

SUSTAINABILITY REPORT



SUSTAINABILITY REPORT



At Fima Corporation Berhad, we recognise the importance of corporate responsibility as an integral part of our business as we continue to ensure a sustainable future for our business while committed to achieve a balance among the interests of all stakeholders.



We embrace continuous improvement as the path forward to become a more sustainable company. As we look back on our progress over the last year, our efforts can now be categorized in three major areas that are relevant to our businesses and of interest to our stakeholders, and looks at the Group's performance at each of these areas. Our approach to reporting is guided by Bursa Malaysia's Sustainability Reporting Framework which comprises amendments to the Listing Requirements, the Sustainability Reporting Guide and Toolkit thus providing stakeholders with a more comprehensive view of the Group's sustainability initiatives.



MARKET PLACE

ENGAGING STAKEHOLDERS

We work with a range of stakeholders that have a wide breadth of interests. We engage with our stakeholders through a variety of mechanisms to identify and understand the issues that are of most importance to them. These engagements are crucial

to enable us to tackle some of the major challenges facing our operations mainly challenges that affect everyone along our value chain, and to seek beneficial solutions on concerns that an entity cannot solve on its own. Below are our key stakeholder groups, our areas of focus and the mechanisms that we use to engage with our stakeholders.









FimaCorp is ranked amongst the Top 100 Bursa Malaysia-listed companies for Excellence Award for Overall Corporate Governance"

- Based on the Malaysia-Asean Corporate Governance Transparency Index, Findings and Recognition 2016.

Stakeholder	Areas of focus	Our approach
<p>Our people</p> 	<ul style="list-style-type: none"> • Job security and wages • Conducive workplace • Career development • Corporate activity • Health and safety • Group's growth & development 	<p>Our strategy is to invest in the attraction, retention and development of a diverse and talented workforce aligned with our values of open communication, empowering others, safety, respecting all our stakeholders and acting ethically by offering diverse employment prospects, opportunities for development, and competitive rewards and benefits that have a clear link to performance.</p> <p>The Group has in place a Whistleblowing Policy and structured grievance procedures to address employees' cares and concerns.</p>

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Stakeholder	Areas of focus	Our approach
Shareholders and investors 	<ul style="list-style-type: none"> • Delivering profitable returns on investment • Financial strength & resilience • Disclosing timely, concise and relevant information • Upholding corporate values • Business sustainability 	We respond: <ul style="list-style-type: none"> • through timely disclosures of the Group's financial results, announcements, annual reports which are posted on our Company's website. • By disseminating material issues to the market by way of Bursa announcements. • through continued improvements in our business strategies, governance framework and corporate reporting. • through engagements at General Meetings.
Customers 	<ul style="list-style-type: none"> • Changing needs of customers and consumers • Business ethics • Innovation • Supply chain/traceability issues • Health & safety • Certification 	<p>We seek to be honest and fair in our relationships with our customers and to provide the standards of product and service that have been agreed.</p> <p>We take all reasonable steps to ensure the safety and quality of the goods we produce and the services we provide. Certifications to support market credibility.</p>
Communities 	<ul style="list-style-type: none"> • Economic empowerment/ livelihood • Community safety and health 	<p>Our operations create employment and career development opportunities for our local communities, as well as business opportunities for local suppliers.</p> <p>Communities also benefit from improved standards of living from, inter alia, the infrastructure we put in place and welfare contributions.</p>
Memberships & associations 	Advancing industry specific matters with policymakers and other key stakeholders	<p>Our memberships provide a forum for us to promote and defend our interests in the broader industry context, to learn from and to benefit from their contribution.</p> <p>Further, our participation and membership in various associations ensures that we stay in touch with current and anticipated developments.</p>
Suppliers 	<ul style="list-style-type: none"> • Quality control • Business ethics • Training & support • Supply chain transparency • Sustainability requirements 	<p>We require our suppliers to live up to good social and environmental standards. We also know that our suppliers expect us to conduct our business fairly and honestly, and establishing trust and long-term relationships are essential.</p> <p>In collaborating with suppliers to secure long-term availability of materials and to pursue future opportunities.</p>
National and local governments 	<ul style="list-style-type: none"> • Compliance & regulations • Land issues • Level 'playing fields' for all sectors • Local economic development programmes • Corporate Responsibility initiatives • Licence to operate • Industry specific matters 	<p>We are often a major economic contributor to the local and national jurisdictions in which we operate. Our tax and other contributions enable government to develop and maintain public works, services and institutions.</p> <p>We proactively engage the government and regulators on policy matters at local, provincial and federal levels and provide support on national agendas.</p>

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SUSTAINABILITY GOVERNANCE

During the year, an internal Group Sustainability Committee made up of representatives from the Boards of the Company and its penultimate holding company, Kumpulan Fima Berhad ("KFima") and members of senior management was established to oversee how the KFima Group's sustainability programs support business goals and aspirations, and monitor the progress thereof.

QUALITY & STANDARDS

We have policies and procedures in place to ensure the safety and quality of our products and services. We continually monitor and review processes, putting in place systems to better manage risk, increase productivity, sharpen our competitive edge and make strategic choices that have a positive impact on society and environment.

The Group also stays current with new regulations, industry best practices and marketplace conditions and the Group's businesses consistently strive to improve and refine their requirements and standards throughout the entire supply chain.

The Plantation Division's subsidiary in Indonesia, PT Nunukan Jaya Lestari ("PTNJL") is accredited with ISO 14001:2004 Environment Management System for the processes employed in the production of its CPO, CPKO and palm kernel. The Indonesian Sustainable Palm Oil ("ISPO") audit on PTNJL has currently been put on hold, albeit temporarily as authorities await a definitive outcome of the ongoing land issue pertaining to PTNJL's land title before resuming the audit process for ISPO consideration. Management does not believe this will have any material affect to PTNJL's operations in the near-term.



ENVIRONMENT



We continue with our practice of minimising environmental impact, implementing appropriate energy-efficient processes and technologies, seeking resource conservation and pollution prevention as well as other measures towards reducing resource depletion, greenhouse gas emission and waste generation. The Group's priorities include:

SUSTAINABLE AGRICULTURAL PRACTICES

Conservation areas: Within our estates, areas alongside river banks (riparian reserves) are set aside as conservation areas wildlife corridors which include, among others, sanctuaries for migratory birds and habitat for jungle flora and fauna. The riparian reserves also help to slow down soil run-off and soil particles.



Soil Management: We follow best industry practices e.g. application of empty fruit bunches (EFB), establishing cover crops such as *Mucuna bracteata*, *Calopogonium mucunoides* and *Calopogonium coeruleum*, alone or in mixture, to improve soil properties and lower carbon dioxide emissions. Vetiver grass has been planted along the ponds, bunds and field drain to reduce erosion and prevent landslips whilst at the same time help clean the waste water. Vetiver grass is a deep rooted grass and is known for its high tolerance of heavy metals, phosphates, nitrates and agricultural chemicals.

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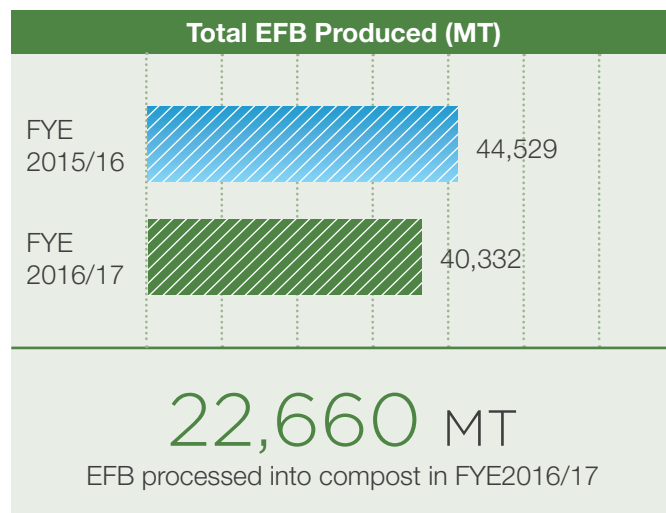
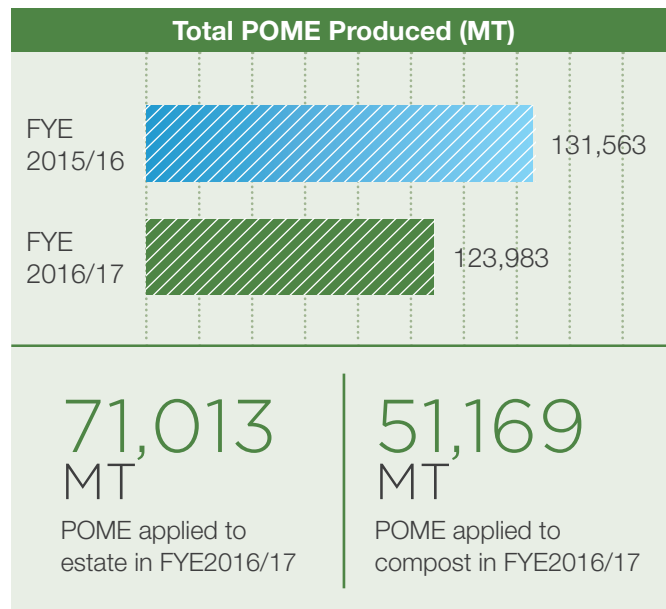
Biological controls against pests: Beneficial plants are planted to attract predators (insects) of leaf pests. These predators feed on leaf pest larvae thereby minimising the usage of pesticides. The introduction of barn owls in estates to suppress rodent population and the placement of pheromone traps to capture Rhinoceros beetles are among methods that have been adopted and proven effective.

Environmental assessment: Environmental impact assessments are carried out ahead of any new plantation development.



WASTE MANAGEMENT

The Plantation Division adheres to a “zero waste” policy by recycling waste and by-products. At our palm oil mill in Indonesia, oil mill wastes comprising POME and EFB are converted into organic fertilizer or compost which is then applied directly to oil palm fields as a source of nutrients and to supplement fertilizer application. We monitor and treat all effluent and wastewater before discharging into the effluent pond. The organic materials in the wastewater are broken down by natural activities of anaerobic and aerobic bacteria. This process eliminates the need to add chemicals before the water is discharged and this had resulted in successful fish breeding at the final effluent pond.



— LETTING NATURE TAKE ITS COURSE —

PTNJL has applied 17,671 tonnes or 44% of total EFB produced to the fields to allow for the slow release of organic nutrients through decomposition while conserving soil moisture and improving soil structure. The remaining 56% or 22,660 tonnes of EFB were processed into compost for application to the fields as well as biomass fuel for the boiler.

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PTNJL has achieved the Green rating, the second highest level in Indonesia's Program for Pollution Control, Evaluation, and Rating ("PROPER") in the manufacturing/agroindustry category for three consecutive years. The Green rating is awarded to businesses/activities that have displayed environmental management effort and achieved results better than those required by regulation.



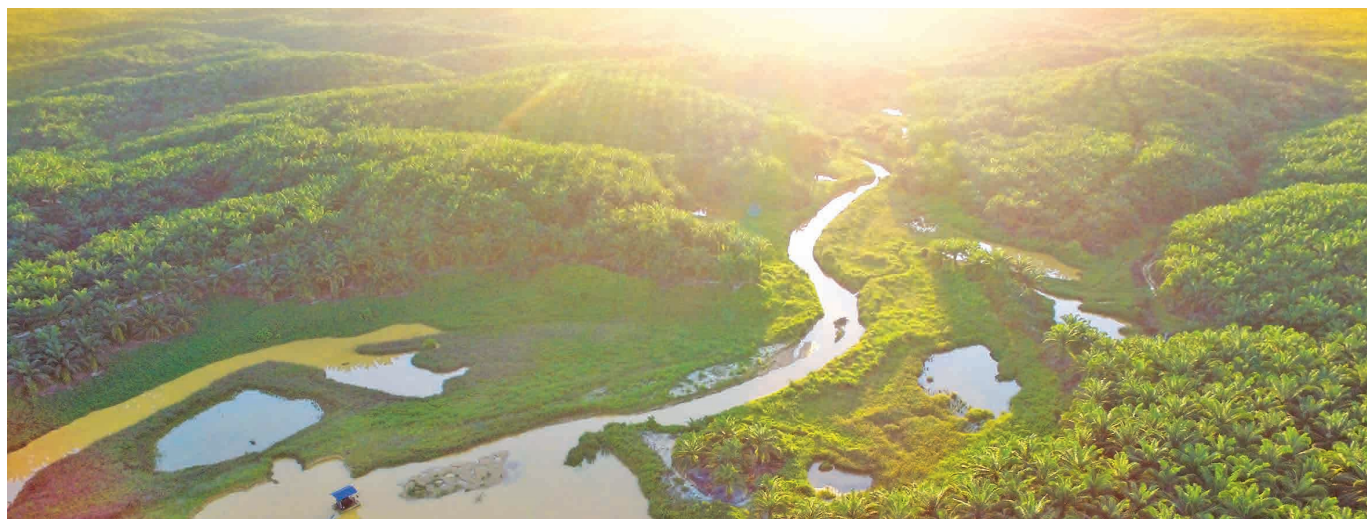
PROPER is a national-level public environmental reporting initiative in Indonesia. Aimed at promoting industrial compliance with pollution control regulations; facilitating the adoption of practices contributing to "clean technology"; and ensuring a better environmental management system, the program uses a color-coded rating, ranging from gold for excellent performance to black for poor performance. The rating system for PROPER is split into five categories – Gold, Green, Blue, Red and Black, with the Gold rating being the highest level that a company can achieve.

At the **Manufacturing Division**, hazardous wastes and residual products recovered from the manufacturing operations are disposed of in accordance with stringent industry standards and statutory requirements.

Waste Disposal by Type

Material	Volume (MT)	
	FYE2016/17	FYE2015/16
Scheduled Waste:		
Ink containers	3.70	2.70
Contaminated rags	2.90	2.00
Printing ink waste	5.40	1.30
Solid Waste:		
Shredded paper	242.20	250.00
Total	254.20	256.00

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WATER MANAGEMENT

Water is a vital resource for our oil palm trees and palm oil mill. We strive to use water efficiently by recycling and reusing it in certain parts of our process. At PTNJL, the rainwater is harvested and stored in rainwater tanks installed at workers' quarters to be used for non-drinking purposes, namely washing and sanitation.

The Group's Indonesian subsidiary, PTNJL has set aside areas within its plantation as water catchment zone. Chemical applications are strictly prohibited at the water catchment zone to facilitate natural re-vegetation of the area and preservation thereof. During the year, water consumption of PTNJL's palm oil mill has been reduced by 4% compared to last year.

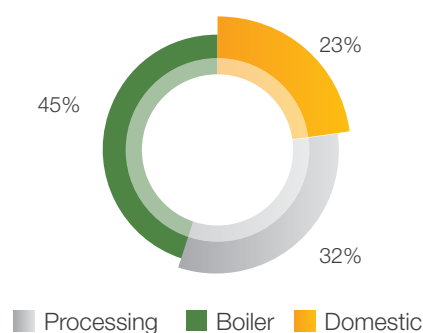
Consumption by Mill

331,172m³

water consumption by
mill in FYE2016/17

(FYE2015/16: 346,660m³)

Breakdown of Water Usage



ENERGY USE & EMISSION

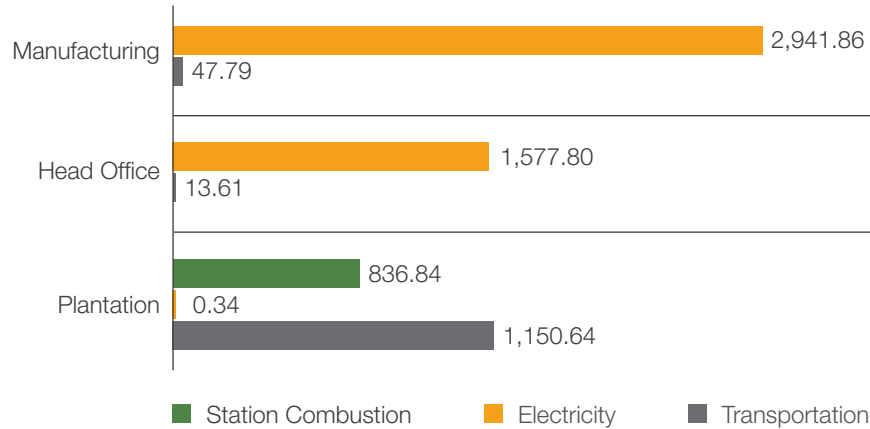
This year marks our inaugural disclosure on our CO₂ emission using tools adopted from the Greenhouse Gas Protocol to monitor and measure the Group's CO₂ emissions. Over the last year, we have initiated analysis and tracking of our CO₂ emission and energy use. As we are committed to developing our measurement of energy and CO₂, we will continue to refine our reporting criteria and progressively enhance our disclosures.

Efficient energy use is a key business concern. Improving our energy efficiency not only reduces the use of natural resources and emissions of CO₂ and other pollutants but also potentially lowers costs. As an organization with operations in 3 countries, the Group is subjected to a wide range of energy supply constraints and commercial pressures and therefore uses a wide variety of fuels.

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Overall CO₂e by division (MT)

6,569
tCO₂e
Total Group CO₂
Emission



The other factor in the Group's energy trends is the underlying efficiency of our plants. A robust approach to energy management is therefore crucial across our businesses and each business unit regularly reviews its operational performance and responds to it appropriately. This year, a series of detailed efficiency performance tests was carried out by the Group's Engineering Department on all boilers within the Group's businesses. The test had several objectives, chief among them is to provide our businesses with long term maintenance planning and identify boilers that need replacement.

4,595,006
kWh

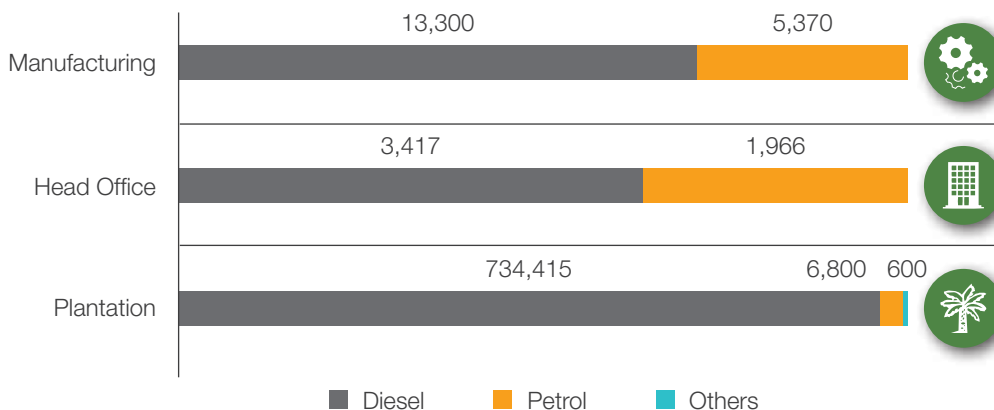
Total Group Energy Consumed

GETTING A CLEAN DEAL FROM RENEWABLE ENERGY

Since 2011, all biomass residue from our Sei-Menggaris palm oil mill in Indonesia are either converted into fertilizer/compost or clean energy. In the case of the latter, mesocarp fibre, palm shell and shredded EFB are utilised as feedstock for the steam boiler and the steam generated therefrom will then fuel the steam turbine in the cogeneration plant. The impact from the utilisation of biomass as renewal energy has been significant. The electricity and heat energy generated from the cogeneration plant is used to power the oil mill, worker's quarters and as well as government facilities, schools and mosque. In FYE2016/17, 5,420,030 kWh of electricity was generated which is equivalent to 562 homes' electricity use for one year*.

*per US EPA calculator

Fuel Consumption by Division (litres)



765,868
litres

Total Group Fuel
Consumption

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We emit GHG both directly and indirectly. Our largest impact in terms of emissions is direct (scope 1) emissions mainly come from our businesses use of petrol, gas and diesel. Our main source of indirect (scope 2) emissions is electricity used in our manufacturing and processing operations.

SMALL GESTURES, BIG IMPACT

- ✓ The Group continuously seeks to identify opportunities to reduce energy use over time such as transitioning to LED lights for our corporate office and installing solar street lights at our estates.
- ✓ Employees are encouraged to power down computers and lights in areas that are not in use.
- ✓ Switching from paper cheques to e-payments for a majority of transactions which also improves business efficiency.
- ✓ Recycling bins are strategically placed in and around the head office premise.

OCCUPATIONAL SAFETY & HEALTH

We regard safeguarding of our employees, neighbours, visitors and assets as a core indicator of our business success.

Towards this end, we comply with all the relevant national laws, regulations and other requirements relating to best practices in occupational safety and health; and continuously carry out activities aimed at preventing work injuries. Preventive and scheduled maintenance are regularly performed on all the Group's facilities, plants, and estates; whereupon repairs and replacements are made when necessary or appropriate. Employees who use any machinery are trained to do so properly, while training programs in the use of personal protective equipment for workers handling or exposed to hazardous materials are regularly conducted and have been, and will continue to be, a vital part of the Group's operations.

All divisions have health and safety committees which consist of divisional management and employees. It is to these committees that incidences are reported, and where compliance with policies is monitored, and improvements are discussed.



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920 DAYS

PKN has achieved **920 Days** without any lost time incident as at 31 March 2017.

ZERO FATALITY

Recorded by all divisions in FYE2016/17.

During the year, PTNJL's palm oil mill was accredited with Sistem Manajemen Keselamatan dan Kesehatan Kerja (or "SMK3") a local Indonesian Government safety certification that is comparable with the globally recognized OHSAS 18001:2007.



INCIDENT FREQUENCY RATE

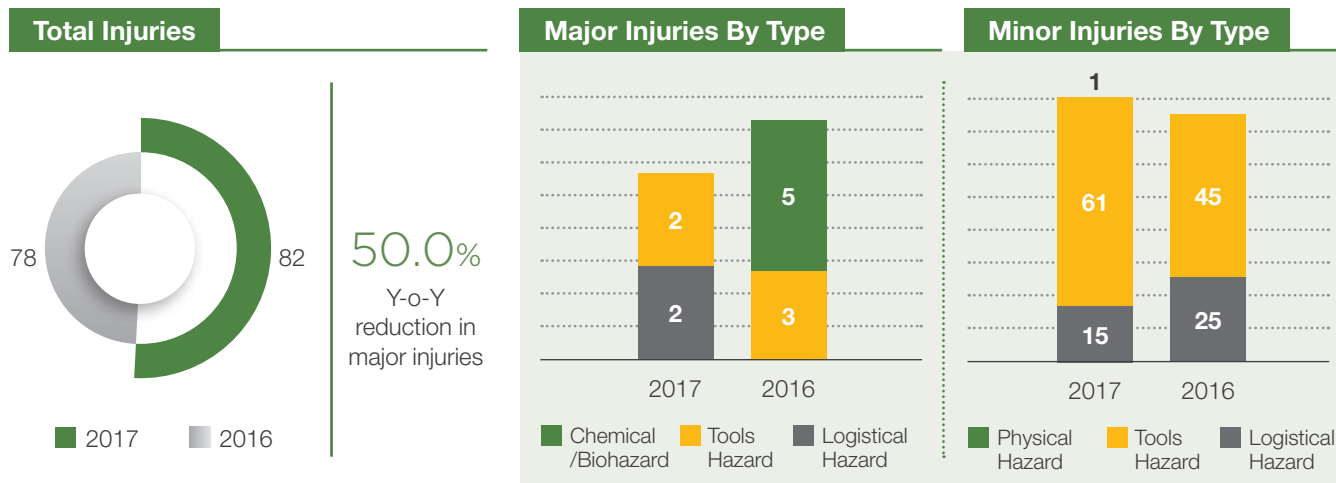
Frequency Rate is recorded based on number of lost time injuries ("LTI") occurring in the work place for every 1 million man-hours worked. During FYE2016/17, the Group recorded Frequency Rate of 18.47 (FYE2015/16:17.57) based on the following formula:

$$\text{Lost Time Injury Frequency Rates (LTIFR)} = \frac{\text{No. of accident}}{\text{Total man-hours worked}} \times 1,000,000$$

The indicators help us to track the effectiveness of measures taken to improve safety and health performance in all business divisions. In addition, it helps the Group to identify the most useful preventive action.

We are pleased to report that the number of major injuries had dropped by 50%, from 8 incidences in FYE2015/16 to 4 incidences in FYE2016/17. However, an increase in the number of minor injuries from 70 to 76 has adversely impacted to our frequency rate this year to 18.47 from 17.57 last year. The total number of recorded injuries increased by 5% to 82 compared to the previous year. Most incidences this year are represented by minor injuries related to tools and logistical hazards at our Indonesian estate.

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Major Injury : Any incidences resulting in disability, medical treatment and lost time of more than 1 full working day.

Minor injury : Any incidences resulting in only first aid and/or no significant lost time with immediate continuation of work.

Near Misses : These incidences were excluded.

Emergency preparedness

Emergency preparedness is an important aspect within our operations, thus our facilities are equipped with first-aid kits, firefighting systems and have in place adequate response plans, spill prevention and other programs to respond to emergencies.

SOCIAL



OUR PEOPLE

Our people has always been the backbone of our success. They provide innovative and diverse thinking we need for our businesses. We support them by providing a work environment that is positive and build an inclusive culture in which all employees can thrive. We believe in the inherent benefits of a diverse and inclusive workplace, to maximise our business results and attract, recruit, engage and retain a talented workforce.

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EMPLOYEE BREAKDOWN

AS AT 31 MARCH 2017

	Head Office	Manufacturing	Plantation	Total
Senior Management	1	2	1	4
Management	3	14	3	20
Executive	5	29	28	62
Non-Executive	16	281	1,318	1,615
Total	25	326	1,350	1,701

BREAKDOWN OF EMPLOYEES BY NATIONALITY

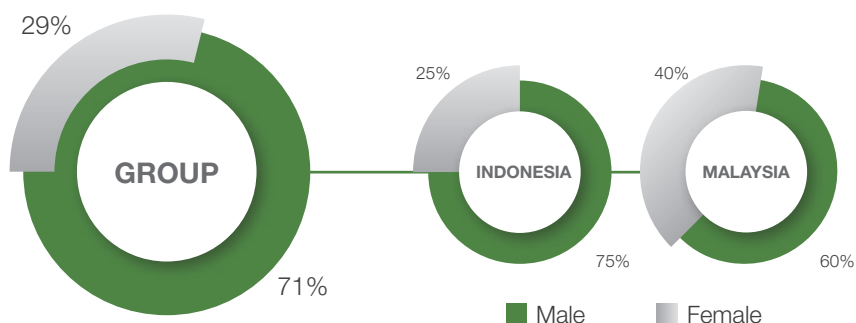
Nationality	Malaysia	Indonesia	Total
Malaysian	386	5	391
Indonesian	20	1,269	1,289
Others	21	-	21
Total	427	1,274	1,701
Ratio of local : foreign	5 : 1	127 : 1	

EMPLOYEE AGE GROUP BY DIVISION

Age Group	Male	Female
<30	76%	24%
30-35	69%	31%
>55	57%	43%

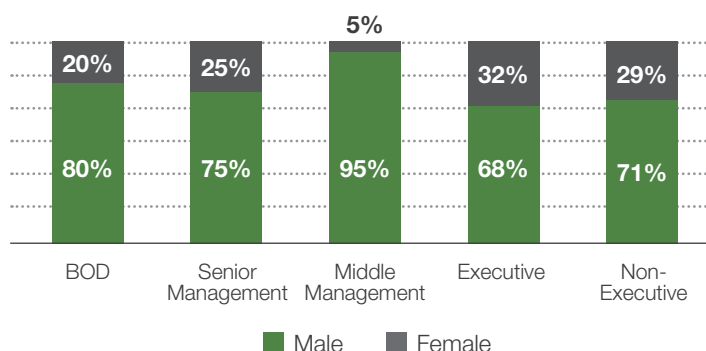
DIVERSITY AND GENDER BALANCE

In FYE2016/17, the Group's workforce stood at 1,701 strong and is made up of 29% women and 71% men. It is worth noting, however, that due to the nature of certain job functions, such as manual work in our plantation operations, the female take-up rate for these jobs tends to be significantly lower.



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Employee Breakdown by Gender & Position FYE2016/17



EMPLOYEE DEVELOPMENT AND ENGAGEMENT

We recognise the importance of engaging, motivating, training and supporting our people. We strive to develop our employees to reach their maximum potential through training, job rotation and internal promotion opportunities. Training allocation is available annually for our employees to participate in internal or external workshops and seminars. We believe that a mixture of both internal and external training develops targeted skills and knowledge for a specific roles.

Level	Average Training Hours Per Employee			
	2017		2016	
	Male	Female	Male	Female
Senior Management	16	16	26.7	16
Management	11.8	32	10	0
Executive	5.5	19.2	5.1	11.1
Non-Executive	0.3	0.5	0.8	0

All new employees undergo an induction program which helps them to familiarise with all aspects of the Company and the Group, understand the responsibilities of their new role, the culture of our business, the processes they need to follow as well as our expectations for ethical conduct. They also will be provided with the Employee Handbook before, or as soon as they start their new job. This Handbook provides new employees with information about their conditions of employment as well as the standards of professional behaviour expected.

We also set annual Key Performance Indicators (KPIs) for our employees that reflect critical success factors in their career development. This formal performance and career development reviews take place once a year at the end of the financial year. It also serves as an effective communication platform between employer and employee for feedback, sharing ideas, identify avenues for improvement and to recognize individual training and development needs. Based on performance and contribution, the employees are rewarded through increments, bonuses or promotions.



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EMPLOYEE TURNOVER

	Head Office	Plantation	Manufacturing
Senior Management	-	-	-
Management	-	2	-
Executive	-	-	1
Non-Executives	-	416	63
Average Head Count	26	1,353	345
Division Turnover Rate (%)	0%	31%	19%

26.6% of the Group's total employee turnover relates to abscondments in the Plantation Division. The majority of employees who absconded are engaged in physical labour where traditionally the employee turnover has been high.

FREEDOM OF ASSOCIATION

We respect the right of our employees to exercise freedom of association and collective bargaining in accordance with local laws. As at 31 March 2017, 349 Group employees are represented by labour unions or works councils. Our collective bargaining agreements with these representative groups contain provisions covering grievance and discipline processes, paid time off, paid maternity leave and collectively bargained severance and separation benefits. Other negotiated terms and conditions of employment contained in our collective agreements include, among others, matters such as wages and performance management.

During the year, the Group did not experience any situations with the unions that resulted in work stoppage.

	Malaysia	Indonesia	Total
Total No of Employees	414	1,274	1,688
Unionized Employees	161	188	349
% of Unionized Employees	38%	14%	20%



HUMAN RIGHTS

We are against any forms of forced labour and underage workers and we rigorously enforce these principle at all our places of work. Each employee's profile and identity document is maintained in our HR data system and we continuously monitor compliance with the minimum legal working age requirements enforced by the local authorities in the countries where we operate our businesses. All employees work on their own free will and without coercion. During the year, there has been no incidence of child or forced labour in the Group.

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BENEFITS AND WELFARE

The Group's compensation structure includes fixed and variable components depending on the employee's job grade. We comply strictly with rules and regulations stipulated by local governments on minimum wages paid to employees.

Each location within the Group has its own locally defined employee benefit schemes. For eligible employees, these include:

- contributions to retirement fund;
- medical benefits for outpatient, specialist and hospitalization treatment for employees, spouse and eligible children;
- group term life and personal accident insurance;
- our Indonesian subsidiary, PTNJL provides free transportation for the workers' children to nearby local schools. There is also

a clinic and crèche at the estate to cater to the needs of the plantation staff and workers. The provision of these facilities has enabled women to join PTNJL's workforce; and

- provision of housing together with clean water and sanitation to our plantation workers.

While we emphasise the importance for our employees to be well-versed in the Group's current development and achievement status, we also recognise the importance of bringing excitement and fun elements for our employees' participation. Sports activities and events such as family days, weekend retreats, and festive gatherings are organised with the aim to foster greater bonding and camaraderie amongst employees which in turn helps improve engagement at work.

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COMMUNITY

We believe in contributing economically and socially to the well-being of the communities where we conduct business. By proactively engaging with the communities where we operate, we can maximise our business value, manage social risks and impacts and create opportunities for stakeholders.

As part of our commitment in strengthening the local socio-economic base, we provide jobs opportunities for the communities near our projects. In tandem, the Group hires and trains local employees at our jobsites, providing technical training and skills to improve workers' wage-earning potential. We also support local suppliers and entrepreneurs through purchasing local goods and services.

Empowering underprivileged sections of society through sponsorship and providing resources is an important part of our community outreach. Our Manufacturing Division continued its sponsorship in Persatuan Al-Hunafa, a non-profit organisation towards its Titian Samara Programme that aimed at helping secondary students with academic and social problems. During the year, the programme focuses on 4 schools in Klang, Selangor and 1 school in Kelantan namely, SMK Raja Lumu, SMK Pandamaran Jaya, SMK Telok Gadong and SMK Kampung Jawa and SMK Laloh, Kuala Krai.

The Group's Manufacturing Division provided a grant to University Kebangsaan Malaysia towards their research on the geopolitical detection system in Johor.

The Group offers placements to university students to undergo on-the-job programmes in various functions within the Group to gain the skills and experience they need to access entry-

level job opportunities. During the year, 2 students from Kolej Vokasional Port Dickson underwent a 4-month work-based training programme at PKN. In January 2017, PKN absorbed a contract employee who had previously underwent an internship programme with the company, as a permanent staff. Meanwhile, our Indonesian subsidiary, PTNJL also received 5 students from PDD Politeknik Negeri Nunukan, Kalimantan to undergo 2-month internship programme during the year.

ROAD TO PROSPERITY

PTNJL has always placed significant emphasis on community relations and corporate social responsibility initiatives, making significant investment in local communities and infrastructure with the aim of improving the standards of living of its employees and local citizens on and around its estates. During the year, PTNJL had carried out upgrading and maintenance works on the rural roads at Desa Semaja (8km) and Mattiro Bulu (8km), providing these rural towns with the much needed connectivity and access to socio-economic services and economic opportunity.



“Extreme seasonal weather such as floods and droughts as well as frequent use by heavy goods vehicles in these areas mean that roads need to be properly maintained. The improved roads have made it easier for children to attend school, for people to reach hospitals in cases of emergency and for both local farmers and consumers to reach markets. The average travel times have significantly reduced.”

- Mohd Rizal Mat Nor, President Director, PTNJL