i) to set up a national centre for *Rafflesia* research and conservation in the country; (ii) to establish a "showcase garden" complete with plaques with useful information for visitors with in-situ and ex-situ species; (iii) to provide an avenue for scientific research; (iv) to provide training and public education to increase awareness of the *Rafflesia* and biodiversity conservation; and (v) to become the key tourism icon for the *Rafflesia* in Malaysia and the world.

The RCIC is expected to benefit both the scientific and local communities increasing the potential for Gerik to become an eco-tourism destination in the Northern Corridor Economic Region (NCER) in Malaysia. Once completed, the RCIC will also serve as a venue for international

symposiums, workshops, colloquiums as well as environmental awareness programmes for both the public and scientific fraternities.

In line with FGV's goal to internalise environmental Sustainability in its operations, we continue to explore other possibilities for the maintenance or enhancement of flora and fauna in significant HCV elements in and around FGV's operational areas.

MEGA BIODIVERSITY CORRIDOR CONSERVATION PROJECT IN LOWER KINABATANGAN BASIN

We have strengthened our involvement in conservation programmes in the Kinabatangan and Segama river catchments in south-east Sabah via a five years commitment with the Borneo Conservation Trust (BCT) and Sabah Wildlife Department (SWD) in the Mega Biodiversity Corridor Programme. While the Kinabatangan-Segama area is one of the mega-biodiverse areas in the world, at least 300 Bornean Elephants here are at risk due to the limitation of suitable habitat and human-elephant conflict. The objective of the programme is to re-establish a network of forest corridors that will enable the safe migration of wildlife between key forest habitats, avoid human-wildlife conflict and protect wildlife habitat, especially for the Bornean Elephants and Orangutans along Kg. Batu Putih to Kg. Bilit, the hotspot area along the Kinabatangan Mega Biodiversity Corridor.

To date, we have re-established the riparian reserves by alienating a minimum distance of 50 metres from

our estates to the river bank and planted saplings of indigenous timber tree species bought from nurseries run by local communities. This exercise involves voluntarily abrogating approximately 20 Ha of productive and plantable land for the re-establishment of riparian reserves along the Kinabatangan River. These 20 Ha will now form part of the existing 280 Ha of riparian reserve which we are presently managing as a wildlife green corridor.

In addition, we are also engaged in the REDD+ programme, a Kinabatangan Component project that aims to tackle climate change through sustainable forest management and community development. The project will focus on capacity building for the local communities in the area in order to develop sustainable eco-tourism, sustainable agriculture practices and forest restoration while empowering communities to create sustainable change or alternative livelihoods.



Working with partners for conservation of the Bornean Elephant in Sabah

BIODIVERSITY AND CONSERVATION OF HCV ELEMENTS



Head of Plantation Zone 2, Sabah, Mr Albert Domingo, planting an indigenous timber tree during the Tree Planting Programme in Sabah that was co-organised with the Sabah Forestry Department (SFD)

The Tree Planting Programme under FGV-BCT could provide the relevant capacity building especially in fostering innovation and business skills. Currently, we are working with BCT and other partners to develop credible guidelines to enable local communities to estimate carbon assessment in several forest types and benefit from carbon trading schemes.

These projects, which may include the use of electric fences, will also provide a strategy to identify alternative livelihoods for at least 30 families in the local community whilst ensuring the protection and conservation of the mega biodiversity corridor in Kinabatangan.

It is our aim to see the local communities, flora and fauna (specifically the Bornean elephants and Orangutans) within the FGV landscape, the tourism industry of Sabah on a wider scale, and the earth as a global ecosystem, will benefit from these projects. Apart from these, we are also looking for opportunities to work with as many Stakeholders as possible as the real impact of conservation is seen when programmes have a wider reach.

THE OIL PALM PLANTATION ECOSYSTEM: SUSTAINING BIODIVERSITY BY UPM

This project involves an assessment of the oil palm landscape ecosystem and profile by identifying the extent and suitability of existing corridors and vegetation buffers adjacent to the palm oil plantation at the Tun Razak Agricultural Services Centre, Jerantut, Pahang. The existing waterways and water bodies play important roles for fauna (in terms of serving as their natural habitat and as a source of food). Aquatic vertebrate fauna and aquatic vegetation have also been assessed in this study. The water quality and water quantities of the natural waterbodies affect the distribution of flora and fauna in the plantation.

A terrestrial faunal biodiversity inventory (which includes mammals, birds, reptiles and amphibians) has been conducted which counted a total of 98 species of animals during the biodiversity surveys. These include 51 species of birds, 10 species of bats, 4 species of rodents, 3 species of small mammals, 1 species of large mammal, 5 species of amphibians,

14 species of reptiles, 9 species of fishes and 1 species of shrimp. The study area is relatively rich in animal diversity especially the avifauna.

TREE PLANTING PROGRAMME WITH SABAH FORESTRY DEPARTMENT (SFD)

In October 2016, FGV signed a Memorandum of Understanding (MoU) with the Sabah Forestry Department (SFD) for a Tree Planting Programme in Sabah. The main objectives of this programme are to minimise impact and conflicts adjacent to forest boundaries where high wildlife values are present, as well as to create awareness on the importance of wildlife and environmental conservation, particularly in riparian buffer zones. Under the programme, 5,000 trees have been planted in Sabah to date.

As part of the programme, a roadshow was conducted in December 2017 between various Stakeholders to enhance awareness amongst FGV employees and local communities regarding the importance of preserving wildlife particularly sun bears, HCV and biodiversity.

To complement the Forest Tree Planting Programme, we conducted Emergency Forest Fire Training between SFD and FGV on 28 March 2016. A two-day Forest Tree Management Training session has been planned for 2018. Aimed at FGV staff who have been directly involved in forest tree planting activities, it aims to educate them on best practices in forest tree management by covering areas such as ordering, receiving, planting and monitoring of forest trees to mitigate any low tree survival constraints as well as to minimise costs relating to tree planting.

GOOD PRACTICES FOR SUSTAINABILITY

The Sustainability of our business is interdependent with the Sustainability of the ecosystem surrounding our operations. We implement Good Agricultural Practices (GAP) and Good Management Practices (GMP) to ensure the efficient use of natural resources to safeguard the long-term productivity of the land that we cultivate. We are keen advocates of zero-burning techniques and implement Leguminous Cover Crop (LCC) and Integrated Pest Management (IPM) methods. We also employ science-based nutrient management and enrich the soil with organic fertilisers as well as beneficial microorganisms as a standard practice in all our oil palm estates. In FGV's estates, oil palm residue, including Empty Fruit Bunches (EFB), trunk and fronds are left in the field to maximise the nutrient retention, reduce erosion, and reduce usage of inorganic fertiliser. Oil palm cultivation requires additional fertilisers in order to sustain and enhance yield. The application of fertiliser is applied efficiently with minimal off-site implication to prevent surface and groundwater eutrophication.

INTEGRATED PEST MANAGEMENT (IPM)

Integrated Pest Management (IPM) is an approach to managing pests in a way that inflicts minimal risk to people, flora and fauna. It combines several techniques in concert to contain a specific pest effectively below its threshold level.

Pest management is an important component in oil palm cultivation. In its absence, pest populations could explode to cause a serious threat to palm oil production. Prolonged chemical usage is not only detrimental to the environment but also leads 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's estates. It is an ecosystem-based strategy focusing on the long-term prevention of pests involving chemical, cultural, biological, and physical practices as well as the implementation of a proper Monitoring and Surveillance System (MSS). The MSS will provide information on the pests' presence and activity enabling us to determine the right time to control a particular pest and encourage natural predators of the target pests. This multi-pronged approach minimises the use of chemicals.

Amongst the major active IPM programmes are the control of rhinoceros beetles (*Oryctes rhinoceros*),

leaf-eating caterpillars, rats and *Ganoderma boninense*.

Oryctes rhinoceros usually attacks young palms during their immature period. The severity of damage is dependent on the continuity of replanting in that particular region every one to two years. Normally, the first planting phase suffers less damage compared to the first phase of replanting. Bio-pesticide with the commercial brand, ORY-X, (a powder formulation of which 20% is composed of the active ingredient *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 twice at six-monthly intervals over a one-year period.

The treatment of *M. anisopliae* plots results in a statistically significant difference in terms of the percentage of infected grubs compared to the standard practice of chemical-insecticide treated plots. The results indicate that the integrated approach of using *M. anisopliae* is a potentially rewarding technique for establishing a biologically based management practice to control the 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 a 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.



Barn owl use as biological control for rats

GOOD PRACTICES FOR SUSTAINABILITY

Rats are the most important vertebrate pest in oil palm estates. An integrated approach of rat control uses the barn owl (*Tyto alba*) as a biological control agent. The barn owl is a medium-sized owl with no ear-tufts and a heart-shaped face. The species' name "alba" refers to the colour white. Rat baits such as chlorphacinone are used only during an outbreak, with no apparent ill effects on the barn owls. To reduce the use of chemical pesticides, we will continue our research and adopt breeding methods to ensure that our oil palms are hardier and more disease and pest resistant.

Our subsidiary, FelDa Agricultural Services Sdn Bhd (FASSB) has launched two new innovative products, Yangambi GT1 seed and Palma Shield that can

prevent *Ganoderma* attacks which is one of the main threats to the oil palm industry. Yangambi GT1 is the first oil palm seed in Malaysia with a tolerance capability against *Ganoderma* attacks while Palma Shield is a biocontrol agent developed from the *Trichoderma asperellum* fungus.

The new planting material Yangambi GT1 which is the best long-term approach to solve *Ganoderma* attack took almost 10 years to develop. *Ganoderma* is a fungal pathogen that causes basal stem rot disease in oil palm. Currently, 4% or 60,000 Ha of oil palm plantation in Malaysia have been attacked by *Ganoderma* with an estimated industry loss of about RM1.5 billion. The total area expected to be affected by *Ganoderma* will rise to

about 450,000 Ha, equivalent to a loss of RM11.25 billion by the year 2020.

Palma Shield is a potent fungal-based biocontrol agent which contains the active ingredient *Trichoderma asperellum* M103 for controlling *Ganoderma*. Uniquely, the *Trichoderma* strains are derived from fertile soil located in an oil palm estate in Sungai Tekam, Pahang. The strains were tested for effectiveness in the seedling nursery in 2014 and 2015 and were commercialised in 2016.

Palma Shield has an unrivalled advantage in that it needs to be applied only once when the seedlings are planted. By comparison, other products in the market are chemical-based and need to be re-applied at intervals. This innovative product does not use any chemical that can harm the environment and is in line with the Group's commitment to implement sustainable practices in every aspect of our business operations.

G4-LA7 CHEMICAL HANDLING

At FGV's estates, chemicals are often applied by trained workers. Workers handling agrochemicals are given the appropriate complimentary Personal Protective Equipment (PPE) for their safety and wellbeing. FGV ensures all our workers comply with these safety measures through supervision and 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 pests. The use of chemicals remains our least preferred option.



Chairman visiting an oil palm estate in Sabah

GOOD PRACTICES FOR SUSTAINABILITY

RESPONSIBLE AGROCHEMICAL USAGE

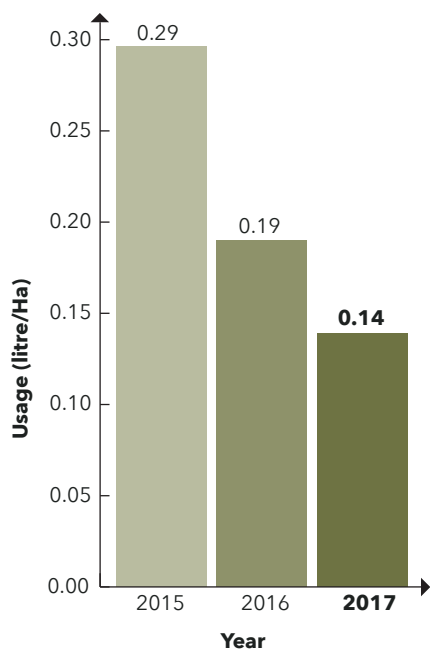
We only use chemicals registered under the relevant ministry and approved by the regulatory bodies in respective countries. Further to that, FGV does not use chemicals that falls under the World Health Organisation Class 1A or 1B, listed by Stockholm or Rotterdam Conventions and paraquat are not used except in specific situations identified in the industry's best practices. These chemicals are applied by trained personnel in accordance with national laws and regulations. Blanket spraying is not encouraged in our oil palm fields. Weeding is usually carried out on a scheduled basis depending on the level of weed infestation in each area. FGV advocates responsible use of pesticides, herbicides and fertilisers. The quantity of herbicide usage is monitored and controlled. The amount of herbicides used in FGV's estates over the last three years are stated in the table below:

Year	2015	2016	2017
Formulation (litre/Ha)	0.76	0.57	0.96
Active Ingredients (a.i) (litre/Ha)	1.05	0.75	1.09

Herbicide usage at FGV's estates (2015-2017)

We use optimum dosage of fertiliser to ensure maximum profitability with minimum impact to the environment. The scientifically-based fertiliser recommendation takes into consideration the leaf and soil nutrient status, palm age, and potential yield versus the expected yield for a particular year, in determining the optimum rate.

Paraquat has generally been used to control grasses and weeds. However, it is defined as an extremely harmful chemical to human health and the environment and classified as class 1B in the World Health Organisation guidelines. Although the Malaysian Government has not banned the usage of paraquat in oil palm estates due to its effectiveness, FGV has held tight control over the application of paraquat reducing the usage of this dangerous chemical and has discontinued its usage completely effective 1 January 2018.



Paraquat usage in FGV's estates



FGV only uses approved and registered agrochemicals by the relevant authority

WASTE MANAGEMENT

Employees are encouraged to identify and separate waste that can be reused or recycled in an environmentally and socially responsible manner. This is part of the Group's encouragement of a zero-waste management policy to reduce our overall carbon footprint. Our plantations also participate in a pesticide container recycling programme to ensure that receptacles that were used to contain toxic materials are disposed of safely and appropriately.

All our RSPO certified premises now practice the triple rinsing method to properly clean their agrochemical receptacles prior to sending them for recycling. Out of 254 facilities, FGV has 235 facilities that offer a pesticide container recycling programme. This programme is endorsed by the Department of Environment (DOE) and the Pesticide Board. We are also committed to the maximum utilisation of biomass waste from our mill operations and have tasked our Research & Development (R&D) Cluster to find innovations that can produce high-value products or put them for good use.



Usage of palm oil mill byproducts (i.e. POME & EFB) to produce inorganic fertiliser (compost)

In order to better utilise the by-products of the milling process and produce high-quality compost, six compost plants using Empty Fruit Bunches (EFB) have been established. The compost is then channelled back into the field as a nutrient-rich organic fertiliser to feed our palms.

FGV plans to expand its waste management practices to associated Smallholders moving forward.

UTILISATION OF BIOMASS AND MILL BY-PRODUCTS

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.

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 has been recently used as feedstock exported to Japan as replacement of coal used in power plants. Decanter

cake is the solid sludge separated from the Palm Oil Mill Effluent (POME) which can be directly used as organic fertiliser or may be blended with EFB fibre for the production of organic compost.

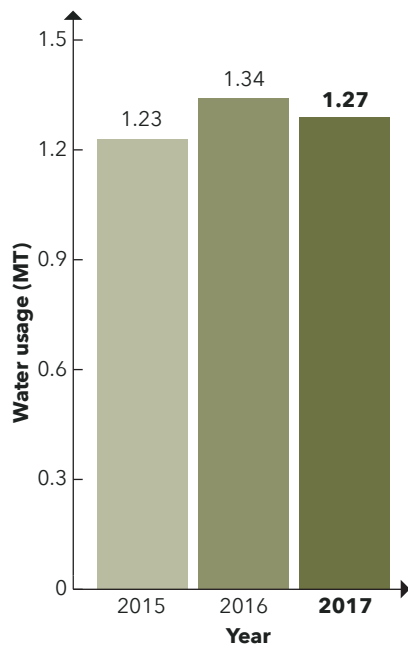
Felda Palm Industries (FPI) also develops dried long fibre and EFB shredded fibre converting EFB from a low-value waste to high value environmental friendly renewable products. Two mills process dried long fibres from shredded EFB to be sold as raw material for industrial applications such as mattress manufacturing.

Our six mills produce compost derived from the aerobic decomposition of EFB mixed with POME. This compost is a very practical measure for maintaining soil moisture. It helps in soil conditioning and also accelerates nutrient and water absorption. We are currently working on a Compost Fortification Project in which compost is further enriched with effective microbes, soil fungus *Mycorrhizae* sp. and natural minerals. The enhanced compost is not only highly marketable to plantation companies and Smallholders cultivating oil palm but is also suitable for vegetable farmers and growers of landscaping or decorative plants as well as nurseries.

WATER MANAGEMENT

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 crucial 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 some communities rely on rivers and streams for daily use, it is crucial for us to ensure the extraction of oil palm does not bring about undue pressure on the communities in the region. The sustainable harvest and return of water to our river systems are critical for both our operations and our surrounding ecosystem. Our ultimate aim is to reduce our water usage in the mills to 1.2 MT of water for each MT of FFB processed. In 2017, we used 1.27 MT of water to process 1.0 MT of FFB on average.



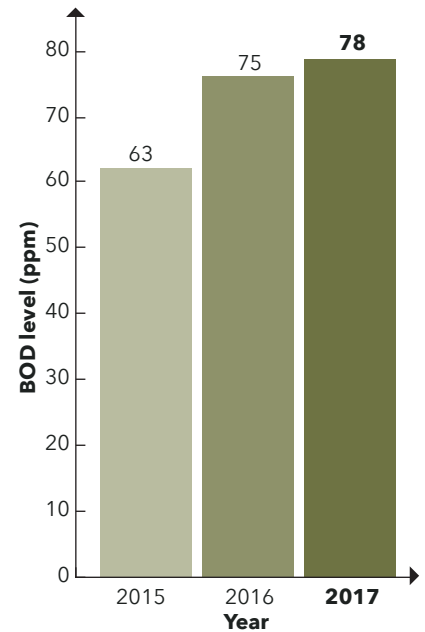
Water use per MT of FFB processed 2015-2017

WATER QUALITY

We monitor our impact on water systems closely and have identified a total of 135 significant rivers systems within our operations. These rivers systems have been checked for its water quality and some are being monitored on a regular basis. The data from these tests have shown no significant deterioration in the quality of water in these systems.

Our monitoring process covers water discharged from our mills which cannot be returned to the environment in its raw state. On average, palm oil mills generate about 2.5 MT of POME for every MT of CPO. Organic raw POME is highly acidic non-toxic wastewater and has high Biological Oxygen Demand (BOD) due to its rich nutrient content. To ensure that the water discharged from our mills does not pollute our water systems, it will undergo treatment to ensure that the BOD concentration is below the permissible level set by the DOE.

Our average BOD data for 2015, 2016, and 2017 are 63 parts per million (ppm), 75 ppm, and 78 ppm respectively, which is well below the discharge limit. Despite stringent requirements, there are occasions when the concentration of BOD exceeds regulatory limits, especially during high crop seasons when mills process the FFB beyond their stipulated capacity. We are aware that this may occur at some of our mills and we are looking at ways to ensure that our discharge limits are always at safe levels.



BOD levels of water discharged

To ensure our wastewater limits meet DOE requirements, FGV has progressively installed and now operates 35 bio-polishing plants costing approximately RM70 million. A bio-dewatering plant removes solids in effluent discharged from a palm oil mill whilst a bio-polishing plant further filters the remaining effluent in the water. Filtered water from the bio-polishing plants is channelled through the irrigation system to the plantation and is of vital importance especially during the dry season. We also use the removed solids at the dewatering plants as organic fertiliser.

FGV prioritises environmental compliance to meet legally mandated requirements and limits as well as for environmental wellbeing.

MANAGING CLIMATE CHANGE

ADDRESSING OPEN BURNING

As a responsible planter, FGV abides by the Environmental Quality Act 1974 and all applicable local laws and regulations in jurisdictions where FGV bans open burning. FGV does not practise open burning for any purpose except to manage the outbreak of pest and disease as specified in the "Guidelines for the Implementation of the ASEAN Policy on Zero Burning 2003."

FGV strictly adheres to the zero-burning policy in all operational areas. However, during severe dry weather, small fires may ignite in some regions. Whilst every effort is made to prevent fires, eight were recorded in 2016 in the dry season and none in 2017. The areas affected were small, ranging from 0.20 to 9 Ha and had minimal impact on the environment.

FGV's mitigation action plan on fire management is applied through the establishment of Emergency Response Teams (ERT), firefighting training and exercises, fire safety inspections and fire safety awareness programmes.

EMISSIONS AVOIDANCE

When peat is developed for agriculture, land transformation and drainage lead to peat oxidation and a higher frequency of fires, resulting in an increase in Greenhouse Gas (GHG) emissions and carbon loss. The easiest way to limit carbon dioxide (CO₂) and other GHG emissions is to avoid development on peat. In line with this stipulation, FGV's Palm Upstream Cluster has not acquired any new land containing a significant amount of peat (area of



Biomass of previous oil palms are stacked properly along the replanting line

peat not more than 20% of the total land parcel) in 2016* and 2017.

EMISSIONS REDUCTION

As part of our continuous efforts to strengthen our sustainability efforts, we continue to reduce GHG emissions (such as the methane (CH₄) released from palm oil processing activities) and report on our carbon footprint. The majority of our emissions are in the form of biogas, which forms naturally when POME decomposes in the absence of oxygen. The capture of biogas from POME is, therefore, a clear priority for us in mitigating and reducing our overall GHG emissions.

We capture and utilise the methane gas released from our wastewater anaerobic treatment facilities at our mills. To date, we have progressively installed and now operate 25 biogas plants in our mills - the largest number of biogas plants held by a single plantation company in the world - and have successfully utilised the captured methane for rural electrification and as grid-connected electricity supply under our renewable energy projects.

We target to reduce our GHG emissions by 25% from our baseline year of 2014 by 2020.



To date, we have progressively installed and now operate 25 biogas plants in our mills - the largest number of biogas plants held by a single plantation company in the world - and have successfully utilised the captured methane for rural electrification and as grid-connected electricity supply under our renewable energy projects.



** This data point has been independently audited. Please refer to our Independent Assurance Report in FGV's Annual Integrated 2016 on pages 355-356*

MANAGING CLIMATE CHANGE

G4-EN19

INITIATIVES TO REDUCE GHG EMISSIONS

FGV is presently the single largest plantation owner of biogas plants in the world, with a total of 25 biogas plants in our stable. Our 2017 data shows that our biogas plants managed to reduce 116,750 MT of CO₂ equivalent in 18 biogas plants. Our CO₂ reduction efforts over the past three years are illustrated below:

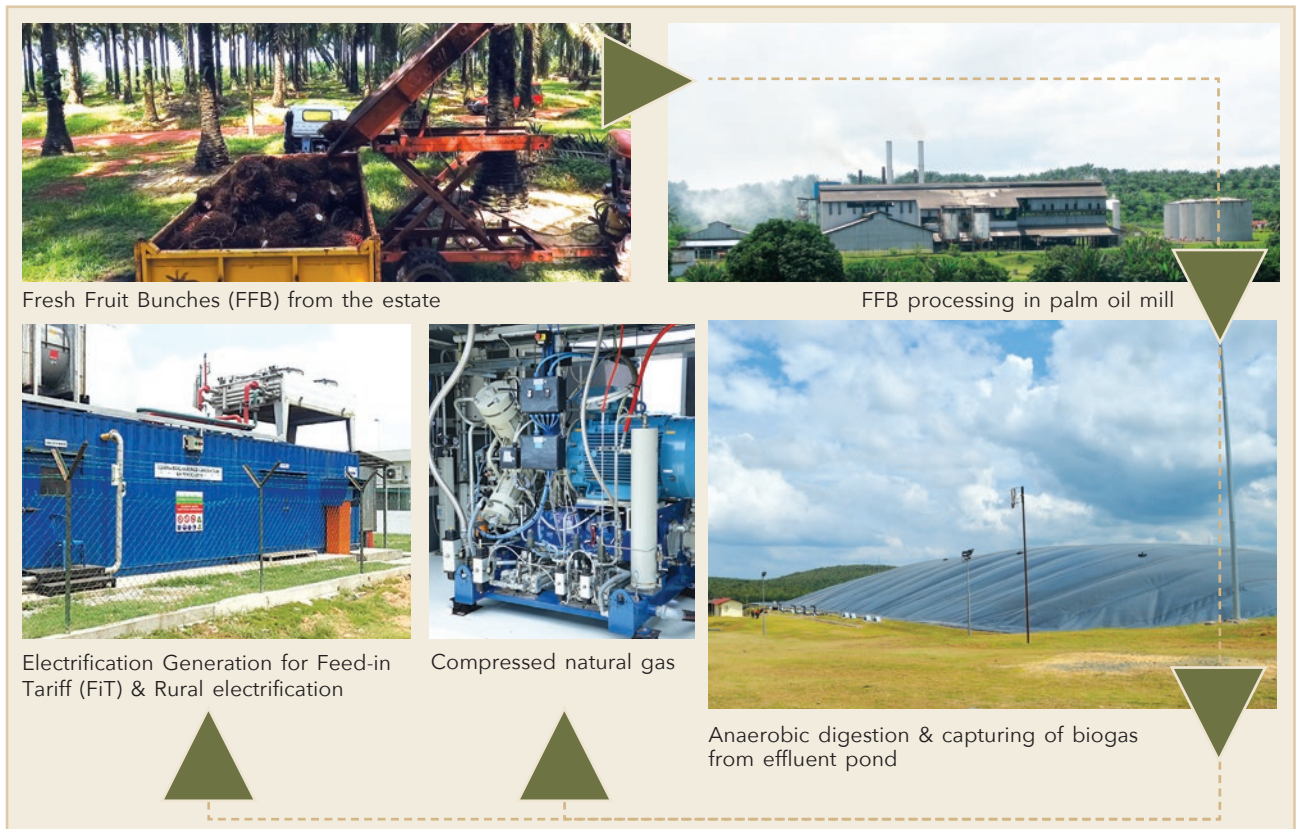
Year	No of biogas plants monitored	Total monitored CO ₂ emissions reduction (MT)
2015	12	72,814
2016	15	87,429*
2017	18	116,750

Reduction of GHG emissions from FGV's methane capture plants

* This data point has been independently audited. Please refer to our Independent Assurance Report in FGV's Annual Integrated 2016 on pages 355-356

BIOGAS UTILISATION IN THE PALM OIL MILLING CONTEX

In addition, to reduce the amount of GHG that our mills emit into the atmosphere, the biogas plants are reducing GHG emissions arising from the combustion of fossil fuels by generating electricity for domestic use.

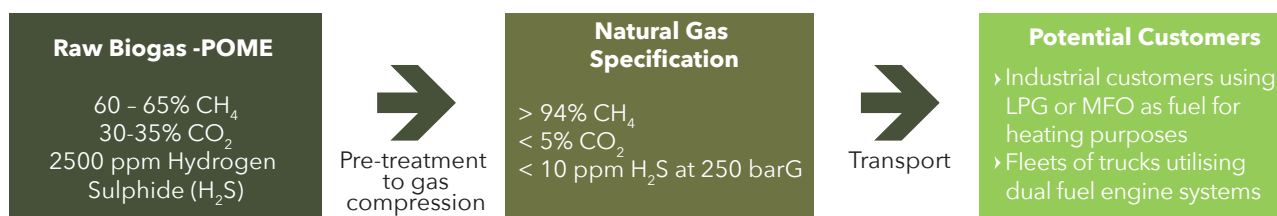


MANAGING CLIMATE CHANGE

BIO-COMPRESSED NATURAL GAS (BIO-CNG)

Our research on biogas has led to the establishment of the first commercial scale palm-based Bio-Compressed Natural Gas (Bio-CNG) plant in Sg. Tenggi, Kuala Kubu Baru, Selangor. A collaboration between Felda Palm Industries Sdn Bhd (FPI), the Malaysia Palm Oil Board (MPOB) and Sime Darby, at full capacity can produce 80,000 MMBTU of Bio-CNG annually demonstrating that biogas can be used on a commercial scale. The plant commenced commercial production for its first customer in April 2016 underscoring the viability of Bio-CNG as an alternative to fossil fuels.

BIO-CNG as Renewable Energy - Quality



Using membrane technology, the 400 m³/hour Bio-CNG uses 600 m³/hour of biogas produced from the covered lagoon biogas plant operated in Sg. Tenggi Palm Oil Mill. The Bio-CNG product, which is being sold to the Sime Darby-Gas Malaysia joint venture company, the marketing arm of the project, is today being used by an alloy rim manufacturing company, namely Oriental Metal Industries Sdn Bhd, located in Bukit Beruntung, Selangor.

As the world’s first commercial Bio-CNG plant, the plant will enable the palm oil industry to showcase the diversification and use of biogas for energy, giving the industry another feasible option besides the current uses of biogas for electricity generation and co-firing for steam production.

In 2017, the plant successfully delivered more than 15,000 MMBTU to an industrial customer, demonstrating the plant’s operational capability to produce clean, truly renewable energy and further develop a new business value chain from biogas generation to Bio-CNG utilisation. The site has now received multiple visits from interested local and foreign parties keen to learn from FPI’s world-first Bio-CNG success story.



Bio-CNG Plant at Sg. Tenggi Palm Oil Mill

MANAGING CLIMATE CHANGE

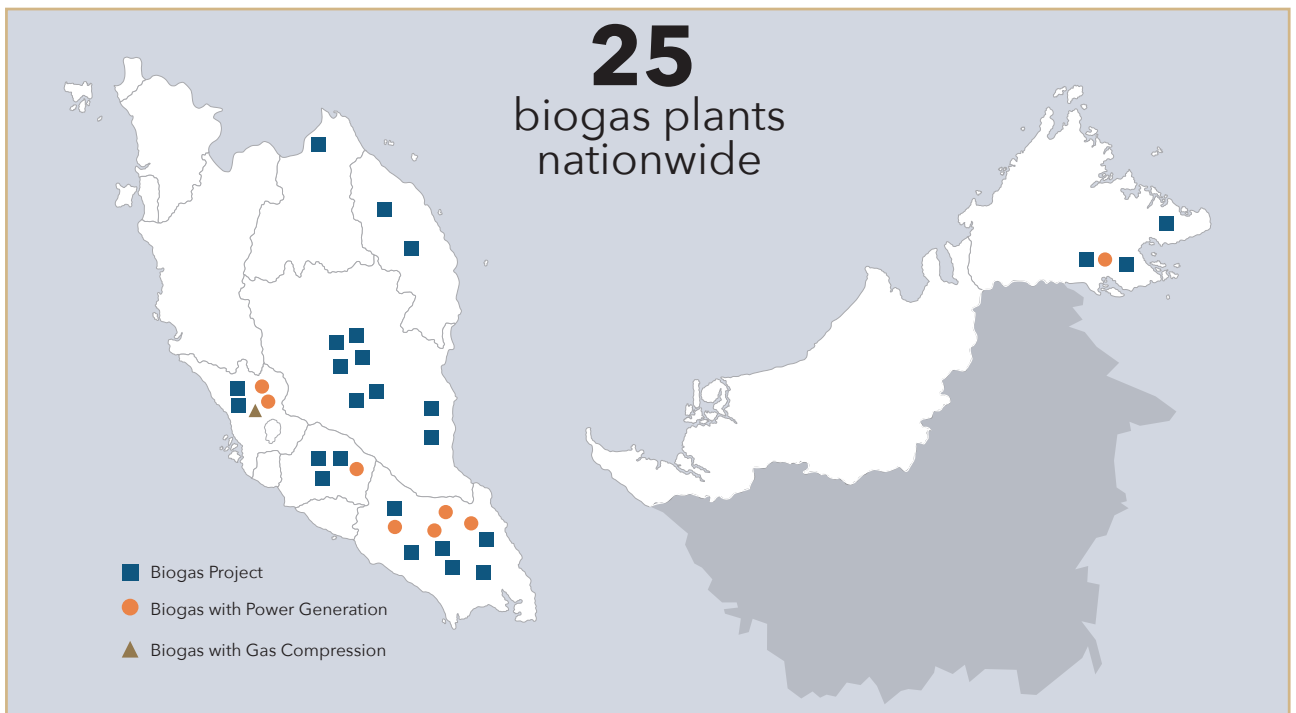
BIOGAS-TO-GRID POWER PLANT

FPI successfully operates four biogas to grid power plants, producing renewable electricity for the national grid in Peninsular Malaysia as well as one biogas power plant for the rural grid in Tawau, Sabah. Renewable projects such as these are highly sustainable as they produce clean energy, generate revenue and support the national environmental agenda.

Two of our biogas capture plants at our palm oil mills at FPI Umas and FPI Serting Hilir have been successfully generating electricity for the local area since 2013 under the respective rural electrification projects. These plants can generate up to a maximum of 1.2 megawatts of electricity. At Umas up to 1.0 megawatts of electricity is channelled to residential areas, schools, offices and commercial complexes. Prior to the construction of the plant, Umas residents, primarily FELDA settlers and their dependents, depended on power generated from diesel generators. Meanwhile, the electricity generated by the Serting Hilir plant is being fed back to the national grid.

FPI has also four mills equipped with biogas plants that use gas engines in Maokil, Nitar, Serting Hilir and Tenggaraoh injecting a total of 4.0 megawatts of electricity into the grid through the Sustainable Energy Development Authority (SEDA) Feed-in Tariff (FiT) programme. The plants which have been operational since 2015 have been generating revenue through delivering clean energy to the national grid.

Another Sustainability achievement for FGV is FPI has now commenced construction of the Triang and Keratong 9 Biogas-to-Grid Renewable Power Plant projects. These two plants will utilise the biogas captured and convert this to electricity, generating a combined capacity of 4.0 megawatts for the national grid. These projects, targeted to be operational by end 2018, will complete FGV's journey as the palm oil industry's champion in renewable and sustainable energy.



FPI - Biogas Project Locations - Malaysia

ENERGY CONSUMPTION

FGV believes that climate change is the most pressing global environmental problem faced by humanity. Hundreds of millions of people could lose their livelihoods¹ or lives if average global temperatures rise by more than 2°C. Up to one million species could go extinct². This outcome is almost inevitable if global emissions do not start to fall within the next 20 years³. FGV, therefore, supports a diverse range of actions to reduce the emission of global-warming gases. These include greater energy efficiency, a decentralised energy infrastructure system, and a huge leap in investment into the renewables sector.

FGV believes that the use of biomass and biogas as energy sources should be part of the climate change solution as long as they are developed in a truly sustainable way.

Sources:

¹ UNDESA Division For Inclusive Social Development Indigenous Peoples

² The Guardian newspaper UK

³ WWF European Policy Office

BIOMASS PLANT AS AN INDEPENDENT POWER PRODUCER (IPP)

In 2002, the Sahabat Biomass Power Plant project was initiated to substitute diesel usage by utilising EFB produced by five mills nearby Sahabat to generate heat and power for the Group's CPO refining, kernel crushing plant, hotel, office and residential compounds. FGV's first biomass power plant became operational in May 2005 and was recognised as the first Clean Development Mechanism (CDM) in Malaysia. It was a significant achievement for us with the technology gaining much attention locally and abroad.

FGV also garnered another feather in the hat when FPI collaborated with Tenaga Nasional Berhad (TNB) to install and operate FTJ Biopower Sdn Bhd in Jengka, Maran. This renewable energy power plant successfully achieved its Commercial Operation Date in October 2016 and produces 10 megawatts of electricity for the national grid that would otherwise emit 43,560 MT of CO₂ equivalent per year if fossil fuels (diesel) were to be used to generate electricity. This biomass plant is capable of utilising 300,000 MT of EFB annually for power generation.



Biomass Power Plant in Sabah

ENERGY CONSUMPTION

G4-EN3

FOSSIL FUEL USAGE IN PLANTATIONS

As part of a sustainable energy mix, the potential benefits are immediately clear in the decline of diesel consumption on our own estates and in our mills as shown in the table below:

	2016 (Litres)	2017 (Litres)
Estates		
Peninsular Malaysia	3,329,980	2,638,346
Sabah and Sarawak	997,626	818,532
Mills		
Peninsular	7,477,771	8,259,560
Sabah and Sarawak	2,922,276	2,541,360

Diesel fuel consumption at FGV's estates and mills



FGV uses biomass and biogas as energy sources to replace the dependency on fossil fuel



G4-DMA

UPHOLDING GOOD SOCIAL PRACTICES

FGV embraces a culture that respects and leverages on the diversity of our social ecosystem, namely our workforce, our customers and our communities. This is of utmost importance if we are to work efficiently and effectively, excel at our business performance, achieve our goals, as well as fulfil Stakeholders' needs and requirements.

RESPECTING HUMAN RIGHTS

FGV is committed in adhering to human rights frameworks defined in the Universal Declaration of Human Rights (UDHR) and the International Labour Organisation's (ILO) Core Conventions to ensure that working conditions are non-exploitative. The Group's respect and commitment to fundamental human rights are embodied in our Group DNA, Code of Business Conduct and Ethics for Employees and Directors (CoBCE) and Group Sustainability Policy (GSP). The details of the GSP, which are highlighted out on page 25 of this Report, apply to all our employees and directors and we are in the process of expanding this to all our suppliers and vendors in 2018.

FGV has implemented, through the CoBCE and GSP, provisions for equal opportunity and prohibition of underage workers and will continue to champion the guidelines on human trafficking and forced labour exploitation, sexual harassment and violence. FGV is aware of its responsibility to protect the rights of all employees and will continue to actively engage its employees to ensure that their needs such as wages, shelters and access to services are met. At the same time, we will continue to create a harmonious and prosperous working environment for our people.

We are committed to upholding ILO Conventions such as freedom of expression and association as well as the relevant child protection laws and regulations in each country where the Group conducts business activities and transactions. We are also committed to supporting other international and local treaties, which amongst other safeguards' demand that children receive protection against any forms of abuse and exploitation. The Group businesses

shall ensure that all business partners observe the need to comply with the relevant child labour laws and all FGV's suppliers and subcontractors are prohibited from hiring employees who are under the minimum legal age.

ADDRESSING ALLEGATIONS OF HUMAN RIGHTS EXPLOITATION

On 26 July 2015, *The Wall Street Journal* (WSJ) published a story alleging that FGV had five key issues with its plantations, namely forced or bonded labour, unethical recruitment, lack of employment contracts, lack of a minimum wage, plus safety and health issues. In response to this, we conducted an independent investigation and promptly implemented various measures to address the alleged shortcomings.

VERIFICATION BY WILD ASIA

In response to the WSJ report, the RSPO was prompted to appoint Accreditation Services International (ASI) to conduct an assessment of

the allegations. To ascertain WSJ's claims, FGV engaged Wild Asia (WA) to carry out a verification assessment of allegations on both the WSJ and ASI findings. Both findings are publicly available on the FGV website.



The reports can be viewed at <http://www.feldaglobal.com/sustainability/stakeholder-engagement/reports/>.

ENGAGEMENT OF THE FOREST TRUST

One of our first key actions in response to the WSJ's allegations was to engage with The Forest Trust (TFT), an organisation with extensive knowledge and experience working with marginalised groups, to conduct the "Support for Transformation" at four selected FGV, FELDA and Felda Technoplant Sdn Bhd (FTP) sites. TFT was also tasked with focusing on the five areas affecting foreign guest workers at FGV's estates, identifying the gaps between policy and implementation, as well as recommending specific action plans.

RESPECTING HUMAN RIGHTS

Appointment of The Forest Trust (TFT) to focus on five areas

FOCUS AREAS 	Forced or Bonded Labour
	Employment Contracts
	Unethical Recruitment
	Minimum Wage
	Health and Safety

THE BENEFITS OF PARTNERING WITH TFT

The partnership with TFT has enabled us to identify gaps in our current policy commitment and practices specifically in the five focus areas and undertake a specific, measurable and time-bound action plan to remedy the situation in the following four pillars in accordance with the United Nations (UN) Guiding Principles on Business & Human Rights and applicable laws & standards:

Institutional Strengthening & Leadership	Policy Commitment	Social & Human Rights Due Diligence	Supplier, Community & External Stakeholders' Engagement
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Key Action Plans in the TFT report "Business Engagement - Support for Transformation - Social Issues 2016/2017"

Key Action Plans in the TFT Report	
INSTITUTIONAL STRENGTHENING AND LEADERSHIP	POLICY COMMITMENT
Institutionalise leadership structure across FGV, FELDA and FTP in order to mainstream social and human rights values and responsibility into corporate governance and core business operations.	Strengthen Group policy commitment to prevent forced and bonded labour throughout our business operations and the supply chain. Commit on returning of foreign workers' passport by FGV, FELDA and FTP. Develop supplier guidelines for responsible business conduct.
SOCIAL & HUMAN RIGHTS DUE DILIGENCE	SUPPLIER, COMMUNITY & EXTERNAL STAKEHOLDERS' ENGAGEMENT
Establish a social and human rights due diligence programme to continuously identify, prevent and mitigate any social and/or human rights impacts caused, or contributed by the Group's or its business partners' activities.	Spearhead an inclusive and sustainable engagement plan with external Stakeholders to share best practices, deliberate on and advocate solutions relating to prevalent social and human rights issues of common interest.

RESPECTING HUMAN RIGHTS

Over the course of 2016 and 2017, we undertook these additional measures to address the concerns relating to foreign guest workers:

INDUSTRY WORKSHOP ON LABOUR ISSUES

In December 2016, FGV and FELDA organised a workshop to discuss labour issues prevalent in the palm oil industry. The discussions centred on the following:

- ▶ The prohibition of fees charged to foreign guest workers by contractors and labour suppliers (labour recruiters) in their home countries;
- ▶ The prohibition of employers and contractors keeping foreign guest workers' identity documents/passports; and
- ▶ Children at the workplace.

The workshop provided a platform for the industry and concerned groups to discuss and share views on the aforementioned issues in an open forum. Participants comprised Government agencies such as the Malayan Agricultural Producers Association (MAPA), Labour Department Malaysia (JTKSM) and Malaysian Palm Oil Association (MPOA) Secretariat; the RSPO; growers such as FGV, FELDA, Sime Darby, Kuala Lumpur Kepong (KLK), Wilmar, Cargill and IOI Group. Also in attendance were Tenaganita and business partners, P&G and TFT.

The participation of these Stakeholders has led to the formulation of potential ideas and solutions to address and mitigate some of these pressing industry issues. Moving forward, FGV will work with several parties to refine the resolutions. There is still much to be done to enhance the image of the palm oil industry and we intend to collaborate further with all parties in similar workshops and forums.

G4-15

COLLABORATION WITH SUHAKAM

On 30 March 2017, FGV and FELDA signed a MoU with SUHAKAM, a National Human Rights Institution established under the Human Rights Commission of Malaysia Act 1999 (Act 597). The two-years MoU mandates that all parties work to better promote respect and compliance for human rights in business operations. It also calls for all parties to intensify collaboration in related areas in support of human rights consistent with the United Nations Guiding Principles on Business and Human Rights (UNGPR).



Due diligence visit by SUHAKAM with the foreign guest workers in one of our estates.

The collaboration with SUHAKAM involves all parties offering mutual assistance and committing to share knowledge and expertise relating to business and human rights in Malaysia. It also calls for the implementation of several initiatives including establishing a plan of action to ensure compliance and respect of human rights principles, the rollout of Stakeholder consultations, and the implementation of capacity building programmes.

SUHAKAM will conduct on-site visits and monitor activities to ensure adherence and compliance of human rights standards. In relation to the initiative, SUHAKAM's role would also be to provide strategic advice on the implementation of FGV-FELDA's Social Compliance and Human Rights (SCHR) Action Plan.

ROLLOUT OF THE SOCIAL COMPLIANCE AND HUMAN RIGHTS ACTION PLAN

FGV and FELDA, through its Social Compliance and Human Rights (SCHR) Task Force, have established FGV-FELDA's own SCHR Action Plan which encapsulates the TFT Report's action plan as well as other proposals from the SCHR Task Force.

On 27 April 2017, FGV organised a workshop with the SCHR Working Group (SCHR WG) comprising FGV and FELDA-nominated employees as well as SUHAKAM's representatives to formulate and establish the FGV-FELDA SCHR Action Plan. The outcome of the various meetings of the SCHR WG is a SCHR Action Plan which is continuously being refined and adapted to suit the practical requirements of FGV and FELDA's estates. Updates relating to the social issues and human rights action plan are available on FGV's website.



Updates on FGV-FELDA's Action Plans can be retrieved at <http://www.feldaglobal.com/sustainability/stakeholder-engagement/sustainability-updates/>

OUR DIVERSE WORKFORCE

As a global organisation, we are committed to developing a diverse workforce spanning a spectrum of different cultures, ethnic backgrounds, genders and ages. At the same time, we respect and welcome the distinct attributes of every individual within our workforce.

The palm oil industry is a powerful job generator especially in rural areas, helping to lift incomes and living standards of farming communities. In collaboration with the Government agencies responsible for promoting the palm oil sector, the Group endeavours to improve working conditions in the industry in order to attract and retain staff.

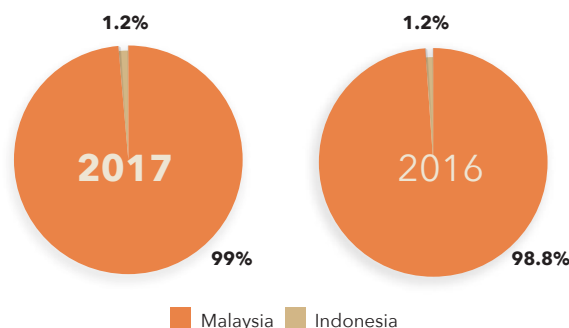
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WORKFORCE PROFILE

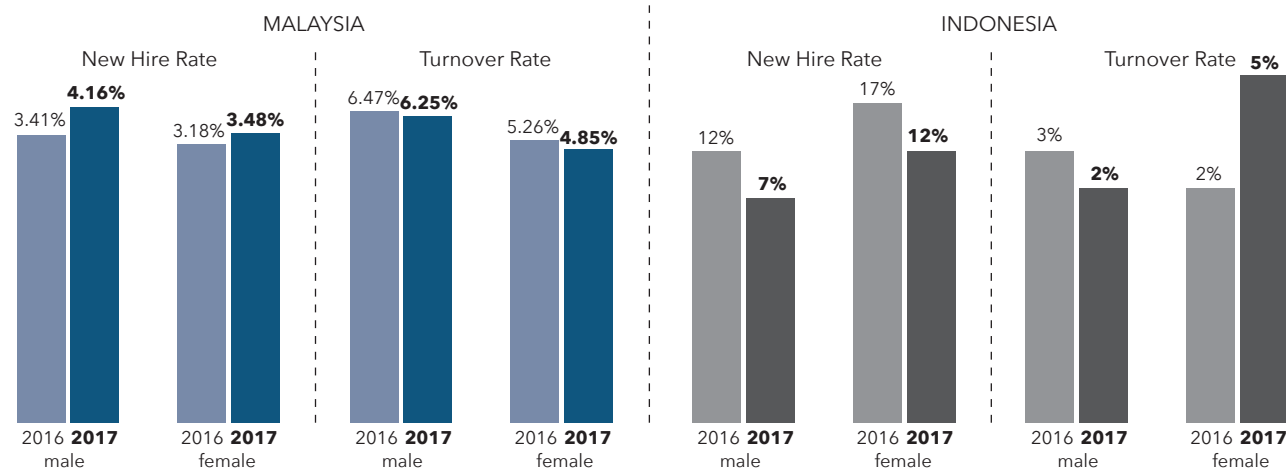
Today, FGV employs more than 19,000 local employees in Malaysia and creates employment for more than 22,000 foreign guest workers in the region. In line with FGVs' efforts to right-size its workforce and to attain optimum productivity levels, the local people headcount reduced by 2.3% in 2017 following manpower rationalisation exercises that were done during the year.

In 2016, the ethnic composition of our workforce stood at 98.92% Bumiputeras, 0.59% Chinese and 0.53% Indians. The composition remained the same in 2017.

DISTRIBUTION OF EMPLOYEES IN 2016 AND 2017*



* The data disclosed here covers only permanent employees on a full time or part time basis

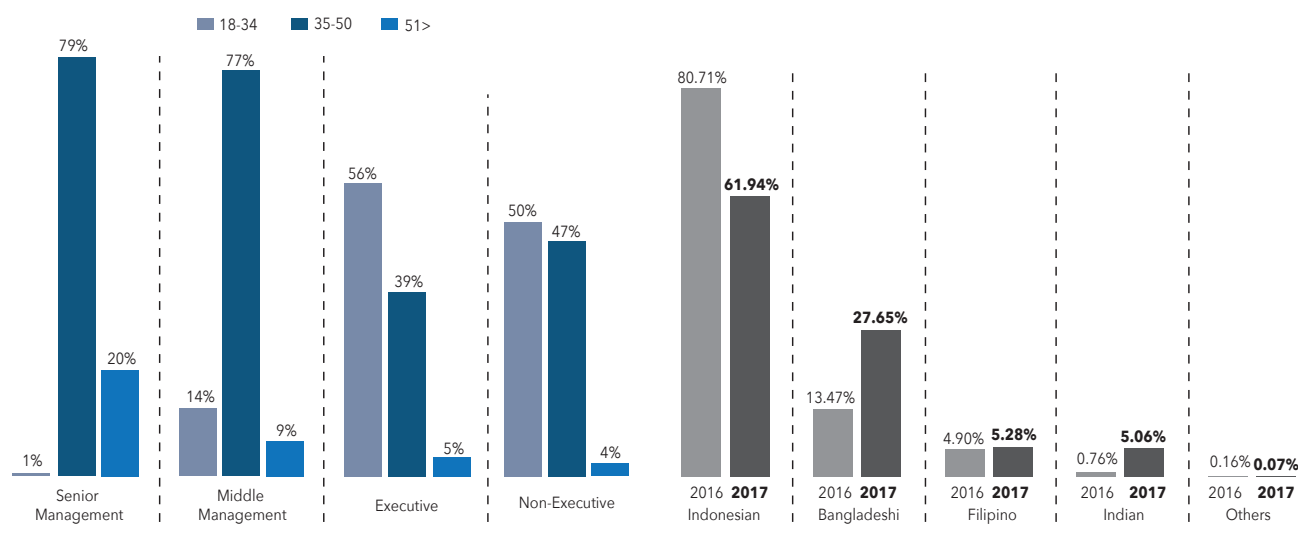


New employee hires and employee turnover rate within FGV (Malaysia and Indonesia)

OUR DIVERSE WORKFORCE

For 2017, employees who were within the 18 to 34-years old age group accounted for 49% of our workforce and represented the largest segment. Close to this proportion the 35 to 50-years old segment stood at 47% of our workforce, while those in the 51-years old and above segment represented just 4% of our workforce.

Our workforce in the plantations comprises of local and foreign guest workers. The number of foreign guest workers in 2017 and 2016 was 22,044, and 22,128 respectively, with the breakdown of their nationalities shown in the figure below:

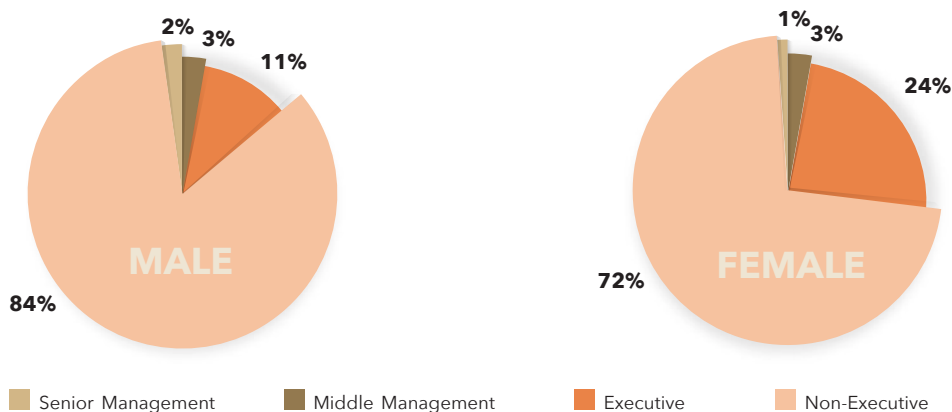


Employee distribution by age group and position in 2017

Percentage of foreign guest workers employed

GENDER DIVERSITY AND EQUALITY

Leadership positions held by women in Top Management (General Managers and above) rose to 11.40% in 2017. The Group's aim for gender equality in the workplace is to achieve broadly equal outcomes for women and men by the removal of barriers to the full and equal participation of women in the workforce. We are enabling this by providing women access to all occupations including leadership roles, for increased organisational performance and improved national productivity and economic growth.



Employee distribution by gender and position as of 31 December 2017

OUR DIVERSE WORKFORCE

FOSTERING A CULTURE OF INCLUSIVITY

FGV's corporate culture embraces the diversity of people in our organisation and promotes equal employment opportunities for all. We ensure that all employees and applicants for employment receive fair treatment and are not discriminated against based on race, nationality, religion, disability, gender, age, marital status, sexual orientation, union membership, political affiliation or any other characteristic protected by local legislation and regulations.

At FGV, all employees from all backgrounds have equal access to opportunities to succeed and are encouraged to strive for betterment and advancement within the workplace. Creating an inclusive work environment certainly lends to the success of our businesses as workers from all backgrounds and experiences are made to feel comfortable and welcome within their respective workplaces. Fostering this type of environment has time and time again helped enhance employee satisfaction and productivity.

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 experiences designed to maximise their capabilities. We also encourage employee participation in local and national 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.

FGV believes in an approach to responsible employment that drives value in the long-term and so we have purposefully set out to nurture our people. Our commercial success depends on the ability to attract, develop and retain a sustainable pipeline of highly engaged employees. This means bringing in new talent, from different and diverse backgrounds, as well as maintaining and investing in the talent, knowledge, skills and abilities of those that we already employ.



Employees from all backgrounds have equal access to opportunities for success within FGV's inclusive work environment

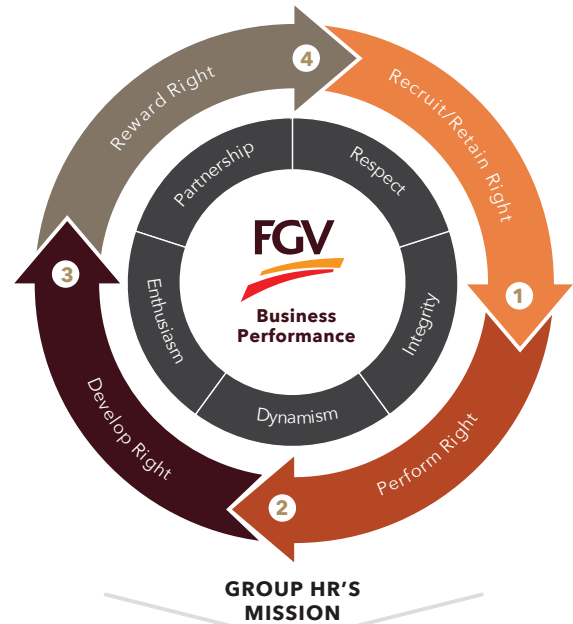
NURTURING OUR PEOPLE RESPONSIBLY

SOLIDIFYING OUR CAPABILITIES

At FGV, we are continually assessing, developing and strengthening our human capital to ensure that we have the right competencies, qualities, dynamics, attitude and passion to drive the Group's various initiatives in creating value for our Stakeholders. The approach we take to our human capital development is guided by our Human Resource (HR) principles:

EMPLOYEE ENGAGEMENT

We approach employee engagement as a continuous, holistic part of our entire business strategy. People who are passionate about their work and respect their colleagues, will treat customers better as well as continuously innovate and work on improving our business. To create such a high-performance work environment, we want to communicate our mission and values as well as train managers and leaders to live these values. Upon carefully selecting the right people to fit our organisation, we focus on continuously improving, redesigning and upgrading the work environment to accelerate on-the-job learning and performance improvement measures.



GROUP HR'S MISSION
To create value through our human capital via transformation of our PEOPLE towards a High Performance Culture

HR Strategy Framework



FGV's GP/CEO, Dato' Zakaria, engages with employees during a townhall session

FGV's employee engagement activities over the period in review included Townhalls with the Chairman and GP/CEO, Business Talks by Division and Cluster Heads, a Chitchat session with GP/CEO, a Young Executive Dialogue with the Chairman, a Hari Raya celebration at the Group level and other engagement activities at Division, Cluster and Company levels.

NURTURING OUR PEOPLE RESPONSIBLY

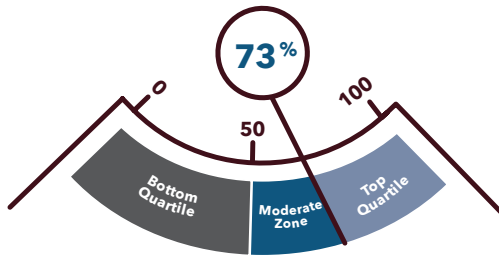
We engaged Aon Hewitt to conduct our Employee Engagement Survey (EES), to listen and understand the needs of our human capital as well as to help us determine the level of communication and engagement required to maintain a satisfied and committed team. The result ranked us in the top quartile with 73% as compared to Malaysia's engagement level of 59% last year i.e. according to Aon's 2017 Trends in the Global Employee Engagement Report. The number of employees participating in the survey had also increased to 97% from 69% previously.

These readings are reflected in our low staff turnover rate of 4% recorded in the same year.

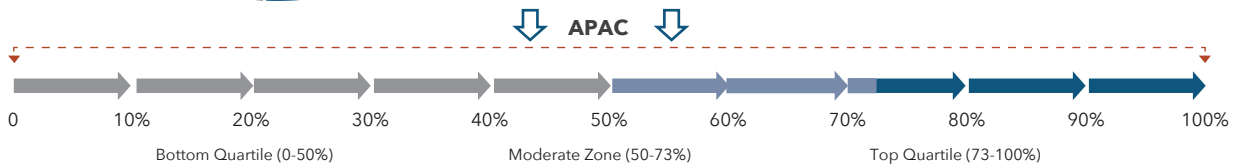
Leveraging on this momentum, engagement champions were appointed from all divisions and companies to gather feedback through focus group discussions to implement effective action plans. This employee engagement initiative will help FGV improve our talent management, operational productivity and customer satisfaction, ultimately impacting our bottom line positively.

FGV GROUP EMPLOYEE ENGAGEMENT SURVEY RESULTS

Engage-O-Meter & Overall Engagement Score



Participation Rate



	Participation Rate	Engagement Score	Range
FGV Overall 2017 (n = 18,235)	97%	73%	Top Quartile
FGV Overall 2015 (n = 13,938)	69%	73%	Top Quartile
Malaysian Country Norm (2015-2016)	-	59%	Moderate Quartile
Best Employer (BE) Malaysia 2016	-	87%	Top Quartile



FGV Chairman's engagement session with employees

NURTURING TALENT

FGV deploys talent management as a business strategy that is enabling the company to retain the most talented and skilled employees as well as to attract top talent amidst stiff competition from other employers. Studies consistently show that the opportunity to continue to grow and develop professional and personal skills is a major motivator for employees to take on and stay on in a job with FGV.

NURTURING OUR PEOPLE RESPONSIBLY

Attracting and retaining talented employees is the job of every member of the organisation, especially managers who have talented subordinates under them. Meanwhile, the Human Resources Department tracks and plans the career paths of employees and manages opportunities for talented employees. Effective succession planning makes sure that the best talent available is trained and ready to assume the next position in their career path. Talent management and succession planning benefit both our employees and our organisation.

SENIOR LEADERSHIP PROGRAMME

To enhance our people's leadership skills, the Senior Leadership Programme (SLP) has been designed to expand participants' strategic and tactical skills and sharpen their decision-making ability in view of driving operational excellence. This programme encompasses six modules over a spread of seven months and serves as one of several means to develop talent from within and prepare a solid line-up of successors for the Group's key positions. Since the SLP's inception in 2015, a total of 57 senior leaders from various departments have graduated from the programme.

LONG-TERM INCENTIVE PLAN

The Long-Term Incentive Plan (LTIP) is one of our incentive tools to reward, retain and motivate employees whose contributions are vital to the Group's progressive and sustainable growth. It is also in line with our Group HR's Strategy Framework that aims to drive a high-performance culture. The LTIP consists of Performance Shares (PS) and Restricted Shares (RS) whereby the main difference is the eligibility of the employees in terms of job grades as well as the performance targets. The LTIP was established and approved by our Board of Directors in February 2016.

The first LTIP RS Grant comprising 859,800 ordinary shares was made to selected employees on 1 July 2016. In 2017, a total of 5,342,400 shares were granted to eligible employees based on approved mechanisms.

G4-DMA, G4-LA9

TRAINING AND EDUCATION

FGV's learning and development strategy aim to develop our workforce's capabilities, skills and competencies to create a sustainable and successful organisation. It is an important part of our overall business strategy which supports the management of change, enhances employee engagement and helps drive a high-performance culture.

The learning and development programmes are based on FGV's three-pronged transformation strategy:

- › Enhancing Revenue;
- › Cost Optimisation; and
- › Operational Excellence.

We strongly believe in cultivating and retaining quality employees due to their pivotal role in ensuring the future success and growth of the Group. Hence, we regularly schedule employee development and training programmes to further enhance the skills and productivity of our employees. These programmes include management trainee and leadership development programmes. Furthermore, we have also implemented soft skills and technical training to upgrade our employees' proficiencies. For instance, we provide Association of Chartered Certified Accountants (ACCA), Chartered Institute of Management Accountants (CIMA), and Institute of Chartered Accountants in England and Wales (ICAEW) courses to trainee accountants to facilitate their continued self-development.

Over the course of 2016 and 2017, we provided our employees with a total of 753,112 training man-hours.

NURTURING OUR PEOPLE RESPONSIBLY

Training Programmes

Our plantation management courses are aimed at building a skilled FGV workforce who can contribute to the improvement of quality, standards and productivity in the palm oil industry. These courses also serve to ensure that the agriculture sector is strengthened so that it plays a greater role in the overall economic growth of our nation. The entry and leadership development programmes complement the technical training, providing a balance of knowledge and skills for employees.

Our Group Organisational Learning and Development Department (GOLD) works closely with our business leaders to identify training needs and develop high-quality training materials and programmes to meet those requirements. The table below summarises FGV's flagship programmes (not inclusive of technical/functional training conducted by respective subsidiaries).

Programme	GOLD	Subsidiary
Functional / Technical	7	459
Soft-skill	0	872
Leadership Development	2	38
Total Number of Programmes	9	1,369
Total Numbers of Employees Trained	1,767	16,618
Total Training Man Hours	242,496	510,616

Summary of training programmes provided over 2016 and 2017

Note:

GOLD conducts long-term modular development programmes targeted at specific groups i.e. Management Trainees, Accountant Trainees, Leadership Development, Cadet Planters and Mills and other intervention programmes.

Skim Latihan 1Malaysia (SL1M)

FGV continues to search for young talents with the potential to contribute to the Group.

In support of the Government's initiatives to improve the employability of local graduates, FGV provides training to graduates under the Skim Latihan 1Malaysia (SL1M) through the FGV Sawit (Apprentice Work-in-Training Scheme).

In total, 92 participants took part in our three programmes, i.e. Cadet Planter, Cadet Mill Engineer and Management Trainee. These programmes will be ongoing until the end of 2018, with a view to hiring suitable participants upon successful completion of the programmes.

Graduate Programme	No. of Participants
Cadet Planter	34
Cadet Mill Engineer	29
Management Trainee	29

Numbers of participant in the Graduate Programme (SL1M)



Participants are given hands-on training during the Cadet Planter Programme

NURTURING OUR PEOPLE RESPONSIBLY

FGV ACADEMY: THE WAY FORWARD

To align with FGV's mission, the FGV Academy was established on 1 June 2017. This initiative will create smart integration for all learning and development activities within FGV with the aim of:



The FGV Academy programmes will be aligned to cover the following areas:

- ▶ To begin with estates and mills management, later with downstream activities such as FMCG to be followed by other businesses and services of FGV;
- ▶ Concurrently, to be complemented by leadership and business skills (including the areas of Finance, Strategy and HR) and other soft-skills courses that can directly benefit employees' roles; as well as
- ▶ Bridging, continuous development and refresher courses on estate and mills management.

As FGV is seen as the leader in driving the national agenda in the palm oil industry, the Academy will serve as the platform to promote and develop a competent workforce for the industry, especially for small to medium-sized estates or mills that do not have the resources to conduct their own training. As a commercial entity, the Academy will ensure that the quality of its products and services is guaranteed.

In the near future, the FGV Academy aspires to generate additional revenue for the Group via:

- ▶ leveraging on the Group's expertise and developing comprehensive learning modules specifically on palm oil;
- ▶ collaborating with prominent institutions to ensure its modules are certified;
- ▶ targeting business owners or employees of other palm oil companies in Malaysia or within the Asian region, Smallholders, universities and others.

EMPLOYEE ENRICHMENT PLAN (EEP)

The Employee Enrichment Plan, a new HR initiative that was introduced on 1 January 2017, addresses concerns and issues related to an employee's performance and/or behaviour when it is considered to be unacceptable. Two special programmes are offered under this plan:

- ▶ The Performance Recovery Programme (PRP) for employees having work performance issues; and
- ▶ The Character Building Programme (CBP) for employees with personal/behavioural issues.

Employees under the EEP may be required to take up other activities such as counselling sessions, skills and competency training, as well as other enhancement courses that will help improve their overall work performance or behaviour.

MANPOWER OPTIMISATION

As part of the Group's efforts to optimise our manpower, we continued to offer our Voluntary Early Retirement Scheme (VERS) and Mutual Separation Scheme (MSS) throughout 2017 with a total of 330 employees taking up these offers.

In the fourth quarter of 2017, we offered the Voluntary Separation Scheme (VSS) to all GM-level employees and above. Of the 41 applications received, 26 were approved with a total payout of RM10.96 million, which will payback itself in approximately 14 months. Through these ongoing initiatives, we expect to achieve optimum headcount over the next two to three years, which in turn, will improve our HR-related expenditure considerably.

UPHOLDING WORKERS' RIGHTS

Our culture embraces the diversity of people in our organisation and promotes equal employment opportunity regardless of race, religion, age, marital status and nationality. We have zero tolerance for harassment and abuse at the workplace.

G4-15, G4-HR6

OUR STAND AGAINST FORCED LABOUR

FGV adheres to the Guidelines on Human Trafficking and Forced Labour Exploitation as well as the Declaration on Fundamental Principles and Rights at Work by the ILO. The Group does not support the employment or use of forced or bonded labour in connection with our activities and does not knowingly collaborate with agencies, suppliers or contractors involved in human trafficking.

Additionally, FGV's labour policy is based on Malaysia's Labour Act that sets the industry standard on the minimum wage and is regulated by the Ministry of Human Resources. FGV workers also enjoy the benefit of insurance coverage.

SAFEGUARDING WORKERS' PASSPORTS

The Group also stresses the importance of safeguarding foreign guest workers' passports and identification documents to avoid human rights allegations of labour exploitation. A pilot project initiated in 2016 accords foreign guest workers full access to their passports



A foreign guest worker utilises a passport safety box to secure his passport

which are kept safely on working premises. Passport safety boxes, located at the respective plantation offices, enable foreign guest workers to secure their passports whilst they are out in the field thereby providing them with greater peace of mind. To date, we have installed 3,250 safety boxes (from 1,150* safety boxes in 2016) to safeguard passports at 17 estates and will continue to extend the programme to all FGV's estates.

A recent survey of the safety box project in 2017 revealed usage rates on estates varying from 7% to as high as 88%. Although the usage rate may vary, the availability of safety boxes for all FGV's estates for passport safekeeping to adhere and comply with human rights laws and regulations will be completed by 2018. A total allocation of RM2.4 million has been budgeted for the installation of passport safety boxes.

ETHICAL RECRUITMENT

FGV is in the process of developing a policy relating to ethical recruitment of foreign guest workers that addresses key elements such as the recruitment process, safekeeping of passports and ethical employment contracts. FGV does not charge any recruitment fees for job placement and prohibits any of its agents or their sub-agents to charge fees. FGV incurs agency fees, work permits, bank guarantees, insurances, medical check-ups and basic personal care necessities.

To ensure all parties understand the conditions, the contract is made available in the language of the workers. We have translated our employment contract into five different languages – Bengali, Tamil, Nepali, Tagalog and English – to ensure that our foreign guest workers fully understand their rights while working with FGV.

* This data point has been independently audited. Please refer to our Independent Assurance Report in FGV's Annual Integrated 2016 on pages 355-356

UPHOLDING WORKERS' RIGHTS

We have also revised the salary slip format and translated the words used in the slips to help foreign guest workers better understand the details of their salary breakdown and the reasons for any salary deductions. All of FGV's foreign guest workers are recruited through agencies recognised by the authorities of their country of origin.

G4-HR5

AGAINST CHILD LABOUR

The minimum legal age for employment at FGV is 18 years of age. The Group prohibits any individual under the legal age to be employed in accordance with prevailing legislation in jurisdictions in which FGV operates. We rigorously enforce these principles at all our plantations, mills and other places of work. Our recruitment officers will check with their respective recruitment agents specifically by comparing identification documents against the prospective employee's details which include schooling records, such as their school certificates, to ensure that we do not employ underage workers. All of our directly employed estate workers are aged 18 years and above.

We also provide school and day care centres for our workers' children to ensure that parents have somewhere safe to send their children and always provide opportunities for education. We are also at the early stages of communicating and engaging with our supply chain on our stand against child labour as part of our efforts to help our supply chain comply with the GSP and adopt responsible practices.

G4-11, G4-15

FREEDOM OF EXPRESSION & ASSOCIATION AND COLLECTIVE BARGAINING

Freedom of expression in accordance with national legislation is not prohibited, as part of FGV's commitment to ILO Core Conventions. This is in line with the ILO's Declaration on Fundamental Principles and Rights at Work and also the newly adopted UN Guiding Principles for Business on Human Rights as recommended in the TFT Report and through our engagement with SUHAKAM. Our adoption of these principles was subsequently endorsed by the SCHR Task Force and RSPO Steering Committee as basic guidelines for all labour and social compliance matters pertaining to the Group.

The main purpose of worker unions is to give workers the power to negotiate for more favourable working conditions and other benefits through collective bargaining. FGV recognises the right of the unions as well as our employees to freedom of expression within the stipulated law and does not preclude individuals from joining the unions or other entities that are registered and approved by FGV.

Our workers' unions are registered labour unions that represent employees within the Group. Each of our subsidiaries has union representatives, elected by members, who meet with local management representatives regularly in forums, to discuss and resolve issues. As at 2017, there were 17 labour unions within the Group representing 7,751 union members, amounting to 40.37% of the workforce, across our estates

and mills in Malaysia including Sabah and Sarawak. We seek to maintain peaceful and productive industrial relations through open dialogue, fair labour practices, and respectful communication in the workplace. During the year, several improvements in terms of benefits were successfully negotiated by the unions. Among the benefits were increments in housing and health as well as transportation allowances.

G4-LA16

OUR STAND AGAINST SEXUAL HARASSMENT AND VIOLENCE

FGV is committed to paying close attention to the ethics and conduct of all employees in connection with sexual harassment. Such harassment may take the form of verbal innuendos, gestures, visual psychological or physical contact, notes sent via electronic media, acts of violence or any other such instances outlined in Section 16 of FGV's CoBCE.

We are also committed to upholding the reproductive rights of women to ensure that there is no discrimination against women.

FGV takes allegations of sexual harassment very seriously. Four cases of harassment or abuse were reported in 2016 by four females. The cases were resolved by the issuance of a warning letter, a demotion, and two terminations of the perpetrators. A single case concerning a female was resolved by resignation of the perpetrators in 2017.

UPHOLDING WORKERS' RIGHTS

FAIR WAGES

We ensure that our workers are paid based on the in-house *Kadar Upah Kerja 5* (Work Wages Rate 5) which is guided by the collective agreement between the Malayan Agricultural Producers Association (MAPA) and the Minimum Wages Order 2016, regardless of gender differences.

Malaysia enforced the Minimum Wages Order 2016 in April 2016 and now stipulates a minimum wage of RM1,000 per month for workers in Peninsular Malaysia and RM920 for workers in Sabah, Sarawak, and Labuan.

HOUSING BENEFITS

Our commitment to our workforce is not limited by nationality or boundaries and is extended to our cohort of over 22,000 foreign guest workers in FGV estates across Malaysia. In recognition of their contributions and loyalty to our business, we have gone to great lengths to ensure that they are provided access to facilities including housing and health services in their areas of residence. We are presently constructing new housing to accommodate our foreign guest workers.

Most importantly, each worker's living standard remains in compliance with Workers' Minimum Standards of Housing and Amenities Act 1990. Employee wellbeing is something that must be fostered, and understanding the needs of employees are the building blocks for generating overall wellness and prosperity for both FGV and the community. This is why by the end of 2018, we aim to have all current living quarters in a state of good repair while all new living quarters will be completed with basic amenities and facilities in place for both our foreign and local workers. Boasting pleasant recreational spaces, places of worship and security systems, these pockets of community living aims to ensure that FGV's workers can thrive both within and outside of work.

With the basic needs of workers covered, FGV is also focusing on ensuring that workers' wellbeing goes beyond just physical amenities. The Group encourages its workers to engage together in their downtime and is committed to providing them with various avenues and activities outside of work, such as sports activities, musical contests, best quarters contests, and religious talks for both local and foreign guest workers to uphold workers' welfare.



A completed housing complex for workers

UPHOLDING WORKERS' RIGHTS

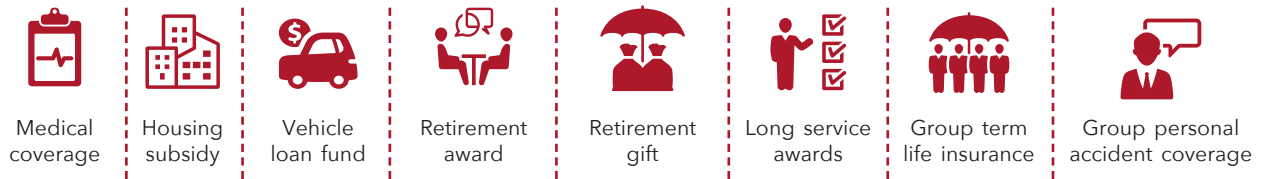
G4-DMA, G4-LA2

MEDICAL BENEFITS

As the pulse of FGV, our plantation workers play the most important role in determining our productivity. Their health and safety are of utmost importance and so we pay close attention to their medical benefits. FGV is committed to providing comprehensive insurance coverage for plantation workers including free medical check-up and hospitalisation allowance. In addition, clinics can be found in many FGV estates which readily cater to the health concerns of plantation workers. In the absence of a clinic within an estate, the Group bears the transportation costs to the nearest local clinic or Government hospital.

The benefits package offered to all workers includes an attractive salary; reasonable accommodation with basic amenities like electricity and water supply; free transportation from workers' accommodation to their work sites; incentive payments based on productivity; annual leave; medical benefits; and allowances for all eligible workers.

Local workers also benefit from Employees Provident Fund (EPF) and Social Security Organisation (SOCSO) contributions while their insurance needs are covered by the Workmen's Compensation Act 1952. Meanwhile, our foreign guest workers are covered under the existing Foreign Workers Compensation Scheme (FWCS).



List of benefits provided to permanent local employees

ADDRESSING WORKERS' GRIEVANCES

FGV has opened up more channels of consultation so that workers' needs are better understood. This aims to further improve workers' livelihood and bridge the communication gap between foreign guest workers and the head office. FGV has established a mechanism for workers (including the workers of suppliers/contractors) to express their grievances without fear of repercussion and to gain protection for their rights regarding working conditions. Workers may communicate their suggestions and grievances through various communication channels, including a mobile Hotline as well as a Suggestions Box and Complaints Book (*Peti Cadangan* and *Buku Aduan*) which are accessible at the respective



Workers are the heartbeat of FGV

site offices and hostels. FGV is in the process of re-establishing the Estate Consultative Committee (*Jawatankuasa Perundingan Ladang*) as a grievance channel for workers where they can raise any concerns they may have.

ENRICHING OUR COMMUNITY STAKEHOLDERS

FGV is deeply committed to strengthening ties, building goodwill and investing in the communities that we operate in. Our community Stakeholders comprise, two main groups, namely FELDA settlers and Smallholders who form part of our supply chain, and the public at large with whom we interact as a business entity.



An engagement session with Smallholders on Sustainability related aspects

Our commitment to our FELDA settlers includes helping them build and develop sustainable communities. As suppliers to our mills, they form part of our supply chain and we endeavour to educate them on best practices to maximise their returns. Additionally, as RSPO members, we seek to ensure that as our associate Smallholders they comply with all Sustainability requirements to ensure that they do not jeopardise the certification of our assets. FGV is in regular and close engagement with settlers, holding regular town hall meetings in various FELDA settlements around the country.

FGV also channels a portion of its profits to FELDA settlers who have approximately a 20% equity stake in FGV. Earnings from FGV are channelled to the settlers through their participation in FELDA, and also in the form of dividends which are distributed by Koperasi Permodalan FELDA (KPF). Some two million people, comprising 112,635 settler families benefit from plantation income.

YAYASAN FELDA

Today, FGV is contributing back to society and enriching communities under the ambit of Yayasan Felda, our welfare arm. In 2016 and 2017, we allocated RM2,217,618 and RM2,847,163 respectively to various programmes through Yayasan Felda. Through the foundation, FGV helps fund a number of charitable causes and initiatives focused primarily on education, healthcare and other philanthropic causes. Aid from Yayasan Felda is open to all Malaysians, particularly settler communities and the rural population.



Additional information about Yayasan Felda's activities is available on its website www.yayasanfelda.net.my.

ENRICHING OUR COMMUNITY STAKEHOLDERS

FGV SCHOLARSHIP PROGRAMMES

Further to our social contributions through Yayasan Felda, FGV also awards scholarships to students with excellent academic track records. To date, FGV has spent more than RM13.8 million on local and overseas scholarships.

A-LEVEL AND OVERSEAS SCHOLARSHIPS

Since 2006, FGV has been offering scholarships to deserving Malaysians to take up their A-Level studies before pursuing their first degree studies at universities in the United Kingdom. This initiative is part of the Group's capacity building and bloodline programme to build human capital expertise to meet future manpower requirements of the organisation. The students undergo A-levels programme at Kolej Yayasan UEM (KYUEM), Lembah Beringin before pursuing undergraduate studies at top universities in the United Kingdom. To date, 51 students have received scholarships.

LOCAL SCHOLARSHIPS

In 2015, FGV began to offer 25 local university scholarships annually for students taking up courses of study in various fields such as Plantation Management, Agricultural Science, Chemical Engineering, Mechanical Engineering, Biotechnology, Accountancy and Finance. To-date, there have been 64 recipients of this scholarship with the first batch expected to start serving FGV in 2018. The scholars' performances are monitored closely during their course of study to ensure that they meet FGV's requirement of maintaining a CGPA of at least 3.3 every semester.

Seventeen scholars are currently serving FGV and have been placed in various subsidiaries within the Group after having successfully completed their studies.



Recipients of FGV Scholarship during the Scholarship Award Ceremony

OCCUPATIONAL SAFETY AND HEALTH (OSH)

ENSURING A HEALTHY AND SAFE WORKING ENVIRONMENT

To ensure FGV's long-term sustainable growth, we continue to undertake measures to safeguard the working environment for our most important asset, our employees. A safe and healthy workplace is the fundamental right of our employees and it is also a business imperative. FGV stresses the importance of empowering worker communities through training and education as we believe these are key components for sustaining a proactive, innovative, and environmentally conscious workforce.

As our business activities are labour intensive, FGV takes special care to ensure a safe and healthy working environment and provides incentives for its key Stakeholders such as plantation workers, FELDA settlers, third-party suppliers, and contractors across the Group to take part in customised training programmes.

Before being deployed to the field, each employee is required to undergo training modules on general health and safety, hazards at the workplace, Personal Protective Equipment (PPE), and other instruction specific to their role to ensure better productivity as well as the safety of the employees themselves.

To help guide us in our OSH ambitions, FGV has adopted the Government's OSH Master Plan 2020 which was launched on 1 May 2017 in conjunction with Malaysia's Labour Day. Apart from that, we have also embraced the World OSH Vision Zero mandate which is a transformational approach to prevention that integrates the three dimensions of safety, health and well-being at all levels of work.

OSH matters at FGV today come under the ambit of some 15 members of the Group Health, Safety & Environment (HSE) Department. Since its establishment in 2009, Group HSE Department has been consistently working to reduce the number of incidents and workers' exposure to health hazards within the Group. Through the Group HSE Department's efforts, the Group's OSH management practices are today better aligned with the practices of other multinational corporations.

OSH GOVERNANCE STRUCTURE, POLICY AND TARGETS

FGV's commitment towards playing a key HSE leadership role in the industry is underscored by our having established the Group HSE Steering Committee. The Group President/Chief Executive Officer (GP/CEO) has appointed the Chief Human Resources Officer (CHRO) as the chairman of the committee while representatives from the various business clusters, Felda Security and the Chief Risk Officer make up the rest of the committee. The Group HSE Department serves as the Committee Secretariat.

The Group's safety performance and other HSE-related issues are deliberated upon at quarterly meetings of the HSE Steering Committee. The CHRO is responsible for escalating any major issues to the GP/CEO and FGV's EXCO.

The role of the HSE Steering Committee is to provide direction, support, and cluster perspective on safety matters as well as help to facilitate cross-cluster initiatives. Meanwhile, Group HSE Department is responsible for monitoring the Group's overall safety performance, developing strategies and galvanising subsidiary companies to implement safety programmes to enhance the Group's performance.

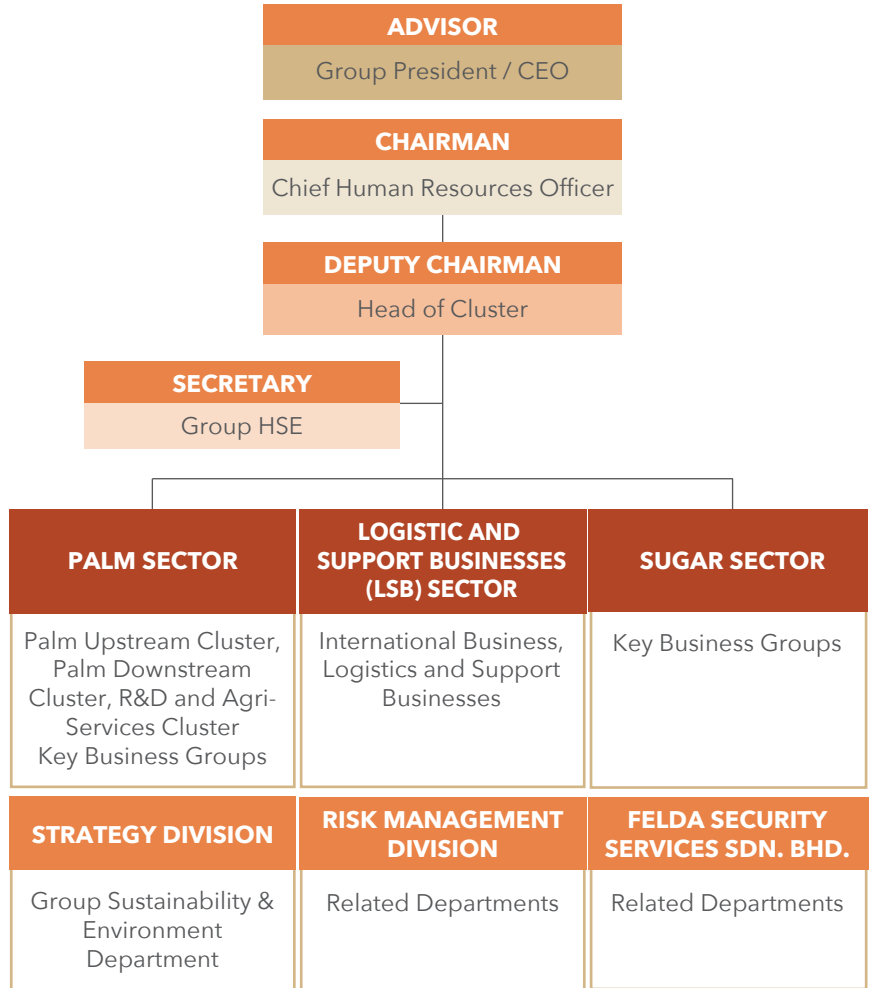
In this, it is supported by the HSE Management Committee, comprising executives from Group HSE Department and representatives of major subsidiaries, which meets once every three months. The subsidiary safety officers are, in turn, assisted by Safety and Health Committees at the respective workplaces, which have 40 or more employees. The Occupational Safety and Health Act 1994 has made it mandatory for workplaces with 40 or more employees to have a Safety and Health Committee with a composition of two or four representatives each from the employees and the management.

All in all, a comprehensive framework is in place at top management, Group and then subsidiary company and operational levels to manage safety, health and environment, upwards and downwards, at the Group.

OCCUPATIONAL SAFETY AND HEALTH (OSH)

Our Health and Safety Policy promotes HSE through:

- ▶ Ensuring compliance with all relevant HSE laws, regulations and other requirements;
- ▶ Managing HSE risks and allocating the appropriate resources to eliminate incidents, accidents, occupational poisonings and environmental impact as well as prevent pollution and work-related illnesses;
- ▶ Inculcating HSE awareness among all employees and interested parties and cultivating an HSE-centric culture;
- ▶ Enjoining customers, business partners and third-party providers of goods and services to support HSE objectives and programmes; and
- ▶ Ensuring the adoption of continual improvement measures to enhance the performance of FGV's HSE management systems in line with global best practices.



Composition of the FGV HSE Steering Committee

PURSUING CERTIFICATION

FGV's commitment towards ensuring strong HSE foundations is reflected in the number of HSE management system-related certifications that the Group has achieved. To date, 93 work premises within the Group have successfully attained OHSAS 18001, ISO 14001 and MS 1722 certification since 2001.

FGV was amongst the first Malaysian plantation companies to receive ISO 14001:2015 certification in 2017, which is the most up-to-date iteration of the Environmental Management System Standards. This citation is in addition to its Occupational Health and Safety Assessment Series (OHSAS) 18001:2007 certificate received in 2016, which reflects the alignment of the Group's HSE Management System with international management standards.

OCCUPATIONAL SAFETY AND HEALTH (OSH)

Certification Name	Total held in 2016	Total held in 2017
OHSAS 18001:2007	95	93*
ISO 14001:2004 / 2015	82	80*
MS 1722:2011	6	6

HSE Management System-related certifications

* The reduced number of certification due to the rationalisation of two mills

INCIDENT REPORTS 2016 AND 2017

The number and types of injury, the injury rate, and work-related fatalities for all workers, including contractors whose work, or workplace, is controlled by the organisation, are recorded and closely monitored. The tables below show the number of fatalities, number of injury cases and Lost Time Injury Frequency Rate (LTIFR) for Malaysia and Indonesia respectively. Regrettably, four fatalities were recorded in 2016 and three fatalities in 2017, the majority of which were attributed to incidents involving the use of vehicles/transport during operations.

Malaysia	2016	2017
Number of Fatalities	5	4
Number of Injuries (Total no of cases)	273	356
Lost Time Injury Frequency Rate (LTIFR#) (per 1,000,000 working hours)	2.25	3.12

Indonesia	2016	2017*
Number of Fatalities	-	-
Number of Injuries (Total no of cases)	-	36
Lost Time Injury Frequency Rate (LTIFR+) (per 1,000,000 working hours)	-	13.01

Number of fatalities, number of injuries cases and Lost Time Injury Frequency Rate (LTIFR)

* Year of commencement

Total number of fatalities, injury cases and LTIFR comprising workers and contractors for all sectors

+ The Lost Time Injury Frequency Rate (LTIFR) refers to the number of lost time injuries occurring in the workplace per one million man-hours worked

OCCUPATIONAL SAFETY AND HEALTH (OSH)

NUMBER AND TYPES OF INJURY

The most frequent cases in 2017 for the Plantation Sector were slip and fall cases (22%), instances of being affected by objects falling or dumped (19%), and harm by sharp objects (19%).

Among the typical actions taken to mitigate these types of accidents are:

- ▶ Risk mapping and hazards communications to all workers through standing meetings, roll calls, safety and administrative meetings;
- ▶ Review and revision of safe work procedures and Hazard Identification, Risk Assessment and Determining Control (HIRADC);
- ▶ Provision of training and refresher training for safe operating procedures to workers; and
- ▶ Enforcement of safe work procedures implementation and practices.

WORK-RELATED FATALITIES

Our aim is to avoid all incidents that put our employees at risk and to achieve zero fatalities. However, we regret to report five workplace deaths in 2016 and four in 2017, mainly from transportation-related activities. Every fatality case is followed by a thorough investigation and review of the root cause. Preventive and corrective actions continue to be proposed and are continuously implemented and reviewed. The measures proposed to date include improving the design of vehicles, enforcing stricter safe work procedures, enhancing drivers' competencies, implementing basic training and refresher training on the use of appropriate protective equipment in order to minimise risks. Every tragic accident is formally investigated and the Group ensures that the necessary bereavement arrangements are handled compassionately. Compensation under the Government's Foreign Worker Compensation Scheme or SOCSO is also provided to bereaved families.

To prevent a recurrence of the fatal transportation-related accidents that occurred in 2016 and 2017, we are carrying out the following mitigating actions:

- ▶ Implementing intensive training for all tractor drivers in an on-site training programme involving approximately 1,500 guides effective January 2018;
- ▶ Ensuring drivers are prohibited from commanding vehicles if they are unwell and that they receive immediate treatment;
- ▶ Ensuring fit replacement drivers to replace unhealthy drivers; and
- ▶ Ensuring all drivers are accorded safety and health training at least once a year.

ACCIDENT PREVENTION

One of the key focuses of FGV's OSH framework is the prevention of incidents. Year-round, we conduct audits of the various businesses and workplaces. These are the four types of audits that we undertake:

- ▶ Operational OSH audits determine workplace compliance to OSHA 1994 and other related legislation;
- ▶ Management system audits guide worksite preparation for International Standards Organisation (ISO) certification;
- ▶ The Malaysian Society of Occupational Safety & Health (MSOSH) internal audits help participating worksites enhance their performance ahead of MSOSH Award external auditor visits; and
- ▶ The FGV HSE President's Award audit adjudicates entries vying for the award to determine winners for the various categories.

Additionally, the operational OSH audit comprises three tiers. During Tier 3 audits, Safety and Health Officers (SHOs) inspect the worksites under their charge. Within the Plantation Cluster, our largest operation, each SHO is responsible for between five and 10 mills and estates. Tier 2 audits are conducted by the Group HSE Department, which conducts a comprehensive assessment of a company's safety, occupational health and industrial hygiene protocol - including assessing systemic challenges, awareness level, training requirements, ground engagement and other OSH-related matters.

OCCUPATIONAL SAFETY AND HEALTH (OSH)

In 2016, FGV introduced, for the first time, Tier 1 Audits. These involve high-level Group OSH champions, who are members of the Group HSE Steering Committee and sometimes Cluster Heads, cross-auditing a different Cluster. Tier 1 Audits are designed to assess the strength of OSH leadership at the worksite. Given that these audits are conducted by the highest members of senior management - the audits deliver additional benefits. On the one hand, they enable cluster heads and CEO of companies or their nominees to view first-hand the state of OSH at individual workplaces; on the other, their participation demonstrates the Group's top-level commitment to safety and health. A total of 11 Tier 1 Audits were conducted in 2016 and 15 in 2017.

Aside from scheduled audits, FGV's comprehensive risk management programme involves the participation of our employees, contractors and vendors through Contractor Safety Workshops. These sessions equip our contractors with HIRADC skills to help them recognise and mitigate sources of accidents in the workplace.

FGV has a 92-member Emergency Response Team at Menara FELDA, registered with the Fire and Rescue Department (*Jabatan Bomba dan Penyelamat*). The team comprises medics, equipment teams, firefighters, 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.

G4-LA10

CAPACITY-BUILDING AND TRAINING PROGRAMMES

At its headquarters, regional centres and the various workplaces spread across the country, FGV ensures that employees and workers receive adequate and relevant training. The packed year-round training calendar focuses on imparting OSH-specific knowledge and enhancing the technical skills of OSH practitioners within the Group as well as general awareness training. Topics range from OSH legislation, safe riding, HIRADC, chemical handling, basic first aid and life support, construction safety management, ergonomics as well as HSE-related Management Systems.

In a concerted effort to meet the legal requirement to have certified competent persons, training includes competency-based training such as Certified Environmental Professional in Scheduled Waste Management (CepSWAM), Certified Environmental Professional in the Treatment of Palm Oil Mill Effluent (CepPOME) and Certified Environmental Professional in the Operation of Industrial Effluent Treatment Systems (CepIETS) programmes organised by Environment Institute of Malaysia (EIMAS).

Other training sessions include fire drill exercises, voluntary fire team briefings, bomb threat and table top exercises, "Ignite Up Your Personal Power" sessions, and "Managing Projects: Stakeholder Management" sessions.

The types of training courses and numbers of persons attending are summarised in the following table:

Types of training provided	2016		2017	
	Training by Group HSE	Training by Subsidiary	Training by Group HSE	Training by Subsidiary
OSH	13	899	16	4,259
Environment	6	50	3	47
Others	2	128	9	202
Total training courses	21	1,077	28	4,508
Number of persons trained	2,440	29,469	1,216	127,723

OCCUPATIONAL SAFETY AND HEALTH (OSH)



FGV/FELDA World Occupational Safety and Health (OSH) Day

At workplaces where workers are exposed to chemicals hazardous to health, FGV performs Chemical Health Risks Assessments (CHRA) whereby exposed workers are subjected to annual medical check-ups. 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. FGV also undertakes activities focused on improving the general health of our employees through campaigns and events.

ENSURING A HEALTHY WORKFORCE

Many OSH engagement and awareness programmes were conducted in 2016 and 2017. Among the highlights were the World OSH Day, a variety of CSR initiatives, and the annual Jom FIT Campaign. FGV's in-house expertise on OSH is recognised industry-wide. Our employees are called upon to speak at National and Regional OSH Conferences as well as invited to act as auditors for Malaysian Society for Occupational Safety & Health (MSOSH).

FGV's World OSH Day (WOD)

FGV runs various promotional programmes to further engage its employees and Stakeholders on workplace safety and occupational health. Topping the list is FGV's World OSH Day (WOD) celebrations that was inaugurated in April 2015.

FGV hosted its second WOD in 2016 (WOD 2016), in conjunction with the ILO's World Day for Safety, which also falls in April every year. Organised in collaboration with FELDA, the WOD 2016 event saw OSH matters being given prominence while OSH ownership was encouraged throughout the Group. Events included a conference, exhibitions, a blood donation drive, competitions, a religious talk by Ustaz Don Daniyal and a fun exercise session. In conjunction with the celebration, FGV kicked off its ISO 14001:2015 certification bid and crowned the inaugural winners of FGV's HSE President's Award.

At the third WOD on 26 April 2017, for the first time FGV awarded a President's Award for Safety to the Best Project and Best Safety & Health Committee thereby raising the awareness bar among employees and workers with regard to HSE.

Safety Awareness Campaign

On 31 December 2016, all 68 FGV complexes or projects launched the Safety Awareness Campaign 2017 with the main objectives of promoting HSE awareness amongst employees and ensuring employees become more responsible not only for their own safety but also for the safety of other persons at the workplace.

The campaign aimed to increase buy-in from all employees, including senior management and contractors, on safety and health matters.

OCCUPATIONAL SAFETY AND HEALTH (OSH)

The campaign was officiated by the senior management of the respective complexes or projects to demonstrate their safety leadership and commitment towards the campaign. In addition to ensuring the continuity of the safety efforts, Safety and Health Officers (SHOs) or Safety Personnel from each complex or project took the responsibility to enforce and monitor best safety practices within mill operations as well as the overall safety performance for the year.

FGV's "Biggest Loser" Competition

In a bid to promote an appreciation of healthier lifestyles and more effective weight management techniques among our employees, FGV held a Biggest Loser competition. In 2016, a total of 81 participants competed over a six-month period during which a few managed to lose more than 20 kg. Representatives from the Ministry of Health were invited to provide motivation and guidance on healthy eating habits. The Ministry's physical health experts conducted exercise classes on selected dates.

Jom FIT Campaign

The annual Jom FIT Campaign is always well supported by staff and their families. The campaign emphasises wellness and healthy weight management through several programmes such as healthy cooking demonstrations, participation in the MAKNA Night Run, a healthy lunch box selfie competition and the Mr. or Ms. FIT FGV competition.



Jom FIT 2017 Programme

Strategic Occupational Health Enhancement Level Programme (SOHELP)

SOHELP is a programme under the Malaysian OSH 2020 Masterplan by DOSH. SOHELP is aimed at improving OSH performance among participating workplaces in three health-related focus areas: chemical safety, noise management and ergonomics. Under the programme, participating companies are expected to meet the requirements of five different levels of achievement. The levels are progressive and SHOs managing SOHELP receives Continuous Education Points (CEP) upon reaching each level. As SHOs need to collect CEP points in order to retain their SHO certification, SOHELP provides additional incentives for officers to help their respective worksites improve their OSH performance in the three stipulated areas.

Following the Group Department training workshop in December 2016 supported by DOSH officers, the SOHELP initiative was launched at FGV. Two of our work sites, namely MSM Perlis and FPI's Kilang Sawit Kemahang in Kelantan, were selected to participate in the 14-month long SOHELP pilot programme. In 2017, the SOHELP initiative was extended to an additional eight work sites.

HSE Engagement Programmes

As a good corporate citizen, FGV promotes positive Economic, Environmental and Social (EES) change and advocates the concept of Profit, Planet and People (3Ps). The Group is continually leveraging on numerous CSR programmes to give back to the society. One such HSE-related initiative was the rollout of a Community Fire Awareness Programme in collaboration with the Group HSE Department.



Fire Safety Awareness Programme At Taska Semai Bakti Felda

OCCUPATIONAL SAFETY AND HEALTH (OSH)

MALAYSIAN SOCIETY FOR OCCUPATIONAL SAFETY & HEALTH (MSOSH) AWARDS

In addition to our regular safety audits, Group HSE Department also conducts 'pre-audits' on selected FGV workplaces vying for an award at the MSOSH Annual Awards competition. The prestigious, long-running MSOSH Awards event recognises member, companies and organisations for their commendable safety and health records. In 2016, FGV submitted 38 sites for award consideration (up from 16 in 2015) and received a special citation for the largest participation in the awards programme. All 38 submissions received an award. Of these, eight submissions received Gold Class I awards. In 2017, all 11 projects that we entered won awards with five being awarded Gold Class I awards.

All these programmes 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 paramount to the Group's success.

GOING BEYOND COMPLIANCE

The Group takes its focus on OSH very seriously to the extent that it goes beyond compliance in ensuring the health and safety of its employees. We have voluntarily employed 'Green Book' Safety and Health Officers (SHOs). Selected industries are required by law to have one SHO per 500 employees. With a total of 38 SHOs in the Group, FGV's SHO to employee ratio more than adequately meets that stipulation even though as an agricultural based business, FGV is not legally mandated to even employ SHOs.

The decision to build a core team of SHOs within our businesses was made in the early days of FGV as part of our goal to build a professional OSH capacity and ensure OSH technical expertise within our workforce. The SHOs are our eyes and ears on the ground. They work with operational managers to ensure a safe and healthy work environment as well as safe and healthy work practices at our numerous worksites around the country. They also act as safety ambassadors to cultivate a better safety culture in all our workplaces.




Morning roll call at an estate



MOVING FORWARD



In all that we do, we commit to remain transparent in our disclosures and to undertake close engagement and collaboration with all our Stakeholders in driving positive change. The future holds much promise for FGV. 

As FGV ventures forth into 2018 and beyond, we are committed to strengthening and expand our Sustainability agenda. With the SP20(V2) and GSP guiding us, we are excited about all that we can potentially achieve on the Economic, Environmental and Social fronts.

Moving forward, we will set our sights on undertaking certain measures to strengthen our overall Sustainability foundations. One of the key areas we want to focus on is the implementation of in-depth risk mapping within our operations as well as those risks arising from our partners and associates throughout our supply chain. While we realise this is an arduous task due to the complexity of our supply chain, we believe we can achieve this in a reasonable timeframe with the cooperation of our partners. This exercise will help us ensure that all our products are traceable back to the plantations.

To ensure our people and businesses have a clear understanding of the Group's Sustainability agenda and that we as a Company are able to accommodate the latest developments in the Sustainability arena, we will review our policies with the aim of rolling out strengthened policies progressively over the next two years. We also intend to improve our Sustainability performance by rationalising our natural resources in all our business units including the non-plantation business.

These are some broad strategies that FGV intends to embed in our Sustainability journey agenda for the short-term. As we step out to make the most of our Sustainability efforts, we do so with a quiet confidence that we can continue to make strong strides forward on the Sustainability front as we have done so these past two years.

Ours is a journey of continuous improvement but we believe that as we work industriously to achieve our goals, we will deliver solid outcomes and become a model for responsible corporate behaviour. In all that we do, we commit to remain transparent in our disclosures and to undertake close engagement and collaboration with all our Stakeholders in driving positive change. The future holds much promise for FGV.

OUR COMMITMENT TO ENSURE REGULAR AND TRANSPARENT DISCLOSURE

In the interests of our Stakeholders, FGV is committed to provide regular and transparent updates on current Sustainability issues involving our activities on our website. Our corporate website provides detailed information on our responses and a chronological order of events in relation to Sustainability issues.

In support of our Sustainability disclosures, you will find the downloadable version of this, our third Sustainability Report and past reports that provide detailed and comprehensive information about our Sustainability performance indicators and our initiatives. Our Sustainability Reports and updates, are available online at FGV website.

 Sustainability Reports: <http://www.feldaglobal.com/sustainability/stakeholder-engagement/reports/>
Updates: <http://www.feldaglobal.com/sustainability/stakeholder-engagement/sustainability-updates/>

The list of disclosures on Sustainability-related matters during 2016 and 2017 are available on our website as follows:

Disclosures on FGV Sustainability-related matters

	2016	2017
Q1	<ul style="list-style-type: none"> ▶ Media Statement: "New Levy for Foreign Workers" ▶ Letter on clarification to Rainforest Action Network ▶ Media Release: "FGV's Independent Assessment of Human Trafficking Allegations in Jempol Completed" 	<ul style="list-style-type: none"> ▶ Letter from Group President / Chief Executive Officer of FGV to business partners on Sustainability updates <ul style="list-style-type: none"> > FGV has obtained its own RSPO Membership > FGV-TFT Social Issues Improvement Project > The Labour Issues Workshop - 20 December 2016 > FGV Sustainability Report 2014 / 2015 ▶ Press release on "FGV, FELDA and SUHAKAM Collaborate to Promote Respect and Compliance for Human Rights in Business Operations"
Q2	<ul style="list-style-type: none"> ▶ Notification on withdrawal of RSPO Principles and Criteria Certificates ▶ Statement to business partners on clarification on FGV Plantation in Sarawak 	<ul style="list-style-type: none"> ▶ First announcement made via Bursa Malaysia in respect of the development of PT TAA's land ▶ Second announcement made via Bursa Malaysia in respect of the development of PT TAA's land ▶ Letter from Group President / Chief Executive Officer of FGV to business partners on Sustainability updates on "Support for Transformation (Social Issues) Initiatives" <ul style="list-style-type: none"> > Uploading of TFT Report > Signing of Memorandum of Understanding with SUHAKAM
Q3	FELDA & FGV Action Plan on the WSJ complaint and ASI audit verification findings	Letter from Officer in Charge / Acting Group President of FGV to business partners on "Enhancement of Group Sustainability Policy (GSP)" <ul style="list-style-type: none"> ▶ Stop Work Order ▶ Rehabilitation of Peat Developed after 25th August 2016 ▶ Community Programme at PT TAA and PT CNP
Q4	<ul style="list-style-type: none"> ▶ Video on "A Chat with FELDA's Director General, Datuk Hanapi Suhada on Sustainability & RSPO" ▶ Press release on "FGV and FRIM to Set Up Rafflesia Conservation and Interpretive Centre" ▶ FGV Sustainability Report 2014/2015 	<ul style="list-style-type: none"> ▶ Letter from Officer in Charge and Acting Group President of FGV to business partners on "Updates on The Wall Street Journal (WSJ) Issues and Social Compliance And Human Rights (SCHR) Initiatives" ▶ Press release on "FGV Driving Sustainability Awareness in its Palm Oil Value Chain"

FGV seeks to increase exports of palm kernel shell to Japan
BY EMIR ZAINUL
 Kuantan: Felda Global Ventures Holdings Bhd (FGV) is looking to raise its palm kernel shell (PKS) exports to Japan to 60,000 tonnes by the end of this year.
 FGV, via its subsidiary Felda-Johore Bulkers Sdn Bhd (FJB), has been exporting PKS to Japan since December 2016 to be used as biomass fuel to generate electricity.
 FJB chief executive officer Muhammad Zaki Wan Abdullah said that the company has shipped 40,000 tonnes of the product to Japan.
 "This initiative is part of our 'Waste to Wealth' project to contribute more income to the palm oil millers," he told reporters at the mill walkabout by FGV at its PKS processing plant in Kuantan, Pahang, which has an average capacity of 12,000 tonnes per day.
 FJB is seeking to expand production rate.
 "We are looking to increase shipment to Japan from once a month to twice a month by year end," Zaki added.
 He noted that currently, the market price for cleaned PKS is between the range of US\$75 to US\$85 per tonne.
 "We expect the production of PKS for this year to be at least 100,000 tonnes in 2016," he added, noting that the year-to-date output has already increased by 52% from last year's production rate.
 He noted that cleaned PKS market price for the year is between the range of US\$75 to US\$85 per tonne.
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Concord Green in biogas project
 Firm ink agreement with Felda for next 16 years until generating revenue from November 2018
by KEVIN WONG
 Kuantan: Concord Green Energy Sdn Bhd (CGE) is in phase one of a 16-year agreement with Felda to start generating revenue from November 2018.
 The project, which is a joint venture between CGE and Felda, involves the production of biogas from palm oil mill effluent (POME).
 CGE CEO Datuk Khairul Anwar said that the agreement is a landmark for the company as it marks the start of a long-term partnership with Felda.
 "This agreement is a significant milestone for us as it allows us to generate revenue from our biogas production," he said.
 The biogas will be used to generate electricity for Felda's mills and other operations.
 "We are excited to be part of Felda's sustainable development initiatives," he added.

FGV Terus Usaha Pemuliharaan Bunga Terbesar Dunia
 Felda Global Ventures Holdings Bhd (FGV) dan Institut Penyelidikan Perhutanan Malaysia (FRIM) mengumumkan kerjasama untuk pemuliharaan bunga terbesar dunia di kawasan Sungai Lebey, di Felda Bersia Timur, Genk.
 Untuk penyelidikan dan pemuliharaan Raflesia, inisiatif untuk menubuhkan RCIC bermula pada tahun 2013 berikutan penemuan Raflesia oleh penduduk berketurunan Perak.
 "Salah satu cabaran terbesar dalam pemuliharaan Raflesia adalah untuk menyediakan persekitaran yang sesuai untuk pembiakan dan pemuliharaan spesies yang hampir pupus ini." - Datuk Khairul Anwar, CEO FGV

Higher CPO price
 KUALA LUMPUR: Felda Global Ventures Holdings Bhd (FGV) has posted a straight quarter of rising net profit and chief executive officer Datuk Khairul Anwar said the company's earnings rose to RM28.8m in quarter ended Sept 30.
 "Penjualan Raflesia... berbeza-beza dengan usaha pemuliharaan dan pemahaman orang ramai."

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RSPO optimistic over certification
> All members worldwide will be certified growers in five years
by E.E. ANN NEAL
 Kuantan: The Roundtable of Sustainable Palm Oil (RSPO), a leading not-for-profit body that provides certification for the sustainable palm oil, is optimistic that the sustainable palm oil globally from its entire 150 growers worldwide under its RSPO scheme will be able to obtain RSPO certification in five years, more than double the current 77 growers certified.
 In 2016, Malaysia made up 70.6% of the globally-produced certified sustainable palm oil (CSPO), after Indonesia at 29.4%.
 Certified growers are producers of palm oil whose operations have been certified against the RSPO Principles and Criteria (RPC).
 In Malaysia, certified growers include Sime Darby Plantation Bhd, IOI Corp Bhd, Sime Darby Plantation Bhd, and RSPO technical director Salahuddin Yusoff said the remaining 78 growers will have to get their mills and estates certified in the next five years.
 Moreover, RSPO's revised system also requires all RSPO growers to get all their plantations certified within five years, which is applicable from June 2018.

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 KUALA LUMPUR: Land Development Authority (Felda) is a new local revenue source for Concord CPO biogas project worth RM6.6M of electricity from palm oil mill effluent (POME) at palm oil mill in Johor and two other mills.
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FGV CONFIDENT OF TACKLING LABOUR SHORTAGE
 Felda Global Ventures Holdings Bhd (FGV) is optimistic about overcoming the labour shortage in its plantations.
 Datuk Khairul Anwar, CEO of FGV, said the company is confident in its ability to attract and retain workers.
 "We are committed to providing a safe and healthy working environment for our employees," he said.
 The company is also investing in training and development to improve the skills of its workforce.
 "We are confident that we can overcome the labour shortage and continue to grow our operations," he added.

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Profit continues

price keeps planter's...

The improvement was due to his plan of CPO production by the company said, supported by a 3% million tonnes...

This was boosted by a rally in CPO during the quarter, with an increase in the share of profits for business.

"We are encouraged by our performance this year, and we expect to continue to improve in the coming years," said Datuk Zakaria.

Optimistic over certain

...the use of barn owls in oil palm plantations: A perspective review

Young owls start fledging at seven to eight weeks and learn how to hunt and roost on the frond leaf of oil palm.

...the use of barn owls in oil palm plantations: A perspective review

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FGV in joint-collaboration to protect the Malayan sun bear

Malayan sun bear on the loose, in a forest in FGV's plantation.

...the use of barn owls in oil palm plantations: A perspective review

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GRI G4 CONTENT INDEX FOR 'IN ACCORDANCE' OPTION - CORE

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G4-2	6-9	Description of key impacts, risks and opportunities
ORGANIZATIONAL PROFILE		
G4-3	1	Name of the organisation
G4-4	2	Primary brands, products and services
G4-5	109	Location of the organisation's headquarters
G4-6	12-13	Number of countries where the organisation operates
G4-7	Corporate website, Our Company, Business Structure http://www.feldaglobal.com/our-company/business-structure/	Nature of ownership and legal form
G4-8	12-13	Markets served
G4-9	2, 3	Scale of the organisation
G4-10	15, 74	Organisation's workforce profile
G4-11	83	Percentage of total employees covered by collective bargaining agreements
G4-12	45, 46-47	Organisation's supply chain
G4-13	1, Corporate website, Our Company, Business Structure http://www.feldaglobal.com/our-company/business-structure/	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain
G4-14	33	Precautionary approach or principle
G4-15	39-43, 51, 71, 73, 82, 83	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or which it endorses
G4-16	39-43	Memberships of associations (such as industry associations) and national or international advocacy organisations
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	1	Entities included in the organisation's consolidated financial statements
G4-18	1, 30	Process for defining the report content and the aspect boundaries

The information in the table is with reference to the GRI G4 Guidelines

GRI G4 CONTENT INDEX FOR 'IN ACCORDANCE' OPTION - CORE

General Standard Disclosures	Page (or Link)	Description
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-19	30	Material aspects identified in the process for defining report content
G4-20	1	Aspect boundary within the organisation
G4-21	1	Aspect boundary outside the organisation
G4-22	Significant restatements of data compared to prior years are noted in the section where they appear	Effect of any restatements of information provided in previous reports, and the reasons for such restatements
G4-23	1	Significant changes from previous reporting periods in the scope and aspect boundaries
STAKEHOLDER ENGAGEMENT		
G4-24	3, 28-29	List of Stakeholder groups engaged by the organisation
G4-25	30	Basis for identification and selection of Stakeholders with whom to engage
G4-26	28-29	Organisation's approach to Stakeholder engagement
G4-27	28-29, 33	Key topics and concerns that have been raised through Stakeholder engagement, and how the organisation has responded to those key topics and concerns
REPORT PROFILE		
G4-28	1	Reporting period
G4-29	1	Date of most recent previous report
G4-30	1	Reporting cycle
G4-31	109	Contact point for questions regarding the report or its contents
G4-32	1	'In accordance' option the organisation has chosen
G4-33	1	Organisation's policy and current practice with regard to seeking external assurance for the report
GOVERNANCE		
G4-34	11	Governance structure of the organisation
ETHICS AND INTEGRITY		
G4-56	2, 17-18	Organisation's values, principles, standards and norms of behaviour

The information in the table is with reference to the GRI G4 Guidelines

GRI G4 CONTENT INDEX FOR 'IN ACCORDANCE' OPTION - CORE

SPECIFIC STANDARD DISCLOSURES					
Material Aspects	DMA and Indicators	Page	Omissions	Reference	Description
CATEGORY: ECONOMIC					
Economic Performance	G4-DMA	48	-	Environmental Stewardship	Disclosures on Management Approach
	G4-EC1	3	-	Annual Integrated Report 2017, How We Performed in the Past Five Years	Direct economic value generated and distributed
Indirect Economic Impacts	G4-DMA	86	-	Enriching Our Community Stakeholders	Disclosures on Management Approach
	G4-EC7	86-87	-	Enriching Our Community Stakeholders	Development and impact of infrastructure investments and services supported
	G4-EC8	86-87	-	Enriching Our Community Stakeholders	Significant indirect economic impacts, including the extent of impacts
CATEGORY: ENVIRONMENTAL					
Energy	G4-DMA	48	-	Environmental Stewardship	Disclosures on Management Approach
	G4-EN3	69	-	Fossil Fuel Usage In Plantations	Energy consumption within the organisation
Biodiversity	G4-DMA	52	-	Biodiversity and Conservation of HCV Elements	Disclosures on Management Approach
	G4-EN11	52, 56, 57-58	-	Identification of High Conservation Value (HCV) Areas for Avoidance and Protection, Rafflesia Conservation and Interpretation Centre (RCIC), Biodiversity and Conservation of HCV Elements	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
	G4-EN14	53	-	Protecting Rare and Endangered Species	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk

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GRI G4 CONTENT INDEX FOR 'IN ACCORDANCE' OPTION - CORE

SPECIFIC STANDARD DISCLOSURES					
Material Aspects	DMA and Indicators	Page	Omissions	Reference	Description
CATEGORY: ENVIRONMENTAL					
Emissions	G4-DMA	48	-	Environmental Stewardship	Disclosures on Management Approach
	G4-EN19	65	-	Initiatives to Reduce GHG Emissions	Reduction of Greenhouse Gas (GHG) emissions
Products and Services	G4-DMA	61, 63	-	Good Practices for Sustainability, Water Management	Disclosures on Management Approach
	G4-EN27	61, 63	-	Good Practices for Sustainability, Water Management	Extent of impact mitigation of environmental impacts of products and services
CATEGORY: SOCIAL					
Labor Practices and Decent Work					
Employment	G4-DMA	70, 85	-	Upholding Good Social Practices, Medical Benefits	Disclosures on Management Approach
	G4-LA1	74	-	Workforce Profile	Total number and rates of new employee hires and employee turnover by age group, gender, and region
	G4-LA2	85	-	Medical Benefits	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation
Occupational Health and Safety	G4-DMA	88	-	Occupational Safety and Health (OSH)	Disclosures on Management Approach
	G4-LA6	90-91	-	Occupational Safety and Health (OSH)	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender
	G4-LA7	60, 93	-	Chemical Handling, Occupational Safety and Health (OSH)	Workers with high incidence or high risk of diseases related to their occupation

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GRI G4 CONTENT INDEX FOR 'IN ACCORDANCE' OPTION - CORE

SPECIFIC STANDARD DISCLOSURES					
Material Aspects	DMA and Indicators	Page	Omissions	Reference	Description
CATEGORY: SOCIAL					
Labor Practices and Decent Work					
Training and Education	G4-DMA	79	-	Training and Education	Disclosures on Management Approach
	G4-LA9	79	-	Training and Education	Average hours of training per year per employee by gender, and by employee category
	G4-LA10	79-81, 92	-	Nurturing Our People Responsibly, Capacity-building and Training Programmes	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings
Diversity and Equal Opportunity	G4-DMA	70	-	Upholding Good Social Practices	Disclosures on Management Approach
	G4-LA12	74, 75	-	Workforce Profile, Our Diverse Workforce	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity
Labor Practices Grievance Mechanisms	G4-DMA	82	-	Upholding Workers' Rights	Disclosures on Management Approach
	G4-LA16	83	-	Our Stand against Sexual Harassment and Violence	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms

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GRI G4 CONTENT INDEX FOR 'IN ACCORDANCE' OPTION - CORE

SPECIFIC STANDARD DISCLOSURES					
Material Aspects	DMA and Indicators	Page	Omissions	Reference	Description
CATEGORY: SOCIAL					
Human Rights					
Child Labor	G4-DMA	71	-	Respecting Human Rights	Disclosures on Management Approach
	G4-HR5	71, 83	-	Respecting Human Rights, Against Child Labour	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour
Forced or Compulsory Labor	G4-DMA	71	-	Respecting Human Rights	Disclosures on Management Approach
	G4-HR6	71, 82	-	Respecting Human Rights, Our Stand against Forced Labour	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour
Society					
Local Communities	G4-DMA	51, 52	-	Free, Prior and Informed Consent (FPIC), Biodiversity and Conservation of HCV Elements	Disclosures on Management Approach
	G4-SO1	51, 52	-	Free, Prior and Informed Consent (FPIC), Biodiversity and Conservation of HCV Elements	Percentage of operations with implemented local community engagement, impact assessments, and development programmes
Grievance Mechanisms for Impacts on Society	G4-DMA	71	-	Respecting Human Rights	Disclosures on Management Approach
	G4-SO11	51	-	Free, Prior and Informed Consent (FPIC)	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms

The information in the table is with reference to the GRI G4 Guidelines

GLOSSARY

This glossary covers the terms that are deemed important for the reader to get a better understanding of specific content within this Sustainability Report. It is not an exhaustive documentation of the acronyms within this Report.

Biological Oxygen Demand (BOD)	The amount of oxygen used when organic matter undergoes decomposition by micro-organisms.
Carbon Dioxide Equivalents (CO₂e)	CO ₂ e is a measure used to compare the emissions from various greenhouse gases based upon their global warming potential.
Clean Development Mechanism (CDM)	Allows emission-reduction projects in developing countries to earn Certified Emission Reduction (CER) credits, each equivalent to one tonne of CO ₂ .
Crude Palm Kernel Oil (CPKO)	A light-yellow crude oil, extracted from Palm Kernels, containing mainly lauric acid.
Crude Palm Oil (CPO)	First stage palm oil extracted from the mesocarp (flesh) of Fresh Fruit Bunches (FFB), containing mainly palmitic acid.
Deforestation	Development of areas defined as forest.
Employee	Individuals who serve FGV on a permanent, contract, secondment, temporary or assignment basis.
Empty Fruit Bunches (EFB)	A biomass by-product from the process of extracting crude palm oil from FFB in a palm oil mill.
Feed-in tariff (FiT)	FiT is a programme designed to increase investment in renewable energy which offers long-term contracts at a guaranteed price for renewable energy producers. In Malaysia, the scheme is regulated by Sustainable Energy Development Authority (SEDA), an agency under KeTTHA
FELDA	Federal Land Development Authority which is a major shareholder of FGV.
Foreign guest workers	Workers of non-Malaysian nationality working in FGV premises in Malaysia.
Free, Prior and Informed Consent (FPIC)	The right of indigenous peoples and other local communities to give or to withhold their consent to any project affecting their lands, livelihoods and environment.
Fresh Fruit Bunch (FFB)	Bunches harvested from the oil palm tree, that may contain about 1,500 or more individual fruits in a matured tree.
Global Reporting Initiative (GRI)	A multi-stakeholder standard for Sustainability reporting, providing guidance on determining report content and indicators.
Good Agricultural Practices (GAP)	A collection of principles to apply for on-farm production and post-production processes, resulting in safe and healthy food and non-food agricultural products.
GP/CEO	The Group President/Chief Executive Officer of FGV.
Greenhouse Gas Emissions (GHG)	Emission of gases such as water vapour, carbon dioxide, methane, nitrous oxide, and ozone that has the ability to produce greenhouse effect (i.e. that may lead to global warming) when can present in sufficient concentration.
Group Sustainability Policy	FGV Group's policy on management of Economic, Environmental and Social risks and opportunities in the context of the Group's activities.
High Carbon Stock (HCS)	High Carbon Stock is areas that have high carbon content due to the type of plants, soil and other geographic factors.
High Conservation Value (HCV)	High Conservation Value is biological, ecological, social or cultural values which are considered outstandingly significant or critically important, at the national, regional or global level.

GLOSSARY

Human Rights	Rights inherent to all human beings regardless of race, sex, nationality, ethnicity, language, religion, or any other status.
Hydrogen Sulfide (H₂S)	H ₂ S is a colourless and hazardous gas with 'rotten egg' smell, naturally produced by bacterial breakdown of organic materials from human, animal and agricultural waste
Integrated Pest Management (IPM)	An integrated approach that incorporates multiple methods of pest control (i.e. chemical, biological, cultural etc) to manage pest effectively.
International Labour Organisation (ILO)	The United Nations agency that sets international labour standards, promotes rights at work and encourages decent employment opportunities, the enhancement of social protection as well as the strengthening of dialogue on work-related issues.
International Sustainability & Carbon Certification (ISCC)	A Sustainability certification system for bio-based feedstocks used for biofuels in the EU.
International Organisation for Standardisation (ISO)	An international organisation that sets standards for various aspect (i.e. quality, safety, environment, food safety etc).
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.
Lost Time Injury Frequency Rate (LTIFR)	The number of lost time injuries occurring in a workplace per 1 million hours worked.
LPG	LPG is a group of flammable hydrocarbon gases that are liquefied through pressurisation and commonly used as fuel, derived from natural gas processing and petroleum refining.
Malaysian Sustainable Palm Oil Certification (MSPO)	The national Sustainability certification scheme for Malaysian palm oil.
Methane (CH₄)	CH ₄ is the main constituent of natural gas and can be utilised as fuel. It is also one of Greenhouse Gas with high ability to cause warming potential, directly influences the climate system and also has indirect impacts on human health and ecosystems
MFO	MFO or Medium Fuel Oil is a fraction obtained from petroleum distillation, either as a distillate or a residue. In general terms, fuel oil is any liquid fuel that is burned in a furnace or boiler for the generation of heat or used in an engine for the generation of power
MMBTU	MMBTU or Million British Thermal Unit is a standard unit of measurement used to denote both the amount of heat energy in fuels and the ability of appliances and air conditioning systems to produce heating or cooling. It is occasionally used as a standard unit of measurement for natural gas and provides a convenient basis for comparing the energy content of various grades of natural gas and other fuels
No Deforestation, Peat and Exploitation (NDPE)	Commitment to not clearing forests, planting on peatlands and exploitation of workers by an organisation.
Non-Governmental Organisations (NGOs)	In this report, used to refer to organisations championing on environmental and or social aspect and work independently without Government affiliation.
Outgrowers	Farmers with more than 100 Ha of land, where the sale of FFB is exclusively contracted to FGV.

GLOSSARY

Palm Kernel (PK)	The seed of the oil palm fruit found within the nut shell.
Palm Oil Mill Effluent (POME)	By-product from the process of extracting crude palm oil from FFB in palm oil mill.
Peat	Area with soil consisting of 65% or more organic material in a soil layer at least 50cm deep.
Permanent workers	Refers to plantation operational personnel that are paid monthly.
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.
Shareholder	An individual or organisation that own shares of FGV.
Smallholders	Farmers growing oil palm where the planted area is less than 100 acres (± 40 Ha) in Malaysia or any other size as defined in the country of operation.
Stakeholders	Any group or individual affected by or can affect the Company's operations which includes employees, regulatory and statutory bodies, Non-Governmental Organisations (NGOs), FELDA settlers, investors/shareholders, customers, suppliers/contractors and Government of Malaysia.
Supplier/Contractor	Any entity or individual(s) in the supply chain that directly provides the organisation with goods or services integral to, utilised in or for the production of the organisation's goods or services.
Sustainability	An integration of Economic, Environmental and Social (EES) elements that are important for the continuity of an organisation for the reason of its existence.
Sustainable Development Goals (SDGs)	Otherwise known as the Global Goals, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.
The Group	Felda Global Ventures Holdings Berhad or the Group of Companies including FGV's subsidiaries worldwide in which FGV holds a controlling interest and has management control over.
Third Party/Parties	Any external person or company where FGV does not hold management control or independent of the Group which may include customers, potential customers, contractors, external companies, Smallholders and any other Stakeholders with whom a business relationship, whether current, prospective or historic exists.
United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)	Addresses the rights of indigenous peoples on issues such as culture, identity, religion, language, health, education and community.
Universal Declaration of Human Rights (UDHR)	Declares that human rights are universal - to be enjoyed by all people, no matter who they are or where they live. Includes civil and political rights, like the right to life, liberty, free speech and privacy. It also includes economic, social and cultural rights, like the right to social security, health and education.
Value chain	A line of process involving the receiving of raw materials and adds values to the raw materials through various process.

G4-5, G4-31

WE WELCOME YOUR FEEDBACK

FGV's 2016/2017 Sustainability Report is also made available to all Stakeholders in digital format and can be downloaded from our corporate website at <http://www.feldaglobal.com/sustainability>. We welcome your feedback on this report and our Sustainability endeavours. Please feel free to contact us at:

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