

Sustainability Report

Chairman's Statement

In today's globalised world, more and more companies are realising the importance of embracing sustainable development principles. This is all the more pertinent for businesses that have operations which are directly related to the environment, such as ours.

Today, Malaysia is the second largest palm oil producer in the world. As one of the nation's leading oil palm plantation companies, Boustead Plantations Berhad (BPB) has a significant role to play towards the development of sustainable practices in the industry.

We are proud of the fact that sustainability is deeply-rooted in all aspects of our business and operations. We firmly believe that sustainable business practices will ultimately ensure the long-term success of the Group.

Over the years, BPB has certainly made great strides in our commitment to sustainability. This is clearly demonstrated through our Sustainability Report, which showcases BPB's sustainable policies and measures, our achievements to date as well as our future plans to further improve our efforts.

Although we have indeed come far, we will not rest on our laurels as we strive to realise our Sustainability Vision: Achieving Strategic Growth, Safeguarding the Environment. We will accomplish this by continuously undertaking measures to strengthen and enhance our sustainability performance.

Given the fast-paced and ever-changing business environment in which we operate, we remain focused on our goal of achieving sustainable growth to provide greater value to all our stakeholders.

Ultimately, we aim to contribute towards a sustainable future for the Group, the plantation industry, and generations to come.

Dr. Raja Abdul Malek Raja Jallaludin
Chairman
Sustainability Committee



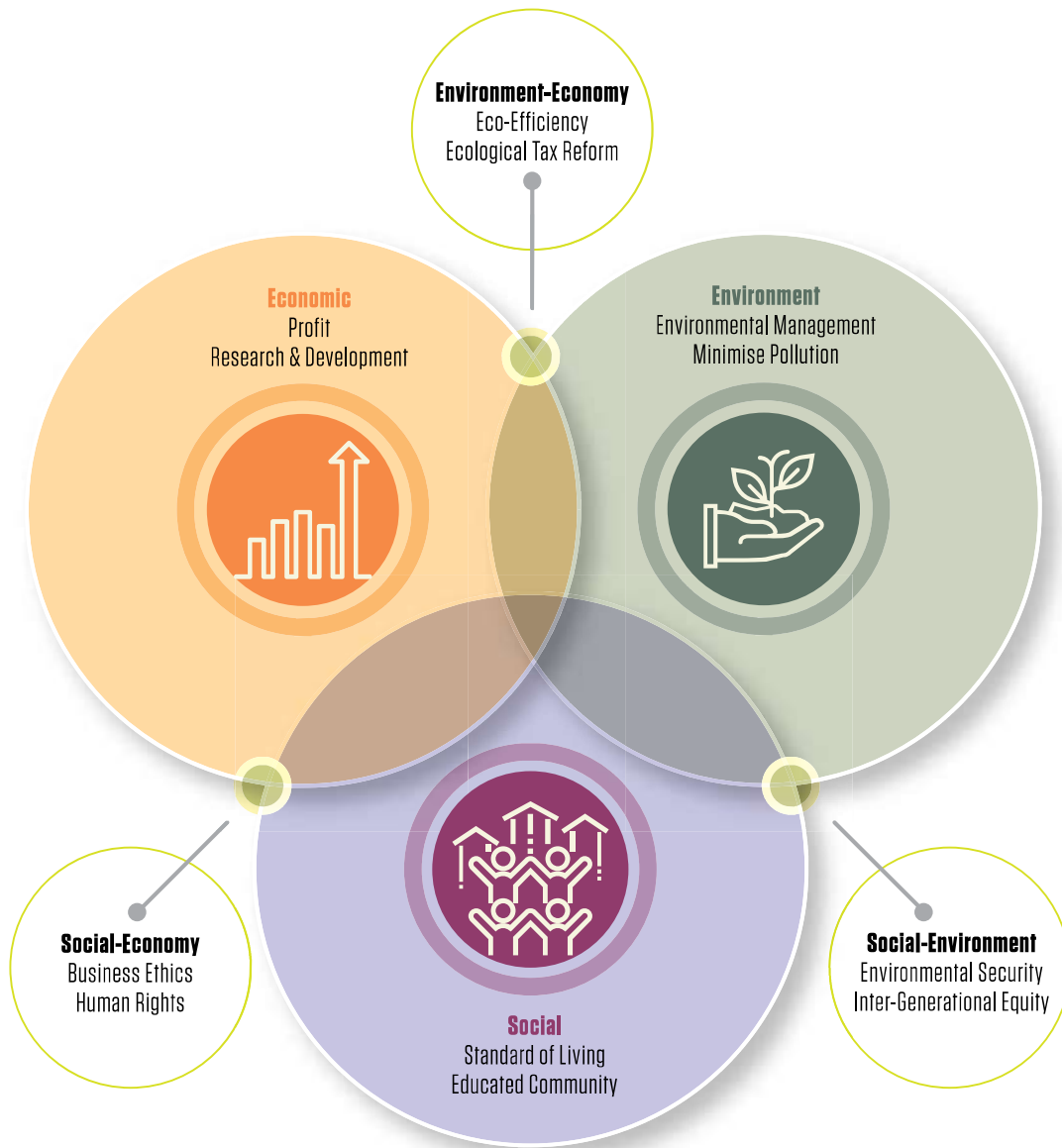
Sustainability Vision & Mission Statement

With over 100 years of experience in plantation management, BPB has always been a strong proponent of sustainable practices. Our position as an established upstream oil palm plantation company in Malaysia is premised on creating sustainable long-term value through a balanced amalgamation of environmental, social and economic considerations within our businesses in accordance with our **Sustainability Vision: Achieving Strategic Growth, Safeguarding the Environment.**

We are focused on driving sustained and robust growth through our efforts in the following Sustainability Mission Statement.

- To remain committed in our focus on R&D and implement breakthrough solutions at all levels and processes to maintain our technological edge.
- To achieve greater economies of scale by seizing opportunities to expand our landbank in Malaysia.
- To implement sustainability standards as per BPB Sustainability Policy for Economic Prosperity, Environmental Management, Community Development and Social Impact.
- To cultivate a capable talent pool and provide employees with opportunities for personal and professional development to enable them to fulfill their potential.
- To explore business opportunities that yield strong returns.

Our sustainability approach is in line with the concept of Sustainability Development which involves three core areas of impact:



Source: https://css.umich.edu/sites/default/css_doc/CSS02-04.pdf

Title: Sustainability Assessment and Reporting for the University of Michigan's Ann Arbor Campus by Sandra et al.

Governance Structure

In pursuit of our commitment to promote and enhance the integrated management of sustainability as part of our business, we have established a governance structure to supervise and manage sustainability issues.

Sustainability Governance	Roles	Key Responsibilities
Board of Directors	Setting the tone	Full and effective control over the management of sustainability matters.
Sustainability Committee	Strategy and stewardship	Review and approval of the Group's sustainability policies and framework.
Sustainability Management Committee	Management and monitoring	Recommends sustainability policies and framework to the Sustainability Committee.
	Accountability and performance	Implementation of the Group's sustainability initiatives followed by close monitoring upon approval from the Sustainability Committee.

Sustainability Committee – Members and Meetings

The Sustainability Committee held a total of three meetings during the financial year. Details of the composition of the Committee and the attendance by each member at the Committee meetings are set out as follows:

Name of Director	Meeting Attendance
Dr. Raja Abdul Malek Raja Jallaludin (Chairman)	3/3
Datuk Zakaria Sharif	3/3
Dato' Mohzani Abdul Wahab	3/3

BPB recognises the importance of the support and co-operation of all stakeholders to meet the objectives of our sustainability commitments. Throughout our operations, we have adopted an open and transparent approach as demonstrated by our proactive engagement with stakeholders.

Designated representatives spearhead our engagement initiatives. These representatives keep internal and external stakeholder groups updated on the latest developments within the Group as well as on key material issues.

Stakeholder engagements are conducted via multiple platforms, such as:

Key Stakeholder Group	Engagement Type
Regulatory Bodies	Periodic meetings, on-site inspections, correspondence on regulations
Board of Directors	Meetings and correspondences
Shareholders & Investors	General meetings, quarterly reporting and annual report
Employees	Employee surveys, internal communications, engagement sessions and sports & recreational activities
Customers	Regular meetings and discussions
Suppliers & Business Partners	Periodic meetings and dialogue sessions
Local Communities	Regular on-site meetings, RSPO complaints & grievances, community outreach programmes

Based on feedback garnered as a result of our stakeholder engagement initiatives, we have determined the following key material issues of great impact for our internal and external stakeholders:

 <p>Economic</p> <ul style="list-style-type: none"> • Creating business opportunity • Research and development (R&D) and yield improvement • Sustainability certification scheme • Traceability and supply chain 	 <p>Environment</p> <ul style="list-style-type: none"> • High Conservation Value (HCV) areas and biodiversity • Greenhouse Gas (GHG) emissions • Waste and effluent management
	 <p>Social</p> <ul style="list-style-type: none"> • Occupational safety and health (OSH) • Workforce management

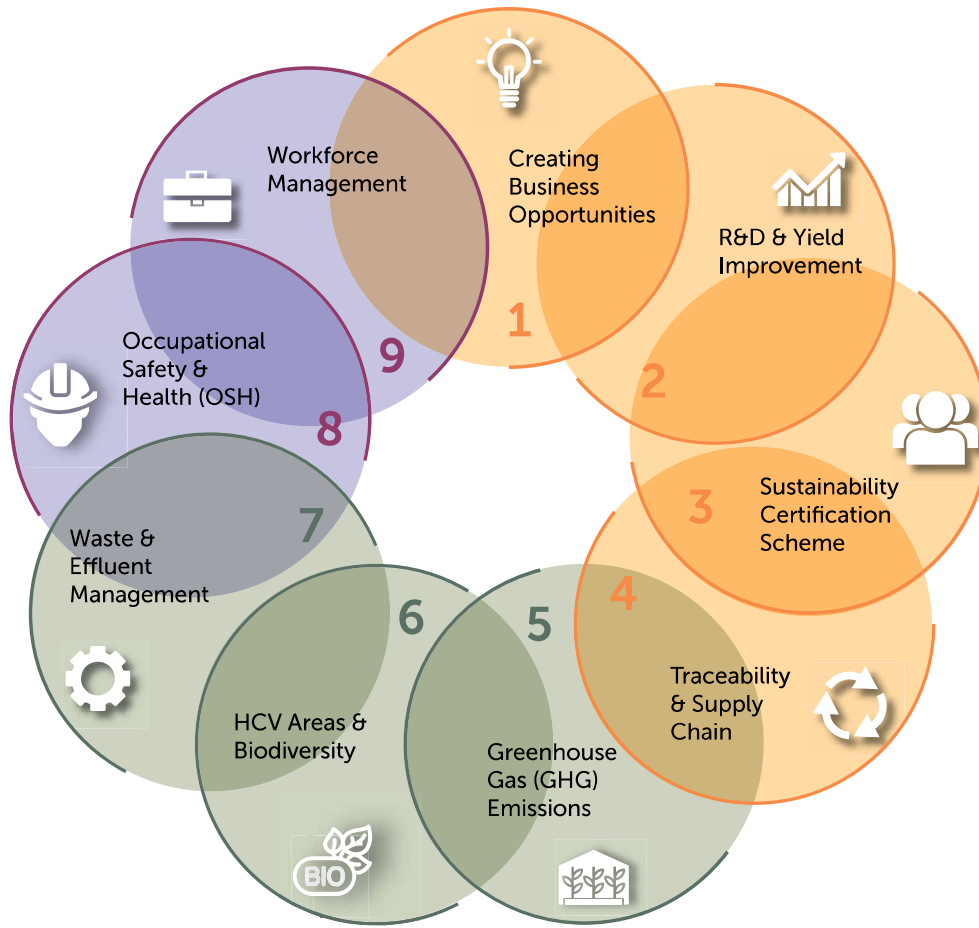
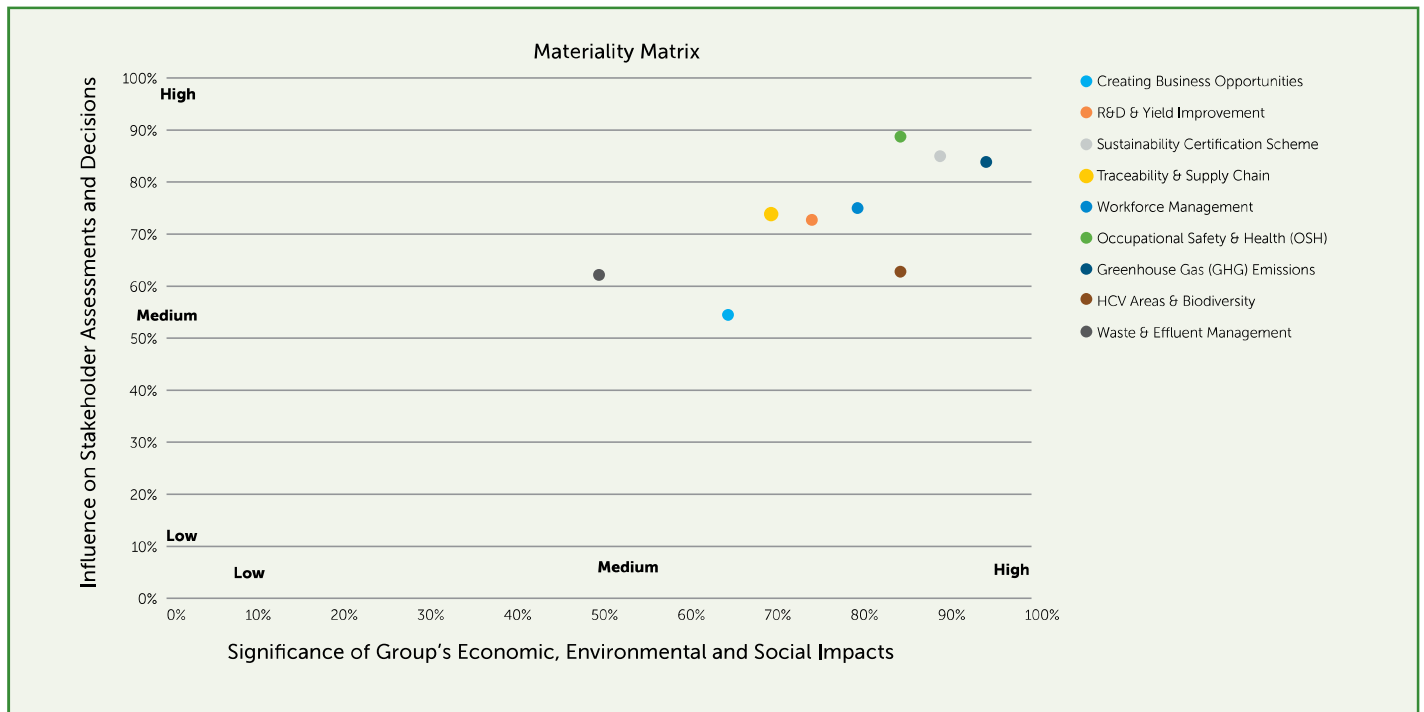


Chart –Materiality Matrix





ECONOMIC

The Group strives to ensure the sustainability of our business practices, which enables us to propel economic growth while positively impacting the livelihoods of those in the community.

Creating Business Opportunity

Driving growth has allowed the Group to share economic prosperity and create opportunities for the communities we operate within. Over the years, we have made it a point to prioritise our surrounding communities in terms of both employment and business opportunities.

Over 200 landowners have been awarded a variety of contract work over the years as part of our Kanowit project. This involves all six of our estates in Kanowit.

In line with our efforts to encourage entrepreneurship, BPB contributed to the growth of sundry shops, farmers' markets as well as canteens at our estates in Sabah and Sarawak.

We also play a part in boosting smallholder development by purchasing crops from smallholders. Over 13% of our total external crop comes from smallholders surrounding our mills.

The Group is conscious of the important role modern infrastructure plays in economic growth as well as poverty alleviation, particularly in rural areas. We finance and provide infrastructure support to improve access to facilities and increase employment opportunities in nearby towns.

Our initiatives include the construction, maintenance and upgrade of roads totalling 193 km in rural areas, comprising 100 km in Sabah, 57 km in Sarawak and 36 km in Peninsular Malaysia.



Improved road accessibility at Malaya Estate for smallholders

R&D and Yield Improvement

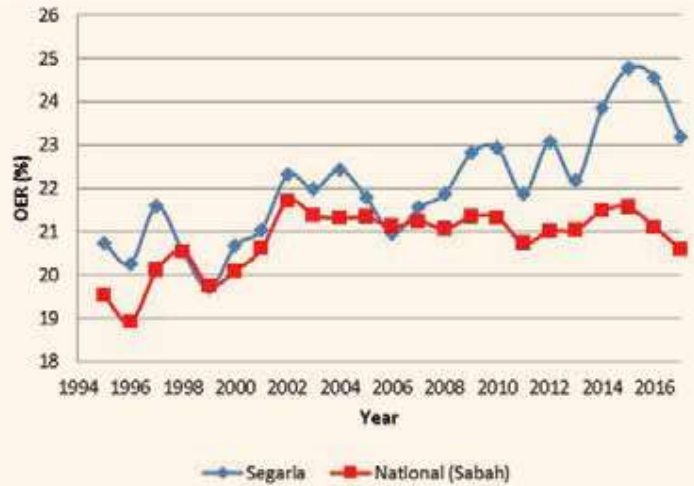
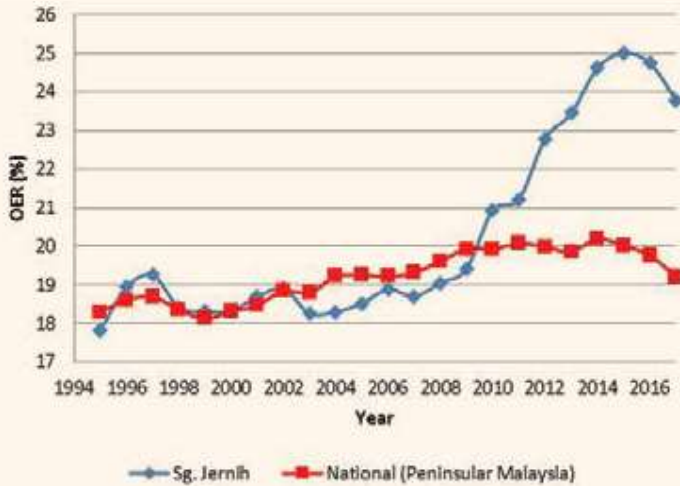
One of our key sustainability commitments is to 'produce more with less'. This not only contributes to our profitability, but more importantly, enables us to leave a smaller footprint on the environment, as higher productivity can be achieved on a per unit land area. We are able to achieve this via continued investment in research and development (R&D) and transfer of technology to our plantations.

Our in-house R&D on plant breeding and seed production ensures that we utilise the latest planting materials in our estates. With our extensive and long-term breeding trials, candidate palms with good oil yield potentials and other desirable characteristics are cloned using tissue culture to produce ramets with high oil content and FFB yield, without having to wait for these materials to be available via conventional seed production. Some of our clonal palms boast of high oil to bunch ratios of up to 34%.

All the ramets are produced in our tissue culture laboratory which is ISO certified, adhering to superior quality standards. As of 2017, the Group has planted more than 21,000 hectares of clonal oil palms, amounting to approximately 30% of our area under cultivation. We plan to expand this further as we continue our replanting efforts.

Our ability to 'produce more with less' is clearly demonstrated by the high oil extraction rate (OER) of two of our most productive palm oil mills, Segaria and Sungai Jernih. From 2009 onwards, both mills have consistently surpassed the national average of their respective regions.

Our achievements in 'producing more with less' is in fact the culmination of our holistic efforts as a Group, from all aspects of management to milling technology, agronomy and breeding. Along with this, due to our successful yield intensification programme, we have been able to restore previously planted areas to its natural condition as part of our conservation initiatives. A successful reflection of this has taken place in our Bebar and Sungai Jernih estates.



Establishment of buffer zone at natural waterways

Sustainability Certification Scheme

As part of BPB’s commitment to comply with all relevant laws and regulations, including the National Interpretation of the Roundtable on Sustainable Palm Oil (RSPO) Principles and Criteria, we aim to obtain RSPO certification for all our existing business units by 2022. As of 2017, three of our business units comprising 3 mills and 14 estates have been RSPO certified. Another business unit is on track to obtain certification by first half of 2018.

In line with Malaysian Sustainable Palm Oil (MSPO) standards, we successfully obtained MSPO certification for one of our mills. We target full certification for all our mills by 2019.

As a reflection of our strong focus on sustainability, in 2017 we produced over 57,000 metric tonnes of certified sustainable palm oil, up by 36% compared with the previous year.

BPB SUSTAINABILITY CERTIFICATION SCHEME

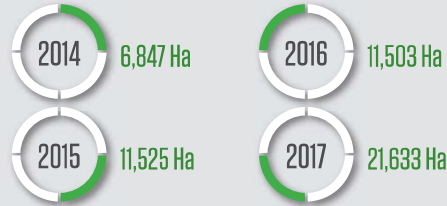
Total Land Area: **81,838 Ha**

36% Increase in CSPO Produced

54% Increase in CSPK Produced

88% Increase in RSPO Certified Areas

RSPO CERTIFIED AREA



MSPO CERTIFIED



BPB is fully supportive of the decision by the government to make MSPO a mandatory certification and RSPO vision to produce Sustainable Palm Oil a standard practice for the industry. In 2017, we have re-strategised our plan to embark on this journey. Imparting knowledge on sustainability to all levels of workforce in BPB is the essential recipe for us to achieve 100% MSPO certification by 2019 and 100% RSPO certification by 2022.

Total Certified Sustainable Palm Oil (2016) **42,089 MT**

Total Certified Sustainable Palm Oil (2017) **57,292 MT**

Total Certified Sustainable Palm Kernel (2016) **6,623 MT**

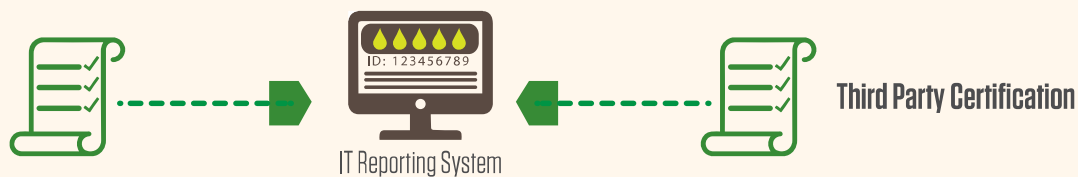
Total Certified Sustainable Palm Kernel (2017) **10,221 MT**

As of 2017, we have three business units that comprise 3 mills and 14 estates (21,633 Ha) certified with RSPO, producing 57,292 MT of Certified Sustainable Palm Oil (CSPO) and 10,221 MT of Certified Sustainable Palm Kernel (CSPK). Two operating units have been certified with MSPO and one business unit is on track to be certified with both RSPO and MSPO in the first half of 2018.

Traceability & Supply Chain

BPB is dedicated to building a traceable and sustainable palm oil supply chain. Traceability is defined as traceable to a defined list of mills and plantations. We plan to increase the production of RSPO-certified oils, particularly identity preserved and mass balance (crude palm oil and palm kernel) products.

We are developing a traceability programme to ensure adherence to our stated sustainability commitments. Our phased supply chain traceability targets will be communicated in a timebound implementation plan and progress will be reported accordingly.





Biodiversity conservation area at Bebar estate

ENVIRONMENT

As one of the leading oil palm plantations company in Malaysia, our business operations are closely intertwined with nature. As such, we are conscious of the need to safeguard natural resources while ensuring that our agricultural practices are sustainable.

HCV & Biodiversity

Malaysia ranks as one of the world's most biodiverse countries, taking the 12th position on the National Biodiversity Index. This would not be possible without a steadfast commitment to conserve our rich natural resources.

The Group is committed to play our role in safeguarding Malaysia's flora and fauna. BPB's land development takes into account the preservation of biodiversity, as well as the capacity of the land to sustain proposed agricultural activities. As part of the Group's efforts to protect High Conservation Value (HCV) areas, which consist of wildlife habitats and rare ecosystems including riparian reserves along rivers, streams, ponds and natural hot springs, we completed HCV assessment for 40% of our land in 2017. We target to complete HCV assessment for the remainder of our plantation land by 2019.

In line with our HCV assessment, which is benchmarked against best practices, we set aside 364 hectares of land for conservation. This HCV land has been rehabilitated and is now home to an array of timber species to reduce land degradation while the rest have been left uncleared to encourage natural forest regeneration.



Zero burning replanting technique

As part of our commitment to sustainable palm oil production, BPB recognises the importance of conserving rare and endangered species. Threatened species under the Malaysian Wildlife Conservation Act 2010 and on the International Union for Conservation of Nature's Red List have been identified for our conservation efforts.

The Group has undertaken various efforts to educate employees, contractors, local communities and related stakeholders on the importance of conserving these rare and endangered species. We have also collaborated with relevant government organisations and non-governmental organisations to assist and guide us in this undertaking.

Waste and effluent management

Environmental conservation is deep-rooted in all aspects of our operations. We are committed to the responsible usage of our natural resources in a balanced manner that will not result in irreversible negative impact to the ecosystem.

The adoption of Best Environmental Management Practices complements our Good Agricultural Practices and Good Milling Practices to continuously pursue opportunities to promote sustainable agriculture.

We are conscious of the fact that the two most important natural resources that need to be managed in sustainable palm oil production are soil and water. Through our water and soil conservation efforts, we are able to conserve our natural resources as well as prevent soil degradation and environmental pollution.

Given that the core reasons for soil and nutrient loss in oil palm plantations are erosion, runoff and leaching, our estates utilise conservation terraces at 30-meter intervals along the contour of slopes between 6° and 10°. As for slopes above 10°, terrace planting diminishes the length of the slope which then captures surface runoff and curtails soil erosion. These efforts also aid in improving field accessibility for the movement of our workforce.

By spreading or stacking pruned fronds in an L-shaped pattern along contours, we are able to reduce surface runoff and soil erosion at our plantations. With this method of frond placement, we protect wide soil surfaces from heavy rain, which acts to significantly reduce soil losses via erosion by more than 40%. This also acts to protect our natural waterways.



Legume cover crop

Through effective drainage management, BPB is able to ensure root zones are well aerated for effective root function while minimising the potential effects of floods. This is particularly important for oil palm planting on riverine flats and floodplains as well as on peat soils where the natural water table is high.

The location of weirs and water-gates and drains in our plantations are planned utilising geospatial data. We are then able to control the water-table in planting blocks. During the monsoon season, weirs and water-gates flush out acidity while in areas with distinct dry seasons, this helps to retain water in the fields and reduce the impact of moisture stress.

Rainwater harvesting is undertaken to economise water, particularly in low rainfall areas. This includes diverting runoff water from roads to fields as well as through the construction of roadside silt pits and sumps.

Reducing our impact on the environment

BPB is conscious of the need to balance growth with minimum impact on the environment. To this end, our replanting programme is detailed and takes into account managerial, agronomic and climatic factors that may affect the success of the planting, in order to ensure sustainability.

The Group undertook the development of the Telok Sengat Zero-Burning Technique, which involves mechanical pulverisation of oil palm biomass. We also utilise a chipping knife that can efficiently slice palm trunks into smaller pieces to expedite the decay process. This environmentally-friendly technique produces zero waste and contributes to sustainable palm oil production by recycling palm biomass nutrients when the pulverised biomass is spread evenly over a field.

In line with our zero burning policy for all our replants, we are committed to fully utilising all mill by-products. We repurpose by-products such as empty fruit bunches, decanter cakes and sludge cakes as organic mulch or fertiliser in the fields, further reducing the use of mineral fertilisers.

The cultivation of vigorous leguminous cover-crop at the time of replanting minimises top soil loss. It also enriches soil with biological nitrogen fixation and microbial diversity, as well as reducing soil temperature and improving soil structures with better organic matter. With quantified biological nitrogen-fixation by a legume system of up to 250 kg of N/ha, legumes are also able to immobilise nutrients released by decaying palm biomass during replanting. These efforts result in cost savings by minimising the use of inorganic fertilisers, reducing soil and nutrient losses and most importantly improving soil fertility and minimising soil degradation.

Through effective fertiliser application, we are able to reduce pollution to our waterways, which directly benefits the communities that utilise the waterways for their everyday needs as well as their livelihoods. Our series of Nutrient Cycling and Balance experiments quantify nutrients that can be lost. Through this data on where and how losses can occur, we are able to formulate strategies to minimise these losses, resulting in our ability to curtail fertiliser use, thereby reducing our impact on the environment.

Developed and introduced to the industry by BPB, the use of AA+Mulch™ not only effectively reduces the need for frequent circle spraying and labour for circle upkeep for the newly planted palm, it effectively reduces weed competition, moisture loss through surface evaporation and minimises herbicide usage in our replants. As herbicides are applied just outside the mulch area away from the newly planted palm, risks of herbicide spray drift are minimised.

Through research, we are able to differentiate potential beneficial insects from pests that can damage our crops. BPB carries out assessments of insect and pest outbreaks to determine the level of damage and to better comprehend the biological diversity that exists within our oil palms. Any damage below the threshold level will be left to recover naturally. Our goal is to provide the right balance to ensure that the environment is tipped in favour of beneficial insects. In line with this, cultural, physical and biological pest control measures take precedence over pesticides.



AA+ Mulch

Anaerobic ponding digestion and facultative degradation is utilised to treat mill effluents at all our mills. Desludging allows us to remove effluent solids from effluent ponds regularly, which aids in maintaining a healthy and stable biological oxygen demand (BOD) degradation process. Recovered effluent solids through dewatering machines are utilised as fertiliser supplement for the palms.

GHG Emissions

As part of our efforts to minimise our carbon footprint, our biogas plant at our Telok Sengat Mill in Kota Tinggi, Johor, captures 460,952 m³ of biogas per annum, enabling us to reduce GHG emissions by 20%. Most of the captured biogas is earmarked to power a gas engine generating around 300kW electrical power. The electricity is then utilised for milling and domestic consumption. Biogas is also utilised in our boilers to reduce burning of palm kernel shells. Excess biogas is safely flared into the atmosphere. Plans are underway to construct biogas plants at our other mills in stages.

To further minimise dust particulate emissions released in the air as per the requirements of the Department of Environment, in 2017 we installed wet scrubbers at our Segamaha Palm Oil Mill, Sabah. We aim to install dust particulate reduction devices at our other mills, to be completed in stages from 2018 to 2019.



Biogas plant at Telok Sengat Palm Oil Mill



Brainstorming session attended by Senior Managers/Managers

SOCIAL

As a responsible corporate company, BPB is dedicated to preserving a legacy centred on improving the lives of those who depend on us. As part of the Group's social commitments during the year, we made a positive difference in the lives of many within our society, including employees as well as the communities we operate within.

Workforce Management

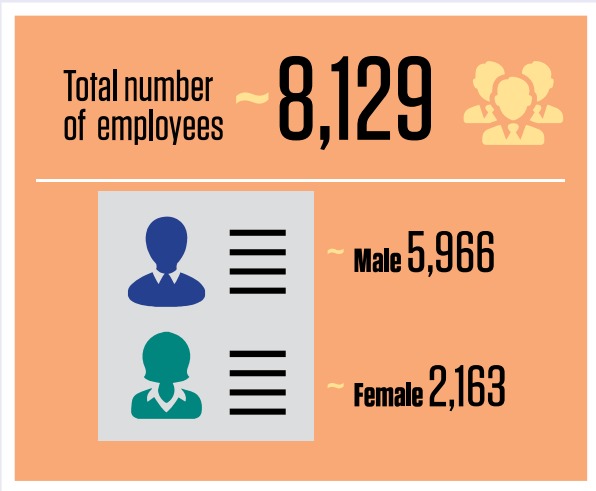
As the Group pushes forward to grow in a highly competitive sector that is facing an acute shortage of skilled workforce, our employees are the driving force of our business.

We strive to retain our position as an employer of choice. In line with this, BPB is conscious of the need to ensure that our human capital approach is one that is founded on respect and a strong drive to empower our employees while prioritising their wellbeing.

With over 8,000 employees, we are committed to ensuring that their rights are respected through workplace policies that are anchored in Malaysia's labour legislation and cover core labour standards. This includes a Sexual Harassment Policy, Equal Opportunities of Employment Policy, Child Employment Policy as well as Whistleblowing Policy.



Training conducted for sprayers



As one of the leading plantation companies in the country, we recognise our role in addressing the need for more skilled workforce in the sector. To this end, we have put in place talent development and training programmes for our employees to help them upskill and increase opportunities for career advancement within the Group. Programmes conducted during the year covered technical skills, business and human resources, personal development and leadership excellence.

In addition to in-house training, our employees were exposed to seminars, conventions and workshops which provided them with the opportunity to improve their knowledge base. Key areas covered included sustainability certification, environmental protection awareness, safety enhancement and good agricultural practices.

We are encouraged by the response from our employees to our training and development initiatives, with many surpassing the minimum 40 hours of training per year for management staff and 20 hours of training for supervisory staff.

Along with our focus on talent development to empower our staff to develop their capabilities, the Group is conscious of the importance of prioritising the welfare of our people. To this end, we are committed to provide a conducive working and living environment for the holistic wellbeing of our staff and their families.

Employees in our estates and mills across the nation are provided with modern housing facilities that are part of integrated housing complexes. These are fully equipped with social, spiritual and recreational facilities including community halls, canteens, schools, playing fields, clinics, dispensaries, day care centres as well as mosques, churches and temples. We also invest in sporting and recreational activities in addition to festivities to strengthen relationships within the Group and encourage work-life balance.

Occupational Safety & Health

The Occupational Safety and Health Committees (SHC) oversee our safety and health policies and programmes at our estates and mills. Each estate or mill is responsible for its own safety and health performance through its respective SHC. Demonstrating our commitment to ensure the wellbeing of our workers, we have dedicated Safety and Health Officers for the Peninsular Malaysia, Sabah and Sarawak regions. These officers oversee overall health and safety provisions in their respective regions.

We aim to raise awareness among all our workers on the importance of safety and health practices in the workplace and cultivate an organisational culture which prioritises this. To this end, annual training programmes are organised across all our estates and mills.

We are encouraged by the low occurrence of incidents in 2017, with no fatalities reported across our operations.

Corporate Social Responsibilities Empowering Young Malaysians

Access to quality education not only creates a sustainable future for the individual, it has a positive long-term impact on the community as well as the nation. In the light of this, the Group undertakes various efforts focused on supporting the development of young Malaysians.

As part of our long-term commitment to deserving children of Armed Forces personnel who have excelled in major examinations, we contributed to Yayasan LTAT for their scholarship funds.



Personal protective equipment for fertiliser application

We also provided financial aid and donations in-kind to various rural schools across the nation for the purpose of improving infrastructure and administration.

In addition, all school-going children from certain estates and mills as well as neighbouring villages are provided with free school bus services for their daily trips to school.

BPB sponsored Back to School programmes that positively impact schools, needy families and communities. Along with funds, we also provided essential school items and supported school activities for 600 primary school students in Kanowit, Sarawak, and Sugut, Sabah.

We continued to participate in the Government's Skim Latihan 1Malaysia initiative, which is aimed at enhancing graduate employability. During the year, 17 graduates had the opportunity to improve their knowledge and competencies through soft skills training and hands-on experience.

Fostering Community Relations

BPB is committed to sustainable community development and we strive for a mutually beneficial relationship with the communities in which we operate. The Group firmly believes that our growth and success can only be attainable if our local communities are cared for.



Workers housing complex at Bebar Estate



Sport facilities at Segaria Palm Oil Mill

The Group enjoys a close link with the areas where many of our employees live, and we have a positive relationship with the local communities. BPB recognises the importance of maintaining and strengthening these ties.

To this end, we often engage with community leaders to address any concerns they have regarding our operations and determine how else we can play our part in the development of these communities.

We provided financial aid for a variety of initiatives that had a direct impact on the welfare of the community. This included sports activities, donations for underprivileged

members of society, upgrading places of worship, as well as religious and cultural festivals.

Local communities are offered access to a number of our services, particularly free medical care in areas where the closest alternative is hours away. As part of our Hospital Assistance programme, BPB also organised safety, health and environmental workshops.

In support of our national heroes, the Group provided contributions for local community celebrations for Hari Polis and Hari Pahlawan.

Going forward

We have set up a baseline in many areas of sustainability for action. These will be our reference points to monitor our progress going forward.

The Board has set the tone, strategy and management team to lead us forward on this journey. Our team is competent and well informed to execute and monitor these efforts.

With these fundamentals in place, we hope to report improvements in the three core areas of Economic, Environment and Social.
