

SUSTAINABILITY REPORT 2018

BUILDING VALUES



The Group's 3 KEY PERFORMANCE OBJECTIVES



Profitable
Revenue Growth



Solid Returns on
Capital Employed



Strong Cash
Generation

are supported by 4 STRATEGIC DRIVERS



Maintain Prudent
Financial Profile



Strengthen
Core Businesses



Leverage
on Market
Opportunities



Establish Strong
Pillars For Future
Growth

SUSTAINABILITY VALUES

*that support these objectives and
strategic drivers*



MARKETPLACE

Governance & Responsible
Business Practices
Operational & Resource
Efficiency



ENVIRONMENT

Environmental & Social
Responsibility in our
Supply Chain



SOCIAL

Building Trusting Relationships
with Stakeholders
Health, Safety & Development
of our Employees and
Communities

SUSTAINABILITY REPORT 2018



Sustainability is an essential component of a corporation's culture as it injects responsibility and accountability into every activity and process while building a successful business. Running operations with sustainability in mind is not only a matter of balanced corporate responsibility but is also sensible from a business perspective. Staying ahead of our peers is only possible if we fully dedicate ourselves to our customers, our employees, our services, the environment and the local communities where we operate.

As our sustainability practices evolve, we know we must focus on what's right for our business. We care deeply about issues such as the health and safety of our employees, environmental protection, product quality and safety, resource conservation, support for the communities we operate in and maximising profits to our shareholders. Towards this end, we will continue to work with our stakeholders on mutual sustainability efforts.

Reporting What Matters

The content included in this Report has been selected through a structured process which is aligned with our business strategy and the needs of our stakeholders. Our approach to reporting is guided by Bursa Malaysia's Sustainability Reporting Framework and also reflect changes and trends in our operating environment, risks and opportunities that could affect our value creation process and the Group's strategic objectives across three key pillars: Marketplace, Social and Environment.

We are currently in the midst of formalising our materiality and sustainability reporting processes and the work is still ongoing. In doing so we engaged with various teams from within the Group and across all parts of our businesses, gathering opinions and suggestions in both formal and informal settings to form the substance of this Report. This Report highlights some of our key sustainability issues and how we are presently addressing them. We define key issues as those issues that can, or in fact do, have a significant impact on our sustainability performance and ultimately influence financial outcomes as we believe that the long-term viability of our business rests on our ability to manage those issues. In the coming year, we will give higher profile to the communication of different aspects of our sustainability programme to our employees as we intend to set measurable environmental targets.



SUSTAINABILITY REPORT 2018

SUSTAINABILITY
GOVERNANCE

Many of our activities are highly regulated by laws and regulations relating to health, safety, environment and community impacts. We are committed to complying with the laws and regulations of the countries in which we conduct business and, where applicable, to exceeding legal and other requirements that are less stringent than our own because we believe high governance standards are integral to creating long-term value and maintaining our social licence to operate.

Our Board governs the Company and oversees our sustainability approach with dedicated Board committees assisting with oversight and monitoring. Each committee has its own Terms of Reference setting out its roles and responsibilities. The Group Sustainability Committee steers our sustainability activities and is presently chaired by the Senior Independent Non-Executive Director of the Company and reflects all areas of the Group. At management level, the Heads of Division comprises the Group's most senior executives. There is a delegations of authority framework that clearly outlines those matters delegated to the Managing Director and other members of senior management. In addition, ad-hoc committees are established to deal with particular sets of ongoing issues.

The business units are also responsible for adapting sustainability strategies to their operating needs, as well as providing the resources

needed for its implementation. They align their brands and technologies, and the sites involved, to sustainability in line with the specific challenges and priorities of their business portfolio.

The Corporate Governance Overview section of this Annual Report and our website at <http://www.fimacorp.com/corporate-governance> sets out our principles and policies in more detail.



SUSTAINABILITY REPORT 2018





MARKETPLACE

Engaging Stakeholders

Our stakeholders' expectations revolve around good returns, sustainable profits, growth, regulatory compliances, transparency and accountability. We respond to our stakeholders' expectations in different ways, both formally and informally, depending on the nature and scale of the issue. These interactions are crucial to enable us to tackle some of the major challenges facing our operations – problems that affect everyone along our value chain and to seek beneficial solutions on concerns that no entity can solve on its own.

STAKEHOLDERS	AREAS OF FOCUS	OUR APPROACH
OUR PEOPLE 	<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>
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 	<p>We respond:</p> <ul style="list-style-type: none"> • through timely disclosures of the Group's financial results, announcements, annual reports and via the 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.</p> <p>Certifications to support market credibility.</p>

SUSTAINABILITY REPORT 2018

STAKEHOLDERS	AREAS OF FOCUS	OUR APPROACH
COMMUNITIES 	<ul style="list-style-type: none"> • Economic empowerment/ livelihood • Community safety and health • Environmental protection 	<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 	<ul style="list-style-type: none"> • 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 ensure 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 sound social and environmental standards. We also know that our suppliers expect us to conduct our business fairly and honestly; hence establishing trust and long-term relationships.</p> <p>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 a frequent economic contributor to the local and national jurisdictions in which we operate. Our tax and other contributions enable governments 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 of national agendas.</p>

Business Integrity and Internal Control

We require all businesses to implement appropriate levels of risk management to ensure compliance with all relevant legislation, our Group health, safety and environment policies, our overriding business principles and Group policies relating to them, taking into account business needs and local circumstances.

Each business has developed and documented policies and procedures to comply with the minimum control standards established over specified processes, including procedures to mitigate risks, monitoring compliance and taking corrective action. Further details of our risk management can be found in the Statement on Risk Management and Internal Control section of this Annual Report.

The Group adopts a zero-tolerance approach to unethical practices, and every employee is accountable for ensuring that our values are always upheld in all we do. A significant number of written agreements entered into by our businesses with their respective vendors and customers include specific anti-bribery and corruption clauses.

The United Nations' Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) comprise 17 goals and 169 associated targets that address the world's most pressing economic, social and environmental challenges. The SDGs are the result of years of multi-stakeholder engagement among governments, NGOs and business.

The private sector plays an important role in achieving the SDGs. We have identified 7 goals that correspond most and are relevant to our businesses. We contribute towards the achievement of the SDGs through our direct business activities; among them, the products we produce and the way we produce them; the use by host governments of the taxes we pay, the direct and indirect employment opportunities we create, our supply chain and our voluntary social investments.

SUSTAINABILITY REPORT 2018









17
ASPIRATIONAL
OBJECTIVES

169
DEFINED
TARGETS

14
YEARS
2017-2030

The Sustainable Development Goals (SDGs), otherwise known as the Global Goals, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.

Below we highlight the areas where the Group can make the most contribution to the achievement of the SDGs and those which are closely related to our businesses:

1 NO POVERTY 	End poverty in all its forms everywhere <div> <div>HR policies on minimum wages & fair pay</div> <div>Economic empowerment/livelihood via creation of employment and business opportunities for local communities</div> </div>
2 ZERO HUNGER 	End hunger, achieve food security and improved nutrition and promote sustainable agriculture <div> <div>Potential higher yield and extraction through adoption of good agricultural practices</div> <div>Responding to the increased demand for affordable protein</div> <div>Maintaining high food safety standards</div> </div>
4 QUALITY EDUCATION 	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all <div> <div>Support of employees personal and professional development through training programmes</div> <div>Philanthropic initiatives in the areas of education and youth development</div> <div>Wellbeing of local communities</div> </div>
8 DECENT WORK AND ECONOMIC GROWTH 	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all <div> <div>Positive contribution to economic growth in the countries in which we operate e.g. via tax & other contributions</div> <div>Ensure good health, safety & employment conditions</div> <div>Strong stance against forced or compulsory labor and child labor</div> </div>
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	Ensure sustainable consumption and production patterns <div> <div>Commitment to implement & maintain supply chain transparency and adherence to international standards (MSPO, ISO, ISPO etc)</div> <div>Water & waste management</div> <div>Use of renewable energy & efficiency of energy use</div> <div>Adoption of good agricultural practices</div> </div>
13 CLIMATE ACTION 	Take urgent action to combat climate change and its impacts opportunities for all <div> <div>Use of renewable energy & efficiency of energy use</div> <div>Water & waste management</div> <div>Adoption of good agricultural practices</div> </div>
15 LIFE ON LAND 	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss <div> <div>Use of renewable energy & efficiency of energy use</div> <div>Water & waste management</div> <div>Adoption of good agricultural practices</div> </div>

These areas are closely aligned to our established material marketplace, social and environmental aspects covered in this, and earlier, sustainability reports.

SUSTAINABILITY REPORT 2018



Responsible Business Practices

Responsible guidelines for quality, sustainability, legal compliance and ethical behavior are entrenched in the Group's governance structure to guide its decisions and actions in achieving business objectives.

The economic returns created by responsible and sustainable business practices benefit a broad range of stakeholders. This includes the provision of employment to more than 1,642 people in 2 countries. In addition to corporate income taxes, the companies within the Group pay many other taxes, including GST, customs duties, property taxes, etc. All these taxes are a significant source of funding of public services by governmental institutions. We view the fulfilment of our tax obligations as part of the process of creating sustainable value for all our stakeholders.

During the reporting year, our Indonesian subsidiary PTNJL had been awarded “50 Pembayar Pajak Terbesar Tahun 2017” under the “Wajib Pajak Badan” category.

VALUE DISTRIBUTION TO STAKEHOLDERS

(RM 'MIL)



Government
(tax and duties)

24.51

Employees
(salaries, wages,
and other benefits)

29.02

Shareholders
(dividends)

50.57

Reinvested in
the business

9.91

SUSTAINABILITY REPORT 2018

Cybersecurity

Continuously maintaining our cybersecurity is critical to data integrity and sustaining trust amongst our stakeholders. The Group maintains a comprehensive information security program to protect our networks, information and communications assets, notably and in particular, threats of malicious software and phishing to email security. We review our IT policies and processes from time to time to ensure adequate safeguards are in place to prevent misuse and unauthorised access to our systems and data. Further we endeavour to strengthen the security of our systems through the implementation of management controls at all our offices.

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** Indonesian subsidiary, 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 as authorities await a definitive outcome of their ongoing legal suit 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.

In Malaysia, our estates are being readied to align their operations with the requirements of the Malaysian Sustainable Palm Oil ("MSPO"), in keeping to the mandatory timeline of 30 June 2019 (for entities without any certifications) to obtain the MSPO certification. The MSPO standards provide general principles for the implementation, establishment and improvement of the operational practices of a sustainability system to ensure the sustainability of palm oil.

ENVIRONMENT

SUSTAINABLE AGRICULTURAL PRACTICES

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:

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.

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 drains 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. We also apply EFB mixed with palm oil mill effluent ("POME") as a source of nutrient and to supplement fertiliser application.

SUSTAINABILITY REPORT 2018

Biological controls against pests: Beneficial plants such as *Turnera Subulata*, *Antigonon leptopus* and *Casia Cobanensis* 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. During the year, the Group commenced an environmental impact assessment ("EIA") on its greenfield development in Sungai Siput, Perak. The EIA is still on-going and is expected to be completed this current financial year.

Waste Management

The **Plantation Division** adheres to a "zero discharge" policy by recycling waste and by-products. At our palm oil mill in Indonesia, the primary oil mill waste comprises of POME generated mainly from oil extraction and EFB. These are both utilised in various ways:

POME discharged from the mill must not be reintroduced into the environment in its raw form. Raw POME has a high acid content and, due to its rich nutrient content, the Biological Oxygen Demand ("BOD") level is high too. However, our average BOD reading for POME during the land application stage falls well within the allowable discharge limits of <5,000 parts per million ("ppm").

The POME collected from the mill is treated in open ponds located on site. The organic material in wastewater is broken down by natural occurrences of anaerobic and aerobic bacteria. This process eliminates the need to add chemicals before the water is discharged and results in successful fish breeding at the final effluent pond. POME is utilised in two ways, it is either mixed with shredded EFB to make our compost or applied directly to estate using the furrow system.

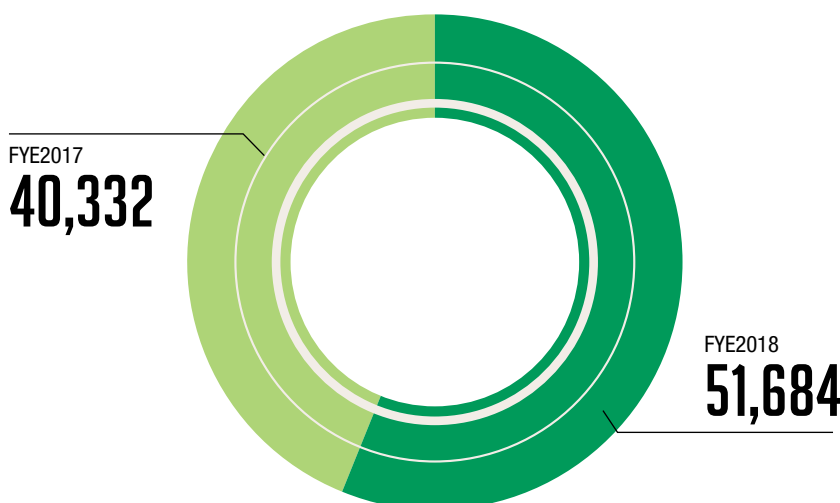
In addition to being converted into compost, shredded EFB is also widely used as feedstock for the steam boiler at the mill for power generation.

Further, we regularly monitor the POME used for land application to ensure that it does not overflow into the natural waterways.

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 4 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.

Hazardous waste and residual products recovered from our operations are disposed of in accordance with stringent industry standards and statutory requirements.

TOTAL EFB PRODUCED (MT)



91,209MT

of POME applied to estate fields in FYE2018

26,395MT

of EFB processed into compost in FYE2018

SUSTAINABILITY REPORT 2018

WASTE DISPOSAL BY TYPE

	Volume (MT)	
	FYE2017	FYE2018
Scheduled Waste:		
Ink containers	3.70	3.58
Contaminated rags	2.90	3.11
Printing ink waste	5.40	3.58
Solid Waste:		
Shredded paper	242.20	209.53
Food Waste (Head Office)	-	2.53
Plastic (Head Office)	-	0.39
Total	254.20	222.72

Water Management

The Group's businesses remain focused on efficient water management through, inter alia, reusing water throughout their operations and rainwater harvesting. **Plantation Division's**, PTNJL is continuing their efforts to identify opportunities to reduce their water consumption using a variety of approaches including rainwater harvesting and storing captured rainwater in tanks installed at workers' quarters to be used for non-drinking purposes, namely washing and sanitation.

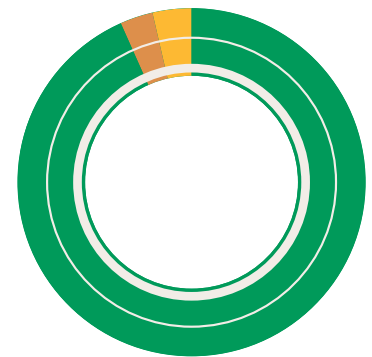
During the year, water consumption of PTNJL's palm oil mill in Sei-Manggaris has been increased by 19% compared to last year, largely as a result of the increase in volume of crops processed during the year. PTNJL has also set aside areas within its plantation as water catchment zone. Chemical applications are strictly prohibited at the water catchment zone to facilitate natural re-vegetation of the area and preservation thereof.



Water Consumption

426,764 m³

TOTAL WATER CONSUMED BY THE GROUP

BREAKDOWN OF WATER CONSUMPTION BY DIVISION (M³)

- Plantation 398,862
- Manufacturing 15,391
- Head Office 12,511

394,510 m³

OF WATER CONSUMPTION BY MILL IN FYE2018

(FYE2017: 331,172 m³)BREAKDOWN OF WATER USAGE BY MILL (M³)

- Domestic (22%)
- Boiler (50%)
- Processing (28%)

SUSTAINABILITY REPORT 2018

Energy Management

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 2 countries, the Group is subjected to a wide range of energy supply constraints and commercial pressures and therefore uses a wide range of fuels.

1,209,327 LITRES

TOTAL FUEL CONSUMPTION
BY THE GROUP

4,614,146 KWH

TOTAL ENERGY CONSUMED
BY FIMACORP GROUP

Division	Diesel	Petrol	Grand Total
Manufacturing	30,175	3,739	33,914
Plantation	1,160,724	10,739	1,171,463
Head Office	-	3,950	3,950
Grand Total	1,190,899	18,428	1,209,327

In FYE2018, the Group implemented various energy optimisation projects and initiated new studies, that upon implementation, is expected to reduce the Group's energy use in the years to come. The projects include both operational and maintenance improvements, as well as the replacement of less efficient processing equipment. During the year, a 25 kWh solar photovoltaic (PV) system had been installed at the Group's Head Office building in Kuala Lumpur that was made up of 76 panels. The system involves a one-time cost but requires low maintenance, thus also reducing capital and operational expenditure in the long-term. Total roof area allows for up to 448 panels or 150Kwh of electricity operating at full capacity. At the present 25Kwh capacity, the energy generated will result in a decrease of CO₂ emissions by 17 tonnes a year. Given the favourable results to-date, we are now looking to increase the capacity to 150Kwh and expanding the use of solar energy.

Since 2011, all biomass residue from our PTJNL palm oil mill in Indonesia are either converted into fertilizers/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 FYE2018, 6,571,920 kw/h of electricity was generated which is equivalent to 2,190 homes' electricity use for one year* (FYE2017: 5,420,030 kWh).



- Transitioning to LED lights for our corporate offices.
- Employees are encouraged to power down computers, printers 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.
- We gave preference to sustainable and eco-friendly materials for our Head Office refurbishment works which included repurposed wood cabinetry for the pantry and carpets which are Green Label Plus certified and had recycled content.
- Replacing old appliances with ENERGY STAR certified ones.
- Recycling bins are strategically placed in and around the Head Office premises.
- Introduction of e-payslips removes the need for the production and circulation of paper-based payslips, allowing employees to view the information online.
- Our fax system automatically images incoming faxes and archives them to prevent paper waste.
- Majority of our offices use Forest Stewardship Council/ KHAN-NA paper sourced from sustainable, managed forests.
- Used coffee grounds are applied as fertiliser for the garden at Group Head Office. It is 100% organic material and helps to improve drainage, water retention and aeration in the soil as well as assisting microorganisms to thrive and attract earthworms, which are beneficial for plant growth.

SUSTAINABILITY REPORT 2018

Emission

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. For the year ended 31 March 2018 we emitted, in tonnes of carbon dioxide equivalent (CO₂eq) the following greenhouse gases.

GROUP	
Our greenhouse gas emissions	
Scope 1 – Direct emission	61,919.39 tCO ₂ eq/litre
Scope 2 – Indirect emission	4,060.45 tCO ₂ eq/kWh
Total emissions	65,979.84 tCO ₂ eq



HEAD OFFICE

Our greenhouse gas emissions	
Scope 1 – Direct emission	9.20 tCO ₂ eq/litre
*Scope 2 – Indirect emission	1,386.25 tCO ₂ eq/kWh
Total emissions	1,395.45 tCO ₂ eq
Emission intensity by square feet	0.0111MT per square feet

* Inclusive of Head Office building



MANUFACTURING

Our greenhouse gas emissions	
Scope 1 – Direct emission	89.28 tCO ₂ eq/litre
Scope 2 – Indirect emission	2,641.83 tCO ₂ eq/kWh
Total emissions	2,731.11 tCO ₂ eq
Emission intensity by Operating Hour	0.0034 MT per operating hour



PLANTATION

Our greenhouse gas emissions	
Scope 1 – Direct emission	61,820.90 tCO ₂ eq/litre
Scope 2 – Indirect emission	32.38 tCO ₂ eq/kWh
Total emissions	61,853.28 tCO ₂ eq
Emission intensity by FFB Production	0.2485 MT per MT FFB production

Notes: Scope 1 – CO₂ emissions emitted from diesel engines, transportation, chemical or physical operations.

Scope 2 – Purchase of electricity from TNB, SESB, SESCO, PNG power, etc.

SUSTAINABILITY REPORT 2018

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 constantly carry out activities aimed at preventing work injuries. Preventive and scheduled maintenance are regularly performed on all the Group's facilities, plants, storage tanks and terminals; whereupon repairs and replacements are made when necessary or appropriate. Employees who use any machinery are trained to do so properly, while training programmes 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 to policies is monitored and improvements are discussed.

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

Lost Time Incident Frequency Rate ("LTIFR")

The LTIFR refers to the number of lost time injuries occurring in the workplace per 1 million hours worked. LTIFR is recorded based on a number of lost time injuries occurring in the workplace for every 1 million man-hours worked. During FYE2018, the Group recorded an overall Frequency Rate of 6.92 based on the following formula:

$$\text{LTIFR} = \frac{\text{No. of Lost Time Injuries}}{\text{Total Man-Hours Worked}} \times 1,000,000$$

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.

SAFETY
ACHIEVEMENTS

Zero Fatality

Recorded by all divisions in FYE2018.

Percetakan Keselamatan Nasional Sdn Bhd has achieved

1,285 days

without any lost time incident as at 31 March 2018.

The 'Penghargaan Kecelakaan Nihil' was awarded this year to PTNJL by the Labour and Transmigration Ministry for having achieved

39,236,984 manhours

without any workplace accidents for the period 1 January 2015 to 31 December 2017.



SUSTAINABILITY REPORT 2018

The table below indicates the LTIFR, scaled based on the number of days of lost time:

Days of Medical Leave Taken:	LTIFR
1 Day	4.20
2-4 Days	1.48
>4 Days	1.23
All Injuries	6.92

The table indicates that after taking in to account all injuries that occurred over the year the Group had recorded an LTIFR of 6.92. This means that for every 1 million man-hours worked, there were 6.92 lost time injuries occurred on the jobsite. Last year we had identified some inconsistencies in the computation and definition of lost time injuries in different parts of the Group. The methodology has now been improved and we will continue to progressively refine our reporting criteria and improve our disclosures.

Emergency Preparedness

Emergency preparedness is an essential aspect of 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.

During the year, 15 Group employees received cardiopulmonary resuscitation (CPR) and first aid training which covers the practical skills needed by first aiders in the event a person is injured or taken ill at the company's work premises.

During the year, the Group did not incur any fines or sanctions for non-compliance with environmental laws or regulations.

TOTAL NO. OF RECORDED INJURIES

Days Of Medical Leave Taken Resulting From Incident

Days >4

5 Employees

Days 2-4

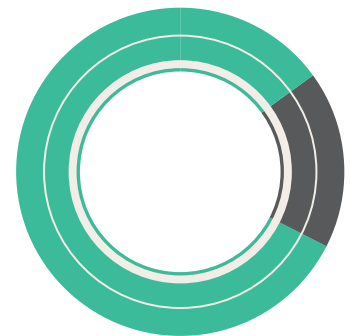
6 Employees

1 Day

17 Employees

TOTAL INJURIES

By Type



● Flying Objects 6

● Tools 22

INSIDE THE SAFETY BRIEFING



Safety briefings precede daily activities for most of our businesses to ensure employees are focused on performing the tasks at hand as safely as possible. These briefings primarily cover:

- Sequence of a task or a job;
- Potential hazards involved;
- Appropriate equipment to use;
- Personal protective equipment needed; and
- Responsibility for emergency response.

SUSTAINABILITY REPORT 2018

Business Improvement Processes (BIP)

The company firmly believes in continuously improving business processes in order to achieve cost efficiencies in production through increased specialisation and investments in key technologies as well as optimising our environmental footprint in every phase of the value chain. As such, the Group aims to regularly conduct regular Business Improvement Processes to ensure we stay on track. This year has been no exception, the table below summarises the BIP projects that were conducted this year.

Subsidiary	Type	What's been done?	How does this offer improvement?
Plantation (Estate)	Repair and Maintenance	Application of laterite stone on road	Lowers vehicle downtime, maintenance costs and improves crop evacuation
Plantation (Estate)	Infrastructure	Upgrade of bridge using galvanised culvert	Lowers vehicle downtime, maintenance costs and improves crop evacuation
Plantation (Mill)	Infrastructure	Replace wooden workshop to steel building	Improves safety and complies with local regulatory requirement
Plantation (Mill)	Purchase of New Equipment	Replacement of 2 water softener tanks affected by corrosion	Prevents calcium carbonate build-up prolonging equipment useful life.
Plantation (Mill)	Purchase of New Equipment	FOSS NIRS spectrometer	Improves the accuracy of samples tested, turnaround time and reduces manpower
Plantation (Mill)	Purchase of New Equipment	Sludge Separator, Sand Cyclone	Maximises oil recovery and minimises oil loss.
Plantation	New IT system	Upgrading IT systems of our Malaysian estates, starting with Ladang Cendana	Provide head office with better oversight and control of operations
Manufacturing	Training & Development	Retrain and reskill employees for new job functions	Redeployment and retraining of staff who were involved with one of the travel documents, to reduce retrenchment
Manufacturing	Expansion	Additional staff station/sub-stores throughout East and Peninsular Malaysia	Improve customer engagement via shorter waiting times for part replacements and on-site technical support
Manufacturing	Operational Improvement	Travel document packing operations moved from warehouse to factory	Centralisation means lower operational overheads and improved process efficiencies
Manufacturing	Purchase of New Equipment	Smartphone and 'Workforce' mobile app	Managers are able to remotely monitor the progress of daily tasks and staff movement and address issues promptly

SUSTAINABILITY REPORT 2018

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.

Employee Breakdown by Division as at 31 March 2018

	Head Office	Manufacturing	Plantation	Total
Senior Management	-	2	1	3
Management	5	12	5	22
Executive	7	24	33	64
Non-Executive	17	246	1,290	1,553
Total	29	284	1,329	1,642

Employee Breakdown by Nationality

Nationality / Country	Malaysia	Indonesia	Total
Malaysian	411	4	415
Indonesian	14	1,212	1,226
Others	1	-	1
Total	426	1,216	1,642
Ratio of local : foreign	27:1	303:1	

Employee Age Profile

Age Group	Male		Female	
	Total	%	Total	%
< 30	407	33.7	93	21.4
30 - 55	771	63.8	325	74.9
> 55	30	2.5	16	3.7
Total	1,208	100	434	100

SUSTAINABILITY REPORT 2018

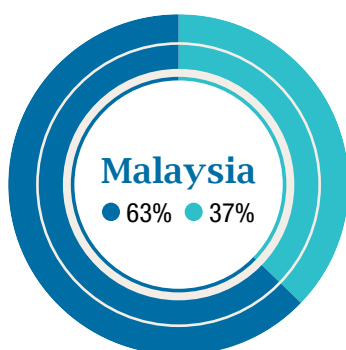
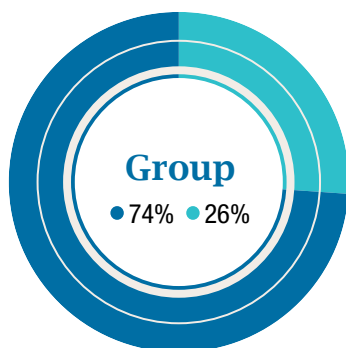
Diversity and Gender Balance

The Group is committed to providing a work environment free of discrimination and unfair bias, where every employee has an equal opportunity in the workplace.

In FYE2018, the Group's workforce totalled 1,642 and is made up of 26% women and 74% men. It is worth noting 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 tend to be significantly lower. During the year, 13 or 3.5% of new hires within the Group were women. We will continue to seek opportunities for the Group to increase the percentage of positions held by women in leadership positions.

Employee Breakdown by Gender & Location FYE2018

● Male ● Female



Employee Breakdown

by Gender & Position FYE2018

Board of Directors



Senior Management



Management



Executive



Non-Executive



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 role. Where headcount reductions are necessary, affected employees are redeployed to new job tasks where retraining and skill upgrading are provided to help them transition into the new tasks.

SUSTAINABILITY REPORT 2018

Performance Management System

Level	Training Hours	
	2017	2018
Senior Management	64	24
Management	256	238
Executive	624	423
Non-Executive	544	808
Grand Total	1,488	1,493

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 will also be provided with the Employee Handbook before or as soon they start their new job. The 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 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 recognise individual training and development needs. Based on performance and contribution, the employees are rewarded through increments, bonuses or promotions.

Employee Turnover

Level	Head Office	Plantation	Manufacturing	TOTAL
Senior Management	1	-	-	1
Management	-	1	2	3
Executive	-	2	5	7
Non-Executives	-	294	62	356
Average total headcount	27	1,312	304	1,643
Division Turnover Rate (%)	3.7%	22.6%	22.7%	22.3%

Employee turnover in the Plantation Division relates primarily to abscondments and expiry of fixed-term contract employees. The majority of employees who absconded are engaged in physical labour where traditionally the employee turnover has been high. The Manufacturing Division had reduced the size of its total contract workforce in order for the division to remain competitive at the present lower levels of economic activity. In other cases, the Group believes that the high rate of non-executive employees leaving voluntarily across the divisions has to do with the mobility of labour.

Compensation And Benefits

Pay decisions are based on:

- Performance rating
- Competency rating

Learning And Development

Identification of:

- Long term development plan
- Competency based training needs
- Business focused training needs

Succession Planning

Identification of:

- Job at risk
- Suitable successors
- Readiness level of successors
- Development plans
- External recruitment

Career & Talent Development

Identification of:

- Promotions and inter company/ department transfers
- Group talents

SUSTAINABILITY REPORT 2018

Human Rights and Workplace Relations

We respect our employees' right to freedom of association, to join unions as well as the right to collective bargaining in accordance with local laws. We are committed to working honestly and transparently with labour unions and we undertake negotiations in good faith. As at 31 March 2018, 20.6% Group employees are represented by labour unions. 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 a work stoppage.

	Malaysia	Indonesia
Total No of Employees	426	1,216
Unionized Employees	150	188
% of Unionized Employees	35%	15%

We are against any forms of forced labour and underage workers, and we rigorously enforce these principles at all our places of work. Each employee's profile and identity document are 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.

All our operations have grievance mechanisms that are accessible, accountable and fair, enabling concerns to be raised without fear of recrimination. This includes the Group's 'whistleblowing' policy and procedures in place for any issues identified. Our whistleblowing policy can be viewed at <http://www.fimacorp.com/corporate-governance.php>

Benefits and Welfare

The Group's compensation structure includes fixed and variable components depending on the employee's job grade. 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 hospitalisation treatment for employees, spouse and eligible children;



- group term life and personal accident insurance;
- alternative working hours; and
- provision of housing with clean running water and sanitation to our plantation workers.

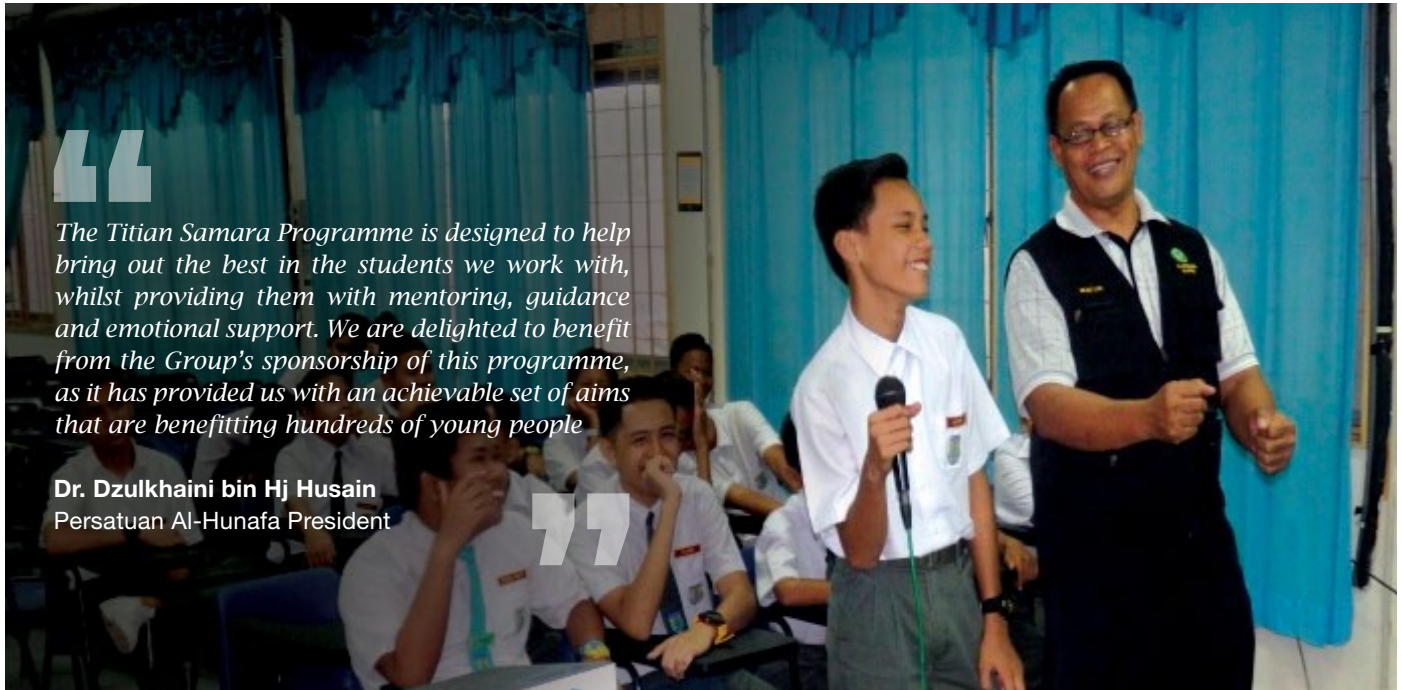
The Group pays at least minimum wage as required by law in the countries in which the Group operate and in no areas of operation does minimum wage varies by gender.

In Indonesia, PTNJL's employees wellness is managed through an on-site clinic staffed by full-time clinic assistants. PTNJL also provides free transportation for the workers' children to nearby local schools. There is also a crèche at the estate which is subsidised by the Company that caters to the needs of the plantation staff and workers. The provision of these facilities has enabled women to join PTNJL's workforce.

The Company had subsidised the cost of enrolment in the iCerdik Program™ for 37 children of Group employees. iCerdik Program™ is an interactive learning program that online revision site that can help students to get the best possible results. Contents of iCerdik Program™ is in line with the curriculum set by the Ministry of Education. This program provides a dynamic way to learn beyond the traditional classroom with ready access to online resources and exam papers. It also enables parents to engage in their children's education at home and monitor the progress thereof.

In February 2018, Group employees and their family members helped plant 200 *bakau kurap* or *rhizophora mucronata* saplings at the Kuala Selangor Nature Park as part of the efforts to sustain and conserve the mangrove ecosystem. Participants were also briefed on the importance of mangroves to the ecosystem as they serve as a barrier against tidal waves and erosion; and play a vital role in stabilising the climate as they are a major carbon sink and oxygen source.

SUSTAINABILITY REPORT 2018



“The Titian Samara Programme is designed to help bring out the best in the students we work with, whilst providing them with mentoring, guidance and emotional support. We are delighted to benefit from the Group's sponsorship of this programme, as it has provided us with an achievable set of aims that are benefitting hundreds of young people

Dr. Dzulkhaini bin Hj Husain
Persatuan Al-Hunafa President



Community

We believe in contributing economically and socially to the well-being of the communities where we conduct business. Supporting economic and social development of the communities in which we operate is the right thing to do for our communities as well as for our businesses.

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. A successful example of this can be seen in Indonesia where 89.8% of contracts for goods and services have been awarded to small and medium-sized local companies. In addition, 23.3% of the FFB processed by the palm oil mill are purchased from smallholder farmers.

Apart from building and furnishing the mosques and schools located within and around the plantation with the necessary amenities, our Indonesian subsidiary, PTNJL also funds the monthly allowance of teachers and imams.

During the year we renewed our sponsorship of Titian Samara Programme by Persatuan Al-Hunafa.

The NGO's mission is to help secondary students with academic and social problems to create a better future for themselves by developing their life skills such as confidence, leadership, and communication through personal development programmes and mentoring. 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.

SUSTAINABILITY REPORT 2018



Harnessing Young Talents



SLIM is an amazing opportunity for the graduates to realize their potential through hands-on experience in various aspects of the Group's business. Helping them to master a task is not only rewarding for the graduate, but for us as well. We are dedicated to the SLIM program and in playing our part in building talent pipeline for both the Company and the nation and look forward to its continued success.

Nor Ita binti Md Ali

Head of Finance & Administration, PKN



In Malaysia, the Group offered placements to 23 university graduates to undergo 8 months on-the-job training in various functions within the Group to gain the skills and experience they need to access job opportunities through our participation in the national development programme Skim Latihan 1Malaysia (SL1M). Under the SL1M programme, graduates are offered a training contract, inclusive of allowances and benefits.

Meanwhile, in Indonesia, PTNJL received 56 students from PDD Politeknik Negeri Nunukan, Kalimantan and several regional high schools to undergo a 2-month internship programme during the year.

