



**2015-2016
SUSTAINABILITY REPORT**



HAP SENG PLANTATIONS HOLDINGS BERHAD

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MESSAGE FROM THE CHIEF EXECUTIVE – GROUP PLANTATIONS

WELCOME TO OUR SECOND SUSTAINABILITY REPORT COVERING 2015-2016.

The past two years have been eventful, with high volatility in palm oil prices and ongoing challenges with adverse weather events affecting yields and extraction rates, particularly in 2016. Despite this, we ended the year on a very positive note, with a 15% increase in revenues and a 39% increase in pre-tax profits as compared to 2015.

2016 also saw major milestones in our sustainability efforts: Along with this report, we are launching our new Sustainable Agriculture Policy, which spells out our ambition and commitments as a responsible palm oil producer. While I believe that we have always had very strong internal principles on environment, human rights, community engagement and good agricultural practice, we are now setting these out as a public commitment for the first time.

The policy is an important step in providing assurance to our commercial and civil society partners that any expansion and new developments will meet the highest standards and be accompanied by the latest methodologies in environmental, social and agricultural due diligence. In addition to reiterating our continued support for the High Conservation Values Framework, the policy also announces our official decision to adopt and support the newly converged High Carbon Stock Approach. We believe this to be a valuable tool which helps identify forest areas for protection and guide land development decisions through a methodology endorsed by the largest companies as well as international NGOs and the financial community.

A further milestone in 2016 was the completion of international Sustainability and Carbon EU (ISCC EU) certification for all four of our mills, allowing us to access to the EU bio energy markets. We also secured HACCP certification for our Bukit Mas Palm Oil Mill and are targeting certification of all of our mills by year-end 2017. We know that this is of great importance to our customers who want to know that our products are safe and hygienic. Last, but not least, we are finalising RSPO certification for the last of our estates and expect to be 100% certified by the end of 2017. Although these are tremendous achievements, the work is not yet over.

The next and very challenging step will be to ensure that our third-party fruit supply is also RSPO certified. We have started engagement with our fruit suppliers but we recognise that it will require a lot of support and effort to achieve this.

We have made great progress on the reduction of greenhouse gas (GHG) emissions and our impact on climate change. Having established a baseline carbon footprint in 2014, we are now able to track progress on emissions reduction initiatives. With the commissioning of biogas facilities at two of our mills this year, we expect to be able to reduce our POME (Palm Oil Mill Effluent) emissions significantly and make a substantial dent in our overall CO₂ emissions as a company.

I am proud of these sustainability achievements, and they would not be possible without the unfailing dedication of our employees and the surrounding communities. Over the past year, there has been much scrutiny in international media of working conditions in the palm oil industry. At Hap Seng Plantations, we have always believed that all employees should be treated with respect and as part of a family, regardless of origin, and I believe we have been successful in creating one



MESSAGE FROM THE CHIEF EXECUTIVE – GROUP PLANTATIONS



Our most important responsibility as a good employer is to ensure the safety of our employees. I am therefore deeply saddened by the fatal tractor accident which occurred in 2015, and I extend my sincere sympathies to the family. Such accidents should not occur and we will seek to ensure that this cannot happen again. We are making every effort to continuously improve our health and safety record and I believe we are making progress as our accident rate has fallen by 40% in this reporting period. However, we still have much to do in this area.

Monitoring progress and setting targets is a critical means to achieve improvements across all of our sustainability commitments, and reporting is a valuable tool in this respect. This year, Bursa Malaysia's requirement to produce an annual sustainability statement has come into effect. I see this as a positive move, as accountability and transparency across our sector enable us to benchmark our performance against peers, and draw inspiration from good practice. But I do not consider this report as merely a compliance tool: we published our first report two years ago, and I have been heartened by the positive feedback we received. It is clear that our engagement with financial institutions, business partners and civil society has benefitted from stronger disclosure, and it has also allowed us to track our progress over time and ensure that we keep our focus on material issues. We still have much work ahead and many areas to improve, but I look forward to the journey ahead in partnership with our stakeholders.



of the best workplaces in the industry. We want all of our employees and their families to children to thrive with us, and maintain a positive relationship with the communities around us. We are therefore continuing in our quest to support primary schooling in the area, both through our partnership with Humana, but also through a programme to encourage the children of staff to go to nearest government schools, to allow the improvements that come with expansion.

In the past two years, we have also invested heavily in a programme to teach computer coding to children and teachers from secondary schools across Sabah. Such schooling and training is highly valuable in the marketplace, and also serves to enhance problem-solving skills which is a critical requirement for many jobs today.

Au Yong Siew Fah
Chief Executive-Group Plantations

SUSTAINABILITY HIGHLIGHTS 2015-2016



LAUNCH OF
SUSTAINABLE AGRICULTURE POLICY
INCLUDING A FORMAL COMMITMENT
TO THE HCS APPROACH



LAUNCH OF
FINANCIAL LITERACY PROGRAMME
FOR EMPLOYEES

100%
OF MILLS RSPO CERTIFIED

100%
OF MILLS ISCC EU CERTIFIED

40%
REDUCTION IN
LOST TIME ACCIDENTS SINCE 2014

13%
REDUCTION IN WATER USAGE
PER TONNE OF FFB PROCESSED SINCE 2014

1,000
CHILDREN AND 200 TEACHERS TRAINED
IN COMPUTER CODING

RM1 MILLION
INVESTED IN CHILDREN'S PRIMARY SCHOOL
EDUCATION IN 2015-16

1
MILL HACCP CERTIFIED

36%
INCREASE IN RSPO
CERTIFIED AREA

2
BIOGAS FACILITIES COMPLETED

TRACKING PROGRESS ON OUR COMMITMENTS

2015	- All mills RSPO certified	ACHIEVED
	- Establish a greenhouse gas baseline	ACHIEVED
	- Increase FFB yields to 22 tonnes per hectare	NOT ACHIEVED
	- Complete a biodiversity baseline study	ACHIEVED
	- No increase in lost time accident rate	ACHIEVED
	- Zero fatalities	ACHIEVED FOR 2016. ONE FATALITY IN 2015
2016	- ISCC EU certification of three mills	ACHIEVED
	- Complete guidelines on biodiversity management at landscape level using an HCV approach	ACHIEVED
	- Develop a GHG emissions reduction plan	PARTIALLY ACHIEVED - BIOGAS PLANTS COMMISSIONED FOR ALL FOUR MILLS
2017	- BOD level to 20 ppm for JPOM	TARGET POSTPONED BY ONE YEAR BUT IN PROGRESS
	- HACCP certification of all mills	IN PROGRESS
	- Increase CPO extraction rate to 22.5%	IN PROGRESS
2019	- Certification of 50% of JPOM external FFB	IN PROGRESS
	- Reduce BOD level to 20 ppm BPOM	IN PROGRESS
2020	- BOD level to 20 ppm TPOM	IN PROGRESS
2022	- Certification of 100% of JPOM and TPOM external FFB	IN PROGRESS

* 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
 * HACCP - Hazard Analysis & Critical Control Points

ABOUT HAP SENG PLANTATIONS

OUR BUSINESS IN BRIEF

Hap Seng Plantations Holdings Berhad ("Hap Seng Plantations") is an oil palm plantation company in the Lahad Datu region of Sabah, Malaysia. We manage a land bank of around 41,000 hectares, of which 36,000 hectares is planted with oil palm. The remaining land is set aside for buildings – including four mills and housing for our 7,000-strong workforce – and 1,400 hectares of conservation area.

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

Our business conduct is anchored in our core values of integrity, transparency, commitment to excellence, and sustainability. Hap Seng Plantations has been a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2005, and we are able to produce fully identity preserved, segregated and mass balance RSPO certified sustainable palm oil at our four certified mills.



Revenue

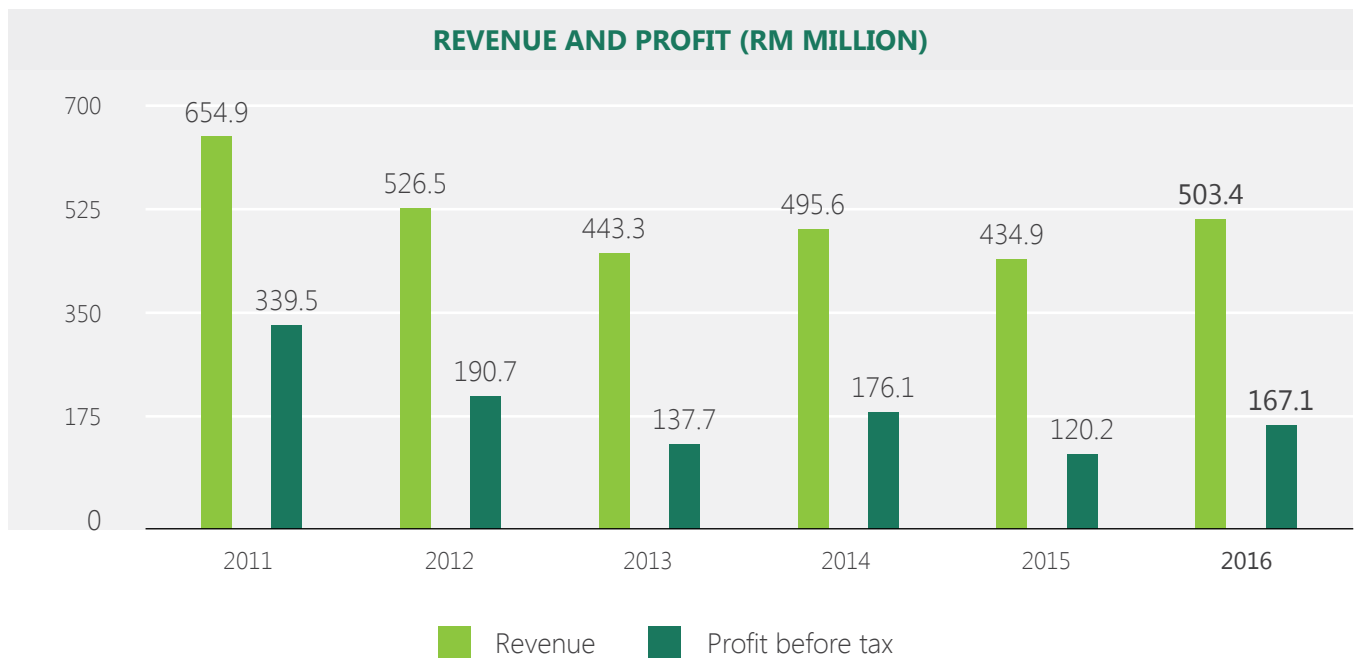
RM503.4 mil



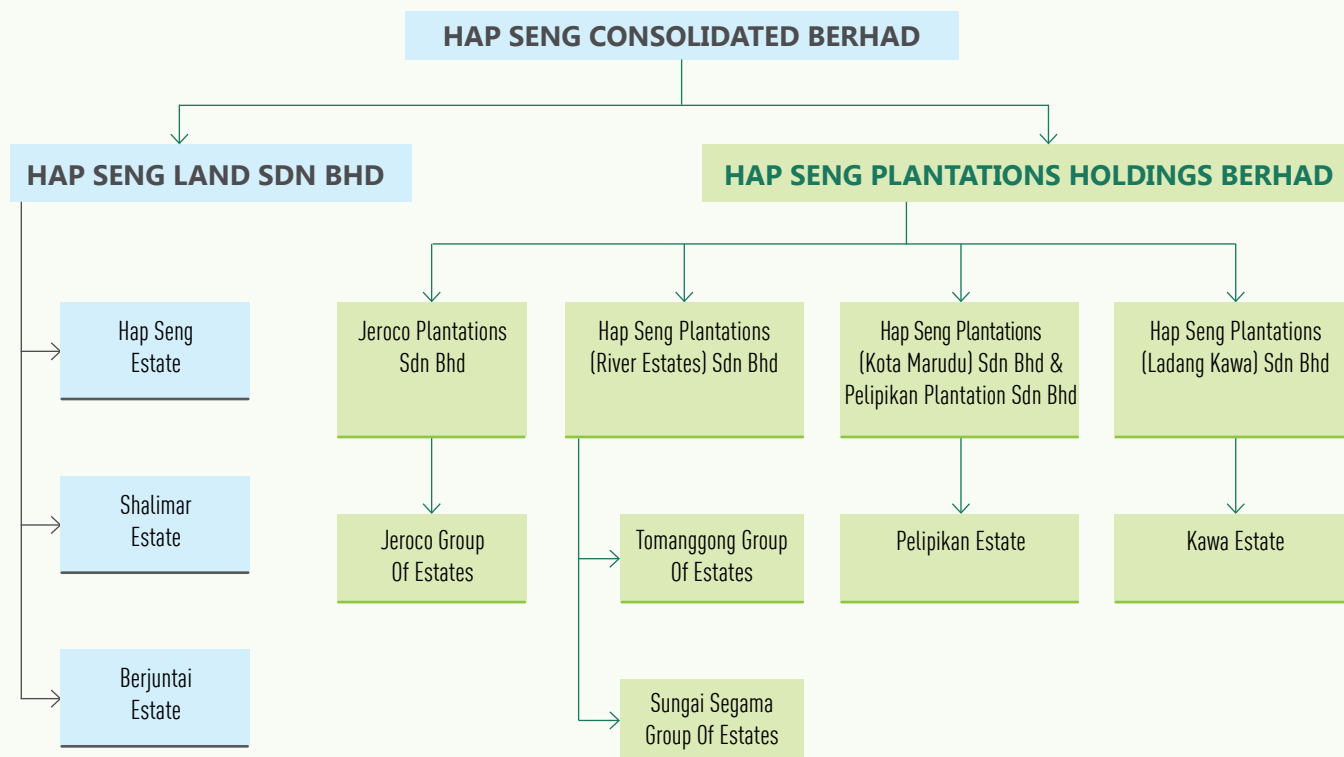
COMPANY STRUCTURE AND FINANCIALS

Hap Seng Plantations has been listed on the main Board of Bursa Malaysia since 2007. Our revenue in 2016 was RM503.4 million, up from RM434.9 million in 2015. Our profits grew by 39%, primarily due to higher CPO prices.

Our majority shareholder is Hap Seng Consolidated Berhad (HSCB), a publicly listed company on Bursa Malaysia. As of 31 December 2016, HSCB holds 53.04% of voting shares. HSCB is a diversified group with businesses in property investment and development, credit financing, automotive, fertilizers trading and building materials. These operations are primarily located in Sabah and in Peninsular Malaysia.



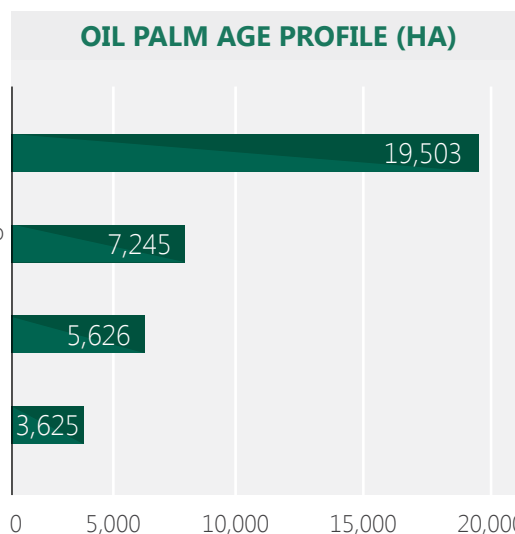
ABOUT HAP SENG PLANTATIONS



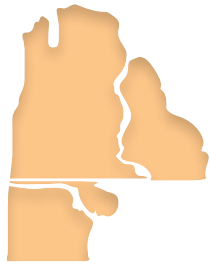
OPERATIONAL OVERVIEW

Our land

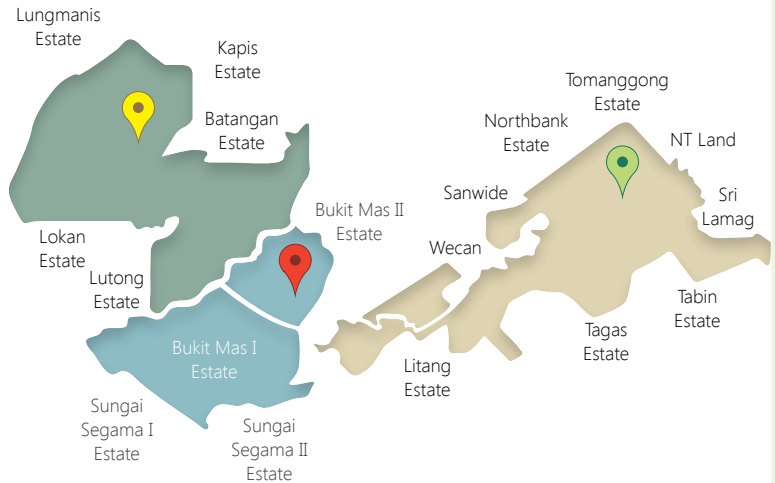
Our land bank of 40,279 hectares is situated near Lahad Datu, Sabah. This land is leased from the Sabah State government for 99 to 999 years. Our oil palm planted area is 35,999 hectares, comprising 32,374 hectares of mature plantings and 3,625 hectares of immature plantings. The average age of our oil palms is 15.31 years and around 90% of our planted area consists of mature palms. Our replanting programme (about 4% per annum) ensures that we maintain an optimal age profile and level of productivity.



PLANTATION OPERATIONS



**Pelipikan Estate
(Kota Marudu)**
(6°21'37.6" N /
116°48'4.9" E)



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)



**Kawa Estate
(Ladang Kawa)**
(4°21'52.2" N /
118°2'18.7" E)



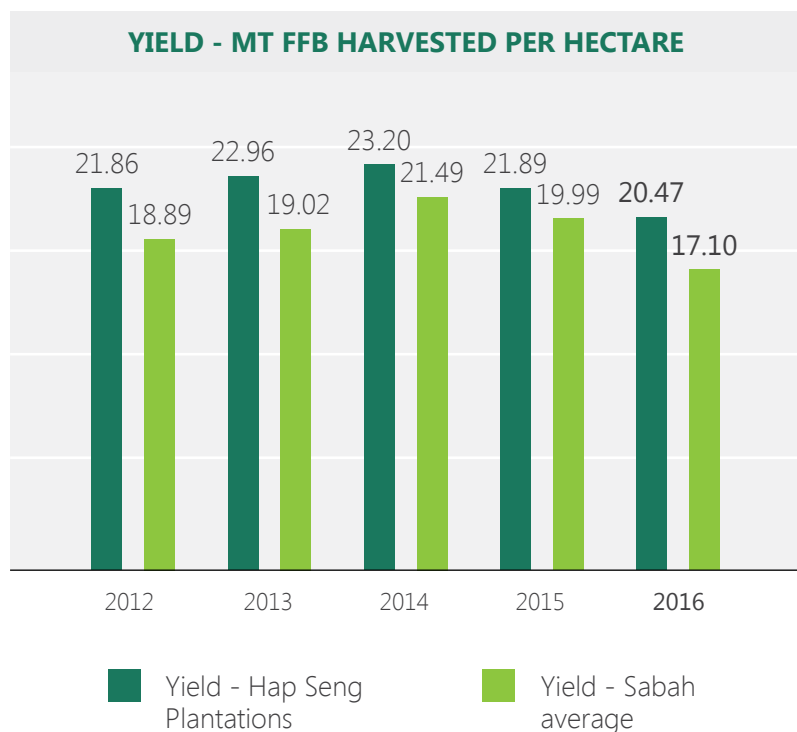
Some 30% of our land was cleared nearly a century ago. This land was either left unplanted or used for a variety of tree crops before being planted with oil palm. Our largest plantation operation is located around one hour's drive from Lahad Datu town. This uninterrupted span of 36,354 hectares comprises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

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 HSCB (then known as EAC (M) Berhad). The first oil palm planting 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 and Tagas Estate in 1991.

ABOUT HAP SENG PLANTATIONS



On 15 July 1996, HSCB 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. HSCB's equity interests in Jeroco increased further to 60.65% in 1997 and 66.07% in 1998.

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.

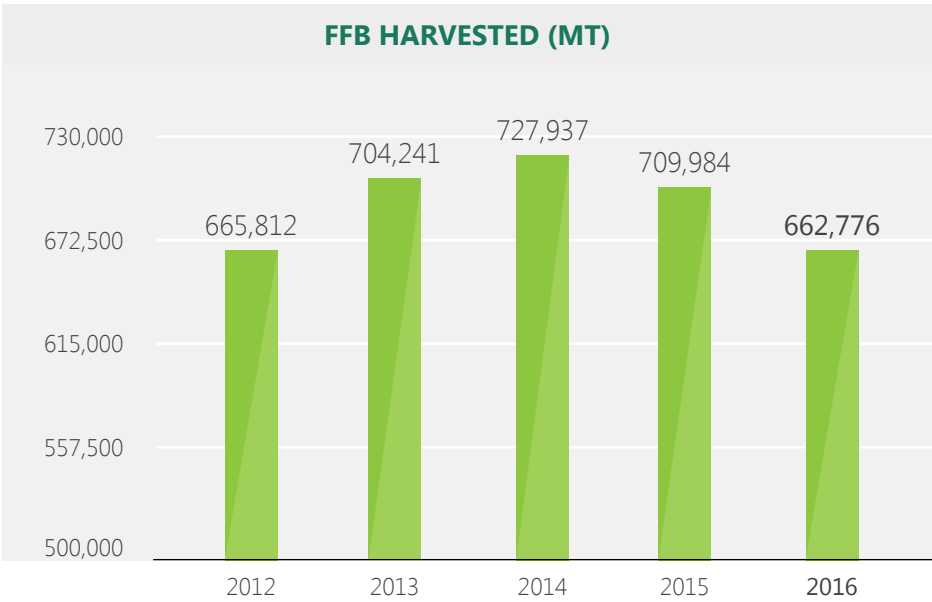
In 2016, our estates produced 662,776 metric tonnes (MT) of Fresh Fruit Bunch (FFB). At 20.47 tonnes per hectare, our average yield remained higher than the average for Sabah. This is due to our focus on best management practices with high quality planting materials throughout our estates.





Estates under management

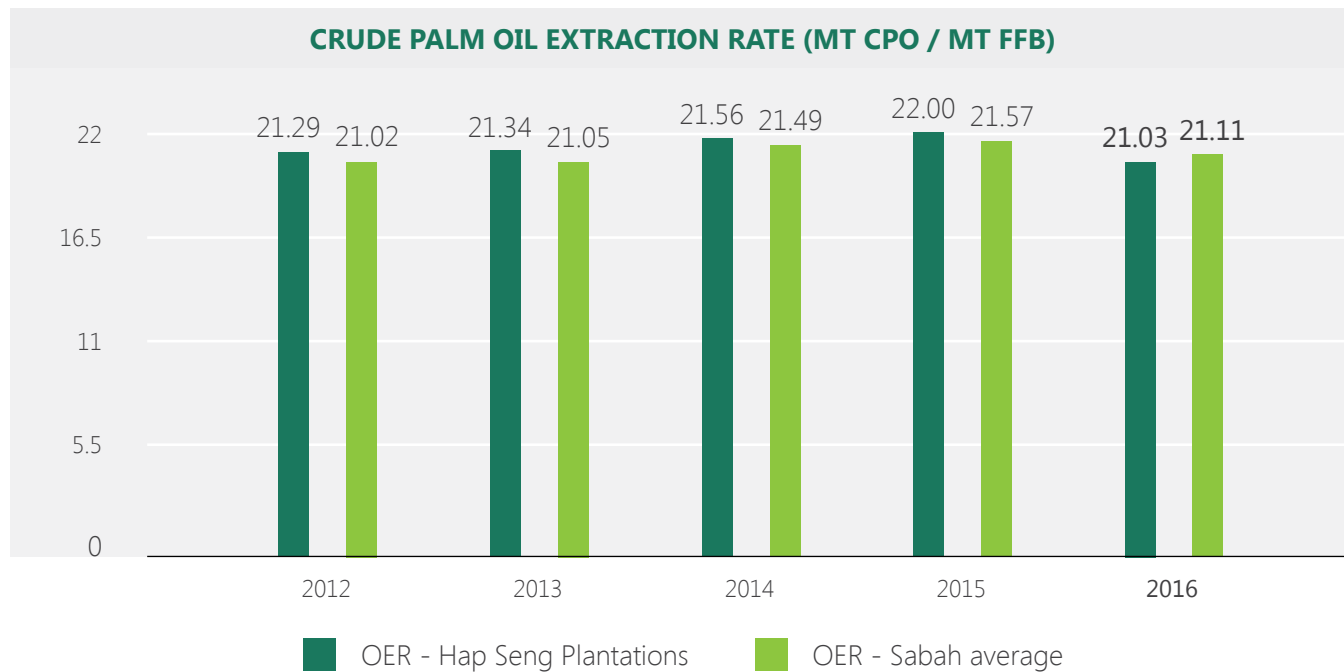
In addition to our own estates, we manage a 212-hectare plantation near Ladang Kawa and a 576-hectare plantation near Kuala Selangor on behalf of our related company, Hap Seng Land Sdn Bhd. We also manage 857 hectares belonging to Vintage Height Sdn Bhd, a joint venture between HSCB and Guocoland (M) Bhd. Hap Seng Plantations provides management and advisory services to these estates.



ABOUT HAP SENG PLANTATIONS

Our mills

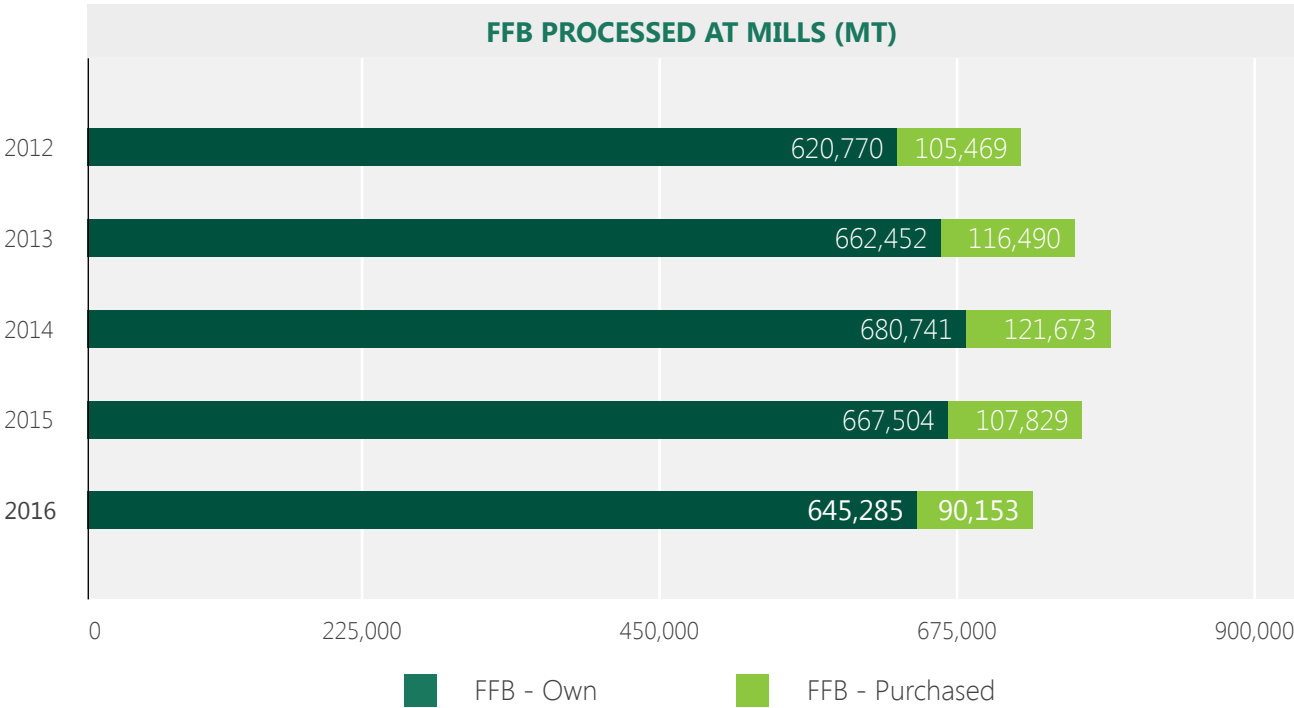
We operate two identity preserved mills and two mass balance mills in Lahad Datu. All four mills are RSPO certified at the time of reporting. With a combined milling capacity of 180 tonnes of FFB per hour, our mills produced 154,681 MT of CPO in 2016, with an average oil extraction rate (OER) of 21.03%. This is in line with the average rate for Sabah palm oil mills.



Sourcing sustainably – outgrowers and smallholders

Around 13% of the FFB processed at our two mass balance mills is purchased from 11 external local outgrowers. To ensure we stay on track to achieve our goal of delivering 100% RSPO certified CPO from all our mills, we continue to engage with outgrowers 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. The existence of numerous FFB buyers in our area means we do not have sufficient 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

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 highest governance body in the company and is responsible for the long-term success of Hap Seng Plantations. Our Boardmembers represent a broad range of skills, ages and career experiences and reflect the diversity of Malaysian society.

A mandate for sustainable leadership

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

Board composition and competences

The Board consists of 10 members: a managing director, three executive directors, three non-independent non-executive directors and three independent non-executive directors. The chairman is an independent non-executive chairman.

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

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

Driving sustainability up the agenda

Sustainability is an integral part of the Board agenda. Board competences, company Key Performance Indicators (KPIs) and remuneration are all linked to specific targets related to RSPO certification, as well as to other environmental and social objectives. The Board reviews and signs off on policies and disclosures, including our new Sustainable Agriculture Policy and our Sustainability Reports.

Operational oversight

The Chief Executive – Group Plantations is responsible for the daily operations of the Group. The general manager supervises each group of estates. The Plantation Management Committee, consisting of respective estate and mill managers, meets monthly to review all operational matters.



Governance systems: putting integrity first

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

We have an active whistle-blowing mechanism that enables internal and external stakeholders to report cases involving fraud, bribery, corruption and other irregularities directly to our Internal Audit Department. The Internal Audit Department is empowered to conduct investigations of suspected and reported incidents and has direct access to the Board.

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

Feedback mechanisms

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 our code of business conduct to be strictly complied with by directors and members of management. To avoid uncertainty, the provisions of the code are non-exhaustive and supplement all other obligations imposed on directors by applicable rules, laws and regulations. The Board reviews the code periodically.

STEPPING UP ON SUSTAINABILITY

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, and our early adoption of RSPO certification. We want to stay at the forefront of best practice and in 2016 developed our first comprehensive Sustainable Agriculture Policy, which was approved by the Board in 2017.

We want to be best in class and ensure that our practices are aligned to the expectations of our commercial and civil society stakeholders. In 2017, we adopted a broad Sustainable Agriculture Policy that reiterates our commitment to RSPO certification, but also expands and clarifies the scope of our commitments in areas not specifically addressed in the RSPO Principles & Criteria (P&C). The policy applies to Hap Seng Plantations and its subsidiaries. While not binding on contractors, suppliers and business partners, we will encourage the adoption of this policy throughout our supply chain.

Currently, 91% of planted area is RSPO certified. We are expecting **100% certification** by the end of 2017.



The policy covers nine commitments:

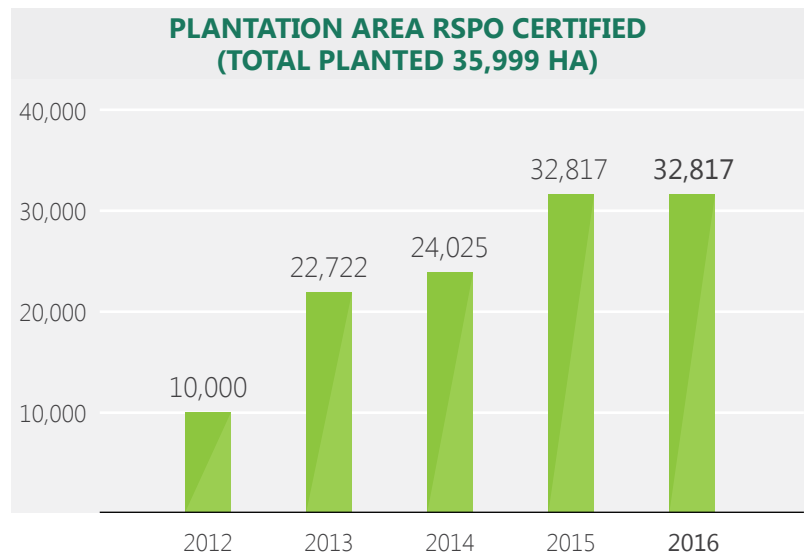
- No deforestation (including a commitment to HCV / HCS, zero burning and GHG reductions).
- Protection of peat areas.
- Drive positive socio-economic impact for people and local communities.
- Respect and support the Universal Declaration of Human Rights.
- Respect and recognise the rights of all workers.
- Facilitate the inclusion of smallholders into the supply chain.
- Respect land tenure rights.
- Respect the rights of indigenous and local communities.
- Resolve verifiable complaints and conflicts through an open, transparent and consultative process.



The full policy can be downloaded at <http://www.hapsengplantations.com.my/download/sustainabilitypolicy/sustainable-agriculture-policy.pdf>

On track for 100% RSPO certification

Hap Seng Plantations has been an RSPO member since 2005. With over 3,000 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 supply chain. Together, they account for 40% of the industry as a whole, and supply around 12 million tonnes of certified CPO annually – approximately 17% of the yearly total produced globally.



STEPPING UP ON SUSTAINABILITY

We achieved our first RSPO certification for the Bukit Mas Palm Oil Mill and associated estates in 2012, and currently 91% of our planted area is RSPO certified. We are expecting to achieve 100% certification by the end of 2017. In addition to RSPO certification, we have

successfully achieved ISCC EU certification for all our mills. The 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.

As global concerns about food safety continue to grow, we are progressing certification 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. We achieved certification of Bukit Mas Oil Palm Mill in July 2016, and are targeting certification for the remaining mills in 2017.





A firm commitment to responsible development

We continue to focus on increasing productivity at our existing plantings – through ongoing improvements in yield and extraction rates – rather than expanding our land bank, which has not grown in recent years. This is partly due to limited land availability in our region and the fact that available land is often unsuitable for efficient palm oil cultivation because of poor soils, the presence of large peat areas and the potential risk to high conservation value (HCV) ecosystems. While we do not rule out future land acquisitions, we stand by our commitment to following the RSPO New Planting Procedure (NPP), undertaking relevant High Carbon Stock (HCS) and HCV assessments, and ensuring that robust Free, Prior and Informed Consent (FPIC) procedures are completed prior to any new plantings. We will additionally ensure that no new developments occur on peat, regardless of depth.



Sustainability governance and management structure

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

Our CSR & Sustainability Committee is chaired by the Chief Executive – Group Plantations and is responsible for developing and driving our sustainability strategy, as well as developing time-bound plans for safeguarding our sustainability certifications.

STEPPING UP ON SUSTAINABILITY

ENGAGING OUR PEOPLE, PARTNERS, CUSTOMERS AND COMMUNITIES

We identify our key stakeholders as those who are most impacted by our business, and who in turn have a significant influence on our business performance. Because each stakeholder group has its own evolving issues and concerns, we ensure continual and consistent engagement in order to remain responsive to their needs. Our engagement activities prioritise open and honest communication – both internally and externally – so that together we can identify more ways to build value for our business, our partners and our communities.

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 waterways
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 Programme to encourage company staff to send their children to the school of neighbouring village so that the facility of school can be upgraded based on the increased number of the students 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

STAKEHOLDER GROUP	ISSUES	METHODS	OUTCOMES
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 • Appointed Honorary Secretary of the 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 • Formalise 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 IN FOCUS

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

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, threatened and endangered species, and a rapidly growing human population.

Approximately
50%
of the state is
protected by
conservation schemes.





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 protect at-risk species including orang-utans, pygmy elephants and rhinoceroses. Approximately 50% of the state is today protected by 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.

ENVIRONMENT IN FOCUS

SAFEGUARDING OUR WATER SOURCES

Our plantations are located in a remote part of Sabah. They do not have access to public utilities such as piped water, and all drinking water must be sourced from natural waterways. We take all precautionary steps necessary to ensure that water used for irrigation on our estates is free from pollutants. This protects water catchment areas and other bodies of water from residual pollution and contamination.

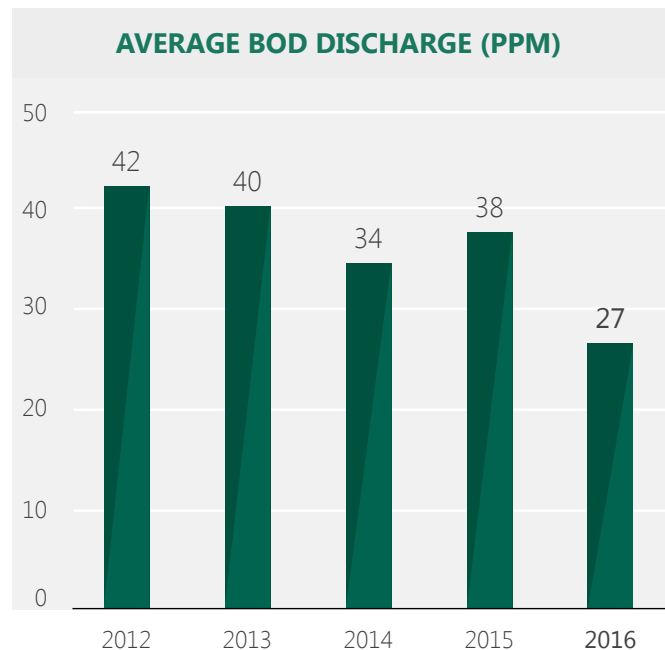
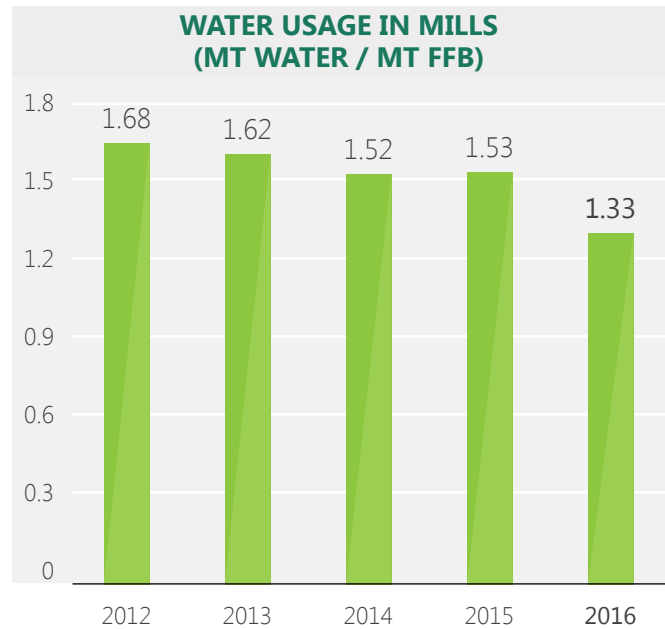
Water efficiency

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 maintain strict water efficiencies in our processes all year round. Our mills account for the majority of our water use where we have focused our efforts. We have successfully reduced our water consumption by 20% over the past five years, and have achieved our 2016 target of 1.3 tonnes of water used per tonne of processed FFB.

Managing POME discharge

Palm Oil Mill Effluent (POME) is water that has been used in the processing of FFB. Untreated POME is harmful for aquatic environments as it contains high levels of organic matter that can cause excessive algae growth and reduce oxygen for animal life. To reduce biological oxygen demand (BOD), palm oil mills are required to treat their effluent to the legal requirements before discharging it into rivers or using it for land applications. In Sabah, the BOD discharge limit is set at 100 ppm, with certain sensitive areas along major rivers having a reduced limit of 20 ppm.

We do not discharge POME from our mills into rivers – it is instead released into our Land Irrigation System, which is approved by the Department of the Environment. The significant reductions we have seen in BOD levels since 2012 are a result of our ongoing efforts to achieve a maximum level of 20 ppm (parts per million). Specific investments in this area include the completion of a new polishing plant in Jeroco Palm Oil Mill.





Harvesting rainwater

A rainwater harvesting system was established in 2015 to save resources and stabilise supply in line with Ministry of Health Guidelines and World Health Organisation (WHO) standards. Our mills store 6-month reserves of water in order to maintain a steady supply all year long.

As hosts to almost 7,000 employees and their families, managing our domestic water use is just as important as our industrial use. We have therefore supplemented our treated water sources with additional rainwater harvesting systems across our housing areas in order to stabilise supply.

Protecting our rivers and riversides

The Segama and Kretam rivers flow through our estates. We maintain areas of natural riverside vegetation – known as a ‘riparian reserves’ – along both 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 situ in accordance with guidelines issued by the Department of Irrigation and Drainage. In some cases, local villagers have planted banana trees and have built houses in riparian boundaries. Although this is prohibited by law, and not recommended by our company, we have allowed these trees to remain in order to maintain our relationship with the local community.

Within our 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.



ENVIRONMENT IN FOCUS



ENRICHING SOILS AND REDUCING CHEMICALS

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

Handling of chemicals

Fertilisers and pesticides are manually applied by dedicated spraying crews. Each crew member receives continuous training in chemical handling. All sprayers are required to wear authorised personal protective equipment (PPE) covering the full body, and must shower after each shift. Supervisors are charged with ensuring that compliance and safety procedures are monitored through internal safety audits. Spraying crews are also required to go for monthly medical check-ups.

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, while minimising the use of chemical pesticides.

Controlling nettle caterpillars has been one of our biggest pest control challenges. A previous infestation in the Sungai Segama Group caused extensive defoliation and a substantial loss of yield over a significant period. To control the nettle caterpillar population and minimise pesticide use, we now plant more than the recommended 10 metres of beneficial plants per hectare of oil palm. Other preventative measures include the establishment of fast-growing leguminous covers to accelerate the decomposition of palm biomass so it does not become a breeding ground. We have also introduced a fungus (*Beauveria bassiana*) that is a parasite on various arthropods, and a naturally insecticidal bacterium (*Bacillus thuringiensis*).

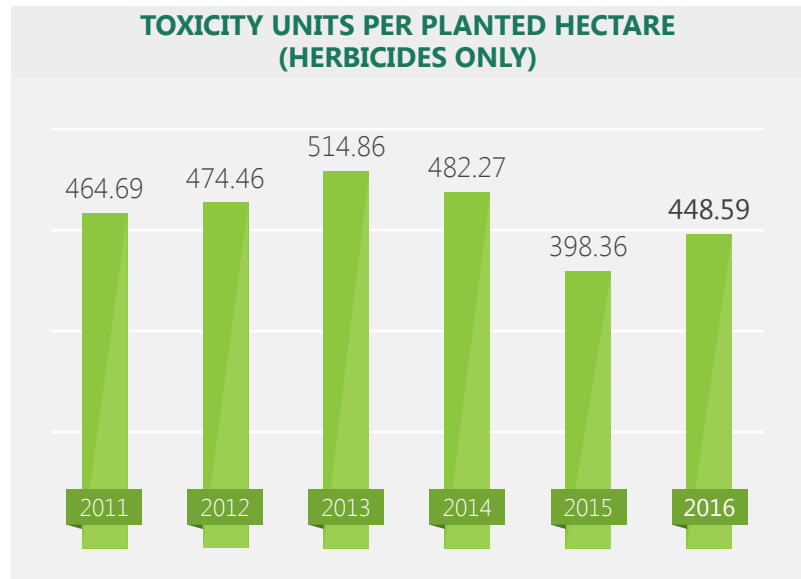
A number of other natural, cultural and mechanical pest control strategies have also proved effective. Pheromone traps have been dispersed across our estates to lure insects such as Apogonia beetles, rhinoceros beetles, cockchafers and Odoratus. The prompt collection of loose fruits removes a key food source for rats, while our ban on hunting enables its natural predators, such as snakes, serpent crested eagles and Malayan weasels, to thrive. Attempts to introduce the barn owl have however been unsuccessful, as these highly effective predators, which are used for rat control across Peninsular Malaysia, are not native to the Sabah region and do not adapt well.

Selective chemical application

We do not undertake blanket spraying of herbicides. Weeds are treated on a block basis following an analysis of the problem in the area. We analyse and monitor the nutrient levels in our palms by testing palm fronds and foliage. 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 plantings.

No use of paraquat

In 2011, we adopted a policy to stop the use of the herbicide paraquat. Paraquat has been highlighted as a chemical of concern by stakeholders due to widespread misuse. As we wished to accommodate these concerns, we tested alternative herbicides and have now substituted with glufosinate ammonium in immature areas and glyphosate potassium in mature areas. We have found these substitutes to be more cost effective, better for controlling weeds and less potentially hazardous for workers.



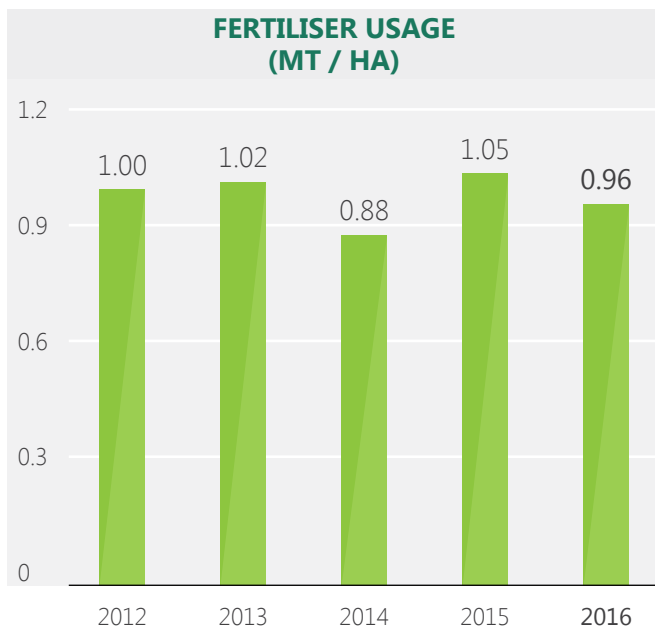
* Toxicity units in chemical are calculated from the volume, concentration and level of toxicity as declared by the manufacturer of the chemical determined by means of the LD50 toxicity test. Based on budgeted consumption. Note that the figures are restated from our 2014 Sustainability Report.

Pesticides currently used in Hap Seng Plantations	Active ingredient
Herbicides	<ul style="list-style-type: none"> • Metsulfuron Methyl • 2,4-Dimethylamine • Glufosinate-ammonium • Glyphosate potassium • Fluroxypyr • Triclopyr • Indaziflam
Insecticides	<ul style="list-style-type: none"> • Cypermethrin • Synthetic pheromones (Ethly 4-methyloctanoate) • Spirodiclofen • Trichlorfon • Carbofuran
Rodenticides	<ul style="list-style-type: none"> • Brodifacoum • Warfarin

ENVIRONMENT IN FOCUS

Soil management in practice

The nutrient content of our soil ensures the optimum yield. We adhere to the best soil conservation practice of planting leguminous cover crops to reduce soil erosion and improve its physical and chemical composition. We 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.



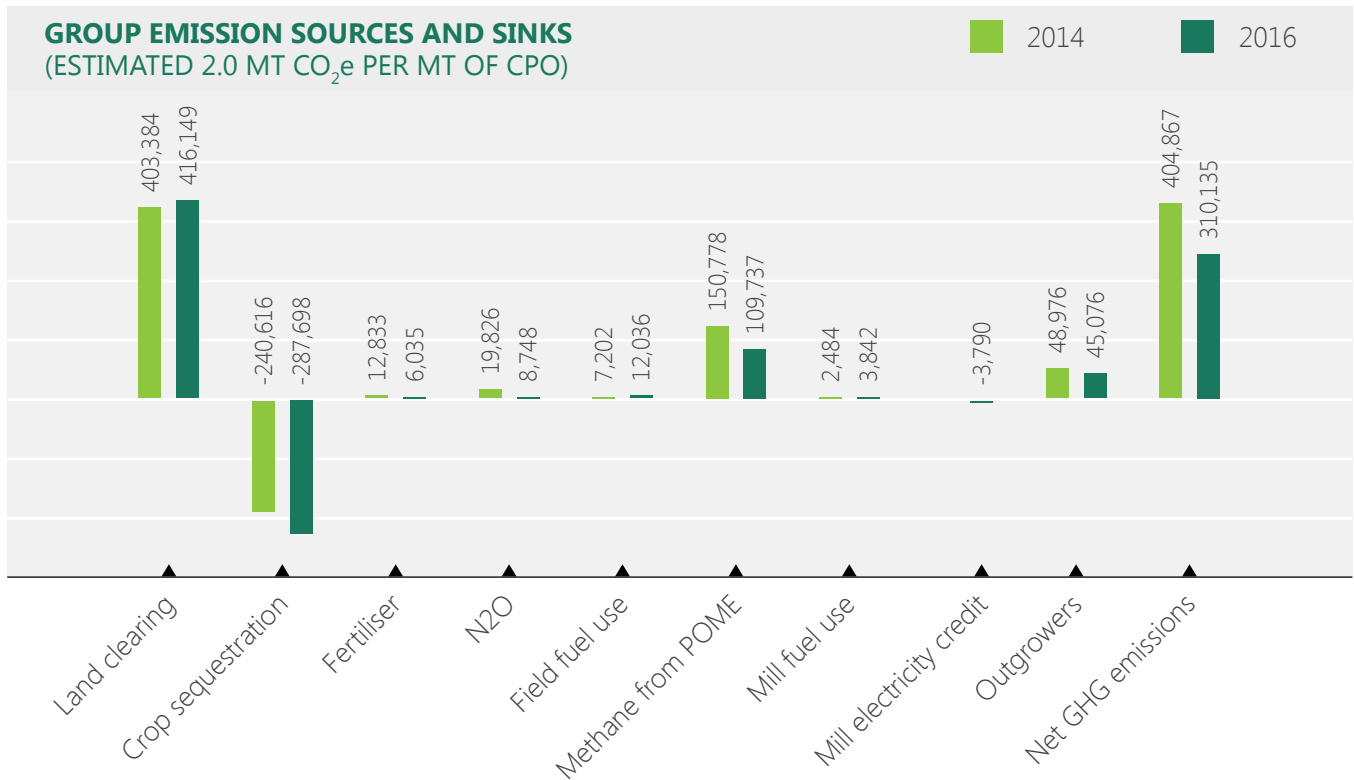
ACTION ON GHG EMISSIONS

We recognise that climate change is one of the biggest threats to our planet and we are committed to monitoring and reducing our potential contributions to global carbon emissions. We established a baseline measurement in 2014 using the RSPO PalmGHG calculator v2.1.1 to understand where we might have opportunities for GHG reductions. We are pleased to note that we have successfully reduced our net carbon emissions by around 23% and our footprint per tonne of CPO by 15% over the past two years.

Mill	MT CO ₂ e / MT CPO	
	2014	2016
Jeroco 1	1.61	0.99
Jeroco 2	1.07	1.49
Bukit Mas	3.18	1.45
Tomanggong	1.85	2.35
Group average	2.35	2.00

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





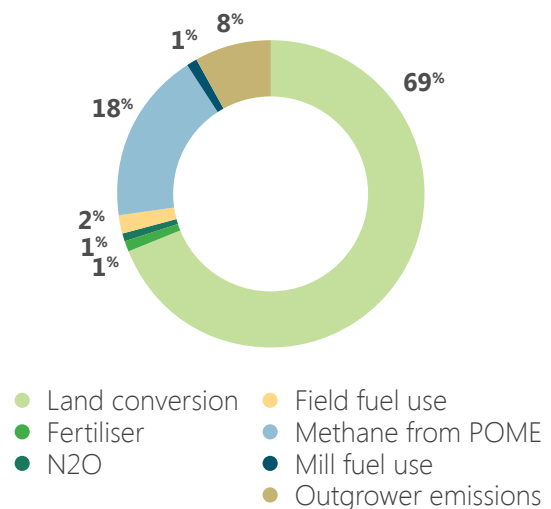
Note: Peat, conservation area offset and POME electricity credit have been omitted as there are no emissions or offset in these categories.

While land clearing was the biggest contributor to our carbon footprint during the reporting period, it should be taken into account that previous changes in land use continue to have a major impact on the way our emissions are calculated today. We have not cleared any primary forest or developed on peat. However, the estates supplying fruit to the Bukit Mas Palm Oil Mill were originally cleared decades ago, and were left to regenerate until the 1990s when they were finally planted. Consequently, this land is classified as disturbed forest under the PalmGHG definitions, and there are few remedies available to reduce the impact of historical conversions of this type.

We are instead focusing on biogas facilities that capture methane from POME and convert it to electricity. We have commissioned two biogas facilities at Jeroco Palm Oil Mill 1 and Jeroco Palm Oil Mill 2 in March 2017. This could potentially reduce our emissions by up to 20% while making electricity available for our operations and housing areas.

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

GROSS EMISSIONS BY SOURCE



ENVIRONMENT IN FOCUS

CONSERVING BIODIVERSITY

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

Bukit Kibos is a 75-hectare hill located near our headquarters. While a high conservation values assessment has yet to be conducted in the area, internal assessment has led us to believe it is a hotspot for bird species. An assessment and a comprehensive management plan for the HCV area has been completed, and monitoring and review of the plans are being updated annually by our internal assessment team.

We have continued working to conserve the Jelutong tree, a protected species in parts of Malaysia and Thailand. Latex tapped from Jelutong was a key ingredient in the production of chewing gum until the 1960s, when overharvesting led to the species becoming threatened in many areas. The trees on our estate were originally propagated in vacant and HCV areas from seedlings we collected. The Jelutong's quick growth and hardy nature, supported by strong replanting efforts, mean its extinction is now unlikely. Today, Jelutong covers some 86 hectares on our estates.

An area of 60 hectares has been set aside for the planting of Sepat, a wetland timber species. The area was previously planted with oil palm, but proved unsuitable due to repeated flooding.

AREA	HA
Reserve – Plantable	36.80
Sepat	60.00
Bukit Kibos	75.50
Jelutong	86.00
Reserve – Unplantable	1,143.68
	1,401.98





Tabin Wildlife Reserve

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

Eight species of primates are found at Tabin, including orang-utans and proboscis monkeys, as are three protected cat species, including the Sunda clouded leopard. Over 42 families of bird representing some 220 species have also been recorded on the reserve. Many additional types of wildlife are attracted by the presence of active and mineral rich mud volcanoes.

Our close proximity to such rich biodiversity gives us a responsibility to protect it, hence we enforce a strict no hunting policy on our estates for all employees. We installed CCTV extensively to identify any illegal game being brought onto our estates.

We also try to prevent human-animal conflict. We are not located on the migratory paths of elephants and have set up electric fences to prevent animals straying onto our estates. Incidents involving elephant encroachment are rare.

Compensation case update

During the RSPO certification audit to certify Tomanggong Palm Oil Mill in 2013, 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 showing that the area was degraded prior to planting, and therefore did not require a HCV assessment.

Nevertheless, we voluntarily notified and submitted our case to the RSPO Compensation Task Force (CTF) in 2014. A panel of RSPO members 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. We submitted our final land use change analysis to the RSPO in December 2016 which showed a significant reduction in potential compensation area, and it is currently being reviewed by the CTF. We expect to be able to finalise the compensation case by year-end 2017.

For a more detailed outline of the compensation case, please see our 2014 Sustainability Report.

PEOPLE IN FOCUS

RESPECT AND HUMAN RIGHTS IN THE WORKPLACE

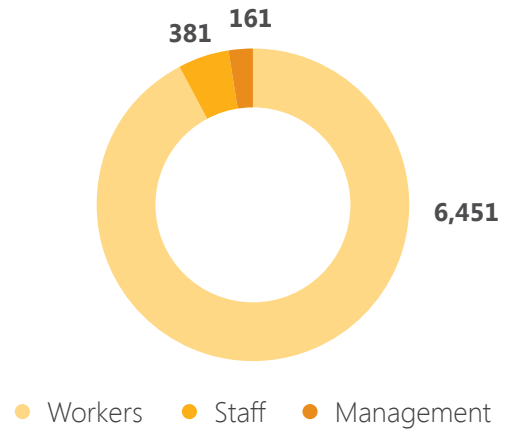
Hap Seng Plantations employs 6,993 people. We empower every individual to be as productive as possible in their job, and to develop their skills, character and experience. By supporting our staff to achieve their maximum potential, we encourage ownership, innovation and entrepreneurial endeavour.

We are committed to ensuring that the rights of all workers – including contract, temporary and migrant workers – are respected according to local, national and ratified international laws, and that international best practices are adopted where legal frameworks are not yet in place. As part of our RSPO commitments, we ensure that our policies are aligned with the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights. While legal compliance and alignment to the RSPO P&C is our first priority, we also see it as our moral obligations to create, build and promote a harmonious, safe and healthy work environment and culture. Nor do we differentiate between nationalities – housing, wages, medical and other benefits are provided equally to all workers.





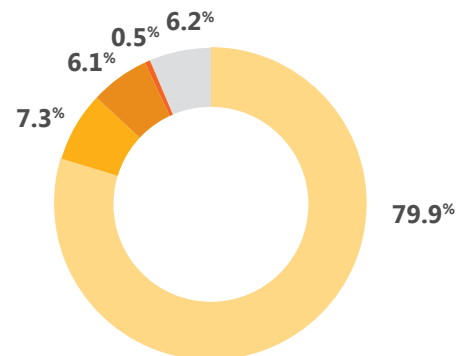
HAP SENG PLANTATIONS EMPLOYEES (2016)



Our employees in profile

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.

HAP SENG PLANTATIONS EMPLOYEES BY NATIONALITY / ETHNICITY



- Indonesian
- Filipino
- Malaysian - Bumiputra
- Malaysian - Chinese
- Malaysian - Others

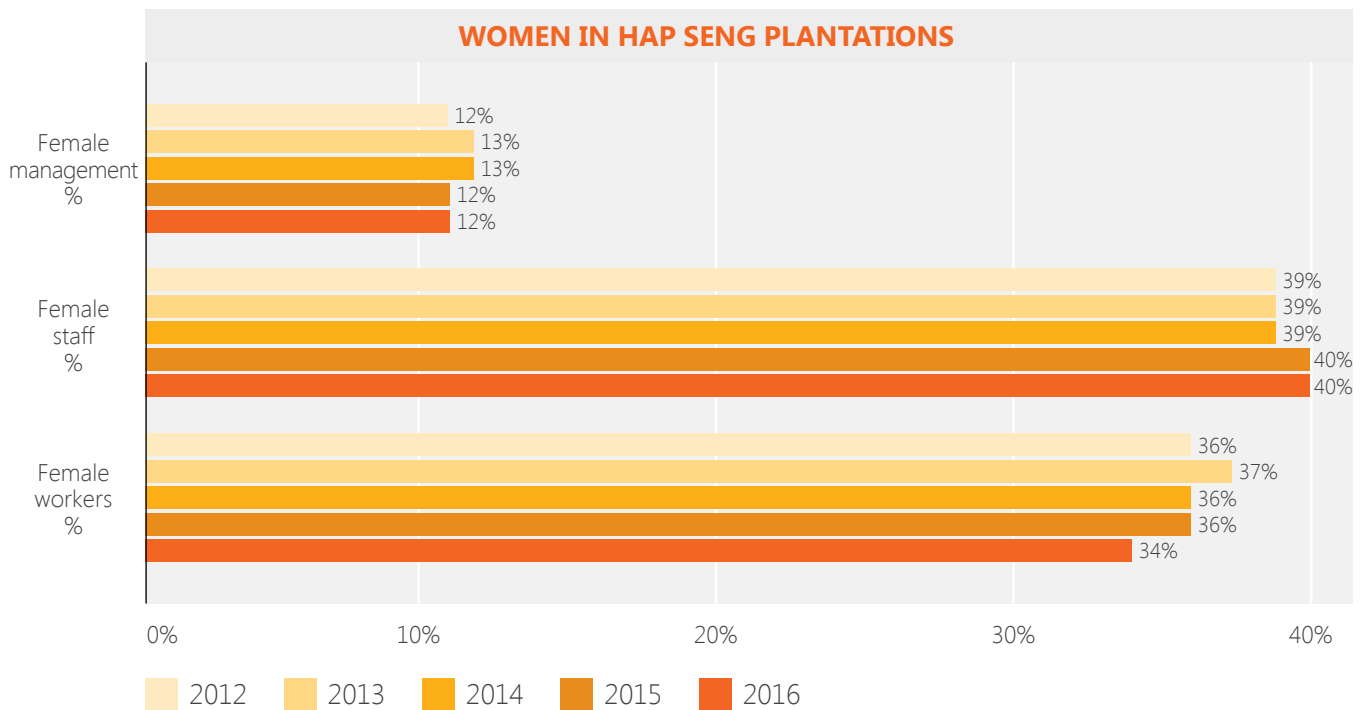
Note: Malaysian 'others' refer primarily to Malaysian nationals of Filipino or Indonesian descent



PEOPLE IN FOCUS

Supporting women in our workforce

Compared with the Malaysian palm oil sector in general, 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 currently low. This is partly due to the relatively small number of women educated in the traditional agricultural disciplines from which we draw our management candidates. We also find that many women leave the workforce to care for their families before they reach senior positions. This is 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.





Building facilities for working and living

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

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

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

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

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

Freedom of association

Although we recognise the right to form and join unions, there are no unions represented on our plantations. 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 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 whistle-blowing policy to encourage employees to disclose any malpractice or misconduct they witness, and to provide protection for them once they have done so.

PEOPLE IN FOCUS

Fair pay and transparent records

The Plantation Management Committee reviews workers' wages quarterly to ensure that they are paid at a competitive market rate. Our workers are paid a base wage of RM920 per month, which is the state minimum wage requirement. Workers are paid an additional daily rate based on tonnage of harvest, maturity of the field worked and specific work tasks. During harvesting months, workers have the opportunity to earn up to RM4,000 based on the amount of FFB 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. Wages are therefore adjusted to avoid high levels of dissatisfaction and income instability.

Supporting the next 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 talented supervisory field staff as Trainee Field Assistants. All staff and executives undergo a 15-module Oil Palm Agriculture Policy (OPAP) programme that teaches best practices in estate management. In 2016, we added an additional syllabus on RSPO and Health and Safety to the programme, ensuring that staff is well equipped to maintain and support our certification programme and safety efforts.

Addressing undocumented labour

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

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

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

Cultivating financial literacy

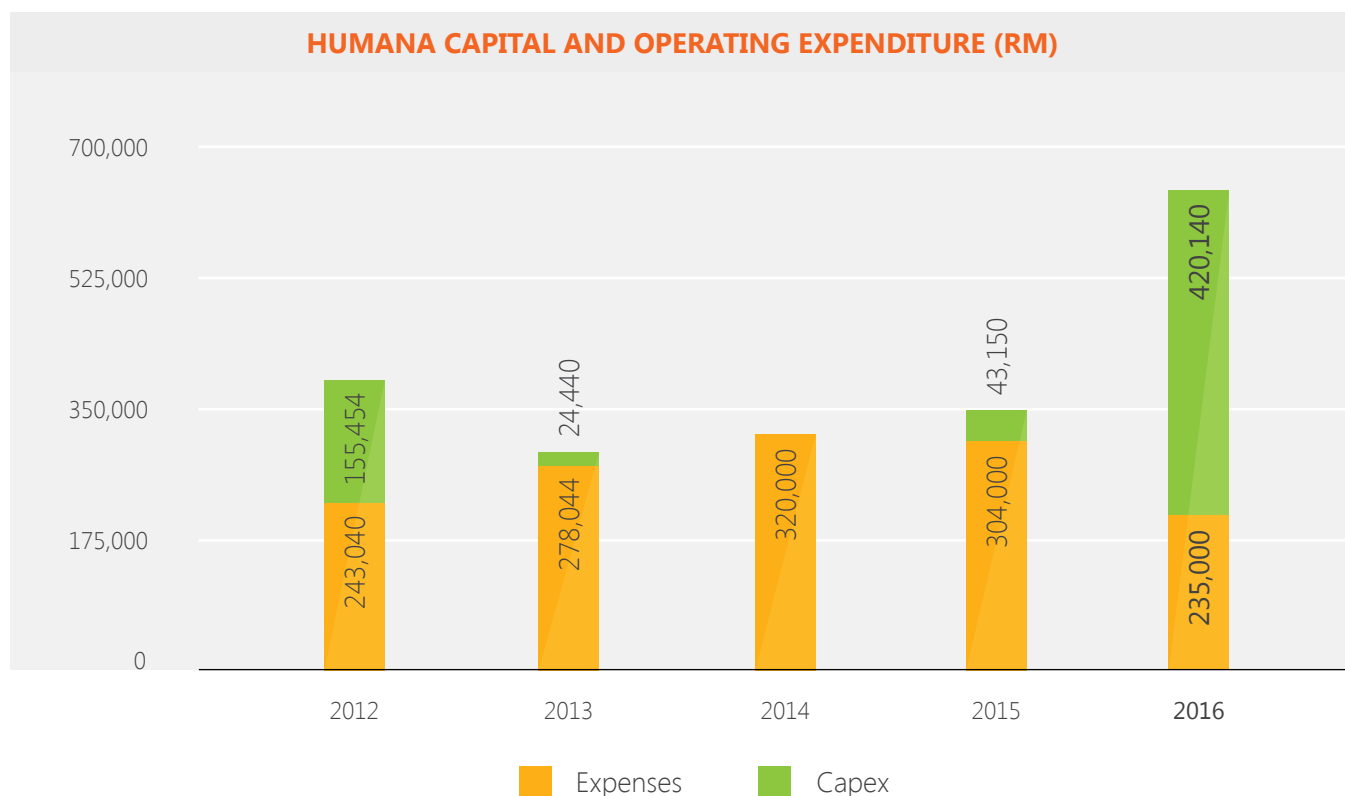
Acknowledging the pressure of increased living costs, Hap Seng Group has introduced a new programme to enhance employees' financial literacy. Targeted at executives and staff, the programme offers comprehensive financial education modules including basic money management skills and retirement planning. The programme, developed in partnership with Hap Seng Credit Sdn Bhd and *Agensi Kaunseling & Pengurusan Kredit* (AKPK), was conducted via road shows at Group offices nationwide. Two training sessions involving a total of 152 employees were held at our plantation at Lahad Datu, Sabah.

Investing capital to build educational capacities

We do not allow children or young people under the age of 18 to work on our estates. We do however recognise that workers living on our estates sometimes involve their children in loose fruit collection and other light work, and we conduct spot checks in order to eliminate this practice. We are vigilant in keeping children away from areas where hazardous work involving heavy machinery or chemicals is undertaken. We believe that the best means to eradicate child labour is the provision of good quality education.

Challenged by our remote location, and by the fact that many children of foreign workers are undocumented, ensuring availability of schools has been a key initiative for our company.

Since 2009, the Hap Seng Group has funded the 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. In the last five years we have invested about RM2.0 million in capital and operating expenditure, and today there are 10 Humana Learning Centres providing six years of primary national curriculum to 983 children on our estates. Our funding also supports career talk to local schools, and outreach to other plantation companies in the area to encourage similar initiatives and drive awareness of the right to basic education.



PEOPLE IN FOCUS

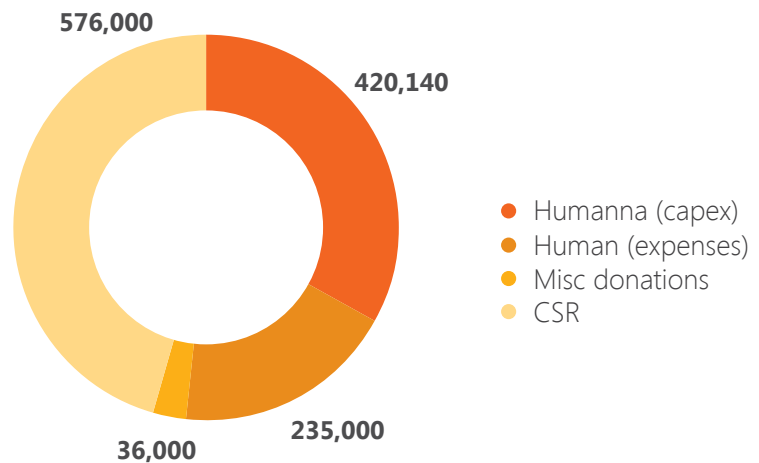
In 2015 and 2016, we invested RM1.2 million in a new CSR programme entitled Hap Seng Group D-Code. Initiated by the Hap Seng Group, the programme aims to build educational capacities in rural areas and reduce inequity between rural and urban schools. Hap Seng Group D-Code is primarily designed to help young people between the ages of 13 and 15 learn how to code. But it also encourages students to explore, experiment and solve problems with a view to developing higher order thinking skills.

The outcomes of the programme were overwhelmingly positive and participants felt that they received increased knowledge and improved skills in coding - kids with no coding skills started to code. At the end of the process:

- All participating schools were able to create website using HTML, Java and CSS.
- All participating teams were able to present problems and found ways to use technology to solve them.
- 96% participants believe that the program has helped increased their confidence and aspiration to continue learning technology.
- 93% would encourage their school friends to learn and explore technology.

A total of 25 coding camps have so far been held in Sabah, and 1,061 students and 212 teachers from 210 secondary schools have participated, and there are requests for more coding programmes. All content has been created by Startup Malaysia and the programme is supported by the Education Department and Ministry of Resource Development and Information Technology, Sabah.

CHARITABLE CONTRIBUTIONS 2016 (RM)



FOCUS ON HEALTH AND SAFETY

To excel in our business we must continue building a strong safety culture and focusing on reducing at-risk behaviours. Lower incident rates bring lower staff turnover, lower absenteeism and higher productivity. In 2015, we took the next big step by implementing a standardised health and safety programme by job type across all our operations. This ensures that all workers receive standardised hours of training for each specific job task.

The Estate Occupational Safety & Health Committee oversees our health and safety policies and programmes. Each estate and mill is responsible for its own health and safety performance through its respective Health and Safety Committee. 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 the Foreign Workmen Compensation Scheme, a general insurance policy that covers injuries and fatalities.



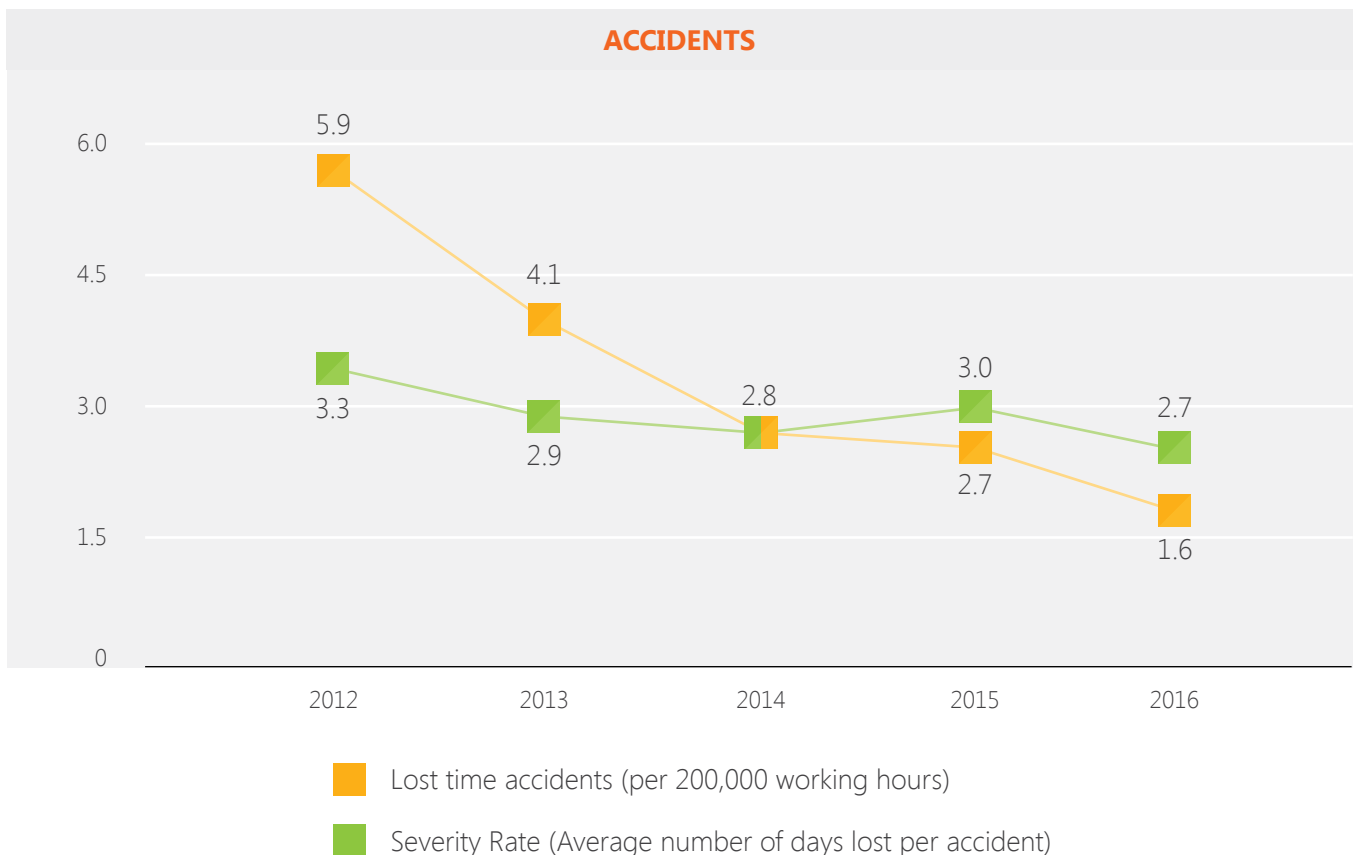
PEOPLE IN FOCUS

Action on accidents

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. Each estate conducts training for workers periodically.

We suspect that there may be an under-reporting of minor accidents such as thorn pricks or cuts. Workers often resort to self-treatment and medication so that they can continue working. This results in late reporting, often when workers come to the clinic with an infected wound.

We are engaging with our workers to strengthen our culture of safety. Awareness, education and improved reporting are our key tools to achieve this goal. Workers do not always prioritise training as it means being away from the field, so it is vital that we emphasise the personal benefits of this investment: a reduced risk of accidents, more productivity and a higher income.



Over the years, some of our most critical accidents were related to road transport. We are therefore focused on ensuring the competency of our drivers, and all employees operating a company vehicle undergo a one-week driving safety course.

All our vehicles and trailers are equipped with on-board 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 estate road safety rules, such as not wearing helmets or driving with non-functioning headlights.

Preventing serious accidents

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.

Securing zero fatalities

Our goal is to ensure that we do not have any workplace fatalities and no fatalities occurred in our operations in 2016. Sadly we did record one death in 2015, caused by a tractor handbrake which was not fully engaged while operating in a hilly area.

ADAPTING SECURITY MEASURES FOR EMERGENCY SITUATIONS

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 the area where we operate. The state of emergency was lifted soon after; 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 are maintaining a close rapport with the security forces, particularly the Royal Malaysian Police. Various enhancements have been made, including improved communications among security personnel and the establishment of early warning systems along the main entrance / exit points along the Sungai Kretam and Sungai Segama. Hap Seng Plantations has recently recruited an ex-armed forces officer as security manager to coordinate security personnel in the group of estates.



PEOPLE IN FOCUS



BEING A FORCE FOR GOOD

Sabah 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.

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.

RESPECT FOR LAND RIGHTS AND COMMUNITY ENGAGEMENT

We are committed to respecting legal and customary land rights of communities, and our Sustainable Agriculture Policy emphasises our commitment to a robust Free, Prior and Informed Consent process for any new developments.

We currently have one outstanding complaint pending in the RSPO Complaints Process. The case involves a legal land dispute with an individual claiming rights to around 2,600 hectares of our planted area. The complaints panel has put further reviews on hold pending the outcome of the legal case. The case does not involve customary or indigenous land rights. Further information on the case can be found in our annual report and on the RSPO website (<http://www.rspo.org/members/complaints/status-of-complaints/view/89>).

This is Hap Seng Plantations Holdings Berhad's second sustainability report. The report covers operations in our wholly owned estates for the financial years 2015-16. We have chosen to use the Global Reporting Initiative Standards (GRI) in preparing its contents. We have included significant events from 2017 where they are considered material, such as the commissioning of two biogas facilities.

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 related company, Hap Seng Land Sdn Bhd. While we provide advisory support and services to these estates, we do not have strategic control over them. Furthermore, with a combined 2,300 hectares, we do not believe the inclusion of these estates constitutes a material proportion of our footprint.

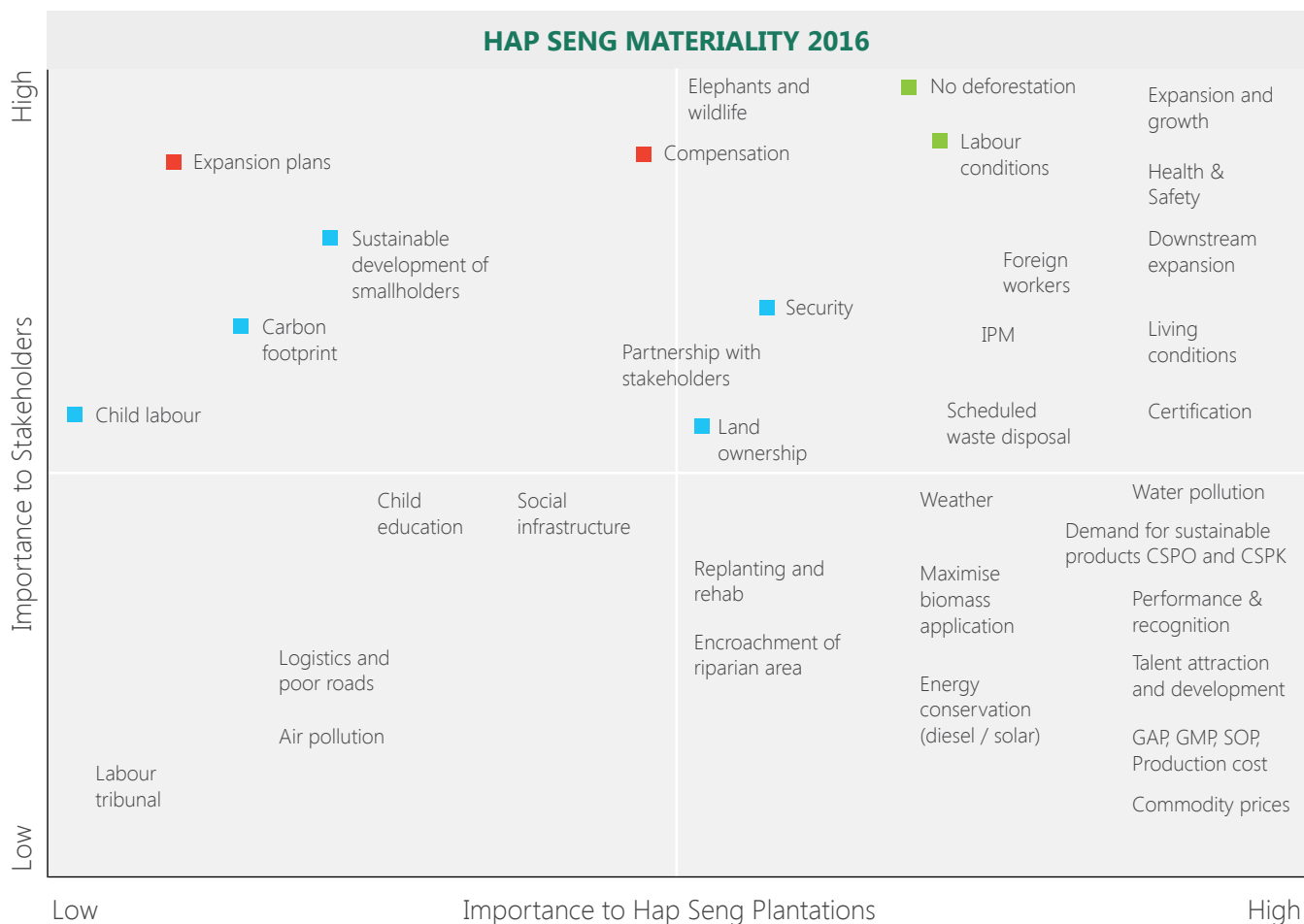
This report does not include associate companies or joint venture enterprises. Unless otherwise stated, all data is correct as of 31 December 2016. We are committed to continuing our reporting journey and expect to publish a sustainability report bi-annually.

Materiality

When preparing our first Sustainability Report for Hap Seng Plantations in 2014, we undertook an extensive process to determine material issues for our company. This involved a combination of internal engagement and identification of external stakeholder expectations and trends. Included were benchmark research, internal workshops and a review of our operations and data by a third-party consultant. Senior management teams at both Sabah and Kuala Lumpur reviewed the key issues and prioritised those deemed of material importance for Hap Seng Plantations, either because of their critical commercial relevance, or because they represented particular strengths or weaknesses in our company. Based on this, a materiality matrix was drawn up and a series of improvement targets and objectives were developed.

As there have been no major corporate developments, or developments specific to Hap Seng Plantations' operating environment, we have focused on updating our materiality matrix to reflect external developments relevant to the palm oil industry in Malaysia in general. We have reviewed the latest developments in the industry (for example, the Palm Oil Innovation Group, the Zoological Society of London Sustainable Palm Oil Transparency Toolkit and the High Carbon Stock Approach Steering Group) that we believe 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.

ABOUT THIS REPORT



Key:

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

Assurance

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

GLOBAL REPORTING INITIATIVE CONTENT INDEX

GRI CONTENT INDEX			
Disclosures			Pages
GRI 101: FOUNDATION 2016			
GRI 102: GENERAL DISCLOSURES 2016			
ORGANISATIONAL PROFILE			
102-1	Name of Organisation	About Hap Seng Plantations:	6
102-2	Activities, brands, products, and services	About Hap Seng Plantations:	6
102-3	Location of headquarters	Back cover	
102-4	Location of operations	About Hap Seng Plantations:	6 – 9
102-5	Ownership and legal form	About Hap Seng Plantations:	6
102-6	Markets served	About Hap Seng Plantations:	6 – 10
102-7	Scale of the organisation	About Hap Seng Plantations:	6 – 10
102-8	Information on employees and other workers	People in focus:	32 – 34
102-9	Supply chain	Sourcing sustainably – outgrowers and smallholders:	13
102-10	Significant changes to the organisation and its supply chain	No significant changes in 2015-2016	
102-11	Precautionary Principle or approach	The precautionary approach is integral to the RSPO P&C to which we are committed	
102-12	External initiatives	Message from the Chief Executive – Group Plantations: Tracking progress on our commitments: About Hap Seng Plantations: Stepping up on sustainability:	2 – 3 5 6 16 – 17
102-13	Membership of associations	Stepping up on sustainability:	16 – 17
STRATEGY			
102-14	Statement from senior decision-maker	Message from the Chief Executive – Group Plantations:	2 – 3
ETHICS AND INTEGRITY			
102-16	Values, principles, standards, and norms of behaviour	About Hap Seng Plantations: Corporate governance:	6 14 – 15
GOVERNANCE			
102-18	Governance structure	Corporate governance: Sustainability governance and management structure:	14 19

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GRI CONTENT INDEX			
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STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups	Engaging our people, partners, customers and communities:	20 – 21
102-41	Collective bargaining agreements	People in focus:	32
102-42	Identifying and selecting stakeholders	Engaging our people, partners, customers and communities:	20 – 21
102-43	Approach to stakeholder engagement	Engaging our people, partners, customers and communities:	20 – 21
102-44	Key topics and concerns raised	Engaging our people, partners, customers and communities:	20 – 21
REPORTING PRACTICE			
102-45	Entities included in the consolidated financial statements	Annual Report	
102-46	Defining report content and topic Boundaries	About this report:	43 – 44
102-47	List of material topics	About this report:	43 – 44
102-48	Restatements of information	About this report:	43 – 44
102-49	Changes in reporting	About this report:	43 – 44
102-50	Reporting period	About this report:	43 – 44
102-51	Date of most recent report	About this report:	43 – 44
102-52	Reporting cycle	Bi-ennial	
102-53	Contact point for questions regarding the report	Back cover	
102-54	Claims of reporting in accordance with the GRI Standards	About this report:	43 – 44
102-55	GRI content index	GRI content index:	45 – 53
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MATERIAL TOPICS				
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ECONOMIC PERFORMANCE				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	About Hap Seng Plantations:	6
	103-2	The management approach and its components	About Hap Seng Plantations:	6
	103-3	Evaluation of the management approach	About Hap Seng Plantations:	6
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	Message from the Chief Executive – Group Plantations: About Hap Seng Plantations:	2 – 3 6 – 7
MARKET PRESENCE				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	People in focus:	36
	103-2	The management approach and its components	People in focus:	36
	103-3	Evaluation of the management approach	People in focus:	36
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	People in focus: There is no difference in the entry level wage for female and male employees	36
INDIRECT ECONOMIC IMPACTS				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	People in focus: Communities in focus:	35 – 38 42
	103-2	The management approach and its components	People in focus: Communities in focus:	35 – 38 42
	103-3	Evaluation of the management approach	People in focus: Communities in focus:	35 – 38 42
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	People in focus: Communities in focus:	35 – 38 42
	203-2	Significant indirect economic impacts	Communities in focus:	42

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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sourcing sustainably – outgrowers and smallholders:	13
	103-2	The management approach and its components	Sourcing sustainably – outgrowers and smallholders:	13
	103-3	Evaluation of the management approach	Sourcing sustainably – outgrowers and smallholders:	13
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	Sourcing sustainably – outgrowers and smallholders:	13
ANTI-CORRUPTION				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Corporate governance:	14 – 15
	103-2	The management approach and its components	Corporate governance:	14 – 15
	103-3	Evaluation of the management approach	Corporate governance:	14 – 15
GRI 205: Anti- corruption 2016	205-3	Confirmed incidents of corruption and actions taken	None reported	
ENVIRONMENTAL				
MATERIALS				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	About Hap Seng Plantations:	6 – 13
	103-2	The management approach and its components	About Hap Seng Plantations:	6 – 13
	103-3	Evaluation of the management approach	About Hap Seng Plantations:	6 – 13
GRI 301: Materials 2016	301-1	Materials used by weight or volume	Operational overview:	13
WATER				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Environment in focus:	22 – 25
	103-2	The management approach and its components	Environment in focus:	22 – 25
	103-3	Evaluation of the management approach	Environment in focus:	22 – 25
GRI 303: Water 2016	303-1	Water withdrawal by source	Environment in focus:	24
	303-2	Water sources significantly affected by withdrawal of water	Environment in focus:	24

GRI CONTENT INDEX				
GRI Standard	Disclosure			Pages
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BIODIVERSITY				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Protecting our rivers and riversides: Conserving biodiversity:	25 30 – 31
	103-2	The management approach and its components	Protecting our rivers and riversides: Conserving biodiversity:	25 30 – 31
	103-3	Evaluation of the management approach	Protecting our rivers and riversides: Conserving biodiversity:	25 30 – 31
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Conserving biodiversity:	30 – 31
	304-2	Significant impacts of activities, products, and services on biodiversity	Conserving biodiversity:	30 – 31
	304-3	Habitats protected or restored	Conserving biodiversity:	30 – 31
EMISSIONS				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Message from the Chief Executive – Group Plantations: Stepping up on sustainability: Action on GHG emissions:	2 – 3 16 28 – 29
	103-2	The management approach and its components	Message from the Chief Executive – Group Plantations: Stepping up on sustainability: Action on GHG emissions:	2 – 3 16 28 – 29
	103-3	Evaluation of the management approach	Message from the Chief Executive – Group Plantations: Stepping up on sustainability: Action on GHG emissions:	2 – 3 16 28 – 29
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Action on GHG emissions:	28 – 29
	305-2	Energy indirect (Scope 2) GHG emissions	Action on GHG emissions:	28 – 29
	305-3	Other indirect (Scope 3) GHG emissions	Action on GHG emissions:	28 – 29
	305-4	GHG emissions intensity	Action on GHG emissions:	28 – 29
	305-5	Reduction of GHG emissions	Action on GHG emissions:	28 – 29

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GRI CONTENT INDEX				
GRI Standard	Disclosure			Pages
EFFLUENTS AND WASTE				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Environment in focus:	24
	103-2	The management approach and its components	Environment in focus:	24
	103-3	Evaluation of the management approach	Environment in focus:	24
GRI 306: Effluents and Waste 2016	306-1	Water discharge by quality and destination	Environment in focus:	24
	306-3	Significant spills	No significant spills	
ENVIRONMENTAL COMPLIANCE				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Conserving biodiversity:	30 – 31
	103-2	The management approach and its components	Conserving biodiversity:	30 – 31
	103-3	Evaluation of the management approach	Conserving biodiversity:	30 – 31
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	Conserving biodiversity:	31
SUPPLIER ENVIRONMENTAL ASSESSMENT				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sourcing sustainably – outgrowers and smallholders:	13
	103-2	The management approach and its components	Sourcing sustainably – outgrowers and smallholders:	13
	103-3	Evaluation of the management approach	Sourcing sustainably – outgrowers and smallholders:	13
GRI 400 SOCIAL				
EMPLOYMENT				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	People in focus:	32 – 36
	103-2	The management approach and its components	People in focus:	32 – 36
	103-3	Evaluation of the management approach	People in focus:	32 – 36
LABOUR / MANAGEMENT RELATIONS				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	People in focus:	32 – 36
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GRI Standard	Disclosure			Pages
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EMPLOYMENT				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	People in focus:	32 – 36
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LABOUR / MANAGEMENT RELATIONS				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	People in focus:	32 – 36
OCCUPATIONAL HEALTH AND SAFETY				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Message from the Chief Executive – Group Plantations: Focus on health and safety:	2 – 3 39 – 41
	103-2	The management approach and its components	Message from the Chief Executive – Group Plantations: Focus on health and safety:	2 – 3 39 – 41
	103-3	Evaluation of the management approach	Message from the Chief Executive – Group Plantations: Focus on health and safety:	2 – 3 39 – 41
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Focus on health and safety:	39 – 41
TRAINING AND EDUCATION				
GRI 404: Training and Education 2016	404-2	Programmes for upgrading employee skills and transition assistance programmes	People in focus:	36

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GRI Standard	Disclosure			Pages
DIVERSITY AND EQUAL OPPORTUNITY				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Corporate governance: People in focus:	14 32 – 34
	103-2	The management approach and its components	Corporate governance: People in focus:	14 32 – 34
	103-3	Evaluation of the management approach	Corporate governance: People in focus:	14 32 – 34
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Corporate governance: People in focus:	14 32 – 34
	405-2	Ratio of basic salary and remuneration of women to men	Basic salaries of men and women are equal in accordance with the Malaysian Employment Act	
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING				
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	People in focus:	35
CHILD LABOUR				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	People in focus:	37
	103-2	The management approach and its components	People in focus:	37
	103-3	Evaluation of the management approach	People in focus:	37
GRI 408: Child Labour 2016	408-1	Operations and suppliers at significant risk for incidents of child labour	People in focus:	37
FORCED OR COMPULSORY LABOUR				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	People in focus: Sustainable Agriculture Policy	37
	103-2	The management approach and its components	People in focus: Sustainable Agriculture Policy	37
	103-3	Evaluation of the management approach	People in focus:	37
GRI 409: Forced or Compulsory Labour 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	People in focus:	37

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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Adapting security measures for emergency situations:	41
	103-2	The management approach and its components	Adapting security measures for emergency situations:	41
RIGHTS OF INDIGENOUS PEOPLES				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sustainable Agriculture Policy	
	103-2	The management approach and its components	Sustainable Agriculture Policy	
	103-3	Evaluation of the management approach	Sustainable Agriculture Policy	
GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	No incidents or complaints pending or recorded in 2015-16	
LOCAL COMMUNITIES				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Stepping up on sustainability: Communities in focus: Sustainable Agriculture Policy	16 42
	103-2	The management approach and its components	Stepping up on sustainability: Communities in focus: Sustainable Agriculture Policy	16 42
	103-3	Evaluation of the management approach	Stepping up on sustainability: Communities in focus:	16 42
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programmes	Communities in focus:	42

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BASE DATA AND NOTES

Category / Indicator	Measurement Unit / Breakdown	31.12. 2016	31.12. 2015	31.12. 2014	31.12. 2013	31.12. 2012	31.12. 2011
ECONOMIC							
Revenue	RM million	503.4	434.9	495.6	443.3	526.5	654.9
Profit before taxation	RM million	167.1	120.2	176.1	137.7	190.7	339.5
Profit after taxation attributable to owners of the Company	RM million	124.1	96.4	128.3	97.5	140.3	253.0
LAND / PLANTATION							
Total area							
Group	ha	40,279	39,803	39,803	39,803	39,803	39,803
Jeroco group of estates (JGOE)	ha	14,117	14,117	14,117	14,117	14,117	14,117
Tomanggong group of estates (TMGOE)	ha	12,806	12,331	12,331	12,331	12,331	12,331
Sungai Segama group of estates (SSGOE)	ha	9,907	9,906	9,906	9,906	9,906	9,906
Ladang Kawa	ha	1,276	1,276	1,276	1,276	1,276	1,276
Pelipikan	ha	1,365	1,365	1,365	1,365	1,365	1,365
Kota Marudu	ha	808	808	808	808	808	808
Total planted areas							
Group	ha	36,145	35,678	35,685	35,697	35,697	35,617
Jeroco group of estates (JGOE)	ha	12,808	12,808	12,808	12,808	12,808	12,808
Tomanggong group of estates (TMGOE)	ha	11,893	11,426	11,426	11,426	11,426	11,199
Sungai Segama group of estates (SSGOE)	ha	8,755	8,761	8,761	8,761	8,761	8,761
Ladang Kawa	ha	1,201	1,201	1,201	1,201	1,201	1,201
Pelipikan	ha	903	903	903	903	903	1,050
Kota Marudu	ha	585	585	585	598	598	598
Planted areas - Mature							
Group	ha	32,374	32,440	31,373	30,670	30,455	31,068
Jeroco group of estates (JGOE)	ha	10,589	10,565	10,693	10,567	10,999	11,455
Tomanggong group of estates (TMGOE)	ha	10,727	10,431	9,552	9,334	8,687	8,811
Sungai Segama group of estates (SSGOE)	ha	8,368	8,755	8,761	8,761	8,761	8,758
Ladang Kawa	ha	1,201	1,201	1,201	1,201	1,201	1,201
Pelipikan	ha	903	903	581	209	209	245
Kota Marudu	ha	585	585	585	598	598	598

Category / Indicator	Measurement Unit / Breakdown	31.12. 2016	31.12. 2015	31.12. 2014	31.12. 2013	31.12. 2012	31.12. 2011
Planted areas - Immature							
Oil palm	ha	3,625	3,092	4,165	4,881	5,096	4,403
Other crops	ha	146	146	146	146	146	146
Plantation - Average age	Years	15.3	15.5	15.4	15.2	14.8	
30 months to 7 years	ha	5,626	5,599	4,089	2,525	2,788	2,289
> 7 years to 17 years	ha	7,245	8,480	10,122	10,981	13,332	16,009
> 17 years	ha	19,503	18,361	17,162	17,164	14,335	12,770
Area set aside for conservation	ha	1,402	1,402	1,401	1,480		
Peat - planted	ha	0	0	0	0	0	0
PRODUCTION							
FFB	MT	662,776	709,984	727,937	704,241	665,812	738,969
FFB processed							
FFB - Own	MT	645,285	667,504	680,741	662,452	620,770	693,901
FFB - Purchased (smallholders)	MT	90,153	107,829	121,673	116,490	105,469	107,623
Palm oil	MT	154,681	170,546	172,980	166,202	154,595	168,025
Palm kernel	MT	35,873	38,087	38,778	36,554	34,587	37,050
Palm oil OER	Percentage	21.03	22.00	21.56	21.34	21.29	20.96
Palm kernel OER	Percentage	4.88	4.91	4.83	4.69	4.76	4.62
FFB yield per mature hectare	MT / ha	20.47	21.89	23.20	22.96	21.86	23.79
Oil per mature hectare	MT / ha	4.76	4.81	5.00	4.90	4.65	4.99
EMPLOYEES							
Number of employees		6,993	7,331	7,257	7,036	6,872	6,751
Employee categories	Management	161	145	138	138	135	119
	Non-executive staff	381	364	336	310	293	288
	Workers	6,451	6,822	6,783	6,588	6,444	6,344
Female employees		2,387	2,613	2,644	2,489	2,471	2,419
Male employees		4,606	4,718	4,613	4,547	4,401	4,332
Number of foreign workers	Indonesian	5,585	5,952	5,663	5,488	5,453	5,573
	Filipino	511	563	661	703	594	428
Male non-executive staff		228	217	211	187	183	181

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Category / Indicator	Measurement Unit / Breakdown	31.12. 2016	31.12. 2015	31.12. 2014	31.12. 2013	31.12. 2012	31.12. 2011
EMPLOYEES							
Female non-executive staff		153	147	135	120	110	107
Female workers		2,214	2,449	2,502	2,353	2,344	2,302
Male workers		4,237	4,373	4,275	4,244	4,099	4,049
Female management		20	17	18	16	17	10
Male management		141	128	116	116	119	107
Ethnic / racial breakdown	Malaysian - Bumiputra	429	387	465	370	391	329
	Malaysian - Chinese	35	34	34	40	37	30
	Malaysian - Indian	0	2	2	1	1	6
	Others - Malaysian	433	393	432	434	396	385
	Other non-Malaysian	6,096	6,515	6,324	6,191	6,047	6,001
TRAINING							
Number of employees received formal qualifications funded by Hap Seng Plantations		0	0	8			
LABOUR STANDARDS							
Minimum starting wage	RM per month	920	800	800	800	468	468
Number of employees who are members of a trade union	No trade union for plantation workers in Sabah						
Number of women left on maternity leave		18	22	32	12	23	19
% returned after maternity leave		67	75	81	100	100	100
COMMUNITY AND HOUSING							
Breakdown of charitable contributions (RM)	Humana (capex)	420,140	43,150	0	24,440	155,454	547,750
	Human (expenses)	235,000	304,000	320,000	278,044	243,040	92,495
	Misc donations	36,000	306,390	5,790	2,650	5,000	1,000
	CSR	576,000					
	Total	1,267,140	653,540	325,790	305,134	403,494	641,245
Number of employees and dependents housed		4,160	4,242	3,934	3,875	3,844	3,778

Category / Indicator	Measurement Unit / Breakdown	31.12. 2016	31.12. 2015	31.12. 2014	31.12. 2013	31.12. 2012	31.12. 2011
HEALTH AND SAFETY							
Fatalities		0	1	0	1	1	0
Number of lost time accidents		74	66	164	230	321	388
Number of lost days (not including fatalities)		200	197	460	676	1,063	1,229
Lost time accident rate	Incidents per 200,000 working hours	1.6	2.7	2.8	4.1	5.9	8.4
Severity rate	Average number of lost days per incident	2.7	3.0	2.8	2.9	3.3	3.2
ENVIRONMENT							
BOD level	ppm	27	38	34	40	42	39
Total fertiliser usage	MT / ha	0.96	1.05	0.88	1.02	1.00	0.98
Total water usage (mills only)	MT / MT FFB	1.33	1.53	1.52	1.62	1.68	1.59
Total number and volume of significant spills		0	0	0	0	0	0
Toxicity per ha		449	398	486	515	474	465

ABOUT THIS REPORT

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 Equivalent	Carbon dioxide equivalents (CO ₂ e) 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.
Free, prior and informed consent (FPIC)	The principle that a community has the right to give or withhold its consent to proposed project that may affect the lands they customarily own, occupy or otherwise use.
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.
Greenhouse Gas (GHG) Emissions	GHGs are gaseous compounds in the atmosphere capable of absorbing infrared radiation, thereby trapping and holding heat in the atmosphere. By increasing the heat in the atmosphere, GHGs are responsible for the greenhouse effect, which ultimately leads to global warming.
Global Reporting Initiative (GRI)	A multi-stakeholder standard for sustainability reporting, providing guidance on determining report content and indicators.
High Carbon Stock (HCS) Approach	High Carbon Stock Approach is a universally agreed methodology to prevent deforestation through the classification of forest and vegetation types. The methodology is governed by a multi-stakeholder steering group.
High Conservation Values (HCV)	The concept of High Conservation Values 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.
Identity Preserved	Sustainable palm oil from a single identifiable certified source that is kept separately from ordinary palm oil throughout the supply chain.
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.

International Sustainability & Carbon Certification (ISCC)	An internationally-oriented, practical and transparent system for the certification of biomass and bioenergy.
Mass Balance	The Mass Balance system allows for mixing of RSPO certified and non-certified palm oil at any stage in the supply chain provided that overall company quantities are controlled. The mass balance model is constructed in such a way that volumes of RSPO certified product shipped will never exceed volumes received by the end-user.
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.
Segregation	Sustainable palm oil from different certified sources that is kept separate from ordinary palm oil throughout the supply chain.
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".
Traceability	Traceability is the capability to track sustainable palm oil along the entire supply chain.
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 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.

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