



**HAP SENG  
PLANTATIONS**

Creating  
Value  
Together

S U S T A I N A B I L I T Y  
R E P O R T  
**2017**





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# MESSAGE FROM THE CHIEF EXECUTIVE – GROUP PLANTATIONS

## WELCOME TO OUR THIRD SUSTAINABILITY REPORT COVERING 2017

This report presents a narrative overview and updates on Hap Seng Plantations Holdings Berhad (“Hap Seng Plantations”) commitment and effort in the sustainability journey. As a responsible palm oil producer, we recognise our challenges in continuing our effort in increasing sustainability awareness throughout our supply chain and embedding a sustainability culture in every Hap Seng Plantations employee.



I am pleased to report that our revenue for the financial year under review increased by 10% to RM555.1 million (2016: RM503.4 million). Operating profit increased by 7% over the previous financial year to RM178.7 million (2016: RM167.1 million).

We continue to be guided by the standards set by the Roundtable on Sustainable Palm Oil (RSPO) and to seek ways to go beyond RSPO requirements in areas where stakeholders have concerns. In terms of our carbon footprint, Hap Seng Plantations has closely monitored the greenhouse gas (GHG) emissions from our plantation by using the globally recognised RSPO PalmGHG calculator v3.0.1 for measurement.

We are glad to announce that the GHG value of the Group was further reduced to 1.89 mt CO<sub>2</sub>e / metric tonne (mt) Crude Palm Oil (CPO) or equivalent to 6% lower than year 2016. The lowest GHG emission was recorded at the Jeroco Palm Oil Mill 1 (JPOM 1) at 0.50 mt CO<sub>2</sub>e / mt CPO. This reduction was largely attributed to the timely commissioning of the methane capture facility and biogas plant in 2016 at our two palm oil mills namely, Jeroco Palm Oil Mill 1 (JPOM 1) and Jeroco Palm Oil Mill 2 (JPOM 2).

We are now able to reduce our GHG emissions significantly with the establishment of the biogas plant. The biogas plant also serves as a renewable energy source to produce electricity for two estates namely, Kapis Estate and Batangan Estate. Apart from that, the efficient application of by-products to the field also contributed to the reduction of Hap Seng Plantations’ GHG emission.

Significant steps have also been taken to protect our local environment by establishing an effective effluent water treatment system where three of our four palm oil mills achieved effluent discharge of not more than 20 ppm in 2017, namely, JPOM 1, JPOM 2 and Tomanggong Palm Oil mill (TPOM). The system involved implementing a polishing plant at JPOM and an adequate sized effluent treatment pond against crop processed at TPOM. The polishing plant helps in effluent treatment with proper aeration and the removal of excess solid thus reducing Biological Oxygen Demand (BOD) through various processes.

This is in line with our target to achieve not more than 20 ppm in 2020. We have also made continued reductions in chemical usage where an 8% lower toxicity value was recorded in 2017 at 414 toxicity per ha as compared to 449 toxicity per ha in 2016.



reductions in chemical usage where an **8%** lower toxicity value was recorded in 2017

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**61%** reduction of Lost Time Accident (LTA) from 2014 to 2017

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➤ We are also concerned on the Rare, Threatened, and Endangered (RTE) species within and surrounding our vicinity. Our RTE Species Policy was implemented in 2017 to demonstrate our strong commitment towards conservation and wildlife rehabilitation. The management is resolute in preventing illegal hunting, capturing and killing of any RTE species, by working in close cooperation with authorities such as the Department of Wildlife, Police and the Forestry Department.

In the area of safety, a safe workplace has always been a priority and important aspect in our operations. It is our company's ultimate goal to build a strong safety-conscious culture. In terms of safety, we managed to achieve a 61% reduction of Lost Time Accident (LTA) from 2014 to 2017, compared to the 40% reduction achieved from 2014 to 2016.

Apart from that, Hap Seng Plantations has always had a good rapport with the nearby villages or kampungs where some of our employees live. We enjoyed a very positive relationship with the local communities. In 2017, we upgraded and maintained the access road for the villagers at Kampung Litang as this road access is a boon to the villagers, providing easy access to healthcare services, enabling them to bring their goods to nearby markets in a timely manner and facilitating transport operators to ferry their children to school.



## MESSAGE FROM THE CHIEF EXECUTIVE – GROUP PLANTATIONS



In continuing with our partnership with the local communities, Hap Seng Plantations successfully commissioned a new ferry “RIVERS 3” on 21 August 2017 that operates around the clock, replacing the existing old and unreliable ferry. Villagers that benefited the most from the ferry connection include those from Kampung Tidung and Kampung Dagat, both located in Tomanggong. Besides that, we have also donated annually to the running of Humana schools and refurbishments of in-house Mosques.

More importantly, it has always been Hap Seng Plantations’ ultimate goal to ensure that our independent smallholders within our supply chain follow our footsteps in the sustainability journey by 2022. We feel that smallholders, who cultivate about 35% of the oil palm area in Malaysia should not be left out in adopting sustainable planting. Our first meet up with the independent smallholders, neighbouring our estates, was conducted in January 2018 where we expressed our keen commitment to support and assist them in obtaining RSPO certification. At the time of reporting, we were able to identify three out of 11 external local outgrowers and smallholders willing to participate in the RSPO certification. Our efforts to convince the smallholders shall be further enhanced.

Hap Seng Plantations’ improved ranking in the Zoological Society of London Sustainable Palm Oil Transparency Toolkit (ZSL SPOTT) affirms that we are on the right track. In the ZSL SPOTT November 2017 ranking, Hap Seng Plantations made a major breakthrough, making it into the “green zone” rating for the first time. This could be attributed to the progress made in closing gaps and meeting our sustainability targets.

We also strongly support the Malaysian Sustainable Palm Oil (MSPO) standard by successfully obtaining the certification for our estates and mills. We believe that as a stakeholder in the oil palm industry in Malaysia, we are collectively responsible to strengthen and sustain the Malaysian palm oil industry. All 15 estates and four palm oil mills were MSPO certified by February 2018, ahead of the mandatory timeline of 31 December 2018 (for the RSPO-certified plantations category).

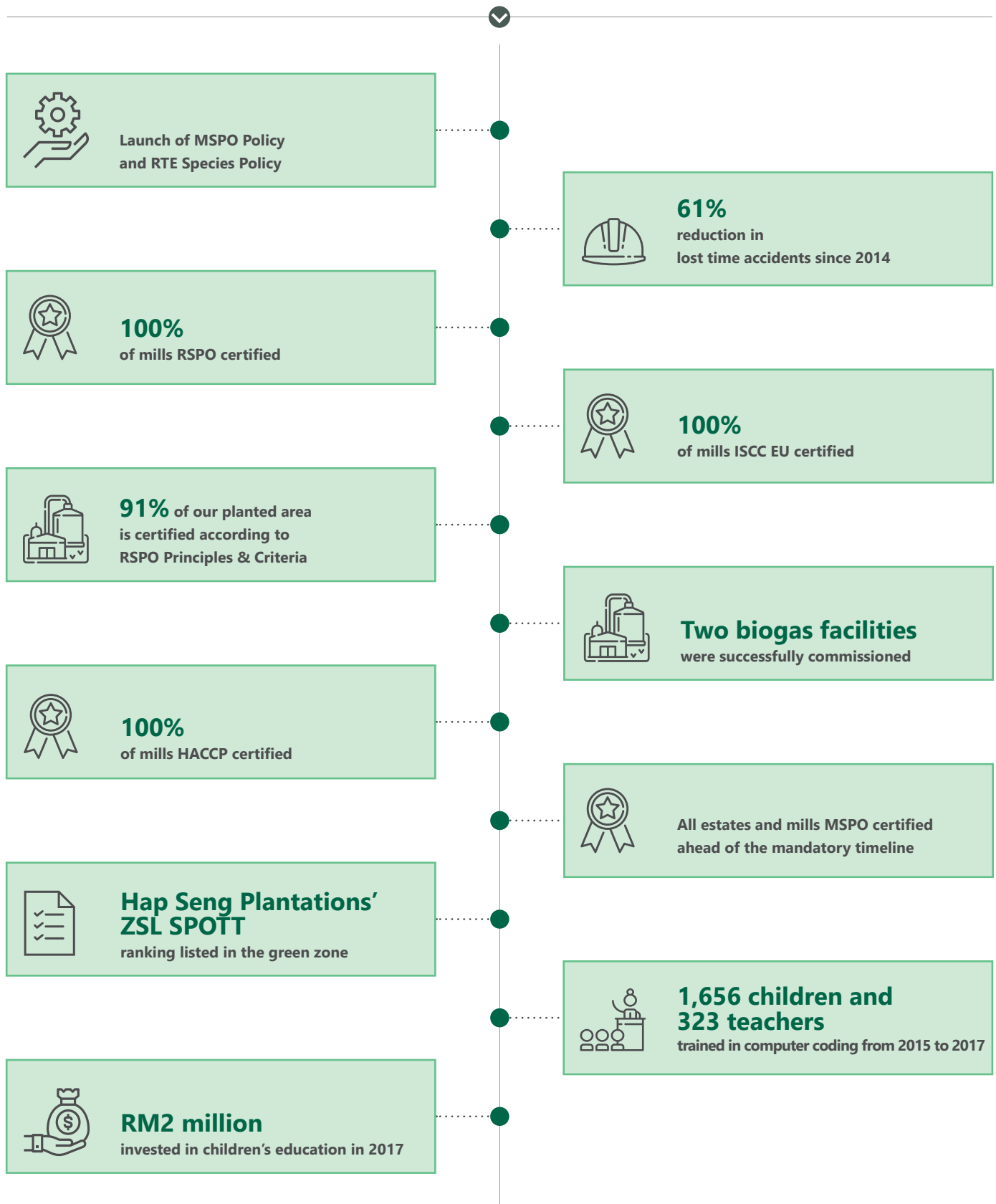
Another success story in 2017 was our achievement in the certification of Hazard Analysis Critical Control Points (HACCP). We met our target of becoming 100% HACCP-certified for all the mills by June 2017. This was in line with the increasing awareness and demand of the food safety and hygiene requirement from customers globally.

Though we are progressing in our sustainability targets, the journey is far from complete. As such, I would like to record my sincere thanks to the company for the strong support in our sustainability journey thus far. Last but not least, it is important for me to highlight that every achievement, overview and progress highlighted in this report were the result of sustained commitment from all level of the workforce in upholding sustainability in Hap Seng Plantations’ operations.

**AU YONG SIEW FAH**

Chief Executive – Group Plantations

# SUSTAINABILITY HIGHLIGHTS 2017





# TRACKING PROGRESS ON OUR COMMITMENTS

Year		Status
2015	- All mills RSPO certified	ACHIEVED
	- Establish a greenhouse gas baseline	ACHIEVED
	- Increase FFB yields to 22 tonnes per hectare	NOT ACHIEVED
	- Complete a biodiversity baseline study	ACHIEVED
	- No increase in lost time accident rate	ACHIEVED
	- Zero fatalities	NOT ACHIEVED (ONE FATALITY IN 2017)
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 1 and JPOM 2	ACHIEVED
	- HACCP certification of all mills	ACHIEVED
	- Increase CPO extraction rate to 22.5%	NOT ACHIEVED
	- MSPO certification of Pelipikan Estate	ACHIEVED
	- Greenhouse gas reduce to between 1.5 to 2.0 tonnes CO <sub>2</sub> e / tonne CPO	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	ACHIEVED
	- Biogas facilities with methane capture for all mills	IN PROGRESS
2021	- Greenhouse gas reduce to between 1.0 to 1.5 tonnes CO <sub>2</sub> e / tonne CPO	IN PROGRESS
2022	- Certification of 100% of JPOM 2 and TPOM external FFB	IN PROGRESS

\*RSPO - Roundtable on Sustainable Palm Oil

\*FFB - Fresh Fruit Bunches

\*ISCC - International Sustainability & Carbon Certification

\*HCV - High Conservation Value

\*GHG - Greenhouse Gas

\*CPO - Crude Palm Oil

\*JPOM 1 - Jeroco Palm Oil Mill 1

\*JPOM 2 - Jeroco Palm Oil Mill 2

\*TPOM - Tomanggong Palm Oil Mill

\*BPOM - Bukit Mas Palm Oil Mill

\*BOD - Biological Oxygen Demand

\*HACCP - Hazard Analysis & Critical Control Points

\*MSPO - Malaysian Sustainable Palm Oil



# ABOUT HAP SENG PLANTATIONS

## OUR BUSINESS IN BRIEF

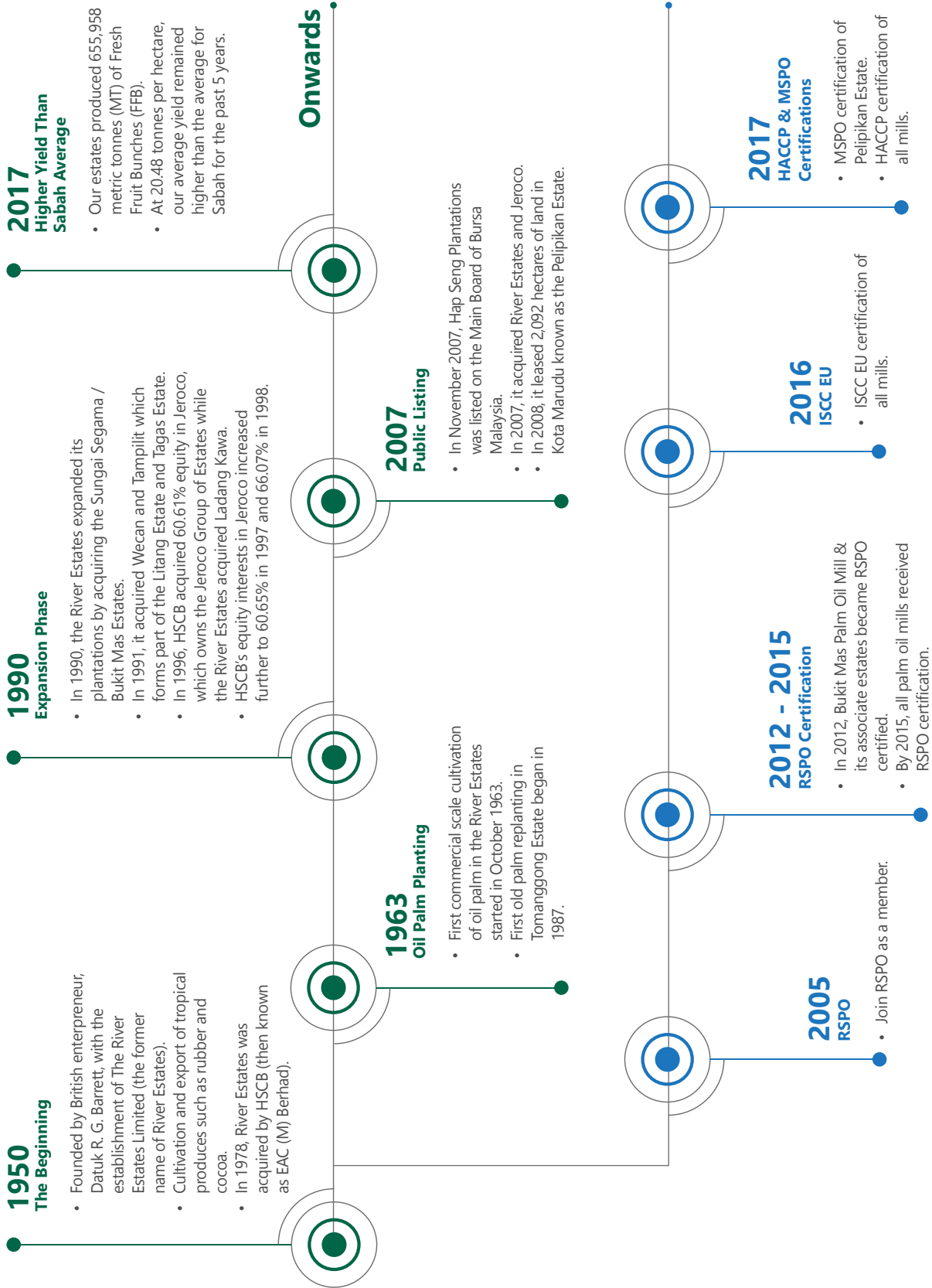
Hap Seng Plantations is an oil palm plantation company in the Lahad Datu region of Sabah, Malaysia. Listed on the main Board of Bursa Malaysia since November 2007, Hap Seng Plantations has a landbank of around 41,000 hectares, of which 36,000 hectares are cultivated with oil palm. The remaining land is set aside for buildings – including four mills, housing for our more than 7,000 strong workforce and 1,400 hectares of conservation area.

Our main business is the cultivation and production of crude palm oil, primarily for the edible oil sector, and palm kernel which are sold to local palm kernel mills.

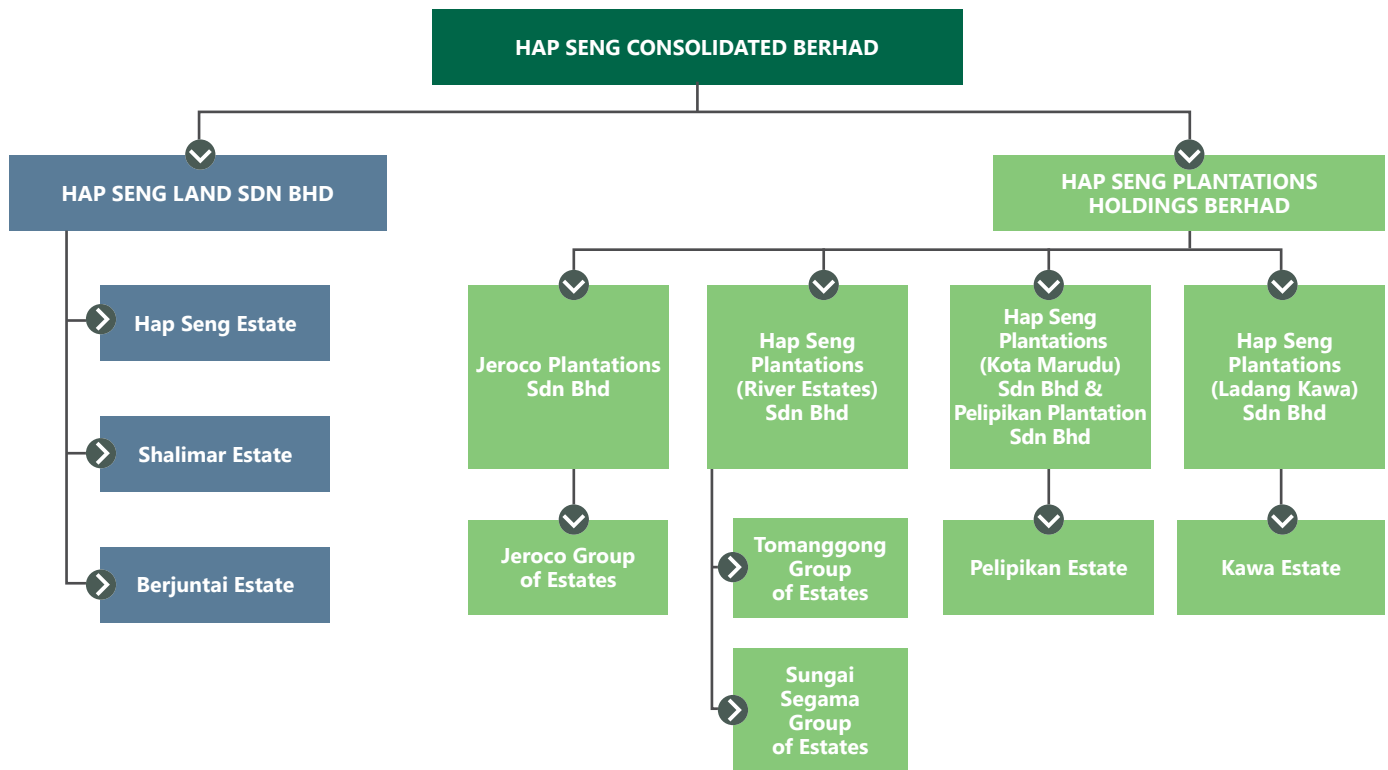
Our business conduct is anchored in our core values of integrity, transparency, commitment to excellence and sustainability. Hap Seng Plantations has been a member of the RSPO since 2005, and we are able to produce fully identity preserved and mass balance RSPO certified sustainable palm oil through our four certified mills. The application of RSPO Principles & Criteria ensures that we continue to benchmark and remain in tandem with leaders in our journey towards becoming a more sustainable business.



HAP SENG PLANTATIONS IN TIME



COMPANY STRUCTURE AND FINANCIALS HIGHLIGHTS

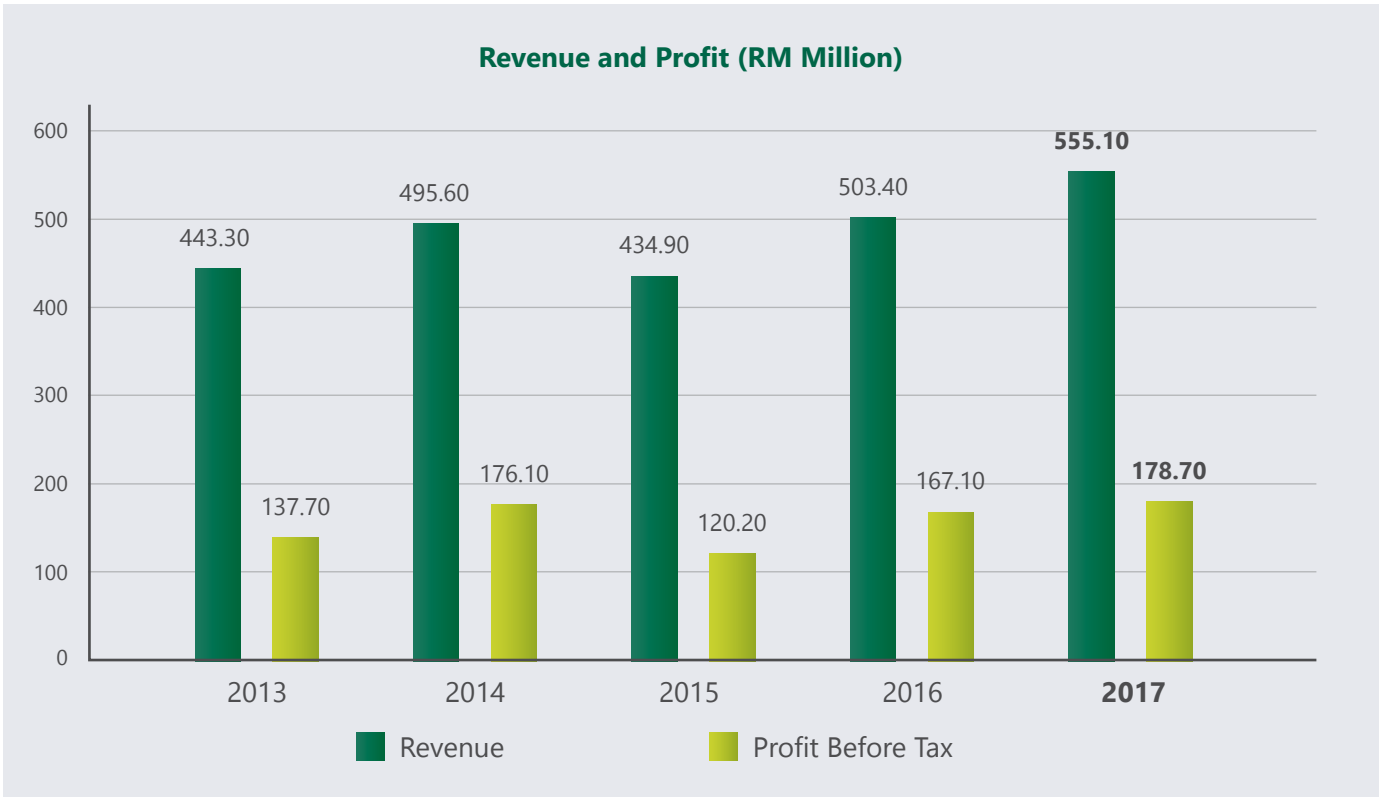


Our majority shareholder is Hap Seng Consolidated Berhad (HSCB), a public listed company on Bursa Malaysia which held 53.04% shareholding in Hap Seng Plantations as at 31 December 2017.

HSCB is a diversified group with businesses in property investment and development, credit financing, automotive, fertilizers trading and building materials. These operations are primarily located in Sabah, Sarawak and in Peninsular Malaysia.



**ABOUT  
HAP SENG PLANTATIONS**

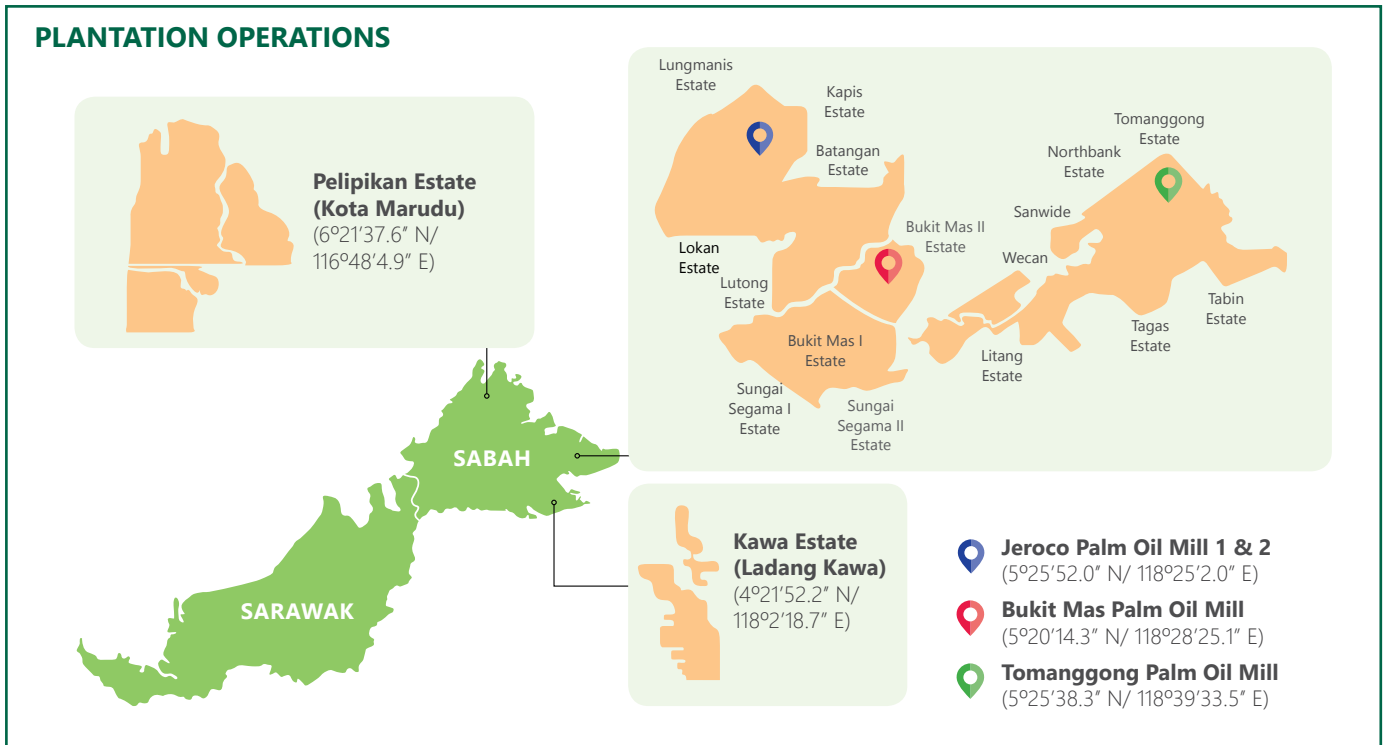


Our revenue for 2017 was up from RM503.4 million in 2016 to RM555.1 million in 2017, showing an increase in pre-tax profit of 7% due to higher crude sustainable palm oil prices.

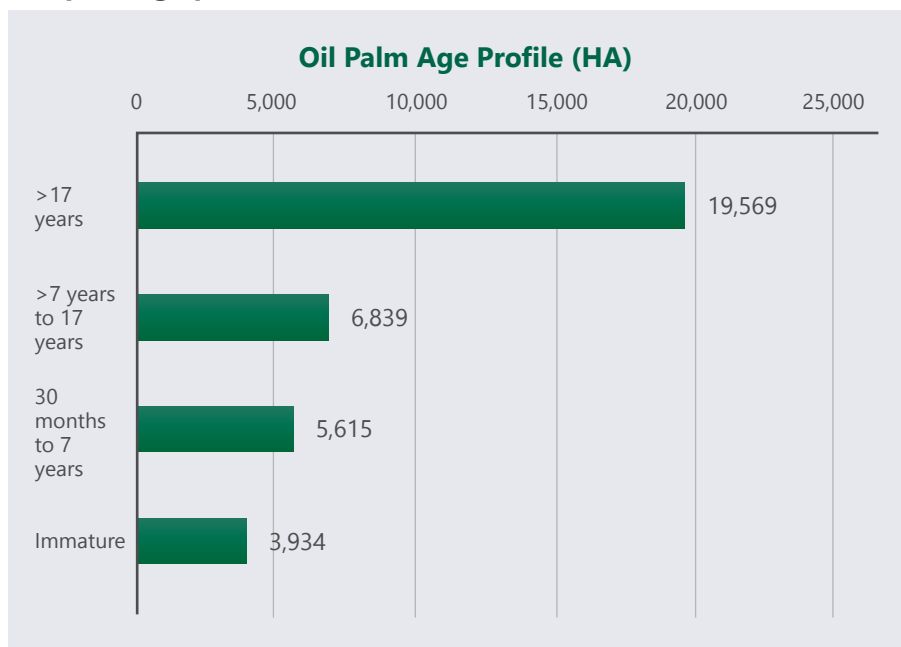


## OPERATIONAL OVERVIEW

### Our operational presence



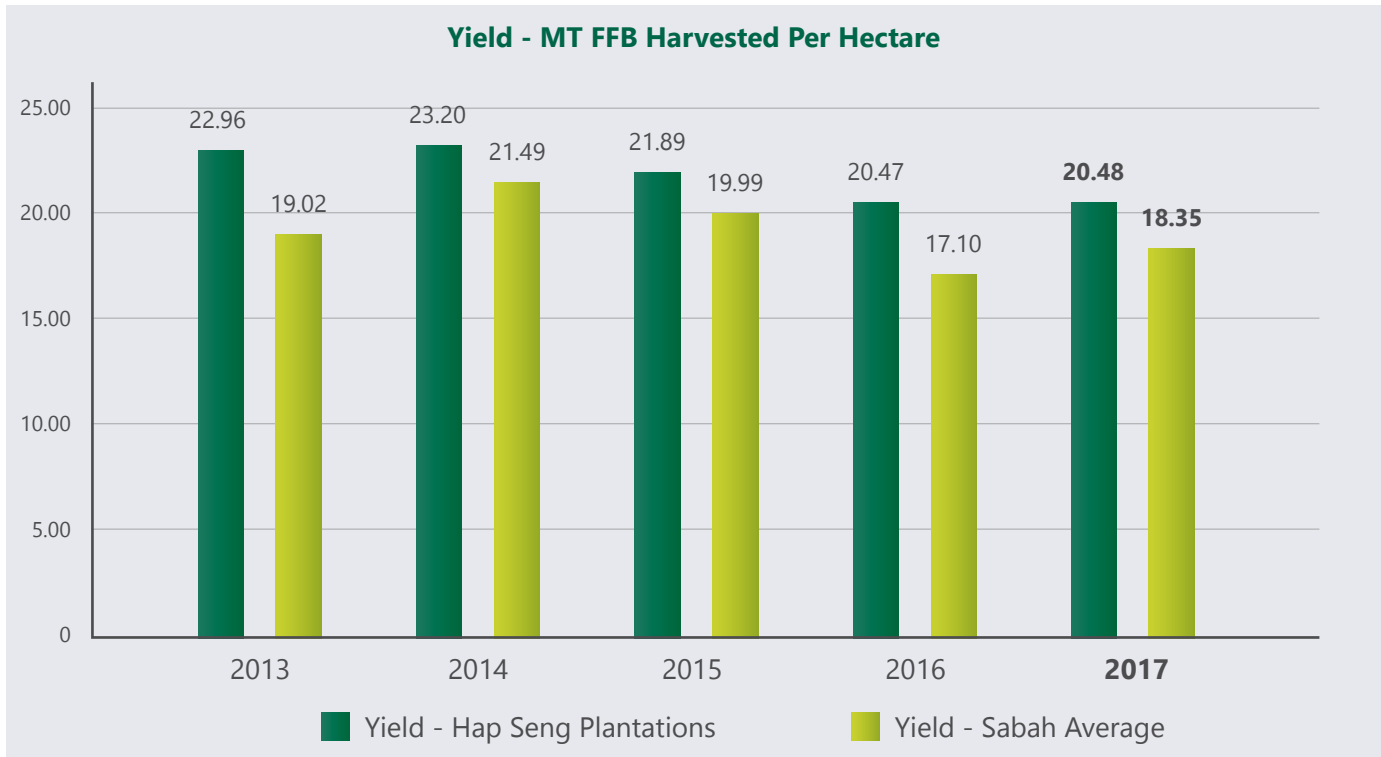
### Our palm age profile



The average age of our oil palms was 15.30 years and around 89% of our planted area consists of mature palms. Our replanting programme (about 4% per annum) ensured that we maintained an optimal age profile and level of productivity.

## ABOUT HAP SENG PLANTATIONS

### Our yield



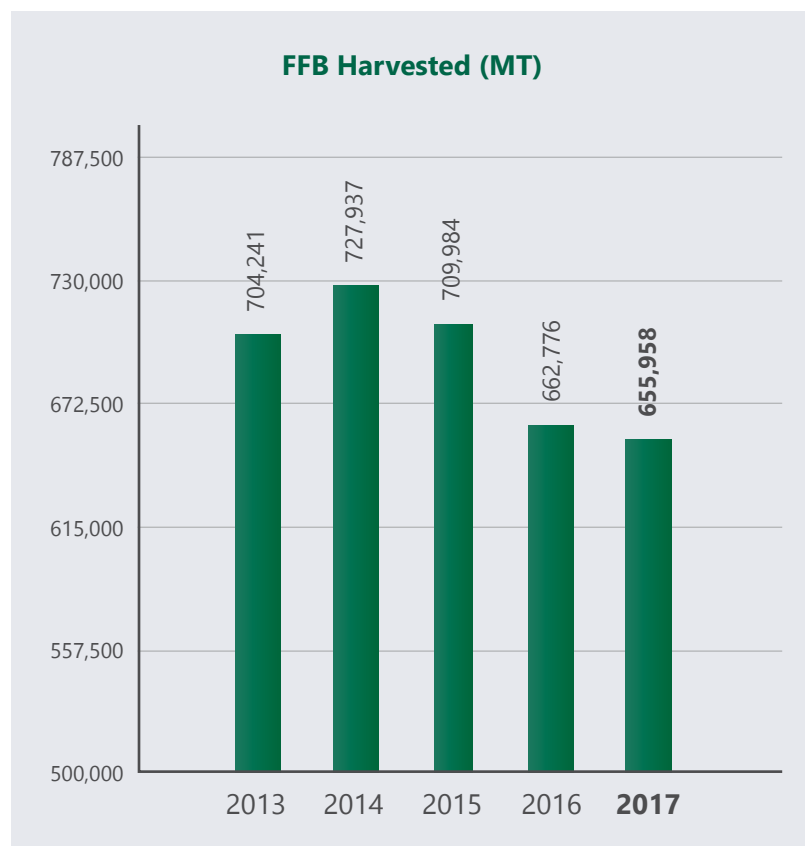
In 2017, our estates produced 655,958 metric tonnes (MT) of fresh fruit bunches (FFB). At 20.48 tonnes per hectare, our average yield remained higher than the average for Sabah for the past five years. This was due to our focus on best management practices, employing high quality planting materials throughout our estates.



### Estates under management

Hap Seng Plantations also provides management and advisory services. Under this services, we managed a 212-hectare plantations near Ladang Kawa and a 576-hectare plantations near Kuala Selangor on behalf of our 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 under our management and advisory services.

### FFB harvested

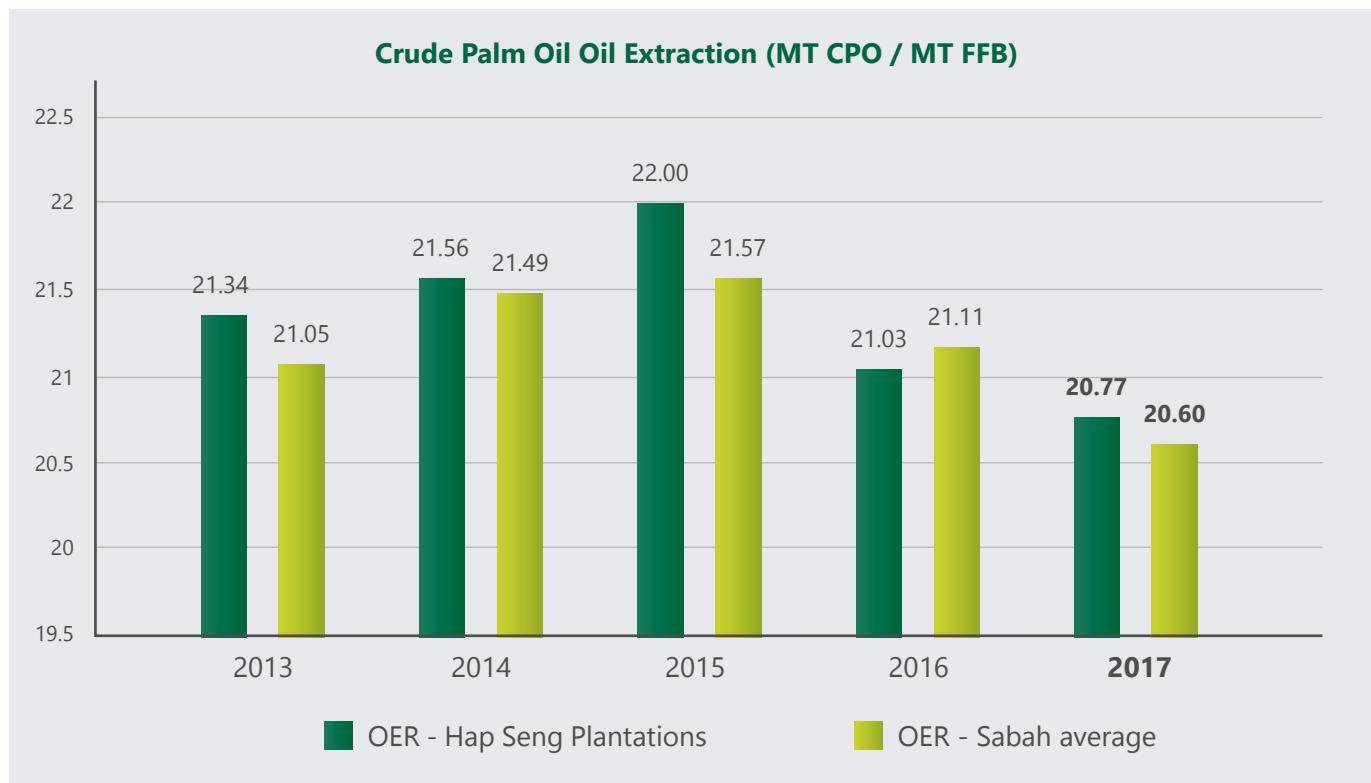


### Group yields and extraction rate

We operate two identity preserved mills and two mass balance 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 150,694 MT of CPO in 2017, with an average oil extraction rate (OER) of 20.77%. This was in line with the average rate for Sabah palm oil mills.

In 2017, 75% or 541,814 MT of FFB purchased from own estates and local outgrowers / smallholders were processed by our identity preserved mills (JPOM1 and BPOM) while 25% or 183,700 MT were sent to our mass balance mills (JPOM2 and TPOM).

In 2017, 74% or 110,976 MT of total CPO production were extracted by our identity preserved mills (JPOM1 and BPOM) while 26% or 39,718 MT were produced by our mass balance mills (JPOM2 and TPOM).



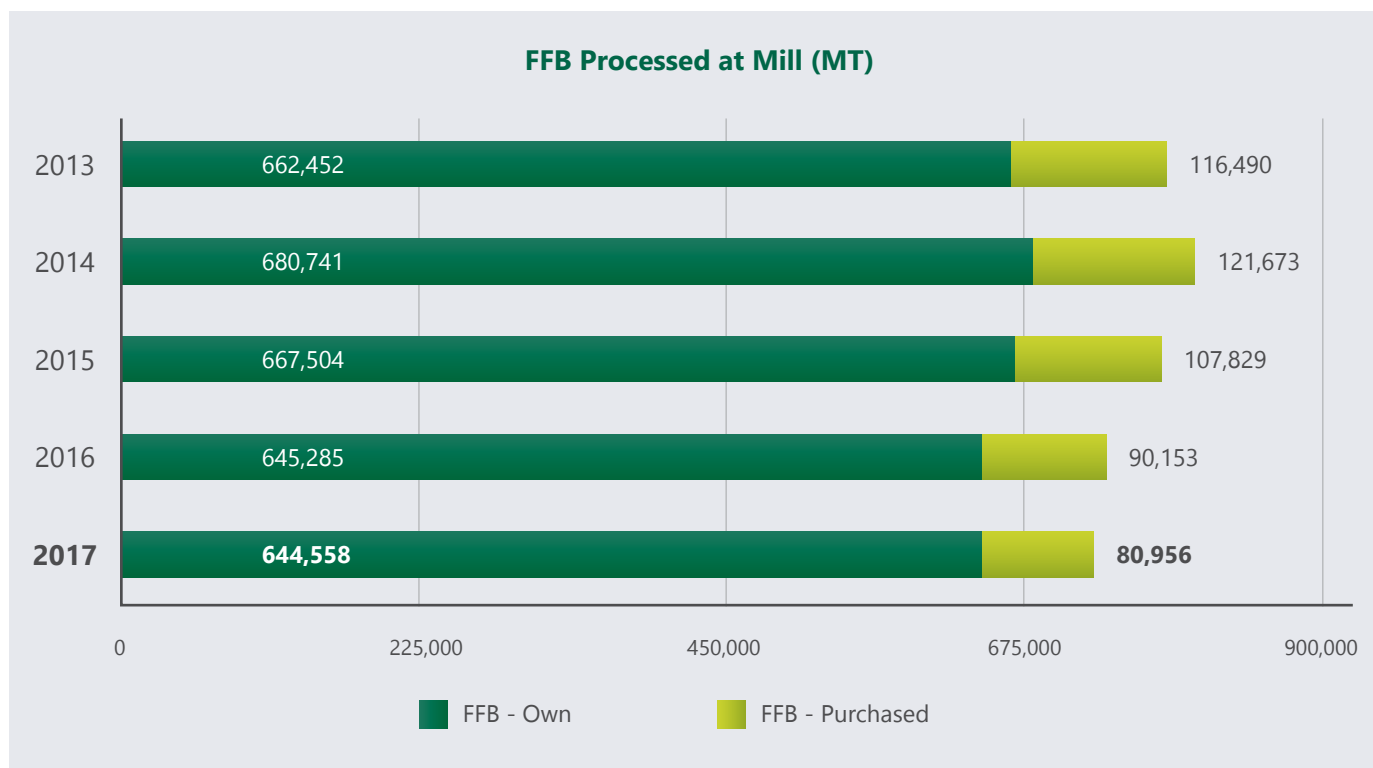
**Sourcing sustainably – outgrowers and smallholders**

In 2017, around 12% of the FFB processed at our two mass balance mills were sourced from 11 external local outgrowers and smallholders. To ensure we stay on track to achieve our goal of delivering 100% RSPO certified CPO from all our mills, we continued to engage with local outgrowers / smallholders 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 by 2022. This target takes into consideration the initial resistance from the local outgrowers / smallholders as most 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 impose 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.

Our first meet up with the external independent outgrowers and smallholders was conducted in January 2018, where we expressed our keen commitment to support and assist them in obtaining RSPO certification. Convincing the smallholders was the most challenging part in sustainability. At the time of reporting, we were able to convince three out of the 11 independent outgrowers and smallholders (27%) to participate in obtaining the RSPO certification.





## 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 comprises members of diverse backgrounds in terms of gender, age, ethnicity, nationality, professional background, skills and experience, all of which are crucial for its effective functioning. There is one female executive director on the Board.

The Board undertakes a rigorous annual evaluation to assess its composition and secure the availability of a variety of skills and experience to support its functions. Reviews of communication, roles and responsibilities are also conducted to ensure necessary action is taken to address concerns that arise.

## ABOUT HAP SENG PLANTATIONS

### **A mandate for sustainable leadership**

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

Our Board Policy Manual includes guidance on Group organisation, Board responsibilities and procedures, as well as evaluation guidelines for management and directors.

### **Driving sustainability**

Sustainability is an integral part of the Board agenda. The Board reviews and signs off on policies and disclosures, including our new MSPO Policy, RTE Species Policy and our Sustainability Reports.

### **Operational oversight**

The Chief Executive – Group Plantations is responsible for the daily operations of the Group. 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, which is part of our employee handbook, prohibits the giving and receiving of any types of bribe or other benefits, which 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.

We also have an active whistle-blowing mechanism that 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 Board.

In addition, the Group has a long-established formal avenue for employees who have witnessed any misconduct or unethical behaviour to report directly to the managing director.

### **Platform for open dialogue**

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

Furthermore, the Board also aspires to instil and promote appropriate standards of conduct and ethical practices, where it has established our code of business conduct to be strictly complied by directors and members of management. To avoid uncertainty, the provisions of the code are non-exhaustive and supplement all other obligations imposed on directors by applicable rules, laws and regulations. The Board reviews the code periodically.

# CALENDAR OF EVENTS

## 19 JANUARY 2017

### Opening of New Tomanggong Country Club

The management of Tomanggong Group of Estates (TMGOE) hosted a dinner at the Tomanggong Country Club (TCC), in conjunction with the official opening of the new TCC. The new TCC replaced the old club house built in the early 1970s. The TCC served as a focal meeting point for the estimated 200 staff and families.

## 3 MARCH 2017

### Replanting at Kapis Estate – Jeroco Group of Estates (JGOE)

An oil palm replanting ceremony was held at Kapis Estate, JGOE to commemorate the rare occasion of a planter carrying out a second replanting after a 25 years cycle. Mr. Au Yong Siew Fah, Chief Executive – Group Plantations first planted the oil palm seedlings in 1992.

## 10 MAY 2017

### JGOE Celebrates 32<sup>nd</sup> Family & Sports Day

JGOE celebrated its 32<sup>nd</sup> Annual Family & Sport Days, themed *"Sihat, Cemerlang, Produktiviti Meningkatkan,"* where various activities and performance by staff were carried out. The annual affair was held in appreciation of our staff and workers for their hard work, dedication and contribution.



## 12 MAY 2017

### Celebrating TMGOE's 38<sup>th</sup> Family and Sports Day

TMGOE held its 38<sup>th</sup> Family and Sports Day as a platform for the company to preserve the close bond amongst the management and employees. The event was also an avenue for the company to show its gratitude for the commitment, hard work and contribution of staff and workers.

## 24 MAY 2017

### Hap Seng Plantations' 10<sup>th</sup> AGM

Hap Seng Plantations Holdings Berhad held its 10<sup>th</sup> Annual General meeting (AGM) at Menara Hap Seng. The event saw the attendance of 130 shareholders and their proxies. The meeting, chaired by Tan Sri Ahmad bin Mohd Don, briefed the shareholders on the company's performance for the year ending 2016.



**20 JUNE 2017**

**TMGOE Staff Hold Special Breaking Fast Do**

TMGOE management organised a special “Majlis Berbuka Puasa Bersama Harvesting Mandore / Checker Serta Kakitangan TMGOE” in conjunction with the Muslim Fasting Month of Ramadhan. This was part of its ongoing effort to strengthen rapport and co-operation among the management team and the employees. This year’s event was attended by 204 personnel.

**8 SEPTEMBER 2017**

**Top Performers Recognised at Plantations Annual Dinner**

Hap Seng Plantations’ Staff Annual Dinner was held in appreciation of the dedication and hard work of staff working in the remote environment. The activities included recognising staff’s contribution and achievement under the Merit Point Systems and the Long Services Awards.

**8 DECEMBER 2017**

**TMGOE Staff Celebrate Maulidur Rasul**

TMGOE, under the Badan Kebajikan Islam Masjid Darussalam, organised the yearly Maulidur Rasul event, to observe the day when Prophet Muhammad was born. The event was organised under the guidance of Tn. Halim Mohd Djuda, the general manager-TMGOE and En. Abu Bakar Hasan, the organising chairman.

**28 DECEMBER 2017**

**Plantations Staff Celebrate Christmas & PCO Night**

It has always been a tradition at the plantations division to celebrate the major festivals in Malaysia, notably Christmas, Chinese New Year and Hari Raya Puasa. This Christmas, it was no difference, except that the festivity was combined with the PCO night. As a tradition, newcomers were introduced at the dinner.





# STEPPING UP ON SUSTAINABILITY

Elements of sustainability have long been embedded in the operations of Hap Seng Plantations and these can be seen in our longstanding implementation of good agricultural practices such as a strict zero-burning policy for new plantings and replanting and early adoption of RSPO certification. A sustainable plantation is important as it provides assurance to our commercial and civil society partners in that we look at the long-term balance between social, economic and environmental objectives in our business model.

Hap Seng Plantations has a Sustainable Agriculture Policy (Policy) that was put into effect in February 2017 and has helped us improve our sustainability strategy. The policy applies to Hap Seng Plantations and its subsidiaries. We encourage the adoption of this policy throughout our supply chain while not binding on contractors, suppliers and business partners.

Our Policy covers nine commitments and these are:

1. No deforestation (including a commitment to High Conservation Value (HCV) / High Carbon Stock (HCS) area, zero burning and Greenhouse gas (GHG) reductions).
2. Protection of peat areas.
3. Drive positive socio-economic impact for people and local communities.
4. Respect and support the Universal Declaration of Human Rights.
5. Respect and recognise the rights of all workers.
6. Facilitate the inclusion of smallholders into the supply chain.
7. Respect land tenure rights.
8. Respect the rights of indigenous and local communities.
9. Resolve verifiable complaints and conflicts through an open, transparent and consultative process.



## STEPPING UP ON SUSTAINABILITY

Hap Seng Plantations was assessed by the ZSL SPOTT that was designed to score commodity producing companies on their level of transparency relating to their environmental, social and governance (ESG) issues. In November 2017, our ZSL SPOTT ranking was fourth and 15th amongst Malaysian plantations and RSPO member companies, respectively. We also made a major breakthrough when we were listed in the “green” zone for the first time, scoring 66.20%.

The green zone, in this case, equates to higher transparency. This achievement could be attributed to the progress made in closing gaps and meeting our sustainability targets, which include consistent publication of sustainability report, disclosure of greenhouse gas (GHG) emission, environmental management and traceability, etc.

Year	Score (%)	Rank (for All 50 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	<b>64.20</b>	<b>15</b>	<b>4</b>	<b>13</b>
Nov 17	<b>66.20</b>	<b>17</b>	<b>4</b>	<b>15</b>

### On track for 100% RSPO certification

Currently, 91% of our planted area and all four palm oil mills are certified according to RSPO Principles and Criteria (P&C). We have revised our time-bound plan in the Annual Communication on Progress (ACOP) reporting to achieve 100% certification by the end of 2019. This was because of the compensation case of Northbank and Tabin estates. As at today, Hap Seng Plantations has, without fail, submitted the ACOP timely. We also established a CSR and Sustainability Committee (CSRS) together with RSPO Sub-Committee to ensure that our estates and mills fully comply with the RSPO requirement at all time.

Since 2016, we had also successfully achieved ISCC EU certification for all our mills and associated estates. In addition to the globally known RSPO & ISCC EU certifications, we also strongly supported the MSPO standard, the national standard put in place to address the environmental, social and economic aspects of palm oil production and a national agenda to elevate the oil palm industry in Malaysia. The MSPO certification of all 15 estates and four palm oil mills were completed in February 2018, ahead of the mandatory timeline of 31 December 2018 (for the RSPO-certified plantations category).



Plantation Area RSPO Certified (Total Planted 35,957 Ha)



As global concerns about food safety continue to grow, Hap Seng Plantations also embarked on achieving the certification on Hazard Analysis and Critical Control Points (HACCP), a chain-of-custody system that provides assurance of appropriate and safe handling of food products, in 2016. We met our target of achieving 100% HACCP-certified for all the mills by June 2017.



## A FIRM COMMITMENT TO OUR SHAREHOLDERS AND RESPONSIBLE DEVELOPMENT

In order to meet our shareholders’ expectation and, at the same time, meet our sustainability goals, our focus now is to manage our productivity through ongoing improvements in yield and extraction rates, rather than expanding our land bank, which has not grown in recent years. This is 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.

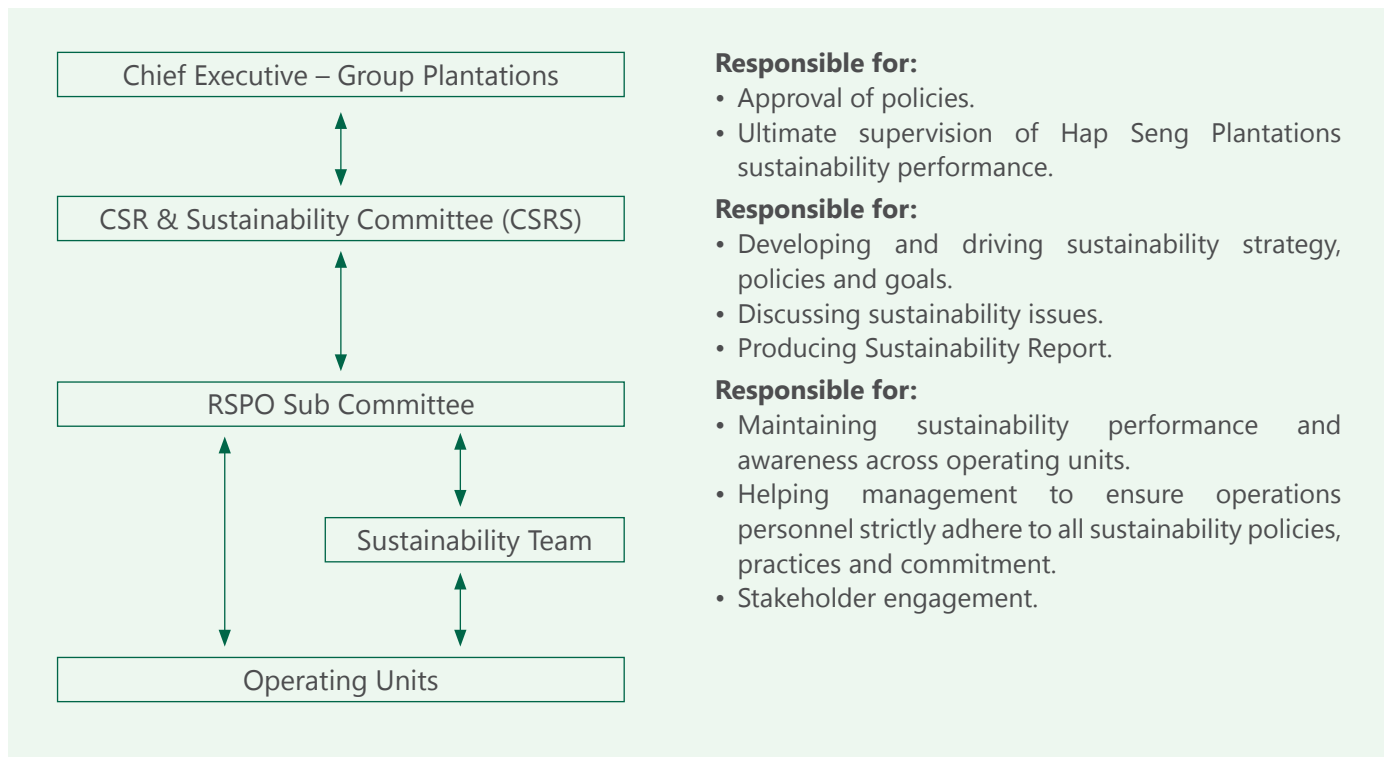
While we do not rule out future land acquisitions, we stand by our commitment to abide by the RSPO New Planting Procedure (NPP), undertake relevant High Carbon Stock (HCS) and HCV assessments, and ensure that robust Free, Prior and Informed Consent (FPIC) procedures are completed, prior to any new plantings.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

### Sustainability governance and management structure

Sustainable practices are becoming more 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 and is responsible for developing and driving our sustainability strategy, as well as developing time-bound plans for safeguarding our sustainability certifications.

### SUSTAINABILITY GOVERNANCE STRUCTURE





## MEMBERSHIP TO PROFESSIONAL AND INDUSTRY GROUP

Membership	Joined	Role	Engagement	Purpose
<b>RSPO</b>	2005	As a responsible sustainable growers and millers	Certification audit and annual surveillance audit	To ensure sustainability standard be implemented in the management.
<b>Malaysian Palm Oil Association (MPOA)</b>	2000	As a member of MPOA	Mr. Au Yong Siew Fah is the Vice Chairman of MPOA Malaysia	To inspire the sustainability of oil palm plantation for long term profitability.
<b>Malaysian Palm Oil Board (MPOB)</b>	NA	Licensed registered under MPOB	Annual licensed renewal	Support the MPOB to enhance the well-being of the Malaysian oil palm industry through excellent research & development and services.
<b>Malayan Estate Owners' Association (MEOA)</b>	2017	Mr. Au Yong Siew Fah is an Individual Member for MEOA	Annual membership renewal	To promote, foster and protect the interests of the plantation industry in Malaysia.
<b>Malayan Agricultural Producers Association (MAPA)</b>	1983 <i>(Continue from the previous management in Teluk Merbau Plantation)</i>	Teluk Merbau Plantation & Shalimar / Berjantai Estate are the member for MAPA	Annual membership renewal	To support the trade union and cater to the needs and interests of agricultural employers.

## ENGAGING WITH OUR SHAREHOLDERS AND STAKEHOLDERS

Stakeholder group	Issues	Methods	Outcomes
<b>Government</b>	<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>Continue to protect the waterways</li> </ul>
<b>Shareholders / Investment community</b>	<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>
<b>Local communities</b>	<ul style="list-style-type: none"> <li>Road accessibility</li> <li>Free medical</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 neighbouring village so that the facility of school can be upgraded based on the increased number of students</li> <li>Ad-hoc</li> </ul>	<ul style="list-style-type: none"> <li>Free medical services</li> <li>Maintain good road conditions</li> <li>Water supply during drought</li> </ul>
<b>Workers</b>	<ul style="list-style-type: none"> <li>Workers conditions</li> <li>Wages</li> <li>Occupational safety and health</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 quarters and amenities</li> <li>Yearly evaluation of wages</li> <li>Streamline and centralise health and safety management</li> </ul>

Stakeholder group	Issues	Methods	Outcomes
<b>Industry bodies</b>	<ul style="list-style-type: none"> <li>• Good agricultural practices</li> <li>• Chemicals</li> <li>• Water usage</li> <li>• Occupational safety and health</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 time-bound plan for certification</li> <li>• Appointed Vice Chairman of the Malaysian Palm Oil Association</li> </ul>
<b>Employees</b>	<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 manager</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>
<b>Customers</b>	<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>
<b>Aflatoun International - RSPO Smallholder Academy</b>	<ul style="list-style-type: none"> <li>• To provide training facility</li> </ul>	<ul style="list-style-type: none"> <li>• Partners Aflatoun International</li> </ul>	<ul style="list-style-type: none"> <li>• To assist Smallholder to be RSPO certified</li> </ul>

# ENVIRONMENT IN FOCUS

Our operations in Sabah are located close to some of Southeast Asia's most striking 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. Training for the Sustainability Team has focused on biodiversity management in accordance with specific regulations and bird and wildlife species.

Hap Seng Plantations strictly adheres to all relevant laws, RSPO and ISCC EU certification principles and criteria in our quest to protect, conserve and rehabilitate the environment. Sustainable practices are adopted and incorporated in new developments, which include a no deforestation commitments that encompass the protection of HCV, HCS and peat areas.

These commitments have been condensed into the Hap Seng Plantations Sustainable Agriculture Policy where our journey to a sustainable palm oil estate is laid out. The policy is publicly available at our company website (<http://www.hapsengplantations.com.my/>).

For 2017, we have also adopted a system to improve the environmental aspect within our operation. The plan was to conduct quarterly meetings to discuss the effectiveness of the pollution control system. This system will be evaluated during the meeting and further improvement will be adopted into the practices.





## SAFEGUARDING OUR WATER SOURCES

We understand that water sources are critical to the environment, human health and wildlife ecosystem. This is more so for us as our plantations are located in a remote part of Sabah. We do not have access to public utilities such as piped water and all drinking water must be sourced from water catchment pond. Therefore, it is our responsibility to ensure that treated water quality is being continuously monitored and, at the same time, analysed according to the World Health Organisation (WHO) standards.

Our commitment to provide safe water sources is vital and essential to our employees' wellbeing. In conjunction to this, we have planned to erect additional new water treatment plants at Kawa Estate (Tawau region) and Pelipikan Estate (Kota Marudu region) which are scheduled to complete by 2018 / 2019.

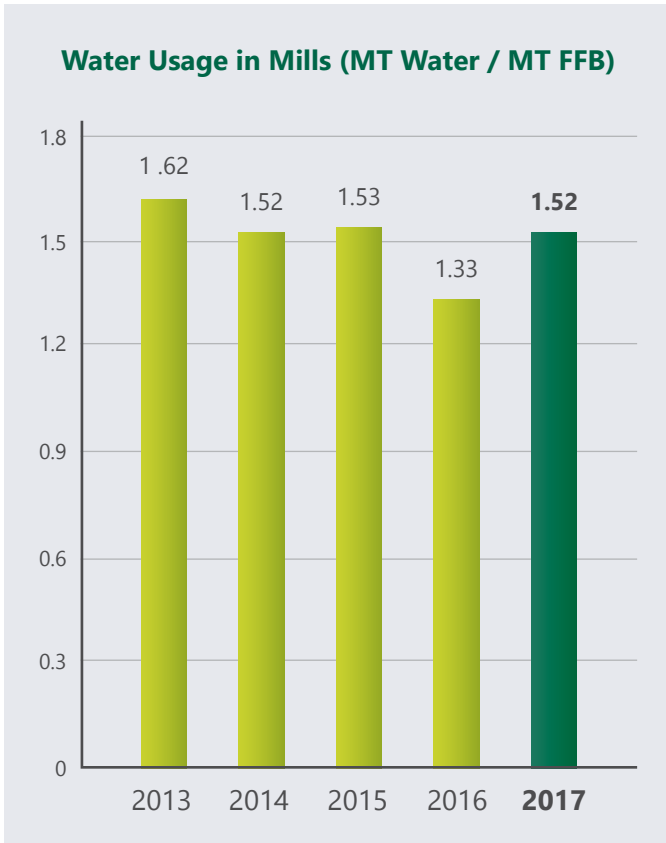
### Water efficiency

Hap Seng Plantations practices water resource management throughout its operation and it is revised annually in every plantation to ensure our water source is well managed and conserved. These include:

- Maintain riparian reserves to minimise soil run-off and act as a filter to preserve quality of water entering the waterways.
- Grow legume cover crops to prevent run-off and conserve soils.
- Avoid oil palm planting on steep terrain.
- Monitor and treat Palm Oil Mill Effluent (POME) and wastewater before discharge.
- Apply Bio-tubes to remove solids in POME, reducing BOD levels to within an acceptable limit as required by the Department of Environment (DOE).



Based on the data obtained, the water usage from year 2013 to 2017 at mills was controlled and monitored, showing trend of reduction. However, there was a slight increase in water usage in 2017. The reason for the increase in water usage in the mill was due to requirement imposed by HACCP certification, where the steriliser condensate water was not allowed for use in the mill operation.



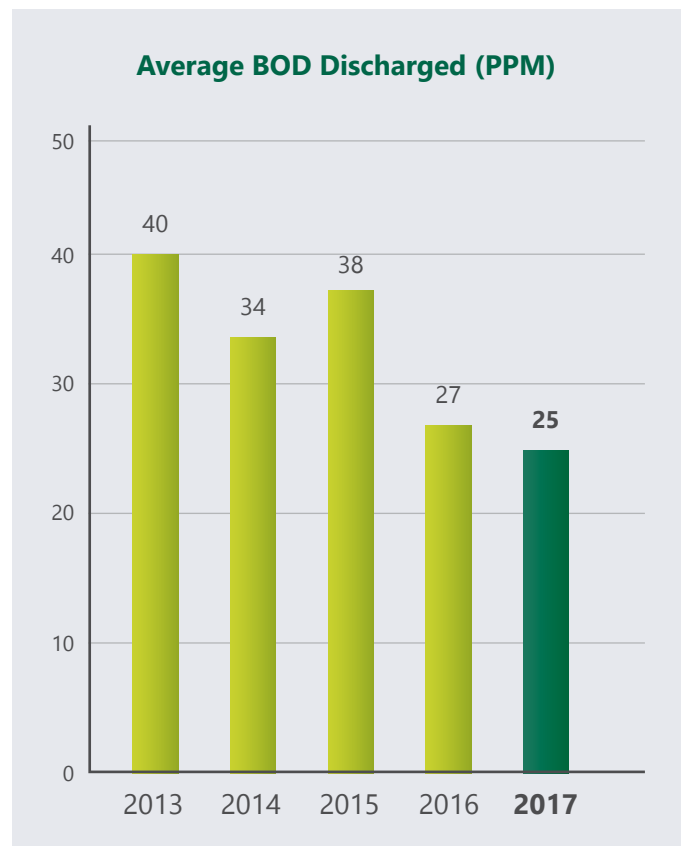
**Managing POME discharge**

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 oxygen.

POME is disposed of either through land application as fertiliser or through treatment pond and then released to estate drainage system. In the former way, the wastewater provides moisture, nutrients and organic matters which helps to reduce the need for commercial fertiliser. We comply with local environmental limits to minimise the risk of disturbances to the aquatic environment and pollution to ground water. All our operations were in compliance with all relevant local thresholds in 2017.

Hap Seng Plantations had shown an evidential improvement in reducing the BOD level by 7%, from 27 ppm (2016) to 25 ppm (2017) for all four palm oil mills. The significant result was due to the new biogas plant that helped to capture all methane in the effluent pond and converting them into electricity. This renewal energy is used to kick starting the mill’s engine and power the housing area. Hap Seng Plantations is moving towards achieving the 20 ppm for all mills by year 2020.

The biogas plant had also contributed to the lowering of our GHG values. To achieve our commitment, Hap Seng Plantations established a “20 ppm and Biogas Project Committee” to monitor the BOD level on a daily basis.



### Harvesting rainwater

In line with the Ministry of Health guidelines and the WHO standards, Hap Seng Plantations established a rainwater harvesting system in 2015 with the aim of managing our water resources. In this respect, we ensure that our mills store six months reserves of water in order to maintain a steady supply of water all year long.

As host to 7,192 employees and their families, managing our domestic water is just as important as our industrial use. We have therefore supplemented our treated water sources with additional supply from our rainwater harvesting system across our housing areas in order to manage our water supply efficiently.

### Protecting our rivers and riversides

The major rivers that flow through our estates are very well managed, with set riparian reserve (natural riverside vegetation along both side) along both sides of the river to ensure buffer zones are there to intercept non-point source (e.g. agriculture run-off pollutants) of pollution. The riparian vegetation absorbs heavy metals and nutrients, trap sediment suspended in the surface runoff and provides habitat to microorganism that assist in the breakdown of pollutants. Furthermore, riparian reserve creates prime wildlife habitats since it is a very unique ecosystem where terrestrial and aquatic ecosystem meet.

Within our estates, palms planted along stream are marked with a red circle. This indicates that the area is free from chemical spraying or manuring. Workers are also regularly educated during the muster ground on the importance of riparian reserve.

The Segama and Kretam rivers flow through our estates where we maintain areas of riparian reserves to act as a buffer between our operations and the freshwater ecosystem. 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 even built houses in riparian boundaries. Although these are prohibited by law and not recommended by our company, we have allowed these to remain in order to maintain our relationship with the local community.

In order to enhance our commitment, Hap Seng Plantations has introduced monthly riparian monitoring team in complying with the requirement of the Sabah Water Resources Enactment 1998. This is to ensure that our riparian reserves are well maintained and protected.



To-date, Hap Seng Plantations has buffered a land area of 1,056.74 ha as riparian area at both sides of the riverbanks. We have also engaged with authorised consultant registered with the Environment Protection Department of Sabah to monitor and inspect the quality of the river on a quarterly basis. At this point, there are no significant issues raised by the consultant.



## ENRICHING SOILS AND REDUCING CHEMICALS

Acting on our commitment to increase land productivity without endangering the environment, Hap Seng Plantations constantly trial best management practices in fertiliser enhancement and chemical reduction. The use of chemical fertilisers for soil enrichment and pesticide management is our last and least preferred option.

### Handling of chemicals

In our plantations, dedicated spraying crews manually apply fertilisers and pesticides. Each crew member receives continuous training in chemical handling. All sprayers are required to wear authorised personal protective equipment (PPE) covering the full body and must shower after each shift.

Assistant manager and field conductor are responsible to ensure safety procedures are complied. Internal safety audits are carried to monitor compliance. Spraying crews are also required to go for three monthly medical check-ups and this routine is especially important for women workers. As a standard operating procedure, pregnant female workers will be re-allocated to new job tasks that have lesser risk such as general work e.g. line sweeper. They will also be given maternity leave for two months after delivery.

### 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 where 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 such as *Tunera subulata*, *Antigonon leptopus* and *Cassia cobanensis* per hectare of oil palm as these plants provide a natural habitat for predator insects against nettle caterpillars and bagworms.

Other preventative measures include the establishment of fast-growing leguminous covers to accelerate the decomposition of palm biomass so it does not become a breeding ground for *Oryctes rhinoceros* beetles (one of the major pests in oil palm industry). We have also introduced a fungus (*Beauveria bassiana*) that is a parasite on various arthropods and a natural insecticidal bacterium (*Bacillus thuringiensis*).

A number of other natural, cultural and mechanical pest control strategies have also proven effective. Pheromone traps have been dispersed across our estates to lure insects such as Apogonia beetles, rhinoceros beetles, cockchafers and Odoratus with the aim of reducing their population while diverting them from attacking immature oil palm area. This method also helped us reduce our chemical usage such as cypermethrin.



The prompt collection of loose fruits also remove a key food source for rats, while our ban on hunting also enables its natural predators, such as snakes, serpent crested eagles and Malayan weasels, to thrive. Attempts to introduce the barn owl have however been unsuccessful, as these highly effective predators, used for rat control across Peninsular Malaysia, are not native to the Sabah region and do not adapt well.



An in-house study<sup>1</sup> to measure the abundance of predator population and the growth of a number of species of beneficial plant was conducted on 28 December 2017. This study provided the benchmark and assurance to the estates that Hap Seng Plantations is going in the right direction with IPM.

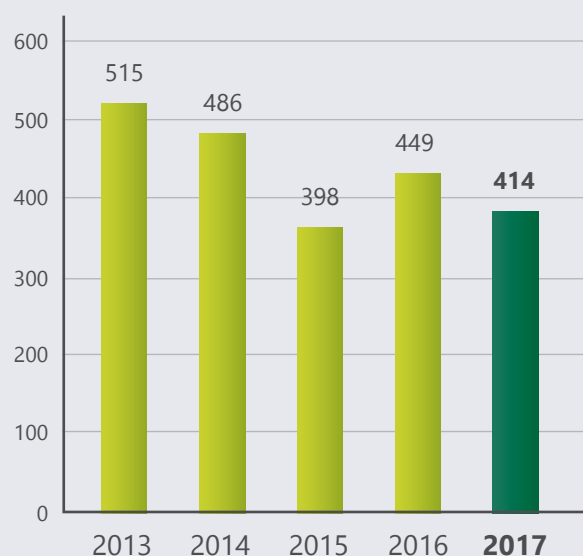


### Selective chemical application

We do not undertake blanket spraying of herbicides. Weeds are treated on a block basis following an analysis of the problem in the area. We analyse and monitor the nutrient levels in our palms by testing palm fronds and foliage and only then do we apply targeted remedial action through fertiliser application to replenish nutrients. Herbicide usage is cyclical and will increase over the years when more new or immature plantings are carried out.

Utilisation of pre-emergence herbicide had seen reduction in the 2017 toxicity unit per planted hectare as compared to 2016. Pre-emergence herbicide had reduced the spraying round per year for any particular field as pre-emergence herbicide needs two to three rounds of spraying compared to conventional herbicide that need four to five rounds of sprayings at mature fields.

### Toxicity Unit Per Hectare (Herbicides Only)



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

### No paraquat

Since 2011, we banned the use of paraquat in our plantations as highlighted by stakeholders as a chemical of concern due to its widespread misuse. In replacement, we tested alternative herbicides and have now substituted it with glufosinate ammonium in immature areas and glyphosate potassium in mature areas. We have found these substitutes to be more cost effective, better for controlling weeds and less hazardous for workers. We continue to closely monitor toxicity and restrict the use of a number of chemicals in order to minimise the potential hazards of pesticides on our workers, communities and ecosystems.

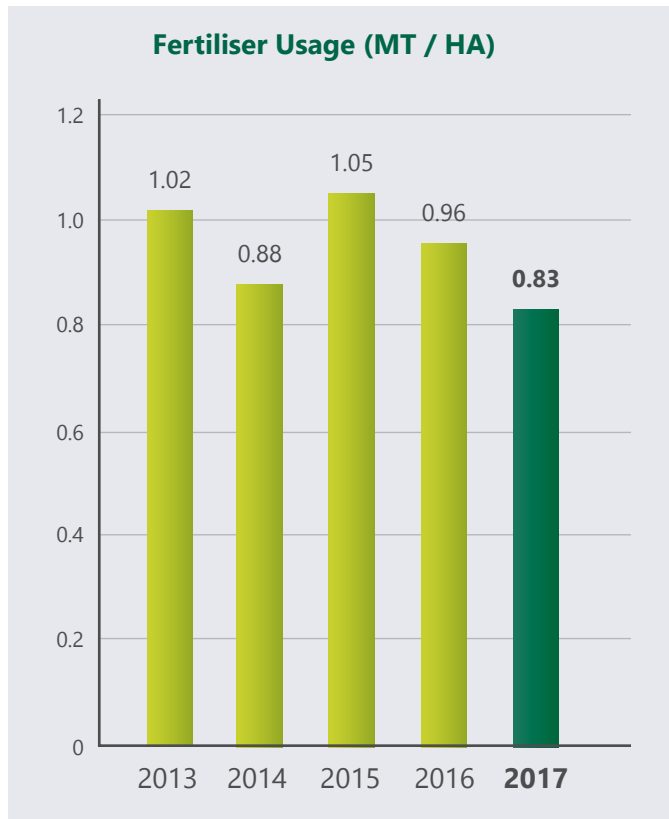
<sup>1</sup> The study was carried out on 28 December 2017 by using several methods. This includes the use of sticky traps placed randomly at three plots (JGOE, SSGOE, TMGOE) and for each plot there was three sampling point (replication). In all, the total replication for three plots is nine for each week. For six weeks there were 54 replication for the whole experiment by each treatment. We also observed and replaced the sticky trap every week and calculate how much the beneficial insects stick on the traps. The procedure was repeated for six weeks. The outcome of the trapped insects were counted and recorded to identify the total number of beneficial insects every week for every samples. These raw data are then processed by computers and summarized with the end result, the statistical analysis of processed data.

## ENVIRONMENT IN FOCUS

### Our soil management practice

The nutrient content of our soil ensures the optimum yield. 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 (EFB), 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 EFB, POME and treated POME is another common practice that presents multiple advantages. It helps reduce the use of agrochemicals by putting available biomass to good economic use as they bring cost-savings, at the same time, mitigating GHG emission and Belt Press Solid (BPS) / Organic fertilizer application.



### ACTION ON GHG EMISSIONS

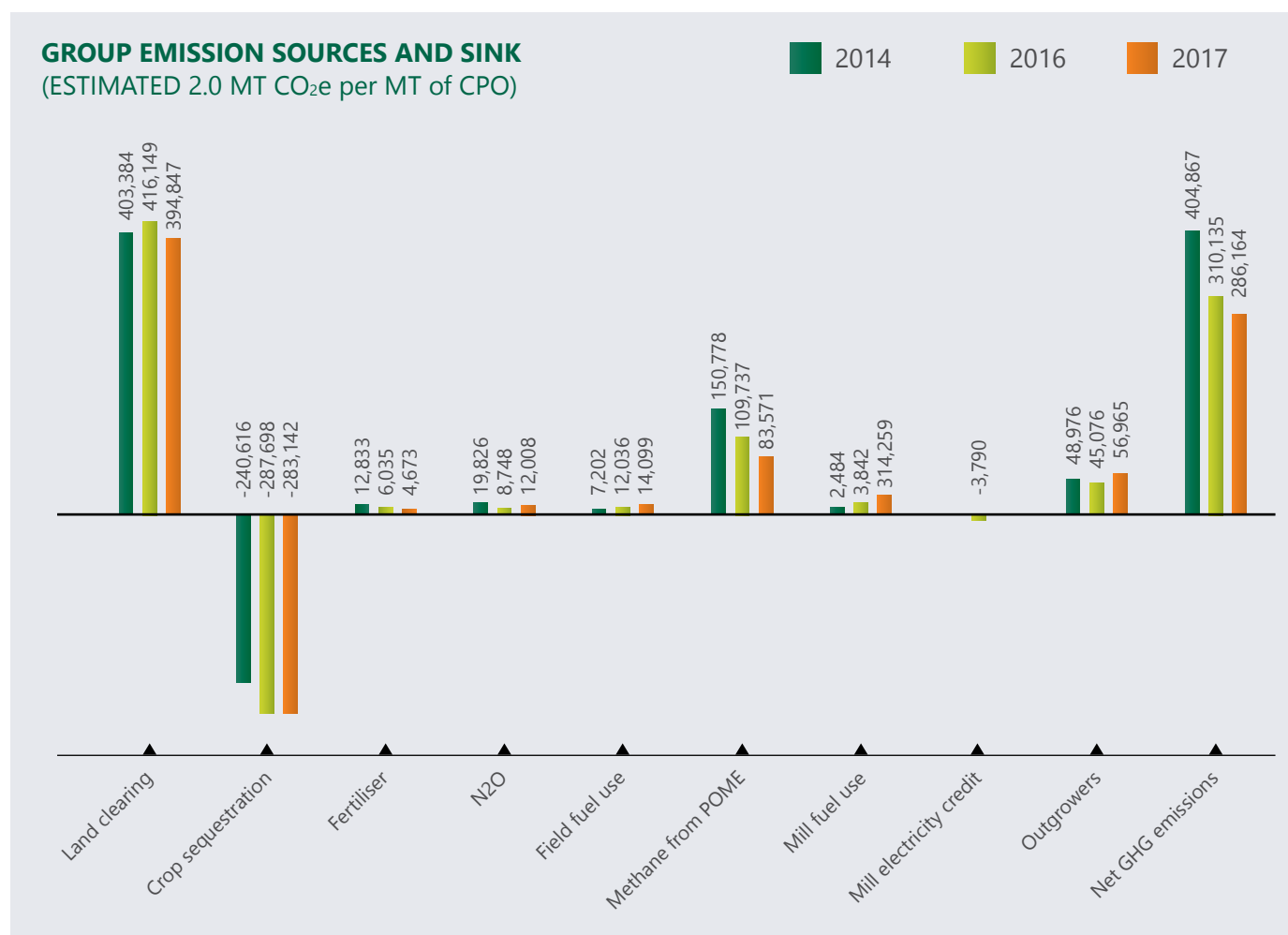
We recognise that climate change is one of the biggest threats to our planet and we are committed to monitor and reduce our global carbon emissions. We established the baseline of GHG value in 2014 by using the RSPO PalmGHG Calculator v2.1.1.

We are pleased to note that we have successfully reduced our net carbon emissions and our footprint per tonne of CPO by around 29% and 20%, respectively, as compare to 2014. This is due to the contribution from the commissioning of the biogas facilities.



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

Note that 2014 figures were calculated using the RSPO PalmGHG v2.1.1 whereas since 2016 the figures used were based on RSPO PalmGHG v3.0.1. The RSPO has advised that numbers may be compared without recalculation.



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

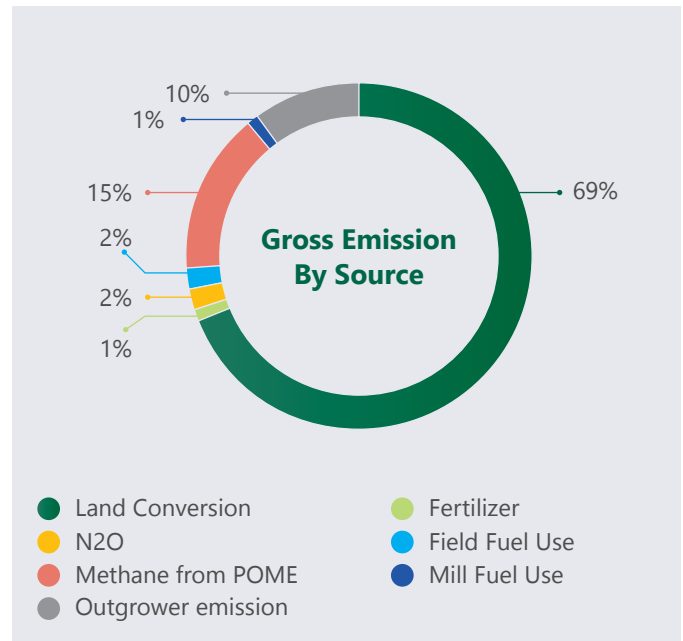
**ENVIRONMENT  
IN FOCUS**

While land clearing was the biggest contributor to our carbon footprint during the reporting period, it should be taken into account that previous changes in land use continue to have a major impact on the way our emissions are calculated today. We have not cleared any primary forest or developed on peat as there are no peat land found in our estates.

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) for operations of plantations' mechanised equipment, vehicles transporting FFB from the estates to the oil mills, as fuel to start-up FFB processing in the mills, as fuel for vehicles transporting CPO from the mills to the ports or customers, and for our employees' housings except those houses in Batangan and Kapis estates where the electricity is supplied by the JPOM's biogas plant.

We are now focusing on building biogas facilities that capture methane from POME and then converting it to electricity. So far, we had commissioned a biogas plant at JPOM 1 and 2 in March 2017. This reduced our emissions by up to 20%.





## CONSERVING BIODIVERSITY

Most of our plantings were developed on land previously used for other agricultural purposes and a large part of our land borders other plantations rather than forest. Approximately 1,400 hectares, some 3.5% of our total land bank, has been designated for conservation.

An assessment and a comprehensive management plan for the HCV area has been completed and monitoring and review of the plans are being updated annually by our internal assessment team for our Bukit Kibos hill, a 75-hectare area located near our headquarters.

Although RSPO P&C confirmed that a formal HCV assessment was not required in this area, as there had been neither land use change nor conversion since November 2015, we appointed an RSPO approved HCV assessor to conduct a supplementary assessment and discovered that there was diverse kind of fauna species.

We have also continued working to conserve the Jelutong tree, a protected species in parts of Malaysia and Thailand. Latex tapped from Jelutong 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. The Jelutong's quick growth and hardy nature, supported by strong replanting efforts, meant its extinction is now unlikely.

Today, Jelutong covers some 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 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
	1,401.98



### Tabin Wildlife Reserve

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

Eight species of primates are also found at Tabin and these include the orang-utans and proboscis monkeys as are three protected cat species, including 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 also attracted to the reserve by the presence of active and mineral rich mud volcanoes.

## ENVIRONMENT IN FOCUS

Our close proximity to such rich biodiversity gives us a responsibility to protect it. We had introduced the Environmental Policy and RTE Species Policy in support of the nation's commitment in protecting protected areas. Continuous monitoring of RTE species are carried out in our estates and the bordering areas.

We enforce a strictly no hunting policy and workers are informed of an identified RTE species and reminded not to disturb, hunt or kill, at the morning muster. We take appropriate action against those that ignore the instructions. We install CCTV extensively to identify any illegal game being brought into our estates.

We also try to prevent human-animal conflict. We are not located on the migratory paths of elephants. Incidents involving elephant encroachment are rare but we had set up electric fences in our estates as prevention.

### Monitoring deforestation

Shapefile was provided to RSPO and their team to monitor the deforestation around Hap Seng Plantations estates.

### Waste management

The palm oil industry generates waste and these wastes need to be managed to reduce its impact to the environment. Poor waste management is not only detrimental to the environment but pose risks to societal health and wellbeing and, at the same time, increase the cost of doing business.

As a responsible planter and in line with our goal for better waste management, Hap Seng Plantations started the construction of recycle waste store and engaged the services of a local recycling waste contractor in December 2017. This is in line with both the state and national law that emphasise on the need to ensure the discharge of waste onto the environment is minimised.

At SSGOE and TMGOE, the recycling waste stores are currently under construction while the recycling store at JGOE had just been completed and ready for use at every unit in the estates. Workers were educated on the importance of waste recycling as part of its environmental sustainability training.

Hap Seng Plantations is in compliance with the regulation under the Environmental Quality Act 1974. In 2017, Hap Seng Plantations sent three representatives from our mills and PCO to attend a schedule waste management course organised by the DOE in Labuan. Currently, every group has their own competent person on schedule waste management. The competent person is responsible to provide schedule waste training to all operating units. The appointed competent person controls and monitors the schedule waste on a monthly basis where scheduled wastes are disposed of through authorised contractor on a half yearly basis or when the waste reached 20 metric tonnes as per regulation 9, Environmental Quality (Schedule Wastes) Regulation 2005.

### 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 abide by the regulation stipulated under the Environmental Quality Act 1974. We had instituted a zero burning policy within our premises.

In order to enforce our commitment, Hap Seng Plantations has boosted our effort in enforcing the zero burning policy by having a team of our employees patrol the perimeter of our part of the forest reserve on a monthly basis. This is to ensure that there are no sign of fires, illegal encroachment and illegal hunting in the area. Our next step in monitoring fires / hotspots is by using the Global Fire Watch Portal.

### Hectares burnt in fires

	2015	2016	2017
Non Planted	0	0	0
Planted	0	0	0
Total	0	0	0

### Compensation case update

During the RSPO certification audit to certify TPOM in 2013, the auditors assessed that an area of 1,406 ha 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 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 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. This submission is currently being reviewed by the CTF.

As at 2017, the total liability after the review of Biodiversity HCV Working Group (BHCV-WG) panel was 579.48 ha and this total area should be compensated. We had developed the remediation and compensation plan where there was a concept note. This concept note clearly defined goals, adequate resources, timeframe and responsibilities for long lasting, equitable and knowledge outcome.

Our concept was to compensate the total liability of 579.48 ha through hectare by hectare combined with monetary basis (USD2,500/ha). We had proposed additional hectare along the existing riparian reserve, which extended up by 167.24 ha. The remaining liabilities of 412.24 ha would be compensated through monetary funding to organisation that works on conserving biodiversity project.

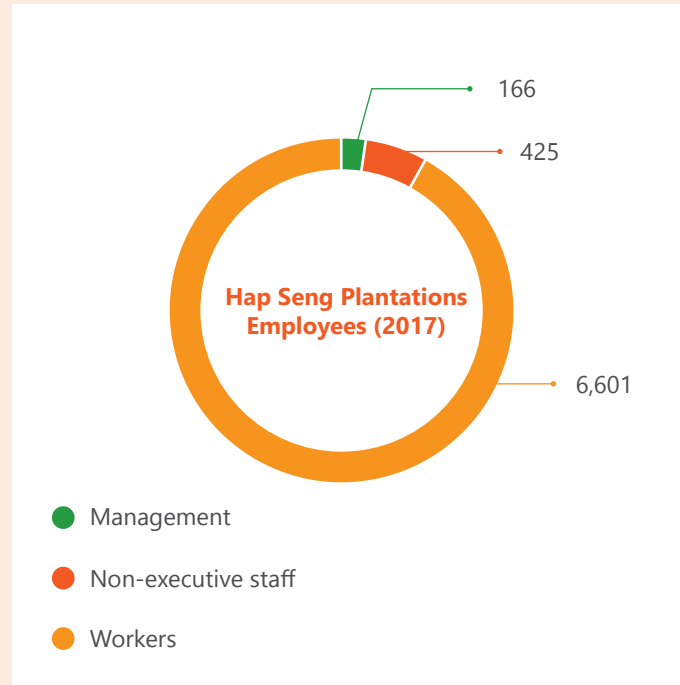
This proposed concept note was submitted to the Biodiversity HCV Compensation Panel (BHCV-CP) for review and approval in March 2018. The purpose of extending the riparian hectare is to promote the river ecosystem and furthermore to enhance the biodiversity of endemic species.

# PEOPLE IN FOCUS

## SAFEGUARDING HUMAN RIGHTS IN THE WORKPLACE

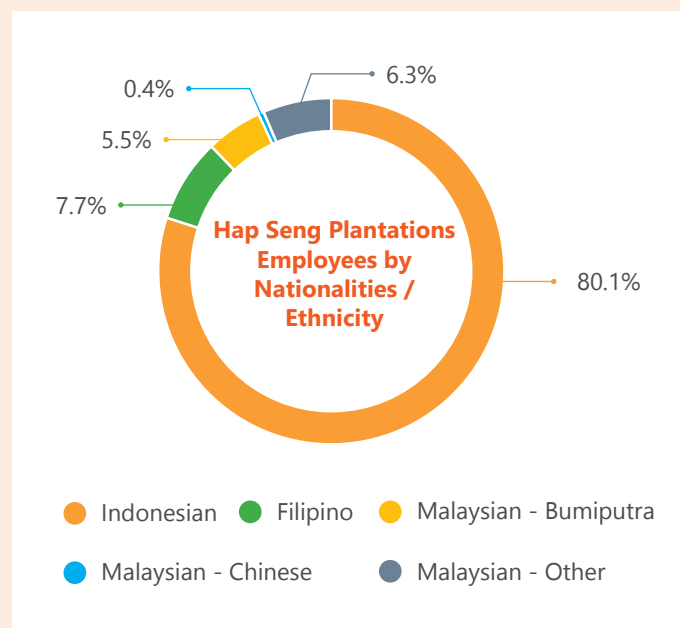
Hap Seng Plantations employs 7,192 people. We are committed to ensure that the rights of all workers – including contract, temporary and migrant workers – are respected according to local, national and ratified international laws, and in situation where legal frameworks are not yet in place, international best practices would be adopted.

As part of our RSPO commitments, we ensure that 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, build and promote a harmonious, safe and healthy work environment and culture. We do not differentiate between nationalities as housing, wages, medical and other benefits are equally provided to all workers.



## Our employees in profile

Our workforce reflects the typical composition found in our sector and the diversity of Sabah. Around 92% of our employees are manual workers based in the field and the mill, with the majority being non-Malaysian nationals, primarily Indonesians and some Filipinos. Our Malaysian employees are mostly from the local community.

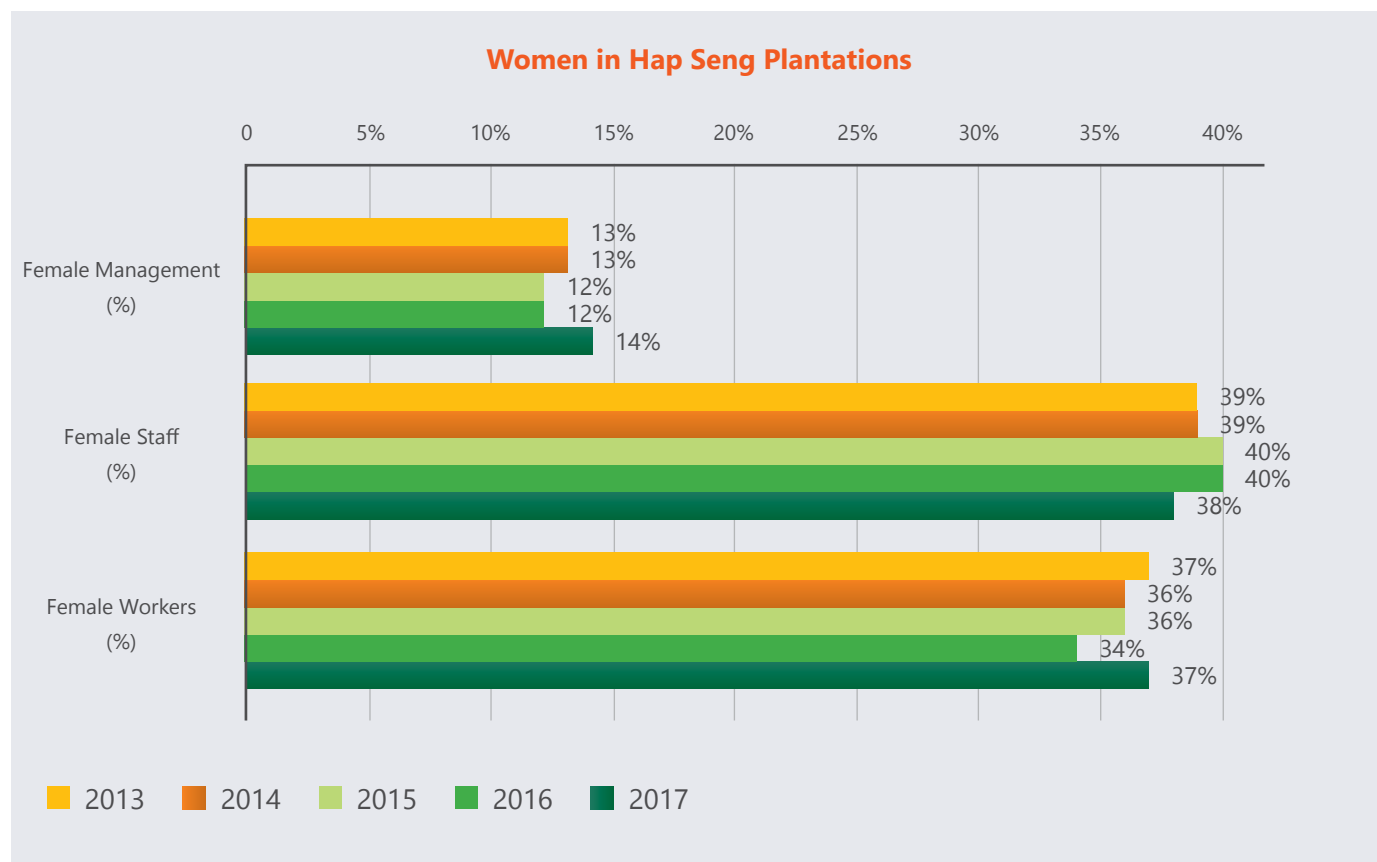




### Supporting women in our workforce

As a responsible organisation, we are committed to provide equal opportunities to all level of employees and does not discriminate based on gender. Compared with the Malaysian palm oil sector in general, the representation of women in the workforce is relatively high. We believe this is due to our encouragement for married couples to both apply for jobs, which in turn provides for a more stable workforce. We also aim to improve our gender balance at management level where female representation is currently low. This is partly due to the relatively small number of women educated in the traditional agricultural disciplines from which we draw our management candidates.

We also find that many women leave the workforce to care for their families before they reach senior positions. This is the general concern across the Malaysian workforce, and particularly in the agricultural sector, where working hours are rarely family-friendly and educational facilities for older children are often in short supply.





### Building facilities for working and living

As at 31 December 2017, the area for infrastructure (building and roads, etc) was 2,679 ha and these included residential buildings, medical clinics, sundry shops and recreational facilities. We do provide housing for almost 7,200 employees and their families, with sufficient land for small garden plots for all the houses. Each estate has a shop that is granted permission to operate by the company where prices are controlled to ensure that goods remain affordable. A special two-day bazaar is also held at the end of each month after workers are paid so it help facilitates trading and selling of goods.

There is a medical clinic at each group of estates as well, with each clinic staffed by full time nurses and hospital assistants while a medical officer visits every week to attend to patients. All Clinics have ward facilities with modern medical equipment. An X-Ray machine is available for patients at SSGOE. An ambulance is also provided, and it is always placed on standby for transfers to the nearest hospital in cases of emergency.

To ensure our employees have access to recreational facilities, we have built clubhouses with social amenities that include snooker tables, dart boards and digital karaoke machines. We also organise inter-estate group games, as well as bi-monthly and annual gatherings for staff. Employee meals are subsidised at the PCO.

In 2017, we upgraded our water tank from metal to plastics high-density polyethylene (HDPE) material since the metal tank could easily corrode when exposed to weathering. In addition, at our housing area, we have also replaced the used metal oil drum that was used as rubbish bin with a proper plastic bin since the former is categorised as schedule waste.

Hap Seng Plantations also completed road upgrades for the villagers at Kampung Litang in June 2017. The upgraded road access is a boon for the villagers as it provides easy access to healthcare services, transports goods to market and children to schools. To-date, Hap Seng Plantations had constructed 117 kilometres of all-weather gravel roads across its plantations.

In continuing with its partnership with the local communities, Hap Seng Plantations had also successfully commissioned a new ferry "RIVERS 3" on 21 August 2017, effectively connecting TMGOE with SSGOE. With the new connectivity, this meant that villagers living in the area would also be effectively connected, enabling travels from the two locations. Villagers benefiting most from the ferry connection include those from Kampung Tidung and Kampung Dagat, both located in Tomanggong. This is the second 24-hour ferry crossing contributed by Hap Seng Plantations with the first one on the Segama River.

Due to complaint from the stakeholders at TMGOE, Hap Seng Plantations had also taken action to fix the communications connectivity problem by engaging the telco service (Maxis & Celcom) to address the poor coverage problem at TMGOE. Furthermore, we had also requested the telcos to upgrade the signal coverage from 3G to 4G in order to facilitate our stakeholder in their communication needs. With this better signal, our stakeholders and employees had shown positive feedback on the improvement made.

### **Freedom of association**

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

Nevertheless, we do not restrict our workers to form an association. We also have a grievance procedure in place that allows all employees to raise issues and seek redress. The Board has formulated a whistle-blowing policy to encourage employees to disclose any malpractice or misconduct they witness, and to provide protection for them once they have done so.

### **Celebrating religious events**

TMGOE, under the Badan Kebajikan Islam Masjid Darussalam, organised the yearly Maulidur Rasul event on 8 December 2017 under the guidance of Tn. Halim Mohd Djuda, the general manager of TMGOE, and Encik Abu Bakar Hasan, the organizing chairman.

The event was attended by muslim staff of TMGOE who also participated in the Quran Recital, Berzanji and Nasyid. An invited officer from Jabatan hal Ehwal Agama Islam Negeri Sabah (JHEAINS) Beluran, Ustaz Jamaluddin Bin Bahar was also present to deliver the khutbah.

### **Promoting English in the workplace – six months English course**

Since English language features prominently as one of the main languages of communication, Hap Seng Plantations also embarked on a programme to help improve the English language skills of their staff as well. Hap Seng Plantations procured the service of a retired English teacher to come to the estate to conduct a six months English course for any staff who wished to participate.

The course was conducted at the Plantation's Training Room, a central location that was convenient to the employee. Held every Wednesday, after working hours, the course ran from 13 July 2016 to 24 January 2017. More than 30 employees diligently participated in the course.

### **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 at a competitive market rate.

Our workers are paid a base wage of RM920 per month, which is the state minimum wage requirement. 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 collected. Earnings may vary throughout the year due to the seasonal nature of our operations. It can therefore be a challenge to manage the expectations of workers. Therefore, wages are adjusted to avoid high levels of dissatisfaction and income fluctuation.

**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 undergo a 15-module Oil Palm Agriculture Policy (OPAP) programme that teaches best practices in estate management. From 2016 to 2017, we added an additional syllabus on RSPO, MSPO, ISCC EU and Health and Safety to the programme, ensuring that staff was well equipped to maintain and support our certification programme and safety efforts.

<b>No.</b>	<b>Training</b>	<b>Target of employees</b>	<b>Objective of Training</b>	<b>Year 2017</b>
1	Oil Palm Agriculture Policy	All executives and staff from estates	To educate the staff and executive on good agricultural practices that will be applied in the field.	6 months (Feb, Mar, Apr, May, June, July) every year with examination
2	First Aid Training	All executives, staff, mandores and workers from estates and mills	To train all the person in-charge at each of the work units in estates and mills on the function of the first aid kit. In case of emergency, the responsible person will take immediate action.	Yearly basis
3	RSPO, MSPO & ISCC EU	All executives and staff from estates and mills	To train on the RSPO / MSPO / ISCC EU's principles and criteria to all estates and mill operating unit.	Yearly basis
4	Safety and Health	All executives and staff from estates and mills	To regularly educate and promote awareness on safety measure at workplace.	Yearly basis
5	HACCP	All executives and staff from mills	To educate on food safety and HACCP requirement.	Yearly basis



### Addressing undocumented labour

Sabah's long coastline and proximity to neighbouring Indonesia and the Philippines create a challenging condition for the government to manage the porous border crossing. Ferry services and land crossings also make it easy for individuals to enter the country.

Though the case, we always make sure that our workers are legally able to work in Malaysia. This is specifically so because new workers are often recommended to us by existing employees. An assessment of physical fitness would be conducted first and individuals without proper documentations are asked to return to their home country to apply for proper permits. We cover all costs required to obtain legal work permits in Malaysia with the exception of passports, which the workers must obtain for themselves. We have persuaded our workers to keep their own passport and discontinue the past practices of requesting the respective estate manager to help in its safekeeping.



### FOCUS ON HEALTH AND SAFETY



Occupational Safety and Health (OSH) is of utmost priority to us. To excel in our business, we must continue to provide and maintain a safe and healthy working environment at all times for all employees, as well as for our contractors and visitors. These commitments are continuously instilled in our employees' daily work culture, primarily focused on reducing at-risk behaviours. Lower incident rates bring lower staff turnover, lower absenteeism and higher productivity.

Hap Seng Plantations takes safety very seriously. To reduce the number of incidents in our estates, we have instituted strict compliance to our safety management plan, this includes:

- Yearly training of Safety Operating Procedure (SOP) of each work unit.
- Daily monitoring of work activity of each work unit by management representative.
- Induction training on SOP for every new employee.
- Safety committee meeting between management and worker representative at a quarterly basis to discuss on the action required to improve the SOP of each work unit.

As at 2017, the total number of CCTV installed within Hap Seng Plantations is 236 cameras for the purpose of safety and security.

Hap Seng Plantations also took the next big step by implementing a standardised health and safety programme by job type across all our operations. This ensures that all workers received standardised hours of training for each specific job task. The Estate OSH Committee oversees our health and safety policies and programmes. Each estate and mill is responsible for its own health and safety performance through its respective health and safety committee.

## PEOPLE IN FOCUS

Worker representation on each committee varies according to the number of work crews at each plantation, but normally ranges from eight to 10 workers. Compliance with the use of PPE and annual medical surveillance is mandatory and strictly monitored across all our estates.

Training of workers is decentralised to the respective mills and estates. Each worker is targeted to receive on average, two hours of training annually, but we recognise that there are variations in the actual hours of training received on different estates. Each estate and mill set their yearly OSH programmes in their OSH Plan, including review of Hazard Identification Risk Assessment Risk Control (HIRARC) for each work unit, OSH in-house training, chemical exposure monitoring, local exhaust ventilation inspection, safety committee meeting and annual medical surveillance, audiometric assessment and renewal of all permit in order to meet the OSHA requirement.

All the estates and mills will also undergo the chemical health risk assessment (CHRA). This assessment is conducted once every five years to understand the risk of chemical hazard to health and be in compliant with the "Use and Standard of Exposure Chemical Hazardous to Health (USECHH) Regulation 2000".

In 2017, we also engaged external occupational safety and health trainers such as the National Institute of Occupational Safety and Health (NIOSH) and BOMBA to conduct competency training for Authorised Entrant and Standby Person (AESP) who works in confined space as well as fire training. All our workers are covered by the Foreign Workmen Compensation Scheme, a general insurance policy that covers both injuries and fatalities.

### Action on accidents



All accidents are reported and recorded at our clinics. The majority of accidents experienced by workers at the estates involve thorn pricks and cuts, particularly among new workers. To minimise these accidents, each new worker receives an induction and briefing by a conductor. Each estate conducts training for workers periodically. We suspect that there may be an under-reporting of minor accidents such as thorn pricks or cuts. Workers often resort to self-treatment and medication so that they can continue working. They often only report when workers come to the clinic with an infected wound. This resulted in late reporting.

To strengthen our culture of safety, we are constantly engaging with our workers. Our key tools to achieve this goal are via awareness, education and improved reporting mechanism, and these include:

- Educating workers through Yearly Safety Training for each work unit to build safety awareness among the workers.
- Conducting safety aspect toolbox briefing (muster ground briefing) every morning before work starts.
- Involvement of worker's representative in safety committee meeting to discuss on safety aspect in every estate and mill.

Workers do not always prioritise training as it means being away from the field. So it is vital that we emphasise the personal benefits of this investment - a reduced risk of accidents, more productivity and a higher income. In order to address this issue, we have implemented the following measures:

- Implementation of Log Out Tag Out system (LOTO) in mill machinery to reduce risk of accident. This will increase the safety aspect of handling machinery especially during maintenance of the machinery by locking the switch board which prevent accidentally switching on the switch board during the machinery maintenance.
- Implementation of Permit To Work (PTW) for high risk work and non routine work for example working at height, hot work and confine space. PTW is very important for employer to continue monitor and supervise the safety requirement for high-risk work to ensure the workers comply with Safe Operating Procedure.
- Quarterly workplace safety inspection / audit conducted by safety committee member to inspect any set safety measures that need to be improved.

In 2017, some of our most critical accidents were related to harvesting operation. Therefore, we focused on ensuring the competency of our harvesting workers by providing periodical intensive training, specifically focusing on the safe technique of harvesting the FFB. We also continue to review our HIRARC annually in order to track the risk-based hazard on each of the work unit present, by implementing new control measure in order to reduce the risk of accident occurring in the future.





## PEOPLE IN FOCUS

The accident statistics compiled from all our operating units indicated that the average lost time accident (“LTA”) at the workplace have decreased from 2014 to 2017 by 61%. The severity rate (average number of lost time per accident) has also decreased by 18% from 2014 to 2017. The reduction of lost time accident and severity rate is a reflection of the commitment and joint efforts of our management, OSH Committees, workers and contractors to reduce workplace accidents.

We recognise that the biggest challenge is not reducing accident rates, but to make OSH a culture and a way of life. In this respect, we continuously strive to prevent accidents and injuries and take necessary preventive steps to reduce them. A safer and healthier working environment will increase productivity and quality of living.

### **Towards a zero fatality workplace**

Our severity rate remains low, as most cases involve minor injuries such as cuts and thorn pricks. However, in 2017, we sadly recorded one fatality caused by falling object during a harvesting operation besides also recording a small number of cases involving serious accidents, including a case where a worker severely injured his fingers while pulling the FFB cages. The standard operating procedure for this process has now been reviewed, with the addition of a new control measure in order to prevent the accident from happening again in the future.

Preventive actions taken include in-house OSH training and workplace inspection carried out by the OSH Committee as well as placement of warning and safety signs in the workplace.

In the case of an incident, the estates and oil mills OSH Committee will conduct a thorough investigation and recommends how to prevent future accidents. This investigation report will be 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.



Every major incident is formally investigated. Our SOP requires us to conduct a thorough review of the cause, outline recommendations and actions that need to be taken to prevent future recurrence. The finding of each review is reinforced by safety training and re-training on the use of appropriate protective equipment in order to minimise the risk. In 2017, we introduced a behavioural safety approach to further enhance the safety culture in the workplace.

### **Occupational Safety and Health Hygiene**

Once every five years, the CHRA is carried out in every estate and mill in compliance with the “Use and Standard of Exposure Chemical Hazardous to Health Regulation 2000.” This is to assess our workers’ handling of hazardous chemicals as well as their health.

Every recommended action of safe handling and storage from the CHRA is strictly complied with and implemented by every operating unit. Chemical exposure monitoring (CEM) is also conducted on a yearly basis to determine the hazardous chemical that our workers are exposed to.





Though exposure of hazardous chemical to our workers remained low, we continued to improve our measures in further minimising exposure by installing additional exhaust fan and conducting yearly inspection to determine the efficiency of the ventilation system.

We are currently in the preliminary stage to minimise and phase out usage of high toxicity chemical that falls under the WHO 1A & 1B category while exploring the possibility of replacing them with more suitable alternatives.

Medical surveillance programmes are regularly carried out for all employees engaged in the handling of pesticides and other chemicals. Training programmes in the use of PPE for workers exposed to hazardous compounds are regularly conducted and documented. This has been a vital part of our operations for many years.



### Hazard Identification Risk Assessment and Risk Control

In line with our approach of preventive measures as a way of enforcing the law on OSH, HIRARC has become extremely important. HIRARC is an important aspect to our planning, management and the operation of our business as a basic risk management practice.

With HIRARC, we were able to identify hazards, analyse and assess their associated risks, and then apply suitable control measures. We have conducted HIRARC on all our operations and it has brought positive changes in our work practices.

### ADAPTING SECURITY MEASURES FOR EMERGENCY SITUATIONS

Since the 2013 Lahad Datu incursion, we continue to remain on high alert and have embarked on a programme to improve the overall security of the residential areas in the estates. Besides maintaining a close rapport with the security forces, particularly the Royal Malaysian Police, various enhancements measures have also been made. These include improving communications among security personnel and the establishment of early warning systems along the main entrance / exit points along the 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.



### BEING A FORCE FOR GOOD

Sabah faces significant development challenges, particularly in terms of infrastructure and employment opportunities. The state has 3.8 million inhabitants and a large number of people are living in remote communities without access to basic amenities. While the state has made progress in reducing poverty, Sabah still lags behind Peninsular Malaysia.

Hap Seng Plantations has always been closely linked to the villages where many of our employees live, and enjoy a very positive relationship with the local communities. It engages actively with community leaders to ensure that a harmonious mutually beneficial relationship is maintained. We have always believed in forming genuine partnership with our stakeholders, and in this case, the communities in which we operate in. We do provide some direct financial assistance to our local communities, mainly related to celebrations and festivals.

However, we believe that we can make bigger and more positive impact for the local community by, firstly, creating job opportunities for locals; secondly, expanding their access to services; and, thirdly, improving local infrastructure for the local communities that are often isolated and without access to basic facilities.

Applicants from local communities are given preference when there are job openings, and as such, we employ a large number of local people in positions ranging from security guards, mechanics to clerks and senior managers. Local communities are also offered free access to a number of our services, as the nearest alternative could be more than one hour's drive away. These include our medical clinics, which are equipped with modern medical facility such as X-Ray.



We also assist the local communities in upgrading the local infrastructure so as to enhance access for the local communities to facilities and increasing employment opportunities for them in nearby towns. Hap Seng Plantations completed the road upgrade and accessibility for the villagers at Kampung Litang in June 2017. This road access is a boon for the villagers as it provides easy access to healthcare services, bring their goods to market and transportation for their children to attend schools. To-date, Hap Seng Plantations had constructed 117 kilometres of all-weather gravel roads across its plantations.



In continuing with its partnership with the local communities, Hap Seng Plantations also successfully commissioned a new ferry "RIVERS 3" with 24-hour service on 21 August 2017, effectively connecting TMGOE with SSGOE via ferry. With the new connectivity, this meant that villagers living in the area would also be effectively connected, enabling travels from the two locations. Villagers benefiting most from the ferry connection include those from Kampung Tidung and Kampung Dagat, both located in Tomanggong.

### LAND RIGHTS

We acknowledge the legal and customary land rights of the local communities as stated in our Sustainable Agriculture Policy where our commitment is for a robust Free, Prior and Informed Consent process for any new developments.

We currently have 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 on the case can be found in our annual report and on the RSPO website (<http://www.rspo.org/members/complaints/status-of-complaints/view/89>).

# EDUCATION IN FOCUS

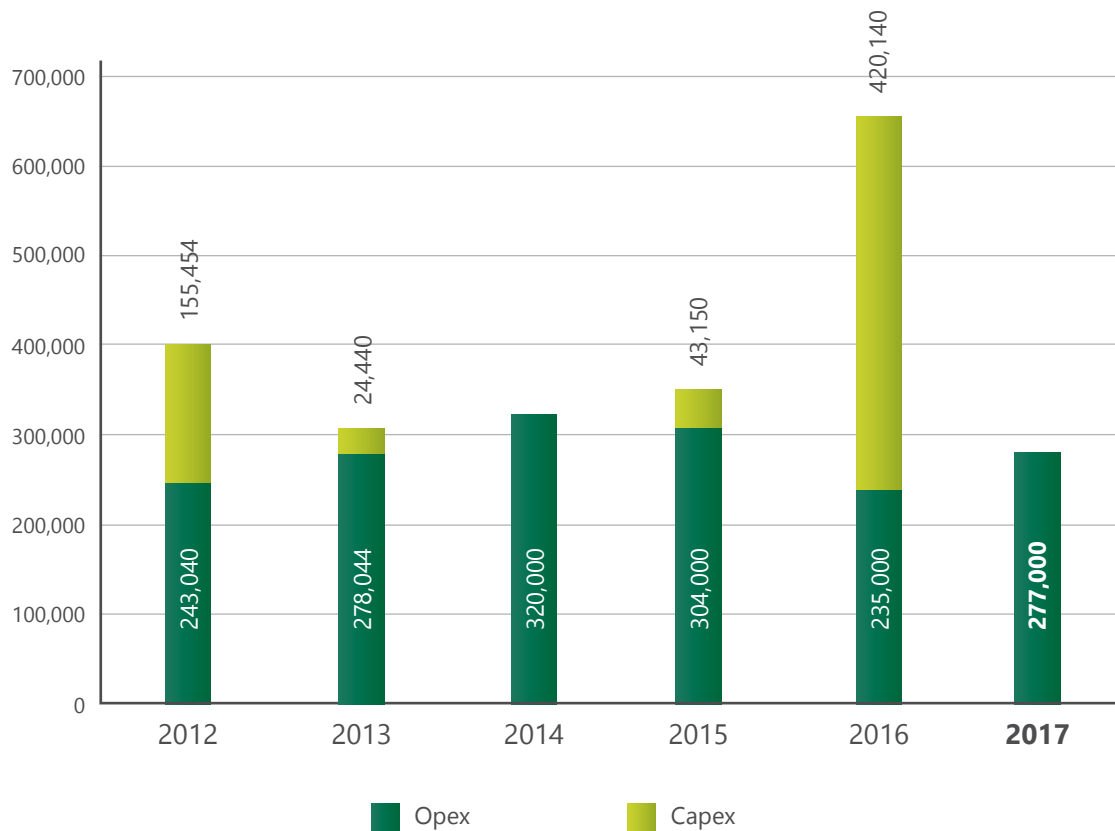
## Investing capital to build educational capacities

We do not allow children or young people under the age of 18 to work on our estates. We do however recognise that workers living on our estates sometimes involve their children in loose fruit collection and other light work. To deal with this issue, we conduct spot checks in order to eliminate this practice. We are 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.

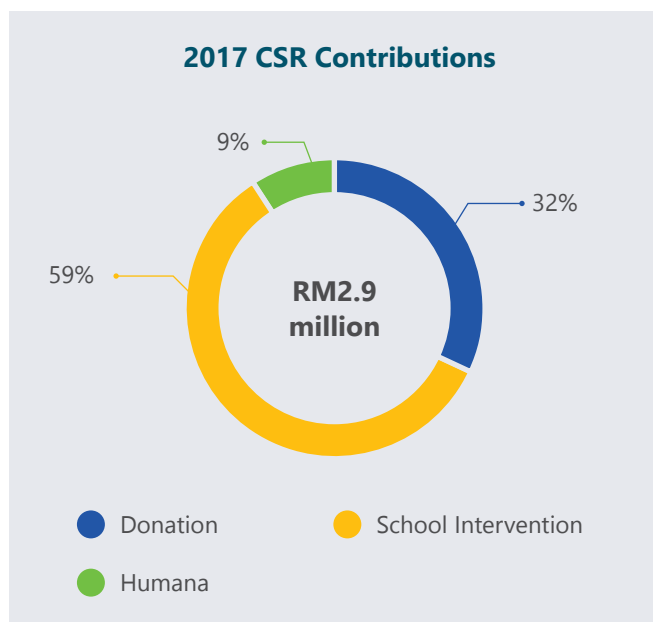
Challenged by our remote location, and by the fact that many children of foreign workers are undocumented, ensuring availability of schools has been a key initiative for our company. Since 2009, the Hap Seng Group has funded the Humana Child Aid Society in its mission to provide education for children without access to school in plantations and other remote areas of Borneo. In the last six years, we have invested about RM2.3 million in capital and operating expenditure, and today there are 11 Humana Learning Centres providing six years of primary national curriculum to around 1,000 children on our estates.

Throughout 2017, we invested a total of RM2.9 million for various CSR initiatives, capacity building programmes and building fund for schools and outreach to other plantation companies in the area to encourage similar initiatives and drive awareness of the right to basic education.

**Humana Capital and Operating Expenditures**







### High Order Thinking Skills & English

We continue to support Hap Seng Group social investment initiative to reduce education inequity between rural and urban schools, one of the desired outcomes of the Malaysian Education Blueprint 2013-2025, where our partners delivers 'experiential High Order Thinking Skills' learning and English.

We limit our role to be a catalyst, hence the criteria set for our programmes must contain facilitation for capacity building, open to collaboration with other stakeholders and the school community will be able to adopt and sustain the programme or learning when we exit. The programme should be able to be replicated and scaled.

To-date, our educational initiatives have created the intended positive impacts to the various learning, and some are being replicated by other funders to other schools in the country.

### HAP SENG GROUP'S D-CODE

Duration: 3 years (2015 to 2017)

#### Empowering Our Youth

Hap Seng Group D-Code is an inter school camp and competition coding literacy programme, a collaboration between Hap Seng Group and Startup Malaysia in partnership with the Sabah State Education Department targeting students aged between 13-15 years.

The first phase was a two years project, involving all 212 secondary schools throughout Sabah, launched in 2015. The project, which was rolled out in July 2015 successfully reached out to 1,061 students, 212 teachers from 210 secondary schools in 24 Pejabat Pendidikan Daerah throughout Sabah.

This project based learning programme exposed the students not only on the use of programming language and tools - Raspberry Pi, web programming skills such as HTML, CSS and JavaScript, the students also underwent innovative thinking exercises, problem solving exercises, presentation skill workshops and team building activities, all associated with higher order thinking skills (HOTS). Through these exercises they learnt to expand their ability beyond creating and writing code for software applications, to also problem solve, plan, be innovative and build their self-confidence.

The finalists for the first phase were SMK Pinggan-Pinggan, Pitas; SMK Madai, Kunak; SMK Tenom, Tenom; SMK Kundasang, Ranau; SMK Sindumin, Sipitang; SMK Sepagaya, Lahad Datu; SMK Shan Tao, Kota Kinabalu and SMK SANZAC, Kota Kinabalu.

The winners were teams from SMK Madai, Kunak and SMK Kundasang, Ranau both were rural schools. The learning here; technology, can bridge the urban – rural inequity gap and rural students provided with equal opportunity can perform equally as their urban counterparts.

## EDUCATION IN FOCUS

In 2017, for the second phase, we added a pre-selection filtration process, where interested schools had to submit a short video and write an essay why they deserve to participate in the programme. 182 from 96 schools submitted, of which 70 teams from 70 schools were shortlisted, 211 participants attended the coding camps. These participants must have basic coding skills as a prerequisite to selection as the module set was for intermediate programming.

Of the 211 coders that participated, 86 participants were from the first phase, 125 were new faces. Many of the new coders learnt coding from their peers, showing the existence of an effective peer-to-peer learning that continue at the schools, beyond the coding camps.

The second phase finalists were SMK Kundasang, Ranau; SMK Tebobon, Kota Kinabalu; SMK Agama, Keningau; SMK Pekan, Telipok; SMK Penangah, Tongod; SMK Abdul Rahim, Kudat; SMK Usukan, Kota Belud; SM St Joseph, Papar, SMK Bugaya, Semporna; and SM Shan Tao, Kota Kinabalu.

The champion for phase two were SMK Bugaya, Semporna and SMK Kundasang, Ranau both are rural schools proving once again that given equal opportunity the most creative and innovative students would shine.

“

I am amazed when you focus so much on the rural areas. This is one of the points we want to narrow that is the gap between the urban and rural. We want to provide facilities that are available in the urban schools to the rural schools.

I think this program is a good idea, thank you Hap Seng for this noble cause and I hope more companies would join us.

”

*YB Senator Datuk Chong Sin Woon Deputy Minister of Education II*

“



Nur Aqeela (second from right)

After attending this programme, I was able to do a presentation in front of a lot of people more confidently. Before this, I used to avoid presentations at all costs because I do not like being the centre of attention. With the support and positivity from my teachers and the facilitators, I was able to overcome my anxiety during the camp. I will continue to share my knowledge with my friends in school since I know so much about coding now. I also plan to learn more programming languages and create more website and mobile app prototypes in order to improve my skill. I plan to choose a career in software engineering when I grow up.

”

*Nur Aqeela Arujin, a winning participant from Sekolah Menengah Kebangsaan Kundasang, Ranau who joined both Hap Seng Group D-Code (2015-2016) and Hap Seng Group D-Code: Second Phase (2017)*



Hap Seng Group CSR Director, Puan Sri Maimon, State Education Department Senior Assistant Director (Human Development Sector) En Kifli Gitam and the winners of Hap Seng Group D-Code: Second Phase

Winners of Hap Seng Group D-Code: Second Phase were thrilled when their idea to consolidate water taxi service in Semporna won the judges unanimously. The team from SMK Bugaya, Semporna was inspired to develop the 'Teksi Air Semporna' (Semporna Water Taxi) web application by looking at the current situation of the water taxi services in the district.

“

We built a web which offers Uber and Grab-like online boat ticket purchases. The idea came when we noticed that there are many people residing in the many islands around Semporna and they depend much on the water taxi services. We hope that people can buy tickets online according to a fixed schedule through the web application as currently ticket purchases are not well-managed.

”

*Muhd Asmail, a teacher from one of the schools shared during the prize presentation ceremony held at the State Library on Saturday, 11 November 2017.*

## 12<sup>TH</sup> FUNDERS' ROUNDTABLE: THE COLLABORATION CHALLENGE

**Duration: 1 year (2017-2018)**

### Together For a Better Tomorrow

Collaboration is the way forward in addressing social issues. Hap Seng Group is one of the founders of a Funders initiated collaboration – Malaysian Collective Impact Initiative (MCII) – an initiative aimed at achieving systemic educational and social change in Malaysia through cross sector partnerships. The question was, can NGOs or Social Enterprises also collaborate?

At the 12<sup>th</sup> Funders Roundtable that was hosted by Hap Seng Group and co-curated with Thoughts in Gear, a Corporate Responsibility consulting and outsourcing firm. Hap Seng Plantations, Anyaman Preschools, Credit Suisse, IOI Group, Lau Gek Poh Foundation, Prudential Assurance Malaysia Berhad, Westports, YTL

Foundation, Yayasan Hasanah and three personal funders collectively pooled together “The Collaboration Challenge” fund.

Several NGOs were invited to collaborate and solve any of the four identified problems that was uncovered by MCII at the engagement session with the schools community. Nine teams comprising at least three organisations each from various social enterprises and Non Government Organisations (NGOs) took part to pitch their ideas and solutions to the funding partners on 11 October 2017.

At this event, it was noted that given the right ecosystem and clear guidelines, NGOs and social organisations could collaborate and build on each other's strength. Two teams with innovative ideas (1) MakanLah's Canteen Food: The Healthy Way and (2) Impact Hub's Garden of Opportunities initiatives were unanimously voted winners by the funders, each receiving a RM100,000.00 grant.

The two winning programmes are set to benefit 12 schools in Klang under the Malaysian Collective Impact Initiative.

WINNING SOLUTIONS

<b>MakanLah's Canteen Food: The Healthy Way</b>	<b>Garden of Opportunities</b>
<b>Objective</b>	
Improve child nutrition.	Upskilling at-risk youth, creating safe after school spaces and improving child nutrition.
<b>Collaborators</b>	
MakanLah, Agak-Agak and UCSI.	Impact Hub Kuala Lumpur, Garden Control, 100% Project, and Eats and Shoots & Roots.
<b>Focus</b>	
Healthy, delicious and affordable food in school canteens. Three-pillar solutions: 1. Develops a healthy menu that sells. 2. Supplies core ingredients at a lower cost. 3. Provides training and business development for the school canteens.	Edible gardens in schools.  With FIDS (Feel, Imagine, Do & Share) Methodology, hope to reach out to teachers and students to build up their living and soft skills. Healthy and safe after school activities for the students.



Team MakanLah



Team MakanLah

HAP SENG GROUP'S INTERNET OF THINGS

**Duration: 3 years (2017 to 2018)**

Locality		2017	2018	2019
Secondary Schools in Pendalaman	All 24 secondary schools	Target : 48 teachers.  Each school train minimum 16 students; total 384 students.	48 teachers + 1 computer club in each school.  Mentor their primary feeder school.	<ul style="list-style-type: none"> <li>Each school computer club should be self-sustainable.</li> <li>Has an ongoing mentoring programme with feeder primary schools.</li> </ul>
	20 primary feeder schools		40 teachers + 200 students	
Secondary schools in Semporna	5 secondary schools with TFM teachers		10 teachers + 50 students	10 teachers + 1 computer club in each school.



### Innovating Teaching in Sabah Schools

Hap Seng Group's Internet of Things (IoT) programme is an initiative targeted at teachers with special emphasis on mentoring and project based learning.

The programme was carried out in collaboration with Chumbaka, an organisation that develop children's life skills through technology, with the goal of putting fun and higher order thinking skills (HOTS) back into teaching. The programme aimed to arm teachers with mentoring skills to deliver 21st century learning in their classrooms.

The programme started with two bootcamps in March 2017, reaching out to 48 teachers from 24 schools from interior Sabah - Tenom, Nabawan, Keningau and Tambunan. The participating teachers were able to self-learn and successfully completed their projects.

The teachers were taken on a 'learning to learn' experiential journey, to bring out the best from them. The programme exposed the teachers to many different technical skills such as proficiency in embedded system, electronics, coding, prototyping and also Soft Skills toolkits such as mentoring, pitching, design thinking as well as 21st century teaching methods.

The outcome of the programme was positive, as demonstrated in the 2017 state level Young Innovate Challenge held in Universiti Malaysia Sabah (UMS) where 64% of the awards were won by the students mentored and supported by these teachers who have gone through Hap Seng Group IoT bootcamps.

14 schools received five Golds, 13 Silvers and 14 Bronzes, totalling 32 out of 50 awards available. One of these winning schools, SMK Tambunan Sabah, is among the 15 finalists that made it to the national level Young Innovators Challenge 2017.

#### Teachers' quotes from Hap Seng Group IoT Bootcamps:



"Proud as I started zero and now achieved something."

*Cikgu Mayziella,  
SMK Gunsanad*

"... I have been spoon feeding my students all this while ... I want to be a better teacher ..."

*Cikgu Jovina,  
SMK Desa Wawasan*

"... I hope through this, my students will be exposed to more careers. As for now, when asked what their ambitions are, their answers will be quite standardized as they only know a handful of careers that are available around them ..."

*Cikgu Leona,  
SM ST Anthony*

"... I was appointed to champion this program. I was very reluctant to come. But I accepted the fact and I actually had fun ..."

*Cikgu Vanessa,  
SMK Bingkor*

"... I enjoyed it very much. I can imagine my kids would too! ..."

*Cikgu Deyna,  
SMK Entabuan*



## HAP SENG GROUP'S CSR TABLETALK

**Duration: 1 day (10 November 2017)**

### Brainstorming For Better Learning Programmes

The HSG CSR Tabletalk gathered together representatives from each of the Hap Seng Group CSR programme to enable them to share and discuss the educational issues and needs of the children in Sabah, especially those in rural areas.

Among the representatives present were education officers, service providers, teachers, students and parents involved in Hap Seng Group D-Code, Hap Seng Group Inter-Active Science, Hap Seng Group IoT and Tanjung Batu Community Centre.

An interesting highlight in the event was the sharing of Jon Xavier Nathaneal Lingai, a 15-year-old student from SMK Gunsanad. He was one of the students trained by teachers under the Hap Seng Group Internet of Things (IoT). On the issue of rural students lacking exposure, Jon Xavier espoused that students from rural areas could learn more about the world and the different careers available for them through the glass of Virtual Reality (VR), for example, Google VR.

Coming from a rural school himself, he understood that the exposure beyond the rural area is important for his fellow peers to open up their minds for bigger dreams and unlock potentials.

Jon Xavier Nathaneal, along with the other teams from his school, has won several awards at the state-level Young Innovate Challenge competition.

It is through constant engagements like this that Hap Seng Group was able to understand the needs of the educational community in Sabah. This has provided the Group a firsthand insight into the educational needs of the rural schools and helped come up with more impactful programmes that are relevant to their needs.



## HAP SENG GROUP'S TG. BATU CENTRE

Duration: 3 years (2017 to 2020)



### Empowering The Tanjung Batu Community

Hap Seng Plantations, in collaboration with UPPM Tanjung Batu and the Pusat E-Desa Tanjung Batu, Sabah and SOLS 24/7, set up an English literacy community centre in Tanjung Batu, Tawau. The goal was to use English proficiency programme as a mean to motivate and empower the children and community in Tanjung Batu.

Open to participants ranging from seven to 50 years old, the community learning programme consists of English proficiency classes held at two different locations – the Pusat E-Desa centre and the Kg. Tg. Batu Keramat centre.

Classes at the Pusat E-Desa centres are conducted every Monday, Tuesday & Thursday while the Kg. Tg. Batu Keramat classes are conducted every Monday and Wednesday night. The duration of each class was to a maximum of two hours per session.

During the launching, more than 75 participants have registered to join the English classes.

SOLS 24/7, an award-winning humanitarian organisation, developed and delivered the educational programmes through a mentor who stayed within the community.

# ABOUT THIS REPORT

This is Hap Seng Plantations' third sustainability report. The report covers data on our operations in our wholly owned estates for the financial years 2017. We continued to be guided by the Global Reporting Initiative Standards (GRI) in preparing its contents. The content in this report references the GRI Standards 2016, please refer to the GRI Content Index (pg. 60) for each disclosure used.

We also included significant events from 2017 where they were considered material, such as the successful MSPO certification of all estates and mills. The report also included a major breakthrough in our ZSL SPOTT ranking where we managed to be listed in the green zone for the first time, scoring 66.20% for our sustainability reporting. This achievement could be attributed to our progress in closing our reporting gaps and meeting our sustainability targets. Another success story in 2017 was our targeted achievement in obtaining HACCP certification for all mills.

Hap Seng Plantations plays an active role in our society while maintaining good relationship with our surrounding stakeholders and smallholders. Hap Seng Plantations' ultimate goal is to ensure that our surrounding stakeholders and smallholders within our supply chain follow our footsteps in achieving sustainability by 2022.

This report is intended to be useful for our stakeholders – particularly customers, shareholders and employees – and to communicate our approach to the social, environment and economic aspect of our business to all interested parties.

This report does not include associate companies or joint venture enterprises. Unless otherwise stated, all data is correct as of 31 December 2017. We are committed to continuing our reporting journey and expect to publish a sustainability report annually.

## Materiality

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

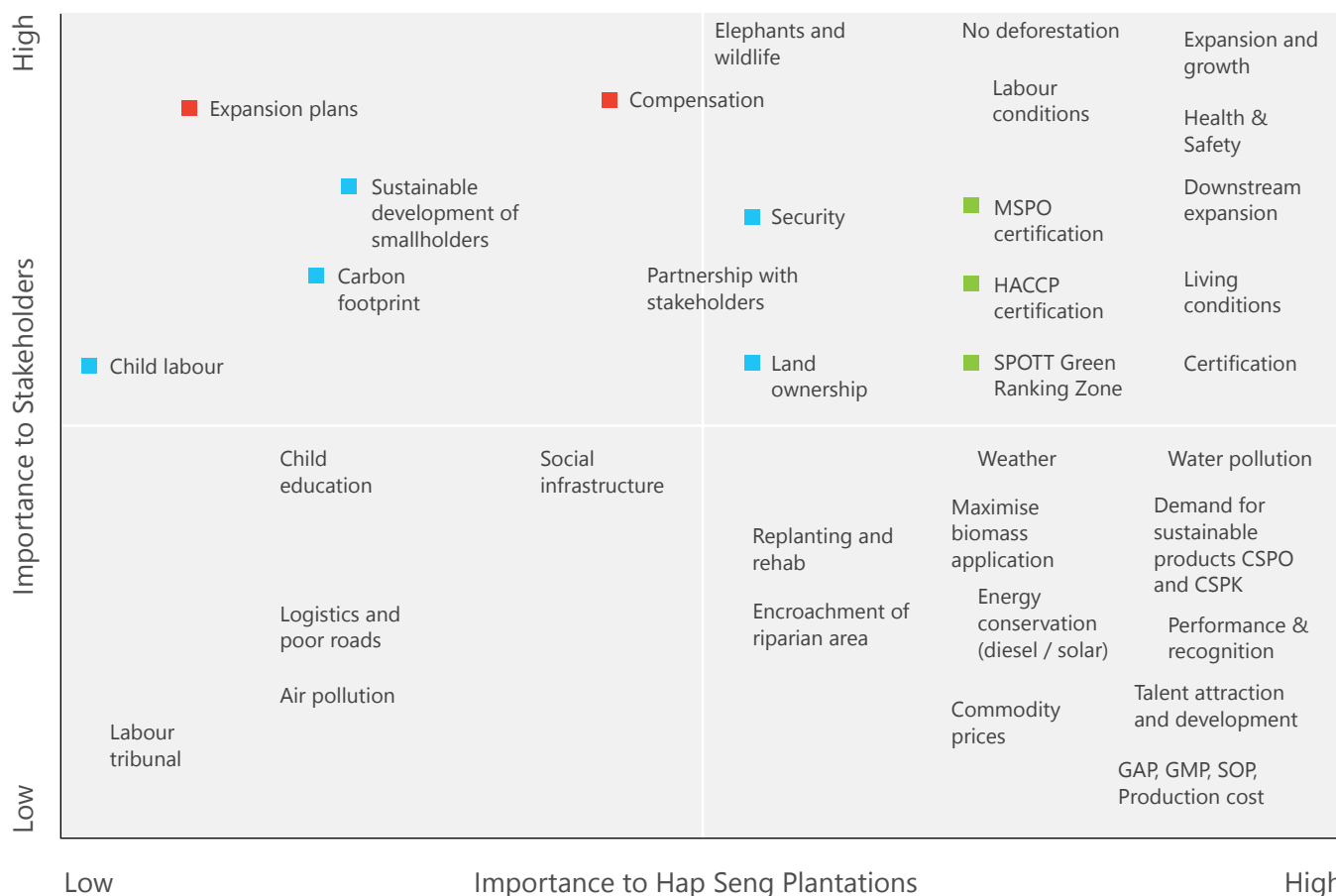
Included were benchmark research, internal workshops and a review of our operations and data by a third-party consultant. Senior management teams at both Sabah and Kuala Lumpur reviewed the key issues and prioritised those deemed of material importance for Hap Seng Plantations, either because of their critical commercial relevance, or because they represented particular strengths or weaknesses in our company.

Based on this, a materiality matrix was drawn up and a series of improvement targets and objectives were developed. As there have 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 the latest developments in the industry (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) that we believe expressed the latest expectations and trends for our sector. We also reviewed peer policies and reports, as well as NGO campaigns, to understand emerging practices and key issues.



### HAP SENG PLANTATIONS MATERIALITY MATRIX 2017



Key:

- Issues which have been changed in importance since the previous report
- New aspects which have been added
- Aspects which have been deleted as they are being 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.

**ABOUT  
THIS REPORT**

<b>GRI CONTENT INDEX</b>			
<b>Disclosure</b>		<b>Page</b>	<b>Comment / Reason for Omission</b>
<b>GRI 101: Foundation 2016</b>			
<b>GRI 102: General Disclosures 2016</b>			
<b>Organisational Profile</b>			
102-1	Name of Organisation	About Hap Seng Plantations: 7	
102-2	Activities, brands, products, and services	About Hap Seng Plantations: 7	
102-3	Location of headquarters	Back cover	
102-4	Location of operations	About Hap Seng Plantations: 7, 11	
102-5	Ownership and legal form	About Hap Seng Plantations: 8, 9	
102-6	Markets served	About Hap Seng Plantations: 7	
102-7	Scale of the organisation	About Hap Seng Plantations: 7 - 15	
102-8	Information on employees and other workers	People in focus: 38 - 43	
102-9	Supply chain	Sourcing sustainably – outgrowers and smallholders: 14	
102-10	Significant changes to the organisation and its supply chain	No significant changes in 2015 - 2016	
102-11	Precautionary Principle or approach	The precautionary approach is integral to the RSPO P&C to which we are committed	
102-12	External initiatives	Message from the Chief Executive – Group Plantations: 2 - 4 Tracking progress on our commitments: 6 About Hap Seng Plantations: 7 Stepping up on sustainability: 19 - 25	
102-13	Membership of associations	Stepping up on sustainability: 23	
<b>Strategy</b>			
102-14	Statement from senior decision-maker	Message from the Chief Executive – Group Plantations: 2 - 4	
102-15	Key impacts, risks and opportunities	Hap Seng Plantations Holdings Berhad's Annual Report 2017 – Management Discussion & Analysis: 5, 8	
<b>Ethics and Integrity</b>			
102-16	Values, principles, standards, and norms of behaviour	About Hap Seng Plantations: 7 Corporate governance: 15 - 16	
102-7	Mechanism for advise and concern about ethics	Corporate governance: 16	

GRI CONTENT INDEX			
Disclosure		Page	Comment / Reason for Omission
<b>Governance</b>			
102-18	Governance structure	Corporate governance: 15 Sustainability governance and management structure: 22	
102-20	Executive-level stakeholders on economic, environmental, and social topics	Hap Seng Plantations Holdings Berhad's Annual Report 2017 – Corporate governance: 26	
102-22	Composition of the highest governance body and its committee	Corporate governance: 15	
<b>Stakeholder Engagement</b>			
102-40	List of stakeholder groups	Engaging our shareholders and stakeholders: 24, 25	
102-41	Collective bargaining agreements	People in focus: 38, 41	
102-42	Identifying and selecting stakeholders	Engaging our shareholders and stakeholders: 24, 25	
102-43	Approach to stakeholder engagement	Engaging our shareholders and stakeholders: 24, 25	
102-44	Key topics and concerns raised	Engaging our shareholders and stakeholders: 24, 25 People in focus: 42	
<b>Reporting Practice</b>			
102-45	Entities included in the consolidated financial statements	Annual Report	
102-46	Defining report content and topic Boundaries	About this report: 58	
102-47	List of material topics	About this report: 58, 59	
102-48	Restatements of information	About this report: 58	
102-49	Changes in reporting	About this report: 58	
102-50	Reporting period	About this report: 58	
102-51	Date of most recent report	About this report: 58	
102-52	Reporting cycle	Annually	
102-53	Contact point for questions regarding the report	Back cover	
102-54	Claims of reporting in accordance with the GRI Standards	About this report: 58	
102-55	GRI content index	GRI content index: 60 - 71	
102-56	External assurance	About this report: 58	

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<b>Material Topics</b>				
<b>GRI Standard</b>	<b>Disclosure</b>		<b>Page</b>	<b>Comment / Reason for Omission</b>
<b>ECONOMIC</b>				
<b>Economic Performance</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	About Hap Seng Plantations: 7	
	103-2	The management approach and its components	About Hap Seng Plantations: 7	
	103-3	Evaluation of the management approach	About Hap Seng Plantations: 7	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	Message from the Chief Executive – Group Plantations: 2 - 4 About Hap Seng Plantations: 6 - 15	
<b>Market Presence</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	People in focus: 38 - 43	
	103-2	The management approach and its components	People in focus: 38 - 43	
	103-3	Evaluation of the management approach	People in focus: 38 - 43	
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	People in focus: 38 - 43 There is no difference in the entry level wage for female and male employees	
	202-2	Proportion of senior management hired from the local community	People in focus: 38, 39, 48	
<b>Indirect Economic Impacts</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	People in focus: 48, 49	
	103-2	The management approach and its components	People in focus: 48, 49	
	103-3	Evaluation of the management approach	People in focus: 48, 49	
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	People in focus: 48, 49	
	203-2	Significant indirect economic impacts	People in focus: 48, 49	



Material Topics				
GRI Standard	Disclosure		Page	Comment / Reason for Omission
<b>Procurement Practices</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sourcing sustainably – outgrowers and smallholders: 14	
	103-2	The management approach and its components	Sourcing sustainably – outgrowers and smallholders: 14	
	103-3	Evaluation of the management approach	Sourcing sustainably – outgrowers and smallholders: 14	
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	Sourcing sustainably – outgrowers and smallholders: 14	
<b>Anti-corruption</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Corporate governance: 16	
	103-2	The management approach and its components	Corporate governance: 16	
	103-3	Evaluation of the management approach	Corporate governance: 16	
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	Corporate governance: 16	
	205-3	Confirmed incidents of corruption and actions taken	None reported	

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<b>Material Topics</b>				
<b>GRI Standard</b>	<b>Disclosure</b>		<b>Page</b>	<b>Comment / Reason for Omission</b>
<b>ENVIRONMENTAL</b>				
<b>Materials</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Environment in focus: 26	
	103-2	The management approach and its components	Environment in focus: 26	
	103-3	Evaluation of the management approach	Environment in focus: 26	
GRI 301: Materials 2016	301-1	Materials used by weight or volume	Operational overview: 11 - 14	
<b>Water</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Environment in focus: 27 - 29	
	103-2	The management approach and its components	Environment in focus: 27 - 29	
	103-3	Evaluation of the management approach	Environment in focus: 27 - 29	
GRI 303: Water 2016	303-1	Water withdrawal by source	Environment in focus: 29	
	303-2	Water sources significantly affected by withdrawal of water	Environment in focus: 29	
	303-3	Water recycled and reused	Environment in focus: 28	
<b>Biodiversity</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Conserving biodiversity: 35	
	103-2	The management approach and its components	Conserving biodiversity: 35	
	103-3	Evaluation of the management approach	Conserving biodiversity: 35	

Material Topics				
GRI Standard	Disclosure		Page	Comment / Reason for Omission
<b>Biodiversity</b>				
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Conserving biodiversity: 35	
	304-2	Significant impacts of activities, products, and services on biodiversity	Conserving biodiversity: 35 - 37	
	304-3	Habitats protected or restored	Conserving biodiversity: 35 - 37	
	304-4	List of species and national conservation list species with habitats in areas affected by operations	Conserving biodiversity: 35 - 36	
<b>Emissions</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Message from the Chief Executive – Group Plantations: 2 - 4 Stepping up on sustainability: 19, 20 Action on GHG emissions: 32, 33	
	103-2	The management approach and its components	Message from the Chief Executive – Group Plantations: 2 - 4 Stepping up on sustainability: 19, 20 Action on GHG emissions: 32, 33	
	103-3	Evaluation of the management approach	Message from the Chief Executive – Group Plantations: 2 - 4 Stepping up on sustainability: 19, 20 Action on GHG emissions: 32 - 38	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Action on GHG emissions: 32 - 34	
	305-2	Energy indirect (Scope 2) GHG emissions	Action on GHG emissions: 32 - 34	
	305-3	Other indirect (Scope 3) GHG emissions	Action on GHG emissions: 32 - 34	
	305-4	GHG emissions intensity	Action on GHG emissions: 32 - 34	
	305-5	Reduction of GHG emissions	Action on GHG emissions: 32 - 34	

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<b>Material Topics</b>				
<b>GRI Standard</b>	<b>Disclosure</b>		<b>Page</b>	<b>Comment / Reason for Omission</b>
<b>Effluents and Waste</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Environment in focus: 28	
	103-2	The management approach and its components	Environment in focus: 28	
	103-3	Evaluation of the management approach	Environment in focus: 28	
GRI 306: Effluents and Waste 2016	306-1	Water discharge by quality and destination	Environment in focus: 28	
	306-3	Significant spills	No significant spills	
	306-5	Water bodies affected by water discharges and/or runoff	Environment in focus: 28	
<b>Environmental Compliance</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Conserving biodiversity: 35 - 37	
	103-2	The management approach and its components	Conserving biodiversity: 35 - 37	
	103-3	Evaluation of the management approach	Conserving biodiversity: 35 - 37	
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	Conserving biodiversity: 35 - 37	
<b>Supplier Environmental Assessment</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sourcing sustainably – outgrowers and smallholders: 14	
	103-2	The management approach and its components	Sourcing sustainably – outgrowers and smallholders: 14	
	103-3	Evaluation of the management approach	Sourcing sustainably – outgrowers and smallholders: 14	



Material Topics				
GRI Standard	Disclosure	Page	Comment / Reason for Omission	
<b>GRI 400 SOCIAL</b>				
<b>Employment</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	People in focus: 38 - 43	
	103-2	The management approach and its components	People in focus: 38 - 43	
	103-3	Evaluation of the management approach	People in focus: 38 - 43	
GRI 401: Employment	402-2	Benefits provided to full-time employees that are not provide to temporary or part-time employees	People in focus: 38, 41	
	402-3	Parental leave	Environment in focus: 30	
<b>Labour / Management Relations</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	People in focus: 38	
	103-2	The management approach and its components	People in focus: 38	
<b>Occupational Health and Safety</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Message from the Chief Executive – Group Plantations: 2 - 4 Focus on health and safety: 43 - 47	
	103-2	The management approach and its components	Message from the Chief Executive – Group Plantations: 2 - 4 Focus on health and safety: 43 - 47	
	103-3	Evaluation of the management approach	Message from the Chief Executive – Group Plantations: 2 - 4 Focus on health and safety: 43 - 47	
GRI 403: Occupational Health & safety	403-1	Workers representation in formal joint management – worker health and safety committee	Focus on health and safety: 43, 44 and 46	
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Focus on health and safety: 44, 46	Diseases and absenteeism is not reported, as these were not identified as material to HSPB

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<b>Material Topics</b>				
<b>GRI Standard</b>	<b>Disclosure</b>		<b>Page</b>	<b>Comment / Reason for Omission</b>
<b>Training and Education</b>				
GRI 404: Training and Education 2016	404-2	Programmes for upgrading employee skills and transition assistance programmes	People in focus: 42	
<b>Diversity and Equal Opportunity</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Corporate governance: 15 People in focus: 38, 39	
	103-2	The management approach and its components	Corporate governance: 15 People in focus: 38, 39	
	103-3	Evaluation of the management approach	Corporate governance: 15 People in focus: 38	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Corporate governance: 15 People in focus: 38	
	405-2	Ratio of basic salary and remuneration of women to men	Basic salaries of men and women are equal in accordance with the Malaysian Employment Act	
<b>Freedom of Association and Collective Bargaining</b>				
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	People in focus: 41	
<b>Child Labour</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Education in focus: 50	
	103-2	The management approach and its components	Education in focus: 50	
	103-3	Evaluation of the management approach	Education in focus: 50	
GRI 408: Child Labour 2016	408-1	Operations and suppliers at significant risk for incidents of child labour	Education in focus: 50	

Material Topics				
GRI Standard	Disclosure		Page	Comment / Reason for Omission
<b>Forced or Compulsory Labour</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	People in focus: 38, 41, 43 Sustainable Agriculture Policy	
	103-2	The management approach and its components	People in focus: 38, 41, 43 Sustainable Agriculture Policy	
	103-3	Evaluation of the management approach	People in focus: 38, 39, 42, 43	
GRI 409: Forced or Compulsory Labour 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	People in focus: 41, 43	
<b>Security Practices</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Adapting security measures for emergency situations: 47	
	103-2	The management approach and its components	Adapting security measures for emergency situations: 47	
<b>Rights of Indigenous Peoples</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sustainable Agriculture Policy	
	103-2	The management approach and its components	Sustainable Agriculture Policy	
	103-3	Evaluation of the management approach	Sustainable Agriculture Policy	
GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	No incidents or complaints pending or recorded in 2015-16	
<b>Local Communities</b>				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Peoples in focus: 40, 48 Sustainable Agriculture Policy	
	103-2	The management approach and its components	People in focus: 40, 48 Sustainable Agriculture Policy	
	103-3	Evaluation of the management approach	People in focus: 40, 48	
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programmes	People in focus: 40, 48	

**ABOUT  
THIS REPORT**

**BASE DATA AND NOTES**

<b>Category / Indicator</b>	<b>Measurement unit / breakdown</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>ECONOMIC</b>								
Revenue	RM million	555.1	503.4	434.9	495.6	443.3	526.5	654.9
Profit before taxation	RM million	178.7	167.1	120.2	176.1	137.7	190.7	339.5
Profit after taxation attributable to owners of the Company	RM million	134.2	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	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
Tomanggong group of estates (TMGOE)	Ha	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	9,906	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
Pelipikan	Ha	1,365	1,365	1,365	1,365	1,365	1,365	1,365
Kota Marudu	Ha	808	808	808	808	808	808	808
<b>Total planted areas</b>								
Group	Ha	36,103	36,145	35,678	35,685	35,697	35,697	35,617
Jeroco group of estates (JGOE)	Ha	12,808	12,808	12,808	12,808	12,808	12,808	12,808
Tomanggong group of estates (TMGOE)	Ha	11,864	11,893	11,426	11,426	11,426	11,426	11,199
Sungai Segama group of estates (SSGOE)	Ha	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
Pelipikan	Ha	903	903	903	903	903	903	1,050
Kota Marudu	Ha	585	585	585	585	598	598	598



Category / Indicator	Measurement unit / breakdown	31.12. 2017	31.12. 2016	31.12. 2015	31.12. 2014	31.12. 2013	31.12. 2012	31.12. 2011
Planted areas - Mature								
Group	Ha	32,023	32,374	32,440	31,373	30,670	30,455	31,068
Jeroco group of estates (JGOE)	Ha	10,731	10,589	10,565	10,693	10,567	10,999	11,455
Tomanggong group of estates (TMGOE)	Ha	10,705	10,727	10,431	9,552	9,334	8,687	8,811
Sungai Segama group of estates (SSGOE)	Ha	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
Pelipikan	Ha	903	903	903	581	209	209	245
Kota Marudu	Ha	585	585	585	585	598	598	598
Planted areas - Immature								
Oil palm	Ha	3,934	3,625	3,092	4,165	4,881	5,096	4,403
Other crops	Ha	146	146	146	146	146	146	146
Plantation Average Age	Years	15.3	15.3	15.5	15.4	15.2	14.8	
30 months to 7 years	Ha	5,615	5,626	5,599	4,089	2,525	2,788	2,289
> 7 years to 17 years	Ha	6,839	7,245	8,480	10,122	10,981	13,332	16,009
> 17 years	Ha	19,569	19,503	18,361	17,162	17,164	14,335	12,770
Area set aside for conservation	Ha	1402	1402	1402	1,401	1,480		
Peat developed	Ha	0	0	0	0	0	0	0
<b>PRODUCTION</b>								
FFB	MT	655,958	662,776	709,984	727,937	704,241	665,812	738,969
<b>FFB processed</b>								
FFB - Own	MT	644,558	645,285	667,504	680,741	662,452	620,770	693,901
FFB - Purchased (external)	MT	80,956	90,153	107,829	121,673	116,490	105,469	107,623
Palm oil	MT	150,694	154,681	170,546	172,980	166,202	154,595	168,025
Palm kernel	MT	35,186	35,873	38,087	38,778	36,554	34,587	37,050
Palm oil OER	Percentage	20.77	21.03	22.00	21.56	21.34	21.29	20.96
Palm kernel OER	Percentage	4.85	4.88	4.91	4.83	4.69	4.76	4.62
FFB yield per mature hectare	MT / Ha	20.48	20.47	21.89	23.20	22.96	21.86	23.79
Oil per mature hectare	MT / Ha	4.20	4.76	4.81	5.00	4.90	4.65	4.99

**ABOUT  
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Category / Indicator	Measurement unit / breakdown	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		7,192	6,993	7,331	7,257	7,036	6,872	6,751
Employee categories	Management	166	161	145	138	138	135	119
	Non-executive staff	425	381	364	336	310	293	288
	Workers	6,601	6,451	6,822	6,783	6,588	6,444	6,344
Female employees		2,599	2,387	2,613	2,644	2,489	2,471	2,419
Male employees		4,593	4,606	4,718	4,613	4,547	4,401	4,332
Number of foreign workers	Indonesian	5,761	5,585	5,952	5,663	5,488	5,453	5,573
	Filipino	553	511	563	661	703	594	428
Male non-executive staff		263	228	217	211	187	183	181
Female non-executive staff		162	153	147	135	120	110	107
Female workers		2,413	2,214	2,449	2,502	2,353	2,344	2,302
Male workers		4,188	4,237	4,373	4,275	4,244	4,099	4,049
Female management		24	20	17	18	16	17	10
Male management		142	141	128	116	116	119	107
Ethnic / racial breakdown	Malaysian - Bumiputra	396	429	387	465	370	391	329
	Malaysian - Chinese	32	35	34	34	40	37	30
	Malaysian - Indian	0	0	2	2	1	1	6
	Others - Malaysian	450	433	393	432	434	396	385
	Other non-Malaysian	6,314	6,096	6,515	6,324	6,191	6,047	6,001

Category / Indicator	Measurement unit / breakdown	31.12. 2017	31.12. 2016	31.12. 2015	31.12. 2014	31.12. 2013	31.12. 2012	31.12. 2011
<b>TRAINING</b>								
Number of employees received formal qualifications funded by Hap Seng		0	0	0	8			
<b>LABOUR STANDARD</b>								
Minimum starting wage	RM per month	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		50	18	22	32	12	23	19
% returned after maternity leave		76	67	75	81	100	100	100
<b>COMMUNITY AND HOUSING</b>								
Breakdown of charitable contributions (MYR)	Humana (capex)	0	420,140	43,150	0	24,440	155,454	547,750
	Humana (expenses)	277,000	235,000	304,000	320,000	278,044	243,040	92,495
	Misc donations	917,500	36,000	306,390	5,790	2,650	5,000	1,000
	CSR	1,698,015	576,000					
	Total	2,892,515	1,267,140	653,540	325,790	305,134	403,494	641,245
Number of employees and dependants housed		6,479	4,160	4,242	3,934	3,875	3,844	3,778

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<b>Category / Indicator</b>	<b>Measurement unit / breakdown</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>HEALTH AND SAFETY</b>								
Fatalities		1	0	1	0	1	1	0
Number of lost time accidents		44	74	66	164	230	321	388
Number of lost days (not including fatalities)		101	200	197	460	676	1,063	1,229
Lost time accident rate (recordable injuries*200,000/working hours)	Incidents per 200,000 working hours	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	2.3	2.7	3.0	2.8	2.9	3.3	3.2
<b>ENVIRONMENT</b>								
BOD level	ppm	25	27	38	34	40	42	39
Total fertiliser usage	MT / Ha	0.83	0.96	1.05	0.88	1.02	1.00	0.98
Total water usage (mills only)	MT / MT FFB	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
Toxicity per ha		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 micro-organisms. Testing for BOD is done to assess the amount of organic matter in water.
<b>CO<sub>2</sub> Equivalents</b>	Carbon dioxide equivalents (CO <sub>2</sub> eq) 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 bunches (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>	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 Value</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 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.

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<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. It 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>Mass Balance</b>	An internationally-oriented, practical and transparent system for the certification of biomass and bioenergy.
<b>Muster ground</b>	In plantation, muster ground is a location where workers have to attend every morning at 5.15am at daily basis (Monday – Saturday). It is also known as roll call, field conductor will record worker’s attendance, check their appropriate PPE and make an important briefing / announcement.
<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 in their land.
<b>Palm oil mill effluent (POME)</b>	By-product of processed fresh fruit bunch (FFB).
<b>Peat</b>	Peat is an accumulation of partially decayed vegetation matter. Peat forms in wetlands or peat lands, variously called bogs, moors, muskegs, pocosins, mires, and peat swamp forests.
<b>Polishing Plant</b>	Polishing Plant helps in effluent treatment by removing excess solid thus reducing BOD through various processes. Settling tank and Belt Press System contributed in solid removal while Aeration Tank and Batch Reactors to further aeration process for effluent. Polishing Plant also being equipped with Dissolved Air Floatation system to trap the micro solid inside the bubbles and remove them simultaneously. Additionally, the ponding system also being improved by installing mixers to break down solid and aerators to speed aeration process from the pond. At the final ponds, paddle wheel aerators being installed to remove algae (algae could cause high BOD for Pond).
<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>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 for example, rivers, oil palm fields and etc. This data is analysed and submitted to RSPO for review and any changes in land use may be exhibited in the data, i.e. deforestation activities and the clearing of land.
<b>Stakeholders</b>	Any group or individual who are 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. 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 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 outlining how states and businesses should implement the framework: The state 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. The main aim is to benchmark and measure company best practices outside any certification standards including that of the RSPO.

## ABOUT THIS REPORT

### CONTACT US

Hap Seng Plantations Holdings Berhad  
21<sup>st</sup> Floor, Menara Hap Seng  
1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur  
Locked Bag No.11047, 50990 Kuala Lumpur  
Malaysia

Tel                   +60 3 2172-5228  
Fax                   +60 3 2172-5286  
Email               keekc@hapseng.com.my





**[www.hapsengplantations.com.my](http://www.hapsengplantations.com.my)**

**HAP SENG PLANTATIONS HOLDINGS BERHAD (769962-K)**

21<sup>st</sup> Floor, Menara Hap Seng  
Jalan P. Ramlee  
50250 Kuala Lumpur  
Malaysia

**Tel :** (603) 2172 5228

**Fax :** (603) 2172 5286