

FGV



SUSTAINABILITY

# OUR ETHOS. OUR PRIORITY.

# “SUSTAINABILITY. OUR ETHOS. OUR PRIORITY.”

FGV remains resilient in the face of challenges as we move forward with our stakeholders.

We are resolute in our objective of driving our sustainability agenda; we stay true to our ethos of prioritising sustainability at the heart of our operations. We uphold the interests of our stakeholders through constant and transparent communications, strengthened principles and renewed policies, underpinned by strong governance and ethical practices.

With new leaders at the helm of our organisation, we believe we are on the right track to enhance our sustainability journey as we create value for our shareholders and smallholders.

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## ABOUT THIS REPORT

**FGV Holdings Berhad (FGV or the Group) is proud to present our fourth biennial Sustainability Report for the year 2018 to 2019. This report provides our stakeholders an overview of our sustainability progress as well as details on how FGV operates in a responsible and sustainable manner across our business.**

### REPORTING SCOPE AND BOUNDARIES

The contents of this biennial report cover our operational and financial activities between 1 January 2018 and 31 December 2019. Matters pertaining to Management and the Board are covered up to March 2020. Our most recent report was published on 8 June 2018. In line with global reporting standards, this report has been prepared in accordance with the GRI Standards: Core option.

The reporting scope and boundary of this report cover our global operations in our three core business areas: Plantations, Logistics and Sugar, unless otherwise stated. However, as our oil palm plantations comprise the majority of our business and the most material issues, the report is highly focused on the issues that matter most to our stakeholders, especially those relating to our operations in Malaysia and Indonesia.

This report should be read together with other parts of our Annual Integrated Report 2019, which is available online on our website, to provide a comprehensive overview of our Group's performance.

Annual Integrated Report 2019:



<https://www.fgvholdings.com/investor-relations/annual-reports-presentations/>

### REPORTING PROCESS

FGV has strong sustainability governance structures in place to ensure the reliability and completeness of the information presented in this report. The report involved the utmost cooperation of key individuals who were responsible for assisting in and ensuring relevant information was provided prior to submission to the Group Management Committee (GMC). The GMC then recommended this report to the Board Governance & Risk Management Committee (BGRMC), who after having reviewed and assessed the content of this report, recommended it to the Board of Directors (BOD) for their final approval. The Board then gave the final approval for this Report.



We welcome any feedback or comments on our report. For further information or to provide feedback, please contact the Group Sustainability Division at [sustainability@fgvholdings.com](mailto:sustainability@fgvholdings.com).

# SUSTAINABILITY HIGHLIGHTS

## 2018/2019



### CORPORATE GOVERNANCE

Established an **Independent Advisory Panel (IAP)** to further enhance corporate governance and sustainability.

Received the internationally recognised **ISO 37001:2016** certification for our Anti-Bribery Management Systems (ABMS).



### SUSTAINABILITY AT FGV

**Group Sustainability Division** now covers FGV's entire Group operations and reports directly to the Group CEO.

Revised the **Group Sustainability Policy (GSP 3.0)** and included a reinforced component on human rights.

Developed the **Suppliers Code of Conduct (SCOC)** for all suppliers and contractors.

Established **Sustainability Synergy Committee** to facilitate the mainstreaming of sustainability principles and practices in FGV.



### TRUST AND TRACEABILITY

Initiated the **MSPO Certification for Independent Smallholders (ISHs) Project** in collaboration with the Malaysian Palm Oil Board (MPOB) and assisted 2,368 FFB supplier ISHs to obtain MSPO certification.

- 100%** traceability of CPO to mills
- 80%** fresh fruit bunches (FFB) traceability to plantations of origin
- 100%** MSPO certification for our complexes
- 33** RSPO-certified complexes

Increased **traceability and risk mapping** by developing Traceability of Product (FGV-ToP).



### RESPECTING HUMAN RIGHTS AND UPHOLDING GOOD SOCIAL PRACTICES

Adopted **Guidelines & Procedures for the Responsible Recruitment of Foreign Workers** and rolled out a socialisation exercise that included GSP 3.0 and the SCOC to promote the policies among stakeholders and supply chain partners.

Revised contract with **recruitment agencies** to protect the rights of migrant workers.

Revised and translated **employment contract into 5 languages:** English, Bahasa Indonesia, Bengali, Tamil and Hindi.

Established **One-Stop Centres and developed a communication pack** to strengthen the process of recruiting migrant workers.

**Built new housing for workers.**

Accepted as a **Participating Company of the Fair Labor Association (FLA)** to ensure our practices are aligned with international labour standards.

Participated in **Labour Supply Chain Mapping**

conducted by the International Organization for Migration (IOM) and the Earthworm Foundation to align the recruitment process of migrant workers with international standards.

Established **11 Community Learning Centres** for children of migrant workers in FGV's plantations in Sabah.

**Embarked on a regularisation exercise for undocumented workers in Sabah.**



### ENVIRONMENTAL STEWARDSHIP

Continued support of core **conservation programmes** – Sun Bear Conservation Programme, Rafflesia Conservation & Interpretation Centre and Mega Biodiversity Corridor Conservation Project.

## STATEMENT FROM THE CHAIRMAN

“ THE YEAR 2020 STARTED WITH PROMISE. CRUDE PALM OIL (CPO) PRICES HAD RISEN FROM THE DOLDRUMS AND FGV HOLDINGS BERHAD WAS ON TRACK WITH ITS CAREFULLY STRATEGISED AND MUCH DISCUSSED OPERATIONAL TRANSFORMATION STARTING TO BEAR FRUIT. THE NUMBERS WERE COMING IN AND ALL INDICATORS POINTED TO A MUCH BETTER 2020. ”

If there was one blip in January 2020, it was the resuspension of FGV's Serting Mill Complex by the Roundtable on Sustainable Palm Oil (RSPO).

DATUK WIRA AZHAR  
ABDUL HAMID  
Chairman

This time, there were seven non-compliances cited for the resuspension, compared to the 42 non-compliances with the RSPO's principles & criteria that had been identified in November 2018. This, to my mind, showed improvement, but obviously it was not enough. A non-compliance is what it is, grievous or not, and it must be corrected. FGV continues to intensify its efforts to address and resolve the concerns raised, and these efforts are elaborated upon throughout the report.

The Board has a vision for FGV and that vision translates simply to running our business well and doing it the right way. For me personally, the resuspension was a wakeup call. It was time to make sure that our commitments to sustainability are embedded in our strategies, operationalised and embraced by our people. FGV must balance the quest for profits against the needs of the planet and its people.

Then came the COVID-19 pandemic. Its onset was unforeseen, the speed of its spread was shocking, and its impact is still reverberating with no clear end in sight yet.

As a multinational company with customers in several countries, the Group has been and will continue to be impacted by the pandemic, even as nations cautiously emerge from lockdowns. Demand has whittled down, driving prices down, as supply chains worldwide struggle to maintain the links of global commerce. What remains unclear at the time of writing is the degree of the impact we are facing and how long it will continue, especially considering reduced purchasing power in economies ravaged by increasing unemployment.

Having said that, despite the prevailing challenges, I believe there are opportunities for an organisation like FGV, with its network of nearly 200,000 small farmers and a logistics business that is one of the largest in the country, linking us, our supply chain and our domestic markets seamlessly.

As we redirect FGV towards a more sustainable business model, my colleagues and I on the Board are committed to all the best principles of governance and sustainability, across the Group, in all our businesses.

For more information on FGV's new business model, please refer to Our Business Plan in FGV's Annual Integrated Report 2019 on pages 24 and 25.

### DRIVING GOVERNANCE AND SUSTAINABILITY

An organisation with a stakeholder base as large and diverse as FGV's faces the persistent challenge of balancing the interests of many to achieve desirable outcomes for all. However, we are clear that good governance, ethics and integrity can never be compromised, under any circumstances.

Driven by the Board, FGV has taken steps to bring about important changes that we are embedding in the Group, at all levels.

For more information about FGV's governance, please refer to the Group's Corporate Governance Overview Statement in FGV's Annual Integrated Report 2019 on pages 82 to 116.

## STATEMENT FROM THE CHAIRMAN

Our commitment to zero tolerance for corruption was crystallised when we became the first plantation company in Malaysia to implement the Anti-Bribery Management System (ABMS) across our entire operations. FGV made the deliberate decision to systematically and comprehensively embed the ABMS system in every facet and at all levels of our business. I was conscious that this should not be a box-ticking exercise and that it should extend into the far reaches of our organisation, instead of the handful of departments usually charged with procurement. Subsequently, FGV attained the internationally-recognised ISO 37001:2016 certification for its ABMS on 17 December 2019.

To strengthen the Group's understanding of and commitment to corporate governance and the principles of sustainability, we established an Independent Advisory Panel (IAP) that comprises three independent members and two non-independent members. The panel, which convened for the first time in February 2020, advises FGV's Board and offers recommendations on matters related to good governance and sustainability.

As one of the non-independent members myself, I am pleased to report that all the members have a range of experience and expertise, including in strategy, finance and governance, environmental science and sustainable development. Your Board is confident that the panel will add great value to our efforts to steer FGV towards a better and stronger future.

On a personal note, I am pleased and honoured that the IAP's independent members, Dato' Seri Ahmad Johan Raslan, Datuk Dr Glen Reynolds and Ms Rikke Jarvad Netterstrom, agreed to join us, to walk through this journey with us.

### **ENTRENCHING THE VALUES OF SUSTAINABILITY IN 2018 AND 2019**

In 2018 and 2019, FGV reviewed, revised and improved upon its existing policies and procedures, thus closing the gap between what our customers expected of us and what we had committed to. The greater challenge was implementing our commitment.

We improved our labour practices and ensured our plantation workers' rights from pre-employment to employment and post-employment, which included revising and translating employment contracts and developing a Communication Pack as a guide to the employment contracts.

We also introduced the Suppliers' Code of Conduct to ensure suppliers and contractors comply with Group policies and established 11 Community Learning Centres (CLCs) for children of plantation workers in Sabah who were not enrolled in formal education.

### **STRENGTHENING HUMAN RIGHTS**

As a plantation company with 48,000 workers from at least six countries, FGV has put in place several measures to safeguard

their rights and well-being. We ensure that they are not exploited in any way, even by third parties that we are required to work with in host countries. This is reflected in our materiality matrix, where Human Rights is in the top quadrant as one of our five most important pillars.

Since mid-2016, our human rights and labour practices have been scrutinised by civil society organisations and regulators. I am grateful for this scrutiny because it has forced FGV to confront its weaknesses and enabled the current leadership to drive change. Our focus on improving our labour practices and employment guidelines has enabled us to progress at a faster pace. However, there is still some way to go before we can relegate the taint of the past to history as a lesson well learnt and never to be repeated.

Meanwhile, we will continue to strive to protect the rights of all our workers and address existing gaps by engaging regulators such as the Roundtable on Sustainable Palm Oil (RSPO) and the Malaysian Palm Oil Certification Council, which operates the Malaysian Sustainable Palm Oil (MSPO) standard. We are also engaging with strategic partners such as the Human Rights Commission of Malaysia (SUHAKAM) and international organisations, namely the International Organization for Migration (IOM), Fair Labor Association (FLA) and Earthworm Foundation (EF).

### **HEALTH AND SAFETY**

The well-being of all our 48,000 people is of paramount importance to us. As they strive to keep our operations going, we must reciprocate their dedication and ensure that they work in a safe and rewarding environment.

Our plantation workers, who are mostly migrant workers, are the lifeblood of FGV. Without them, our plantation business cannot operate. We allocated RM349.5 million to improve housing and facilities across the board. As of December 2019, we have spent RM206.3 million and completed 319 out of 435 blocks of new housing for workers.

In addition, we ensured that the workers' safety training is conducted in the workers' native languages and that they are provided with medical assistance when needed.

In recognition of the current environment, we have also set up a COVID-19 Task Force to develop and implement risk mitigation protocols and processes across our operations. Thus far, we have successfully managed to isolate our workforce from infection.

Our efforts also extend to the smallholders, both from the Federal Land Development Authority (FELDA) and independent smallholders, all of whom we have always worked closely with throughout this period. We are conscious that FELDA settlers provide us with one-third of our total production, allowing



## STATEMENT FROM THE CHAIRMAN

us to be the link between them and international markets. Their livelihoods are inextricably linked with ours; their well-being is our well-being.

### ENVIRONMENTAL STEWARDSHIP

Of FGV's total hectareage of 439,230 Ha, 351,230 Ha has been planted. Of this, 343,404\* Ha are in Malaysia and 22,578 Ha (excluding landbanks under joint ventures) are in Indonesia.

Of FGV's 343,404\* planted hectares in Malaysia, much of these areas are now in their second generation of planting. In Indonesia, FGV acquired PT Citra Niaga Perkasa (PTCNP), PT Temila Agro Abadi (PTTAA), PT Patisindo Sawit (PTPS) and PT Felda Indo Rubber (PTFIR). Due to the soil types in the area, FGV has suspended peat soil activities since 25 April 2017. FGV is now working with local communities to address persistent food security issues.

In 2018 and 2019, the size of our High Conservation Value (HCV) areas grew by 257.41 Ha with our Tawai estates in Perak being the most recently assessed in 2018. We have 14 HCV locations in Malaysia and two in Kalimantan, Indonesia, where we conduct biodiversity assessments in all our operations once every five years to develop Environmental Management and Monitoring Plans. These assessments have enabled us to identify the rare and critically endangered wildlife species within our concessions and operational borders.

Moving forward, FGV has also adopted the principles of the High Carbon Stock Approach (HCSA) as we strive for continuous improvement in all our operations.

\* This figure includes oil palm, rubber, timber, coconut, orchards, coffee, cocoa and nurseries.



### GROWING BEYOND OIL PALM

As part of our strategy to become an integrated and sustainable agribusiness organisation, we have tapped into the palm-based circular economy and started selling energy derived from renewable sources in our plantations. The energy is derived from biogas and bio-compressed natural gas (bio-CNG). Renewable energy has tremendous potential as a viable substitute for fossil fuels, besides adding to our income streams. We have invested and will continue to invest in renewable energy technologies by building more biogas plants to capture methane at our mills. We currently have 30 biogas plants that capture methane at our palm oil mills, which have helped to reduce our carbon dioxide emissions by more than 100,000 tonnes. In 2018 and 2019 alone, we recorded a total reduction of 177,035 MT of CO<sub>2</sub> emissions from 27 biogas plants that were monitored.

Beyond our traditional oil palm business, FGV has also identified significant opportunities in the food sector that we consider to be strategic adjacencies to our existing operations. These include alternative crops and dairy farming, both of which have tremendous potential for growth.

 For more information, please see Management Discussion and Analysis in FGV's Annual Integrated Report 2019.

As we grow our presence as a significant player in the food production sector, FGV will ensure that all these new businesses are managed in a responsible and accountable manner, adhering to all our policies and guidelines.

### MOVING FORWARD

As we move forward in a post COVID-19 world, the future we envisioned a few months ago has been reshaped. The 'new normal' that everyone has been talking about has forced disruption in the way we work and interact. Our responsibility to our stakeholders and our commitment to the principles of the United Nations Sustainable Development Goals (SDGs) have taken on new meaning, demanding greater focus on sustainable business practices.

In these times and in the world beyond, FGV will work to our strengths, conscious of the new order and sympathetic to the needs of our stakeholders, our people and the planet.

### ACKNOWLEDGEMENT

I wish to thank my colleagues on the Board of Directors, who have been dedicated and committed to driving change within the organisation as we move forward.

I would also like to record my heartfelt appreciation to FGV's Management and employees for facing the challenges we were confronted with head-on, not allowing the prospect of failure to diminish their fervour.

To all stakeholders and partners, I thank you for your support throughout the years. We will continue to strengthen our relationships to create value for the sustainable growth of FGV.

## STATEMENT FROM THE GROUP CHIEF EXECUTIVE OFFICER

“ ON 28 JUNE 2012, FGV HOLDINGS BERHAD BECAME ONE OF THE LARGEST LISTED PALM OIL COMPANIES IN THE WORLD, PRODUCING THREE MILLION TONNES OF PALM OIL ANNUALLY, ONE-THIRD OF WHICH IS PRODUCED BY NEARLY 200,000 SMALL FARMERS. ”

The listing marked the start of the Group's aspirational journey to establish itself as an industry leader, with the noble intention of achieving operational excellence and top-notch sustainability credentials.

**DATO' HARIS  
FADZILAH HASSAN**  
Group Chief Executive Officer

Compared with other big players, however, FGV was admittedly slow off the starting blocks, and faced great challenges trying to implement new thinking and standards across its operations. Improving the practices of the past is often easier said than done. Such was also FGV's experience as we tried to roll out new initiatives across our 68 mill complexes and 202 estates, to restore operational integrity and introduce new thinking in line with the principles of the RSPO.

As a result, FGV has suffered public admonishment culminating with the suspension of some of our operations by the RSPO's Complaints Panel. That was a bitter pill to swallow at a time when new leadership was coming into the company and the Group was in the process of addressing several fundamental operational issues on the ground.

Nevertheless, in November 2018, the Board made the commitment to right all wrongs and to make sure that FGV lives up to its stated ambitions. On the operational front, things are moving forward at a steady clip. However, with regard to the adoption and implementation of all the RSPO's principles and criteria, while we have taken some important steps in the right direction, there is still much more to be done, not least of which is entrenching new thinking and changing mindsets across the Group.

Unfortunately, just as we thought we had our path ahead clearly mapped out, the COVID-19 pandemic hit the world hard – a global health crisis that degenerated very quickly into an economic and financial meltdown. At the time of writing, the full scale of the COVID-19 fallout remains unclear and we are still mapping the impact of the crisis on our operations and our people. Despite continuing to run our estates and mills throughout the nationwide Movement Control Order, our people were able to avoid the risk of exposure with stringent safety measures implemented across all our operations. We continue to remain vigilant and will take all necessary steps to enhance controls should they be necessary.

### STRENGTHENING SUSTAINABILITY

FGV's operations stretch from Perlis in the far north of Peninsular Malaysia across the South China Sea to Sarawak and Sabah, employing 48,000 people. Among our employees are 31,000 migrant workers whom we have closely engaged with and are thus aware of the terms of their contracts, have access to their passports and live in appropriate accommodation.

Yes, as a plantation company, our estate and mill workers are vital to our success and continued sustainability. We placed their human rights as a top priority in November 2018, reviewing and correcting several internal policies and processes to safeguard their interests.

## STATEMENT FROM THE GROUP CHIEF EXECUTIVE OFFICER

Thus, in 2019, we adopted the Guidelines and Procedures for the Responsible Recruitment of Foreign Workers to ensure that the recruitment of migrant workers was responsibly and ethically managed. We established One-Stop Centres in Bukit Rokan, Malaysia; Lombok, Indonesia; as well as in Chennai and Kolkata in India to facilitate a strengthened pre-departure and post-arrival orientation programme for our migrant workers.

We have also installed safety boxes as an option for our migrant workers to keep their passports. To bolster our efforts, we are collaborating with various external parties, including Tenaganita, to develop human rights training modules for our workers as well as with the UN IOM and the EF in a labour supply mapping project.

Similarly, we are engaged with two distinct groups of smallholders who work their farms across the country, either as schemed FELDA settlers or as independent smallholders. These farmers produce about one-third of the crops we process, from smallholdings that range in size from 2 Ha to 40.46 Ha. Their challenges are ours and, as part of our supply chain, we are socialising our new policies and procedures to ensure that they too are aware of the rights of migrant workers.

As part of our commitment to continuous improvement, in May 2019, we reviewed and revised our Group Sustainability Policy 3.0 (GSP), tightening gaps and including value chain partners and business partners in our sustainability journey. The strengthened policy was formulated through a consultative process involving key stakeholders such as SUHAKAM, IOM, the Malaysian Palm Oil Board (MPOB) and Tenaganita. We have a much more robust section on respecting human rights, which is aligned with the Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights (UNGPs).

GSP 3.0 focuses on three key areas, namely Respecting Human Rights, Protecting the Environment and Promoting Sustainability. To ensure that the policy is well-understood and put into practice by all employees across the Group, as well as by our contractors and suppliers, we have been running a socialisation exercise that, barring any unforeseen circumstances, will be completed by the end of June 2020.

Once the socialisation exercise is completed, we will be better-equipped to identify both sustainability risks and opportunities. Strong awareness and the comprehensive adoption of the policy are critical to ensure long-term business growth.

Additionally, as a firm believer in the strength of partnerships, in October 2019, FGV, with the support of the Procter & Gamble Company, became a Participating Company of the FLA. Through our affiliation with the FLA, we have embarked on a five-year programme that involves a holistic approach to strengthening our internal systems and mechanisms to ensure that the rights of our workers are respected and protected.

Further underscoring our commitment to sustainability, we have expanded our Group Sustainability Division's (GSD) mandate beyond the plantation sector to cover the entire Group operations. We have also intensified our focus on human rights, to review and where necessary, correct FGV's previous approach. Thus, in March 2019, we appointed new leadership for GSD with experience in the human rights field.

### ROUNDTABLE ON SUSTAINABLE PALM OIL (RSPO)

In February 2020, FGV achieved 100% Malaysian Sustainable Palm Oil (MSPO) certification, capping a 54-month concerted Group-wide effort to complete the exercise. With this, we are now again concentrating on our RSPO certification.

FGV has 33 RSPO-certified mills, out of a total of 68. Additionally, FGV has 25 mills that have already been audited but are still awaiting the RSPO's decision on progressing their certification (when the Seriting Mill Complex was resuspended in January 2020, the RSPO's Complaints Panel also decided to suspend the certification processes of all FGV mills that had successfully passed their audits). Nevertheless, with all the ongoing efforts to correct the single remaining major non-compliance, I am confident that our aspiration to achieve full RSPO certification by mid-2021 is still achievable.

For the record, FGV had on 3 April 2020, submitted an appeal against the decision of the Complaints Panel, as we hold the view that the actions taken against FGV were harsh and did not take into consideration independent auditors' assessments that we had, in large part, already corrected most of the issues identified in November 2018. The one major non-compliance identified was in fact progressing on a scheduled plan of correction that the RSPO had been apprised of.

Irrespective of the outcome of the appeal, FGV will continue to implement its action plan to address any gaps and enhance our labour practices.

### THE COVID-19 PANDEMIC

The COVID-19 pandemic and the government's Movement Control Order (MCO) have affected FGV's operations and disrupted some of our initiatives to fulfil the Complaints Panel's directives. Due to this, we have requested an extension of time for the completion of all the initiatives. This includes the major non-compliance, which is the regularisation exercise of undocumented workers in Sabah. Also, the building of new worker accommodation has been delayed as the MCO has prevented the free movement of workers and materials to complete the exercise on time.

Despite the delay, FGV remains committed to fulfilling all our obligations as expeditiously as possible. In fact, our commitment and resolve to meet and uphold labour standards go beyond certification.

### TRUST AND TRACEABILITY

To promote greater traceability, we have developed a computerised traceability system called Traceability of Product or FGV-ToP. This is part of our overall Sustainable Palm Oil Management System (SPOMS) that also includes an Audit Integrated Management System (FGV-AIMS).

With the introduction of FGV-ToP, customers are now able to obtain details such as the certification, geolocation and production per month of a mill from the system.

**OUR ESTATE  
AND MILL  
WORKERS ARE VITAL  
TO OUR SUCCESS  
AND CONTINUED  
SUSTAINABILITY.**

## STATEMENT FROM THE GROUP CHIEF EXECUTIVE OFFICER

As at December 2019, all of FGV's CPO production is already 100% traceable to mills and about 90% is traceable to estates. FGV's internal production is 100% traceable to our estates and our FELDA settlers are also 100% traceable to their estates. For independent smallholders, we have a target of full traceability by 2021.

### ENVIRONMENTAL STEWARDSHIP

FGV adopted its 'No Deforestation, No Peat, No Exploitation' (NDPE) policy in 2016, a commitment that is important in recognising environmental protection and respect for human rights.

The Group has also decided that it will not develop any greenfield areas of high conservation value, including peatlands, and where possible, will restore peatlands that were previously cleared after 25 August 2016, without causing social conflict among local communities expecting economic benefits from their land. In this regard, FGV has been working with the Indonesian government to implement a Peat Restoration Management Plan at PT Temila Agro Abadi plantation in Kalimantan, Indonesia.

Most crucially, FGV has taken proactive measures to reduce our greenhouse gas (GHG) emissions by increasing our renewable energy efforts, such as establishing biogas capture plants and producing bio-CNG, among others.

Thanks to our strategic investment in renewable energy technologies, we have reduced our carbon dioxide emissions by more than 100,000 tonnes by building biogas capture plants to capture methane at our palm oil mills. Currently, we have 30 biogas capture plants, which have helped to reduce our GHG emissions significantly. For instance, we monitored 12 biogas plants in 2019, which showed a reduction of 79,415 MT of CO<sub>2</sub> emissions.

These biogas plants have also benefitted local communities by providing them with electricity and further reducing their GHG emissions as they were previously depending on diesel power generators for electricity. The respective plants supplied electricity to rural communities in Umas, Baiduri Ayu in Sabah and Asian Plantations Limited (APL) in Sarawak.

Moreover, we have reduced our GHG emissions through bio-compressed natural gas (bio-CNG) plants. Bio-CNG is a viable and sustainable alternative to diesel in vehicles and in the manufacturing industry. At the moment, we have one bio-CNG plant and we are currently working with key partners to build 35 more. When completed, we will own the most bio-CNG plants in the world for a plantation company.

Our biogas and bio-CNG plants have also enabled us to sell renewable energy, which is part of our palm-based circular economy. Our circular economy has shown tremendous growth, such as in the production of animal feed using waste by-products from milling processes since 2015. Sales increased by over 100% from 10,182 MT in 2018 to 21,653 MT in 2019. We target to achieve 50,000 MT of feed production in 2020. The palm-based circular economy is part of FGV's Business Plan 2021 and it includes dairy farming and alternative crops.

In biodiversity conservation, we are committed to conserving and protecting the ecosystem and habitats of endangered, rare and threatened

species. Our Sun Bear Conservation Programme (SBCP) is the first such programme in Peninsular Malaysia and we are extending it for another five years. We have invested close to RM2.3 million over the past five years to rescue and rehabilitate sun bears in Peninsular Malaysia. In 2019, 13 sun bears were rescued and provided with shelter, treatment and rehabilitation before being released into their natural habitat.



In addition, FGV is part of the Mega Biodiversity Corridor Conservation Project, which is establishing a network of forest corridors to enable the safe migration of wildlife between key forest habitats. We contributed RM1.7 million to support the re-establishment, restoration and protection of key migratory routes, especially of Borneo pygmy elephants and orangutans, to allow safe migration within the Lower Kinabatangan Basin in Sabah. Developed in partnership with the Borneo Conservation Trust (BCT), the project has since conducted a number of activities such as organising the 'Honorary Wildlife Warden' (HWW) capacity building programme in November 2018.

As part of our contribution to flora conservation, FGV is working with the Forest Research Institute of Malaysia (FRIM) to establish a Rafflesia Conservation & Interpretation Centre (RCIC) in Gerik, Perak. The RCIC will serve as a one-stop research, education and conservation centre for the endangered Rafflesia.

### GOING FORWARD

2018 and 2019 were not easy for us, with multiple challenges requiring the Management team to fire from all cylinders at the same time. As our Chairman frequently reminds us, in adversity we must find opportunity. Our strategic business shift is ongoing, at a rather opportune time. This shift will also force us to reinforce our commitment to sustainability as we identify new revenue streams.

As strong proponents of consultation and engagement, we will continue to adopt a consultative approach, including materiality assessments every two years to ascertain issues of importance to our stakeholders. We will also continue to identify risks and opportunities in economic, environmental and social matters and strive to provide regular updates and share information with stakeholders in a transparent manner. We will continue to enhance our labour practices and will actively strive to contribute to climate action. FGV aspires to become a business organisation that goes beyond meeting minimum standards on sustainability and human rights. It is our goal to play an instrumental role in developing solutions for industry issues.

### ACKNOWLEDGEMENTS

We would like to record our appreciation to our business partners and stakeholders, who have been supportive of FGV throughout these trying times. We thank you for your support and contributions and for moving forward together with us in our sustainability journey.

I would also like to thank the Board for its direction and support during this time. FGV has taken bold steps to grow and move forward over the last two years. This would not have been achieved without their leadership and guidance.

# OVERVIEW OF FGV

## VISION AND MISSION CORE VALUES

### VISION

To be among the World’s Leading Integrated and Sustainable Agribusinesses  
and Deliver Value to customers and stakeholders

### MISSION



### OUR CORE VALUES AND GUIDING PRINCIPLES

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

#### **PARTNERSHIP**

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

#### **RESPECT**

Our sustained success and achievements can only come from respect for people (colleagues, peers and business partners), as well as the environment, which is the main source of our business.

#### **INTEGRITY**

Integrity is about trust, honesty and sincerity. In our context, it means being responsible and accountable for one’s own actions and behaviours. Each employee is responsible for the Group’s success and business reputation.

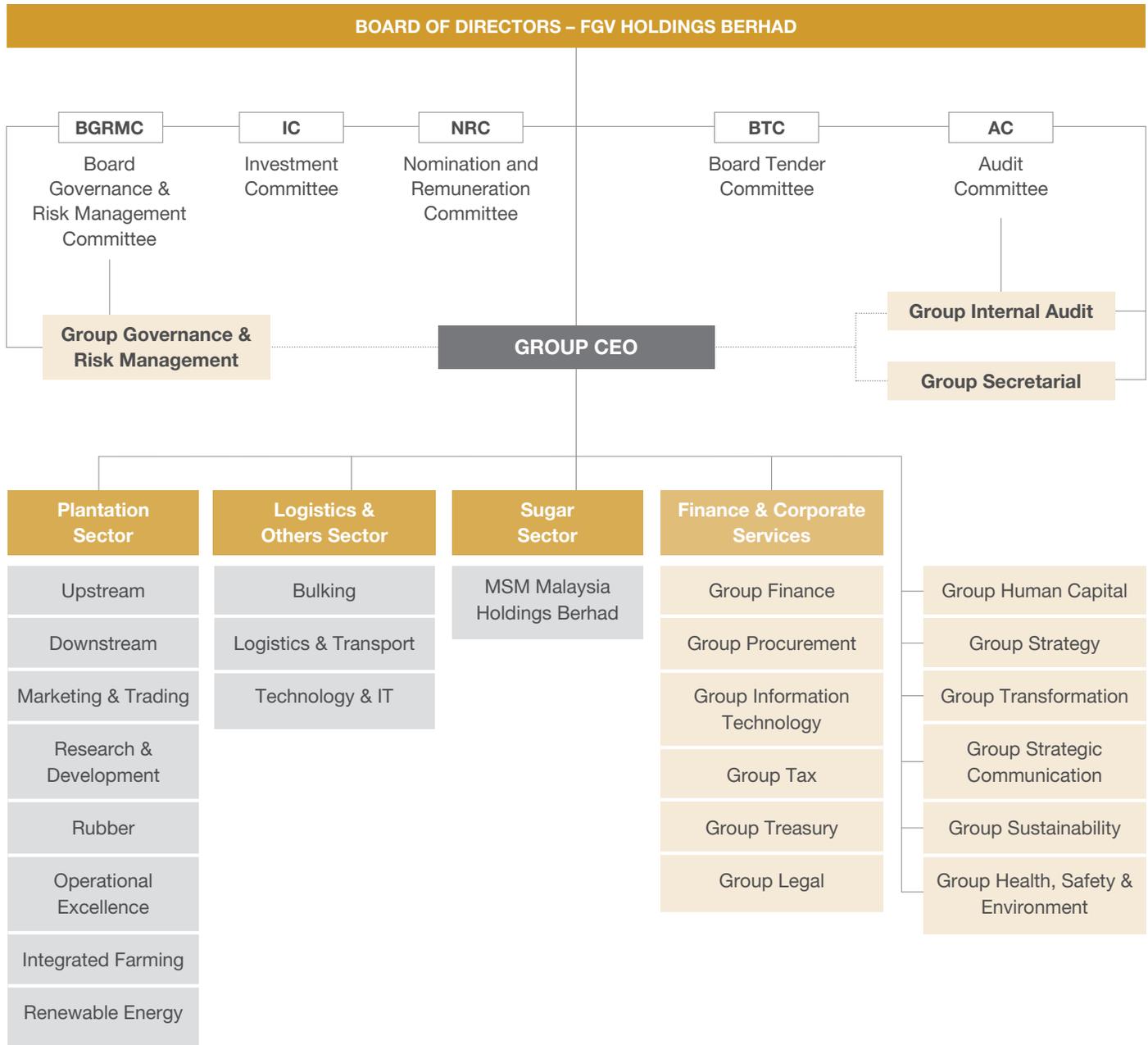
#### **DYNAMISM**

We strive to discover, create ideas and identify growth potential from uncharted opportunities and beyond traditional boundaries, all done in the best interests of stakeholders and communities.

#### **ENTHUSIASM**

We strive to lead with passion and work with enthusiasm. We are enthusiastic about what we do and committed to the growth and future of our agribusiness, while at the same time propagating sustainable development around the world.

# GROUP ORGANISATION STRUCTURE



■ Business Sector   ■ Business Division   ■ Support Division

## BUSINESS SECTORS

All information presented is accurate as of 31 December 2019



### PLANTATION SECTOR

#### UPSTREAM

PLANTATION LANDBANK  
IN MALAYSIA & INDONESIA

**439,230 Ha\***

*\* Including land under Land Lease Agreement (LLA) with FELDA*

PLANTED  
OIL PALM HECTARAGE  
IN MALAYSIA

**338,437 Ha**

LARGEST CRUDE PALM OIL PRODUCER IN MALAYSIA

**3.07 Million MT**

LARGEST OIL PALM MILL OPERATOR

**68 mills**

IN MALAYSIA

#### DOWNSTREAM

**SAJI**

**#1**

Refined cooking oil  
brand in Malaysia  
with 34% market  
share

**SERI PELANGI**

**#1**

Margarine  
with 40%  
volume share

#### RESEARCH AND DEVELOPMENT

**YANGAMBI**

**#1**

Germinated seed producer in  
Malaysia with 44% market share

LARGEST COMPOUND FERTILISER PRODUCTION WITH

**730,000 MT**

CAPACITY PER YEAR IN MALAYSIA



### SUGAR SECTOR

#### SUGAR

**GULA PRAI**

**#1**

Refined sugar  
brand with 61%  
local market share



### LOGISTICS & OTHERS SECTOR

#### LOGISTICS

**#1**

Edible oil storage  
in Malaysia with  
844,400 MT of  
storage capacity  
(#2 in the world)

# OUR GLOBAL PRESENCE

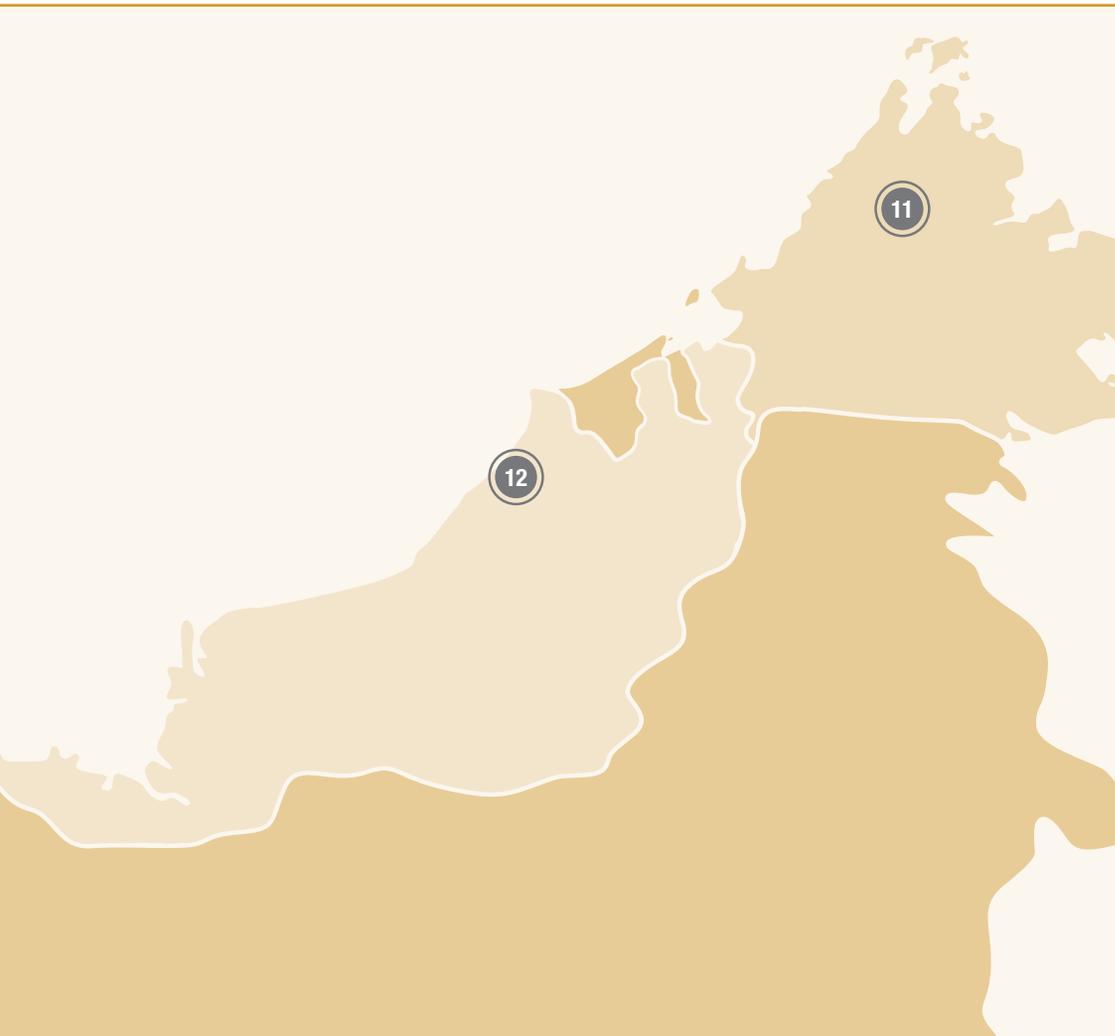


## CREATING VALUE, HELPING COMMUNITIES

### WEST MALAYSIA

- |                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>① PERLIS</b></p> <ul style="list-style-type: none"> <li>1 sugar refinery</li> </ul> <p><b>② KEDAH</b></p> <ul style="list-style-type: none"> <li>1 estate</li> <li>1 rubber-processing facility</li> </ul> <p><b>③ PENANG</b></p> <ul style="list-style-type: none"> <li>1 sugar refinery</li> <li>1 transportation sub-depot</li> </ul> | <p><b>④ KELANTAN</b></p> <ul style="list-style-type: none"> <li>11 estates</li> <li>3 mills</li> <li>1 transportation sub-depot</li> </ul> <p><b>⑤ TERENGGANU</b></p> <ul style="list-style-type: none"> <li>7 estates</li> <li>5 mills</li> </ul> <p><b>⑥ PERAK</b></p> <ul style="list-style-type: none"> <li>7 estates</li> <li>2 mills</li> <li>1 transportation sub-depot</li> </ul> | <p><b>⑦ PAHANG</b></p> <ul style="list-style-type: none"> <li>60 estates</li> <li>27 mills</li> <li>1 rubber-processing facility</li> <li>1 kernel-crushing plant</li> <li>1 transportation depot</li> <li>1 transportation sub-depot</li> <li>1 biodiesel plant</li> <li>1 oleochemical plant*</li> <li>1 palm oil refinery</li> <li>1 fertiliser manufacturing plant</li> <li>1 research and development centre</li> <li>2 bulking terminals</li> <li>1 warehouse</li> </ul> | <p><b>⑧ SELANGOR</b></p> <ul style="list-style-type: none"> <li>1 mill</li> <li>1 kernel-crushing plant</li> <li>2 transportation depots</li> <li>1 transportation sub-depot</li> <li>1 warehouse</li> <li>1 bulking terminal</li> <li>1 palm oil refinery*</li> </ul> <p><b>⑨ NEGERI SEMBILAN</b></p> <ul style="list-style-type: none"> <li>6 estates</li> <li>3 mills</li> <li>2 rubber-processing facilities</li> <li>1 research and development centre</li> <li>1 transportation sub-depot</li> </ul> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Further details on the assets owned by FGV can be found on our website at [www.fgvholdings.com](http://www.fgvholdings.com)



**OUR GLOBAL PRESENCE**

**CAMBODIA**

1 rubber-processing facility

**FRANCE**

1 trading office\*

**INDONESIA**

5 estates  
 1 rubber-processing facility  
 1 bulking terminal

**PAKISTAN**

1 refinery complex\*  
 2 bulking terminals\*\*  
 1 trading office\*  
 1 jetty operation

**SPAIN**

1 trading office\*

**THAILAND**

1 rubber-processing facility

**TURKEY**

1 vegetable oil refinery\*

**USA**

1 oleochemical plant

\* Joint venture (JV)  
 \*\* One of the two bulking terminals is a JV  
 \*\*\* One of the two palm oil refineries is a JV

**EAST MALAYSIA**

**10 JOHOR**

20 estates  
 14 mills  
 1 kernel-crushing plant  
 1 transportation depot  
 1 transportation sub-depot  
 5 bulking terminals  
 2 palm oil refineries\*\*\*  
 1 sugar refinery  
 1 fertiliser manufacturing plant  
 2 warehouses

**11 SABAH**

75 estates  
 11 mills  
 2 palm oil refineries  
 2 bulking terminals  
 1 fertiliser manufacturing plant  
 1 research and development centre  
 1 kernel-crushing plant  
 1 transportation depot  
 1 transportation sub-depot  
 1 jetty operation  
 1 power plant

**12 SARAWAK**

10 estates  
 2 mills  
 1 transportation sub-depot

# VALUE CHAIN



PLANTATION SECTOR

## On an Annual Basis:

We process

**14.9 million MT** of FFB to produce > **3.07 million MT** of CPO and > **0.77 million MT** of Palm Kernel

We produce

**around 0.36 million MT** of Crude Palm Kernel Oil

We refine

**about 37.2%** of our own CPO to produce oils and fats for industrial usage and domestic consumption

**OUR BUSINESS ACTIVITIES THAT CREATE VALUE**

SUGAR SECTOR



## Through MSM Malaysia Holdings Berhad (MSM):

We produced

**1.07 million MT** of refined sugar in 2019 for domestic and export markets

**7 types** of products from sugar for the domestic market

We export

**8.8%** of our sugar to Southeast Asia, South Korea, China, New Zealand and Australia

LOGISTICS & OTHERS SECTOR



## Under Logistics & Others Sector:

We manage

**Over 0.93 million MT** of storage capacity for edible oils

**437** liquid tankers and cargo trucks

**3** warehouses  
**2** jetty operations

# **SUSTAINABILITY**

**is at the heart of FGV's ethos and we place high priority on sustainable business practice throughout the Group. We are committed to respecting and upholding internationally recognised human rights principles and standards from the **Universal Declaration of Human Rights (UDHR)** as well as other global human rights instruments.**

In honouring these commitments, we draw on the United Nations Guiding Principles on Business and Human Rights (UNGPs), the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and other relevant ILO conventions. We pledge to No Deforestation, No Peat and No Exploitation (NDPE). As a responsible corporate citizen, we are also dedicated to contributing to the achievement of the United Nations Sustainable Development Goals (SDGs).

# JOURNEY

## 2018-2019



Appointed **new leadership** in the Group Sustainability Division consisting of personnel with a cumulative experience of 45 years in the fields of **human rights, law reform and development.**

Entered into a partnership with the Malaysia Institute for Supply Chain Innovation (MISI) and Malaysia's National Applied Research and Development Centre (MIMOS) to validate **traceability data and verify suppliers' compliance** with the Group Sustainability Policy.

Became a **Participating Company of the Fair Labor Association** (FLA) as part of FGV's long-term endeavour to enhance its labour practices.

**Adopted the revised Group Sustainability Policy (GSP 3.0).**

**Participated in a Labour Supply Chain Mapping project** conducted by the International Organization for Migration (IOM) and Earthworm Foundation to review the recruitment process of migrant workers.

Embarked on a Socialisation Programme to promote greater awareness and application of FGV's revised GSP, the SCOC and the **Guidelines and Procedures for the Responsible Recruitment of Foreign Workers** within its operations and among its suppliers and contractors.

**Established one-stop centres** in Malaysia, Indonesia and India where workers will receive orientation programmes, briefings and training.

# SUSTAINABILITY AT FGV

## SUSTAINABILITY – OUR ETHOS, OUR PRIORITY.

This embodies how we prioritise sustainability at FGV. In everything that we do, we ensure that it is done in the most sustainable and responsible manner. Embracing sustainability at the core of our business, we are steadfast in our efforts to respect human rights, support our local communities and minimise environmental harm.

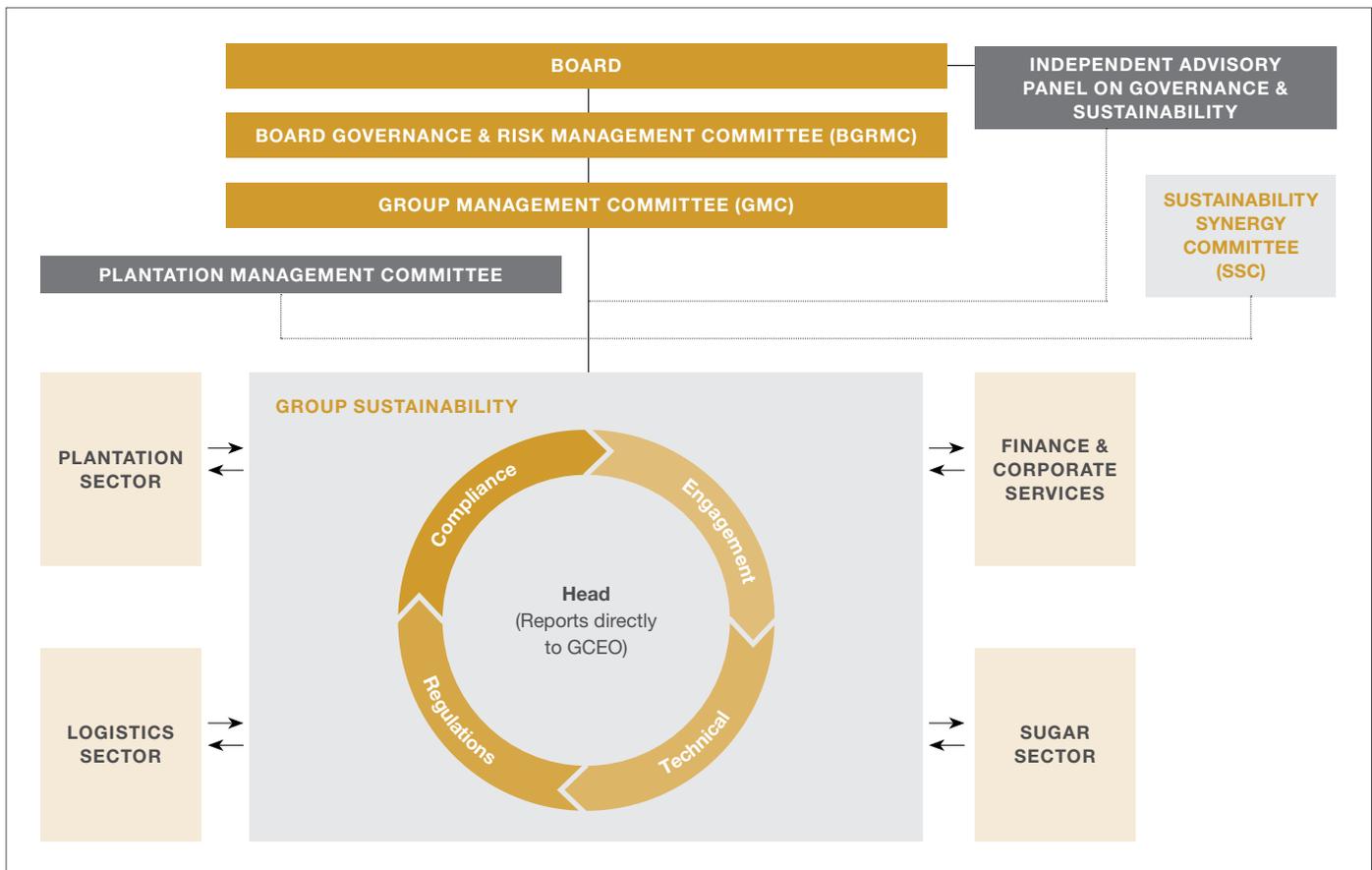
## SUSTAINABILITY GOVERNANCE

Our Board provides oversight for the highest level of sustainability governance. It is accountable for the Group’s sustainability strategy and performance and sets the sustainability direction for FGV. Our Board is highly attentive and responsive to sustainability matters within FGV, which highlights the importance of sustainability to FGV. The Group’s overall sustainability framework and strategies, including principles and policies, are reported to the Group Management Committee (GMC) on a monthly basis and to the Board Governance & Risk Management Committee (BGRMC) every quarter.

The Group has also established a Sustainability Synergy Committee (SSC) to ensure effective communication and implementation of sustainability commitments.

The Head of Group Sustainability serves as the chair of the SSC, which meets at least once a quarter to establish, deliberate and agree on sustainability-related plans and strategies. This committee will also monitor progress and address emerging issues pertaining to sustainability.

Matters arising from the SSC are captured in monthly reports to the GMC and Plantation Management Committee, while biannual reports are prepared for the Independent Advisory Panel on Governance and Sustainability. Any issue that is unresolved at the SSC level and that requires management attention will be escalated to the GMC, BGRMC and FGV Board for further direction.



**Establishment of an Independent Advisory Panel**

We are continually exploring avenues to advance sustainability. To gain a fresh perspective, FGV has established an Independent Advisory Panel (IAP) and appointed Dato’ Seri Ahmad Johan Raslan as its Chairman. Dato’ Seri Ahmad Johan is a former Executive Chairman of PricewaterhouseCoopers Malaysia (PwC). He has held various board positions in the government and private organisations, including Putrajaya Corporation and AmBank Group. There are four other IAP members who are experts in related fields.

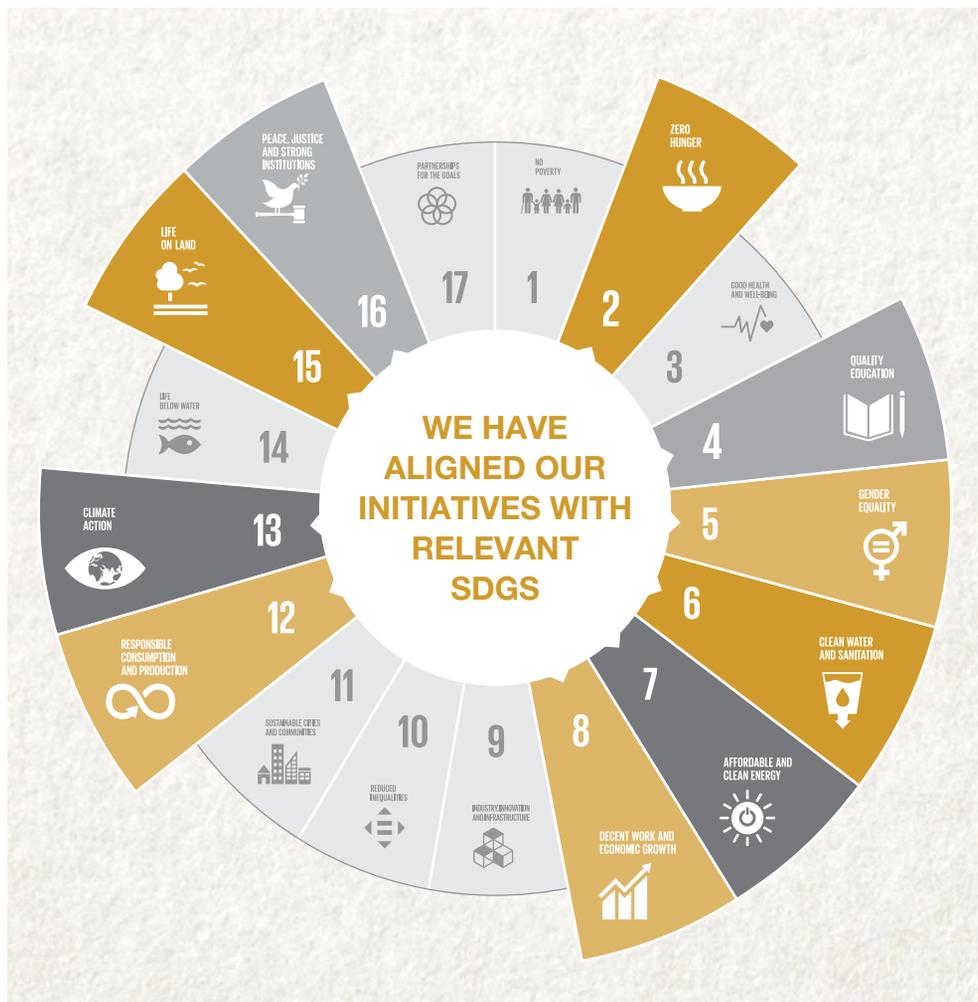
| Independent Members           |                             |                            |
|-------------------------------|-----------------------------|----------------------------|
| Dato’ Seri Ahmad Johan Raslan | Ms Rikke Jarvad Netterstrom | Datuk Dr Glen Reynolds     |
| Non-Independent Members       |                             |                            |
| Datuk Wira Azhar Abdul Hamid  |                             | Dato’ Yusli Mohamed Yusoff |

 To know more about the IAP members, please visit <https://www.fgvholdings.com/about-fgv/independent-advisory-panel/?pid=dato-seri-ahmad-johan-bin-mohammad-raslan>

The IAP’s advisory role complements FGV’s ongoing efforts to champion sustainability. Its primary role is to provide valuable independent advice and recommendations to FGV on matters of corporate governance and sustainability, to enable FGV to lead the industry in sustainability. The first meeting was conducted on 20 February 2020.

**UN Sustainable Development Goals (SDGs)**

The launch of the SDGs in 2015 was a global call for action towards ending poverty, protecting the planet and ensuring peace and prosperity. At FGV we have taken this seriously and embraced the SDGs as important guidance as to how we govern and manage sustainability across our businesses. We have aligned our initiatives with relevant SDGs and continue to contribute towards these goals through our operations and existing outreach programmes, especially **Goals 2, 4, 5, 6, 7, 8, 12, 13, 15 and 16.**



GRI 102-11

## SUSTAINABILITY MANAGEMENT

Our Group Sustainability Division (GSD) has the overall responsibility for developing, implementing and monitoring sustainability strategies and performance. In early 2019, GSD’s mandate was expanded to cover the entire Group’s operations – prior to that, GSD only covered FGV’s Plantation Sector. We appointed new leadership in GSD consisting of personnel with a cumulative experience of 45 years in the fields of human rights, law reform and development. Additionally, GSD now reports directly to the Group CEO of FGV, reflecting our renewed focus on embedding and mainstreaming sustainability across the Group.

To ensure better communication and more effective implementation of sustainability initiatives across the Group, our Sustainability Synergy Committee (SSC) was established in 2019. Comprising heads or representatives of the various sectors and divisions within the FGV Group, the SSC is tasked with facilitating the mainstreaming of sustainability principles and practices throughout FGV and ensuring the effective implementation of FGV’s sustainability initiatives and programmes across its operations. We continue to apply a precautionary approach to how we manage our sustainability risks, ensuring we fully understand the issues at hand and developing appropriate action plans.



### GROUP CHIEF EXECUTIVE OFFICER (GCEO)

The Group Management Committee is chaired by the GCEO. He also acts as the advisor to the Sustainability Synergy Committee. The GSD reports directly to the GCEO, driving higher accountability and quick decision-making in areas concerning corporate respect for human rights and social responsibility as well as environmental sustainability, which include commitment to the ‘No Deforestation, No Peat, No Exploitation’ (NDPE) Policy. Given this newly-established reporting structure, the GCEO plays a significant and direct role in overseeing and advising on the overall conduct of the Group’s sustainability efforts and programmes.

### HEAD OF GROUP SUSTAINABILITY DIVISION (GSD)

The Head of GSD directs and oversees the day-to-day work of the GSD and advises the Group on matters pertaining to sustainability, which include aspects relating to human rights and environmental protection. The Head of the GSD also serves as the Chairperson of the Sustainability Synergy Committee, with committee members from various Business Sectors.

UNITS UNDER SUSTAINABILITY

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p><b>Sustainability Compliance and Certification</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |  <p><b>Sustainability Engagement</b></p>                                                                                                                                                                |
| <p>Our Sustainability Compliance and Certification Department (SCCD) plays a central role in FGV. It advises the relevant departments and units on all sustainability matters to ensure compliance with relevant standards and requirements of international and local bodies, particularly on Roundtable on Sustainable Palm Oil (RSPO) requirements. As FGV’s main contact point for all RSPO matters, the SCCD is responsible for addressing issues raised by the RSPO’s Complaints Panel, and continually responds promptly to all issues by developing clear action plans and progress reports. Some of the measures taken to address RSPO’s concerns include full-scale audits of employment practices, implementing Standard Operating Procedures across FGV’s operations and improving communication with internal and external stakeholders. These are further discussed in the Trust and Traceability section in this report.</p> | <p>Apart from overseeing stakeholders management, this unit develops communication plans related to sustainability management and programmes, and monitors sustainability projects’ progress, budget expenses and governance.</p>                                                        |
| <p>The SCCD also manages the RSPO auditing and certification process for all complexes in FGV and supports FELDA settlers in preparing for certification audits. In addition, it conducts roadshows to promote RSPO benefits to FELDA settlers, monitors and advises on sustainability issues related to estate workers and social compliance, as well as preparing and monitoring the implementation of action plans related to labour issues.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |  <p><b>Sustainability Technical</b></p>                                                                                                                                                                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>This unit establishes methodology to measure, monitor and improve the performance of key sustainability areas. It also compiles data and liaises with external parties on sustainability reporting and programmes, besides participating in environmental education and research.</p> |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |  <p><b>Sustainability Regulation</b></p>                                                                                                                                                                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>Sustainability Regulation ensures that our policies and procedures are in line with relevant international standards as well as applicable laws and regulations, and monitors issues related to our policy of NDPE.</p>                                                               |

**Group Sustainability Policy**

We view our efforts to advance the sustainability agenda as a journey and we remain committed to ensuring that sustainability is deeply embedded in every part of our value chain. At the heart of this is our revised Group Sustainability Policy (GSP) 3.0, which is a reflection of FGV’s reinforced commitment to sustainability. This was adopted by FGV’s Board of Directors on 29 May 2019. Our revised policy applies to the whole Group, where FGV has management control, as well as our supply chain. It provides guidance to our people, contractors and suppliers on our commitments and expectations around a number of sustainability topics:

| Respecting Human Rights                                                                                                                                                                                                                          | Protecting the Environment                                                                                                                                                                                      | Promoting Sustainability                                                                                                                                                                              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>enhancing livelihoods</li> <li>meeting labour standards</li> <li>upholding the principle of Free, Prior and Informed Consent (FPIC)</li> <li>exercising non-discrimination and gender equality</li> </ul> | <ul style="list-style-type: none"> <li>NDPE</li> <li>responsible use of agrochemicals</li> <li>responsible management of water and waste</li> <li>no open burning</li> <li>addressing climate change</li> </ul> | <ul style="list-style-type: none"> <li>supply chain management</li> <li>traceability</li> <li>responsible sourcing</li> <li>due diligence</li> <li>grievance mechanisms</li> <li>reporting</li> </ul> |

In keeping with FGV’s increased dedication to an open consultative process, consultations were held internally and externally during the formulation of our revised GSP. Among the organisations that were consulted were the Human Rights Commission of Malaysia (SUHAKAM), International Organization for Migration (IOM), Tenaganita, Institute of Malaysian and International Studies (IKMAS) of Universiti Kebangsaan Malaysia (UKM), Malaysian Nature Society (MNS) and Malaysian Palm Oil Board (MPOB). As a result of these consultations, our revised GSP now includes a strengthened component on human rights and references key international human rights instruments, including UN Guiding Principles on Business and Human Rights and applicable international human rights treaties.

A comprehensive socialisation exercise on GSP 3.0 is currently underway to ensure that our revised policy is fully understood and applied effectively by all entities within FGV as well as by our contractors and suppliers. This is expected to be completed by June 2020. It is hoped that with strong awareness and understanding of the GSP, the Group will be able to view the business through a clearer sustainability lens and be better equipped to address sustainability risks and opportunities to create trust and long-term value.

## SUSTAINABILITY AT FGV

| KEY GSD ACTIVITIES                                                                                                                                                           |                                                                                                                                                                                                                                           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2018                                                                                                                                                                         | 2019                                                                                                                                                                                                                                      |
| Social Compliance and Human Rights (SCHR)                                                                                                                                    | RSPO certification for all FGV mills and estates                                                                                                                                                                                          |
| Sustainability Training for Non Oil Palm (NOP) Sector to establish 'Flagship Programme'                                                                                      | MSPO Certification (Part 3) for all FGV estates                                                                                                                                                                                           |
| Establishment of baseline data for NOP Sector                                                                                                                                | MSPO Certification (Part 4) for all FGV mills                                                                                                                                                                                             |
| Conservation Programmes<br>i. Sun Bear<br>ii. Rafflesia<br>iii. Mega Biodiversity Corridor Conservation Project                                                              | MSPO Certification (Part 2) for Independent Smallholders in FGV Value Chain                                                                                                                                                               |
| Environmental Research<br>i. Oil Palm Ecosystem Project – UPM<br>ii. Water Stress index (WSI) & water footprint                                                              | MSPO-RSPO SCCS for Downstream cluster                                                                                                                                                                                                     |
| Reviewing Sustainability-related Policies & Procedures<br>i. Social Compliance Human Rights Policies<br>ii. Sustainability Operation Policies                                | GSP Policy Review                                                                                                                                                                                                                         |
| Development of National Master Listing                                                                                                                                       | FGV procedure on recruitment of migrant workers                                                                                                                                                                                           |
| Awareness programme based on National Master Listing for nine complexes                                                                                                      | Compilation of labour standards                                                                                                                                                                                                           |
| Stakeholders Engagement Sessions<br>i. P&G<br>ii. SUHAKAM<br>iii. RAN, Greenpeace<br>iv. Musim Mas<br>v. Wilmar<br>vi. Cargill<br>vii. Intercontinental Speciality Fat (ISF) | Traceability of FFB sources (Phase 1): Based on 2018 data                                                                                                                                                                                 |
| Peat Restoration Programme by FGVK                                                                                                                                           | Traceability of FFB sources (Phase 2): Based on 2019 data                                                                                                                                                                                 |
| RISMAP - Sustainability Risk Mapping of FGV Certification Units (Mill/Estate)                                                                                                | Sustainability performance data (electricity consumption rate, water consumption rate, energy consumption rate)                                                                                                                           |
| Group Sustainability Policy review project                                                                                                                                   | Sustainability conservation programme (Sun Bear Conservation Programme)                                                                                                                                                                   |
| MSPO Independent Smallholders Initiative (2019)                                                                                                                              | Rafflesia Conservation & Interpretation Centre with FRIM                                                                                                                                                                                  |
|                                                                                                                                                                              | Strategic partnerships towards enhancing labour practices <ul style="list-style-type: none"> <li>• FLA affiliation programme</li> <li>• FGV-IOM Earthworm GSP Socialisation Project for internal contractors and FFB suppliers</li> </ul> |
|                                                                                                                                                                              | Energy Conservation Programme                                                                                                                                                                                                             |
|                                                                                                                                                                              | Social Compliance Project                                                                                                                                                                                                                 |

GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44

## STAKEHOLDER ENGAGEMENT

**FGV remains committed to strengthening ties with our diverse stakeholders. We believe in engaging and collaborating with them to address common issues.**

The following table lists the stakeholder groups that we engage with. It outlines our approach to stakeholder engagement, including the means or platforms through which we engage them, the frequency of engagement and key topics and concerns that have been raised. It also shows how our organisation has responded to those key topics and concerns through our reporting.

| Stakeholder groups engaged   | Description (why are they important)                                                     | Means of engagement                                                                                                                                                                                                                                        | Frequency of engagement                                                                                                                             | Topics and concerns raised by stakeholder groups                                                                                                                                                                                                                                                                                                                    | FGV's response to topics and concerns                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------|------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Employees and Workers</b> | Local and migrant workers are the backbone of both administration and plantation sector. | <ul style="list-style-type: none"> <li>• Trainings and briefings</li> <li>• Formal and official documentation</li> <li>• Plantation Joint-Committee discussions</li> <li>• Internal memos</li> <li>• Socialisation Programme for pre-employment</li> </ul> | <ul style="list-style-type: none"> <li>• Ongoing</li> <li>• Monthly</li> <li>• Quarterly</li> <li>• Yearly</li> <li>• Whenever necessary</li> </ul> | <ul style="list-style-type: none"> <li>• Relevant wages and their calculation</li> <li>• Continuity and suitability of welfare</li> <li>• Fair treatment by the Management of both local and migrant groups of workers</li> <li>• Clauses in employment contracts pertaining to early termination of contract, passport handling and freedom of movement</li> </ul> | <ul style="list-style-type: none"> <li>• Frequent briefings for workers</li> <li>• Provided migrant workers with employment contract in their national language</li> <li>• Provided official channel of communication to workers</li> <li>• Formed committee for workers to voice out their concerns</li> <li>• Strengthened our recruitment processes and communicated clearly with agents and government bodies such as recruitment agencies, labour offices, embassies and government agencies of all countries involved</li> <li>• Reviewed and established welfare and wages standards realigned with industry and legal requirements as well as with certification bodies</li> <li>• Ensured transparent grievance process</li> </ul> |
| <b>FELDA Settlers</b>        | Comprise the majority of FELDA smallholders who supply FFB to FGV.                       | <ul style="list-style-type: none"> <li>• Management meetings with Felda scheme managers</li> <li>• Roundtable on Sustainable Palm Oil</li> </ul>                                                                                                           | <ul style="list-style-type: none"> <li>• Monthly</li> <li>• Twice a year</li> </ul>                                                                 | <ul style="list-style-type: none"> <li>• Oil extraction rates</li> <li>• FFB prices</li> <li>• Delivery and purchasing of FFB</li> <li>• MSPO &amp; RSPO certification and cost</li> </ul>                                                                                                                                                                          | <ul style="list-style-type: none"> <li>• FGV mill managers addressed their concerns and provided consultation</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

| Stakeholder Groups Engaged       | Description (Why are they important)                                                                           | Means of Engagement                                                                                                                                                            | Frequency of Engagement                                                                                                                                         | Topics and concerns raised by stakeholder groups                                                                                                                                                                                                                                 | FGV's response to topics and concerns                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------|----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Investors</b>                 | Our shareholders provide the financial capital to operate and grow our business.                               | <ul style="list-style-type: none"> <li>Quarterly and annual reports</li> <li>Briefings</li> <li>Roadshows</li> <li>Website and social media updates</li> </ul>                 | <ul style="list-style-type: none"> <li>Quarterly and annually</li> <li>Quarterly or whenever necessary</li> <li>Annually</li> <li>Whenever necessary</li> </ul> | <ul style="list-style-type: none"> <li>Operational</li> <li>Financial</li> <li>Non-core and non-performing assets disposal</li> <li>LLA land</li> </ul>                                                                                                                          | <ul style="list-style-type: none"> <li>Implemented a range of initiatives to improve operational efficiency such as targeted replanting, smart fertiliser application and addressing labour issues</li> <li>Identified areas of leakages and achieved substantial savings</li> <li>Reviewed potential disposal of non-core assets</li> <li>In discussion with JV partners on the commercial terms of existing agreements, and the potential for divestments, to turn around and maximise investment returns</li> <li>FGV contributed to the improvement of the value on the LLA land via consistent replanting resulting in improvement in the age profile</li> </ul> |
| <b>Customers and JV Partners</b> | Our customers and JV partners create demand for our products and services.                                     | <ul style="list-style-type: none"> <li>Roadshows</li> <li>Surveys</li> <li>Engagement meetings</li> <li>Workshops</li> </ul>                                                   | <ul style="list-style-type: none"> <li>Quarterly</li> <li>Whenever necessary</li> </ul>                                                                         | <ul style="list-style-type: none"> <li>Improvement efforts pertinent to WSJ issues</li> <li>Deforestation/peat issues</li> <li>Traceability initiatives</li> <li>Awareness on policies implementation</li> <li>Customer-Supplier requirements for FGV</li> </ul>                 | <ul style="list-style-type: none"> <li>Disseminated information on progress periodically</li> <li>Investigated and explained actions taken on specific areas reported by customers</li> <li>Updated the phases FGV is taking in establishing the traceability initiative for FGV's Plantation sector</li> <li>Policies socialisation</li> <li>Identified FGV's capability in fulfilling customers' requirements</li> </ul>                                                                                                                                                                                                                                            |
| <b>Government</b>                | The government facilitates the running of our business by providing infrastructure and other means of support. | <ul style="list-style-type: none"> <li>Meetings</li> <li>Interviews</li> <li>Newly gazetted guidelines and procedures</li> <li>Forums</li> <li>Formal announcements</li> </ul> | Whenever necessary                                                                                                                                              | <ul style="list-style-type: none"> <li>Employees competent in environmental quality</li> <li>Environment Institute of Malaysia (EiMAS) examination statistics</li> <li>Compliance with policies, procedures and processes implemented by relevant governmental bodies</li> </ul> | <ul style="list-style-type: none"> <li>Provided more training to employees</li> <li>Provided more guidance to candidates for EiMAS exam</li> <li>Ensured all relevant documents were completed for compliance</li> <li>Periodical audits to ensure compliance with national and international regulations and legislation</li> </ul>                                                                                                                                                                                                                                                                                                                                  |

| Stakeholder Groups Engaged | Description (Why are they important)                                                                                                 | Means of Engagement                                                                                                                                                                                                          | Frequency of Engagement                                                                                                                   | Topics and concerns raised by stakeholder groups                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | FGV's response to topics and concerns                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Suppliers</b>           | Our suppliers provide the materials that we need to produce our goods and services.                                                  | <ul style="list-style-type: none"> <li>Engagement meetings</li> <li>Workshop on managing the rights of migrant workers</li> </ul>                                                                                            | Whenever necessary                                                                                                                        | <ul style="list-style-type: none"> <li>Contractors face risk of migrant workers absconding after passports are returned</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <ul style="list-style-type: none"> <li>Ensured strong and consistent communication with suppliers on FGV's commitment to ensuring migrant workers are able to keep their own passports</li> <li>Emphasised the seriousness of withholding workers' passports</li> </ul>                                                                                                                                                                                                                                                                                                                                                      |
| <b>NGOs</b>                | NGOs help keep us abreast of socio-economic developments that can impact our business.                                               | <ul style="list-style-type: none"> <li>Dialogues</li> <li>Corporate social responsibility activities and consultations</li> <li>Meetings</li> </ul>                                                                          | <ul style="list-style-type: none"> <li>Quarterly</li> <li>By appointment</li> <li>Whenever necessary</li> </ul>                           | <ul style="list-style-type: none"> <li>Improvement efforts pertinent to WSJ issues</li> <li>Deforestation/peat issues</li> <li>Collaboration in areas relevant to human rights initiatives</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                             | <ul style="list-style-type: none"> <li>Disseminated FGV updates every quarter</li> <li>Ensured communication on results of investigations and actions taken on issues highlighted</li> <li>Assessed and evaluated all proposals, e.g. on collaboration project which took off in 2019 – Palm Oil Sector Labour Supply Chain Mapping in the Malaysia – Indonesia/ Nepal/Bangladesh Migration Corridor</li> </ul>                                                                                                                                                                                                              |
| <b>Regulatory Bodies</b>   | Regulatory bodies help keep our operations in compliance with regulations and guidelines that protect other stakeholders' interests. | <ul style="list-style-type: none"> <li>Engagement meetings</li> <li>Seminars/ Dialogues</li> <li>Compliance audits</li> <li>Trainings and briefings</li> <li>Assessment</li> <li>Workshop</li> <li>Online website</li> </ul> | <ul style="list-style-type: none"> <li>Ongoing</li> <li>Monthly</li> <li>Quarterly</li> <li>Yearly</li> <li>Whenever necessary</li> </ul> | <ul style="list-style-type: none"> <li>Insufficient competent persons to manage scheduled waste according to legal requirements</li> <li>Need for fire certificate at palm oil mills</li> <li>New Noise Regulation 2019</li> <li>Industrial hygiene issues in palm oil mills</li> <li>Compliance with DOSH requirements</li> <li>Quota application and approval</li> <li>Policies, procedures and processes of migrant workers' recruitment and relevant issues</li> <li>Ensuring the installation of electric fences in FGV estates in accordance with Energy Commission requirements</li> </ul> | <ul style="list-style-type: none"> <li>Job Competency Profiling for most suitable candidates</li> <li>Prepared budget plan for all mills to obtain fire certificate</li> <li>Provided information and training on new regulations to mills</li> <li>Prepared action plan for industrial hygiene issues</li> <li>Ensured number of workers needed were relevant to hectareage size in MPOB licences and optimal requirements</li> <li>Ensured transparent and ethical recruitment processes</li> <li>Provided conducive housing, amenities and facilities</li> <li>To obtain electric fence installation approvals</li> </ul> |

GRI 103-1/2/3, GRI 203-2

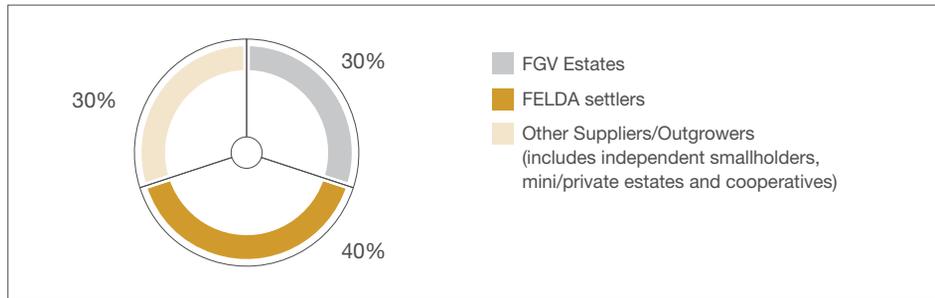
## ENRICHING OUR COMMUNITY STAKEHOLDERS

**FGV remains committed to strengthening ties, building goodwill and investing in the communities in which we operate. Our community stakeholders are largely FELDA settlers and independent smallholders who are part of our supply chain, as well as the public at large, whom we regard as a business entity.**

### FELDA settlers

FGV and FELDA have an interdependent relationship that has benefitted both parties. While FGV relies on FELDA for plantation land, FELDA settlers supply approximately one-third of our fresh fruit bunches (FFB). FGV is committed to helping FELDA settlers build and develop sustainable communities.

FGV sources its fresh fruit bunches from:



In 2019, we held six meetings with FELDA settlers and independent smallholders, involving more than 350 participants nationwide. These kept them engaged and aware of the palm oil industry’s developments, including challenges and regulatory developments. Educating FELDA settlers and independent smallholders is crucial to ensure they are able to fulfil our sustainability requirements and comply with the Group’s standards and guidelines. As an RSPO member, we aim to fulfil the RSPO Principles and Criteria (P&C) as we strive to meet all the requirements to produce certified sustainable palm oil (CSPO). We are responsible for encouraging and ensuring our supply chain is also in compliance with our group sustainability standards and requirements to produce certified sustainable palm oil.

FGV contributes substantially to the development of FELDA settlers, who have benefitted from FELDA’s 33.7% share in FGV. In addition, FGV’s annual lease payments of RM248 million on the 351,000 Ha of land provide a secure and consistent income stream to FELDA, enabling it to focus on its social development programmes. We also distribute annual dividends to Koperasi Permodalan FELDA Malaysia Berhad, a cooperative formed in 1980 with the aim of advancing the economic status of FELDA settlers. These earnings and benefits enable FELDA to be internally funded and underpin its efforts to sustain the vibrancy of Malaysia’s smallholder plantations.

Our plantation income helps to support about 112,635 settler families. It is estimated that an additional 300,000 people linked to the settlements earn their income from FELDA. Besides uplifting their socio-economic status, FGV has also contributed to their welfare via programmes such as providing training and development for the settlers’ children and developing infrastructure and facilities within the settlements.

**Annual lease payments**  
**RM248 million**

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**FELDA is the largest shareholder in FGV, with 33.7% share**

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**Plantation income helps to support about 112,635 settler families**

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**FGV allocated RM5,000,000 to Yayasan Felda to fund various charitable causes and initiatives**

**FGV Young Entrepreneurs Programme 2018**

FGV launched the inaugural FGV Young Entrepreneurs Programme 2018 in April 2018, which attracted about 300 applicants nationwide. The programme was developed to equip the next generation of FELDA settlers with the necessary skill sets required within the plantation industry and enable them to perform tasks that are often outsourced to third parties. Among the 300 participants, 60 were selected to undergo training at FGV’s plantations, where 49 of them completed the six-month programme in November.

During the programme, the participants were trained to handle chemicals and hazardous substances for weeding and fertilising, and estate management processes that ranged from tending the fields to harvesting and transporting FFB to the mill. Each trainee was assigned to a plantation manager, who served as the mentor. Other than hands-on skills, they were also given business management training at FGV Academy, where they learned about RSPO requirements and the Malaysian Palm Oil Certification Council’s (MPOCC) standards for MSPO certification.

At the end of the programme, FGV facilitated the participants in exploring business financing opportunities from MARA, TEKUN Nasional and Agrobank to help them set up their companies or tender for business from other companies.

The cost of the training programme was fully borne by FGV, during which each participant received a monthly allowance of RM1,150. In addition, FGV allocated RM2.5 million worth of contracts from its annual procurement budget to give the entrepreneurs a head start in the plantation business. FGV plans to make the programme part of its corporate responsibility commitment to provide more opportunities for local communities, especially the underprivileged. This underlines FGV’s commitment to producing more skilled young entrepreneurs for the plantation industry.



**49**  
participants

completed the six-month programme in November 2018



FGV facilitated the participants in exploring business financing opportunities



FGV also allocated **RM2.5 million** worth of contracts from its annual procurement budget to give the entrepreneurs a head start in the plantation business

**Yayasan Felda**

FGV and FELDA contribute a certain portion of their net profits annually to their welfare arm, Yayasan Felda, whose function is to give back to society through community-enriching programmes. In 2018, FGV allocated RM5,000,000 to Yayasan Felda to fund various charitable causes and initiatives. These initiatives focused on education, healthcare and philanthropic causes to benefit the public, settler communities and the rural population.

### We Care (Second Series) 2019

FGV and Yayasan Felda carried out their We Care (Second Series) 2019, where FGV contributed RM21,000 in zakat to seven community centres in conjunction with a Hari Raya celebration on 28 June. The event also celebrated 147 trainees with different abilities.

On 17 September, the joint initiative culminated with a visit to Pusat Jagaan Nur Hasanah in Beranang, Selangor, a nursing home for the elderly with chronic illnesses. FGV contributed RM10,000 to the home for the construction of a fence and purchase of daily pharmaceutical needs such as glucose test strips and wound dressing kits. FGV staff also donated cash, groceries and clothes to the home besides replacing old beds and mattresses with new ones that were donated by Yayasan Felda. The students, staff and principal of Kolej Yayasan Felda who attended the day-long programme brightened up the event with a karaoke competition with the nursing home's residents.



### Infak Ramadhan SAJI Campaign

FGV, through its subsidiary Delima Oil Products Sdn. Bhd. (DOP), contributed RM100,000 to Yayasan Felda in May 2019. The contribution was collected through DOP's Infak Ramadhan SAJI Campaign that was launched on 30 April 2019, where 50 sen from every sale of SAJI's five-kilogram cooking oil was donated to the campaign throughout the Ramadhan month. FGV also donated RM100,000 each to MERCY Malaysia and the National Cancer Council (MAKNA) through the same campaign.



### Gift from the Heart

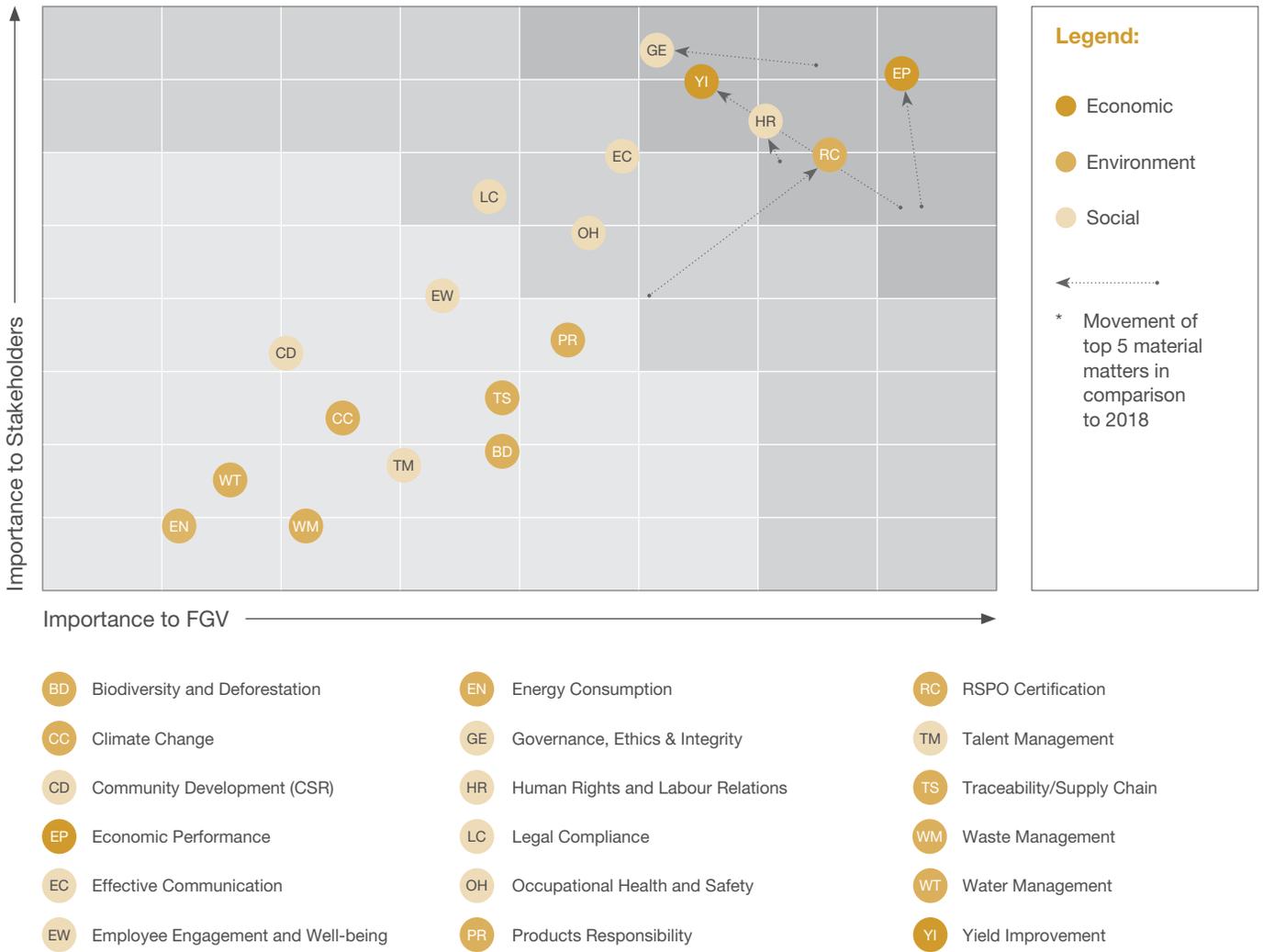
FGV's employees visited children at the paediatric ward in Hospital Wanita dan Kanak-Kanak Kuala Lumpur through its Gift from the Heart programme on 19 December 2019. The children, who were mostly long-term patients at the Neurology Paediatric Ward and Orthopaedic Paediatric Ward, received a gift each from various companies in the Group, including FGV Innovation Centre in Enstek, Nilai. A total of 178 gifts comprising toys, story books and stationery were collected within 10 days for the children aged one month to 16 years old. FGV's Group Financial Controller and Group Strategic Communication staff took the opportunity to bond with the children and their families.



GRI 102-46, GRI 102-47

## MATERIALITY MATTERS

FGV prioritises the identification of issues that are most significant to our stakeholders and our operations. In 2018, we conducted a comprehensive Materiality Assessment with the support of an independent consultant, engaging our internal and external stakeholders to gain their views on our Group’s material matters. This process involved a review of our Materiality Matrix to determine the factors impacting our delivery of value. It was detailed in our 2018 Annual Integrated Report (pages 14 to 20), which can be found on our website.



Of the 18 relevant matters identified, five were ranked the highest by our stakeholders and business:



**Key changes in 2018 included the addition of Labour Relations to Human Rights to cover equal remuneration and freedom of association and the separation of Talent Management from Employee Engagement and Well-being to provide greater coverage of talent development and succession planning.**

Effective Communication moved to a lower position as we persisted with ongoing engagements with our stakeholders to ensure that we were communicating our performance and activities effectively. Following recent events related to sustainability, RSPO certification has climbed up the priority ladder to become one of our top stakeholder concerns. In addition, FGV recognises the importance of climate change, responsible use of pesticides and water management. Although it does not feature highly on our materiality matrix, we consider these matters to be of significant importance to our business and continue to dedicate a substantial amount of resources to addressing these matters.

In 2019, we conducted an internal review and assessment of our material matters to validate their relevance to our stakeholders and business operations. We were guided by sustainability frameworks, guidelines, principles and the requirements of sustainability rating indices such as the Global Reporting Initiative (GRI) and Dow Jones Sustainability Indices (DJSI). In addition, we reviewed topics and best practices of selected industry players and global initiatives such as the Zoological Society of London’s (ZSL) Sustainable Palm Oil Transparency Initiative (SPOTT). We aligned our material matters to local, regional and global issues and megatrends to identify potential gaps, which included benchmarking against sustainability standards such as RSPO, Malaysian Sustainable Palm Oil (MSPO), No Deforestation, No Peat and No Exploitation (NDPE), SDGs, Malaysia’s SDG Roadmap Phase 1 and the 11<sup>th</sup> Malaysia Plan. After our external validation exercise, we are pleased to report that there have been no major shifts in our material issues. We have also mapped each material matter to relevant SDGs and our Six Capitals of value creation (AIR 2019), which represent the boundaries within which they have an impact or are impacted on.

| Material matter                            | Why it is important                                                                                                                                                                                                                                            |
|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>YIELD IMPROVEMENT</b>                   | Improving yield through improvements in operational efficiency and leveraging on innovation to use environmentally friendly pesticides and fertilisers will reduce the pressure to open up new plantations, as well as mitigate the impact on the environment. |
| <b>ECONOMIC PERFORMANCE</b>                | Our economic performance determines the sustainable economic value we generate, as well as the value created for our stakeholders. The strength of our financial capital mirrors our economic performance.                                                     |
| <b>GOVERNANCE, ETHICS &amp; INTEGRITY</b>  | Strong governance, ethics and integrity practices will ensure sustainable and responsible business growth that is highly valued by investors.                                                                                                                  |
| <b>RSPO CERTIFICATION</b>                  | Compliance with the RSPO Principles & Criteria ensures that we are in line with the most widely accepted sustainability standards for palm oil in the world, while also helping the Group produce palm oil that commands premium pricing.                      |
| <b>HUMAN RIGHTS &amp; LABOUR RELATIONS</b> | Ensuring we respect human rights and practise fair treatment of all our employees is part of our commitment and is crucially important for our business to remain sustainable, and grants us the social licence to operate.                                    |

| How it is managed – includes:                                                                                                                                                                        |                                                                                                                                                                                         |                                                                   |                                                                                                                                                                                |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Policies to manage this matter                                                                                                                                                                       | Actions taken                                                                                                                                                                           | Indicators for reporting                                          | SDG                                                                                                                                                                            |
| Group Sustainability Policy                                                                                                                                                                          | Use of seeds, pest and disease control and fertilisers, which are supported by the use of the latest technologies and implementation of site-specific good agricultural practices (GAP) | FFB yields achieved during the reporting year                     |                                                                                             |
| Group's Authority Limits<br>Group Finance Policies & Procedures                                                                                                                                      | Key financial drivers and financial performance highlights, including comparison to targets and peer comparisons, impairments and discussions on financial statements                   | Profitability, revenue growth and balance sheet management        |                                                                                             |
| Anti-Bribery Policy Statement<br>Code of Business Conduct and Ethics<br>External Gift, Entertainment & Hospitality Policy<br>Sponsorships & Donations Policy<br>Whistleblowing Policy and Procedures | Large-scale implementation across the Group encompassing operations throughout Malaysia                                                                                                 | Percentage of operations assessed for risks related to corruption |                                                                                           |
| Group Sustainability Policy                                                                                                                                                                          | RSPO Certification of 33 mills at the end of 2019                                                                                                                                       | Policies and commitment to certified raw material sourcing        | <br> |
| Group Sustainability Policy                                                                                                                                                                          | Participation in workers' union, both in-house and at the national level                                                                                                                | Measures taken to support freedom of association                  | <br> |

## SUSTAINABILITY RISK MANAGEMENT

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

| Risk Description                                                            | Mitigation Measures                                                                                                                                                                                                        | Outcomes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Suspension/ withdrawal of sustainability certifications</b>              | Allocation of budget to ensure implementation of certifications requirements                                                                                                                                               | Achievement of RSPO and MSPO certifications for FGV's estates and mills and RSPO SCCS and MSPO SCCS for FGV's Downstream operations.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|                                                                             | Embarked on Strategic Partnership Programme to enhance human rights practices in FGV                                                                                                                                       | <ul style="list-style-type: none"> <li>i. FGV became an affiliate of FLA and is participating in a five-year programme to undertake various initiatives to enhance FGV's labour practices.</li> <li>ii. FGV-IOM-Earthworm collaborated in a tripartite labour supply mapping project to examine the recruitment process of migrant workers.</li> <li>iii. FGV will be collaborating with SUHAKAM to conduct an assessment of living and working conditions in FGV's mills and plantations and among mill workers.</li> <li>iv. FGV is collaborating with Tenaganita on the development of a Human Rights module as well as training for employees, including foreign workers.</li> </ul> |
|                                                                             | Embarked on social compliance project to ensure adequate legal and sustainability compliance                                                                                                                               | Resource tool on labour standards and Occupational Safety and Health.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|                                                                             | Enforcement of corrective action plan for major non-conformances based on internal and external audits                                                                                                                     | Continuously committed to enforcement of corrective action plan. As at December 2019, 144 instances of non-conformance had been closed out of a total of 179 instances of non-conformance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|                                                                             | Conducted capacity building, competency training and awareness related to Sustainability and Certification to ensure continuous improvement in FGV operations on aspects of labour practices, human rights and environment | <ul style="list-style-type: none"> <li>i. Undertook a socialisation programme to raise awareness and understanding on FGV's sustainability commitments under its GSP among FGV's operations, subsidiaries, suppliers and contractors. The GSP includes commitments to human rights and NDPE policy.</li> <li>ii. Embedded sustainability into operations by enhancing job descriptions to create a working culture that complies with sustainability aspects.</li> </ul>                                                                                                                                                                                                                 |
|                                                                             | Establishment of Sustainability Synergy Committee (SSC)                                                                                                                                                                    | Ensures successful implementation of sustainability initiatives within FGV Group to enable swift responses to FGV's critical sustainability issues and risks.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Unfair and non-transparent recruitment practices in source countries</b> | Developed recruitment guidelines for contractors in estates/mills on monitoring and enforcement of employment contracts                                                                                                    | Drafted and adopted new supplier guidelines with Group Procurement, reflecting the Group's key sustainability values in relation to social and human rights aspects.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|                                                                             | Conducted verification audit on recruitment process for migrant workers                                                                                                                                                    | Conducted verification audit in Q4 2019. Based on the verification audit conducted in the source country (Lombok, Indonesia), the recruitment of migrant workers was transparent and in compliance with ethical recruitment processes.                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|                                                                             | Developed SOP relevant to recruiting migrant workers                                                                                                                                                                       | Developed Guidelines and Procedures for the Responsible Recruitment of Foreign Workers. Approved in Q2 2019.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                                                             | Drafted and adopted supplier guidelines with Group Procurement                                                                                                                                                             | Adoption of Guidelines and Procedures for the Responsible Recruitment of Foreign Workers which reflects the Group's sustainability values in relation to social and human rights aspects. Effective April 2019.                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

| Risk Description                                                                                                          | Mitigation Measures                                                                                                                                                    | Outcomes                                                                                                                                                                                                                                                                                                |
|---------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Lack of full traceability of FFB &amp; kernel supply</b>                                                               | Identified FFB risk elements by mapping the suppliers                                                                                                                  | Traced source of FFB from 67% of external suppliers of FFB.                                                                                                                                                                                                                                             |
|                                                                                                                           | Identified high-risk mills by mapping the suppliers                                                                                                                    | 100% of external mills supplying to FGV have been risk assessed for NDP elements.                                                                                                                                                                                                                       |
|                                                                                                                           | Identified high-risk FFB suppliers by mapping the suppliers                                                                                                            | 51% of total FFB from external sources have been risk assessed for NDP elements.                                                                                                                                                                                                                        |
| <b>Non-compliance with human rights principles</b>                                                                        | Installation of safety boxes for workers to keep their own passports                                                                                                   | All FGV complexes have installed safety boxes for workers' passports.                                                                                                                                                                                                                                   |
|                                                                                                                           | Revised employment contracts with new clauses and translated them to the national languages of the workers                                                             | <ul style="list-style-type: none"> <li>i. Engaged with Plantation operations workers to brief them on the relevant updates.</li> <li>ii. Revised and implemented employment contracts in five languages.</li> </ul>                                                                                     |
|                                                                                                                           | Developed SOP on managing contractors' performance                                                                                                                     | Established a social and human rights awareness programme to continuously identify, prevent and mitigate any social and/or human rights impacts caused or contributed by the Group's own activities or by its business partners/supply chain.                                                           |
|                                                                                                                           | Revised the formats related to salary disbursement to workers                                                                                                          | <ul style="list-style-type: none"> <li>i. Monitored monthly minimum wages.</li> <li>ii. Revised salary slip format related to salary disbursement to workers; improved and implemented in February 2019.</li> </ul>                                                                                     |
| <b>No specific platform to address external stakeholders' grievances</b>                                                  | Rerouted any sustainability grievances from whistleblowing complaints to Sustainability Issues Management Mechanism (SIM) to address external stakeholders' grievances | Developed mechanism to manage sustainability issues reported through whistleblowing and engagement sessions.                                                                                                                                                                                            |
| <b>Unavailability/incomplete monitoring of sustainability performance in Non-Oil Palm (NOP) sectors</b>                   | Identified key sustainability aspects                                                                                                                                  | Completed identifying sustainability aspects based on industry norm. List of aspects are Energy, Water, Waste and Production Efficiency.                                                                                                                                                                |
|                                                                                                                           | Identified NOP organisations having concerns about the sustainability aspects                                                                                          | The following organisations were identified as having sustainability concerns in their operations:<br>FGV Kernel Products Sdn. Bhd.<br>FGV Johor Bulkers Sdn. Bhd.<br>FGV Rubber Industries Sdn. Bhd.<br>MSM Malaysia Holdings Berhad<br>Delima Oil Products Sdn. Bhd.<br>Felida Vegetable Oil Products |
|                                                                                                                           | Identified appropriate NOP representatives to liaise with to address the concerns                                                                                      | A list of Sustainability Champions was endorsed and approved by the respective organisations' CEOs.                                                                                                                                                                                                     |
|                                                                                                                           | Method/s to measure the improvement in addressing the concerns                                                                                                         | Some of the identified concerns are being addressed through selected flagship programmes.                                                                                                                                                                                                               |
|                                                                                                                           | Monitoring and reporting                                                                                                                                               | Established baselines for several sustainability performance indicators, using data collected over three years in the NOP sectors.                                                                                                                                                                      |
| <b>Not meeting the requirements of evolving sustainability standards and regulations in an adequate and timely manner</b> | Gap analysis with peers                                                                                                                                                | Gap analysis was conducted using the SPOTT and Forest Tiger scorecards and the Sustainability Report.                                                                                                                                                                                                   |
|                                                                                                                           | Management notification                                                                                                                                                | Notifications about policy elements within the GSD (Working Group for Group Sustainability Policy Review Project) during GSD and SSC meetings.                                                                                                                                                          |
|                                                                                                                           | Identified applicable recommendations                                                                                                                                  | Circulated the new norms in the palm oil industry to Management through the respective units' monthly progress reports in the absence of SSC meetings.                                                                                                                                                  |

## PERFORMANCE SCORECARD

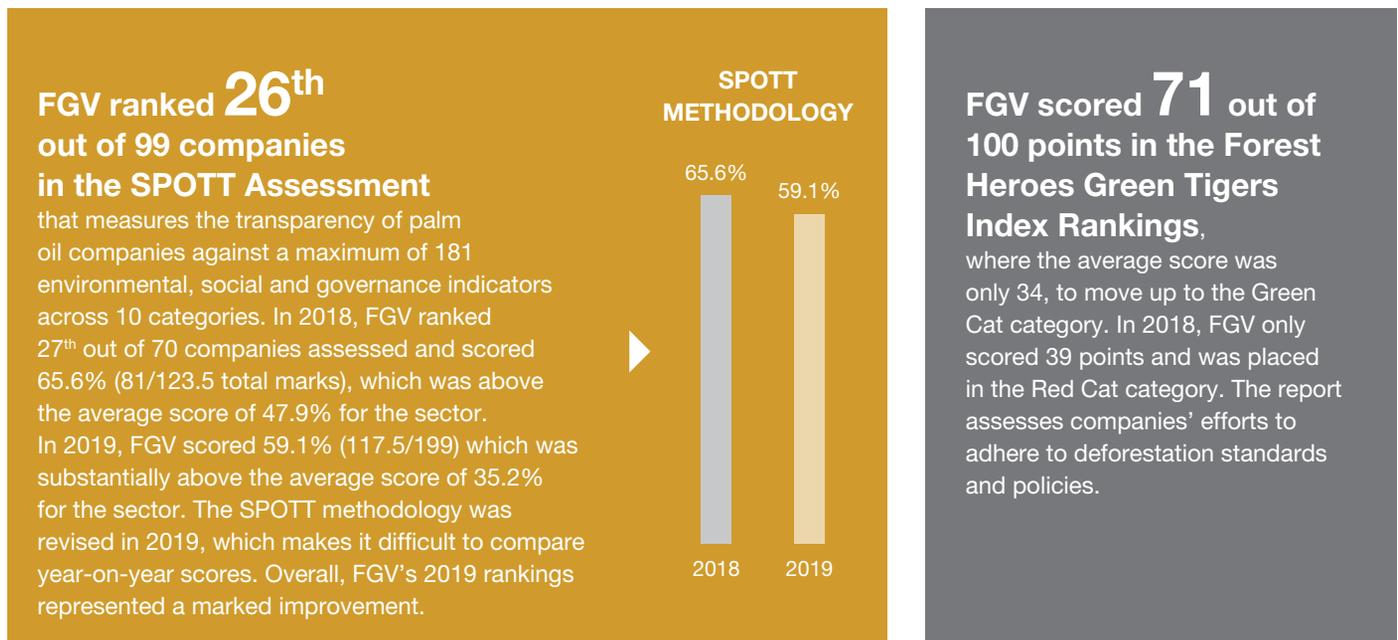
FGV's Sustainability Targets and Achievements 2018/2019

| Target                                                                                              | Target Year | Achievements                                        |                                                                                                                                                                                                                                                                                | Remarks                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------|-------------|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                     |             | 2018                                                | 2019                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                              |
| <b>A GOVERNANCE</b>                                                                                 |             |                                                     |                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                              |
| 100% traceable to palm oil mills (Phase 1)                                                          | 2021        | PKO – 100% traceable<br>CPO – 100% traceable        | PKO – 100% traceable<br>CPO – 100% traceable                                                                                                                                                                                                                                   | All physically handled PKO and CPO                                                                                                                                                                           |
| 100% traceable to plantations for FGV-owned mills                                                   | 2021        | Mapped the FGV FFB dealers network                  | Achieved 83% traceability to plantations                                                                                                                                                                                                                                       | To facilitate the identification of the NDPE and/or sustainability risks associated with the external suppliers of FFB/PK to FGV                                                                             |
| Develop traceability system for our supply base                                                     | 2025        | Developed the FGV-ToP in 2016                       | FGV-ToP went live in January 2017 (completed Phase 1). With this, registered customers are able to identify the source of their PKO/CPO purchased from FGV (source up to palm oil mills with detailed information on geolocation, certification status and quantity processed) | To identify all our sources of FFB up to plantation level:<br>Phase 1 – Traceable up to mill (Completed)<br>Phase 2 – Traceable up to FGV estates and FELDA settlers<br>Phase 3 – Traceable up to outgrowers |
| <b>B ECONOMIC</b>                                                                                   |             |                                                     |                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                              |
| RSPO certification of all mill complexes in Malaysia                                                | 2021        | 2018 - 14 FGV complexes obtained RSPO certification | 2019 - 12 FGV complexes obtained RSPO certification                                                                                                                                                                                                                            | Based on new FGV Time-Bound Plan (TBP) as submitted to RSPO. To emphasise sustainability requirements and stakeholders' expectation from palm oil producers                                                  |
| RSPO group certification for FFB suppliers from associated and independent smallholders in Malaysia | 2021        | Selection of suitable mills                         | 2019 - Preparation of smallholders at Pilot Project in Kechau B, Kuala Lipis to comply with smallholder P&C                                                                                                                                                                    | To proceed upon the lifting of RSPO suspension                                                                                                                                                               |

| Target                                                                                        | Target year | Achievements                                                                                                                                                                                           |                                                                                                                                                                  | Remarks                                                                                                                                                                                                                                                                                                                                             |
|-----------------------------------------------------------------------------------------------|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                               |             | 2018                                                                                                                                                                                                   | 2019                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                     |
| <b>C ENVIRONMENT</b>                                                                          |             |                                                                                                                                                                                                        |                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                     |
| Establish regional action groups to address environmental issues around FGV operational areas | 2018        | Established five Citizen Action Groups (CAGs) as at December 2018, in Kuala Lipis, Kuala Trengganu, Sahabat, Mersing and Gerik in the states of Pahang, Terengganu, Sabah, Johor and Perak in Malaysia | Updated their knowledge with training on and exposure to environmental/wildlife management by regulatory agencies, public higher education institutions and NGOs | The five CAGs are established in areas identified as having high human-wildlife conflict or biodiversity hotspots. These CAGs are connected directly to FGV's Environmental Manager who is also one of the Wildfriends of PERHILITAN (the national agency responsible for the guardianship of wildlife in Malaysia)                                 |
| Identify all conservation sites in FGV operational areas                                      | 2021        | Achieved                                                                                                                                                                                               | Achieved                                                                                                                                                         | A total of 11,923.20 Ha have been identified as of 2017 and are being managed as conservation areas                                                                                                                                                                                                                                                 |
| Eliminate paraquat use in general weed control                                                | 2021        | Achieved                                                                                                                                                                                               | Achieved                                                                                                                                                         | Reduced gradually since 2015 and this was achieved in 2018 ahead of time                                                                                                                                                                                                                                                                            |
| <b>D SOCIAL</b>                                                                               |             |                                                                                                                                                                                                        |                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                     |
| Strengthen Group Sustainability Policy                                                        | 2019        |                                                                                                                                                                                                        | Achieved                                                                                                                                                         | We revised the GSP 2.0; the GSP 3.0 is the latest revision and includes a reinforced component on human rights                                                                                                                                                                                                                                      |
| Ethical procurement practices                                                                 | 2019        |                                                                                                                                                                                                        | Achieved                                                                                                                                                         | Adopted the Suppliers Code of Conduct (SCOC) for all suppliers and contractors                                                                                                                                                                                                                                                                      |
| Responsible recruitment process                                                               | 2019        |                                                                                                                                                                                                        | Achieved                                                                                                                                                         | Adopted the Guidelines and Procedures for the Responsible Recruitment of Foreign Workers. Developed a Communication Pack to facilitate workers' understanding of terms of employment, nature of work, benefits and entitlements, as well as rights and responsibilities                                                                             |
| Responsible recruitment process                                                               | 2019        |                                                                                                                                                                                                        | Achieved                                                                                                                                                         | Established One-Stop Centres in Gemencheh, Negeri Sembilan; Lombok, Indonesia; and Chennai and Kolkata, India.<br>Participated in Labour Supply Chain Mapping project conducted by the International Organization for Migration (IOM) and the Earthworm Foundation to align the recruitment process of migrant workers with international standards |
| Improve employment contracts                                                                  | 2019        |                                                                                                                                                                                                        | Achieved                                                                                                                                                         | Revised contracts with recruitment agencies to protect migrant workers. Translated employment contracts into five languages – English, Indonesian, Bengali, Tamil and Hindi                                                                                                                                                                         |

## SUSTAINABILITY AND OUR ESG IMPACT

One of the ways we track our sustainability progress is through external rankings and ratings. These provide good indications of how the public perceives our sustainability performance as they are based on publicly available information. The ratings and rankings also give us an opportunity to reflect on how we can improve our governance and management of sustainability. In 2019, FGV was assessed by ZSL using the Sustainable Palm Oil Transparency Toolkit (SPOTT) and by Forest Heroes under its Green Cats report. In both assessments, FGV's 2019 score improved significantly over the previous year.



These results are not only a positive sign that we are on the right track but have also helped us identify areas where we can improve. One of these areas is assistance to our third party suppliers - mostly smallholder farms - in adopting sustainability practices and obtaining MSPO and RSPO certifications. To this end, we embarked on a traceability exercise in mid-2019 to identify and engage the smallholders in our supplier network. We intend to continue improving our performance through better governance and implementation of sustainability.

### Implementation of the EcoVadis Corporate Social Responsibility (CSR) Management System

To further strengthen our governance around sustainability issues, FGV Rubber Industries Sdn. Bhd. has implemented the EcoVadis CSR Management System on a voluntary basis. The system helps companies evaluate and monitor how they are performing across four main themes: Environment, Labour Practices & Human Rights, Fair Business Practices and Sustainable Procurement. Conducting annual assessments will help identify gaps and potential opportunities across our operations to improve performance and reduce costs, besides ensuring we remain compliant with legal requirements. In 2019, based on 2018 data, we achieved a bronze award in the rubber industry and are targeting to achieve a gold award by 2021.

SUSTAINABILITY AWARDS 2018-2019



**World's First Palm-based Commercial-scale Bio-Compressed Natural Gas Plant**

**Winner** of the National Energy Award 2018 - **BioCNG**



**Winner** of the National Energy Award 2019 - **Rural Electrification from Renewable Energy (Biogas) for the Umas Community**



**Runner-up winner** at the ASEAN Energy Awards 2019 - **Rural Electrification Project in Sabah, Umas Biogas Plant**

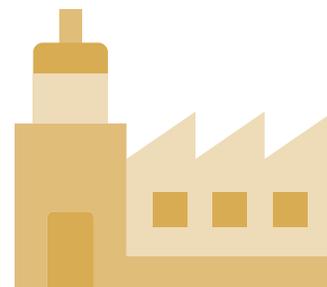
**Umas Biogas Plant - Rural Electrification**

**FGV's Umas Biogas Plant**

won multiple awards in 2019 in recognition of the significant benefits it provides to the local community. Located 55km from Tawau in Sabah, the biogas plant produces biogas, exporting up to **1 MW** to a mini local grid at Gugusan Umas. This is enough to power roughly **3,000 households** and the surrounding facilities such as mosques, schools and local businesses.

**Key benefits include:**

- ✓ Reduction in power generation cost
- ✓ Improvement in quality of life and community health
- ✓ Provision of stable electricity and clean water
- ✓ Supporting the government's push towards clean and renewable energy
- ✓ Supporting Malaysia's pledge to reduce CO<sub>2</sub> emissions by 45% by 2030



## CORPORATE GOVERNANCE

**FGV is committed to practising good corporate governance and adopting best practices to ensure our success and safeguard our businesses. Given the sheer size of our operations, it is important to have strong controls in place to manage all aspects of our business and ensure that our employees feel supported to do the right thing.**

The Board is committed to maintaining a strong corporate governance culture to support the successful execution of FGV's strategy and strengthen trust and confidence among our investors and stakeholders. In this light, we have strengthened our Board and governance structures through the appointment of new members in the leadership team. They are:

|                                                                                                                                          |                                                                                                                      |
|------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| <p><b>Dato' Haris Fadzilah Hassan</b><br/>Group Chief Executive Officer with effect from 23 January 2019.</p>                            | <p><b>Dato' Mohd Hairul Abdul Hamid</b><br/>Group Chief Financial Officer with effect from 2 January 2019</p>        |
| <p><b>Siti Norbaya Mohammad Sarif</b><br/>Chief Human Resources Officer with effect from 14 October 2019</p>                             | <p><b>Dr Christina Ooi Su Siang</b><br/>Chief Procurement Officer with effect from 15 January 2019</p>               |
| <p><b>Salman Ghazali</b><br/>Group Chief Strategy Officer with effect from 13 September 2019</p>                                         | <p><b>Dato' Najmuddin Abdullah</b><br/>Group Chief Strategic Communication Officer with effect from 2 March 2020</p> |
| <p><b>Dato' Khairil Anuar Aziz</b><br/>Group Chief Executive Officer for MSM Malaysia Holdings Berhad with effect from 23 April 2019</p> | <p><b>Affan Mohd Nawi</b><br/>Chief Transformation Officer with effect from 17 September 2019</p>                    |
| <p><b>Wan Norman Nasir</b><br/>Head of Group Governance &amp; Risk Management with effect from 1 May 2019</p>                            | <p><b>Nurul Hasanah Ahamed Hassain Malim</b><br/>Head of Group Sustainability with effect from 1 March 2019</p>      |
| <p><b>Shaharizan Yunus</b><br/>Head of Group Health, Safety &amp; Environment with effect from 15 November 2019</p>                      | <p><b>Nor Marhamah Yahya</b><br/>General Counsel, Group Legal with effect from 1 August 2019</p>                     |

With our new leadership well in place, FGV is confident that the diversity they bring in expertise and experience will create and deliver value and drive FGV forward towards creating a resilient and sustainable business.

FGV's corporate culture is defined through our Constitution, Board Charter, various Business Principles and Code of Business Conduct and Ethics for Employees (CoBCE). We also have a Board Governance & Risk Management Committee (BGRMC) to assist the Board in fulfilling its statutory and fiduciary responsibilities, especially in the areas of governance, risk management and sustainability.

 This section should be read together with the Group's Corporate Governance Overview Statement in FGV's Annual Integrated Report 2019 on pages 82 to 116.

GRI 205-3

## CORPORATE INTEGRITY

FGV is committed to adhering to the highest standards of ethical conduct and integrity in all our business activities. We have in place a number of policies and plans that communicate our principles on bribery, gifting, corruption, code of conduct and integrity, all of which can be found on FGV's website. We continually work to inculcate a culture of integrity through awareness programmes, training workshops and integrity clinics that focus on good governance and anti-corruption.

Our Corruption Risk Management (CRM) system continuously tracks and checks our operations for corruption risks. Our CRM is reviewed twice a year to ensure that it is up to date. In addition, we also conduct Internal Anti-Corruption Audits on specified sites and locations to ensure that we continue to identify potential corruption risks in our operations.

Over the past two years, FGV has been focusing on improving its anti-bribery systems. In August 2018, a new Group Anti-Bribery Policy Statement was published, which communicated our commitment to transparent and ethical conduct and the elimination of solicitation and bribery. We also started aligning our Anti-Bribery Management System (ABMS) with the internationally recognised ISO 37001:2016 standard, which provides guidance to organisations on establishing, implementing, maintaining and enhancing anti-corruption programmes. At FGV, we emphasise three areas: fraud, abuse of power and corruption. We have made sure that all potentially vulnerable areas, from tendering processes to payments to vendors and even the hiring of employees, are now covered by our ABMS.

FGV has identified the companies to be included in CRM risk register preparation for assessment of corruption risks. In 2019, FGV completed 25 CRM risk registers in accordance with the ABMS auditor's scope of certification.

The standard meets the requirements set out in Section 17A of the MACC Act 2009 and the Guidelines on Adequate Procedures which will take effect from 1 June 2020. Early adoption of this standard means that FGV will be ahead of the curve and ready when the new regulations take effect. As a testament to our efforts, FGV received the internationally recognised ISO 37001:2016 certification for its ABMS on 17 December 2019. It was acknowledged as the first plantation company to roll out ABMS across the Group comprehensively.

The performance of our anti-corruption initiatives is reviewed every quarter by our Management, Board Committee and Board. We evaluate the progress and success of our initiatives through a number of channels, including obtaining stakeholder feedback, benchmarking and performance tracking. We pay particular attention to the yearly assessments conducted by corporate governance watchdogs such as the Malaysian Institute of Corporate Governance (MICG) and Minority Shareholders Watch Group (MSWG) and the results of our internal employee surveys, which indicate the level of satisfaction in our anti-bribery initiatives.

Embedding the culture of integrity is a priority and a continuous effort. We take all incidents reported in 2018/2019 very seriously and there are severe consequences for any employees involved in integrity offences. FGV has zero tolerance for fraud, abuse of power and corruption and will continue to embody the principles of the ABMS in our day-to-day activities.

### FGV has established and implemented policies on the following:

- ✓ Anti-Bribery Policy Statement
- ✓ Whistleblowing
- ✓ Referral
- ✓ Asset/Personal Interest Declaration (APID)
- ✓ External Gift, Entertainment and Hospitality (GEH)
- ✓ Conflict of Interest
- ✓ Sponsorship & Donation
- ✓ Management of Classified Documents
- ✓ Code of Business Conduct and Ethics for Employees (CoBCE)

# RESPECTING HUMAN RIGHTS AND UPHOLDING GOOD SOCIAL PRACTICES

GRI 408-1, GRI 409-1

## RESPECTING HUMAN RIGHTS

FGV is fully committed to upholding internationally recognised human rights principles and standards in its operations and subsidiaries. As part of our dedication to upholding social equity to achieve a sustainable and socially equitable palm oil industry, we have been taking steps to entrench human rights throughout our operations, including our supply chain. Our concerted efforts are guided by international human rights instruments as well as the United Nations Guiding Principles on Business and Human Rights (UNGPs).

The Group is committed to ensuring that its operations are free from any form of exploitation, forced and bonded labour, human trafficking, slavery and child labour. Among our key initiatives in this regard are the following:



### Human Rights Policy

FGV's human rights policy and commitment are embedded, and have been strengthened, in the revised Group Sustainability Policy adopted in May 2019. Our commitment to human rights draws on key human rights instruments, including:

|                                                                                                                                                                |                                                                                                                                                  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
|  Convention on the Elimination of All Forms of Discrimination against Women |  Convention on the Rights of the Child                        |
|  Universal Declaration of Human Rights (UDHR)                               |  Relevant International Labour Organization (ILO) conventions |
|  Applicable United Nations core human rights treaties                       |  ILO Declaration on Fundamental Principles and Rights at Work |
|  United Nations Guiding Principles on Business and Human Rights (UNGPs)   |                                                                                                                                                  |

## RESPECTING HUMAN RIGHTS AND UPHOLDING GOOD SOCIAL PRACTICES

Recognising that all human rights are interdependent, interrelated and indivisible, we embrace the following principles:

|                                                                                   |                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | Respecting cultural rights                                                                                                                                                                                                                                                           |
|  | Exercising non-discrimination and promoting gender equality                                                                                                                                                                                                                          |
|  | Promoting the right to an adequate standard of living through enhancing livelihoods                                                                                                                                                                                                  |
|  | Observing the principle of Free, Prior and Informed Consent (FPIC)                                                                                                                                                                                                                   |
|  | Complying with labour standards eliminating any form of: <ul style="list-style-type: none"> <li>• Forced or bonded labour</li> <li>• Human trafficking and modern slavery</li> <li>• Child labour</li> </ul>                                                                         |
|  | Respecting workers' rights to: <ul style="list-style-type: none"> <li>• Freedom of movement</li> <li>• Join and form associations</li> <li>• Collective bargaining</li> <li>• Fair working hours</li> <li>• Decent living conditions</li> <li>• Safe working environments</li> </ul> |

### Grievance Mechanism

Our GSP provides a grievance mechanism accessible to both our internal and external stakeholders to express any grievance without fear of reprisal. The Group has ensured the following channels for the submission of grievances:

- A. Workers are free to express their grievances through the following platforms:
  - i. Complaint boxes
  - ii. Grievance or complaint books
  - iii. Approaching their appointed representatives
  - iv. A grievance hotline
  - v. FGV's whistleblower procedures
- B. External parties may submit any grievance through FGV's general email or directly to FGV's Group Sustainability Division.
- C. FGV is in discussions with independent third-party organisations to strengthen its grievance mechanism. Among the measures being considered are the development of a more robust online grievance management system to provide greater access to any party, especially workers.

## Migrant Workers

### Regularisation of undocumented workers

The situation of undocumented persons in Sabah is not new. The issue is highly complex due to intricate factors stemming from historical, socio-economic, political, cultural and geographical contexts. Undocumented persons working in plantations in Sabah is an industry-wide concern.

FGV invited the undocumented workers of its contractors to join its workforce following a Sabah state government programme in April 2019 that allows such workers to apply for regularisation in Sabah. This was in line with the Group's commitment to phasing out the engagement of labour contractors and to supporting national efforts to eradicate poverty and respect human rights. FGV also facilitated and paid for the applications for the regularisation of these workers. We were committed to completing the regularisation exercise by the end of June 2020. However, due to the COVID-19 pandemic and the MCO, the regularisation programme has been extended with targeted completion by December 2020.

 Please turn to page 79 to read more about the regularisation exercise in RSPO Complaints Panel Directives.

Below is an update on the regularisation exercise:

| Number of applications submitted | Number of workers who have submitted applications for biometric verification | Number of workers who have received passports from the Indonesian or Philippine authorities | Number of workers whose compound fines have been paid |
|----------------------------------|------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|-------------------------------------------------------|
| <b>6,158</b>                     | <b>3,458</b>                                                                 | <b>5,211</b>                                                                                | <b>1,044</b>                                          |

RESPECTING HUMAN RIGHTS  
AND UPHOLDING GOOD SOCIAL PRACTICES

FGV met its target of completing the registration of all previously undocumented workers in Sabah by the end of December 2019.

**Adoption of Social Compliance and Human Rights (SCHR) Action Plan**

As part of FGV’s ongoing collaboration with the Human Rights Commission of Malaysia (SUHAKAM), FGV adopted a Social Compliance and Human Rights (SCHR) Action Plan in 2017 to address and resolve the social compliance and human rights issues of our migrant workers in six areas:

|                          |                             |                              |
|--------------------------|-----------------------------|------------------------------|
| <b>Forced labour</b>     | <b>Employment contracts</b> | <b>Minimum wage</b>          |
| <b>Policy commitment</b> | <b>Housing</b>              | <b>Passport safety boxes</b> |

Our collaboration with SUHAKAM and adoption of the SCHR Action Plan bolstered human rights and sustainability practices within the Group. We were able to establish Group Guidelines and Procedures for the Responsible Recruitment of Foreign Workers and embedded a Human Rights Policy and internal grievance mechanisms in our revised GSP. This was to ensure human rights and social compliance are fully observed and practised across the Group’s operations. FGV will continue its cooperation with SUHAKAM, as the national human rights institution, to carry out audits and verification of the working and living conditions of its workers at its mills and plantations.

## ETHICAL AND RESPONSIBLE RECRUITMENT OF MIGRANT WORKERS

**Guidelines and Procedures for the Responsible Recruitment of Foreign Workers**

As a responsible plantation organisation, FGV strives to be ethical and responsible in its recruitment of migrant workers by observing human rights principles and standards. We strive to ensure that the rights of our employees, including migrant workers, are always respected and fulfilled.

Recognising the vulnerability of migrant workers falling victim to exploitation during the recruitment process, we have taken steps to protect the rights of our migrant workers through the adoption of the Guidelines and Procedures for the Responsible Recruitment of Foreign Workers in June 2019. This document, which is published on our website, provides guidelines for the responsible and ethical recruitment of migrant workers throughout our recruitment process, from pre-employment to employment and post-employment.

To further ensure workers’ rights are respected, we have added the following measures:

|                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• <b>Revised contracts with recruitment agencies</b> – FGV has amended its contracts with recruitment agencies to ensure that migrant workers are not charged any fees throughout the recruitment process to limit the risk of debt bondage.</li> </ul>                                                               | <ul style="list-style-type: none"> <li>• <b>Development of a Communication Pack</b> – FGV has developed a Communication Pack to guide staff so that they understand better the content of their employment contracts which have been translated into their native languages.</li> </ul>                                                                                                                            |
| <ul style="list-style-type: none"> <li>• <b>Revised and translated employment contracts</b> – FGV has reviewed its employment contracts with migrant workers to address the concerns raised by RSPO’s Complaints Panel. Our revised employment contracts have been translated into five languages: English, Indonesian, Bengali, Tamil and Hindi.</li> </ul> | <ul style="list-style-type: none"> <li>• <b>One-stop centres for recruitment</b> – FGV has established one-stop centres where workers undergo orientation programmes, briefings and training. These are in Gemenchah, Negeri Sembilan and Lombok, Indonesia as well as in Chennai and Kolkatta in India. The Group is exploring the possibility of setting up centres in other labour-source countries.</li> </ul> |

## RESPECTING HUMAN RIGHTS AND UPHOLDING GOOD SOCIAL PRACTICES

FGV is currently conducting a socialisation programme to raise awareness on its revised GSP, Suppliers Code of Conduct (SCOC), Guidelines and Procedures for the Responsible Recruitment of Foreign Workers and other relevant codes and procedures. The programme comprises a series of engagement sessions involving various stakeholders, including mills, estates, suppliers and contractors, to ensure their compliance with FGV's principles and standards. The socialisation programme started in July 2019 and is expected to be completed by June 2020.

### Strategic Alliances and Partnerships

#### Collaboration with International Organization for Migration (IOM) and Earthworm Foundation (EF)

FGV has also participated in a one-year joint labour supply chain mapping project organised by the International Organization for Migration (IOM) and the Earthworm Foundation (EF). Launched in April 2019, the scope of the project includes reviewing processes and procedures for the recruitment of migrant workers to identify any gaps and propose initial recommendations. The participation of FGV will align its practices with international standards.

#### Affiliation to Fair Labor Association (FLA)

As part of FGV's commitment and long-term endeavour to respect human rights and enhance its labour practices, FGV, with the support of the Procter & Gamble Company, became a Participating Company of the Fair Labor Association (FLA) in October 2019. The FLA is an international association of socially responsible companies, universities and civil society organisations aiming to promote and protect the human rights of workers and improve working conditions worldwide. The FLA works together with Participating Companies to develop and enhance internal social compliance systems that identify and remedy labour rights issues. Securing this affiliation to the FLA is part of FGV's efforts to ensure that all our practices are fully in line with international labour standards. It will involve implementing a long-term programme to address and resolve gaps in FGV's labour practices. The scope of this programme covers all aspects of FGV's labour practices such as recruitment procedures, fair wages, placements and onboarding processes, as well as working and living conditions.

Through the FLA affiliation, FGV has developed a comprehensive five-year action plan which will serve as FGV's overarching programme to enhance its labour practices. The action plan is designed to align FGV's commitment and practices on labour with the FLA's Principles of Fair Labor and Responsible Sourcing for Companies with Agricultural Supply Chains (Principles). The Principles are based on international human rights standards and instruments including the International Bill of Human Rights,

as well as the International Labour Organization (ILO) standards, particularly the ILO Declaration on Fundamental Principles and Rights at Work. The Principles also uphold and promote the United Nations Guiding Principles on Business and Human Rights (UNGP) and the OECD-FAO Guidance for Responsible Agricultural Supply Chains.

The action plan includes FGV's commitment to, among others, responsible recruitment of migrant workers, strengthening of grievance mechanisms, regularisation of undocumented migrant workers, improving monitoring systems and remediation and enhancing stakeholder engagement. The programmes and initiatives highlighted in the action plan are also part of FGV's commitment and role in contributing to the fulfilment of the Sustainable Development Goals (SDGs).

The action plan aims to be strategic, long-term and collaborative to enable FGV to proactively address labour issues. In developing the action plan, FGV has engaged in consultation with various external stakeholders, including international and Malaysian-based civil society organisations (CSOs). FGV is committed to continuing engagement with all external stakeholders throughout the process including in the implementation phase of the action plan. The 2020 action plan builds on the initiatives and actions already implemented by FGV in the past years and complements ongoing efforts undertaken by FGV to address labour matters including those raised by the RSPO Complaints Panel as well as by the petitions. In keeping with our commitment to transparency, the Background and Summary of the Action Plan for 2020 was made public on 31 March 2020. The 2020 action plan is deemed to be a living document, which FGV will review and update regularly, in consultation with relevant parties including the FLA.

 <https://www.fgvholdings.com/wp-content/uploads/2020/03/Background-and-Summary-of-FGV-Action-Plan-2020.pdf>

As the affiliation to the FLA is a Group-wide effort, we have also established a Core Team comprising representatives of all the relevant departments and divisions within FGV, who will play an instrumental role in implementing the action plan. The Group Sustainability Division will act as the main coordinator for this purpose. The implementation of FGV's action plan under the FLA affiliation will be monitored and assessed independently by the FLA.

#### Collaboration with Tenaganita

To educate employees, including migrant workers, about their rights, FGV is working closely with the local non-governmental organisation, Tenaganita, to develop a human rights module for onboarding sessions. The objective of the module is to promote greater awareness and understanding of rights among workers.

## RESPECTING HUMAN RIGHTS AND UPHOLDING GOOD SOCIAL PRACTICES

### Workers' Welfare and Human Rights

FGV complies with the Workers' Minimum Standards of Housing and Amenities Act 1990 by providing a basic level of living standards for its workers. This is also in line with the RSPO's initiative for workers' welfare and human rights.

#### Health and Safety Requirements

- Ensuring all workers are given personal protective equipment (PPE).
- Ensuring all Occupational, Safety and Health (OSH)/PPE training materials have been reviewed for completeness, clarity and ease of understanding. The training of workers in the use of PPE and any chemicals must be done in their native languages.
- Ensuring orientation sessions are conducted over two days due to additional communication materials. OSH training is done on-site and comprehensively after the arrival of workers as part of their field training.
- Ensuring one to three months of field training depending on job scopes.

#### Pay and Working Conditions

- **Wages and Deductions; Wages and Productivity; Migrant Workers**
  - Employment contracts have been reviewed together with all practices/processes/policies/procedures relating to wages/deductions and working/living conditions for all workers.
  - Ensuring non-discriminatory practices, decent living conditions, payslips for workers, RM4 subsidies for water usage per worker, RM6 subsidies for electricity per worker and RM200 for necessities for every new worker.
  - Appointing external consultants to develop a special labour policy.
- **Insurance and Medical Assistance**
  - Ensuring all terms & benefits, communication and training have been translated into the relevant national languages of all workers.
  - Ensuring that transport to the nearest medical facilities is provided if an estate does not have a clinic.

#### Protection of Whistleblowers and Complainants

- Embedding internal grievance mechanisms in the GSP.

#### Passports

- Ensuring all passports are kept by the workers themselves.
- Providing passport safety boxes and ensuring the keys are kept by the workers in all estates in Malaysia.

### Establishment of Community Learning Centres (CLCs)

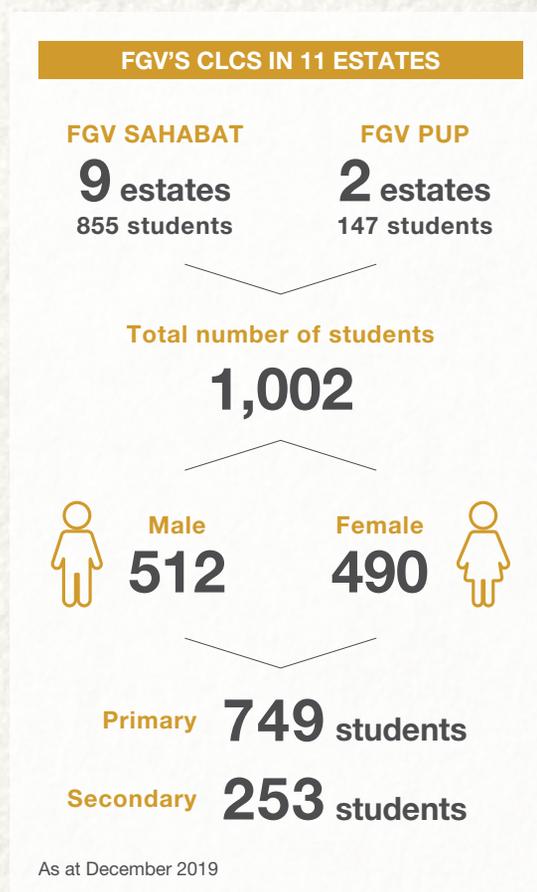
In recognition of every individual's right to education as stated in Article 26 of the Universal Declaration of Human Rights (UDHR), FGV has established 11 Community Learning Centres (CLCs) to provide education to children of plantation workers in Sabah, as these children were not enrolled in formal education.

The CLCs are a joint effort between the Government of Malaysia and the Government of Indonesia. The CLCs in Sabah are recognised by the Government of Malaysia and they comply with rules and guidelines provided by the Malaysian Ministry of Education.

FGV's CLCs are registered with the Sabah State Education Department and provided with basic facilities for learning and teaching such as desks, chairs and blackboards. The centres are also equipped with basic amenities such as electricity, water, toilets and teachers' rooms. In addition, we ensure proper accommodation for the teachers, while workers who are trained as local teachers or teaching assistants are paid local minimum wages.

While the teachers are fully qualified and are from Malaysia and Indonesia, the educational syllabus is based on the Indonesian curriculum with a subject on Malaysian culture.

As of December 2019, 1,002 children located in FGV Sahabat and FGV PUP estates are studying in the CLCs. FGV is currently collaborating with the Indonesian Consulate to establish four more CLCs in Sabah.



### Right to Adequate Housing

FGV, being a responsible company, has allocated RM349.5 million to provide adequate housing for its workers. This fund will be used for constructing new houses and refurbishing existing houses that need to comply with current requirements.

As at end-2019, we completed 319 out of 435 blocks of workers' housing as listed below:

1. **Peninsular Malaysia** – of the 126 blocks of accommodation to be constructed, 45 have been completed and the rest have been brought forward.
2. **Sabah** – of the 302 blocks of accommodation to be constructed, 274 have been completed and the rest have been brought forward.
3. **Sarawak** – seven blocks of accommodation have been constructed in end-January 2020.

The construction of the workers' housing was, however, affected by the COVID-19 pandemic and the MCO imposed by the government. Thus, FGV has requested an extension of the completion of the project from the RSPO Complaints Panel.

### PETITIONS

FGV acknowledges the concerns raised by some parties regarding alleged gaps in its labour practices, which have also been referred to in two petitions submitted to the US Customs and Border Protection (CBP) in June 2019 and August 2019, respectively. FGV has issued statements and appointed a US-based legal firm to address this. To date, the legal firm has made five submissions to the CBP on FGV's behalf. At the same time, FGV has taken steps to improve its labour practices and engage with the relevant stakeholders. Between November 2019 and February 2020, FGV has also engaged with the three international NGOs that filed the petition with the CBP.

GRI 103-1/2/3, GRI 401-2

## EMPLOYEES

**At FGV, we live up to our P.R.I.D.E values of upholding respect for all our 48,178 employees including migrant workers. We embed the culture of respecting one another in the organisation to inculcate a sense of belonging to create a harmonious work environment. To encourage a high-performance culture, we strive together as a family with our estate and migrant workers, who are the pulse of FGV’s operations, to achieve our aspirations.**

FGV’s employees are our most precious asset in ensuring our business sustainability and long-term growth. We continually invest in the development of our people to ensure a highly engaged and well-equipped workforce, while providing a safe working environment.

FGV continues to inculcate a strong work culture and promote wellness among our employees. To further ensure they are professionally developed and entrenched with the right qualities and competencies, we rolled out a new performance framework in 2020 that is designed to develop a high-performance culture.

**FGV cares for its employees and offers benefits beyond the monthly wages.**

Some of the benefits our employees enjoy include\*:

|                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
|  <p><b>Healthcare for employees and dependents – child delivery cost (up to five children), health screening (maximum of RM800)</b></p>                                                             |  <p><b>Group Term Life (24 months of basic salary) and Group Personal Accident (36 months of basic salary) insurance coverage</b></p>                                                                                                                                            |                                                                                                                       |
|  <p><b>Parental Leave:</b><br/><b>Maternity Leave</b><br/>(a cumulative total of 360 days throughout employee’s service with FGV Group)<br/><b>Paternity Leave</b><br/>(three consecutive days)</p> |  <p><b>Others – annual leave, medical leave, prolonged illness leave, paid Hajj leave, compassionate leave, examination leave, other leave, parking subsidy, living allowance, mobile phone device and usage subsidies, long service award and professional membership fee</b></p> |                                                                                                                       |
|  <p><b>Retirement Provision</b></p>                                                                                                                                                                 |  <p><b>Long-Term Incentive Plan (LTIP)</b></p>                                                                                                                                                                                                                                     |  <p><b>Performance Bonus</b></p> |

\* Benefits provided are for full-time employees in Malaysia only and do not include temporary or part-time employees

GRI 102-10

## Employee Engagement

### Human Resource Communications & Employee Engagement

A highly engaged workforce will increase productivity and ensure employee satisfaction, thus contributing to the sustainable growth of FGV in the long term. In 2019, our Group Human Capital (GHC) rolled out several initiatives to gather employees' feedback and increase employee engagement. Initiatives included knowledge-sharing sessions among our employees, creating awareness on the importance of financial literacy and conducting surveys to obtain employees' feedback.

GHC's employee engagement programme from May to October 2019:

|                                         |                                                                                                                                                                                                                                                                                                                                       |
|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Introducing GHC Suggestion Box</b>   | Suggestion boxes have been placed in common areas in Wisma FGV to allow employees to provide feedback or express their complaints, grievances or opinions about FGV or Wisma FGV.                                                                                                                                                     |
| <b>Focus Group Discussions</b>          | Nine discussions were held with 128 employees, who took part in the Group's culture survey, to better understand FGV's culture and identify ways to improve it.                                                                                                                                                                       |
| <b>Knowledge-Sharing Sessions</b>       | Monthly sessions were organised in all our Group companies and Corporate Centre Divisions, with the aim of inculcating a high-performance culture by creating a platform for FGV employees who are passionate about their work to share their knowledge.                                                                              |
| <b>Opening of Wisma FGV Taska</b>       | FGV launched a day-care centre on 23 August 2019 to enable employees with young children to leave them at the Taska and come to work with ease of mind, knowing that their children are safe and in the same building. The centre can accommodate up to 61 children and is supported by 11 teachers and two administrative employees. |
| <b>Financial Wellness Day</b>           | The Financial Wellness 101 programme, which featured three talks on financial planning, was held on 4 October 2019 to increase financial literacy among our employees.                                                                                                                                                                |
| <b>GHC Customer Satisfaction Survey</b> | GHC conducted a customer satisfaction survey from 14 to 18 October 2019 to gather feedback from employees on human resource services by GHC.                                                                                                                                                                                          |

### Culture

Several programmes were held throughout 2019 to improve and embed FGV's work culture and core values in employees. The programmes were:

|                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Bring a Plant to Work Day</b></p> <p>FGV employees brought a plant each to work at Wisma FGV on 18 March 2019 to make their office a greener workplace with cleaner air.</p>                                                                                                                                                                                                                                                    | <p><b>Culture Survey</b></p> <p>An online survey was conducted from 29 April to 12 May to gather employees' feedback on our current work culture. Of the <b>5,394 employees</b> who had email access, close to 45% took part in the survey.</p>                                                                                                                                                                                                                                                                                                                             |
| <p><b>FGV Care Box</b></p> <p>Launched in August 2019, this programme, organised by FGV's Culture &amp; Well-Being Unit, encourages employees to donate new or used items to the needy. The first donation was to Wisma FGV Taska when employees were asked to contribute pre-loved or new toys and books. The Culture &amp; Well-Being Unit hopes to hold more such programmes to create a sense of partnership among employees.</p> | <p><b>PRIDE Workshops</b></p> <p>A series of two-hour workshops centred on our core values of P.R.I.D.E was attended by <b>371 participants</b> ranging from managers to vice presidents. The workshops, held from 10 to 18 September, increased their understanding of the importance of culture in organisational transformation and explained how FGV's core values are embedded in our Human Resource (HR) developmental and assessment framework. Participants were expected to support all of HR's initiatives and share their knowledge with their subordinates.</p> |

RESPECTING HUMAN RIGHTS  
AND UPHOLDING GOOD SOCIAL PRACTICES

**Wellness**

Employee wellness is vital to the continuity and sustainability of our business operations, as it ultimately enables us to deliver on our business goals and objectives. We constantly promote a healthy work-life balance among our employees through holistic wellness programmes for both physical and mental health. In 2019, we conducted the following wellness programmes with the assistance of our medical insurance provider, ETIQA, and Third Party Administrator, PMCare:

|                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p style="text-align: center;"><b>Health Week</b></p> <p>GHC organised a week-long health campaign to create awareness on non-communicable diseases and promote active lifestyles. Held from 22 to 26 April, the <b>'Let's Get Healthy Week'</b> featured talks on various health topics, free health check-ups, exercise classes and a fitness programme that also raised funds for charity.</p> | <p style="text-align: center;"><b>KL Car Free Morning</b></p> <p><b>More than 60 employees</b> attended FGV's get-together event on 7 July to walk and exercise. The event was organised in support of DBKL's KL Car Free Morning that is held every first and third Sunday of the month.</p>                                                                                                                                                                                                                                                                                                        |
| <p style="text-align: center;"><b>RISE WITH PRIDE – Naik Tangga Programmes</b></p> <p>We encourage employees to use the stairs every day to promote a healthier lifestyle. Further to that, we held a stair-climbing race in August to coincide with the Merdeka celebration month, whereby participants dressed up in patriotic attire and raced up the stairs.</p>                              | <p style="text-align: center;"><b>Merdeka Parade</b></p> <p>A total of <b>16 employees</b> represented FGV in the annual Merdeka Parade at the <b>62<sup>nd</sup> National Day</b> celebrations in Putrajaya.</p>                                                                                                                                                                                                                                                                                                                                                                                    |
| <p style="text-align: center;"><b>Sports and Games</b></p> <p>Various sports events were held throughout the year to foster team spirit and better relationships among our employees, besides promoting a healthy lifestyle. The sports events were futsal, hockey, cycling, bowling, hiking, netball, table tennis and badminton, while the games were darts and carrom.</p>                     | <p style="text-align: center;"><b>Mental Health Awareness</b></p> <p>In support of <b>World Mental Health Day</b> on 10 October, employees were given the opportunity to take the Depression Anxiety Stress Scales (DASS) test. Of the 123 who participated, 2% were found to have an extreme severe level of stress, 11% had an extreme severe level of anxiety and 5% had an extreme severe level of depression. Following the test, a mental wellness talk by a UiTM psychiatrist was held for all employees, including those with high levels of DASS, to better manage their stress levels.</p> |

**Religious & Welfare**

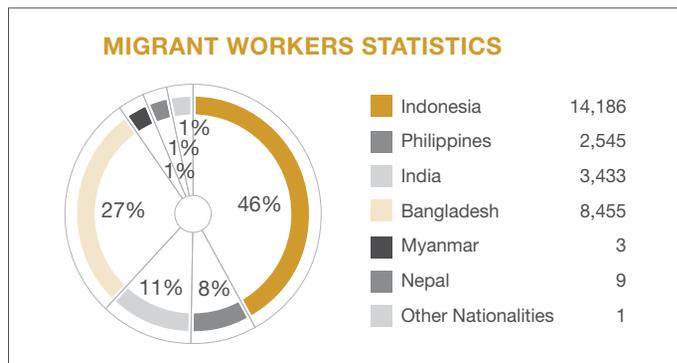
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p style="text-align: center;"><b>FGV Ramadhan 1440H Zakat Contribution Programme</b></p> <p>FGV distributed zakat money to selected groups of asnaf during Ramadhan at seven locations where we operate. The areas were Pasir Gudang, Kuantan, PPTR Tekam, Teloi, Gua Musang and Serting. We also gave contributions to a senior citizen care centre, Pusat Jagaan Nur Hasanah, at Beranang, Selangor and to an orphanage, Pertubuhan Kebajikan Anak Yatim Tasawwur Islam in Perak.</p> | <p style="text-align: center;"><b>World Quran Hour &amp; Official Opening of Surau Wisma FGV</b></p> <p>The official opening of the newly upgraded Surau Wisma FGV was held in conjunction with the World Quran Hour on 30 May. The FGV Surau Committee and GHC also organised Tadarus Al-Quran at the surau, which FGV <b>invested RM500,000</b> in for the upgrade of its facilities.</p> |
| <p style="text-align: center;"><b>Projek Iftar Ramadhan</b></p> <p>FGV organised a round of donations from FGV staff during the fasting month to buy food packs for employees who worked late and faced difficulties with their Iftar. RM9,101 was collected from 6 to 31 May to supply 50 food packs.</p>                                                                                                                                                                               | <p style="text-align: center;"><b>Programme Qurban</b></p> <p>The FGV Qurban Programme was held at Anjung Felda where four cows were sacrificed at the behest of 15 FGV employees, yielding about 420kg of beef. The event was a joint effort with Koperasi Permodalan FELDA, which also sacrificed five cattle.</p>                                                                        |
| <p style="text-align: center;"><b>Pilgrimage Celebration</b></p> <p>A special event was held to honour <b>24 employees</b> who were selected to perform the Hajj pilgrimage in 2019.</p>                                                                                                                                                                                                                                                                                                 | <p style="text-align: center;"><b>Forum Maal Hijrah 1441H</b></p> <p>About 300 employees attended the Forum Maal Hijrah 1441H held in conjunction with the Islamic New Year 1441H. Entitled 'Buku Baru', the event was organised in collaboration with Pusat Pungutan Zakat Majlis Agama Islam Wilayah (PPZ-MAIWP).</p>                                                                     |

## RESPECTING HUMAN RIGHTS AND UPHOLDING GOOD SOCIAL PRACTICES

Beyond its engagement initiatives, GHC also conducted educational and learning programmes to equip leaders with knowledge on people management, domestic inquiry processes and performance management. Further to that, it rolled out a Performance Improvement Plan to improve the performance and work attitudes of selected employees. A total of 159 employees were enrolled in the nine-month programme in 2019, which involved both the employees and their immediate supervisors. In addition, all human resource personnel and supervisors Group-wide attended Effective Feedback and Coaching sessions as well as Performance Management Systems Clinics beginning December 2019. The training is to ensure our supervisors are equipped with coaching skills in managing employees' performance and behaviours.

### Worker Requirements & Unions

Our plantation workers are the pulse of FGV's operations, without whom we would not be able to sustain our business. We fully respect the rights of our plantation workers as our employees. In 2019, FGV hired 31,074 workers, who were mostly from Indonesia, Bangladesh and India, and who formed about 85% of our full worker requirements as at December 2019. Our worker quota for 2019 was approved by the government in April 2019 and was not fully utilised. This meant we had until April 2020 to utilise the remaining quota of 8,408 workers. However, due to disruptions by COVID-19 and the Movement Control Order (MCO), we will be applying for the deadline to be extended.



FGV supports its local workers and regularly engages them through union representatives. Two scheduled meetings are held annually with 15 in-house FGV unions and two national unions. In December 2018, we concluded and signed collective agreements with 16 of these unions for the period 2019-2021. In 2019, we held three meetings to discuss pertinent issues and the welfare of the 6,962 union members, who formed 44.23% of the total FGV workforce.

### Revision of GHC Policies

Our GHC Policies were reviewed in 2019 to ensure that the new provisions were regulatory compliant, besides being reasonable, sound, appropriate and fair to both the Group and its employees. The new policies, which were approved by our Board in December and took effect in January 2020, were reduced from 47 to 24 policies. The Group organised nationwide roadshows and briefings, which were completed in February 2020, to raise awareness on the new policies that cover the following eight categories:

|   |                       |
|---|-----------------------|
| 1 | Employment            |
| 2 | Employment Conditions |

|   |                            |
|---|----------------------------|
| 3 | Salary Administration      |
| 4 | Employment Benefits        |
| 5 | Talent Management          |
| 6 | Performance Management     |
| 7 | Code of Conduct & Practice |
| 8 | Discipline and Grievances  |

GHC will review its policies from time to time based on our employees' feedback and industry best practices to ensure they remain relevant and competitive.

GRI 404-1, 404-2, 404-3

### TALENT MANAGEMENT

Talent management is part of FGV's business strategy to attract and retain the best talent for the Group amid stiff competition in the industry. Besides implementing robust initiatives and programmes in talent development, we are also putting in place a new framework to strengthen our workforce.

The Group will roll out a new performance management framework in 2020 that is designed to develop a high-performance culture to meet the following objectives:

- To raise** both the individual's and organisation's performance
- To promote** two-way communication for clarifying expectations on roles and accountabilities
- To enhance** the capacity and competency of individuals to meet organisational expectations
- To encourage** empowerment, motivation and effective reward mechanisms

Our performance management framework will be integrated with a 'competency' system which uses 1 to 5 scoring to grade competency proficiency levels. Premised on FGV's core values of Partnership, Respect, Integrity, Dynamism and Enthusiasm (P.R.I.D.E), the framework accords a 60% weightage to KPI/target achievement and 40% to competency. This assessment will be extended to all employees across the Group.

### Long-Term Incentive Plan

We continue to implement our Long-Term Incentive Plan (LTIP) to reward, motivate and retain employees as their contributions are deemed vital to our sustainable growth. LTIP is one of FGV's main incentives and is in line with the Group HC's Strategy Framework that aims to create a high-performance workforce. The plan offers

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Performance Shares (PS) and Restricted Shares (RS), with the main difference being the eligibility of employees based on job grades and performance targets. In 2019, 2.67 million Restricted Shares were vested to eligible employees. Vesting of the shares, expected in three years and based on a ratio of 30:30:40, is dependent on the employees' performance levels.

**Nurturing and Retaining Employees**

FGV continues to invest in holistic development and training programmes to ensure a professional and well-developed workforce. We believe it is vital to nurture and retain quality employees as their contributions are crucial to the growth and sustainability of the Group.

FGV's ongoing employee development and training programmes are designed to upskill and enhance employees' productivity. They include leadership development programmes and the First Line Managers programme and offer recognised qualifications such as Executive Master in Management (People Leadership) and Diploma in Management (Front Line Leaders). Top performers are identified for participation in these courses which are conducted by private training vendors in collaboration with tertiary institutions such as Asia e University (AeU) and the Australian Institute of Management (AIM).

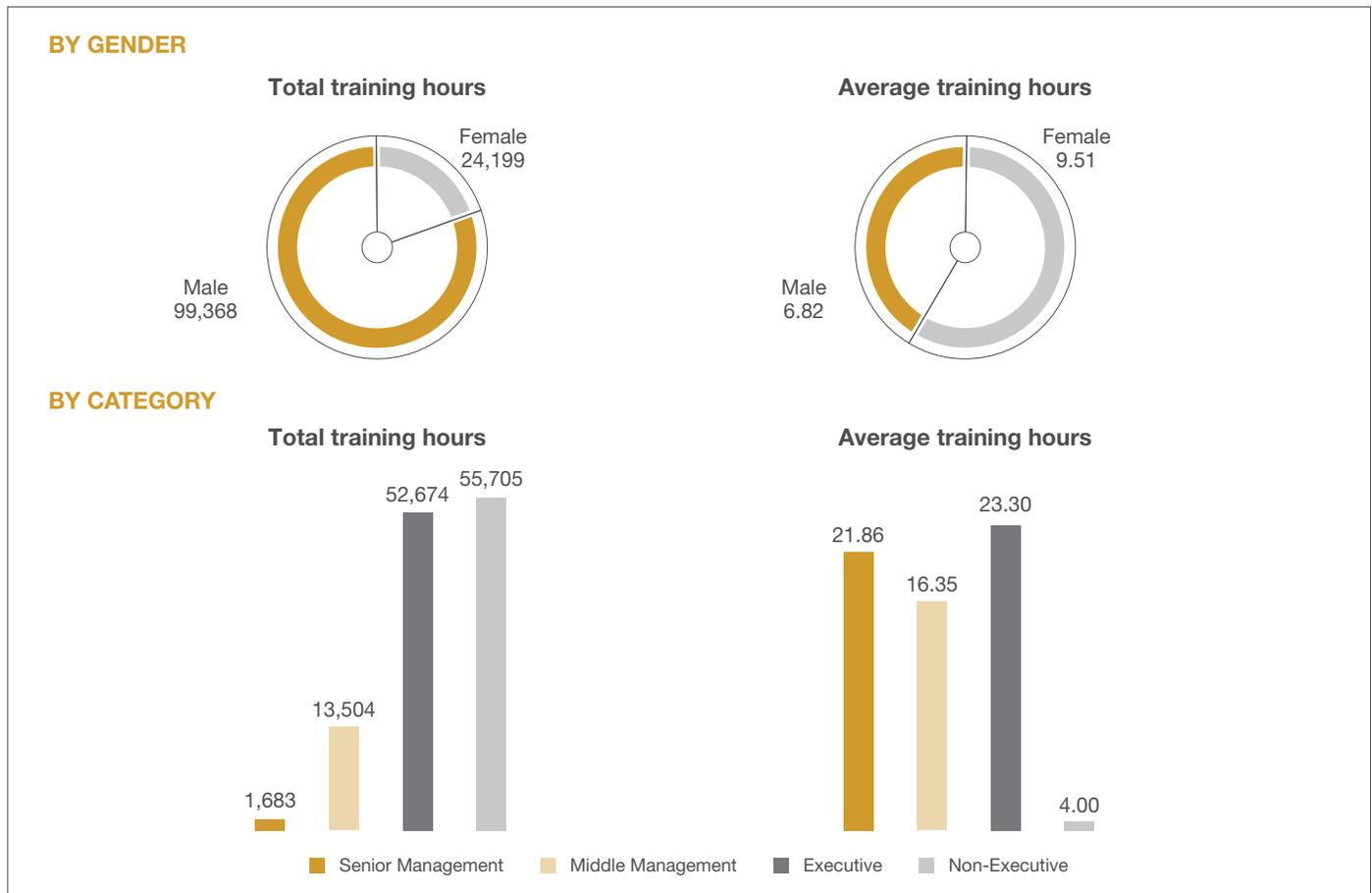
To enhance personnel skill and knowledge, our Sustainability Compliance and Certification Department team has participated in various training and awareness programmes that were conducted internally and externally. Among the programmes were:

- International Sustainability Carbon Certification training in Jakarta
- Malaysian Sustainable Palm Oil and Roundtable on Sustainable Palm Oil Principle and Calibration Workshop
- Human Rights training by SUHAKAM

In 2019, we invested RM3.3 million in various in-house and external training programmes with an estimated 15,517 man-days. The programmes, 74% of which were conducted in-house, covered a wide range of topics that were both technical and competency-based. They included workshops that promoted FGV's core values of P.R.I.D.E.

For estate workers, they undergo on-the-job training for eight hours a day for 26 days for three months. The training include theoretical and practical programmes where they learn about harvesting, weeding, manuring and general maintenance.

**Employee Training Hours**



## RESPECTING HUMAN RIGHTS AND UPHOLDING GOOD SOCIAL PRACTICES

GRI 401-3, GRI 404-3

### EMPLOYEE PERFORMANCE DATA

#### Parental Leave

|              | No. of employees entitled to parental leave | No. of employees who took parental leave | No. of employees who returned to work after parental leave ended | No. of employees who, after returning to work, were still employed 12 months later | Return-to-work rate | Retention rate |
|--------------|---------------------------------------------|------------------------------------------|------------------------------------------------------------------|------------------------------------------------------------------------------------|---------------------|----------------|
| <b>Men</b>   | 11,624                                      | 294                                      | 294                                                              | 285                                                                                | 100%                | 96.94%         |
| <b>Women</b> | 1,969                                       | 127                                      | 127                                                              | 120                                                                                | 100%                | 94.49%         |

#### Percentage of Employees Receiving Regular Performance and Career Development Reviews

##### By Gender

|              | Total No. of employees | No. of employees who received regular performance and career development reviews | Percentage of employees who received performance and career development reviews |
|--------------|------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| <b>Men</b>   | 14,560                 | 9,144                                                                            | 62.80%                                                                          |
| <b>Women</b> | 2,544                  | 1,572                                                                            | 61.79%                                                                          |
| <b>Total</b> | <b>17,104</b>          | <b>10,716</b>                                                                    | <b>62.65%</b>                                                                   |

##### By Category

|                          | Total No. of employees | No. of employees who received regular performance and career development reviews | Percentage of employees who received performance and career development reviews |
|--------------------------|------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| <b>Senior Management</b> | 77                     | 53                                                                               | 68.83%                                                                          |
| <b>Middle Management</b> | 826                    | 559                                                                              | 67.68%                                                                          |
| <b>Executive</b>         | 2,261                  | 1,402                                                                            | 62.01%                                                                          |
| <b>Non-Executive</b>     | 13,940                 | 8,537                                                                            | 61.24%                                                                          |

In 2019, GHC rolled out a Special Mutual Separation Scheme aimed at optimising our workforce, improving efficiency and increasing productivity. This exercise included retrenchment due to divestment of non-core business. As a result, 1,377 employees left the organisation through the scheme. The Group also reduced staff cost by 7.1% in comparison to 2018. In relation to our right-sizing strategy, FGV also takes into consideration the future of employees who retire or are retrenched. To this end, we engaged national financing advisory agency, Agensi Kaunseling dan Pengurusan Kredit (AKPK) for their counselling services to assist employees in transitioning to new career paths upon retirement, retrenchment or termination.

While some highly talented employees were inadvertently lost during the right-sizing process, our goal was to reassess our existing pool of talent and identify employees who needed to be retained, upskilled or reskilled to meet new business needs. We also need to align our KPI settings with specific and measurable performance targets that drive continual improvements.

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**Leadership Programmes**

**FGV's Programmes for Upgrading Employee Skills**

| Leadership Programmes                                                                                                                                                                                                                                                           | Performance Programme                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Young Shapers Programme – To build young talent</li> <li>• Potential Estate Manager – To focus on potential estate managers for plantations</li> <li>• New Mill Engineers – To identify replacements for assistant managers</li> </ul> | <ul style="list-style-type: none"> <li>• Performance Improvement Programme – To rectify and enhance skills in underperforming employees</li> </ul> |

**Scholarships**

Since 2006, FGV has spent RM23.27 million on scholarships for top-performing students to pursue their tertiary education in Malaysia and overseas. This is in sync with the Group's attempts to groom future leaders and nurture potential talents for FGV. Our scholarship programme supports students in their A-level education at Kolej Yayasan UEM. Those who score 2As and 1B are given the opportunity to pursue their university degrees in the United Kingdom. Our scholarship programme currently supports 34 students locally and overseas. 51 recipients have already graduated and are serving the Group.

**Young Shapers Programme**

In May 2019, our Group Human Resource launched a Young Shapers Programme (YSP) to develop a group of potential young talents aged 35 and below. Our programme aims to groom enablers to boost FGV's transformation and create a culture of performance excellence.

Besides equipping candidates with practical knowledge of project management, the programme seeks to enhance their leadership skills in project management and help them cultivate strategic thinking abilities and business acumen to produce game-changing business improvements at FGV.

To date, 36 Shapers have been groomed. They were trained in five modules with guidance provided by the Group's Senior Management. The participants also acquired indirect skills such as business communication skills. 15 Shapers have even been awarded scholarships to pursue e-MBAs at Asia Metropolitan University. Vindicated by its maiden success, FGV plans to organise YSP again in 2020.

**RM23.27 million**  
on scholarships for education in Malaysia and overseas

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**YSP**  
**36 Shapers**  
have been groomed

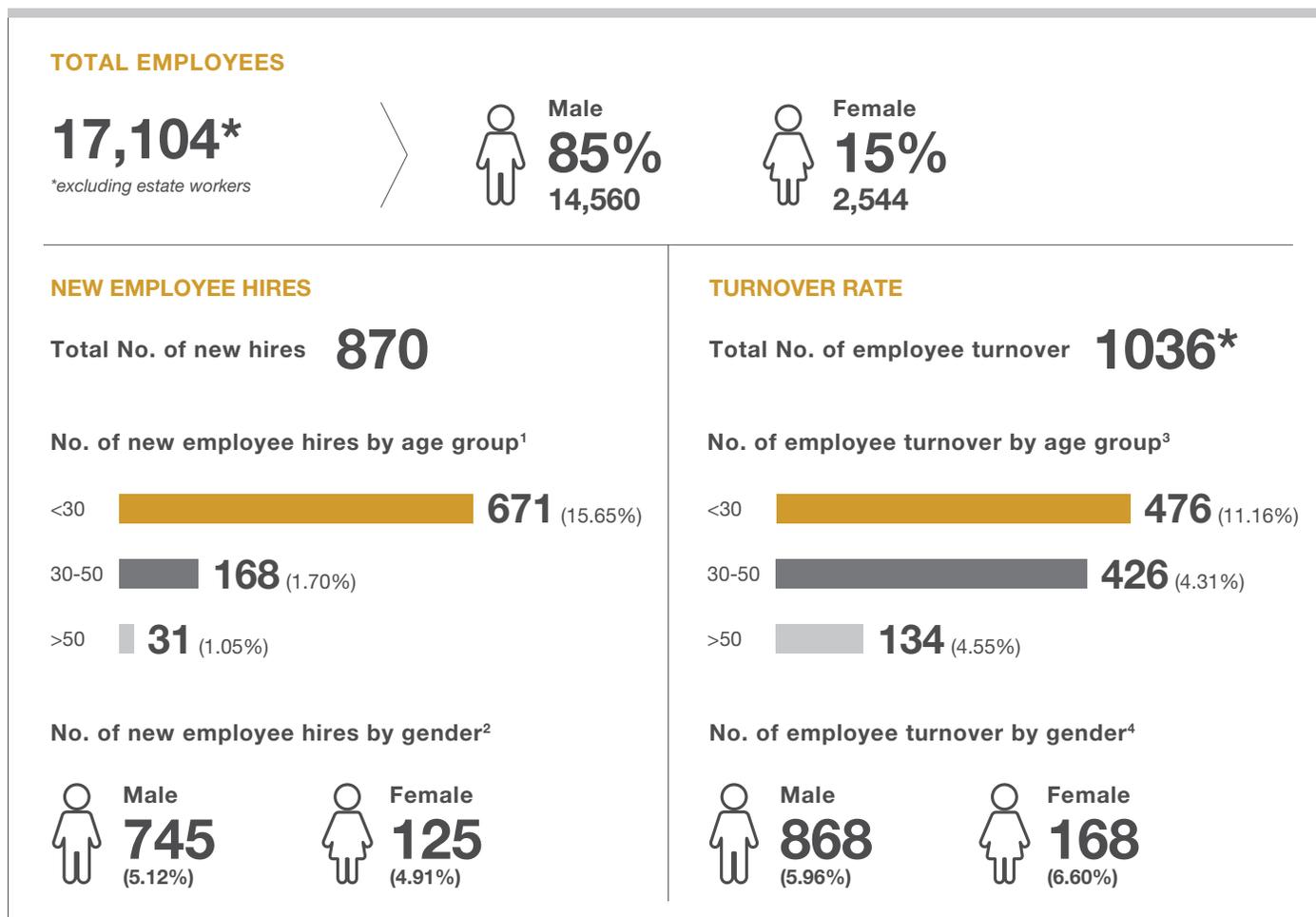
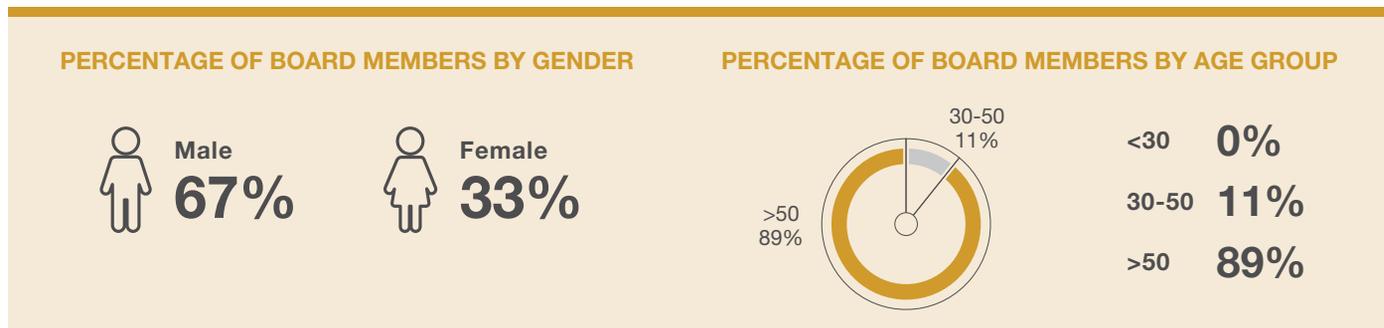
**15 Shapers**  
have even been awarded scholarships

GRI 103-1/2/3, GRI 405-1

## Our Diverse Workforce

As a multinational organisation, FGV embraces diversity. We are committed to providing equal opportunity in recruitment and career growth regardless of race, culture, nationality, age and gender.

### FGV's Workforce Profile



\* excluding retirement & contract expiry.

<sup>1</sup> Rate of new employee hire by age group is the percentage of new employee hire by age group over the total number of employees in the respective age group.

<sup>2</sup> Rate of new employee hire by gender is the percentage of new employee hire by gender over the total number of employees in the respective gender category.

<sup>3</sup> Rate of employee turnover by age group is the percentage of employee turnover by age group over the total number of employees in the respective age group.

<sup>4</sup> Rate of employee turnover by gender is the percentage of employee turnover by gender over the total number of employees in the respective gender category.

RESPECTING HUMAN RIGHTS  
AND UPHOLDING GOOD SOCIAL PRACTICES

**Gender Diversity and Equality**

Employee distribution by gender, age group and ethnic group according to position in 2019

|                  | Senior Management | Middle Management | Executive | Non-Executive | Total         |
|------------------|-------------------|-------------------|-----------|---------------|---------------|
| <b>Gender</b>    |                   |                   |           |               |               |
| Male             | 65                | 699               | 1,567     | 12,229        | <b>14,560</b> |
| Female           | 12                | 127               | 694       | 1,711         | <b>2,544</b>  |
| <b>Age Group</b> |                   |                   |           |               |               |
| <30              | 0                 | 11                | 583       | 3,692         | <b>4,286</b>  |
| 30-50            | 45                | 604               | 1,345     | 7,882         | <b>9,876</b>  |
| >50              | 32                | 211               | 333       | 2,366         | <b>2,942</b>  |
| <b>Ethnicity</b> |                   |                   |           |               |               |
| Bumiputera       | 67                | 709               | 1,984     | 12,236        | <b>14,996</b> |
| Chinese          | 6                 | 40                | 57        | 77            | <b>180</b>    |
| Indian           | 2                 | 19                | 34        | 82            | <b>137</b>    |
| Others           | 0                 | 1                 | 10        | 142           | <b>153</b>    |
| Sabahan          | 2                 | 53                | 152       | 1,261         | <b>1,468</b>  |
| Sarawakian       | 0                 | 4                 | 24        | 142           | <b>170</b>    |

**Employees by employment contract, gender and region**

**Total: 48,178\***

| GHC                                                 | Gender        |               | Region (Workplace Location) |               |               |              |
|-----------------------------------------------------|---------------|---------------|-----------------------------|---------------|---------------|--------------|
|                                                     | Male          | Female        | Peninsular Malaysia         | Sabah/Sarawak | Indonesia     | Global       |
| <b>Permanent Employees</b>                          | 1,236         | 510           | 1,231                       | 220           | 257           | 38           |
| <b>Contract Employees including Migrant Workers</b> | 30,748        | 15,684        | 18,726                      | 12,392        | 12,340        | 2,974        |
| <b>Total</b>                                        | <b>31,984</b> | <b>16,194</b> | <b>19,957</b>               | <b>12,612</b> | <b>12,597</b> | <b>3,012</b> |

\* All FGV employees and migrant workers are on full-time employment basis

RESPECTING HUMAN RIGHTS  
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GRI 103-1/2/3, GRI 403-9, GRI 403-10

**OCCUPATIONAL SAFETY AND HEALTH**

Protecting our most important asset is a priority in FGV. We strive to safeguard our people through training and education to maintain a healthy and resilient workforce.

As a plantation company, we take the health and safety of our workers seriously, particularly in the estates and mills. Besides complying with health and safety regulations and laws, we constantly raise awareness through programmes and workshops on safety precautions among our employees and workers to drive into them the pivotal role of safe practices at the workplace. Our initiatives include providing incentives to our key stakeholders such as plantation workers, third party suppliers and contractors across the Group to take part in customised training programmes.

To ensure a safe and conducive working environment, we have proactively implemented a range of preventive measures. Workers are required to undergo training modules on general health and safety, hazards at the workplace and personal protective equipment (PPE), as well as other instructions specific to their functions. All communications and training are held in the native languages of our workers to ensure their comprehensive understanding of safe practices at work.

To achieve our Occupational Safety and Health (OSH) aspirations, FGV has adopted the government’s OSH Master Plan 2020 launched on 1 May 2017. This master plan is expected to reduce the rates

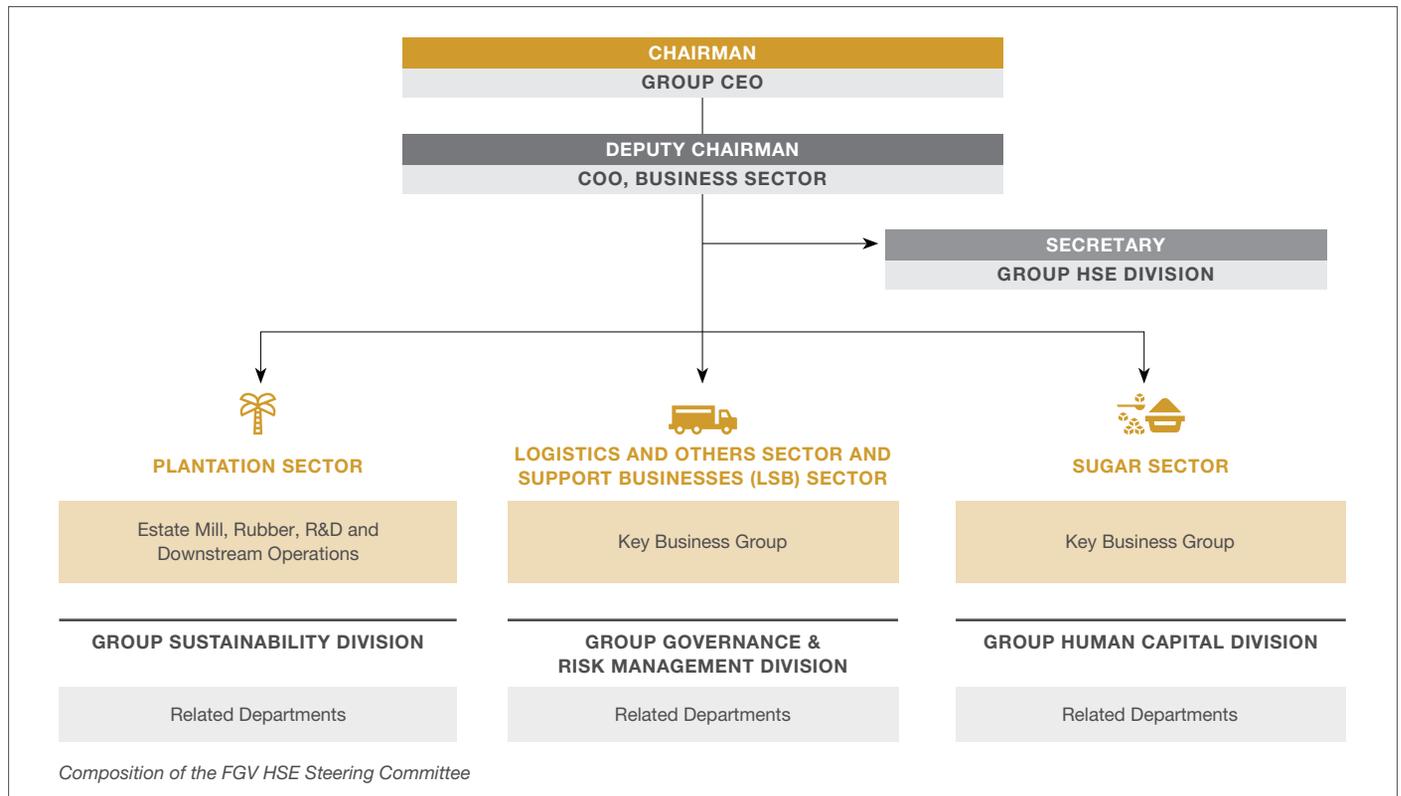
of occupational accidents and diseases, eventually helping to raise the quality of life for people in Malaysia. We have also embraced the World OSH Vision Zero mandate, which is a transformational approach to prevention that integrates the three dimensions of safety, health and well-being at all levels of work.

FGV’s OSH is managed by our Group Health, Safety and Environment (HSE) Division, established in 2009. The division strives to reduce the number of incidents and workers’ exposure to occupational, safety and health hazards within the Group. Over the years, the Group HSE Division has bolstered and aligned FGV with the best of industry practices.

**OSH Governance Structure, Policy and Targets**

FGV’s commitment to health and safety across the Group is guided by a holistic and robust framework at all levels of the organisation, from top management to operational levels. This is to ensure a safe and healthy working environment, upwards and downwards, within the Group.

Our Group HSE Steering Committee is chaired by our Group Chief Executive Officer (GCEO) and made up of representatives from our various business sectors and respective heads of business units. The Group HSE Division serves as the Committee Secretariat. The HSE Steering Committee meets at specific intervals to review the Group’s HSE performance and all HSE matters arising.



## RESPECTING HUMAN RIGHTS AND UPHOLDING GOOD SOCIAL PRACTICES

Besides gathering feedback to facilitate cross-sector initiatives, the HSE Steering Committee is responsible for navigating and supporting the Group in OSH matters. It also assists the Group HSE in monitoring the Group's overall HSE performance, developing strategies and bolstering the efforts of subsidiary companies to implement HSE programmes to enhance the Group's performance. We ensure that our subsidiaries have each established a Safety and Health Committee to oversee their respective OSH matters. To comply with the Occupational Safety and Health Act 1994, every health and safety committee in our Group must comprise 40 or more employees, with two or four representatives each from employees and management.

### Procedures for Reporting an Accident/Incident

FGV has put in place proper procedures for the reporting of an accident/incident at the workplace to ensure every incident is reported and recorded. We categorise accidents/incidents into:



In the event of an accident/incident that requires an internal report, the injured employee, if possible, is required to report the details of the incident to the respective department head and the HSE team as soon as possible. If the employee is not capable of reporting the incident, any other employee who first learns about the incident is responsible for reporting it to the respective HSE team, i.e. SHO, within company. The HSE team will record the details of the accident/incident in the company's accident register and determine whether the incident requires an external report.

An accident/incident requires an external report if it involves a fatality, requires more than four days of medical leave, is a dangerous occurrence or involves occupational poisoning and disease. Any fatality is reported to the police and if a fatality is due to electrical injuries, it will be reported to the Energy Commission. If an incident involves a big fire, it will be reported to the Fire and Rescue Department of Malaysia. An annual record of accidents is submitted to the HSE Management Committee by 31 January each year.

All incidents are investigated by the HSE team to prevent losses and accidents from recurring, besides ensuring compliance with regulatory laws. For incidents that involve death, an investigation will be carried out as soon as the accident is reported to the Group HSE Division and the investigation must be concluded in 14 days. The investigating team will analyse the cause of the accident and will seek the views of a third party or an expert if needed. Following the investigation, a meeting will be held to discuss the outcome of the investigation and ensure the responsible party implements the preventive measures that have been approved in the meeting. The report of every accident is also tabled during the HSE meetings at company level and FGV HSE Steering Committee meetings.

### Audits

Our OSH framework advocates prevention. We carry out four types of health and safety audits throughout the year in all our business operations and workplaces:

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

Our operational OSH audits are conducted in three tiers: 1, 2 and 3.

## RESPECTING HUMAN RIGHTS AND UPHOLDING GOOD SOCIAL PRACTICES

We rolled out Tier 1 audits in 2016, which involved high-level Group OSH champions to demonstrate top management’s commitment as well as to connect with ground-level operations. These were mostly members of the Group HSE Steering Committee. Tier 1 audits are designed to assess the strength of OSH leadership at worksites. Thirteen Tier 1 audits were carried out at various locations throughout 2018 and 2019.

Tier 2 audits are conducted by the Group HSE Department, which assesses the whole organisation’s safety including occupational health and industrial hygiene protocol assessments that cover systemic challenges, awareness levels, training requirements, ground engagement and other OSH-related matters. In 2019, we continued to implement and improve Tier 2 audits by enabling Safety and Health Officers (SHOs) to conduct Tier 2 audits at their respective worksites. The intent was to maximise the audit coverage and to harness collective action in addressing workplace compliance.

Moving forward, we are reviewing the operational OSH audit on ways to provide a structured and focused approach with a view to cultivating safety culture, which we will roll out in 2020.

| Operational OSH Audit | Conducted by                                         | 2018 | 2019 |
|-----------------------|------------------------------------------------------|------|------|
| Tier 1 Audit          | Senior Management                                    | 9    | 4    |
| Tier 2 Audit          | Corporate HSE/<br>Group’s Safety and Health Officers | 18   | 790* |

\* Audits carried out in 2018 were by GHSE. The sharp increase in 2019 was due to the implementation of Tier 2 audits conducted by SHOs based on a checklist provided by GHSE.

During Tier 3 audits, Safety and Health Committees are obliged to inspect their respective worksites in accordance with the Occupational Safety and Health (Safety and Health Committee) Regulations 1996.

### HSE Management System

Following FGV Palm Industries Sdn. Bhd.’s and FGV Holdings Berhad’s voluntary withdrawal from HSE management system-related certificates in 2019, to date, we have maintained 22 work premises for OHSAS 18001:2007 and 12 work premises for ISO 14001:2015 as depicted in the table below. In 2019,

FGV’s subsidiary, FGV Kernel Products Sdn. Bhd., successfully obtained ISO 45001:2018 certification, and was the first company within the Group to do so.

ISO 45001:2018 is the new ISO standard for occupational health and safety (OH&S), replacing the former OHSAS 18001:2007. Moving forward, the remaining 22 work premises are expected to migrate from OHSAS 18001:2007 to ISO 45001:2018 by the end of 2021.

### Number of FGV work premises with HSE-MS certification

| HSE Management System-related certifications | 2018 | 2019* |
|----------------------------------------------|------|-------|
| OHSAS 18001:2007                             | 93   | 22    |
| ISO 14001:2015                               | 80   | 12    |
| ISO 45001:2018                               | -    | 4     |

\* The reduced number of certifications was due to the voluntary withdrawal from HSE management system-related certificates, with the aim of focusing on RSPO and mandatory MSPO certification.

### Providing a Healthy and Safe Environment for our Employees

We recognise that it is the right of every employee and worker in FGV to go to work and return home safely to their families. We believe no life is expendable and everyone is equally valuable and an asset to the Group. Maintaining a safe and healthy environment remains FGV’s top priority, where more than 60% of our workforce are in labour-intensive roles. We do not compromise on their health and safety as we benchmark our safety practices against the industry’s best as well as international standards.

FGV runs various promotional programmes to further engage its employees and stakeholders on workplace safety and occupational health, with a view to cultivating a better safety culture. Among the highlights were the World OSH Day, Near Misses & Safety Observation Campaign (NeMSO), PATUH PPE Campaign and a variety of Safety Awareness Campaigns Group-wide. Apart from that, we have also embraced the World OSH Vision Zero based on the belief that all incidents arising from work are preventable, where our employees and contractors are encouraged to report and react to all near misses and safety observations (unsafe acts and unsafe conditions).

RESPECTING HUMAN RIGHTS  
AND UPHOLDING GOOD SOCIAL PRACTICES

Our ongoing efforts thus far are illustrated below:



## RESPECTING HUMAN RIGHTS AND UPHOLDING GOOD SOCIAL PRACTICES

### • **President's Award for Safety**

The President's Award for Safety is an annual competition among FGV Group companies which began in 2017, aimed at highlighting safety as everyone's responsibility. The programme is a part of our efforts to develop an HSE-centric culture via empowerment, engagement and knowledge-sharing of safety best practices. It is also to demonstrate visible championship of HSE by top management at the respective worksites. The awards are given as recognition of Best Safety Project and Best Safety and Health Committee at the workplace.

### • **Disaster Simulation & Emergency Response Exercise, Bandar Sahabat (FGV DSEREX'18)**

The aims of this exercise were to develop the readiness and competencies of our Emergency Response Team (ERT) in Bandar Sahabat operations as well as the Bandar Sahabat community to manage disasters and emergencies prior to the arrival of the local emergency service agencies. As part of our key intervention programme, it helped to increase awareness among employees on the importance of disaster preparedness, plans and responses, thus enhancing the capability of the ERT. The exercise focused on FGV Plantation Industries' Independent Power Producer (IPP) biomass plant and involved ERTs from FGV and the FELDA Group at Bandar Sahabat, as well as emergency service agencies.

### • **FGV's World OSH Day 2018 (WOD 2018)**

FGV hosted its fourth WOD in 2018 (WOD 2018), in conjunction with the ILO's World Day for Safety, which falls in April every year. This event highlighted safety as a global initiative and placed FGV on par with leading organisations, especially multi-national companies, with regards to emphasis on safety. It was a platform to raise safety consciousness among FGV Group employees. The key highlight of the event was the launch of the FGV Safe 10 Initiatives comprising a list of Dos and Don'ts for employees. The list was collectively developed beforehand within FGV Group companies through employees' participation in the HSE Commandment Contest. This joint effort was aimed at showcasing safety as a core value and a way of life, consequently empowering employee involvement in the safety initiatives programme.

### • **Go Home Safe Initiatives 2019**

Go Home Safe Initiatives demonstrate concerted efforts which uphold the following principles:

- Everyone has the right to go home unharmed
- Everyone has a duty to take care of their own health and safety and of others in their surroundings
- All accidents are preventable.

The first phase of initiatives included a series of programmes, namely the Near Misses and Safety Observation Campaign and PATUH PPE Campaign, followed by the Safety Ambassador Programme. These initiatives were part of the Model Mill and Model Estate safety initiatives which will be replicated in phases throughout the Group. Moving forward, the Go Home Safe Initiatives will be broadened to include the 5Es model of safety in 2020.

### **Health & Safety Statistics for FY2018 & FY2019**

The number of non-permanent disability cases increased slightly from 2018 to 2019, which consequently increased our Lost Time Injury Frequency Rate (LTIFR) from 2.30 to 2.56. However, there was a decrease in our overall severity rate.

| LTI Cases     | 2018*  | 2019   |
|---------------|--------|--------|
| LTIFR         | 2.30   | 2.56   |
| Severity Rate | 168.10 | 123.37 |
| Incident Rate | 5.69   | 6.33   |

\* 2018 LTIFR has been restated to 2.30 from the 3.19 reported in 2018's annual report because:

<sup>1</sup> The total number of LTI cases earlier reported for FY2018 was 301 and led to LTIFR being calculated as 3.19. However, the actual number should have been 297

<sup>2</sup> Four cases were fatality cases and were reclassified as Non-Work-Related. This has been updated with DOSH

<sup>3</sup> A different formula was then used for the calculation of total man-hours

We regret to report that there were four fatalities in 2019 involving an FGV staff, a migrant worker, a contractor and a third-party worker. Although the number has remained the same every year since 2016, the Group endeavours to improve our health and safety practices to strive for a zero-fatality rate.

The most common injury among our employees and migrant workers was getting hit by objects, contributing to most of the high-consequence work-related and recordable injuries. While the number of injuries for employees decreased by 25 incidents from 2018 to 2019, the number of injuries for migrant workers increased by 57 incidents within the same period of time. Apart from one incident of back-pain injury in 2018, our employees also suffered from hearing impairment due to work hazards in both years. However, no data was collected on work-related ill health among migrant workers.

Our work hazards were identified based on Hazard Identification, Risk Assessment and Risk Control (HIRARC), Noise Hazard Identification, Noise Risk Assessment and Noise Mapping.

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The most common hazards identified were noise and vibration from machines as well as human factors such as ergonomics.

FGV has since implemented the Hearing Conservation Programme to minimise the risks of hazards. Besides providing information, training and audiometric testing, the programme ensures a Hearing Protection Zone, personal hearing protectors (PHP) and preventive/scheduled maintenance.

**OSH Performance data\***

| Work-related injuries                  | Total Number |      | Rate |      |
|----------------------------------------|--------------|------|------|------|
|                                        | 2018         | 2019 | 2018 | 2019 |
| <b>Employees</b>                       |              |      |      |      |
| Fatalities                             | 1            | 1    | 0.02 | 0.02 |
| High-consequence work-related injuries | 151          | 126  | 3.22 | 2.95 |
| Recordable work-related injuries       | 152          | 127  | 3.24 | 2.97 |
| <b>Contractors</b>                     |              |      |      |      |
| Fatalities                             | 3            | 3    | 0.04 | 0.03 |
| High-consequence work-related injuries | 142          | 199  | 1.71 | 2.31 |
| Recordable work-related injuries       | 145          | 202  | 1.75 | 2.35 |

| Work-related ill health                           | Total Number       |                    |
|---------------------------------------------------|--------------------|--------------------|
|                                                   | 2018               | 2019               |
| <b>Employees</b>                                  |                    |                    |
| Fatalities as a result of work-related ill health | 0                  | 0                  |
| Recordable work-related ill health                | 28                 | 186                |
| Main types of work-related ill health             | Hearing Impairment | Hearing Impairment |

\* Based on 8 hours worked. Subcontracted workers were excluded from the numbers.

## ENVIRONMENTAL STEWARDSHIP

**FGV is committed to reducing our environmental impact across our value chain. As a business that is highly dependent on natural resources, we are ever more cognisant of the need to protect and conserve the natural environment as well as contribute to climate action. We strive to implement good business practices and initiatives and work with our business partners and suppliers to progressively improve our environmental performance in our supply chain.**

## NO DEFORESTATION, NO PEAT AND NO EXPLOITATION (NDPE) COMMITMENT

**FGV is deeply committed to implementing our No Deforestation, No Peat and No Exploitation (NDPE) Policy and protecting High Carbon Stock (HCS) areas throughout our supply chain. This includes our own operational areas within Malaysia and abroad.**

Our policy adopts the following practices:

1. **No new planting on peatland regardless of depth**
2. **No development in areas of natural forest, high carbon stock (HCS) or high conservation value (HCV)**
3. **No open burning in all our premises**
4. **No use of agrochemicals categorised as World Health Organization Class 1A or 1B or that are listed by the Stockholm or Rotterdam Conventions**

In May 2019, we further enhanced our NDPE policy to cover matters pertaining to social equity, rights of local people and workers' rights. We also continue to uphold our commitment to restore peatlands that were previously developed without causing social conflict and to cease all new developments on peatland.

In January 2018, a stop work order for Asian Plantations Limited was issued with regards to development in a potential HCS area.

A third-party HCS assessor was hired to assess the land and it was discovered that there were some pockets of HCS forest in the area that was originally proposed for new planting. As such, the stop work order remains in force and there has been no new planting.

In July 2018, an appeal was received by RSPO Indonesia from the local community requesting for the Plasma Transmigration Programme (PTP) to continue at our PT TAA and PT Citra Niaga Perkasa (PT CNP) plantations. The PTP is a smallholder

cooperative scheme developed by the Indonesian government in 1987 that mandates that at least 20% of newly planted areas be reserved for smallholders.

Following consultations with RSPO and the Head of the Regency, FGV has committed to developing an action plan to manage this issue and comply with Indonesian law to allow the development of the respective lands and honour the agreement with the local communities. As of December 2019, we have 2,568 smallholders taking part in this programme and a total planted area of over 1,565 Ha under Plasma.

| Plasma Programme              | PT CNP | PT TAA | Total |
|-------------------------------|--------|--------|-------|
| Planted area (Ha)             | 1,006  | 559    | 1,565 |
| Number of Plasma smallholders | 1,688  | 880    | 2,568 |

In our previous report, we highlighted an issue that occurred on 24 August 2017 that alleged that PT Temila Agro Abadi (PT TAA) had cleared natural peat forest. While this was found to be untrue after engaging a third-party assessor to verify the complaint, we have continued to liaise with all relevant stakeholders on the matter. On 19 October 2019, the RSPO Complaints Panel (CP) finally delivered its decision on this issue and has directed FGV to undertake the following:

1. Carry out a new soil survey by an external expert, upon approval and confirmation by the CP, to verify the actual area and boundary of peat within PT TAA's area.
2. Provide necessary updates to the local communities on the process and mitigation plan.

## ENVIRONMENTAL STEWARDSHIP

FGV is keen to carry out these directives to gain a clear picture of the presence of peat soil in the region. We have provided details of the planned soil survey to the RSPO CP in a letter dated 28 November 2019, and are currently awaiting approval from RSPO to undertake the soil survey. In addition, due to the challenging environment presented by the COVID-19 pandemic, we have requested a six-month extension to comply with the RSPO CP's directives. However, we remain committed to implementing all the directives and upholding our NDPE and HCV policies.

FGV uses the Global Forest Watch (GFW) Pro platform to trace and monitor deforestation activities around our operations. This platform is an open-source web application that monitors global deforestation rates in near real-time and is able to detect illegal land-clearing activities that encroach into protected areas. If the platform identifies any deforestation activity, we verify if any of our suppliers are associated with it and if they are found to be involved, they will be subjected to our Supplier Delinquency Guideline which may lead to their removal from our supply chain. So far, we have identified one supplier that has been involved in illegal deforestation activities and it has subsequently been removed from our supply chain following efforts by FGV to engage with it. We have communicated the use of this platform to all our top suppliers, along with our revised GSP and NDPE commitments, and have measured their sustainability risk levels using the platform as well.

GRI 103-1/2/3, GRI 304-1, GRI 304-4

## BIODIVERSITY

**Biodiversity is at the heart of FGV's operations. It is our policy not to develop HCV areas or any environmentally sensitive areas such as primary forests and peatlands. We are also committed to conserving and protecting the natural ecosystem and habitats of endangered, rare and threatened species.**

FGV gives priority to conserving biodiversity, especially when many of our plantations are close to natural forest reserves that are home to endangered, rare and threatened species. We have pledged to undertake conservation initiatives to preserve the pristine environment of these areas while reducing our impact on biodiversity as much as possible. These include:

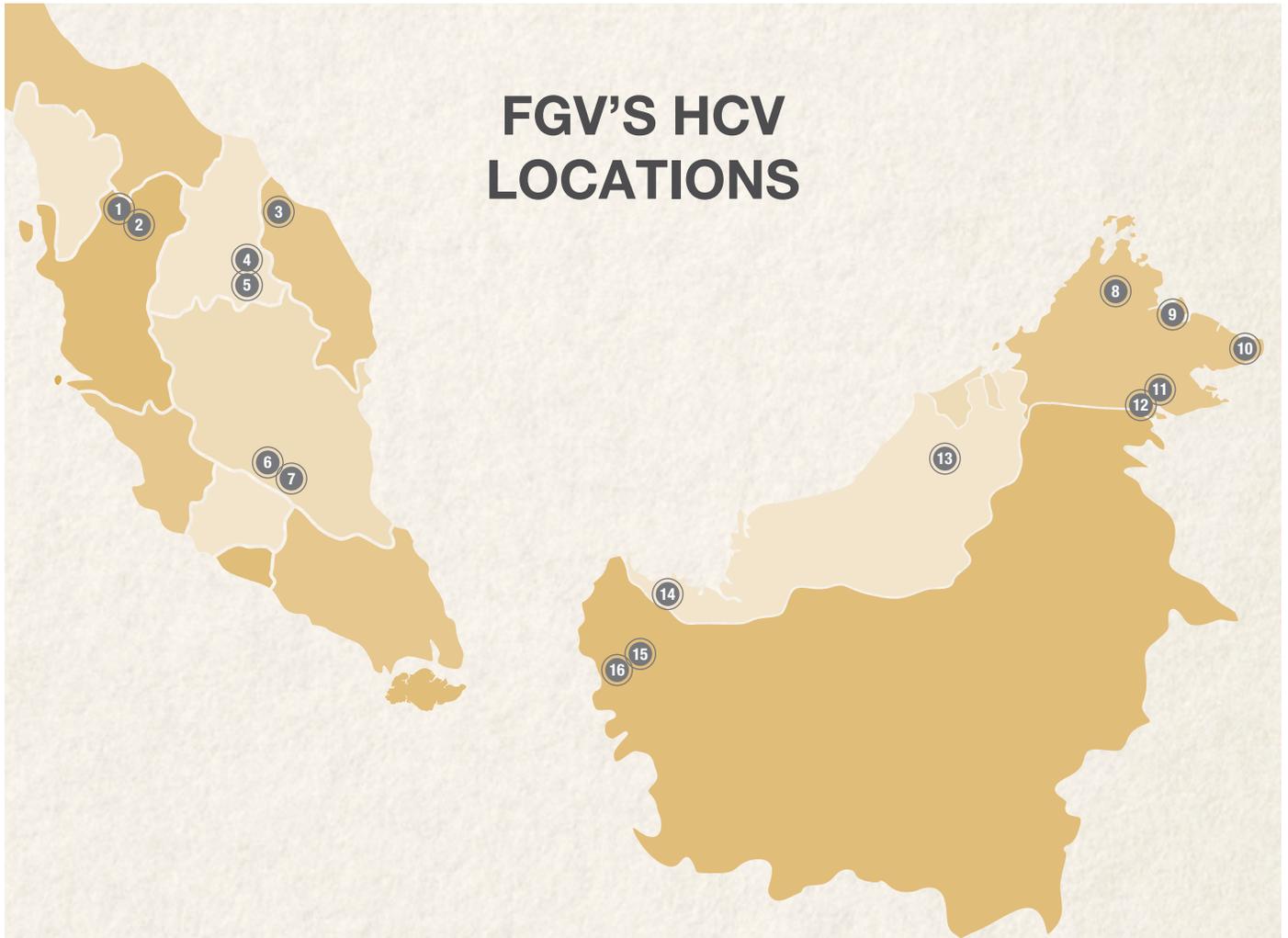


Beyond this, we invest significantly in awareness and education programmes, organised in collaboration with government agencies and non-governmental organisations (NGOs), while also being involved in on-the-ground conservation efforts. FGV abides by the principle of precautionary approach to HCV management.

### HCV areas and wildlife protection

The locations of our operations provide us with the unique opportunity to identify key areas for conservation as well as important flora and fauna. Over 2018/2019, the size of HCV areas identified within our land boundaries has increased by 257.41 Ha with our Tawai estates in Perak being the most recently assessed in 2018. FGV also sacrificed 20 Ha of replanting area for the expansion of a Riparian Buffer Zone.

## FGV'S HCV LOCATIONS



- |                              |                                            |
|------------------------------|--------------------------------------------|
| ① Tawai 1, Perak             | ⑨ Pontian United Plantation Complex, Sabah |
| ② Tawai 2, Perak             | ⑩ Sahabat Complex, Sabah                   |
| ③ Setiu 1, Terengganu        | ⑪ Umas Complex, Sabah                      |
| ④ Aring 10, Kelantan         | ⑫ Kalabakan Complex, Sabah                 |
| ⑤ Aring 11, Kelantan         | ⑬ Asian Plantation Limited, Sarawak        |
| ⑥ Tembangau 05, Pahang       | ⑭ Sampadi Complex, Sarawak                 |
| ⑦ Tembangau 06, Pahang       | ⑮ PT TAA, Kalimantan, Indonesia            |
| ⑧ Yapidmas Plantation, Sabah | ⑯ PT CNP, Kalimantan, Indonesia            |

## ENVIRONMENTAL STEWARDSHIP

| Country/<br>State/ Region | Plantation<br>estate           | HCV area<br>within<br>operational<br>site (Ha) | Size of<br>operational<br>site (Ha) | Biodiversity value (terrestrial,<br>freshwater, maritime)                                                                                                                       | Protected areas<br>outside of the<br>HCV areas                                                      |
|---------------------------|--------------------------------|------------------------------------------------|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| <b>MALAYSIA</b>           |                                |                                                |                                     |                                                                                                                                                                                 |                                                                                                     |
| <b>Pahang</b>             | Tembangau 05                   | 0.6                                            | 3,790.28                            | Terrestrial – management of extreme water flow.                                                                                                                                 | Adjacent to the Tasik Bera Ramsar site                                                              |
|                           | Tembangau 06                   | 235                                            | 2,410.65                            | Terrestrial & freshwater. Presence of vulnerable fauna, supports freshwater swamp forest, floodplain connected to Ramsar site.                                                  | Adjacent to the Tasik Bera Ramsar site                                                              |
| <b>Terengganu</b>         | Setiu 01                       | 15.5                                           | 3,099.44                            | Terrestrial – lowland forest ecosystem.                                                                                                                                         | Adjacent to Gunung Tebu Reserved Forest                                                             |
| <b>Kelantan</b>           | Aring 10                       | 45                                             | 2,192.42                            | Terrestrial – well-vegetated riparian zone and floodplain.                                                                                                                      | Adjacent to Lebir Reserved Forest                                                                   |
|                           | Aring 11                       | 24.2                                           | 1,792.52                            | Terrestrial – well-vegetated riparian zone and floodplain.                                                                                                                      | Adjacent to Lebir Reserved Forest                                                                   |
| <b>Perak</b>              | Tawai 1                        | 101.78                                         | 2,777.16                            | Terrestrial – presence of hill dipterocarp forest and lowland dipterocarp forest ecosystems. Presence of critically endangered fauna and other endangered and vulnerable fauna. | Included as an elephant distribution area and part of the Belum Temengor Important Bird Area        |
|                           | Tawai 2                        | 65.76                                          | 2,794.85                            | Terrestrial – presence of critically endangered fauna and other endangered and vulnerable fauna.                                                                                | Included as an elephant distribution area and part of the Belum Temengor Important Bird Area        |
| <b>Sarawak</b>            | Sampadi Complex                | 575                                            | 11,196                              | Terrestrial – key riparian areas, steep slopes, presence of endangered and vulnerable fauna.                                                                                    | Sampadi 6 is 5km from Sampadi Forest Reserve and Sampadi 1 is 8km from Taman Negara Gunung Gading   |
|                           | Asian Plantation Limited (APL) | 4,717.82                                       | 25,325                              | Terrestrial & freshwater. Presence of critically endangered, endemic and endangered fauna.                                                                                      | None                                                                                                |
| <b>Sabah</b>              | Sahabat Complex                | 1,905                                          | 104,325                             | Terrestrial – key riparian areas, steep slopes. Freshwater – important water catchment area and presence of critically endangered, endemic and endangered fauna.                | Adjacent to Tabin Wildlife Reserve, Sg. Kapar Virgin Forest Reserve and Kuala Maruap Forest Reserve |
|                           | Umas Complex                   | 64.6                                           | 8,898.10                            | Terrestrial – lowland forest ecosystem and presence of endangered species.                                                                                                      | Umas 6 is adjacent to a Coastal Zone Forest Reserve                                                 |

| Country/<br>State/ Region      | Plantation<br>estate                     | HCV area<br>within<br>operational<br>site (Ha) | Size of<br>operational<br>site (Ha) | Biodiversity value (terrestrial,<br>freshwater, maritime)                                                                                                                                                                                       | Protected areas<br>outside of the<br>HCV areas                 |
|--------------------------------|------------------------------------------|------------------------------------------------|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| Sabah                          | Kalabakan<br>Complex                     | 538.7                                          | 8,362.92                            | Terrestrial<br>i) lowland forest ecosystem and mangroves<br>ii) presence of endemic, endangered and vulnerable fauna<br>iii) slopes and erosion control<br><br>Freshwater<br>i) important source of water<br>ii) aquatic-terrestrial ecosystems | Kalabakan Selatan is adjacent to a Coastal Zone Forest Reserve |
|                                | Pontian<br>United<br>Plantation<br>(PUP) | 911.2                                          | 14,792                              | Terrestrial<br>i) low plateau ecosystem<br>ii) key wildlife corridor for critically endangered, endemic and ERT fauna<br>iii) hills and erosion control<br><br>Freshwater<br>i) important source of water<br>ii) working river                  | Adjacent to Kinabatangan Wildlife Sanctuary                    |
|                                | Yapidmas                                 | 200.5                                          | 10,228.73                           | Terrestrial – presence of critically endangered, endemic, endangered and vulnerable fauna. Part of water conservation area.                                                                                                                     | None                                                           |
| <b>MALAYSIA TOTALS</b>         |                                          | <b>9,400.66</b>                                | <b>201,985.07</b>                   |                                                                                                                                                                                                                                                 |                                                                |
| <b>INDONESIA</b>               |                                          |                                                |                                     |                                                                                                                                                                                                                                                 |                                                                |
| Landak,<br>Kalimantan<br>Barat | PT TAA                                   | 954.35                                         | 8,193                               | Terrestrial<br>i) protected forest buffer zone<br>ii) deep peatland areas<br><br>Freshwater<br>i) wetland ecosystems<br>ii) important source of water                                                                                           | Adjacent to Sebangki Forest Reserve                            |
|                                | PT CNP                                   | 1,825.6                                        | 14,385                              | Terrestrial<br>i) presence of endangered and vulnerable fauna<br>ii) important habitats including riparian areas, deep peatland and steep slopes                                                                                                | None                                                           |
| <b>INDONESIA TOTALS</b>        |                                          | <b>2,779.95</b>                                | <b>22,578</b>                       |                                                                                                                                                                                                                                                 |                                                                |
| <b>FGV GROUP TOTALS</b>        |                                          | <b>12,180.61</b>                               | <b>212,530.02</b>                   |                                                                                                                                                                                                                                                 |                                                                |

## ENVIRONMENTAL STEWARDSHIP

The amount of HCV areas within our operations has increased over the years as certain areas have been converted to different land uses. For instance, we converted our Tawai operations from a rubber plantation to cash crops. Two new HCV areas were identified near the Belum-Temengor Forest Reserve and have been set aside as elephant and wildlife corridors.

FGV performs biodiversity assessments in all our operations at least once every five years, followed by periodic monitoring on wildlife activity. Information gathered from these assessments is used to develop HCV Management and Monitoring Plans. These plans are reviewed and updated annually with inputs from monitoring activities. To date, we have developed 16 monitoring plans and are developing three landscape plans (sun bear conservation programme, rafflesia programme, mega biodiversity programme) where FGV participates with other partners.

Through our HCV, EIA Assessment and Biodiversity Inventory, we have also identified a number of rare and critically endangered species within our concessions and operational borders. Of note are the Sunda pangolin (*Manis javanica*) and Malayan tiger (*Panthera tigris ssp jacksoni*), which are both critically endangered according to the IUCN, and the Bornean white-bearded gibbon (*Hylobates albibarbis*) and Asian elephant (*Elephas maximus*) (both endangered). It is therefore important that we continue to identify these key habitats and put in place management plans to ensure their survival.

| International Union for Conservation of Nature (IUCN) Extinction Risk |                       |            |            |                 |               |
|-----------------------------------------------------------------------|-----------------------|------------|------------|-----------------|---------------|
| Number of species in areas affected by FGV operations                 | Critically endangered | Endangered | Vulnerable | Near threatened | Least concern |
|                                                                       | 2                     | 7          | 6          | 2               | 83            |

| IUCN | Common name                 | Family                        | Scientific name          | Local name                | Residential |
|------|-----------------------------|-------------------------------|--------------------------|---------------------------|-------------|
| VU   | Malayan Box Turtle          | Cuora amboinensis             | Geoemydidae              | Kura Katap                | Native      |
| VU   | King Cobra                  | Ophiophagus hannah            | Ophiophagus (King Cobra) | Ular Tedung Selar         | Native      |
| VU   | Javan Myna                  | Acridotheres javanicus        | Sturnidae (Starlings)    | Tiong Jambul              | Introduced  |
| VU   | Oriental Small-clawed Otter | Aonyx cinereus                | Mustelidae (Sea Otter)   | Memerang                  | Native      |
| VU   | Sun bear                    | Helarctos malayanus           | Ursidae (Bears)          | Beruang matahari/<br>madu | Native      |
| VU   | Borneon sunbear             | Helarctos malayanus eurypilus | Ursidae (Bears)          | Beruang matahari/<br>madu | Native      |
| CR   | Malayan Pangolin            | Manis javanica                | Manidae                  | Tenggiling                | Native      |
| CR   | Borneon Orang Utan          | Pongo pygmaeus                | Hominidae                | Orang Utan                | Native      |
| EN   | Asian Elephant              | Elephas maximus               | Elephantidae             | Gajah Asia                | Native      |
| EN   | Malayan Tiger               | Panthera tigris               | Felidae                  | Harimau Belang            | Native      |
| EN   | Asian Tapir                 | Tapirus indicus               | Tapiridae                | Tapir/Cipan/Tenuk         | Native      |
| EN   | Siamang                     | Symphalangus syndactylus      | Hylobatidae (Gibbons)    | Siamang                   | Native      |
| EN   | Common Gibbon               | Hylobates lar                 | Hylobatidae (Gibbons)    | Ungka                     | Native      |
| EN   | Borneon Pygmy elephant      | Elephas maximus borneensis    | Elephantidae             | Gajah Borneo              | Native      |
| EN   | Proboscis monkey            | Nasalis larvatus              | Cercopithecidae          | Monyet belanda            | Native      |

VU – Vulnerable      CR – Critically Endangered      EN – Endangered

### Sun Bear Conservation Programme (SBCP)

## What is the SCBP?

- A collaborative effort between FGV, the Malaysian Nature Society (MNS), PERHILITAN and Universiti Kebangsaan Malaysia (UKM) to rescue, rehabilitate and release injured/orphaned/confiscated sun bears back into their natural habitat.
- Supported by Citizen Action Groups (CAGs), also known as Sahabat Beruang Matahari (Friends of the Sun Bears), which aim to conserve sun bears.

Rescued:

**13**  
bears in 2019



Released:

**6**  
bears into the wild  
near Tasik Kenyir (Terengganu)  
and Royal Belum Forest (Perak)

Total number of sun bears released since 2015:

**39**  
bears  
(world record for the highest number of  
sun bears released into the wild)



One of our landmark sustainability initiatives is the Sun Bear Conservation Programme (SBCP). Since 2015, the SBCP has been focused on the rescue, rehabilitation and release of injured/orphaned/confiscated sun bears back into the wild. In 2019, the SBCP managed to rescue 13 sun bears and release six back into the wild near Tasik Kenyir (Terengganu) and the Royal Belum Forest (Perak). These areas were chosen based on a number of factors, including the topography and geographical location, as well as the availability of food sources and competition. The released sun bears are being tracked and monitored by PERHILITAN (Department of Wildlife and National Parks Peninsular Malaysia), and so far all bears are adapting well to their new environment. In total, 39 sun bears have been released back into the wild since the SBCP's inception, which is a world record for the highest number of sun bears released back into their natural habitat.

The SBCP is a collaboration between FGV, the Malaysian Nature Society (MNS), PERHILITAN and Universiti Kebangsaan Malaysia (UKM) and is strongly supported by our Citizen Action Groups (CAGs) that now have over 200 members across five regions in Malaysia – Kuala Lipis (Pahang), Kuala Terengganu (Terengganu), Sahabat (Sabah), Gerik (Perak) and Mersing (Johor). The CAGs are also known as Sahabat Beruang Matahari (Friends of the Sun Bears) and aim to foster a community that is sympathetic to environmental issues, chief among which is the conservation of sun bears and other threatened wildlife species.

CAG members have undergone basic training on HCV elements of interest in the region, map reading, GPS usage and protocols on boundary patrols. They are responsible for identifying significant environmental issues in key areas and taking appropriate action with the help of local regulatory agencies, as well as for planning and promoting sun bear conservation in their respective areas.

To enhance awareness and knowledge on the conservation of sun bears, FGV published two new books in 2018 – *Garis Panduan Pelaksanaan Komuniti Sahabat Beruang Matahari (Implementation Guidelines for the Friends of the Sun Bears Community)* and *Pengurusan Beruang Matahari di Pusat Menyelamat Hidupan Liar Kebangsaan (Sun Bear Management at the National Wildlife Rescue Centre)*. These books provide information on the activities of the Friends of the Sun Bears and the protocols required for managing a successful sun bear rehabilitation centre, including the preparation required for releasing sun bears back into their natural habitat.

One of the expected outcomes of this programme is the development of a sun bear action plan for Malaysia and sun bear management guidelines to ensure the long-term protection of this species. These are targeted to be launched in 2020.

| Status                 | No. of Bears 2019 | Total No. of Bears (2015-2019) |
|------------------------|-------------------|--------------------------------|
| Rescued                | 13                | 55                             |
| Rehabilitation         | 14                | 37                             |
| Released               | 6                 | 39                             |
| Dead/Euthanised        | 2                 | 4                              |
| Currently in captivity | 11                | 11                             |

### Rafflesia Conservation & Interpretation Centre (RCIC)

#### What is the RCIC?

- The first one-stop centre in Peninsular Malaysia for research, education and conservation of Rafflesia.
- A collaboration between FGV and the Forest Research Institute Malaysia (FRIM) to focus on:
  - inventory and species mapping
  - Rafflesia-host plant interaction
  - ex-situ conservation elements

#### Location:

## Gerik, Perak

the only area in Peninsular Malaysia that is native to the following three Rafflesia species:



- Rafflesia azlanii
- Rafflesia cantleyi
- Rafflesia kerrii

The first in Peninsular Malaysia, the RCIC is poised to be a one-stop centre for research, education and conservation of this endangered species and is being developed in collaboration with the Forest Research Institute Malaysia (FRIM). The centre will be managed by FRIM, with research focused on inventory and species mapping, Rafflesia-host plant interaction and ex-situ conservation elements. It will also serve as a venue for international symposiums, workshops and environmental awareness programmes for both the public and the scientific community.

The location of the centre, which is in Gerik, Perak, is significant as it is the only area in Peninsular Malaysia that is native to three Rafflesia species — *Rafflesia Azlanii*, *Rafflesia Cantleyi* and *Rafflesia Kerrii*. Two of these species (*Rafflesia Azlanii* and *Rafflesia Cantleyi*) are endemic to Peninsular Malaysia, which means they cannot be found anywhere else in the world. The fact that these species are found near many FGV/FELDA plantations is a key reason why it is essential for FGV to invest in the research and conservation of the Rafflesia and its unique ecosystem.

#### Mega Biodiversity Corridor Conservation Project

In March 2017, we contributed RM1.7 million to support the re-establishment, restoration and protection of key migratory routes, especially of Borneo pygmy elephants and orangutans, to allow safe migration within the Lower Kinabatangan Basin in Sabah. Developed in partnership with the Borneo Conservation Trust (BCT), the project has since conducted a number of activities such as organising the ‘Honorary Wildlife Warden’ (HWW) capacity building programme in November 2018. Some 30 participants including tour operators, FGV staff and NGOs participated in the three-day programme designed to train participants to assist the Sabah Wildlife Department’s (SWD) enforcement unit in patrolling and tracking illegal poaching. Upon passing the exam set by the SWD, participants received a certificate and Wildlife Warden Card that is valid for three years, enabling them to carry out patrolling duties in their areas of work.

In 2019, BCT organised a study tour with BCT Japan and the Students Group for Borneo Conservation (SGBC). 42 high school students from Japan along with local students from MRSM Sandakan took part in the three-day programme, which aimed to educate students about sustainable oil palm plantations and provide a platform for knowledge-sharing about environmental conservation between the Japanese and Malaysian students.

One of the key activities of this project is regular tree planting as a means of restoring and rehabilitating certain areas of the corridor. Since 2014, a total of 10,933 seedlings have been planted under this project. Local tree species such as Bangkal Ais Krim, Simpoh Laki, Sangkuang and Katapang have been planted. The project also hires workers from the local community to help with the clearing and maintenance of tree planting sites, which provides job opportunities and enhances their livelihood.

### Types of Seedlings Planted

|    | Botanical Name                  | Local Name           |
|----|---------------------------------|----------------------|
| 1  | <i>Nauclea subdita</i>          | Bangkal Ais Krim     |
| 2  | <i>Dillenia excelsa</i>         | Simpoh Laki          |
| 3  | <i>Microcos crossifalio</i>     | Kerodong Damak-Damak |
| 4  | <i>Mallotus muticus</i>         | Mallotus Paya        |
| 5  | <i>Telminalia catappe</i>       | Katapang             |
| 6  | <i>Syzygium fastigiatum</i>     | Obah Jangkang        |
| 7  | <i>Dracantomelon sp</i>         | Sangkuang            |
| 8  | <i>Artocarpus integer</i>       | Cempedak             |
| 9  | <i>Nephelium lappaceum</i>      | Rambutan             |
| 10 | <i>Artocarpus odoratissimus</i> | Tarap                |

Another initiative we are currently working on with BCT involves developing a credible carbon assessment guideline to enable local communities to estimate carbon stocks in several forest types and benefit from carbon trading schemes.

### Managing Human-Wildlife Conflict

As an ongoing commitment to ensuring the protection of wildlife around our plantations, we have categorised our plantations as 'Wildlife Managed Areas' and have developed a Wildlife Monitoring and Boundary Patrolling guideline to manage the potential for human-wildlife conflict. The guideline is aligned with MSPO and RSPO requirements for certification, which require that rare, threatened and endangered species need to be conserved and protected through a wildlife management plan.

The guideline calls for the identification of important wildlife presences in and around plantations, the conservation of important wildlife species, the implementation of an action plan and monitoring programme and creating awareness on important wildlife among surrounding communities.

In this respect, we have established five CAGs in the region that are responsible for managing and reporting conflicts with wildlife. Members of these CAGs have been provided with practical field training and knowledge to be able to address wildlife conflict and monitor environmental surroundings. A system has been established to monitor, report and address any environmental or biodiversity issues in their respective regions. These efforts will contribute towards FGV's aim to better understand issues of human-wildlife conflict and how they can be better managed.

### Resolving pygmy elephant wildlife conflict

Several human-wildlife conflicts occurred in Sabah in 2019, which led to the deaths of pygmy elephants. The conflicts were due to loss of natural habitat and food resources as a result of forest fragmentation and poaching. The population of pygmy elephants is estimated at between 1,000 and 1,500 in Sabah, and these deaths will indirectly affect ecotourism and the image of the Malaysian palm oil industry.

To address the issue, FGV organised a workshop on human-wildlife conflict together with FELDA, MPOC and the Sabah Wildlife Department in Tawau, Sabah. Held on 14 November 2019, the workshop was attended by 70 representatives from plantation companies in and around Sabah such as FELDA, FGV, Sime Darby, Sawit Kinabalu, Sabah Softwoods and Kretam Holdings.

The workshop served as a platform for the participants to discuss the root causes and propose various solutions such as installing systematic electric fences to create wildlife corridor connectivity and increasing habitat enrichment and wildlife patrolling. Apart from that, FGV also shared its conservation efforts with the participants. The workshop concluded with the participants agreeing that plantation companies, public and private agencies as well as local communities played a significant role in creating awareness and improving wildlife conflict management to help conserve pygmy elephants.

GRI 103-1/2/3, GRI 302-1, GRI 305-1, GRI 305-2, GRI 305-5

## ENERGY AND EMISSIONS

**Climate change presents one of the greatest threats to FGV. From unpredictable climate patterns to supply chain disruptions, it is clear that we need to take a proactive approach towards climate action.**

Climate change has, and will continue to have, a huge impact on our business. As climate patterns change and become more unpredictable, this will certainly affect crop cycles and growth as well as our ability to manage our land effectively to prevent flooding and fires. In addition, critical supply chains will be disrupted, making it harder to source raw materials for key processes.

The only way forward is to implement effective solutions to mitigate and manage this impact. FGV is committed to tackle climate change and being part of the solution. We are committed to help the global community to achieve SDG 13 on Climate Action as well as supporting Malaysia's goal to reduce GHG emissions under the Paris Agreement by 45% by 2030. Our biogas plants alone help to offset most of our GHG emissions, and we will continue to identify new avenues in reducing our energy use and GHG emissions.

### Energy Consumption

Our operations use a number of energy sources such as renewable energy, grid electricity, diesel and other fossil fuels.

|                           | Gigajoules (GJ) |         |         |
|---------------------------|-----------------|---------|---------|
|                           | 2017            | 2018    | 2019    |
| <b>Plantations</b>        |                 |         |         |
| <b>Non-renewable fuel</b> |                 |         |         |
| Diesel                    | 541,796         | 788,096 | 922,316 |
| <b>Energy</b>             |                 |         |         |
| Electricity               | 561,300         | 526,268 | 546,305 |

|                                              | Gigajoules (GJ)  |                  |                  |
|----------------------------------------------|------------------|------------------|------------------|
|                                              | 2017             | 2018             | 2019             |
| <b>Plantations</b>                           |                  |                  |                  |
| <b>Energy sold</b>                           |                  |                  |                  |
| Electricity sold from biogas and IPP Sahabat | 86,099           | 108,144          | 76,829           |
| Heating sold from Bio-CNG Sg Tenggi          | 16,225           | 32,964           | 17,692           |
| <b>Plantations total</b>                     | <b>1,000,773</b> | <b>1,173,256</b> | <b>1,374,101</b> |
| <b>Sugar</b>                                 |                  |                  |                  |
| <b>Non-renewable fuel</b>                    |                  |                  |                  |
| Diesel                                       | 10,544           | 27,127           | 13,710           |
| Natural gas                                  | 3,830,391        | 4,342,423        | 5,126,408        |
| <b>Energy</b>                                |                  |                  |                  |
| Electricity                                  | 306,799          | 249,967          | 172,039          |
| <b>Sugar total</b>                           | <b>4,147,734</b> | <b>4,619,517</b> | <b>5,312,157</b> |
| <b>Logistics</b>                             |                  |                  |                  |
| <b>Non-renewable fuel</b>                    |                  |                  |                  |
| Diesel                                       | 561,511          | 588,976          | 590,298          |
| Natural gas                                  | 514,891          | 477,615          | 489,438          |
| Medium fuel oil                              | 17,676           | 17,667           | 14,025           |
| Light fuel oil                               | 16,508           | 19,503           | 12,826           |
| <b>Energy</b>                                |                  |                  |                  |
| Electricity                                  | 33,472           | 32,376           | 38,545           |
| Heating                                      | 76,635           | 71,663           | 74,789           |
| Steam                                        | 434,266          | 406,092          | 423,806          |
| <b>Logistics total</b>                       | <b>1,654,959</b> | <b>2,202,868</b> | <b>2,229,323</b> |
| <b>GROUP TOTAL ENERGY CONSUMPTION</b>        | <b>6,803,465</b> | <b>7,995,641</b> | <b>8,915,581</b> |

As part of our efforts to contribute to the UN SDGs, particularly SDG 13, and in line with our Group Sustainability Policy, we have embarked on an energy conservation programme across our manufacturing facilities. The programme is being run in collaboration with Universiti Teknologi MARA (UiTM), who will be identifying energy-saving initiatives to eliminate wasteful and non-productive patterns of energy consumption and to reduce GHG emissions. So far, the programme has identified various initiatives that could reduce energy consumption by up to 20%. FGV will undertake further feasibility studies and detailed cost-benefit analysis before implementing any initiatives.

For our Sugar operations, we have invested heavily in back pressure turbines to generate approximately half of our energy requirements by channeling exhaust steam back to the heating process. We also recycle our process condensate for boiler steam generation. Where necessary, we use clean natural gas as an energy source at both refineries to reduce production of carbon soot and sulphur emissions. In addition, we employ an innovative system that combines functionalities of our Mechanical Vapour ReCompressor (MVR) evaporator and Vertical Crystallisation Tower (VKT) to dramatically reduce the amount of steam required during the sugar-boiling processes.

## ENVIRONMENTAL STEWARDSHIP

### GHG Emissions

A key focus of our sustainability efforts is to reduce our overall GHG emissions. Through our various emissions reduction initiatives and projects, FGV's Renewable Energy Department has targeted 100,000 MT CO<sub>2</sub> reduction per year.

|                          | GHG emissions (tCO <sub>2</sub> e) |                |                |
|--------------------------|------------------------------------|----------------|----------------|
|                          | 2017                               | 2018           | 2019           |
| <b>Plantations</b>       |                                    |                |                |
| Scope 1*                 | 11,178                             | 16,257         | 19,026         |
| Scope 2                  | 91,211                             | 85,518         | 88,775         |
| <b>Plantations total</b> | <b>102,389</b>                     | <b>101,775</b> | <b>107,801</b> |
| <b>Sugar</b>             |                                    |                |                |
| Scope 1                  | 59,415                             | 67,671         | 79,510         |
| Scope 2                  | 49,855                             | 40,620         | 27,956         |
| <b>Sugar total**</b>     | <b>109,270</b>                     | <b>108,291</b> | <b>107,466</b> |
| <b>Logistics</b>         |                                    |                |                |
| Scope 1                  | 21,115                             | 21,123         | 20,997         |
| Scope 2                  | 15,889                             | 15,033         | 16,462         |
| <b>Logistics total</b>   | <b>37,004</b>                      | <b>36,156</b>  | <b>37,458</b>  |
| <b>FGV GROUP TOTAL</b>   | <b>248,662</b>                     | <b>245,223</b> | <b>252,726</b> |

\* Scope 1 emissions only include diesel consumption. Emissions factors sourced from the Ministry of Natural Resources and Environment Malaysia Biennial Update Report to the UNFCCC 2015. Scope 2 was calculated using a grid emission factor of 0.585 as calculated by GreenTech Malaysia in 2017. Data represents mills and estates only.

\*\* The total GHG emissions for Sugar differs from MSM's Annual Report 2019 as this figure includes Scope 1, which was not included in the MSM report.

The majority of our emissions reduction has been achieved through our strategic investment in renewable energy technology such as biogas capture, biomass power and, more recently, bio-compressed natural gas (bio-CNG).

### Zero-burning Policy

FGV strictly adheres to a zero-burning policy and does not practise open burning for any purpose. The exception to this rule is to manage the outbreak of pests and diseases as specified in the 'Guidelines for the Implementation of the ASEAN Policy on Zero Burning 2003'. Natural fires, however, may still ignite in some regions during times of severe dry weather. Despite our best efforts to prevent any fires, six fires were recorded in 2018. However, none were recorded in 2019.

| Location of fire          | Date             | Size of affected area (Ha)             |
|---------------------------|------------------|----------------------------------------|
| FGV Kalimantan, Indonesia | 15 February 2018 | 0.48                                   |
| Kledang 02, Johor         | 18 March 2018    | 5.97                                   |
| Lepar Utara 10, Pahang    | 9 April 2018     | 0.8                                    |
| Sampadi 01, Sarawak       | 29 July 2018     | 0 (fire caused by empty fruit bunches) |
| Sampadi 01, Sarawak       | 15 August 2018   | 0.34                                   |
| Sampadi 01, Sarawak       | 19 August 2018   | 1.50                                   |

Details of fires in 2018

**Emissions Reduction through Renewable Energy**

Biogas is the main source of our emissions from palm oil milling process and we continue to focus our efforts on capturing biogas to mitigate and reduce our overall GHG emissions. We also look for new ways to generate renewable energy to replace our traditional sources of energy.

As such, FGV has heavily invested in a number of initiatives to move towards a future where renewable energy becomes the main source of power generation. We currently have 30 biogas plants and two biomass plants in operation, with another seven facilities planned for the near future.

**Biogas (Methane) Capture in Palm Oil Mills**

FGV currently generates biogas from 30 mill sites, as a by-product of the anaerobic digestion of palm oil mill effluent (POME). We continue to build new biogas capture plants at our mills and now have the most biogas plants in the world for a single plantation company.

With 30 biogas capture plants in operation, the amount of emissions that our mills discharge into the environment has reduced significantly. Almost all biogas (mostly methane) is now captured during the milling process or converted to carbon dioxide during flaring, which significantly reduces its global warming potential. We also installed anaerobic digesters in all our biogas plants to further improve effluent quality and reduce GHG emissions by treating the POME and reducing its chemical oxygen demand by 85-95%.

| Biogas plant function                      | Number of plants |
|--------------------------------------------|------------------|
| Flaring gas                                | 16               |
| Supplying electricity to grid              | 11               |
| Supplying electricity to rural communities | 3                |
| Producing bio-CNG                          | 1                |

A key benefit of our biogas plants has been the ability to generate and supply electricity to the local communities in Umas, Baiduri Ayu and APL. This has directly helped to improve their livelihoods and further contributed to a reduction in GHG emissions as residents previously depended on diesel-generated power.

The table below shows the reduction of CO<sub>2</sub> emissions in FGV's plants:

| Year | No. of biogas plants monitored | Energy generated (MWh) | Reduction of CO <sub>2</sub> emissions (MT) |
|------|--------------------------------|------------------------|---------------------------------------------|
| 2017 | 18                             | 9,763                  | 116,750                                     |
| 2018 | 15                             | 18,059                 | 97,620                                      |
| 2019 | 12                             | 10,757                 | 79,415                                      |

\* Emission reductions only include our biogas and bio-CNG plants.

**Biomass for Electricity**

Our biomass power plants in Lahad Datu, Sabah and Jengka, Pahang continue to generate electricity using 100% treated empty fruit bunches (EFB). Both these plants supply electricity to the national grid as well as regional townships and industries.

**Bio-compressed natural gas (bio-CNG)**

Bio-CNG is a viable and sustainable alternative to fossil-derived natural gas that has potential, in both the local and export markets, as a substitute for diesel in vehicles and in the manufacturing industry. Not only does this contribute to our efforts to reduce emissions from the production of palm oil, but it also supports the Malaysian government's focus on expanding its renewable energy portfolio.

Since 2017, our world's-first commercial-scale palm-based bio-CNG plant in Selangor has been producing bio-CNG for customers based in Serendah and Tanjung Malim. A collaboration between FGV Palm Industries Sdn. Bhd. (FGVPI), the Malaysia Palm Oil Board (MPOB) and Sime Darby, the plant produced 31,000 MMBTU of bio-CNG in 2018 and 16,800 MMBTU in 2019.

To develop this initiative further, FGV Palm Industries Sdn. Bhd. (FGVPI), Sime Darby Energy Solutions Sdn. Bhd. (SDES) and Biotek Dinamik Sdn. Bhd. (BDSB) signed an MOU in July 2019 to potentially develop 35 brownfield and greenfield sites owned by FGVPI. Once the project is fully rolled out, FGV will have the most bio-CNG sites in the world for a plantation company.

Under the collaboration, all three companies will leverage each other's areas of expertise:

|                                                                                                                   |                                                                                                                                   |                                                                                                                                                                             |
|-------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>FGVPI</b> will provide the mill sites, biogas and/or POME supplies, and assist in project coordination.</p> | <p><b>SDES</b> will provide design and construction services for the proposed project as well as ongoing maintenance support.</p> | <p><b>BDSB</b> will be the project developer, owner and operator of the bio-CNG and/or biogas plants. The project will be undertaken on a build, operate and own basis.</p> |
|-------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

GRI 103-1/2/3, GRI 303-4, GRI 303-5

## WASTE MANAGEMENT

The Group encourages a zero-waste management policy across our operations. At our plantations, we continuously identify new ways to manage our waste more efficiently.

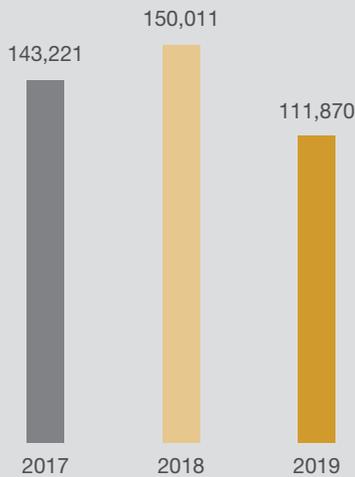
### Utilisation of mill by-products

Alongside crude palm oil and palm kernel, FGV, through its 68 mills, produces 14 types of renewable, biomass-based by-products for local and international markets. Some of the key by-products in use are:

#### Palm Kernel Shell (PKS)

PKS is mainly used for biomass fuel for power generation and is in demand from international clients as a form of sustainable fuel for power plants.

#### PKS (MT)



#### Sludge Palm Oil (SPO)

SPO is mainly used for non-food palm-based products. In addition, it has been found that it has the potential to be used as jet fuel. We are currently exploring opportunities to add value to our product.

#### Empty Fruit Bunches (EFB)

EFB is shredded and utilised as solid fuel for the operation of steam boilers, which delivers significant cost savings and eliminates waste from our mills. We also produce our own organic compost by enabling the aerobic decomposition of EFB mixed with POME. From our four projects, we have managed to produce 11,329 MT of organic compost since 2017, which we use in several of our oil palm estates. The organic compost has been proven to be beneficial to increased plant growth and yields as it helps to maintain soil moisture, prevents soil erosion and serves as an effective alternative source of weed control. EFB ash is also used as sustainable organic fertiliser.

### Location of compost projects

| Mill      | State   |
|-----------|---------|
| Maokil    | Johor   |
| Kalabakan | Sabah   |
| Jengka 21 | Pahang  |
| Sampadi   | Sarawak |

### Amount of compost produced



**Palm-based circular economy**

As part of FGV’s Business Plan 2021, we have begun to integrate a palm-based circular economy strategy in our business to create greater value and visibility in our value chain. FGV, in collaboration with the Department of Veterinary Services (DVS) Malaysia, is exploring two avenues to tap into the synergies within the palm-based circular economy:



**Production of animal feed**

FGV has been producing animal feed pellets since 2017, creating a diversified product range and a sustainable, cradle to cradle business among our kernel crushing plants and animal feed plant. With the focus to penetrate the domestic market, FGV is currently expanding its palm kernel expeller-based formulated animal feed meal. Sales increased by over 100% in 2019 and in 2020, FGV targets to achieve 50,000 MT of feed production and to launch two new premium feed formulations for dairy cattle and goats. In addition, we have appointed an animal nutrition specialist to add value to the products and increase profit margins.



**Dairy farming**

To become a truly integrated agri-food company, FGV is investing in the new growth area of dairy farming. This will not only strengthen FGV’s downstream business but also address the national agenda for self-sufficiency in fresh milk supply. The majority of the cost of livestock rearing in Malaysia is from animal feed, and as we continue to ramp up our production of animal feed, it is envisioned that a significant synergy will be created between these two adjacent businesses.

Through the adoption of a palm-based circular economy, FGV is generating more value from existing resources and has become an industry leader in creating a truly circular supply chain.



**FGV’s waste generation**

Waste generation increased significantly in 2019 due to full operation of the new MSM Sugar Plant in Tanjung Langsat and more scheduled waste being registered. We will continue to monitor our waste generation and aim to provide more information in future reports.

|                                | Tonnes        |               |                |
|--------------------------------|---------------|---------------|----------------|
|                                | 2017          | 2018          | 2019           |
| <b>Plantations<sub>1</sub></b> |               |               |                |
| <b>Hazardous Waste</b>         |               |               |                |
| Reused                         | -             | -             | -              |
| Recycled                       | -             | -             | -              |
| Recovered                      | 29.28         | 116.49        | 163.82         |
| Incinerated                    | 662.19        | 78.29         | 76.65          |
| Physical/Chemical Treatment    | 1.72          | 1.71          | 3.73           |
| Solidification                 | 0.06          | 0.25          | 0.53           |
| Secure Landfill                | 5.83          | 773.51        | 1142.92        |
| Off-Site Storage               | 3.37          | 2.46          | 1.75           |
| <b>Total</b>                   | <b>702.46</b> | <b>972.71</b> | <b>1389.39</b> |
| <b>Non-hazardous Waste</b>     |               |               |                |
| Recycled                       | -             | -             | -              |
| Landfill                       | -             | 395.62        | 421.53         |
| <b>Total</b>                   | <b>-</b>      | <b>395.62</b> | <b>421.53</b>  |

## ENVIRONMENTAL STEWARDSHIP

|                                        | Tonnes        |                  |                  |
|----------------------------------------|---------------|------------------|------------------|
|                                        | 2017          | 2018             | 2019             |
| <b>Sugar<sub>2</sub></b>               |               |                  |                  |
| <b>Hazardous Waste</b>                 |               |                  |                  |
| Reused                                 | 3.00          | -                | -                |
| Recycled                               | 3.60          | -                | -                |
| Recovered                              | 10.86         | 10.08            | 7.55             |
| Incinerated                            | 1.61          | 6.46             | 4.98             |
| Physical/Chemical Treatment            | 2.26          | 3.94             | 4.05             |
| Solidification                         | -             | -                | -                |
| Secure Landfill                        | -             | -                | 29.09            |
| Off-Site Storage                       | -             | -                | -                |
| <b>Total</b>                           | <b>21.33</b>  | <b>20.48</b>     | <b>45.67</b>     |
| <b>Non-hazardous Waste</b>             |               |                  |                  |
| Recycled                               | -             | -                | -                |
| Landfill                               | -             | 16,514.68        | 37,392.01        |
| <b>Total</b>                           | <b>-</b>      | <b>16,514.68</b> | <b>37,392.01</b> |
| <b>Logistics</b>                       |               |                  |                  |
| <b>Hazardous Waste</b>                 |               |                  |                  |
| Reused                                 | -             | -                | -                |
| Recycled                               | -             | -                | -                |
| Recovered                              | 24.27         | 40.02            | 34.65            |
| Incinerated                            | -             | -                | -                |
| Physical/Chemical Treatment            | -             | -                | -                |
| Solidification                         | -             | -                | -                |
| Secure Landfill                        | -             | -                | 0.03             |
| Off-Site Storage                       | -             | -                | -                |
| <b>Total</b>                           | <b>24.27</b>  | <b>40.02</b>     | <b>34.68</b>     |
| <b>Non-hazardous Waste</b>             |               |                  |                  |
| Recycled                               | -             | -                | -                |
| Landfill                               | -             | 408.39           | 389.94           |
| <b>Total</b>                           | <b>438.09</b> | <b>408.39</b>    | <b>389.94</b>    |
| <b>Group Total</b>                     |               |                  |                  |
| <b>Hazardous Waste</b>                 | <b>748.06</b> | <b>1,033.21</b>  | <b>1,469.74</b>  |
| <b>Non-hazardous Waste<sub>3</sub></b> | <b>-</b>      | <b>17,318.69</b> | <b>38,203.48</b> |

<sup>1</sup> Total weight in 2017 excludes FGVPI, FGVPM and FGV Fertilizer. APL's waste management data is excluded for all columns.

<sup>2</sup> Total weight in 2017 and 2018 are from MSM Prai and MSM Perlis only.

<sup>3</sup> Data available from limited locations.

GRI 103-1/2/3, GRI 303-4, GRI 303-5

## WATER MANAGEMENT

### Our goals



#### Plantations

**1.2 MT of water per MT**  
of FFB in mills



#### Sugar

**2% reduction in water**  
**intensity** by 2020



#### Logistics

To produce a minimum of **1,900 m<sup>3</sup>**  
**per month** of reverse osmosis (RO)  
water for boiler operations

**Water is an essential natural resource that is required across the entire life cycle of oil palm production. FGV places a high priority on ensuring that we manage our water resources efficiently to minimise impacts on the surrounding ecosystem and local communities.**

For our plantations operations, we aim to reduce our water usage in mills to 1.2 MT of water per MT of FFB produced. In 2019, we used an average of 1.29 MT of water to process 1 MT of FFB, with a total consumption of 18,453,672 MT.

We monitor our impact on water systems closely as most of our water supply is extracted from nearby rivers and our plantations are in and among key river systems. We have a total of 135 significant river systems within our operations, many of which are monitored on a regular basis to identify if there is any deterioration in the water quality.

All water discharged from our mills undergoes treatment to ensure that the biological oxygen demand (BOD) levels meet regulatory limits. Samples are also taken every month and sent to an accredited laboratory for quality testing. We will continue to improve our processes further to ensure we meet all regulatory requirements.

In our sugar operations, vast quantities of water are used in the sugar refining process. We have continued to adopt strong water management measures to ensure the efficiency of water usage within our operations and the amount of water used and reused in our daily operations is constantly measured and monitored.

Water usage increased by 14.9% during 2019 as consumption factored in MSM Johor’s full year of operations (as compared to only six months of operations in 2018). River flushing activities at MSM Perlis to mitigate a low-performing industrial effluent treatment system also contributed to the increase.

Our logistics operations has always been conscious of its water consumption. In 2008, Logistics has installed a reverse osmosis (RO) plant for its boiler operations. The RO plant uses treated effluent discharged from the on-site waste water treatment plant as a water source. In 2019, the target was to produce a minimum of 1,900 m<sup>3</sup> per month of RO water for boiler consumption. On average, this initiative replaces over 20% of the boiler’s water consumption needs with RO water annually.

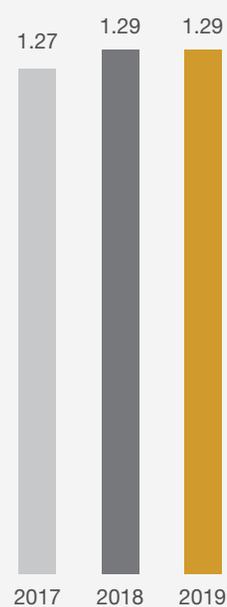
| Water source       | Volume of water withdrawn (m <sup>3</sup> ) |                   |                   |
|--------------------|---------------------------------------------|-------------------|-------------------|
|                    | 2017                                        | 2018              | 2019              |
| <b>Plantations</b> |                                             |                   |                   |
| Surface water      | 18,107,241                                  | 16,970,828        | 18,453,672        |
| <b>Total</b>       | <b>18,107,241</b>                           | <b>16,970,828</b> | <b>18,453,672</b> |

## ENVIRONMENTAL STEWARDSHIP

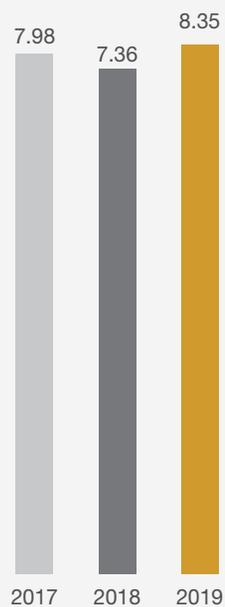
| Water source                   | Volume of water withdrawn (m <sup>3</sup> ) |                   |                   |
|--------------------------------|---------------------------------------------|-------------------|-------------------|
|                                | 2017                                        | 2018              | 2019              |
| <b>Sugar</b>                   |                                             |                   |                   |
| Ground water                   | 1,497,760                                   | 1,048,328         | 1,063,508         |
| Municipal water                | 906,115                                     | 1,859,904         | 2,277,850         |
| <b>Total</b>                   | <b>2,403,875</b>                            | <b>2,908,232</b>  | <b>3,341,358</b>  |
| <b>Logistics</b>               |                                             |                   |                   |
| Waste water (treated effluent) | 58,819                                      | 59,712            | 59,130            |
| Municipal water                | 232,789                                     | 233,296           | 243,286           |
| Reverse osmosis (RO) water     | 22,638                                      | 24,613            | 21,849            |
| <b>Total</b>                   | <b>314,246</b>                              | <b>317,621</b>    | <b>324,265</b>    |
| <b>FGV Group Total</b>         | <b>20,825,362</b>                           | <b>20,196,681</b> | <b>22,119,295</b> |

### WATER PERFORMANCE DATA FOR PLANTATIONS

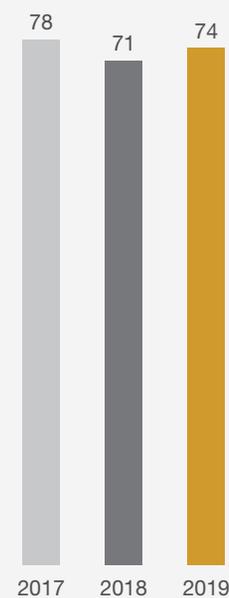
#### WATER INTENSITY (MT per MT of FFB)



#### WATER DISCHARGE (million m<sup>3</sup>)



#### AVERAGE BOD LEVELS OF WATER DISCHARGE (ppm)



Note: We only record water discharged back into rivers (surface water)

## RESPONSIBLE CHEMICAL USE AND HANDLING

FGV advocates the responsible use of pesticides, herbicides and fertilisers and the use of chemicals remains our least preferred option. However, any chemicals that are used are legally allowed by the local ministries and regulatory bodies in respective countries. Further to that, FGV does not use chemicals that fall under the World Health Organization Class 1A or 1B, or listed by the Stockholm or Rotterdam Conventions. All fertilisers are optimised to ensure minimum impact on the environment while also ensuring maximum profitability and taking into consideration the leaf and soil nutrient status, palm age and potential yield versus the expected yield for a particular year.

Over the past few years, FGV has consistently reduced the amount of Class I herbicides used in our plantations. Research into more natural agents and methods of controlling pests, weeds and fungi has enabled us to do this and has resulted in year-on-year reductions. As of 2019, FGV has stopped using any Class I herbicides and insecticides such as paraquat dichloride and methamidophos or monochrothopos in its estates.

| The use of Class I herbicides in 2017-2019 | 2017 | 2018  | 2019 |
|--------------------------------------------|------|-------|------|
| Formulation (litre/Ha)                     | 0.96 | 0.091 | Nil  |
| Active ingredients (a.i) (litre/Ha)        | 1.09 | 0.065 | Nil  |

At FGV’s estates, agrochemicals are applied by trained personnel under supervision and in accordance with national laws and regulations. Workers handling agrochemicals are required to wear personal protective equipment (PPE) and undergo annual medical check-ups, which are covered by FGV. We value the safety and well-being of all our workers and conduct regular internal safety audits to ensure they comply with these safety measures.

### The Use of Barn Owls in Sabah to Manage Rat Populations

Rats are considered a major pest in oil palm plantations as they cause damage to young palms and feed on ripening fruit bunches. It is estimated that in the Sahabat region alone, up to RM49 million (based on 63,000 Ha of yielding areas in the Sahabat region and 10% oil loss) is lost due to rat attacks annually. As such, FGV has invested significant time and money in researching cost-efficient and ecologically friendly ways to manage this issue.

Barn owls are known to feed principally upon rodents, which comprise 99% of their diet, making it the most efficient biological control. Since 2009, FGV has been introducing barn owls into the Sahabat region in Sabah to nurture and establish a successful owl population that can be used to control the rat population in estates.

In June 2013, 401.45 Ha of mature oil palm estates in the Sahabat region were gazetted as a ‘rodenticide-free area’ to encourage early owl population growth. With rats as its main food source, the barn owl population has been growing at a rate of 16.7% per year. In 2019, some new areas in the Sahabat region began a programme of installing barn owl nest boxes in appropriate locations. The aim was to encourage dispersing juvenile owls to take up residence and breed, improving local populations. To date, there are ±1,500 owls in the Sahabat region covering some 8,000 Ha (Embara, Fajar and Cenderawasih Complexes). A total of 115 barn owl boxes have been set up and 75% of them have become well-established.

In 2020, we are looking to translocate the barn owls to FGV PUP, FGV Umas and FGV Kalabakan to further expand the population, help minimise the use of rodenticide and reduce operational costs. This project has been a successful example of integrated pest management and a symbol of FGV’s commitment to sustainability.

**115**  
Barn Owl  
boxes have been set up and  
75% of them have become  
well-established

# TRUST AND TRACEABILITY

GRI 102-12/13

## CERTIFICATION

In the pursuit of sustainable development, FGV strives to strengthen its sustainability credentials through the Roundtable on Sustainable Palm Oil (RSPO) and Malaysian Sustainable Palm Oil (MSPO) certifications as well as the International Sustainability and Carbon Certification (ISCC). We remain deeply committed to expanding our capacity and to continuing to create value for our stakeholders. While MSPO certification is mandatory, FGV strives to ensure that all its complexes are RSPO-certified while cultivating good sustainability practices across the Group.



### RSPO

The RSPO is an international non-profit organisation that was established in 2004 to lead the palm oil industry towards sustainable practices with other stakeholders in the global supply chain. The RSPO defines the criteria utilised by industry players to ensure sustainable production of palm oil. One of its key aims is to monitor and evaluate the economic, environmental and social impact of the cultivation, distribution and use of palm oil in world markets. Although RSPO membership is not mandatory, most palm oil companies strive to meet the RSPO's set of environmental and social criteria in order to produce Certified Sustainable Palm Oil (CSPO).

The set of criteria was designed to minimise negative environmental and social impact in areas where palm oil is produced. The RSPO certification process requires members to meet RSPO requirements, namely the RSPO Principles & Criteria (RSPO P&C) through a multi-stakeholder approach to validate their sustainability claims.

As one of the first agricultural companies to obtain the RSPO mill certification in 2010, FGV is on track with its Time-Bound Plan to have all its 68 complexes certified by 2021. External audits for 25 complexes and the process of tendering for the remaining complexes have been completed. The achievement

of 100% RSPO-certified mills will mark a major milestone in FGV's sustainability journey and form a solid foundation in FGV's commitment to sustainable development.

As of December 2019, FGV has 33 mills that are RSPO-certified with certified quantities of 454,918 MT of CSPO, 112,398 MT of Certified Sustainable Palm Kernel and 54,045 MT of Certified Sustainable Palm Kernel Oil.

#### RSPO Complaints Panel directives

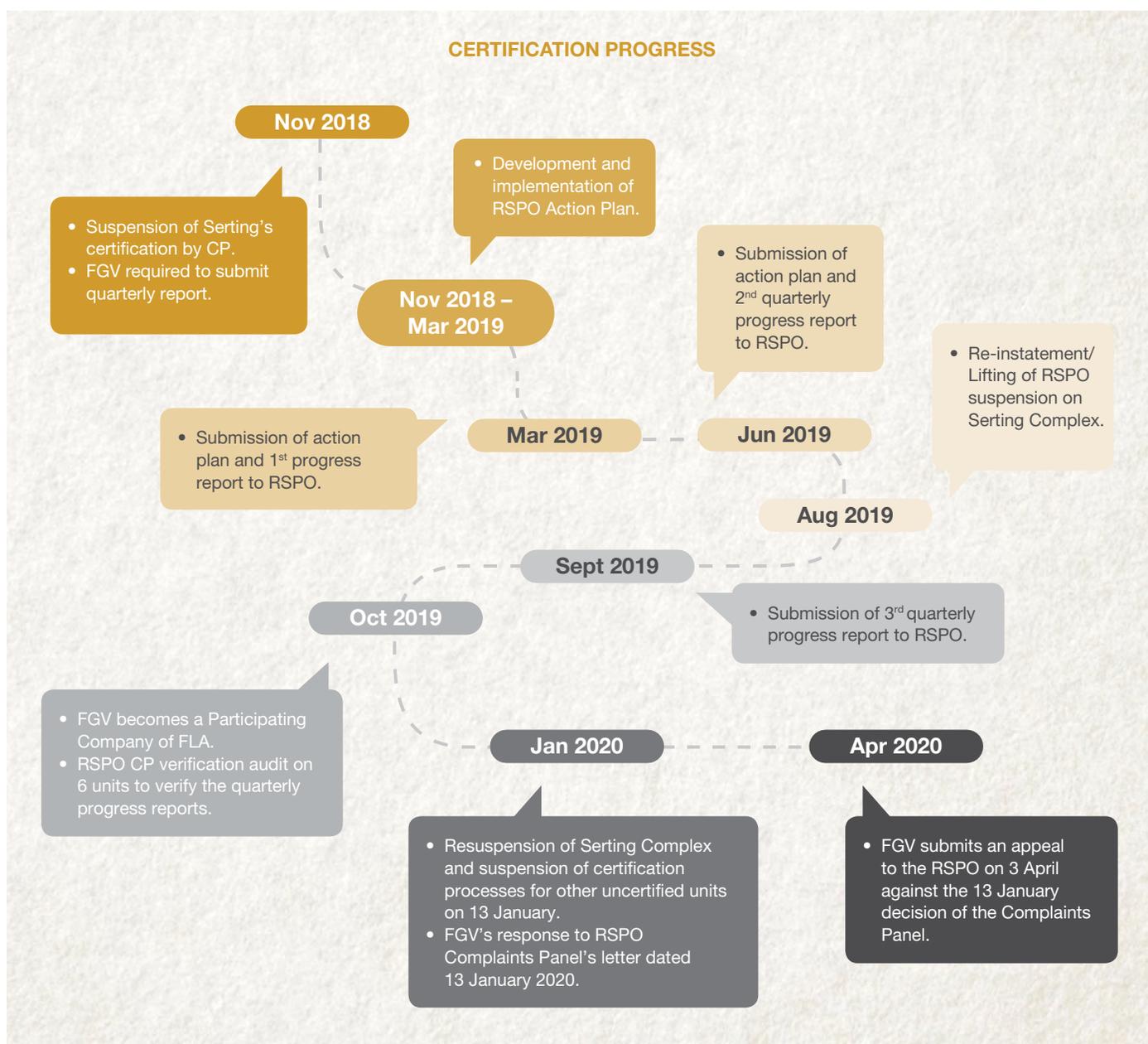
In November 2018, the RSPO Complaints Panel (CP) suspended Serting Complex's RSPO certification. In response, FGV, in consultation with the RSPO, developed an action plan to address the concerns raised and numerous actions were implemented. Three quarterly progress reports were submitted to the RSPO in March, June and September 2019\*, respectively. Meanwhile, FGV's action plan was made public. These measures resulted in the reinstatement of the RSPO's certification of the Serting Complex on 5 August 2019.

However, on 13 January 2020, the CP decided to resuspend the certification for the Serting Complex and to suspend FGV's ongoing certification processes. The decision was based on the verification audit in October 2019, which was conducted by independent auditors appointed by RSPO.

\* To read about the progress reports, please go to <https://www.fgvholdings.com/sustainability/reports-updates/>

While the auditors found several gaps in our practices, they also recognised the progress and achievements made by FGV in addressing various labour issues. Such progress included, among others, the following:

- i. adoption of the Guidelines and Procedures for the Responsible Recruitment of Foreign Workers
- ii. strengthening of the post-arrival orientation programme
- iii. revision and translation of employment contracts to local languages of workers
- iv. establishment of documented procedures and policies reflecting the Group's commitment on labour policy in respect of all migrant workers employed by FGV
- v. provision of safe boxes for safekeeping of passports at the choice of workers
- vi. payment of minimum wages
- vii. ensuring safety and access to healthcare
- viii. construction of new accommodation, which is in line with national standards



## TRUST AND TRACEABILITY

In keeping with our commitment to transparency, we have made public the auditors' reports on our website. These positive steps taken by FGV were highlighted in the auditors' reports but were not reflected in the decision letter by the CP. We feel that the directives by the RSPO CP were disproportionate to the overall findings of the audit exercise, and therefore FGV has submitted an appeal to the RSPO on 3 April 2020 against the 13 January 2020 decision of the CP.

Irrespective of the outcome of the appeal, FGV remains committed to the RSPO's P&C in their entirety, and will continue to strive towards full compliance. We also welcome RSPO to continue monitoring FGV's progress in this regard. FGV's direction is clear – it will execute its initiatives and programmes to ensure that its practices relating to labour are consistent with international labour and human rights standards.

In 2019, the Group further strengthened its commitment to sustainability and human rights by implementing new guidelines and procedures for the responsible recruitment of migrant workers. As part of FGV's commitment to ensure compliance with the RSPO P&C, we have embarked on a regularisation exercise specifically for undocumented workers in Sabah to ensure the workforce of FGV in Sabah is legally documented and in the process, ensure that the workers' rights are protected. Taking into account the complex socio-geography of Sabah, this exercise was expected to be completed by the end of June 2020. However, the regularisation exercise was affected by the COVID-19 pandemic and the government's MCO. FGV has,

in April 2020, requested for an extension of the completion of the regularisation from the RSPO CP.

Overall, FGV has bolstered its sustainability approach by revising and updating its Group Sustainability Policy (GSP). In addition, we have:

Expanded the scope of the Sustainability Department to cover the whole Group with a direct reporting line to the Group Chief Executive Officer

Established FGV's Independent Advisory Panel for its Board, which was approved by the Board in November 2019. The members of the panel were announced in 2020

 Please turn to page 19 for more details on the Independent Advisory Panel in Sustainability Governance

Adopted strategic alliances and collaborations with reputable and independent organisations such as the Fair Labor Association, International Organization for Migration, Earthworm Foundation and Malaysian Human Rights Commission

FGV's Sustainability Compliance and Certification Department (SCCD) is also making the necessary arrangements for smallholders' RSPO certification at its Kechau B Complex, which will later be certified as an Identity Preserved category mill.



### THE MALAYSIAN SUSTAINABLE PALM OIL (MSPO) CERTIFICATION SCHEME

The MSPO certification is the first national scheme for oil palm plantations and independent and organised smallholders in Sustainable Palm Oil Clusters (SPOCs) as well as other palm oil processing facilities to be certified against MSPO standards. It is an alternative to other sustainability certification schemes and it benefits smallholders due to its lower cost, without compromising on rigour.

The MSPO is similar to the RSPO and International Sustainability and Carbon Certification (ISCC) but takes into consideration the national socio-economic agenda, focusing on developing local communities while ensuring compliance with all local, national and ratified international laws and treaties. FGV has been working closely with stakeholders and other members in the industry to develop the MSPO standards and we are among the first plantation companies to be MSPO-certified since 2015.

FGV has strived to comply with the Malaysian government's directive to make MSPO certification mandatory by the end of 2019. As at December 2019, a total of 55 complexes have been MSPO-certified, while the remaining 13 complexes have been audited. By February 2020, all 68 complexes were MSPO-certified.

**MSPO Certification for Independent Smallholders in FGV's supply chain**

The MSPO Certification for Independent Smallholders Project was one of FGV's initiatives to ensure sustainable certification and traceability throughout FGV's supply chain. In 2019, FGV assisted more than 2,000 independent smallholders (ISHs) in obtaining MSPO certification in collaboration with the MPOB.

We have successfully achieved 100% traceability of our palm oil to our mills through the following initiatives:

**Identifying Independent Smallholders**

We compiled a list of independent smallholders based on the suppliers list and engaged with identified super dealers. We identified 980 independent smallholders who were directly registered with us and another 5,182 independent smallholders were identified through FFB suppliers. The process of MSPO certification was, however, limited by the MPOB's own targeted numbers. To date, 2,368 independent smallholders on the FFB suppliers list have been submitted to the MPOB for its further action.

**Training the Trainer**

We trained selected mill representatives on MSPO Part 2 (Smallholder requirements) from November to December 2018 to assist FGV mill operators in advising FELDA ISHs on MSPO requirements and standards. The training covered MSPO standard requirements and physical assistance on the ground for ISHs.

**Training the Dealer**

We had trained a total of 78 dealers in Lahad Datu, Kuantan and Kluang on MSPO standards and the required documents by December 2018. The training sessions were conducted in collaboration with MPOB officers for the ISHs who send their FFB to collection centres.

**Collaborating with the MPOB**

In collaboration with the MPOB, FGV published the *Buku Panduan Bergambar Pensijilan Minyak Sawit Mampan Malaysia (MSPO) Bahagian 2 Bagi Pekebun Kecil Persendirian* – an MSPO pictorial guide to help ISHs improve their oil palm management skills through good agricultural practices to boost the quality of fruits and indirectly improve their livelihood.



**INTERNATIONAL SUSTAINABILITY AND CARBON CERTIFICATION**

FGV has been associated with the International Sustainability and Carbon Certification (ISCC) since 2011. It is the first biofuel standard to be recognised by the EU and the most widely acknowledged among the many biofuel standards available today. ISCC certification is vital for FGV, as independent third-party certification ensures compliance with high ecological and social sustainability, greenhouse gas emissions savings and traceability requirements throughout the supply chain.

The number of FGV complexes with ISCC certification is dependent on market demand to accommodate the requirement for a sustainable biofuel market in Europe. FGV has had up to 15 certified mills in the past when the demand for palm-based biofuel (palm methyl ester) was high. As of December 2019, we have only been maintaining ISCC-compliant operations at eight mills due to reduced demand following the EU directive to minimise palm-based biofuels. Four mills were externally audited in Q1 2020 while the remaining four mills will be audited in Q2 2020.

GRI-103-1/2/3

## TRACEABILITY AND RISK MAPPING

**FGV's commitment to sustainable development is not limited to its operations and subsidiaries. Our suppliers are also expected to comply with the principles, regulatory rules and standards that FGV is committed to. We acknowledge that traceability is integral in fulfilling our commitment to responsible sourcing as it underlines transparency in our business. Today, FGV's palm oil is 100% traceable to our mills and we are committed to enhancing traceability of our raw materials.**

FGV continues to work closely with our value chain partners to ensure that traceability and transparency are embedded in their own practices. To this end, we have established a traceability and risk mapping programme to identify and address non-compliance among suppliers. The programme helps to ensure that our suppliers, in consultation with FGV, develop an action plan with specific timelines to address the identified areas of non-compliance.

We will monitor the progress of the implementation of the mutually agreed action plan and will provide support to the supplier concerned as and when necessary. FGV will terminate the supplier's contract if the supplier fails to progress or is not willing to address the areas of non-compliance within the pre-determined timeframe.

With traceability becoming a major concern in multinational palm oil companies, FGV's Group Sustainability Division (GSD) rolled out initiatives in 2018 to identify and trace the source of palm products from our external sources to mitigate the risks associated with these sources. This ensures that the FFB sourced by FGV are not linked to deforestation, planting on peat and open burning, which go against the Group Sustainability Policy (GSP) and the No Deforestation, No Peat and No Exploitation (NDPE) commitment.

We were able to trace all our CPO and PK to supplying mills but tracing to the plantations of origin was challenging for external crops. As at end-2019, we managed to trace 83% of externally sourced FFB to our mills. We identified our top dealer and communicated our GSP and NDPE commitment. In addition, we measured its sustainability risk level using the Global Forest Watch (GFW) Pro platform, an open-source web application that monitors global forests in near real-time. The platform measures global deforestation rates and detects and monitors illegal clearing activity. Our target is to assess 100% of our suppliers' sustainability risks by 2021.

FGV is currently developing a model with our business partners to identify sustainability risks associated with specific geographical areas in order to ensure better traceability of our products. To promote greater traceability, we have also created Traceability of Product (FGV-ToP), a computerised traceability system that enables customers to obtain details such as the certification, geolocation and production per month of a mill. FGV-ToP is part of an overall Sustainable Palm Oil Management System (SPOMS) that includes an Audit Integrated Management System (FGV-AIMS).

### TRACEABILITY IN THE OPERATIONAL UNITS

#### Upstream

##### Palm Oil Mills (68 Mills)

|                | TTP (Tier 1) |
|----------------|--------------|
| Palm Oil Mills | 83%          |

#### Downstream

##### Kernel Crushing Plants (FKP-4 Plants)

|              | TTM  | TTP (Tier 1) |
|--------------|------|--------------|
| Semambu      | 100% | 67%          |
| Pasir Gudang | 100% | 80%          |
| Pandamaran   | 100% | 86%          |
| Sahabat      | 100% | 93%          |

##### Refineries - CPO/PKO (FGVR-4 Plants)

|                            | TTM  | TTP (Tier 1) |
|----------------------------|------|--------------|
| Kuantan Oil Products - CPO | 100% | 75%          |
| Kuantan Oil Products - PKO | 100% | 83%          |
| Sahabat Oil Products - CPO | 100% | 94%          |
| Tawau Oil Products - CPO   | 100% | 78%          |
| Delima Oil Products - CPO  | 100% | 80%          |

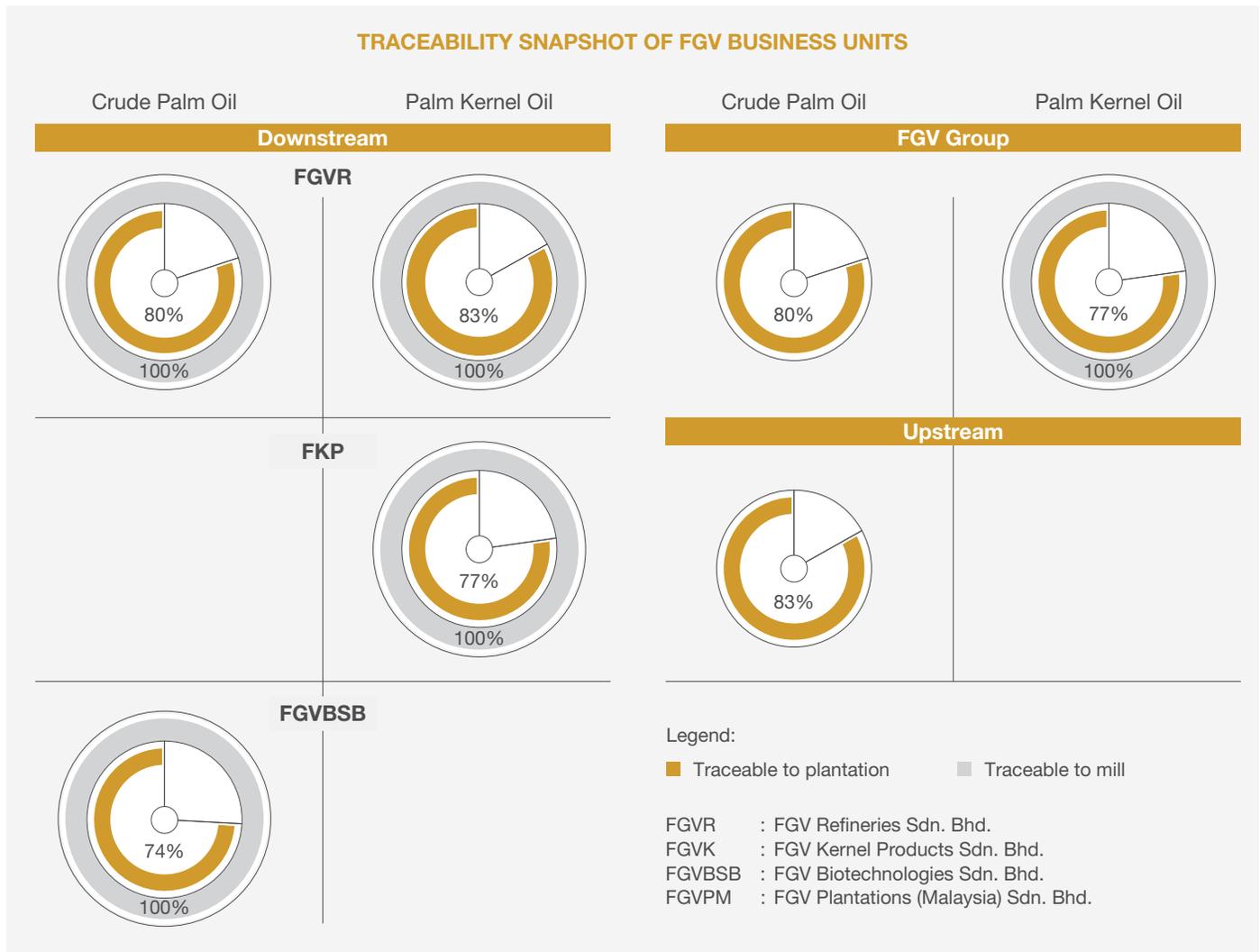
##### Biodiesel (FGVBSB-1 Plant)

|             | TTM  | TTP (Tier 1) |
|-------------|------|--------------|
| FGV Biotech | 100% | 74%          |

TTM : Traceability To Mill

TTP : Traceability To Plantation

Tier 1 : The last gathering point of a product before it reaches FGV's business unit



#### Strategic partnership with MIMOS and MISI

In ensuring suppliers' compliance with FGV's standards, we are currently working with Malaysia's National Applied Research and Development Centre (MIMOS) and the Malaysia Institute for Supply Chain Innovation (MISI). The strategic partnership covers the validation of traceability data information, the verification of external suppliers' compliance with the GSP and the development of FGV suppliers' sustainability status through the Preferred Network Programme (PNP).

GRI 102-10

## SUSTAINABILITY STANDARDS IN SUPPLY CHAIN

In promoting our sustainability agenda, we strongly believe that sustainability standards must be applicable throughout the supply chain. In April 2019, FGV adopted its Supplier Code of Conduct (SCOC) to ensure our suppliers and contractors commit to and comply with the same values and principles that we embrace. The comprehensive SCOC outlines principles and standards relating to sustainability, covering business ethics and integrity; safety, health and environment; labour and human rights; and social and environmental sustainability, among other areas. All suppliers and contractors who wish to engage in business partnerships with FGV are expected to agree and commit to the principles and standards stipulated by the SCOC.

The SCOC can be accessed through the following link:

<https://www.fgvholdings.com/wp-content/uploads/2020/02/Supplier-Code-of-Conduct-SCOC.pdf>

# GRI

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| 102-53                                    | Contact point for questions regarding the report                                                                                                                                          | About this Report pg 1                                                                    |                                                                                                                                                                          |
| 102-54                                    | Claims of reporting in accordance with the GRI Standards                                                                                                                                  | About this Report pg 1                                                                    |                                                                                                                                                                          |
| 102-55                                    | GRI content index                                                                                                                                                                         | GRI Content Index pg 86-90                                                                |                                                                                                                                                                          |
| 102-56                                    | External assurance                                                                                                                                                                        | About this Report pg 1                                                                    |                                                                                                                                                                          |
| <b>GRI 201: Economic Performance</b>      |                                                                                                                                                                                           |                                                                                           |                                                                                                                                                                          |
| 103-1/2/3                                 | Management approach                                                                                                                                                                       | FGV AIR 2019 pg 24-25                                                                     |                                                                                                                                                                          |
| 201-1                                     | Direct economic value generated and distributed                                                                                                                                           | FGV AIR 2019 pg 35-45                                                                     |                                                                                                                                                                          |
| <b>GRI 203: Indirect Economic Impacts</b> |                                                                                                                                                                                           |                                                                                           |                                                                                                                                                                          |
| 103-1/2/3                                 | Management approach                                                                                                                                                                       | Enriching our Community Stakeholders pg 26-28                                             |                                                                                                                                                                          |
| 203-2                                     | Significant indirect economic impacts                                                                                                                                                     | Enriching our Community Stakeholders pg 26-28;<br>Sustainability and our ESG Impact pg 37 |                                                                                                                                                                          |
| <b>GRI 205: Anti-corruption</b>           |                                                                                                                                                                                           |                                                                                           |                                                                                                                                                                          |
| 103-1/2/3                                 | Management approach                                                                                                                                                                       | Corporate Governance pg 38-39                                                             |                                                                                                                                                                          |
| 205-3                                     | Confirmed incidents of corruption and action taken                                                                                                                                        | Not reported                                                                              | Confirmed incidents of corruption and action taken.                                                                                                                      |
| <b>GRI 302: Energy</b>                    |                                                                                                                                                                                           |                                                                                           |                                                                                                                                                                          |
| 103-1/2/3                                 | Management approach                                                                                                                                                                       | Energy and Emissions pg 70                                                                |                                                                                                                                                                          |
| 302-1                                     | Energy consumption within the organisation                                                                                                                                                | Environmental Stewardship - Energy and Emissions pg 70-71                                 | Renewable energy consumption; Electricity, Heating, Cooling, Steam consumption; Cooling and Steam Sold. These metrics are not currently measured across the whole Group. |
| <b>GRI 303: Water and Effluents 2018</b>  |                                                                                                                                                                                           |                                                                                           |                                                                                                                                                                          |
| 103-1/2/3                                 | Management approach <ul style="list-style-type: none"> <li>• 303-1 Interactions with water as a shared resource</li> <li>• 303-2 Management of water discharge-related impacts</li> </ul> | Water Management pg 77                                                                    |                                                                                                                                                                          |

| STANDARD DISCLOSURES                              |                                                                                                                                           |                                                  |                                                                                                                                                                                                                            |
|---------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Disclosure                                        | Description                                                                                                                               | Where it can be found                            | Omissions                                                                                                                                                                                                                  |
| <b>GRI 303: Water and Effluents 2018 (cont'd)</b> |                                                                                                                                           |                                                  |                                                                                                                                                                                                                            |
| 303-4                                             | Water discharge                                                                                                                           | Water Management pg 78                           | 1. Water discharge by destination: Groundwater; Seawater; Third-party water.<br>2. All requirements for parts b, c and d<br><br>FGV is working on collating consistent and detailed water discharge data across the Group. |
| 303-5                                             | Water consumption                                                                                                                         | Water Management pg 77-78                        | Requirements for parts b and c. None of the areas that we operate in are deemed as water-stress areas and we do not consider our water storage ponds as having a significant impact.                                       |
| <b>GRI 304: Biodiversity</b>                      |                                                                                                                                           |                                                  |                                                                                                                                                                                                                            |
| 103-1/2/3                                         | Management approach                                                                                                                       | Biodiversity pg 62-70                            |                                                                                                                                                                                                                            |
| 304-1                                             | Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | Biodiversity pg 63-65                            |                                                                                                                                                                                                                            |
| 304-4                                             | IUCN Red List species and national conservation list species with habitats in areas affected by operations                                | Biodiversity pg 66                               |                                                                                                                                                                                                                            |
| <b>GRI 305: Emissions</b>                         |                                                                                                                                           |                                                  |                                                                                                                                                                                                                            |
| 103-1/2/3                                         | Management approach                                                                                                                       | Energy and Emissions pg 70-73                    |                                                                                                                                                                                                                            |
| 305-1                                             | Direct (Scope 1) GHG emissions                                                                                                            | Energy and Emissions pg 72                       |                                                                                                                                                                                                                            |
| 305-2                                             | Energy indirect (Scope 2) GHG emissions                                                                                                   | Energy and Emissions pg 72                       |                                                                                                                                                                                                                            |
| 305-5                                             | Reduction of GHG emissions                                                                                                                | Energy and Emissions pg 73                       |                                                                                                                                                                                                                            |
| <b>GRI 306: Effluents and waste 2016</b>          |                                                                                                                                           |                                                  |                                                                                                                                                                                                                            |
| 103-1/2/3                                         | Management approach                                                                                                                       | Waste pg 74-75                                   |                                                                                                                                                                                                                            |
| 306-2                                             | Waste by type and disposal method                                                                                                         | Waste pg 75-76                                   |                                                                                                                                                                                                                            |
| <b>GRI 307: Environmental Compliance</b>          |                                                                                                                                           |                                                  |                                                                                                                                                                                                                            |
| 103-1/2/3                                         | Management approach                                                                                                                       | NDPE Commitment pg 61;<br>Water Management pg 77 |                                                                                                                                                                                                                            |
| 307-1                                             | Non-compliance with environmental laws and regulations                                                                                    | NDPE Commitment pg 61-62                         |                                                                                                                                                                                                                            |
| <b>GRI 401: Employment</b>                        |                                                                                                                                           |                                                  |                                                                                                                                                                                                                            |
| 103-1/2/3                                         | Management approach                                                                                                                       | Employees pg 46-52                               |                                                                                                                                                                                                                            |
| 401-1                                             | New employee hires and employee turnover                                                                                                  | Our Diverse Workforce pg 53                      |                                                                                                                                                                                                                            |
| 401-2                                             | Benefits provided to full-time employees that are not provided to temporary or part-time employees                                        | Employees pg 46                                  |                                                                                                                                                                                                                            |
| 401-3                                             | Parental leave                                                                                                                            | Employee Performance Data pg 51                  |                                                                                                                                                                                                                            |

| <b>STANDARD DISCLOSURES</b>                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                               |                                                                             |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| <b>Disclosure</b>                               | <b>Description</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>Where it can be found</b>                                                                                                  | <b>Omissions</b>                                                            |
| <b>GRI 403: Occupational health and safety</b>  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                               |                                                                             |
| 103-1/2/3                                       | Management approach <ul style="list-style-type: none"> <li>• 403-1 Occupational health and safety management system</li> <li>• 403-2 Hazard identification, risk assessment, and incident investigation</li> <li>• 403-3 Occupational health services</li> <li>• 403-4 Worker participation, consultation, and communication on occupational health and safety</li> <li>• 403-5 Worker training on occupational health and safety</li> <li>• 403-6 Promotion of worker health</li> <li>• 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships</li> </ul> | Occupational Safety and Health pg 55-60; Ethical and Responsible Recruitment of Migrant Workers pg 43-44; Employees pg 46, 48 |                                                                             |
| 403-9                                           | Work-related injuries                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | OSH Performance Data pg 60                                                                                                    |                                                                             |
| 403-10                                          | Work-related ill health                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | OSH Performance Data pg 60                                                                                                    |                                                                             |
| <b>GRI 404: Training and education</b>          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                               |                                                                             |
| 103-1/2/3                                       | Management approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Talent Management pg 49-52                                                                                                    |                                                                             |
| 404-1                                           | Average hours of training per year per employee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Talent Management pg 50                                                                                                       |                                                                             |
| 404-2                                           | Programs for upgrading employee skills and transition assistance programs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Talent Management pg 51                                                                                                       |                                                                             |
| 404-3                                           | Percentage of employees receiving regular performance and career development reviews                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Talent Management pg 51                                                                                                       |                                                                             |
| <b>GRI 405: Diversity and equal opportunity</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                               |                                                                             |
| 103-1/2/3                                       | Management approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Employees pg 46; Our Diverse Workforce pg 53                                                                                  |                                                                             |
| 405-1                                           | Diversity of governance bodies and employees                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Our Diverse Workforce pg 53-54                                                                                                |                                                                             |
| <b>GRI 408: Child Labor</b>                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                               |                                                                             |
| 103-1/2/3                                       | Management approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Respecting Human Rights pg 40-41                                                                                              |                                                                             |
| 408-1                                           | Operations and suppliers at significant risk for incidents of child labour                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Not reported                                                                                                                  | Operations and suppliers at significant risk for incidents of child labour. |
| <b>GRI 409: Forced or compulsory labor</b>      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                               |                                                                             |
| 103-1/2/3                                       | Management approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Respecting Human Rights pg 40-41                                                                                              |                                                                             |
| 409-1                                           | Operations and suppliers at significant risk for incidents of forced or compulsory labor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Certification pg 80-82                                                                                                        |                                                                             |
| <b>GRI 413: Local Communities</b>               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                               |                                                                             |
| 103-1/2/3                                       | Management approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Enriching Our Community Stakeholders pg 26                                                                                    |                                                                             |

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