



# ABOUT THIS REPORT

This is Hap Seng Plantations' fourth sustainability report. We launched our inaugural report in 2015, and have reported on an annual basis since 2017. This report covers data on our operations, including our wholly owned estates, for the financial year ending at 31 December 2018. The Global Reporting Initiative Standards (GRI) have guided us in preparing all content. The content in this report references the GRI Standards 2016, please refer to the GRI Content Index (pg. 60) for each disclosure used.

The report provides detail on our implementation progress as guided by the materiality matrix, which can be found on pages 59.

This report is intended to meet the information needs of our stakeholders – particularly customers, shareholders and employees – and to communicate our approach to the social, environmental and economic aspects of our business to all interested parties.

For this year's reporting, we have linked our sustainability efforts to the United Nations Sustainability Development Goals (SDGs). As a RSPO and MSPO certified company, our business operations are aligned to the SDGs as stated in page 21.

This report does not include associate companies or joint venture enterprises. Unless otherwise stated, all data is correct as at 31 December 2018. We are committed to continuing our reporting journey and expect to publish a sustainability report annually.

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## VISION

To achieve the optimum productivity and to be the most cost-efficient producer in Malaysia

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### SUSTAINABILITY PRINCIPLES & VALUES



**Economic growth**



**Environmental protection**



**Accountable to our stakeholders**



**Mutually beneficial relationship with our community**

### CORE VALUES



**Integrity**



**Transparency**



**Commitment to excellence**



**Sustainability**

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# SUSTAINABILITY HIGHLIGHTS 2018



## SUSTAINABILITY HIGHLIGHTS 2018



Launched updated Environmental Policy and Code of Conduct & Business Ethics Policy



Reviewed Stakeholder Grievance Procedure



Recorded zero fatalities in 2018



Marked the achievement of a **46%** reduction in lost time accidents since 2014



Plantations Central Laboratory is **MS ISO/IEC 17025 certified**



Achieved an increase in Hap Seng Plantations' ranking in the ZSL Sustainable Palm Oil Transparency Toolkit



Among the earliest palm oil companies to be **100% MSPO** certified (all mills and estates) by 2018



Achieved GHG emissions intensity of between **1.0 to 1.5 tonnes** CO<sub>2</sub>e /tonnes Crude Palm Oil by 2018 (ahead of targeted timeline of 2021)



## SUSTAINABILITY HIGHLIGHTS 2018



**100%** of mills RSPO & MSPO certified



**100%** of mills ISCC EU certified



**91%** of our planted area is certified according to RSPO Principles & Criteria (RSPO P & C)



Reductions in GHG value contributed by the commissioning of **two biogas facilities**



**100%** of mills HACCP certified

# TRACKING PROGRESS ON OUR COMMITMENTS

Year		Status
2015	• All mills RSPO certified	ACHIEVED
	• Establish a GHG baseline	ACHIEVED
	• Increase FFB yields to 22 tonnes per hectare	NOT ACHIEVED* (reset target to 2021)
	• Complete a biodiversity baseline study	ACHIEVED
	• No increase in lost time accident rate	ACHIEVED
	• Zero fatalities	ACHIEVED
2016	• ISCC EU certification of all mills	ACHIEVED
	• Complete guidelines on biodiversity management at landscape level using an HCV approach	ACHIEVED
	• Develop a GHG emissions reduction plan	ACHIEVED
2017	• Reduce BOD level to 20 ppm for JPOM	ACHIEVED
	• HACCP certification of all mills	ACHIEVED
	• Increase CPO extraction rate to 22.5%	NOT ACHIEVED* (reset target to 2021)
	• MSPO certification of Pelipikan Estate	ACHIEVED
	• Reduce GHG emissions intensity to between 1.5 to 2.0 tonnes CO <sub>2</sub> e/tonne Crude Palm Oil	ACHIEVED
2018	• MSPO certification of all estates and mills	ACHIEVED
2019	• Certification of 50% of JPOM 2 external FFB	IN PROGRESS
	• Reduce BOD level to 20 ppm for BPOM	IN PROGRESS
2020	• Reduce BOD level to 20 ppm for TPOM	IN PROGRESS (ACHIEVED IN 2017)
	• 70% reduction of COD level at anaerobic treatment for JPOM	IN PROGRESS
	• 70% reduction of COD level at anaerobic treatment for BPOM	IN PROGRESS
	• Biogas facilities with methane capture for all mills	IN PROGRESS
2021	• Reduce GHG emissions intensity to between 1.0 to 1.5 tonnes CO <sub>2</sub> e/tonnes Crude Palm Oil	ACHIEVED
2022	• Certification of 100% of JPOM 2 and TPOM external FFB	IN PROGRESS
	• 70% reduction of COD level at anaerobic treatment for TPOM	

RSPO	- Roundtable on Sustainable Palm Oil	JPOM 1	- Jeroco Palm Oil Mill 1
FFB	- Fresh Fruit Bunch	JPOM 2	- Jeroco Palm Oil Mill 2
ISCC	- International Sustainability & Carbon Certification	TPOM	- Tomanggong Palm Oil Mill
HCV	- High Conservation Values	BPOM	- Bukit Mas Palm Oil Mill
GHG	- Greenhouse Gas	BOD	- Biological Oxygen Demand
CPO	- Crude Palm Oil	HACCP	- Hazard Analysis & Critical Control Points
MSPO	- Malaysian Sustainable Palm Oil	COD	- Chemical Oxygen Demand
PK	- Palm Kernel	CSPK	- Certified Sustainable Palm Kernel

\* For the past few years, our yields have been impacted by the El Niño climatic phenomenon. We feel that the new target will allow us time to re-strategise and achieve our target.

# PERFORMANCE HIGHLIGHTS



## FINANCIAL

Our Revenue  
**RM390.8** Million

Profit Before Tax  
**RM37.2** Million

Basic Earning Per Share  
**3.64 sen**



## OPERATION

Total Production Volumes

**148,651** MT  
of CPO

**34,802** MT  
of PK



## HEALTH & SAFETY

**LTIFR – 1.5**  
incident per  
**200,000**  
manhours worked

Fatal accident rate  
**NONE**



## ENVIRONMENT

FFB Production

**70%** or **506,537** MT  
processed by identity  
preserved mills (JPOM1 and  
BPOM)

**30%** or **214,946** MT  
processed by mass balance  
mills (JPOM 2 and TPOM)

CPO Production

**CSPO**  
**70%** or **103,441** MT  
from identity preserved mills  
(JPOM1 and BPOM)

**CPO**  
**30%** or **45,210** MT  
from mass balance mills  
(JPOM 2 and TPOM)

PK Production

**CSPK**  
**72%** or **25,017** MT  
from identity preserved mills  
(JPOM1 and BPOM)

**PK**  
**28%** or **9,785** MT  
from mass balance mills  
(JPOM 2 and TPOM)



## SOCIAL

**Platinum Ranking**  
from Humana School

# MESSAGE FROM THE CHIEF EXECUTIVE – GROUP PLANTATIONS



Welcome to the Hap Seng Plantations Holding Berhad 2018 Sustainability Report, our fourth sustainability report to date. The following pages cover our ongoing sustainability journey and provide detailed insight into our progress – including our commitments, challenges and achievements.

Overall, 2018 was an extremely challenging year. Most plantations turned in reduced profits, and even losses, as a result of the prolonged depression in CPO prices through the second half of the year. Market demand for CPO was also lower compared to previous years. These factors are reflected in our revenue for 2018, which decreased 30% to RM391 million, from RM555 million in 2017.

Market conditions may fluctuate, but our commitment to pursue the highest standards of excellence in sustainability remains steadfast. Our policies and practices are among the best in class as shown by our readiness in utilising the new revised RSPO Principles Criteria (P&C) even before it comes into effect in November 2019. Our focus on labour standards, integrated pest management and ecosystems protection is fully aligned with our stakeholders' expectations.

We have continued to strengthen internal systems to ensure that we live up to our commitments and continuously improve our performance. Significant resources have also been invested in external outreach, supporting the independent local outgrowers and smallholders in our supply chain to achieve RSPO and MSPO certification. This has enabled us to make significant progress on traceability. The inclusion of RSPO certified external fruit has increased the proportion of our oil categorised as fully traceable, segregated and identity preserved.

Our hope is that these steps will support the wider adoption of sustainability certification in our industry and help to counter the negative perceptions held by some markets about the palm oil business. We believe that our own operations demonstrate that palm oil is a hugely valuable crop, and that its cultivation can drive community prosperity and environmental stewardship.

## MESSAGE FROM THE CHIEF EXECUTIVE – GROUP PLANTATIONS



Increasing our firefighting capabilities has also been a key focus throughout 2018. Our operations comply with a stringent zero-burning policy as well as with all fire-related requirements promulgated by the Sabah Forestry Department. Our dedicated monitoring team reviews potential fire incidents using satellite data from the Global Forest Watch Fire portal. The team also conducts site verification monitoring. Since November 2018, we have published monthly fire hotspots and fire alerts on the Hap Seng Plantations website. We have also established firefighting facilities in our estates, including the installation of fire hydrant systems around housing and other buildings as part of early fire mitigation measures.

Hap Seng Plantations continues to monitor greenhouse gas emissions from its plantations using the globally recognised RSPO PalmGHG calculator. I am pleased to announce that we have once again managed to cut our GHG emissions, securing a 23% reduction to 1.45 tonnes of CO<sub>2</sub> equivalent per tonne of CPO (MT CO<sub>2</sub>e/MT CPO) from 1.89 MT CO<sub>2</sub>e/MT CPO in 2017. This reduction is attributed to the 2016 commissioning of a methane capture facility and biogas power plant at our two palm oil mills – Jeroco Palm Oil Mill 1 (JPOM 1) and Jeroco Palm Oil Mill 2 (JPOM 2).

Our ongoing quest to achieve greater productivity and yields without compromising on our sustainability commitments is central to our business approach. A key breakthrough in 2018 has been the MS ISO/IEC 17025 certification of our Plantations Central Laboratory. This certification empowers us to conduct timely and reliable in-house soil, foliar, water and effluents analyses, as well to provide dependable recommendations on fertiliser usage to help plantations optimise yields.

To better monitor the effect of our activities, we are in the preliminary stages of testing drone technology. Drones have the capacity to provide us with real-time aerial imagery of our immature plantings. This imaging process has the potential to improve the way we review field conditions and monitor our oil palm nurseries. Increased accuracy in determining the total number of palms and vacant area would enhance our estate field management significantly.







Our efforts to build great workplaces and support our local communities have also continued apace. Improvements in basic infrastructure and workers' housing have been made, including the provision of clean water and electricity and the upgrading of roads, jetty services and free medical facilities. We have also sustained our partnership with Humana schools to make basic education more accessible.

Hap Seng Plantations does not traditionally seek a high profile. Nevertheless, I am very happy to note that the progress we have made on our sustainability journey to date continues to be acknowledged both nationally and internationally. Our company has been recognised by both the Ministry of Plantation Industries and Commodities and the Malaysian Palm Oil Certification Council (MPOCC) as one of the first oil palm companies to achieve 100% MSPO certification for both mills and plantations. Moreover, our position on the Zoological Society of London's Sustainable Palm Oil Transparency Toolkit (ZSL SPOTT) ranking has improved, once again, by eight percentage points. This clearly indicates that our sustainability reporting is on the right track.

Hap Seng Plantations was also recognised by the Humana Association in 2018, receiving a Platinum Ranking for our significant and timely contributions.

We have made significant progress every year since our inaugural sustainability report in 2015 – but we still have so much to achieve. As always, our success depends on the commitment and collective effort of our people. I would like to record my sincere thanks to each and every employee for helping us to determine the direction of our sustainability journey and take meaningful steps every day.

# FINANCIAL REVIEW

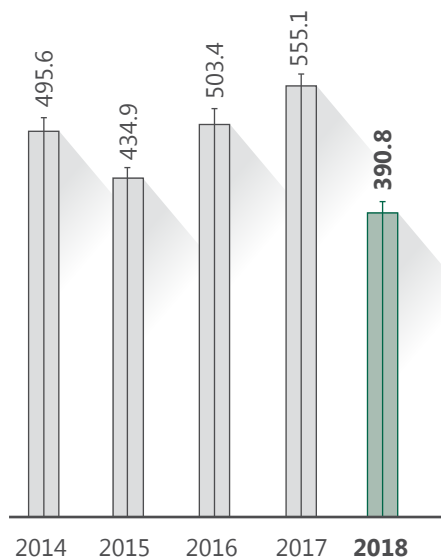
## FINANCIAL RESULTS

	2018	2017
Revenue (RM'000)	<b>390,756</b>	555,072
Profit before tax (RM'000)	<b>37,151</b>	146,931*
Basic earnings per share (sen)	<b>3.64</b>	13.76*

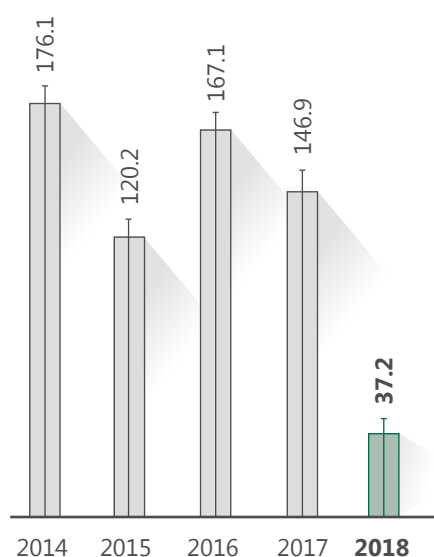
\* The figures for financial year ended 31 December 2017 have been restated to reflect the application of the Malaysian Financial Reporting Standards Framework.

## KEY HIGHLIGHTS

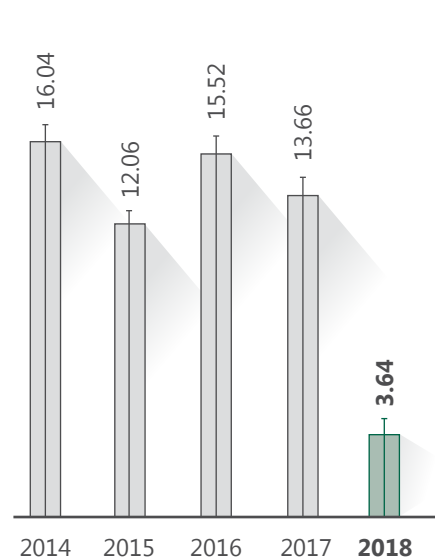
### REVENUE (RM'million)



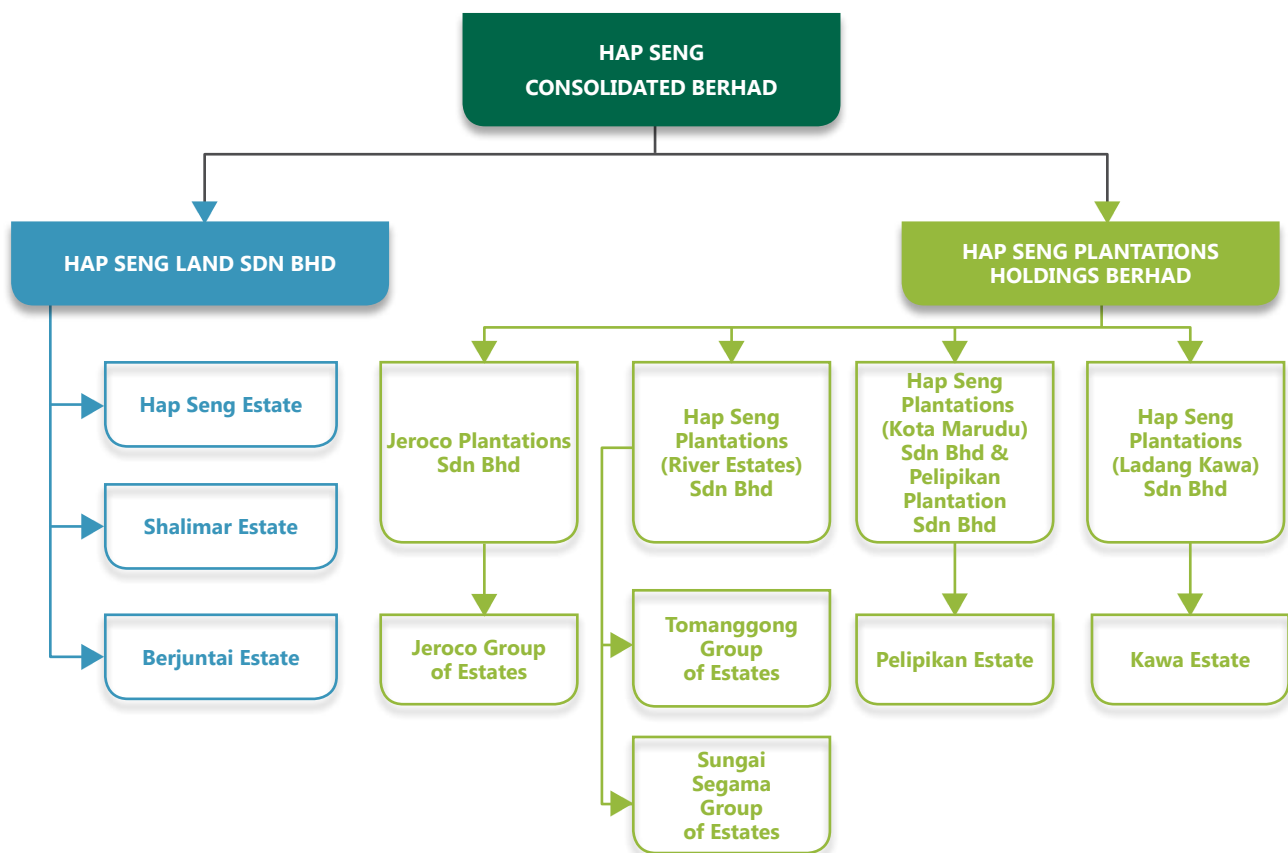
### PROFIT BEFORE TAX (RM'million)



### BASIC EARNINGS PER SHARE (sen)



# OVERVIEW OF HAP SENG PLANTATIONS



Hap Seng Plantations is the plantation division of Hap Seng Consolidated Berhad (HSCB), a diversified group with businesses in property investment and development, credit financing, automotive, trading and building materials. HSCB is a publicly listed company on Bursa Malaysia and has a 53.04% shareholding in Hap Seng Plantations as at 31 December 2018.

Hap Seng Plantations' estates are located on a contiguous plot of land in the Lahad Datu region of Sabah, Malaysia. Hap Seng Plantations has a land bank of around 41,000 hectares, of which 36,000 hectares are cultivated with oil palm. The remaining land is set aside for buildings – including four mills, housing for our more than 7,000-strong workforce. A further 1,400 hectares are maintained as conservation area.

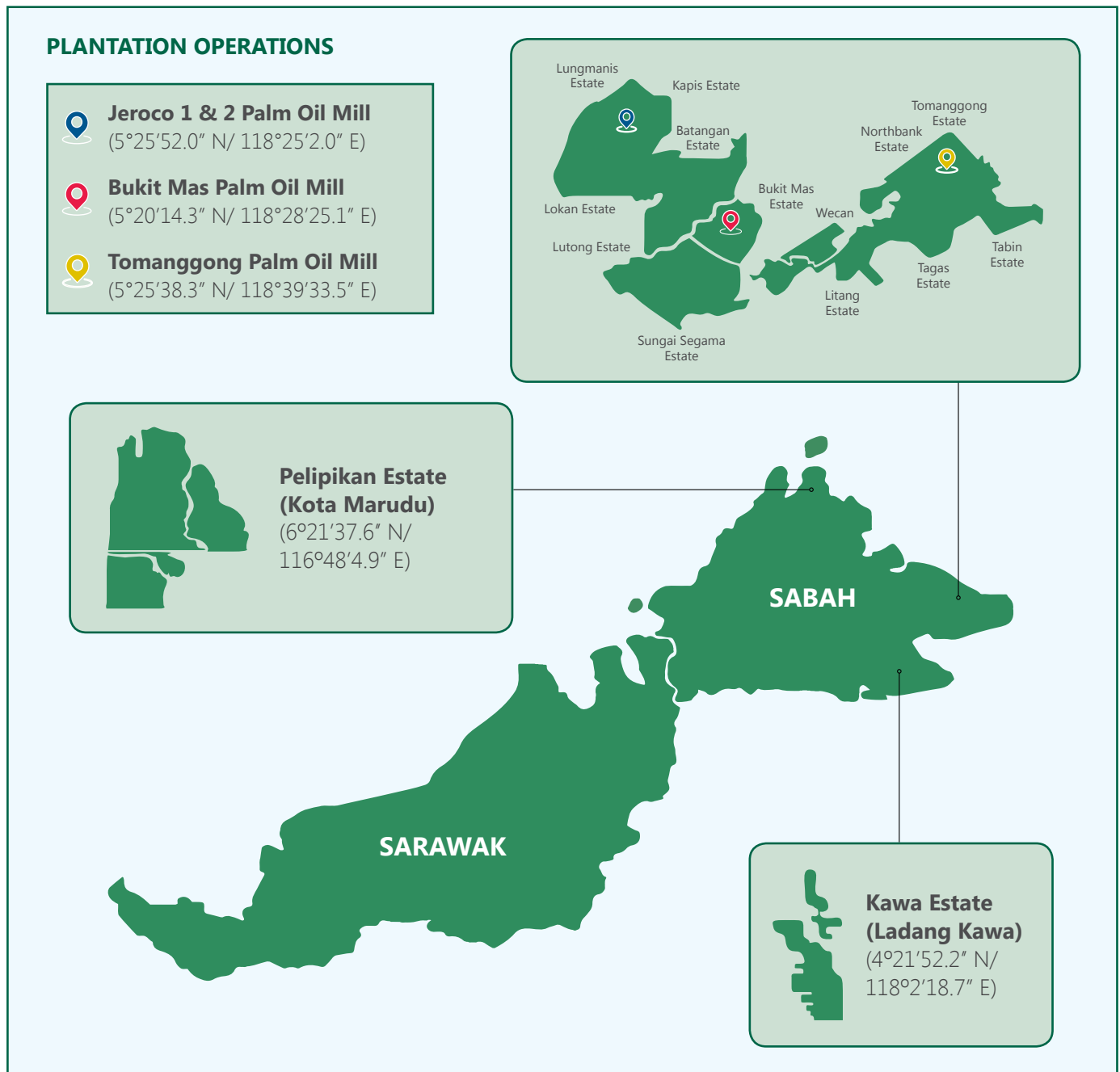
Our main business is in the cultivation and production of crude palm oil (CPO), primarily for the edible oil sector, and palm kernels (PK), which are sold to local palm kernel crusher plants.

**OVERVIEW OF  
HAP SENG PLANTATIONS**

Hap Seng Plantations has been a member of the RSPO since 2005. The application of RSPO and MSPO P&C ensures that we continue to benchmark against and remain in step with other leading oil palm plantations as we continue our journey towards becoming a more sustainable business.

We produce fully identity preserved and mass balance RSPO certified sustainable palm oil (CSPO) through our four certified mills.

**Our Operational Presence**



**Our Palm Oil Value Chain**



Planted **36,000 ha** in Sabah, Malaysia



**Estates**

replanting, harvesting, produce FFBs, research on soils and plant growth;



**Mills**

process FFBs from both internal & external sources, produce CPO & PK (certification on sustainable management & production)



**Commercial Product**

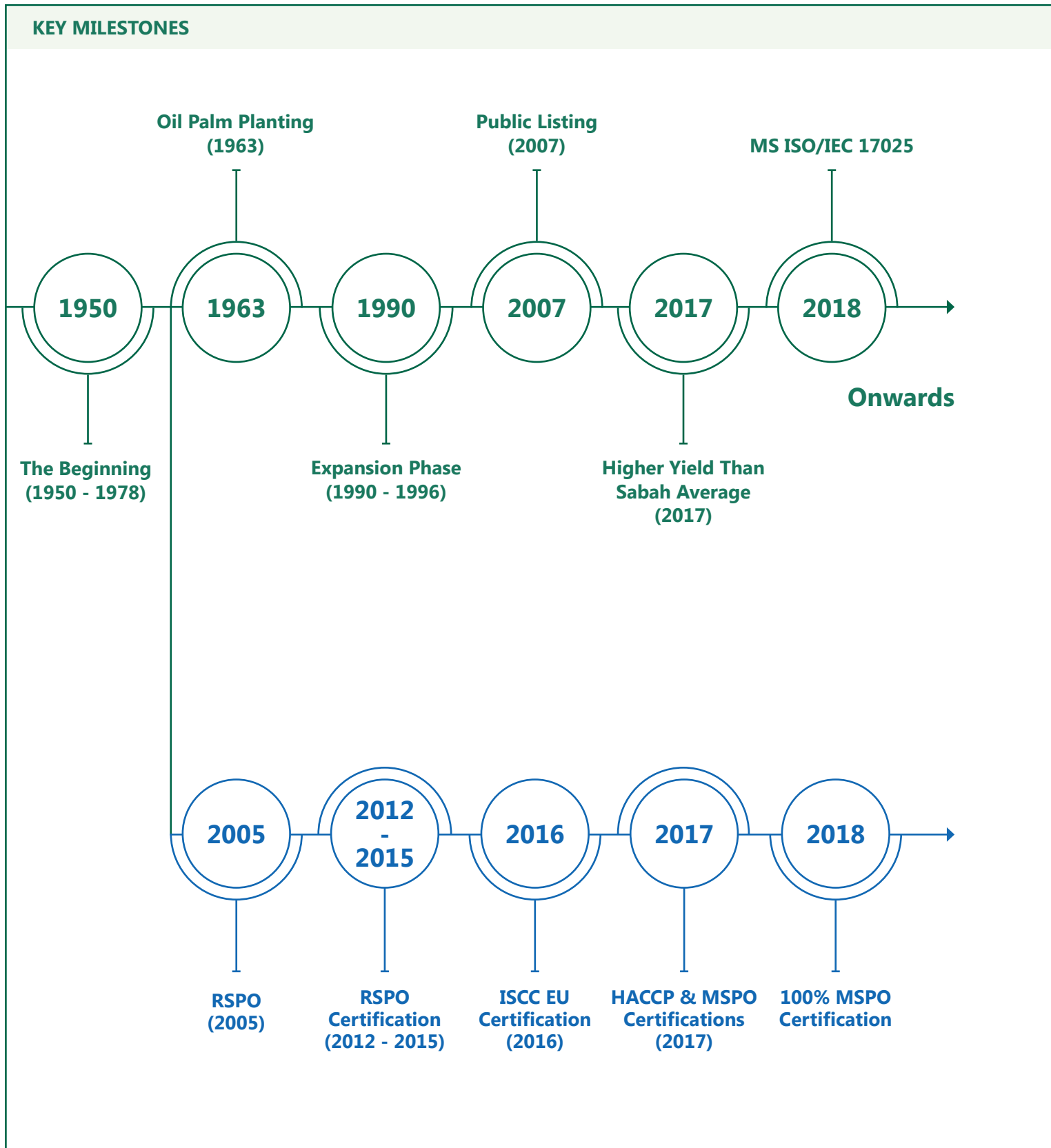


**Refineries**



**Shipping**

OVERVIEW OF  
HAP SENG PLANTATIONS



### The Beginning (1950 - 1978)

- Founded by British entrepreneur, Datuk R. G. Barret, with the establishment of The River Estates Limited (the former name of River Estates)
- Cultivation and export of tropical produces such as rubber and cocoa
- In 1978, River Estates was acquired by HSCB (then known as EAC (M) Berhad)

### Oil Palm Planting (1963 - 1987)

- First commercial scale cultivation of palm oil in the River Estates started in October 1963
- First oil palm planting in Tomanggong Estate began in 1987

### Expansion Phase (1990 - 1998)

- In 1990, the River Estates expanded its plantations by acquiring the Sungai Segama/Bukit Mas Estates
- Wecan and Tampilit acquired in 1991, which forms part of the Litang Estate and Tagas Estate
- In 1996, HSCB acquired 60.61% equity in Jeroco, which owns the Jeroco Group of Estates while the River Estates acquired Ladang Kawa
- HSCB's equity interests in Jeroco increased further to 60.65% in 1997 and 66.07% in 1998

### Public Listing (2007 - 2008)

- In November 2007, Hap Seng Plantations was listed on the Main Board of Bursa Malaysia
- In 2007, Hap Seng Plantations acquired River Estates and Jeroco
- In 2008, it leased 2,092 hectares of land in Kota Marudu known as the Pelipikan Estate

### Higher Yield Than Sabah Average (2017)

- Our estates produced 655,958 MT of Fresh Fruit Bunch (FFB)
- At 20.48 tonnes per hectare, our average yield remained higher than the average for Sabah for the past 5 years

### MS ISO/IEC 17025 (2018)

- Plantations Central Laboratory is MS ISO/IEC 17025 certified

#### RSPO (2005)

- Joined RSPO as a member

#### RSPO Certification (2012 - 2015)

- In 2012, Bukit Mas Palm Oil Mill & its Associate Estates became RSPO certified
- By 2015, all palm oil mills received RSPO certification

#### ISCC EU (2016)

- ISCC EU certification of all mills

#### HACCP & MSPO Certifications (2017)

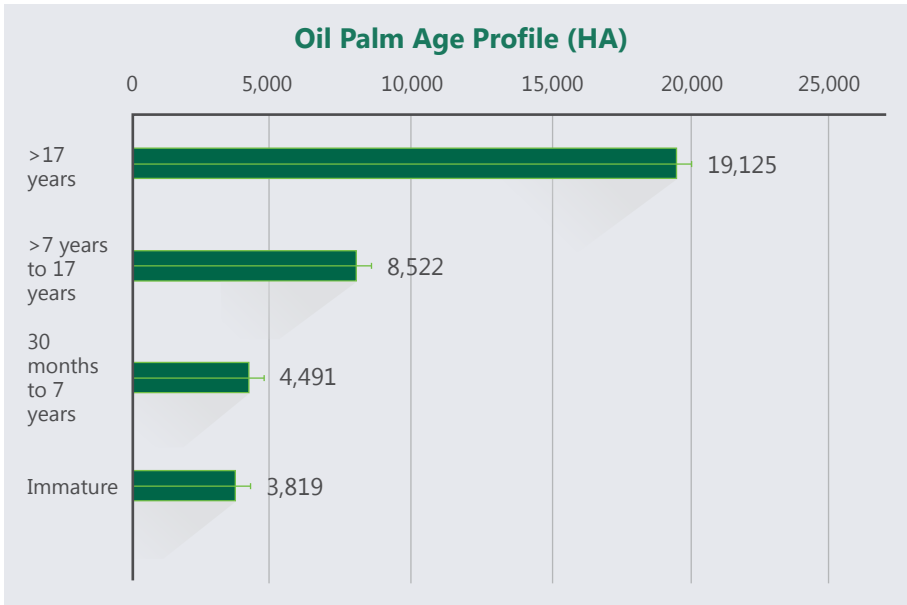
- MSPO certification of Pelipikan Estate
- HACCP certification of all mills

#### 100% MSPO Certification (2018)

- Among the earliest companies to be certified

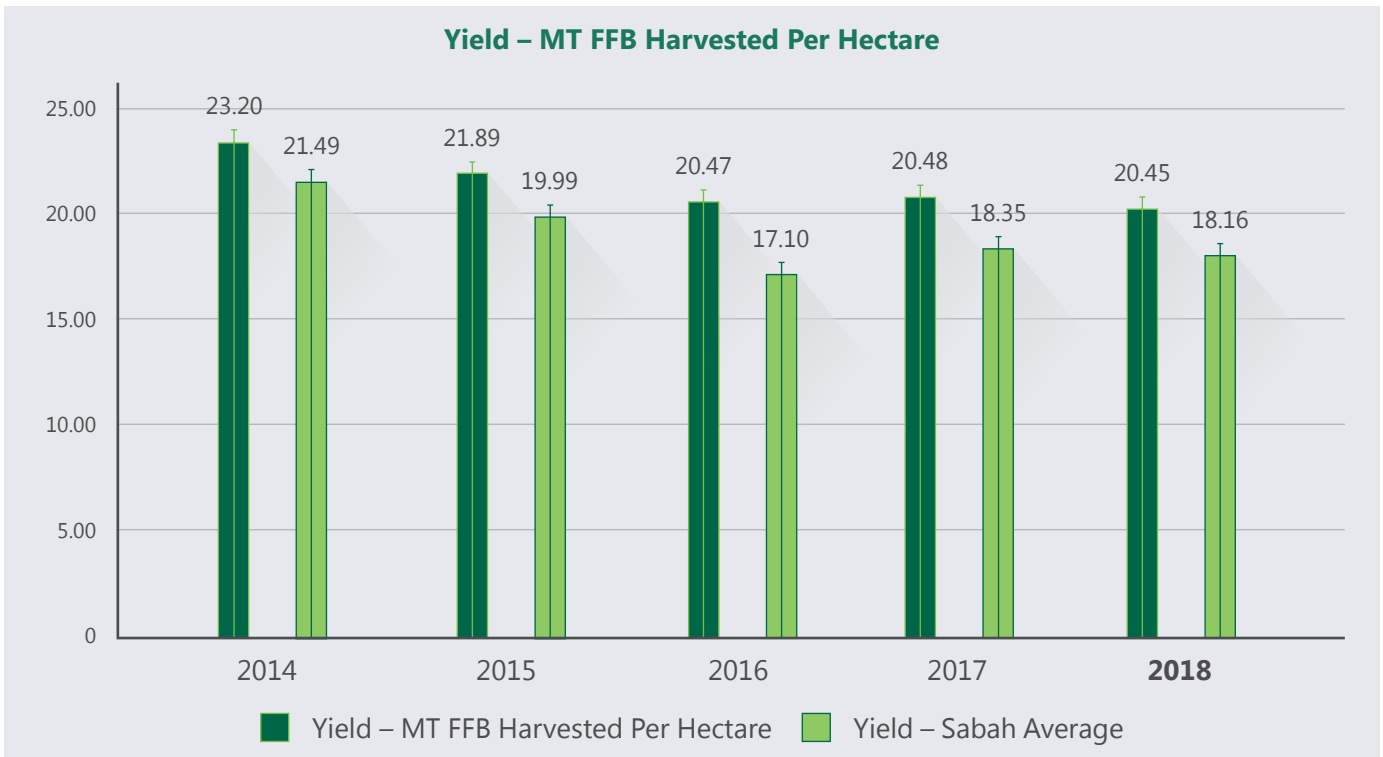
**OVERVIEW OF  
HAP SENG PLANTATIONS**

**Our Palm Age Profile**



The average age of our oil palms is 15.60 years, and around 89% of our planted area consists of mature palms. Our replanting programme (about 4% per annum) ensures that we maintain an optimal age profile and level of productivity.

**Our Yield**



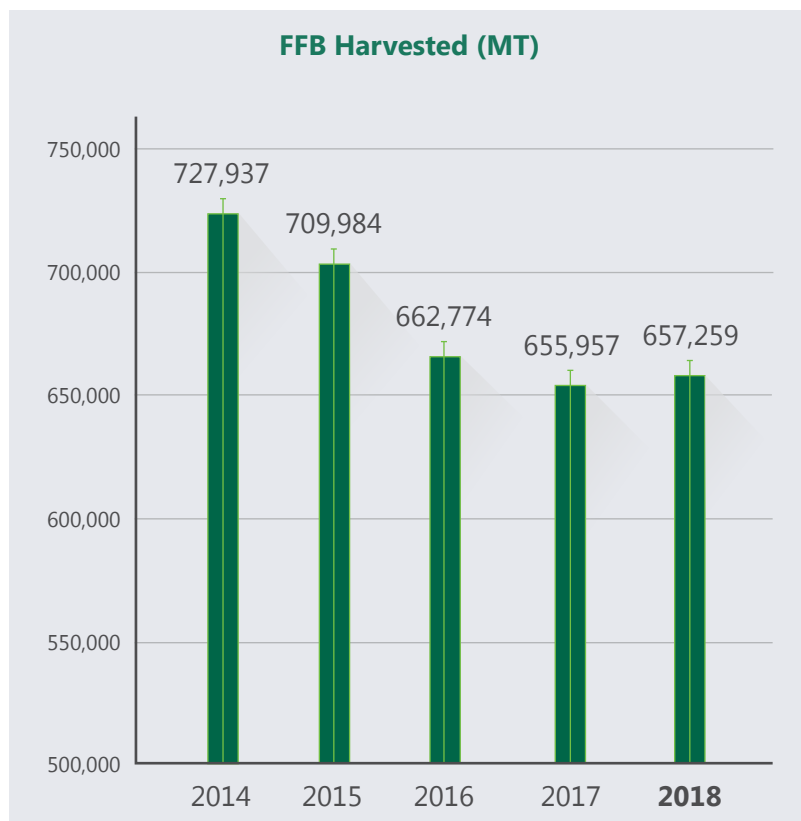


In 2018, our estates produced 657,259 tonnes (MT) of fresh fruit bunches (FFB). At 20.45 tonnes per hectare, our average yield has remained higher than the average for Sabah for the past five years. This is due to our focus on best management practices and the use of premium and high quality planting materials, such as Hybrid DxP seeds, throughout our estates.

### Estates Under Management

Hap Seng Plantations also provides management and advisory services. Under this service, we manage a 212-hectare plantation near Ladang Kawa, and a 576-hectare plantation near Kuala Selangor, on behalf of a related company, Hap Seng Land Sdn Bhd. Another 857 hectares, belonging to GLM Emerald (Sepang) Sdn Bhd (formerly known as Vintage Height Sdn Bhd), a joint venture between HSCB and Guocoland (M) Bhd, is also covered by our management and advisory services.

### FFB Harvested

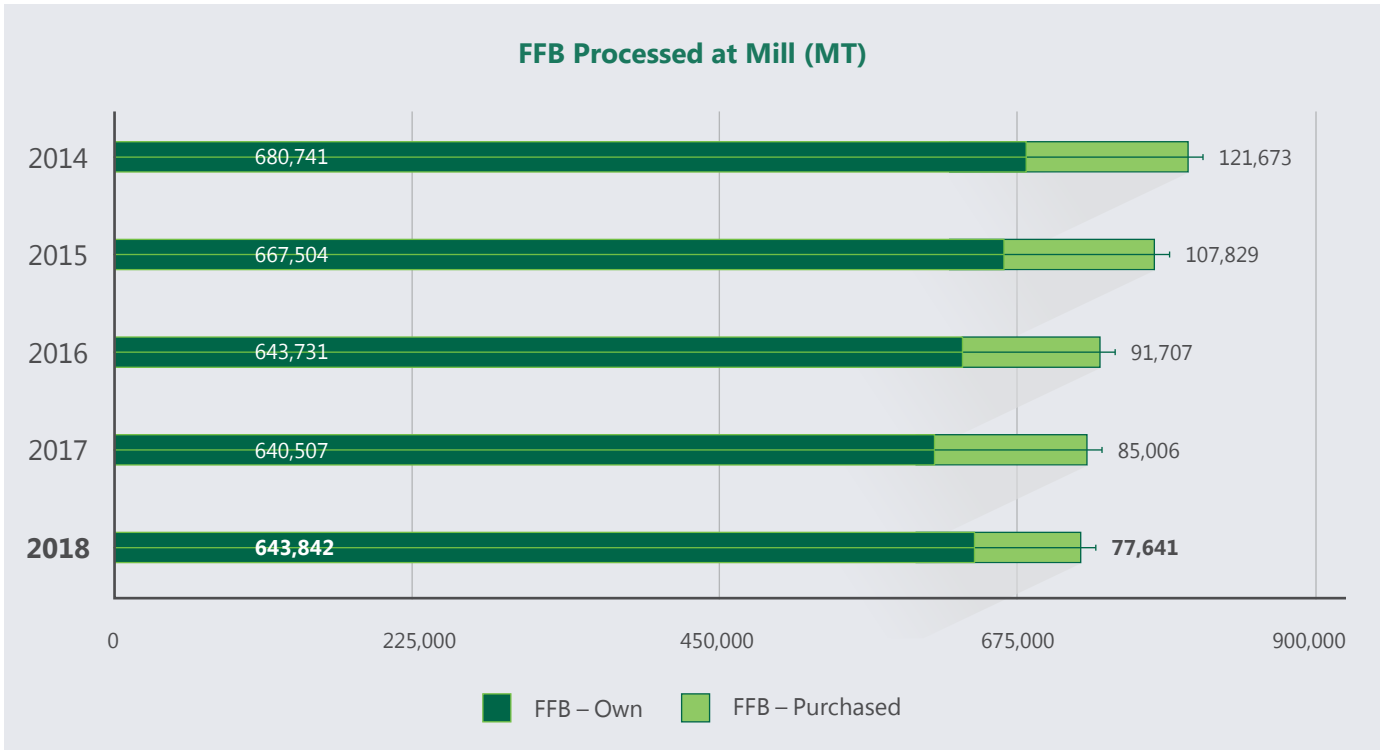


### Group Yields and Extraction Rate

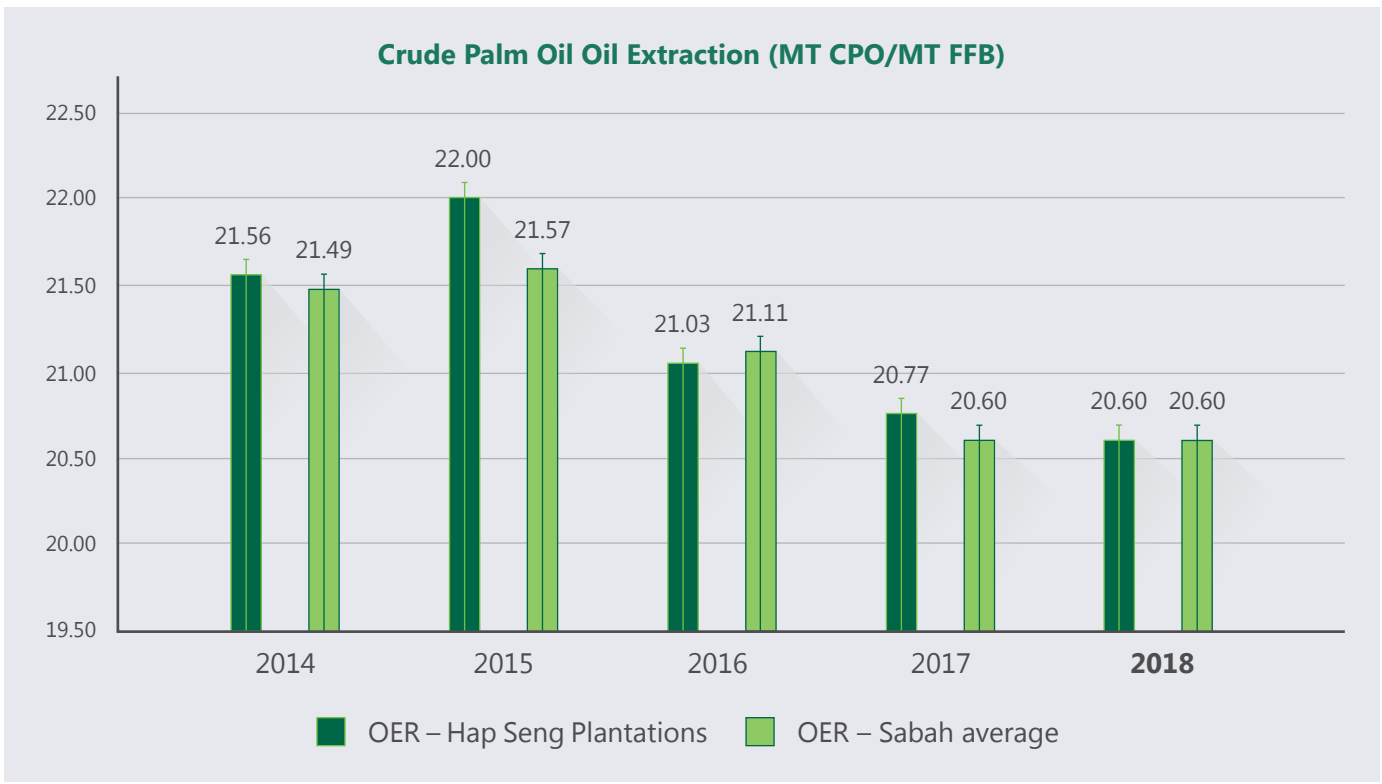
We operate two identity preserved (IP) mills and two mass balance (MB) mills in Lahad Datu. All four mills were RSPO certified at the time of reporting. With a combined milling capacity of 180 tonnes of FFB per hour, our mills produced 148,651 MT of CPO in 2018, with an average oil extraction rate (OER) of 20.60%. This was in line with the average extraction rate for palm oil mills in Sabah.

In 2018, 70% or 506,537 MT of FFB from our own estates and purchased from independent local outgrowers and smallholders was processed by our identity preserved mills (JPOM1 and BPOM). Our mass balance mills (JPOM2 and TPOM) handled the remaining 30% or 214,946 MT.

**OVERVIEW OF  
HAP SENG PLANTATIONS**



In 2018, 70% or 103,441 MT of total CPO production was extracted by our identity preserved mills (JPOM1 and BPOM), while 30% or 45,210 MT was produced by our mass balance mills (JPOM2 and TPOM).





### Sourcing Sustainably – Independent Local Outgrowers and Smallholders

Around 11% of the total FFB processed at our two mass balance mills in 2018 was sourced from 11 external independent local outgrowers and smallholders. To ensure that we stay on track to achieve our goal of delivering 100% RSPO certified CPO from all our mills, we continue to engage with these suppliers to raise awareness about sustainable palm oil and the benefits of becoming certified.

Our current target is to achieve RSPO certification for all external FFB and 100% traceability at plantation level by 2022. This target takes into consideration the initial resistance we have encountered from independent local outgrowers and smallholders who do not see the benefit from the increased effort required to obtain certification. Moreover, the existence of other competing FFB buyers in our area means that we do not have sufficient leverage to encourage certification. Instead, we are building on the work undertaken by RSPO to demonstrate the increased productivity that can be achieved by smallholders through the adoption of sustainable practices.

During the consultation stage, we asked independent local outgrowers and smallholders to commit to our policy covering no planting on peat soil, zero burning, deforestation, human rights, Free, Prior and Informed Consent (FPIC), and the protection of HCV areas. We have so far assessed six of our independent local outgrowers and smallholders, and have found all to be committed to the policy.

Our first meeting with independent local outgrowers and smallholders was conducted in January 2018. At this meeting, we expressed our commitment to support and assist them in obtaining RSPO and MSPO certification. To date, six out of our eleven independent local outgrowers and smallholders (55%) have participated in activities towards RSPO and MSPO certification, as compared to 27% in 2017. Four independent local outgrowers and smallholders underwent the RSPO (Stage 1)/MSPO (Stage 1) Audit in February 2019, and the Stage 2 Certification Audit is scheduled for July 2019.

Hap Seng Plantations provides free technical support (including training, policy implementation and the development of standard operating procedures) and training facilities to assist outgrowers and smallholders in achieving RSPO and MSPO certification. The cost of this support is estimated at RM200,000 per operator.

# VALUES, GOVERNANCE AND ETHICS

Hap Seng Plantations operates to the strictest standards of corporate governance by ensuring that it is in compliance with statutory and regulatory guidelines as dictated by the Malaysian Code on Corporate Governance, as well as with the main Listing Requirement of Bursa Malaysia Securities (Listing requirements).

## Five 'Code of Conduct' Principles

Hap Seng Plantations has established five fundamental Principles in our Code of Conduct to instil and promote appropriate standards of conduct and ethical practices.

The Code of Conduct applies to our Board of Directors and management, as well as to all Hap Seng Plantations' employees. The Code is set up to prevent conflicts of interest among board members, management and staff, and also defines the parameter between work and personal activities.

Our Five Principles

- Honesty & Integrity
- Confidentiality
- Compliance with law
- Whistleblowing
- Conflict of interest



## Corporate Governance

The Board of Directors is the highest governance body in the company and is responsible for the long-term success of Hap Seng Plantations. The Board consists of 12 members: a managing director, three executive directors, two non-independent non-executive directors, and six independent non-executive directors. The Chairman is an independent non-executive chairman. The Board's composition reflects diversity in terms of gender, age, ethnicity, nationality, professional background, skills and experience. There is one female executive director on the Board.

The Board adheres to The Malaysian Code on Corporate Governance 2012 – a best practice standard for corporate governance – and plays a key role in developing and implementing Hap Seng Plantations' direction and strategy, professional standards and internal control systems. The Board acknowledges that good corporate governance extends beyond mere compliance, and therefore works to attain the highest standards of business ethics, accountability, integrity and professionalism throughout all Hap Seng Plantations' activities.

The Chief Executive – Group Plantations is responsible for the daily operations of the Group. This includes our sustainability agenda. The General Manager supervises each group of estates. The Plantation Management Committee, consisting of respective estate and mill managers, meets monthly to review all operational matters.

### Putting Integrity first

Hap Seng Plantations is committed to working against corruption in all its forms, including extortion and bribery. Our Code of Conduct and Business Ethics Policy, which is incorporated in our employee handbook, prohibits the giving and receiving of any types of bribe or other benefits that may influence our employees' ability to carry out their duties legally and/or in line with company interest. Any benefits or gifts must be declared to the nearest superior.

The Board has formulated a whistleblowing policy to encourage employees to disclose any malpractice or misconduct that they witness, and to provide them with protection once they have done so. Our whistleblowing policy enables internal and external stakeholders to report cases involving fraud, bribery, corruption and other irregularities directly to our Internal Audit Department. The Internal Audit Department is empowered to conduct investigations of suspected and reported incidents and has direct access to the Audit Committee of the Board.

In addition, the Group has a long-established formal avenue for employees to report any misconduct or unethical behaviour they have witnessed directly to the managing director. There are no cases of corruption, extortion or bribery involving our workers and staff to date.

### Platform for Open Dialogue

The Annual General Meeting is the main platform for dialogue and interaction with our shareholders. This platform provides shareholders with an opportunity to openly discuss matters of interest and concerns directly with the Board.



# SUSTAINABILITY AT HAP SENG PLANTATIONS



## Why Sustainability?

At Hap Seng Plantations, we believe that our approach to sustainability provides our commercial and civil society partners with assurance that we will always seek to achieve a long-term balance between social, economic and environmental objectives as part of our business model.

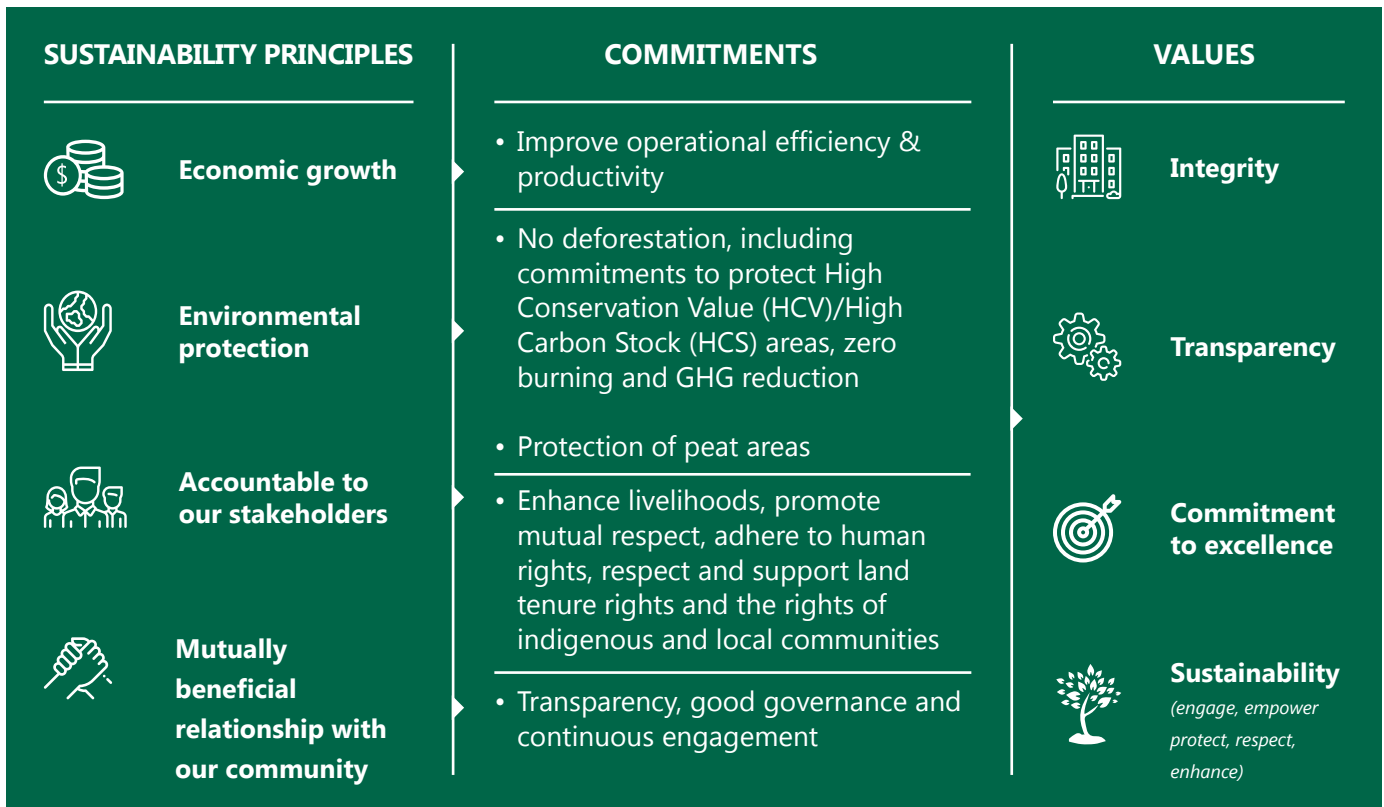
## Our Sustainability Goal

Become sustainable and capable of producing 100% CSPO & CSPK by 2022 (both internal & external).

## Sustainability Principles, Commitments and Values

Elements of sustainability have long been embedded in the operations of Hap Seng Plantations. These include our early adoption of RSPO and MSPO certification, and our longstanding implementation of good agricultural practices, such as our strict zero-burning policy.

These elements form the basis of our sustainability principles, commitments and values.



## Our Sustainability Framework – Strategies, Goals and the UN SDGs

Our sustainability framework is derived from the three pillars of sustainability – social (preserving equitable distribution and quality of life), environmental (protecting the environment from unsustainable use) and economic (fair distribution and efficient allocation of resources) – and is linked to the United Nations Sustainable Development Goals.



### Sustainability Strategy

Our approach to sustainability in 2018 was two-pronged. Firstly, we monitored our established policies to measure their effectiveness and improve on our sustainability performance. Secondly, we expanded our external outreach to the independent local outgrowers and smallholders within our supply chain to support and encourage them to seek RSPO and MSPO certification.

To date, six of our independent local outgrowers and smallholders have made commitments to pursue RSPO & MSPO certification. Four has undergone Stage 1 Audit in February 2019.

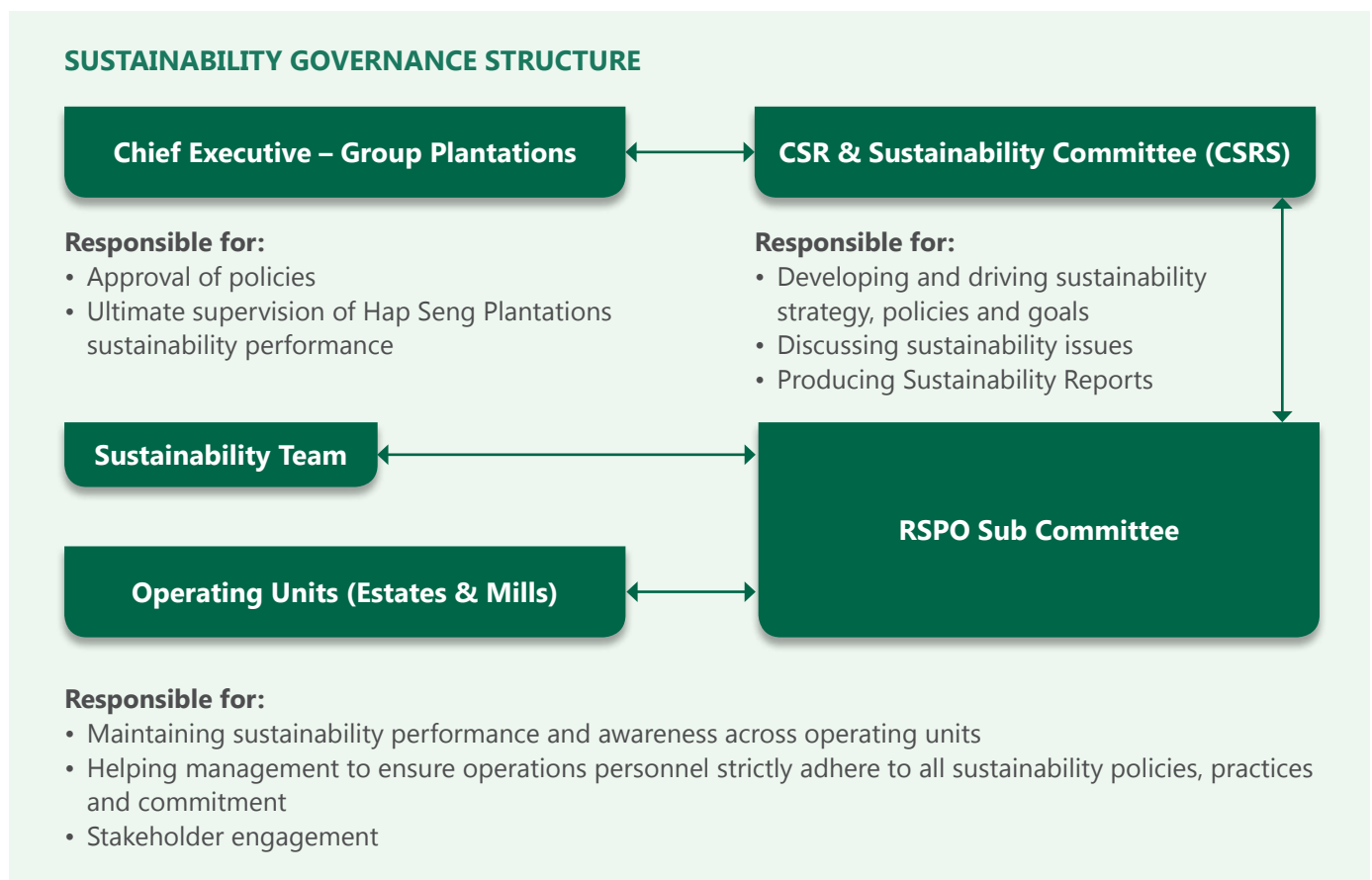
**SUSTAINABILITY  
AT HAP SENG PLANTATIONS**

**Sustainability Governance and Management Structure**

Sustainability is an integral part of our Board's agenda, as it reviews and signs off on sustainability policies and disclosures. These include the newly updated Environmental Policy, the Code of Conduct and Business Ethics Policy as well as our grievance procedure.

Sustainable practices are already ingrained in our activities, but we still strive for continuous improvement. This requires leadership and ongoing focus on compliance procedures. It also requires mechanisms to monitor external developments, and means by which innovative ways of working can be adopted where relevant.

Our Chief Executive – Group Plantations chairs the CSR & Sustainability Committee, which is responsible for developing and driving our sustainability strategy, as well as developing timebound plans for safeguarding our sustainability certifications.





## Sustainability Policies

In line with Hap Seng Plantations' sustainability goals, we have actively sought to improve and raise the level of sustainability within our operations while addressing social, environmental and economic challenges.





Hap Seng Plantations has launched several sustainability policies aimed at delivering on our commitment without compromising on performance. These apply to Hap Seng Plantations and all its subsidiaries. We also encourage our contractors, suppliers and independent local outgrowers and smallholders to adopt our policies.



### Overview of Policies

Policy	Introduced
• Occupational Safety and Health Policy	April 2015
• Land Dispute Management	March 2016
• Sustainable Agriculture Policy	February 2017
• MSPO Policy	March 2017
• Rare, Threatened & Endangered Species Policy	November 2017
• Grievance Procedure	March 2018 (updated)
• Code of Conduct & Business Ethics	March 2018 (updated)
• Environmental Policy	November 2018 (updated)

Details about these policies are publicly available at [hapsengplantations.com.my/corporate-citizen.html](https://hapsengplantations.com.my/corporate-citizen.html)

# RISK MANAGEMENT

Risks	Description	Mitigation
<b>Human resource risk</b> 	<ul style="list-style-type: none"> <li>Loss/shortages of good quality labour</li> <li>High employee turnover rates</li> </ul>	<ul style="list-style-type: none"> <li>Regular review of salaries and wages to match industry standard</li> <li>Source skilled labour through reliable recruiting agents, sister companies, mandors, etc.; provide rewards for performers</li> </ul>
<b>Weather (drought, flood &amp; fire) risk</b> 	<ul style="list-style-type: none"> <li>Plantation operations disrupted due to adverse weather (drought, flood or fire)</li> </ul>	<ul style="list-style-type: none"> <li>Provide ongoing training and guidance to personnel on firefighting and rescue techniques</li> <li>Intensify water rationing when water reserves drop to critical levels</li> <li>Intensify water collection at labour quarters</li> <li>Purchase water tanks to increase water storage capacity</li> <li>Repeat some of the detective control and clearing of blockages; prioritise essential work operation on flood prone areas</li> <li>Maintain alternative route (e.g. transport by road and barge) for PK despatch during flooding</li> <li>Initiate despatching CPO/PK to Lahad Datu</li> <li>Accelerate CPO/PK despatch to reduce stock level</li> <li>Replenish stock level of diesel, spare parts and other essential items regularly</li> </ul>
<b>Pests and diseases (P&amp;D) risk</b> 	<ul style="list-style-type: none"> <li>Oil palm trees are attacked by pests and diseases</li> </ul>	<ul style="list-style-type: none"> <li>Strict compliance with the provisions in the Oil Palm Agricultural Policy No. 10</li> <li>Routine P&amp;D inspection by experienced and well trained personnel, workers, mandors, field staff and executives; be alert and on the lookout for P&amp;D outbreaks</li> <li>Adequate chemical and spraying equipment provided for P&amp;D treatment; perimeter fence maintained in good order</li> <li>Advocate propagation of beneficial plants in estates in line with Integrated Pest Management (IPM)</li> </ul>
<b>Logistics bottleneck risk</b> 	<ul style="list-style-type: none"> <li>Delays in deliveries</li> <li>Inadequate storage in warehouse due to stock pile-up</li> </ul>	<ul style="list-style-type: none"> <li>Store CPO in barges as storage/bulking tanks</li> <li>Despatch CPO by road transport to Sandakan</li> <li>Develop contact with/sell to refiners at Lahad Datu</li> <li>Export sales to international buyers</li> <li>Maximise the return trip of existing lorry fleet (e.g. to transport PKS, FFB, fertiliser etc.)</li> </ul>

Risks	Description	Mitigation
<b>Security risk</b> 	<ul style="list-style-type: none"> <li>• Palm products stolen during transit</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Foreigner intrusion</li> </ul>	<ul style="list-style-type: none"> <li>• Install GPS in all vehicles</li> <li>• Install CCTV at critical sections</li> <li>• Ensure all palm product in transit is properly insured</li> <li>• Policy on carrying diesel stock in the estates and mills to be closely monitored</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Close surveillance of four entry points in the estates, mills and jetties using security cameras</li> </ul>
<b>Safety &amp; health risks</b> 	<ul style="list-style-type: none"> <li>• Accidents at work due to non-compliance with safety and health policies and procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Annual training of Safety Operating Procedure (SOP) for each work unit</li> <li>• Daily monitoring of work activity in each work unit by management representatives</li> <li>• Induction training on SOP for every new employee</li> <li>• Quarterly safety committee meetings between management and worker representatives to discuss actions required to improve the SOP of each work unit</li> <li>• Periodical review of HIRARC to improve control measures and reduce the risk of accidents</li> </ul>

# STAKEHOLDER ENGAGEMENT

## Engaging with our Shareholders and Stakeholders

Stakeholder group	Issues	Methods	Outcomes
Government	<ul style="list-style-type: none"> <li>Riparian areas</li> </ul>	<ul style="list-style-type: none"> <li>Meetings with respective agencies</li> </ul>	<ul style="list-style-type: none"> <li>Continued protection of waterways</li> </ul>
Shareholders/Investment community	<ul style="list-style-type: none"> <li>Update on RSPO certification</li> <li>Replanting programme</li> <li>Expansion plans</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly meeting</li> <li>Annual General Meeting</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability issues factored into our non-financial risk assessment for new acquisitions and joint ventures</li> </ul>
Local communities	<ul style="list-style-type: none"> <li>Road accessibility</li> <li>Access to medical services</li> <li>Smallholders</li> </ul>	<ul style="list-style-type: none"> <li>Social impact assessments</li> <li>Grievance and complaints channel</li> <li>Programme to encourage company staff to send their children to the school of a neighbouring village so that facilities can be upgraded based on increased student numbers</li> <li>Ad-hoc</li> </ul>	<ul style="list-style-type: none"> <li>Free medical services provided</li> <li>Maintenance of good road conditions</li> <li>Water supply during drought</li> </ul>
Workers	<ul style="list-style-type: none"> <li>Workers conditions</li> <li>Wages</li> <li>Occupational health and safety</li> <li>Meeting basic needs</li> </ul>	<ul style="list-style-type: none"> <li>Social impact assessments</li> <li>Awareness and continuous improvement</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing refurbishment and upgrading of living quarters and amenities</li> <li>Yearly evaluation of wages</li> <li>Streamlined and centralised health and safety management</li> </ul>
Industry bodies	<ul style="list-style-type: none"> <li>Good agricultural practices</li> <li>Chemical usage</li> <li>Water usage</li> <li>Occupational health and safety</li> <li>Development of future planters</li> </ul>	<ul style="list-style-type: none"> <li>Members of the RSPO, Incorporated Society of Planters (ISP), Malaysian Palm Oil Association</li> </ul>	<ul style="list-style-type: none"> <li>Commitment to a timebound plan for certification</li> <li>Appointed Vice Chairman of the Malaysian Palm Oil Association</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Talent attraction and retention</li> <li>Employee development</li> </ul>	<ul style="list-style-type: none"> <li>Annual performance appraisals</li> <li>Quarterly engagement with HR managers</li> <li>Formalise training</li> </ul>	<ul style="list-style-type: none"> <li>Feedback from annual performance</li> <li>Development of cadet programme</li> </ul>

Stakeholder group	Issues	Methods	Outcomes
Customers	<ul style="list-style-type: none"> <li>• RSPO certification</li> <li>• Supply chain and traceability of oil</li> <li>• Quality of oil</li> </ul>	<ul style="list-style-type: none"> <li>• One-on-one meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Best Supplier Award</li> </ul>
Aflatoun International – RSPO Smallholder Academy	<ul style="list-style-type: none"> <li>• To provide training facility</li> </ul>	<ul style="list-style-type: none"> <li>• Partnership with Aflatoun</li> </ul>	<ul style="list-style-type: none"> <li>• To assist smallholders to become RSPO &amp; MSPO certified</li> </ul>
Independent local outgrowers & smallholders	<ul style="list-style-type: none"> <li>• To commit to RSPO and MSPO certification</li> </ul>	<ul style="list-style-type: none"> <li>• Provide free technical support and facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Four out of 11 undergoing RSPO &amp; MSPO Stage 1 Audit</li> </ul>

### Membership of Professional and Industry Groups

Membership	Joined	Role	Engagement	Purpose
RSPO	2005	As a responsible sustainable grower and miller	Certification audit and annual surveillance audit	To ensure sustainability standards are implemented in the management of palm oil production
Malaysian Palm Oil Association (MPOA)	2000	As a member of MPOA	Mr. Au Yong Siew Fah is the Vice Chairman of MPOA Malaysia	To inspire the adoption of sustainable practices in oil palm plantations for long term profitability
Malaysian Palm Oil Board (MPOB)	NA	Licensed registered under MPOB	Annual license renewal	Support the MPOB to enhance the wellbeing of the Malaysian oil palm industry through excellent research & development and services
Malayan Estate Owners' Association (MEOA)	2017	Mr. Au Yong Siew Fah is an Individual Member of MEOA	Annual membership renewal	To promote, foster and protect the interests of the plantation industry in Malaysia
Malayan Agricultural Producers Association (MAPA)	1983 (Continued from the previous management in Teluk Merbau Plantation)	Teluk Merbau Plantation & Shalimar/Berjantai Estate are members of MAPA	Annual membership renewal	To support the trade union in catering to the needs and interests of agricultural employers

# BENCHMARKING OUR PRACTICES

<b>RSPO</b> <b>All Mills &amp; 91%</b> planted area	<b>MSPO</b> <b>All Mills &amp; 100%</b> planted area	<b>ISCC EU</b> <b>All Mills</b>	<b>HACCP</b> <b>All Mills</b>
<b>MS ISO/IEC 17025</b> <b>Plantations Central Laboratory</b>	<b>ZSL SPOTT Ranking</b> <b>14</b> globally <b>4</b> in Malaysia	<b>Traceability</b> <b>84%</b> of FFB	

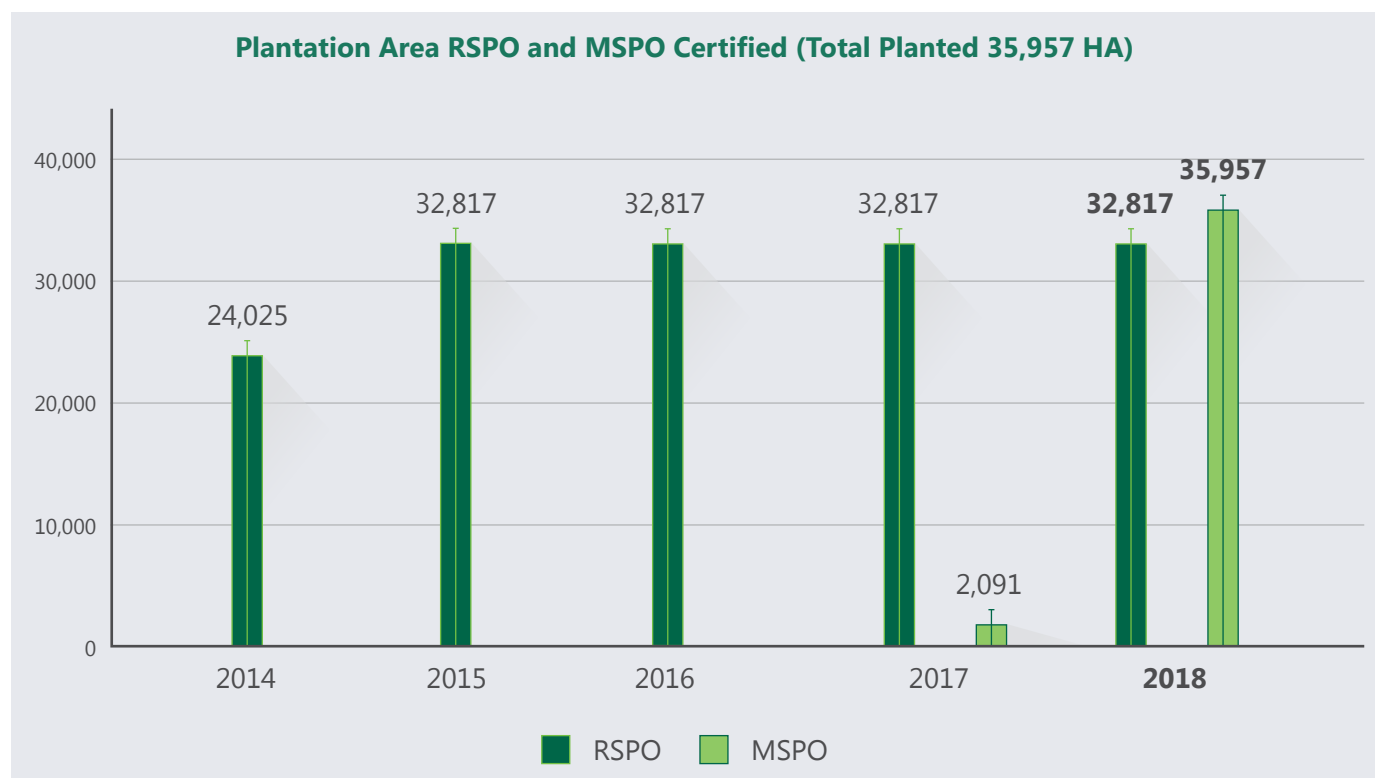
Hap Seng Plantations has taken the initiative to benchmark its best practices against global standards in key sustainable areas of its business. This has led to several successes in our quest for international certifications, including standards such as RSPO, MSPO, ISCC EU, HACCP and MS ISO/IEC.

## International & Local Certification

Type of Certification	Achievement	Date Achieved	Comments
MSPO	100% estates & mills	February 2018	<ul style="list-style-type: none"> <li>Achieved ahead of mandatory deadline of 31 December 2018</li> </ul>
RSPO	91% planted area	As at 2018	<ul style="list-style-type: none"> <li>SSGOE – 2<sup>nd</sup> Cycle Recertification – 1<sup>st</sup> Annual Surveillance Audit included Kawa as supply base on March 2018</li> <li>JGOE – Recertification Audit on July 2018</li> <li>TMGOE – 4<sup>th</sup> Annual Surveillance Audit on October 2018</li> <li>Compensation: The concept note and Land Use Change Analysis (LUCA) have been submitted to RSPO</li> </ul>
	100% mills	2017	<ul style="list-style-type: none"> <li>All mills are RSPO certified</li> </ul>
ISCC EU	100% mills	2017	<ul style="list-style-type: none"> <li>2018 Recertification Audit was obtained on 30 November 2018</li> </ul>
HACCP	100% mills	June 2017	<ul style="list-style-type: none"> <li>Annual Surveillance Audits were passed on 25 June 2018 (JPOM1&amp;2), 28 June 2018 (TPOM) and 31 July 2018 (BPOM)</li> </ul>
MS ISO/IEC 17025	Certified	October 2018	<ul style="list-style-type: none"> <li>Plantations Central Laboratory</li> </ul>

### On Track for 100% RSPO Certification

Currently, 91% of our planted area and all four palm oil mills are certified according to RSPO P&C. We have revised the timebound plan in our Annual Communication on Progress (ACOP) to achieve 100% certification by the end of 2019. This is due to the compensation case relating to our Northbank and Tabin estates. We have also established a CSR and Sustainability Committee (CSRS), which will work together with the RSPO Sub-Committee to ensure that our estates and mills are fully compliant with RSPO requirements at all times. As for MSPO, we have achieved 100% certification for total planted area.



### ZSL SPOTT Ranking

ZSL SPOTT assessments provide detailed snapshots of corporate transparency on sustainability issues. Hap Seng Plantations is among the 70 companies currently tracked on SPOTT, which represents about half of all land banks under oil palm cultivation. ZSL SPOTT assessments provide industry stakeholders with a comprehensive overview of the state of the market, as well as specific insights into the progress of individual companies.

Since 2017, Hap Seng Plantations has been ranked within the highest score range on the SPOTT scoreboard, indicating that our company is relatively transparent about its operations, policies and commitments to ESG best practices.

Following additional progress in meeting our targets and closing performance gaps, our SPOTT ranking has further improved in 2018, allowing us to move up three places. With a score of 74.4%, Hap Seng Plantations is now ranked fourteenth worldwide, fourth amongst Malaysian plantations, and fourteenth amongst RSPO member companies.

## BENCHMARKING OUR PRACTICES

Year	Score (%)	Rank (for all 70 companies)	Rank (for Malaysian companies)	Rank (for RSPO member companies)
Nov 15	46.00	16	5	15
June 16	46.00	19	5	18
Nov 16	46.20	21	6	20
June 17	64.20	15	4	13
Nov 17	66.20	17	4	15
<b>Nov 18</b>	<b>74.40</b>	<b>14</b>	<b>4</b>	<b>14</b>

\* Please refer to <https://www.spott.org/palm-oil/> for the Hap Seng Plantations ZSL SPOTT ranking.

### Traceability

It is of the utmost importance that our company maintains a positive reputation among our customers. We are therefore committed to ensuring that our palm products are traceable from estates to the mill, and ultimately to buyers in both local and international markets. In 2017, we established a taskforce to monitor the traceability of our products, and developed and implemented a "Traceability and Supply Chain Standard Operating Procedure". Through these efforts, we have been able to achieve 84% traceability of FFB since 2017.

### A Firm Commitment to Our Shareholders

In order to meet our shareholders' expectation while achieving our sustainability goals, we remain focused on managing our productivity through ongoing improvements in yield and extraction rates, rather than expanding our land bank. Our land bank has not grown in recent years, partly due to limited land availability in our region and the fact that available land is often unsuitable for efficient palm oil cultivation because of poor soils, presence of large peat areas and the potential risk to high conservation value (HCV) ecosystems.

While we do not rule out future land acquisitions, we stand by our commitments to abide by the RSPO New Planting Procedure (NPP), undertake relevant High Carbon Stock (HCS) and HCV assessments, and ensure that robust Free, Prior and Informed Consent (FPIC) procedures are completed prior to any new plantings. We will additionally ensure that no new developments occur on peat, regardless of depth.

In 2018, we made one of the most important breakthroughs in this area, with the MS ISO/IEC 17025 certification of our Plantations Central Laboratory. With this certification in place, Hap Seng Plantations now has the in-house capacity to run timely and reliable soil, foliar, water and effluents analyses, as well as the ability to provide reliable recommendations on fertiliser usage to optimise plantation yields.

In order to further improve our good agriculture practices, we are in the preliminary stage of adopting drone technology to capture real time aerial views of our immature plantings. This process will enable us to review our field conditions and monitor our oil palm nurseries. We hope that with the implementation of drone imagery, our estate field management will improve significantly, with greater accuracy in determining the total number of palms and the size of vacant areas. This will then benefit the plantation for at least the next 20 years.





# CARING FOR OUR PEOPLE



**No fatal accident**



LTIFR of  
**1.5 incidents per 200,000** hours worked

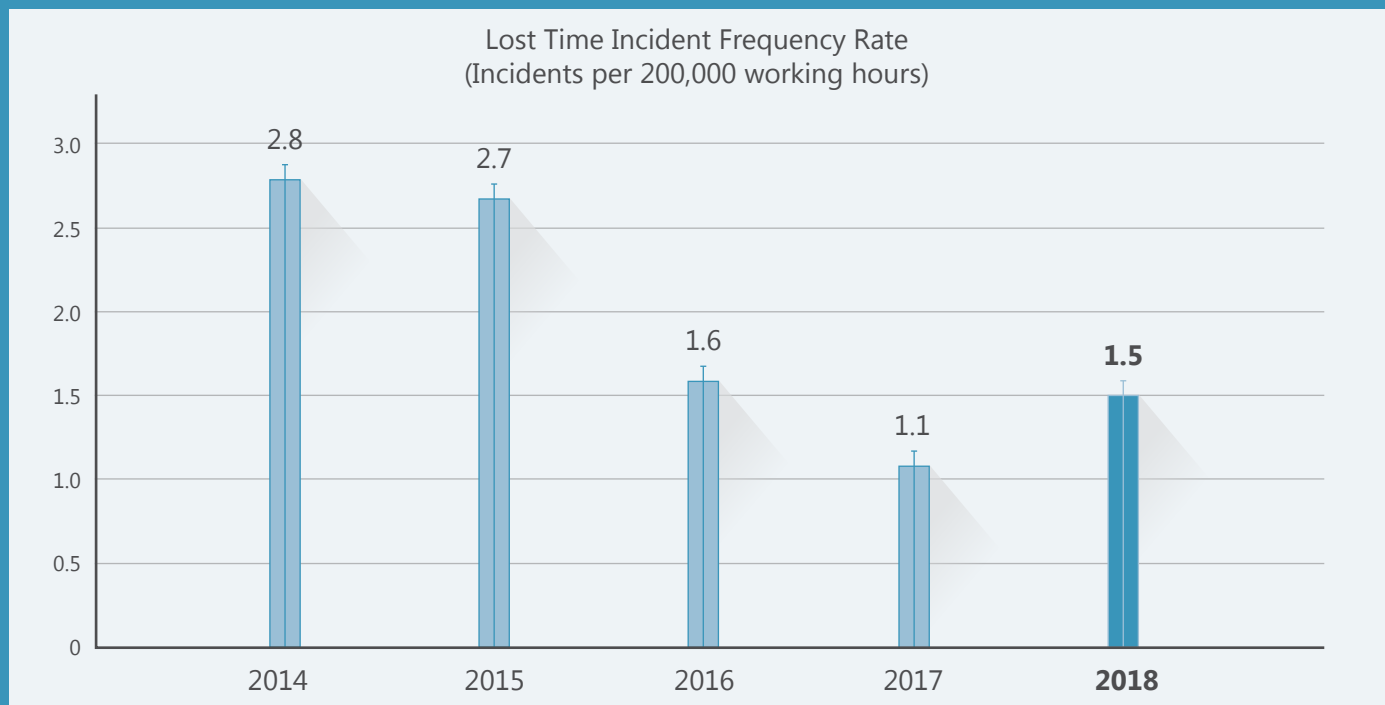


**811** safety & health trainings



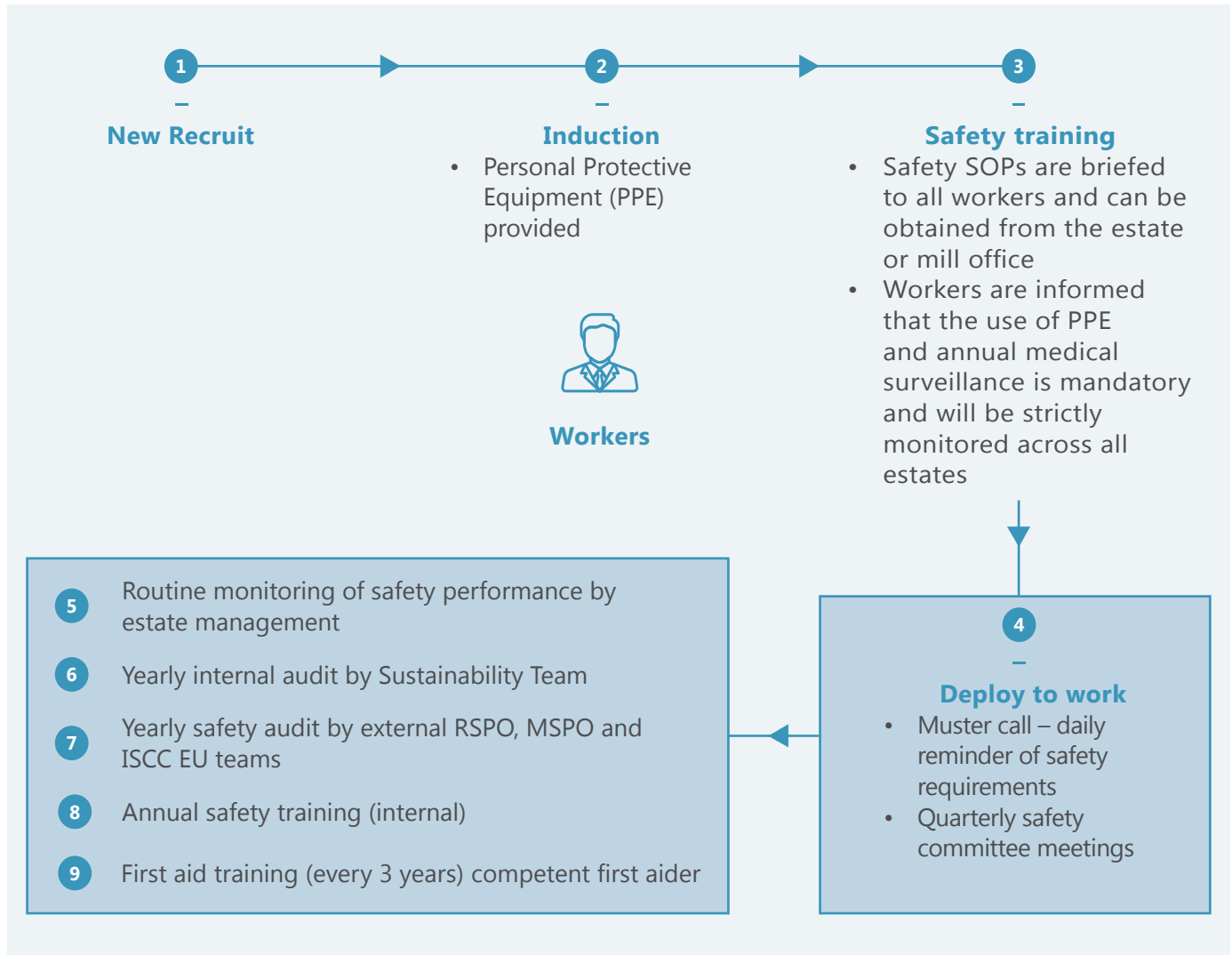
**252 CCTV** cameras (safety & security purposes)

## Focus On Safety And Health



Hap Seng Plantations seeks to provide and maintain a safe and healthy working environment for all employees, contractors and visitors. In this respect, our commitment to safety is to ensure a continuous reduction in the number of accidents in our operations, while continuously instilling a safety-first mindset in our employees' daily work culture.

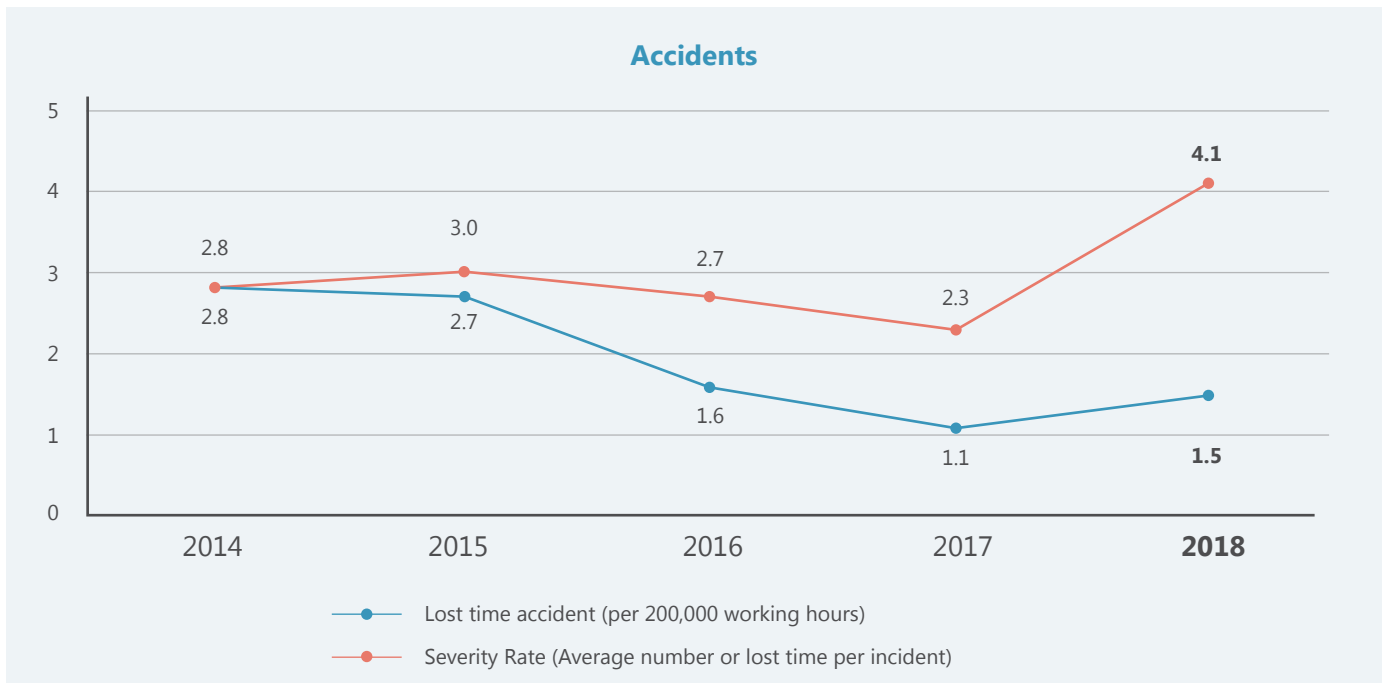
**Safety Journey in Hap Seng Plantations**



**Towards a Zero Fatality Workplace**

No fatalities were recorded in 2018. Lost time accidents (LTA) decreased by 46%, from 2.8 in 2014 to 1.5 in 2018. The severity rate (average amount of lost time per accident) unfortunately increased by 46% from 2014 to 2018. Accidents sustained while commuting to and from the workplace were the main contributor to this increase.

Some of our most critical accidents in 2018 were related to harvesting operations, accounting for just under a quarter of the nine serious accidents recorded for the year (out of a total of 58 lost time accidents). We have therefore focused on ensuring the competency of our harvesting workers by providing periodical intensive training, specifically focusing on safe FFB harvesting techniques. For instance, following a case involving a worker who severely injured his fingers while harvesting FFB, the safety committee is now reviewing the SOP for this process, and is considering new control measures to prevent such accidents in future.



All accidents are reported and recorded at our clinics. Following each incident, the estates and oil mills OSH Committee conducts a thorough investigation and provides recommendations for enhancing safety.

Our SOP requires us to conduct a thorough review of the cause of the accident and outline recommendations and actions that need to be taken to prevent future recurrence. The findings of each review are reinforced by safety training and re-training on the use of appropriate protective equipment in order to minimise risks.



Investigation reports are kept and maintained at each estate and oil mill. Based on the Occupational Safety and Health Act 1994, an occupational accident is classified as serious when a worker has been given medical leave by a doctor for more than four days, and when the accident is required to be reported to the Department of Safety and Health (DOSH) within seven working days.

Beside reactive programmes, preventative actions are also carried out to ensure a safer working environment. The OSH Committee conducts workplace inspections and regular in-house OSH training is provided. Safety and warning signs are clearly positioned in workspaces.

### Handling of Chemicals

Dedicated spraying crews manually apply fertilisers and pesticides in our plantations. Each crew member receives continuous training in chemical handling. All sprayers are required to wear PPE covering the full body and must shower after each shift.

Assistant managers and field conductors are responsible for ensuring compliance with safety procedures, which is monitored through internal safety audits. Spraying crews are also required to attend a health check every three months.



This routine is particularly important for women workers. Pregnant workers are reallocated to new job tasks with less risk, such as general work (e.g. line sweeper), and are given two months of maternity leave after delivery.

Hap Seng Plantations has banned the use of paraquat in all its plantations since 2011. This is in response to stakeholders' concerns about the chemical and its widespread misuse.

### Challenges in Changing Work Habits

Our challenge is not only to reduce accident rates, but also to make OSH a culture and a way of life. The main obstacle we face is that workers do not always prioritise safety training if it means being away from the field. To overcome this reluctance, it is vital that we emphasise the personal benefits of what is essentially an investment: a reduced risk of accidents linked to more productivity and a higher income.

We have employed two strategies to achieve this objective. The first has been a major project to implement a standardised health and safety programme, according to job type, across all operations. This programme continuously reminds our employees to adopt a safe work culture on a daily basis and avoid at risk behaviours. The safety management plan includes:

- Annual training of Safety Operating Procedure (SOP) for each work unit
- Daily monitoring of the work activity in each work unit by management representatives
- Induction training on SOPs for every new employee
- Safety committee meetings between management and worker representatives held on a quarterly basis to discuss actions required to improve the SOP of each work unit
- Periodical reviews on Hazard Identification Risk Assessment and Risk Control (HIRARC) in order to improve control measures and reduce the risk of accidents



Our second strategy involved the implementation of specific safety procedures, including:

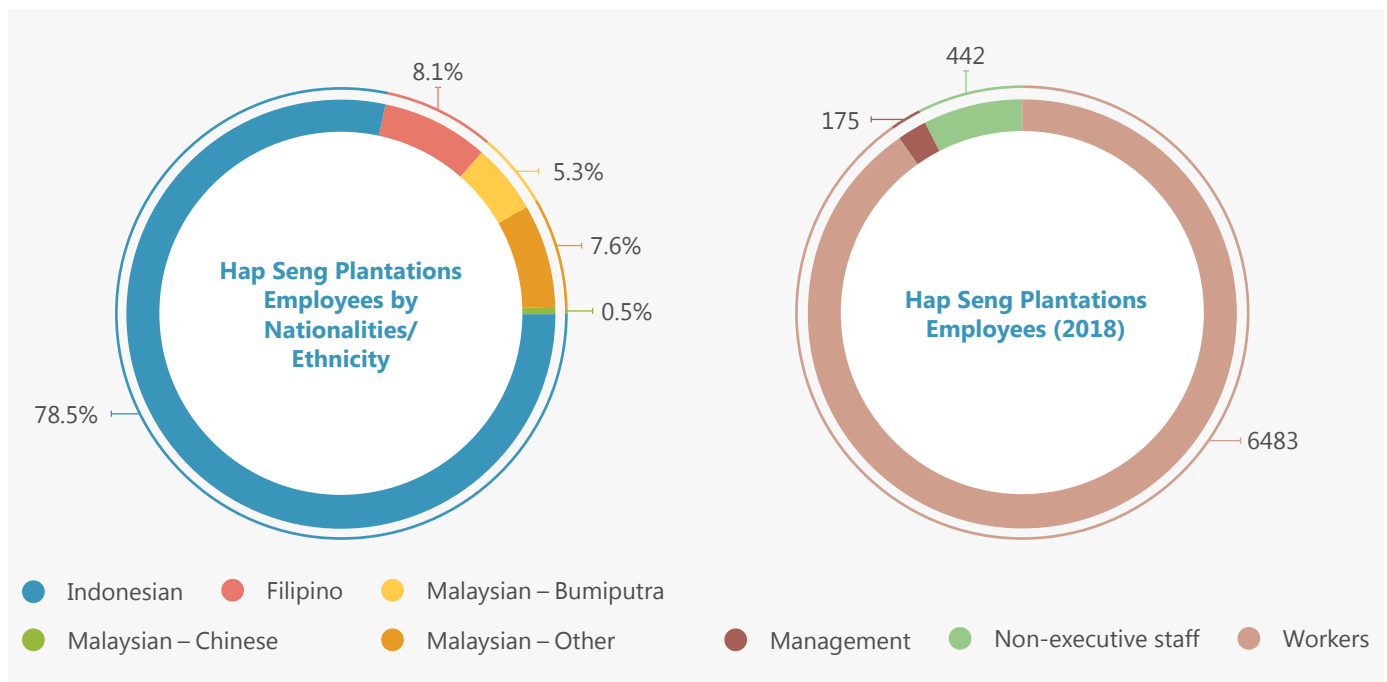
- Implementation of a Log Out Tag Out system (LOTO) in mill machinery. LOTO increases machine handling safety, especially during maintenance, by locking the switchboard to prevent accidental activation
- Implementation of Permit To Work (PTW) for high-risk and/or non-routine work – for example working at height, in extreme temperatures and in confined spaces. PTWs are only issued to individuals qualified to do the work, thereby ensuring compliance with SOPs
- Quarterly workplace safety inspections/audits conducted by a safety committee member to review any set safety measures requiring improvement
- Training workers on HIRARC for each work task to help them better understand task-specific hazards
- Engaging external occupational safety and health trainers, such as the National Institute of Occupational Safety and Health (NIOSH) and BOMBA, to conduct Authorised Entrant and Standby Person (AESP) competency training and fire training

Furthermore, all our estates and mills will need to routinely undergo chemical health risk assessments (CHRA). The CHRA is conducted once every five years to ensure workers understand chemical hazards to health and ensure compliance with the Use and Standard of Exposure Chemical Hazardous to Health (USECHH) Regulation 2000. All Hap Seng Plantations workers are covered by the Foreign Workmen Compensation Scheme, a general insurance policy that covers both injuries and fatalities.

OUR EMPLOYEES

Our Employees in Profile

Hap Seng Plantations employs 7,100 people. Our workforce reflects the typical composition found in our sector and the diversity of Sabah. Approximately 91% of our employees are manual workers based in the field and mill. The majority of these workers are non-Malaysian nationals, primarily Indonesians and Filipinos. Most of our Malaysian employees come from local communities.



### Safeguarding the Rights of Workers

Hap Seng Plantations is committed to ensuring that the rights of all employees, including contract, temporary and migrant workers – are respected according to local, national and ratified international laws. In situations where legal frameworks are not yet in place, international best practices are adopted.

As part of our RSPO commitments, our policies are aligned with the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights. While legal compliance and alignment to the RSPO P&C is our first priority, we also see it as our moral obligations to create, strengthen and promote a harmonious, safe and healthy work environment and culture. We do not differentiate between nationalities and benefits including housing, wages and medical provision are provided equally to all workers.

### Freedom of Association and Rights to Collective Bargaining

Although we recognise the right of our employees to form and join unions, there are no unions represented in our plantations. This is because the National Union of Plantation Workers (NUPW) and the All Malayan Estate Staff Union (AMESU) are not recognised in Sabah.

Nevertheless, we do not restrict our workers from forming an association or conducting collective bargaining. We also have a grievance procedure in place that allows all employees to raise issues and seek redress.

### Supporting Women in Our Workforce

Hap Seng Plantations is committed to providing equal opportunities to employees at all levels, and we do not discriminate based on gender. Compared with the Malaysian palm oil sector in general, the representation of women in our workforce is relatively high. We believe this is because we encourage married couples to apply for jobs together. This in turn provides us with a more stable workforce.

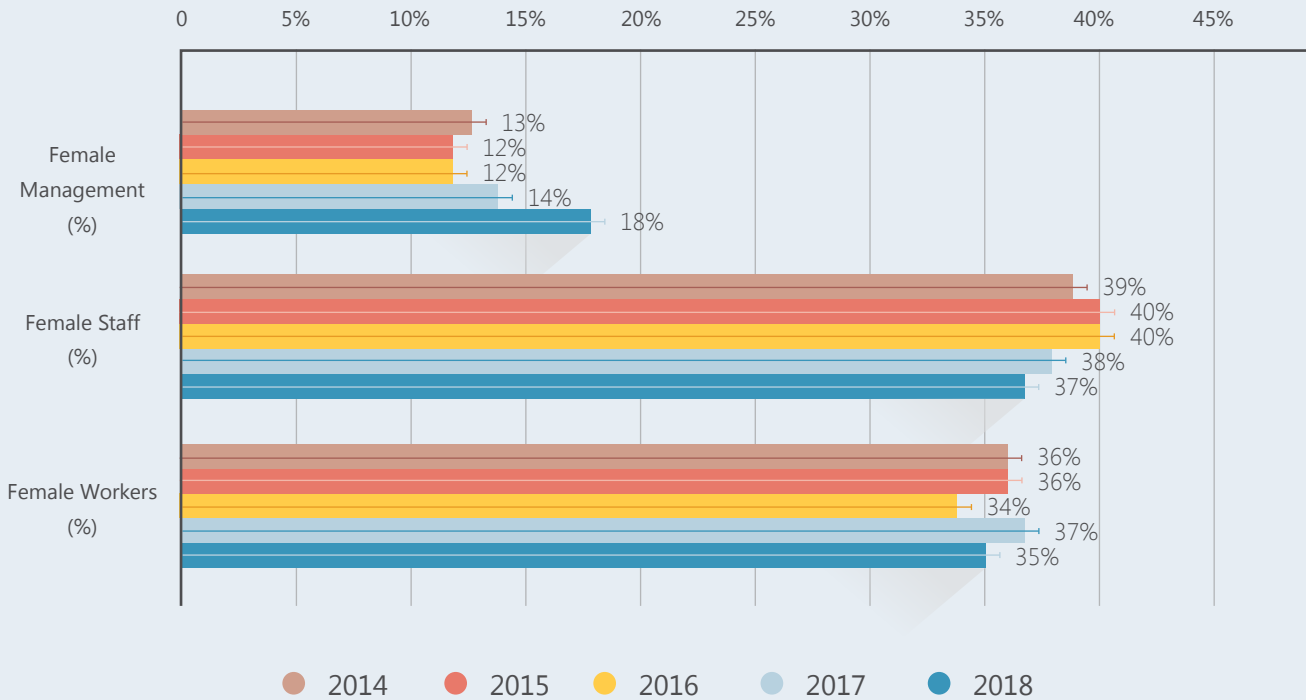


We aim to improve our gender balance at management level, where women are currently not well represented. This is partly due to the relatively small number of women educated in the traditional agricultural disciplines from which we draw our management candidates. However, we have made some headway in this area, increasing the number of women in senior management from 14% in 2017 to 18% in 2018.

Another challenge we face in this respect is that many women leave our workforce to care for their families before they reach senior positions. This is a common concern across the Malaysian employment market, and particularly in the agricultural sector, where working hours are rarely family-friendly and educational facilities for older children are often in short supply.



### Women in Hap Seng Plantations



### Fair Pay and Transparent Records

We are committed to paying fair wages to all employees. The plantation management committee reviews workers' wages quarterly to ensure that they are aligned with a competitive market rate.

From January 2019, we will pay all workers the required base wage of RM1,100 per month. This is the minimum wage requirement as stipulated by the Minimum Wages Order (Amendment) 2018. Beyond this base wage, workers are paid an additional daily rate based on tonnage of harvest, maturity of the field worked, and specific work tasks. During harvesting months, workers have the opportunity to earn up to RM4,000 per month based on the amount of FFB they collect. Earnings may however vary throughout the year due to the seasonal nature of our operations and it can be a challenge to manage workers' expectations. To address this issue, we adjust wage to avoid income fluctuation and high levels of dissatisfaction.





### Addressing Undocumented Workers

Sabah’s long coastline and proximity to neighbouring Indonesia and the Philippines create challenging conditions for the Malaysian government as it seeks to manage its porous borders. Ferry services and land crossings make it particularly easy for individuals to enter the country.

We take special measures to ensure that our employees are legally able to work in Malaysia. This is a particular concern, as we often recruit new workers that have been recommended to us by existing employees. Individuals who do not have appropriate documentation are asked to return to their home country and apply for proper permits.

We cover all costs for obtaining legal work permits in Malaysia with the exception of passports, which workers must obtain for themselves. Each worker retains his or her own passport and we have discontinued the practice of requesting estate managers to hold workers’ travel documents for safekeeping.



### Children in Our Plantations

We do not allow children or young people under the age of 18 to work in our estates. We do, however, recognise that workers living on our estates sometimes involve their children in loose fruit collection and other light work. We continue to conduct regular spot checks in order to eliminate this practice, and found no incidents of children helping their parents at work during the reporting period.

We are also vigilant in keeping children away from areas where hazardous works involving heavy machinery or chemicals are undertaken. We believe that the best means to eradicate child labour is the provision of good quality education.



### Our Community – Facilities for a Better Quality of Life

As at 31 December 2018, Hap Seng Plantations has an estimated 2,679 hectares of land for the development of buildings and infrastructure, including residential buildings, medical clinics, sundry shops and recreational facilities.

Housing is provided to almost all of our 7,100 employees and their families. Workers’ quarters are designed to incorporate a sufficient plot of land to cultivate their own food. In addition, each estate has a shop that is granted permission to operate by the company, with prices controlled to ensure that goods remain affordable. At the end of each month, a special two-day bazaar is set up to facilitate the trading and selling of homegrown goods.

In 2018, we continued our efforts to upgrade our workers’ quarters. This work included replacing metal water tanks with corrosion-proof high-density polyethylene (HDPE) models.

**Facilities for both workers & nearby communities**

 <b>All</b> Housing with garden plots	 <b>4</b> Clinics with wards*	 <b>8</b> Full-time nurses*	 <b>3</b> Visiting doctors*
 <b>3</b> Medical assistants*	 <b>4</b> Ambulances*	 <b>16</b> Shops*	 <b>1</b> X-ray equipment (SSGOE)*

**Recreational facilities**

 <b>3</b> Clubhouses	 <b>3</b> Other facilities	 <b>117 km</b> of road for nearby villages*	 <b>3</b> 24 hour ferry*
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\* Accessible to local communities



On top of these infrastructural provisions, we also support social interaction and community wellbeing by organising inter-estate group games, as well as bi-monthly and annual staff gatherings. Our clubhouses are built to incorporate social amenities, such as snooker tables, dartboards and digital karaoke machines, for the enjoyment and relaxation of our workers.

Hap Seng Plantations continues to enjoy a very positive and mutually beneficial relationship with our local communities. Our community-focused activities take into account that many of these communities are isolated and without access to basic facilities. Our local interactions therefore include:

- Engaging with community leaders
- Providing assistance to local communities, particularly for celebrations and festivals
- Providing local job opportunities
- Extending access to our health services
- Building, repairing and maintaining local infrastructure (including 117 km of roads and 24-hour ferry services)



### Free Access To Clean, Safe Water For Our Workers

We are committed to providing safe, potable water sources for our employees. We produce sufficient treated water to support all our employees living in our plantations, except for our Kawa Estate (Tawau region) and Pelipikan Estate (Kota Marudu region), which are currently supplied by rainwater harvesting. In line with our commitment to provide an adequate supply of treated water to all workers, we have planned to build additional new water treatment plants at both of these estates, and work is scheduled for completion in 2019.

We monitor water quality closely as mandated by the National Water Quality Standards and regulated by Malaysia's Ministry of Health.

### Land Rights

We acknowledge the legal and customary land rights of local communities. This is clearly stated in our Sustainable Agriculture Policy, which also sets out robust Free, Prior and Informed Consent (FPIC) process for all new developments.

Hap Seng Plantations currently has one outstanding complaint pending in the RSPO Complaints Process. The case involves a legal land dispute with an individual claiming rights to around 2,600 hectares of our planted area. The Complaints Panel has put further reviews on hold pending the outcome of the legal case. The case does not involve customary or indigenous land rights. Further information can be found in our Annual Report, and also on the RSPO website at [rspo.org/members/complaints/status-of-complaints/view/89](https://rspo.org/members/complaints/status-of-complaints/view/89).

### Adapting Security Measures For Emergency Situations

We remain on high alert since the 2013 Lahad Datu incursion, and have embarked on a programme to improve the overall security of residential areas in our estates. Besides maintaining a close rapport with security forces, particularly the Royal Malaysian Police, a number of specific enhancements have been made.

These include improving communications among security personnel and the establishment of early warning systems at the main entrance and exit points across Sungai Kretam and Sungai Segama. Hap Seng Plantations has recently recruited an ex-military officer as security manager to coordinate security personnel in the group of estates.

INVESTING IN EDUCATION FOR OUR COMMUNITY

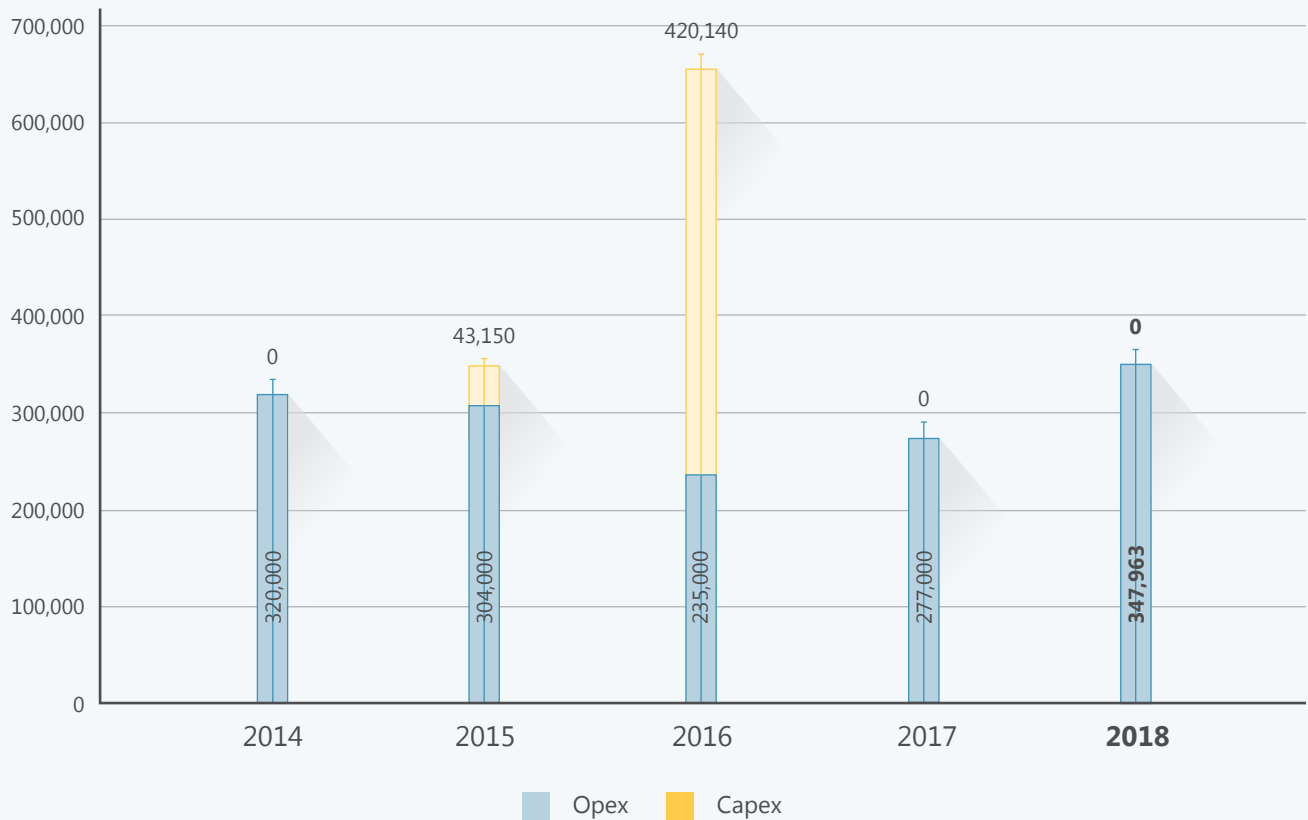
Building Educational Capacities for Humana

Challenged by our remote location, and the fact that many children of foreign workers are undocumented, improving access to schools has been a key initiative for our company. Since 2009, the Hap Seng Group has funded the Humana Child Aid Society to support its mission to provide education for children in plantations and other remote areas of Borneo.

In 2018, we invested close to RM1 million in various CSR initiatives, including capacity building programmes and building funds for schools. We have also conducted outreach to other plantation companies in the area to raise awareness about the right to basic education and to encourage them to adopt similar initiatives.



Human Capital and Operating Expenditure (RM)



### Investing in Education for Rural Schools

Our CSR mandate is to be a catalyst in improving education in rural areas through capacity building in Higher Order Thinking Skills (HOTS) and English.



Four Main Capacity Building Programmes In 2018

**RM612,046.00**



#### PROGRAMMES FOR TEACHERS

##### HSG IoT

- Internet of Things (IoT), HOTS
- Interior districts of Sabah – Keningau, Tenom, Nabawan and Tambunan
- 24 secondary schools, 48 teachers, approximately 300 students

##### HSG IoT Semporna

- Internet of Things (IoT), HOTS
- Semporna
- 5 secondary schools, 10 teachers, approximately 15 students

##### Junior Innovate

- Internet of Things (IoT), HOTS
- Interior districts of Sabah – Keningau, Tenom, Nabawan and Tambunan
- 20 primary schools, 40 teachers, approximately 210 students



#### PROGRAMMES FOR COMMUNITIES

##### HSG Tawau Leadership

- Leadership development and character building
- Tawau
- 15 parents and community volunteers, more than 160 youth from 7 - 14 years

### HSG IoT

Hap Seng Group's Internet of Things (IoT) Programme aims to develop teachers' ability to deliver 21st century learning in their classroom through the development of both technical and soft skills, with particular focus on mentoring and project-based learning.

The programme, which is delivered in partnership with Chumbaka, began in 2017 and reached 24 secondary schools in the interior of Sabah during its first year. Teachers participate in workshops to learn about embedded systems, electronics and coding. Soft skills such as mentoring, pitching, design thinking and advanced learning methods are also covered. At the end of the programme, teachers run a bootcamp to introduce students to what they have learned and guide students to join the state level Young Innovate Challenge (YIC).

In 2018, this programme was expanded to include Semporna and a programme for primary students, Junior Innovate, was introduced. By implementing IoT programmes at the junior level, the Junior Innovate programme seeks to instil the digital understanding in rural schools' students from interior Sabah at the early stages of their education to better prepare them for Industry 4.0. In the second year of the IoT programme, benefits began to show in both teachers and students in terms of building confidence, improving communication and English language skills, increasing



teamwork and collaboration, building resilience and extensive usage of high-order thinking skills. The programme has encouraged collaboration between schools to share ideas and resulted in greater interest by teachers and school leaders in growing IoT awareness among students. The success of the programme in 2017 also prompted the adoption of the programme by another funder for its delivery in schools in Perlis.

### HSG Tawau Leadership

We consider it an educational priority to instil leadership values among young people. Following the success of the 2017 leadership-based Hap Seng Tawau Summer Camp, Hap Seng Group, together with our implementation partner Leaderonomics, ran a leadership development programme throughout 2018 that included various monthly activities, including train the trainer sessions, community leadership club, parent engagement sessions and year-end camps.

The programme aimed to instil leadership, confidence and good interpersonal skills in the youth, especially among the 18 high potential youth who were selected from the 2017 camp. They were further groomed as leaders with the involvement of their parents and community volunteers, and at the end of the year, they were able to exercise their newly developed leadership skills as facilitators' assistants at the Hap Seng Super Micro Leader Camps.

The Hap Seng Super Micro Leader Camps helped to develop leadership character and skills among youth aged 7 to 14 with the goal of bringing about positive change in the Tawau community. The camps encourage personal growth through self-discovery and character development and exposed participants to four main values in 2018: Determination, Decisiveness, Forgiveness and Truthfulness. More than 160 young leaders participated in the year end camps.



# CARING FOR OUR ENVIRONMENT



Reduction in GHG by **23%**



**Zero Fire**



**8%** reduction in BOD level



**1,056.74 ha** set for Riparian Area

**1,401.98 ha** set for HCV Area



Achieved GHG emissions intensity of between **1.0 to 1.5 tonnes** CO<sub>2</sub>e /tonnes Crude Palm Oil by 2018 (ahead of targeted timeline of 2021)

Our operations in Sabah are located close to some of Southeast Asia's richest biodiversity, including flagship species and flora endemic to the area. We have developed a structured and continuously evolving set of systems to ensure that our operations do not endanger wildlife habitats or ecosystems.

Hap Seng Plantations strictly adheres to all relevant laws, as well as to RSPO and ISCC EU certification principles and criteria. These commitments have been condensed into the Hap Seng Plantations Sustainable Agriculture Policy where our journey towards a sustainable palm oil estate is set out. The policy is publicly available from our company website at [hapsengplantations.com.my](http://hapsengplantations.com.my).

For 2018, we have also established a mechanism to improve the environment within our operations. This includes conducting quarterly meetings to discuss the effectiveness of our pollution control system. The system is evaluated in each meeting and further improvements are proposed for adoption into our business practices.



Environmental, Health and Safety Committee Meeting – conduct quarterly meetings (MSPO requirement)

Estates' administrative managers to execute decisions from the meeting (monitor, prevent & implement)

1

2

## ENVIRONMENTAL MECHANISM OVERVIEW 2018

4

3

No violation of local regulations on pollution

Proper management of waste achieved – no pollution

### Safeguarding Our Water Sources

We understand that water sources are critical to the environment, human health and local wildlife. This confers on us a special obligation, as our plantations are located in a remote part of Sabah where we do not have access to public utilities such as piped water. All our drinking water must be sourced from water catchment ponds. It is therefore our responsibility to ensure that the quality of our treated water is continuously monitored and analysed according to the National Water Quality Standards regulated by Malaysia’s Ministry of Health.

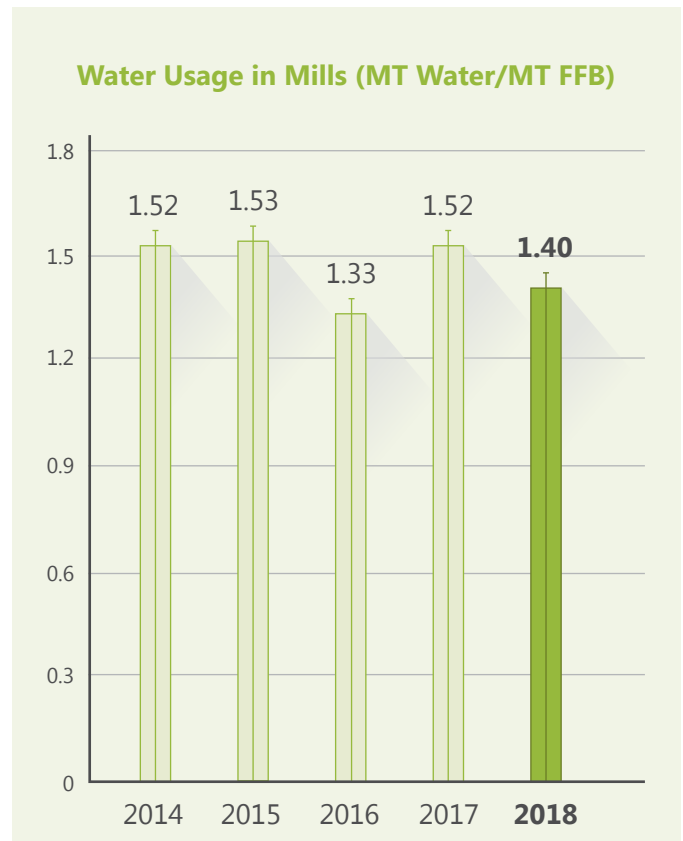
In order to protect our water resources, we routinely monitor our stream and water usage. By doing so, we have been able to safeguard our water quality and drive efforts to mitigate any potential negative impacts from our operations.

Hap Seng Plantations practices water resource management guided by a water management plan. This plan is revised annually in every plantation to ensure our water sources are well managed and conserved. The plan includes:

- Maintenance of riparian reserves to minimise soil run-off and act as a filter to preserve the quality of water entering waterways
- Growing legume cover crops to prevent run-off and conserve soils
- Avoiding oil palm planting on steep terrain
- Monitoring and treating Palm Oil Mill Effluent (POME) and wastewater before discharge
- Applying BioTUBE desludging technology to remove solids in POME, reducing BOD levels to within an acceptable limit as required by the Department of Environment

### Water efficiency

Water usage at our mills has remained stable between 2014 and 2018, with a relatively low consumption compared to industry standards. In 2018, there was a slight drop in the total amount of water used for processing FFB in mills. This was due to the commissioning of a biogas plant, which generates electricity and reduces our dependence on boilers to kinetically convert steam to electricity.





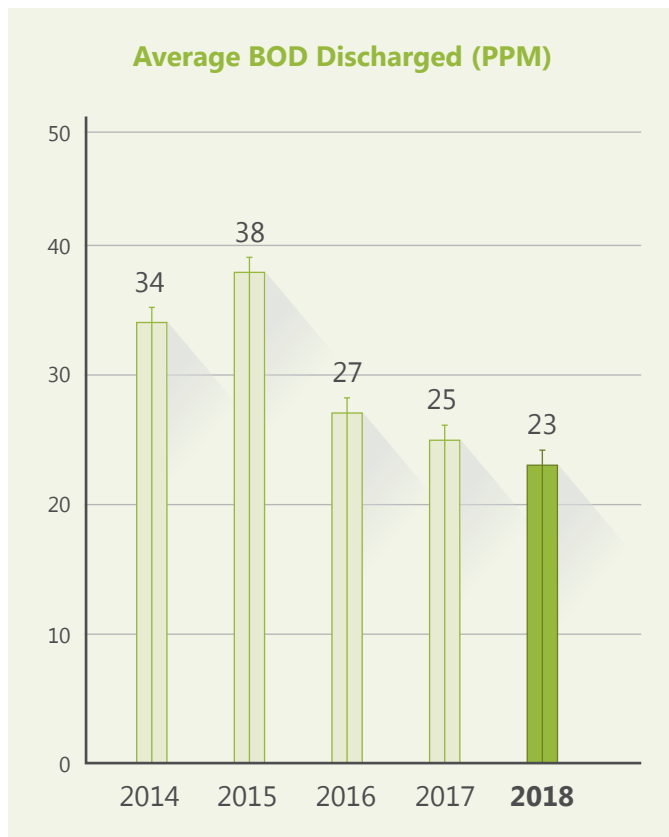
### Managing Palm Oil Mill Effluent (POME) discharge in water source

POME is water that has been used in the processing of FFB. Untreated POME is harmful for aquatic environments, as it contains high levels of organic matter that can cause excessive algae growth and reduce the amount of oxygen available for other marine life.

POME is disposed of in two ways: through land application and through treatment and discharge. Applied to farmland, POME provides moisture, nutrients and organic matters, and can help to reduce the need for commercial fertilisers. POME can also be treated in a special pond, from which it can safely be released into the estate drainage system.

Hap Seng Plantations has shown an evidential improvement in reducing Biological Oxygen Demand at all four mills by 8%, from an average of 25 ppm in 2017 to an average of 23 ppm in 2018. This positive change is due to the commissioning of a new biogas plant, which captures methane in effluent ponds and converts it into electricity.

The energy generated by the plant is used to kickstart the mill’s engine and provide power for workers’ houses. We are making good progress towards our 20 ppm target for all mills by 2020. To support our work in line with this goal, we have established a dedicated committee (the 20 ppm and Biogas Project Committee) to monitor BOD levels on a daily basis.



Local environmental regulations require us to minimise the risk of disturbances to the aquatic environment, as well as the pollution of ground water. All Hap Seng Plantations operations were compliant with all relevant local thresholds throughout 2018.

### Harvesting Rainwater

In accordance with Ministry of Health guidelines and the National Water Quality Standards, Hap Seng Plantations began implementing a rainwater harvesting system in 2015. The system is designed to help us better manage our water resources, ensuring that our mills store six-month reserves of water to maintain a ready supply throughout the year.

As host to 7,100 employees and their families, managing our domestic water use is just as important as managing our industrial use. We have therefore supplemented our treated water sources with additional supply from our rainwater harvesting to ensure ready access and efficient usage.



### Protecting our Rivers and Riverbanks

Hap Seng Plantations has developed and implemented a comprehensive water management plan to maintain the quality and availability of surface and ground water for the future security of our business and the benefit of our surrounding communities.

The Segama and Kretam rivers that flow through our estates are very well managed, with set riparian reserves (natural riverside vegetation) along both riverbanks. This creates buffer zones that function to intercept non point sources of pollution (e.g. agricultural runoff). Riparian vegetation absorbs heavy metals and nutrients, traps sediment suspended in surface runoff, and supports communities of microorganisms that assist in the breakdown of pollutants. Riparian reserves also create prime habitats for other wildlife, forming a unique topography where terrestrial and aquatic ecosystems meet.

Palms planted along streams within our estates are marked with a red circle. This indicates that the area is free from chemical spraying and manuring. Workers are also regularly educated on the importance of maintaining riparian reserves.

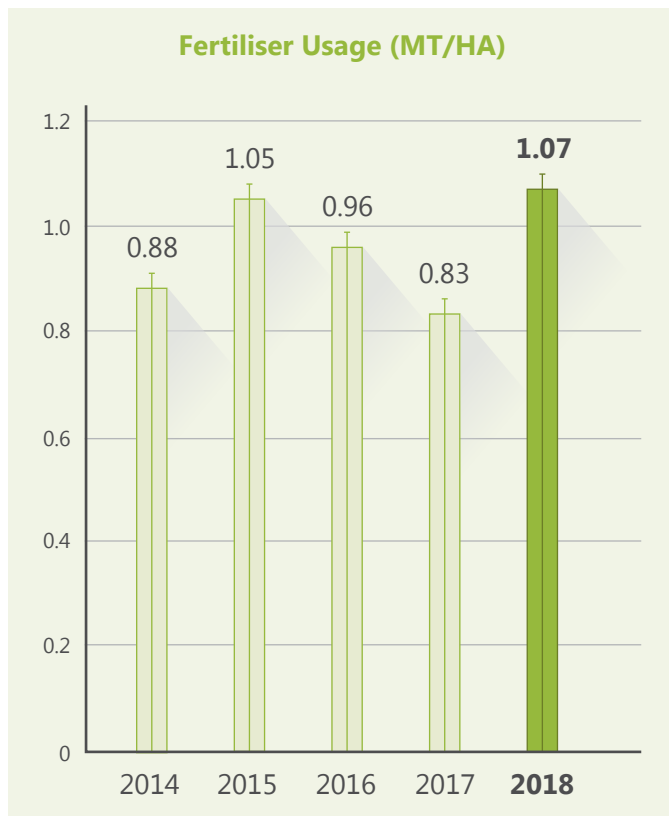
Oil palms that were planted in riparian areas in the 1980s have been left in situ in accordance with guidelines issued by the Department of Irrigation and Drainage (DID).

In some cases, local villagers have planted banana trees – and have even built houses – in riparian boundaries. Although these developments are prohibited by law and are not recommended by our company, we have allowed them to remain in order to maintain good relations with local communities.

### Monthly Riparian Monitoring Team

Hap Seng Plantations has introduced monthly riparian monitoring to comply with the requirements of the Sabah Water Resources Enactment 1998. As at 2018, we still maintain the distance requirement provided by the 1998 Enactment.

To date, Hap Seng Plantations has created 1,056.74 hectares of riparian buffer area. We have also engaged with an authorised consultant registered with the Environment Protection Department of Sabah to monitor and inspect river quality on a quarterly basis. There have been no significant issues raised by the consultant during the reporting period.



### Integrated Pest Management (IPM)

Hap Seng Plantations deploys an IPM system to control pests, pathogens and weeds so as to minimise the use of chemical pesticides in its plantations. Controlling nettle caterpillars has been one of our biggest pest control challenges, and a previous infestation in the Sungai Segama Group caused extensive defoliation

and a substantial loss of yield over a significant period. To control the nettle caterpillar population, we now plant more than the recommended 10 metres of beneficial plants per hectare of oil palm. These plants, which include *Tunera subulata*, *Antigonon leptopus* and *Cassia cobanensis*, provide a natural habitat for insect predators of nettle caterpillars and bagworms.

Other preventative measures include the establishment of fast-growing leguminous covers to accelerate the decomposition of palm biomass. This stops biomass becoming a breeding ground for *Oryctes rhinoceros* beetles, one of the major pests afflicting the oil palm industry.

We have also introduced a fungus (*Beauveria bassiana*), which is parasitic on various arthropods, as well as a natural insecticidal bacterium (*Bacillus thuringiensis*).

A number of other natural, cultural and mechanical pest control strategies have also proven effective. Pheromone traps are used across our estates to reduce the populations of *Apogonia* beetles, rhinoceros beetles, cockchafers and *Odoratus*, while diverting them from attacking our immature oil palm plantings. This method has helped us to reduce our use of synthetic pesticides such as cypermethrin.





**Our Soil Management Practice**

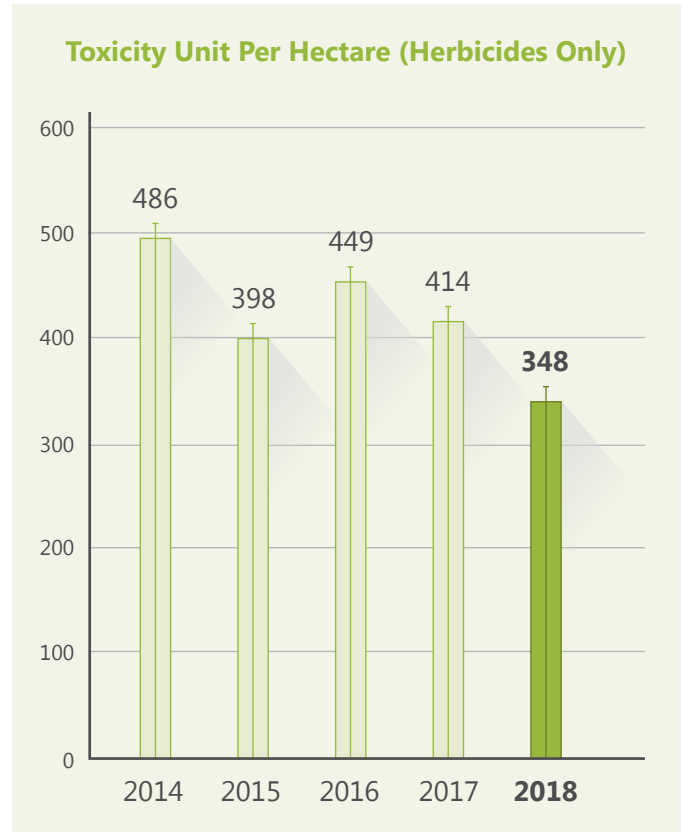
Yield size and quality depends on the nutrient content of our soil. We adhere to the best soil conservation practice of planting leguminous cover crops to reduce soil erosion and improve its physical and chemical composition. We also construct earth terraces, silt pits and bunds, and maintain natural covers along palm avenues. We do not cultivate on slopes with a gradient of 25 degrees or more. Empty fruit bunches and oil palm trunks and fronds are mulched, composted and recycled as organic materials to maintain soil properties at an optimum level.

The recycling of nutrient-rich organic matter – such as empty fruit bunches, POME and belt press solids (BPS) – into fertiliser is another common practice with multiple benefits. By putting this biomass to good economic use, such processes help to reduce our reliance on agrochemicals, reduce our costs and mitigate our GHG emissions.

**Selective Chemical Application**

We do not undertake blanket spraying of herbicides at Hap Seng Plantations. Weeds are treated on a block basis following an analysis of the problem in the area. Herbicide usage is cyclical and will increase in years with more new or immature plantings.

In 2018, our approach to herbicide usage contributed to a reduction in toxicity units per planted hectare compared to 2017. The main contributing factor has been our use of a pre-emergence herbicide, which enables us to reduce the number of spraying rounds required per year (by up to two rounds) as compared to conventional herbicides.



\* Toxicity units are calculated from the volume, concentration and level of toxicity as declared by the manufacturer and determined by means of the LD50 toxicity test. The data above are based on budgeted consumption. Note that the figures are restated from our 2014 Sustainability Report.

We currently use a total of 31 agricultural chemicals in our plantations for weed and pest control purposes. Of these, only four are listed as banned chemicals by the UN Rotterdam and Stockholm conventions. Two of these chemicals are only used in the nursery, while the other two are used to target specific pests. We continue to search for ways to replace these chemicals, but have yet to find suitable alternatives.

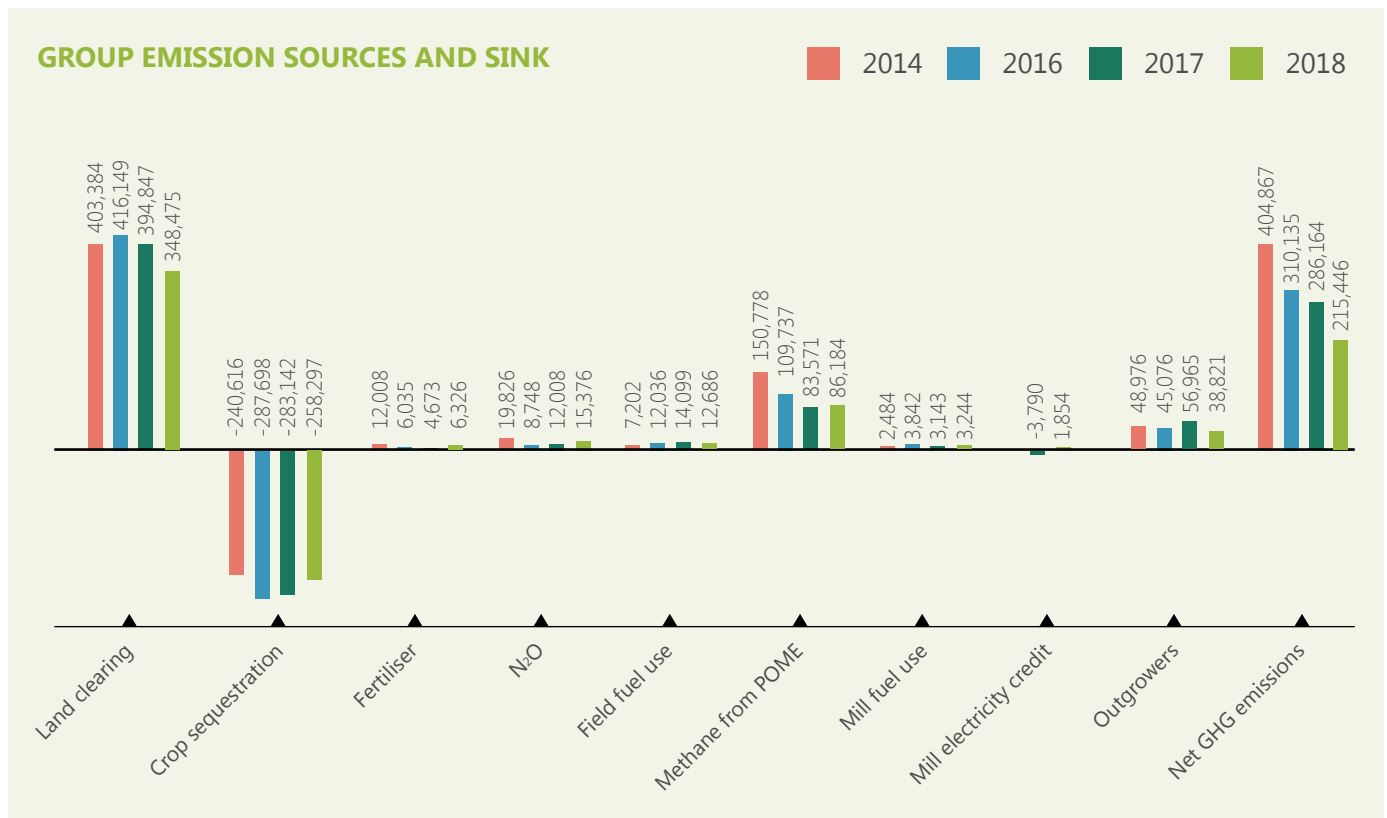
**Carbon Management – Action on GHG Emissions**

Hap Seng Plantations recognises that climate change is a major threat to our planet, and we are committed to monitoring and reducing our global carbon emissions. We established our GHG emissions baseline in 2014 by using the RSPO PalmGHG Calculator v2.1.1. RSPO introduced the new PalmGHG Calculator v3.0.1 in 2018, and data for 2018 has been calculated using this version.

We are pleased to report that Hap Seng Plantations has achieved reductions of around 23% in our net carbon emissions and our footprint per tonne of CPO compared to 2014. The commissioning of our biogas facilities contributed significantly to this reduction.

Mill	MT CO <sub>2</sub> e/MT CPO			
	2014	2016	2017	2018
JPOM 1	1.61	0.99	0.50	<b>0.40</b>
JPOM 2	1.07	1.49	1.19	<b>1.92</b>
BPOM	3.18	1.45	1.99	<b>2.06</b>
TPOM	1.85	2.35	2.09	<b>1.80</b>
Group average	2.35	2.00	1.89	<b>1.45</b>

Note that the 2014 figures were calculated using RSPO PalmGHG v2.1.1. For 2016, 2017 and 2018 the figures used the PalmGHG v3.0.1. RSPO advises that these numbers may be compared without recalculation.



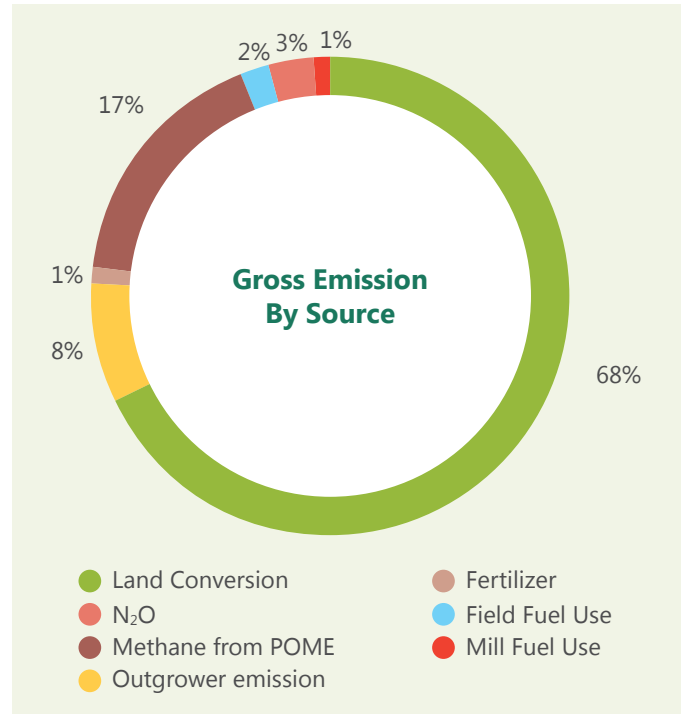
Note: Peat, conservation area offset, and POME electricity credits have been omitted, as there are no emissions or offsets in these categories.

## CARING FOR OUR ENVIRONMENT

Previous land use change accounts for 69% of our GHG emissions. The estates supplying fruit to Bukit Mas Palm Oil Mill (BPOM) were originally cleared decades ago, and were left to regenerate until the 1990s when they were finally planted. Consequently, this land is classified as disturbed forest under the PalmGHG definitions, and there are few remedies available to reduce the impact of historical conversions of this type.

We use direct energy from fossil fuels (diesel fuel) to operate mechanised equipment and for vehicles that transport FFB from our estates to the oil mills. We also use fossil fuels to start FFB processing in mills, as fuel for vehicles transporting CPO from the mills to ports or our customers, and to provide power to our employees' housing – except in our Batangan and Kapis estates, where electricity is supplied by the JPOM biogas plant.

We are now focused on building more biogas facilities to capture methane from POME for electricity generation.



### Conserving Biodiversity

Most of our plantings have been developed on land that was previously used for other agricultural purposes. Furthermore, a large part of our land borders other plantations rather than forest. Nevertheless, we have designated approximately 1,400 hectares, some 3.5% of our total land bank, for conservation.

An assessment and a comprehensive management plan have been completed for our HCV area at Bukit Kibos Hill, a 75-hectare area located near our headquarters. The plan is monitored and reviewed annually by our internal assessment team.

In line with our Sustainable Agriculture Policy, we seek to protect the forest reserves that are adjacent to our concession areas. In 2018, we began a programme to monitor the buffer zone area. Our first step has been to make the zone’s boundaries highly visible to our workers by erecting signboards and painting red markings on trees.

Although a formal HCV assessment has never been required by the RSPO for this area, as there has been neither land use change nor conversion since November 2015, we appointed an RSPO-approved HCV assessor to conduct a supplementary assessment. This assessment found that the area is home to diverse species of fauna.

We have also continued working to conserve the Jelutong tree, a protected species in parts of Malaysia and Thailand. Latex tapped from Jelutong trees was a key ingredient in the production of chewing gum until the 1960s, when overharvesting led to the species becoming threatened in many areas. The trees on our estate were originally propagated in vacant and HCV areas from seedlings we collected. Supported by our comprehensive replanting efforts, the Jelutong’s quick growth and hardy nature mean that its extinction is now unlikely.

Today, Jelutong covers around 86 hectares on our estates. Another area comprising 60 hectares has also been set aside for the planting of Sepat, a wetland timber species. The area, which was previously planted with oil palm, proved unsuitable for palm cultivation due to repeated flooding.

Area	HA
Reserve – Plantable	36.80
Sepat	60.00
Bukit Kibos	75.50
Jelutong	86.00
Reserve – Unplantable	1,143.68
<b>Total area</b>	<b>1,401.98</b>





### Tabin Wildlife Reserve

The Tabin Wildlife Reserve, which borders our estate, was designated as a protected area in 1984. Covering approximately 122,539 hectares, this lowland dipterocarp forest is home to three of the largest mammals in Sabah – the Borneo pygmy elephant, the Sumatran rhinoceros, and the Tembadau.

Eight primate species are also found at Tabin, including orangutans and proboscis monkey, as are three protected cat species, not least the Sunda clouded leopard. Over 42 families of birds representing some 220 species have also been recorded on the reserve. Many additional types of wildlife are attracted to the reserve by the presence of active and mineral rich mud volcanoes.

Our close proximity to such rich biodiversity gives us a responsibility to support its ongoing protection. Continuous monitoring of rare, threatened and endangered (RTE) species is carried out across our estates, as well as in bordering areas, to protect wildlife identified by the Sabah Wildlife Enactments and the International Union for Conservation of Nature (IUCN) Red List.

To support the implementation of our RTE Species Policy, our Sustainability Team has been attending biodiversity management training in accordance with specific regulations and best practices in bird and wildlife species conservation. Additionally in 2018, representatives from the Police Department, the Sabah

Wildlife Department and the Forestry Department of Sabah conducted a joint training session for our sustainability officers, estate staff and workers.

Hap Seng Plantations enforces a strict no hunting policy. All workers are made aware of RTE species that have been identified in the area, and reminders not to disturb, hunt or kill these animals are communicated at each morning muster. We take appropriate action against individuals that ignore these instructions. CCTV has been installed to identify illegal game if it is brought into our estates.

We also work to pre-empt and prevent human-animal conflict. While our operations are located away from the migratory paths of elephants, and while incidents involving elephant encroachment are rare, we have nevertheless set up electric fences in our estates as prevention.



### Monitoring Deforestation

Shapefile (a data format used to visualise geographic features) was provided to RSPO and their team to monitor deforestation around our estates. We have continuously monitored our buffer zone boundary along the forest reserve area on a monthly basis, and have not detected any evidence of deforestation taking place within our boundaries.





## FIRE & HAZE MANAGEMENT

### Zero Burning Policy

With the recurrence of transboundary haze, a result of forest fires during the dry season in this region, Hap Seng Plantations, as a concerned party, strictly abides by the regulations stipulated under the Environmental Quality Act 1974.

In order to enforce our zero burn policy, we have deployed teams of employees to patrol our perimeter with the forest reserve on a monthly basis. These patrols aim to identify and report signs of fire, as well as illegal encroachment and illegal hunting in the area.

We monitor fires and fire hotspots using the Global Forest Watch Fires Portal (<https://fires.globalforestwatch.org/home/>) and reports are available on our company website at <https://www.hapsengplantations.com.my/environmental-sustainability.html>. We have recorded zero fire incidents since we began monitoring in 2014.

### Compensation Case Update

We continue to seek resolution to a compensation case first raised from a RSPO certification audit at TPOM in 2013. The case was raised by auditors who assessed that an area totalling 1,406 hectares on our Northbank and Tabin estates had been cleared without undergoing the required HCV assessment.

As custodians of the land, we have records showing that the area in question was degraded prior to planting, and therefore did not require a HCV assessment.

Nevertheless, we voluntarily notified and submitted our case to the RSPO Compensation Task Force (CTF) in 2014. A panel of RSPO members comprising industry peers and environmental experts was convened. Through land use change analysis, historical pictures, and an on-the-ground survey of the site, we were able to demonstrate to the panel that the area had been planted with oil palm in the 1960s and 1980s, but that these plantings had failed. We submitted our final land use change analysis to the RSPO in December 2016, which showed a significant reduction in potential compensation area.

Our concept proposal to compensate the total liability of 579.48 hectares with hectare-for-hectare reparations combined with monetary compensation was rejected



by the RSPO Biodiversity and HCV Compensation Panel (BHCV-CP) in 2018. We have re-submitted a revised concept note to the BHCV-CP in October 2018 proposing an increase in the riparian reserve by six metres, or an additional allocation of 334.48 hectares (instead of the 167.24 hectares originally proposed), with the remaining 245 hectares compensated through plantings within the set aside area.

Our purpose in extending the riparian hectareage was to promote the river ecosystem and enhance the biodiversity of endemic species.



# SUSTAINING OUR FUTURE



No. of training sessions per year  
**68 training sessions per month**



No. of hours of training per worker  
**69.79 hrs per month**

## RENEWABLES AT HAP SENG PLANTATIONS



Amount of recycled waste  
**5.28 MT (plastic bottles, glass bottles, papers & aluminium)**



**Two biogas facilities**



### Training the Next Generation of Planters

The biggest human resources challenge for our industry is the recruitment of experienced planters and the training of the next generation. It can take a decade for a planter to become trained and matured in all aspects of the business. We have an active programme to train planters by promoting talented supervisory field staff as trainee field assistants.

All staff and executives must undergo a 15-module Oil Palm Agriculture Policy (OPAP) programme that contains best practices in estate management. Staff members and executives must achieve a pass to progress in this work. From 2016 to 2018, we added an additional syllabus on RSPO, MSPO, ISCC EU and Health and Safety to the programme, ensuring that staff and executives are well equipped to maintain and support our certification programme and safety efforts.

No. Training	Target employees	Objective of Training	Schedule
1 <b>Oil Palm Agriculture Policy</b>	All executives and staff from estates	To educate staff and executives on good agricultural practices	6 months (Feb, Mar, Apr, May, June, July) every year with examination
2 <b>First aid training</b>	All executives, staff, mandors and workers from estates and mills	To train all individuals in charge of work units at estates and mills on first aid principles and kit	Annually
3 <b>RSPO, MSPO &amp; ISCC EU</b>	All executives and staff from estates and mills	To provide training on RSPO/MSPO/ISCC EU principles and criteria for all estates and mill operating units	Annually
4 <b>Safety and Health</b>	All executives and staff from estates and mills	To regularly educate and promote awareness on safety measure at workplace	Annually
5 <b>HACCP</b>	All executives and staff from mills	To educate on food safety and HACCP requirements	Annually



## RENEWABLES AT HAP SENG PLANTATIONS

### Biogas Facility

The production of palm oil generates waste that must be carefully managed to reduce its impact on the environment. The main waste type derived from the production of crude palm oil is palm oil mill effluent, also known as POME.

As a responsible planter, and in line with our sustainable goal of reducing both our GHG and BOD levels, Hap Seng Plantations we have commissioned a biogas plant that is able to capture methane from POME and convert it into electricity. Not only does this process reduce the amount of methane released to the environment, it also reduces our reliance on fossil fuels for energy generation. Moreover, the nutrient-rich byproducts from our biogas plant can be used to replace costly fertilisers, thereby further improving our carbon footprint and benefitting our company economically.

The electricity produced by our biogas plant is now powering our two mills at Jeroco. It also lights up our Kapis and Batangan estates, including SK Jeroco local school.



**Recycling project – Waste Management**

As part of our effort to manage waste and inculcate a culture of recycling, Hap Seng Plantations has introduced a waste management programme to collect plastic bottles, glass bottles, paper and aluminium. Hap Seng Plantations understands that poor waste management is detrimental to the environment and poses risks for societal health and wellbeing. It also increases the cost of doing business.

As a responsible planter, and in line with our goal for better waste management, Hap Seng Plantations has built storage facilities for recycling waste at JGOE, SSGOE and TMGOE. Two further storage units are currently under construction at our Kawa and Pelipikan estates. To support the project, workers have been educated about the importance of waste recycling as part of their environmental sustainability training.

In June 2018, we launched a trial run for the project, engaging an authorized contractor to collect recyclable waste materials. To date the trial has diverted 5.28 tonnes of waste for recycling.

These efforts are in accordance with both state and national laws that seek to minimise the discharge of waste into the environment, and through them we are compliant with regulations under the Environmental Quality Act 1974. In 2018, Hap Seng Plantations also sent a team of three representatives from our mills and PCO to attend a scheduled waste management course organised by the Department of Environment (DOE) in Labuan.

The team’s Field Training Report (FTR) was submitted to DOE on December 2018 for a permanent Competent Person certificate. Currently, every group of estates has a designated competent person for scheduled waste management.

The competent person is responsible for providing training on scheduled waste to all operating units. They also control and monitor scheduled waste management on a monthly basis. All scheduled waste is disposed through authorised contractors on a half yearly basis, or when the waste reached 20 tonnes as stipulated under Regulation 9, Environmental Quality (Scheduled Wastes) Regulation 2005.

# MATERIALITY MATRIX

## MATERIALITY

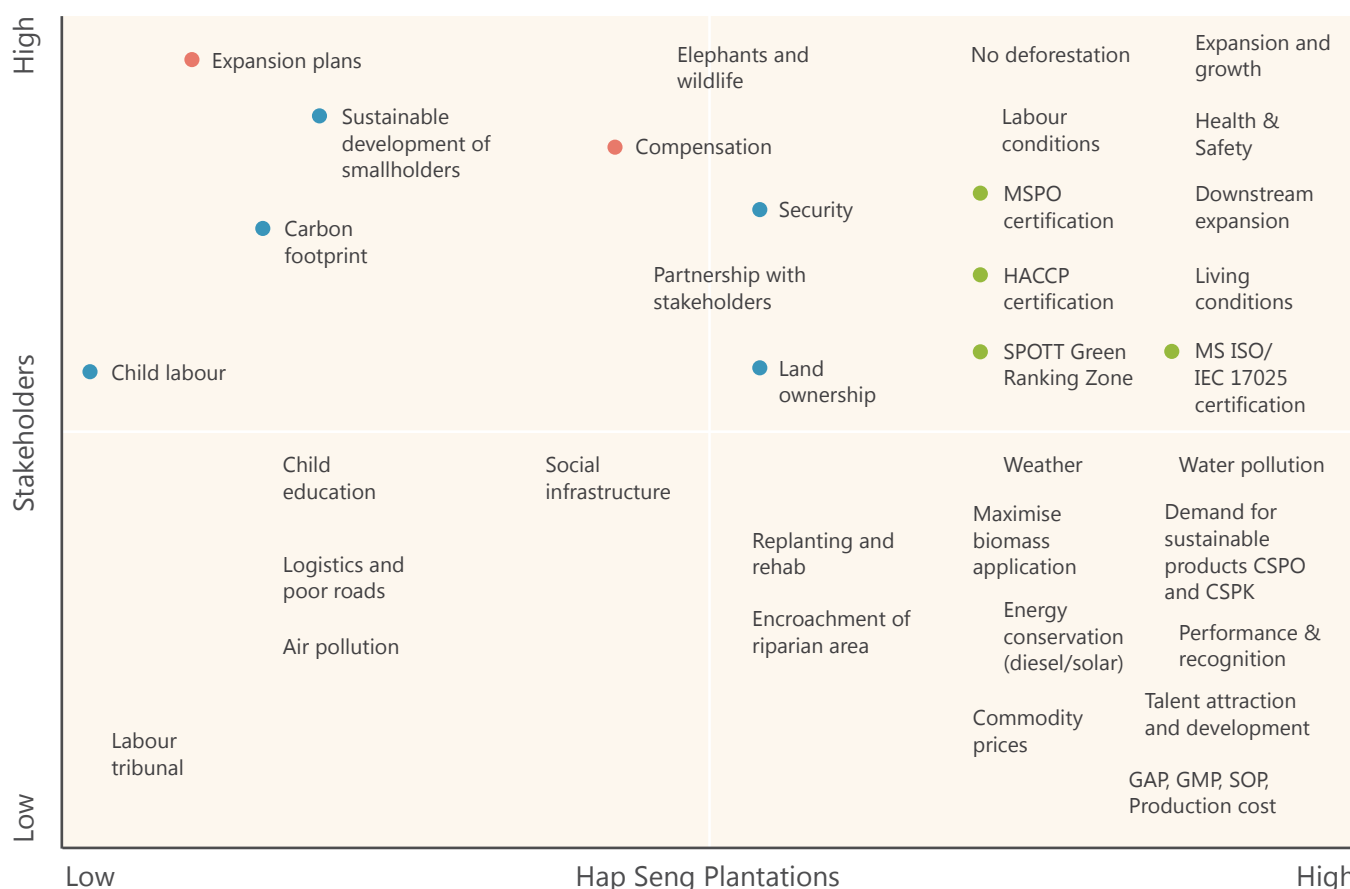
When we prepared the first Sustainability Report for Hap Seng Plantations in 2014, we undertook an extensive process to determine the material issues for our company. This process involved internal engagement and the identification of external stakeholder expectations and trends.

A materiality matrix was drawn up to reflect our findings and a series of improvement targets and objectives were developed. As there have since been no major corporate developments, or developments specific to Hap Seng

Plantations' operating environment, we have focused on updating our materiality matrix to reflect external developments relevant to the palm oil industry in Malaysia in general.

We have reviewed all current developments that we believe reflect evolving expectations and trends in our sector (for example: the Palm Oil Innovation Group, the Zoological Society of London Sustainable Palm Oil Transparency Toolkit, and the High Carbon Stock Approach Steering Group). We have also reviewed peer policies and reports, as well as NGO campaigns, to understand emerging practices and key issues.

### HAP SENG PLANTATIONS MATERIALITY MATRIX 2018



Key:

- Issues that have changed in importance since the previous report
- New aspects that have been added
- Aspects deleted as they are now covered by other aspects

## Assurance

We have chosen not to commission external assurance for this report. We will consult stakeholders in the future on the form of assurance they would seek from us.

# GRI STANDARDS CONTENT INDEX

Disclosure		Hap Seng Plantations (HSP) Sustainability Report 2018	Comments
<b>General Disclosure</b>			
<b>GRI 102: General Disclosures 2016</b>			
102-1	Name of Organisation	Frontcover	
102-2	Activities, brands, products, and services	PG 9 - 11	
102-3	Location of headquarters	Backcover	
102-4	Location of operations	PG 10	
102-5	Ownership and legal form	PG 9	
102-6	Markets served	PG 9, 10	
102-7	Scale of the organisation	PG 9 - 13, 36 - 39	
102-8	Information on employees and other workers	PG 36 - 39	
102-9	Supply chain	PG 11, 17	
102-10	Significant changes to the organisation and its supply chain	PG 9 - 17	
102-11	Precautionary Principle or approach	PG 24, 25	
102-12	External initiatives	PG 5 - 7, 17 - 23	
102-13	Membership of associations	PG 27	
<b>Strategy</b>			
102-14	Statement from senior decision-maker	PG 5 - 7	
102-15	Key impacts, risks and opportunities	PG 5 - 7, 24 - 25	2018 HSP Annual Report in pg 8, 9
<b>Ethics and Integrity</b>			
102-16	Values, principles, standards, and norms of behaviour	Inside Cover, PG 18 - 23	
102-17	Mechanism for advise and concern about ethics	PG 18 - 23	
<b>Governance</b>			
102-18	Governance structure	PG 18, 22	
102-19	Delegating authority	PG 15, 19, 22	
102-20	Executive-level responsibility for economic, environmental, and social topics	PG 18 - 22	
102-21	Consulting stakeholders on economic, environmental, and social topics	PG 18, 19	
102-22	Composition of the highest governance body and its committees	PG 18, 19	2018 HSP Annual Report in pg 27

Disclosure		Hap Seng Plantations (HSP) Sustainability Report 2018	Comments
<b>General Disclosure</b>			
<b>Governance</b>			
102-23	Chair of the highest governance body	PG 18, 19	2018 HSP Annual Report in pg 27
102-24	Nominating and selecting the highest governance body	PG 18, 19	2018 HSP Annual Report in pg 28
102-25	Conflicts of interest	PG 18, 19	2018 HSP Annual Report in pg 29
102-26	Role of highest governance body in setting purpose, values, and strategy	PG 18, 19	2018 HSP Annual Report in pg 26 - 28
102-27	Collective knowledge of highest governance body	PG 18	2018 HSP Annual Report in pg 28
102-28	Evaluating the highest governance body's performance	-	2018 HSP Annual Report in pg 28, 31
102-29	Identifying and managing economic, environmental, and social impacts	-	2018 HSP Annual Report in pg 27
102-30	Effectiveness of risk management processes	-	2018 HSP Annual Report in pg 29
102-31	Review of economic, environmental, and social topics	-	2018 HSP Annual Report in pg 29
102-32	Highest governance body's role in sustainability reporting	PG 18	2018 HSP Annual Report in pg 27
102-33	Communicating critical concerns	PG 18, 19, 22	2018 HSP Annual Report in pg 30
102-34	Nature and total number of critical concerns	PG 18, 19	2018 HSP Annual Report in pg 27
102-35	Remuneration policies	-	2018 HSP Annual Report in pg 29
102-36	Process for determining remuneration	-	2018 HSP Annual Report in pg 43, 45
102-37	Stakeholders' involvement in remuneration	-	2018 HSP Annual Report in pg 43, 45
102-38	Annual total compensation ratio	-	2018 HSP Annual Report in pg 43
102-39	Percentage increase in annual total compensation ratio	-	2018 HSP Annual Report in pg 43

## GRI STANDARDS CONTENT INDEX

Disclosure		Hap Seng Plantations (HSP) Sustainability Report 2018	Comments
<b>General Disclosure</b>			
<b>Stakeholder Engagement</b>			
102-40	List of stakeholder groups	PG 26, 27	
102-41	Collective bargaining agreements	PG 37	
102-42	Identifying and selecting stakeholders	PG 26, 27	
102-43	Approach to stakeholder engagement	PG 26, 27	
102-44	Key topics and concerns raised	PG 26, 27	
<b>Reporting Practice</b>			
102-45	Entities included in the consolidated financial statements	Inside Cover	
102-46	Defining report content and topic boundaries	Inside Cover	
102-47	List of material topics	PG 59	
102-48	Restatements of information	PG 2, 3, 59	The data are restated as a measurement to our progress as compared to previous years
102-49	Changes in reporting	Inside Cover, PG 59	
102-50	Reporting period	Inside Cover	
102-51	Date of most recent report	Inside Cover, PG 5	
102-52	Reporting cycle	Inside Cover, PG 5	
102-53	Contact point for questions regarding the report	Backcover	
102-54	Claims of reporting in accordance with the GRI Standards	Inside Cover	
102-55	GRI content index	PG 60 - 77	
102-56	External assurance external assurance for the report	PG 59	



Disclosure		Hap Seng Plantations (HSP) Sustainability Report 2018	Comments
<b>Material Aspects</b>			
<b>Economic Performance</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 2, 63, 64	
103-2 (reason for omission allowed)	The management approach and its components	PG 10 - 12	
103-3 (reason for omission allowed)	Evaluation of the management approach	PG 5 - 7	
<b>GRI 201: Economic Performance 2016</b>			
201-1	Direct economic value generated and distributed	PG 8	
201-2	Financial implications and other risks and opportunities due to climate change	PG 24, 25	
201-3	Defined benefit plan obligations and other retirement plans	PG 35, 37, 39	
201-4	Total monetary value of financial assistance received by the organization from any government during the reporting period	-	Not applicable to the company as it is not privy to such funds
<b>Market Presence</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 38 - 44	The data are restated as a measurement to our progress as compared to previous years
103-2	The management approach and its components	PG 38 - 44	
103-3	Evaluation of the management approach	PG 38 - 44	

## GRI STANDARDS CONTENT INDEX

Disclosure		Hap Seng Plantations (HSP) Sustainability Report 2018	Comments
<b>Material Aspects</b>			
<b>Economic Performance</b>			
<b>GRI 202: Market Presence</b>			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	PG 38	
202-2	Proportion of senior management hired from the local community	PG 36, 37	
<b>Indirect Economic Impacts</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 40, 41	
103-2	The management approach and its components	PG 40, 41	
103-3	Evaluation of the management approach	PG 40, 41	
<b>GRI 203: Indirect Economic Impacts 2016</b>			
203-1	Infrastructure investments and services supported	PG 39 - 41	
203-2	Significant indirect economic impacts	PG 35 - 41	
<b>Procurement Practices</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 5 - 7, 17	
103-2	The management approach and its components	PG 5 - 7, 17	
103-3	Evaluation of the management approach	PG 5 - 7, 17	
<b>GRI 204: Procurement Practices 2016</b>			
204-1	Proportion of spending on local suppliers	PG. 17	
<b>Anti-corruption</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 18, 19	
103-2	The management approach and its components	PG 18, 19	
103-3	Evaluation of the management approach	PG 18, 19	

Disclosure		Hap Seng Plantations (HSP) Sustainability Report 2018	Comments
<b>Material Aspects</b>			
<b>Economic Performance</b>			
<b>GRI 205: Anti-corruption 2016</b>			
205-1	Operations assessed for risks related to corruption	PG 18, 19	No assessment done
205-2	Communication and training about anti-corruption policies and procedures	PG 18, 19	
205-3	Confirmed incidents of corruption and actions taken	PG. 18, 19	
<b>Anti-competitive Behavior</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	NR	
103-2	The management approach and its components	NR	We are one of the producers of palm oil and palm kernel in Malaysia
103-3	Evaluation of the management approach	NR	
<b>GRI 206: Anti-competitive Behavior 2016</b>			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	NR	
<b>Materials</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 57, 58	
103-2	The management approach and its components	PG 57, 58	
103-3	Evaluation of the management approach	PG 57, 58	
<b>GRI 301: Materials 2016</b>			
301-1	Materials used by weight or volume	PG 58	
301-2	Recycled input materials used	PG 58	
301-3	Reclaimed products and their packaging materials	PG 58	

Note NR = Not Relevant

## GRI STANDARDS CONTENT INDEX

Disclosure		Hap Seng Plantations (HSP) Sustainability Report 2018	Comments
<b>Environment</b>			
<b>Energy</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	-	We have yet to report on our energy usage in our organisation and intend to do so in the next 5 years
103-2	The management approach and its components	-	
103-3	Evaluation of the management approach	-	
<b>GRI 302: Energy 2016</b>			
302-1	Energy consumption within the organization	-	
302-2	Energy consumption outside of the organization	-	
302-3	Energy intensity	-	
302-4	Reduction of energy consumption	PG 52, 57	
302-5	Reductions in energy requirements of products and services	PG 52, 57	
OG2	Total amount invested in renewable energy	PG 2, 6, 57	
OG3	Total amount of renewable energy generated by source	PG 6, 52 - 57	
<b>Water</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 46 - 48	
103-2	The management approach and its components	PG 46 - 48	
103-3	Evaluation of the management approach	PG 46 - 48	
<b>GRI 303: Water 2016</b>			
303-1	Water withdrawal by sources	PG 46	
303-2	Water sources significantly affected by withdrawal of water	PG 46, 47	
303-3	Water recycled and reused	PG 46, 47	

Disclosure		Hap Seng Plantations (HSP) Sustainability Report 2018	Comments
<b>Environment</b>			
<b>Biodiversity</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 53 - 55	
103-2	The management approach and its components	PG 53 - 55	
103-3	Evaluation of the management approach	PG 53 - 55	
<b>GRI 304: Biodiversity 2016</b>			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	PG 53 - 55	
304-2	Significant impacts of activities, products and services on biodiversity	PG 53 - 55	
304-3	Habitats protected or restored	PG 53 - 55	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	PG 54, 55	
OG4	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored	PG 53 - 55	
<b>Air Emissions</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 51, 52	
103-2	The management approach and its components	PG 51, 52	
103-3	Evaluation of the management approach	PG 51, 52	
<b>GRI 305: Emissions 2016</b>			
305-1	Direct (Scope 1) GHG emissions	PG 51, 52	
305-2	Energy indirect (Scope 2) GHG emissions	PG 51, 52	
305-3	Other indirect (Scope 3) GHG emissions	PG 51, 52	
305-4	GHG emissions intensity	PG 51, 52	
305-5	Reduction of GHG emissions	PG 51, 52	

## GRI STANDARDS CONTENT INDEX

Disclosure		Hap Seng Plantations (HSP) Sustainability Report 2018	Comments
<b>Environment</b>			
<b>GRI 305: Emissions 2016</b>			
305-6	Emissions of ozone-depleting substances (ODS)	PG 41 - 48	
305-7	Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ) and other significant air emissions	PG 46 - 48	
<b>Effluents and Waste</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 47	
103-2	The management approach and its components	PG 47	
103-3	Evaluation of the management approach	PG 47	
<b>GRI 306: Effluents and Waste 2016</b>			
306-1	Water discharge by quality and destination.	PG 47	
306-2	Waste by type and disposal method	PG 47	
306-3	Significant spills	-	No spillage was recorded in 2018
306-4	Transport of hazardous waste	PG 58	Our scheduled waste are picked up by authorised agent by the Department of Environment, Sabah. We have yet to report those data.
306-5	Water bodies affected by water discharges and/or runoff	PG 47	
OG5	Volume and disposal of formation or produced water	PG 47	No info
OG6	Volume of flared and vented hydrocarbon	Not available	No info
OG7	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal	Not available	No info
<b>Environmental Compliance</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 45	

Disclosure		Hap Seng Plantations (HSP) Sustainability Report 2018	Comments
<b>Environment</b>			
<b>Environmental Compliance</b>			
<b>GRI 103: Management Approach 2016</b>			
103-2	The management approach and its components	PG 45	
103-3	Evaluation of the management approach	PG 45	
<b>GRI 307: Environmental Compliance 2016</b>			
307-1	Non-compliance with environmental laws and regulations	PG 46 - 48, 53 - 58	
<b>Supplier Environmental Assessment</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 5 - 17	
103-2	The management approach and its components	PG 5 - 17	
103-3	Evaluation of the management approach	PG 5 - 17	
<b>GRI 308: Supplier Environmental Assessment 2016</b>			
308-1	New suppliers that were screened using environmental criteria a. Percentage of new suppliers that were screened using environmental criteria	PG 17	Our scheduled waste are picked up by authorised agent by the Department of Environment, Sabah. We have yet to report those data.
308-2	Negative environmental impacts in the supply chain and actions taken	PG 17	

## GRI STANDARDS CONTENT INDEX

Disclosure		Hap Seng Plantations (HSP) Sustainability Report 2018	Comments
<b>Social</b>			
<b>Employment</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 36 - 41, 56	
103-2	The management approach and its components	PG 36 - 41, 56	
103-3	Evaluation of the management approach	PG 36 - 41, 56	
<b>GRI 401: Employment 2016</b>			
401-1	New employee hires and employee turnover	No data available	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	PG 36 - 41	
401-3	Parental leave	PG 34	
<b>Labor/Management Relations</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 36 - 39	
103-2	The management approach and its components	PG 36 - 39	
103-3	Evaluation of the management approach	PG 36 - 39	
<b>GRI 402: Labor/Management Relations 2016</b>			
402-1	Minimum notice periods regarding operational changes	PG 38 - 43	
<b>GRI 403: Occupational Health and Safety 2016</b>			
403-1	Workers representation in formal joint management – worker health and safety committees	PG 34, 35	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	PG 31 - 33	
403-3	Workers with high incidence or high risk of diseases related to their occupation	PG 33	
403-4	Health and safety topics covered in formal agreements with trade unions	-	We do not have such agreements with unions as they are no union in our plantations



Disclosure		Hap Seng Plantations (HSP) Sustainability Report 2018	Comments
<b>Social</b>			
<b>Traning and Education</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 56	
103-2	The management approach and its components	PG 56	
103-3	Evaluation of the management approach	PG 56	
<b>GRI 404: Training and Education 2016</b>			
404-1	Average hours of training per year per employee	PG 56	
404-2	Programs for upgrading employee skills and transition assistance programs	PG 56	
404-3	Percentage of employees receiving regular performance and career development reviews	PG 56	
<b>Diversity and Equal Opportunity</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 36 - 39	
103-2	The management approach and its components	PG 36 - 39	
103-3	Evaluation of the management approach	PG 36 - 39	
<b>GRI 405: Diversity and Equal Opportunity 2016</b>			
405-1	Diversity of governance bodies and employees	PG 36 - 38	
405-2	Ratio of basic salary and remuneration of women to men	PG 38	
<b>Non-Discrimination</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 36 - 39	
103-2	The management approach and its components	PG 36 - 39	
103-3	Evaluation of the management approach	PG 36 - 39	
<b>GRI 406: Non-discrimination 2016</b>			
406-1	Incidents of discrimination and corrective actions taken	PG 36 - 39	

## GRI STANDARDS CONTENT INDEX

Disclosure		Hap Seng Plantations (HSP) Sustainability Report 2018	Comments
<b>Social</b>			
<b>Freedom of Association and Collective Bargaining</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 37	
103-2	The management approach and its components	PG 37	
103-3	Evaluation of the management approach	PG 37	
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	PG 37	
<b>Child Labor</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 39	
103-2	The management approach and its components	PG 39	
103-3	Evaluation of the management approach	PG 39	
<b>GRI 408: Child Labor 2016</b>			
408-1	Operations and suppliers at significant risk for incidents of child labor	PG 39	
<b>Forced or Compulsory Labor</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 36 - 39	
103-2	The management approach and its components	PG 36 - 39	
103-3	Evaluation of the management approach	PG 36 - 39	
<b>GRI 409: Forced or Compulsory Labor 2016</b>			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	PG 36 - 39	
<b>Security Practices</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 41	
103-2	The management approach and its components	PG 41	
103-3	Evaluation of the management approach	PG 41	

Disclosure		Hap Seng Plantations (HSP) Sustainability Report 2018	Comments
<b>Social</b>			
<b>Security Practices</b>			
<b>GRI 410: Security Practices 2016</b>			
410-1	Security personnel trained in human rights policies or procedures	PG 41	
<b>Rights of Indigenous Peoples</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 41	
103-2	The management approach and its components	PG 41	
103-3	Evaluation of the management approach	PG 41	
<b>GRI 411: Rights of Indigenous Peoples 2016</b>			
411-1	Incidents of violations involving rights of indigenous peoples	PG 41	There is no violation involving the rights of indigenous people
OG9	Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place	PG 41	
<b>Human Rights Assessment</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 37 - 39	
103-2	The management approach and its components	PG 37 - 39	
103-3	Evaluation of the management approach	PG 37 - 39	
<b>GRI 412: Human Rights Assessment 2016</b>			
412-1	Operations that have been subject to human rights reviews or impact assessments	PG 37	
412-2	Employee training on human rights policies or procedures	PG 37 - 39	No info
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	NR	We do not have such policy

Note NR = Not Relevant

## GRI STANDARDS CONTENT INDEX

Disclosure		Hap Seng Plantations (HSP) Sustainability Report 2018	Comments
<b>Social</b>			
<b>Local Community</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 7, 40, 42, 44 - 46	
103-2	The management approach and its components	PG 7, 40, 42, 44 - 46	
103-3	Evaluation of the management approach	PG 7, 40, 42, 44 - 46	
<b>GRI 413: Local Communities 2016</b>			
413-1	Operations with local community engagement, impact assessments, and development programs	PG 40	
413-2	Operations with significant actual and potential negative impacts on local communities	PG 40, 41	
OG10	Number and description of significant disputes with local communities and indigenous peoples	-	We do not have disputes with the local community
OG11	Number of sites that have been decommissioned and sites that are in the process of being decommissioned	NR	
<b>Supplier Social Assessment</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	PG 5 - 7, 17	
103-2	The management approach and its components	PG 5 - 7, 17	
103-3	Evaluation of the management approach	PG 5 - 7, 17	
<b>GRI 414: Supplier Social Assessment 2016</b>			
414-1	New suppliers that were screened using social criteria a. Percentage of new suppliers that were screened using social criteria	No data	
414-2	Negative social impacts in the supply chain and actions taken	PG 6, 17	

Note NR = Not Relevant

Disclosure		Hap Seng Plantations (HSP) Sustainability Report 2018	Comments
<b>Social</b>			
<b>Public Policy</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	NR	
103-2	The management approach and its components	NR	
103-3	Evaluation of the management approach	NR	
<b>GRI 415: Public Policy 2016</b>			
415-1	Political contributions	NR	We are not politically linked and hence do not make donation to any political party
<b>Customer Health and Safety</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	NR	
103-2	The management approach and its components	NR	
103-3	Evaluation of the management approach	NR	
<b>GRI 416: Customer Health and Safety 2016</b>			
416-1	Assessment of the health and safety impacts of product and service categories	NR	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	NR	Our products are not sold directly to consumers
<b>Marketing and Labeling</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	NR	
103-2	The management approach and its components	NR	
103-3	Evaluation of the management approach	NR	

Note NR = Not Relevant

## GRI STANDARDS CONTENT INDEX

Disclosure		Hap Seng Plantations (HSP) Sustainability Report 2018	Comments
<b>Social</b>			
<b>GRI 417: Marketing and Labeling 2016</b>			
417-1	Requirements for product and service information and labeling	NR	
417-2	Incidents of non-compliance concerning product and service information and labeling	NR	
417-3	Incidents of non-compliance concerning marketing communications	NR	
<b>Customer Privacy</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	NR	
103-2	The management approach and its components	NR	
103-3	Evaluation of the management approach	NR	
<b>GRI 418: Customer Privacy 2016</b>			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	NR	
<b>Socioeconomic Compliance</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	NR	
103-2	The management approach and its components	NR	
103-3	Evaluation of the management approach	NR	
<b>GRI 419: Socioeconomic Compliance 2016</b>			
419-1	Non-compliance with laws and regulations in the social and economic area	NR	
<b>Emergency Preparedness</b>			
OG-DMA	Disclosures on Management Approach	PG 59	

Note NR = Not Relevant

# BASE DATA AND NOTES

Category/ Indicator	Measurement unit/breakdown	31.12. 2018	31.12. 2017	31.12. 2016	31.12. 2015	31.12. 2014	31.12. 2013	31.12. 2012	31.12. 2011
<b>ECONOMIC</b>									
Revenue	RM million	390.8	555.1	503.4	434.9	495.6	443.3	526.5	654.9
Profit before taxation	RM million	37.1	146.9*	167.1	120.2	176.1	137.7	190.7	339.5
Profit after taxation attributable to owners of the Company	RM million	29.1	109.2*	124.1	96.4	128.3	97.5	140.3	253.0
<b>LAND/PLANTATION</b>									
<b>Total area</b>									
Group	Ha	40,279	40,279	40,279	39,803	39,803	39,803	39,803	39,803
Jeroco group of estates (JGOE)	Ha	14,117	14,117	14,117	14,117	14,117	14,117	14,117	14,117
Tomanggong group of estates (TMGOE)	Ha	12,806	12,806	12,806	12,331	12,331	12,331	12,331	12,331
Sungai Segama group of estates (SSGOE)	Ha	9,907	9,907	9,907	9,906	9,906	9,906	9,906	9,906
Ladang Kawa	Ha	1,276	1,276	1,276	1,276	1,276	1,276	1,276	1,276
Pelipikan	Ha	1,365	1,365	1,365	1,365	1,365	1,365	1,365	1,365
Kota Marudu	Ha	808	808	808	808	808	808	808	808
<b>Total planted areas</b>									
Group	Ha	35,957	36,103	36,145	35,678	35,685	35,697	35,697	35,617
Jeroco group of estates (JGOE)	Ha	12,722	12,808	12,808	12,808	12,808	12,808	12,808	12,808
Tomanggong group of estates (TMGOE)	Ha	11,804	11,864	11,893	11,426	11,426	11,426	11,426	11,199
Sungai Segama group of estates (SSGOE)	Ha	8,743	8,742	8,755	8,761	8,761	8,761	8,761	8,761
Ladang Kawa	Ha	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201
Pelipikan	Ha	903	903	903	903	903	903	903	1,050
Kota Marudu	Ha	595	585	585	585	585	598	598	598

\* The figures for financial year ended 31 December 2017 have been restated to reflect the application of the Malaysian Financial Reporting Standards Framework.

**BASE DATA AND NOTES**

<b>Category/ Indicator</b>	<b>Measurement unit/breakdown</b>	<b>31.12. 2018</b>	<b>31.12. 2017</b>	<b>31.12. 2016</b>	<b>31.12. 2015</b>	<b>31.12. 2014</b>	<b>31.12. 2013</b>	<b>31.12. 2012</b>	<b>31.12. 2011</b>
<b>Planted areas - Mature</b>									
Group	Ha	32,139	32,023	32,374	32,440	31,373	30,670	30,455	31,068
Jeroco group of estates (JGOE)	Ha	10,957	10,731	10,589	10,565	10,693	10,567	10,999	11,455
Tomanggong group of estates (TMGOE)	Ha	11,070	10,705	10,727	10,431	9,552	9,334	8,687	8,811
Sungai Segama group of estates (SSGOE)	Ha	7,423	7,899	8,368	8,755	8,761	8,761	8,761	8,758
Ladang Kawa	Ha	1,201	1,201	1,201	1,201	1,201	1,201	1,201	1,201
Pelipikan	Ha	903	903	903	903	581	209	209	245
Kota Marudu	Ha	585	585	585	585	585	598	598	598
<b>Planted areas - Immature</b>									
Oil palm	Ha	3,819	3,934	3,625	3,092	4,165	4,881	5,096	4,403
Other crops	Ha	146	146	146	146	146	146	146	146
Plantation Average Age	Years	15.6	15.3	15.3	15.5	15.4	15.2	14.8	
30 months to 7 years	Ha	4,491	5,615	5,626	5,599	4,089	2,525	2,788	2,289
> 7 years to 17 years	Ha	8,522	6,839	7,245	8,480	10,122	10,981	13,332	16,009
> 17 years	Ha	19,125	19,569	19,503	18,361	17,162	17,164	14,335	12,770
Area set aside for conservation	Ha	1402	1402	1402	1402	1,401	1,480		
Peat developed	Ha	0	0	0	0	0	0	0	0
<b>PRODUCTION</b>									
FFB	MT	657,259	655,957	662,774	709,984	727,937	704,241	665,812	738,969
<b>FFB processed</b>									
FFB – Own	MT	643,842	640,507	643,731	667,504	680,741	662,452	620,770	693,901
FFB – Purchased (local outgrowers and smallholders)	MT	77,641	85,006	91,707	107,829	121,673	116,490	105,469	107,623
Palm oil	MT	148,651	150,695	154,682	170,546	172,980	166,202	154,595	168,025
Palm kernel	MT	34,802	35,183	35,872	38,087	38,778	36,554	34,587	37,050
Palm oil OER	Percentage	20.60	20.77	21.03	22.00	21.56	21.34	21.29	20.96
Palm kernel OER	Percentage	4.82	4.85	4.88	4.91	4.83	4.69	4.76	4.62
FFB yield per mature hectare	MT/Ha	20.45	20.48	20.47	21.89	23.20	22.96	21.86	23.79
Oil per mature hectare	MT/Ha	4.34	4.20	4.76	4.81	5.00	4.90	4.65	4.99



Category/ Indicator	Measurement unit/breakdown	31.12. 2018	31.12. 2017	31.12. 2016	31.12. 2015	31.12. 2014	31.12. 2013	31.12. 2012	31.12. 2011
<b>EMPLOYEES</b>									
Number of employees		7,100	7,192	6,993	7,331	7,257	7,036	6,872	6,751
Employee categories	Management	617	166	161	145	138	138	135	119
	Non-executive staff	442	425	381	364	336	310	293	288
	Workers	6,483	6,601	6,451	6,822	6,783	6,588	6,444	6,344
Female employees		2,485	2,599	2,387	2,613	2,644	2,489	2,471	2,419
Male employees		4,615	4,593	4,606	4,718	4,613	4,547	4,401	4,332
Number of foreign workers	Indonesian	5,570	5,761	5,585	5,952	5,663	5,488	5,453	5,573
	Filipino	578	553	511	563	661	703	594	428
Male non-executive staff		279	263	228	217	211	187	183	181
Female non-executive staff		163	162	153	147	135	120	110	107
Female workers		2,290	2,413	2,214	2,449	2,502	2,353	2,344	2,302
Male workers		4,193	4,188	4,237	4,373	4,275	4,244	4,099	4,049
Female management		32	24	20	17	18	16	17	10
Male management		143	142	141	128	116	116	119	107
Ethnic/racial breakdown	Malaysian – Bumiputra	377	396	429	387	465	370	391	329
	Malaysian – Chinese	35	32	35	34	34	40	37	30
	Malaysian – Indian	0	0	0	2	2	1	1	6
	Others – Malaysian	540	450	433	393	432	434	396	385
	Other non-Malaysian	6,148	6,314	6,096	6,515	6,324	6,191	6,047	6,001
<b>TRAINING</b>									
Number of employees received formal qualifications funded by Hap Seng		0	0	0	0	8			

**BASE DATA AND NOTES**

Category/ Indicator	Measurement unit/breakdown	31.12. 2018	31.12. 2017	31.12. 2016	31.12. 2015	31.12. 2014	31.12. 2013	31.12. 2012	31.12. 2011
<b>LABOUR STANDARD</b>									
Minimum starting wage	RM per month	920	920	920	800	800	800	468	468
Number of employees who are members of a trade union		No trade union for plantation workers in Sabah							
Number of women left on maternity leave		74	50	18	22	32	12	23	19
% returned after maternity leave		87	76	67	75	81	100	100	100
<b>Community and Housing</b>									
Breakdown of charitable contributions (MYR)	Humana (capex)	0	0	420,140	43,150	0	24,440	155,454	547,750
	Humana (expenses)	347,963	277,000	235,000	304,000	320,000	278,044	243,040	92,495
	Misc donations	0	917,500	36,000	306,390	5,790	2,650	5,000	1,000
	CSR	538,161	1,698,015	576,000					
	Total	886,124	2,892,515	1,267,140	653,540	325,790	305,134	403,494	641,245
Number of employees and dependants housed		9,901	6,479	4,160	4,242	3,934	3,875	3,844	3,778
<b>HEALTH AND SAFETY</b>									
Fatalities		0	1	0	1	0	1	1	0
Number of lost time accidents		58	44	74	66	164	230	321	388
Number of lost days (not including fatalities)		240	101	200	197	460	676	1,063	1,229
Lost time accident rate (recordable injuries at 200,000/working hours)	Incidents per 200,000 working hours	1.5	1.1	1.6	2.7	2.8	4.1	5.9	8.4
Severity rate (Total lost work days/number of recordable injuries)	Average number of lost time per incident	4.1	2.3	2.7	3.0	2.8	2.9	3.3	3.2

Category/ Indicator	Measurement unit/breakdown	31.12. 2018	31.12. 2017	31.12. 2016	31.12. 2015	31.12. 2014	31.12. 2013	31.12. 2012	31.12. 2011
<b>ENVIRONMENT</b>									
BOD level	ppm	23	25	27	38	34	40	42	39
Total fertiliser usage	MT/Ha	1.07	0.83	0.96	1.05	0.88	1.02	1.00	0.98
Total water usage (mills only)	MT/MT FFB	1.42	1.52	1.33	1.53	1.52	1.62	1.68	1.59
Total number and volume of significant spills		0	0	0	0	0	0	0	0
Toxicity per ha		348	414	449	398	486	515	474	465

# GLOSSARY

<b>Annual Communication on Progress</b>	ACOP is an annual reporting to show transparency to the RSPO secretariat to access RSPO compliance within the operating unit. RSPO membership will be terminated if a member fails to submit the ACOP for three consecutive years while RSPO membership will be suspended if the report is not submitted for two consecutive years.
<b>Biodiversity</b>	The diversity (number and variety of species) of plant and animal life within a region.
<b>Biological Oxygen Demand (BOD)</b>	The amount of oxygen used when organic matter undergoes decomposition by microorganisms. Testing for BOD is done to assess the amount of organic matter in water.
<b>Chumbaka</b>	Chumbaka is an educational programme utilising technology to teach life skills.
<b>CO<sub>2</sub> Equivalent</b>	Carbon dioxide equivalent (CO <sub>2</sub> e) provide a universal standard of measurement against which the impacts of releasing (or avoiding the release of) different greenhouse gases can be evaluated.
<b>Effluents</b>	Water discharged from one source into a separate body of water, such as mill process water.
<b>Extraction rate</b>	The amount of oil extracted from oil palm fruit at a mill. Crude palm oil (CPO) is extracted from the flesh; palm kernel oil (PKO) from the nut.
<b>Free, prior and informed consent (FPIC)</b>	The principle that a community has the right to give or withhold its consent to proposed project that may affect the lands they customarily own, occupy or otherwise use.
<b>Fresh fruit bunch (FFB)</b>	Bunch harvested from the oil palm tree. Each bunch can weigh from 5 to 50 kg and can contain up to 1,500 or more individual fruits.
<b>Global Forest Watch (GFW)</b>	Global Forest Watch is an online platform that provides data and tools for monitoring forests. By harnessing cutting-edge technology, GFW allows anyone to access near real-time information about where and how forests are changing around the world.
<b>High Carbon Stock (HCS) Approach</b>	The High Carbon Stock Approach is a universally agreed methodology to prevent deforestation through the classification of forest and vegetation types. The methodology is governed by a multistakeholder steering group.
<b>High Conservation Values</b>	The concept of High Conservation Value Forests (HCVF) was first developed by the Forest Stewardship Council (FSC) in 1999 as their ninth principle. The FSC defined HCVF as forests of outstanding and critical importance due to their environmental, socio-economic and cultural biodiversity and landscape value.
<b>Identity Preserved</b>	Sustainable palm oil from a single identifiable certified source that is kept separately from ordinary palm oil throughout the supply chain.

<b>International Labour Organization (ILO)</b>	Is a tripartite world body representative of labour, management and government, and is an agency of the United Nations. It disseminates labour information and sets minimum international labour standards called “conventions”, offered to member nations for adoption.
<b>Independent Director</b>	According to Bursa Malaysia, an independent director means a director who is independent of management and free from any business or other relationship that could interfere with the exercise of independent judgment or the ability to act in the best interests of an applicant or a listed issuer.
<b>Integrated Pest Management (IPM)</b>	IPM is a pest control strategy that uses an array of complementary methods. These include mechanical and physical devices; genetic, biological, legal and cultural controls; and chemical management. These methods are undertaken in three stages: prevention, observation, and intervention. IPM is an ecological approach aimed at significantly reducing or eliminating the use of pesticides.
<b>International Sustainability &amp; Carbon Certification (ISCC)</b>	An internationally oriented, practical and transparent system for the certification of biomass and bioenergy.
<b>Leaderonomics</b>	Leaderonomics.com is a leadership portal social enterprise focused on transforming nations through leadership programmes.
<b>Malaysian Sustainable Palm Oil (MSPO) Certification</b>	The Malaysian Sustainable Palm Oil (MSPO) Certification Scheme is the national scheme in Malaysia for oil palm plantations, independent and organised smallholdings, and palm oil processing facilities to be certified against the requirements of the MSPO Standards.
<b>Mass Balance</b>	An internationally-oriented, practical and transparent system for the certification of biomass and bioenergy.
<b>Muster ground</b>	In plantations, the muster ground is a location that workers have to attend every morning at 5.15, Monday to Saturday. It is also known as roll call. Field conductors record worker’s attendance, check their appropriate PPE and make important briefings and announcements.
<b>Non-executive director</b>	A board director who does not currently hold other employment with the company. Unlike an independent director, a non-executive can have significant financial interests or close personal ties to the company.
<b>Non-governmental organisation (NGO)</b>	Is used in this report to refer to grassroots and campaigning organisations focused on environmental or social issues.
<b>Outgrowers</b>	Outgrowers are local farmers with more than 50 hectares of planted oil palm on their land.
<b>Palm oil mill effluent (POME)</b>	Byproduct of processed fresh fruit bunches (FFB).
<b>Peat</b>	Peat is an accumulation of partially decayed vegetation matter. Peat forms in wetlands or peatlands, variously called bogs, moors, muskegs, pocosins, mires, and peat swamp forests.
<b>Pre-emergence herbicide</b>	Pre-emergent herbicides prevent the germination of seeds by inhibiting a key enzyme.

## GLOSSARY

<b>Roundtable on Sustainable Palm Oil (RSPO)</b>	A multi-stakeholder organisation based in Kuala Lumpur, Malaysia. The organisation has developed a certification scheme for sustainable palm oil.
<b>RSPO Principles and Criteria (P&amp;C)</b>	The RSPO Principles and Criteria (P&C) are a set of stringent standards for sustainable palm oil production, which RSPO members must comply with. In line with ISEAL Alliance best practices, the P&C are reviewed every five years and subsequently submitted for ratification by the General Assembly of RSPO.
<b>Shapefile data</b>	Shapefile data is a geospatial vector data format for geographical information system (GIS) software. The shapefile format can spatially describe vector features – points, lines and polygons – representing, rivers, oil palms fields, etc. This data, which may exhibit changes in land use (i.e. deforestation activities and land clearance), is analysed and submitted to RSPO for review.
<b>Stakeholders</b>	Any group or individual that is affected by or can affect a company's operations.
<b>Sustainability</b>	A term expressing a long-term balance between social, economic and environmental objectives. The concept is often linked to sustainable development, which is defined as “development that meets the need of current generations without compromising the needs of future generations”.
<b>Traceability</b>	Traceability is the capability to track sustainable palm oil along the entire supply chain.
<b>Toxicity per hectare</b>	A toxicity index for each herbicide used was calculated by multiplying the amount of active ingredient per litre or kg of product applied (in grammes) by the inverse of the Lethal Dose for 50% of the rats tested when the active ingredient is administered orally (LD50 rats, oral). The toxicity per hectare is calculated by multiplying the total amount of each product applied by its toxicity index and dividing this by the total planted area in each estate.
<b>UN Sustainable Development Goals</b>	A United Nations blueprint to achieve a better and more sustainable future for all by addressing the global challenges we face, including those related to poverty, inequality, climate, environmental degradation, prosperity, and peace and justice.
<b>UN Guiding Principles on Human Rights</b>	The guiding principles, also known as the Ruggie Principles, are a global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity. Its three pillars outline how states and businesses should implement the framework: the state's duty to protect human rights, corporate responsibility to respect human rights, and access to remedy for victims of business-related abuses.
<b>The Zoological Society of London Sustainable Palm Oil Transparency Toolkit (ZSL SPOTT)</b>	ZSL SPOTT was designed to score commodity-producing companies on the public availability of corporate information relating to environmental, social and governance (ESG) based issues. ZSL SPOTT's main aim is to benchmark and measure company best practices outside any certification standards including that of the RSPO.

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