



FELDA GLOBAL VENTURES HOLDINGS BERHAD  
**ENRICHING VALUES  
A CONTINUOUS  
JOURNEY**

SUSTAINABILITY REPORT 2013

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WE CONTINUE TO BE ACTIVE IN THE RSPO THROUGH WORKING GROUPS ON BIODIVERSITY, GREENHOUSE GASES AND SMALLHOLDER ISSUES.

▶ **Mohd Emir Mavani Abdullah**  
Group President/Chief Executive Officer  
Non-Independent Executive Director  
Felda Global Ventures Holdings Berhad

## MESSAGE FROM CEO

Welcome to FGV's inaugural Sustainability Report, which represents a new chapter in our journey and builds on our legacy and commitment to sustainable business practices. The report is a critical building block towards our strategic blueprint to be one of the top ten agri-based business in the world. In order to reach that objective, we need to ensure that we are fully accountable, not only in relation to financial aspects of our business, but also in terms of how we manage our relationships and the land on which our growth relies.

Sustainability is at the core of what we do, particularly in our plantations. I believe that sustainability is about ensuring that we can grow our productivity whilst taking into account the need to safeguard the natural environment as well as our assets, the land and our people.

We cannot achieve our objectives without the support of our people. As part of our strategic blueprint and ambitious objectives, we focus strongly on developing and changing the mindset of everyone working at FGV. I want to encourage a culture where every employee is asked to be accountable and to work with a concrete goal in mind. The same thing is true for sustainability, and we ensure that every single person in FGV has a responsibility to enhance our performance.

In the past, most of the elements of sustainability were enshrined in our good agricultural and management practices. Today, international sustainability standards such as the Roundtable on Sustainable Palm Oil (RSPO) and the International Sustainability and Carbon Certification (ISCC) have provided us with frameworks and a vision which enable our established procedures and policies to be strengthened and more clearly communicated to employees. The

multi-stakeholder and international approach in these standards gives us a better understanding of our customers' expectations, as well as those of other stakeholders in the palm oil landscape.

We continue to be active in the RSPO through working groups on biodiversity, greenhouse gases and smallholder issues. As one of the largest plantation companies in the organisation, we believe it is our duty to contribute to the continued development of the standard. We also know that our work with the RSPO is recognised by our customers and consumers, which is evidenced by sales of more than USD 3 million since our first certification. I am pleased to note that we have made significant headway, with more than a quarter of our production now RSPO certified, and making significant headway in audits for our Sabah operations. We are also on track to achieve our target to certify all of our operations by 2017, and may indeed complete ahead of time. In some areas, we expect to go beyond the requirements of certification standards, with significant mapping of biodiversity, water and carbon footprints underway or completed.

We also strongly support the Malaysian Sustainable Palm Oil standard to be introduced this year, as we believe this is valuable in the local context and will extend sustainable business practices to a much wider group of palm oil growers in Malaysia.

We also need to work with external stakeholders and I believe that partnerships are critical to long-term growth and sustainability. We are committed to introducing modern techniques to settlers and farmers to increase productivity while enhancing biodiversity. The FELDA settlers have taken up this challenge and we know that they, too, are enjoying the journey. To assist us

in these efforts, we intend to work closely with leading international and local environmental organisations, who can provide us with support and additional knowledge.

One of our big environmental commitments this year is a 'No new acquisition in peat' policy. We want to be responsive to our stakeholders and believe that this is the right thing to do in the context of our own landholdings. However, we will not extend this policy to settlers and smallholders supplying to us. Unlike us, they do not have a choice. We believe we may do more good by assisting them in managing peat areas responsibly than to sever long-standing relations.

A critical part of sustainability for agriculture is the need to fully utilise available land and grow more food on less land. We are therefore making considerable efforts to identify the best mechanisms to manage crops from fertilising to harvesting. Whilst I am pleased to note that we continue to be among the leaders in our industry as far as yield and extraction goes, we are also investing heavily in the development of new planting materials. In the next couple of years, we will be able to use our own clones extensively, and improve seeds which we believe can provide yields above six tonnes of crude palm oil (CPO) per hectare and help decrease land use significantly.

I would like to thank all of FGV's stakeholders helping us on our growth journey. We can only achieve our goals as a business and in the sustainability context by working together in partnership. I am sure that the coming years will be exciting and look forward to building on our legacy together.

**Mohd Emir Mavani Abdullah**  
FGV Group President and CEO

# HIGHLIGHTS

**581,666** TONNES CERTIFIED SUSTAINABLE PALM OIL PRODUCTION CAPACITY

**136,728** MT CO<sub>2</sub>e REDUCTION OF GREENHOUSE GAS EMISSIONS FROM BIOGAS PLANTS

**4,200** TONNES OF ISCC CERTIFIED PALM METHYL ESTER

**101** GREEN TALENT AND GLOBAL LEADERS

**3** REGIONS WATER QUALITY ASSESSMENT COMPLETED

**2** PERCENT NET PROFIT ALLOCATED TO YAYASAN FELDA

**0** 'NEW ACQUISITION IN PEAT'

# TARGETS

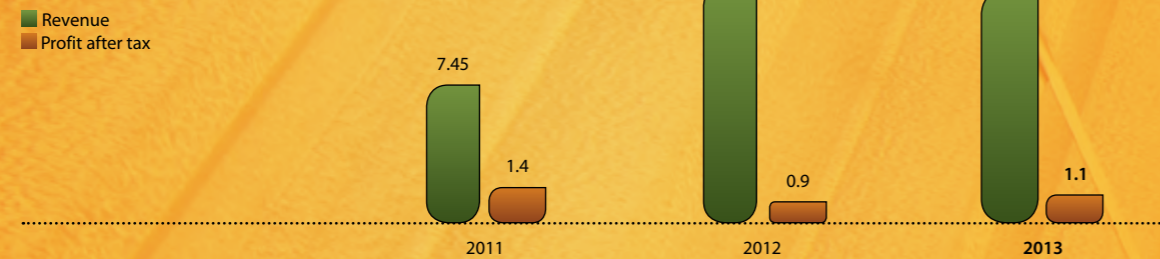
TARGET	YEAR
2 percent net profit contribution to Yayasan Felda	Annual
Biological oxygen demand (BOD) levels below 100 ppm in all mills	2014
BOD levels below 20 ppm in new mills	2014
High conservation value (HCV) landscape assessment of existing plantations in Malaysian operation	2014
No expansion on HCV forest areas in new plantings	2014
No land expansion without free and prior informed consent	2014
No new acquisition in peat	2014
Water quality assessment of major river systems within plantations in Peninsular Malaysia	2014
Water usage ratio of 1 tonne of water per tonne of fresh fruit bunch (FFB) at our mills	2014
Publish carbon report for certified Malaysia operations	2016
RSPO certification of all mills in Malaysia	2017
Zero fatalities	2017
Achieve average oil extraction rate (OER) of 22.5 percent	2018
Methane capture installed in 59 mills	2018
Process 17,000,000 tonnes of FFB	2018
RSPO certification of FFB from associated smallholders in Malaysia	2020

# WHO WE ARE

Felda Global Ventures Bhd (FGV) is a major palm oil force in the world with operations in more than ten countries. We are part of Felda Group, the world's largest palm oil producer and oil palm plantation operator, based on planted mature hectareage. Our associate Felda Holdings Bhd (FHB) is the world's largest CPO producer and the second largest Malaysian palm oil refiner. Together we have 355,864 hectares of palm oil plantations under its own management and provides services to a further 367,530 hectares owned by FELDA settlers. FGV is also the largest producer of oil palm seed in Malaysia, with sales of around 25 million seeds per year. In addition we are involved in sugar production through our 51 percent-owned subsidiary, MSM Malaysia Holdings Berhad, as well as soybean and canola through our crushing and refining operations in Canada and the production of oleo-chemicals at our facility in the United States.

Our palm oil activities are guided by sustainable practices. We have been involved in the Roundtable on Sustainable Palm Oil (RSPO), retaining a seat on the organisation's Board since 2004. Currently, we have certified 187,667 hectares and 17 mills, with an objective to certify all our mills and deliver over three million tonnes of certified palm oil by year-end 2017. We have also achieved certification for 15 mills against the International Sustainability and Carbon Certification (ISCC) scheme.

## REVENUE AND PROFITS (RM BILLIONS)



## SUBSTANTIAL SHAREHOLDERS (5% AND ABOVE) as at 31 December 2013

No	Names of substantial shareholders	No. of shares	%
1	Lembaga Kemajuan Tanah Persekutuan (FELDA)	729,629,800	20.00
2	Felda Asset Holdings Company Sdn Bhd	680,722,800	18.66
3	Lembaga Tabung Haji	283,915,100	7.79
	– Own account	283,710,100	
	– Cartaban Nominees (Tempatan) Sdn Bhd	205,000	
4	Employees Provident Fund Board	264,432,700	7.25
	– Own account	1,500,000	
	– CITIGROUP Nominees (Tempatan) Sdn Bhd	254,405,700	
	– CITIGROUP Nominees (Tempatan) Sdn Bhd (Nomura)	3,127,000	
	– CITIGROUP Nominees (Tempatan) Sdn Bhd (Amundi)	4,200,000	
	– CITIGROUP Nominees (Tempatan) Sdn Bhd (Kaf FM)	1,200,000	
5	Kumpulan Wang Persaraan (Diperbadankan)	258,845,100	7.10
	– Own account	258,017,400	
	– CITIGROUP Nominees (Tempatan) Sdn Bhd (I-VCAP)	549,700	
	– CITIGROUP Nominees (Tempatan) Sdn Bhd (CIMB PRNP ISLM)	231,400	
	– HSBC Nominees (Tempatan) Sdn Bhd	46,600	
6	Kerajaan Negeri Pahang	182,407,575	5.00

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### PLANTATIONS Third largest plantation manager in the world

- **Malaysia**
  - 390,234 hectares of plantation
  - Primarily oil palms
  - Small proportion of rubber plantations
- **Indonesia**
  - 19,521 hectares of wholly owned oil palm plantations
  - 42,000 hectares through a JV

### DOWNSTREAM

- **United States**
  - 1 oleochemical facility
- **Canada**
  - 1 soybean and canola crushing and refining facility in Canada
- **Joint ventures**
  - 2 refineries in Malaysia
  - 3 refineries in Indonesia, China and Turkey
  - 1 downstream processing facilities in China
  - 1 biodiesel and oils & fats facility in the United States of America

### SUGAR Largest producer of refined sugar in Malaysia

- 57% market share
- 2 sugar refineries

### PALM OIL MILLS

- 3.2 mil MT produced in 2013
- Mills: 71 palm oil mills

### PALM OIL PROCESSING

- Refineries: 5 palm oil refineries and 2 refineries in Pakistan and China through an associate and a joint venture
- 5 kernel crushing plants

### OTHER BUSINESSES

- Manufacturing and logistics
- Support services
- Research and development

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# WHO WE ARE

## PART OF THE FELDA FAMILY – OUR HISTORY

The foundation of our business goes back more than 50 years to the formation of Federal Land Development Authority (FELDA), established as part of the Land Development Ordinance in 1956. The aim of FELDA was to provide land for the landless and qualified rural poor and to resettle into areas that were to be developed and productively cultivated to provide income for families. The settlers were resettled in structurally managed schemes to enable progressive and productive community with stable income to uplift their socio-economic standing. FGV was incorporated as a wholly owned subsidiary of FELDA in 2007. As the commercial arm of FELDA, it focused on acquiring international downstream business and diversification of FELDA's portfolio. In June 2012, FGV was listed on the Main Board of Bursa Malaysia, raising RM10.4 billion. As at 31 December 2013, our market capitalisation is RM16.6 billion.

Today, we remain an integral part of the FELDA family. We support FELDA settlers through management and extension services, ensuring that land owners have access to the best management practice, high quality planting materials and support for RSPO certification. Crucially, we also buy on average over 5 million tonnes of fruit from settlers annually, through our 72 crude palm oil mills.

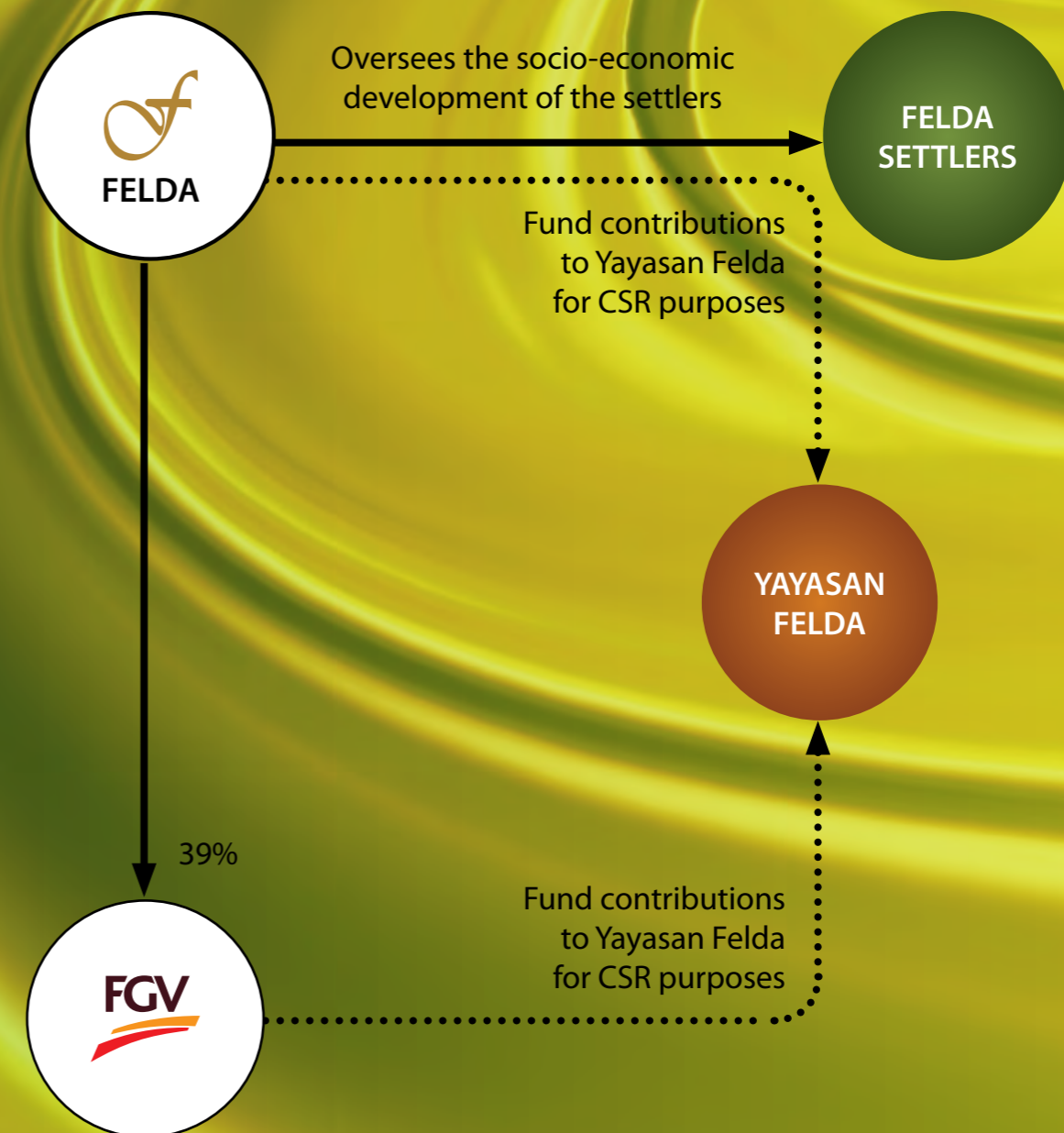
## FELDA TIMELINE

1956	Federal Land Development Authority established under the Land Development Ordinance
1957	First FELDA settlement in Lurah Bilut in Pahang
1961	First oil palm plantation in a Felda settlement
1980	Felda Investment Co-operative (Koperasi Permodalan Felda Malaysia Berhad) was established
1990	More than 850,000 ha of land brought under FELDA
1995	Felda Holdings Bhd (FHB) incorporated
2003	Felda signs letter of intent to join the RSPO
2007	Felda Global Ventures Holdings Bhd (FGV) incorporated
2008	FGV ventures in to North America
2009	FGV acquires a 49 percent share in Felda Holdings Berhad (FHB) FGV ventures into fats and oleochemicals FGV acquires first plantation in Indonesia
2010	FGV ventures into sugar First RSPO certification
2011	FGV acquires a stake in processing soybeans and canola seeds First ISCC mill certification
2012	Begins 99 year land lease agreement of 355,864 hectares from FELDA Launch the Global Strategic Blueprint
2012	Raised RM10.4 billion at its initial public offering
2013	FGV acquires the remaining 51 percent share of FHB from Felda Investment Co-operative

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## FELDA GROUP STRUCTURE



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# WHO WE ARE

## OUR PLANTATIONS AND MILLS

We operate across almost all states in Malaysia, with a combined land bank of more than 360,000 hectares. Of this, 96% is oil palm, two-thirds of which is located in Pahang, Peninsular Malaysia and Sabah on the island of Borneo.

We produce over 5 million tonnes of fresh fruit bunch (FFB) annually. These are processed in our 72 palm oil mills, which also process over 10 million additional tonnes of FFB from FELDA settlers and independent outgrowers. We produce more than 3 million tonnes of CPO annually.

As part of our upstream business, we also operate five palm kernel crushing plants, with an average annual production of 380,000 tonnes of palm kernel oil (PKO).

Our palm oil mills are among the most efficient in Malaysia. Out of the ten top ranked oil mills in the country by the Malaysia Palm Oil Board (MPOB), four are owned by FHB. The Felda Jengka 21 mill has the distinction of being the best mill in Malaysia with an Oil Extraction Rate (OER) of 24 percent.

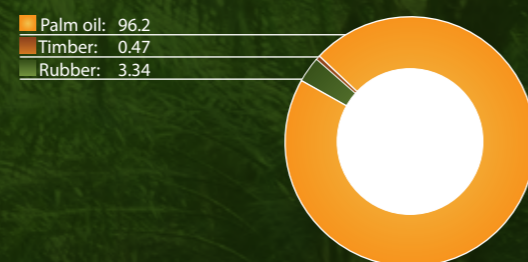
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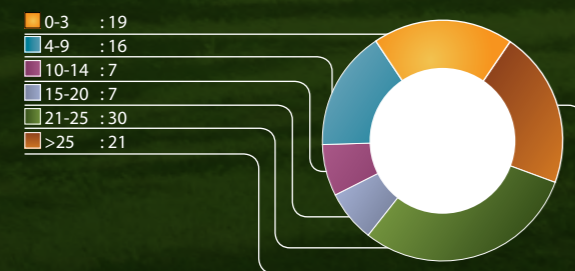
### TOTAL LAND BANK IN MALAYSIA (HA)



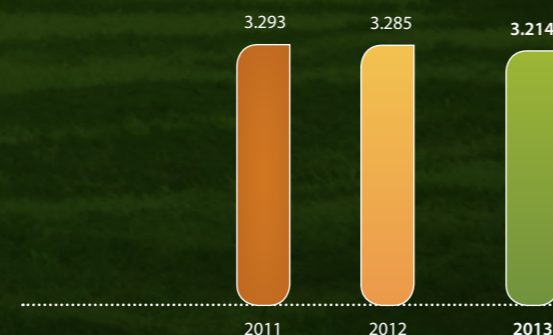
### FGV PLANTED AREA IN MALAYSIA BY CROP (%)



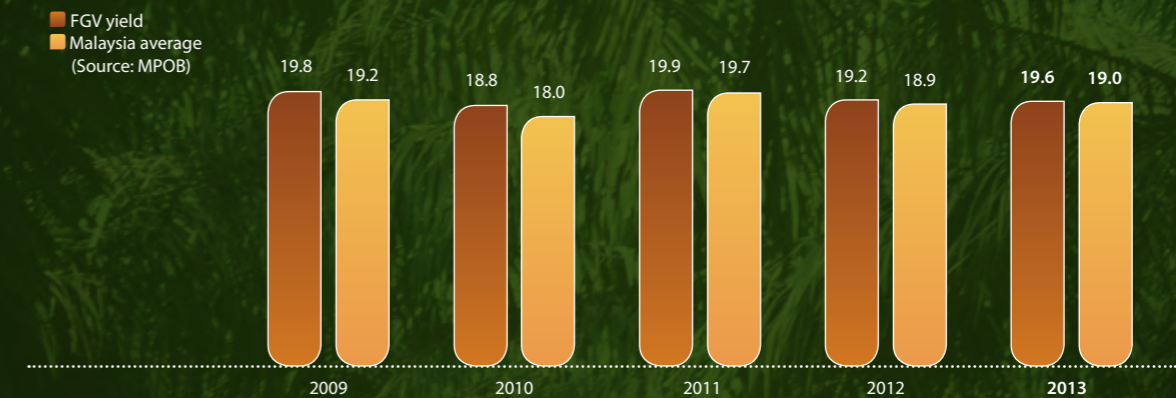
### PALM AGE GROUP AS AT 31 DECEMBER 2013 (%)



### CRUDE PALM OIL PRODUCED (MIL MT)



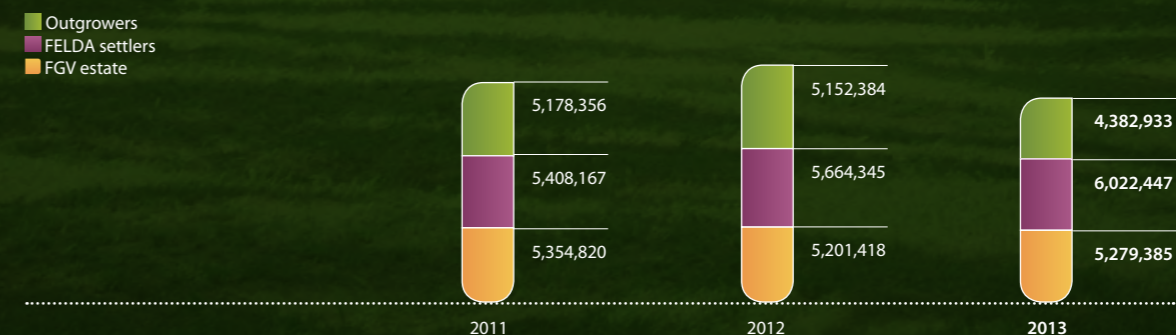
### EXCEEDING THE YIELD BENCHMARK (FRESH FRUIT BUNCHES PER MATURE HECTARE)



### CPO EXTRACTION RATE ABOVE AVERAGE (%)



### FFB PROCESSED BY SOURCE (MT)



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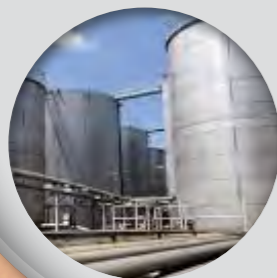
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## UPSTREAM



### PLANTATION ESTATES

- 335,336 ha of oil palm plantations in Malaysia
- 38,775 ha of oil palm plantations in Indonesia
- Produced 5.05 mil MT FFB in 2013



### MILLS

- 5 kernel crushing plants
- 72 palm oil mills
- 21.24 mil MT of annual milling capacity
- 3.2 mil MT of CPO produced

## MIDSTREAM



### REFINERIES

- 5 palm oil refineries through JV
- 7 palm oil refineries
- 5.2 mil MT capacity (including JVs)
- Production of 1.5 mil MT of RBD products



### LOGISTICS

- 10 bulking installations
- 486 storage tanks with 752,250 MT capacity
- 2 warehouses - 88,000 MT storage capacity
- 7 distribution depots
- Transportation services - 251 palm oil tankers and 186 lorries

## WHO WE ARE

### OUR SUPPLY CHAIN AT A GLANCE

We have a uniquely integrated supply chain, starting with the production of seeds, milling, refining, transport, and through to fractionation and final products. At mill-level, approximately 70 percent of our fruits come from our own plantations and from FELDA settlers.

## DOWNSTREAM



### PACKED GOODS

- Production of 99,000 MT of packed FMCG (food and non-food) for consumers and services industry



### OLEOCHEMICALS & BIODIESEL

- 1 oleochemical plant through JV in Malaysia and 1 in Quincy, Massachusetts, USA
- 1 bio-diesel plant in Malaysia
- Product: Methyl esters, fatty acid, fatty alcohols and refined glycerin

# WHO WE ARE

## THE WORLD OF FGV

In addition to oil palm, FGV is growing globally across a wide range of agribusiness activities. Domestically, we are the largest refiner of sugar in Malaysia with a 57% market share and two refineries. We lease and manage 10,784 hectares of rubber plantations in Malaysia. In 2013, we produced 28,218 tonnes of dry rubber and processed 84,304 tonnes of rubber in our 7 factories.

Our downstream business is also expanding, with our own processing facilities and refineries in the US and Canada, as well as joint ventures and associates in China, Turkey, Indonesia, Pakistan and the US. Through these facilities we process canola and soy bean, in addition to palm oil. We have a market presence in Europe through two trading offices, which ensures we have a global market reach.

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# CORPORATE GOVERNANCE

Our Board of Directors (the Board) is the highest governing body at FGV. The Board has the overall responsibility in leading and determining the Group's strategic direction. It provides effective oversight of the conduct of the Group's businesses, ensuring that appropriate control systems are in place, as well as regularly reviewing such systems to ensure their adequacy and integrity.

As a public listed company on the Main Board of Bursa Malaysia, we are obliged to comply with all listing requirements. In addition, we wish to uphold the highest standards of corporate governance. We have therefore adopted the Malaysian Code On Corporate Governance 2012 which outlines such principles and best practices. We follow Bursa Malaysia's 2012 Corporate Governance Guide, which ensures that directors are familiar with their duties and roles to the company and its stakeholders.

## BOARD COMPOSITION

The eight member Board is responsible for the mission, vision and driving the Global Strategic Blueprint. The Board comprises of four independent non-executives, three non-independent non-executives, and one non-independent executive director. Mohd Emir Mavani Abdullah, Chief Executive Officer, is the only Non-Independent Executive board member.

All board members are Malaysian citizens with an average age of 55 years. There is one female on the Board. All Directors have extensive board experience, combining an impressive array of commercial, economics, legal, financial, public administration and specific relevant industry skills and knowledge.

Board members are subject to retirement by rotation at the Annual General Meeting (AGM) but are eligible for re-election. Board members are to retire at least once every three years, with priority given to those who have been longest in office since their last re-election or appointment.

## APPOINTMENT TO THE BOARD

All nominees are vetted and assessed by the Nomination and Remuneration Committee based on their credentials and suitability before recommending their appointment to the Board for approval. The Nomination and Remuneration Committee must always comprise a majority of independent directors of which one must be selected Chair. The Nomination committee assists the Board with recommendations, review and assessment of the Board composition in terms of mix of skills, independence and diversity required to meet the needs of the company. It considers any potential existence of conflicts of interest of any present Directors or any new directors who may be nominated. The Nomination and Remuneration Committee also ensures a continuous education programme for directors.

## BOARD COMMITTEES, CLUSTER BOARDS AND SUBSIDIARY BOARDS

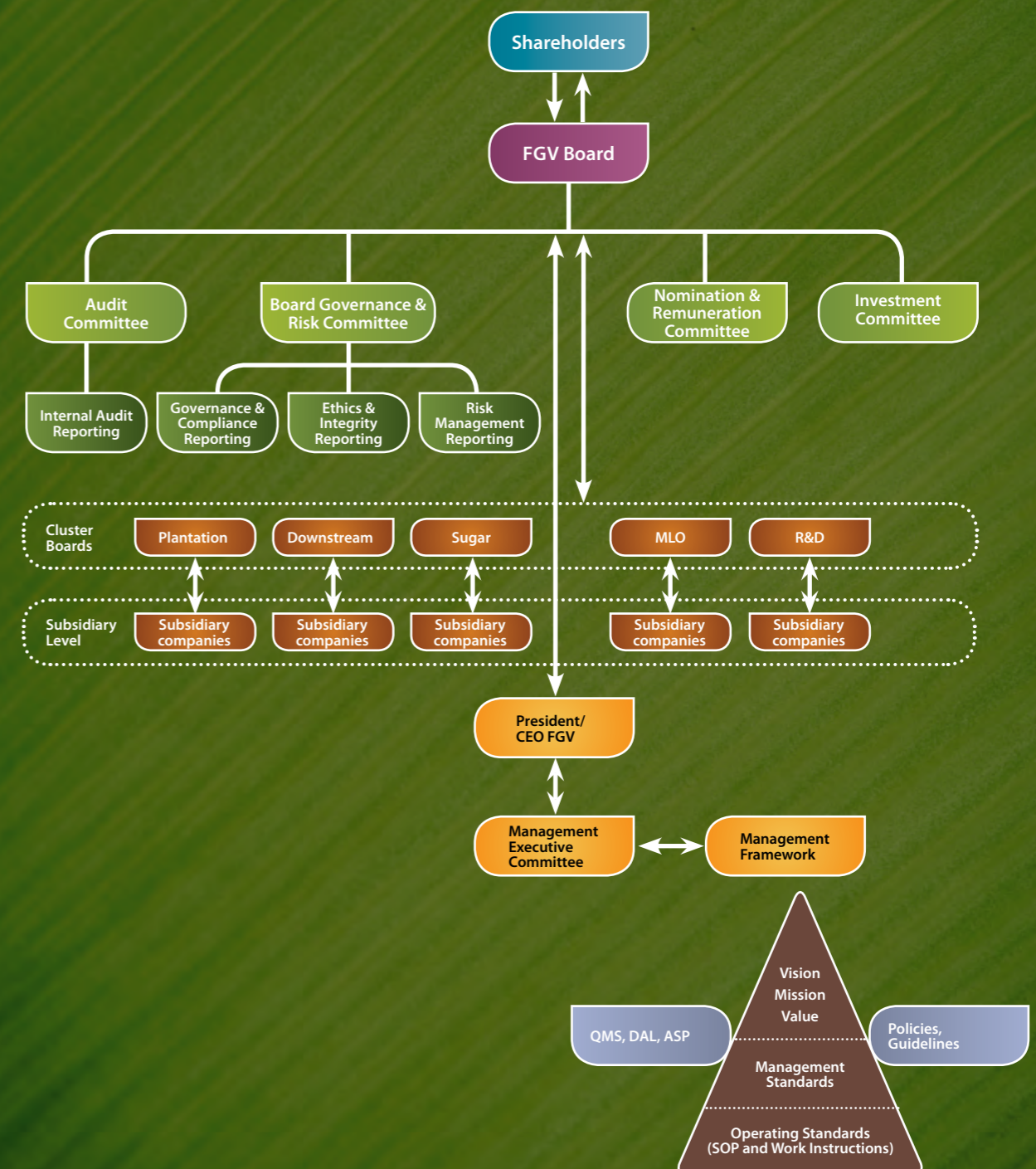
The Audit Committee, Board Governance & Risk Management Committee, Nomination and Remuneration Committee assist the Board in carrying out its duty. All committees have clear and publicly available Terms of Reference and must comprise of a majority of independent directors.

For each of our main business aspects, we have established cluster boards who support the main Board of Directors in decision making. All decision made at the subsidiary companies are escalated to cluster boards and subsequently brought to the attention of the main board for approval.

## CODE OF BUSINESS PRACTICE

Our Code of Business Practice guides our dealings in order to build and maintain public trust, as well as promote greater transparency. FGV's Code of Business Practice embodies the six universal principles from the Malaysian Code of Business Ethics, and is integral to ensuring compliance with the rules, regulations and laws of being a public listed company.

## SIMPLIFIED OVERVIEW OF FGV BOARD AND MANAGEMENT STRUCTURE



# PROTECTING INTEGRITY

FGV supports the Malaysian government's initiative to combat unethical practices. We signed both the Corporate Integrity Pledge and the Integrity Pact with the Malaysian Anti-Corruption Commission in April 2012.

The Corporate Integrity Pledge commits us to uphold the Anti-Corruption Principles. By signing this pledge, FGV has made a unilateral declaration that it will not be involved with corruption, commit any act of corruption, work towards creating a business environment that is free from corruption and will uphold the Anti-Corruption Principles for Corporations in Malaysia.

## FELDA GLOBAL GROUP'S INTEGRITY PLAN (FGV-IP)

The FGV-IP is a five year roadmap to promote and increase integrity values in FGV. We will educate all employees and partners on our integrity values through training and in our engagement. We will assess and enhance existing policies and systems to prevent and appropriately reprimand anyone involved in activities that diminishes our integrity.

In September 2013, we established the Governance and Risk Management Division to ensure a holistic and robust approach to protecting integrity. The three respective departments, corporate governance, compliance, ethics and integrity, and enterprise risk management, overlook different aspects of governance and risk.

We have sent four officers to receive Certified Integrity Officer accreditation conducted by the

Corporate Integrity Development Centre of the Malaysian Anti-Corruption Academy. The training ensures that we have certified integrity officers to plan, implement and monitor robust integrity programmes.

## INTEGRITY TRAINING AND AWARENESS

In 2013, we launched the Integrity Awareness Road Show Tour Programme to reach out to our employees on our values and the FGV-IP. All employees were briefed on the importance of integrity and what it means to them, before signing the integrity pledge as part of their term of employment. Employees were also provided guidance on how they should act and report any incidents.

We are working with respective subsidiaries to map out and identify integrity systems at the operational level that could be improved. We aim to conduct awareness training on integrity and anti-corruption to 10% of our employees and vendors annually. We will reward employees who exemplify integrity by organising the FGV Group's Annual Integrity Award in 2014.

## EMPLOYEE CODE OF BUSINESS PRACTICE

Our expectation is for employees to adhere to the highest standards of ethics. We do this through promoting ethical behaviour and avoiding any possible conflicts of interest. We have an Employee Code of Business Practice which set out principles to guide all employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity regardless of where they operate.

Gifts are a common cultural aspect of business life in Malaysia, especially during festive seasons. We provide appropriate guidance and guidelines to our employees on gifts. We require all gifts received by general managers and above to be collected and distributed to the needy and to orphanages. Our gift policy is regularly reviewed to make sure it is effective and practical.

## AVOIDING CONFLICTS OF INTEREST

All FGV management and senior executive and above are required to declare their assets and interests to the Chief Human Resource Officer. The declaration must include family businesses, acquisition or disposal of new or existing assets valued at more than three months of their salary.

## INTEGRITY PACT FOR VENDORS

As a large company, FGV has a vast network of vendors, and procurement has been identified as a potential risk area for corrupt practices. We have therefore implemented an Integrity Pact with vendors to abstain from bribery, collusion or any other corrupt practices.

The pact outlines the rights and obligations of FGV and its vendors. Bidders on contracts will need to execute a declaration to pledge not to be involved in any activity related to direct or indirect payment, offering, pressuring or bribing which may affect the final tender decision.

In preparation for the signing of the integrity pact, we revised our Procurement Code of Ethics. This

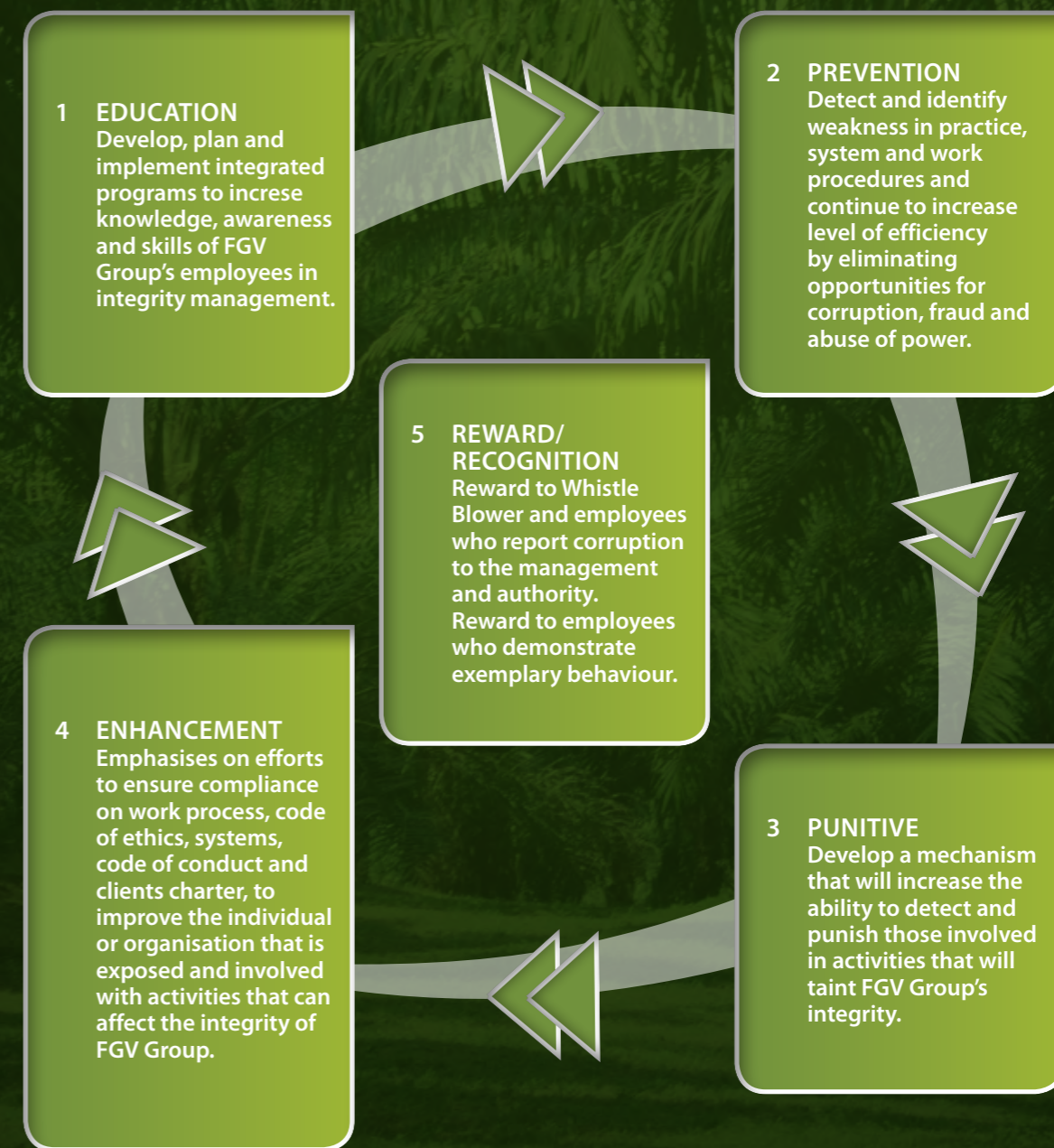
code provides ethical guidance to vendors. We conducted a series of roadshows to bring awareness of these changes to our vendors. A total of 514 registered vendors signed the Integrity Pact as at 31 December 2012. We conduct an annual Procurement and Integrity

Survey with our vendors to ensure that we keep our promises in our business dealings with them.

## WHISTLE BLOWING POLICY

We provide a range of channels for anyone to report acts of wrongdoing by any of our

employees. Cases of misconduct can be reported by using our hotline, email or in person to the Chief Integrity Officer. Employees are accorded protection under the Policy for whistleblowing in good faith.



# PROSPERING SUSTAINABLY

We are committed to developing productive agricultural areas, improving living standards and promoting effective agricultural management. In our evolving journey towards this mission, we have adopted and adapted current best practices in the arena of social and agricultural development.

The development and emergence of the Roundtable on Sustainable Palm Oil (RSPO) marked another stage in our sustainability journey. The RSPO is the global standard promoting growth and the use of sustainable palm oil throughout the supply chain. We believe that the RSPO Principles and Criteria (P&C) are consistent with FGV's overall mission and is our benchmark to guide us in our next phase of growth.

## DRIVING SUSTAINABILITY STANDARDS

FGV is an active member of the RSPO on behalf of the FelDa Group. FELDA was one of the first palm oil producer to support the RSPO by signing the Statement of Intent

prior to the formal establishment of the RSPO in 2004. From 2004 to 2013, FELDA was a member of the 16 member Executive Board representing smallholders' interests. Following a change in the RSPO governance structure, FELDA is now a member of the Board of Governors representing oil palm growers.

We are members of the RSPO Smallholders Working Group developing the RSPO certification standard that is inclusive for smallholders and upholds the P&C. We were part of the Verification Working Group and recently sat on the P&C Review Taskforce assigned to review the standard in 2013. We also participate in the RSPO work on identifying and reducing greenhouse gases.

## OUR COMMITMENT

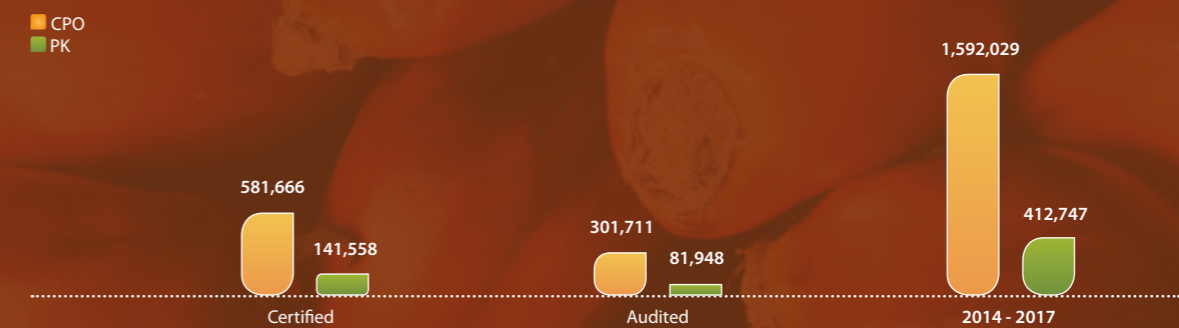
Our commitment is to certify all our plantation and smallholders' crops by 2017. This covers certification of our 72 mills and FELDA scheme smallholders in Malaysia.

In 2010, FELDA was the first smallholder organisation in the world to attain RSPO certification. FGV's first mills to be RSPO certified were in Kota Gelanggi 1 and Lepar Utara 6, Pahang. We have now certified a total of 17 mills, covering 187,667 hectares of our estates. An additional 10 mills have undergone RSPO audits and awaiting certification. We are also on track to achieve our target to certify all of our operations by 2017.

## SUPPORTING GROUP SMALLHOLDER CERTIFICATION

We have supported 14 FELDA settlements in obtaining RSPO Group Smallholder Certification. The RSPO Group Smallholder Certification applies to FELDA settlements which are not situated close enough to our mills to participate in our mill certification scheme.

## STATUS OF RSPO CERTIFICATION TO 2017 (MT)



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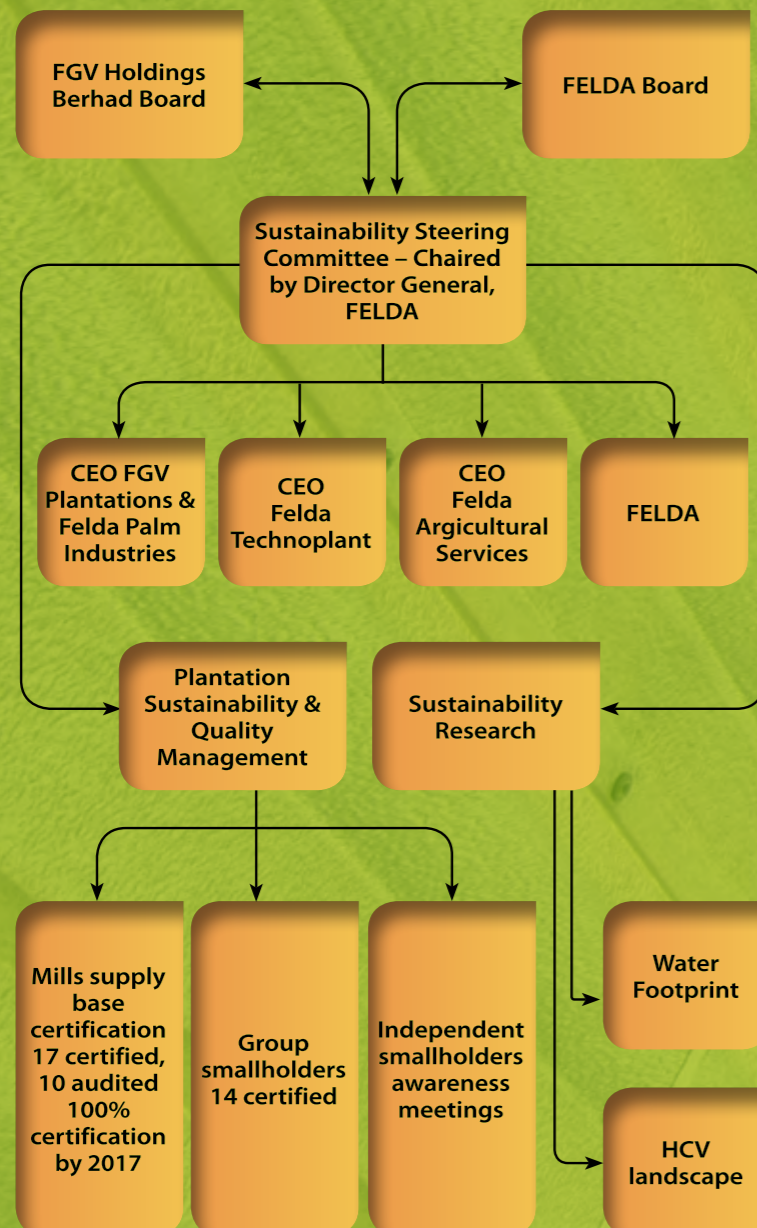
## EIGHT PRINCIPLES OF THE RSPO

1. Commitment to transparency
2. Compliance with applicable laws and regulations
3. Commitment to long-term economic and financial viability
4. Use of appropriate best practices by growers and millers
5. Environmental responsibility and conservation of natural resources and biodiversity
6. Responsible consideration of employees, and of individuals and community affected by growers and mills
7. Responsible development of new plantings
8. Commitment to continuous improvement in key areas of activity



# PROSPERING SUSTAINABLY

## SUSTAINABILITY MANAGEMENT



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The FELDA Sustainability Steering Committee is responsible for the monitoring of sustainability performance at FGV. The Sustainability Steering Committee is chaired by the Director General of FELDA and consist of the respective CEOs of the four palm oil related business units. The Sustainability Steering Committee reports to the Boards of FGV and FELDA.

The Sustainability Steering Committee meets on a quarterly basis to monitor implementation of RSPO certification against our time bound plan, develop and review FELDA Group sustainability policies, and set direction for research on sustainability.

The Sustainability Steering Committee is supported by two departments. The Plantation Sustainability and Quality Management (PSQM) is responsible for rolling out RSPO certification across all our estates globally. The team develops the time bound plan, monitors implementation, supports FELDA settlers in preparing for certification audits, and conducts roadshows to promote benefits of RSPO among independent smallholders.

The Sustainability Research Department focuses on improving performance in relation to aspects of sustainability. The department has initiated research on water quality, soil subsidence and soil erosion. Our future focus will be on footprint (water, carbon and energy) assessments and setting targets to pursue.

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# PROSPERING SUSTAINABLY

## RESPONSIBLE LAND DEVELOPMENT AND ACQUISITION

As we move to implement our Global Strategic Blueprint, we are committed to expanding our land bank in a responsible way. Our acquisition of new land will be guided by the RSPO P&C on New Plantings Procedures (NPP).

Released in 2010 following a multi-stakeholder process, the NPP outlines a comprehensive and verifiable process for growers to develop new plantations. By using this approach, we can ensure that our expansion will be carried out without compromising the local environment, and bring positive social and economic change to under-developed communities.



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*We are committed to ensuring that prior to any expansion, all our land proposed for new plantings will undergo a robust and participatory independent social and environmental impact assessment.*

### SOCIAL AND ENVIRONMENTAL IMPACT ASSESSMENTS

We are committed to ensuring that prior to any expansion, all our land proposed for new plantings will undergo a robust and participatory independent social and environmental impact assessment. In demonstrating transparency, findings of our assessments will be made public and results incorporated into planning, management and operations of the new area.

### SOIL SUITABILITY

We have a policy not to acquire any new area containing significant amounts of peat. We will avoid extensive planting on steep terrains, marginal and fragile soils, including peat where possible. Soil surveys and topographic information will be used for site planning in the establishment of new plantings, construction of drainage and irrigation systems, roads and other infrastructure.

### MAINTAIN AND ENHANCE BIODIVERSITY

New plantations will not replace primary forest or areas of high conservation values (HCV). A comprehensive HCV assessment that includes consultation with

stakeholders and land use change analysis will be conducted prior to any new planting. In cases where there is a risk that HCVs might be affected, our dedicated sustainability team will develop management plans to ensure they will be maintained or enhanced.

In consultation with affected communities, we will map out potential positive and negative changes to their livelihoods that could result from our new plantings. Focus will be given to identify and protect areas required by affected communities that meets their basic needs.

### FREE PRIOR AND INFORMED CONSENT AND FAIR COMPENSATION

No new plantings will be initiated until we demonstrate to stakeholders that legal and customary rights have been obtained with their free, prior and informed consent. Affected local communities will have a right to say 'no' to our development.

All materials relating to our new development will be made available to affected communities in a format that can be understood by them and their representatives. All our

engagements will be documented and carried out in a transparent manner.

Affected communities who have demonstrated legal and customary rights will be compensated fairly after a negotiated settlement has been reached through free, prior informed consent. We will ensure that communities and individuals with rights to the land have access to information and advice that is independent to reach a fair compensation value.

### NO BURNING

We will aim not to burn land to prepare for new plantings. When there is an exceptional circumstance which requires us to carry out burning, we will seek prior proper approval from authorities.

### MINIMISE NET GHG EMISSIONS

We will attempt at all times to ensure we minimise net GHG emissions in our new plantings. All potential sources of emissions that may result directly from the development will be identified. We will try to avoid areas of high carbon stock in favour of degraded forest and grasslands. The net GHG emission from our new plantings will be estimated and mitigation efforts put in place.

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# PROSPERING SUSTAINABLY

## ENGAGING OUR STAKEHOLDERS

We understand that the commitment and contribution of all our stakeholders is invaluable to achieve our goals and aspirations.

We identify our stakeholders by measuring the extent of our business impacts upon them and how they influence our operational performance. Each stakeholder group adds a different dimension of issues and concerns. Through ongoing

engagement, we are better equipped to respond to their concerns and build a business that brings benefit to all.

We use a range of mechanisms to engage with our different stakeholders. Internally we have an annual employee engagement survey to understand their views of our performance and concerns they may have. We conduct an annual Procurement Integrity Assessment to

ensure that our business relationships are mutually beneficial. As part of RSPO certification of our mills and supply base, we conduct a series of structured engagement and meetings with internal and external stakeholders.

By having honest and open communications, internally and externally, we can work together to achieve the best outcomes for our business and for our stakeholders.

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TYPE OF STAKEHOLDER	FORM OF ENGAGEMENT	WHEN TO ENGAGE	ISSUES OF CONCERN
Employees	<ul style="list-style-type: none"> <li>Roadshows</li> <li>Management meetings</li> <li>Circulation of policies</li> <li>In-house business human resource</li> </ul>	<ul style="list-style-type: none"> <li>Regular meetings</li> </ul>	<ul style="list-style-type: none"> <li>Compensation benchmark</li> <li>Personal career development</li> <li>Retirement planning</li> </ul>
Regulatory and statutory bodies	<ul style="list-style-type: none"> <li>Inspections by local authority</li> </ul>	<ul style="list-style-type: none"> <li>Annual</li> </ul>	<ul style="list-style-type: none"> <li>Environmental emissions and discharges</li> <li>Taxes</li> </ul>
NGOs	<ul style="list-style-type: none"> <li>RSPO working committees</li> </ul>	<ul style="list-style-type: none"> <li>Regular committee meetings</li> </ul>	<ul style="list-style-type: none"> <li>Environmental and social issues in relation to sustainability of oil palm</li> </ul>
FELDA settlers	<ul style="list-style-type: none"> <li>Meetings with FELDA scheme managers</li> <li>Delivery of FFB to mills</li> <li>RSPO pre-certification assessment</li> </ul>	<ul style="list-style-type: none"> <li>Ad-hoc</li> </ul>	<ul style="list-style-type: none"> <li>Grading and prices of FFB</li> <li>Tackling diseases in oil palm</li> <li>Presence of foreign workers in the estates</li> <li>RSPO certification</li> <li>Understanding smoke and effluent discharges from mills</li> </ul>
Investors	<ul style="list-style-type: none"> <li>Quarterly investor briefing</li> <li>Circular/Notice</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly analyst briefings</li> <li>Annual general meetings</li> </ul>	<ul style="list-style-type: none"> <li>Group financial performance</li> <li>Global business strategy</li> </ul>
Customer	<ul style="list-style-type: none"> <li>Field day/Open day visit</li> <li>Coordination meetings</li> <li>After sales service and follow-up</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly</li> </ul>	<ul style="list-style-type: none"> <li>Pricing</li> <li>Quality</li> <li>Support services</li> </ul>
Suppliers/contractors	<ul style="list-style-type: none"> <li>Contract negotiation</li> <li>Annual registration</li> <li>Progress payment</li> <li>Site visits/meetings</li> <li>Annual Procurement Integrity Assessment</li> </ul>	<ul style="list-style-type: none"> <li>Ad hoc</li> </ul>	<ul style="list-style-type: none"> <li>Service delivery</li> <li>Project scope</li> <li>Timeliness of payment</li> </ul>
Politicians	<ul style="list-style-type: none"> <li>FGV Group functions</li> </ul>	<ul style="list-style-type: none"> <li>Ad hoc</li> </ul>	<ul style="list-style-type: none"> <li>Improving FELDA communities in their constituency</li> </ul>

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## FAIR COMPENSATION OF LAND DISPUTES

At the time when FELDA was established, it was the duty of the Federal government to ensure that designated land was free of any encumbrances. Clearance from relevant federal and state agencies were obtained before land was transferred to FELDA.

Despite this due diligence, there was only one case involving claim of customary land rights by a Murut community in Kalabakan, Sabah, brought to light in 1997. Prior to any development of the area and following discussions with the community, an agreement was reached with the community to establish a cooperative. This allows the affected individuals to continue receiving dividends from oil palm planted on their land.

In the past, there have been claims of over planting by FELDA, which has been investigated and compensation paid to affected parties. There are also some on-going claims by local communities of over planting in the Lahad Datu region, Sabah. FELDA is currently investigating these claims to resolve the issue through consultation with the community and local authorities.

# PROSPERING SUSTAINABLY

## VOICES FROM OUR STAKEHOLDERS: THE EARLY SETTLERS

We are originally from Parit Buntar, Perak. We got married in 1971 and we lived with my parents. We were rice farmers. We had heard about FELDA and that there was a new intake. In 1974 we went for an interview to apply to be a settler. It was only in 1981 that we were finally granted a place here in Sungai Behrang. All my five siblings eventually moved to FELDA settlements in different parts of Malaysia.

Though we are from Perak, we had never heard of Sungai Behrang. When we moved here, we were assigned a FELDA house, a wooden house on stilts. The area was very much undeveloped and we spent a week clearing up the area around our house. At that time we had new settlers arriving weekly so there were induction sessions each week for us to meet. FELDA management came to visit us regularly to see how we were adapting to the new environment.

We were allocated an 8 acre plot of land to clear the land, and later we were given another 2 acres. At that time rubber trees was the crop to plant. As a farmer I had never tapped rubber, so I had to learn. It wasn't easy at the beginning and it took me some time to get used to it. I had a few friends who gave up and went back to their hometown.

At the beginning, FELDA gave us an allowance of about RM100 in vouchers for us to use in the FELDA grocery shop. We weren't paid cash at that time because our rubber trees were still not producing latex. So in addition to tending to our rubber trees, we had to find other work to earn money for the family.

About a year and a half ago, we changed to growing oil palm. We are getting old and it is difficult to find experienced labour to manage the rubber plantation. The weather is also changing and it is really quite wet in these parts. With rubber, if it rains and you don't tap in the morning, you lose a whole day's productivity. Oil palm you can harvest anytime.

The majority of settlers in this area are changing to oil palm. When we grow oil palm, it will be managed by FELDA so we don't have to deal with problem of looking for labour. Even though my land is managed by FELDA, we as a settler still have the right to oversee the plantation. If we are not satisfied with conditions in the field, we can ask the manager to take action.

Being part of the FELDA scheme has changed our lives. I still go back to Parit Buntar to see my friends. They are still working on paddy fields and I can see that my life is now better than theirs. If I were still at Parit Buntar, I don't think I could have this kind of lifestyle. As a Muslim, I wouldn't have been able to afford to perform the Haj [Islamic pilgrimage]

because we wouldn't have our own land and a steady income.

There have been a lot of changes over the years in our lifestyles and opportunities. All my children have been through school, supported by FELDA, and have never had to rely completely on us.

As parents, we worry about the second generation and their connection to FELDA. During the time of the listing of FGV, there were a lot of rumours and arguments for not agreeing to it but I told my children that we need to remember where we came from and what the organisation that has provided to us.

Children who have left the estate are doing quite well in the city as they have jobs and houses of their own. Those that have stayed do not have land to build their own home or their own fields to tend. Creating new opportunities such as vegetable farm and fish farming would help provide new opportunities for them.

*Zakaria Bin Ahmad & Azizah Bt Mokhtar, FELDA Sungai Behrang*



ALL MY CHILDREN HAVE BEEN THROUGH SCHOOL SUPPORTED BY FELDA AND HAVE NEVER HAD TO RELY COMPLETELY ON US.

# ENRICHING OUR COMMUNITIES

*We remain strongly committed to the core values of FELDA, which is to help Felda settlers obtain a decent income from their estates. Through our related subsidiaries, we support FELDA scheme managers with information and data for good agricultural practices, and provide services to settlers to deliver higher yielding fruit bunches.*

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In 1957, FELDA established its first rubber FELDA settlement in Lurah Bilut, Pahang. In 1990, it established its 317<sup>th</sup> and last FELDA scheme in Sahabat 2, in Lahad Datu, Sabah. Today there are 112,635 Felda settlers, with an estimated population of 1.6 million. Over 98% of Felda settlers are Malays, with the remaining Chinese and Indians. The average household income of a settler is RM3,787 gross per month before deduction for expenses and loans.

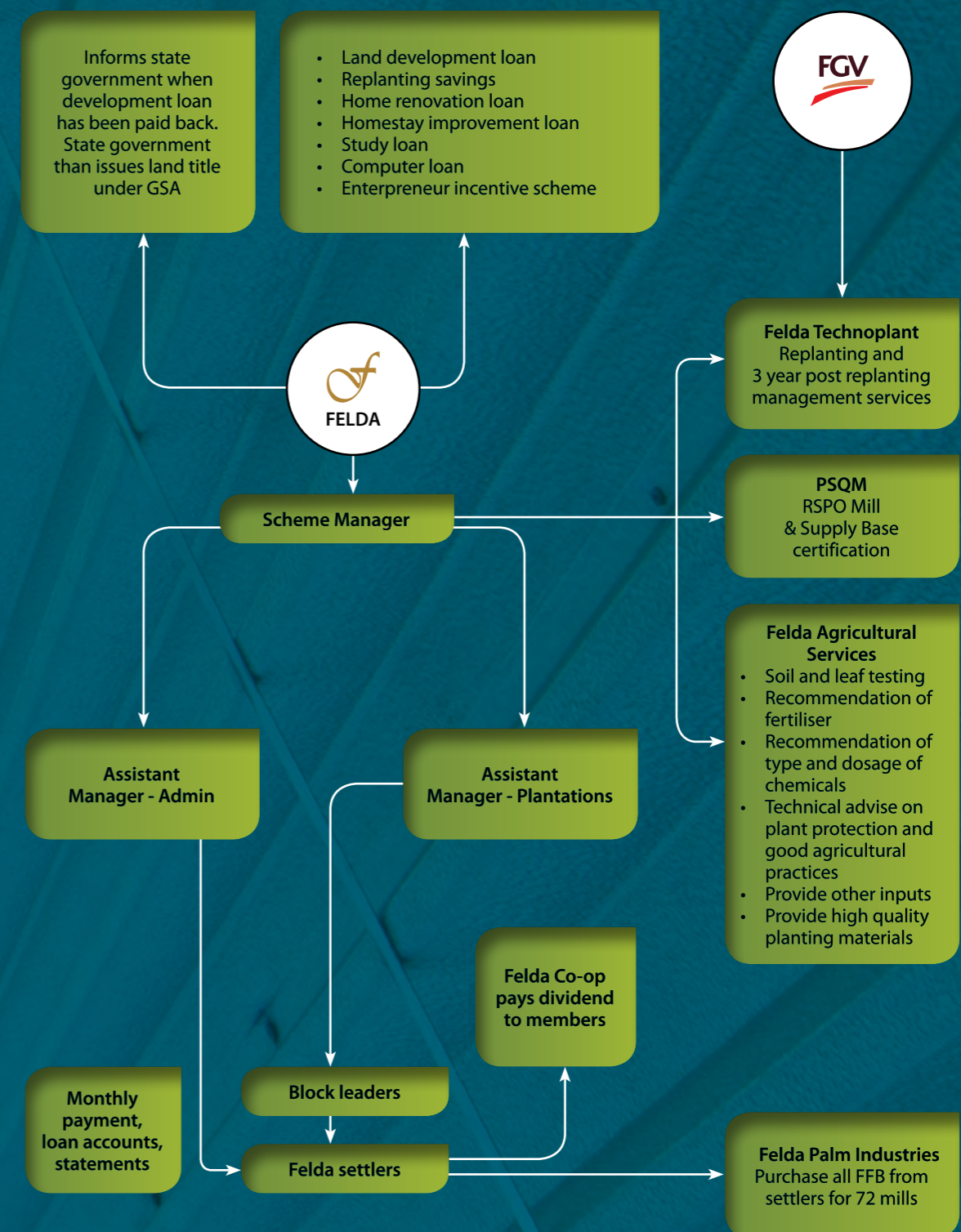
Each family is allocated 1,000 square metres of land on which to build a home and four hectares of land for agriculture. The development cost of the area, including other infrastructure such as building roads and drainage, are paid for by settlers over a period of 15 years. Once the development cost is repaid, the state government is notified and the land title is issued to the settler under the Group Settlement Area (GSA) Act (1960).

The land title under the GSA requires the land to be under the name of one household member and the land cannot be sold individually. The land can only be redesignated and sold with the consent of the state government if there is a need for the land to be developed. Proceeds from the sale of land is paid to settlers upon completion of sale.

The FELDA Settlers Association provides a platform for settlers to raise issues and concerns at scheme, regional and national level.



## FGV AND FELDA SETTLERS' ECOSYSTEM



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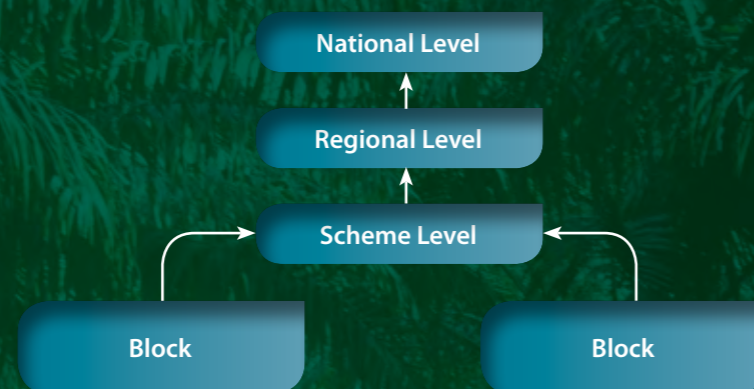
# ENRICHING OUR COMMUNITIES

## STRUCTURE OF FELDA SETTLERS ASSOCIATION

- National Level**
- Decide on policy matters
  - Decide yearly programmes
  - Quarterly meetings
  - Region representatives

- National Level**
- Scheme representatives
  - Decide on programmes

- Scheme Level**
- Monthly meeting
  - Execute programmes



### DELIVERING SOCIAL DEVELOPMENT

Each Felda community has a FELDA store where daily goods are sold. There are also social amenities such as a mosque, schools, community hall, kindergarten, clinic, internet centre, and youth centre in a typical scheme. Each scheme is responsible for organising a range of community, cultural, recreation, sports and religious activities.

FELDA provides interest free loans, for education, buying computers and home renovation to improve their quality of life. It also provides low-interest loans for entrepreneurial initiatives. One of the most popular is the development of homestays for tourists.

### THE FELDA INVESTMENT CO-OPERATIVE

Established in 1980, the membership of the Co-operative today comprises 202,870 settlers and dependants as well as 29,032

employees and their dependants in the FELDA Group. Each individual is allowed to invest up to RM250,000 in the Co-operative. Over the last five years, the Co-operative has paid out on average 15% dividends to members.

With 51% shares in Felda Holdings Bhd, the Co-operative held shares in a range of FELDA related subsidiaries. In 2013, FGV acquired the remaining 51% share in Felda Holdings Bhd from the Co-operative for RM2.2 billion.

### PARTICIPATING IN FGV'S INITIAL PUBLIC OFFERING

Through 20% shares held in trust by FELDA, settlers are the largest shareholders in FGV. At the time of initial public offering (IPO), each settler was given 1,000 units of FGV shares. A settler could opt to keep the shares and pay a monthly instalment of RM200 or sell back 800 units to FGV. The remaining 200 units are held in trust to ensure

that those who had disposed of their shares continue to receive future dividends. The trust fund has a policy to distribute 50% of dividends to settlers. FELDA also gave RM15,000 to settlers to purchase additional share units.

### SCHEME OIL PALM MANAGEMENT

Each Felda community is managed by a FELDA scheme manager. Most of the schemes will have two assistant managers. One assistant manager provides administrative support, such as processing monthly payments to settlers, monitoring of loan repayments, and issuing monthly statement of accounts.

The second assistant manager is in charge of plantations. The assistant manager disseminates information through block leaders. One block leader supports up to 20 Felda settler. Each settler is responsible for the management and productivity of their land.



### PLANTATION AND MILLS

Oil palm accounts for 83% of total area under cultivation at FELDA schemes. Under a signed agreement between FGV Plantations and Felda Palm Industries, all FFB harvested in FELDA schemes are sold to our mills. In 2013, we received more than six million tonnes of FFB from Felda settlers, with an average yield of 21.5 tonnes per hectare.

We have a fair and transparent pricing mechanism in grading FFB delivered to our mills. This is particularly important for outgrowers who are contractually obliged to sell all FFB to our mills. Prices of the FFB are clearly posted. When FFB is brought to our mills, it is graded based on the quality of the FFB. Maturity of the fruit and signs of damages are characteristics we look out for when grading.

Despite these efforts, we continue to receive complaints on the pricing of FFB. We will intensify our awareness and communication about how grading is carried out with our settlers and smallholders.

### AGRICULTURAL EXTENSION SERVICES

Our subsidiary, Felda Agricultural Services Sdn Bhd (FASSB), provides soil and foliar analysis services to all FELDA schemes. In coordination and cooperation with the scheme manager, FASSB provides recommendations about the type of fertiliser and application levels. Fertiliser for use in settler area is done through a process of tender and negotiation. The settlers pay for the fertilisers.

Yield losses in areas affected by pest and diseases have an impact on the income of FELDA settlers. We provide recommendations on the type of chemicals used and timing of their application in their farms. Even though the settlers are responsible for purchase and application of the chemicals, FELDA coordinates the purchase of these chemicals.

### RSPO CERTIFICATION

The Plantation Sustainability and Quality Management Department (PSQM) is responsible for supporting settlers for RSPO certification. As part of their certification, the PSQM conducts documented stakeholder engagement, briefings and training to improve agriculture practices.

Chemical management is an area of focus for PSQM. Training on correct chemical use, triple rinsing of containers and chemical application are organised. The department conducts a census of each household to ensure there is a locked chemical store and discourage the use of pesticide containers for household activities use such as planting pots.

### REPLANTING AND MANAGEMENT SERVICES

A replanting fund is established at the start of each oil palm scheme for each settler. Each month, RM10 per acre is deducted, and the estimated fund at the time of replanting is RM17,000. Our subsidiary, Felda Technoplant Sdn Bhd, provides replanting services and post replanting

management for three years. In 2013, we replanted 12,722 hectares belonging to settlers. During this replanting period, settlers qualify for a FELDA subsistence allowance for eight years. This allowance is repaid after the oil palm matures and provides an income for the settlers.

After three years, Felda settlers have the option to contract Felda Technoplant to manage its estate at a rate of RM10 per acre per month, excluding the cost of fertiliser. In 2013, Felda Technoplant managed 216,682 hectares of land for settlers.

# ENRICHING OUR COMMUNITIES

## INDEPENDENT SMALLHOLDERS

In addition to Felda settlers, a large number of independent outgrowers supply us with approximately 33% of the FFB processed in our mills. In 2013, this amounted to 4.38 million tonnes of FFB.

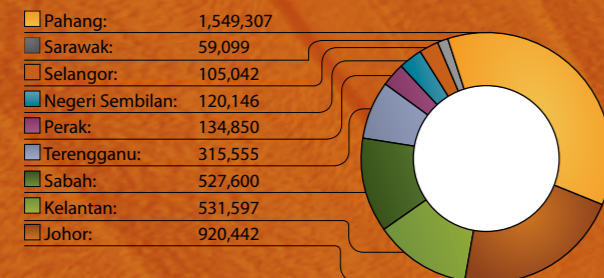
Independent smallholders represent an important stakeholder in establishing a traceable supply chain. The RSPO requires us to certify our independent smallholders three years after we have achieved full certification of our mills and supply base. Our target is to certify all of our independent smallholders by 2020.

## RSPO CERTIFICATION OUTREACH

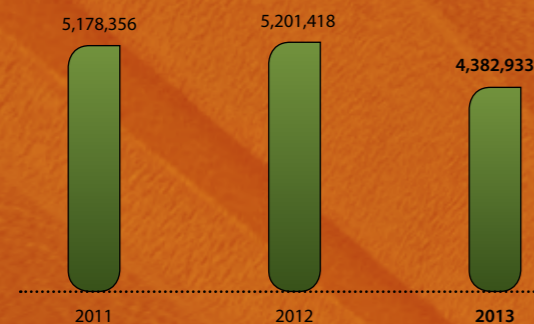
In 2013, we conducted a series of engagements with independent smallholders across our operations. In partnership with the National Association of Smallholders (NASH), we presented to them on the benefits of RSPO and the process of certification for independent smallholders. Most of them were aware of the RSPO but did not have detailed knowledge of RSPO requirements. We also took note of their concerns about RSPO certification, which centred on the cost of certification and the lack of premium.

We will begin testing the readiness of certification of independent smallholders in 2014 by developing a pilot project after consultation with representative bodies such as the NASH. We will provide training services on best management practices such as seed selection, fertiliser application and proper health, safety and environment practices.

## EXTERNAL FFB SOURCED BY STATE IN 2013



## FFB SUPPLIED BY EXTERNAL SUPPLIERS (TONNES)



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# ENRICHING OUR COMMUNITIES

## VOICES FROM OUR STAKEHOLDERS: THE SECOND GENERATION

I moved from Chenderiang, Perak with my family to Sungai Behrang when I was seven. There were seven of us in the family. When I was ten, I stopped going to school because I was afraid of the teacher. I then began working with my father on our rubber estate.

At that time, the area was still undeveloped and overgrown with vegetation. We had a FELDA wooden house and eight acres of land. It wasn't until much later that we were allocated another two acres. Life wasn't easy then. I can remember during early days my father received a cost of living allowance of RM68 per month which he used to get food from the FELDA shop (now D'Mart).

In my early twenties, I left the estate and went to Kuala Lumpur and worked in different areas. In 1992, my father asked me to quit my job and come back to FELDA. As my other siblings had their steady careers, my father offered to change the land title to my name. I discussed this with my siblings and they all agreed. My father passed away in 1995, and in 1997 the land title was officially under my name.

We went through many challenges. Once, there was news that an investor wanted to buy our land. Everyone was dreaming about becoming a millionaire but after a while there was no news from the so called investor. At that time, I was so frustrated but remembered thinking that it was a bad idea to part from the land as it is my source of income.

Since then we have seen many improvements in the community. The roads are now fixed, the village hall is repaired, the grounds are well maintained, and our crops are better managed. As in any community, you are going to have differences of opinions. We need to continue to cooperate and improve our communication with each other.

There is no doubt that FELDA has improved our livelihoods. Compared to our smallholder peers in Indonesia and Thailand, we are better off because we have the opportunity to own land. At this moment, I have an eight acre rubber plantation of which I will change to palm oil next year. As of now, my average monthly income is around RM2,500. By changing to palm oil in the future, insya Allah my income would be better.

We have also benefited in other ways. I have five children, three

daughters and two sons, and they have received educational support from FELDA, which is a great burden lifted off us. We also received a windfall of RM15,000 per family and shares from the listing of FGV for our loyalty and contribution to the FELDA scheme.

As a second generation of FELDA, I am considered quite lucky because my father's land has been signed over to me. For some families, the second generation are in a limbo, but FELDA has come up with the new model called 'Sentuhan Kasih', an integrated modern farming which includes a single storey bungalow house and for those working nearby, FELDA also offers a single storey terrace house for FELDA new generation.

*Abdullah Sani Bin Md Daud & Latipah Bt Hashim, FELDA SUNGAI BEHRANG*



COMPARED TO OUR  
SMALLHOLDER PEERS IN  
INDONESIA AND THAILAND,  
WE ARE BETTER OFF BECAUSE  
WE HAVE THE OPPORTUNITY  
TO OWN LAND.

## YAYASAN FELDA

In 1998, the FELDA Foundation (Yayasan FELDA) was established to promote and provide support to charitable and welfare activities to benefit Malaysians. Being part of the FELDA family, FGV is committed to contributing 2% net profit every year to the Foundation.

### BOARD OF TRUSTEES

The Board of the FELDA Foundation comprises of six Trustees. The Board of Trustees ensures that funds are properly administered and disbursed according to the Foundation's vision, objectives and areas of focus. The trustees meet quarterly to vet new project proposals, review on-going projects and ensure accountability of funding. The FELDA Foundation is supported by a team of staff who implement and monitor progress of projects funded.

### FOUNDATION FUNDING FOCUS

FELDA Foundation has four focus areas. It seeks to provide access to education, access to kidney dialysis treatment, pursuit of research and development and provision of welfare. Since its inception, the Foundation has dispersed over RM291 million towards these focus areas.

### ACCESS TO HIGHER LEARNING

Development of the nation's human resource is critical to the growth of the nation. With 46% of the population under the age of 25, access to affordable and high quality education for all is important for the development of the nation.

FELDA Foundation funds and operates four colleges for the educational enhancement of children of settlers. Students can earn a certificate and/or diploma in areas ranging from hospitality, health professions, information technology and animation, as well as vocational skills ranging from tailoring to hair dressing.

### ENGLISH EDUCATION

In our increasingly globalised world, being fluent and proficient in English is essential for Malaysia's

young graduates in their pursuit of employment opportunities.

The Foundation's English Language Centre in Kelana Jaya offers three months intensive English language training for children of settlers who have completed secondary education. Accredited by City and Guilds of London, the intensive course offers students an opportunity to enhance their fluency before they enter an institute of higher learning. In 2013, 919 students graduated from the programme. For students in lower secondary school, between the ages of 13 and 14, the centre runs an "English for Young Learners" programme at SMK Trolak Selatan. There are 120 students involved in this programme.

The centre also teaches English to FELDA settlers operating homestays. With tourists arriving from all over the world, English is the common tongue that connect families and provides an opportunity to enrich their cultural experience.

### ACCESS TO WELFARE AND MEDICAL ASSISTANCE

In 1999, FELDA Foundation began operating a haemodialysis centre for lower income individuals. Haemodialysis is a critical aspect of chronic kidney disease treatment and can help prevent permanent kidney failure. The centre has 23 dialysis machines and subsidises care for 117 patients. It is staffed with nurses, support staff, a doctor and a nephrologist. The Foundation has donated 50 dialysis machines to government hospitals, clinics and NGOs to enhance access to treatments.

FELDA Foundation has a programme known as "Kami

Prihatin", which offers health screening and free spectacles. In collaboration with the National Cancer Council Malaysia (MAKNA), the programme also offers mobile breast cancer screening. In addition to these programmes, it also runs;

- Nur Ilmu - Supplies religious manuscripts to mosques, suraus, and religious schools in FELDA settlements.
- Multivitamins - Provide multivitamins to Haj pilgrims in preparation for their pilgrimage.
- Gema Bakti - Provides NGOs and suraus with mobile PA systems.

### PURSUIT OF NEW KNOWLEDGE

The investment in research into new discoveries and innovation that have commercial value will contribute to the pursuit of the nation's developed status. It will also place Malaysia on the international stage in the scientific and technological arena.

Since 1999, the Foundation has disbursed 80 grants worth RM14.75 million, ranging between RM50,000 and RM350,000 per project. In 2013, the Foundation approved one project worth RM156,000. A total of 32 research projects have the potential to be applied commercially.

### SCHEME KASIH FELDA

In June 2012, the Foundation launched "Programme Skim Kasih Felda". The programme aims to help local communities surrounding FELDA projects to refurbish their homes with a grant of between RM5,000 and RM7,000 per house. A budget of RM60 million has been allocated to fund this project until June 2016. In the first phase, up to the end of 2013, RM34.6 million has been disbursed to 6,312 families.

# ENHANCING ACCOUNTABILITY IN OUR WORKPLACE

Our 18,785 staff are the building blocks of our company. The majority of our staff are based in Malaysia. The staff of our upstream operations account for about 25% or 4,605 of our total staff force. The upstream operations employed an additional 30,172 workers to support their activities.

We empower every single person to be as productive as possible, while developing their skills, character and experience. By encouraging our staff to achieve their maximum potential we ensure ownership, innovation and entrepreneurial endeavour.

One of our core value is for our employees to "Walk the Talk". We want to develop employees who are results focused and invested in continuous improvement. We want our employees to be people friendly, to instil them with respect for our stakeholders and uphold integrity and strong work ethics.

## STRUCTURE

Our Group Human Resource manages the overall capacity and capability building of our employees to support our business goals. A resource committee at each business unit identifies human resource needs and selects potential high performance individuals. Recommendations from resource committees are challenged and scrutinised to ensure that objectives and needs are clearly identified. We add an element of external and independent assessment to ensure non-bias in our processes.

We have installed an Online Performance Management System to ensure that all processes involved in the performance management can be completed successfully and effectively.

## HUMAN CAPITAL DEVELOPMENT

Developing human capital is a significant piece of our strategy to achieve our growth trajectory. Our pioneering group of growers are retiring and we are in a race to develop a new generation of

planters. We need leaders with a global mindset to lead our new businesses teams as we continue with our global expansion.

Our human capital development is designed to equip our future leaders with technical, leadership and management capabilities. We are creating a culture of differentiation. Our training and development programme aims to create a behavioural change for positive business impact. We want to develop individuals who think out of the box, innovate, drive performance and are accountable.

## TECHNICAL CAPABILITY DEVELOPMENT

Developing a healthy bloodline of plantation and mill managers is crucial for the long term growth of our plantations. Our talent pool however is limited. Gen Y's at university do not gravitate to agricultural science as a first choice, and there are few universities that offer plantation management as a discipline. Therefore, we are looking for talented individuals with a passion to make a difference.

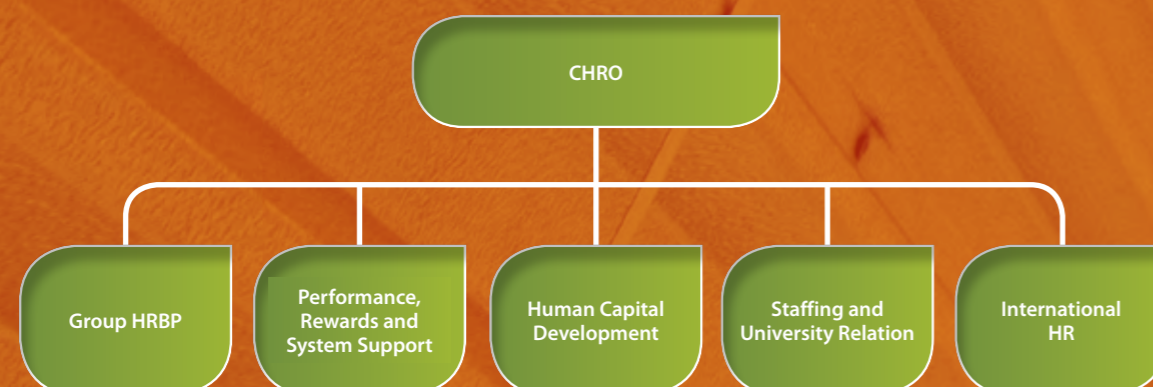


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Developing human capital is a significant part of our strategy to achieve our growth trajectory. Our pioneering group of growers are retiring and we are in a race to develop a new generation of planters. We need leaders with a global mindset to lead our new business teams as we continue with our global expansion.

# ENHANCING ACCOUNTABILITY IN OUR WORKPLACE

## CADET PLANTERS AND MILL PROGRAMME

Our cadet programme trains future plantation and mill managers. Cadets are placed in plantations and mills at the very start of the programme to test their suitability and passion for the job. Candidates that make it through the first three months then begin a one year training on plantation and mill management. All cadets are trained on the basics of plantation and mill management to ensure we develop managers inculcated with the same mindset.

Each plantation and mill cadet is required to write and present a mini thesis before they graduate from the programme. The thesis should demonstrate understanding of an aspect of their operations and identify areas where improvements to processes can be made.

## MANAGEMENT AND ACCOUNT TRAINEE

We recruit management trainees to give young graduates first exposure to their potential careers.

Our accounting professional certification programme supports 50 young accountants in attaining their ACCA, CIMA and ICAEW qualifications. Over three years, we monitor their progress in the professional exams and performance at the workplace.

## LEADERSHIP AND MANAGEMENT CAPACITY DEVELOPMENT

The Green Talent & Global Leaders programme assures us of our next generation of leaders and ensure healthy succession planning. The programme identifies high potential employees between the ages of 30 and 45, who undergo a 15 month intensive leadership development programme.

High potential employees are first identified by a respective resource committee and then assessed by independent external consultants to eliminate any form of bias. Selected individuals enrol in a Diploma in Management in collaboration with the Australia Institute of Management and an Executive Masters in Management

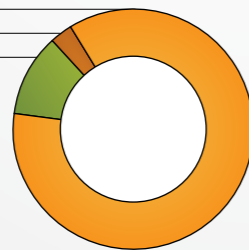
in collaboration with Asia e-University. Designed specifically with our input, the programme adopts the Ram Charan six fold leadership guidelines. In 2013, assignments abroad were included as part of their assessment to reflect the leaders we seek to develop. A group were sent to Chiang Mai, Thailand and another to our new operation in Pontianak, Indonesia to undertake project that tests and develops leadership skills.

The interaction exposes our emerging leaders to new ideas and contacts across our business units. We invite corporate leaders and arrange visits to other leading companies to learn and be inspired by different leadership values and styles.

In 2013, we graduated our first batch of 47 Green Talent & Global Leaders. Eight graduates were subsequently promoted. Our current batch of 54 Green Talent & Global Leaders will graduate in July 2014.

## EMPLOYEES AT FGV AS AT 31 DECEMBER 2013 (%)

Employee:	86
Management:	3
Executive:	11



## INDIVIDUAL EDUCATION ENHANCEMENT

As employers, our role is to enable each employee to develop their career path. For each employee, this path is unique. Since 2011, we have supported 16 employees in gaining their professional certification in Chartered Internal Auditor, Association of Chartered Certified Accountants, Enterprise Risk Management, and Science Actuaries. We also supported the academic pursuits of 20 employees in getting their masters and PhD.

## FGV SCHOLARS

Each year, the FGV Scholarship provides the country's brightest students an opportunity to study in the world's best universities. Since 2006, we have awarded 40 scholarships to students with an opportunity to study biotechnology, chemical and mechanical engineering, finance, accounting, information technology and international marketing. We already have 12 scholars returning and contributing their knowledge to FGV.

## ENGAGING EMPLOYEES

With employees based across the country, we have an active engagement calendar to ensure that our employees remain connected with us. We conduct roadshows in different regions, publish in-house monthly newsletters, suggestion boxes and an intranet to gather suggestions

on improvements. Engagement of our mills and plantations is part of our social impact assessment as we certify our mills to RSPO.

We have standardised all compensation packages for management trainees, and increased compensation packages for some categories of employees to be more competitive in the market to attract and retain key talent. We will continue to review job grading and salary structure that supports a performance oriented culture.

## DIVERSITY AND EQUAL OPPORTUNITY

We believe that all our employees should be treated equally. We believe that merit and performance should determine reward and promotions. We have designed challenging assignments that candidates have to pass, and established external independent boards to ensure non-bias in our selection programmes.

## EMPOWERING WOMEN

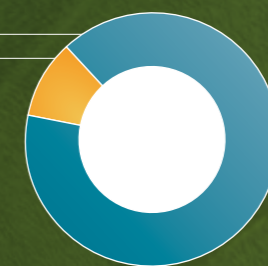
Women make up 10% of the Group management. We are supportive of the recommendations adopted by the Government and Bursa Malaysia that 30% of decision-makers in public listed companies should be female.

All female employees are entitled to 60 consecutive days of paid maternity leave, in accordance to the Malaysian government regulations.

With young women making up over 60% of university graduates, we recognise they are valuable talent pool that can support our business growth. We encourage women to enrol in our cadet plantation and mill programmes. Although they may only remain in the estates for a few years, we believe that time spent gives them a better understanding of the business when they move out of the estate into a position overseeing a region.

## WOMEN IN FGV MANAGEMENT (%)

Male management:	90
Female management:	10



# ENHANCING ACCOUNTABILITY IN OUR WORKPLACE

## VOICES FROM OUR STAKEHOLDERS: GENERATION Y

I joined FGV two years ago, shortly after I graduated with my Masters in Human Resources. I was older than most when I applied for a position as a management trainee. My boss must have seen something in me as I was subsequently bypassed as a management trainee and offered an Executive position in the Human Capital Development division instead.

When I started working at FGV, I knew little about the company. I only knew that it was connected to FELDA and that it was involved in oil palm plantations. Many people thought I worked in the estate. It was only when I started working for the company that I got to know that it is a company that is much more diversified, more than just about oil palm. FGV needs to get that message out.

I now feel very connected to FGV. It looks after the welfare of its employees well. I want to be a part of an organisation that helps to develop individuals who are critical thinkers, problem solvers and future decision makers. FGV gives me great opportunities to try new things and to discover skills I did not even know I had. When I was assessed for the Green Talent and Global Leaders Programme, we were asked to step out of our comfort zones to do things that we would not normally do. I was happy that I not only succeeded in utilising

my strengths but also recognise that I can develop areas beyond my key competencies.

Being a part of the Green Talent and Global Leaders Programme for high performing candidates has been very rewarding. The coursework has been intensive but the exposure has been even greater. We are completing our research and business proposal on cloning of palms. Our exhibition and presentation to the senior management is in the next few weeks, which is rather exciting. Not many executives get the opportunity to present their visions to senior management. We want to demonstrate their investment in us has been worth it, and that as managers, we can contribute to the success of the future growth of the business. We hope that our business case will grab their attention and that it can be adopted in the business plan.

Although the plantation sector is largely male dominated, we can see that women can thrive here too. Women are recognised for the strengths that we bring to the table. I do not feel that we are judged by our gender but by our capabilities. I think we are just as able to contribute ideas to get the job done.

There are currently four women in my batch of the Green Talent and

Global Leaders Programme, more than the previous batch. About 17% of our 244 cadets and trainees are women. We have a former female cadet - an expert in rubber - who is now teaching young cadets on planting and currently we have five female cadets planters in the programme. I do admire the young women out in the estate. While their leadership may not be taken as seriously by subordinates, they are no less committed to their work and show remarkable resilience in facing the challenges of harsher working conditions.

I have an interesting and privileged role as the coordinator of the young cadet programme, as I connect the Gen Ys with the senior employees and managers. We act as liaisons to support and guide them. Gen Ys have high expectations of themselves. For them, a university degree is proof that they can do the job, but to most managers, it is the experience gained over years of being in the field that creates adeptness. I think the Gen Ys feel like they are being treated like children sometimes, while all that they want is to be recognised peers. Engagement is so important to Gen Ys, so I hope that FGV will continue to do that.

*Alissa Oon Ridzuan Oon*  
Executive – Human Capital Development



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I WANT TO BE A PART OF AN ORGANISATION THAT HELPS TO DEVELOP INDIVIDUALS WHO ARE CRITICAL THINKERS, PROBLEM SOLVERS AND FUTURE DECISION MAKERS.

# ENHANCING ACCOUNTABILITY IN OUR WORKPLACE

## ENGAGING GENERATION Y

We want our managers to be educators of our emerging talents, our Generation Ys. Our experience has shown that engaging managers to understand the values and mentality of the new generation is crucial to the retention of younger employees. We hold meetings with managers to share experiences and ideas on how to engage Generation Ys to ensure optimum performance.

Generation Ys wants to be engaged and like to be challenged. In all our training, we have built in periodic structured engagement to ensure that our trainees are motivated and receive useful feedback. We set stretch targets to help them realise their potential.

## EMPLOYEE TURNOVER

Our employee turnover is relatively low and has maintained an average

of 4.5% over two years. We have had slight decrease in overall turnover over the past two years.

We have seen a slight increase in the number of executives leaving us in the past two years. We attribute this to a change in our cadet selection programme which recognises individuals with a passion in plantation management earlier in the programme rather than later.

## BASIC WORKING CONDITIONS

We are guided by the principle that all employees, including foreign workers, must be treated fairly, and with respect. Our labour policies are grounded in Malaysia's labour legislation, as well as in International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work. This covers core labour standards

including the right to collective bargaining, elimination of forced or compulsory labour, no child labour and the elimination of discrimination in the workplace.

## FAIR WAGE

Our pay and conditions for workers meet at least the legal or industry minimum standards and are sufficient to provide decent living wages. Our workers are paid not less than the recommended wages of the Malaysian Agricultural Producers Association and the National Union of Plantation Workers. The current starting wage of a foreign worker is RM900, in addition to provision of housing and utilities.

All our contracts of employment provide details on payments and conditions of employment. Information on working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, reasons for dismissal, period of notice is provided in their native language or explained to them by a management official.

## FREEDOM OF ASSOCIATION

We respect the rights of our employees to form and join unions. In our oil palm upstream operations, we recognise five unions representing 33.6% of our employees.

There is a local committee consisting of union representatives elected by members at each mill and estate. All of our collective bargaining agreements are signed



and we have had no on-going disputes. Our collective bargaining agreement covers all our foreign workers.

## NON DISCRIMINATION

We recognise and value diversity in the work place. We do not discriminate against age, race, gender, nationality, and politics. Our workers are paid the same rate. Our recruitment and promotion procedures are based on merit.

We have a zero tolerance policy on harassment or abuse in the work place. We have instituted a series of hotlines for anyone to raise complaints.

## BONDED LABOUR

We do not subject any of our workers to bonds. Workers enter into employment voluntarily and freely, without duress. Local workers have the freedom to terminate employment without penalty if given reasonable notice. Foreign workers are under a three year contract.

## CHILD LABOUR

We do not employ children under the age of 17. We recognise that there are children living in the areas around the estates and that children in settler and smallholder families will often help out on smaller tasks such as loose fruit collection. As long as it does not affect their attendance and participation in schools, and as long as there are no hazardous tasks, we accept that as part of their contribution to the household.

## FOREIGN WORKERS

We employ 25,144 foreign workers on our estates. The majority of our workers are from Indonesia, Bangladesh and Nepal. All workers are recruited by an agency in their home country. Workers do not have to pay a bond. We do not allow changes to their working conditions, unless it involves changes required under national guidelines and legislation.

We respect the rights of foreign workers to their travel documents. We do retain their passport for safe keeping. However, workers have access to them upon request. New foreign workers arriving at the estate are given an orientation. An orientation programme includes worker safety, labour laws and local cultural sensitivities.

Our foreign workers are paid on a monthly productivity-based pay

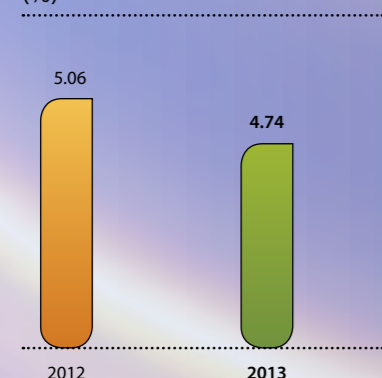
system. Workers are accommodated in a two or three bedroom house. All workers are covered by insurance which covers accidents and disability.

In addition, we have 3,974 foreign workers working on our estates employed by our contractors. These workers are accorded the same basic work conditions, protection of human and social rights, and adherence to safe working conditions as foreign workers under our employment.

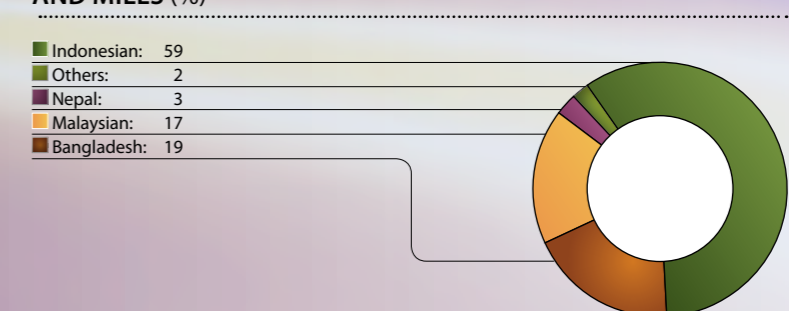
## OCCUPATIONAL HEALTH AND SAFETY

We are committed to providing a safe and healthy work environment to our employees and contractors. We provide all necessary training and support to all on information, instruction, training and supervision to work safely and without risk to health.

## EMPLOYEE TURNOVER (%)



## NATIONALITIES OF WORKERS EMPLOYED AT PLANTATION AND MILLS (%)



# ENHANCING ACCOUNTABILITY IN OUR WORKPLACE

## MANAGEMENT OF HEALTH AND SAFETY

The Head of Environment Safety and Health is responsible for overall health and safety. Our health and safety systems at the mills are OHSAS 18001 certified. At each of our plantations, a safety manual guides the health and safety committee to implement a range of health and safety programmes and monitors performance improvement plans. Daily briefings and a weekly toolbox is conducted to identify hazards and areas for improvements.

Each worker undergoes four health and safety training modules before being deployed to the field. Workers are trained on general health and safety, hazards at the workplace, personal protective equipment (PPE) and training specific to their role.

In 2013, we reviewed our Plantation Safety Manual to ensure it complies with the Malaysian Occupational Safety Standard-MS1722. A pilot project to test compliance with the

standard was carried out at Besout 6 FGVPM Estate.

We collaborated with FGVH Occupational Safety Department to develop a Plantation Safety Supervisor (PSS) module to Support our target of having a competent PSS in all our estates by 2017. A PSS's role is to assist in overseeing occupational safety and health, as well as the welfare of workers. We initiated an online Notification of Accident, Dangerous Occurrence Occupational Poisoning and Occupational Disease with PRODATA, which will be completed in June 2014. We conducted training on "Chemical Safety" and developed a module on "Confined Space Training" to comply with the OSHA 94 and FMA 97. We also focused on improving enforcement of PPE use among lower risk workers.

## ACCIDENTS

In 2013 we recorded 229 accidents, resulting in 2,508 lost working days. Most of the accidents in our plantations are from falling palm fronds, motorcycle accidents and

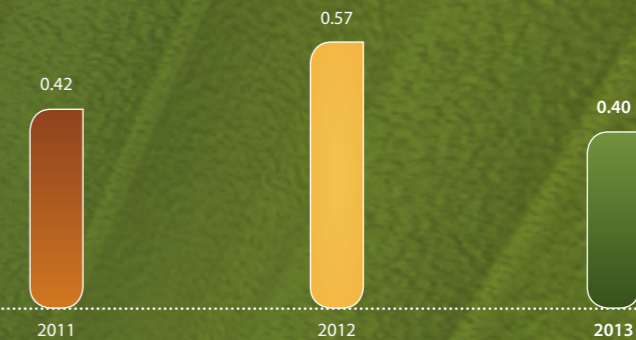
thorn pricks. In the mills accidents are related to mechanical hazards. Benchmarked against our industry peers, our accident rates are lower but our severity is higher. This may indicate a difference in the way accidents are recorded and reported. We will consult with our peers to ensure that we develop comparable indicators that can be benchmarked.

## FATALITIES

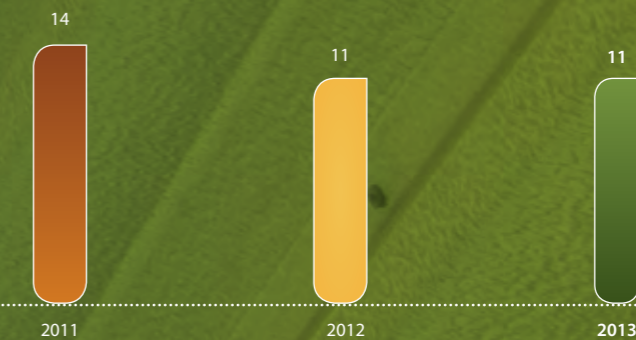
Any fatality at our workplace is a cause of concern. A review of operations is conducted after each fatality and we implement improvements and raise awareness among our workers. We aim to have zero fatalities in our operations by 2017.

We recorded five fatalities in our plantation and mill operations in 2013. Three accidents were related to road accidents, one an accidental drowning. In our mill operation, a fire in a PKE warehouse resulted in the death of one worker. We also recorded two deaths of workers employed by our contractors.

## LOST TIME ACCIDENT RATE (ACCIDENTS PER 200,000 WORKING HOURS)

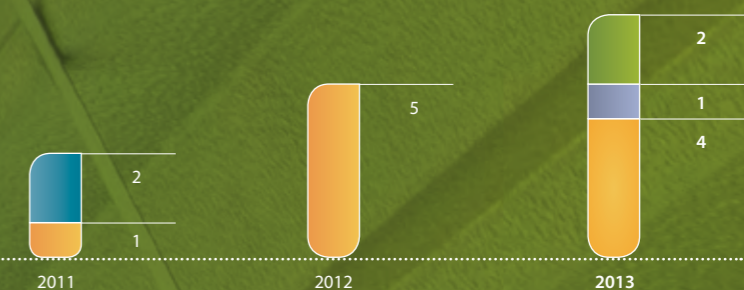


## SEVERITY RATE (AVERAGE DAYS LOST PER ACCIDENT)



## FATALITIES

FGVPM  
FPI  
FASSB  
FKP  
Contractors



# PROTECTING OUR NATURAL ENVIRONMENT

*As the manager of one of the Malaysia's largest land banks, we have an immense responsibility to ensure that we have minimal impact on the environment and enhance areas surrounding our estate.*

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Good Agriculture Practice have been core foundation in our role as plantation manager and extension service provider. Practices such as reducing soil erosion, correct and timely application of fertiliser, waste management and protection of water bodies have long been part of our practice. Our environmental management systems are based on the ISO14001 framework.

Estate managers are responsible for the implementation and monitoring of environmental management plans. Each manager reports to a complex head who oversees environmental performance at a landscape level.

## SOIL MANAGEMENT

Ensuring the quality of our soil is paramount in our operations. We ensure that we minimise and control erosion and degradation of soils. We plant leguminous cover crops when we prepare the land for replanting to assist in soil conservation and moisture retention. Planting of leguminous cover crops also fixes nitrogen from the air into the soil, thus reducing the need for nitrogenous inorganic fertiliser.

Oil palm planted on slopes of greater than eight degrees, are terraced with fronds laid along the contours. We have phased out oil palm on slopes greater than 25 degrees at landscape level during replanting.

## INTEGRATED PEST MANAGEMENT

Our integrated pest management uses a suite of bio-controls aimed at controlling pests which attack oil palms. The integrated approach employs a combination of natural or benign pest control methods, to reduce damages caused to the crop by pests, resulting in minimal use of pesticides.

Our crop protection team uses barn owls to control the population of rats that eat the palm fruits. Hymenoptera wasps are natural predators of bagworms, which attacks fronds of palms. We deploy pheromone traps to capture beetles and implement innovative methods incorporating bio-pesticides (*metarhizium spp*) in our wood chips to control oryctes beetle population.

Blanket spraying of weed killer is not widely practiced on our

plantations. Spraying is confined to the immediate area around the palm tree. We currently use Paraquat for specific weed conditions, as we find this the most effective chemical for this use at the moment. However, we understand that some stakeholders are concerned about this herbicide due to cases of poor stewardship and we are seeking viable alternatives to Paraquat. For now, we are gradually reducing our use of Paraquat, and plan to phase out all use in the future.

## WASTE AND EFFLUENT

In 2013, we produced over 5 million tonnes of empty fruit bunches (EFB), mesocarp, palm shell, old palm fronds and oil palm trunks from replanting. These by-product for our mills and estate are used to add value to other parts of our operations.

## COMPOSTING

We operate six compost plants which takes organic waste and palm oil mill extract to create organic fertiliser. Composting is a process of decomposing organic waste using aerobic decomposition. By using

compost as an organic fertiliser, we reduce our dependency on chemical fertilisers and greenhouse gases associated with its production and transportation.

## BIOMASS POWER PLANT

In 2005, our Sahabat power plant in Lahad Datu, Sabah, was the world's first to use oil palm waste material under a Clean Development Mechanism project. The power plant has the capacity to produce up to 55,000 tonnes of carbon

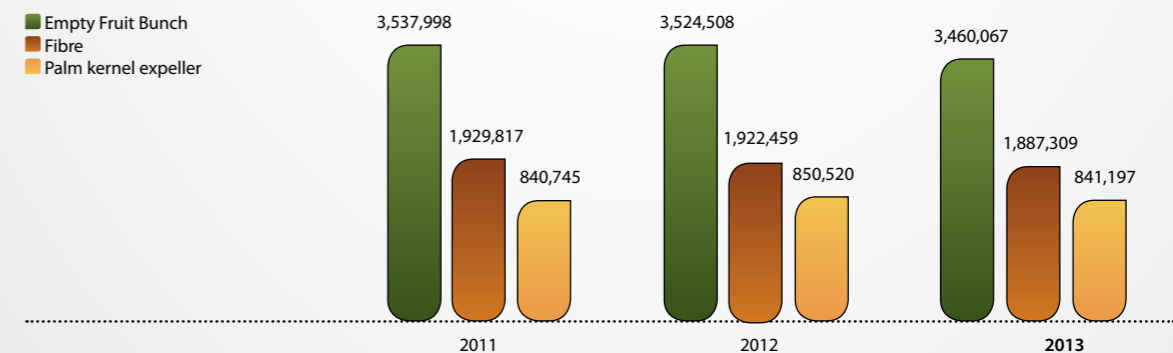
emission credits annually. The use of biomass has displaced the use of fossil fuel since January 2006, resulting in emission reduction of 144,522 mt CO2 eq.

Our second EFB power plant at Jengka is under construction. A joint venture with Tenaga Nasional Bhd, when completed, the plant will use 320,000 tonnes of biomass to generate 10.0 megawatts of electricity, which will feed into the national grid.

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## BY-PRODUCTS FROM MILLS (MT)



# PROTECTING OUR NATURAL ENVIRONMENT



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## PROTECTING AREAS OF HIGH CONSERVATION VALUE

FGV is committed to protecting the natural environment and we have adopted the internationally accepted High Conservation Value (HCV) assessment tool as our basis for identifying biodiversity conservation and protection priorities. Through this approach, we can help preserve populations of endangered wildlife and ensure their survival for future generations.

## MAPPING SURROUNDING HIGH CONSERVATION VALUE

In 2013, we conducted a desktop HCV assessment at a landscape level of our estates in Peninsular Malaysia. The objective of the assessment was to provide as much information as possible about the potential types of HCVs present within and around our estates. We used the National (Malaysia) HCV Forest Toolkit developed by WWF to guide our assessment. Reference documents, maps of forest cover, protected areas and species distribution were overlaid with our estate maps.

The findings of our desktop HCV assessment provided us with a landscape overview of the diverse

biodiversity and ecosystems surrounding our plantations in Peninsular Malaysia. More data needs to be collected at the estate level to identify site specific HCV areas. Field survey and consultation process needs to be conducted together with local stakeholders, especially to confirm the presence of HCV 5 and 6.

The engagement and investigation following our assessment will allow us to develop appropriate monitoring and management plans for our estates, beginning with estates closest to HCV areas. We will also conduct landscape assessments of our estates in Sabah, Sarawak and Indonesia in 2014.

## HIGH CONSERVATION VALUES

In 1999, the Forest Stewardship Council developed the concept of High Conservation Value (HCV) for the use in forest management certification. There are 6 types of HCV areas defined by this concept. HCVs are critical areas in a landscape which need to be appropriately managed in order to maintain or enhance its services. The HCV concept is globally recognised and toolkits have been adapted to national landscapes.

## THE SIX HIGH CONSERVATION VALUES

- HCV1 Areas containing globally, regionally or nationally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia).
- HCV2 Globally, regionally or nationally significant large landscape-level areas where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance.
- HCV3 Areas that are in or contain rare, threatened or endangered ecosystems.
- HCV4 Areas that provide basic ecosystem services in critical situations (e.g. watershed protection, erosion control).
- HCV5 Areas fundamental to meeting basic needs of local communities (e.g. subsistence, health)
- HCV6 Areas critical to local communities' traditional cultural identity (areas of cultural ecological economic or religious significance identified in cooperation with such local communities).

## THE SIX STEPS OF THE HCV PROCESS



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# PROTECTING OUR NATURAL ENVIRONMENT

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IUCN RED LIST SPECIES IDENTIFIED FOUND AROUND OUR PLANTATIONS

IUCN STATUS	SCIENTIFIC NAME	COMMON NAME
CRITICAL ENDANGERED	Dicerorhinus sumatrensis	Sumatran rhinoceros (Badak sumatera)
	Megaerops wetmorei	Wetmore's tailless fruit bat (Cencadu)
	Rousettus leschenaulti	Cencadu
	Rhinolophus convexus	Convex horseshoe bat (Kelawar)
	Rhinolophus marshalli	Marshall's horseshoe bat
	Rhinolophus shameli	Shamel's horseshoe bat
	Aselliscus stoliczkanus	Trident horseshoe bat (Kelawar serampang)
	Coelops frithii	East asian tailless bat (Kelawar ladam tiada berekor)
	Hipposideros dyacorum	Dayak roundleaf horseshoe bat (Kelawar ladam)
	Hipposideros lekaguli	Lekagul's roundleaf horseshoe bat (Kelawar llekagul)
	Hipposideros nequam	Malayan roundleaf horseshoe bat
	Hipposideros orbiculus	Roundleaf horseshoe bat
	Hipposideros pomona	Roundleaf horseshoe bat
	Arielulus circumdatus	Black-gilded pipistrelle (Kelawar hitam kuning)
	Hesperoptenus doriae	Doria's false serotine (Kelawar petang palsu sederhana)
	Macaca arctoides	Stump-tailed macaque (Beruk kentoi)
	Viverra zibetha	Large spotted civet (Musang titek besar)
	Herpestes urva	Crab-eating mongoose (Bambun)
VULNERABLE	Panthera pardus	Leopard
	Panthera tigris	Malayan tiger (Harimau belang)
	Petinomys genibarbis	Whiskered flying squirrel (Tupai terbang berjambang)
	Berlymys bowersii	Bower's rat (Tikus buku kasar)
	Leopoldamys edwardsi	Mountain giant rat (Tikus bukit besar)
	Manis javanica	Scaly anteater
	Echinosorex gymnurus	Moonrat, gymnure
	Euroscaptor malayana	Malayan mole (Cencurut hutan)
	Chimarrogale hantu	Malayan water shrew (Cencurut air)
	Ptilocercus lowii	Pen-tailed treeshrew (Tupai akar malam)
	Tupaia minor	Lesser treeshrew
	Aethalops alecto	Grey fruit bat
	Rhinolophus chiewkwueae	Chiewkwuee's horseshoe bat (Kelawar)
	Hipposideros doriae	Lawa's roundleaf horseshoe bat( Kelawar ladam bulat lawas)
	Arielulus societatis	Benom pipistrelle (Kelawar benom)
	Hesperoptenus blandfordi	Lesser false serotine (Kelawar petang pasu kecil)
	Kerivoula intermedia	Small woolly bat (Kelawar hutan kecil)
	Kerivoula picta	Painted bat (Kelawar kupur kapur)
NEAR THREATENED	Myotis hermani	Herman's bat (Kelawar badan merah)
	Phoniscus atrox	Groove-toothed bat (Kelawar putih telinga)
	Phoniscus jagorii	Frosted groovetoothed bat
	Presbytis siamensis	Black-thighed leaf monkey (Lontong ceneka saiam)
	Helarctos malayanus	Malayan sun bear (Beruang matahari)
	Prionailurus viverrinus	Fishing cat (Kucing ikan)
	Elephas maximus	Asian elephant (Gajah)
	Rusa unicolor	Sambar deer (Rusa)
	Bos gaurus	Gaur (Seladang)
	Symphalangus syndactylus	Siamang
	Cuon alpinus	Red dog, Dhole (Serigala)
	Martes flavigula	Yellow-throated marten (Mengkira)
	Mustela nudipes	Malayan weasel (Pulasan)
	Prionodon linsang	Banded linsang (Linsang)
	Viverra zibetha	Large indian civet (Musang jebat)
	Viverricula malaccensis, indica	Little civet (Musang bulan)
	Neofelis nebulosa	Clouded leopard
	Prionailurus planiceps	Flat-headed cat (Kucing hutan)
	Tapirus indicus	Malayan tapir (Badak cipan)
	Sus barbatus	Bearded pig
	Muntiacus muntjac	Barking deer (Kijang)
	Capricornis sumatraensis	Serow (Kambing gurun)

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# PROTECTING OUR NATURAL ENVIRONMENT

## PRESERVING AND PROTECTING WATERWAYS

Water is one of the most critical resources for health, wellbeing and growth. Through the preservation of rivers and waterways, we ensure that people and wildlife can thrive.

We have mapped the different areas in our operations that have an impact on the quantity and quality of water. We have developed management plans to monitor and decrease soil run-off, improve water efficiency in our mills and improve water quality discharged from our mills.

## ENHANCE RIPARIAN BUFFER ZONES

Maintaining a healthy riparian and buffer zone is our first line of protecting our water courses and wetlands in our estates. A riparian buffer zone helps to slow down soil run-off and soil particles. Depending on the width of water courses, our riparian and buffers zones range from between 1 metre and 100 metres on both sides of the river.

## REDUCING OUR WATER FOOTPRINT

We harvest rain water in silt pits or close-ended trenches to conserve use of surface water sources. We pump water from nearby rivers to irrigate our nurseries and young palms when needed.

Our main use of water is in our milling operations where it is used to power our steam boilers and processing our FFB. In 2013, we used 1.51 tonnes of water per tonne of FFB processed. We are committed to achieving a water usage ratio target of 1 tonne of water per tonne of FFB in 2014.

## ASSESSING WATER QUALITY

Approximately 40% of the 464 rivers monitored by the Department of Environment in Malaysia is classified as slightly polluted or polluted. We want to ensure that the use and management of water by our operation does not result in adverse impacts on other users within the catchment area.

In 2013, our sustainability research department completed water quality assessments of three of our 11 regions. The objective was to identify if there were significant pollutants contributing to the deterioration of stream water quality. The results will be discussed in future reports once we complete all the 11 regions.

The team identified all major rivers and tributaries gazetted by the Department of Environment that flowed through each complex. Water samples at the entry point to our complex were taken and compared with water samples exiting the complex, using test based on parameters under the Department of Environment Water Quality Index guidance.

We aim to complete water quality assessment of nine of our complexes by 2014. It is unlikely that we will conduct a water quality assessment of our Malacca and Perak complex due to the dispersed locations of our plantations in those areas. However, water quality of

each individual estates in the two complexes will be collected as part of the RSPO mill supply base certification.

## IDENTIFYING WATER HOTSPOTS

In 2014, the sustainability research department will begin a study on water hotspots. The study will involve identifying companies who use water from the same river basin and estimate our combined estimated intake. If the result is a potential shortfall from our combined use, we will need to develop mitigation action plans.

## REDUCING EFFLUENT

Palm oil mill effluent (POME) is a by-product of processing our FFB. POME is first captured in a holding pond and treated by oxidation. We measure the Biological Oxygen Demand (BOD) before treated POME is released into the natural environment, either through application as fertiliser or through river discharge. In Malaysia, BOD levels are for river discharge is regulated and monitored by the Department of Environment. The level of allowed BOD varies

between states and proximity to settlements.

In 2013, the average BOD levels from our mills was 58 ppm. Although it is well below the regulatory requirement there are few instances, where the levels were high. We are committed to BOD levels below 100 ppm in all mills and below 20 ppm in new mills.

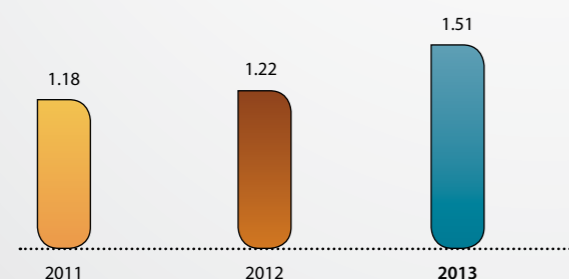
## CASE STUDY: FELDA WILAYAH KUANTAN

Seventeen river systems were tested in the assessment of eight complexes in FELDA Kuantan and all samples are within the permissible levels for agricultural activity. We found there were improvements in three river systems and no deterioration in nine river systems. In the remaining five river systems, there was higher levels of dissolved oxygen and ammoniacal nitrogen in the water quality. We are in the process of ascertaining the causes of deterioration in these river systems before we develop mitigation plans.

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## WATER USED PER TONNE OF FFB PROCESSED (TONNES)



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# PROTECTING OUR NATURAL ENVIRONMENT

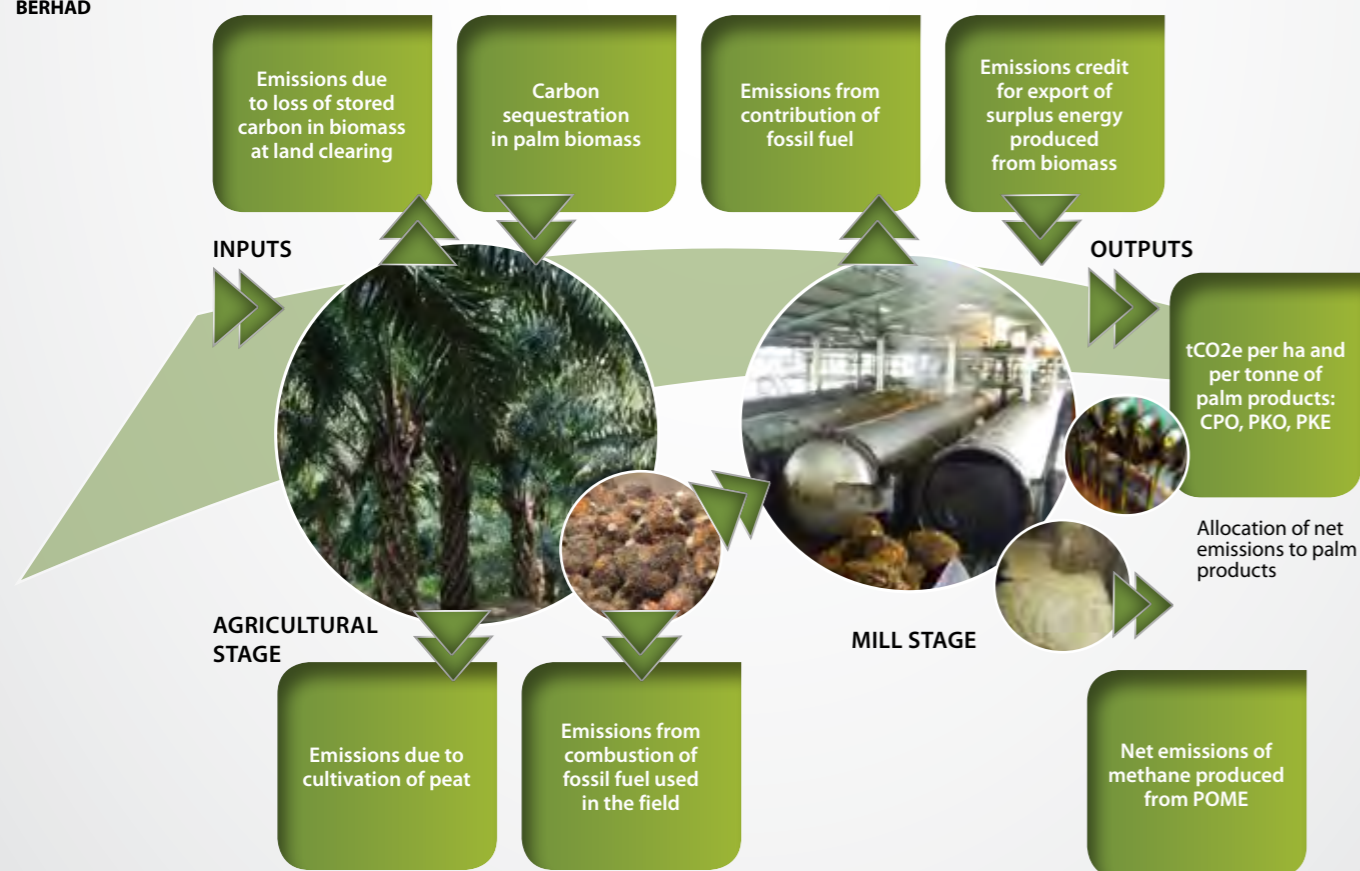
## CLIMATE CHANGE

We believe that all business have a responsibility to address how their operations contribute to climate change. All business have a responsibility to measure, monitor and reduce its greenhouse gas emissions.

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### SYSTEM BOUNDARY FOR THE GREENHOUSE GAS CALCULATION IN PALMGHG



The ongoing refinement of the RSPO PalmGHG calculator provides the industry with the most robust tool to estimate and monitor net greenhouse gas emissions. The RSPO PalmGHG calculator is a framework designed to be compatible with existing international GHG accounting methodologies such as the Intergovernmental Panel on Climate Change and the International Sustainability and Carbon Certification (ISCC).

The RSPO PalmGHG calculator presents a system boundary of emission sources within a typical palm oil operation. By using the calculator, we can identify where within our operations are GHG emissions highest and investigate opportunities for reduction. We will contribute to this growing body of knowledge on GHG calculation by committing to using the RSPO PalmGHG calculator or equivalent tools and report publicly on our emissions by the end of 2016.

Our Research and Development sustainability department has plans for a carbon accounting exercise in all our mills with an intention to reduce carbon footprint in the mills.

**EMISSIONS FROM PEAT LAND**  
Peat is commonly accepted as being a major source of GHG emissions associated with oil palm, and it is critical to ensure that these emissions are minimised through appropriate management practice.

Accounting for 7% of our total planted area, we have 2,170 hectares of oil palm planted on peat. We are guided by the RSPO Best Management Practice Manuals on Peat. We maintain water levels of peat land at between 50cm and 70cm. Subsidence of the area is being measured and monitored on an annual basis. This is to determine the long term viability of the area after current rotation.

**UTILISING BIOGAS ENERGY**  
A natural by-product from the treatment of POME is methane. A powerful greenhouse gas, methane can be used to generate electricity by burning it as a fuel in a gas turbine or steam boiler. Burning methane instead of traditional fossil fuel produces less carbon dioxide.

We have installed 15 biogas trapping plants and plan to complete installation of biogas capturing facilities in 59 mills by 2020. As an example, our Seriting Hilir biogas plant feeds electricity generated into the national grid. We have reduced 136,728 mt co<sub>2</sub> eq. of greenhouse gas emissions since January 2011. Our biogas plant in Umas supplies electricity as a CSR project under the rural electrification programme. The methane captured in the remaining mills are either for grid connection purposes or used as boiler fuel for the mills. Only the excess methane from the facility is flared.

**PRODUCING BIODIESEL**  
With an estimated global demand for biodiesel of up to 15 million tonnes by 2020, the production of biodiesel will be a key part of our downstream development strategy. With the national B5 biodiesel programme implemented in Malaysia's East Coast in January 2014 and in Sabah and Sarawak by mid-2014, we foresee that this will contribute to future group revenue. The B5 biodiesel programmes involves the blending of 5% palm methyl ester with 95% fossil fuel diesel.

We are amongst the first to certify palm oil to ISCC standards in the country and together with a biodiesel partner become the first integrated ISCC certified facility in South East Asia in 2011. We have certified 15 mills and a biodiesel plant.

The ISCC standard is the first bio fuel certification standard in the world. Products that are ISCC certified can be sold in Europe as compliant with the EU Renewable Energy Directive. In November 2013, we exported our first 4,200 tonnes of ISCC Certified Palm Methyl Ester to clients in Switzerland.

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# RESEARCH AND DEVELOPMENT

We operate one of the largest oil palm tissue culture research facilities located in Enstek, Negeri Sembilan. We have over forty years of research in oil palm breeding and selection enabling us to be the top seed producer in the country. Our aim is to maintain our position as a market leader in oil palm planting material, developing seeds and clones of high oil yield together with desirable traits e.g. disease tolerance, compact palm and good oil composition.

We conduct field tests to evaluate planting materials and clones on 17 sites across Malaysia totalling 10,000 hectare. We adopt a proactive approach to counter numerous challenges that adversely affects the sustainability of oil palm if left unaddressed. This includes developing clonal material of higher yield with disease tolerance and with specific traits,

**HIGHER YIELDING OIL SEEDS**  
We produce 25 million oil palm seeds and one million ramets annually. The focus of our breeding programme is to develop seeds with incremental improvements to oil yield. We have begun to use marker assisted selection

technology to shorten the duration needed for yield improvement.

We have been able to improve the average mature yield of FFB and OER over the years. For FELDA settlers, a 1 percent OER improvement translates to a 5 to 6 percent increase in net income.

**IMPROVING DISEASE RESISTANCE**  
Ganoderma is a basal rot disease that commonly affects oil palm. We have conducted extensive research on early prevention methods, control during replanting, removal and sanitation of infected planting areas. Our extensive laboratory research has also resulted in obtaining the patent of the Ganoderma gene marker. By using the marker, we can produce planting materials that are more resistant to the disease.

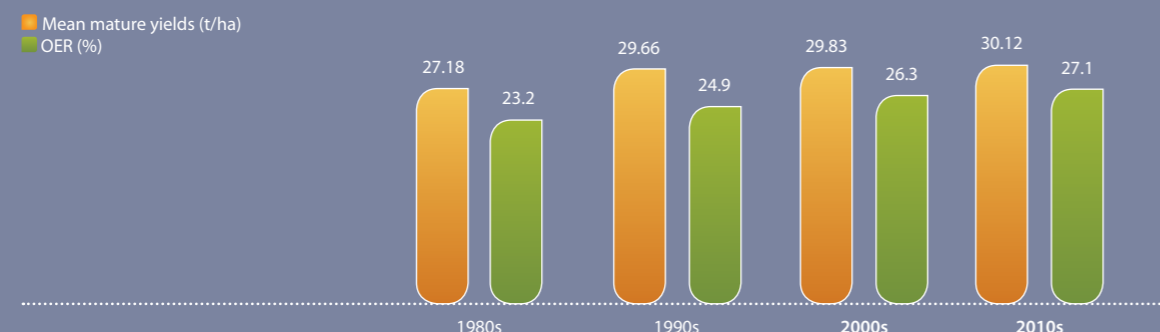
**APPLIED TECHNOLOGY**  
The Applied Technology Division explore ways to improve efficiency, quality and productivity of our operations. Investing in these technologies will reduce manpower resources needed to operate our estates and reduce wastage. The division focuses its research on mechanisation of operations,

automation to achieve higher productivity, developing advance sensor technology for precise crop monitoring, and information technology systems for better data management and utilisation.

We have already begun to see results of our investment in technology. Our Smart Unmanned Nursery project has automated the operation of our main nursery. The use of wireless sensors monitors and administers fertiliser using the water deficit method, which is a more efficient way of nutrient uptake for seedlings. This has also resulted in savings in manpower, more efficient use of fertiliser, less culling and waste of seedlings.

We are investing in research and development to improve efficiencies during harvesting. We have developed and patented screening technology for fruits of virescence palms, which changes colour from green to orange when it ripens. We are also developing an automated ripeness scanning machine to improve accuracy of when FFB can be harvested to increase productivity.

## YIELD AND OER IMPROVEMENTS



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	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	42-43, 65-67	
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## BASE DATA AND NOTES

Category/ Indicator	Measurement unit/ Breakdown	2013	2012	2011
FINANCIAL				
Total revenue	Million RM	12,568,008	12,886,499	7,453,077
Total profits after tax	Million RM	1,108,298	905,058	1,400,247
Revenue by segment				
Plantations	Million RM	18,073,010	20,287,441	15,734,130
Downstream	Million RM	6,779,899	7,873,245	10,822,457
Sugar	Million RM	2,249,689	2,313,188	2,338,796
Manufacturing and logistics	Million RM	3,015,711	3,494,239	4,077,684
EMPLOYEES				
Employees by countries	Total	18,785	18,466	18,480
	Malaysia	18,753	18,444	18,458
	Indonesia	17	7	7
	USA	4	4	7
	Canada	4	5	3
	Others	7	6	5
EMPLOYEE (MALAYSIA OPERATIONS ONLY)				
Employees categories	Total	18,753	18,444	18,458
	Management	626	623	649
	Executives	2,096	1,956	1,832
Female staff	Non-executive	16,031	15,865	15,977
	Total	2,798	2,662	2,591
	Management	65	51	47
Male staff	Executives	473	453	405
	Non-executive	2,260	2,158	2,139
	Total	15,955	15,782	–
	Management	561	572	602
	Executives	1,623	1,503	1,427
	Non-executive staff	13,771	13,707	13,838
ETHNICITY				
Malay	Total	18,525	18,202	18,203
	Management	579	571	593
	Executives	2,033	1,886	1,763
	Non-executive	15,913	15,745	15,847
Chinese	Total	111	119	120
	Management	31	34	36
	Executives	39	43	42
	Non-executive	41	42	42

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Category/ Indicator	Measurement unit/ Breakdown	2013	2012	2011
Indian	Total	117	122	134
	Management	16	17	19
	Executives	24	27	27
	Non-executive staff	77	78	88
Non Malaysian	Total	0	1	1
	Management	0	1	1
	Executives	0	0	0

## STAFF TURNOVER

Turnover of staff	Total	4.74%	5.06%	
	Management	0.03%	0.06%	
	Executives	0.48%	0.37%	
	Non-executive staff	3.02%	3.26%	

## UPSTREAM OPERATIONS

Permanent	Executive male	753	764	
	Executive female	79	75	
	Non-executive male	2,805	3,086	
	Non-executive female	943	834	
Contract	Executive male	61	15	
	Executive female	7	2	

## TURNOVER (UPSTREAM OPERATION ONLY)

Below 30	New hire male	81		
	New hire female	31		
	Resignation male	57		
	Resignation female	30		
30-50	New hire male	8		
	New hire female	8		
	Resignation male	15		
	Resignation female	11		
Above 50	New hire male	3		
	New hire female	0		
	Resignation male	1		
	Resignation female	0		

## WORKERS – UPSTREAM OPERATIONS ONLY

Nationalities of workers in Malaysia plantation and mills	Malaysians	5,028	4,690	4,566
	Indonesians	17,739	17,531	15,728
	Bangladeshis	5,739	6,107	6,218
	Nepalese	1,005	1,248	
	Others	661	289	578
Male workers		31,967	32,026	
Female workers		3,400	2,983	

Category/ Indicator	Measurement unit/ Breakdown	2013	2012	2011
TRAINING				
Average training hours per category	Executive male	18.44	28.37	
	Executive female	16.76	24.78	
	Non-executive male	11.3	18.67	
	Non-executive female	10.18	16.28	

## LABOUR STANDARDS

Minimum starting wage	RM per month	900	900	850
Number of employees who are members of a trade union		33%		
Incidents of reported discrimination		0	0	0

## HEALTH AND SAFETY

Fatalities		7	5	3
Lost time accident rate	Incidents per 200,000 working hours	0.40	0.57	0.42
Severity rate	Average number of lost time per incident	11	11	14

## LAND

Total land bank	Hectares	362,437	359,665	359,649
Total planted area by crops in Malaysia	Hectares	323,419	339,410	339,202
Palm oil	Hectares	311,120	326,495	326,441
Rubber	Hectares	10,783.	10,880	10,726
Timber	Hectares	1,515.	2,034	2,034
Total peat on palm oil estates	Hectares	2,170	2,170	2,170

## PALM OIL AGE PROFILE

0-3	%	19	17	17
4-9	%	16	13	15
10-14	%	7	7	5
15-20	%	7	10	33
21-25	%	30	36	26
>25	%	21	17	4

## FRESH FRUIT BUNCH

FFB harvested	Tonnes	5,278,029	5,148,965	5,399,781
FFB yield per mature ha	Tonnes	19.6	19.2	19.9
FFB from Felda settlers	Tonnes	5,408,167	5,664,345	6,022,447
FFB supplied by external sources	Tonnes	4,382,933	5,152,384	5,178,356

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Category/ Indicator	Measurement unit/ Breakdown	2013	2012	2011
MILL PROCESSING				
FFB processed	Tonnes	15,727,575	16,020,490	16,081,810
CPO	Million tonnes	3.214	3.285	3.293
CPO OER	Million tonnes	20.44	20.51	20.48
PK	Tonnes	840,521	857,245	857,003
PKE	Tonnes	426,817	442,253	444,699
PKO	Tonnes	385,799	394,504	392,079
PKO OER	%	45.90	46.02	51.89
Fibre	Tonnes	1,887,309	1,922,459	1,929,817
EFB	Tonnes	3,460,067	3,524,508	3,537,998
ENVIRONMENTAL				
Water sources	M <sup>3</sup>	23,173,904	19,237,032	
Municipal water	M <sup>3</sup>	229,402	243,152	
Water used per tonne of FFB	Tonnes	1.51	1.22	1.18
BOD level	Average parts per million	58		
Methane capturing of POME's treatment	mt CO2 eq	136,728		
Fossil fuel displacement	mt CO2 eq	144,522		
SOCIAL – COMMUNITY GIVING				
Total contribution to Yayasan Felda	% of net profit	2	2	2
MEMBERSHIP				
Malaysian Palm Oil Association				
Malaysian Institute of Chemistry				
International Rubber Research and Development Board				
Malaysian Oil Palm Nursery Association				

## Notes to data

Staff: The data includes Management, Executives and Non Executives of companies under FGV Holdings Berhad.

Workers: This data includes only Malaysian and foreign workers employed by FGV Plantations Sdn Bhd and Felda Palm Industries Sdn Bhd.

Land: Only includes land in Malaysia.

Health and safety: This includes only the staff, workers and workers of contractors in the upstream operations of the Plantation division. Number of fatalities excludes employees who died at work due to health problems not related to employment.

Lost time accident rate is calculated using total number of injuries /number of hours worked by all employees x 200,000.

Severity rate is calculated using the formula of 'total number of lost days (excluding fatalities)/number of accidents'.

Training hours: This covers only training hours provided to staff of Felda Palm Kernel Sdn Bhd and Felda Agriculture Services Sdn Bhd.

Water: This covers only the upstream operations of the Plantation division.

GHG reduction from methane capture from POME: Only covers our mills at Seriting Hilir, Besout, Kemahang, Maokil, Pasoh, Pancing, Chalok, Jerangau Barat & Sungai Tenggi from January 2011 to December 2013. This is based on the registration date of the projects with United Nation Framework Reduction of GHG emissions.

GHG reduction from fossil fuel displacement: Only covers our Independent Power Plant at Felda Sahabat, Lahad Datu between January 2006 to December 2013.

## TARGETS AND ACHIEVEMENTS FOR CERTIFICATION 2010 – 2017

### 17 CERTIFIED COMPLEXES 581,666 TONNES CPO AND 141,558 TONNES PK

1	Kota Gelanggi
2	Lepar Utara 06
3	Padang Piol
4	Jengka 3 (SG)
5	Jengka 8
6	Lepar Utara 04 (SG)
7	Jengka 21 (SG)
8	Jengka 18
9	Waha
10	Adela
11	Lok Heng
12	Semenchu
13	Bukit Mendi
14	Kemasul
15	Triang
16	B. Kepayang
17	Tementi

### 10 AUDITED COMPLEXES 301,711 TONNES CPO AND 81,948 TONNES PK

18	Bukit Sagu
19	Fajar Harapan
20	Bukit Besar
21	Kulai
22	Pengeli
23	Belitong
24	Kahang
25	Nitar
26	Lepar Hilir
27	BaiduriAyu

### 2014 – 2017 CERTIFICATION QUANTITY: 1,592,029 TONNES CPO AND 412,747 TONNES PK

28	Palong Timur
29	Seriting Hilir
30	Maokil
31	Tenggaroh
32	Tenggaroh Timur
33	Keratong 09
34	Kechau A

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## 2014 – 2017 CERTIFICATION QUANTITY: 1,592,029 TONNES CPO AND 412,747 TONNES PK

35	Kechau B
36	Kembara Sakti (SG)
37	Mercu Puspita (SG)
38	Nilam Permata (SG)
39	Hamparan Badai
40	Embara Budi
41	L. Kemudi
42	J.Bistari
43	Kalabakan
44	Umas
45	Neram
46	Pancing
47	Besout
48	Trolak
49	Keratong 2
50	Keratong 3
51	Sg Tenggi
52	Krau
53	Mempaga
54	Serting
55	Pasoh
56	Kertih
57	Selendang
58	Chalok
59	J. Barat
60	J. Baru
61	Selancar 2A
62	Selancar 2B
63	Aring A
64	Aring B
65	Ciku
66	Kemahang
67	Tersang
68	Cini 2
69	Cini 3
70	Sampadi
71	Air Tawar
72	Pontian Plantation

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## GLOSSARY

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

**Biological Oxygen Demand (BOD)** - The amount of oxygen used when organic matter undergoes decomposition by micro organisms. Testing for BOD is done to assess the amount of organic matter in water.

**Extraction rate** - The amount of oil extracted from oil palm fruit at a mill. Oil is extracted from the flesh, crude palm oil (CPO) or from the nut, palm kernel oil (PKO).

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

**Gen Y** - The generation born in the 1980s and 1990s, typically regarded as increasingly familiar with digital and electronic technology.

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

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

**ILO (International Labour Organization)** - Is a tripartite world body representative of labour, management and government and is an agency of the United Nations. It disseminates labour

information and sets minimum international labour standards called “conventions”, offered to member nations for adoption.

**Independent Director** - According to Bursa Malaysia, an independent director means a director who is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of an applicant or a listed issuer.

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

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

**Non-executive Director** - A Board Director who does not currently hold other employment with the company. Unlike an Independent Director, a non-executive can have significant financial interests or close personal ties to the company.

**NGO (Non-governmental organisation)** - In this report, used to refer to grass-roots and campaigning organisations

focusing on environmental or social issues.

**Palm oil mill effluent (POME)** - Bi-product of processed fresh fruit bunch (FFB).

**Peat** - is an accumulation of partially decayed vegetation matter. Peat forms in wetlands or peatlands, variously called bogs, moors, muskegs, pocosins, mires, and peat swamp forests.

**Ramets** - A group of genetically identical plant produced asexually from a single ancestor.

**Roundtable on Sustainable Palm Oil (RSPO)** - A multi-stakeholder organisation based in Kuala Lumpur, Malaysia. The organisation has developed a certification scheme for sustainable palm oil.

**Social Impact Assessment** - includes the processes of analysing, monitoring and managing the intended and unintended social consequences, both positive and negative, of planned interventions (policies, programs, plans, projects) and any social change processes invoked by those interventions. Its primary purpose is to bring about a more sustainable and equitable biophysical and human environment.

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

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

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## ABOUT THIS REPORT Scope of the report

This is the inaugural sustainability report for the upstream operations of the Plantation Division of Felda Global Ventures Holdings Berhad for the calendar year 2013. This report covers operations of FGV Plantations Sdn Bhd, Felda Palm Industries Sdn Bhd, Felda Agricultural Services Sdn Bhd and Felda Kernel Products Sdn Bhd.

The report does not cover the Group's downstream operations of the Plantation Division, upstream plantation operations outside of Malaysia, other business divisions, or operations in which FGV has less than 51% ownership or management control. We may include these operations in future reports, prioritised on the basis of stakeholder feedback.

We have chosen to report on the upstream operations as our plantations in Malaysia are our oldest operations with a stakeholder that is critical. It also represents a significant part of our business and contributes approximately 60% of our Group's revenue, 96% of our planted areas and 25% our total staff.

## Materiality and Responsiveness

In July 2013, a sustainability reporting committee was established to oversee production of our first sustainability report.

The team was headed by the Associate Principle Researcher/ General Manager (Sustainability) with 18 individuals from each of the four companies in the upstream operation of the oil palm division. Individuals represented departments from health, safety and environment, HR and stakeholders, finance, operations, products and sales.

We reviewed our business goals and identified potential positive and negative social, economic and environmental impacts from the pursuit of such goals. We conducted stakeholder identification and prioritisation. Review of past engagement was undertaken including those conducted during the RSPO certification process of mills to guide identification of issues.

Following this review and consultation, material issues were identified. A review was then taken to assess the availability of performance indicators matching material issues identified. A review of sustainability reports of other palm oil growers was also conducted to benchmark our issues raised were comparable with other companies.

We have used GRI G4 Guidelines as the basis of reporting. We have chosen to report on the following aspects (see table below).

## Completeness

We have attempted to provide a complete overview of our operations within the established scope. However, since this is our first report, data availability and consistency across sites have yet to be fully aligned and may be subject to corrections and restatements in subsequent reports.

Data in this report covers 1 Jan - 31 Dec 2013. Where possible, we have sought to include historical data as a benchmark. We believe that the data presented are a fair representation of performance, and have included detailed notes in relevant sections to ensure transparency. Explanation of data are provided in "Notes to data".

## Report Cycle

This report is our first sustainability report. Following publication of this report, we will seek stakeholder feedback to determine whether to report annually or bi-annually.

## Assurance

As this is our first report, we have decided not to perform an assurance. We will conduct a review of our processes and identify gaps and weakness in the production of the first report. We will also use this report to engage stakeholders and understand what form of assurance they would like to see in our next report.

ASPECT BOUNDARY WITHIN THE ORGANISATION	ASPECT BOUNDARY OUTSIDE THE ORGANISATION
Economic performance	Local communities
Materials	Water
Energy	Biodiversity
GHG Emissions	Occupational health and safety
Effluents and waste	Anti-corruption
Training and education	
Diversity and equal opportunity	
Labour practices	
Indigenous rights	

## CONTACT AND FEEDBACK

We welcome any feedback or questions:

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