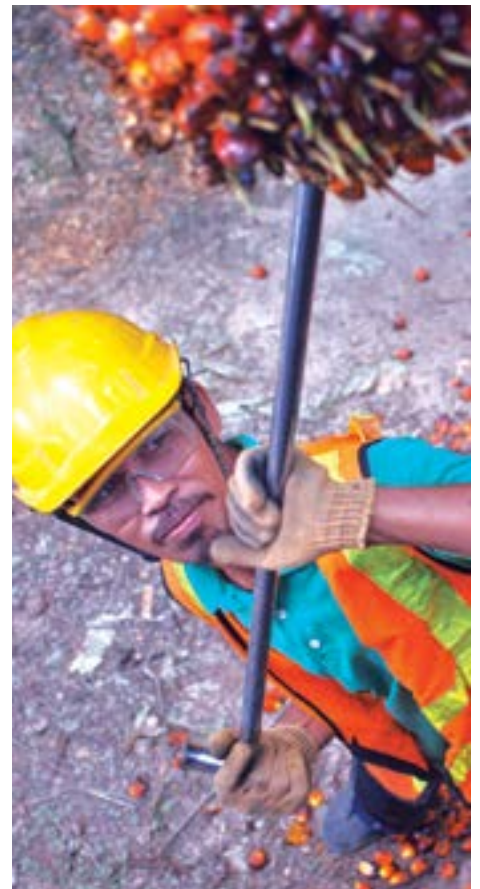




SUSTAINABILITY REPORT 2014



BUSINESS HIGHLIGHTS

ECONOMIC

RM million | 2014

Revenue	Profit Before Taxation
495.6	176.1

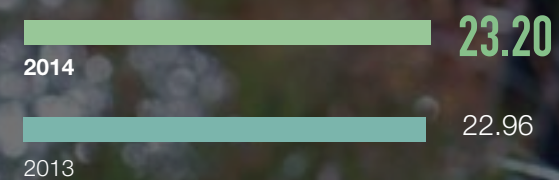
CROP PRODUCTION

FFB | Tonnes

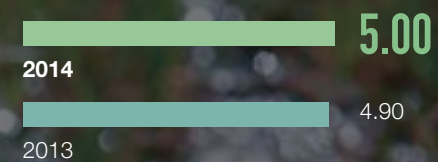


AVERAGE YIELD

FFB yield per mature hectare | Tonnes / Hectare



Oil per mature hectare | Tonnes / Hectare



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MESSAGE FROM CHIEF EXECUTIVE-GROUP PLANTATIONS

MESSAGE FROM CHIEF EXECUTIVE-GROUP PLANTATIONS



WELCOME to the First Sustainability Report from Hap Seng Plantations Holdings Berhad. This report covers our core business activities, including the management of our oil palm estates and the operation of our four palm oil mills in Sabah, Malaysia.

Sustainable development has always been at the centre of our way of operating: Although we have only recently begun to use this terminology, our strategy has always been to safeguard resources for the long term, and investing in the people who work for us as well as our local communities which are critical to maintain our licence to operate.

In a challenging business environment, with changing weather patterns, risks of natural disasters, and tough competition for talent this commitment is crucial. We understand that we need to stay competitive by keeping production cost as low as possible without sacrificing our commitment to quality or our long-term goals. In 2014, we recorded a growth in profit before tax of 28%, which we attributed partly to this ongoing focus on productivity and quality.

We can only maintain strong and sustainable performance through economies of scale, achieved through increased productivity and growth.

Available land banks are very limited, and although we will always seek to increase our available land through acquisition, we know that growth through down-stream development and a continued focus on improving yield and extraction rates can achieve equally good pay-outs.

We also need to ensure that we stay competitive in a marketplace where customers and other stakeholders expect the highest standards, not only in terms of quality, but also in terms of environmental and social performance. We cannot afford to invent our own rules when it comes to sustainability and hence, we joined the Roundtable on Sustainable Palm Oil (RSPO) in 2005. Today we are proud of our full commitment to all internationally recognised RSPO Principles and Criteria, which allows us to work alongside a broad range of stakeholders on the journey towards sustainable palm oil.

We have already made significant progress and to date 11 of 15 estates and all four palm oil mills are RSPO certified and we are pursuing a time-bound plan to achieve certification for all our plantation operations. At the time of reporting, we have successfully sold a total of 51,562 metric tonnes of certified sustainable palm oil (CSPO) with a premium.

Successfully sold a total of **51,562** Metric Tonnes of certified sustainable palm oil (CSPO) with a premium



MESSAGE FROM CHIEF EXECUTIVE-GROUP PLANTATIONS



We seek to go beyond RSPO requirements in areas where we know stakeholders have concerns. Recognising that climate change is a real threat to our planet and to our long-term operational health, we have for the first time produced a carbon emissions report, enabling us to track progress and reductions over time. We are also implementing the International Sustainability and Carbon Certification EU (ISCC EU) system, a leading documentation scheme recognised by the European Commission, to demonstrate compliance with the EU Renewable Energy Directive (RED) requirement. In January 2015, Bukit Mas Palm Oil Mill and its supplying estates became the first of our mills to obtain ISCC EU certification. The ISCC EU will enable HSP to meet sustainability requirements in the bioenergy markets and demonstrate the sustainability and traceability of raw materials for food, feed and chemical industries.

We are seeking to reduce greenhouse gas (GHG) emissions from palm oil mill effluent by establishing a methane capture facility and a biogas power generation plant.

We expect these projects to be commissioned in 2016. We expect the biogas power plant to be a true triple bottom line initiative, saving fuel, reducing GHG emissions and providing uninterrupted electricity supply to the community.

At Hap Seng Plantations, our people are our primary focus. We empower every employee to be as productive as possible and to develop his or her skills, character and experience. We are guided by the RSPO Principles & Criteria that all employees, including foreign workers, must be treated fairly and with respect. Most importantly, we take seriously our responsibility to keep our employees safe from work-related accidents and illnesses.

We are fully committed to sustainable community development and seek to build mutually beneficial relationships in the communities in which we operate. We believe that our business success can only be achieved if our local communities grow in tandem with us.

MESSAGE FROM CHIEF EXECUTIVE-GROUP PLANTATIONS

We have taken significant steps to protect our local environment. A structured and continuously evolving set of systems ensure that our operations do not threaten wildlife habitats or natural ecosystems. We have also made significant reductions in our pesticide usage, substituting Paraquat with glufosinate-ammonium in immature areas and with glyphosate in mature areas in our plantations. Furthermore, our longstanding zero burning policy for both new planting and replanting of oil palm is strictly adhered to.

Each stakeholder group adds a different dimension of concerns and we welcome the opportunity to engage positively in response to these issues. We operate a business that brings value to all and we believe that through honest and open communication, internally and externally, we can work together to achieve the best outcomes for our business and our stakeholders.

We are aware that our operations are not yet perfect. We hope that this report will allow our stakeholders to assess us, help us improve and also recognise the efforts we are undertaking to continue developing new sustainability initiatives.

Finally, I would like to record my sincerest thanks to the company for the strong support and to our employees for their contributions and dedication to our sustainability journey thus far.

Au Yong Siew Fah
Chief Executive-Group Plantations



OUR ACHIEVEMENTS 2014

FFB YIELD PER MATURE HECTARE
23.20 Tonnes / Hectare

TOTAL WATER USAGE (MILLS ONLY)
1.52 MT / MT FFB

OIL PER MATURE HECTARE
5.0 Tonnes / Hectare

BOD LEVEL - NEW MILL
34 PPM



NO Plantings on Peat



NO Paraquat Used



TWO RSPO
 Certified Segregated Mills



66% REDUCTION
 in accidents since 2011

OUR COMMITMENTS

- 2015**
- All mills RSPO certified
 - Develop a water conservation policy
 - Establish a greenhouse gas baseline
 - Increase FFB yields to 22 tonnes per hectare
 - Complete a biodiversity baseline study
 - No increase in lost time accident rate
 - Zero fatalities

- 2017**
- Increase CPO extraction rate to 22.5%

- 2018**
- Achieve certification of 50% of JPOM external FFB
 - Reduce BOD level to 20 ppm BPOM

- 2020**
- BOD level to 20 ppm TPOM

- 2016**
- ISCC EU certification of four mills
 - Complete guidelines on biodiversity management at landscape level using an HCV approach
 - BOD level to 20 ppm for JPOM
 - Develop a GHG emissions reduction plan

- 2022**
- Certification of 100% of JPOM and TPOM external FFB

* RSPO - Roundtable on Sustainable Palm Oil
 * FFB - Fresh Fruit Bunch
 * ISCC EU - International Sustainability & Carbon Certification
 * HCV - High Conservation Values
 * GHG - Greenhouse Gas

* CPO - Crude Palm Oil
 * JPOM - Jeroco Palm Oil Mill
 * TPOM - Tomanggong Palm Oil Mill
 * BPOM - Bukit Mas Palm Oil Mill
 * BOD - Biological Oxygen Demand

ABOUT HAP SENG PLANTATIONS

HAP SENG PLANTATIONS IN BRIEF

Hap Seng Plantations Holdings Berhad, referred to in this report as “Hap Seng Plantations”, is an oil palm plantation company in the Lahad Datu region of Sabah, Malaysia. Hap Seng Plantations has a land bank of around 40,000 hectares, of which 36,000 hectares is planted with oil palm.

The remaining area is set aside for buildings, including four mills and housing for our 7,000-strong workforce, and for conservation.

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

We have been a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2005, and are able to produce fully identity preserved, segregated and mass-balance RSPO certified sustainable palm oil through our four certified mills.

ABOUT HAP SENG PLANTATIONS

OUR ROLE IN THE MARKETPLACE

Our business conduct is anchored in our core values of integrity, transparency, commitment to excellence, and sustainability. We strongly adhere to all relevant legal requirements and are dedicated to the wellbeing of our customers. We know and value our investors' high expectations and uphold best corporate governance practices throughout our operations to ensure we consistently meet them.

We work hard to maintain our position as a competitive and sustainable palm oil company and we are consistently recognised for our efforts. For six consecutive years since 2009 we have received the Best Crude Palm Oil CPO Quality Award from IOI Group, a global industry leader, in recognition of the high quality palm oil we consistently deliver to our customers.

As the world population approaches 9 billion by 2050, the global demand for fully sustainable and traceable palm oil will continue to grow. In order to accommodate these customer requirements, and recognising our responsibility to contribute to the sustainability of our industry, we have targeted to become fully RSPO and ISCC EU certified by 2016.



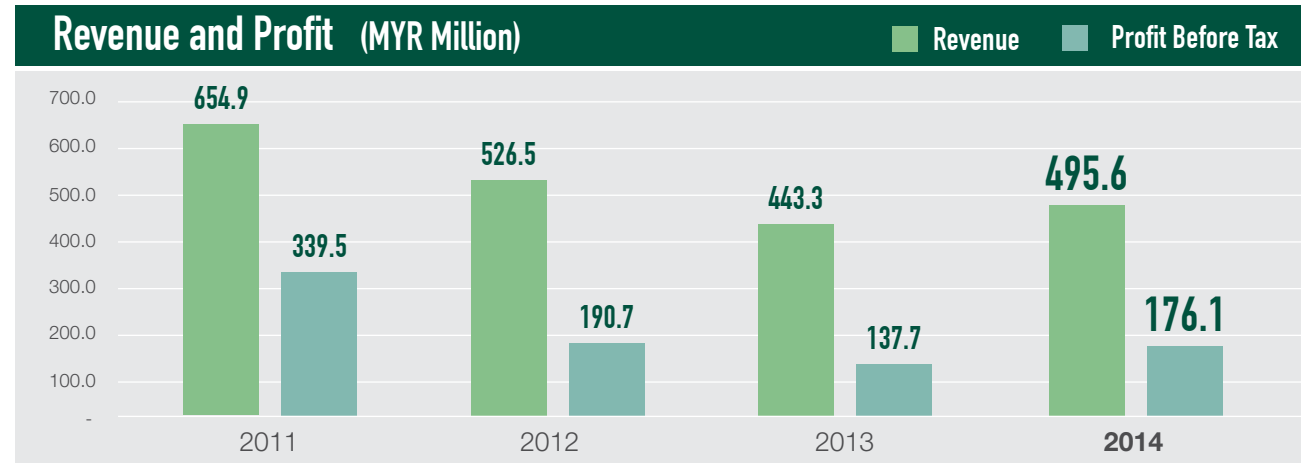
ABOUT HAP SENG PLANTATIONS

COMPANY STRUCTURE AND FINANCIALS

Hap Seng Plantations was listed on the main market of Bursa Securities Malaysia Berhad (Bursa Securities) on 16 November 2007. Our revenues were registered at RM495.6 million in 2014, up from RM443.3 million in 2013, while profit before tax grew by 28% despite low CPO prices.

Our major shareholder is Hap Seng Consolidated Berhad, a company listed on the main market of Bursa Securities. As of 31 December 2014, Hap Seng Consolidated Berhad holds 52.38% of the voting shares of Hap Seng Plantations. Hap Seng Consolidated Berhad is a diversified group whose core businesses are plantations, property holding and development, credit financing, automotive, fertilizers trading, quarry and building materials and trading. These operations are primarily based in Sabah and Peninsular Malaysia.

Our Revenues in 2014



OUR OPERATIONS

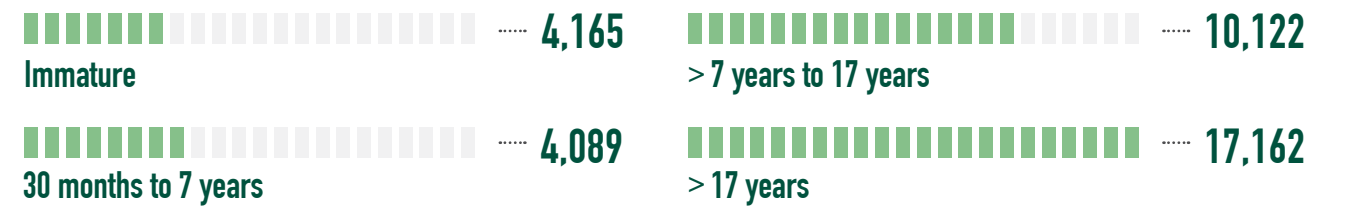
Our Land

Our land bank of 39,803 hectares is situated in Sabah, near Lahad Datu. This land is leased from the Sabah State government for 99 to 999 years. Our oil palm planted area is 35,538 hectares, comprising 31,373 hectares of mature plantings and 4,165 hectares

of immature plantings. The average age of our oil palm is 15.35 years, and around 88% of our planted area consists of mature oil palms. Our replanting programme (about 4% per annum) ensures that we maintain an optimal age profile and productivity.

ABOUT HAP SENG PLANTATIONS

Oil Palm Age Profile



About 30% of our land was cleared almost a century ago, and was left either unplanted or used for a variety of tree crops before being planted with oil palm. Our largest plantation operation is located around one hour's drive from Lahad Datu town. It is a contiguous area of 36,354 hectares and comprises three groups of oil palm estates - Tomanggong Group, Sungai Segama Group and Jeroco Group.

PLANTATION OPERATIONS

- Jeroco 1 & 2 Palm Oil Mill**
(5°25.866' N / 118°25.033' E)
- Bukit Mas Palm Oil Mill**
(5°20' 14.28" N / 118°28' 25.104" E)
- Tomanggong Palm Oil Mill**
(5°23.987' N / 118°39.798' E)



ABOUT HAP SENG PLANTATIONS

Our business began in 1950 when The River Estates Limited (the former name of River Estates) was founded by a British entrepreneur, Datuk R.G. Barret, for the cultivation and export of tropical produces such as rubber and cocoa. River Estates only commenced cultivating oil palm on a commercial scale in the Tomanggong Estate in October 1963.

In 1978, the River Estates was acquired by Hap Seng Consolidated Berhad (then known as EAC (M) Berhad). The first old palm replanting in Tomanggong Estate began in 1987.

Subsequently, the River Estates expanded its oil palm plantation business by acquiring the Sungai Segama/ Bukit Mas Estates in 1990. Shortly thereafter, it also acquired the entire equity of Wecan and Tampilit, which collectively own the land which now forms part of the Litang Estate in 1991.

On 15 July 1996, Hap Seng Consolidated Berhad acquired 60.61% equity in Jeroco, which owns plantations land that forms the Jeroco Group of estates. On the same day, the River Estates acquired Ladang Kawa. Hap Seng Consolidated Berhad's equity interests in Jeroco increased further to 60.65% in 1997 and 66.07% in 1998.



FFB Harvested (MT)

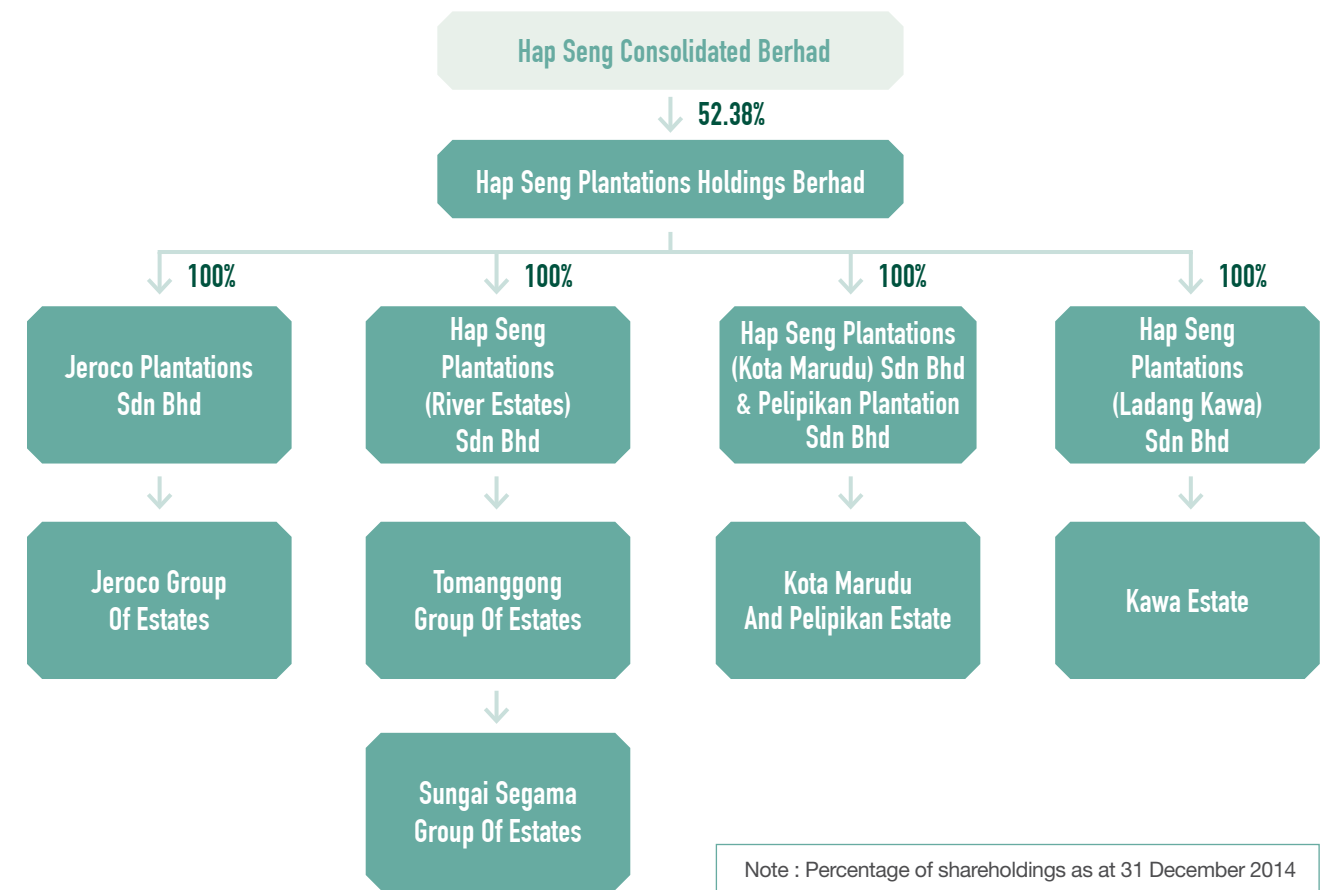
Year	FFB Harvested (MT)
2011	738,969
2012	665,812
2013	704,241
2014	727,937

In September 2007, Hap Seng Plantations was incorporated upon completion of the acquisition of River Estates and Jeroco. In 2008, we leased 2,092 hectares of land in Kota Marudu known as the Pelipikan estate.

In 2014, our estates produced 727,937 metric tonnes (MT) of Fresh Fruit Bunch (FFB), with average yield of 23.2 tonnes per hectare. Our yields are generally higher than the average for Sabah due to our focus on best management practices with high quality planting materials throughout our estates.

In addition, we also provide management and advisory services to a subsidiary and an associate company of Hap Seng Consolidated Berhad.

ABOUT HAP SENG PLANTATIONS



FOCUS ON GROWTH WITHOUT EXPANSION

As a commercial enterprise and a listed company, Hap Seng Plantations will need to grow in order to remain a viable company and employer. Our growth philosophy is based on a mission to increase the productivity of our current land through continuous improvements in yield and extraction rates.

We believe that there is a large yield gap, and that high quality planting materials and ongoing innovation, whether developed by ourselves or adopted from our peers, has the potential to provide growth opportunities without physical expansion.

While we remain open to expansion, we recognise that there is limited viable economic sized land remaining in our region on which to expand operations. We also recognise that the land that is available is often unsuitable for efficient palm oil cultivation due to poor soils, the presence of large peat areas and the potential risk to forests and high conservation value (HCV) ecosystems.

While we will consider acquisition possibilities if they arise, we believe that we can achieve consistent growth by maximising the potential of our current land bank and by maintaining high standard of agricultural practise.

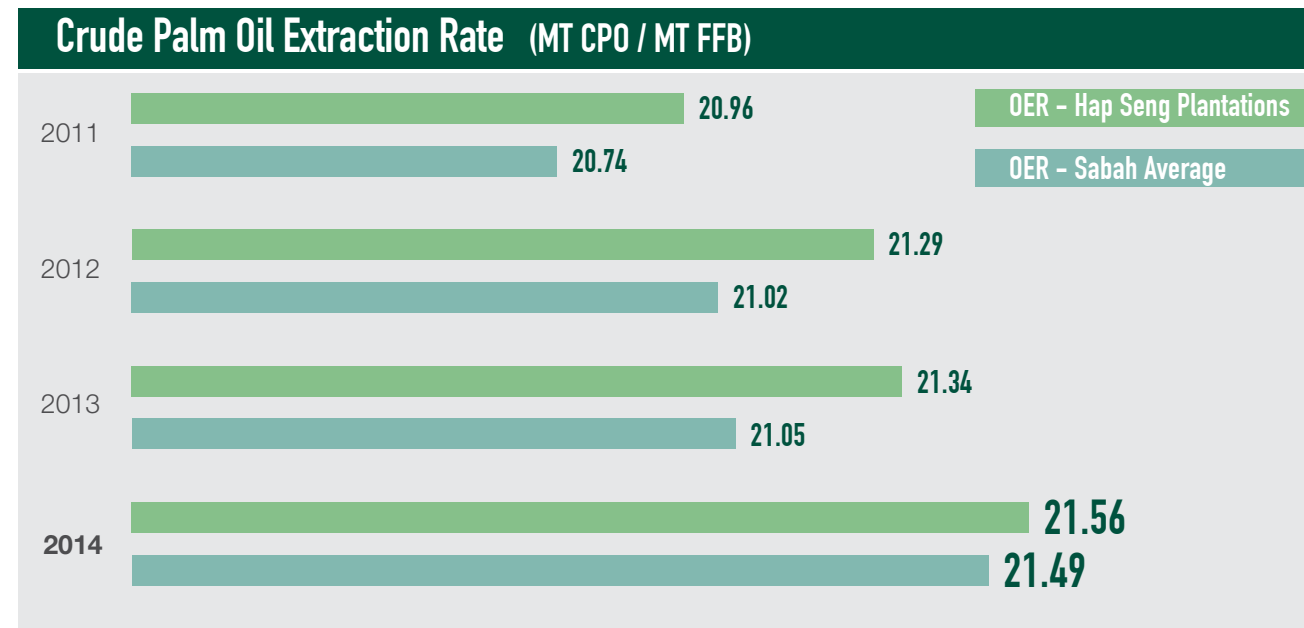
ABOUT HAP SENG PLANTATIONS



Our Mills

We operate two segregated mills and two mass balance mills in our Lahad Datu operations. All four mills are RSPO certified at the time of writing this report. These four mills have a combined milling

capacity of 175 tonnes of FFB per hour. In 2014, we processed 802,414 MT of FFB with an average oil extraction rate (OER) of 21.56% - somewhat above the average for Sabah palm oil mills.



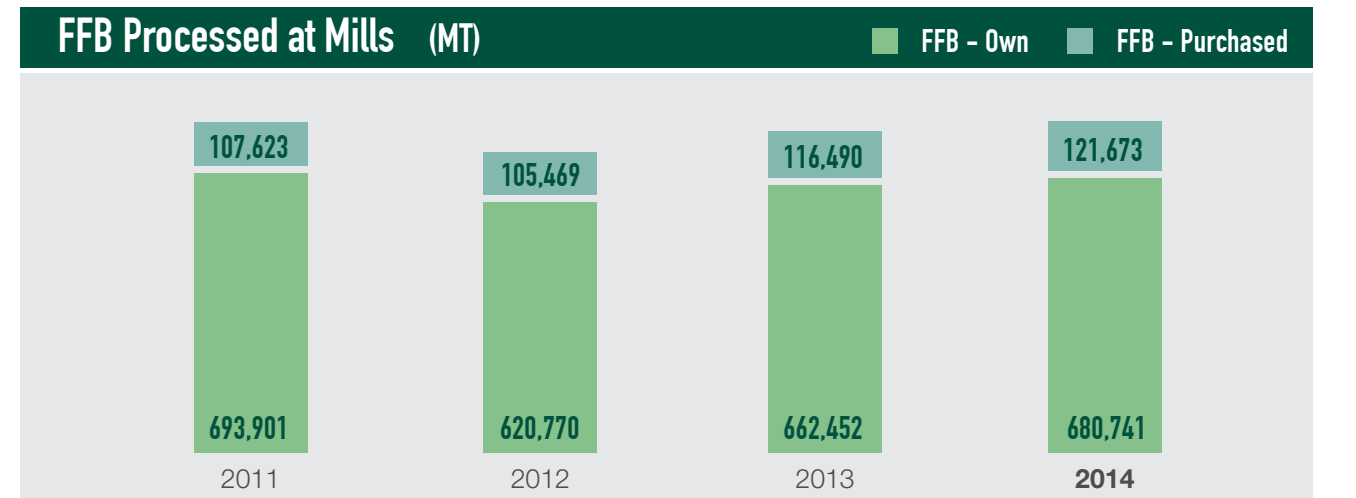
ABOUT HAP SENG PLANTATIONS



External FFB: Outgrowers and Smallholders

We purchase around 15% of external FFB from 11 local outgrowers and this is processed at our two mass balance mills. To ensure that we will eventually be able to deliver 100% RSPO certified CPO from all our mills, we are engaging with outgrowers in order to raise awareness about sustainable palm oil and the benefits of becoming certified.

Our current target to achieve certification of all external FFB by 2022 reflects the initial resistance we have found among outgrowers, as most do not see the benefit of the increased effort involved. As there are numerous FFB buyers in our area, we do not have the leverage to impose certification. Instead, we are building on the work undertaken by RSPO among others, to demonstrate the increased productivity that can be achieved by smallholders through the adoption of sustainable practices.



ABOUT HAP SENG PLANTATIONS



The Bukit Kibos forest reserves, a high conservation designated area is a home to rare plants and endangered animals

ABOUT OUR HOME IN SABAH

Sabah is the second largest state in Malaysia and one of two Malaysian states on the island of Borneo. Sabah's geography provides the ideal conditions for oil palm cultivation. However, the region is also host to high conservation value (HCV) ecosystems, rare and endangered species, and a rapidly growing human population - with many living well below the poverty line. These factors make Sabah a challenging environment to operate in.

Economically, Sabah relies heavily on its natural resources, with oil and gas, agriculture and tourism being the dominant sectors. In the last decades, oil palm has overtaken timber, cocoa and rubber as the most important agricultural output, with an estimated 1.5 million hectares planted in the state.



Rare floral of Bukit Kibos - Begonia sp.

Hap Seng Plantations works at the nexus of these challenges:

- **Host to High Conservation Value Ecosystems**
- **50% of the state is protected by various conservation schemes**
- **Second largest state in Malaysia with significant development, infrastructure and employment challenges**
- **3.5 million inhabitants, rapid growing human population, poverty rate 8.1% compared to 1.7% national average**



ABOUT HAP SENG PLANTATIONS

Large-scale forestry and agriculture have already left a significant footprint on Sabah's landscape. Until the early 1980s, Sabah was dependent on the export of tropical timber. Since then, the state has made efforts to save the remaining virgin rainforest and its unparalleled biodiversity, which includes rare, threatened and endangered species such as orang-utans, pygmy elephants, and rhinoceros. Today, approximately 50% of the state is protected by various conservation schemes.

Local government and NGOs have also raised concerns about the effects of chemical usage and sedimentation on waterways and endangered wildlife. This has led to valuable collaborative developments in the palm oil sector, most prominently with RSPO. Such collaborations have identified further challenges to be addressed, including the need to maintain riparian boundaries to prevent freshwater contamination, and forest buffer zones to ensure free movement for vulnerable species.

Sabah also faces significant development challenges, particularly in terms of infrastructure and employment opportunities. The state has 3.5 million inhabitants, one of the highest population growth rates in Malaysia, and a large number of people living in remote communities without access to basic amenities. While the state has made progress in reducing poverty, Sabah still lags behind Peninsular Malaysia with a poverty rate of 8.1%, compared to 1.7% nationally.

At Hap Seng Plantations, we work at the nexus of these challenges. This means we have a responsibility to find a balance between the need to protect the environment, the need to contribute to the economic growth of the region, and the need to operate as a financially sustainable business. This report documents our progress so far, and the next targets we have set ourselves towards achieving this balance in Sabah.

ABOUT HAP SENG PLANTATIONS

CORPORATE GOVERNANCE

Our governance and management structure has been developed to ensure that every area of our business operates to consistent standards and in a manner that is responsive to both our shareholders and the wider stakeholder environment.

The Board of Directors is the ultimate governance body in the company and is responsible for the long-term success of Hap Seng Plantations Group. Our Board members represent a broad range of expertise, ages and career experiences that reflect the diversity of Malaysian society.

Mandate

The Board adheres to The Malaysian Code on Corporate Governance 2012 - a best practice standard for corporate governance - and plays a key role in the Group's direction and strategy, professional standards, business performance and internal control systems. The Board recognises that good corporate governance should extend beyond mere compliance. Good corporate governance should seek to attain the highest standards of business ethics, accountability, integrity and professionalism across all the Group's 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.

Composition and Competences

The Board consists of ten members: a managing director, two executive directors, three non-independent non-executive directors and four independent non-executive directors. The chairman of the Board of Directors is an independent non-executive chairman.

The Board acknowledges that diversity, including gender diversity, can contribute to its effective functioning. However, there are currently no women on the Board. The Board will consider suitable female candidates who can support the long-term objectives of the company when vacancies arise.

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

Sustainability on the Board Agenda

Sustainability is an integral part of the Board agenda. Board competences, company Key Performance Indicators and remuneration are all linked to specific targets related to RSPO certification, as well as to other environmental and social objectives.

ABOUT HAP SENG PLANTATIONS

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.

Integrity Systems

Hap Seng Plantations' work ethic is guided by our Code of Conduct, which is embodied in our employee handbook. The Code of Conduct prohibits the giving and receiving of any type of bribes or other benefits which may influence our employees' ability to carry out duties legally and/or in line with company interest. Any gifts must be declared to the immediate superior.

We also have a whistle blowing policy formulated by the Board to encourage employees to disclose any malpractice or misconduct of which they become aware of and to provide protection to the whistleblower in the reporting of such alleged malpractice or misconduct. The full text of the whistle blowing policy of the Hap Seng Plantations is found in our corporate website.

In addition, the Group has a long-established formal avenue for all employees to report any misconduct or unethical behaviour they have witnessed directly to the Chief Executive - Group Plantations.

Feedback Mechanism

The Board seeks to ensure a dynamic and robust corporate climate focused on strong ethical values. It pursues this goal by emphasising the importance of active participation and dialogue, as well as ensuring accessibility to information and transparency on all executive actions. The Annual General Meeting is the main platform for dialogue and interaction with our shareholders.

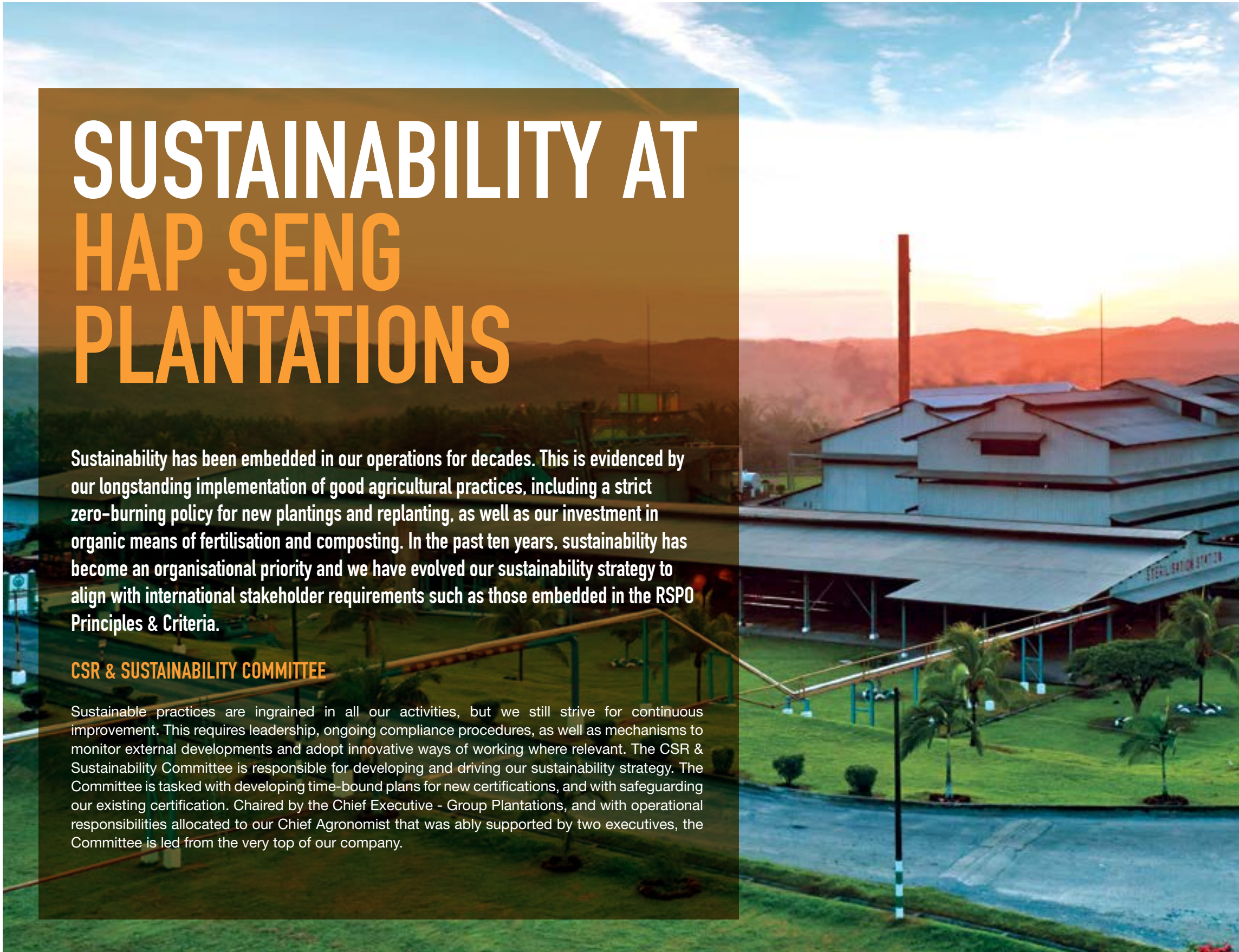
In its aspiration to instil and promote appropriate standards of conduct and ethical practices, the Board has established a Board Charter to be strictly complied with by directors and the management. To avoid uncertainty, the provisions of the Code are non-exhaustive and supplement all other obligations imposed on directors and the management by applicable rules, laws and regulations. The Board reviews the Code periodically.

SUSTAINABILITY AT HAP SENG PLANTATIONS

Sustainability has been embedded in our operations for decades. This is evidenced by our longstanding implementation of good agricultural practices, including a strict zero-burning policy for new plantings and replanting, as well as our investment in organic means of fertilisation and composting. In the past ten years, sustainability has become an organisational priority and we have evolved our sustainability strategy to align with international stakeholder requirements such as those embedded in the RSPO Principles & Criteria.

CSR & SUSTAINABILITY COMMITTEE

Sustainable practices are ingrained in all our activities, but we still strive for continuous improvement. This requires leadership, ongoing compliance procedures, as well as mechanisms to monitor external developments and adopt innovative ways of working where relevant. The CSR & Sustainability Committee is responsible for developing and driving our sustainability strategy. The Committee is tasked with developing time-bound plans for new certifications, and with safeguarding our existing certification. Chaired by the Chief Executive - Group Plantations, and with operational responsibilities allocated to our Chief Agronomist that was ably supported by two executives, the Committee is led from the very top of our company.



SUSTAINABILITY AT HAP SENG PLANTATIONS

CERTIFICATION

We want to be considered best in class. This is why our company was one of the first to join the Roundtable on Sustainable Palm Oil (RSPO). With over 2,000 members worldwide, the objective of RSPO is to promote the growth and use of sustainable oil palm products through credible global standards and stakeholder engagement. Roundtable members represent every sector of the global supply chain, account for 40% of the industry as a whole, and today supply around 20% of the world's palm oil.

We achieved our first RSPO certification for the Bukit Mas Palm Oil Mill and associated estates in 2012. The following year, Jeroco Palm Oil Mills 1 and 2 were certified. The Tomanggong Palm Oil Mill achieved certification in early 2015 (excluding two estates pending RSPO compensation review – see p. 32). We expect to be fully RSPO certified by 2017 when the Ladang Kawa (audited 2014) and Pelipikan Estates (planned for audit 2016) have completed certification.

Of course the sustainability goalposts shift with the emergence of new knowledge and the evolving demands of stakeholders. In April 2013, four new criteria and 40 new indicators were added to the RSPO Principles & Criteria used to certify sustainable palm oil. We remain committed to ongoing improvement, and are working to adjust to the revised standard.



RSPO certifications for Jeroco, Bukit Mas and Tomanggong Palm Oil Mills

SUSTAINABILITY AT HAP SENG PLANTATIONS



In addition to pursuing full RSPO certification, Bukit Mas Palm Oil Mill received International Sustainability Carbon Certification EU (ISCC EU) in January 2015. International Sustainability and Carbon Certification EU (ISCC EU) system is an independent, globally applicable certification covering sustainability and greenhouse gas emissions. ISCC EU is recognised by the European Commission as one of the first certification systems to meet the requirements of the EU Renewable Energy Directive. We are preparing to certify two of our mills under the ISCC EU in October 2015.

As global concerns about food safety continue to grow, we are also considering the introduction of Hazard Analysis & Critical Control Points (HACCP) certification. HACCP is a chain-of-custody system that provides assurance of appropriate and safe handling of food products.

STAKEHOLDER ENGAGEMENT

The commitment and contribution of our stakeholders is vital if we are to achieve our goals and aspirations. We identify our stakeholders by measuring the extent to which our business impacts upon them and how they influence our operational performance. Each stakeholder group adds a different dimension of issues and concerns.

It is only through ongoing engagement that we become better equipped to respond to our stakeholders' needs and concerns. By ensuring open and honest communication, internally and externally, we can work together to build a better business, achieve better outcomes, and bring shared value for everyone who has a stake in what we do.

SUSTAINABILITY AT HAP SENG PLANTATIONS

STAKEHOLDER GROUP	ISSUES	METHODS	OUTCOMES
Government	<ul style="list-style-type: none"> Riparian areas 	<ul style="list-style-type: none"> Meetings with respective agencies 	<ul style="list-style-type: none"> Continue to protect the water ways
Shareholders/ Investment community	<ul style="list-style-type: none"> Update on RSPO certification Replanting programme Expansion plans 	<ul style="list-style-type: none"> Quarterly meeting Annual General Meeting 	<ul style="list-style-type: none"> Sustainability issues factored into our non-financial risk assessment for new acquisitions and joint ventures
Local communities	<ul style="list-style-type: none"> Road Accessibility Free medical Smallholders 	<ul style="list-style-type: none"> Social impact assessments Grievance and complaints channel Ad-hoc 	<ul style="list-style-type: none"> Free medical services Maintain good road condition Water supply during drought
Workers	<ul style="list-style-type: none"> Workers conditions Wages Occupational health and safety Meeting basic needs 	<ul style="list-style-type: none"> Social impact assessments Awareness and continuous improvement 	<ul style="list-style-type: none"> Ongoing refurbishment and upgrading of quarters and amenities Yearly evaluation of wages Streamline and centralise health and safety management
Industry bodies	<ul style="list-style-type: none"> Good agricultural practices Chemicals Water usage Occupational health and safety Development of future planters 	<ul style="list-style-type: none"> Members of the RSPO, Incorporated Society of Planters (ISP), Malaysian Palm Oil Association 	<ul style="list-style-type: none"> Commitment to a time-bound plan for certification Honorary Secretary of Malaysian Palm Oil Association
Employee	<ul style="list-style-type: none"> Talent attraction and retention Employee development 	<ul style="list-style-type: none"> Annual performance appraisals Quarterly engagement with HR manager Formalize training 	<ul style="list-style-type: none"> Feedback from annual performance Development of cadet programme
Customers	<ul style="list-style-type: none"> RSPO certification Supply chain and traceability of oil Quality of oil 	<ul style="list-style-type: none"> One on one meetings 	<ul style="list-style-type: none"> Best Supplier Award

ENVIRONMENT

ENVIRONMENT

Our operations are located in close proximity to some of Southeast Asia’s most striking biodiversity, including many 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.

PROTECTING WATER SOURCES

Our plantations are in a remote area of Sabah without public utilities such as piped water. We source drinking water from natural water ways. We take all precautionary steps necessary to ensure that water used for irrigation in our estates is free from pollutants in order to protect water catchment areas and other bodies of water from pollution and contamination.

Maintaining riparian boundaries

The Segama and Kretam rivers flow through our estates. We maintain an area of natural riverside vegetation - known as a ‘riparian reserves’ - along both sides to act as a buffer between our operations and the freshwater ecosystem. Oil palm that was planted in riparian areas in the 1980s has been left in accordance with guidelines issued by the Department of Irrigation and Drainage. In some cases local villagers have planted banana trees and built houses in riparian boundaries. Although this is prohibited by law, and not recommended by our company, we have allowed the trees to remain in order to maintain our relationship with the local community.

Within the estates, palms planted along streams are marked with a red circle. This indicates that no chemical spraying or manuring is to take place in this area. Occasional flooding of the area naturally restricts weed growth.

Rainwater Harvesting

We are hosts to almost 7000 employees and their families, so managing our domestic water use is a priority. We have therefore established rain water harvesting systems throughout our housing areas in order to save resources and stabilise supply in addition to our treated water supply as per Ministry Of Health Guideline and WHO Standards.



‘Riparian reserves’ act as a buffer zone between estates and rivers in preserving local biodiversity

ENVIRONMENT

Water Efficiency

During the dry season, months may pass without any significant rainfall to replenish our reservoirs. For this reason we store a six-month reserve of water, and it is of utmost importance that we maintain an efficient use of water in our processes all year round.

Our largest use of water is in our mills. In 2014, we used on average 1.52 tonnes of water per tonne of FFB processed. We aim to improve our water efficiency to 1.3 tonne per tonne of FFB by 2016.

Water Usage in Mills (Tonnes / Per Tonne FFB)



We aim to improve our water efficiency to

1.3 Tonne Per Tonne FFB by 2016

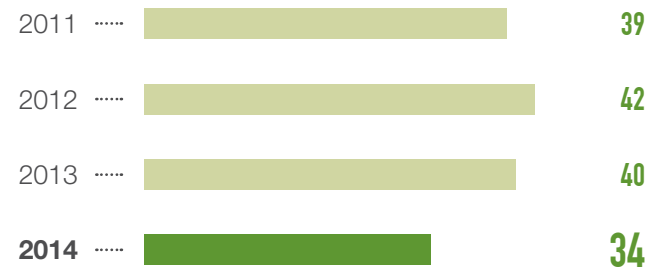
Managing Palm Oil Mill Effluent Discharge

Palm oil mill effluent (POME) is water that has been used in the processing of FFB. POME often contains a high biological oxygen demand (BOD). All palm oil mills are required to treat their effluent to the legal requirement before it is discharged into rivers or used in land applications. In Sabah, the BOD discharge is 100 ppm. However, the Department of Environment Sabah (DOE) has designated some areas particularly those along the major rivers, as sensitive areas and the limit in such areas has been set at 20 ppm.

The average BOD discharge from our four mills over the last four years ranges from 34 ppm to 42 ppm, with Tomanggong Palm Oil Mill being the best performing mill. POME from our mills is not discharged into the river, instead it is released to our Land Irrigation System that has been approved by DOE. We saw a significant drop in BOD levels in 2014 because of significant efforts targeted at achieving levels below 20 ppm.

A polishing plant is currently being built in Jeroco Palm Oil Mill. This will help us to meet the Department of Environment's current BOD discharge requirement of not more than 20 ppm.

Average BOD Discharge (ppm)



ENVIRONMENT

SOIL MANAGEMENT AND CHEMICAL REDUCTIONS

As part of our commitment to increase the productivity of our land without endangering the surrounding environment, we are constantly trialling 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

Chemicals are applied manually by trained spraying crews who receive ongoing training in chemical handling. All sprayers are required to wear authorised personal protective equipment (PPE) covering the full body, and sprayers must shower after each shift. Supervisors are charged with ensuring that compliance and safety procedures are monitored through internal safety audits. Spraying crews are also required to go for medical check-ups on a monthly basis.



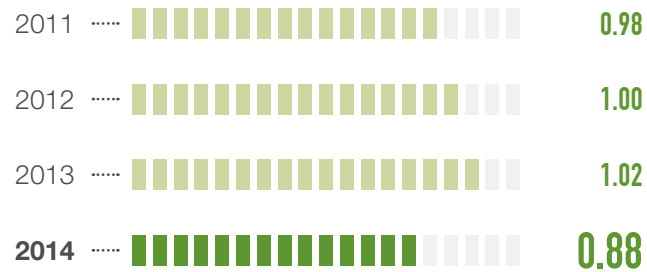
ENVIRONMENT

Best Management of Soil

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

Fertiliser used

(Mt / Ha)



Integrated Pest Management

Integrated pest management (IPM) is a broad-based approach that emphasises the growth of healthy crops with the least possible disruption to the ecosystem. IPM encourages the use of natural methods to control pests, pathogens and weeds, which are safer for the ecosystem.

One of our biggest challenges has been the control of nettle caterpillars. For example, a previous infestation of such caterpillars in the Sungai Segama Group of Estates has resulted in a significant loss of yield over a significant period of time because of the extensive defoliation of leaf area.



We now plant above the recommended 10 metres of beneficial plants per hectare of oil palm to control the population and to minimise the usage of agrichemicals (pesticides). In addition, we also practise the use of natural control in the form of a virus (i.e. Beauveria bassiana) and bacteria (i.e. Bacillus thuringiensis). We also practise preventive pest control measures such as establishment of fast growing leguminous covers to accelerate the decomposition of the palm biomass so that it will not be a breeding ground for the pests.

Pheromone traps are dispersed across our estates to lure insects such as Apogonia beetles, Oryctes rhinoceros beetles, Cockchafer and Odoratus.

We control rats by reducing their food supply, ensuring all loose fruits are collected promptly. Our ban on hunting allows for natural predators such as snakes, serpent crested eagles, and Malayan weasels to thrive and control the population. Attempts to introduce the barn owl, which is a highly effective contributor to rat control in Peninsular Malaysia, have been unsuccessful. Barn owls do not thrive in Sabah as they are not native to the region.

We analyse and monitor the nutrient levels in our palms by testing palm fronds and foliage



ENVIRONMENT

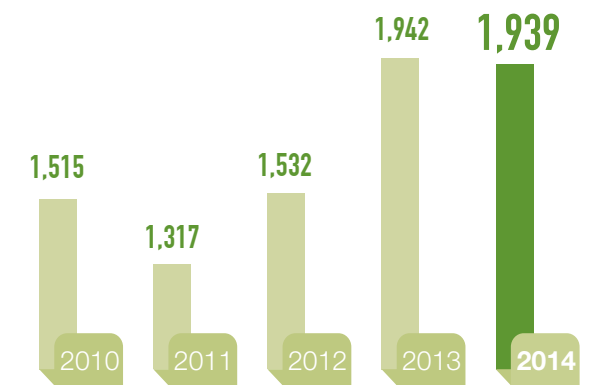
Substitution of Paraquat

In 2011, we adopted a policy to stop the use of Paraquat, a herbicide that has been highlighted as a chemical of concern by stakeholders due to wide spread misuse. As we wished to accommodate these concerns, we trialled alternative herbicides and have now substituted glufosinate ammonium in immature areas and glyphosate potassium in mature areas. We have found these substitutes to be more cost effective and effective controlling weeds, while at the same time reducing potential hazards for workers.

Selective Chemical Application

We do not undertake blanket spraying of herbicides. Weeds are treated on a block basis following analysis of the problem in the area. We analyse and monitor the nutrient levels in our palms by testing palm fronds and foliage. Only then do we apply targeted remedial action through fertiliser application to replenish nutrients. Herbicide usage is cyclical and will increase in years with more new or immature planting. Hence we saw an increased use of glyphosate in 2013 and 2014 on immature areas.

Toxicity per Hectare*



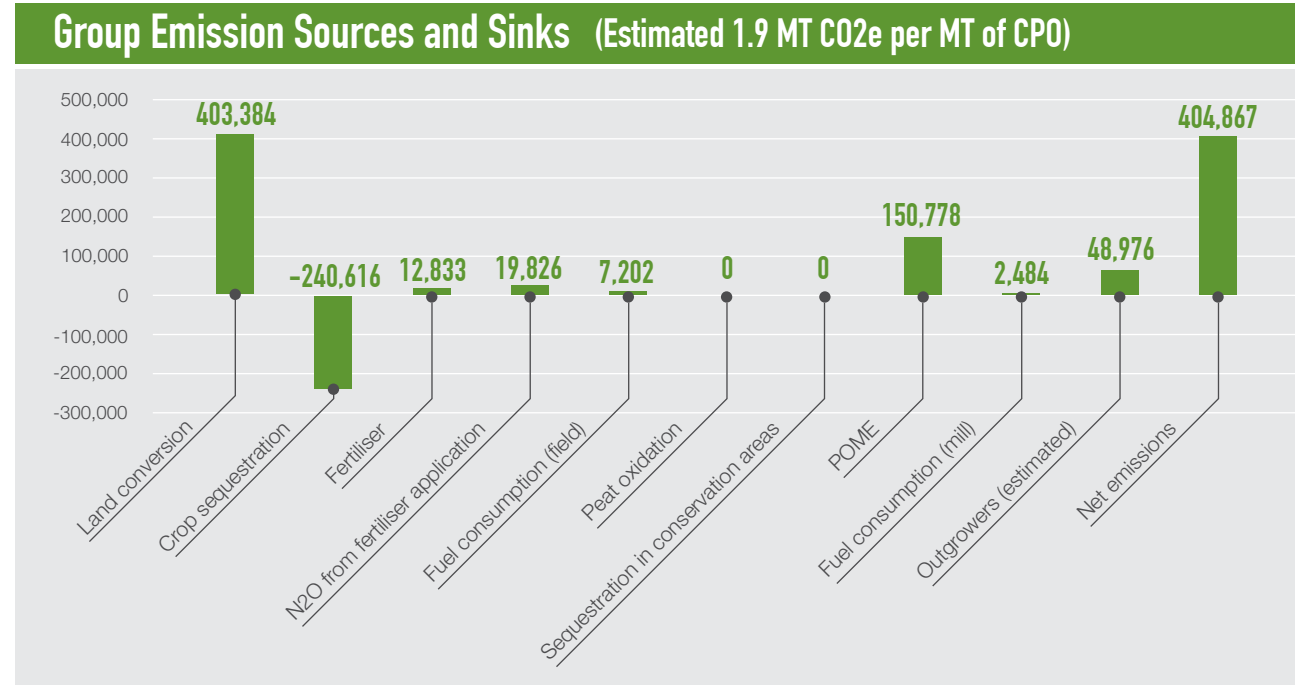
* Toxicity units in chemical are calculated from the volume, concentration and level of toxicity as determined by the manufacturer of the chemical, often determined by means of the LD50 toxicity test. Based on budgeted consumption.

ENVIRONMENT

GHG EMISSIONS

We recognise that climate change is one of the biggest threats to our planet and are committed to monitoring and reducing our potential contributions to global carbon emissions. To establish a baseline, and understand where we might have opportunities for reductions, we have calculated our carbon footprint, using the RSPO PalmGHG calculator v2.1.1.

Mill	MT CO2e / MT CPO
Jeroco 1 Palm Oil Mill	1.61
Jeroco 2 Palm Oil Mill	1.07
Bukit Mas Palm Oil Mill	3.18
Tomanggong Palm Oil Mill	1.85
Group average	1.93



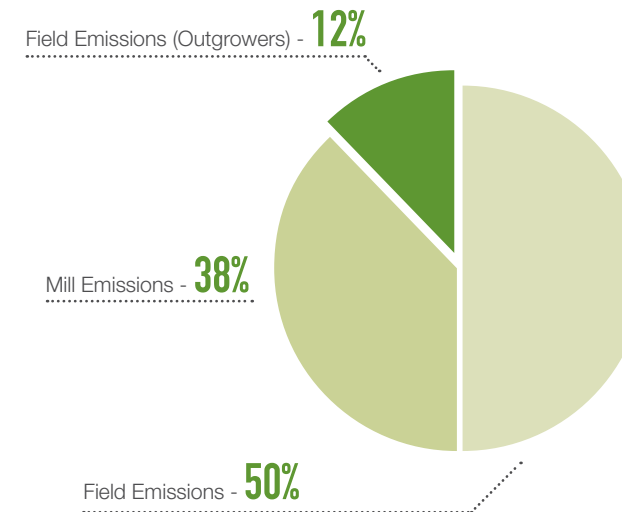
Previous land use change is the largest contributor to our carbon footprint. Whilst we have not cleared primary forest or developed on peat, the estates supplying fruit to the Bukit Mas Palm Oil Mill were originally cleared decades ago and left to regenerate until it was finally planted in the 1990s and is hence classified as disturbed forest under the PalmGHG definitions. There are few remedies available to reduce such historical conversion, so we are instead exploring the opportunities for installing biogas facilities which capture methane from palm oil mill effluent and convert this to electricity.

This would have the potential to reduce our emissions by up to 20% whilst making available electricity to our operations and housing areas. We expect to commission these facilities sometime in 2016, and will be better able to estimate emissions reductions once the specifications are agreed.

For this initial carbon footprint, we have relied on the PalmGHG default values to estimate outgrower emissions, but will explore how to map external emissions more accurately in the future.

ENVIRONMENT

Types of Emissions



However, due to its quick growth, hardy survival, and strong replanting efforts, its extinction is unlikely. It is a protected species in parts of Malaysia and Thailand. The tree is now grown commercially for timber.

An area of 60 hectares have been set aside for planting of Sepat, a wetland timber species. This area was previously planted with oil palm, but failed due to repeated flooding in the area.

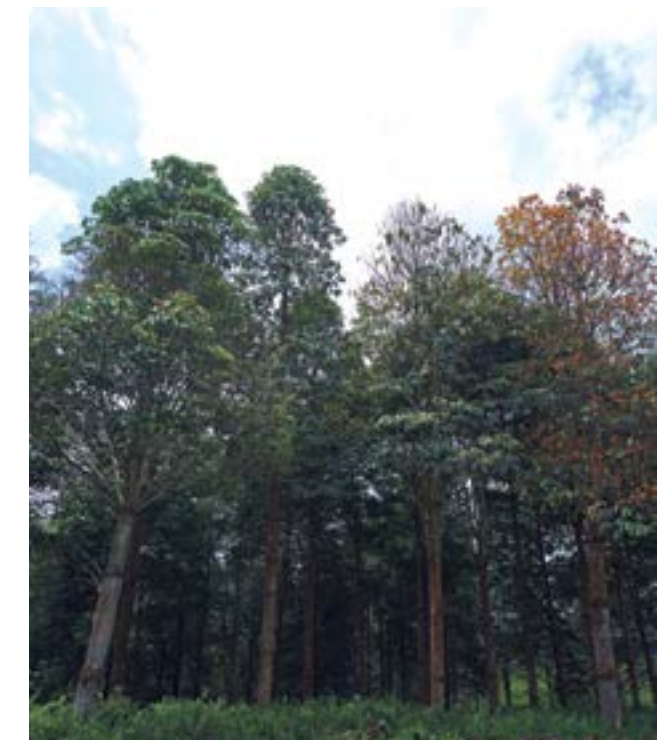
Area	Hectares
Reserve - Plantable	36.80
Sepat	60.00
Bukit Kibos	75.50
Jelutong	86.00
Reserve - Unplantable	1,142.68
Total	1,400.98

CONSERVATION EFFORTS

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 or 3.5% of our total land bank has been designated for conservation.

Bukit Kibos is a 75 hectare hill that is located near our headquarters. A high conservation value assessment has not been conducted in this area, but based on our internal assessment, we believe this to be a hotspot for bird species. A monitoring and management plan for the identified HCV areas is in progress.

As a legacy of the area, there is 86 hectares of Jelutong trees on our estate which was originally planted in the 1980s, when the area was first developed. Up through to the 1960s, latex tapped from Jelutong was an important source ingredient for the production of chewing gum. We collected the seedlings to propagate them in our vacant and HCV areas. Jelutong has been traditionally overharvested, and is a threatened species in many areas.



Jelutong is a protected species in parts of Malaysia and Thailand

ENVIRONMENT

Tabin Wildlife Reserve

In 1984, an area bordering our estate was designated as the Tabin Wildlife Reserve. This area of approximately 122,539 hectares of lowland dipterocarp forest is home to three of the largest mammals in Sabah - The Borneo pygmy elephant, Sumatran rhinoceros, and the Tembadau.

Eight species of primates, including orang-utans and proboscis monkeys, are also found in the wildlife reserve. There are three species of cats, including the Sunda clouded leopard, all of which are on the protected wildlife list. Over 42 families of bird representing 220 species have been recorded. The active and mineral-rich mud volcanoes frequently attract visits by wildlife for their mineral intake.

Being in such close proximity to such a rich biodiversity, we enforce a strict no hunting policy on our estates for all employees. With our extensive use of CCTV, we can monitor if any illegal game is brought back onto the estates.

We also try to prevent human animal conflict. We are not in the migratory path of the elephants and we have electric fences to prevent encroachment. We have had rare incidents of elephant encroachment.



FOCUS COMPENSATION

In 2013, we began the process of certifying Tomanggong Palm Oil Mill. During the RSPO certification audit, the auditors assessed that an area of 1,406 hectares on our Northbank and Tabin estates had been cleared without undergoing the required HCV assessment. As custodians of the land, we had records that showed 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 consisting of industry peers and environmental experts was convened. Through

land use change analysis, historical pictures, and an on-the-ground survey of the site, we were able to demonstrate to the panel that the area had been planted with oil palm in the 1960s and 1980s, but that these plantings had failed. The CTF panel agreed with our documentation and it is anticipated that the final conservation liability area will be reduced to 548 hectares.

Under the approved RSPO compensation matrix we are liable to compensate USD3,000 per hectare, which may amount to USD1.64 million. Once we have confirmed final liability for the area we will explore how to develop a restoration plan including, for example, the creation of wildlife corridors between forested and riparian areas.

ENVIRONMENT

Table 1: Compensation terms for land controlled by a RSPO member with no certified management unit(s) at the time of clearance

Declaration Year	Assessed Liability (Ha)	Land Use Change Analysis	Final Liability (Ha)
Land cleared between 2007 and 31 Dec 2009	721.50	The area was logged and later cleared for oil palm planting as required by the Special Terms in the land title. For coefficient 0.4 (Jan 2010 to compensation mechanism)	505.05
Land cleared between 1 Jan 2010 - 9 May 2014	109.34	Land cleared by local villagers. For coefficient 0.4 (Jan 2010 to compensation mechanism),	43.74
	575.50	The land was logged in the 1960s and planted with oil palm in the 1970s and 1980s. However, due to flooding, the majority of the oil palm died and the development was postponed until 2010 when it was replanted. For coefficient 0 (Jan 2010 to compensation mechanism)	

The RSPO Compensation Mechanism

Principle 7 of RSPO Principles &Criteria (P&C) outlines the requirement for the responsible development of new plantings. Criterion 7.3 states that new plantings since November 2005 must not have replaced primary forest or any area required to maintain or enhance one or more high conservation values.

The criterion provides a caveat that as the National Interpretations for Malaysia and Indonesia were undergoing pilot implementation of RSPO P&C from December 2005 to November 2007, land with unknown or disputed HCV status will be excluded from certification until a an acceptable solution for HCV compensation has been developed.

In 2011, the RSPO Compensation Task Force was established to develop a guidance document on HCV compensation and to pilot the proposed mechanism. In 2014, the RSPO Board of Governors approved the compensation matrix after garnering consensus by all member stakeholders.

PEOPLE

RESPECT AND HUMAN RIGHTS IN THE WORKPLACE

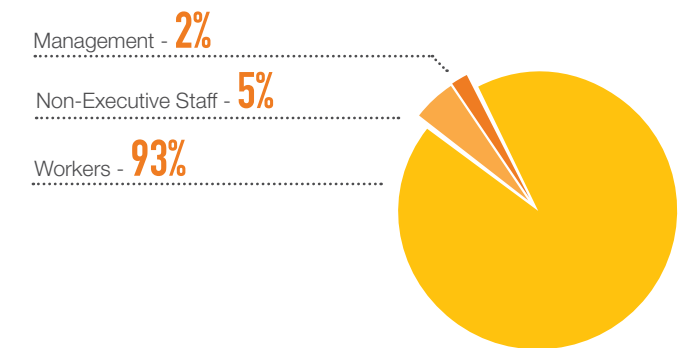
We employ 7,257 people in our operations. We empower every individual to be as productive as possible in their job, and to develop their skills, character and experience. By supporting our staff to achieve their maximum potential, we encourage ownership, innovation and entrepreneurial endeavour.

We are guided by the principle that all employees must be treated fairly and with respect. Our workplace policies are anchored in Malaysia's labour legislation and cover core labour standards. These include the right to collective bargaining, elimination of forced or compulsory labour, abolition of child labour and the elimination of discrimination in the workplace. As part of our RSPO commitments, we ensure that our policies are aligned with the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Human Rights.

We do not differentiate between nationalities. Housing, wages, medical and other benefits provided equally to all workers.

PEOPLE

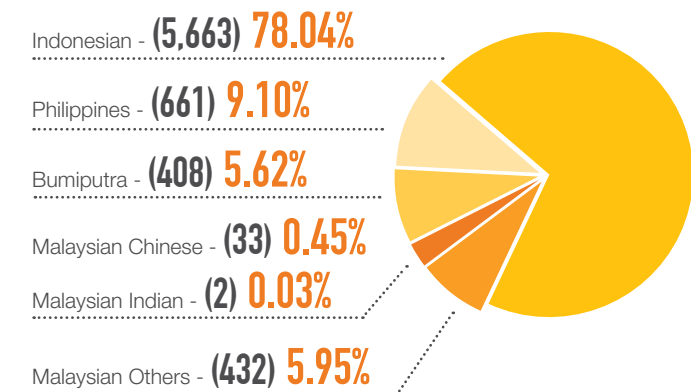
Employees



Our Employees

Our workforce reflects the typical composition found in our sector and the diversity of Sabah. Around 93% 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.

Our People



Note: Malaysian 'others' refer primarily to Malaysian nationals of Filipino or Indonesian descent

PEOPLE

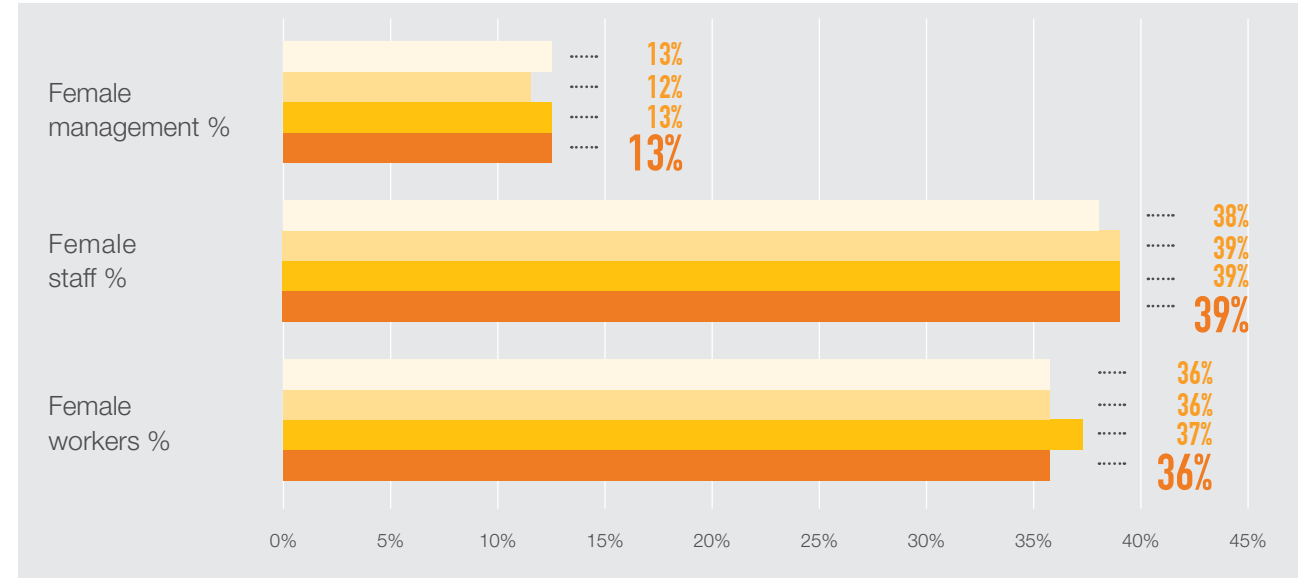
Women in the Workforce

Compared to the general Malaysian palm oil sector, the representation of women in our workforce is relatively high. We believe this is due to our encouragement of married couples to 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 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 a general concern across the Malaysian workforce, and particularly in the agricultural sector where hours are rarely family-friendly and educational facilities for older children are often in short supply.



Women in Hap Seng Plantations

2011 2012 2013 2014



PEOPLE

Facilities

We provide housing to almost 7,000 employees and their families. All houses have sufficient land for small garden plots.

To ensure access to recreational facilities, we have built clubhouses with social amenities including snooker tables, dart boards, digital karaoke machines for staff. We organise inter-estate group games, as well as bi-monthly and annual gatherings of staff. At the Plantation Centre Office, employee meals are subsidised.

Each estate has a shop that is granted permission by the company to operate. Prices are controlled to ensure that goods remain affordable for workers. At the end of each month, after workers are paid, a four-day bazaar is held for workers to trade and sell goods.

Many employees own cars and motorcycles. For those who do not have their own vehicles we provide free transport to Sandakan, Lahad Datu and Tawau as many employees have families in these areas.

There is a medical clinic at each group of estates. The clinics are staffed full time by nurses and hospital assistants, and a medical officer comes on a weekly basis to attend to patients. The clinics have ward facilities for patients and an ambulance is on standby for transfers to the nearest hospital in cases of emergency.



The market is one of the well-operated facilities which cater to the needs of the community

PEOPLE

Freedom of Association

Although we recognise the right to form and join unions, there are no unions represented on our plantation. This is because the National Union of Plantations Workers (NUPW) and All Malayan Estate Staff Union (AMESU) are not recognised in Sabah. To ensure that we provide alternative means for dialogue, our Senior Manager for Personnel and Administration - Plantations visits employees on our estates on a regular basis to gather feedback and brief employees on the latest company developments. We also have a grievance procedure in place that allows all employees to raise issues and seek redress. The Board has formulated a whistleblowing policy to encourage employees to disclose any malpractice or misconduct they witness, and to provide protection for the reporting of alleged malpractice or misconduct.

Fair Wages

The Plantation Management Committee reviews worker's wages quarterly to ensure that they are paid at a competitive market rate. Our workers are paid a base wage of RM800 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 work tasks. During harvesting months, workers have the opportunity to earn up to RM4,000 based on the amount they collect.

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. To avoid high levels of dissatisfaction and income instability, the wages are adjusted accordingly.

A New Generation of Planters

The biggest human resources challenge for our industry is the recruitment of today's 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 promising 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. In 2013, we have trained 160 staff through this programme, who will have further promotion opportunities.

Freedom of Movement

The proximity of Sabah to neighbouring Indonesia and Philippines and its long coast line creates a porous border crossing. Ferry services and land crossings enable individuals to enter the country easily.

We always make sure that our workers are legalised to work in Malaysia. This is especially important as new workers are often recommended to us by our existing workers. Following an assessment of physical fitness, individuals without proper documentation are 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.

Our workers' passports are kept by the respective estate manager as many workers prefer this to ensure safekeeping, but can be released when requested.

The Indonesian consulate officer based in Tawau conducts random visits to the estate to ensure that the living and working condition of its citizens are maintained at the appropriate level.

PEOPLE

Eliminating Child Work Through Education

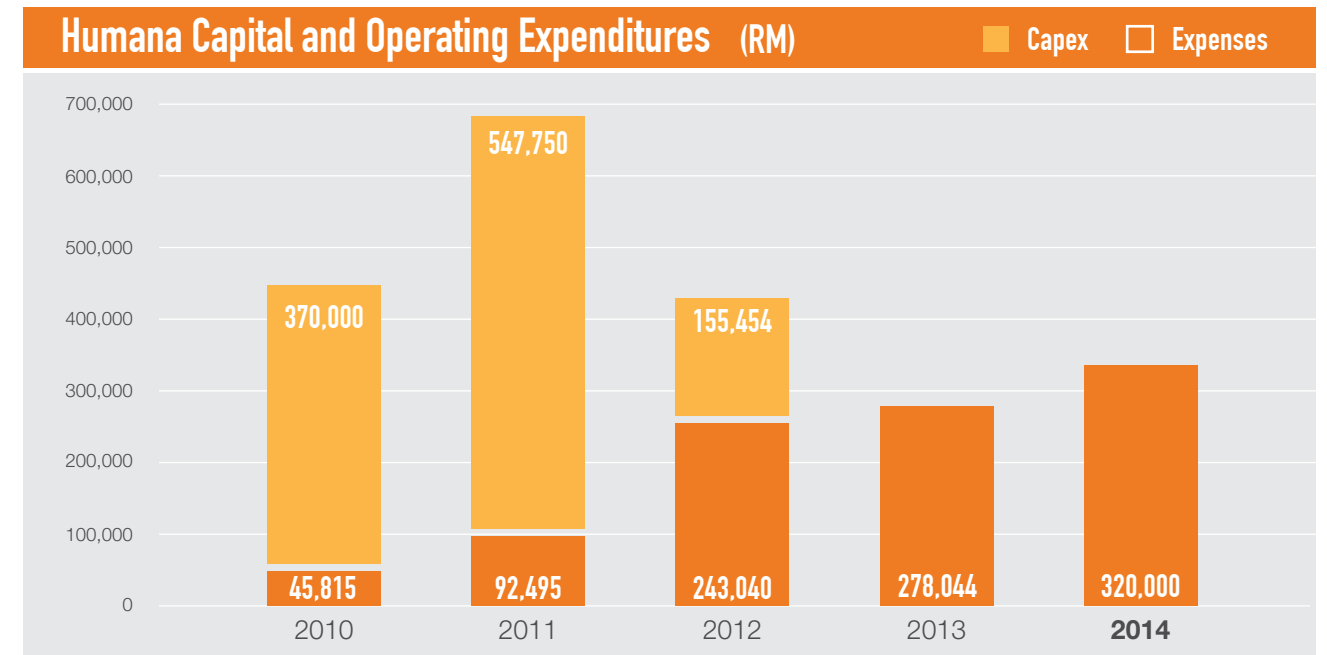
We do not allow children or young people under the age of 18 to work on our estates. However, we recognise that the workers living in our estates sometimes involve their children in loose fruit collection and other light work. We conduct spot checks to try to eliminate this practice. We are vigilant in keeping children away from areas where hazardous work involving heavy machinery or chemicals is undertaken.

We invested more than

RM2 Mil.

and today there are 10 Humana Learning Centres providing six years of primary national curriculum to 847 children on our estates

We believe that the best way to eradicate child labour is through 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 Borneo Child Aid Society (part of the global Humana charity) in its mission to provide education for children living on oil palm estates in Sabah. Over the past five years, we have invested more than RM2 million in capital and operating expenditure, and today there are 10 Humana Learning Centres providing six years of primary national curriculum to 847 children on our estates. Our funding also supports outreach to other plantation companies in the area to encourage similar initiatives and awareness of the right to basic education.



PEOPLE

HEALTH AND SAFETY

The Estate Occupational Safety & Health Committee oversees our safety and health policy and programmes. Each estate and mill is responsible for its own health and safety performance through its respective Health and Safety Committee. Worker representation on each committee varies according to the number of work crews at each plantation, but normally ranges from 8-10 workers.

Compliance with the use of Personal Protective Equipment (PPE) and annual medical surveillance is mandatory and strictly monitored across all our estates. However, 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.

All our workers are covered by a general insurance policy known as the Foreign Workmen Compensation Scheme that covers injuries and fatalities.

In March 2014, we appointed a full time safety and health officer to demonstrate our commitment to ensuring the wellbeing of our workers. This officer oversees the overall health and safety provision across our operations. The chairman of the Health and Safety Committee at each respective estate and mill is also part of a central committee.

Our target is to develop and implement a standardised health and safety programme by job type across all our operations from 2015. This will ensure that all workers across all our estates receive standardised hours of training for each specific job task.



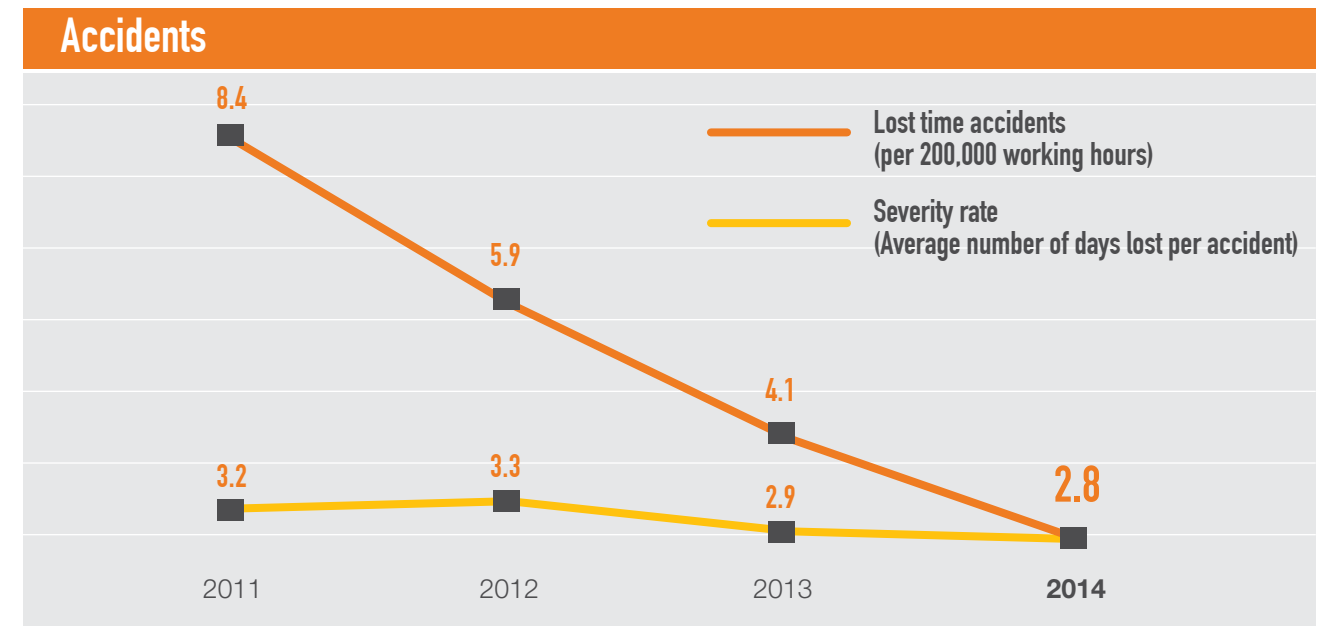
PEOPLE

Lost Time Accident Rates

All accidents are reported and recorded at our clinics. The majority of accidents involve thorn pricks and cuts, particularly among new workers. To minimise these accidents, each new worker receives an induction and briefing by a conductor. From time to time, each estate will also conduct training for workers.

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. This results in late reporting, often when workers come to the clinic with an infected wound.

We are engaging with our workers to build a culture of safety through more awareness, education and improved reporting. Often, workers do not prioritise training as it means being away from the field. Yet investing in time for training lowers accident rates, boosts productivity and increases worker income.



PEOPLE

Severity Rate

An accident is classified as serious when a worker is absent from work for more than four days. The Estate Occupational Safety & Health Committee investigates all serious accidents, and recommendations on how to prevent future accidents are discussed.

Our severity rate remains low, as most cases involve minor injuries such as cuts and thorn pricks. Over the past three years, we have had a small number of cases involving serious accidents, including a case where a worker lost two fingers while undertaking a process. The guidelines for this process have now been changed to stipulate that two workers are required to safely complete the task.



Fatalities

Our goal is to ensure that we do not have any workplace fatalities. In the last four years we have had no reported cases of fatalities at our mills. However, two deaths occurred in 2012 and 2013 in our plantation operations. Both fatalities were accidents involving our vehicles.

The Department of Health and Safety investigated both fatalities and a Notice of Prohibition and Improvement was issued. An investigation of the cause of accident identified a need to improve the training of lorry and tractor drivers. We engaged the support of the Road Safety Department and our vehicle distributor to improve the competency of our drivers. All employees operating a company vehicle now undergo a one-week safe driving course.

All our vehicles and trailers are equipped with onboard traffic cameras to ensure that our employees are driving safely at all times. We also impound employees' motorcycles for a few days if they are caught infringing on estate road safety rules, such as not wearing helmets or driving with non-functioning headlights.



PEOPLE



COMMUNITY RELATIONS

We are closely linked to the villages where many our employees live, and enjoy a very positive relationship with our local communities. We engage actively with community leaders to see how we can contribute to local development and address any concerns they have about our operations.

We provide some direct financial assistance to our local communities, mainly related to celebrations and holiday festivals. However, we believe that we can make the biggest positive impact by creating local job opportunities, expanding access to services and improving local infrastructure or communities that are often isolated and without access to basic facilities.

Applicants from local communities are given preference when applying for jobs, and we employ a large number of local people in positions ranging from security guards and mechanics to clerks and senior managers.

Local communities are also offered free access to a number of our services. These include our medical clinics, which provide local care in an area where the nearest alternative is more than one hour's drive away.

Our focus on infrastructure is aimed at enhancing access to facilities and increasing employment opportunities in nearby towns. Today, locals benefit from a 24-hour ferry crossing on the Segama River, and from access to the 117 kilometres of all-weather gravelled roads we maintain across our plantations.

Security

In 2013, an invasion by foreign nationals seeking to annex Lahad Datu as a separate state caused armed conflict and a state of emergency was declared in Lahad Datu. The state of emergency has now been lifted, however, there are still occasional cases of kidnap linked to the conflict in our area. We remain on high alert to safeguard our people and land and have embarked on a programme to improve the overall security of the residential areas of the company. In addition we maintain close rapport with the security forces particularly the Royal Malaysian Police. Various enhancements was made such as improving communications among the security personnel in the groups and 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-armed forces officer as the Security Manager to coordinate and enhance the coordination of the security personnel in the group of estates.

ABOUT THIS REPORT

This is Hap Seng Plantations Holdings Berhad's first sustainability report. The report covers operations in our wholly owned estates for the financial year January-December 2014. We have chosen to use the G4 Global Reporting Initiative Guidelines (GRI) in preparing its contents.

The report brings together our sustainability initiatives and includes our current and future directions. It is intended to be useful for all our stakeholders - particularly customers, shareholders and employees - and to communicate our approach to the social, environmental and economic aspects of our business to all interested parties.

We do not include estates which we manage on behalf of our subsidiary and associate companies. While we provide advisory support and services to these estates, we do not have strategic control over them. Furthermore, with a combined 1,700 hectares, we do not believe the inclusion of these estates constitute a material proportion of our footprint.

This report does not include associate companies or joint venture enterprises. Unless otherwise stated, all data is correct as of 31 December 2014. We are committed to continuing our reporting journey, and expect to publish a sustainability report biennially.

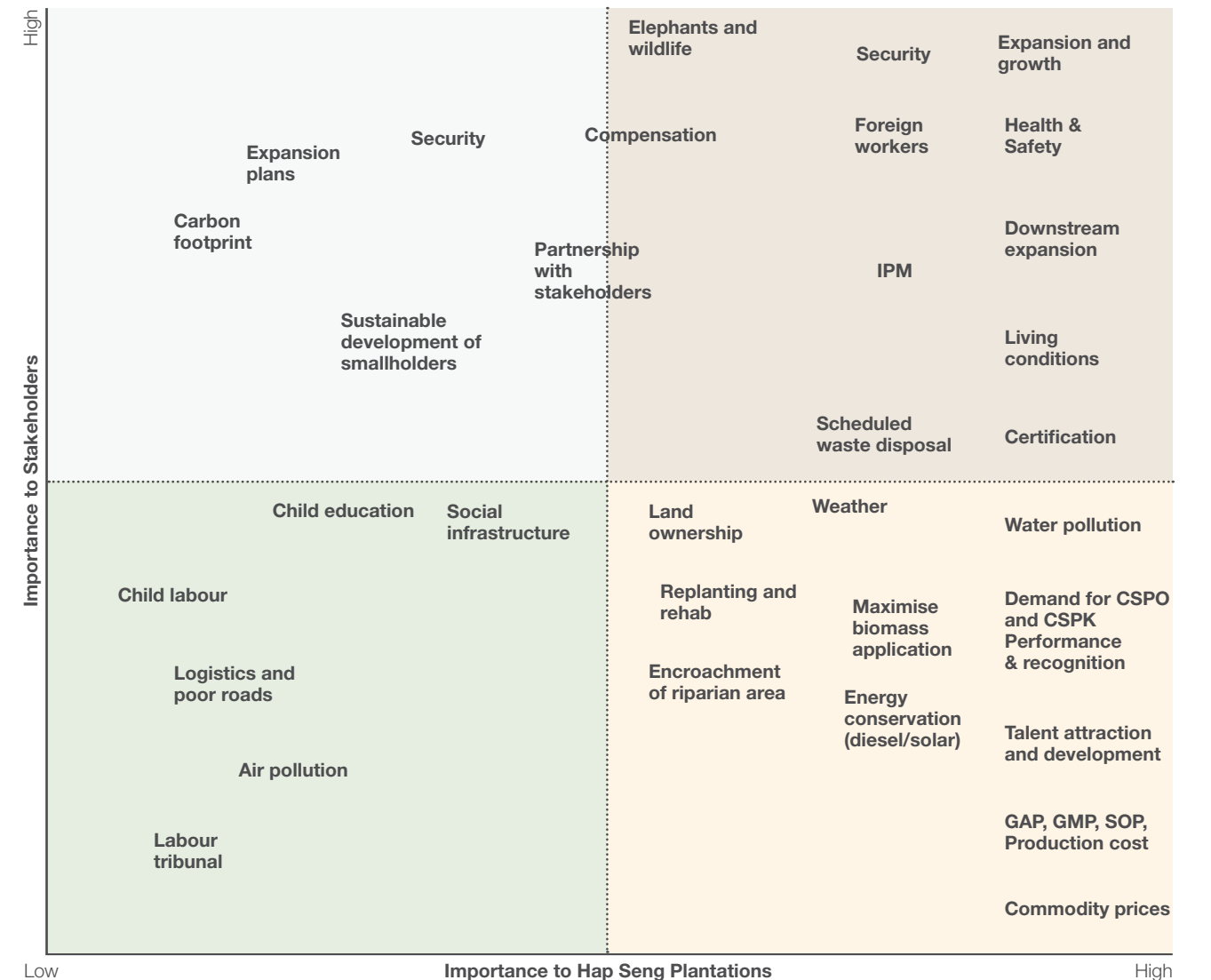
Materiality

As this is the first Sustainability Report for Hap Seng Plantations, the determination of material issues was developed through a combination of internal engagement and identification of external stakeholder expectations and trends. Externally, we reviewed new initiatives such as the Sustainable Palm Oil Manifesto, the Palm Oil Innovation Group, the Zoological Society of London Sustainable Palm Oil Transparency Toolkit, and other initiatives that we believe express 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.

The key issues identified were reviewed by the senior management teams at both Sabah and Kuala Lumpur to prioritise those issues which were deemed of material importance for Hap Seng Plantations, either because of their critical commercial relevance, or because the areas were particular strengths or weaknesses of our company. Based on this, a materiality matrix was drawn up and a series of improvement targets and objectives were developed.

ABOUT THIS REPORT

Hap Seng Plantations Material Issues



Assurance

As this is our first report, we have chosen not to assure this report. We will consult stakeholders in the future on the form of assurance they would seek from us.

ABOUT THIS REPORT

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G4-7	Nature of ownership and legal form	10	
G4-8	Markets served		Mainly domestic
G4-9	Scale of the organisation	8-12	
G4-10	Organisation's workforce	34-35	
G4-11	Total employees covered by collective bargaining agreements	38	
G4-12	Organisation's supply chain	15	
G4-13	Significant changes during the reporting period regarding size, structure, ownership or its supply chain		None
G4-14	Explanation of whether and how the precautionary approach or principles is addressed by the organisation	24	
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives	21-23	
G4-16	Memberships of associations and national/ international advocacy organisations	21-23	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Entities included in the organisation's consolidated financial statements or equivalent documents	Annual Report P116-120	
G4-18	Process for defining report content and the Aspect Boundaries	44-45	
G4-19	Material Aspects identified in the process for defining report content	44-45	
G4-20	Aspect Boundary within the organisation	44-45	
G4-21	Aspect Boundary outside the organisation	44-45	
G4-22	Restatements of information provided in previous reports		This is the first Sustainability Report
G4-23	Significant changes from previous reporting in the Scope and Aspect Boundaries		This is the first Sustainability Report

ABOUT THIS REPORT

GENERAL STANDARD DISCLOSURES			
General Standard Disclosures		Pages	Comments
STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholder groups engaged by the organisation	23	
G4-25	Basis for identification and selection of stakeholders with whom to engage	22-23	
G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	22-23	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through it reporting	22-23	
REPORT PROFILE			
G4-28	Reporting period	44	
G4-29	Date of most recent previous report		This is the first Sustainability Report
G4-30	Reporting cycle	44	
G4-31	Contact point	57	
G4-32	GRI content index	46-51	
G4-33	External assurance	44	
GOVERNANCE			
G4-34	Organisation's governance structure	18-19	
ETHICS AND INTEGRITY			
G4-56	Organisation's values, principles, standards and norms of behaviours	18-20	

ABOUT THIS REPORT

SPECIFIC STANDARD DISCLOSURES				
Material Aspects	DMA and Indicators		Pages	Comments
GENERIC DISCLOSURES ON MANAGEMENT APPROACH				
Disclosures on Management Approach	G4-DMA		2-5, 18-19, 20-23	
ECONOMIC				
Economic performance	G4-EC1	Direct economic value generated and distributed	8-19, 52-54	
Market presence	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operations	34-43, 52-54	
Indirect economic impacts	G4-EC7	Development and impact of infrastructure investments and services supported	37-39, 43	
	G4-EC8	Significant indirect economic impacts, including the extent of impacts	43	
Procurement practices	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	15	
ENVIRONMENTAL				
Materials	G4-EN1	Materials used by weight or volume	15, 52-54	
Water	G4-EN9	Water sources significantly affected by withdrawal of water	24	
Biodiversity	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	31-33	
	G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	31-33	
	G4-EN13	Habitats protected restored	31-33	

ABOUT THIS REPORT

SPECIFIC STANDARD DISCLOSURES				
Material Aspects	DMA and Indicators		Pages	Comments
ENVIRONMENTAL				
Emissions	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	30, 52-54	Partial coverage as we use the PalmGHG calculator rather than the GHG protocol
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	30, 52-54	See above
	G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	30, 52-54	See above
	G4-EN18	Greenhouse gas (GHG) emissions intensity	30, 52-54	
Effluents and waste	G4-EN24	Total number and volume of significant spills	52-54	No major spills
Compliance	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	33	
Suppliers environmental assessment	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	15	This involves our work with smallholders and moving them towards RSPO certification which addresses potential negative environmental impacts in our supply chain

ABOUT THIS REPORT

SPECIFIC STANDARD DISCLOSURES				
Material Aspects	DMA and Indicators		Pages	Comments
SOCIAL				
Labour Practices and Decent Work				
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	34-35, 52-54	Partial
Occupational health and safety	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and gender	40-41, 52-54	Partial
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	40-41	
Training and education	G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	38	
Diversity and equal opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	18, 35-36, 52-54	
Equal remuneration for women and men	G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	36-38	
Labour practices grievance mechanisms	G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	38	
HUMAN RIGHTS				
Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken		None reported
Freedom of association and collective bargaining	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	38	

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SPECIFIC STANDARD DISCLOSURES				
Material Aspects	DMA and Indicators		Pages	Comments
HUMAN RIGHTS				
Child labour	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	39	
Forced or compulsory labour	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	38	
SOCIETY				
Local communities	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	43	
Anti-corruption	G4-SO4	Communication and training on anti-corruption policies and procedures	18-19	
	G4-SO5	Confirmed incidents of corruption and actions taken		None reported
Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		No fines for non-compliance in relation to local laws
PRODUCT RESPONSIBILITY				
Customer health and safety	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes		None. We have received feedback from customers seeking halal certification of our products. We have identified this as an opportunity and are pursuing halal certification

ABOUT THIS REPORT

BASE DATA AND NOTES

CATEGORY OF DATA	INDICATOR	MEASUREMENT UNIT/ BREAKDOWN	31.12.2014	31.12.2013	31.12.2012	31.12.2011
Economic	Revenue	MYR million	495.6	443.3	526.5	654.9
	Profit before taxation	MYR million	176.1	137.7	190.7	339.5
LAND/ PLANTATION						
Total area	Group	Hectares	39,803	39,803	39,803	39,803
	Jeroco Group	Hectares	14,117	14,117	14,117	14,117
	Tomanggong Group	Hectares	12,331	12,331	12,331	12,331
	Sungai Segama Group	Hectares	9,906	9,906	9,906	9,906
	Ladang Kawa	Hectares	1,276	1,276	1,276	1,276
	Pelipikan	Hectares	1,365	1,365	1,365	1,365
	Kota Marudu	Hectares	808	808	808	808
	Total planted areas (Please refer to Annual Report for a complete land profile)	Group	Hectares	35,685	35,697	35,697
Total planted areas (Please refer to Annual Report for a complete land profile)	Jeroco group of estates (JGOE)	Hectares	12,808	12,808	12,808	12,808
	Tomanggong group of estates (TMGOE)	Hectares	11,426	11,426	11,426	11,199
	Sungai Segama group of estates (SSGOE)	Hectares	8,761	8,761	8,761	8,761
	Ladang Kawa	Hectares	1,201	1,201	1,201	1,201
	Pelipikan	Hectares	903	903	903	1,050
	Kota Marudu	Hectares	585	598	598	598
	Plantation - Average age		Years	15.4	15.2	14.8
PRODUCTION						
Crop production	FFB	Tonnes	727,937	704,241	665,812	738,969
Processed	FFB - Own	Tonnes	680,741	662,452	620,770	693,901
	FFB - Purchased (smallholders)	Tonnes	121,673	116,490	105,469	107,623
	Palm oil	Tonnes	172,980	166,202	154,595	168,025
	Palm kernel	Tonnes	38,778	36,554	34,587	37,050
Extraction rate	Palm oil	Percentage	21.56	21.34	21.29	20.96
	Palm kernel	Percentage	4.83	4.69	4.76	4.62
Average yield	FFB yield per mature hectare	Tonnes/ Hectare	23.20	22.96	21.86	23.79
	Oil per mature hectare	Tonnes/ Hectare	5.00	4.90	4.65	4.99

ABOUT THIS REPORT

CATEGORY OF DATA	INDICATOR	MEASUREMENT UNIT/ BREAKDOWN	31.12.2014	31.12.2013	31.12.2012	31.12.2011	
EMPLOYEES							
	Number of employees		7,257	7,036	6,872	6,751	
	Employee categories	Management		138	138	135	119
		Non-executive staff		336	310	293	288
		Workers		6,783	6,588	6,444	6,344
	Female employees		2,644	2,489	2,471	2,419	
	Male employees		4,613	4,547	4,401	4,332	
	Male non-executive staff		211	187	183	181	
	Female non-executive staff		135	120	110	107	
	Female workers		2,502	2,353	2,344	2,302	
	Male workers		4,275	4,244	4,099	4,049	
	Female management		18	16	17	10	
	Male management		116	116	119	107	
	Ethnic/racial breakdown	Malaysian - Bumiputra		465	370	391	329
		Malaysian - Chinese		34	40	37	30
		Malaysian - Indian		2	1	1	6
		Malaysian - Others		432	434	396	385
Indonesian			5,663	5,488	5,453	5,573	
Philippines		661	703	594	428		
TRAINING							
	Number of employees received formal qualifications funded by Hap Seng		8				
LABOUR STANDARDS							
	Minimum starting wage	MYR per month	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		32	12	23	19	

ABOUT THIS REPORT

CATEGORY OF DATA	INDICATOR	MEASUREMENT UNIT/ BREAKDOWN	31.12.2014	31.12.2013	31.12.2012	31.12.2011
COMMUNITY AND HOUSING						
	Breakdown of charitable contributions (MYR)	Humana (capex)	0	0	155,454	547,750
		Human (expenses)	320,000	278,044	243,040	92,495
		Other donations	5,790	2,650	5,000	1,000
		Total	325,790	280,694	403,494	641,245
HEALTH AND SAFETY						
	Fatalities		0	1	1	0
	Number of lost time accidents		164	230	321	388
	Number of lost days (not including fatalities)		460	676	1,063	1,229
	Lost time accident rate	Incidents per 200,000 working hours	2.8	4.1	5.9	8.4
	Severity rate	Average number of lost days per accident	2.8	2.9	3.3	3.2
AGRICULTURE/PRODUCTION						
	Peat developed	Hectares	0	0	0	0
ENVIRONMENT						
	BOD level - new mill	PPM	34	40	42	39
	Total fertiliser usage	Mt/ha	0.88	1.02	1.00	0.98
	Total water usage (mills only)	MT/ MT FFB	1.52	1.62	1.68	1.59
	Total number and volume of significant spills		0	0	0	0
	Toxicity per hectare	Toxicity units	0.001939	0.001942	0.001532	0.001317

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GLOSSARY

Biodiversity	The diversity (number and variety of species) of plant and animal life within a region.
Biological Oxygen Demand (BOD)	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.
CO₂ Equivalents	Carbon dioxide equivalents (CO ₂ eq) provide a universal standard of measurement against which the impacts of releasing (or avoiding the release of) different greenhouse gases can be evaluated.
Effluents	Water discharged from one source into a separate body of water, such as mill process water.
Extraction rate	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.
Fresh fruit bunch (FFB)	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.
Global Reporting Initiative (GRI)	A multi-stakeholder standard for sustainability reporting, providing guidance on determining report content and indicators.
High Conservation Values	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.
International Labour Organization (ILO)	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.
Independent Director	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.
Integrated Pest Management (IPM)	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.

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International Sustainability & Carbon Certification (ISCC)	An internationally-oriented, practical and transparent system for the certification of biomass and bioenergy.
IUCN Red List	Based in Switzerland, the International Union for Conservation of Nature and Natural Resources (also known as The World Conservation Union) is an organisation involved in the preservation of natural resources. IUCN publishes the Red Data Book, which lists the endangered species of every nation.
Non-executive director	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.
Non-governmental organisation (NGO)	Is used in this report to refer to grassroots and campaigning organisations focused on environmental or social issues.
Palm oil mill effluent (POME)	By-product of processed fresh fruit bunch (FFB).
Peat	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.
Roundtable on Sustainable Palm Oil (RSPO)	A multi-stakeholder organisation based in Kuala Lumpur, Malaysia. The organisation has developed a certification scheme for sustainable palm oil.
Stakeholders	Any group or individual who are affected by or can affect a company's operations.
Sustainability	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".
Toxicity per hectare	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.
UN Guiding Principles on Human Rights	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.

ABOUT THIS REPORT

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