

ANNUAL REPORT
2017

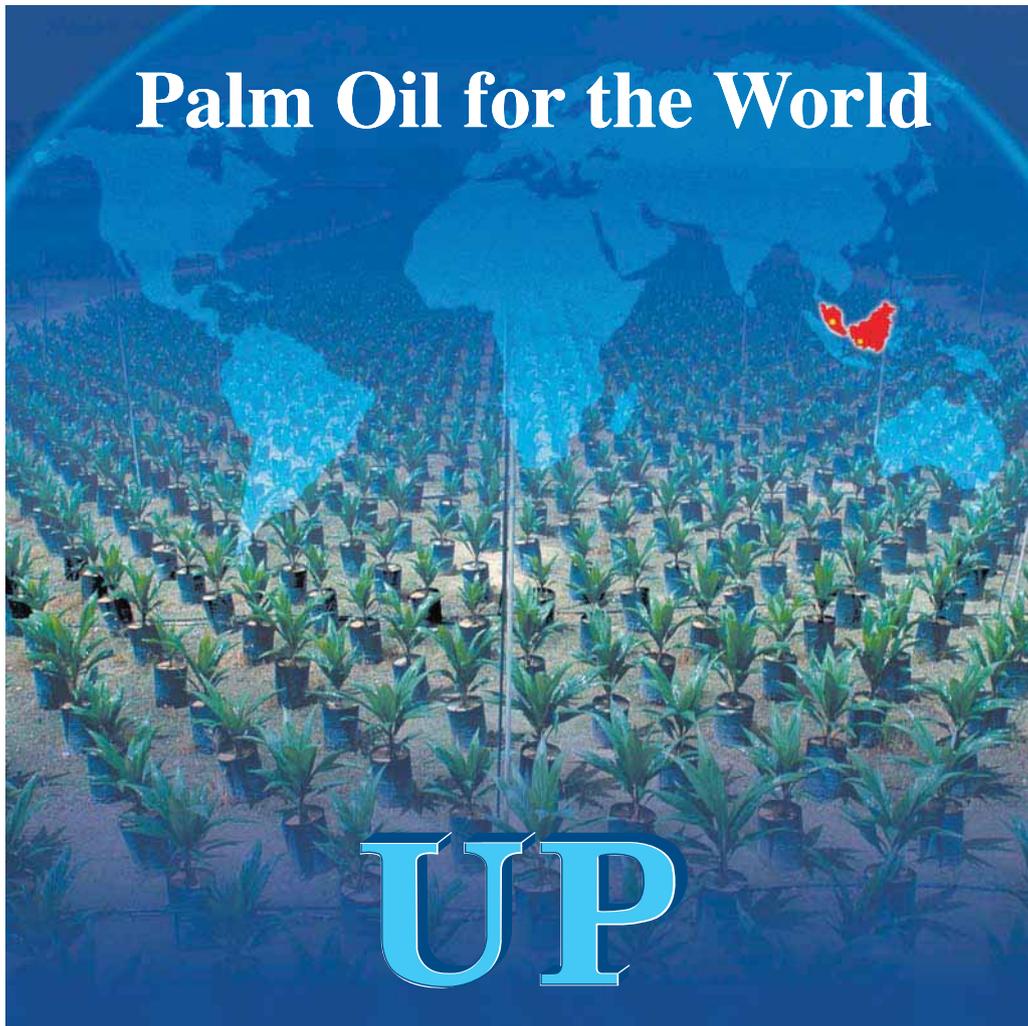


UP

UNITED PLANTATIONS BERHAD

(Company No. 240-A)

Group Philosophy



We strive towards being recognized as second to none within the plantation industry, producing high quality products, always focusing on the sustainability of our practices and our employees' welfare whilst attaining acceptable returns for our shareholders.



Front Cover:
A Bountiful harvest.

With United Plantations choosing to use Cocoon Silk and Cocoon Offset rather than a non-recycled paper, the environmental impact, for the total number of Annual reports produced, was reduced by :

-  7,846 kg of landfill
-  1,104 kg CO₂ and green house gases
-  11,040 km Travel in Average European Car
-  12,730 kg of wood
-  15,862 Kwh of energy
-  270,000 liters of water

Water and energy savings are based on a comparison between a recycled paper manufactured at Arjowiggins Graphic mills versus an equivalent virgin fibre paper according to the latest European BREF data available (virgin fibre papers manufactured in a non-integrated paper mill). CO₂ emission savings is the difference between the emissions produced at an Arjowiggins Graphic mill for a specific recycled paper compared to the manufacture of an equivalent virgin fibre paper. Carbon footprint data evaluated by Labelia Conseil in accordance with the Green Carbon® methodology. Results are obtained according to technical information and subject to modification.

Sources :



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UNITED PLANTATIONS BERHAD

(Company No. 240-A)

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Brief history and principal business activity

Founded on Danish and Malaysian Expertise and Resources, United Plantations Berhad (UP) from a modest beginning in 1906, has over the years grown in size and stature.

Today UP is one of the larger medium sized plantation groups in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad with a market capitalization of approximately RM 5.84 billion at the end of its financial year 31 December 2017.

UP's core business activity lies within the cultivation of oil palm and coconuts. Its total cultivated landbank covers approximately 50,000ha spread over Malaysia (80%) and Indonesia (20%) and is supported by 6,825 employees across the Group.

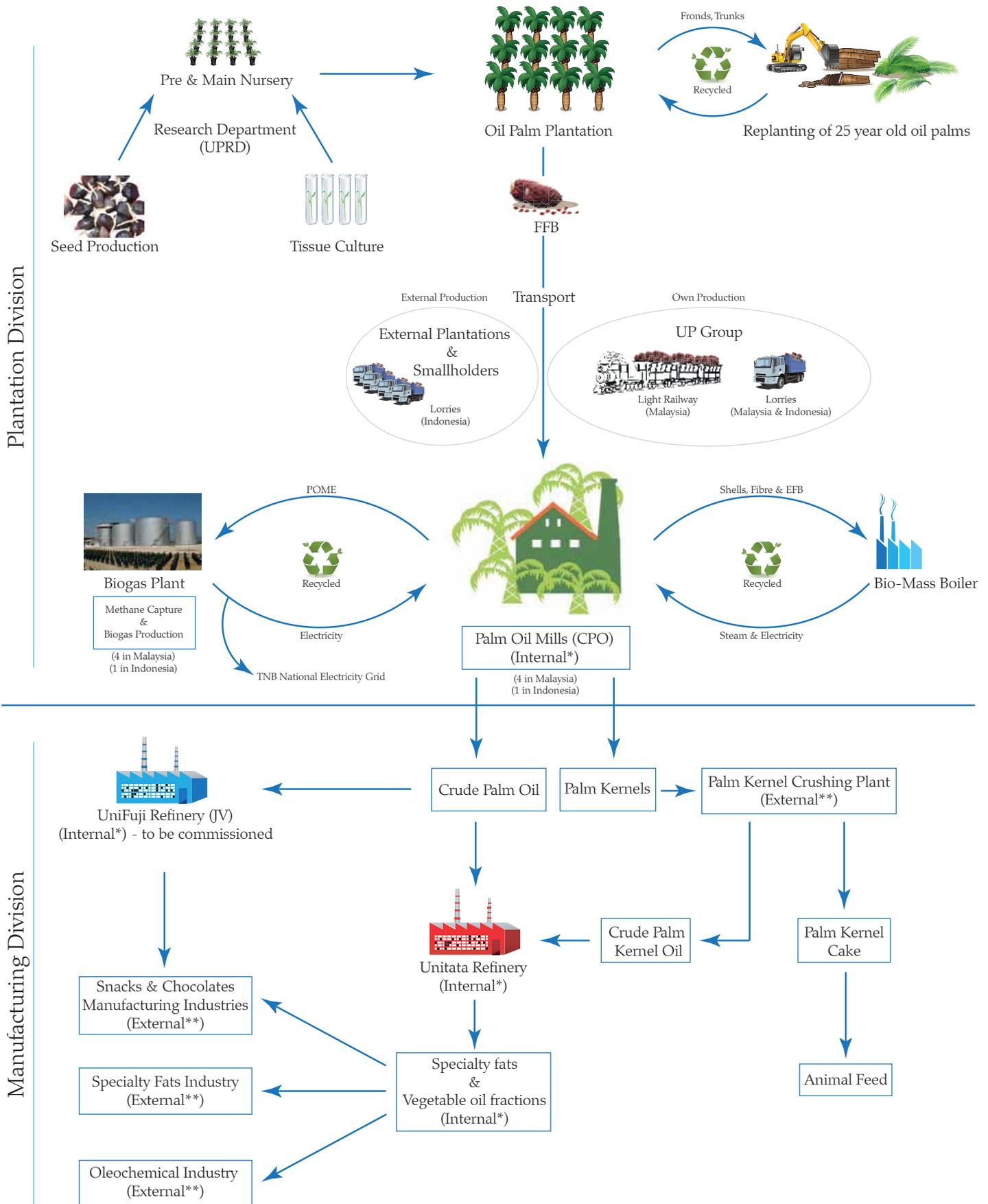
UP possesses considerable know-how in plant breeding, agronomy and tissue culture through its R & D facilities established in the early 1950's, ensuring the development of new and improved planting materials as well as improved crop husbandry practices.

Its subsidiary companies are engaged in several downstream activities such as edible oil refining, as well as producing and packaging of speciality fats.

Through its focus on Corporate Social Responsibility combined with sound managerial and technical expertise, UP is today recognised as one of the most environmentally friendly, cost competitive and innovative plantation companies in the world.

UP's Palm Oil Business Activities

UP's main activities are depicted in the diagram below providing an overview of our vertically integrated set up.



Internal* : Within the UP Group.
 External** : Stakeholders, outside the UP Group.

Corporate Information

Country of Incorporation	Malaysia
Board of Directors	Ybhg. Tan Sri Datuk Dr. Johari bin Mat (Chairman, Independent, Non-Executive) Ybhg. Dato' Carl Bek-Nielsen (Chief Executive Director) Mr. Ho Dua Tiam (Executive) Mr. Ahmad Riza Basir (Independent, Non-Executive) Y.Hormat Dato' Jeremy Derek Campbell Diamond (Independent, Non-Executive) Mr. Martin Bek-Nielsen (Executive) Mr. Loh Hang Pai (Executive) Mr. R. Nadarajan (Independent, Non-Executive) Madam Rohaya binti Mohammad Yusof (Non-Independent, Non-Executive)
Company Secretary	Mr. Ng Eng Ho
Registered Office and Principal Share Register	United Plantations Berhad Jendarata Estate, 36009 Teluk Intan, Perak Darul Ridzuan, Malaysia Phone : +605-6411411 Fax : +605-6411876 E-mail : up@unitedplantations.com Website : www.unitedplantations.com
Auditors	Ernst & Young
Principal Bankers	<p>Malaysia</p> <p>HSBC Bank Malaysia Berhad Maybank Berhad Standard Chartered Bank Malaysia Berhad Public Bank Berhad OCBC Bank (Malaysia) Berhad United Overseas Bank (Malaysia) Berhad</p> <p>Indonesia</p> <p>PT Bank Mandiri (Persero) Tbk Bank DBS PT Bank CIMB Niaga Tbk</p>
Stock Exchange Listing	<p>Malaysia</p> <p>Bursa Malaysia Securities Berhad (Bursa Malaysia) Website : www.bursamalaysia.com</p>

Executive Committee and Senior Management
(GRI 102-10)

Executive Committee

<p>Dato' Carl Bek-Nielsen Vice Chairman, Chief Executive Director (CED) Director In-Charge, Unitata Berhad</p>	<p>Ho Dua Tiam Inspector General, Estates & Special Adviser</p>
<p>Martin Bek-Nielsen Executive Director (Finance & Marketing) Commercial Director, Unitata Berhad</p>	<p>Loh Hang Pai Executive Director (Estates)</p>

Senior Executive Staff

Finance & Corporate

<p>Ng Eng Ho Company Secretary / Sr Group Manager (Finance)</p>	<p>Cheriachangel Mathews Group Manager Human Resources & Environment, Safety & Health</p>	<p>S. Chandra Mohan Financial Controller</p>	<p>Dewi Anita Suyatman Sr Manager, Legal & Corp Affairs PT SSS</p>
<p>Erwin Khor Siew Yan Manager, Internal Audit</p>	<p>Choo Kah Leong Sr Financial Controller, PT SSS</p>	<p>Norhazizi bin Nayan Sr Manager, Human Resources</p>	<p>Shirley Selvasingam Manager, IT Systems</p>
<p>D. Jeevan Dharmapalan Manager HR & ESH</p>			

Plantations

<p>Edward Rajkumar Daniels President Director, PT SSS</p>	<p>Geoffrey Cooper Estates Director, Downriver</p>	<p>C. Mohan Das Group Manager, Jendarata Estate</p>	<p>Nek Wahid bin Nek Harun Group Manager, Ulu Basir Estate</p>
<p>Muhammad Ratha Deputy Group Manager UIE</p>	<p>Azhar bin Yazid Sr Manager, Lima Blas Estate</p>	<p>S. Chanthravarnam Sr Manager, Sungei Chawang Estate</p>	<p>Jason Joseph Sr Manager, PT SSS</p>
<p>Ridzuan Bin Md. Isa Manager, Ulu Bernam Estate</p>	<p>Patrick Kanan Manager, Changkat Mentri Estate</p>	<p>R. Siva Subramaniam Manager, Sungei Erong Estate</p>	<p>S. Kumaresan Manager, Sungei Bernam Estate</p>
<p>L. Makesyarang Manager, Kuala Bernam Estate</p>	<p>Khor Boon Wah Manager, Seri Pelangi Estate</p>		

Research

<p>Ho Shui Hing Director of Research</p>	<p>J. Vijiandran Sr Research Manager</p>	<p>Lim Chin Ching Research Manager(Biotechnology)</p>
<p>Kandha Sriharan Research Manager</p>	<p>Appala Naidu Marie Research Manager, PT SSS</p>	<p>Wong Foo Hin Research Manager (Tissue Culture)</p>

Engineering

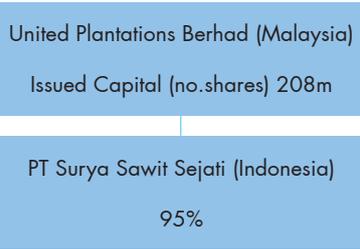
<p>P. Seker Chief Engineer, Upriver</p>	<p>Ir P. Rajasegaran Group Engineer, Downriver / Unitata</p>	<p>K.T. Somasegaran Deputy Group Engineer, UIE</p>
<p>Ir V. Renganathan General Manager Engineering, PT SSS</p>	<p>G. Padmanathan Resident Engineer, Ulu Basir</p>	<p>N. Saravanaganes Resident Engineer, Ulu Bernam</p>

Palm Oil Refining and Others

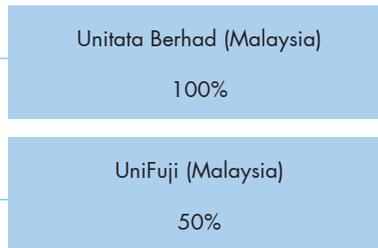
<p>Dr. C.T. Premakumari Nair Group Adviser (Quality Controller & Application) Unitata Berhad</p>	<p>Jughdev Singh Dhillon Sr Plant Manager, Unitata Berhad</p>	<p>Dr. Andrew Nair Research & Quality Controller, Unitata Berhad</p>	<p>Dev Ganesh Manager, OPP Unitata Berhad</p>
<p>Allan Loh Teik Boon Manager, Commerce Unitata Berhad</p>	<p>Senthamarai Selvi Manager (Shipping & Logistics) Unitata Berhad</p>	<p>Suganthi Krishnan Manager, Quality Assurance Unitata Berhad</p>	<p>Soo Yoock Kee Sr Manager / Engineer In-Charge, Butterworth Bulking Installation Sdn. Bhd. Bernam Agencies Sdn. Bhd.</p>
<p>Muhammad Silmi Manager, Biodiversity, PT SSS</p>	<p>Jayarama Reddy Manager, Bernam Bakery</p>		

Group as at 30 January 2018

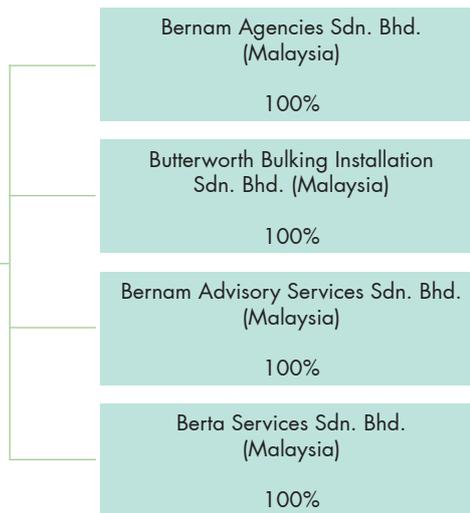
Plantations



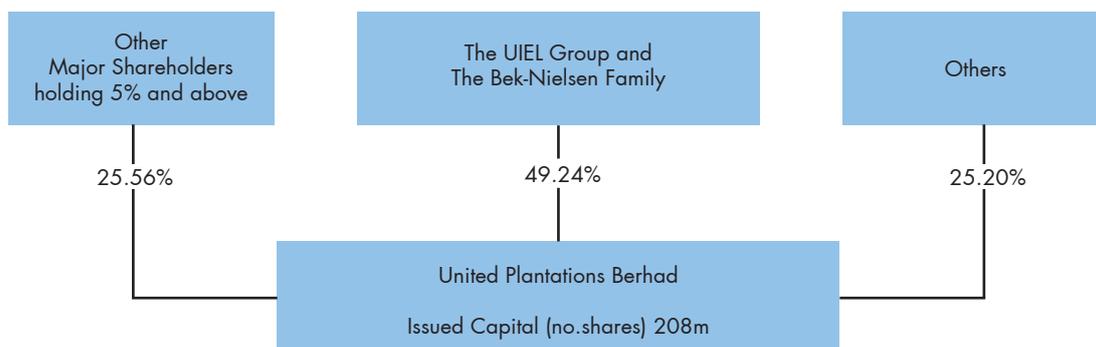
Palm Oil Refining



Others



General Shareholding Structure Group as at 30 January 2018



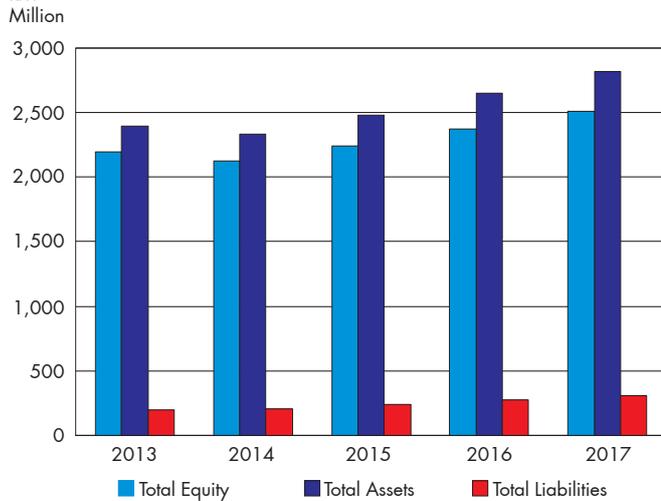
Financial Highlights

	2017	2016	Change (%)	2015	2014	2013
Revenue (RM' Million)	1,474	1,228	20.0	1,004	1,022	950
Profit Before Tax (RM' Million)	501	418	19.9	376	356	341
Profit After Tax (RM' Million)	392	331	18.4	292	279	252
Earnings Per Share (Sen)	189	159	18.9	141	134	121
Net Dividend Per Share (Sen)*	150	115	30.4	100	165**	93.87
Dividend Payout Ratio	0.79	0.72	9.7	0.71	1.23**	0.78
Dividend yield as at 31 December (%)	5.34	4.27	25.1	3.94	6.76	3.61
Total Equity (RM' Million)	2,507	2,368	5.9	2,239	2,127	2,194
Return on Equity (%)	15.64	13.98	11.9	13.04	13.12	11.49
Total Borrowings (RM' Million)	0.1	0.1	-	0	0.80	0.30
Non-Controlling Interests (RM' Million)	6.7	5.3	26.4	3.2	2.40	1.08
Cash Position (RM' Million)	852	691	23.3	753	738	779
Total Assets (RM' Million)	2,818	2,644	6.6	2,477	2,334	2,396
Total Liabilities (RM' Million)	311	276	12.7	238	207	202
Year-End Closing Share Price (RM)	28.08	26.92	4.3	25.36	24.40	26

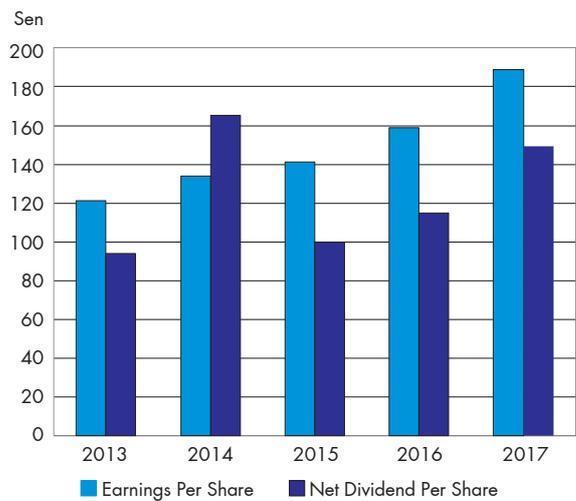
* Including proposed Final Dividend

** Including Special Extraordinary Dividend paid out in 2014

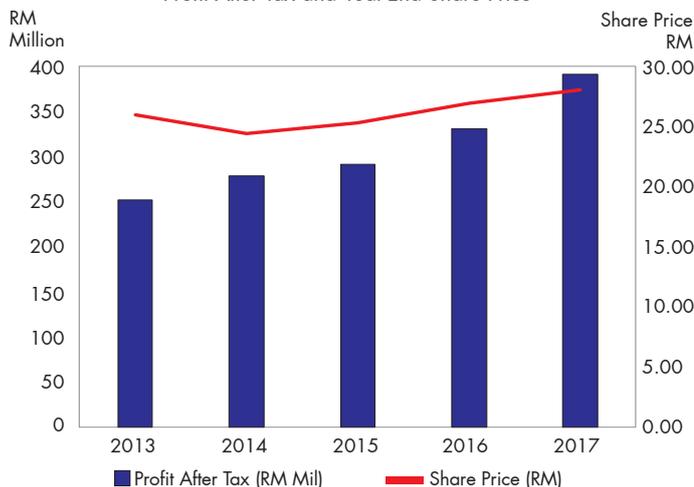
RM Million Total Equity, Total Assets and Total Liabilities



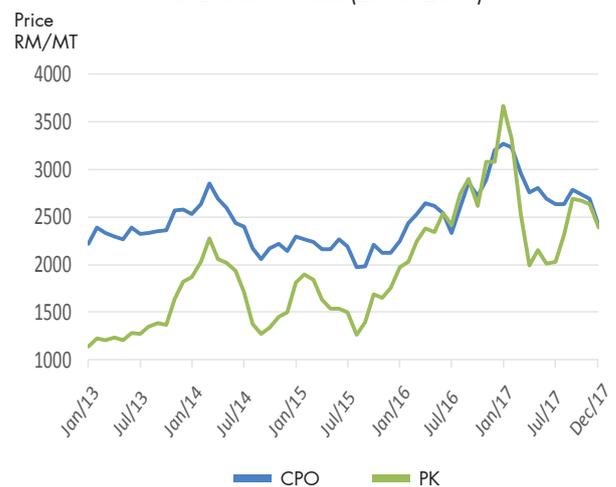
Sen Earnings Per Share and Net Dividend Per Share (sen)



RM Million Profit After Tax and Year-End Share Price



CPO and PK Prices (2013 - 2017)





**Tan Sri Datuk
Dr. Johari bin Mat**
*Chairman, Independent
Non-Executive Director
Chairman of the Remuneration &
Nomination Committees*

Appointed director of United Plantations Berhad on 9 October 2001 and elected as Chairman of the Board on 21 June 2003.

Tan Sri Datuk Dr. Johari bin Mat, born in 1944, a Malaysian, obtained his B.A. (Hons.) from the University of Malaya and PhD from the University of Southern California, USA and completed the Advanced Management Program from Harvard University, USA in 1997. He is also a chartered member of the Malaysian Institute of Planners.

He has 33 years of work experience in the Malaysian Administrative and Diplomatic Services which included positions as Director of INTAN and the Klang Valley Secretariat in the Prime Minister's Department and as Secretary General in the Ministries of Social Development, Domestic Trade and Education.

He held various positions in several national and international organizations, such as UNESCO, UNCRD, APDC, SEAMEO, ASCOE and COL (Commonwealth of Learning) based in Vancouver, Canada. Currently he is on the Board of a number of private companies.



Dato' Carl Bek-Nielsen
*Vice Chairman
Chief Executive Director (CED)
Non-Independent Director-in
Charge of Unitata Berhad*

Appointed director of the Company on 1 January 2000 and elected Vice Chairman on 8 March 2002 and appointed Chief Executive Director (CED) of United Plantations Berhad on 1 January 2013.

Dato' Carl Bek-Nielsen, born in Petaling Jaya in 1973, is a Danish citizen with a Permanent Resident status in Malaysia. He started his career with the Company in 1993 as a Cadet Planter leaving a year later to pursue his tertiary education in Denmark graduating with a B.Sc. degree in Agricultural Science from the Royal Veterinary and Agriculture University of Denmark. In 1998 he returned to Malaysia to take up the position of Corporate

Affairs Officer with the Company. He was promoted to the position of Executive Director (Corporate Affairs) on 1 March 2000. On 9 November 2004 he was appointed Director In-Charge of Unitata Berhad.

He is the Chairman of United International Enterprises Limited (UIEL), a public listed company on the NASDAQ OMX Copenhagen A/S. He is also a Board Member of Melker Schorling AB, Stockholm.

He is a Council Member of the Malaysian Palm Oil Association (MPOA) and the Malaysian Palm Oil Council (MPOC). He currently serves as a member of the Programme Advisory Committee to the Malaysian Palm Oil Board (MPOB).

On 17 November 2014, he was appointed on to the RSPO Board of Governors as Co-Chairman representing the MPOA.

He is the brother of Mr. Martin Bek-Nielsen, and a Board representative of the Company's two major shareholders, UIEL and Maximum Vista Sdn. Bhd. He is deemed interested in various related party transactions between UP Group and certain companies carried out in the ordinary course of business as disclosed in Note 25 to the Financial Statements.



Ho Dua Tiam
*Inspector General,
Estates and Special Adviser
Executive Director
Non-Independent*

Appointed director of the Company on 1 January 1995, Mr. Ho Dua Tiam, born in 1943, a Malaysian, is the Inspector General, Estates and Special Adviser of United Plantations Berhad.

After completing his study at the Serdang Agricultural College, he started his career with United Plantations Berhad in 1964 as a Cadet Planter. He served the Company in various positions before his appointment as Senior Executive Director on 21 June 2003. He retired from his position as Senior Executive Director (CEO) on 31 December 2012 and continues to serve the Company as Inspector General, Estates and Special Adviser of UP Berhad from 1 January 2013.

He is also a director of United International Enterprises (M) Sdn. Bhd. and Maximum Vista Sdn. Bhd. He is not on the Board of any other public listed company.

He is a Council member and Deputy President of the Malaysian Agricultural Producers Association (MAPA) and Chairman of its Finance Executive Committee.



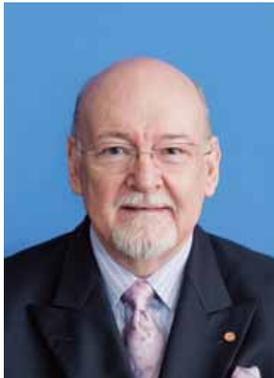
Ahmad Riza Basir
*Independent
 Non-Executive Director
 Member of the Audit Committee*

Appointed director of the Company on 17 June 2000, Mr. Ahmad Riza Basir, born in 1960, a Malaysian, is a lawyer by training.

He graduated with a Bachelor of Arts in Law (Hons.) from the University of Hertfordshire, United Kingdom and Barrister-At-Law (Lincoln's Inn), London in 1984 and was called to the Malaysian Bar in 1986.

He is a director of Perlis Plantations Berhad, a public listed company on Bursa Malaysia Securities Berhad.

He is also a member of the Board of Directors of several other private limited companies in Malaysia.



**Dato' Jeremy Derek
 Campbell Diamond**
*Independent
 Non-Executive Director
 Chairman of the Audit Committee
 and a member of the Nomination
 and Remuneration Committees.*

Appointed director of the Company on 31 July 2001, Dato' Jeremy Derek Campbell Diamond, born in 1940, a British citizen with Permanent Resident status in Malaysia, graduated from Durham University with a B.Sc.(Hons.) in Agricultural Economics and Management in 1963.

Commenced his career in Malaysia in 1963 as a Planter with Socfin Company Bhd, and served in that company in various capacities until his appointment as General Manager/Chief Executive Officer (CEO) in 1977. He held that position for 24 years until his retirement in 2001. Currently, he is on the Board of a number of private companies which include Jedecadi Sdn. Bhd.

He served as a Council member of the Malaysian Agricultural Producers Association (MAPA), United Planting Association of Malaysia (UPAM), Malaysian Oil Palm Growers Council (MOPGC), Malaysian Rubber Producers Council (MRPC), as an Alternate Member of the Board of the Palm Oil Research Institute of Malaysia (PORIM). He was a member of the General Committee of the Malaysian International Chamber of Commerce and Industry (MICCI) for 15 years.



Martin Bek-Nielsen
*Executive Director
 Non-Independent
 Commercial Director, Unitata Berhad.*

Appointed to the Board on 29 August 2000, Mr. Martin Bek-Nielsen, born in 1975, is a Danish citizen with a Permanent Resident Status in Malaysia. He started his career with the Company as a Cadet Planter in 1995. Left Malaysia in 1996 to pursue his tertiary education in Denmark and graduated with a B.Sc. degree in Agricultural Economics from the Royal Danish Agricultural University of Copenhagen in 1999.

After his graduation in 1999 he returned to Malaysia to take up the position of Corporate Affairs Officer. In 2001, he was appointed to the position of Executive Director and on 20 February 2003 was promoted to his current position of Executive Director (Finance and Marketing). On 9 November 2004 he was appointed Commercial Director of Unitata Berhad.

He is the Deputy Chairman of United International Enterprises Limited (UIEL), a public listed company on the NASDAQ OMX Copenhagen A/S.

Currently he is the Chairman of the Malaysian Palm Oil Association (MPOA) Working Committee-Marketing and Promotion.

He is the brother of Dato' Carl Bek-Nielsen, and is a Board representative of the Company's two major shareholders, UIEL and Maximum Vista Sdn. Bhd. He is deemed interested in various related party transactions between UP Group and certain companies carried out in the ordinary course of business as disclosed in Note 25 to the Financial Statements.



Loh Hang Pai
*Executive Director
 Non-Independent*

Appointment to the Board as Executive Director (Estates) on 1 January 2013, Mr. Loh Hang Pai, born in 1948, a Malaysian, graduated from the Serdang Agricultural College. He served Kumpulan Guthrie as Junior Assistant in 1969 and subsequently joined United Plantations Berhad on 1 January 1973 as an Assistant Manager.

Profile Of Directors

He served the Company in various positions and was promoted to the position of Estates Director on 1 January 2004.

He is not on the Board of any other public listed companies. He was actively involved in various activities of the planting associations, having held the position of Chairman, Perak Planters Association, President of United Planting Association of Malaysia and Chairman of Malaysian Cocoa Growers Council.

Currently, he is the Convener of MAPA's Oil Palm and Coconut Committee and Chairman of MAPA's Negotiating Committee and had been actively involved in the negotiations on several MAPA/NUPW wage agreements.



R. Nadarajan
*Independent
 Non-Executive Director
 Member of the Audit,
 Remuneration and Nomination
 Committees*

Appointed director of the Company on 1 June 2013, Mr. R. Nadarajan, born in 1948, a Malaysian, joined the company in 1977 as a Management Accountant, after having qualified and worked in the UK in various capacities in management accounting and finance. He was promoted to the position of Financial Controller in 1980 and to the position of Company Secretary/ Group Manager Finance in 2000. He fully retired in 2012 as Group Financial Adviser, a position he held since 2008 on retirement as Company Secretary/ Senior Group Manager, Finance.

He is an associate member of the Chartered Institute of Management Accountants, United Kingdom(UK) and a member of the Malaysian Institute of Accountants.

He is not on the Board of any other public listed companies.



Rohaya binti Mohammad Yusof
*Non-Independent
 Non-Executive Director*

Appointed director of the Company on 30 November 2017, Madam Rohaya binti Mohamad Yusof, born in 1965, a Malaysian, graduated in 1988 with a Bachelor degree in Commerce (Accountancy), Australian National University, Canberra, Australia and is an Associate Member of CPA, Australia.

Started her career with Arthur Andersen & Co as a Senior Financial Consultant - Audit Division (1988-1990).

In 1990, she joined Maybank Investment Bank (previously named Aseambankers) and was promoted to the position of Executive Vice President, Corporate Investment Banking in 2005 and acquired 18 years of banking experience. In 2008, she joined the Employees Provident Fund (EPF) Investment Division as Head of Corporate Finance and in 2010, was appointed as Head of Capital Market Department overseeing investment loan and bonds. Her portfolio also includes monitoring external fund managers for domestic and global fixed income.

Since April 2017, she serves as Head of Private Market, Investment Division, Employees Provident Fund, whose primary function is to invest in private equity, infrastructure, global and regional real estates.

She is also a member of the Board of Directors of UMW Holdings Berhad (resigned on 31 December 2017), Malaysian Resources Corporation Berhad, PLUS Malaysia Berhad and Projek Lebuhraya Usahasama Berhad.

Note:

1. Family Relationship with Director and/or Major Shareholder
 Save for Dato' Carl Bek- Nielsen and Mr. Martin Bek- Nielsen, none of the other Directors have any family relationship with any Director and/or major shareholder of the Company.
2. Conflict of Interest
 Save for Dato' Carl Bek-Nielsen and Mr. Martin Bek-Nielsen, none of the other Directors have any conflict of interest with the Company.
3. Conviction for Offences
 None of the Directors of the Company have any conviction for offences within the past 10 years.
4. Attendance of Board Meetings
 Details of the Directors' attendance at Board Meetings are set out in the Corporate Governance Overview Statement on page 172-182.
5. Gender
 UP's Board consist of one female director and eight male directors.



CROSS NO-E708-15
• DATE PLAN-26.3
NO OF SEEDS-1560

Carefully nurtured oil palm seedlings at the pre-nursery

Chairman's Statement

On behalf of the Board of Directors of United Plantations Berhad, it gives me much pleasure to present to you the Annual Report of our Company and Group for the financial year ended 31 December 2017. Similar to last year, the early release on the 26 February 2018 is an improvement in keeping up with the global trend of finalizing the annual accounts earlier which ultimately is to the benefit of all stakeholders.

Financial Performance

For the Financial year 2017 our group posted a most gratifying record after tax profit of RM 392 million, which is an increase of 19% over RM331million achieved in 2016.

There was a significant recovery in palm oil production both in Malaysia as well as Indonesia during 2017 following the El-Nino in 2016 which impacted South East Asia. This increase contributed significantly to our Groups improved results.

Whilst labour shortages continued to hamper operations with associated crop losses, increased focus on mechanization alleviated this shortfall and minimized the negative impact of this ongoing problem. In addition, the improved results achieved were due to a contribution of several factors amongst others, better commodity prices and an improved result in our refinery division.

Our Chief Executive Director, Ybhg. Dato' Carl Bek-Nielsen will in detail explain UP's financial performance in the Management Discussion & Analysis section pages 14-28

The Group also continues to maintain a healthy policy in respect of its cash and cash equivalents, which as of 31 December 2017, stood at RM852 million. This was an increase of RM161 million from RM691 million in 2016 which was most gratifying considering the company's large replanting commitments combined with the construction of the new palm oil mill, Biomass Boilers and biogas plant as well as the investment in our Joint Venture with Fuji Oil.

Our prudent approach towards capital management in general will ensure that we can balance dividend payments to shareholders, and further capital investments required within our group as well as to pursue new investment possibilities when the right opportunities arise, without having to be dependent on banks.

Dividends

Based on the above gratifying results, your Board is recommending a final dividend of 120sen per share consisting of;

1. A Final Single Tier Dividend of 20sen per share
2. A Special Single Tier Dividend of 100sen per share

When taking into consideration the interim dividend of 30sen per share paid during December 2017, the total dividend paid in respect of FY2017 is 150sen per share.

Sustainability

The Board upholds our commitment to undertake responsible agricultural practices which focuses on sustainability and good corporate governance. In this connection we will continue to focus on our core values being social and environmental care, integrity and innovation including necessary discipline in order to uphold our motto of being "Second to None".

We remain committed to Round Table of Sustainable Palm Oil (RSPO) and our Policies of No Deforestation, Preserving areas of High Conservation Values and High Carbon Stock including No New Development on Peat soils, whilst at the same time focusing and respecting local and indigenous communities including smallholders in order to improve their socio-economic development.

I am proud of the progress being made and grateful for the support from our stakeholders on this important sustainability journey. In this connection it was most pleasing that UP received recognition for its maiden Sustainability Report 2016 by receiving the ACCA MaSRA Commendation Award for Biodiversity on the 25th January 2018.

We recognize that there is always room for improvement and are committed to address



UP has today 580km of railway tracks on its estates to facilitate an efficient and gentle delivery of FFB to its mills

ongoing challenges based on transparency and dedication towards achieving our higher sustainability goals.

Our many Sustainability initiatives are covered under the "Sustainability Report" section in this annual report starting from pages 29-171.

Looking Forward

Increased global inventories of vegetable oils during 2017 has resulted in prices coming under pressure recently mainly as a function of the continued recovery in production. As production is expected to increase further in 2018, it is likely that there will be further pressure on prices from the current level of RM 2,500/MT as inventories rise.

We must therefore place strong emphasis on the importance of our core values and the necessity to adapt to the ever changing and challenging business environment in the form of lower commodity prices combined with the constraints associated with labour shortages.

In closing, I would like to thank all our customers, business partners, government agencies and shareholders for their continued support and trust in our group.

I would also like to place on record my appreciation for the commitment, understanding and wise counsel which I have received from all Directors.

Before closing I would like to place on record the Board's appreciation to Y. Bhg. Dato' Mohamad Nasir bin Ab Latif, for his loyal and sterling contributions to the UP Board over the last 13½ years, who had retired from his tenure on the Board in tune with EPF's decision to uphold good Corporate Governance by replacing their Board representative after a certain duration. In his place I also take great pleasure in welcoming Puan Rohaya binti Mohammad Yusof to the UP Board as EPF's representative.

Finally, and on behalf of the Board of Directors, I would also like to place on record my sincere appreciation to all United Plantations' employees for their loyal and dedicated service which is so essential for the future growth and well-being of our Group of Companies.

Tan Sri Datuk Dr. Johari bin Mat
Chairman

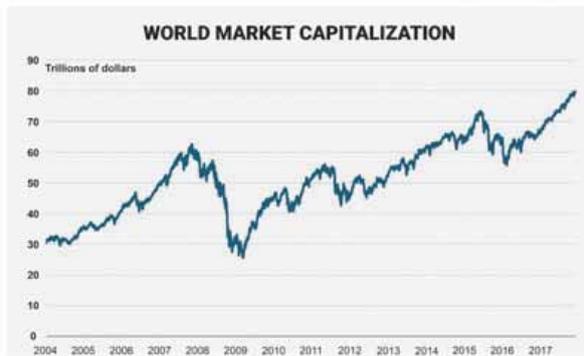
Management Discussion and Analysis

Summary of Global Operating Environment

For the financial markets and the global economy, 2017 has been a good year.

The major fears about 2017 that dominated the latter stages of 2016 – a market crash in the event of a Trump presidency, a Brexit-triggered recession in the UK, and a collapse of the eurozone following the implosion of the Italian banking system – have so far failed to materialise.

The economic story of the year has largely been one of positive growth, improved confidence and rising stock markets.



Crude Oil

A proven barometer to the world economic activity, amongst others, remains the consumption of energy and with that crude oil. Global crude oil prices recovered sharply in 2017, benefiting from the increasing demand from industries around the world including the logistics and freight sectors where higher global trade from a vibrant global economy helped GDP growth to reach 3.9% in 2017. On the whole, one can conclude that the world economy for the first time in years is enjoying a broad and synchronised recovery in the US, Eurozone, China as well as the Emerging Economies where GDP growth for the global economy is expected to reach 3.9% in 2018.

Indeed, after the Crude Oil prices collapse in late 2015 that spooked global markets, 2017 has been one of calm and steady gains. OPEC has reined in production to keep a lid on supply, while there have been no major escalations in tensions to drive up the price to unsustainable levels. Recently, Crude oil prices have for the first time since 2014 exceeded USD 70/ Barrel triggering shale oil producers to ramp up capacities as the more expensive costs involved with its extraction once again have become economical.

Oil bubbles up

Brent crude



The European Union

The Eurozone economy, being the world's largest economic zone is finally recovering from years of sluggish growth and high unemployment with the European Central Bank expecting the economy to record a growth of 2.4% in 2017. Growth is expected to remain at 2.3% in 2018 coupled with overall unemployment hitting a nine year low of 8.7%, which is very encouraging. Nevertheless, there still remains serious challenges in especially many Southern European economies to reverse the high youth unemployment rates which in Italy remains at 32.7%. Italy, which today is the 3rd largest economy in the Eurozone (when excluding the UK) will therefore be compelled to push ahead with the much needed reforms and the national elections set for the 4th of March this year will be a vital indicator of how far the Italians are willing to go.

The Eurozone market being the 2nd largest importer of palm oil will therefore remain an important export market for Malaysia and Indonesia in 2018 and is to be watched closely especially in the light of the recent proposed ban on using palm oil as a feed stock towards the European Union's renewal fuel directive from 2021. One must hope that sanity will be regained by the EU Parliamentarians to reverse this discriminatory policy which truly only can be singled out with the words: "crop apartheid".

China

Growth during 2017 picked up to 6.9 percent year-on-year, the first annual acceleration for the economy since 2010 easily beating the government's 2017 target of around 6.5 percent. The drive by the Chinese Government to move its economy away from a purely manufacturing

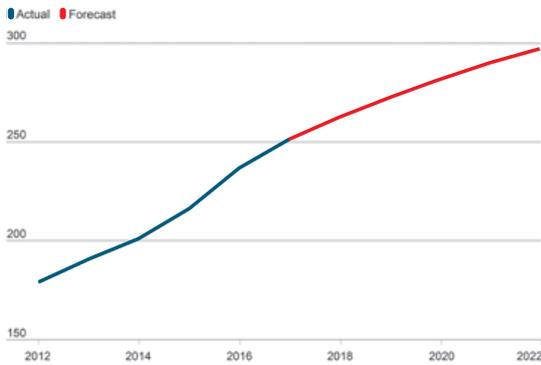


FFB collection in progress at a mature oil palm field.

Chinese debt worries

Chinese debt

Total domestic nonfinancial sector debt as % of GDP



Source: The Guardian/IMF

focused more on services and consumerism is gradually taking shape and if successful this will drive up the demand for household appliances, motorcars, leisure and food. In this respect, it is estimated that the demand for meat and edible oils will increase significantly in years to come as affluence levels increase.

In this connection, it is interesting to note that China's average consumption of meat per person per year has increased from 20 kg in 1989 to just over 50 kg today. Nevertheless, there is still a large gap up to countries like the USA or Australia where the average meat consumption is about 90 kg per person per year.

Today, China is the third largest importer of palm oil after India and the EU but remains a very important export market with a good growth potential.

However, China's rapidly accumulating debt pile, having quadrupled since the financial crisis, is becoming an increasing concern and needs to be monitored closely in 2018.

The US

The US Economy has continued to grow in 2017 reaching a full year growth rate of 2.3% which has been a catalyst for unemployment reaching its lowest levels in many years which includes the unemployment rates within the Latino American and African American segments.

Indications are that the positive developments will continue into 2018 amongst others stimulated by the sweeping tax cuts promoted by President Donald Trump and passed by Congress which included slashing the corporate income tax rate to 21 percent from 35 percent.

A number of large companies like Walmart, American Airlines, Bank of America, AT & T etc have as a result of these tax breaks committed to raise minimum wages or pay out larger bonuses to their employees thus stimulating spending power amongst a broad group of Americans.

This will also start to impact a higher inflation which for long has been very low. Real household incomes are also expected to increase and will have a multiplier effect on the US economy, something which has not been the case in well over a decade.

The Federal Reserve is also expected to continue their tightening cycle by raising interest rates in 2018 and it will be interesting to follow how this will impact the booming stock markets and general pace of the US economy not forgetting the surge in confidence currently seen in the US business circles and amongst a very broad base of Americans.

Nevertheless, the USA and its administration still has an uphill battle on its hands in terms of addressing inequality which remains amongst the highest in a developed country. Today there are about 40 million Americans who live below the poverty line. Today, there are 553,742 homeless Americans of whom 36,500 live on the streets in Los Angeles, a consequence of not successfully addressing the social problems in the USA for too long.

These evolving developments and more must be followed closely as the geopolitical forces at play will have a compelling influence on the health of the world economic activity and with that the supply but especially the demand of global commodities upon which our business is so interconnected.

Production and Prices of Crude Palm Oil (CPO)

2017 saw a strong recovery in palm oil production in South East Asia following the El-Nino in 2015/2016. Global palm oil production recovered strongly from 59.23 million MT in 2016 to 67.79 million MT in 2017 equal to a net increase of 8.56 million MT or 14.4% year on year.

The favourable weather conditions including notably the more even rainfall distribution created ideal and unstressful growing conditions which helped to induce a gratifying recovery in overall CPO production as well as average yields.

United Plantations Estates, both those located in Malaysia and also in Indonesia also benefited from the favourable weather conditions recording a 17.1% increase in CPO production in Malaysia and a 7.5% increase in CPO production on our Indonesian estates. Combined, the UP Group's total CPO & PK production rose by 14.7% and 16.4% respectively.

Whilst prices remained in the range of RM2,600 – RM2,800 during the first half of 2017, prices started to come under pressure especially in the last quarter of 2017 as a consequence of

the recovery in production and with that rising CPO stocks. This was partly aggravated by strengthening in the Ringgit vis-à-vis the USD in the last few months of the year as a function of the US Administration supporting a weaker currency. Indeed, since the Trump Administration took office a year ago the US Dollar has fallen 14.6% against the Euro. However, the Company nevertheless managed to secure an average price of RM 2,578 PMT of CPO and coupled with the 14.7% improvement in overall CPO production within the Group, this helped to secure a record profit after tax of RM392 million for 2017 or just over US Dollar 100 million.

Labour Shortages

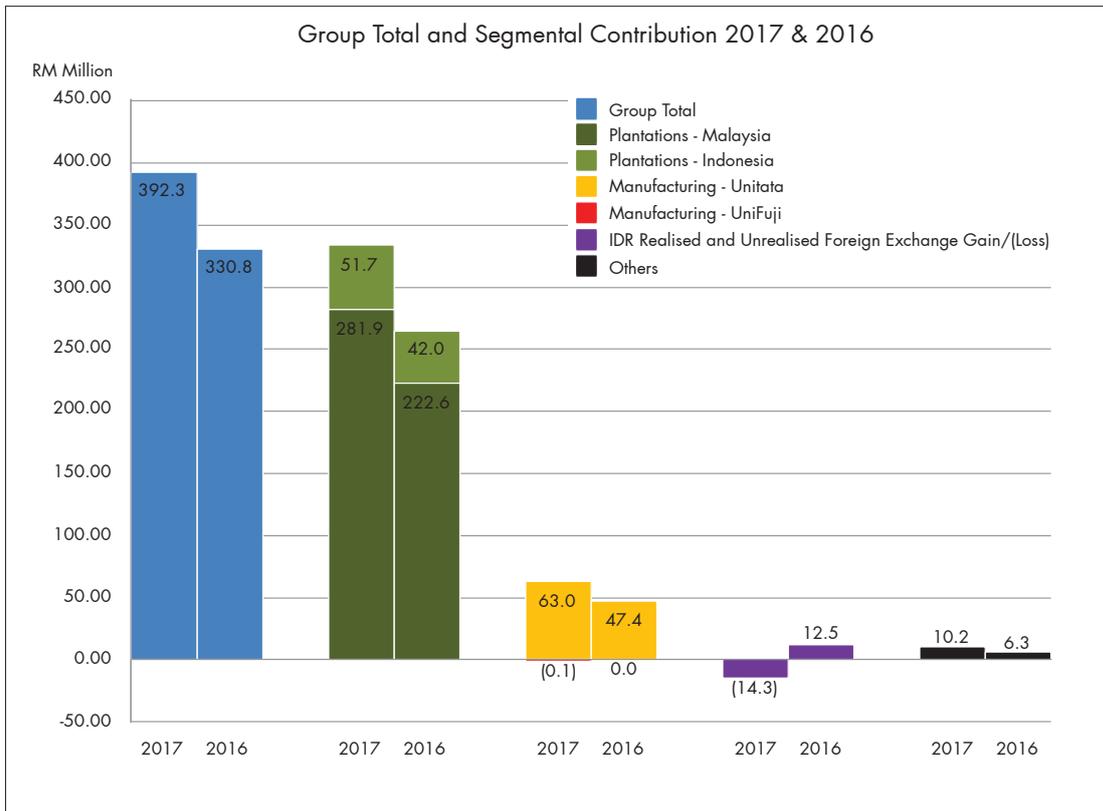
In spite of the acute labour shortages experienced during the first 5 months of 2017 within the Plantation Sector, including our Company, I am happy to report that Management and employees alike marvelled by pushing themselves to the very limit facilitated by newly introduced measures of mechanization without which crop losses would have been much higher. New initiatives continue to be eagerly explored in order to introduce more innovative ways to boost productivities through mechanization.

Our Downstream Refining Business and PT SSS

The Malaysian Refinery Sector continued to face difficulties in 2017 with margins coming under pressure due to mainly an increasing competition from Indonesia. Nevertheless, our downstream refining business managed to achieve a record result in 2017 facilitated partly by securing long term business opportunities with reliable customers combined with the advantages of favourable hedging positions.

Our plantations in Indonesia also made a record contribution to our Group in 2017 amounting to RM52 million which was an extremely pleasing result helped along by the better commodity prices but also due to the CPO production increasing by 7.5% vis-à-vis 2016 and combined with a cost of production PMT of CPO which declined by 6.3% year on year.

On the following pages I will elaborate further on the financial performance for 2017 and the reasons for securing a record net profit of RM392 million, which has been a most gratifying achievement.



Financial Review of Operations

- The Group’s revenue during 2017 increased by 20% to RM1,474 million compared to 2016 due to higher sales prices and increased production. In addition, the refinery unit also contributed to the higher revenue as a function of higher sales volumes and prices as well as better contribution due to the weaker Malaysian Ringgit.
- The Group’s profit before tax increased by 20% from RM418 million in 2016 to RM501 million in 2017.
- The Group profit after tax of RM392 million for 2017 was an increase of 19% from RM331 million in 2016. The Board of Directors therefore joins me in placing my appreciation for the record results which have been most satisfactory for 2017.

Dividends

The Board of Directors have recommended a Final Single Tier Dividend of 20sen per share and a Special Single Tier Dividend of 100sen per share for the year ended 31 December 2017.

Summary of Dividends for the year ended 31 December 2017 are:

	<u>RM</u>
Interim single tier dividend declared and paid	20sen
Special single tier dividend declared and paid	10sen
Proposed final single tier dividend	20sen
Proposed special single tier dividend	100sen
Total Dividends	150sen

The total dividend pay-out will therefore amount to RM311 million for year ended 2017 which is a 30% increase from 2016.

In this connection, it is important to re-emphasize that the Board of Directors is committed towards maintaining its policy of having a strong balance sheet and especially a healthy cash position, which as of 31 December 2017 stood at RM852 million.

Such prudent and conservative fiscal policy has served our group well and will provide our company with the freedom to seek and make sound investment should opportunities arise without being dependent on financial institutions.

Plantation Operations

- CPO production in 2017 reached 158,060 MT (Malaysia) and 47,459 MT (Indonesia) totalling 205,518 MT of CPO for the Group compared to 179,142 MT CPO in 2016. The 14.7% increase in the Group's overall CPO production, equal to 26,376 MT of CPO was as mentioned before mainly due to the recovery in production following the El-Niño which impacted our Indonesian properties in 2015 followed by the same phenomenon in 2016 on our Malaysian estates.

The favourable climatic conditions and improved rainfall distribution which started from the middle of 2016 and has lasted right up to the end of 2017 facilitated palm fitness and growing conditions securing a strong recovery in production as seen below.

UP Group	Metric Tonnes (MT) CPO		
	2017	2016	Change
Malaysia	158,060	134,999	17.1%
Indonesia	47,459	44,143	7.5%
Total UP Group	205,518	179,142	14.7%

Average yields for the UP Group also improved as can be seen in the below tables reaching 5.32 MT CPO/Ha, and 5.34 MT CPO/Ha for our Malaysian Estates equal to a 51% higher yield from the national average yield recorded in Malaysia.

	2017	2016	Change
UP Group FFB average yield in MT/Hectare	24.78	20.73	19.54%
UP Group average Oil Extraction Rates (OER) in %	21.46	22.57	(4.92%)
UP Group average Kernel Extraction Rates (KER) in %	4.57	4.73	(3.38%)
UP Malaysian CPO average yield in MT/Hectare	5.34	4.64	15.09%
UP Indonesian CPO average yield in MT/Hectare	5.25	4.81	9.15%
UP Group CPO average yield in MT/Hectare	5.32	4.68	13.68%
Malaysian National CPO yield in MT/Hectare	3.52	3.21	9.66%

* Includes our Indonesian plantations.

As of 31 December 2017 our Group's areas planted up with oil palms can be summarized as follows:

In Hectares	2017	2016	Change
UP Malaysia			
Mature Area	29,384	28,963	1.5%
(oil palms between 2 1/2 - 5 years in age)	23.11%	21.53%	7.3%
Immature Area	5,227	6,346	(17.6%)
Total Area under Oil Palm	34,611	35,309	(2.0%)
UP Indonesia			
Mature Area	9,035	9,179	(1.6%)
Immature Area	-	-	-
Total Area under Oil Palm	9,035*	9,179*	(1.6%)
Grand Total for the Group	43,646	44,488	(1.9%)
Total Group Area having come into Maturity	2,514	3,237	(22.3%)

* net of areas converted to Plasma.

One can also note that the total immature area in relation to the total Group area under oil palms in 2017 now stands at 12% compared to 14.3% in 2016. The total immature area on our Malaysian Estates is now 15.1% compared to 18% in 2016.

Cost of Production of Crude Palm Oil

- The direct cost of production (before depreciation and amortization) during 2017 decreased by 7.94% to RM893/MT CPO from RM970/MT CPO in 2016 for our Malaysian operations. The total cost of production including depreciation and amortization for 2017 was RM1,197/MT CPO vs. RM1,221/MT in 2016.

- During the year in review labour costs remained on the same levels as in 2016 in Malaysia but have now increased by over 126% from 2006 to 2017 impacting the labour costs considerably. The trend has been even more steep in Central Kalimantan where labour costs have risen by 270% since 2006 reaching levels which are similar to the labour costs paid in Malaysia today. In spite of these significant increases in labour costs, several sectors in Malaysia continue to find themselves exposed to a situation of acute labour shortages. This is particularly the case not only for the manufacturing sector, the construction sector but also the agricultural and plantation sectors.
- The Board of Directors join me in stating that this is a concerning and unsustainable trend as it will only erode the Malaysian and Indonesian Palm Oil Industry's ability to compete against the other 16 competing oils and fats unless this is matched by commensurate increase in yields and productivity.



High yielding yellow dwarf coconut.

Coconut Production

Our coconut production of 75,251,825 nuts, recorded a decrease of 12.6% compared to 86,052,311 nuts in 2016. This was mainly due to the coconut palms entering a biological resting phase following the bumper crop achieved in 2016. Average yields therefore declined from 30,305 nuts/hectare in 2016 to 25,345 nuts/Ha in 2017 representing a decrease of 16.4% which was less satisfactory.

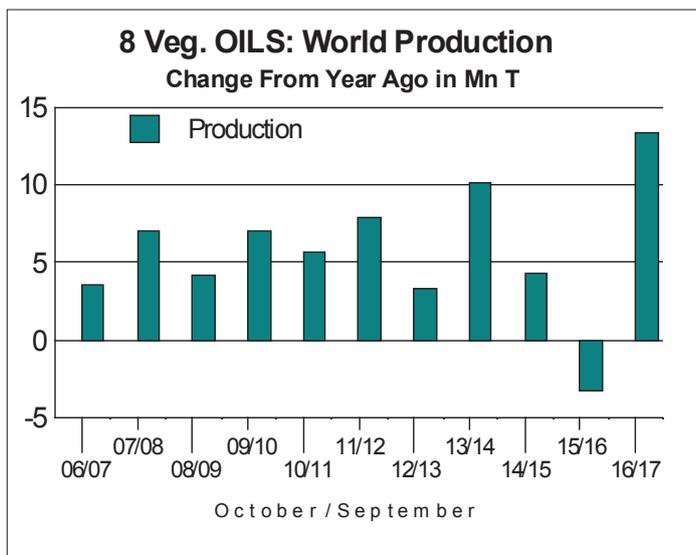
It is therefore acutely important that Management accentuates its pursuit of increasing productivity through mechanization and other means so the dependency on labour can be brought down. In this connection, it is therefore hoped that the Malaysian Government will continue to give due consideration to the Plantation Sector's plea to recruit guest workers as our produce is highly perishable and will suffer losses if labour shortages re-emerge as was especially the case during the first 6 months of 2017.

Selling Prices of CPO and Palm Kernels

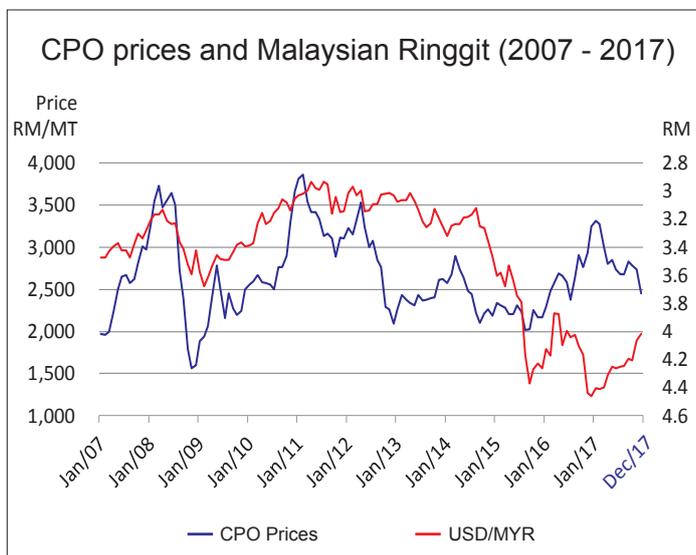
- The average selling prices of Crude Palm Oil achieved during the year increased from RM2,424/MT in 2016 to RM2,578/MT in 2017 from our Malaysian CPO, an increase of 6.35%.

	Crude Palm Oil			Palm Kernel		
	2017	2016	Change	2017	2016	Change
MPOB Avg price (RM)	2,783	2,653	4.9%	2,536	2,611	(2.9%)
UP's Avg price (RM)	2,578	2,424	6.4%	2,650	2,138	23.9%

- The average selling price for Palm Kernels recorded an increase of 23.9% to RM2,650/MT in 2017 compared to RM2,138/MT in 2016 for our Malaysian Palm Kernels as a function of the higher demand and the effects of replenishing Lauric Oils stocks.



Source: Oil World - January, 2018



Source: MPOB



During the early stages of the construction at the Optimill project site. All energy produced at the Optimill will be derived from renewable fuel sources in line with the company's commitment to lowering its greenhouse gas emissions. In the picture is seen the CED together with the Chief Engineer Upriver, Mr Seker and the Group Engineer Downriver Mr Rajasegaran.

Capital Expenditure

The Group spent a capital expenditure of RM135.8 million in property, plant and equipment in the current year as compared to RM82.4 million in the previous year. The 65% increase was mainly due to the construction of a state-of-the-art palm oil mill and additional capital investments in the refinery division in the current year. On biological assets, the Group incurred RM39.8 million in the current year which is a 10% decrease from RM44.1 million in 2016. Heavy investment continued to be made by the group during 2017. The main areas of investment were made under our replanting programme where a total of 1,979 Ha of oil palm and coconut were replanted in

Malaysia, as well as new plantings of 478 Ha under the plasma scheme for our Indonesian subsidiary. Furthermore new investments in the Ulu Bernam Optimill, Biogas plant and the new Biomass Boiler contributed to the capital expenditures during the year.

All capital expenditures are funded by internally generated funds.

Manufacturing Division

Unitata Berhad

In our downstream refinery division our wholly owned subsidiary Unitata performed very satisfactorily especially in view of the much tougher market conditions and increasing competition by especially the Indonesian Refinery Sector in recording an all time record profit after tax of RM63.0 million in 2017 vis-à-vis RM47.4 million in 2016.

The improved results were mainly attributable to increased sales of high quality, certified sustainable and traceable products, a much weaker Malaysian Ringgit vs US Dollar for 9 months of the year, favourable hedging results as well as cost cutting measures that continue to be an ongoing priority to Management.

The interest for certified sustainable palm oil is increasing, and Unitata is committed to providing high quality tailor made solutions to clients who demand palm fractions which go well beyond the sustainability criteria of the RSPO.



Unitata Bhd was the first inland palm oil refinery in Malaysia, built in 1973. Today, Unitata Bhd produces premium quality products to the international markets.

Replanting Policy

Concerted efforts are continuously being made by Management to enhance the Company’s Breeding-Agronomy and Tissue Culture activities as these remain of cardinal importance in terms of our Group’s ability to improve further our agronomic productivities.

The below table provides an overview of various yields per Ha targets in terms of FFB and CPO as well as OER in Malaysia and Indonesia.

UP Group	FFB yields/Ha	OER	CPO yields/Ha
Malaysia	28.0 MT	23.0%	6.5 MT
Indonesia	25.5 MT	25.5%	6.5 MT

The difference in terms of FFB/Ha/year and the OER between the countries, is due to the difference in planting materials, soils, climatic factor and labour availability.

A total of 1,394 Ha of oil palms were replanted on our Malaysian properties during 2017 compared to 2,285 Ha in 2016. Whilst our Group’s average age profile has improved, we must nevertheless appreciate that the major bulk of our Group’s replanting programme for our Malaysian Estates will only be completed by next year.

Indeed, during the course of the last 9 years (2009-2017) our Malaysian estates have replanted a total of 20,502 Ha of oil palms equal to 59% of the total area under oil palm

today. This is absolutely necessary if we are to further improve on the age profile of our established plantations and with that our average yields which is of special importance in maintaining a favourable cost base.

In this connection, I am pleased to advise that our Group’s long-term replanting policy remains a high priority, both in times of low as well as high commodity prices and that all planting materials used for this extensive replanting programme has been produced at UPRD using exclusively proven germplasm with over more than 60 years of sterling plant breeding techniques where the ultimate goal is to secure high yields. Failure to implement this critical aspect of plantation management will inevitably lead to stagnating yields and declining production resulting in the inability to remain competitive.

All replanting carried out during 2017 continued to be done in accordance with the environmentally friendly “zero burn policy”, thereby complying fully with the regulations laid down by the Department of Environment.

Indeed, this practice has remained an integral part of our company’s commitment towards Good Agricultural Practices since 1989 and has helped not only in ameliorating and conserving the organic carbon status in our topsoil but also in improving the overall fertility status of our soils.



The overhead sprinkler system in use at the main nursery.



Buffalo assisted crop evacuation is an energy efficient and eco-friendly partnership between man and animal.



Indonesia

Our Plantation Division in Indonesia generated a Group contribution of RM52 million in 2017 against RM42 million in 2016, representing a very pleasing increase of 23.8%.

Whilst operating conditions continue to be challenging it is with much satisfaction that after 12 years of operations since entering Indonesia the efforts and commitment provided towards the difficult expansion process into Central Kalimantan is finally paying off both financially but just as importantly from a socio-economic point of view.

UP Indonesia's production accounted for 23.1% of our Group's CPO production in 2017 compared to 24.6% in 2016 which is still a most pleasing development.

All plantings have now reached maturity and the company now provides employment for 1,345 employees, many of whom were previously unemployed.

The Indonesian Rupiah's depreciation against the Malaysian Ringgit resulted in an exchange loss of RM14.3 million (out of which RM2.1 million realised) for our Group against an unrealised currency exchange gain of RM12.5 million experienced in 2016.

All infrastructural additions have been completed in Indonesia during 2017 where 6 new terrace houses were completed whereby bringing the total number of high quality modern living quarters for our executives, staff and workers to over 500 units today.

Whilst the Board of Directors, over the last 10 years have encountered prolonged delays surrounding the issuance of land permits I am pleased to inform all shareholders that the SK HGU for 6,004 Ha was issued in early 2018 now bringing us very close to the final HGU permit for the above area which we believe should be issued before the end of March 2018.

This has been a long journey and has involved much work. We will remain hopeful and continue as we have done over the last 10

years working closely with the numerous Indonesian Government Departments across several Ministries to seek the HGU for the remaining land bank under PT SSS.

Land availability but also suitability from an environmental regulatory point of view has also become a limiting resource wherefore expansion possibilities are not what they were 12 years ago. Further expansion will for these reasons only be considered if brown field plantations developed before 2005 come up for sale that in no way contravene or ignore the company's commitment to not just adhering to the RSPO's Principles & Criteria but going beyond.

In the meantime, management continues to do a commendable job in consolidating the existing properties where agricultural standards have now reached standards similar to those on its Malaysian properties. To date, 9,035 Ha of oil palms (net of 696 Ha converted to Plasma) have been planted and more than 7,500 Ha of permanent conservation areas established.

These conservation areas making up about minimum 40% of the concession area consist primarily of riparian reserves, peat swamps as well as heavily degraded secondary forests as a result of the intense logging activities carried out in the past prior to UP acquiring the properties. These sanctuaries are a testimony to our Group's commitment towards maintaining an important balance between economy and ecology and where conservation means development as much as it does protection of the environment.

Copenhagen Zoo



Our Company's collaboration with Copenhagen Zoo which was introduced in 2007 and officially established in 2010 continues to develop very satisfactorily with notable initiatives and positive developments having been made in 2017.

The objective of this cooperation is to ensure that Environmental Management and smooth operation of our Biodiversity Department continue as planned in order for these softer yet acutely important values to become an even stronger integral part of our Agricultural operations to which we remain fully committed. (see pages 88-99)



In-field mechanised FFB evacuation done with the Tractor tanker system on our Lada Estate in Central Kalimantan.



Fresh Fruit Bunches (FFB) arriving at the ramp of the Lada Palm Oil Mill prior to processing of the fruits, a strict assessment is subsequently carried out on the ripeness standard and overall crop quality.



Due to the abundant availability of fish in our drains and waterways and other source of food such as frogs, lizards and insects, the population of the White-throated kingfisher (Halcyon smynesis) has been on the increase and are now commonly seen as one drives along our fields.

Sustainability Report (SR)

Since our foundation in 1906, UP has focused on economic development combined with social and environmental care. Identifying and managing UP’s social risks and opportunities is fundamental to our continued success and to the core principles of our business activities, namely doing business sustainably combined with committing ourselves to a long-term perspective.

Today, more than ever, sustainability and financial performance are an integrated and inter-woven part of the UP Group’s well-being. Our Sustainability commitment focuses on continuous care and responsibility towards our employees, the environment, the community and the marketplace in which it operates. We see this trend intensifying.

A detailed sustainability report is accounted for in a separate section of this annual report. (please refer to pages 29-171)

Management’s commitment towards providing as well as improving social amenities within our Group shall therefore remain the hallmark of the EXCOM and management in 2018.

Progress was also made during 2017 to maintain the highest possible welfare standards for our workforce whilst simultaneously also focusing

on improving on our environmental footprint. New investments in infrastructural amenities as well as improving on services to our employees will therefore also continue in 2018.

Reducing our Carbon Footprint



Our Group’s commitment towards mitigating its “carbon footprint” and thereby its Greenhouse Gas (GHG) emissions remains a high priority to which new initiatives and important investment decisions continue to be made. Following an updated and very comprehensive Life Cycle Analysis (LCA) report it was pleasing to note that UP from 2004-2017 has managed to reduce its GHG emissions per kg refined oil by 40% (including indirect land use change and nature conservation).

Our target is to reach a reduction of 50% (including indirect land use change and nature conservation) vs the 2004 figures before the end of 2019 to which new innovations are currently being commissioned and others constructed. (please refer to page 111)

UP and the RSPO (GRI 102-9)



On 26 August 2008 UP became the world’s very first certified producer of sustainable palm oil in accordance with the Principles and

Criteria of the RSPO. Since then our Group has continued to demonstrate and implement new initiatives that go beyond the current RSPO Principles & Criteria.

RSPO NEXT Certification

During 2017 these additional efforts were cemented by obtaining the RSPO NEXT Certification in October 2017 on 2 of our business units thus demonstrating the ability but also the commitment of the UP Group to go beyond the sustainability criteria of the standard RSPO Certification Scheme.

In this respect, it is important to clarify that The RSPO NEXT Certification (<https://rspo.org/certification/rspo-next>) compels and commits a company to fulfil what is termed as the NDPE policy (No Deforestation, No New Peat Development, and No Exploitation of its employees). We support this movement.

However, the RSPO NEXT has also been carved out in such a way that it is based on fulfilling the spirit of “Commensurate Effort”. Commensurate Effort in this sense obliges not just the eligible growers to produce but also commits any eligible buyer such as consumer goods manufacturers or retailers to also fulfil their part of the shared responsibility, namely, to offtake or purchase RSPO NEXT Certified Palm Oil thereby not inducing growers these ever stringent and high sustainability criteria only to find out that there is no demand. This disappointingly is very much the case for RSPO Certified Palm Oil where the global offtake rate in 2017 remained at a meagre 51.9%, i.e. only 6,155,983 MT out of the 11,860,079 MT RSPO Certified Palm Oil was purchased.

United Plantations together with the fraternity of palm oil growers in South East Asia and Latin America will continue to champion the need to include and live up to the spirit of “Commensurate Effort”, failing which, the RSPO and other Certification Schemes will sadly move towards irrelevance.

Prospects and Outlook

Based on the current operating environment UP is respectful of the challenges which 2018 may bring. Increased focus on cost efficiencies and improved productivity as well as higher yields will therefore continue as a vital part of sustaining our positive development.

Special attention will also be given towards addressing any imminent labour shortages and to further improve on all weaknesses identified in respect of our sustainability journey. UP is far from perfect and much more attention must in this

respect be given to operationalise and mainstream the principles of our commitment so this is “built in” and not just “bolted on” – so to say. We shall dedicate our energies to this.

In accordance with our replanting policy, UP will proceed to replant large areas of its older and less productive oil palm stands in Malaysia during 2018 after which the replanting rate will be somewhat lower compared to the acreages replanted over the last 9 years. All areas in its Indonesian operations will be in production in 2018 and we will likely see that the large replanting programme undertaken on our Malaysian Estates over the last 9 years have started to help push up yields and with that production on our Malaysian Estates.

The improved weather in 2017 helped to pave the way for a strong recovery in global palm oil production which increased from 59.23 million MT in 2016 to 67.79 million MT in 2017 equal to an outstanding 14.4% improvement year on year. Today world palm and palm kernel oil accounts for 34% of the world’s production of the 17 Oils & Fats again re-emphasizing the importance of the oil palm as an agricultural crop and why sustainability is the only way forward.

PALM OIL : World Production (Mn MT)		
	Production	
	2017	2016
Indonesia	36.80	32.40
Malaysia	19.92	17.32
Thailand	2.46	1.80
Columbia	1.62	1.14
Others	6.99	6.57
TOTAL	67.79	59.23

Source: Oil World - January, 2018

World Palm Oil Production thus contributed to over 55% of the net growth in the World’s 17 Oils & Fats production in 2017 which recovered from 205.85 million MT to 220.81 million MT enabling stocks to once again increase to 29.3 million MT from the low of 27.76 million MT in 2016.

Since global ending stocks have yet to recover to the pre-El Niño levels in 2015, namely, 33.33 million MT, prices for palm oil and palm kernel oil have remained surprisingly strong as one good vegetable oil season has proven to be inadequate in fully replenishing the world stocks of the 17 Oils & Fats.

However, with the prospects of the 2018 growing season also having the likelihood of being on par with 2017 there are concerns in the market that this will enable a larger build up in stocks resulting in lower vegetable oil prices. The sentiment as to whether this more bearish view will materialize or not will be clearer from April/May 2018 onwards.

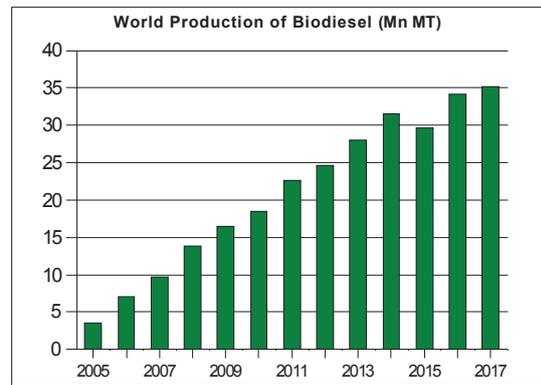
The impact of World Biodiesel production continues to be a key variable affecting the overall demand for vegetable oils. In this connection, one must recognise the growing influence which the Indonesian biodiesel programme has on global palm oil demand by consuming about 2.9 million MT of palm oil in 2017 to fulfil their biodiesel admixture policy. Indonesia helped by their Biodiesel Policy and increasing population becomes the world's second largest consumer of palm oil today at 9.19 million MT in 2017, only overtaken by India being the largest consumer of palm oil in 2017 at 9.32 million MT and the EU 28 in the 3rd spot with 7.70 million MT.

Any change in the Indonesian biodiesel programme must therefore be watched closely as this will have a direct impact on the price complex, especially for palm oil.

In this respect, one must recognise that 35.20 million MT of oils and fats equal to almost 16% of the world's 17 Oils and Fats were used for biofuel/biodiesel products in 2017, again emphasising this segment's significant role in terms of impacting demand and with that prices.

In view of the above, and with the current prevailing prices of palm oil and palm kernel in the market, the Board of Directors are of the view that the coming year looks challenging but hopeful.

With the prices contracted under our forward sales policy and with our Indonesian production improving coupled with large areas steadily coming into maturity from our replanted areas in Malaysia, the Board of Directors expects that the results for 2018, will be satisfactory.



Source: Oil World - 2017

Acknowledgement

In closing, I would like to applaud Management for the various concerted efforts made during the many years, especially in view of the very difficult situation associated with the effects of the chronic labour shortages experienced on our estates.

This dedication and loyalty displayed by our officers, staff and employees alike continue to win my respect and admiration. I wish to thank you all for this level of devotion which is equalled only by few organisation in today's world.

I would also like to thank all our customers, business partners, government agencies and shareholders for the continued support and trust in our Group where it shall always be our common goal of striving to be recognised as "second to none".

Dato' Carl Bek-Nielsen
Chief Executive Director (CED)

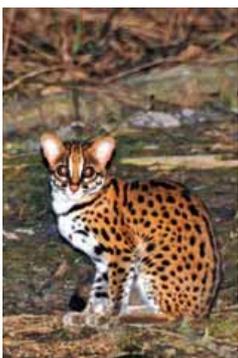


Dato' Carl Bek-Nielsen and Mr. Martin Bek-Nielsen in discussion during a field visit.

Sustainability Report 2017

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About This Report

(GRI 103-1, GRI 102-48, GRI 102-49, GRI 102-50, GRI 102-51, GRI 102-52)

United Plantations' Sustainability Report 2017 covers the environmental, economic and social performance across all our operational and management activities within the UP Group, which include our plantations and mills in Malaysia - United Plantations Berhad (UPB) and Indonesia - PT Surya Sawit Sejati (PT SSS), our refinery – Unitata Berhad (Unitata) and our bulking installation – Butterworth Bulking Installation Sdn. Bhd. (BBI).

This report focuses primarily on activities carried out within the financial year ended 31 December 2017, with comparable prior year statistics where available and relevant.

For the past 7 years, various aspects of our sustainability practices were presented in our Corporate Social Responsibility section of our Annual Reports, as the Group has always taken pride of its sustainable approach to all aspects of its operations. This Sustainability Report will remain as part of our Annual Report.

The structure and content for this report draws upon guidance from Bursa Malaysia's Sustainability Reporting Framework which comprises amendments to the Listing Requirements, the Sustainability Reporting Guide and six supporting toolkits, and the GRI Sustainability Reporting Standards.

An internal Sustainability Committee at UP is responsible for officially coordinating with the various departments and subsidiaries in assessing and covering all key material sustainability matters within our Group.

In preparation of this report, we have engaged and considered the responses from both internal and external stakeholders and performed a thorough internal review and assessment of key sustainability aspects and impacts which represent the most critical areas of our Group's business and operations. This exercise resulted in arriving at 22 material sustainability matters which are reflected in the materiality matrix included in this report.

As part of our sustainability processes and activities we will continue to strengthen our performance and disclosures to various stakeholders by monitoring our specific targets and key performance indicators, fostering

close relationship with our stakeholders as well as harmonising material sustainability risks across the Group. We hope to provide our stakeholders with an overview of our approach and continuous progress in meeting our sustainability commitments.

For additional information, please refer to our website: www.unitedplantations.com

External Assurance

(GRI 102-56)

GRI recommends the use of external assurance, but it is not a requirement to be in accordance with the Standards. We believe external assurance adds to the credibility and transparency of sustainability reporting.

In this connection, we are pleased to inform our stakeholders that KPMG for the first time has provided limited assurance over 10 selected Key Performance Indicators (KPI's) reported in our 2017 Sustainability Report thereby bringing additional value and credibility to our disclosure. Their assurance report is available on pages 170 - 171.



One of the many ornamental plants found in our plantation premises.

Message From The CED



The Chief Executive Director, Dato' Carl Bek-Nielsen, on one of his many field inspection rounds.

We are pleased to present our 2017 sustainability report to you where we describe our Group's sustainability policies and actions in order to share our commitment on sustainability and to show how we are pursuing this in practice.

Ultimately, it is our actions and our behaviour that defines what company we are and for UP, I continue to see sustainability as one of the key pillars in our Group's Strategy which is of paramount importance to our long-term success.

For generations, UP has interweaved Economic Liability, Environmental Responsibility and Social Awareness into the way we conduct our business. This commitment was evidenced by the fact that the world's first RSPO certificate was awarded to UP in 2008.

We remain 100% committed to the RSPO principles and criteria and during 2017, we have as the first plantation-based company in Asia Pacific and Africa gone beyond the

current RSPO standard by being awarded the RSPO NEXT certification for some of our operating units.

This latest initiative raises the bar for sustainable production even further by firmly upholding our Policies on No Deforestation and No New Peat Development already introduced in 2010, as well as strengthening our focus on human rights and the well being of the local community. We see this as necessary for long term commitment for the industry's well-being.

Whilst the sustainability report is a relatively new concept, UP has over the years published updates on our sustainability journey as part of the CSR activities described in our Annual Reports.

We openly acknowledge that much more can be done and intend to work harder at integrating and mainstreaming our sustainability efforts into our operations.



United Plantations Berhad Non-Executive Director Mr. R. Nadarajan receiving the ACCA MaSRA Commendation Award - Biodiversity on the 25th January 2018 from WWF - Malaysia Executive Director/CEO Dato' Dr. Dionysius Sharma, Deputy Minister of Finance II Dato' Lee Chee Leong and ACCA Malaysian President of Advisory Committee Dato' Merina Abdul Tahir.

In conjunction with this it was nevertheless most pleasing that our commitment to further advance our Group's sustainability goals and objectives summarised in our first official Sustainability Report 2016 were recognised as UP received the ACCA MaSRA Commendation Award for Biodiversity on the 25th January 2018.

Bursa Malaysia's move to make sustainability reporting mandatory for listed companies in Malaysia clearly signals the importance for stakeholders to have a chance in evaluating companies based on their sustainability commitments. We strongly support this move.

During 2017, an expanded materiality assessment has been carried out in close collaboration with our stakeholders in which views and expectations on various topics have been discussed and documented thereby enabling us to identify and map the most relevant issues pertaining to our economic, environmental and social risks and opportunities. This exercise has been very rewarding and is fundamental to achieving our business strategy and with that our well being.

However, we must not forget, that our commitment to sustainability is an ongoing journey with no finishing line. We will therefore continue to align our business values, purposes and strategy with sustainability principles divided into four main areas, namely Employees, Environment, Community and Market place.

Employees

Our employees have been and will always be our core assets remaining a key pillar for the success and continued growth of our Group. In this connection, their welfare and rights as well as a safe and healthy workplace are of key importance in every aspect of our operations.

We remain focused on safety leadership and strategies targeting risk reduction as we value the lives and wellbeing of our employees and contractors. We are doing our best to improve awareness on safe practices and to enhance preventive skills among all our employees in order to minimise the risk of work place accidents. Whilst we unfortunately had experienced a death of an employee in 2016, we are pleased

to report that this has not been the case in 2017. Much focus and attention continues to be directed towards our main goal of preventing any accidents causing serious bodily injury or death through regular in-house training programmes combined with impromptu safety audits in our mill and on our estates.



Workers going about their usual work at the nursery.

Environment

As the world faces the threat of global warming, we are all becoming increasingly aware that our presence on this earth leaves a mark on the environment.

UP is committed to being a leader in environmental performance through focusing on good agricultural practices and safeguarding the natural resources.

Finding the right balance between Economy and Ecology is a cornerstone in our Group and much emphasis is therefore placed on reducing variables that impact our environment negatively.

Much scrutiny and criticism has been aimed at the palm oil industry, with accusations of habitat destruction and endangerment of protected species, indiscriminate burning and causing regional trans-boundary haze, as well as contributing towards social conflicts and climate change.

Whilst palm oil production has contributed to certain aspects of the above, it is important that the accusations are backed by holistic facts and presented objectively instead of being singled out as the lightning rod for the public's growing anger on issues concerning deforestation and climate change.



One of our Biogas plant. In total to date UP has 5 biogas plants.

The palm oil industry is complex and far too often it is subject to being painted with one brush without recognising the tremendous efforts undertaken by many different stakeholders, including producers, to promote the responsible production and consumption of sustainable palm oil.



Commissioning of the Biomass Reciprocating Boiler No 2 at Jendarata Palm Oil Mill.

Unjust subjective accusations keep tarnishing the image of the industry without offering solutions or taking ownership of problems is getting us nowhere thereby negatively impacting the livelihoods of millions of people.

Our Group therefore believes that producing palm oil sustainably is the only way forward wherefore it is important that all stakeholders support the RSPO, or other credible initiatives, in order to make sustainable palm oil the norm. This above all else should be our common goal.

UP has since 2004 monitored its greenhouse gas (GHG) emissions and are continuously looking for ways to reduce our carbon footprint throughout our operations and via new innovations.

Following an extensive peer reviewed life cycle analysis completed in 2008 in accordance to the ISO 14000 standards providing a total overview of our GHG emissions, various areas were identified within our production chain in need of much improvement. This increased awareness has since then spearheaded many significant investments such as expanding our

railway lines for crop transportation, erecting biomass boilers in our palm oil mills as well as constructing biogas plants to ensure optimal utilisation of our by-products in the form of empty fruit bunches, shells, fibre and waste water to produce renewable energy thereby reducing our dependency on fossil fuels & with that mitigating our Greenhouse Gas emissions.

UP has come a long way since the establishment of our first biogas plant in 2006 and it is of much satisfaction that we during 2017 completed the construction of our fifth and final biogas plant.

This project has enabled us to reach a milestone of connecting all UP's mills with associated biogas facilities thereby permanently mitigating a significant contributor of Greenhouse Gasses within the oil palm production chain.

Our UIE Electrification Project which enables the conversion of biogas to electricity and exporting this back to the national grid has also been running well during 2017 and contributed positively to the Company.

Furthermore, our Group has since 2013 been exploring ways to lower the particulate emissions from our solid fuel boilers which by law initially should not exceed 400mg/NM³ at 12% CO₂ content.

However, in 2014, the Department of Environment(DOE) revised the Environmental Quality Act (Clean Air Regulation 2014) and lowered the threshold for emissions to 150 mg/ NM³ at 12% CO₂ content.

There have been many trials and there have been setbacks in reaching these revised levels, however, in 2015 following concerted efforts and involving investments, a breakthrough was achieved at the Ulu Basir Palm Oil Mill where we have consistently been able to maintain a particulate matter emission of between 116-137 mg/NM³ at 12% CO₂ content thus fulfilling the DOE's new regulation mentioned above.

This has been further replicated in the Jendarata Palm Oil Mill with the commissioning of the Biomass Reciprocating Boiler No.2 in December 2017 and will also be a part of the design at the new 60 tph Optimill at Ulu Bernam which will replace the old 40 tph mill at Ulu Bernam in February 2018. This will be followed by our UIE (M) Palm Oil Mill by August 2018 after which all of UP's Palm Oil Mills in Malaysia will be equipped and will operate this technology that will benefit the environment.

Conservation of jungle reserves and promoting biodiversity remains of key importance to the UP group. In this respect it continues to be our view that conservation means development as much as it does conservation and that all growers should strive towards reaching this balance.

Herein, I am delighted that our collaboration with Copenhagen Zoo which was initiated in 2007 and officially established in 2010, continues to develop positively with many success stories arising from the hard work, research and studies undertaken to date.

The commitment and skills introduced via Copenhagen Zoo have been extremely fulfilling and helped our Group move towards a professional and dedicated management of our more than 7,500 Ha jungle reserves.

Today, our Biodiversity team more than ever is responsible for mainstreaming environmental concerns into standard operating procedures and whilst there is much to be done, pleasing progress is being made as detailed in this report.

Community

We recognise that we are part of a global community, and that we therefore have an obligation to bring about positive change to the lives for the families of our employees and our local communities.



A community project.

In that connection, we shall keep striving to play a positive role in and around the locations where we operate by first and foremost taking ownership of problems that arise.

Amongst others we intend to do so by engaging and working closely with local communities in our efforts to uplift their living standards and to offer business and employment opportunities to interested parties wherever possible, thereby contributing to the wealth, resources and expertise to local economies and in particular, surrounding communities.

Through respect and engagement with local communities and community leaders in Indonesia we have seen positive developments in alleviating conflicts relating to land rights, which are handled in an amicable and transparent manner through proper grievance procedures and in line with the spirit of the RSPO which is described further in the report. Furthermore, continuous improvements were made during 2017 to maintain the highest possible welfare standards for our workforce and to ensure high standards of educational facilities provided for their children.

This naturally includes the continuous review and upgrading of our housing facilities provided to our employees, be this guest workers or local employees. Several new spacious houses were built in 2017 with more to come this year both in Malaysia and Indonesia. We believe that in order for any business to develop fruitfully one must commit oneself to a long-term perspective and shun short-termism. Only by committing oneself to this and taking ownership can one conceptualise the true spirit of creating shared values (CSV) which is a fundamental step towards forming a sustainable and successful business.

Marketplace

UP recognises the importance placed by our customers and consumers on food safety, product quality and traceability of the supply chain. Full traceability demonstrates that we are in control of our operations and that our supply of palm oil is safe.

This has opened up market opportunities amongst reputable brand manufacturers and retailers globally who view favourably the assurances of sustainable and traceable palm oil which we have been able to offer customers. During 2017, we have established a total



A fleet of tankers waiting in queue to load Unitata's products.

overview of our supply chain and for our up-stream operations, we can identify the plantation from which fresh fruit bunches (FFB) are derived from and the palm oil mills from which the Crude Palm Oil and Palm Kernels are produced.

This supply chain has been mapped out to ensure traceability and food safety and to focus on a structured approach should any grievances be raised by our stakeholders.

For our down-stream operations, we have also mapped our supply chain and whilst all our palm oil can be traced back to the plantations the main portion of the palm kernel oil which we use can only be traced back to the palm kernel crushing plants and palm oil mills.



High quality cooking oil produced at our Unitata Refinery, ready for consumer use.

To trace all the palm kernel oil back to the plantations is still a challenge and is a process that will be pursued further in the coming years. Whilst we acknowledge that we have come a long way in our sustainability journey, we are also aware that there are many challenges ahead which we will have to meet.

The points I have touched on above serve only as highlight to this report, and will be further elaborated upon in the following pages. (pages 29-171)

Finally, I thank you for your interest in our sustainability efforts and hope you will find our journey interesting. I would also like to thank our Board of Directors for their continuous support, guidance and interest in this report as well as all our stakeholders including NGOs for their active and valuable participation and inputs that have been of much value to our Group.

With the continuous commitment by our group including an active participation by all our stakeholders, I am confident that we will be able to face most challenges ahead of us as we keep moving forward with our sustainability commitments.

Dato' Carl Bek-Nielsen
Chief Executive Director (CED)

The UP Legacy And Values



*Aage Westenholz,
Chairman and Founder of UP Ltd (1906-1935)*

UP's commitment to sustainable agriculture originated with its founder, a Danish Engineer & Entrepreneur, Aage Westenholz who established UP in 1906.

Westenholz not only promoted a strong culture of innovation and an imaginative approach to business strategy but also of ethical conduct within plantation agriculture.

He was known for his philosophical ideals of co-operative working and profit sharing and promoted the following concept: "capital and labour ought to co-operate as two hands on the same body guided by one brain."

Westenholz was also known for setting the highest standards for the workforce, within the conditions of the day, and had as early as 1928 established a well-functioning hospital with good facilities and medical personnel to cater for the needs of the employees and their families as well as the communities surrounding the estates.



Group Hospital 1928



*Commander William Lennart Grut,
Chairman of UP Ltd (1935-1949)*

Another key figure during the foundation of UP was Westenholz's brother in-law, a navy officer, Commander William Lennart Grut. The two stalwarts, Westenholz and Grut not only linked together in kinship, also shared common values of Vision, Compassion and Discipline and introduced the first jungle sanctuary (The Grut Sanctuary) as well as the concept of mulching to maintain soil fertility in the 1930's.

The focus on innovation and care for employees combined with ethical values laid down by our pioneers signifies the beginning of UP's early focus on Corporate Social Responsibility (CSR) which has become a part of the Company's DNA and emphasises the responsibility to manage our resources resourcefully and engage in activities that optimize returns for our shareholders and at the same time Creating Shared Value (CSV) for our employees and the society we operate in.

The central premises behind CSV are that the competitiveness of our Company and the health of the communities around us are mutually dependent, thus enabling UP to create economic value by also creating societal value.

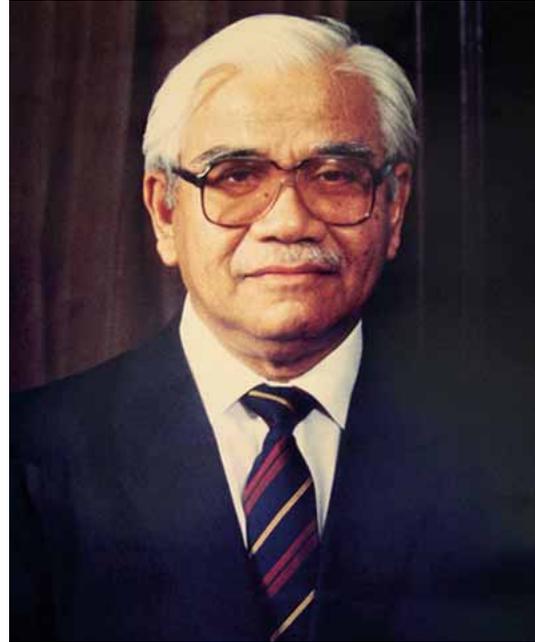


Corporate Social Responsibility and Creating Shared Value

Building Bridges Between Two Nations



*Tan Sri Dato' Seri B. Bek-Nielsen,
Chairman (1978-1982) and
Sr. Executive Director of UPB (1971-2003)*



*Tan Sri Haji Basir bin Ismail
Chairman of UPB (1982-2002)*

The late Tan Sri B. Bek-Nielsen who started his career with UP in 1951, continued the legacy of the early founders through hard work, discipline and being firm but fair throughout his career spanning more than 50 years.

He was instrumental in expanding the Group through technical as well as agronomic innovation focusing on producing palm oil of superior quality.

In 1982 the late Tan Sri Haji Basir took over the chairmanship of UP and together with the late Tan Sri B. Bek-Nielsen ensured that a solid bridge between two Nations, Denmark and Malaysia, was galvanised further.

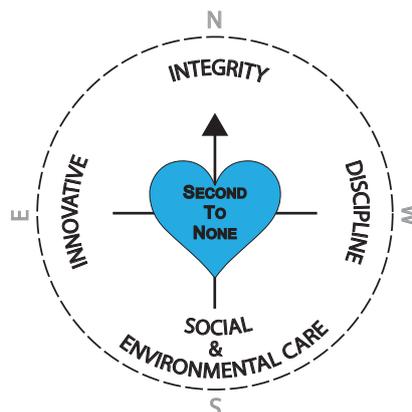
Through this close collaboration the two stalwarts ensured that UP progressed into an internationally recognised Group.

Over the last 112 years since our foundation, UP has been focusing on maintaining social and environmental awareness and striving to the best of our abilities to create a balance between economy and ecology.

This focus resulted in UP being awarded the world's first Roundtable on Sustainable Palm Oil certificate in 2008.

UP firmly believes "That no one person at the top is stronger than the pyramid of people who supports him or her". Emphasis on the attitude of continuous improvement combined with the values of Integrity, Discipline, being Innovative and focusing on Social and Environmental care are key aspects of UP's unique culture which is best described through our motto "Second to None".

Our Core Values



Our company's unique culture is best described through our motto "Second to None"



The United Plantation's Museum, a hidden gem of historical artifacts.

The UP Museum

In order to safeguard UPs' rich heritage and as a tribute to the Company's founders and the different generations of employees and their families, suppliers, customers, surrounding communities and others associated to United Plantations in one way or another, the Museum evolved.

The UP Museum had its inception in 2006 in conjunction with United Plantations Centennial celebrations and was officially opened by her Royal Highness Princess Benedikte of Denmark on the 15th September 2006.

The Museum is located modestly in the midst of Jendarata Estate on the grounds of the first Registered Office of the Company and is a institution that houses and cares for a collection of pictures and stories as well as artifact and other objects of historical importance, and is truly a repository of the rich culture of UP encompassing various paraphernalia and memorabilia of the past. During 2017 an upgrade of the UP Museum with new ceiling and lightings have been put in place.



Concrete crusher & portable boiler circa 1930s



Oil palms pollination equipment



Calculators circa 1950s



Hand Pumps circa 1930s

Awards and Recognitions

2003	<ul style="list-style-type: none"> ✓ KPMG Shareholder Value Award. ✓ Best Commercial Nursery Award from MPOB. ✓ Approved supplier to Swiss Supermarket chain, MIGROS based on their criteria on sustainable palm oil by ProForest Consultants (U.K.)
2004	<ul style="list-style-type: none"> ✓ Winner of the highest OER in the Northern Peninsular Region to Jendarata Engineering Department by MPOB. ✓ Winner of MPOB's Milling Certificate of Competency -96%-UIE(M) Sdn. Bhd. ✓ The Malaysian Government's Award – Winner of the National Most Caring Plantations Employer Award by the Ministry of Human Resources, Malaysia. ✓ Winner of the National Occupational Safety & Health Award to Jendarata Estate by the Ministry of Human Resources, Malaysia.
2005	<ul style="list-style-type: none"> ✓ Winner of the Palm Oil Mill Industry Mill Practices and Innovation to Ulu Bernam Engineering Department by MPOB.
2006	<ul style="list-style-type: none"> ✓ Second Prize winner in the 2004 Corporate Governance Survey from the Minority Shareholders Watchdog Group (MSWG).
2007	<ul style="list-style-type: none"> ✓ Certificate of Excellence Award for Occupational Safety and Health in the Agriculture Category 2006.
	<ul style="list-style-type: none"> ✓ Prime Minister's Hibiscus Award 2006/2007 for Notable Achievement in Environmental Performance.
2008	<ul style="list-style-type: none"> ✓ Joint winner (with Shell Malaysia) for the Malaysian Business Corporate Social Responsibility (CSR) Award 2007 for Environmental Performance.
	<ul style="list-style-type: none"> ✓ RSPO Certification –The world's first certified producer of sustainable palm oil by the Roundtable on Sustainable Palm Oil (RSPO).
	<ul style="list-style-type: none"> ✓ Special Award in the Corporate Governance survey 2008 conducted by the Minority Shareholder Watchdog Group in collaboration with the Nottingham University Business School.
	<ul style="list-style-type: none"> ✓ MPOB Award for the highest Oil Extraction Rate (OER) in Peninsular Malaysia and the 2nd highest in Malaysia 2007 to Jendarata Palm Oil Mill by MPOB.
2009	<ul style="list-style-type: none"> ✓ Winner of the Best Managed Estate (Jendarata Estate) by MICCOS (Malaysia International Commodity Conference & Showcase).
	<ul style="list-style-type: none"> ✓ KPMG Shareholder Value Award 2008 for 2nd Place Winner under the Agriculture and Fisheries Sector
2010	<ul style="list-style-type: none"> ✓ KPMG Shareholder Value Award for Winner and Sectorial Winner under the Agriculture and Fisheries Sector.
2011	<ul style="list-style-type: none"> ✓ Winner of the Commodity Industry Award 2011 (Corporate Social Responsibility Category) to Jendarata Estate by the Malaysian International Commodity Conference & Showcase (MICCOS).
	<ul style="list-style-type: none"> ✓ Winner for National Excellent Occupational Safety and Health Award 2011 (Agricultural Category) by the Ministry of Human Resources, Malaysia.
2013	<ul style="list-style-type: none"> ✓ Awarded 3rd placing out of 144 companies under the Best Corporate Social Responsibility Initiatives (CSR) category by the Edge Billion Ringgit Club.
2014	<ul style="list-style-type: none"> ✓ Awarded 2nd placing out of 178 companies under the Best Corporate Social Responsibility Initiatives (CSR) category by the Edge Billion Ringgit Club.
2016	<ul style="list-style-type: none"> ✓ Winner for the Best Corporate Social Responsibility Initiatives (CSR) category by the Edge Billion Ringgit Club (Below RM10 billion market cap).
2017	<ul style="list-style-type: none"> ✓ Awarded 3rd placing out of 184 companies (Plantations)-Sectoral award based on two financial performance indicators by the Edge Billion Ringgit Club: <ul style="list-style-type: none"> - Highest Return on Equity over three years - Highest Return to Shareholders over three years
	<ul style="list-style-type: none"> ✓ RSPO NEXT Certification - (World's second RSPO NEXT Certification and the first for Asia Pacific and Africa)
	<ul style="list-style-type: none"> ✓ Awarded the ACCA MaSRA Commendation Award for Biodiversity.

Governance Structure

Effective governance and robust risk management policies and procedures combined with our core values are key for achieving long term success.

The Board of Directors of UP is responsible for approving the direction and overall strategy for the UP Group as well as monitoring management’s progress in connection with the Group’s financial objectives and strategic priorities.

The Board receives a formal Sustainability Report at least once a year before it is reviewed and approved for release to the shareholders and public. In relation to UP’s overall sustainability objectives, targets and priorities, the Board of Directors has delegated responsibility to the Executive Committee (EXCOM) headed by the Chief Executive Director (CED).

The Executive Committee reviews and approves UP’s sustainability objectives and monitors progress and sustainability developments within the Group.

The CED and EXCOM are assisted by the Group Sustainability Committee (GSC) which is chaired by the CED.

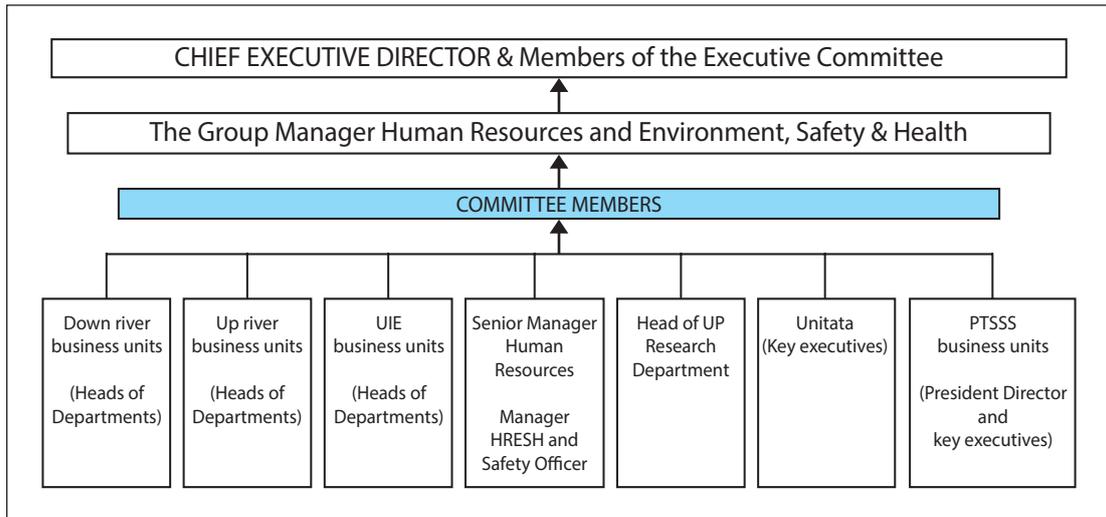
There is also the Group Sustainability Reporting Team (GSRT) headed by Mr. Martin Bek-Nielsen, Executive Director, Finance & Marketing and includes key personal from Finance, Research, HR & Environment, Safety & Health, Share Registrar and Marketing.

The GSRT collates all the information from GSC, stakeholders’ responses and prepares the Sustainability Report.

Sustainability Governance Management Structure



Group Sustainability Committee



Sustainability matters have been a subject close to the heart of UPB. Officially established in 2003, the GSC (formerly known as Operations and Environment Management Committee) provides policy direction on strategic leadership on UP’s Sustainability agenda, identifies our Group’s most material issues in relation to risks and opportunities and monitors progress against targets set by the CED and EXCOM on a bi-annual basis.

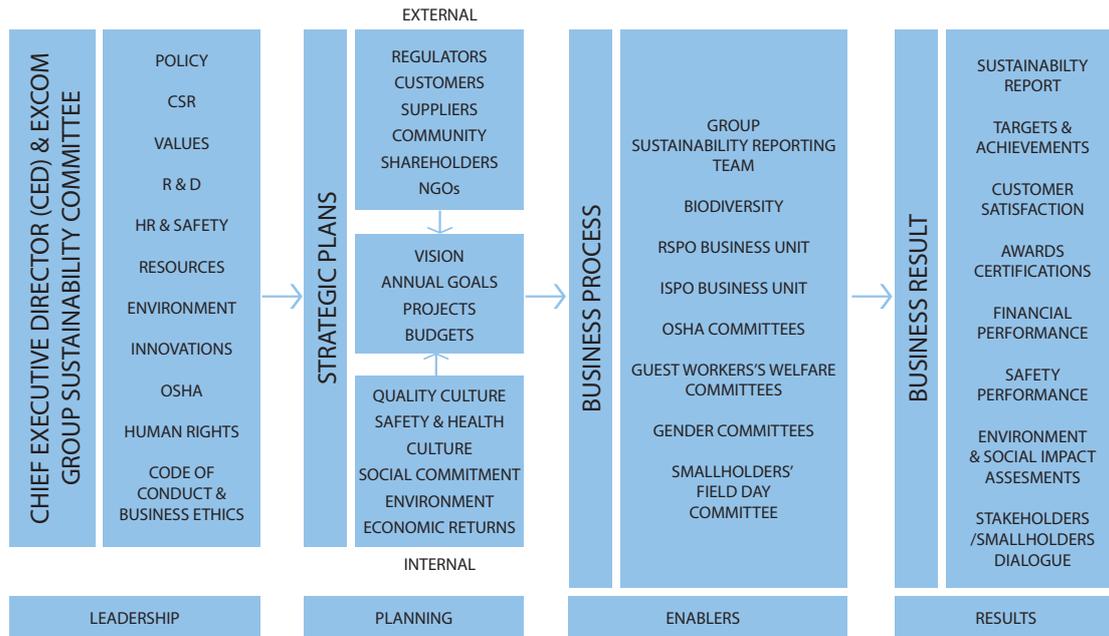
Since the Sustainability Report became mandatory in 2016, Mr. Martin Bek-Nielsen has been briefing the Board, CED and EXCOM on the work of the GSRT and sustainability issues at every official meeting held since July.

Sustainability is also a key aspect in the Group’s Risk Management Structure which assesses various sustainability issues and developments in its annual Risk Assessment and Management process.



The Group Sustainability Reporting Team at one of their meetings.

Group Sustainability Systems Framework (GSSF)



UP's Group Sustainability Systems Framework (GSSF) is the system through which its commitment to environment and sustainable development including social and occupational safety & health matters are formalized. It is based on four key focus areas as follows:

Leadership of the Group Sustainability Committee is at the highest level of the company and is spearheaded by the Chief Executive Director Dato' Carl Bek-Nielsen. This committee provides policy directions on environment and sustainable development, occupational safety and health, allocation of resources and communications.

Planning encompassing external and internal needs that are formulated through the company's vision, policies, goals, projects and budgets.

Enablers are various sub-committees and teams that ensure the adoption of environment and operational practices that are in line with current best practices and policies.

The RSPO Business Units and the various sub-committees are enablers of the GSSF and ensure that the environmental and operational policies are implemented. They are guided amongst others by the RSPO's Principles and Criteria and following Manuals and SOP's :

- 1) RSPO Principles and Criteria
- 2) Field Management Manual
- 3) Standard Operating Procedures – Oil Palm Field Practices

- 4) Standard Operating Procedures – Palm Oil Mill operations
- 5) Occupational Safety and Health and HIRARC Manual
- 6) Environment & Social Impact Assessments and its Management & Monitoring Plans
- 7) High Conservation Value, High Carbon Stock Assessments and its Management & Monitoring Plans
- 8) ISO9001:2008, HACCP and Quality Manual for Unitata Refinery

Results are measured through customer satisfaction, safety performance, financial performance environment protection and management and certifications.

The Group's Internal Audit Function, together with the Group's Sustainability Division carries out audits on various sustainability issues and areas throughout the year to ensure compliance to the Group's sustainability policies and procedures.

Targets and Achievements

Our targets and achievements drive us to continuously improve. In this report, we provide information about our progress of targets and achievements. They include targets in the areas of Certifications, Biodiversity, Climate Change, Community, Employees, Legal Compliance and Economics and others. The targets and the achievements to date provide an overview of our goals over a period of 3 years up to 2019.

Targets and Achievements
(GRI 102-15)

Objectives	Targets Achieved To date	Target 2017	Status of Target in 2017	Target for 2018	Target for 2019	Addressed by Specific Material Sustainability Matter	Page Reference
Target 1 : Employees							
No child labour (under the age of 18 years, or as per local regulations)			No breaches in compliance reported or observed in external and internal audits			Human & Workers' Rights	67
No forced or trafficked labour in our operations			No breaches in compliance reported or observed in external and internal audits			Human & Workers' Rights	67
No retention of Guest workers' passports		To construct a room with individual passport lockers in Jendarata Est. Div 2 to facilitate free access to their passports without any restrictions	Achieved	Since its construction and evaluation, the Company has decided to replicate the construction of passport lockers in other estates in stages.		Human & Workers' Rights	68
Phasing out of Paraquat	No Paraquat usage policy 2010		Achieved in 2010				81
No work-related fatalities		Zero fatality	Achieved	Zero fatality	Zero fatality	Occupational Safety & Health	82
Reduce Lost Time Injury Frequency Rate (LTFR) below 2014 levels. (12.27)		Introduce a behavioural safety approach	Continuous Improvement (LTFR 9.04) Achieved 26% lower LTFR from our 2014 levels			Occupational Safety & Health	82
To live up to the UN Guiding Principles on Business And Human Rights	Human Rights Policy 2013 Guest Workers Policy 2014	To complete group wide re-training	Achieved	To establish United Plantations Information Centre in Bangladesh		Human & Workers' Right	67

Objectives	Targets Achieved To date	Target 2017	Status of Target in 2017	Target for 2018	Target for 2019	Addressed by Specific Material Sustainability Matter	Page Reference
Target 2 : Environment (Biodiversity)							
Monitoring and management of HCV, SEIA and conservation areas.	2008		Ongoing monitoring and maintenance of the flora and fauna			Biodiversity & Conservation	86-96
Established the Kingham-Cooper Tree Species Reserve at UIE Estate.	2008		Ongoing monitoring and maintenance of the flora and fauna			Biodiversity & Conservation	100
UP and Copenhagen Zoo established a partnership with UP including establishing a Biodiversity Department	2010		Ongoing partnership			Biodiversity & Conservation	88
Research on raising predators in the Insectary	2012		Ongoing research			Biodiversity & Conservation	86-96
No new oil palm development without RSPO NPP –protocols.	2014		We will comply with RSPO NPP for all future new oil palm plantings			Biodiversity & Conservation	102
Research on Rat control by Leopard cats in collaboration with Copenhagen Zoo	2014		Ongoing research			Biodiversity & Conservation	130
Monitoring and management of HCS	2014		Ongoing monitoring and maintenance of the flora and fauna			Biodiversity & Conservation	102

Objectives	Targets Achieved To date	Target 2017	Status of Target in 2017	Target for 2018	Target for 2019	Addressed by Specific Material Sustainability Matter	Page Reference
Target 3 : Environment (Climate Change)							
Installation of Biomass Reciprocating Boilers	Jendarata Palm Oil Mill in 2006 and Ulu Basir Palm Oil Mill in 2014	Ulu Bernam (Optimill) and Jendarata Palm Oil Mills	Achieved	UIE Palm Oil Mill		GHG Emissions, Discharge & Waste Management	112
No new development of peatland.	2010		Ongoing			GHG Emissions, Discharge & Waste Management	123
Install methane capture in all palm oil mills	2013	Biogas Plant at the Optimill site	Achieved			GHG Emissions, Discharge & Waste Management	112
Measuring GHG emissions for all palm oil operations (33%) reduction since 2004 (achieved in 2015) (ILUC including conservation)	2015	1.31 kg CO ₂ -eq/kg NBD Oil	The results were 1.58 kg CO ₂ -eq/kg NBD Oil Despite the higher yield the benefits from the new methane capture and biomass boiler facilities started too late to influence the whole year's outcome.	1.18 kg CO ₂ -eq/kg NBD Oil	1.18kg CO ₂ -eq/kg NBD Oil Reduction of UP Carbon Footprint per MT of NPD oil produced by 50% when compared to 2004 levels. (ILUC including conservation)	GHG Emissions, Discharge & Waste Management	110
To measure the total GHG emissions per year for the UP Group			Ongoing			GHG Emissions, Discharge & Waste Management	131
Conversion of conventional lightings to T5 lights with the potential savings in power consumption by 78 %	2015		Ongoing			GHG Emissions, Discharge & Waste Management	110
To supply electricity to the National Grid derived from the biogas plant at UIE Palm Oil Mill	Export to national grid Achieved in 2016 (Nil flaring)		Ongoing			GHG Emissions, Discharge & Waste Management	112
Monitoring and control of fire across our estates and neighboring areas with adequate firefighting capacity.	Two fire engines and other related equipment for PT SSS purchased.		Monitoring and control ongoing			GHG Emissions, Discharge & Waste Management	83

Objectives	Targets Achieved To date	Target 2017	Status of Target in 2017	Target for 2018	Target for 2019	Addressed by Specific Material Sustainability Matter	Page Reference
Target 3 : Environment (Climate Change)							
Monitoring of fire hot spots		Monitoring of fire hot spots from Global Fire Watch under the WRI Global Forest Watch Tool as monitoring aids.	Ongoing			GHG Emissions, Discharge & Waste Management	83
Installation of VORSEP System at Palm Oil Mills to reduce dust emission	Ulu Basir installed in 2015	Ulu Bernam (Optimill), Jendarata and UIE Palm Oil Mills	Ulu Bernam (Optimill) and Jendarata Palm Oil Mill installed	UIE Palm Oil Mill		GHG Emissions, Discharge & Waste Management	112-113
Water Footprint-reduction by 5% compared to 2015 level of 80 gallons per capita by 2018		60 gallons / capita/day	Malaysian Operation: 58 gallons/capita/day Indonesian Operation: 66 gallons/capita/day	60 gallons / capita/day	60 gallons / capita/day	GHG Emissions, Discharge & Waste Management	121-122
Target 4 : Community							
PLASMA-schemed smallholders to establish in PTSSS (20% of Company's planted area in Indonesia i.e. 1770 Ha)		450Ha	500Ha Achieved Total to date 1285.13ha	500Ha		PLASMA Development	146
All community based land conflicts to be addressed in a structured and transparent manner		To address land conflicts according to our established land dispute settlement procedure and to reduce number of cases	Ongoing			Free Prior Informed Consent & Grievance Resolution	136

Objectives	Targets Achieved To date	Target 2017	Status of Target in 2017	Target for 2018	Target for 2019	Addressed by Specific Material Sustainability Matter	Page Reference
Target 5 : Legal Compliance							
Hak Guna Usaha (HGU) permits for UP's land concession (18,663Ha) under PT SSS in Indonesia as per the President of the Republic of Indonesia decree 104, 2015 dated 28 Dec. 2015.	2508.47Ha hectares in Lada Estate obtained in 2005	2000 Ha	SK HGU for 6004.15 Ha obtained.	To further achieve objective	To fully achieve objective	Code of Ethic & Governance	63
Target 6 : Economics							
<u>Malaysia</u>						Product Quality	18
FFBYield Per Hectare		24.53	24.78	25.11			
Oil Extraction Rate		22.33	21.46	21.98			
CPOYield Per Hectare		5.48	5.34	5.52			
<u>Indonesia</u>						Product Quality	18
FFBYield Per Hectare		23.96	22.56	23.68			
Oil Extraction Rate		25.48	23.29	25.50			
CPOYield Per Hectare		6.11	5.25	6.04			

Objectives	Targets Achieved To date	Target 2017	Status of Target in 2017	Target for 2018	Target for 2019	Addressed by Specific Material Sustainability Matter	Page Reference
Target 7 : Certifications							
Migros Sustainability Criteria Audit conducted by ProForest	2003					Certification for Food Safety, Sustainability and Others	39 56
World's first RSPO Certification for all 6* oil mills in Peninsular Malaysia	2008					Certification for Food Safety, Sustainability and Others	58
Achieve RSPO re-certification for all 4 oil mills in Peninsular Malaysia	2013		4 oil mills in Peninsular Malaysia have achieved RSPO Re-certification (3rd Cycle)	ASA 1 for 4 oil mills in Peninsular Malaysia	ASA 2 for 4 oil mills in Peninsular Malaysia	Certification for Food Safety, Sustainability and Others	58
RSPO P&C –PTSSS (Lada Oil Mill)		RSPO & ISPO P&Cs certification of Lada Palm Oil Mill	In progress	RSPO & ISPO Certification for the balance of Lada Palm Oil Mill's supply bases (HGU achieved areas)	RSPO & ISPO Certification for the balance of Lada Palm Oil Mill's supply bases (HGU achieved areas)	Certification for Food Safety, Sustainability and Others	58
RSPO P&C – PTSSS (PLASMA) 1770.00ha		1050ha	In progress 1285.13 Ha	500 Ha		Certification for Food Safety, Sustainability and Others	58
RSPO NEXT		Jendarata Palm Oil Mill and UIE Palm Oil Mill and their supply bases	Achieved (World's second RSPO NEXT Certification and the first for Asia Pacific and Africa)			Certification for Food Safety, Sustainability and Others	58
MSPO Certification of the 4 Palm Oil Mills in UP Malaysia				To seek certification for the 4 Palm Oil Mills in UP Malaysia			60
External Assurance on Sustainability Report			Obtained third party limited assurance on selected information disclosed in the Sustainability Report 2017	To seek third party limited assurance on our sustainability report 2018		Certification for Food Safety, Sustainability and Others	30 170-171

* UP has got 4 palm oil mills in Malaysia today as 2 of the mills have been decommissioned due to consolidation.

Objectives	Targets Achieved To date	Target 2017	Status of Target in 2017	Target for 2018	Target for 2019	Addressed by Specific Material Sustainability Matter	Page Reference
Target 7 : Certifications							
Unitata – ISO 9001	1995	Annual certification	Achieved	Annual certification	Annual certification	Certification for Food Safety, Sustainability and Others	150
Unitata – HACCP	2003	Annual certification	Achieved	Annual certification	Annual certification	Certification for Food Safety, Sustainability and Others	150
Unitata – Halal	2004	Annual certification	Achieved	Annual certification	Annual certification	Certification for Food Safety, Sustainability and Others	150
Unitata – KOSHER	2005	Annual certification	Achieved	Annual certification	Annual certification	Certification for Food Safety, Sustainability and Others	150
Unitata – BRC	2008	Annual certification	Achieved	Annual certification	Annual certification	Certification for Food Safety, Sustainability and Others	150
Unitata – RSPO SCCS	2010	Re-certification	Achieved	Annual certification	Annual certification	Certification for Food Safety, Sustainability and Others	150
Unitata – GMP	2014	Annual certification	Achieved	Annual certification	Annual certification	Certification for Food Safety, Sustainability and Others	150
Unitata – MESTI	2014	Annual certification	Achieved	Annual certification	Annual certification	Certification for Food Safety, Sustainability and Others	150
Unitata – MPCA	2014			Bi-annual certification		Certification for Food Safety, Sustainability and Others	150
Unitata – FDA	2008	Annual Renewal	Achieved	Annual Renewal	Annual Renewal	Certification for Food Safety, Sustainability and Others	150
Unitata – GMP + B2	2017	To seek certification	Achieved	Annual certification	Annual certification	Certification for Food Safety, Sustainability and Others	49

Stakeholder Engagement (GRI 102-15, GRI 102-21)

At United Plantations, we recognise that stakeholder engagement, assessment and feedback are an integral part of our global sustainability strategy and initiatives.

The stakeholder groups which are key to our operations and which have significant influence over the impacts of our business are carefully identified and are engaged at various platforms and intervals throughout the year.

The stakeholder engagement process which includes a proactive and both formal and

informal approach, is carried out to fully understand their sustainability concerns and issues with a view to ensuring that their key interests in these areas are aligned with that of our Group.

We are continuously improving our stakeholder engagement approach which is now evolving into more tailored and targeted engagement sessions with our stakeholders and the following pages provide an overview of the efforts involved in our group's focus on stakeholder engagement.



United Plantations engages with several hundred guests every year who visit our premises. During this visit on the 13th December 2017, UP had the pleasure in welcoming His Excellency Mr. Jesper Vahr, Danish Ambassador, Her Excellency Mrs. Ane Vahr and Ms Nina Hvid Talvela from the Danish Embassy of Malaysia.

Overview of Stakeholder Engagement
(GRI 102-40, GRI 102-42, GRI 102-43)

Stakeholder Group	Specific stakeholders addressed	Type of engagement	Frequency	Areas of interest	Outcomes	Addressed by specific Material Sustainability Matters *	Page Reference
Shareholders & Investors	Shareholders both in Malaysia and in Denmark	<ul style="list-style-type: none"> Engagement survey Annual General Meetings Analysts briefings 	<ul style="list-style-type: none"> At least once a year Once a year Twice a year 	Pollution, carbon footprint, preservation of the ecosystem, sustainable agricultural practices, consistent profitability and dividends from the company, maximisation of shareholder value, employee welfare and equal rights.	Good relationship with shareholders and positive reputation amongst investors, constructive feedback	2 3 4 5 7 8 10 12 19	64 67 72 81 86 102 121 124 153
Customers	Major consumer goods manufacturers, Refineries, and end consumers	<ul style="list-style-type: none"> Engagement survey One-to-one meetings Visits to Estates, Mills and our Refinery 	<ul style="list-style-type: none"> At least once a year Periodic Periodic 	No deforestation, and open burning, Reduction of carbon footprint, Price competitiveness, product quality and food safety, employee welfare, development and improvement of sustainable supply chain of products	Better awareness of UP Group’s commitment to sustainability, and better understanding of our policies, culture and values	7 9 17 18 19 20 21 22	86 110 140 150 153 155 156 156
Employees	Executives, staffs and workers	<ul style="list-style-type: none"> Annual employee survey, Operations and Environment Management Committee meeting Gender committee meetings, Guest Workers’ Welfare Committee Occupational Safety & Health Committee Internal trainings 	<ul style="list-style-type: none"> Once a year Once a year Four times a year Six times a year Four times a year Periodic 	Pollution, Chemical and pesticide usage, environmental care, commensurate remuneration, employee social and welfare care, equal rights, safe and sustainable agricultural practices, health and safety at work, employment opportunities for locals, CSR and sustainable programs	Improved understanding of company policies and efforts taken to date, Inclusiveness in the management decision making	1 2 3 4 5 6 7 8 9 10 11 12 19	63 64 67 72 81 83 86 102 110 121 123 124 153

* Please refer to Summary of Materiality Matters (22 Key Sustainability Issues) on page 55.

Stakeholder Group	Specific stakeholders addressed	Type of engagement	Frequency	Areas of interest	Outcomes	Addressed by specific Material Sustainability Matters *	Page Reference
Small holders & Local communities	Small holders surrounding and near our operations in Malaysia and Indonesia	<ul style="list-style-type: none"> Annual Small holders' Field Day and Town-Hall style meetings, One-to-one communications 	<ul style="list-style-type: none"> At least once a year Periodic 	Sharing of sustainable agricultural practices and advice and training in best agronomic practices and solutions, social activities which benefits small holders and local communities, Solving common grievances, Free Prior Informed Consent, Pollution, waste management, communication and cooperation, and job opportunities for the locals	An opportunity to sustainably enhance the agricultural practices of small holders, amicable solution to grievances, better social relations with UP Group.	5	81
						6	83
						7	86
						8	102
						9	110
						10	121
						11	123
						12	124
						13	132
						14	136
						15	139
19	153						
20	155						
Government Agencies	DOSH, Labour Department, Indonesian local government, Indian High Commission	<ul style="list-style-type: none"> Engagement Survey One-to-one meetings 	<ul style="list-style-type: none"> Periodic As and when necessary 	Waste management, environmental protection, sustainable agricultural practices, job opportunities for local community, human and workers' and community rights and welfare, compliance to rules and regulations, land dispute resolution	An opportunity to share the Group's commitment, and policies and procedures to sustainable operations	3	67
						4	72
						6	83
						8	102
						9	110
						10	121
						11	123
						12	124
						13	132
						14	136
						15	139
Non-governmental organisations	SUHAKAM, TENAGANITA	<ul style="list-style-type: none"> One-on-one meetings Engagement surveys Direct correspondences via email and telephone conversations 	<ul style="list-style-type: none"> As and when necessary Once a year As and when necessary 	Climate change, pollution, protecting rights of indigenous people, human and workers' rights, product supply chain, being a transparent and caring employer	Better understanding of NGO's concerns and raised awareness of UP Group's sustainability commitments by NGOs	3	67
						4	72
						9	110
						13	132
						15	139
Suppliers	Suppliers of various inputs within the Group	<ul style="list-style-type: none"> Engagement survey One-to-one meetings 	<ul style="list-style-type: none"> Once a year Periodic 	Discharge and waste management, sustainable development, pollution, Impact to human health, climate change, biodiversity and conservation, prompt payment, cost effective solutions, customer relations, ethical business practices	Raised awareness of UP Group's sustainability commitments, better understanding of UP Group's business	1	63
						6	83
						7	86
						8	102
						9	110
						10	121
						11	123
						12	124
						19	153
						20	155

* Please refer to Summary of Materiality Matters (22 Key Sustainability Issues) on page 55.



Loaded FFB cages ready for sterilization.

Materiality

(GRI 102-15, GRI 102-46, GRI 102-47, GRI 103-1, GRI 103-2, GRI 103-3)

This report addresses key sustainability matters which have been identified after taking into consideration both the Group's view on significant environmental, economic and social aspects, impacts, risks and opportunities which are vital to the success and continued growth of the Group, and the views and responses from our stakeholders on pressing material issues.

In identifying the material sustainability matters, and opportunities, we have drawn information from various internal and external sources of information which include the views of the Group Sustainability Reporting Team within our organisation, stakeholders, industry groups, standards recommended by global and industry specific reporting bodies, such as the Roundtable for Sustainable Palm Oil (RSPO) and the Global Reporting Initiative (GRI) and existing peer literature.

As a result of the above mentioned exercise and evaluation of the Group's Sustainability Risks and Opportunities, we have this year identified 22 key sustainability issues under four main headers, namely Environment,

Employees, Community and Marketplace, which we have assessed as being of high concern to stakeholders and of high significance for our Group in 2017.

Data collected from various stakeholders are then analysed and used to create a materiality matrix which also includes the assessment on the significance of the identified key sustainability matters and the prioritisation of stakeholders to the organisation. The resulting Materiality Matrix is as shown on the following page.

Material issues which have been identified are then assessed by the Sustainability Reporting Team to establish if there are policies and procedures in place to address and manage these issues, and if none, to ensure implementation plans are drawn up and presented to the management for follow up as part of the Group's sustainability commitment.

Quantifiable indicator data and targets are assigned where relevant and are communicated to our stakeholders via this Sustainability Report.

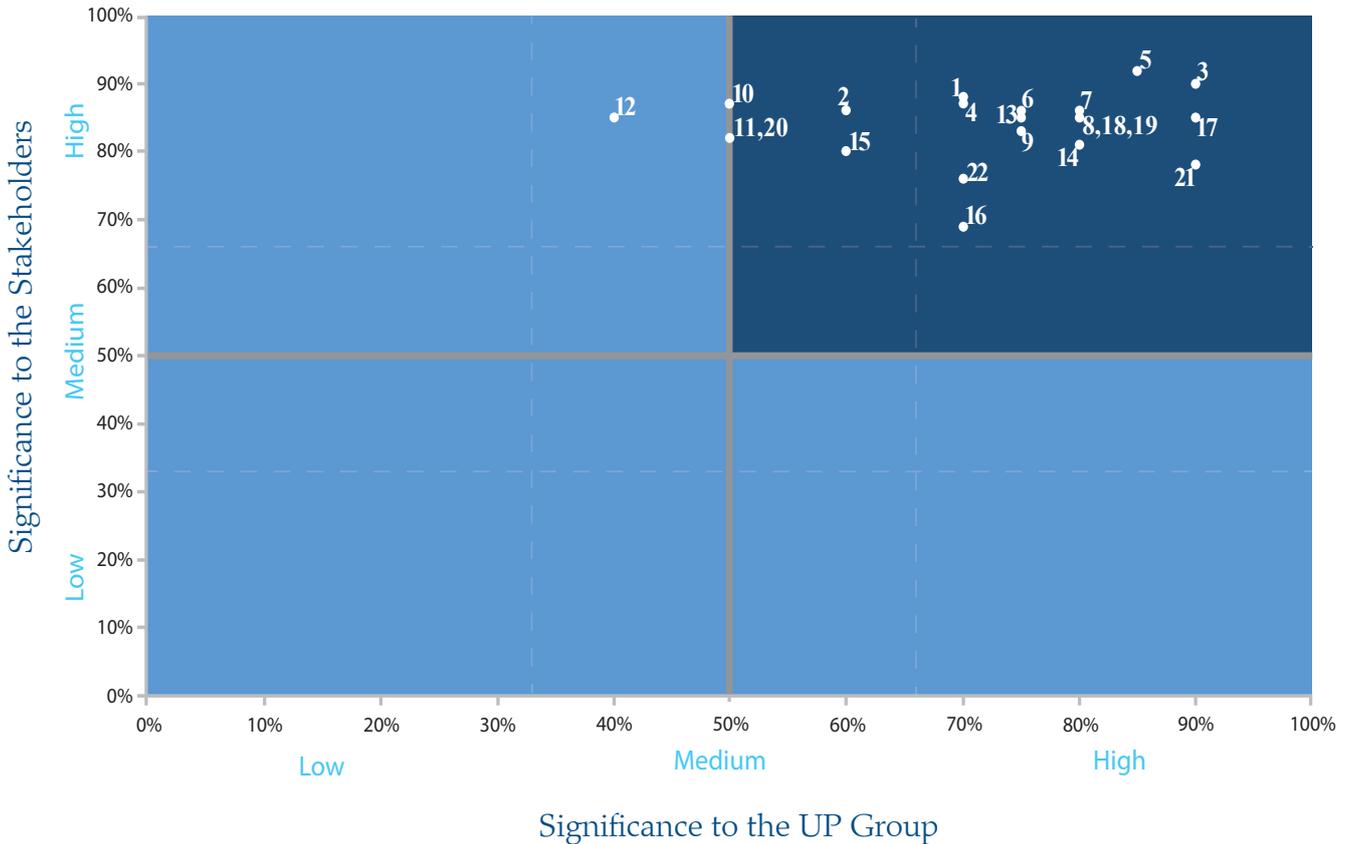


Group Sustainability Committee (GSC) Meeting chaired by Dato' Carl Bek-Nielsen.

Summary of Materiality Matters

22 Key Sustainability Issues	Stakeholder Groups
<ol style="list-style-type: none"> 1. Code of Ethics and Governance 2. Equal Treatment 3. Human and Workers' Rights 4. Social Care and Workers' Welfare 5. Occupational Safety & Health 6. Fire and Haze 7. Biodiversity and Conservation 8. Deforestation/High Carbon Stock 9. GHG Emissions, Discharges and Waste Management 10. Water Impacts 11. Peat Development 12. Pesticides and Chemical Usage 13. Community Welfare 14. Free, Prior and Informed Consent 15. Grievance Resolution 16. Plasma Development (for Indonesia) 17. Product Quality 18. Certifications for Food Safety, Sustainability and Others 19. Sustainability and Traceable Supply Chains 20. Evaluation of Suppliers/Contractors' Sustainability Commitment 21. Commodity Prices 22. Currency Fluctuation 	<ul style="list-style-type: none"> - Shareholders - Employees - Customers/Consumers - Local Communities /Smallholders - Government Agencies / Regulators - Non-Governmental Organisations (NGO) - Palm Oil Industry Group - Suppliers/Contractors

Materiality Matrix





UP and the Roundtable on Sustainable Palm Oil (RSPO)

The RSPO is a global, multi-stakeholder initiative formed in 2004 as a response to world's growing demand for sustainably produced palm oil.

The RSPO is a not-for-profit association that unites stakeholders from seven sectors of the palm oil industry: oil palm producers, processors or traders, consumer goods manufacturers, retailers, bank/investors, environmental and social non-governmental organisations (NGOs). The shared objective of these stakeholders is to develop and implement global standards for sustainable palm oil.

Global RSPO Members and Governance

The RSPO has 3,659 members worldwide who represent all stakeholders along the palm oil supply chain. The primary objectives of the RSPO is to promote a credible standard of sustainable palm oil production. All Members have committed to produce, source and/or use sustainable palm oil certified by the RSPO, in order to transform markets in order to make sustainable palm oil the norm.

The RSPO is managed by a member- elected board of governors comprising 16 members, designated by the General Assembly for a period of two years.

The RSPO Secretariat is based in Kuala Lumpur, Malaysia. The Secretariat is supported by the RSPO Indonesia Liaison Office (RILO), based in Jakarta.

Roundtable

"A round table is one which has no 'head' and no 'sides', and therefore no one person sitting at it is given a privileged position and all are treated as equals. The idea stems from the Arthurian legend about the Knights of the Round Table in Camelot." (Wikipedia)

Sustainable

"Capable of meeting the needs of the present without compromising the ability of future generations to meet their own needs." (The Brundtland Commission's definition).

The RSPO's Principles and Criteria and Certification

The RSPO has defined eight principles and thirty nine criteria and numerous indicators within economic, environmental and social areas, which must be followed and implemented in

order for palm oil producers to become RSPO certified. Only by being RSPO-certified by an independent auditor approved by the RSPO can producers claim that they produce, use and/or sell sustainable palm oil.

The RSPO is not born complete and it is important to understand that continuous efforts to improve and strengthen the Principles & Criteria is an ongoing process. In this connection, new accreditation requirements have been introduced in 2018 which increases the areas that the certification bodies will have to cover. Improving the competencies of the auditors and in general strengthening oversight by both the certification bodies and ASI (Accreditation Services International) are some of RSPO's goals going forwards.

These positive improvements as they are introduced will further minimise the negative impact of palm oil cultivation on the environment and communities in palm oil-producing regions embracing the right spirit of continuous improvement.

The Migros Criteria, ProForest and UP's involvement in the RSPO

Whilst UP has focused on responsible agricultural production for generations, our formal journey towards being recognized as a certified producer of sustainable palm oil commenced in September 2003 when we were audited by ProForest and became the world's first audited producer and processor of sustainably produced palm oil in accordance to the Swiss supermarket chain, Migros' principles and criteria on sustainable palm oil.

UP's role regarding the RSPO remain one of being active and in this connection, we are proud to state that our Company was one of the initial plantation signatories to the RSPO in 2004. Shortly after the establishment of the RSPO, UP was a part of the initial stakeholders' group involved in developing the principles and criteria to define sustainable palm oil.

In 2007, UP's in-house RSPO business units were formed. The RSPO business units are headed by the heads of the respective business units and overseen by the Group Manager, Human Resources and Environment, Safety and Health (HRESH). As capacity building, two additional officers joined the HRESH Department in 2017.

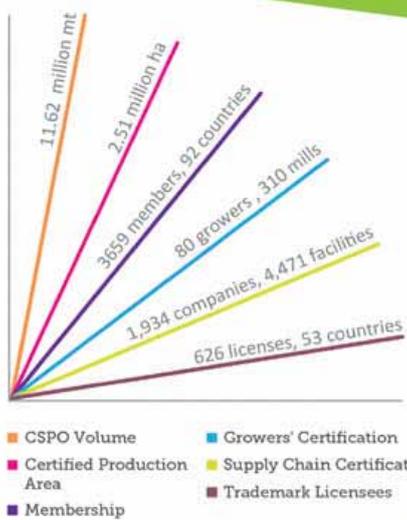


- ## 8 PRINCIPLES
- for growers to be RSPO certified
- 1 Commitment to transparency
 - 2 Compliance with applicable laws and regulations
 - 3 Commitment to long-term economic and financial viability
 - 4 Use of appropriate best practices by growers and millers
 - 5 Environmental responsibility and conservation of natural resources and biodiversity
 - 6 Responsible consideration of employees, and of individuals and communities affected by growers and mills
 - 7 Responsible development of new plantings
 - 8 Commitment to continuous improvement in key areas of activity

Transforming the market to make sustainable palm oil the norm

Source: RSPO website

RSPO WORLDWIDE IMPACT



+19%
of palm oil globally is certified by the RSPO

Transforming the market to make sustainable palm oil the norm



RSPO worldwide impact

Source: RSPO website

UP and the World's First RSPO Certificate in 2008

UP's entire oil palm plantations in Malaysia were successfully certified in accordance with the RSPO Principles and Criteria thus becoming the world's first producer of certified sustainable palm oil on 26 August 2008.

UP's RSPO certified sustainable production volumes

Our capability of supplying sustainably certified, traceable and high quality palm oil and palm kernel oil is an important part of our commitment to customers. Our total RSPO certified and traceable quantity available based on our own production was approximately 155,000 MT of palm oil and 37,500 MT of palm kernels in 2017.

All UP's Malaysian estates were certified in 2008, re-certified in 2013 and the third cycle recertification was achieved in 2017. For the new Indonesian Estates, UP had targeted to move towards RSPO and ISPO certification in 2017. This was achieved for part of our HGU area as our subsidiary in Indonesia underwent the RSPO and ISPO initial main assessment on the 11th to the 15th December 2017 and is awaiting issuance of the certificates. The Time Bound Plan for all the areas being certified will be in tandem with the hectareage issued with HGU certificates by the Government of Indonesia. This is expected by 2020. For our Plasma smallholders scheme, full certification is expected by 2020 subject to issuance of individual land certificates by the local government, which is in process.

UP and RSPO-NEXT Certificate in 2017

As a sign of our continuous commitment towards sustainable palm oil, UP has successfully received the world's second RSPO NEXT Certification and the first for Asia Pacific and Africa in October 2017 for Jendarata and UJE Palm Oil Mills and their respective supply bases. Environmental and social awareness is absolutely essential and UP will continue to support and promote the essentials of sustainable development through the RSPO. For 2018, we anticipate to have approximately 65,000 MT RSPO NEXT certificate of one MT each available for sale.

For more info on RSPO and RSPO NEXT please see www.rspo.org.

UP's involvement in the RSPO today

Today our CED, Dato' Carl Bek-Nielsen is the Co-Chairman of the RSPO Board of Governors representing the Malaysian Palm Oil Association's seat and thereby actively participating in and following important developments within the RSPO.

Global Palm Oil Production

In 2017 Global production of palm oil reached approximately 67.79 million MT and today it is the most used vegetable oil in the world, contributing to more than 31% of the global production of oils & fats. Palm oil is versatile and has numerous users. It is found in food products, soaps, detergents, cosmetics, plastics and over the last number of years also in biofuel production.



The PT SSS Team celebrating at the conclusion of the RSPO and ISPO audits during December 2017.

Key policies of RSPO NEXT:

NO DEFORESTATION

- Public no deforestation policy
- Start new plantations on low carbon stock areas only
- Set aside areas for conservation

REDUCTION OF GHG

- Monitor and reduce emissions across entire organisation
- Publicly report on progress

TRACEABILITY OF ALL FRESH FRUIT BUNCHES TO MILL

Including fruit bunches from associated and independent smallholders, dealers and other sources

RESPECT FOR HUMAN RIGHTS

- Paraquat is banned
- Capacity building for smallholders
- Decent Living Wage for plantation workers

NO FIRE

Expanded responsibility for fire prevention in and around plantations

NO PLANTING ON PEAT

Of any depth after 16 November 2015

RSPO NEXT
A SET OF ADVANCED ADD-ON CRITERIA FOR RSPO PALM OIL PRODUCERS

RSPO Roundtable on Sustainable Palm Oil

Eligibility to participate in RSPO NEXT :

ARE YOU A...

RSPO GROWER MEMBER
Are 60% of your mills and their supply base already P&C certified?

RSPO SUPPLY CHAIN MEMBER
Do you already buy 100% CSPO (Mass Balance, Segregated, Identity Preserved, Book&Claim Certificates)?

NOT RSPO MEMBER
Become RSPO member

Flowchart Logic:

- RSPO GROWER MEMBER:**
 - Yes: Do 30% of your mills and their supply base meet RSPO NEXT requirements?
 - Yes: Congratulations! You can now claim that you produce RSPO NEXT palm oil.
 - No: Sorry, you can't make a claim yet. Make sure that 30% of your mills and their supply base meet RSPO NEXT requirements to participate.
 - No: Sorry, you are not eligible yet. Continue P&C certification to become eligible.
- RSPO SUPPLY CHAIN MEMBER:**
 - Yes: Are you purchasing RSPO NEXT Credits equal to at least 20% of your CSPO/PK volume* AND have a program of measuring, reduction and reporting on GHG?
 - Yes: Congratulations! You can claim that you participate in RSPO NEXT.
 - No: Sorry, you can't make a claim yet, but keep buying the credits and soon you will be able to participate in RSPO NEXT.
 - No: Sorry, you are not eligible yet. Continue working towards 100% CSPO purchases to become eligible.

How to participate in RSPO NEXT

*Or 150.00 MT whichever is lesser

Supply outpacing RSPO certified demand

Whilst it is commendable that approximately 19% of the world production of palm oil is now certified by the RSPO it is unfortunately still a fact that the global uptake of RSPO certified palm oil is only around 50% of the supply, thereby outpacing demand. The RSPO certified oil not purchased will end up in the supply chain without being sold as certified sustainable palm oil, but just conventional palm oil sending a negative message to growers worldwide.

With the European reform on labelling introduced in December 2014 as well as significantly increased commitments from International Brand manufacturers to switch to Sustainable Palm Oil, mainly due to consumer demand and NGO pressure, it is anticipated that demand will start picking up going forward. This is viewed as important to ensure continuous support and commitment to the RSPO by sceptical producers including smallholders that would want a carrot to follow the strict principles and criteria of the RSPO.

With the principle of commensurate effort in mind, all stakeholders of the RSPO must therefore do their utmost to promote not only the production of RSPO certified palm oil, but also the offtake. This has been lacking for too long.

Indonesian Sustainable Palm Oil (ISPO) Certification

The Indonesian Government established a mandatory certification scheme in 2011, namely the Indonesian Sustainable Palm Oil Principles &

Criteria (ISPO) to ensure that all producers within a few years will have to live up to certain standards when operating in Indonesia. Being mandatory, producers in Indonesia will have to comply with the ISPO criteria and cannot hide behind the voluntary RSPO scheme as members only.

The ISPO standard includes legal, economic, environmental and social requirements, which largely are based on existing national regulations.

The ISPO main audit for our Indonesian Plantations has been conducted in 2017 for a part of our HGU area.

Malaysian Sustainable Palm Oil (MSPO) Certification

The Malaysian Sustainable Palm Oil (MSPO) standard is a national certification standard created by the Malaysian government and developed with input from stakeholders in the palm oil industry. First launched in November 2013, it officially came into implementation in January 2015.

Minister of Plantation Industries and Commodities Malaysia, Datuk Seri Mah Siew Keong had announced all plantations with RSPO certification shall comply with MSPO standard by 31st December 2018. "The move to make the compliance mandatory is not to penalize the stakeholders, instead it is aimed at upgrading the whole industry, he said, adding that the mandatory compliance was also a significant step towards branding local palm oil as sustainably produced and safe."

The MSPO main audit for our Malaysian Plantations will commence in the middle of 2018.



Mr. Edward Daniels, President Director, PT SSS inspecting a productive palm on Runtu Estate.



Beautiful scenic reflection of the setting sun at our Jendarata water reservoir.



Diligent female worker, Ibu Rosmiati gathering loose fruits in Lada Estate, Central Kalimantan.

Employees

(GRI 102-15, GRI 103-2, GRI 203-1, GRI 205-2)

The success and achievement of our Group is related to our employees, both past and present, who loyally through hard work, strong leadership, honesty and respect have committed themselves to serve and dedicate their career and livelihood at UP. Without our employees which are the Group's core assets, the success and stability of UP would not materialise.

1. Code of Ethics & Governance

Our commitment to adhere to ethical, honest and transparent business practices and governance.

Code of Conduct & Business Ethics

A key element in UP's sustainability framework is our Code of Conduct and Business Ethics. We implement responsible and ethical business policies and practices in all aspects of our operations.

Standard of Conduct

We conduct our operations with honesty, integrity and openness, and with respect for the human rights and interests of our employees. We shall similarly respect the legitimate interests of those with whom we have relationships.

Obeying the Law

Directors and employees of our Group are required to comply with the laws and regulations of the countries in which we operate. UP will promote and defend our legitimate business interests. UP will co-operate with governments and other organizations, both directly and through bodies such as trade associations, in the development of proposed legislation and other regulations which may affect our legitimate business interests.

Consumers

UP is committed to providing quality products and services which consistently offer value in terms of price and which are safe for their intended use. Products will be accurately and properly labelled, advertised and communicated.

Shareholders

UP will conduct its operations in accordance with internationally accepted ethics of good corporate governance. We will provide timely, regular and reliable information on our activities, structure, financial situation and performance to all shareholders.

Business Partners

UP is committed to establishing mutually beneficial relations with our suppliers, customers and business partners. In our business dealings, we expect our business partners to adhere to business ethics consistent with our own.

Community Involvement

UP strives to be a trusted corporate citizen and as an integral part of society, to fulfil its responsibilities to the societies and communities in which we operate.

The Environment

UP is committed to making continuous improvements in the management of our environmental impact and to the longer-term goal of developing a sustainable business.

Competition

UP believes in vigorous yet fair competition and supports the development of appropriate competition laws. UP and its employees will conduct their operations in accordance with the principles of fair competition and all applicable regulations.

Business Integrity and Corruption

UP does not give or receive whether directly or indirectly bribes or other improper advantages for business or financial gain. Similarly such unhealthy practices by its employees are not tolerated. We commit to the principles of Free, Prior and Informed Consent and adhere to these principles in all our negotiations and interactions with stakeholders.

Conflicts of Interests

All UP directors are requested to make written declaration and employees are expected to avoid personal activities and financial interests which would be in conflict with their responsibilities to the Group. UP directors and employees must not seek gain for themselves or others through misuse of their positions.

Personal Data Protection

(GRI 418-1)

United Plantations Berhad has a Personal Data Protection Policy to regulate the collection, processing and usage of personal data in the ordinary course of its business. This is to ensure that personal information whether such information is collected on paper, stored in a computer data base system or recorded on other materials are dealt with appropriately, and adequate security measures are accorded to such personal information under the provisions of the Personal Data Protection Act 2010.

Whistle Blower Policy

(GRI 102-16, GRI 102-17)

We are committed to high standards of ethical, moral and legal business conduct. This policy aims to provide an avenue for employees, suppliers and other stakeholders to raise concerns and reassurance that they will be protected from reprisals or victimization for whistle blowing. This policy is intended to cover protection for the whistle blower when raising concerns regarding United Plantations Berhad, such as concerns regarding:

- Incorrect financial reporting;
- Unlawful activity;
- Activities that are not in line with United Plantations Berhad policy, including the Code of Business Conduct; and
- Activities, which otherwise amount to serious improper conduct.

Safeguards

Harassment or Victimization – For reporting concerns under this policy will not be tolerated.

Confidentiality – Every effort will be made to treat the complainant’s identity with confidentiality.

Anonymous Allegations – This policy encourages employees, suppliers and other stakeholders to put their names to allegations because appropriate follow-up questions and investigation may not be possible unless the source of the information is identified. Concerns expressed anonymously will be explored appropriately, but consideration will be given to:

- The seriousness of the issue raised;
- The credibility of the concern; and
- The likelihood of confirming the allegation from attributable sources.

Bad Faith Allegations – Allegations in bad faith may result in disciplinary action.

All UP personnel and business partners are encouraged and have the responsibility to report any known or suspected incidences of improper conduct by reporting verbally or making a protected disclosure to any member of the Executive Committee or to the Company Secretary.

The Executive Directors and the Company Secretary, who reside on the plantation, practice an “open door policy” which has been of great benefit towards encouraging whistle blowing for generations.

2. Equal Treatment (GRI 405-1, GRI 405-2)

Our commitment to maintaining a workplace free from harassment of any kind, including harassment based on an employee’s race, colour, religion, gender, national origin, ancestry, disability, marital status and sexual orientation

It is our obligation to honour and respect past and present employees who since 1906 have upheld our core values and focused on doing things right. Our employees are our core assets and human capital management is considered an integral and vital part of our operations.

Total number of incidents of discrimination and corrective actions taken for 2017 (GRI 406-1)

Total number of incidents of discrimination	Nil
Corrective actions taken	Nil

Gender Policy

In line with this gender policy, we shall:

- Endeavour to prevent sexual harassment and all other forms of violence against women and workers in the workplace or in the course of an employee’s work.
- Adopt a specific complaints and grievance procedure and mechanism to address gender-based issues.
- Encourage effective participation of women in decision-making by their representation as members of various committees, such as the Occupational Safety And Health Committee.
- Establish a Gender Committee to implement and monitor this policy.
- Communicate to our employees, contractors and suppliers to adhere to values of this policy.

Gender Committee

Our Gender Policy is designed to protect our female employees. We have established Gender Committees which includes representatives from labour unions and management to promote female participation and advancement in the workplace, handle sexual harassment complaints and provide support for victims.

When a harassment case is reported, informally or formally, the relevant committee investigates the case to determine if further sanctions are needed or if law enforcement action needs to be taken.

UP promotes diversity in a working environment where there is mutual trust and respect and where everyone feels responsible for the performance and reputation of our group.

We will recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work to be performed. Meritocracy is a Hallmark of our Group.

We are committed to diversity and have an equal employment opportunity policy. Below is the summary of our Group's employees as well as gender mix.

We actively promote the employment of women at UP. We recognise that some work on our plantations are potentially more suitable for men due to the heavy physical nature of the tasks.

While male workers perform tasks including harvesting fresh fruit bunches, crop collection and evacuation to the railway cages for transport to the mills, women are assigned work including weeding, gardening and loose fruits collection.

We provide crèches, playgroup classes and kindergarten at all operating sites to support our female employees and their children.

	UP Indonesia (PTSS)	UP Malaysia	UP Group
Percentage Female Employees	28.64%	9.87%	19.26%
Percentage Male Employees	71.36%	90.13%	80.74%

UP Group

Employees – Year 2013 to Current

(GRI 102-8, GRI 202-2, GRI 401-1)

	2017	2016	2015	2014	2013
UP Bhd	5,223	4,482	5,216	5,563	5,297
Unitata Bhd	242	213	216	227	255
Butterworth Bulking Installation Sdn. Bhd.	15	16	16	15	18
PT SSS1, Indonesia	1,345	1,215	1,180	1,481	802
PT SSS2, Indonesia	-	-	-	-	108
Total	6,825	5,926	6,628	7,286	6,480

Category of Employees (Malaysian) as at 31 December 2017

Employee Classification	Gender Classification		Age Classification			Ethnic Classification				Total
	Male	Female	18-30	31-50	>50	Malay	Chinese	Indian	Others	
Directors	2	-	-	-	2	-	2	-	-	2
Management	106	19	26	62	37	21	23	81	-	125
Staff	189	127	80	143	93	93	7	209	7	316
Workers	560	371	182	409	340	239	2	685	5	931
Total	857	517	288	616	472	353	34	975	12	1,374

Category of Employees (Other Nationalities) as at 31 December 2017

Employee Classification	Gender Classification		Age Classification			Ethnic Classification					Total
	Male	Female	18-30	31-50	>50	Others	Indonesia	Nepalese	Indian	Bangladeshi	
Directors	2	-	-	2	-	2*	-	-	-	-	2
Management	12	2	2	7	5	1*	13	-	-	-	14
Staff	47	15	21	40	1	-	-	-	-	-	62
Workers - PTSS	907	364	405	814	52	-	1,271	-	-	-	1,271
Guest Workers - Malaysia	3,976	126	1,723	2,347	32	5	1,137	38	642	2,280	4,102
Total	4,944	507	2,151	3,210	90	8	2,421	38	642	2,280	5,451

* Danish & British

Grand Total = 6,825

Grievance Redressal Procedure For Sexual Harassment In The Workplace

The chairperson notified that the line of command in which action is to be taken in accordance to UPB’s sexual harassment & violence policy will be as follow:



A formal complaint form to be prepared by the Secretary which will then be translated into Bahasa Malaysia and Bahasa Tamil. This complaint form will be distributed to the respective representatives of the committees at the next meeting which, in turn, must be distributed to the sub-committee members.

A worker who has a grievance, sexual or violent in nature, should obtain the form from one of the sub-committee members and either complete it herself or request the assistance of the sub-committee member to fill it up.

The complaint form is to be submitted to the respective Head of Department and copied to the Gender Committee. Appropriate action should be initiated by the Head of Department.

The committee decide that if the issue is not resolved in 2 weeks from the date of complaint or if the victim is unhappy with the way the issue is dealt with at the department level, the Gender Committee will bring this case up to the Group Manager Human Resources, Environment and Safety & Health.



Mr. Dharmapalan’s family

The Group Manager Human Resources, Environment and Safety & Health has been given the mandate by the Chief Executive Director to address all unresolved issues pertaining to sexual harassment and violence.

Total incidents of sexual harassment reported and corrective actions taken for 2017 (GRI 412-3)

Total incidents of sexual harassment reported	Nil
Corrective actions taken	Nil

Working at United Plantations - a Family Affair

In today’s world, it is rare to see several generations of a family working for the same Company. In UP, we promote and are proud to have parents, spouses, children/grandchildren and siblings from the same family serving the Company at various levels as this is a testimony of family-friendly workplace.

One of them is the Dharmapalan family. Mr Dharmapalan joined as a Hospital Assistant in 1980 (retired in 2014 and resumed in 2016) and his wife Mrs. Latha Devi worked as a kindergarten teacher since 1990 and retired in 2014. They take pride to see their son, Mr. Jeevan Dharmapalan who joined the Company in 2005 and currently is the Manager of HRESH. Mr. Jeevan’s spouse is also employed in the Accounts Department since 2013. Mr. Dharmapalan says “To see my son and his spouse work at the same Company with me, it gives me the same kind of pride and joy I have in my family.”

Another example is the Mr. Muserlaya family. Mr Muserlaya, our tractor driver since 1980, also takes pride to have his wife Mdm Vinmala Perumal and all his three children Ms. Saraswathy, Ms. Pennarasi and Mr. Moogan Rao are currently employed in United Plantations Berhad.



Mr. Muserlaya’s family

3. Human and Workers' Rights

Human resource practices which respects universal human rights, including prohibiting the use of child or forced labour in our operations

UN Guiding Principles On Business And Human Rights

On 16 June 2011, the United Nations Human Rights Council endorsed the Guiding Principles on Business and Human Rights. In this context, UP have in place the following policies:

- Human Rights Policy
- Guest Workers' Policy

As per our continuous improvement efforts, we are focusing on retraining (reach, teach and remind) all our employees, customers, contractors, suppliers and communities on the core values which we are fully committed to.



During the launch of The Malaysia Chapter of the UN Sustainable Development Solutions Network (UN-SDSN) in 2015, UP was mentioned as one of the sustainable development solution initiatives being undertaken in Malaysia. In the SDSN Malaysia Chapter, UP was identified as a "Business with a soul". This acknowledgement was indeed pleasing and indicates our commitment to being a leader in economic, environmental and social sustainability.

Human Rights Policy

United Plantations Berhad is committed to the protection and advancement of human rights wherever we operate. Our human rights policy is based on our core values on Safety and Health, Environmental Stewardship and Respect for people.

- We conduct our business in a manner that respects the rights and dignity of people and local communities, complying with all legal requirements.
- We ensure all personnel are treated fairly and protected from any form of discrimination that would constitute a violation of their human rights.

- We ensure equal opportunities provided to all personnel. The process of recruitment, promotion and remuneration are solely based on individual qualification and performance regardless of religion, race, age, gender, nationality or physical disability.
- We respect the rights of all personnel to form, join and participate in registered trade unions and to bargain collectively.
- We respect the rights of people in communities impacted by our activities. We will seek to identify adverse social and environmental impacts through their respective assessments and take appropriate steps to avoid, minimize and/or mitigate them.
- We respect land tenure rights as well as recognize duties and responsibilities associated with tenure rights.
- We respect customary or native rights of indigenous and local communities and we commit to Free, Prior and Informed Consent (FPIC) in all negotiations prior to commencing any new operations.
- We resolve all complaints and grievances through an open, transparent and consultative process.
- We will not tolerate the use of child or forced labour, slavery or human trafficking in any of our plantations and facilities. We are using the definition from United Nations Convention on the Rights of the Child which define 'child' as anyone who is less than 18 years old.
- We will strive to commit our employees, contractors, suppliers, trading partners and stakeholders to adhere to this policy.



Commitment to No Child Labour.

Guest Workers' Policy

We consider our foreign workers as guest and they are partners in our business along with our local workers

- No form of forced labour or trafficked labour are used.
- No difference is made between foreign and local workers.
- All guest workers are in possession of a valid work permit in accordance with Malaysian Immigration Regulations, 1963.
- All guest and local workers are covered under the purview of "Workers Minimum Standards Of Housing And Amenities Act 1990".
- No contract substitution.
- Passports of guest workers shall be placed in our Guest Worker passport lockers voluntarily or submitted to the respective management voluntarily for safe custody and will be readily made available upon request.
- We will ensure that our contractors employ guest workers with valid work permits and all statutory payments and just wages are made timely.
- We will endeavour to make "The Home Away From Home" of our guest workers enriching with good memories.

Guest Workers' Committees

Our guest workers are indispensable partners in our business and constitute approximately 85% of our total workforce in Malaysia. Each estate and department has a formal guest workers' committee comprising representatives of various nationalities, contractors, staff and management which meets monthly.

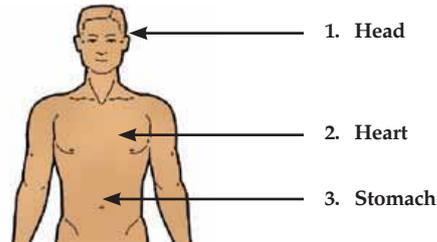
It is a collaborative platform to address all issues pertaining to guest workers, induction course, "Home Away From Home", festival celebrations, safety, health and recreation.

Intercultural Management

It is inevitable that plantation staffs have to manage guest workers from Indonesia, Bangladesh, Nepal, Myanmar, India and perhaps later from some other countries.

Managing these guest workers of different cultures, background and upbringing is complex. However, it is important to realise that in order to effectively manage the guest workers of diverse backgrounds, there are 3 things to care about:

1. Head
2. Heart
3. Stomach



Head means their dignity. Don't say bad of their countries or cultures. They may be different from ours. (uphold humility)

Heart means their feelings. Respect them. Use the right words. Do not look down on them. Don't use foot to turn their harvested bunches. (uphold dignity of labour)

Stomach means, their food and income. Pay them their dues on time and facilitate them to earn more. (uphold just wages)

The management uses the above concept as the backbone of managing human resources of the diverse background.

Guest Workers' Passport Lockers

We have constructed a room containing passports lockers within the plantation to enable our guest workers free access to their passports without any restrictions at Jendarata Estate. Since its construction and evaluation, the Company has decided to replicate in other estates in stages. Currently in other estates, passports of guest workers are voluntarily submitted with a written consent from the guest workers to the respective management for safe custody in the estates' safe and is readily made available upon request.



Guest workers gaining free access to their travel documents.

Repatriation and Leave during the year	2017	Total number of guest workers (%)
Total number of guest workers	4,042	100
Repatriation	587	14.52
Gone on leave	537	13.29
Gone on leave and returned	441	10.91
Gone on leave and didn't return	96	2.38

Guest Workers Repatriation and Leave

With 85% of our workforce being guest workers, there is a frequent turnover of employees within our Group. We strongly promote freedom of movement which can be seen in the table above. During 2017, 587 of our guest workers have been repatriated upon completion of their employment tenure.

Another 537 guest workers went back on leave to their respective home countries with the majority returning back to resume their employment at UP. Nevertheless, 96 guest workers that had gone on leave did not return.

Minimizing the Financial Burden for Guest Workers

We are committed to ensuring that exploitation of our guest workers have no place in our business operations.

We conduct assessments, interviews and spot checks to identify gaps and potential risks within our operations and develop mitigation plans and provide remedial actions.

Our guest workers are from Indonesia, Bangladesh, India and Nepal which constitute 85 % of our workforce in Malaysia, as such our challenges are to identify and understand human rights impacts on our diversified workforce within our Group. From our assessments, we prioritise our implementation plans and focus on the risks to the vulnerable groups.

We identified that recruitment practices relating to guest workers maybe vulnerable to exploitation at the source country.



Welcoming guest workers upon arrival at the airport.

Recruitment Practices

We recruit guest workers directly through the appropriate government approved channels as below:

- Indonesians – Indonesian Embassy – FWCMS – KDN
- Indians – E-Migrate System – FWCMS – KDN
- Nepalese – Nepal High Commission – FWCMS – KDN
- Bangladeshis – Bangladesh High Commission – SPPA – FWCMS – KDN

*FWCMS - Foreign Workers Centralised Management Services by Government of Malaysia

KDN - Kementerian Dalam Negeri / Ministry of Home Affairs of Malaysia

SPPA - Sistem Permohonan Pekerja Asing by Government of Malaysia

E-Migrate System by Government of India

We do not charge any recruitment fees and to reduce the financial burden on our guest workers, we are planning to establish our Company's Information Centre at the source country of our guest workers.

This centre will act as a bridge between the workers from the villages to the main accredited recruiting agents in order to disseminate the job scope at the plantations and conduct pre-departure briefings. It will also minimize the risks of sub-recruitment agents being involved and thereby adding financial burden on the guest workers.

Guest Workers' Verification by HRESH Department

The HRESH Team verifies each and every guest worker on arrival to ascertain the recruitment supply chain and expenses from respective source countries until the arrival in Malaysia.

Appropriate translators are engaged on need basis during the interviews. This exercise is done to add credence for responsible sourcing within our supply chain.

	2017	2016	2015	2014	2013
Total Average Earnings per worker per month - UP Group Plantations (Malaysia)	RM 1,592	RM 1,472	RM 1,308	RM 1,147	RM 1,156
Total Average Earnings per worker per month - UP Group (Indonesia) - Permanent Workers	IDR 3,391,159	IDR 2,567,777	IDR 2,883,552	IDR 2,817,097	IDR 1,996,124
Total Average Earnings per worker per month - UP Group (Indonesia) - Temporary Workers	IDR 2,409,208	IDR 2,566,166	IDR 2,566,108	IDR 1,749,865	IDR 1,610,007

Paying fair wages and employee benefits
(GRI 202-1, GRI 405-2)

All employees of UP in Malaysia receive at least the minimum wage set by the Malaysian Government (Wage Order 2016) of RM1,000 per month. The average earnings of our workers supersede the minimum wages by more than 50% as reflected in the above table.

For our plantations in Indonesia there is a fixed minimum wage and this is revised annually by each provincial government. The company follows the minimum wage agreements and all new guidelines or revisions to the existing agreements are communicated to employees.

Payment records are countersigned by the workers to acknowledge receipt and they understand how payments are calculated. In addition, the company also gives an annual bonus to celebrate the holidays depending on their religion, called Tunjangan Hari Raya (THR).

With the report published by Amnesty International, on 30 November 2016, targeting various plantation companies in relation to human rights violation within the plantation sector, it calls for diligent compliance with all relevant laws in this area.

In this connection, we are increasing awareness by retraining and conducting audits within all operational areas of our group.

The results of these measures will be monitored and incorporated in our efforts for continuous improvements, and highlighted in our future reports. The traditional practice of wives assisting their husbands in harvesting have ceased by employing them into the estates' permanent workforce. Seasonal temporary workers are offered employment with appropriate insurance coverage and medical facilities.

Benefit Provided to Seasonal Temporary Workers
(GRI 401-2)

Seasonal temporary workers are offered employment with appropriate insurance coverage and medical facilities.

Banking facilities

UP with the collaboration of Bank Simpanan Nasional has initiated the Automated Teller Machine (ATM) services at Ulu Bernam and UIE Estates, which provides workers with personal banking services in a swift, convenient and secure manner. Western Union visits selected estates to provide remittance services for the convenience of our guest workers.



ATM Banking facility provided within the premises.

UP Group (Malaysia)	2017	2016	2015	2014	2013
% of workers as members of All Malayan Estates Staff Union (AMESU)	76	-	-	-	-
% of workers as members of National Union of Plantations Workers (NUPW)	14	23	24	22	24
% of workers as members of Food Industry Employees' Union	57	-	-	-	-
UP Group (Indonesia)	2017	2016	2015	2014	2013
% of workers as members of Union*	5	100	0	0	58

**In Indonesia, the union committee has been re-established and membership drive is in progress.*

Freedom to form a Union

(GRI 102-41, GRI 403-1)

Employees and workers have the rights to form and become members of labour unions. Through unions, workers have the right to carry out collective bargaining as permitted under Malaysia and Indonesia laws.

The Company also engages with the Food Industry Employees Union for refinery workers. The collective agreements are renewed every three (3) years where either party may serve on the other three (3) months' written notice to negotiate on new terms and conditions of employment and other related matters but no such notice shall be served earlier.

Minimum Notice Periods Regarding Operational Changes

(GRI 402-1)

United Plantations Berhad is a member of MAPA (Malayan Agriculture Producers Association) which has collective agreements with NUPW (National Union of Plantation Workers) and the All Malayan Estates Staff Union (AMESU).

The timely and meaningful collective bargaining allows the affected parties to understand the impacts of the changes. It also gives an opportunity for both parties to work collectively to avoid or mitigate negative impacts as much as possible. Consultative practices that result in good industrial relations help to provide positive working environments, reduce turnovers and minimize operational disruptions.



The sunset casts a kaleidoscope of colours across the landscaped palms in Lada Estate.

4. Social Care and Workers' Welfare

Our commitment towards providing quality housing and social amenities and to maintain the highest possible welfare standards for the families of our workforce

Social Commitments

Providing and improving social amenities remains very much a hallmark within our Group. Continuous improvements were made during 2017 to maintain the highest possible welfare standards for our workforce.

For babies and young children UP continues to provide and maintain crèches for personalised childcare thereby ensuring that employees are comfortable about their children while at work.

Today, our Group has 9 Primary Schools and 7 Kindergartens which are maintained by the Company, providing education for more than 500 children ranging from age of 5 to 12 years. Bus subsidies for school children above the age of 12 years old are also provided for.

Places of worship for our employees, Group Hospitals and Clinics and an Old Folks Home to care for the aged and the homeless as well as

a fully operational Danish Bakery are also a part of UP's care and commitment towards the well being of its employees.

In addition, 66 scholarships were granted to children of our employees during 2017 thereby enabling these students to pursue their studies.

Social Amenities

The Community Halls on our estates continue to be put to good use providing our employees with vastly improved facilities for special functions such as weddings, engagements and other religious ceremonies. Several new staff quarters and modern employees' houses were built during 2017 in line with the Company's goal to provide its employees with the best housing facilities within the plantation industry.

Upgrading of our guest workers living quarters which our Company embarked on in 2010 has progressed well with the first two apartment blocks completed in 2011. These have provided the finest living facilities in our industry with a living area of 220m² per unit encompassing 3 bedrooms, 1 kitchen, 2 bathrooms and a large hall and patio. More than 27 additional terrace apartment blocks have been built providing first class housing facilities for more than 240 employees during 2017.



A well landscaped modern housing facility at Lada Estate, Central Kalimantan.



The HRESH Team headed by Mr. C. Mathews, who is the Group Manager HRESH.

Human Resources And Environment, Safety & Health (HRESH) Department

The HRESH Department is responsible for formulating and developing policies and procedures which are aligned with objectives and core values of the Group in respect to managing people, workplace culture and the environment.

The key HR functions include recruitment, selection, training, succession planning, welfare and safety. Besides managing HR, the Department is responsible for driving

the sustainability agenda of the Group, which includes ensuring that the Group conducts its business in a responsible manner that adheres to global standards and meets stakeholders’ expectations. The team also engages in strategic partnerships to strengthen the sustainability practices of the Group.

As capacity building the Department had engaged two new officers and moved into a new office at the Jendarata Group Hospital Complex on 30th October 2017 to facilitate its crucial role in the Group.



Welcoming the EXCOM by the HRESH team.



The interior of the general office.



Annual intercompany badminton tournaments are held at our various estates to foster the esprit de'corps among employees.

Sporting Activities

We encourage our employees to participate in sporting and social activities by providing facilities such as football fields, community halls, badminton courts, tennis courts and futsal court etc.

During the year several intercompany badminton and football tournaments were

arranged providing fun and team work outside office hours. In addition, annual sports days are held at selected estates to enhance friendship and community spirit through sports.

During 2017 the UP Football Team, Jendarata FC managed to win the Teluk Intan League after a number of tough matches to the delight of supporting fans and players.



Jendarata FC after their splendid win of the Teluk Intan League.



Vigorous fitness training programmes for our security personnel at PTSSS.



Indonesian National Day celebration in Runtu Estate.



2017 Merdeka celebration.



Visiting Bakery Adviser, Mr. Vagn Nielsen together with our local bakery team proudly shows his newly introduced recipes.

Bernam Bakery

Bernam Bakery located on Jendarata Estate UP, 160km north of Kuala Lumpur, renowned for its Danish pastries and hand-made cookies, was the brainchild of our late Tan Sri Dato' Seri B. Bek-Nielsen.

It was established in 1982, purely out of necessity, to teach the local employees how to make good wholesome bread, for the local community, who found the quality of bread they bought from various dealers to be inferior, thus a scheme was created to enable the employees of the plantation to purchase quality bread.

The bakery, which is equipped with the most modern Danish machinery, was constructed within five months. Tan Sri Dato' Seri B. Bek-Nielsen enlisted the help of his good friend, the late Robert G. Pedersen, a master baker and retired lecturer from Holstebro Bakery School in Denmark, to train our local employees on the traditional art of baking original Danish bread and cookies on a no cost basis.

It was amazing to see how the bakers became proficient within 6 months, thus providing our labour force with wholesome and nutritious secret recipes of bread and cookies of excellent quality, using shortenings produced by our refinery, Unitata.

The transfer of Danish Technology in the Baking Industry, took many years of dedicated work under the watchful eyes of the master baker.

The current bakery manager Mr. Jayarama Reddy and his team, do not only cater for the employees and the public but also is a proud supplier of high quality bread, pastries, cakes and biscuits to the many guests who visit United Plantations as well as certain outlets throughout Malaysia.

In January 2018, Mr. Vagn Nielsen, a Master Baker and a retired lecturer from Holstebro Bakery School in Denmark was invited to Bernam Bakery to train and work together with our local bakery team to help ensure that the quality in the final product is assured and found to be consistent.

Mr. Vagn Nielsen is a former student and friend of the late Mr. Robert Pedersen and it is therefore most pleasing that he has agreed to be associated with Bernam Bakery as a visiting Bakery Adviser together with his wife Mrs Else Nielsen going forward.



Official emblem of a Danish bakery the "Kringel".

United Plantations Berhad – Old Folks Home

Our corporate culture is deeply embedded in our traditional values and legacy the Company's founders introduced nearly 112 years ago. The Old Folks Home was officially opened by Minister of Labour, YBhg Tan Sri V. Manikavasagam on 17 March 1967 on Jendarata Estate and is the only one of its kind in this industry. Set in a peaceful environment, it caters for the retired and aged employees who are given free boarding, food and medical care. A full time caregiver is also provided for the Home.

Annual Benevolent Payments

Annual benevolent payments as well other compassionate and educational payments made by the Group to workers amounted to RM 615,680 during 2017. The payments made through our various Benevolent and Educational Schemes are as follows:

1. UP Workers Benevolent Retirement Scheme (established in 1985)
2. UP Education and Welfare Fund (established in 1986)

3. UIE (M) Education and Welfare Fund (established in 1997)

The objective of the UP Workers Benevolent Retirement Scheme is to provide retirement benefits to workers who are loyal and have served the Group for 10 years and above and in addition to the workers entitlement under their respective collective agreements.

Over the last 5 years, an average of RM230,000 per annum was paid out from this scheme. The objective of the 2 education and welfare funds is to grant scholarships for suitably qualified workers children or dependants, and other benefits such as welfare and medical costs to deserving cases irrespective of race, religion or creed.

The following table summarises the annual benevolent payments made in the last 5 years. During the year, 9 retired workers received retirement gratuity, 66 school children received scholarships, 88 school children received bus subsidies and there were 86 beneficiaries from donations given by the Group.

Social Commitments of the Group

	2017 RM	2016 RM	2015 RM	2014 RM	2013 RM	Grand Total RM
Hospital & Medicine for Employees, Dependents & Nearby Communities	2,400,609	2,229,584	2,125,483	2,083,013	1,887,592	10,726,282
Retirement Benevolent Fund *	101,866	252,500	188,750	253,250	195,250	991,616
Education, Welfare, Scholarships & Other	298,269	299,824	359,621	319,011	384,514	1,661,240
Bus Subsidy for School Children	215,545	244,916	219,732	209,574	254,608	1,144,375
External Donations	120,008	302,997	186,634	145,301	156,583	911,524
New Infrastructure-Road, TNB and Water-Supply for domestic use	1,132,292	298,461	208,061	910,529	877,124	3,426,467
Employee Housing	11,879,818	5,937,022	4,270,989	11,673,563	6,810,561	40,571,952
Infrastructure Projects, Buildings, Community Halls, Places of Worship	6,773,589	1,502,571	1,265,998	868,542	914,786	11,325,485
Provision of Social Amenities	6,195,586	5,396,162	5,591,197	5,418,484	5,002,048	27,603,477

Environmental Commitments of the Group

	2017 RM	2016 RM	2015 RM	2014 RM	2013 RM	Grand Total RM
Environment Friendly Operational Activities	5,147,810	6,395,566	10,521,932	10,462,491	10,755,059	43,282,858
Environment Friendly Project (Biogas, Biomass-others)	9,030,692	1,346,254	9,207,905	3,551,035	2,935,999	26,071,885
Biodiversity & Conservation (Forest reserve, Endangered Tree Species Projects, Collaboration with Copenhagen Zoo)	658,062	584,061	607,833	608,393	543,824	3,002,173
Total	43,954,146	24,789,918	34,754,135	36,503,187	30,717,948	170,719,334

* The above payments are in addition to the regulatory contributions by the Group to the Employees' Provident Fund, Social Security Contributions and other benefits.



Founded in 1967, the Senior Citizen Home at Division 1, Jendarata Estate caters for the retired and aged employees who are given free boarding, food and medical care.



A well- equipped Hospital/Health Care Centre with ambulance service and Medical Hospital Assistants provided for the immediate health needs of workers, staff and officers at Lada Estate, Central Kalimantan.



A well-maintained mosque at Ulu Basir Estate frequently used by the surrounding families of Muslim faith.



The Petra Andrea Church situated atop Margrethe Hill, Changkat Mentri Estate.



The Sri Maha Mariamman Temple at Jendarata Estate is the oldest large temple with its intricate Italian inspired and traditional Indian architecture.



A historical site- Sri Maha Visnu temple depicting the statue of a "merman" which was built by the late Mr. Veerapitharon family in 1985, situated adjacent to Jendarata Estate boundary.

Training and Development of Employees (GRI 404-1, GRI 404-2, GRI 410-1, GRI 412-2)

In UP our human capital is indispensable and our approach is “Reach, Teach” as well as “Reach and Remind”. Training schedules are prepared for our employees annually in the respective Estates and other Departments to ensure that the various trainings are being carried out on a regular basis throughout the year. This is monitored and verified internally by the HRESH team and also through external auditors during RSPO/ISPO annual audits. As for Staff and Executive levels, trainings are generally conducted on a group basis.

These trainings cover Occupational Safety & Health, Human Rights, Best Agriculture & Management Practices, Industrial Laws and others. With 85% of our workforce being guest workers and with a 20% annual turnover it is imperative that on the job trainings and re-trainings are constantly conducted. The scope further widens for certain type of categories, for instance; fire drills are being held periodically as per annual training programmes with the participation of neighbouring communities.

An employee who knows that he needs to wear his Personal Protective Equipment (PPE) during his operation at the site without

being monitored/presence of his superiors is what internalizing the awareness altogether. Nevertheless, the trainings need to be constantly carried out as human nature also tends to take things for granted.

The competence and skills of the Group’s employees are the main contributors to Operational Success. This, undoubtedly, also helps them to enhance their capabilities and build capacity. Life-long learning, through training programmes, conferences and seminars which are relevant to the Group’s businesses are identified on an ongoing needs basis and the Company allocates a dedicated training budget to support the continuous development of our employees.

The training’s effectiveness transpires in the awareness of our employees during un-announced internal audits and performance monitoring.

We are not disclosing training hours this year, as past records captured both formal and informal trainings and the methodology varied within various departments in our Group. Going forward, training hours data will be formatted to record training in a systematic and uniform manner. This will be part of our continuous improvement programmes and training sessions for 2018.



CPR training programme at Bernam River Ulu Group Hospital (BRUGH) being conducted for employees.

5. Occupational Safety and Health

(GRI 403-4)

We are committed to securing the safety and health of all our employees at work and strive to maintain a safe and healthy working environment for our employees, customers and public

We value our work place safety and health as being of paramount importance for all our employees and our respective Managers/Heads of Departments are responsible in implementing this policy.

Occupational Safety And Health Policy

In striving to secure a safe and healthy work environment we shall:

- Devote our continuous efforts to accident prevention, by conducting Hazard Identification, Risk Assessment and Risk Control (HIRARC) on all our operations.
- Provide continuous training and supervision to all categories of employees to build and promote a safe and healthy work environment in full compliance with legislative requirements.
- Equip and train employees to use appropriate protective equipment and to develop a health and safety conscious citizen.
- Ban the use of Paraquat weedicide (1, 1'-Dimethyl-4, 4'-bipyridinium dichloride).
- Commit to reduce and phase-out chemicals that fall under the WHO Class 1A & 1B and Stockholm or Rotterdam Conventions. We will continue working with stakeholders to determine and implement alternative pest control strategies to totally phase-out these chemicals when effective and suitable alternatives are available.



Briefings and inspection on the proper use of Personal Protective Equipment (PPE) are regularly conducted.

- Ensure fire safety plan is implemented and continuously trained for its preparedness within our organization and neighboring communities.
- Develop a culture of individual responsibility and accountability for the employee's own well-being as well as those of the personnel and facilities under their control.
- Strive to commit our employees, contractors, suppliers, trading partners and stakeholders to adhere to this policy as well as Safety and Health regulations and standards.

Estate Group Hospitals

The Company operates two well-equipped estate group hospitals in Malaysia and a modern Health Care Centre in Indonesia with trained resident Hospital Assistants supervised by Medical Doctors. Regular inspections of the employees' housing are made by the Health Care Team to ensure that sanitation, health and drainage standards are maintained according to the Company's policies.

Human Resources and Environment, Safety & Health (HRESH) Department

The Company's Safety and Health Officers make periodic workplace inspections. Safety Committee meetings are held in accordance with Department of Safety & Health (DOSH) regulations. Safety operating procedures and system checks for all processes and equipment are in place and product quality standards are stringently maintained in a responsible manner.

Chemical Health Risks Assessment (CHRA)

CHRA and Medical Surveillance programmes are regularly carried out for all employees engaged in handling pesticide and other chemicals. In this context, training programmes in the use of personal protective equipment for workers exposed to hazardous chemicals are regularly conducted and documented and have been a vital part of our operations for many years. Audiometric tests and fire drills are also conducted on a regular basis.

These are kept up to the mark by the periodic workplace inspections carried out by the Company's Safety and Health Officers.

CHRA renewal are conducted every five years and we are on schedule.

Hazard Identification, Risk Assessment and Risk Control (HIRARC)

In recent years, HIRARC has become fundamental to the planning, management and the operation of a business as a basic risk management practice. In line with our approach of preventive measures as a way of providing safe workplaces, we have conducted HIRARC on all our operations.

With HIRARC, we were able to identify hazards, analyse and assess their associated risks and then apply suitable control measures. We are pleased to report further positive changes in our working environment with the introduction of HIRARC.

Every three years or whenever there are changes in the process or activities the HIRARC shall be reviewed. The records shall be maintained for at least three years (in some cases legislative requirement will determine the minimum time to retain records).

Fatal Accident Rate (FAR)
(GRI 403-2)

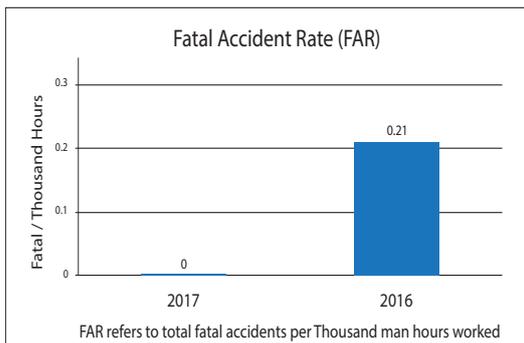
Fatal Accident Rate calculation is as per the below formula (Malaysian OSH Act 1994 JKPP8)

$$\text{Fatality Rate} = \frac{\text{Fatal Accident Rate (FAR)} = \text{No. of fatalities} \times 1000}{\text{Annual average of No. employees}}$$

Our aim is to avoid all incidents that put our employees at risk and to achieve zero fatalities. Every fatality is followed by a thorough review of the cause and action undertaken to eliminate the factors involved.

All reviews have been reinforced with continued efforts in the training and retraining on the use of appropriate protective equipment in order to minimise risks.

Every fatal accident is formally investigated and the Group ensures that the necessary bereavement



arrangements are handled compassionately. Compensation under the Government's 'Foreign Worker Compensation Scheme' or SOCSO will also be provided to the bereaved family. Whilst we unfortunately had experienced a death of an employee in 2016, we are pleased to report that this has not been the case in 2017.

Lost Time Injury Frequency Rate (LTIFR)
(GRI 403-3)

LTIFR refers to the number of lost time injuries occurring in the work place per 1 million man-hours worked. From the table below (year 2017) shows that 9.04 lost time injuries occurred on our jobsite every 1 million man-hours worked.

Lost Time Injury Frequency Rate calculation is as per the below formula (Malaysian OSH Act 1994 JKPP8)

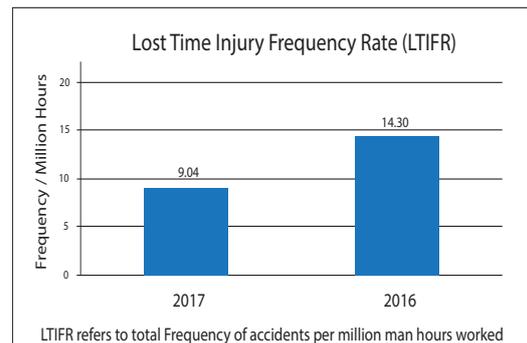
$$\text{Frequency Rate} = \frac{\text{Lost Time Injury Frequency Rates (LTIFR)} = \text{No. of accident} \times 1,000,000}{\text{Total man-hours worked}}$$

During the year, a total of 87 cases were reported for estate operations. 37% of accidents involved harvesting operations (thorn pricks, debris falling into eyes, cutting stalk, fronds falling on body), 10% commuting accidents, 12% handtools related and 41% others (locomotive, workshop, tractor & lorry related, etc). As for Engineering department and Unitata, total of 9 cases were recorded. 33% were locomotive related, 22% workshop & handtools related, and 45% others.

In 2017, we introduced a behavioural safety approach to further enhance the safety culture and pleased to report that LTIFR reduce to 9.04.

Workers with high incidence or high risk of diseases related to their occupation in 2017
(GRI 403-3)

Workers with high incidence of diseases	Workers with high risk of diseases
Nil	Nil



*Scope covers workers only for the Malaysian operations except for Unitata where all categories of employees are included.

6. Fire and Haze

There shall be no use of open burning/fire in new or ongoing operations for land preparation, land management, waste management, or any other reason other than justified and documented cases of phytosanitary emergencies.

In 2014 and 2015, South East Asia experienced some of the worst incidences of haze caused by the widespread forest fire in Indonesia, which were exacerbated by the El Niño weather phenomenon.

The causes of fires vary greatly. The impacts can be catastrophic, including loss of life and loss of primary biodiversity.

We understand that fires present long-term commercial risks and potential costs are high. Wider risks also include threats to national climate change goals, environmental sustainability and poverty reduction.

Zero Burning Policy

Our fire prevention is managed through our strict zero burning policy since 1989, as well as through our fire management and monitoring standard operating procedures. These are continuously reviewed to ensure they are effective.

In 2017, we have revised the fire fighting SOP in view of the RSPO-NEXT requirement to plan and prepare facilities to prevent, monitor and combat fire within our land and the neighbouring vicinity of the estates, in coordination with the local communities and Local Fire Fighting Department. We have also registered with the Global Fire Watch under the WRI Global Forest Watch Tool as monitoring aids.

Our Emergency Response Teams (ERTs) are regularly trained in fire prevention and fire fighting in all our plantations.

Trainings are done regularly in-house, as well as in conjunction with the local authority, fire brigades and the Ministry of Forestry. Any fire starting within an outer ring range of 500 m from any of our plantations' borders are immediately reported to the local fire brigade for their action.

A fire within an inner ring range of 100 m is fought by our ERTs. We embrace fire safety in various ways such as promoting anti-smoking, tracking and identifying fire brigade locations and water sources. We have stepped up our fire fighting capacity by conducting more training and fire drills, and by purchasing additional fire fighting equipment.

Having analysed our past incident data in 2017, we have concluded that fires were mainly caused by illegal burning activities carried out by local communities engaged in small-scale farming in areas neighbouring our property.

We will continue conducting a series of community workshops to educate our local communities about the environmental and social consequences of slash-and-burn farming, as well as to promote alternative methods of land clearance. Our goal is the total eradication of fire as a means to clear land by the local communities. This year we did not experience any drought in Indonesia and the areas burnt were significantly reduced. However we had a small isolated fire of 7.16 Ha which was immediately extinguished by our ERT in PTSSS.

Hectares Burnt In Fires

	2017	2016	2015
Non Planted	6.00	30.89	669.94
Planted	1.16	107.14	81.45
Total	7.16	138.03	751.39

Outer Ring Range of ≤500 m

	2017	2016	2015
Outer ring ≤500 m (Ha)	Nil	≤ 1 Ha *Small farmer's field	≤ 1 Ha *Village sundry shop



Our Emergency Response team during a training session with the locals community at Kumai Estate, PT SSS.



Estates Emergency Response Team in action during ad-hoc drills.



Many birds species such as the Purple Heron and the Egrets are commonly spotted in replanting areas.

Environment

(GRI 102-12, GRI 102-13, GRI 102-15, GRI 103-2)

UP strives towards being recognized as the leader in sustainable agricultural practices, environmental performance whilst safeguarding natural resources and respecting the balance between economy and ecology. We focus on continuous improvement in order to minimize waste and our overall carbon footprint and through investments and a dedicated Group Sustainability Committee, we have introduced policies to break the link between palm oil and deforestation.

UP – A responsible producer of Palm Oil

As a responsible producer of Palm Oil, UP strives towards being selected as a preferred supplier of superior quality, certified and segregated palm oil traceable back to the plantations.

We fully adhere to the principles & criteria of the RSPO and have voluntarily incorporated higher standards that amongst others ensures:

- No deforestation
- No new development on peat soils
- Reduction of Greenhouse Gasses (GHG)
- Increased focus and respect for local and indigenous communities including smallholders and benefit of their socio-economic development.

We are committed to Responsible Agricultural Practices and strive towards finding the right balance between Economic, Social and Environmental aspects of our business.

Committed to Continuous Improvement

UP's objective is to become even more environmentally friendly by being committed to continuous improvement. In order to achieve progress various environmental projects are implemented, consumption and emissions are monitored, and best practices are identified by benchmarking aspects of our operations internally and externally.

To further emphasise our commitment on sustainability UP has since becoming the World's first RSPO certified plantations in 2008 as well as achieving, in 2017, the World's second RSPO NEXT Certification and the first for Asia Pacific and Africa, introduced additional environmental policies and focused on further improving our good agricultural practices that go beyond the RSPO's existing principles and criteria.

Environment Footprint



UP is very much aware of the footprint it leaves on the environment. Our group therefore constantly strives towards reducing variables that impact the environment negatively. Focus on reducing GHG, energy, water and waste is therefore a vital part of UP's environmental policy.

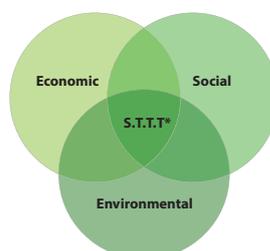
The following pages describe UP's various environmental projects, policies and commitments in place as well as progress made.

Environment Policies in place

- Zero-burn policy (1989)
- No primary forest clearing policy (1990)
- No bio-diesel production /supply policy (2003)
- No HCV forest clearing policy (2005)
- Methane capturing policy (2006)
- No Paraquat use policy (2010)
- No new planting on peat policy (2010)
- High Carbon Stock Assessment & Land Use Change Analysis for new plantings (2014)

For additional information, please refer to our website: www.unitedplantations.com

Sustainable Development



*Sustainability through Transparency, Traceability & Trust

7. Biodiversity and Conservation (GRI 304-2, GRI 304-3)

Efforts undertaken by the UP Group to conserve jungle reserves and wildlife sanctuaries as well as promoting green corridors as part of our commitment to the environment

Environmental and Biodiversity Policy

We at United Plantations Berhad are committed to sustainable development through protection of the environment and conservation of biodiversity. Our objectives: -

- Conducting our operations under the best principles of agriculture, that is compatible with the natural environment and in full support of Integrated Pest Management techniques and Best Management Practices for existing plantations on peat.
- Promoting the conservation and development of biodiversity within our group of plantations.
- We want to ensure that our agricultural operations comply with the following criteria:
 - No development on high carbon stock forests (HCS)
 - No development on high conservation value forest areas (HCV)
 - No new development on peatland regardless of depth
 - Not to operate or develop within international or nationally designated protected areas
 - Compliance with all relevant laws and National Interpretation of RSPO Principles and Criteria.

We strive to maintain an open and dynamic approach towards continuous improvements in respect of HCV, HCS and GHG Emissions to strengthen our commitment on No Deforestation.

- Continuously working to mitigate our water footprint related to our operations, maintaining buffers along natural waterways, harvesting rainwater, frugal water usage, monitoring of its quality and judicious use of pesticides and weedicides.
- We are committed to reduce and phase-out chemicals that fall under the WHO Class 1A & 1B and Stockholm or Rotterdam Conventions. We will continue working with

stakeholders to determine and implement alternative pest control strategies to totally phase-out these chemicals when effective and suitable alternatives are available.

- Continuously working on sound soil management e.g. determining appropriate amount and composition of nutrients based on annual leaf nutrient analysis, empty fruit bunches systematically applied in field, planting of leguminous cover crops.
- Continuously working towards a dynamic and innovative waste management and utilization system aimed towards zero waste and recycling.
- Continuously focusing on promoting new technologies with low environmental impact as well as reducing greenhouse gas (GHG) emissions.
- Capturing, poaching and hunting of native tree species and animals, especially Endangered, Rare and Threatened species are prohibited. However, we respect the traditional rights of indigenous groups and communities to hunt in legal, non-commercial and sustainable manner without involving Endangered, Rare and Threatened species and jeopardizing long-term viability of the species.
- We will strive to commit our employees, contractors, suppliers, trading partners and stakeholders to adhere to this policy and thereby focus on traceability within our supply chain.

ACCA MaSRA Award

Our Group's sustainability goals and objectives summarised in our first official Sustainability Report 2016 were recognized as UP received the ACCA MaSRA Commendation Award for Biodiversity on the 25th January 2018.

Adjacent Protected and Conservation Areas (GRI 304-1)

Our Kumai Estate in PTSSS is approximately 2km away from the famous Tanjung Puting National Park which is known to have a large diversity of forest ecosystems, including lowland forest, freshwater swamp forest, tropical heath forest which is called "kerangas", peat swamp forest, mangrove forest, and coastal forest.

Tanjung Puting was originally declared as a game reserve in 1935 and a National Park in 1982. It covers a total area of 415,040 hectares. The best known animals in Tanjung Puting are the orangutans, made famous through the long-term efforts of the Orangutan Research and

Conservation Program (predecessor to OFI), based at the landmark Camp Leakey research station.

Tanjung Puting is also the habitat for proboscis monkeys as well as clouded leopards, civets, Malaysian sun bears, mouse deers, barking deers, sambar deers, and the wild cattle known as banteng. Tanjung Puting hosts over 230 species of birds, including hornbills, deep forest birds, and many wetland species.

Endangered and Protected Species

UP has a policy of “zero tolerance” to the killing of endangered and protected species, herein also orang-utan, *Pongo pygmaeus*. Staff that are directly or indirectly involved with the killing of and/or solicitation of killing, trading and harvesting of endangered and protected species, be it plants or animals, will be dismissed immediately. To the best of our knowledge, illegal killing and capture of orang-utans has not taken place on any of the properties under the legal management /jurisdiction of UP.



An adult and young Bornean Orang Utan (*Pongo pygmaeus*).

Zoological Society of London (ZSL)

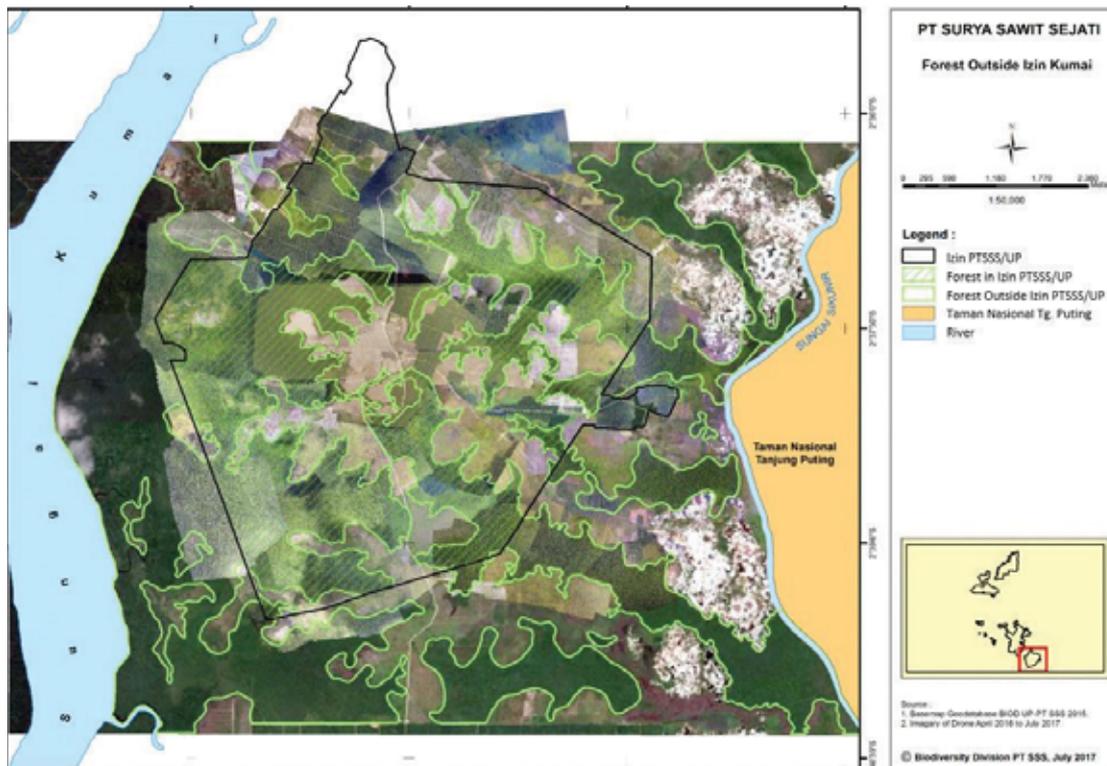
UP participated in the Zoological Society of London’s (ZSL) Palm Oil Transparency Toolkit (SPOTT), designed to measure best practice on disclosure and Company Transparency.

The Sustainable Palm Oil Transparency Toolkit (SPOTT) promotes industry transparency and accountability to drive the uptake and implementation of environmental and social best practice in high biodiversity impact sectors. SPOTT’s online platform provides a scorecard and detailed assessments of upstream companies based on public disclosure of their operations, commitments and progress towards the implementation of best practice.

SPOTT is designed to measure transparency of Companies to disclose sustainability related matters in public domain via RSPO Annual Communication of progress (ACOP), RSPO New Planting Procedures (NPP) Public Notification, Company Annual Report and Company Websites.

United Plantations Berhad maintains an active engagement and commits to collaborate with Zoological Society of London (ZSL) in the progress towards improved sustainability reporting and greater transparency.

Our current status on SPOTT assessment as of November 2017 is 81.90 % and ranked as 6 amongst the 50 assessed Global Oil Palm Plantations. (For more info see www.zsl.org and www.spott.org/palm-oil/)



Conservation Area in Kumai Estate which is approximately 2km away from Tanjung Puting National Park.



Four-lined Tree frog (*Polypedates leucomystax*).



Pig-tailed Macaque (*Macaca nemestrina*).



Brahminy Kite (*Haliastur indus*).

Biodiversity and Partnership



Conservation of jungle reserves and wildlife sanctuaries as well as promoting green corridors are examples of our commitment to the environment. To date, United Plantations has set aside more than 7,500 Ha of land for conservation purpose representing approximately 16% of our total planted area in order to encourage biodiversity and wildlife on our estate. In Indonesia, UP has set approximately 40% of its land concession for the purpose of conservation.

Riparian reserves are maintained to preserve flora and fauna, provide wildlife corridors, ensure water quality and prevent erosion. In order to develop effective conservation strategies, we need the assistance of experts in these fields who have established a series of collaborations and partnerships. One such partner is Copenhagen Zoo (CPH Zoo) which was initiated in 2007 and officially established on 1 October 2010 through a Memorandum of Understanding (MOU) between UP and CPH Zoo.

In order to better manage our large conservation areas, UP set up its Biodiversity Department (BioD) under the purview of Dr. Carl Traeholt, our Group's Chief Environmental Advisor a month later. It marked an important milestone for the Company's target of producing certified sustainable palm oil in Indonesia and being able to document the environmental integrity of its Indonesian operations.

The Biodiversity team consists of a Division manager with solid natural resources management experiences, supported by five subject specialists and five field staff. This is supplemented by additional contract-workers when the need arises. The team is responsible for mainstreaming environmental concerns into standard operational procedures and focus on

activities primarily within the following areas:

- Biodiversity (Fauna and Flora)
- Habitat and Ecosystem
- Forestry and Rehabilitation
- Hydrology and Limnology
- GIS and Mapping
- Integrated Pest Management
- RSPO and ISPO
- Protection and Monitoring
- Community Outreach

Biodiversity Department

The completion of the BioD office took place in a very short period of time and this remarkable achievement is a testament to the hard work and commitment by all involved.

The new BioD office was laid as part of the Lada Estate field office and was officially opened in September 2011, when the BioD made a short presentation to Her Royal Highness Princess Benedikte of Denmark, UP's senior management, Copenhagen Zoo's vice-director Mr. Bengt Holst, and other prominent guests at the new auditorium.

One of the key components in making the BioD a success which is our common goal, was to develop internal capacity to manage and conserve UP's ecological resources, and to make first-hand information about biodiversity assets easily available. This is possible with the current BioD consisting of Dr. Carl Traeholt, our Group's Chief Environmental Advisor, Mr. Bjorn Dahlen Environmental Advisor, Mr. Muhd Silmi, Manager BioD and essential topic specialists,



Bearded pig (*Sus barbatus*).



Mangrove riparian reserve.



Fiddler crabs (*Uca sp*)

such as a limnologist, a forester/botanist, zoologist, herpetologist and a database officer. These subject specialists are supported by two chief rangers and a number of ranger assistants, as well as a native tree nursery manager.

Biodiversity Department’s activities in 2017

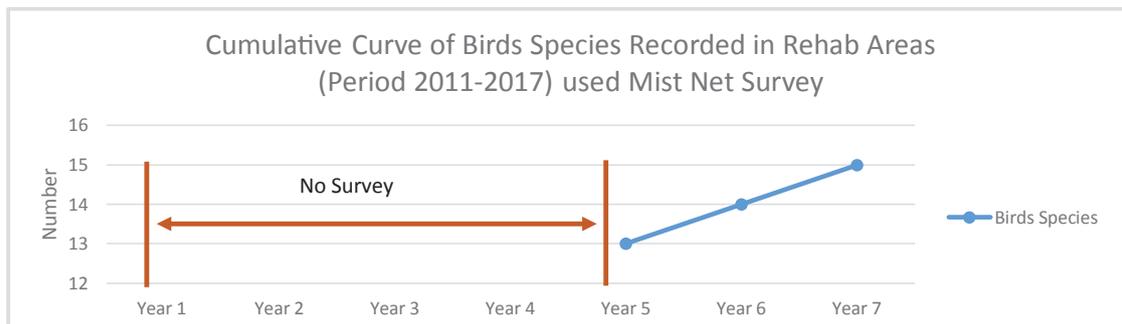
The value of safeguarding ecological integrity and biodiversity has never been more pertinent than in the past few years. The international community convened in France, December 2015, and pencilled out the ground breaking “Paris Agreement” aimed at preventing severe and rapid climate change.

This also charted the path for independent countries, local societies and the corporate sector across the World to do their bit for the sake of everyone on Earth, but in particular the future generations. “Think Global, act local” is the simple way to describe the responsibility that is bestowed on all of us.

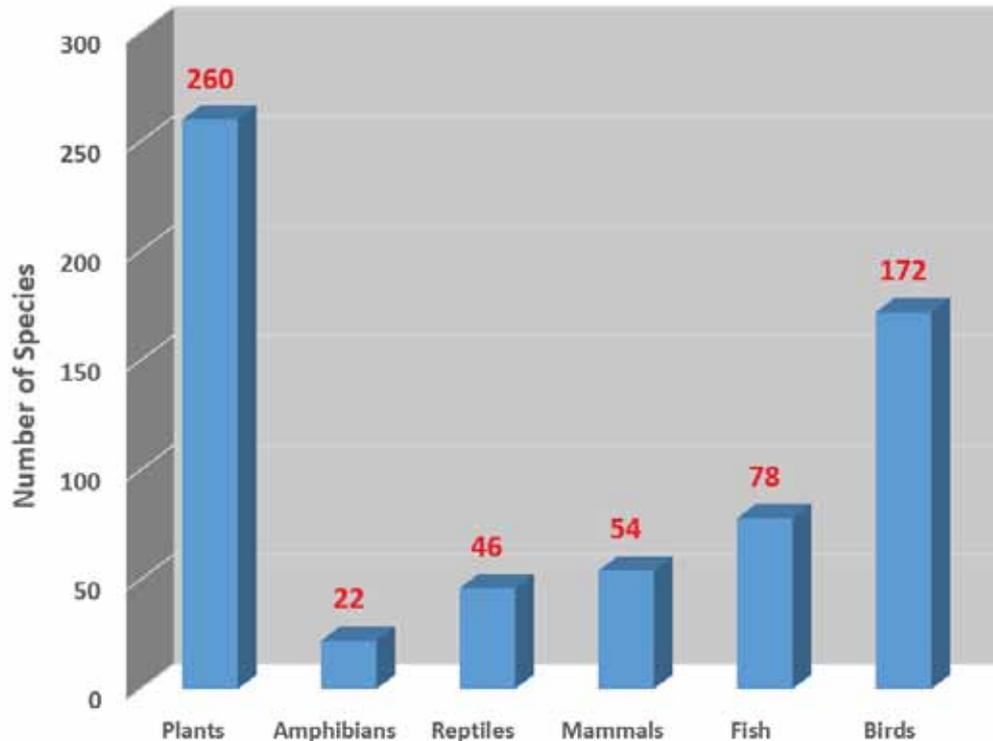
However, some bears a bigger responsibility than others, simply due to a bigger climate change “foot print”. The agricultural sector, in general, are most often involved in activities that result in heavy biodiversity loss as well as significant changes in land composition and ecosystems. This is also true for the oil palm industry and this is one of the main reasons for the formation of UP’s Biodiversity Division 7 years ago.

Like the previous years, 2017 was an incredible busy year for the BioD-team in PTSSS. In the span of the past 12 months, the team undertook range of baseline biodiversity surveys in PTSSS’ conservation areas; monitored hundreds of km of rivers for water quality; collected, propagated and planted tens of thousands of native tree seedlings for rehabilitation processes and participated in a range of national and international events. Most of all, the BioD team contributed to and ensured that the biodiversity and environmental part of the year-end RSPO-audit passed with flying colours.

Birds Diversity in Rehabilitation areas Field 86



2017



The number of tree and animal species keep increasing with new records been added to the list every year. In 2017, four new birds, three reptiles and one mammal were recorded.

Wildlife at PTSSS (GRI 304-4)

Baseline biodiversity surveys have been undertaken in Kumai to establish a “measuring” point for future monitoring purposes. The BioD team has recorded a total of 172 bird species in PTSSS’ conservation areas, along with many fish, mammals, reptiles and amphibians, many of which are listed as Critical and Endangered on the IUCN red-list of threatened species. In 2017, four new bird species and three amphibians were added to the list.

Finally, Borneo’s largest terrestrial predator, the Sunda clouded leopard (*Neofelis diardi*) was recorded. Borneo’s largest cat weighs up to almost 30kg and is one of the best tree climbers in the cat family and capable of supination --- that is, turning their paws backwards from normal position.

This means that they can climb down trees head first and along horizontal branches with their back to the ground. Therefore, they spend a lot of their lives in the trees hunting, even if they are equally at home on the ground.

The recent record of the illusive clouded leopard in PTSSS means that the conservation areas

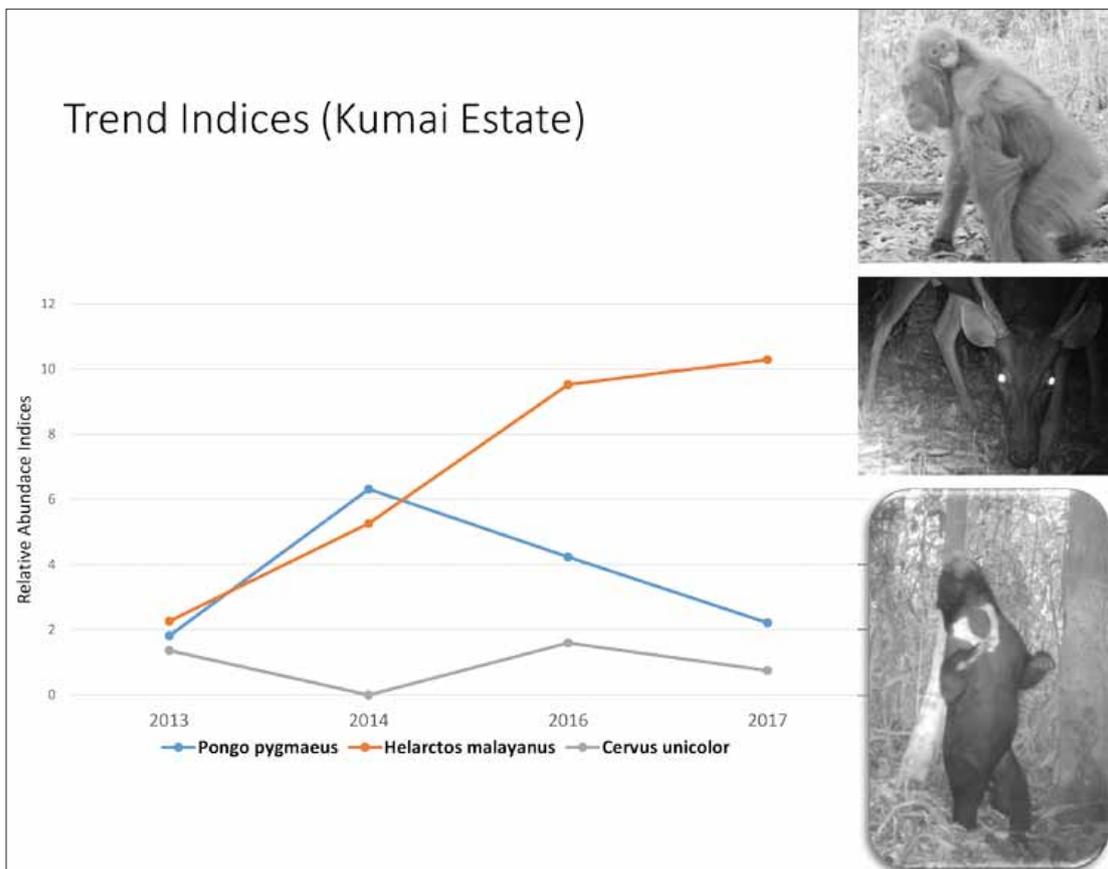
contains four of Borneo’s five wild cats. This is an incredible number, considering the relatively small conservation areas in PTSSS. It is both a testament to the good habitat condition in the area as well the dedicated monitoring effort undertaken by the BioD team. To date, the team has monitored 129 camera traps sites for a whopping 15,477 trap nights.

The general diversity of wildlife is extraordinary and in the future the BioD team will continue to monitor specifically understory bird communities, as they are excellent indicators of the structural integrity of the forest ecosystem in which they live. In fact, birds are being used as indicator species in a rehabilitation site in Lada Estate’s Field 86.

Since the onset of rehabilitation began in 2010, native trees have grown to over 6m and the bird community is slowly but steadily increasing with 16 species recorded in comparison to three at the beginning of the process. This is a wonderful sign that the rehabilitation intervention really works and that it is possible to bring back some of the diversity to even a relatively small patch of forest. The biodiversity surveys have also kept a log on other species. (Please refer to the pictures and chart related to Bird Diversity on page 89)



Borneo's largest terrestrial predator, the Sunda clouded leopard (*Neofelis diardi*) was captured by a camera trap in one of PT SSS' conservation areas.



Relative abundance is the percent composition of an organism of a particular kind relative to the total number of organisms in the area. Monitoring the presence of Mammals in PT SSS' conservation areas over a period of time provides the BioD departments useful information about the trend in various population sizes and the general health of the conservation area.

Monitoring freshwater plankton

In the past 18 months, the BioD team has expanded its water quality monitoring to include plankton. While measuring and monitoring chemical and physical clues in water quality (e.g. O₂, NO₃, PO₄, siltation) is important, it remains merely “proxies” for what actually happens to the ecosystem in the water.

Plankton are microscopic organisms that live suspended in the water environment. They form a very important part of the freshwater community as they are a form of “food chain building blocks” for almost all other organisms in the system. Even these, the smallest living species, sustain some of the largest living species.

Sea plankton are the main food source of the largest fish in the world, the whale shark, as well as many whales. In freshwater habitat, they form important indicators of the water quality, since they occur in the thousands and are capable of occupying small as well as large expanses of water and multiplying at an exponential rate. This makes them ideal for monitoring purposes, since they “react” rapidly to changes in the ecosystem and their numbers make most sampling statistically robust.

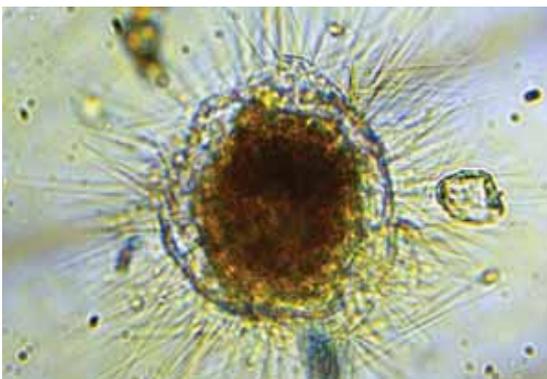
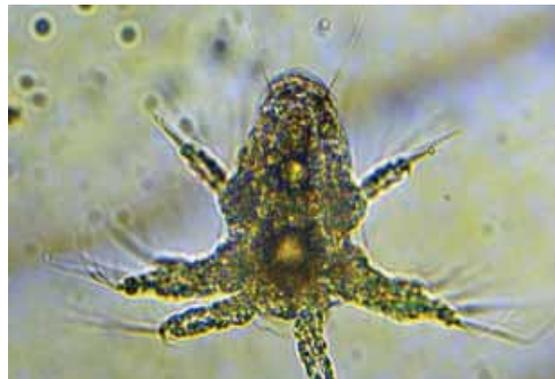
Plankton can be subdivided into two categories, namely Phytoplankton, which are microscopic

plants that obtain their energy via photosynthesis. They are important to the ecosystem because they recycle, for example, carbon and sulphur. They are also an incredibly important food source for freshwater “herbivores”.

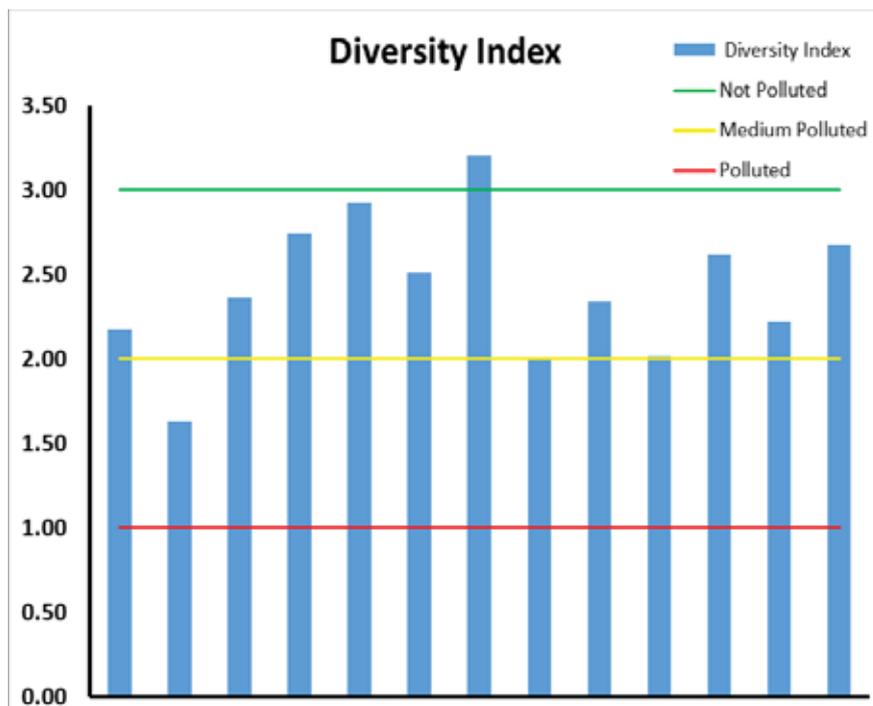
The Zooplankton consist mainly of crustaceans and rotifers, basically animal plankton without photosynthetic capabilities. They are often consumed by freshwater “predators”, typically carnivorous fish, tadpoles and salamanders along with a range of insects with a water born larval stage e.g. dragon flies.

The BioD team has commenced on an ambitious project in Kumai Estate, a state-of-the-art plantation development. Here, the streams remain largely intact and even small changes in, for example, sediment loads, fertiliser washout and temperature change can affect the plankton community.

For the past 18 months, 12 monitoring stations have been setup and a total of 69 species of plankton recorded. These indicate that most of the Kumai streams are generally in good condition, yet still impacted by plantation operation. The BioD team will setup similar monitoring stations in the rest of PTSSS, to better manage water quality in the future.



Various types of plankton identified in PTSSS' Kumai Estate. From Upper left: *Diatoma sp*, *Nauplius*, Bottom left *Golenkinia radiata* and *Centronella sp*.



Plankton acts as a good indicator of ecological integrity in streams and lakes. Most of Kumai's streams are in relatively good condition with little pollution. However, they remain affected by plantations operation with only one stream qualifying as "not polluted".

Research and conservation

The research into using leopard cat, *Prionailurus bengalensis*, as biological pest controllers of rats in Lada Estate continues unabated. To date, the study area has not needed chemical treatment.

In 2017, the BioD team recorded an increase in the leopard cat population. This is a positive result of habitat enrichment and maintenance at estate level, where palm fronds are left to decompose naturally, from where many other native plants, ferns and shrubs sprout. It creates ideal cover for leopard cats. (Please refer to page 130 for further details on leopard cats)

In 2017, the BioD Team began a census of gingers in PTSSS' conservation areas. Gingers are rhizomatous perennial herbs, mostly aromatic, in a plant family with approx. 1500 species. Its centre of diversity in Asia and Borneo contains almost 250 species, many of which are endemics.

They are a very important group of plants due to the multitude of human use. Some gingers are known as popular spices such as ginger, galangal, turmeric and cardamom, whereas other species are utilised as vegetables or for medicinal uses. To date, the BioD Team has collected and identified 15 different species of ginger.



Some of the beautiful gingers found in PTSSS' conservation areas.
Left: *Zingiber ottensii*. Right: *Zingiber viridiflavum*



The King Cobra team along with visitors and participants from OFI. Front left: Mr. Muhammad Silmi, Drh. Prima Anggara, Mr. Cameron W. Hodges, Dr. Biruté Mary Galdikas, Dr. Matthew J. Goode.

The BioD team also continued research into the charismatic king cobra, the world's largest venomous snake species. Following previous year's work, the BioD team's collaborators led by Dr. Matthew J. Goode, University of Arizona and Mr. Cameron Hodges, Oklahoma State University visited PTSSS again in November, 2017.

The king cobra and black cobra work is also supported by Orangutan Foundation International (OFI) that provided expert support from their veterinarian. The work spurred a rare visit by Dr. Biruté Galdikas, reknown primatologist and founder of OFI and the famous Camp Leakey in Tg Putting National Park as an orangutan reserve.

The visit was the most successful to date, with the group capturing four king cobras and two black cobras and successfully implanting radio-transmitters into all of the snakes. All snakes were released into the same locations as where they were captured and are now being tracked daily by the BioD team.



OFI veterinarian, Drh Prima Anggara, Dr. Matthew J. Goode and UP's Muhammad Silmi in the process of implanting a radio-transmitter into a 4m long king cobra at a make-shift surgery table in the Biodiversity Division office, PTSSS.

The rehabilitation of several degraded conservation areas are ongoing. Some are progressing well, some less so. The past year saw the conclusion of the first phase of monitoring tree mortality in Runtu Estate's conservation area. The area consists of deep peat that is inherently difficult to management and rehabilitate.

This is aggravated by being part of a complex ecological and hydrological ecosystem, with the major part being outside UP's boundaries. The results of a 3-year study and monitoring of habitat integrity revealed a severe tree mortality in these conservation areas.

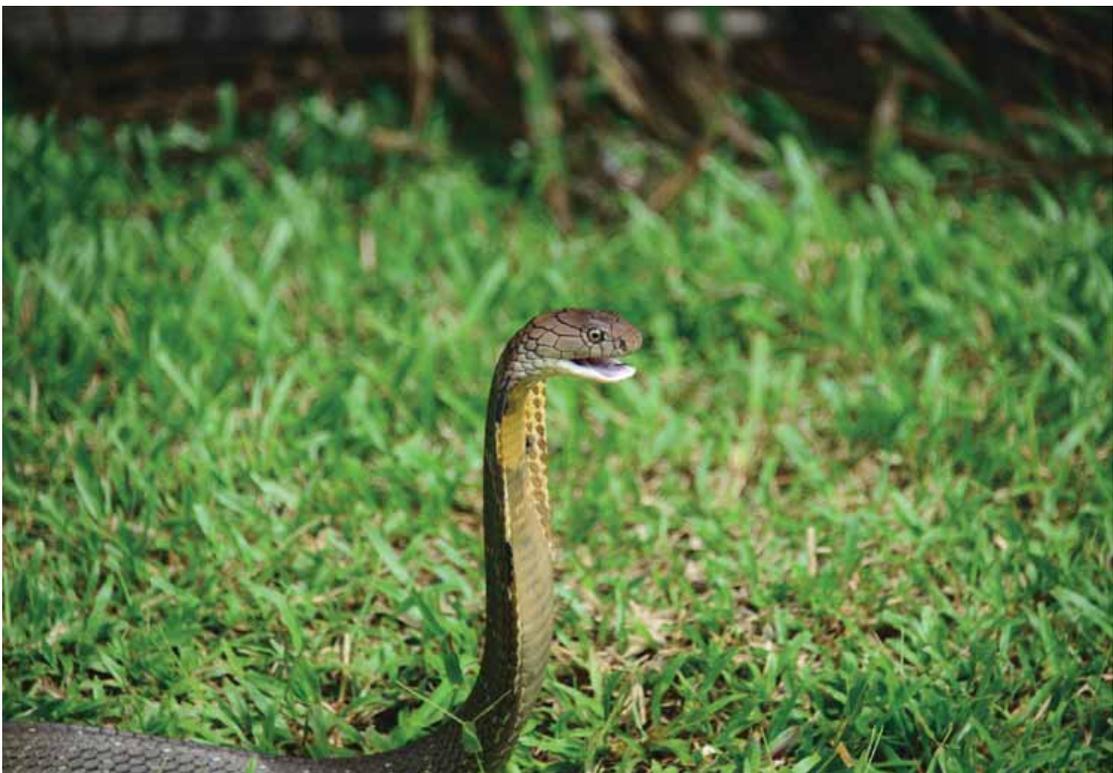
This is of major concern, since it increases the amount of dry fuel-load and risk disastrous uncontrolled fires. The BioD team in collaboration with the relevant Estate is working hard to eliminate the potential fire risk by improving water management in the area.



Mr. Cameron W. Hodges providing oxygen to a sedated king cobra during transmitter implantation at the Biodiversity Division office, PT SSS.



Sumatran Cobra (Naja Sumatrana)



King Cobra (Ophiophagus hannah)

National and international engagement

It is not common to experience a palm oil plantation company being represented at the forefront of biodiversity and conservation conferences and workshops. However, by creating a biodiversity division, such obligations and responsibilities follow, because the division needs to be constantly updated with new research, methods and status of various species, habitats and conventions.

In essence, it is important to remain relevant rather than slide into a state of redundancy. It is pleasing to see, then, that UP was represented at the world’s inaugural International King Cobra Symposium that took place in Holland, October 2017.

BioD manager, Muhd Silmi delivered a presentation about the ongoing king cobra research in PTSSS, a wonderful testament and acknowledgement that the hard work by the PTSSS team is regarded as internationally important. After the Symposium, Muhd Silmi visited UP’s collaborator, Copenhagen Zoo, where he also delivered a presentation for the Zoo’s staff as well as invited guests, among these UP’s Copenhagen staff.

The BioD team also participated in the important Indonesia Carnivores Conference, held in Banyuwangi, East Java in November, 2017. The BioD

team’s Mahfud Huda prepared a comprehensive poster of the team’s ongoing monitoring and management activities of carnivores in PTSSS’ conservation areas. There have been, and continue to be, many more accomplishments and activities concerning biodiversity conservation and management in PTSSS. The above is merely a snap-shot of the BioD activities that reflects an incredible dedication and passion for their work.

Concluding remarks

In conclusion, there only remain to be said that 2018 will be another very busy year, with a continuation of numerous ongoing and important activities on-site, as well as new projects. There are also three relevant and “must attend” international events taking place i.e. the European Association for Zoos and Aquaria Conservation Forum (May, 2018), the Association for Tropical Biodiversity and Conservation (Kuching, July, 2018) and the Society of Conservation Biology’s Asia Section conference (Kyrgyz Republic, August, 2018).

On behalf of Copenhagen Zoo, I would like to thank the management at PTSSS for their support; to UP’s EXCOM for their continued dedication to responsible plantation business.

Dr Carl Traeholt

UP Group Chief Environmental Advisor



Biodiversity Manager, Mr. Muhammad Silmi (last row, far right) represented UP at the 1st International King Cobra Symposium, Holland, October 2017.



United Plantations Bhd was represented at the important Indonesian Carnivores Conference held in Banyuwangi, East Java. The BioD Team’s Mr. Mahfud Huda prepared a poster of the ongoing monitoring and management of carnivores in PTSSS’ conservation areas. Other was; Mr Wido Rizki Albert (FFI), Ms. Sharmy Prastiti (Taman Safari Indonesia).



Reticulated python (*Python reticulatus*)—
occasionally found around our waterways.



Waterways in our plantations are attractive habitats for water loving animals. Spotted here are the Purple Heron (*Ardea purpurea*) and a family of energetic Otters (*Amblonyx cinereus*) next to a young coconut planting.





Native jungle trees successfully raised at our jungle tree reserves and planted to enrich the diversity in our reserves.

Tree Reserves

The Lagoon Tree ('Kingham-Cooper') Reserve.

This Lagoon Tree Reserve, commenced planting in 2008 in several phases, is now developing into a dense jungle-like forest, surrounding the lake which is stocked with local species of fish, and attracts the Malayan Otter as well a variety of birds such as the Brahmin hawks, egrets, fish eagles, and king-fishers.

The Lagoon Tree Reserve and Main Office Parks, totalling 20 hectares is the main source of seeds (the "Mother Trees"). The seeds are collected and raised at the nearby tree nursery until these reach the desired size for transplanting into reserves throughout the UP Group. To date, a total of 18,000 trees have been planted from a wide range of 275 species and 60 diverse Family Groups which is a sound basis for future enrichment of biodiversity and conservation.

The Anak Macang Riverbank Reserve.

The main focus of work on the tree reserves during 2017 has been intensified planting of species along the embankment of the river at the southernmost boundary of UIE Estate.

This parallel strip of land measuring 5.85 kilometres long and 20 meters wide, has been 'set aside' to revert to natural vegetation upon replanting, and which is an area UIE has focused

on by enrichment planting of indigenous trees from Malaysia since 2011. To date, 3000 trees from a range of diverse species that provide food and shelter for birds and small mammals have been planted along this reserve.

Ulu Bernam Optimill.

A sizable number of trees from the UIE indigenous tree nursery have been sent to the UP Group Estates, Upriver, and in particular for the new Ulu Bernam Optimill project for establishing its own Tree Park which can be used for gathering seeds and conservation later on.

Apart from UIE's tree nursery, a wide variety of large size 'rare and endangered' trees have been sourced from Penawar Hutan Nursery, Malaysia's leading supplier of rare jungle trees, so that United Plantations will be able to carry out its commitment to conservation and future development of Indigenous Malaysian Jungle trees.

As usual we are grateful to Malaysia's "Tree Guru" (Mr James Kingham and his family, owners of one on Malaysia's largest and most diverse tree nurseries) who has provided us with much generous time and advice over the years for direction and the way forward.

Geoffrey Cooper

Estates Director, Downriver



Tree planted at one of the Ulu Bernam Optimill Park areas. Since January 2017 to date , 895 trees, from 73 species and 19 Family groups have been planted around the Ulu Bernam Optimill area.

Lima Blas Jungle Reserve

With the acquisition of Lima Blas Estate from Socfin Plantations Sdn Bhd in December 2003, United Plantations also inherited an 85 hectare jungle in the estate.

Situated on a hill behind the site of the now decommissioned palm oil mill, the manager's house situated in the midst of this reserve was designed by a Mr B M Iversen, the brother of Mr W M Iversen who was the first manager of Lima

Blas Estate. Built in the late 1920s, this 90 year old bungalow still stands tall in the midst of the jungle reserve today.

The jungle reserve has been enriched with Malaysian native jungle trees sourced from Kingham nursery over the years and as part of an on-going exercise, forest rangers have been invited to identify and catalogue some of the trees in the reserve which is believed to include tress from Magnolia sp. amongst other native tree species.



Amidst the tranquil setting of lush greenery is the Manager's bungalow which was built in the late 1920s.

8. Deforestation and High Carbon Stock

This relates to avoiding land clearing in High Carbon areas, thus preserving the forest. The approach has ensured that UP is in full compliance to its NO deforestation policy of July 2014

New Planting Procedure (NPP)

The RSPO New Planting Procedure (NPP) consists of a set of assessments and verification activities to be conducted by growers and certification bodies (CB) prior to a new oil palm development, in order to help guide responsible planting.

The NPP applies to any development of new plantings, regardless of size (Ha). The intention is that new oil palm plantings will not negatively impact primary forest, HCV, HCS, fragile and marginal soils or local people's lands. UP subscribes and supports this stance.

A successful implementation of the NPP ensures that all the indicators of the RSPO Principles and Criteria (P & C) 2013 Principle 7 are being implemented and therefore in compliance when the new development starts. One of the outputs of the NPP is a report that proposes how and where new oil palm plantings should proceed, or not, for a given management area.

The NPP report is posted on the RSPO website for public consultation for a duration of 30 days. Planting and any associated development (such as road development) can only begin once the NPP is completed and RSPO approval is granted.

High Conservation Value (HCV) Assessment

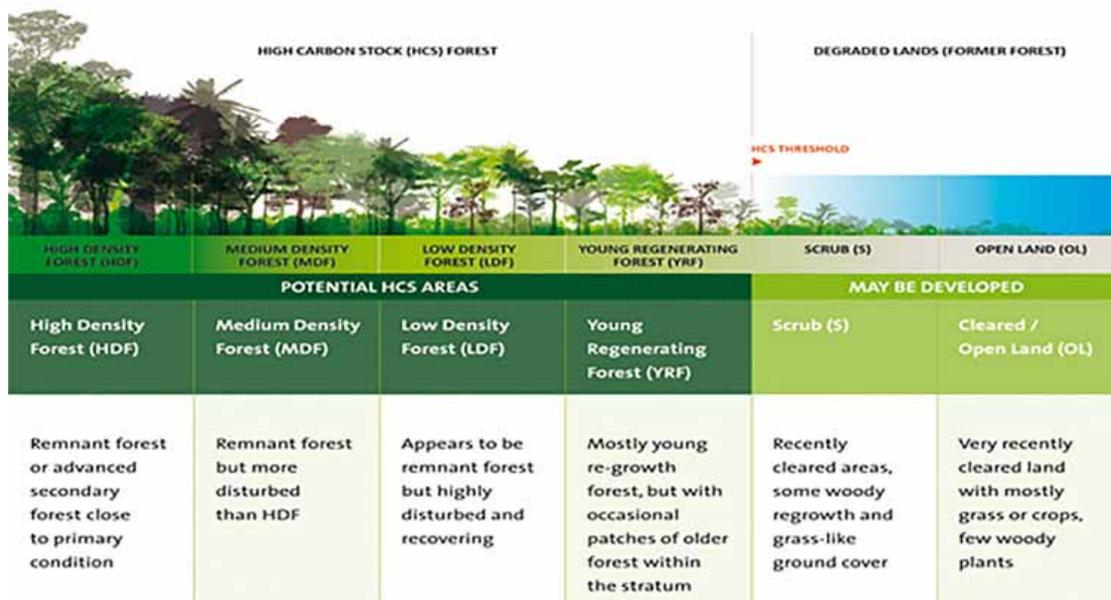
As a member of RSPO, UP is 100% committed to embrace and implement the sustainability concepts outlined in the RSPO Principles and Criteria (P&C). In line with the RSPO P&C as well as Indonesian laws, Environmental Impact Assessments (EIA's) and HCV Assessments were conducted prior to commencing plantation development by UP.

UP has not only followed the recommendations of these assessments but expanded the scope to include much larger conservation areas than that stipulated in the EIA and HCV assessments. To date more than 7,500 Ha are set aside as conservation areas in line with the Company's policy to maintain and manage the ecological integrity of the landscape in which UP operates its palm oil plantations, as well as to provide necessary habitat for endangered and critically endangered species that are found in or adjacent to UP properties.

High Carbon Stock (HCS) Assessment

Since 2014 UP has introduced a High Carbon Stock Policy to all its future developments.

HCS Assessment is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed. The methodology was started by Golden Agri-Resources(GAR) and Greenpeace during the development of GAR's Forest Conservation Policy, with the aim to ensure a practical, transparent, robust, and scientifically credible approach that is widely accepted to implement commitments



to halt deforestation in the tropics, while ensuring the rights and livelihoods of local peoples are respected. Since 2010, the HCS approach has had separate expert reviews and inputs from multiple stakeholders to develop a methodology which is a practical tool to address the need for forest protection within agricultural development.

“The amount of carbon and biodiversity stored within an area of land varies according to the type of vegetative cover. The HCS Approach stratifies the vegetation in an area of land into six different classes using analyses of satellite data and ground survey measurements. These six classes are: High Density Forest, Medium Density Forest, Low Density Forest, Young Regenerating Forest, Shrub, and Cleared/Open Land. The first four classes are considered potential High Carbon Stock forests.

Each vegetation class is validated through calibration with carbon stock estimates in the above-ground tree biomass and field checks. Community land rights and uses are mapped, and the HCS forest patches are further analysed via a Decision Tree to identify viable and optimal forest areas for potential protection and areas for development.

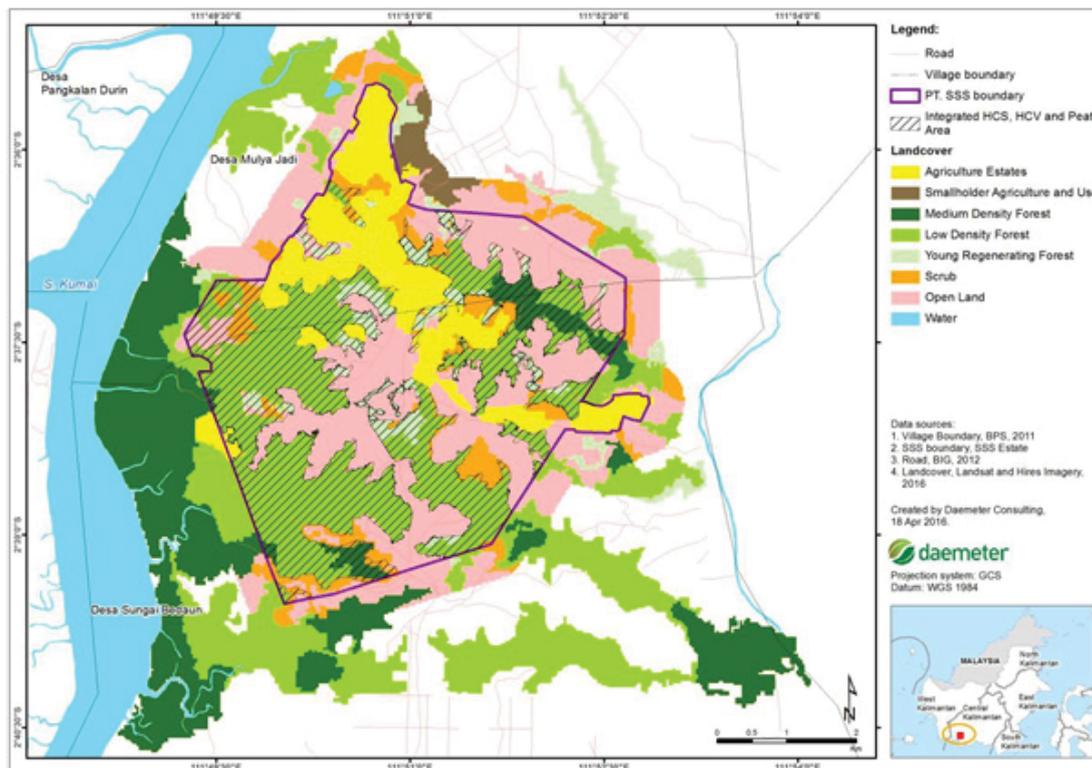
The methodology respects local community rights through its integration with enhanced Free Prior and Informed Consent (FPIC) procedures, and respecting community land

use and livelihoods. It requires participatory community-land use planning and management, applies conservation planning tools to the identified HCS forest areas, and combines with mapped community land use, HCV, peatland and riparian areas to delineate areas for conservation, restoration, community land use, and/or areas potentially available for plantation development.

The HCS Approach is a breakthrough for plantation companies and manufacturers who are committed to breaking the link between deforestation and land development in their operations and supply chains. The approach represents the first practical methodology that has been tested and developed in active concessions in Asia and Africa with input from a variety of stakeholders. It is a relatively simple tool that plantation companies can use for new developments while ensuring that forests are protected from conversion.

Identification of HCS forests can also help governments fulfil commitments to reduce greenhouse gas emissions resulting from deforestation because it allows the mapping of forest areas that should be conserved (thus preventing GHG emissions).

As of November 2016, the HCS Approach includes a convergence with the HCS+ — meaning there is now only one global HCS methodology.” (source:www.highcarbonstock.org/)



The consolidated map which integrates the results of the patch analysis (HCS area), peat mapping, HCV assessment and FPIC study in Kumai.

UP's HCS assessment and Plasma development plans

In adhering to UP's No Deforestation Policy of July 2014 and minimizing its Carbon Footprint, UP in October 2014, requested Daemeter Consulting to perform a Land Use Change analysis as part of RSPO's New Planting Procedure (NPP).

Daemeter Consulting is a leading consulting firm promoting sustainable development through responsible and equitable management of natural resources, particularly in Asia's emerging economies. (For more info see: www.daemeter.org)

The Objective was to produce a land use map indicating exactly which areas ideally should be set aside for conservation.

Daemeter Consulting completed the Land Use Change Analysis in November 2014 which quantified the emissions associated to UP's intended new Plasma plantings in the Kumai concession area.

The Forest Trust (TFT), an international organization helping transform supply chains for benefit of people and nature, has reviewed Daemeter's Land Use Change Analysis and has

provided recommendations for leveraging off the Land Use Change work to facilitate a full HCS study. This recommendation has been followed in the final HCS report.

With the release of the HCS approach toolkit in March 2015, UP requested Daemeter Consulting to use this method to undertake a full HCS study of the identified new areas for Plasma Development in Kumai.

The consolidated map on page 103 was prepared by Daemeter based on their final HCS report released in August 2016, indicating the concession area, the outcome of the HCS, HCV, FPIC and peat surveys, thereby incorporating social and environmental considerations in line with RSPO's NPP guidelines.

Daemeter's assessment found that 40% of the concession area surveyed is recommended to be reserved from development because it is either considered HCS, HCV or located on peat soils.

This has been fully adhered to and the plasma development project in the Kumai conservation area has progressed well during 2017, and is a fine example of how development and conservation can go hand in hand for the benefit of the local community and the environment.



Conservation and development going hand in hand based on the NPP and HCS assessments.

Environmental concerns

Oil palms are highly efficient producers of vegetable oil, requiring less land than any other oil-producing crop. Despite being one of the more sustainable sources of vegetable oil, there is concern that the growing demand for food and biofuel could lead to rapid expansion of palm oil production and result in serious environmental and social consequences.

NGOs and Palm Oil

Palm oil producers worldwide, continue to be exposed to much criticism by predominantly Western Non-Governmental Organizations (NGOs). Their accusations take the form of generalized views that disregard the positive socio-economic impact of the industry and continue to highlight mainly allegations of deforestation, environmental degradation, social conflicts and economic problems.

Nonetheless, dialogue with NGOs in a constructive atmosphere of goodwill and fairness is essential in order to pursue the process of achieving a balance between the natural environment and habitat as well as the need for economic development. Those dedicated to this cause always need to be aware of the other side's case and thereby do their best to remain objective.

Consequently, the RSPO promotes sustainable palm oil production practices that help to considerably reduce deforestation, preserve biodiversity and respect the livelihoods of rural communities.

Deforestation – How to balance Development & Conservation

UP has a clear commitment against deforestation as enshrined in several of our policies: 'No primary forest clearing policy (1990)', 'No HCV forest clearing policy (2005)' and 'High carbon stock assessment & land use change analysis for new plantings (2014)'. Whilst a certain portion of oil palm cultivation, just like all other agriculture, is a result of land use change, it is incorrect to single out the oil palm industry as the lightning rod for the world's growing anger on global warming and deforestation.

This has been clearly described in a recent article by Professor Corley published in the "The Planter" magazine, Vol. 92 No 1086, September 2016. Quote: *"In the 29 main countries where oil palm is grown 78 million hectares of forest were lost between 1990 and 2000, while oil palm plantations expanded by 3.9 million hectares (FAO, 2011). Thus oil palm expansion can explain no more than 5 per cent of the loss in those countries. The rate of forest loss diminished between 2000 and 2010 (FAO, 2011), while oil palm expansion increased;*



Conservation and Plasma development going hand in hand based on the NPP and HCS assessments in the Kumai conservation area.

FOREST LOSS AND OIL PALM EXPANSION IN OIL PALM-GROWING COUNTRIES

Oil palm figures are for harvested area (data from <http://faostat.fao.org>)

Country/region	Forest loss ('000 Ha)		Oil palm expansion ('000 Ha)	
	1990-2000	2001-2010	1990-2000	2001-2010
Indonesia	19136	4977	1341	3766
Malaysia	785	1135	1329	1055
Thailand	545	32	134	338
Papua New Guinea	1390	1407	26	63
Colombia	1010	1010	46	30
Brazil	28896	26421	12	61
Ghana	1354	1154	30	200
Nigeria	4187	4096	780	120
Other Latin America	12929	10362	134	245
Other Africa	7822	7628	75	164
Others	(491)	(493)	6	34
Total	77563	57729	3913	6076

Source: *The Planter*, Vol. 92, No. 1086, September 2016

PREVIOUS LAND USE OF AREAS PLANTED WITH OIL PALM BETWEEN 1990 AND 2010

Oil palm figures are for total planted area (data from Gunarso *et al.*, 2013)

Previous land use	Indonesia		Malaysia		PNG		Total	
	kha	%	kha	%	kha	%	kha	%
Undisturbed upland forest	13	0.2	-	-	4.6	5.7	18	0.2
Undisturbed swamp forest	384	6.0	0.5	0	-	-	384	4.0
Disturbed upland forest	1207	18.9	1239	38.1	37	46.1	2483	25.6
Disturbed swamp forest	539	8.4	126	3.9	0.2	0.2	665	6.9
Shrubland and grassland	1679	26.3	20	0.6	34.6	43.1	1734	17.9
Agroforestry and plantations	2176	34.1	1119	34.4	-	-	3295	33.9
Bare soil, annual crops, unclassified	388	6.1	747	23.0	3.9	4.9	1138	11.7
Total	6386		3252		80.3		9717	

Source: *The Planter*, Vol. 92, No. 1086, September 2016

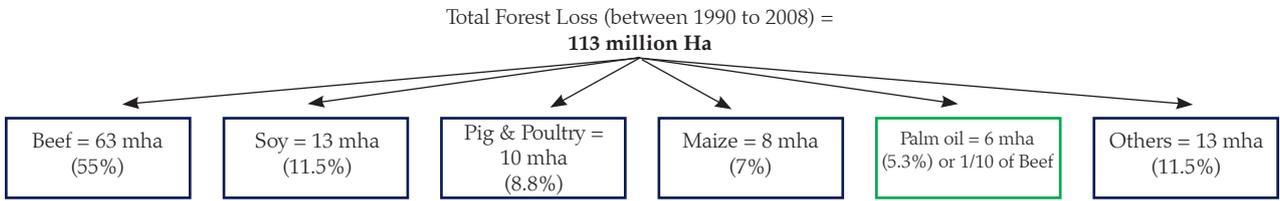
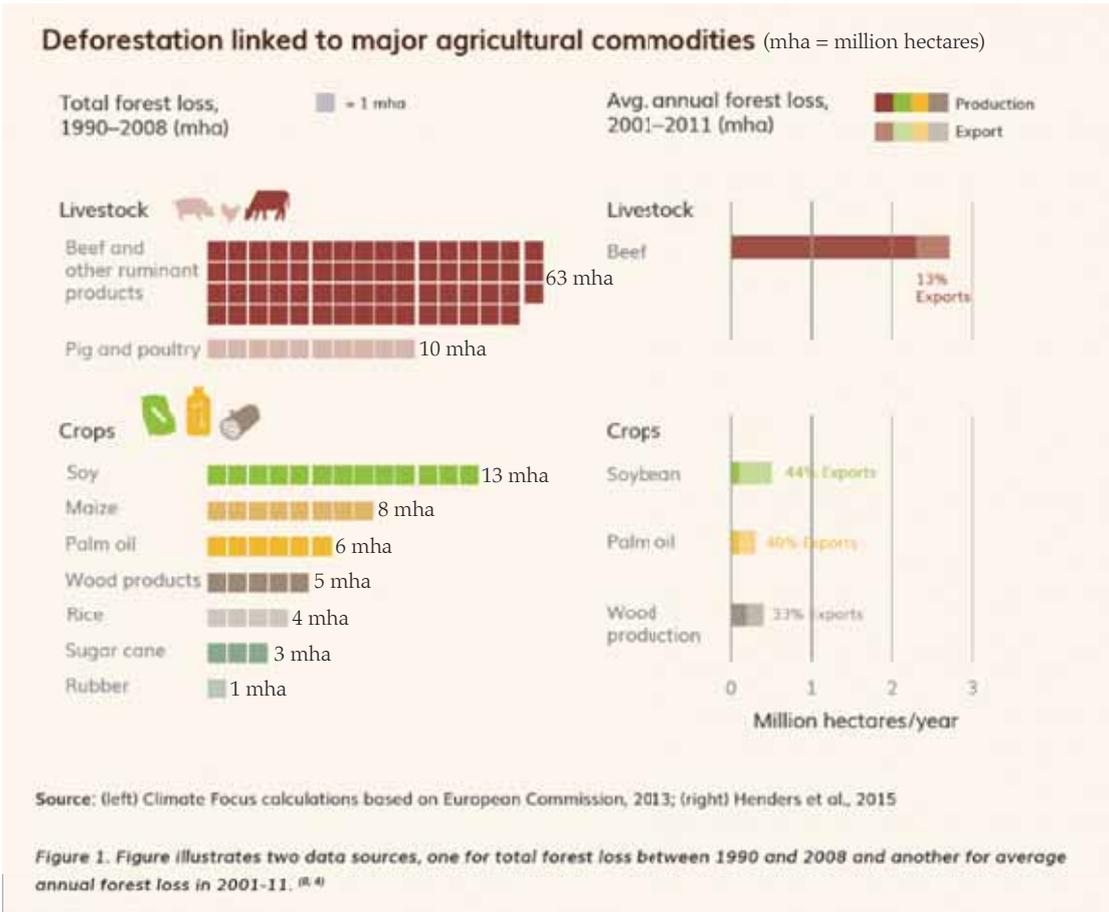
58 million hectares of forest were lost in the same 29 countries, while oil palm expanded by 6 million hectares. Worldwide, therefore, even if all oil palm expansion was at the expense of forest (which it was not—see first table below), it would still account for 10 percent of recent forest loss.

Most Expansion has been in Malaysia and Indonesia, and Gunarso *et al.* (2013) documented land use change in these countries and Papua New Guinea from Landsat images. Between 1990 and 2010, 4 percent of the 9.6 million hectares of oil palm expansion replaced undisturbed forest and a further 32% replaced disturbed forest (second table above).": Unquote.

Globally, according to the Food & Agricultural Organisation (FAO), about 12 million hectares of forests are cleared every year.

Between 1990 to 2016, more than 360 million hectares of forest were cleared and converted into other uses such as commercial ranching, agriculture, town expansion as well as infrastructural projects amongst others.

Oil palm areas globally have increased from 3.7 million hectares in 1990 to 18.1 million hectares in 2016 or a net increase of 14.4 million hectares or equal to less than 5% of the total deforestation from 1990 to 2016.



Nevertheless, whilst fully supporting and recognising that ongoing initiatives must be intensified to minimise the impacts of deforestation and greenhouse gas emissions, there is an acute need by the NGO fraternity and scientific network including politicians in the West to direct their attention on other areas which have a disproportionately greater impact on deforestation and greenhouse gas emissions.

In this context, it was with much interest that the US NGO, The Union of Concerned Scientist (UCS) who on the 14th of December 2016 published an article entitled "Ending Tropical Deforestation.

Have we got our Priorities Backwards?" in which concluded that the NGO fraternity including the UCS had got their priorities wrong.

The findings concluded that the main drivers of commodity-based deforestation were in fact not palm oil production but several other commodities.

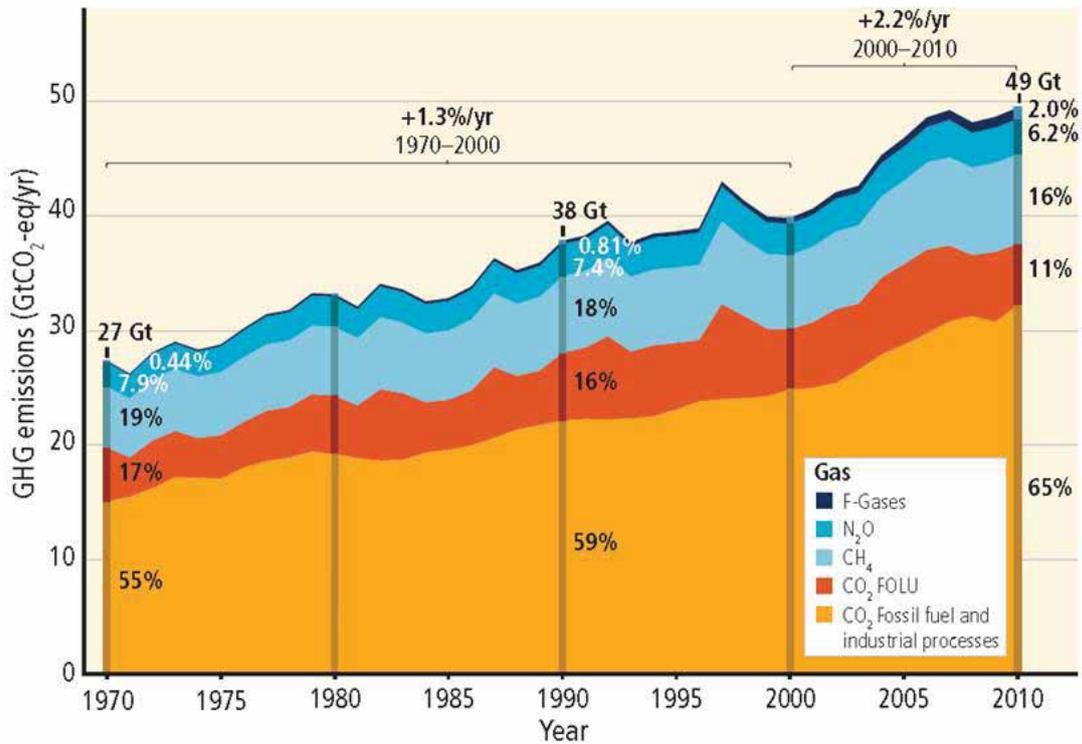
An article by the USC states,

Quote: "I don't want to go overboard with the mea culpa here. Companies have to take responsibility to their actions, and their lack of action. They can't just say "The NGO community made me do it". But the Climate Focus Report and the new data from the Amazon demonstrate forcefully that when we get the priorities wrong, there are consequences": Unquote

Earlier in the same article it is also stated that

Quote: "The data is pretty clear: by far the biggest driver of deforestation is beef. Soy is second, but far behind in terms of importance and palm oil and wood products are even smaller drivers, causing only about a tenth as much deforestation as beef": Unquote

Total annual anthropogenic GHG emissions by gases 1970–2010



Almost 80% of Global energy consumption today is still made up of fossil fuels.

Likewise, much more attention must be directed towards the adverse impacts of fossil fuel usage and minimising this as about 65% of all CO₂ (eq.) emissions still come from burning fossil fuels.

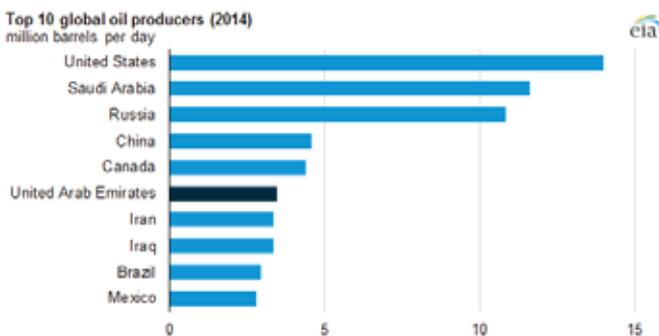
The world purchases about 93 million barrels of crude oil per day (equal to about 130.1 million MT per day).

to be seen as the stewards when minimising deforestation and greenhouse gas emissions.

Nevertheless, little Norway today produces about 2 million barrels of crude oil per day. This alone is equal to 913,194 MT of CO₂ emissions/day or similar to the CO₂ (eq.) emitted from clearing 1793 hectares of tropical jungles per day or a deforestation rate of 650,000 hectares per year.

What we therefore need much more of is a balanced approach to what we all have to do to help minimise the impacts of deforestation and greenhouse gas emissions and not just a selected few. There must be a “commensurate effort” failing which trust will be eroded and goals will not be reached.

Indeed, things should be put in perspective and acknowledgement given to the fact that palm oil production is not the main cause of deforestation. Nevertheless whilst recognizing that ongoing initiatives must be intensified to minimize the impact of not just agriculture but all activities that in one way or the other contribute to deforestation and global warming.



In connection with the above it is important to apply more pressure on mineral oil producers as the impact on greenhouse gas emissions is larger than what most people believe. As an example, it is worthwhile mentioning a small country like Norway who has often wished



Immature and mature oil palms flanking a collection drain which highlights the importance of water management in oil palm cultivation.

9. GHG Emissions, Discharges & Waste Management

(GRI 302-2, GRI 302-3, GRI 302-4, GRI 306-1)

Investments and efforts undertaken to reduce GHG emissions, and in promoting green energy starting with the Biomass Reciprocating Boilers and Biogas Plants

United Plantations' Carbon Footprint Initiatives

Since 2005 UP has actively been pursuing means of identifying ways to reduce its Greenhouse Gas (GHG) emissions and with that its reliance on fossil fuels.

Life Cycle Assessment (LCA)

(GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4, GRI 305-5, GRI 307-1)

In 2006 following the completion of the world's first panel reviewed Life Cycle Assessment (LCA) study on the "cradle to grave" production of 1 MT of refined palm oil, various areas were identified within our production chain, which could mitigate GHG emissions.

For example, the world's first comprehensive LCA in accordance with ISO 14040 and 14044 International Standards on palm oil was finalized in 2008 and subsequently underwent a critical panel review.

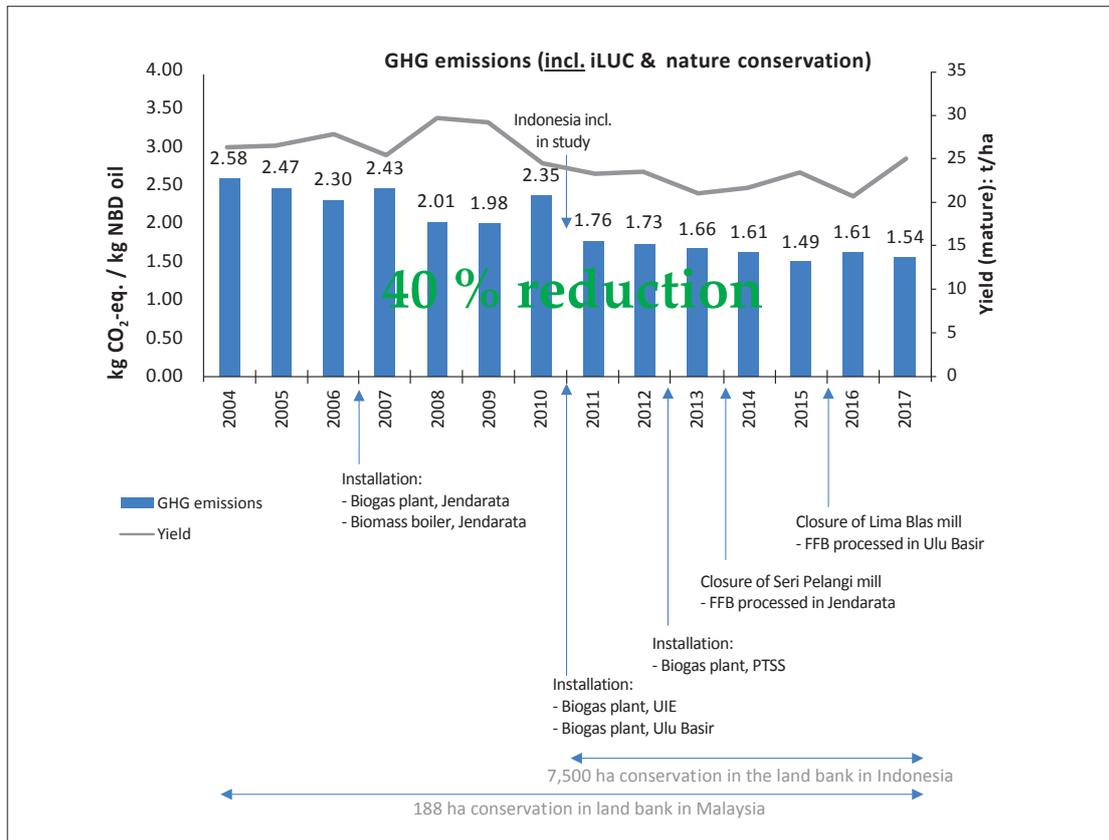
Further updates to this LCA were carried out by 2.0-LCA Consultant Dr. Jannick Schmidt from Aalborg, Denmark from February 2011 to May 2011 and since then on annual basis. During the period January to February 2018 Dr. Jannick Schmidt again updated UP's LCA study thereby providing management with a detailed and clear overview of the development in the Company's efforts to reduce its carbon footprint over the last 15 years.

More importantly the updated LCA has helped to identify additional areas in need of further improvement within our Group. Our Company continues to remain at the very forefront in terms of implementing GHG reducing projects within the Plantation Industry which will supersede the Kyoto Protocol's ambitions of reducing GHG emissions in industrialized countries by at least 5% below the 1990 levels in the commitment period 2008-2012.

Methane Capture and GHG Reduction

(GRI 302-4)

UP has several methane capture and GHG reduction projects including 4 CDM projects which have been registered under UNIFCCC. Combined, these projects have reduced the annual emission of GHG by a minimum 125,000MT of CO₂ (eq) thus enabling our Group to meet our target of reducing our "Carbon



Time-series for NBD palm oil at United Plantations Berhad (without iLUC) for year 2004-2017.

Footprint" per MT of refined palm oil produced by 40% (with iLUC and nature conservation) already in 2017 when compared to pre-2005 levels.

The effect of this work is illustrated by tracking the carbon footprint for the Company's production of palm oil each year from 2004 to 2017 and is summarised in the graph on page 110.

Good progress has been made over the years in reducing our impact on global warming (excluding iLUC) to 1.58kg CO₂-eq for every 1kg of refined palm oil produced in 2017.

The major part of the impact originated from the oil palm plantations stage where the main contributors are field emissions of CO₂ from oxidation of peat soils (9% of UP's total areas are on peat) and N₂O.

The other major contributor to GHG emissions is methane (CH₄) derived from the waste water, from the milling stage which is transferred to the enclosed Biogas tanks for treatment and only after reducing the chemical oxygen demand by 80% the waste water is sent to the anaerobic ponds for the final stage of breakdown before being distributed back into the fields as liquid fertilizer. If iLUC is included, the total

contribution of GHG emissions rises to 1.94kg CO₂ eq per kg of refined palm oil. Hence iLUC is a significant contributor to GHG emissions.

However, when taking into account the positive mitigating effects of including the Group's more than 7,500Ha of conservation set aside on UP's entire production, then the GHG emissions will be considerably lower at 1.54kg CO₂-eq for every 1kg of refined palm oil produced in 2017. Nature reserves effectively cancelled out the negative impact of iLUC on our GHG emissions.

In conclusion, the UP Group has through awareness, investments and commitments managed to reduce its GHG emissions by 30% (without iLUC), 25% (with iLUC) and 40% (with iLUC and nature conservation) per kg of refined oil produced from 2004 to 2017.

Target 2019

With more initiatives and further investment between 2018-2019, our internal goal is to reduce UP's Carbon Footprint per MT of refined palm oil produced by 50% before the end of 2019 when compared with previous 2004 levels (with iLUC and nature conservation).



The Jendarata Estate Biogas Plant commissioned in 2006 treating the Palm Oil Mill Effluent. In the process of reducing the Biochemical Oxygen Demand by 99%, biogas is produced by methane bacteria and subsequently used as a source of green energy.

Emissions Reductions & Biogas Plants

(GRI 302-3, GRI 302-4)

Since 2005, significant investments have been made in promoting green energy starting with the initial Biomass Reciprocating Boiler cum Power Plant and the first Biogas Plants built and commissioned in 2006. These projects combined have since helped to significantly reduce our emissions of CO₂ by 70% and CH₄ by 80% at the respective operating units thereby paving the way for additional green investments.

Indonesian Palm Oil Mill and Biogas Plant

To further reaffirm our commitment towards reducing our GHG emissions, our 4th Biogas Plant, the first of its kind in Central Kalimantan was commissioned in June 2013 at our Company's Palm Oil Mill in Indonesia.

The fifth and final biogas plant will be commissioned in 2018 and this will result in all mills in our Group having methane capture facilities in the form of Biogas plants which will be a most gratifying achievement.

United Plantations Biogas to Grid Project

Since the UIE biogas plant began operation in 2010, the biogas generated at the mill was either flared or used as a substitute fuel in the mill boiler.

In order to further improve our carbon footprint and to better utilise this resource, a Power Purchase Agreement was signed in December 2015 between TNB and UP, whereby

UIE has been given the right to generate and sell electricity back to the National grid.

In this connection, the biogas generated from the biogas plant (capacity 600m³/day) is scrubbed to remove the hydrogen sulphide and then used as fuel to generate electricity via a newly installed 1.2MW Biogas Engine, minimising the need for the closed flaring operation and utilising the biogas to offset fossil fuel consumption in generating electricity.

The final approval from the Energy Commission was obtained in October 2016, the electrical protection system was commissioned on 10th November 2016 and supply to the grid commenced in November 2016. An estimated 6.9 million kWh of electricity was generated by the Biogas Engine in 2017 and an additional unit of Biogas Engine will be installed in 2018 to ensure uninterrupted power supply to the grid.

Biomass Reciprocating Boiler

The first Biomass Reciprocating Boiler (BRB1) was successfully commissioned in 2006 and supplied green steam to Jendarata Palm Oil Mill as well as the Unitata Refinery, thus playing a crucial role in reducing the fossil fuel consumption at the refinery.

Building on this success, a second biomass boiler (BRB2) was commissioned in September 2017. The BRB2 has a larger capacity of 45 MT per hour and is equipped with the VORSEP dust particle minimizing system, and an automatic fuel feeding system with greater energy efficiency and a lower labour requirement.



Official opening of the Jendarata Biomass boiler No 2 at Jendarata Palm Oil Mill in December 2017.

Isokinetic Monitoring of Gaseous Emissions from the Palm Oil Mills
(GRI 305-7)

In conformance to the Department of Environment’s stipulations as well as to monitor the quality of our gaseous emissions, flue gas compositions were regularly checked by certified assessors throughout 2017. The average dust concentration in the flue

gases of four palm oil mills in UP’s Malaysian Operations and the Indonesian mill without the VORSEP System were as tabulated. In all cases the average dust concentrations were below the limit of 0.4g/Nm³ set by the Department of Environment as per the Environment Quality Act, 1978 in Malaysia and the 0.3g/Nm³ set by the Peraturan Menteri Negara Lingkungan Hidup No. 07 Tahun 2007 in Indonesia.

Palm Oil Mill	Average Dust Concentration (g/Nm ³)
Jendarata Stack 5	0.272
Ulu Bernam Boiler 2 & 3	0.143
Ulu Basir Boiler 4	0.121
UIE Boiler 1, 2 & 3	0.116
Lada Boiler 1, 2 & 3	0.268

VORSEP Dust Collector System at Ulu Basir Mill and Jendarata Mill

The VORSEP dust collector system was installed on our Biomass Reciprocating boiler at Ulu Basir Palm Oil Mill replacing the old conventional multi-cyclone dust collector system.

This unit was commissioned in the beginning of June 2015 whilst the unit at Jendarata Palm Oil Mill was commissioned in September 2017. These units were installed primarily to meet the DOE’s Environmental Quality Act (Clean Air Regulation) 2014 among others requires a cleaner emission standard from the boiler with the following conditions: -

- i) The dust concentration emitted from the stack should not be more than 150mg/Nm³
- ii) The smoke should not exceed shade No. 1 on the Ringlemann chart and should be less than 20% opacity

Work is in progress to install and commission the VORSEP dust collector system in all of UP’s palm oil mills before the end of 2018 thereby introducing this noble technology in both the Jendarata, Ulu Basir, UIE and the new Ulu Bernam Optimill.

Production and Level of Utilisation of Oil Palm Biomass Residues in UP in 2017

(Dry Matter Basis-Malaysian Operations)

Biomass	Quantity Produced (MT)	Quantity Utilised (MT)	% Utilisation	Method of Utilisation
Trunks and fronds at replanting	189,618	189,618	100	Mulch
Pruned fronds	311,291	311,291	100	Mulch
Spent male flowers	29,932	29,932	100	Organic matter recycled on land
Fibre	63,701	63,701	100	Fuel & mulch in nursery
Shell	36,846	36,846	100	Fuel & mulch for polybag seedlings
POME	23,630	21,858	93	Biogas generation, nutrient source, field irrigation and base for organic fertiliser production
EFB	75,637	75,637	100	Mulch and Fuel
Total	730,655	728,883	-	-
Level of utilisation =99.8%				

In 2017, a total of 730,655MT of biomass residues were generated through the various field and mill activities of the Company's Malaysian operations. From these, a very high ratio of 99.8% of the total biomass generated, or 728,883MT were effectively utilised with most of the residues recycled as organic matter back to the fields, in the form of organic mulch in the nursery or

as fuel source, thereby enriching our soils and displacing the use of fossil fuels whilst adding value to the biomass generated.

To further enhance biomass utilisation, plans are underway for the construction of another three units of Biomass Reciprocating Boilers at our UIE palm oil mill, and the Optimill which all will be fully operational before the end of the 2nd quarter 2018.

(Dry Matter Basis-Indonesian Operations: Lada and Runtu Estates)

Biomass	Quantity Produced (MT)	Quantity Utilised (MT)	% Utilisation	Method of Utilisation
Trunks and fronds at replanting	-	-	-	-
Pruned fronds	87,332	87,332	100	Mulch
Spent male flowers	8,397	8,397	100	Organic matter recycled on land
Fibre	21,665	21,665	100	Fuel & mulch in nursery
Shell	13,732	13,732	100	Fuel & mulch for polybag seedlings
POME	9,884	9,142	93	Biogas generation, nutrient source and field irrigation
EFB	26,247	26,247	100	Mulch and Fuel
Total	167,257	166,515	-	-
Level of utilisation =99.6%				

A total of 167,257 MT of biomass dry matter was generated from our Indonesian operations in 2017. Even though the quantum is lesser than what is generated in Malaysia, a very

high proportion of these biomass (166,515MT or 99.6%) was utilised through recycling in the field and as an energy source with all the added benefits to the environment.

Fertilizer Equivalent and Monetary Value of Oil Palm Biomass Residues Recycled on Land in UP in 2017

(Malaysian Operations)

Biomass Residues	Method of Utilisation	Quantity Utilised on Dry Basis (MT)	Fertiliser Equivalent (MT)			
			Urea	Rock Phosphate	Muriate of Potash	Kieserite
Trunks & fronds at replanting	Mulch	189,618	2,370	796	3,050	1,454
Pruned fronds	Mulch	311,291	7,018	2,283	5,935	3,885
Spent male flowers	Organic Matter	29,932	963	638	1,771	919
EFB	Mulch	61,441	1,069	451	2,970	683
Digested POME	Biogas generation & Irrigation	21,858	760	481	1,195	874
Total (MT)		614,140	12,180	4,649	14,921	7,815
Monetary value (RM)			13,738,631	1,571,085	15,905,210	4,267,053
Total monetary value RM 35,481,979						

(Indonesian Operations - Lada and Runtu estates)

Biomass Residues	Method of Utilisation	Quantity Utilised on Dry Basis (MT)	Fertiliser Equivalent (MT)			
			Urea	Rock Phosphate	Muriate of Potash	Kieserite
Trunks & fronds at replanting	Mulch	-	-	-	-	-
Pruned fronds	Mulch	87,332	1,969	640	1,665	1,090
Spent male flowers	Organic Matter	8,397	270	179	497	258
EFB	Mulch	26,208	456	192	1,267	291
Digested POME	Biogas generation & Irrigation	9,142	318	201	500	366
Total (MT)		131,079	3,013	1,212	3,929	2,005
Monetary value (RM)			4,293,407	550,809	4,756,841	1,238,639
Total monetary value RM 10,839,696						

With our commitment to sustainability and good agricultural practices, the recycling of field and mill biomass residues back to the oil palm land remains a cornerstone in UP. These measures have been shown to maintain and even improve soil fertility in the long term and enhance palm growth and oil yield.

In 2017, the total organic matter recycled on land in UP amounted to 614,140 MT of dry matter, which is equivalent to 356,201 MT of carbon. At this rate, we are returning more than 17 MT of organic matter or over 10 MT of carbon to each hectare of land, over the period of a year, thereby helping to replenish the soil carbon stock which is an important component of soil health. Upon mineralisation, the organic residues release substantial quantities of previously locked plant

nutrients to the soil which is available for palm uptake. The fertiliser equivalent of the material recycled on land is of the order of 39,565 MT of NPKMg fertiliser which in itself has a monetary worth of RM35.48 million at the prevailing 2017 fertiliser prices.

For our Indonesian operations, a total of 131,079 MT of biomass was recycled onto plantations land. This is equivalent to adding 76,026 MT of organic carbon to enrich the land which on a hectare basis is akin to returning around 16 MT of organic matter or above 9 MT of organic carbon to the land. The nutrient content of these recycled biomass is equivalent to 10,159 MT of inorganic NPKMg fertilisers, which will have a value equivalent to RM10.84 million.



The state of the art 60tph Optimill site located at Ulu Bernam on the very grounds where United Plantations undertook its large scale cultivation of oil palms in 1926. In the background one can see the modern biogas plant. To the left one can observe the UniFuji Refinery currently under construction.

New Palm Oil Mill project completed: The Ulu Bernam "Optimill"

During the course of 2017 the biggest engineering project undertaken in UP's 112 year history nearer to completion was the Optimill undergoing pre-commissioning on the 29th November 2017.

UP has again taken a giant leap forward in terms of encompassing and amalgamating the most modern equipment and technologies available in the industry and marrying this into a layout which today is a perfect example of what the circular economy can look like.

Changes in technology combined with the desire to drive efficiencies to higher levels has over the last 2 years resulted in UP realising its

strategy of reducing the total number of palm oil mills in Malaysia from 6 to 4 and at the same time maximising the generation of renewable energy.

With the completion of the new Optimill all of UP's 5 FFB processing centres (including the mill in Indonesia) are equipped with Biogas Plants thereby closing the loop and mitigating greenhouse gas emissions considerably.

In this connection it is interesting to note that UP has the oldest operating palm oil mill (Jendarata) as well as the newest palm oil mill (Ulu Bernam Optimill) within the Malaysian Palm Oil Industry today.



CPO storage tanks.



The new Biomass Boiler power plant.



Housing complex at Ulu Bernam Estate Division 2 which is for employees associated with the new Optimill and UniFuji JV project.



The Ulu Basir water reservoir established to cater for the Optimill water requirements.



Discussion amongst the Engineers from United Plantations Bhd and Fuji at the UniFuji project worksite. In the centre one can see the Chief Executive Director, Dato' Carl Bek-Nielsen and the Managing Director of Fuji Oil Singapore, Mr. Teo Yong Wah.

United Plantations and Fuji Oil Joint Venture

Based on a common goal of a long term partnership in which unique technology and first class palm oil quality is combined, UP and Fuji Oil agreed to establish a JV.

During 2018 this JV will materialise into a super modern and efficient refinery setup including solvent fractionation in the Ulu Bernam Area of Lower Perak for the production of value added palm fractions for the speciality fats and chocolate industry. The JV will be taking advantage of UP's high quality certified sustainable and traceable crude palm oil and renewable energy derived from the Biomass from the newly established neighbouring Optimill creating a "circular economy" and best practice within the industry.

The below is a summary of the main aspects of the UniFuji JV which was announced to the market on the 29th November 2017.

UP and Fuji Oil have agreed to further strengthen their business collaboration by building a factory, on UP's Ulu Bernam Estate, through the formed 50:50 Joint Venture Company UniFuji Sdn Bhd.

The state-of-the-art factory, at an estimated cost of RM160 million, will produce value added palm fractions based on UP's certified sustainable and traceable palm oil and Fuji's expertise on innovation, technical capabilities as well as its high quality food standards.

The construction is progressing well and it is expected that commissioning of the factory will take place in the 2nd quarter of 2018.

This Joint Venture will not have any effect on the share capital and shareholding structure of UP. In addition, the joint venture will not have any material effect on the net tangible asset of the Company in the current financial year ending 31 December 2017. This investment is expected to contribute positively to the earnings of the UP Group in the medium term.

Both UP and Fuji Oil have commented on the expanded business collaboration as follows:

"Fuji Oil is a very good match in terms of their Values and their Commitment on doing business with a long-term perspective.



The monthly joint inspection of the UniFuji worksite. The vision amongst the officers is to build a modern and fully integrated refinery cum mill on UP's Up river estates.

Combined with their technical capabilities and well-developed relations with many international customers, we are confident that this collaboration has got the right foundation for a successful future together." Said Dato' Carl Bek-Nielsen, the Chief Executive Director of UP.

UP is an ideal match for us based on their in-depth knowledge of the palm oil business and strong focus on sustainable agricultural production. I am confident that the combination of UP's certified sustainable and traceable palm oil combined with our technological capabilities, will create positive synergy effects for both parties going forward." Said President and Chief Executive Officer of Fuji Oil, Mr. Shimizu san.

Further information on Fuji Oil:

Fuji Oil Holdings Inc.

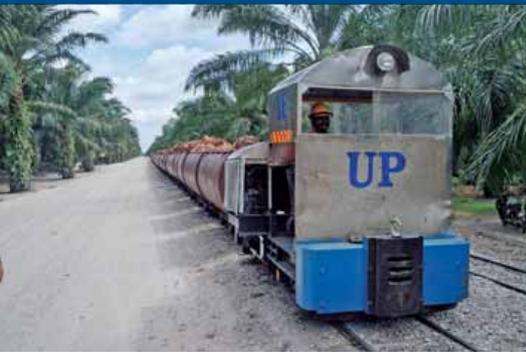
Fuji Oil, established in 1950, is a leading corporate group engaged in the development, production, and sale of food ingredients. Its business is centered around the three fields of oils and fats, confectionery and bakery ingredients, as well as soy protein and has business operations spread into twelve countries with 32 factories and offices globally. Fuji Oil is the largest oils & fats processor in Japan and has its headquarters in Osaka Japan. See also the Fuji Oil Group's website for further information: <http://www.fujioilholdings.com/en/>



Work site safety is of highest priority on all United Plantations worksites.



UniFuji refinery construction site with the Optimill in the background.



Our unique rail transportation system enables swift crop transport to the palm oil mill.

UP's Light Rail Transport System

During 2017, additional railway tracks were laid to facilitate crop transportation bringing the total network length to 580km. UP's narrow gauge railway network is a unique system of transporting fresh fruit bunches from the field to the mill. An in-house fabricated 90hp diesel locomotive can efficiently transport up to 180 MT of crop in a single trip, compared to an average 6 tonne payload capacity when using trucks or tractor-trailers. This superior efficiency offers substantial fossil fuel savings and mitigation of GHG emissions.

It has been estimated that an estate could ferry an annual crop of 180,000 MT fresh fruit bunches a year with a fleet of 6 locomotives. In contrast, to transport the same crop would require a total of 30,000 truckloads which often require multiple handlings resulting in greater bruising of the crop. On the other hand, sending crop through the light rail transport system enabled minimal handling of the fruit bunches which ensures high CPO quality with low FFA content.

In our quest for continuous improvement, a major refurbishment programme was undertaken from 2005 to replace the existing timber sleepers with steel

sleepers which are more durable and also alleviates the pressure to source for tropical timber sleepers.

'And what a good story it was, as I discovered later during my tours of the plantations, witnessing the sheer scale, distance, capacity and efficiency of the rail systems and the skill and expertise in the engineering workshops. Watching the FFB being cut, transported and processed in just a few hours, ensuring maximum yield of top quality palm oil was impressive. The processing mills burning their own waste, so providing power and steam to run the mill itself - in what is nearly a perpetual motion system is amazing.'

Norman Drake

The above was an extract of a letter from Mr. Norman Drake, a railway enthusiast from Perth, western Australia who visited United Plantations a few times in order to see our railway system in operation. The result of his visits was a special article on United Plantations railway system featured in the special 215th issue of the "Narrow Gauge magazine", published by the Narrow-Gauge Railway Society (NGRS)

Norman Drake will again be reviewing our light rail transport system in May 2018.



Railway tracks maintenance in progress next to a field that is being replanted.

10. Water Impacts

Relates to UP's measure to preserve and protect waterways and manage the use of water throughout our organisation

Introduction

Plants obtain almost all the water they require from the soil. Of the enormous quantities taken up, only a fraction of one percent is retained in the plant tissues. Yet this minute fraction is all important for growth. Water is required for a number of physiological functions, including manufacture of carbohydrates, maintenance of hydration of the protoplast and for the transport of nutrients.

Today's water management challenges and tomorrow's differ greatly from those of the last decades. A growing number of poor people and continued environmental degradation imply that the finite natural resources available to humans and ecosystems will not support business as usual for much longer. Thinking differently of water is a requirement if we want to reverse these trends and achieve our triple goal of food security, poverty reduction and conserving environmental integrity.

Farming feeds the world, but it depends on vital resources such as water. Irrigation for agriculture consumes 2/3 of the world's fresh water but non-irrigated agriculture today produces about 60% of the world's food.

Experts have concluded that agricultural output will need to double by 2050 to feed a growing world. We will, in other words, not only need to produce more from each hectare of land but also get more from each drop of water.

United Plantations fully appreciates that much more can be done in terms of water productivity. In order to maximize the available water resources, United Plantations has, since 1913,



The Bernam river facilitates water management during high and low tides.

gone to great length to construct an extensive system of watergates, bunds, weirs, canals and drains hereby enabling us to harvest and optimize the usage of rain water.

In addition, leguminous cover crops are established in all our immature plantings to conserve moisture.

In this context, it is important to mention that except for the nursery areas, none of United Plantations' planted areas under oil palms or coconuts are irrigated. All our areas are under rain-fed agriculture, thus making use of whatever water comes naturally from above. We are continuously working to mitigate our water footprint related to mill waste, maintaining buffers along natural waterways, harvesting rainwater, frugal domestic water usage and judicious use of pesticides and weedicides.

The consumptive use of water (evapotranspiration) of our crops ranges from 120-150 mm per month. To meet these requirements, the monthly rainfall should equal or preferably exceed this figure, failing which moisture stress would occur. The rainfall in the UP Group ranges from 1,600 to 2,500 mm per year, with the average being 2,000 mm. Monthly distribution is reasonably uniform, but drought does occur when some estates receive less than 100 mm of rainfall over 2-4 months as experienced in 2015. Weirs have been constructed across the collection drains to harvest rainfall and hold back water to raise the water table.

Hydrology and Limnology

Clean water is critical to sustain all kinds of life form on Earth. In rural Indonesia thousands of local residents are dependent on water supplies from lakes and rivers.

Maintaining a clean and uninterrupted supply of water constitutes one of the most critical components in sustainable palm oil production.



An effective drip irrigation system at the Jendarata nursery.



Monitoring water quality.

The Biodiversity team has developed a “Hydrology map” and identified a number of permanent sites for sampling water quality. Using state-of-the-art equipment, the team measures and records organic, inorganic and physical pollution parameters in the field.

Potential trace elements and toxins are measured with a spectrophotometer in the laboratory. In the event of a sudden deterioration in water quality, the team will identify the source of pollution and initiate a process to rectify the problem.

This includes identifying any unusual organic contamination, usually due to empty fruit bunches that have mistakenly slid into a stream or if an unusual high level of inorganic contamination is detected, it is usually a result of excessive wash-out of fertilizer.

Such information is communicated to the respective estate manager, allowing them to rectify a potential problem within a very short time period.

In our pursuit to conserve this depleting precious gift, every effort is being done to educate our residents to be frugal on its usage. Old water pipes, water tanks, faulty taps are being replaced from time to time to arrest leakages.

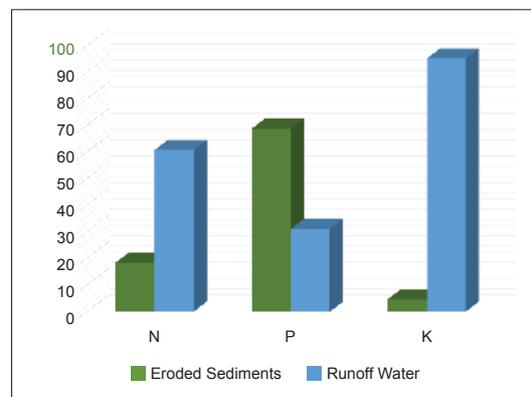
We aim to reduce the consumption in the coming years with more awareness programmes.

Erosion Monitoring Plots

To better understand the dynamics of soil, water and nutrient loss that can occur on our property, several erosion monitoring plots measuring 6m X 20m were set up in one of our estates on slightly sloping land under mature oil palm.

Thereafter the amount of soil loss, surface runoff and nutrient losses in each of these fractions are being closely monitored to determine the major routes of soil, water and nutrient loss.

Such studies illuminate the areas of major loss through which mitigating measures can be developed to minimise the depletion of these vital natural resources.



Soil erosion monitoring plots such as this are useful to demonstrate the percentage loss of the major nutrients in the eroded soil or runoff water fractions.

Per Capita Domestic Water Consumption Per Day

	2017	2016	2015	2014
Malaysian operations (gallons)	58	61	80	81
Indonesian operations (gallons)*	66	NA	NA	NA

*2014-2016 flowmeters were progressively installed in our Indonesian operations (Lada and Runtu Estates) as the housing complex was being expanded.

11. Peat Development

The Group has committed to no new development on peatland regardless of depth since 2010. However, the management plans are in place and being implemented on existing plantations on peat

Water Management

Water management is particularly important on the acid sulphate and peat soils. These soils are fragile and if over drained, they will rapidly deteriorate. On the acid sulphate soils, the water level should be maintained up to the jarosite layer, submerging the pyrite (FeS₂) and preventing it from oxidizing to sulphuric acid, which can cause a steep drop in the pH.

Weirs for Moisture Conservation

To conserve moisture during dry periods, a series of weirs are constructed across the collection drains to hold back water and raise the water-table to within 50-75 cm from the surface. The weirs are made of wood, concrete or they can simply be sandbags. The concrete structures are either built on site or they are precast and placed into position.

To regulate the height of the water table, wooden planks are slotted into the desired level. Except for periodic flushing of acidic water during the rainy seasons, the blocks are maintained at the predetermined level at all times. The density of weirs varies with the soil type, slope, rainfall and cropping system. On the average, one weir is provided for every 40 to 60 hectares or every 600-1,000m along the collection drain. Assisted by the water gates at the discharge ends of the main drains, the weirs are very effective in minimizing the adverse effects of the moisture stress.

Monitoring of meteorological parameters

Weather stations have been setup at strategically important locations throughout our Group. These provide a large amount of micro-climate information critical to, particularly, make accurate fire-risk predictions. Being able to predict the risk of fire allows the management in each estate to implement proactive measures, to prevent and minimize the risk

of fire, as well as to be on high alert with firefighting equipment, in case of fire outbreak.

Effects of Moisture Stress

Moisture stress causes reduction in cell division and cell elongation – two important growth processes. Its effect on oil palm and coconuts is summarized in the table given.



Water tanks are supplied for harvesting rain water.

Rain Harvesting (GRI 303-3)

As part of our effort to conserve water resources and minimise wastages we have embarked on a programme to fit workers' housing with tanks to store harvested rain water which is especially beneficial during periods of prolonged dry weather

Mill Water Consumption Rate

Water consumption rate in our Indonesian operation has improved over the recent years whereas the mill water consumption rate in our Malaysian operations has been showing a slight increase over the recent years. This is due to poor source water quality and mills raising steam for affiliated facilities such as our refinery in addition to processing the mill's crop. Water use efficiency is being monitored and is expected to improve from 2018 onwards with the phasing out of the older mill and the commissioning of the new Optimill.

Mill water consumption rate in processing fresh fruit bunches (MT water/MT FFB processed)

	2017	2016	2015	2014
Malaysia	1.8	1.7	1.9	1.7
Indonesia	1.4	1.3	1.5	1.6

Effects of Moisture Stress on Oil Palm and Coconut

Oil Palm	i	Accumulation of unopened spears
	ii	Reduced leaf production
	iii	Drying and snapping of leaves
	iv	Abortion of inflorescence
	v	Affects sex differentiation favouring male flower production
	vi	Reduced oil/bunch yield
Coconuts	i	Premature nut fall
	ii	Reduced nut yield
	iii	Reduced nut size
	iv	Reduced copra/nut

12. Pesticides and Chemical Usage

(GRI 301-1)

Conducting our operations under the best principles of agriculture, and to reduce chemical and pesticides usage thereby minimising the impact to the natural environment

UP has a strong commitment to Integrated Pest Management (IPM), and in line with the Principles and Criteria of the RSPO we are continuously working on reducing the usage of pesticides. Our employees' safety is a top priority and in this connection all sprayers are trained extensively and are required to use full Personal Protective Equipment.

According to CropLife International, a global federation representing the plant science industry, 42% of crop production throughout the world is lost as a result of insects, plant diseases and weeds every year. In the tropics crop losses can reach as high as 75%.

Careful use of pesticides can deliver substantial benefits for our society through increasing the availability of good quality and more affordable priced food products. However, pesticides are inherently dangerous and it is in everyone's interest to minimize the risk they pose to people and the environment.

Integrated Pest Management (IPM)

IPM, means a pest management system that in the context of the associated environment and the population dynamics of the pest species, utilizes all suitable techniques and methods in as compatible a manner as possible and maintains the pest population at levels below those causing economically unacceptable damage or loss.

Source: FAO

Our commitment towards continuous improvements has resulted in minimizing the usage of pesticides in relation to other major oil seed crops, primarily through Good Agricultural Practices and improvement in planting materials. Today, UP's use of pesticide is 4-6 times lower per tonne of oil produced compared to Rapeseed farmers and about 32 - 44 times lower compared to Soybean farmers.

Establishing Beneficial Flowering Plants

To date a total of 251,926 beneficial broadleaf flowering plants have been planted in our plantations encouraging parasite and predator activities which is a vital part of our IPM programme.

There has been a steady increase in the number of beneficial plants which were planted in our Malaysian and Indonesian properties over the last few years. However due to replanting activities in most of the Malaysian estates as well as the loss of beneficial plants to floods, beneficial plants numbers have been setback for some years although numbers are expected to continue to rise in the coming years.

	Malaysia	Indonesia
<i>Cassia cobanensis</i>	- 41,004 planted	- 14,712 planted
<i>Tunera subulata/ulmifolia</i>	- 83,167 planted	- 73,326 planted
<i>Antignon leptosus</i>	- 24,842 planted	- 95 planted
<i>Carambola sp</i>	- 3,275 planted	-
<i>Others</i>	- 2,871 planted	- 8,634 planted
Total	155,159 planted	96,767 planted

Surveillance and Monitoring of Pest Outbreaks

The key to minimizing both the economic impact of pest and environmental impacts from excessive use of pesticides is by regular surveillance and monitoring.

United Plantations Palm Oil (Malaysian Operations*)				Soybean**	Sunflower**	Rapeseed**
	2017	2016	2015			
Pesticides / Herbicides (kg per MT oil)	0.66	0.83	0.91	29	28	3.73

*Includes palm oil + palm kernel oil (UP, 2015-2017 - Malaysian operations)
 ** Data from FAO, 1996 - Pesticide data for rapeseed updated in 2010

United Plantations Palm Oil (Indonesian Operations*)				Soybean**	Sunflower**	Rapeseed**
	2017	2016	2015			
Pesticides / Herbicides (kg per MT oil)	0.14	0.18	0.17	29	28	3.73

*Includes palm oil + palm kernel oil (UP, 2015-2017 - Indonesian operations: Lada and Runtu Estates)
 ** Data from FAO, 1996 - Pesticide data for rapeseed updated in 2010



Rhinoceros beetle grubs thriving on rotting organic matter.

Treatment is only carried out when the damage exceeds established critical thresholds. Several census gangs are deployed on each estate to survey the extent of pest infestation. This is coupled with regular aerial reconnaissance in order to track and pre-empt pest build-up thereby more effectively treating potential outbreaks.

Use of biological pesticides and pheromones

First line treatment against leaf pests i.e. Nettle Caterpillar and Bagworm is by biological treatment in the form of *Bacillus thuringiensis*. The use of pheromones to trap Rhinoceros Beetles thus reducing the dependency on chemical pesticides is also encouraged on all estates.

Besides trapping out the beetles, pheromone traps also provide management with statistical information of the severity of the beetle problem and supplements the chemical spraying operations to minimise beetle damage.



A rhinoceros beetle adult attracted to an oil palm seedling

Overpopulation of rats, beetles and various kinds of weeds can have profound negative impact on production and yield. UP Group attempts to minimize the usage of chemical control-agents where possible, and the BioD undertakes a number of research projects to maximise the usage of biological control agents where possible. For example, leopard cat (*Prionailurus bengalensis*) is one of the key-predators of rats and other small rodents, and preliminary studies on the effect of these cats as rat-controllers in a plantation landscape is ongoing.

The results have been very promising, and UP's biodiversity team is currently exploring ways to enrich the habitat conditions for leopard cats, to maximise the population density and thereby reduce the effect of rat damage. Apart from leopard cats, the team also records ecological parameters along with the effect on rat populations of other predators such as barn owls (*Tyto alba*), spitting cobra (*Naja sumatrana*) and water monitor lizards (*Varanus v. salvator*).



Pheromone trap are used to control Rhinoceros beetles in the fields.

The following pages provide an overview of some of the methods to reduce pesticide usage as well as ongoing research within our biodiversity team and UPRD:

5-Step Integrated Pest Management Programme approach taken to contain and/or control Bagworm outbreak thus limiting the usage of monocrotophos:

1) *Integrated Pest Management*

E.g. planting of beneficial plants to enhance the natural parasitic and predator activities against bagworm. To date more than 251,926 beneficial broadleaf flowering plants have been planted in both Malaysia and Indonesia.

2) *On-going Monitoring*

Census gangs deployed on each estate who take random frond samples in a pre-determined pattern throughout each estate. These fronds are subjected to insect counts and damage assessments by trained personnel.

3) *Aerial Surveillance*

Regular aerial reconnaissance is carried out to better detect, pre-empt and treat potential outbreaks.

4) *Use of biological control agents*

E.g. Bacillus thuringiensis as the first line of treatment against an outbreak.

5) *Final Resort*

As a final resort and only when Steps 1 to 4 have proven to be futile in containing or controlling the natural equilibrium between pest and beneficial predator, our trained personnel intervenes with the specific treatment of trunk injection using monocrotophos.

Mowing of Harvesters' Paths

Blanket weeding is discouraged, soft weeds with shallow root system which do not grow to excessive heights are encouraged outside the weeded palm circle. Harvesters' paths are mowed. This practice maintains a flora which is favourable to natural enemies of crop pests and reduces soil loss.

Use of Safer Class 3 & 4 pesticides wherever possible

In line with the RSPO's continuous improvements initiative the Company's Group Sustainability Committee monitors and reviews the pesticide usage, exploring avenues to reduce overall pesticide usage as well as evaluating alternative safer pesticides. In this context, UP has since February 2008 been working towards minimizing the usage of Paraquat, which has been documented in the annual RSPO Surveillance Audits.

In May 2010, Management took the decision to voluntarily phase out the usage of Paraquat, a goal which was realized with effect from October 2010.



Palms defoliated by bagworm outbreak.

Monocrotophos

Monocrotophos is a class 1B insecticide which is permitted in Malaysia for trunk injection of palms affected by bagworm. Foliar application usage was banned by the Malaysian Government in 1996. Efforts to source and evaluate alternatives for the Class 1B insecticide, monocrotophos, have been ongoing since 2006 and are still being pursued together with several multinational chemical companies, amongst others Bayer and BASF (Germany), Syngenta (Switzerland), Cheminova (Denmark) and Sumitomo (Japan) and Rainbow Agrosiences (China).

So far, we have not been able to meet our internal goals of phasing out monocrotophos as the agrochemical industry has not been able to identify an effective and suitable alternative that is able to effectively control bagworm. This conclusion is shared by all the leading multinational chemical producers present in Malaysia.

Monocrotophos will therefore still be used in very limited quantities for trunk injection only and solely as a last resort in the company's 5-Step Integrated Pest Management Programme when all other attempts to contain or control a bagworm outbreak have been exhausted. This is in full compliance with



Trunk injection of insecticides as a last resort.



A widely planted beneficial plant – *Antigonon leptopus*.



Sycanus predating on a leaf eating caterpillar.

all relevant rules and regulations in Malaysia as well as with the RSPO Principles & Criteria.

In 2017, monocrotophos usage was similar to the previous year due to a residual bagworm outbreak on some estates. Prior to this outbreak the Company has successfully reduced its use of monocrotophos as an active ingredient basis by approximately 53% since 2006. Much progress and efforts are being made to continue this positive trend. In this connection, the collaboration with the Centre of Agriculture Biosciences International (CABI) in relation to management of bagworm in oil palm through an integrated ecological approach with biological control agents such as predators and other entomopathogens was formalized in 2011 for a two-year study.

The objective of the study is to develop an effective strategy to manage bagworm pests through the mass breeding and release of biological control agents such as predators complemented with the application of entomopathogens in affected fields. Arising from this collaboration, efforts to rear and propagate a number of predator species in a purpose-built insectary since 2012 are continuing.

The eventual benefit of this endeavour may lead to sustainable bagworm control requiring minimal intervention with chemical insecticides.

Bagworm is an endemic pest in Lower Perak and the Federal Government has gazetted this as a “Dangerous Pest” on 15 November 2013. It is an

offence under the Plant Quarantine Act 1976 if this dangerous pest is left without any control and can be fined up to RM10,000. Outbreaks of bagworm continue to occur in the properties neighbouring UP in the State of Perak, West Malaysia. This is of great concern as it is important that concerted effort by the government authorities, neighbouring smallholders and other plantations are put in place in an attempt to eradicate this serious pest.

UP is working closely together with its neighbours as well as the authorities in the form of the Malaysian Palm Oil Board (MPOB) to achieve positive progress on this concerning issue. UP has extended its service to the neighbouring plantations the use of its airstrips for aerial bagworm control and also taking the plantation managers for aerial reconnaissance flights to monitor the extent of bagworm infestations in the region.

As can be seen in the table below, the quantity of agrochemicals (fertilizer nutrients and pesticide/ herbicide) per tonne of oil produced in oil palm cultivation at UP over the last three years remain substantially lower than annual oilseed crops such as soybean, sunflower and rapeseed, a reflection on the resource utilization efficiency of the oil palm crop.

Direct fossil fuel energy consumption as well as pesticide usage was reduced in 2017 as a result of continued focus on minimizing usage by expanding IPM practices combined with a higher crop production level compared with 2016.

Agrochemical and Energy Inputs in the Cultivation of Oil Palm and Other Oilseed Crops
(GRI 301-2, GRI 302-1)

Input	Per tonne oil basis					
	Oil Palm*			Soybean**	Sunflower**	Rapeseed**
	2017	2016	2015			
Fertiliser nutrients						
Nitrogen (N-kg)	14	20	19	315	96	99
Phosphate (P2O5-kg)	11	9	8	77	72	42
Potash (K2O-kg)	35	47	42	NA	NA	NA
Magnesium (MgO-kg)	6	7	7	NA	NA	NA
Pesticides/Herbicides (kg)	0.66	0.83	0.91	29	28	3.73
Energy (GJ)	0.67	0.97	0.72	2.90	0.20	0.70

* includes palm oil + palm kernel oil (UP, 2015-2017- Malaysian Operations)

** Data from FAO,1996 - Pesticide data for rapeseed updated in 2010.

Biological Control Agents to Substitute for Chemical Insecticides

Leaf eating pest outbreaks in immature oil palms will need to be treated with insecticides. The use of biological insecticides such as *Bacillus thuringiensis* is encouraged at this young crop stage to minimise collateral damage on beneficial insects in the field as well as to reduce dependency on chemical insecticides. Our use of biological insecticides is as recorded below although the quantity used is also dependent on the incidence of pest outbreaks which was less prevalent in 2017 than the previous year.

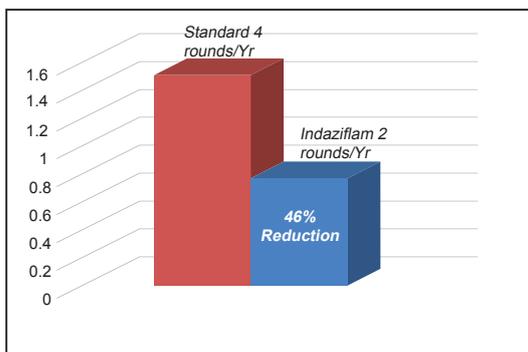
	2017	2016	2015	2014	2013
Malaysia	50	4,250	77	318	223
Indonesia	0	0	0	0.3	0

Quantity (kg) of *Bacillus thuringiensis* applied in our Malaysian and Indonesian operations

Harnessing advances in pesticide technology to reduce herbicide inputs in mature oil palm

In the wet tropics, weed species rapidly cover the ground and if left unchecked, will encroach into palm circles to compete with the palms for nutrients and water as well as interfere with field operations. Consequently, herbicides are an important tool to keep the palm circles weed free. Of the total pesticides used in a mature field, herbicides will therefore account for more than half of the total pesticide load. Thus any improvement in the length of control for weeds will contribute significantly to a reduction in pesticide use for mature palms.

Over the years United Plantations has actively co-operated with leading agrochemical manufacturers to evaluate a range of herbicidal compounds. Arising from the close collaboration with Bayer CropScience a new compound, Indaziflam, with long lasting weed control was extensively tested in our fields and was found to



Significant reduction of herbicide usage in mature fields with the use of Indaziflam herbicide compared to the standard herbicide combination.

be able to slash the number of herbicide rounds from four rounds a year with the standard herbicide mix to two rounds a year with the Indaziflam combination. This confers the clear benefit of almost halving the herbicide input in a field and greatly improving labour productivity where this approach has been adopted.

Calibration for Pesticide Application Equipment

The Company engages the services of equipment suppliers to regularly monitor the calibration of the equipment to avoid application error (under and over applications) and safety to operators. Regular training and refresher courses are implemented, all of which are audited by accredited auditors of the RSPO every year.

Chemical Health Risk Assessment (CHRA)

In line with the Use and Standards of Exposure of Chemicals Hazardous to Health (USECHH) Regulations 2000, UP first appointed a certified assessor to conduct CHRA in 2004, for all chemicals utilized in the respective plantations, oil mills and refinery. It is being reviewed every 5 years by the assessor as stipulated in the Regulations and annual medical health surveillance is conducted on all spray operators. As can be seen in table below, the quantity of agrochemicals (fertilizer nutrients and pesticide/ herbicide) per tonne of oil produced in oil palm cultivation at UP over the last three years remain substantially lower than annual oilseed crops such as soybean, sunflower and rapeseed, a reflection on the resource utilization efficiency of the oil palm crop.

Direct fossil fuel energy consumption went down in 2017 as a result of the improved crop level compared with 2016.

	2017	2016	2015	2014
Malaysia	2.51	2.46	3.30	3.41
Indonesia	0.78	0.86	0.91	2.09

Reduction of overall herbicide usage (kg a.i./Ha/year) in mature oil palm planting with the introduction of Indaziflam herbicide in 2016 onwards.



Rats eat both palm fruits and male flowers as indicated above. Barn owls are the best partners to oil palm growers due to their ability to adapt well in oil palm plantations, significantly reducing rat population and usage of rodenticides.

Biological pest control of rats

Rats thrive in the oil palm ecosystem with an abundance of food source (palm shoots, fruit mesocarp, kernels, weevil grubs etc.) as well as plentiful harborage amongst the cut frond heaps. The common rat species encountered in an oil palm field are the Malaysian wood rat (*Rattus tiomanicus*), paddy field rat (*Rattus argentiventer*) and the house rats (*Rattus rattus diardii*).

With its prolific reproductive rate, whereby a sexually mature female could conceive multiple times a year and produce an average of 8 pups in each litter, rat populations can mushroom and threaten the oil palm plantings within a short time, given the right conditions.

Various researchers have estimated crop loss caused by rats feeding on fruit mesocarps to be able to reduce oil yield by 5 – 10% (Wood, 1976; Liau, 1990). Badly gnawed male and female inflorescences, as well as young palms killed by rat attacks further contribute to crop loss.

Barn Owls

The Barn owl is a much-loved countryside bird by oil palm planters as it predated on rats, resulting in major reduction of rodent damage. It is also one of the most widely distributed birds in the world.

This bird is the best partner to growers due to its ability to adapt well to oil palm plantations. It survives on a staple diet of 99% rats. It is estimated that a pair of barn owls together with its chicks consume about 800 to 1,000 rats per year.

The barn owls are medium sized (34-36cm) with long legs that have feathers all the way down to their grey toes. The owls have large, round heads without ear tufts and pale heart-shaped facial disc. The owls ingest the rats whole and use their digestive juices to dissolve the nutrients of the fleshy parts. The tougher indigestible parts such as the bones, skulls are regurgitated out.

Barn owl population in tandem with preys' availability can be expanded in the plantation by construction of boxes at vantage points – about 5 meters from the ground and shaded by the palms' canopies.

A zinc baffle or collar should be placed on the pole to prevent snakes etc. from predation of the owl's eggs and new born chicks. These boxes should be inspected regularly and repaired where necessary in order to optimize its' occupancy.

At United Plantations, the barn owl is the first line of defence against this serious pest. Where owls could not cope with the high rat population, first generation rat baits such as warfarin are employed to selectively bring down the population. Warfarin baits are preferred as they are relatively safer to barn owls than second generation rat baits. Based on the low usage of rodenticides in the past years, we can infer that the barn owl programme has been fairly successful in keeping rats under control.

Year	2017	2016	2015	2014	2013
Total Boxes	2,393	2,284	2,116	2,032	1,905
Total Area Under Owl (Ha)	31,308	31,040	29,278	27,654	27,017
Box to land ratio in Scheme	13.08	13.59	13.87	13.61	14.18
% Occupancy in Scheme	52.57	47.00	51.15	46.60	71.81
Total Planted Area (Ha)	34,808	36,496	36,111	36,111	35,813
Box to land ratio over Total Planted Area	14.55	15.98	17.07	17.77	18.80
Rodenticide ai/planted Ha (kg/Ha)	0.0007	0.0012	0.000178	0.000412	0.000260



Using leopard cats (*Prionailurus bengalensis*) as biological pest control of rats in UP's Kalimantan estates. Shown here are trapping, tagging with radio collar and predated on a rat in the fields.

Leopard cats

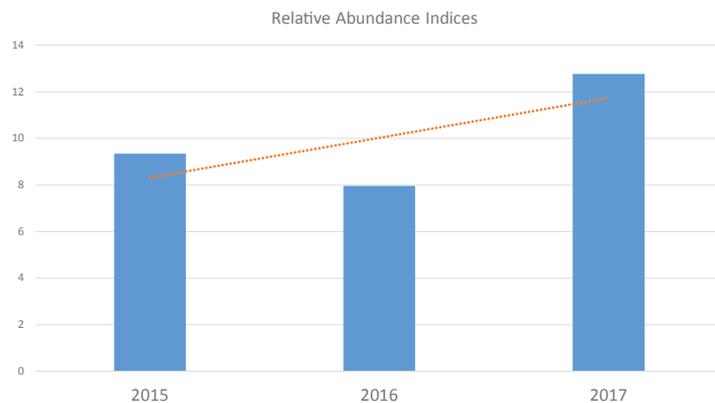
Since its formation in 2011, the BioD in UP/ PTSSS has recorded a surprising number of leopard cats, *Prionailurus bengalensis*, in the estates. The species is common throughout Southeast Asia in undisturbed as well as altered habitats. They are common in some oil palm estates; however, little is understood about their role as rat predators in a plantation landscape although studies have shown that rats and mice constitute 93% of the leopard cat's mammalian diet (Rajaratnam et al.,2007). Field observations demonstrate there is a negative relationship between cat numbers and rat population, with high abundance of cats associated with low rat numbers and vice versa (Silmi et al., 2013).

To date, nine individual leopard cats have been collared and continuously tracked for 23 months, during which we collected a total of 1,500 GPS locations. These are used for estimating the respective cats' home-ranges and dispersal patterns.

The cats are strictly nocturnal and prefer to hide and rest in thick bush, primarily consisting of sword-fern (*Nephrolepis sp*) during day-time, but forage both on the ground and in the palm canopy at night. Some preliminary results conclude that leopard cats can feed, reproduce and thrive in a palm oil estate, with a mean home range (95% MCP) for male leopard cats 1.39 km² (n = 5; SD = 1.40 km²) and a mean home range of female cats smaller at 1.26 km² (n = 4; SD = 0.36 km²). In areas where rats constitute the main prey, leopard cats eat an average of 2-3 rats per day. Amphibians, snakes and birds are also on the menu.

With a body weight range of 2.5-4.0 kg leopard cats are expected to consume more food than the much lighter barn owl, a factor which may be favourable in its role as a rat control agent (Silmi et al., 2013).

Our observations reveal that leopard cats can reproduce rapidly with some females giving birth to 4 cubs, with reproduction cycle every five to six months.



Relative abundance is the percent composition of an organism of a particular kind relative to the total number of organisms in the area. The trendline shows the cat abundance increasing in the past three years which indicate that leopard cats adapt well within PT SSS' oil palm plantation habitat.

Conversion to Energy Saving T5 Fluorescent Lamps

As part of our efforts to improve energy efficiency and to reduce wastages, there is an on-going exercise to replace the existing T8 fluorescent lamps with the newer T5 lamps.

Some advantages of the T5 tubes are:

- A 25% gain in luminous efficacy vis a vis T8 lamps
- Light output that is closer to natural light spectrum which is beneficial to human health
- Less heat emitted during operation, with potential saving in air conditioning costs
- Minimal (5%) degradation in lumen output over the life of the lamp as opposed to 20% degradation for the T8 lamps
- Does not require replacing existing fixtures

To date 99% of the T8 lights at the Unitata refinery and another 60% of the lights in several estates which numbered in excess of 4,000 lights have been converted to T5 lighting, resulting in an energy saving of 92.5 kW.

Going forward the Company is also actively exploring other energy efficient measures.

Recycling of pesticide containers and scheduled wastes (GRI 306-2, GRI 306-4)

To avoid contaminating the environment and prevent misuse of pesticide containers and other scheduled wastes we have been collecting and disposing off triple rinsed pesticide containers, spent lubricants, used batteries and spent fuel filters through certified waste managers. The waste managers will either safely recycle these items or dispose of them in accordance with government regulations.

Triple rinsed plastic pesticide containers (MT)

	2017	2016	2015	2014	2013
UPB	25	27	310	326	141
PTSSS	1.9	0.5	0.4	0.5	No data

Spent lubricants (lit)

	2017	2016	2015	2014	2013
UPB	38,441	47,987	41,592	49,740	61,935
PTSSS	5,775	3,585	3,230	4,160	2,844

Used batteries (pieces)

	2017	2016	2015	2014	2013
UPB	263	284	176	258	263
PTSSS	9	47	11	31	6

Spent fuel filters (pieces)

	2017	2016	2015	2014	2013
UPB	3,732	4,736	3,029	3,522	3,777
PTSSS	508	358	187	253	No data

There is no deemed hazardous waste under the terms of the Basel Convention Annex I, II, III, and VIII, that were transported, imported, exported, or treated.



Temporary schedule waste storage regularly being audited by external auditors and local authorities in PT SSS.

Community

Our business provides livelihood to families, small businesses and organisations in and around the plantations resulting in many people depending on our Group. Close bonds with our local communities are therefore a key priority to our organisation.

13. Community Welfare

Our commitment to promoting socio-economic policies and progress in the local communities we operate in

UP has an obligation to monitor and manage any impact our operations might have on these communities and at the same time ensure that our local communities receive financial, social support and benefit by developing the local communities in which we operate by creating jobs, paying taxes and doing business with local enterprises.

Through respect and engagement with the local communities, important and continued integration being a key factor for the plantations' future success.

Social Commitments

Our Company's commitment towards providing and improving social amenities remains very much a hallmark within our Group. Continuous improvements were made during 2017 to maintain the highest possible welfare standards for our workforce and ensure high standard educational facilities for the children. Scholarships are provided to needy children among the Indonesian villages in which we operate.

Infrastructure investment and support

Supporting the surrounding communities in the form of investments in infrastructure projects, participation in cultural and sports events as well as religious ceremonies are important avenues

to build up a sense of togetherness between the company and neighbouring communities in Indonesia.

We finance and provide services to improve rural communities' access to services and markets, as well as to create employment. Our initiatives include the construction, maintenance and renovation of roads, bridges, places of worship, and community facilities such as community halls, sports and cultural facilities.

Contributions to Society and the Local Community

Today, our Group has 9 Primary Schools and 7 Kindergartens on its properties which are maintained by the Company, providing education for more than 500 children ranging from age of 5 to 12 years from within and outside the plantations.

Estate Group Hospitals

The Company operates two well-equipped estate group hospitals in Malaysia and Indonesia with trained resident Hospital Assistants supervised by a Medical Doctor.

Regular inspections of the employees' housing are made by the Health Care Team to ensure that sanitation, health and drainage standards are upheld according to the Company's policies. In addition we also organize visits by our medical staff to the neighbouring villages for the benefit of the local communities. Medical services are open to our rural neighbours who in the past lacked access to basic healthcare and immunisation programmes.



Kindergarten children during their break-time, PT SSS.

Landscape Approach

At United Plantations, we recognize that community engagement, assessment and feedback are an integral part of our global sustainability strategy and initiatives. The community groups which are key to our operations and which have significant influence over the impacts of our business are carefully identified and are engaged at various platforms and intervals throughout the year.

A landscape approach is about having community discussions in order to agree on various sustainability issues that provide an optimal balance between community, commercial and conservation interests.

The community engagement process which includes a proactive and both formal and informal approach, is carried out to fully understand their sustainability concerns and issues with a view to ensure that their key interests in these areas are aligned with that of our Group.

Partnership with the local communities is crucial to achieve success in Indonesia and it is therefore of utmost importance that the local communities also benefit from UP’s development.

Since 2014, LINKS has worked on social research and mapping, information dissemination, conflict mediation and training of FPIC related issues for the local communities, UP’s employees and the local government in preparation for our Group’s new Plasma development plans. Of key importance has been the collaboration between UP and the local communities, especially the ex-landowners or tenants and their testators as well as the various stakeholders from the villages in the designated area.

Our collaboration with Copenhagen Zoo which was officially introduced in 2010 continues to develop very satisfactorily with notable initiatives and positive developments having made in 2017. The objective of this cooperation is to better manage the conservation areas by preserving and conserving species of flora and fauna as well as their habitat and entire ecosystem including the surrounding communities.

We are continuously improving our community engagement approach throughout the UP Group which is now evolving into a more tailored and targeted engagement sessions with our community and the following provides an overview of the efforts involved in community engagement.

Landscape Initiatives by United Plantations Berhad as the table below:

Country	Region	Stake	Landscape approach
Malaysia	The Lagoon (Kingham-Cooper) Tree Species Reserve at Pantai Remis (UIE)	Tropical jungle trees of Malaysia.	The Lagoon (Kingham-Cooper) Tree Species Reserve, the Main Office Parks, the Sg Anak Macang Riparian Reserve and the Bek-Nielsen Sanctuary were established in collaboration with PENAWAR HUTAN/James Kingham and community. Most of the focus for additional trees planted was carried out along the length of the Sg Macang Riparian zone (southern river and boundary of UIE). All saplings and seeds were sourced in collaboration with PENAWAR HUTAN/James Kingham) who have been the main provider of rare and endangered species such as the ‘Dipterocarpaceae Family’ and the locally named Meranti species, valued for its timber hardwood. To date, some 16,000 trees have been planted, covering a wide range of 265 species from 60 family groups, thus providing a good basis for biodiversity (with the objective of 70% as Food Chain species which attract birds and small mammals, and 30% as tall forest species) which have become threatened due to their valuable timber/hardwood use, and thereby achieving a good balance of the tree species established across the years.

Country	Region	Stake	Landscape approach
			<p>We aim to continue enriching and intensifying the number of trees in UIE/UP, with a wider range of species in the years ahead and to create a unique collection of trees for seed supply and future establishment into further suitable estate reserves.</p> <p>We wish to acknowledge our collaboration with Malaysia's "Tree Guru" (Mr James Kingham and his community) who has provided us with much generous time, saplings, seeds and advice over the years for direction and the way forward.</p>
	Lower Perak, Malaysia	Endemic outbreak of bagworm/ Usage of chemicals under WHO Class 1A and 1B pesticides or Stockholm and Rotterdam Convention	<p>We facilitate aerial reconnaissance to neighboring growers to detect bagworm outbreaks in the vicinity to avoid its spread. United Plantations also provides her airstrips for aerial application of biological treatment in the form <i>Bacillus thuringiensis</i>. This is collaboration between MPOA, MPOB and oil palm growers in Lower Perak.</p> <p>We are working with stakeholders (chemical manufacturers) to determine suitable and effective alternatives for safe and effective bagworm treatment.</p>
Indonesia	Glady's Conservation at Pangkalan Bun	Lowland forest	PTSSS-United Plantations in collaboration with the community at Sungai Biru agreed to conserve this rich lowland forest comprising of 57 hectares called Glady's Conservation, which is adjacent to our Company's conservation belt. It is being constantly monitored and safeguarded by PTSSS-United Plantations.
	Pangkalan Durin Conservation at Pangkalan Bun	Freshwater swamp	PTSSS-United Plantations in collaboration with the community and government authorities successfully convinced the community to preserve this rich freshwater swamp from being developed. The Company compensated the community for this stretch of freshwater swamp. The community now benefits water supply especially during the droughts.
	Benaning Community Conservation Forest at Kumai, Pangkalan Bun	Lowland forest	PTSSS-United Plantations in collaboration with the community, LINKS and FODEC consultants at Benaning, Kumai, agreed to conserve this rich lowland forest comprising of 11 hectares called Hutan Konservasi Benaning from development by the community. This area is adjacent to our Company's conservation area and it is being monitored and safeguarded by the local community and PTSSS-United Plantations. The community stands to benefit clean groundwater by the presence of this lowland forest.
Malaysia and Indonesia	Surrounding communities	Outbreak of fire	PTSSS-United Plantations in collaboration with the community conducts training in fire prevention and combat. The Company also assists in combating fire in the immediate adjacent villages along with the community.

14. Free Prior Informed Consent

(GRI 413-1, GRI 413-2)

Our commitment in Indonesia to the principles of Free, Prior and Informed Consent and to adhere to these principles in all our negotiations and interactions with stakeholders

FPIC and Lingkar Komunitas Sawit (LINKS)

In order to fulfil one of the key requirements of the HCV/ HCS studies in relation to the area identified for plasma development, UP has cooperated with LINKS since September 2014 and is fully committed to RSPO New Planting Procedures for Oil Palm.

LINKS is an independent NGO providing social consulting services with the aim of supporting multi-stakeholder efforts in achieving economic and social justice in the palm oil sector of Indonesia.

LINKS completed their consulting services with PTSSS in September 2017 and has done a very good job assisting UP in complying with a proper FPIC process and necessary planning for the Plasma development plans in Kumai.

Engagement, Stakeholder Identification and FPIC Training

Since 2014, LINKS has worked on social research and mapping, information dissemination, conflict mediation and training of FPIC related issues for the local communities, UP’s employees and the local government in preparation for our Group’s new Plasma development plans.

Of key importance has been the collaboration between UP and the local communities, especially

the ex-landowners or tenants and their testators as well as the various stakeholders from the villages in the designated area.

The land tenure study and mapping

The land tenure study, including the mapping of the land, provided important information about the history of the Communities’ land tenure. According to the findings of the land tenure study there were 332 family groups of the ex-land owners or tenants and their testators, who used to be the holders of the land of ±2,500 Ha in Kumai Estate.

The land tenure and mapping study revealed information on overlapping claims and individual land owners not willing to participate in the plasma development plans. These areas together with the identified conservation areas have been set aside from the total identified concession of area, leaving approximately 500Ha available for new Plasma development.

The below diagram indicates the various steps to the FPIC process which ultimately will enable the potential establishment of the Plasma plantations. The FPIC report had been finalised in September 2017.

The discussion of which lots to be distributed to ex-land owners or tenants and their testators as well as local communities is being conducted based on land tenure study findings and have been concluded in September 2017. The above approach have paved the way for a structured plasma process enabling further areas to be developed for the benefit of the local community as described under the plasma development section on page 146.

Various steps to the FPIC process



Going forward it is important for all of the stakeholders involved to comprehend that the whole HCS study including the process of FPIC does not end with the signing of the Plasma Agreement.

The monitoring and evaluation of progress is important and will be carried out routinely in order to identify issues and find solutions together thereby maintaining a good relationship and a successful Plasma collaboration project.

Sustainability development and forest protection can be achieved by effectively implementing the processes summarized in the below diagram. HCV, HCS assessments (HCS Converged Approach) and FPIC processes must be integrated together with the other information specified above in order to develop appropriate development options.

The diagram below indicates the many important processes and inputs required in order to make an effective land use plan for concession areas.

Balancing the effects of land conversion to oil palm on global climate issues with potential local/regional socio-economic benefits are extremely challenging, given the vastly differing spatial and temporal scales involved and the different metrics used to measure these impacts. This is only possible by using a comprehensive approach to land development decisions that integrates relevant social, economic and

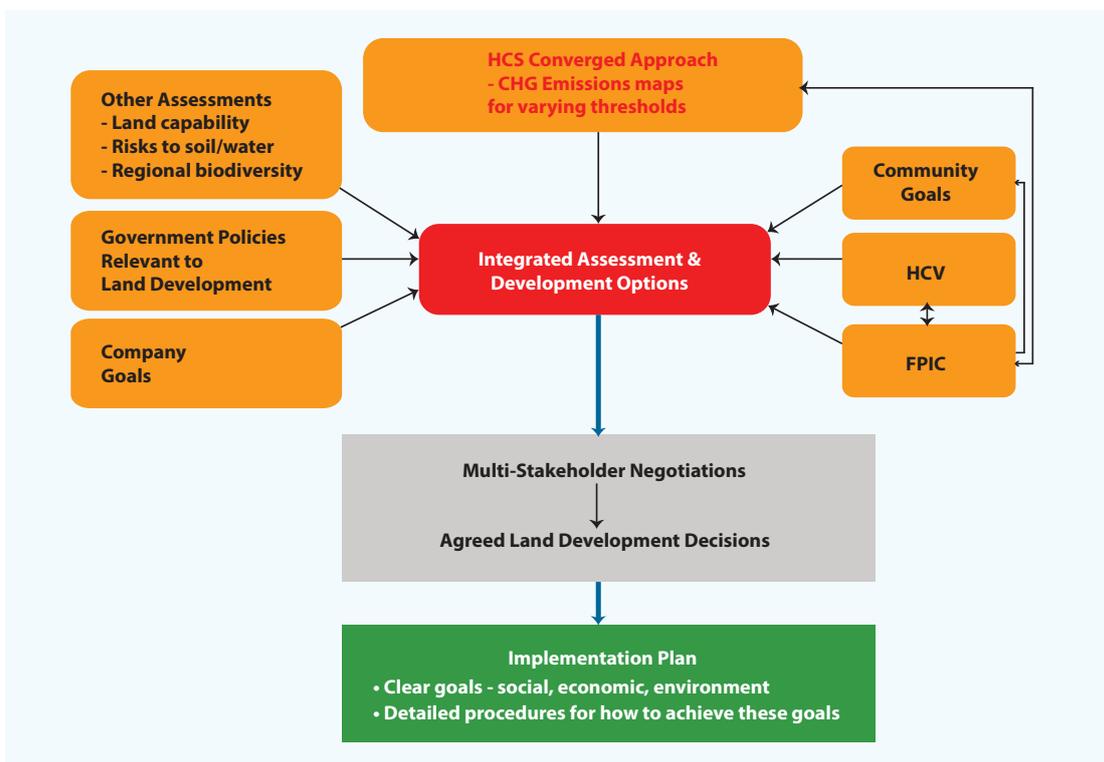
environmental inputs via multi-stakeholders negotiations.

Making the HCV, HCS and FPIC approach a requirement for certification under the RSPO NEXT and as part of purchasing policies of large companies, is a good move to prevent and minimize deforestation in specific concessions and areas. We subscribe to the above in our new oil palm plantings and aim to fully comply in our sourcing of crop from third parties in the not too distant future.

However, it should be acknowledged that unless government support and local people and communities can see their own economic interest and historic entitlements better met through forests set aside and protected for the long term rather than the short term gain, it will be difficult to prevent deforestation no matter how good intentions companies may have.

Operations with significant actual and potential negative impacts on local communities. (GRI 413-2)

We conduct annually the Environmental Impacts Assessment (EIA) and Social Impacts Assessment (SIA) and the positive impacts are further replicated and enhanced. The negative impacts such as unpleasant odour from the effluent pond are mitigated by various action plans such as installation of aeration devices and the Biogas Plant. The rehabilitation of riparian is in progress to mitigate water pollution.





Discussion in progress on allocation and distribution of Plasma lots.



Roadwork repairs towards PT Medco to assist local communities.



Free program "Posyandu" for pre and post natal care.



Hari Raya celebration with the local community –Desa Medang Sari.



Scholarships to local students who excelled.

15. Grievance Resolution

Our obligation to a mutually agreed and documented system to deal with complaints and grievances, which is implemented and accepted by all parties

Land disputes can be based on many different variables and reasons. Some cases are genuine and can be due to historical reasons, bad heritage, misunderstanding and miscommunication, cases of wrongful compensation amounts and frivolous claims. It is however extremely important that land disputes are taken seriously and are well documented in order to ensure transparency and evidence in connection with various ongoing cases.

Land Disputes in Indonesia

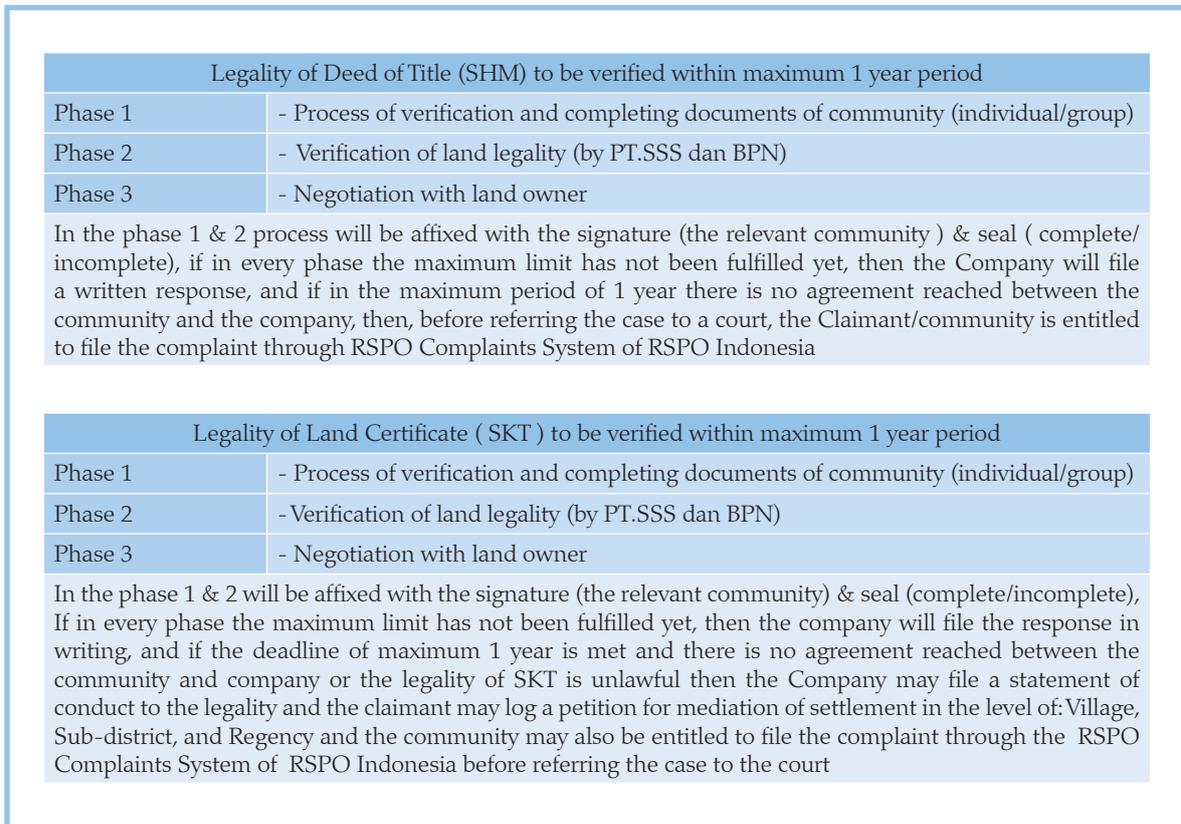
In Indonesia land disputes are inevitable and part of managing plantations in the country. To minimize land issues, important free, prior and informed consent sessions with stakeholders are conducted as a vital part of sustainable plantation development.

UP has been involved with several thousand land deals with the local community and whilst most cases of disputes have been amicably resolved, there still exists unresolved cases that are in the process of being resolved based on facts and full transparency under our Standard Operating Procedure (SOP) for Land Disputes Settlement as per FPIC. Please see below the flow chart.

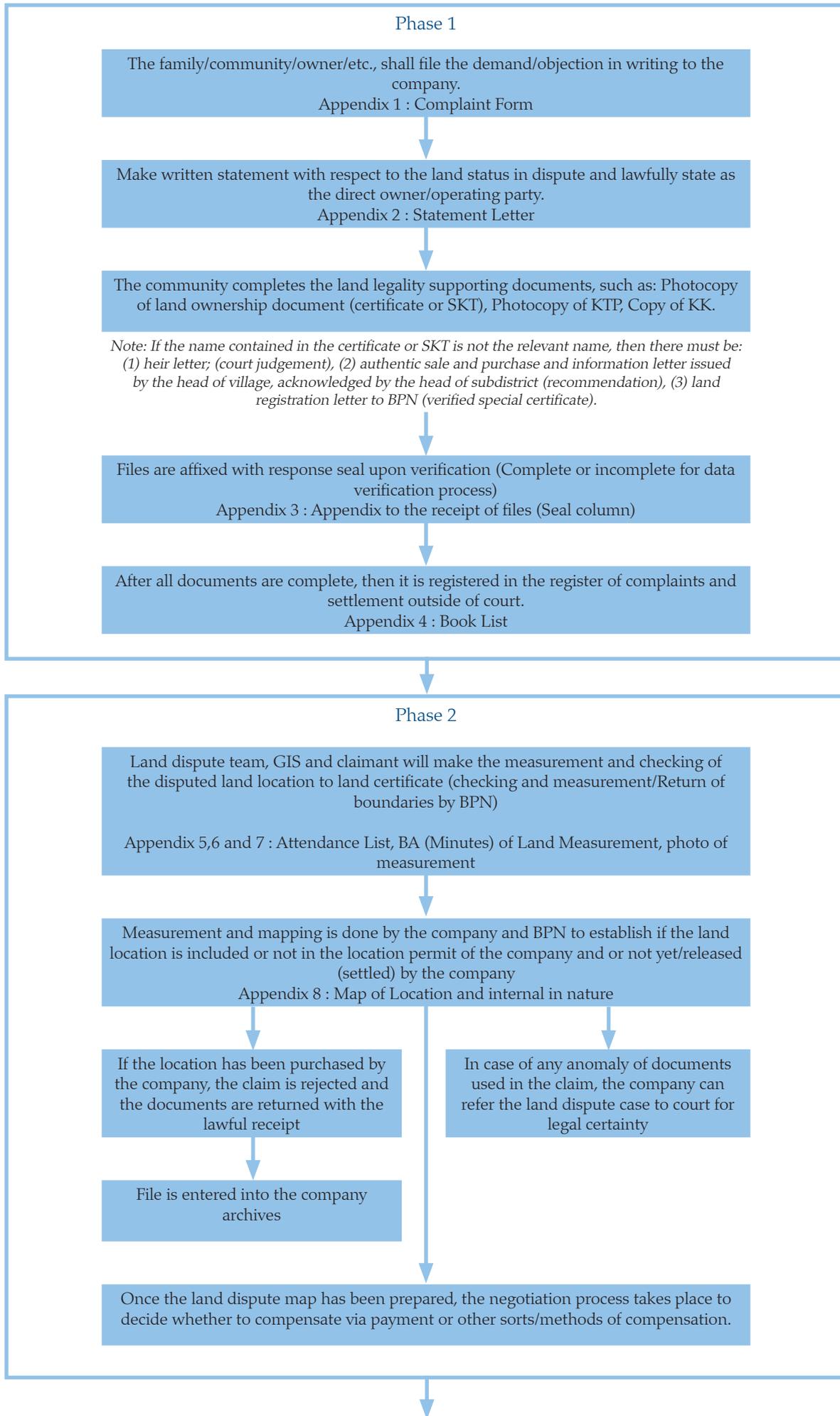
Standard Operating Procedure for Land Dispute Settlement as per Free Prior & Informed Consent (FPIC) - RSPO Principles

(This is a translated version from Bahasa Indonesia, in the event there is conflict of interpretation the Bahasa Indonesia text should prevail.)

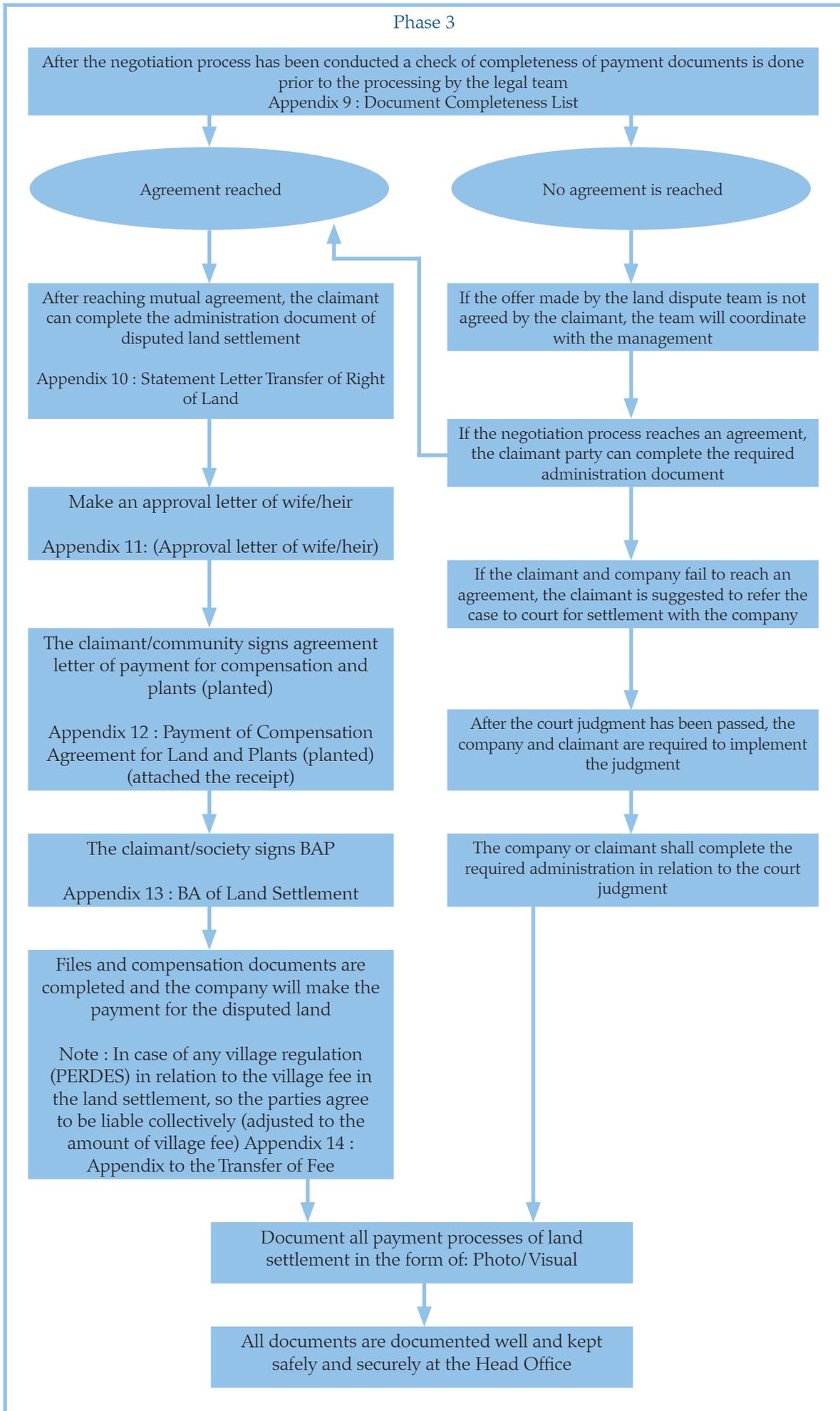
PT. Surya Sawit Sejati (PT SSS)



Three Phases of The Settlement Process



Settlement Process



Summary of Disputed, Resolved and Settled Cases from 2014 to 2017 (PT SSS)

Year	Resolved/Settled Cases	Estate	Disputed area (Ha)
2014	15	Lada Estate	202.55
2015	26	Lada Estate	264.21
2016	16	Lada Estate	18.14
2016	2	Runtu Estate	606.50
2016	4	Arut/Kumai Estate	17.05
2017	15	Lada Estate	65.78
Total	78		1174.23

No	Date Claim Submitted	Cert/SKT	Name of Claimants	Blk/Flds	Hectarage		Nature/Status of Dispute Status of Docs & Facts	Progress To date
					Docs	Claimant's Demand		
1	18-Mar-13	Cert	Purnomo	8	0.75	0.65	Planted by PT. SSS Agreed for compensation	Awaiting for BPN to survey the area to ascertain if the location is within Izin PT. SSS
2	15-Sep-14	Cert	Jaka Suherman	55	2 Certs	4	Agreed for Plasma Documents incomplete	Resolved. They have agreed to join plasma and relocated to Arut Estate (Desa Sumber Agung). Administration of Documentation are in progress.
3	25-Jul-16	Cert	Christianto Hutabarat	2	0.58	0.1	Planted by PT. SSS Agreed for compensation	Awaiting for BPN to survey the area to ascertain if the location is within Izin PT. SSS

- Cases pending for more than 1 years
- Cases pending for less than 1 year



Courtesy visit by the Lower Perak Police contingent led by the OCPD Tuan P/ACP Mohd Marzukhi bin Mohd Mokhtar.

Continuous Stakeholder Engagement

UP has engagements with various stakeholders in and around our areas of operation. Our engagement approach varies from formal to informal.

All enquiries by stakeholders are recorded and monitored in order to resolve any ongoing issues as sustainable development cannot be achieved without engagement with stakeholders.

Grievance Procedure for Stakeholder Issues

Under our RSPO framework, we are obligated to deal with issues openly. RSPO Principle 1 states the need for a commitment to transparency. RSPO Principle 6.3 further states that there is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all parties. This procedure is given to ensure that local and other interested parties understand the communications and consultation process for raising any issues with UP.

UP accepts its responsibility as a corporate citizen and wants local communities to be aware and involved in the communications and consultation methods it uses, thereby aiming to resolve grievances (including those originating from employees) through a consultative process and realizes that any system must resolve disputes in an effective, timely and appropriate manner that is open and transparent to any affected party. Recognising the value and importance of communication and consultation in clearing up misunderstanding/conflicts/

grievances or raising any issues with United Plantations Berhad, the following procedure is adopted, in an affective, timely and appropriate manner that is open and transparent to any affected parties.

External Stakeholders

They are Statutory Bodies, Indigenous People, Local Communities, Smallholders, Independent FFB Suppliers, Other Suppliers, Local and National NGOs.

Internal Stakeholders

All employees of United Plantations Berhad and their respective Trade Unions.

Procedure for Handling External Stakeholders' Issues (GRI 102-53)

The Company Secretary of United Plantations Berhad will be responsible for the handling of all enquires and grievances against the Company. The stakeholder may lodge their enquiries/grievances to respective Estate Manager or Head of Department or direct to the Company Secretary. The Company Secretary's address is as follows:-

The Company Secretary
 United Plantations Berhad
 Jendarata Estate
 36009 Teluk Intan
 Perak Darul Ridzuan, Malaysia
 Tel : 05-6411411; Ext – 215/334
 Fax: 05-6411876
 Email: up@unitedplantations.com

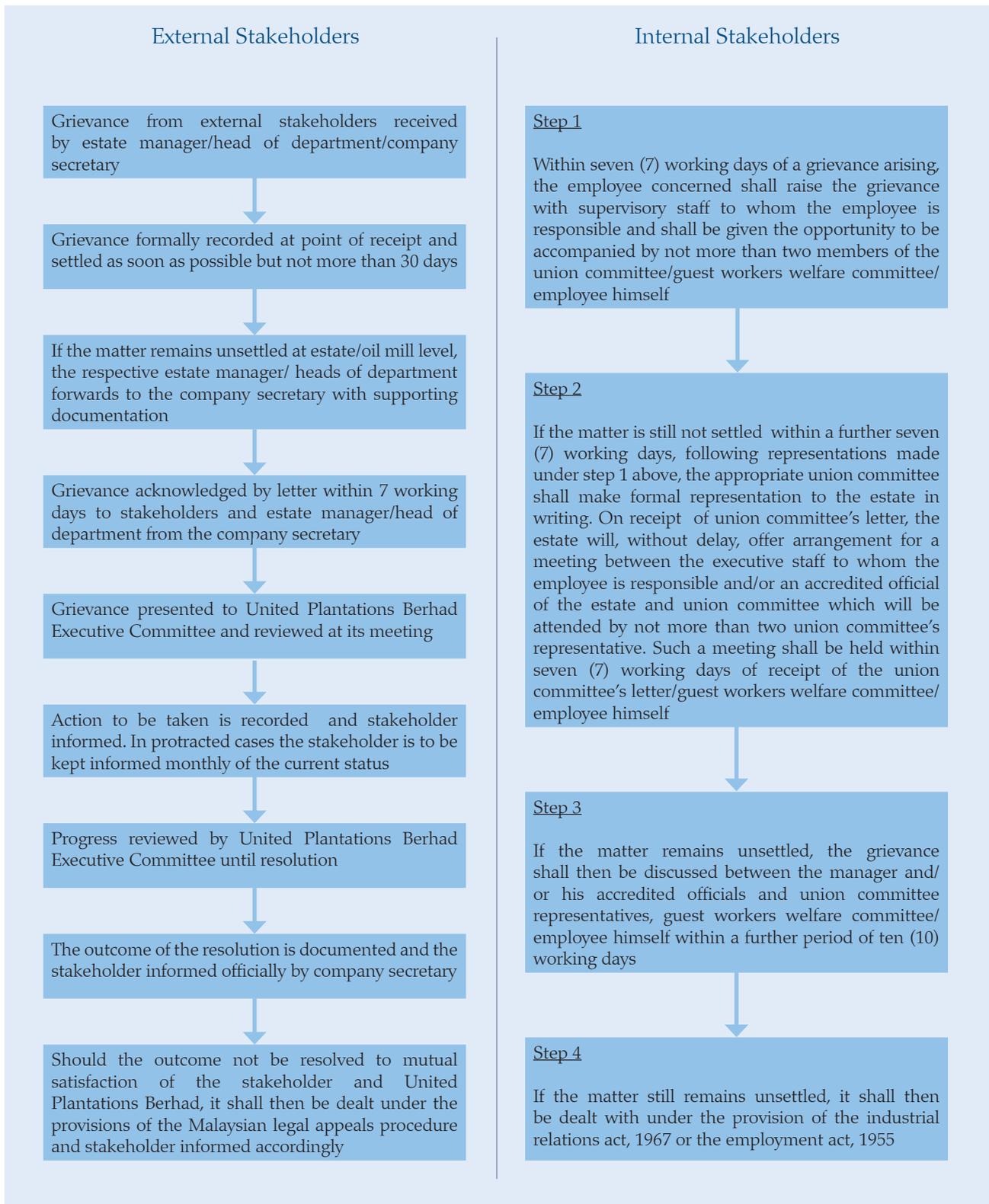


Discussion during FPIC process with the local community.



Annual stakeholders meeting.

Grievance Redressal Procedure for:





Members of EXCOM inspecting harvested bunches together with the PT SSS Management during their visit to our Indonesian properties.

16. Plasma Development (for Indonesia)

Our obligation in Indonesia, to help smallholders to develop their land including land preparation, for cultivation of oil palms to uplift the living standards of the local communities

Plasma Schemes / Outgrowers Scheme

The Indonesian Government's objective is to ensure the establishment of Plasma Projects equivalent to 20% of a Company's planted area.

At our Indonesian Plantations, we are actively involved with Plasma Scheme which are designed to assist smallholders to become independent plantation growers.

Under the Plasma Scheme, UP helps smallholders to develop their land, including land preparation and for cultivation of oil palms. Once developed, the plantation is managed by the Company for one cycle after which it will be handed over to the smallholder for self-management. During the first cycle, proceeds from the Plasma-areas minus development costs, is paid to the farmers by the Company.

We expect the scheme to provide more opportunities for the smallholders and help alleviate poverty. With this programme, we hope to steer them away from illegal logging as well as slash-and-burn activities that can have a huge negative impact on the environment.

In the early years of plantation development, before the oil palm trees reach maturity, the livelihood of smallholders is supported through employment by the Company. They typically work as employees on our plantations, while they at the same time get an understanding of oil palm cultivation and best management practices.

The Company provides the smallholders with sufficient resources and is committed to buy their FFB at government determined rates.



Associated Smallholders under PLASMA in Indonesia.

To assist them, we provide vital training on plantation management practices and financial arrangements

UP's commitment to Plasma Project

The Company's internal Plasma team has taken over the responsibility of the various plasma projects from our external plasma consultant Mr. Rudolf Heering who has retired in August 2015. Further progress has been made during 2017 with more than 500Ha of new plasma areas having been planted.

To date 1,285.13Ha of Plasma have been developed for 787 smallholders and another additional 500 hectares is expected to be provided and developed for the communities surrounding the Company's properties during 2018 to 2019.

Partnership with the local communities is crucial to achieve success in Indonesia and it is therefore of utmost importance that the local communities also benefit from UP's development.

Smallholders' Field Day

Oil palm smallholders have a critical role in helping us achieve our sustainability goals, they are part of the supply chain providing an estimated 40% of world palm oil production.

The RSPO defines smallholders with less than 50 hectares of cultivated land and are mostly family-run, with some sustenance farming to support basic needs

As part of our Company's involvement, UP continuously engages with smallholders. The recent Smallholder's Field Day was held on 11th November 2017. We invited 80 smallholders from local districts to visit our plantations to get a better understanding of good agricultural practices, sustainability initiatives and environmental protection. We are pleased to inform that 59 smallholders or equivalent to 74% of the smallholders attended the Smallholders Field Day. The smallholders were given training sessions in safe handling of pesticides with appropriate Personal Protective Equipment (PPE), effective use of pre-emergent herbicides for less chemical usage, integrated pest management (IPM) and mechanized harvesting in order to assist them with their agricultural interests. In addition, demonstration on fire combat procedures were carried out to further enhance the awareness of neighbouring smallholders in case of fire incidence and were informed to contact UP for emergency assistance within the close vicinity.

Food Security

To ensure local food security, as part of the FPIC process, participatory SIA and participatory land-use planning with local peoples, the full range of food provisioning options are considered. There is transparency of the land allocation process. The intent is to ensure food security and land use choices are considered as part of the formal FPIC process, prior to new developments.

Our Group ensures affected local communities understand that they have the right to say 'no' to operations planned on their lands before and during initial discussions, during the stage of information gathering and associated consultations, during negotiations, and up until an agreement with our management is signed and ratified by all relevant local peoples. Efforts will be made to consider population dynamics.

Fruit Orchard

In Sg. Erong Estate, an orchard with local fruits trees is established for employees and residents' consumption.

The Company also plants coconut palms and fruit trees in the workers quarters for their benefits and residents are encouraged to plant vegetables in their backyard.

The Company facilitates the purchase of rice and sugar at wholesale prices for the workers. Cooking oil is supplied to the workers at a subsidised rate.

Monthly night markets are held in the respective estates where residents have access to fresh sundry goods at competitive prices.



Field training conducted by President Director, Mr. Edward Daniels.



Smallholder's field day organized together with MPOB at Jendarata Estate.



Fruit orchard.



Vegetable gardens are encouraged at the backyard of our residence.



Subsidies for rice, sugar, oil provided.



Well stocked sundry shop caters for employees.



The Unitata Refinery Complex built in 1973.

Marketplace

(GRI 102-15, GRI 103-2)

Through investments in our people, technology and focus on our supply chain UP is committed to providing high quality certified sustainable and traceable products and services to customers worldwide. We aim for continuous improvement in our products and services and we work towards building long-term relationship through interaction and discussions about sustainability, global, trends, health and nutrition with customers, suppliers, business partners and other stakeholders in the marketplace.

By interactions with customers and other stakeholders, a deep understanding of this responsibility has been developed and provides a healthy avenue for continuous improvement in quality and food safety by minimizing risks throughout the supply chain. Furthermore, UP has gained much knowledge on market trends and have become more capable of responding to them.

17. Product Quality

Our Commitment to produce quality palm oil, palm kernels, coconuts, and their derived products to the total satisfaction of our worldwide valued customers

Quality Policy

It is the Policy of UP to produce quality palm oil, palm kernels, coconuts and their derived products to the total satisfaction of our worldwide valued customers.

Our Quality Philosophy Includes:-

- U** pholding the name and reputation of UP as a top producer of premium quality palm products.
- N** urturing a diligent work force who takes pride in contributing to the development of the Company.
- I** nitiating and innovating positive, progressive work ethics, methods and incorporating a winning culture.
- T** raining of personnel is the key to upgrading our skills and keeping in trend with the marketplace.
- E** nsuring that only the best quality palm products are produced, to the satisfaction of our customers' needs.
- D** elivering decisive efforts in Research and Development to continuously improve our working methods, efficiency and product quality.

UP recognizes the importance of safeguarding its customers by ensuring the highest standards in quality as well as environmental and social care.

Our quality focus starts from our Research Department and continues through every aspect of our agricultural, milling and downstream activities until the final product is delivered to our customers. The diagrams shown on pages 158- 160 provide a clear overview of the many steps involved in ensuring palm oil products of high quality.

18. Certifications for Food Safety, Sustainability and Others (GRI 416-1, GRI 417-1)

Our Commitment towards food safety and sustainable and consistent high quality products through relevant international certifications

Unitata Berhad – Quality Policy



Unitata is committed to quality in order to ensure our customer's satisfaction and continuous support. Unitata's reputation as a manufacturer of high quality oil palm products which are safe for human consumption, and meets the statutory and legal requirements of the customer.

As part of our commitment to uphold Unitata's historical standing as a quality producer, much emphasis is placed on quality assurance throughout the various stages in the refinery.

This is evidenced through our continuous investments in the latest process technology and high-end sophisticated analytical equipment providing accurate and timely controls to ensure customer satisfaction on high quality and food safety.

Edible Oil Refining and Specialty Fats Production

Attention to quality, investment in production facilities and ongoing product development are priorities in order for Unitata to meet challenging and changing customer demands.

In order to cater for the growing demand of high quality products our refinery is equipped with automated manufacturing processes such as Neutralization, Bleaching, Deodorization, Fractionation, Interesterification and packaging of specialty fats and oils.

Thorough process controls and a disciplined manufacturing culture helps to ensure that quality assurance procedures are in place in order to comply with customer requirements.



The Unitata quality and marketing team planning marketing strategies.

Consumers today have an increased focus on safety and health as well as producing food through a transparent and traceable supply chain based on optimum processes that focuses on reducing processing aids, water and energy and the overall GHG footprint. Furthermore, it is important for consumers that social care for employees as well as protection of forests, including High Carbon Stock and High Conservation Value areas are associated with the food they choose to buy.

To keep up with increasing demands on traceability in the supply chain, we have obtained numerous local and international certifications as follows: ISO 9001, HACCP, Halal, Kosher, BRC, SEDEX, FDA, RSPO SCCS, GMP, MeSTI and MPCA. In September 2017, we have successfully obtained GMP+B2 Feed Certification Scheme for supply of acid oils into Europe for the feed industry. GMP+B2 provides assurance for feed safety in all links of the feed chain.

As a requirement for the above-mentioned certifications, Unitata is audited annually by the various certification bodies and by customers. In 2017, 8 certification audits and 7 customer audits have been conducted on Unitata. In addition, Unitata has audited and assessed key suppliers of raw materials, packaging, and ingredients. All raw materials, packaging materials and ingredients are certified as food grade.

Furthermore, we have established and validated our process controls to consistently minimize the risk of contaminants and meet acceptable food safety standards.

Unitata also stresses on the element of food defence as part of product security. This assures the protection of our products from malicious contamination, adulteration or theft.

All packed products are traceable to the raw materials, additives and packaging materials used via batch and code numbers on the labels. The labels meet the requirements of the Malaysian Food Act and the requirements of the respective export markets.

Relevant food safety training is of high priority for all employees in order to keep abreast with the increasingly demanding food safety requirements.

LOW 3-MCPD and Glycidyl Esters

3-MCPD and Glycidyl Esters are contaminants formed during the processing (refining) of edible oils and fats and has become a topic of concern for vegetable oil refiners and consumers based on a report published by the European Food Safety Authority (EFSA) in May 2016.

The EFSA Panel on Contaminants in the Food Chain (CONTAM Panel) published the results of its assessment of the safety of 3-MCPD and Glycidyl esters with respect to human health.

Available evidence from animal studies indicates that kidney toxicity is the most critical health effect of 3-MCPD in rats. Using this data, EFSA established a tolerable daily intake (TDI) for 3-MCPD for humans which represents the maximum amount that can be consumed daily over a lifetime without being harmful to health. It includes a very large margin of safety.

The TDI for 3-MCPD has been calculated as 0.8 micrograms per kilogram of body weight per day ($\mu\text{g}/\text{kg}$ bw per day.)

With the combination of premium quality fruit bunches derived from our own plantation on UP combined with Unitata's processing know-how, we have been able to produce refined palm oil with levels of 3-MCPD and Glycidyl Esters which for over 20 years have been considerably

lower than the industry's norm, including the TDI levels mentioned above.

The decades' old sound practices have to-date built a scaffold for research to intensify focus on mitigating contaminants to near non-detection.

Whilst the majority of refineries as time passed opted for easier and cheaper refining methodologies, Unitata has firmly stood by her charter to place quality above all else and maintained her position as a leader within chemical refining of oils and fats.

This decision has resulted in Unitata being recognized as a leader in high quality refining which is attested by the surprising renaissance of chemical refining within the local industry.

The company's decision to invest in a modern laboratory, the Nair's Wing, was an integral part in securing the background knowledge for mitigation work. In June 2016 collaboration work was initiated by the American Oil Chemist Society in developing statistical measurements for a new analytical method called AOCS Cd30-15: Analysis of 2- and 3-MCPD Fatty Acid Esters and Glycidyl Fatty Acid Esters in Oil-Based Emulsions.

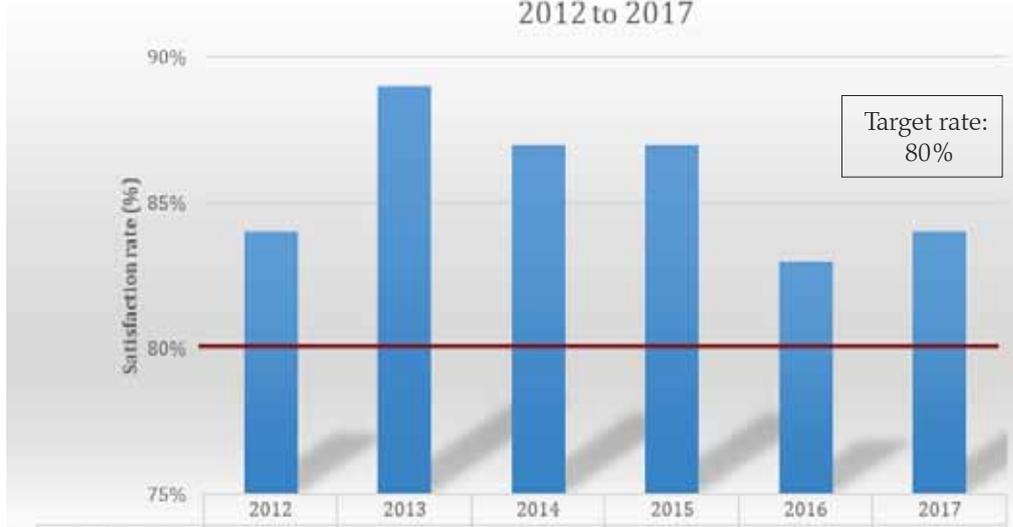
Unitata was one of the 17 internationally recognized laboratories, after a screening process, to participate in this collaboration.

The new method has been endorsed and included in the AOCS compendium of Official Methods in July 2107.

As part of establishing credence on the accuracy and precision over the analytical protocols the laboratory voluntarily and successfully participated in proficiency testing schemes such as the Food Analysis Performance Assessment Scheme (FAPAS) held in September 2017.

As a result, Unitata is able to meet stringent customer demand for oils used in the production of infant formulas. We are committed to further reduce the levels of these substances to the benefit of the customers globally.

UNITATA BHD: CUSTOMER SATISFACTION SURVEY 2012 to 2017



Customer Satisfaction (GRI 102-43, GRI 102-44)

At Unitata, the annual customer satisfaction survey is used to measure how our finished products meet our customers' expectations. This annual survey is an important measure in relation to our continuous improvement attitude and provides us with an important understanding of our service and collaboration with our customers based on their valuable feedback.

The survey focuses on three key areas which are:

- (i) Product quality
- (ii) Service quality
- (iii) Delivery timeliness

The results are analyzed and tabulated in an appropriate graphical form for presentation at the management review meetings as well as during the various certification audits throughout the year. Besides that, Unitata also adopts an on-going communication method with the existing customer to keep them engaged with their products.

Regular communication with customers enables Unitata to develop products and provide the necessary service to ensure a continuous customer satisfaction which cannot be taken for granted in the competitive business of refining.

Non-compliance with regulations concerning product labelling. (GRI 417-2)

In March 2017, Unitata received a cargo detention notice, for one of our consignment of packed products, from the US FDA authority with regards to insufficient nutritional information on product labelling.

Necessary changes to the nutritional information on our product labelling was made based on FDA recommendations to ensure that future export of our product are in full compliance with the FDA regulations and there has since been no further issues in terms of any of our packed products entering the US.



Small trucks ready to deliver FFB in the foreground while CPO tankers in the background are awaiting to collect CPO from our Lada Mill in Central Kalimantan.

19. Sustainability and Traceable Supply Chains

Our Commitment to ensure that the certified sustainable palm oil and palm kernel oil used in the production of finished goods actually came from sustainable sources

The interest for certified sustainable and segregated palm oil is increasing as many global brand manufacturers have committed to only use RSPO certified and segregated palm oil solutions. This development combined with new labelling rules introduced in Europe effective December 2014 has increased demand further.

Traceability at UP

One of Unitata’s key commitments to its customers is to ensure that our finished products can be traced back to its origins, namely palm oil mills and further to the plantation level.

The purpose is to ensure greater transparency in our supply chain. Unitata is currently in a favourable position to meet this growing demand due to the direct link with UP’s supply of RSPO certified sustainable and segregated palm oil traceable back to the plantations.

The tables to the right indicate that crop processed in all our mills in Malaysia and Indonesia can be traced back to the plantations.

Today 100% of UP’s total production of CPO is traceable back to the plantations.

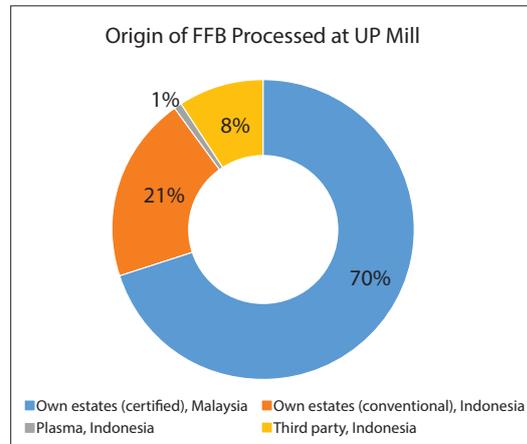
In Malaysia, all CPO used at our Unitata refinery can be traced back to the mills and plantations. CPO produced in Indonesia is sold to neighbouring refineries as we don’t have any downstream operations in the country.

For all UP PKs can be trace back to the plantations, however, as the palm kernels produced by UP is insufficient to cater for the needs of our refinery’s use of crude palm kernel oil, we currently source significant volumes which we are only able to trace back to the mills.

Going forward, we will be working with third party suppliers to increase the percentage of crude palm kernel oil that can be traced back to the plantations in line with increased customer demand for traceability.

Our assurance for the level of traceability is based on our ability to identify the parent company,

the mill name, mill coordinates, mill certification status from suppliers and plantations from where the crop (FFB) is produced.



(a) Upstream Operations (United Plantations)

List of Mills	Traceable to Plantations	
	Own Crop (FFB)	Outside Crop (FFB)
Jendarata	100%	Nil
Ulu Basir	100%	Nil
Ulu Bernam	100%	Nil
UIE	100%	Nil
PTSSS	100%	100%

(b) Downstream Operations (Unitata)

Refinery	Raw material	Traceable to Mill	Traceable to Plantations
Unitata	CPO	100%	100%

United Plantations is committed to moving towards full segregation and traceable supply chain models and is therefore slowly reducing mass balance and Greenpalm solutions.

All CPO produced in Malaysia is RSPO certified and segregated. In Indonesia, we have undergone RSPO certification for part of our plantations (with HGU certificates) and will be receiving RSPO certification for these areas in 2018.

Full certification and production of RSPO certified and segregated palm oil traceable to the mill and plantations is expected to be reached in 2020 for all our plantations areas in line with receiving the final land titles (HGU certificates) for all our Indonesian properties.



Filling of certified sustainable and traceable specialty fats at Unitata.

In this connection, we are increasing awareness by retraining and audits within all operational areas of our group. The results of these measures will be monitored and incorporated in our efforts for continuous improvements, and highlighted in our future reports.

Supply Chain Certification

In 2008, before RSPO Supply Chain Certification was introduced, Unitata was the first Company to ship refined RSPO certified segregated palm oil to customers worldwide which was verified by independent surveyors.

In December 2010, Unitata received its Supply Chain Certification and have since been able to handle and deliver first class sustainably certified and segregated palm and palm kernel oil solutions to customers worldwide based on the RSPO supply chain traceability system.

The RSPO cooperates with the traceability service provider, UTZ, who through the RSPO Palm Trace system ensures that the necessary traceability is in place in order for proper certification of palm and palm kernel oil that is used in the refining process.

The supply chain certification is the buyers' and consumers' guarantee that the palm oil or palm kernel oil used in the production of finished goods actually comes from the claimed RSPO source.

This requires records to be kept to demonstrate the volume of CPO or CPKO sold as sustainable oil does not exceed the amount produced by the upstream RSPO certified mills.

During November 2017, Unitata had their first verification audit by one of their key customers for supply of certified material. The audit was conducted independently by a third party auditor appointed by the customer. It was a full traceability audit on the origin of materials supplied by Unitata Bhd.

It was a successful audit and the auditor concluded that the material sourced by the customer is 100% traceable throughout the supply chain.



A well laid out warehouse for packed products at Unitata.

20. Evaluation of Supplier/Contractors' Sustainability Commitment

(GRI 308-1, GRI 407-1, GRI 408-1, GRI 409-1, GRI 412-3, GRI 414-1)

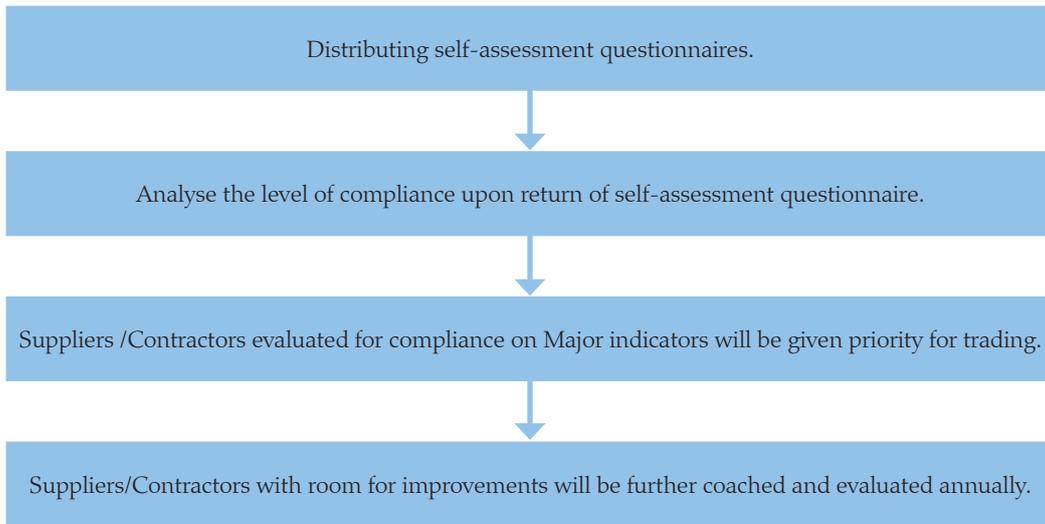
As an important step towards improving our sustainability within economic, environmental and social areas of our business, we have invited our suppliers and contractors to join us along the journey. Prior to any formal engagement with suppliers or contractors within our Group, a screening process by distributing a self-assessment questionnaire against social and environment aspect is carried out.

Our aim is to improve sustainability in our supply chain and ensure our suppliers and contractors collaborate with us in the compliance of company policy as well as legal requirements. The scope of self-assessment includes:

- a) Safety and Health (Major)
- b) No child labor (Major)

- c) Protect from any forms of discrimination (Major)
- d) Equal remuneration (Major)
- e) Fair employment contract as per legislation (Major)
- f) Fire safety plan (Minor)
- g) Business conduct (Major)
- h) Energy consumption (Minor)
- i) Zero burning (Major)
- j) No deforestation (Major)
- k) Reduction in GHG (Minor)
- l) No new development in HCV/HCS/Peat areas (Major)

The process to prioritize and assess our suppliers and contractors as flowchart below:



Suppliers and Contractors Assessed – United Plantations Bhd	
Number of key suppliers	43
Number of key suppliers assessed	36
Percentage of key suppliers assessed (%)	83.72
Number of key contractors	142
Number of key contractors assessed	121
Percentage of key contractors assessed (%)	85.21

*Up to September 2017.

Please log into the link below to view the Assessment Questionnaire:
http://www.unitedplantations.com/sustainability/marketplace_assessment.asp

21. Commodity Prices

Prices of commodities are mainly the result of future expectations of Supply and Demand. Managing fluctuating commodity prices to protect shareholder value

Malaysia produces about a third of all palm oil in the world. Total palm oil production in Malaysia for 2017 was 19.98 million tons with around 15% of the palm oil being consumed directly in the country. Because Malaysia is so dependent on exports, palm oil prices in Malaysia are very much driven by international supply and demand. Palm oil is traded in three forms: the physical market, the futures market and the paper market. Palm oil prices in the physical, futures and paper market are different because of transparency, liquidity and ease of execution.

Numerous variables impact the prices of commodities as indicated below.



As this is an area of high risk, much focus is being directed towards safeguarding the exposure to our business in connection with fluctuations in Commodity Prices.

Risks are an inevitable part of Unitata’s business where price risk is considered to be of major significance.

In connection with price risk, both outright prices and market structure (inverse/carry) are risks which need to be monitored, mapped and most importantly, dealt with. The Group uses the the physical market, the futures market and the paper market to manage some of the transaction exposure. However, strict control and monitoring procedures include, amongst others, setting of trading limits approved by the Board and monitored closely by the Audit Committee through management reporting and both Internal and External Audits conducted frequently.

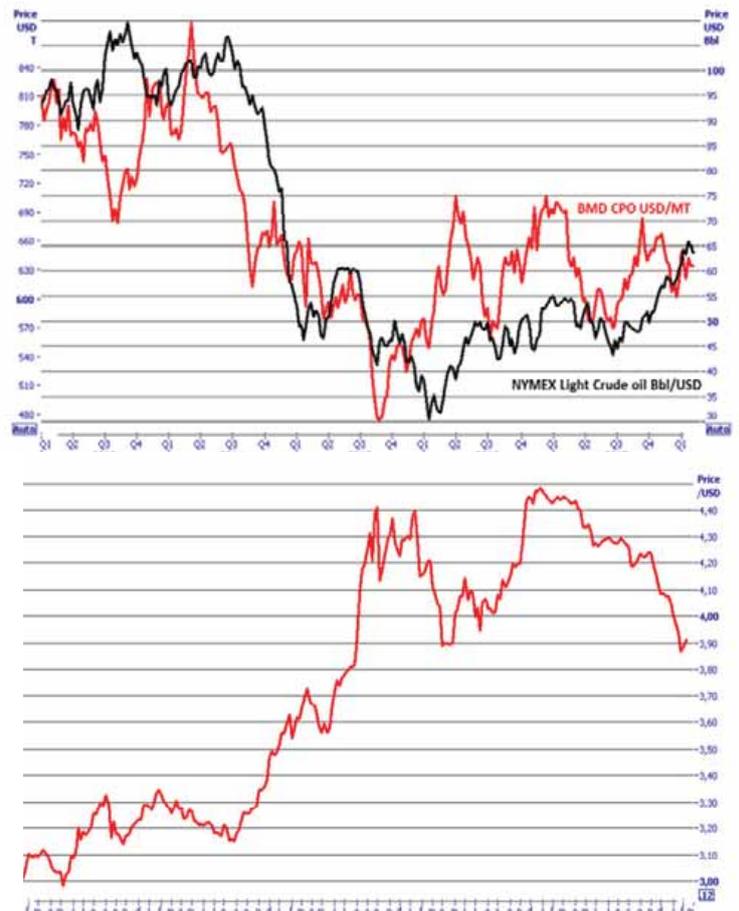
22. Currency Fluctuation

Managing adverse foreign exchange fluctuations to ensure longterm sustainability of our Company’s operations

For the export-oriented Refining Industry In which Unitata operates, a Weak Malaysian Ringgit against the USD has been an advantage as most of our costs are denominated in Ringgit whilst our sales prices are denominated in USD. More Ringgit per USD has therefore benefited Unitata when USD sales have taken place.

With margin pressure in the Malaysian Refining Industry due to the fierce competition specifically from Indonesia, it is extremely important that currency fluctuations are managed in order to safeguard profits and minimize risks. In the same manner as with commodities, the Group uses forward currency hedges to manage some of the transactions exposure.

Control and monitoring procedures are similar to what is done under commodities and is elaborated further under the section “Statement on Risk Management and Internal control” on page 184-186.

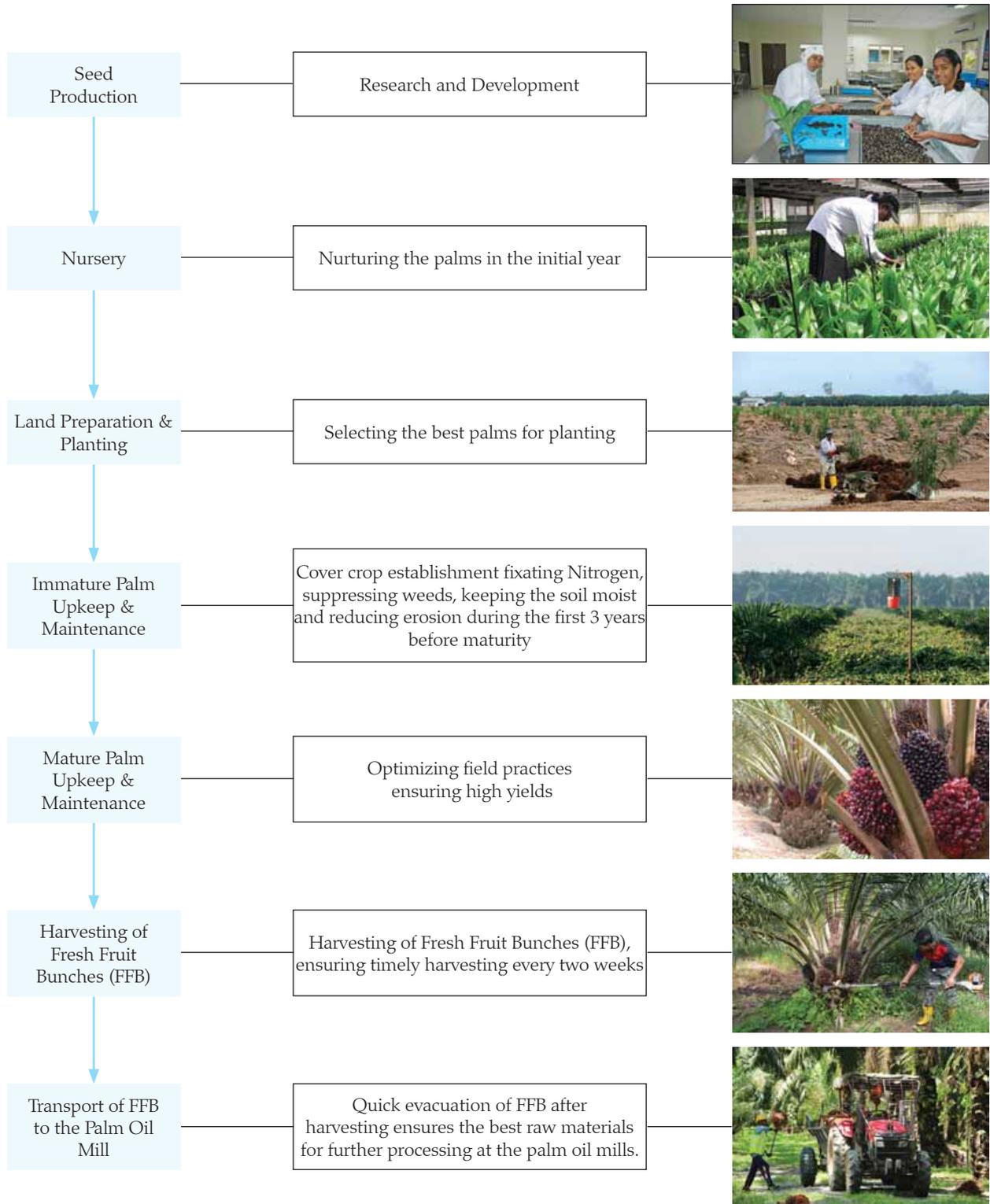




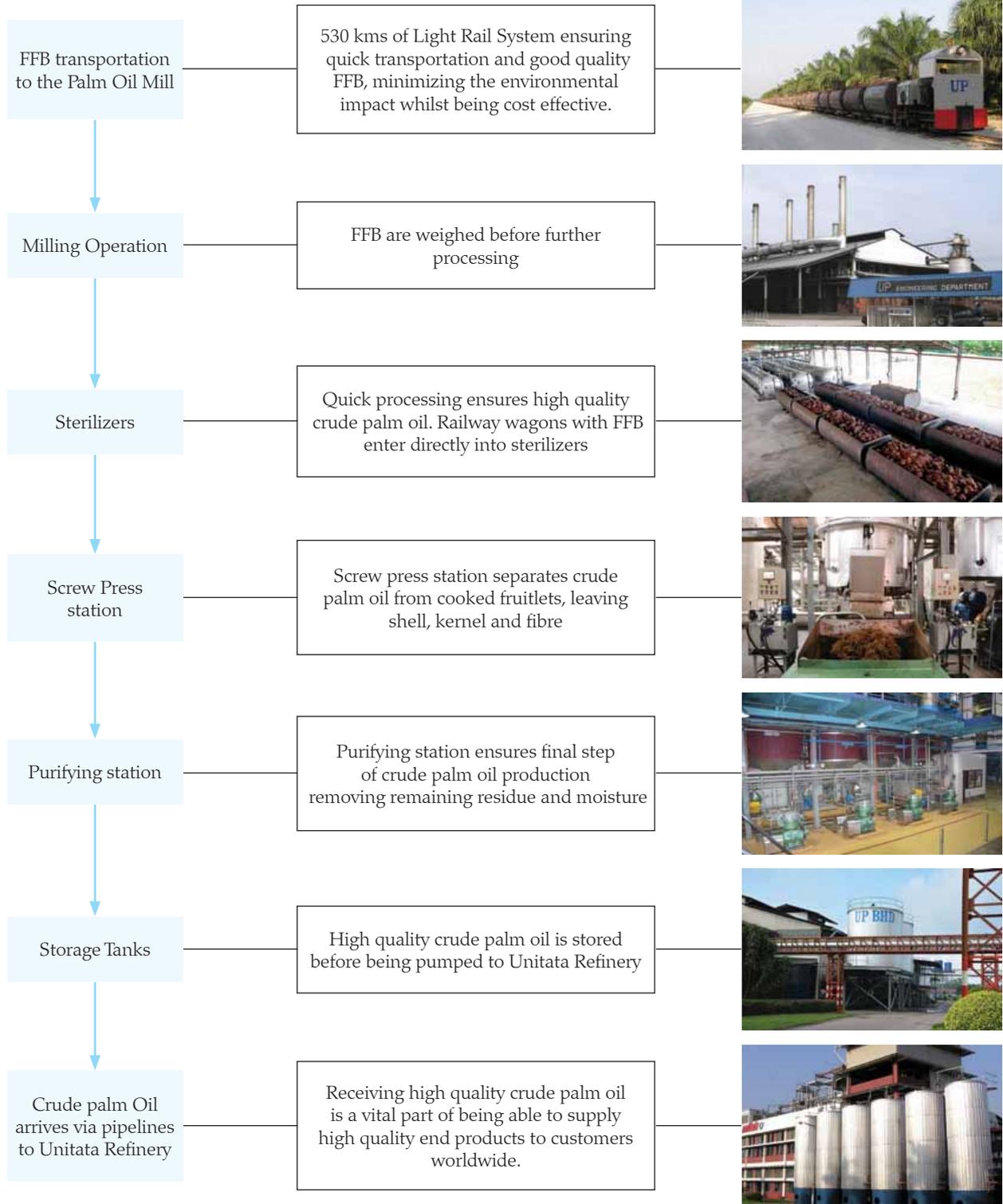
Our well maintained state-of-the-art Lada Palm Oil Mill.

Commitment to quality

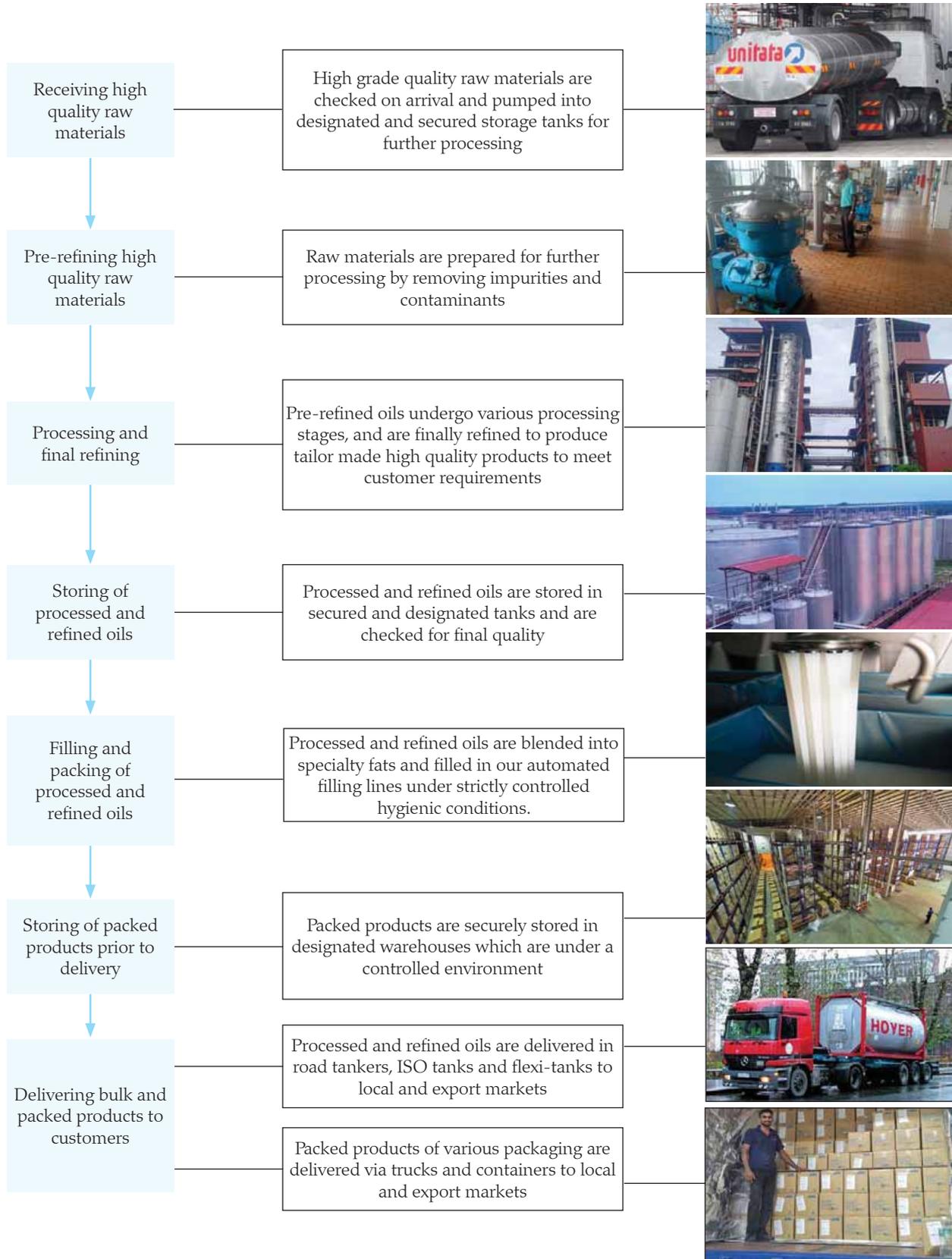
Good agricultural practices



Quick evacuation and processing at the palm oil mill



Food safety and quality focus at the refinery



Global Reporting Initiative (GRI) Content Index

(GRI 102-55)

United Plantations Berhad Annual Report 2017 has been prepared in accordance with the GRI Sustainability Reporting Standards (Core level disclosures). The following summary table details the location of specific disclosures throughout the report.

GRI Standards	Description	Reference Section	Page Number
GRI 102: General Disclosures			
1. Organizational Profile			
102-1	Name of the organization	Front Cover	ii
102-2	Activities, brands, products, and services	Report of the Directors	3,6
102-3	Location of headquarters	Corporate Information	4
102-4	Location of operations	Locations of Estates, Factories and Holdings Planted areas – 31st December 2017	last page (map)
102-5	Ownership and legal form	Corporate Information – Notes to the Financial Statement	208
102-6	Markets served	Geographical Segments – Notes to the Financial Statements	266
102-7	Scale of the organization	Notes to the Financial Statements	208
102-8	Information on employees and other workers	Employees	65
102-9	Supply chain	UP & RSPO Marketplace	26 34
102-10	Significant changes to the organization and its supply chain	There were no changes during the reporting period regarding size, structure, ownership or supply chain. However, changes in the senior management team are featured in Executive Committee and Senior Management.	5
102-11	Precautionary Principle or approach	Statement on Corporate Governance	172
102-12	External initiatives	UP & RSPO Environment	85
102-13	Membership of associations	UP & RSPO Environment In addition to the above, UP has memberships in Malaysian Palm Oil Association (“MPOA”), Palm Oil Refiners Association of Malaysia (“PORAM”)	85
2. Strategy			
102-14	Statement from senior decision-maker	CED’Message	12,14
102-15	Key impacts, risks, and opportunities	Engaging Our Stakeholders Materiality Employees Environment Community Marketplace	51 54 63 85 132 149
3. Ethics and Integrity			
102-16	Values, principles, standards, and norms of behaviour	Statement on Corporate Governance Employees (Whistle blower Policy)	63, 64
102-17	Mechanisms for advice and concerns about ethics	Employees (Whistle blower Policy)	63, 64

GRI Standards	Description	Reference Section	Page Number
GRI 102: General Disclosures (Contd.)			
4. Governance			
102-18	Governance structure	Corporate Governance Overview Statement Governance Structure	172 40
102-19	Delegating authority	Governance Structure	40
102-20	Executive-level responsibility for economic, environmental, and social topics	Governance Structure	40
102-21	Consulting stakeholders on economic, environmental, and social topics	Stakeholders Engagement	50
102-22	Composition of the highest governance body and its committees	Governance Structure	40
102-23	Chair of the highest governance body	Corporate Governance Overview Statement Chair of the highest governance body is the Chairman of the Board, who is independent and non-executive	172
102-24	Nominating and selecting the highest governance body	Nomination Committee – Corporate Governance Overview Statement	172
102-25	Conflicts of interest	Corporate Governance Overview Statement	172
102-26	Role of highest governance body in setting purpose, values, and strategy	Corporate Governance Overview Statement	172
102-27	Collective knowledge of highest governance body	Corporate Governance Overview Statement Governance Structure	172
102-28	Evaluating the highest governance body's performance	Corporate Governance Overview Statement Statement on Risk Management and Internal Control Audit Committee Report	172
102-29	Identifying and managing economic, environmental, and social impacts	Governance Structure	40
102-30	Effectiveness of risk management processes	Corporate Governance Overview Statement	172
102-31	Review of economic, environmental, and social topics	Corporate Governance Overview Statement Governance Structure	172 40
102-32	Highest governance body's role in sustainability reporting	Governance Structure	40
102-33	Communicating critical concerns	Governance Structure	40
102-34	Nature and total number of critical concerns	Governance Structure	40
102-35	Remuneration policies	Remuneration Committee - Statement on Corporate Governance	177
102-36	Process for determining remuneration	Remuneration Committee - Statement on Corporate Governance	177
102-37	Stakeholders' involvement in remuneration	Remuneration Committee - Statement on Corporate Governance	177
102-38	Annual total compensation ratio	Not Disclosed in this Report	-
102-39	Percentage increase in annual total compensation ratio	Not Disclosed in this Report	-

GRI Standards	Description	Reference Section	Page Number
GRI 102: General Disclosures (Contd.)			
5. Stakeholder Engagement			
102-40	List of stakeholder groups	Stakeholders Engagement	51, 55
102-41	Collective bargaining agreements	Employees	71
102-42	Identifying and selecting stakeholders	Stakeholders Engagement	51
102-43	Approach to stakeholder engagement	Stakeholders Engagement	51
102-44	Key topics and concerns raised	Stakeholders Engagement Employees Environment Community Marketplace	55
6. Reporting Practice			
102-45	Entities included in the consolidated financial statements	Financial Statements	193-283
102-46	Defining report content and topic Boundaries	About This Report Stakeholders Engagement Materiality	54
102-47	List of material topics	Materiality	54
102-48	Restatements of information	There is no restatement of information.	30
102-49	Changes in reporting	No significant changes	30
102-50	Reporting period	About This Report	30
102-51	Date of most recent report	Annual Report 2016	30
102-52	Reporting cycle	About This Report	30
102-53	Contact point for questions regarding the report	Procedure for Handling External Stakeholders Issues	143
102-54	Claims of reporting in accordance with the GRI Standards	Global Reporting Initiative Index	161
102-55	GRI content index	Global Reporting Initiative Index	161
102-56	External assurance	About This Report	30, 170-171
GRI 103: Management Approach			
103-1	Explanation of the material topic and its Boundary	Materiality	30,54
103-2	The management approach and its components	Corporate Governance Overview Statement Materiality Employees Environment Community Marketplace	172 54 63 85 132 149
103-3	Evaluation of the management approach	Materiality Employees Environment Community Marketplace	54 63 85 132 149
GRI 201: Economic Performance			
201-1	Direct economic value generated and distributed	Financial Statements and Notes to the Financial Statement	193-277
201-2	Financial implications and other risks and opportunities due to climate change	Not Disclosed in this Report	-
201-3	Defined benefit plan obligations and other retirement plans	Financial Statements	259
201-4	Financial assistance received from government	Not Disclosed in this Report	-

GRI Standards	Description	Reference Section	Page Number
GRI 202: Market Presence			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Employees (Paying Fair wages and Employees Benefits)	70
202-2	Proportion of senior management hired from the local community	Employees Our policy is to hire employees with attitudes and skills enabling them to develop a long-term relationship with us, with no discrimination towards the employee's race, colour, religion, gender, national origin, ancestry, disability, marital status and sexual orientation.	65
GRI 203: Indirect Economic Impacts			
203-1	Infrastructure investments and services supported	Employees Community	63
203-2	Significant indirect economic impacts	Not effected yet	-
GRI 204: Procurement Practices			
204-1	Proportion of spending on local suppliers	We endeavour to support local suppliers in the countries we operate in, which is Malaysia and Indonesia.	-
GRI 205: Anti-corruption			
205-1	Operations assessed for risks related to corruption	Not effected yet	-
205-2	Communication and training about anti-corruption policies and procedures	Code of Ethics and Business Conduct	63
205-3	Confirmed incidents of corruption and actions taken	Not effected yet	-
GRI 206: Anti-competitive Behaviour			
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Not effected yet	-
GRI 301: Materials			
301-1	Materials used by weight or volume	Agrochemical and Energy Inputs in the Cultivation of Oil Palm and Other Oilseed Crops - Environment	124
301-2	Recycled input materials used	Production and Level of Utilisation of Oil Palm Biomass Residues - Environment	114
301-3	Reclaimed products and their packaging materials	Not effected yet	-
GRI 302: Energy			
302-1	Energy consumption within the organization	GHG emissions, discharges and waste management	110
302-2	Energy consumption outside of the organization	GHG emissions, discharges and waste management	110
302-3	Energy intensity	Emission reductions and Biogas plants	110
302-4	Reduction of energy consumption	GHG emissions, discharges and waste management	110
302-5	Reduction in energy requirements of products and services	Not effected yet	-
GRI 303: Water			
303-1	Water withdrawal by source	Not disclosed in this Report	-
303-2	Water sources significantly affected by withdrawal of water	Not disclosed in this Report	-
303-3	Water recycled and reused	Rain Harvesting	123

GRI Standards	Description	Reference Section	Page Number
GRI 304: Biodiversity			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Adjacent Protected & Conservation Areas - Environment	86
304-2	Significant impacts of activities, products, and services on biodiversity	Biodiversity & Conservation	86
304-3	Habitats protected or restored	Biodiversity & Conservation	86
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Biodiversity & Conservation	90
GRI 305: Emissions			
305-1	Direct (Scope 1) GHG emissions	Life Cycle Assessment	110
305-2	Energy indirect (Scope 2) GHG emissions	Life Cycle Assessment	110
305-3	Other indirect (Scope 3) GHG emissions	Life Cycle Assessment	110
305-4	GHG emissions intensity	Life Cycle Assessment	110
305-5	Reduction of GHG emissions	Life Cycle Assessment, Emissions Reductions & Biogas Plant	110
305-6	Emissions of ozone-depleting substances (ODS)	Not applicable	-
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	Isokinetic Monitoring of Gaseous Emissions from the Palm Oil Mills, VORSEP Dust Collector System	113
GRI 306: Effluents and Waste			
306-1	Water discharge by quality and destination	GHG emissions, discharges and waste management	110-113
306-2	Waste by type and disposal method	Recycling of Pesticide Containers and Scheduled Wastes - Environment	131
306-3	Significant spills	Not effected yet	-
306-4	Transport of hazardous waste	Recycling of Pesticide Containers and Scheduled Wastes - Environment	131
306-5	Water bodies affected by water discharges and/or runoff	Not effected yet	-
GRI 307: Environmental Compliance			
307-1	Non-compliance with environmental laws and regulations	None. LCA	110
GRI 308: Supplier Environmental Assessment			
308-1	New suppliers that were screened using environmental criteria	Evaluation of Suppliers/Contractors' Sustainability Commitment - Marketplace	155
308-2	Negative environmental impacts in the supply chain and actions taken	Not effected yet	-
GRI 401: Employment			
401-1	New employee hires and employee turnover	Employees – Group Employees 2012-2017. UP Group Employees	65
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Human and Workers' Rights - Employees	65
401-3	Parental leave	Not effected yet	-
GRI 402: Labor/Management Relations			
402-1	Minimum notice periods regarding operational changes	Human and Workers' Rights - Employees	67

GRI Standards	Description	Reference Section	Page Number
GRI 403: Occupational Health and Safety			
403-1	Workers representation in formal joint management-worker health and safety committees	Freedom to Join Unions - Employees	71
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Fatal Accident & Lost Time Injury Frequency – Occupational Safety & Health – Employees	82
403-3	Workers with high incidence or high risk of diseases related to their occupation	Lost Time Injury Frequency Rate - Employees	82
403-4	Health and safety topics covered in formal agreements with trade unions	Occupational Safety & Health Policy - Employees	81
GRI 404: Training and Education			
404-1	Average hours of training per year per employee	Training and Development of Employees – Employees	80
404-2	Programs for upgrading employee skills and transition assistance programs	Training and Development of Employees – Employees	80
404-3	Percentage of employees receiving regular performance and career development reviews	Not effected yet	-
GRI 405: Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	Equal Treatment - Employees	64
405-2	Ratio of basic salary and remuneration of women to men	Equal Treatment - Employees Average Earning - Employees	64
GRI 406: Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	Equal Treatment - Employees	64
GRI 407: Freedom of Association and Collective Bargaining			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Evaluation of Suppliers/Contractors' Sustainability Commitment - Marketplace	155
GRI 408: Child Labor			
408-1	Operations and suppliers at significant risk for incidents of child labor	Evaluation of Suppliers/Contractors' Sustainability Commitment - Marketplace	155
GRI 409: Forced or Compulsory Labor			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Evaluation of Suppliers/Contractors' Sustainability Commitment - Marketplace	155
GRI 410: Security Practices			
410-1	Security personnel trained in human rights policies or procedures	Training Hours - Employees	80
GRI 411: Rights of Indigenous Peoples			
411-1	Incidents of violations involving rights of indigenous peoples	Not effected yet	-
GRI 412: Human Rights Assessment			
412-1	Operations that have been subject to human rights reviews or impact assessments	FPIC - Community	136
412-2	Employee training on human rights policies or procedures	Training Hours - Employees	80
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Evaluation of suppliers/contractors sustainability commitments-marketplace	155

GRI Standards	Description	Reference Section	Page Number
GRI 413: Local Communities			
413-1	Operations with local community engagement, impact assessments, and development programs	FPIC, Land Dispute - Community	136
413-2	Operations with significant actual and potential negative impacts on local communities	FPIC - Community	136
GRI 414: Supplier Social Assessment			
414-1	New suppliers that were screened using social criteria	Evaluation of Suppliers/Contractors' Sustainability Commitment - Marketplace	155
414-2	Negative social impacts in the supply chain and actions taken	Not effected yet	-
GRI 415: Public Policy			
415-1	Political contributions	Not disclosed in this Report	-
GRI 416: Customer Health and Safety			
416-1	Assessment of the health and safety impacts of product and service categories	At Unitata, all products are significantly important and may give health and safety producing ingredients to food producers	150
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Not effected yet	-
GRI 417: Marketing and Labelling			
417-1	Requirements for product and service information and labelling	Certification for Food Safety, Sustainability and Others - Marketplace	150
417-2	Incidents of non-compliance concerning product and service information and labelling	Certification for Food Safety, Sustainability and Others - Marketplace	152
417-3	Incidents of non-compliance concerning marketing communications	Not effected yet	-
GRI 418: Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Personal Data Protection	63
GRI 419: Socioeconomic Compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	Not effected yet	-

Glossary

Biodiversity (BioD)	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.
Carbon Footprint	A measure of the total amount of greenhouse gases, including carbon dioxide, methane and nitrous oxides, emitted directly or indirectly by an organisation, event, product or person.
Child Labour	According to the International Labour Organization (ILO) core labour standards, minimum age should not be less than 16 years old.
CO ₂ Equivalents	Carbon dioxide equivalents (CO ₂ eq) provide a universal standard of measurement against which the impacts of releasing (or avoiding the release of) different greenhouse gases can be evaluated.
Crude Palm Oil (CPO)	Oil produced from oil palm fruits in milling process.
Creating Shared Value (CSV)	A responsibility to manage our resources resourcefully and engage in activities that optimize return for shareholders and the society we operate in.
Deforestation	Defined by UP as direct human-induced conversion of forest to non-forests, with an exception for small scale low intensity subsistence conversion by indigenous peoples and forest dependent traditional communities (consistent with RSPO P & C as well as Indonesian laws, Environmental Impact Assessments (ELA) and High Conservation Value Assessment (HCV).
Effluents	Water discharged from one source into separate body of water, such as mill process water.
Employees	Our Employees are our core assets and human capital management is considered an integral and vital part of our operations.
Environment	UP's commitment in constantly striving towards reducing variables that impact the environment negatively.
Forced Labour	A person who is coerced to work under the threat of violence, intimidation, or undue stress of penalty.
Free, Prior and Informed Consent (FPIC)	The principle that a community has the right to give or withhold its consent to proposed projects that may affect the lands they customarily own, occupy or otherwise use.
Fresh fruit Bunches (FFB)	Bunch harvested from the oil palm tree. The weight of the fruit bunch ranges between 10 kg to 40 kg depends on the size and age.
Global Reporting initiative (GRI)	A multi-stakeholder standard for sustainability reporting, providing guidance on determining report content and indicators.
Greenhouse Gas (GHG) emissions	Greenhouse gas or carbon emissions are gasses in an atmosphere that absorb and emit radiation within the thermal infrared range. This process is the fundamental cause of the greenhouse effect. The primary greenhouse gases in the Earth's atmosphere are water vapor, carbon dioxide, methane, nitrous oxide, and ozone.
GreenPalm	Is a certificate trading system that allows manufacturers and retailers to purchase GreenPalm certificates from an RSPO certified palm oil growers to offset each tonne of palm oil and palm kernel oil they use. A book-and-claim supply chain system.
High Conservations Value (HCV)	The concept of High Conservation Value Forests (HCVF) was first developed by the Forest Stewardship Council (FSC) in 1999 as their ninth principle. The FSC defined HCVF as forests of outstanding and critical importance due to their environmental, socio-economic and cultural biodiversity and landscape value.
High carbon stock (HCS)	The HCS Approach is a methodology to avoid deforestation in land development. The approach stratifies the vegetation on an area of land into different classes using analyses of satellite images and field plot measurements. Each vegetation class is validated through calibrating it with carbon stock estimates in the above-ground tree biomass.
Hak Guna Usaha(HGU)	The right to enjoy immovable property of another person with the obligation to pay the annual income to the landowner.
ILO (International Labour Organisation)	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.
Integrated Pest management (IPM)	A pest management system that in context of the associated environment and the population dynamics of the pest species utilizes all suitable techniques and methods in as compatible a manner as possible and maintains the pest population at levels below those causing economically unacceptable damage and loss.
IUCN Red List	Based in Switzerland, the International Union for Conservation of Nature and Natural Resources (also known as The World Conservation Union) is an organisation involved in the preservation of natural resources. IUCN publishes the Red Data Book, which lists the endangered species of every nation.

Identity Preserved/ IP	Certified sustainable palm oil is physically separated from other certified and non-certified palm oil throughout the supply chain, i.e from the RSPO mill through to the end-user.
Oil 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.
Mass Balance	Certified sustainable palm oil and non-certified palm oil is mixed to avoid the cost of keeping the two quantities controlled. The mass balance system is constructed in such a way that volumes of RSPO certified products shipped will never exceed volumes received by the end-user.
Mature Oil Palm	After planting, the oil palm tree is classified as immature until fresh fruit bunches are produced, which is approximately 30 months later, whereupon the oil palm tree is classified as mature.
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.
Plasma schemes	A programme initiated by the Indonesian government to encourage the development of smallholders' plantations with the assistance and cooperation of plantation companies (the nucleus) which assist and support the surrounding community plantations (the plasma).
Palm Kernel (PK)	Seed of the oil palm fruit, which is processed to extract palm kernel oil and other by-products.
Palm Kernel (PK)	Seed of the oil palm fruit, which is processed to extract palm kernel oil and other by-products.
Roundtable on sustainable palm oil (RSPO)	A non-governmental multi-stakeholder organisation based in Kuala Lumpur, Malaysia. The organisation has developed a certification scheme for sustainable palm oil.
Social Impact Assessment	A process of analysing, monitoring and managing the intended and unintended, both positive and negative social consequences of planned interventions (policies, programs, plans, projects) and any social change processes invoked by the interventions. Its primary purpose is to bring about a more sustainable and equitable biophysical and human environment.
Segregated/ SG	Certified sustainable palm oil is physically separated from non-certified palm oil throughout the entire 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	Toxicity measures the degree to which a substance is harmful to living organisms.



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Independent Limited Assurance Report

Relating to United Plantations Berhad's Annual Report for the year ended 31 December 2017.

To the Directors of United Plantations Berhad

We, KPMG PLT, have been engaged by United Plantations Berhad ("United Plantations") and are responsible for providing a limited assurance conclusion in respect of the Selected Sustainability Information for the year ended 31 December 2017 to be included in the Annual Report 2017 ("the Report") as identified below ("the Selected Sustainability Information").

Management's Responsibilities

The management of United Plantations ("Management") is responsible for the preparation and presentation of the Selected Sustainability Information in accordance with Management's calculation methodologies and the information and assertions contained within it and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that United Plantations complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Our Responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Selected Sustainability Information is free from material misstatement.

Selected Sustainability Information

Selected Sustainability Information includes the following data for the year ended 31 December 2017:

- Total average earnings per worker per month;
- Lost time injury frequency rate;
- Fatal accident rate;
- Fertiliser equivalent and monetary value of oil palm biomass residues recycled on land;
- Production and level of utilisation of oil palm biomass residues;
- Domestic water consumption;
- Mill water consumption in processing fresh fruit bunches (FFB);
- Usage of herbicides and pesticides;
- Local and international certifications; and
- Roundtable on Sustainable Palm Oil ("RSPO") certifications.

Procedures Performed over Selected Sustainability Information

A limited assurance engagement on the Selected Sustainability Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures include:

- Interviews with Senior Management and relevant staff at corporate and operating sites;
- Inquiries about the design and implementation of the systems and methods used to collect and process the information reported, including the aggregation of source data into the Selected Sustainability Information;
- Visits to 5 operating sites¹, selected on the basis of a risk analysis including the consideration of both quantitative and qualitative criteria; and

¹ Jendarata Estate, Jendarata Engineering Department, Ulu Bernam Estate, Ulu Bernam Engineering Department, Unitata.

- Comparing the information presented in the Selected Sustainability Information to corresponding information in the relevant underlying sources to determine whether all the relevant information has been included in the Selected Sustainability Information and prepared in accordance with Management's calculations methodologies.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion.

Our independence and quality control

We have complied with the independence and other relevant ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

KPMG PLT applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Inherent limitations

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities in the information presented in the Report may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Report, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

Our conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Independent Limited Assurance Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and evidence obtained, as described above, nothing has come to our attention that would lead us to believe that the Selected Sustainability Information included in the Report for the year ended 31 December 2017, is not presented, in all material respects, in accordance with Management's calculation methodologies.

Restriction of use of our Independent Limited Assurance Report

Our Independent Limited Assurance Report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than United Plantations, for any purpose or in any other context. Any party other than United Plantations who obtains access to our Independent Limited Assurance Report or a copy thereof and chooses to rely on our Independent Limited Assurance Report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we do not accept nor assume responsibility and deny any liability to any party other than United Plantations for our work, for this Independent Limited Assurance Report, or for the conclusions we have reached.

Our Independent Limited Assurance Report is released to United Plantations on the basis that it shall not be copied, referred to or disclosed, in whole (save for United Plantation's own internal purposes) or in part, without our prior written consent.

KPMG PLT

KPMG PLT
Petaling Jaya
24 February 2018

Corporate Governance Overview Statement

(GRI 102-18, GRI 102-23, GRI 102-25 to 28, GRI 102-11, GRI 102-30, GRI 102-31)

The Board of Directors recognises the importance of good corporate governance and continues to be committed to ensure that high standards of corporate governance are practiced throughout the Group to deliver long term sustainable value to the shareholders and other stakeholders.

With the publication of Malaysian Code on Corporate Governance 2017 and in accordance to the guidance given by Bursa through its circular titled "Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements" dated 29 November 2017, the Board of Directors are pleased to present the corporate governance overview statement. The detailed explanation on the application of the corporate governance practices are reported under Corporate Governance Report (CG Report) as published in the Company's website.

A) Application of Malaysian Code of Corporate Governance 2017 (MCCG 2017) Practices

Practice 1.1

The Board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The Board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application: Applied

Practice 1.2

A Chairman of the Board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board is appointed.

Application: Applied

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application: Applied

Practice 1.4

The Board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application: Applied

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application: Applied

Practice 2.1

The Board has a Board Charter which is periodically reviewed and published on the company's website. The Board Charter clearly identifies–

- the respective roles and responsibilities of the Board, Board committees, individual directors and management; and
- issues and decisions reserved for the Board.

Application: Applied

Practice 3.1

The Board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application: Applied

Practice 3.2

The Board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application: Applied

Practice 4.1

At least half of the Board comprises independent directors. For Large Companies, the Board comprises a majority of independent directors.

Application: Departure

Measure: Potential candidates for the independent directorship of the Board are being identified and to be interviewed.

Timeframe: Within 3 years.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the Board as a non-independent director.

If the Board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the Board continues to retain the independent director after the 12th year, the Board should seek annual shareholders' approval through a two-tier voting process.

Application: Departure

Alternative Practice: The Nomination Committee and the Board have determined at the annual assessment carried out on the 3 directors who have served the Board more than 12 years remain objective and independent in participating in the deliberations and decision making of the Board and Board Committees. The length of their service on the Board does not interfere with their exercise of independent judgment and act in the best interest of the Group notably in discharging their roles, in the case of Tan Sri Datuk Dr. Johari bin Mat, as Chairman of the Board, Chairman of the Remuneration Committee and Chairman of the Nomination Committee, in the case of Dato' Jeremy Derek Campbell Diamond as the Chairman of the Audit Committee as well as the member of the Remuneration and Nomination Committees, and in the case of Mr. Ahmad Riza Basir as the member of the Audit Committee.

Each of the above three independent directors has provided an annual confirmation of his independence to the Nomination Committee and the Board. The Board has recommended the continuation of these 3 directors as independent directors of the Company as the Board believes that it is in the best position to evaluate and determine whether any independent director can continue acting in the best interest of the Group and bringing unbiased and professional judgement to Board deliberations. The Board has to balance the need to continue with Directors who have intimate knowledge of the Group's business and fresh perspective which new candidates may bring.

Measure: The Board is in the process of identifying suitable candidates for succession to the independent non-executive directors who have served more than 12 years.

Timeframe: Within 3 years.

Practice 4.3 - Step Up

The Board has a policy which limits the tenure of its independent directors to nine years.

Application: Not Adopted

Practice 4.4

Appointment of Board and senior management are based on objective criteria, merit and with due regard for diversity in skills and experience, age, cultural background and gender.

Application: Applied

Practice 4.5

The Board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the Board must have at least 30% women directors.

Application: Departure

Alternative Practice: The Board has 1 woman director out of 9 directors.

Measure: The Board is of the view that it is important to recruit and retain the best available talent regardless of gender, ethnicity and age to maximize the effectiveness of the Board. The Board takes cognizance of the importance of having more women representation on Board and is taking steps to identify women who has the qualifications and qualities that meets the Group's needs. However, the Board would want to avoid the pitfall of tokenism which is not in the best interest of the Company.

Timeframe: As explained, the Board shall make efforts to increase woman representation on the Board but would not commit to a definite timeframe to achieve the 30% target.

Practice 4.6

In identifying candidates for appointment of directors, the Board does not solely rely on recommendations from existing Board members, management or major shareholders.

The Board utilises independent sources to identify suitably qualified candidates.

Application: Applied

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application: Applied

Practice 5.1

The Board should undertake a formal and objective annual evaluation to determine the effectiveness of the Board, its committees and each individual director. The Board should disclose how the assessment was carried out and its outcome.

For Large Companies, the Board engages independent experts periodically to facilitate objective and candid Board evaluations.

Application: Departure

Measure: The Nomination Committee based on peer review conducted an annual evaluation to determine the effectiveness of the board, its committees and each individual director. However, the Board does not have the practise of having the assistance of independent experts on this area. The current practice of evaluating the Board by peer review has objective and is determined to have achieve the desired result of ensuring the effectiveness of the Board. The Board shall continue to evaluate the effectiveness of current process on this area and would consider engaging independent consultant if necessary.

Timeframe: Not Applicable

Practice 6.1

The Board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application: Applied

Practice 6.2

The Board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the

remuneration of Board and senior management. The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application: Applied

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application: Applied

Practice 7.2

The Board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application: Departure

Alternative Practice: The Board decided that it is the policy of the Company to only disclose the remuneration of all the 4 executive directors.

Measure: This policy is in line with the best management practice of ensuring confidentiality of the remuneration of all employees except for directors.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application: Not adopted.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the Board.

Application: Applied

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application: Applied

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application: Applied

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application: Adopted.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application: Applied

Practice 9.1

The Board should establish an effective risk management and internal control framework.

Application: Applied

Practice 9.2

The Board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application: Applied

Practice 9.3 - Step Up

The Board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application: Not Adopted.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application: Applied

Practice 10.2

The Board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;

- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application: Applied

Practice 11.1

The Board ensures there is effective, transparent and regular communication with its stakeholders.

Application: Applied

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application: Departure

Alternative Practice: The current reporting complies with the requirements of the Companies Act 2016, the applicable accounting standards and the Main Market Listing Requirements.

Measure: The Board acknowledges that the integrated reporting will improve the quality of information available to investors and promotes greater transparency and accountability on the part of the Company. For the preparation of such report, the Board will set up a team comprising of various operating and functional units within the financial year 2018 and it is intended that the adoption of the integrated reporting be done within 3 years.

Timeframe: Within 3 years.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application: Applied

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application: Applied

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application: Departure

Alternative Practice: The Company shall continue with the current practice of having physical AGM at the UP registered office on Jendarata Estate.

Measure: The Board is of the view that remoteness is relative and that the UP registered office on Jendarata Estate which is the venue of the AGM is accessible by good road networks.

Timeframe: Not applicable.

In addition to the above analysis on the compliance of MCCG 2017, the Company to further strengthen the CG practices has adopted the following practices.

B1) Board Charter

The Board Charter sets out the Board's strategic intent and outlines the Board's roles and responsibilities. The Charter elaborates the fiduciary and leadership functions of the Board and serves as a primary reference for prospective and existing Board members and senior management. The Charter is reviewed periodically to ensure it complies with current legislation and best practices. The Board Charter was updated on 26 February 2018 which can be viewed at the company's website.

C1. Strengthen Composition

Specific responsibilities are delegated to Board Committees where appropriate. The Board Committees comprise Nomination Committee, Remuneration Committee, Audit Committee and Executive Committee. Each Committee operates within its respective Terms of Reference which have been approved by the Board.

C1.1 Nomination Committee (GRI 102-24)

The Principal Board function of making recommendations for new appointments to the Board is delegated to the Nomination Committee. The Committee consists entirely of non-executive directors, all of whom are independent directors.

The Committee has access to the services of the Company's Secretary who would record and maintain minutes of meetings and obtain information for the purpose of meeting statutory obligations as well as obligations arising from Bursa Malaysia's Main Market Listing Requirements.

The members of the Nomination Committee as at the end of financial year 2017 were as follows:-

Ybhg. Tan Sri Datuk Dr. Johari bin Mat (Chairman)

(Independent, Non-Executive Director)

Y. Hormat Dato' Jeremy Derek Campbell Diamond

(Independent, Non-Executive Director)

Mr. R. Nadarajan

(Independent, Non-Executive Director)

Selection of candidates to be considered for appointment as directors is facilitated through recommendations from members of the Board, shareholders or consultants. The Committee will then meet with the proposed candidates to assess their suitability in terms of age, qualifications, experience, expertise, any potential conflict of interest and leadership quality before recommending them for appointment to the Board.

The Committee held 1 meeting in respect of the year ended 31 December 2017 for the purpose of making an assessment of individual directors and Board committees, for considering directors who are due to retire on rotation at the A.G.M., re-appointment of 3 directors, assessment of candidates for directorship and the re-designation of 3 directors as independent directors. Under Article 92 of the Company's Memorandum and Articles of Association at the A.G.M. one-third of the directors shall retire from office and are eligible to seek re-election. The committee also reviewed the required mix of skills and qualities that non-executive directors should bring to the Board. At this meeting an assessment on the effectiveness of the Board and the Committees, and the contributions of each individual director were deliberated.

The Committee reached the conclusion that the Board Committees and the directors in their individual capacity supported the current needs of the Board. Of the 3 directors who were proposed to be re-designated as independent directors, the Committee reviewed their attendance, participation in Board deliberations, including Board Committees and concluded that all 3 of them remain objective and independent and their lengths of service do not interfere with their exercise of independent judgement and accordingly recommended to the Board to be so re-designated. The Company will seek the shareholders' approval for the re-designation of these 3 directors. When deliberating on the

performance of a particular Director who is also a member of the Nomination Committee, that member abstained from the discussions.

C1.2 Remuneration Committee and Directors Remuneration (GRI 102-35, GRI 102-36, GRI 102-37)

The Remuneration Committee consists entirely of 3 non-executive directors, all of whom are independent Directors. Its primary function is to review and recommend the remuneration for the Company's executive directors. The members of the Remuneration Committee are stated herebelow:-

Ybhg. Tan Sri Datuk Dr. Johari bin Mat (Chairman)
(Independent, Non-Executive Director)

Y. Hormat Dato' Jeremy Derek Campbell Diamond
(Independent, Non-Executive Director)

Mr. R. Nadarajan
(Independent, Non-Executive Director)

It is the Committee's usual practice to draw information on the company's remuneration policy from the Executive Committee to assist them with their duties. Executive directors do not participate in the deliberations of the Remuneration Committee.

Only the executive directors have contracts of service which are normally reviewed every three years. The executive directors' salaries are

linked to their position, seniority, experience and the Company's overall profitability which would vary from year to year. The salary components are determined in accordance with the Company's established remuneration policy for executive directors. The remuneration packages are sufficiently attractive to attract and retain executive directors.

All directors are paid annual fees. The chairman and members of the Audit Committee receive additional fees taking into account the nature of their responsibilities. Members of other Board committees do not receive any additional fees. The directors' fees are reviewed by the Board only when it deems necessary, subject however to approval by the shareholders at the A.G.M.

The amount is related to their level of responsibilities. Periodical review of the fees is undertaken based on market information on directors' fees. A fixed meeting attendance allowance is paid for all attendances at Board and Board Committee meetings except for the Executive Committee meetings.

The Remuneration Committee held 2 meetings during the financial year ended 31 December 2017 to deliberate on the new service contracts of 2 executive directors and making recommendation to the Board.

The aggregate remuneration for the year for the following directors and senior management are as shown in the table shown below.

	Directors' Fees		Basic Salary (RM)	Additional Remuneration (RM)	Benefits-in Kind (RM)	Other Benefits (RM)	Meeting Attendance Allowance (RM)	Total (RM)
	Company	Subsidiaries						
	(RM)	(RM)						
Ybhg. Tan Sri Datuk Dr. Johari bin Mat (Chairman, Independent, Non-Executive)	135,000	-	-	-	-	-	9,000	144,000
Ybhg. Dato' Carl Bek-Nielsen (Chief Executive Director)	70,000	28,000	156,000	968,500	37,839	226,515	6,000	1,492,854
Mr. Ho Dua Tiam (Executive)	70,000	-	150,000	1,076,250	40,856	204,398	6,000	1,547,504
Mr. Ahmad Riza Basir (Independent, Non-Executive)	80,000	-	-	-	-	-	10,500	90,500
Y. Hormat Dato' Jeremy Derek Campbell Diamond (Independent, Non-Executive)	90,000	-	-	-	-	-	16,500	106,500
Mr. Martin Bek-Nielsen (Executive)	70,000	23,000	150,000	931,250	36,465	217,095	6,000	1,433,810
Ybhg. Dato' Mohamad Nasir bin Ab. Latif (Independent, Non-Executive) until 30.11.2017	64,166	-	-	-	-	-	6,000	70,166
Mr. Loh Hang Pai (Executive)	70,000	-	130,800	667,050	28,004	140,138	6,000	1,041,992
Mr. R. Nadarajan (Independent, Non-Executive)	80,000	-	-	-	-	-	16,500	96,500
Madam Rohaya binti Mohammad Yusof (Independent, Non-Executive) wef 30.11.17	5,834	-	-	-	-	-	-	5,834
Total	735,000	51,000	586,800	3,643,050	143,164	788,146	82,500	6,029,660

C1.3 Audit Committee

The Audit Committee consists entirely of 3 non-executive directors, all of whom are independent directors. The Terms of Reference includes scope, functions and activities. The activities of the Audit Committee during the year have been described at length in a separate statement in this Annual Report (pages 186-189).

C1.4 Executive Committee

The Executive Committee consists of executive directors only. The scope, functions and activities are given in the Terms of Reference approved by the Board. It is responsible to oversee the day-to-day management of the Group's operations which include review of the annual revenue and capital budgets before presenting to the Board, reviewing the monthly, quarterly and annual results of the Company and Group and comparing them with the respective business units' budgets and taking remedial actions for budget variances, implement policies and procedures approved by the Board, implement recommendations of the Audit Committee, identify key risks annually and implement mitigating actions where practicable, recommend expansion and diversification plans, implement policies for succession, labour recruitment, replanting and replacement of plant and machinery, and the review of research policies and projects. The Executive Committee has established the Group Sustainability Committee which reviews sustainability issues concerning the environment, social/community, employees and market place. The Sustainability Report has been included in a separate statement in this Annual Report.

The Executive Committee has access to the services of the Company Secretary who records and maintains minutes of meetings.

The Executive Committee met formally 3 times during the year 2017, and the minutes thereof were included in the Board files for information and deliberation by the Board. All the executive directors attended all 3 meetings. The Executive Committee also met informally to deal with matters that required prompt response and decisions.

D. Reinforce Independence

D.1 Board Balance and Independence of Directors

The Company has an effective Board entrusted with leadership responsibilities by its shareholders. It is headed by a Chairman who is independent of management and whose key role is the stewardship of the Board. The Chief Executive Director on the other hand is an executive director and the head of management whose key responsibilities are to run the business and implement the policies and strategies approved by the Board. Due to their contrasting roles at the head of the Company, the two roles are not combined.

Following this division of responsibilities at the head of the Company we have in the Board's composition included a balance of executive and independent non-executive directors so that no one group would dominate the decision making process.

Your Board consists of 9 directors, 4 of whom are executives who have an intimate knowledge of the business. Amongst the remaining 5 non-executive directors, 4 of them are independent. The Board is satisfied that the size has fulfilled its requirements adequately.

The composition of the Board reflects a mix of skills and experience and other qualities which non-executive directors should bring to the Board. Due to the diversified backgrounds and their independence, the non-executive directors are ably engaged in healthy discussions and debates with the executive directors at the Board meetings which are conducive for an effective Board.

The independent directors play a pivotal role in the Board's responsibilities. However, they are not accountable and responsible for the day to day running of the business, which is the role of the executive directors. The independent non-executive directors are actively involved in various Board committees and contribute significantly to areas such as performance monitoring and enhancement of corporate governance by providing independent assessment and opinions on proposals put forward by the executive directors and act as a check and balance for the executive directors.

The Board has established a formal and transparent policy for the role of the executive and non-executive directors.

Biographies of the Directors as given in this Annual Report, show the necessary depth to bring experience and judgment to bear on the collective decision making processes of the Board. The Board's composition fairly represents the ownership structure of the Company with appropriate representatives from the two largest shareholders. There are adequate number of representatives on the Board who fairly reflect the interests of the minority shareholders.

The Board has established position descriptions for the role of each of the executive director who has specific management responsibilities for the day to day running of the business. The Company has included a Group Philosophy Statement in the inside cover of this Annual Report and it has clearly described its objectives in the statement on sustainability to which the Board is deeply committed.

One of the recommendations of the MCCG states that the tenure of an independent director should not exceed a cumulative term of 9 years. However, the Nomination Committee and the Board have determined at the annual assessment carried out that Tan Sri Datuk Dr. Johari bin Mat, who has served on the Board for 16 years, Dato' Jeremy Derek Campbell Diamond who has served on the Board for 16 years and Mr. Ahmad Riza Basir who has served on the Board for 17 years remain objective and independent in participating in the deliberations and decision making of the Board and Board Committees. The length of their service on the Board does not interfere with their exercise of independent judgment and act in the best interest of the Group notably in discharging their roles, in the case of Tan Sri Datuk Dr. Johari bin Mat, as Chairman of the Board, Chairman of the Remuneration Committee and Chairman of the Nomination Committee, in the case of Dato' Jeremy Derek Campbell Diamond as the Chairman of the Audit Committee as well as the member of the Remuneration and Nomination Committees, and in the case of Mr. Ahmad Riza Basir as the member of the Audit Committee.

Each of the above three independent directors has provided an annual confirmation of his

independence to the Nomination Committee and the Board. The Board has recommended the continuation of these 3 directors as independent directors of the Company as the Board believes that it is in the best position to evaluate and determine whether any independent director can continue acting in the best interest of the Group and bringing unbiased and professional judgement to Board deliberations. The Board has to balance the need to continue with Directors who have intimate knowledge of the Group's business and fresh perspective which new candidates may bring.

The Board also wish to report that it has started the process of identifying suitable candidates for succession to the independent non-executive directors who have served long.

The Nomination Committee recognized that the Board diversity should be in tandem with expertise, experience, skills and not gender. It also took note that the recommendation in the MCCG 2017 is only a guideline and not mandatory. The Board is of the view that it is important to recruit and retain the best available talent regardless of gender, ethnicity and age to maximize the effectiveness of the Board. Should there be a vacancy on the Board, the Directors will take into consideration the gender diversity.

Nevertheless, the Board is taking steps to identify women who have the qualifications and qualities that meet the Group's needs.

E. Foster Commitment

The Non-Executive Directors are expected to commit approximately 30 to 45 days in a year of his time to the Group. Time spent include not only formal Board meetings but also Board committees, discussion with management, dealing with the



Members of EXCOM during their field inspection.

authorities, professional, education and Company functions. The Board is satisfied with the level of time commitment given by each of the directors towards fulfilling their roles on the Board and Board Committees.

The Board meets not less than 4 times a year to review and approve the quarterly results for announcements. The Board meetings for the ensuing year are fixed in advance. Notice of meetings and the agenda are given in a timely manner.

Standard matters set out in the agenda for the Board meetings are as follows:-

- 1) Matters arising from the previous minutes of the Board and Committees of the Board
- 2) Monthly, Quarterly and Yearly Financial Statements and financial forecasts/projections
- 3) Matters relating to the business namely finance, land matters, staff & labour, succession planning, budgets, production, marketing and others
- 4) New Investments
- 5) Subsidiary Companies
- 6) Sustainability Issues
- 7) General

During the year under review 4 Board meetings were held and the directors' attendances thereat are summarized herebelow:-

Directors	No. of Meetings	
	Attended	Held
Ybhg. Tan Sri Datuk Dr. Johari bin Mat -Chairman	4	4
Ybhg. Dato' Carl Bek-Nielsen	4	4
Mr. Ho Dua Tiam	4	4
Mr. Ahmad Riza Basir	3	4
Y. Hornat Dato' Jeremy Derek Campbell Diamond	4	4
Mr. Martin Bek-Nielsen	4	4
Ybhg. Dato' Mohamad Nasir bin Ab. Latif	4	4
Mr. Loh Hang Pai	4	4
Mr. R. Nadarajan	4	4
Madam Rohaya binti Mohammad Yusof	0*	0*

* Since her appointment on 30th November 2017

The directors are also mindful of their continuous training requirements. Directors are encouraged to attend various external and internal professional programs relevant and useful in contributing to the effective discharging of their duties as directors.

The Company Secretary facilitates programme registration for interested directors and would maintain such records of the programmes and their attendance thereat. All directors are allowed to choose courses/seminars of relevance in discharging their duties.

The Board, with the input from the Company Secretary, assessed the training needs of individual directors and satisfied that all directors have met their training needs. Relevant training programmes, seminars and conferences attended by Directors during the financial year ended 31 December 2017 were:

- 1) Bursa Malaysia's Annual Palm & Lauric Oils Conference & Exhibition: Price Outlook 2017 (POC 2017) - 6-7 March 2017
- 2) Companies Act 2016 Key Changes & Implications by MICG-11 April 2017
- 3) Assessment of the Board-Stock of Performance by MICG-11 April 2017
- 4) Audit Committee Conference 2017 by MIA-5 April 2017
- 5) CG Breakfast Series by Bursa -13 October 2017
- 6) PIPOC 2017 (Palm Oil Congress) organized by MPOB 14-16 November 2017
- 7) Impact of the New Companies Act 2016 by MIA on 7 February 2017
- 8) Risk Management Programme by Bursa- 27 November 2017

F. Integrity in Financial Reporting

The Board in compliance with 15.26a of Bursa Malaysia's Main Market Listing Requirements issues a Statement explaining its responsibility for preparing the annual audited financial statements. The Board is required by law to prepare financial statements for each financial year which will give a true and fair view of the state of affairs of

the Group and of the Company at the end of the financial year in a manner which is comprehensive and transparent. In the preparation of the financial statements, the directors will consider compliance with all applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 2016.

F.1 Internal Control

The Board recognizes its responsibility for the group's system of internal controls. In this connection, the Audit Committee conducts an annual review of the adequacy and effectiveness of the system of internal controls and renders a statement to the shareholders to this effect. In this connection, the Audit Committee is assisted by an in-house internal audit department and an external independent professional firm who conduct regular reviews of the internal controls and report to the Audit Committee directly. The external auditors are appointed by the Board to review the Statement of Internal Control and to report thereon.

F.2 Relationship with the Auditors

The Board maintains a formal procedure of carrying out an independent review of all quarterly reports and annual audited financial statements by the Audit Committee, at its meetings. The external auditors and representatives of the management are present to answer questions and provide explanations to the Audit Committee. The activities of the Audit Committee have been described at length in a separate statement given in this Annual Report.

G. Recognize and Manage Risks

The Board, assisted by the Audit Committee, reviews the risk management policies formulated by management, headed by the Executive Director, Finance & Marketing, and makes relevant recommendations to the management. The Group continues to maintain and review its internal control policies and procedures to ensure, as far as possible, to protect the Group's assets.

The Board has established internal audit function, complimented by an in-house team and an external professional firm. Both the internal audit teams report direct to the Audit Committee. Details of the Group's internal control system and framework are set out in the Statement on Risk Management and Internal Control.

H. Timely and High Quality Disclosures

The Group has in place a procedure for compliance with the Listing Requirements. The Company Secretary reviews all announcements to ensure accuracy and compliance. The Board reviews and approves all quarterly and other important announcements. The Board is mindful that information which is material is announced immediately.

The Group has designated executive directors as spokespersons in the handling of discussions and disclosures with investors, fund managers and the public.

The Company has a website www.unitedplantations.com where all the Company's announcements, corporate information and updates are posted.

I. Strengthen Relationship Between the Company and Shareholders

I.1 Communications and Investor Relations

The Board acknowledges the need for an effective communication policy with shareholders and investors as the same intimate relationship that exists with management is usually lacking with shareholders with the exception of the controlling shareholders who are represented on the Board. The Company's website: www.unitedplantations.com and the stock exchange websites: www.bursamalaysia.com are used as a forum to communicate with shareholders and investors where they can access corporate information, company's announcements, corporate proposals, quarterly and annual reports, etc.

The Company's executive directors hold bi-annual briefings at its Registered Office/Kuala Lumpur Office with institutional investors, market analysts and fund managers. Questions relating to these announcements can be directed to Dato' Carl Bek-Nielsen, Chief Executive Director and Mr. Martin Bek-Nielsen, Executive Director (Finance & Marketing).

Besides the above, the Board believes that the Company's Annual Report is a vital source of essential information for shareholders and investors and other stakeholders. The Company strives to provide a high level of reporting and transparency as an added value for users.



The 96th Annual General Meeting in session at the Borge Bek-Nielsen Auditorium.

I.2 The Annual General Meeting (A.G.M.)

The Annual General Meeting is an excellent forum for dialogue with all shareholders for which due notice is given.

The shareholders are given the opportunity to vote on the regular businesses of the meeting, viz. consideration of the financial statements, consideration and approval of a final dividend, consideration and approval of directors and auditors fees, re-election of directors and special business if any.

The Chairman explains the voting procedure before the commencement of the A.G.M. The shareholders present are given the opportunity to present their views or to seek more information. The resolutions passed at the meeting are released to Bursa Malaysia in a timely manner.

The Notice of A.G.M. is sent along with a Proxy Form to all shareholders. Items relating to special business in the agenda, if any, are supported with detailed explanatory notes in a Circular to Shareholders sent along with this Report.

There are sufficient notes in the Notice of AGM to guide shareholders for the completion of the Proxy Forms.

All Board members, Senior Management from the Finance Department and the External Auditors are present to respond to questions from the shareholders during the A.G.M.



Shareholders registration done electronically prior to attending the general meeting.



PT SSS Board of Commissioners and members of its Management Team during a Commissioners (Board Meeting) meeting in Jakarta Indonesia.

Statement On Directors’ Responsibility As At 31 December 2017

The Board is required under paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia to issue a statement explaining its responsibility for preparing the annual audited financial statements.

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the financial year end and of the results and cashflows of the group for the financial year then ended.

The Directors consider that, in preparing the financial statements of United Plantations Berhad for the financial year ended 31 December 2017 the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates. The Directors

also consider that all applicable Financial Reporting Standards in Malaysia have been complied with and confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 2016.

The Directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Auditors’ responsibilities are stated in their report to the shareholders.



Lush oil palm seedlings raised at the Research Department nursery.

Statement On Risk Management and Internal Control

The Board of Directors (“the Board”) of United Plantations Berhad (“the Group”) recognizes its responsibility for the Group’s system of Risk Management and Internal Control (RMIC) for the review of its adequacy and effectiveness, whilst the role of management is to implement the Board’s policies on risks and controls. A sound system of RMIC includes the establishment of an appropriate control environment and framework, encompassing financial, operational and compliance controls and management of risks throughout its operations in order to protect its shareholders’ value and the Group’s assets as well as other stakeholders’ interests, at the same time.

The Risk Management Framework is embedded in its culture as documented in the Group Sustainability System Framework as illustrated on page 42. The Risk Management Framework overlaps with the Sustainability Governance Management Structure.

Risk Management Framework



Because of the limitations that are inherent in any system of RMIC, such systems are designed to manage and mitigate risks that may impede the achievement of the Group’s business objectives. Accordingly, the system of RMIC provides only reasonable and not absolute assurance against material misstatement, error or loss. The concept of reasonable assurance also recognizes that the cost of control procedures should not exceed the expected benefits.

The Board has received assurances from the members of the Executive Committee, that the Group’s system of RMIC is operating adequately and effectively in all material aspects.

Internal Control And Risk Management

The Board regards risk management as an integral part of business operations. There is a formal process to identify, evaluate and manage significant strategic, operational, financial, tax-related and

legal risks faced by the Group. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken and the time frame to mitigate and minimize these risks. The process is undertaken by a Risk Management Committee headed by the Executive Director, Finance & Marketing and comprises senior executives of the Company and a written report is submitted to the Board. Management proactively reviews the measures taken to manage those identified risks on a timely and consistent manner.

Other Key Elements Of RMIC

Other key elements of the Group’s system of internal control are as follow:

- Defined management structure of the Group and clear delegation of authority to committees of the Board and management where authority levels have been clearly established;
- Established operating policies and procedures with respect to key operational areas are continuously reviewed and updated by management to reflect changing risk profile;
- Comprehensive financial and operational reports, including key performance indicators are reviewed against prescribed budgets and parameters by management and executive directors on a monthly and daily basis where applicable;
- Regular meetings are held between the executive directors and management to deliberate on Group strategies and policies, operational and financial performance and other key issues;
- An annual budgetary process whereby each operating entity submits a budget and business plan to the executive committee for consolidation, review and approval, which is then tabled to the Board for deliberation;
- It is the responsibility of each employee to report any potential shortcomings in the internal controls in relation to their respective responsibilities;
- An internal audit function that is outsourced to an independent professional firm, KPMG which reports directly to the Audit Committee. In addition, the Group also has a group internal audit department to complement the reviews by

the independent professional firm. Based on a risk-based audit plan, the internal audit function performs regular reviews of critical business processes to identify any significant risks, assess the effectiveness and adequacy of the system of RMIC and where necessary, recommend possible improvements;

- Each subsidiary of the group is (as a minimum requirement) subjected annually to scrutiny of its financial statements by an external auditor. Any comments relating to this external audit are passed on to the management in the form of a “management letter”. No significant shortcomings in internal controls have been found in the past; and
- The Audit Committee, on behalf of the Board, receives reports from both the internal and external auditors and regularly reviews and holds discussions with management on the actions taken on identified RMIC issues. The role of the Audit Committee is further elaborated in the Audit Committee Report on pages 186-189.

No major weaknesses in the system of internal controls were identified during the year nor have any of the reported weaknesses resulted in material losses or contingencies requiring disclosure in the Group’s Annual Report. Those areas of non-compliance with the procedures and policies and those which require improvements as highlighted by the internal and external auditors during the period have been or are being addressed. The Board confirms that its risk management and internal control systems which were operational throughout the financial year and up to the date of approval of the Annual Report are adequate and effective to safeguard the Group’s assets.

The Board remains committed towards operating a sound system of RMIC and therefore recognizes that the system must continuously evolve to support the type of business and size of operations of the Group. As such, the Board, in striving for continuous improvement will put in place appropriate action plans, when necessary, to further enhance the Group’s system of RMIC.

The significant risks identified for the financial year 2017 and 2016 are outlined below:

- Fluctuating commodity prices

This is the risk faced by the Company due to fluctuating commodity prices, namely crude palm oil prices. The Company uses a Board-regulated forward sales policy to manage this risk.

- Adverse foreign exchange fluctuations

The Company is exposed to fluctuation in foreign currency exchange differences due to its Indonesian Rupiah denominated loan to its Indonesian subsidiary. This loan is a long term loan and as such, the Company feels that the currency fluctuations will even-out in the long term.

- Insufficient and inexperienced labour force

The plantation industry in Malaysia, which is labour intensive, is facing a shortage of field workers, harvesters and collectors. This is an ever-present risk which is constantly being monitored by the Company. The Company is looking to recruit more guest workers from Bangladesh and India to alleviate the dependence on Indonesian guest workers, and to have a more balanced ratio of guest workers in the Company’s estates. At the same time, the Company is focused on reducing labour dependency by introducing automation and productivity improvements within all operation areas where possible.

- Political instability and uncertainties in local regulatory and practices

This is a risk area which is closely monitored by the Group, as changes in legislations in labour policies, land and environmental laws can have a significant impact on the Group’s business. The Group has established good contacts with the local and central governments and is updated with the latest prevailing laws and regulations.

- Risks in the refinery industry

This risk pertains to the refinery operations in one of the Company’s subsidiary, Unitata Berhad. The refinery industry is a challenging industry with tight margins and high competition amongst its players. Unitata Berhad has managed these risks with efficient operations and selected niche products to stay competitive, and by staying vigilant of the latest developments both in the local and international markets. As sales are US Dollar denominated, the currency risks are managed by a Board approved hedging policy.

- Increasing labour costs

The risk of increasing costs, especially labour costs is an ever-present one. In view of the rising costs, the Company is constantly improving its

productivity through efficient management of its labour force and mechanization in selected operational areas. Efforts are underway to consolidate the operations in some of our palm oil mills into an integrated and labour-efficient combined mill.

- Extreme weather conditions

This is a risk identified in view of the ramifications of extreme weather conditions on the palm oil yield. During 2016, it has been evident that this risk has a significant impact on the Company's profitability. Water management is in place to mitigate the effects of drought and flooding to a certain extent. Fire brigade team was introduced in Indonesia.

Review of the statement by External Auditors

The external auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagement to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Group's Annual Report for the year ended 31 December 2017 and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Guidelines, nor is the Statement factually inaccurate.

RPG 5 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Groups' risk management and internal control system including the assessment and opinion by the Directors and management thereon.

The report from the External Auditors was made solely for and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purpose or parties. The External Auditors do not assume responsibility to any person other than the Board of directors in respect of any aspect of this report.

Audit Committee Report

Members of the Audit Committee:

Y. Hormat Dato'Jeremy Derek Campbell Diamond
(Chairman – appointed on 31-7-2001)
(Independent, Non-executive Director)

Mr. Ahmad Riza Basir
(appointed on 19-6-2004)
(Independent, Non-executive Director)

Mr. R. Nadarajan
(appointed on 1-6-2013)
(Independent, Non-executive Director)

The Audit Committee consists entirely of independent non-executive directors. One of the members (Mr. R. Nadarajan) is an associate member of the Chartered Institute of Management Accountants, United Kingdom and a member of the Malaysian Institute of Accountants. This meets the requirement of the Bursa Securities Listing Requirements which requires at least one qualified accountant as a member of the Audit Committee.

1) Objectives

The Committee operates under the Terms and Reference of Audit Committee containing requirement as spelt out by Bursa Malaysia and the Terms of Reference is posted under Corporate Information section of the Company's website at www.unitedplantations.com.

The Terms of Reference prescribes the Committee's scope of responsibilities and the primary objectives of the Committee are:

- To assist in discharging the Board's responsibilities as they relate to the Group's management including risk management, internal controls, accounting policies and financial reporting;
- To provide, by way of regular meetings, a line of communication between the Board and the external and internal auditors;
- To oversee and review the quality of the audits conducted by the external and internal auditors; and
- To enhance the perceptions held by interested parties, such as shareholders, regulators, creditors and employees, of the credibility and objectivity of the financial reports.

2) Activities of the Audit Committee during the year

The Committee held five (5) meetings in the year 2017 to conduct and discharge its functions in accordance with the Terms of Reference mentioned above. Details of Directors' attendances at Audit Committee meetings are as follows:

Name of Directors	No. of meetings	
	Attended	Held
Y. Hormat Dato' Jeremy Derek Campbell Diamond	5	5
Mr. Ahmad Riza Basir	4	5
Mr. R. Nadarajan	5	5

The Audit Committee met on a scheduled basis. The Financial Controllers were invited to attend the meetings. The internal and external auditors were also invited to discuss their audit findings, management letters, Audit Planning Memorandum and other matters deemed relevant.

During the scheduled meetings, the members of the Audit Committee also had two (2) sessions with the internal and external auditors without the presence of the Management.

During the year, the Committee carried out the following activities:

- a) Internal Audit (IA) (Both in-house and outsourced)
 - i. Reviewed the annual audit plans for 2017 to ensure adequate scope, coverage of the activities of the Company and the Group and the resource requirements of IA to carry out its functions;
 - ii. Reviewed the Internal Audit reports, audit recommendations and Management's responses to these recommendations (further details provided under item 3);
 - iii. Reviewed the followup report on corrective actions implemented by Management to rectify the outstanding audit issues to ensure control lapses are addressed;
 - iv. Instructed the conduct of investigations on activities within its terms of reference;

v. Evaluated the performance and effectiveness of the outsourced internal auditors, KPMG; and

vi. Reviewed and assessed the trading manual limits for the Group.

b) External Audit

i. Reviewed with the external auditor:-

- The Audit Planning Memorandum and scope of work for the year; and
- The Results of the audit, the relevant audit reports and Management Letters together with the Management's responses and comments to the findings.

ii. Assessed the independence and objectivity of the external auditors during the year and prior to reappointment. The assessment is based on the private discussions, quality of issues raised in their report and their level of participation on issues discussed during the quarterly meetings they attended. The Committee also received from the external auditors their policies and written confirmation regarding their independence and the measures used to control the quality of their work;

iii. Evaluated the performance and effectiveness of the external auditors and made recommendations to the Board of Directors on their reappointment and remuneration;

iv. Evaluated the impact and issues with the proposed implementation IAS 41- Biological Assets;

v. Evaluated and assessed the issues arising from the implementation of GST and the documentation of the resolutions with the Customs; and

vi. Assessed the impact and issues with the implementation of the Companies Act 2016.

c) Financial Reporting

Reviewed the quarterly unaudited financial results and the annual audited financial statements of the Company and the Group

prior to recommending them for approval by the Board of Directors. The Committee, in the current year, reviewed only the first three quarters of the unaudited quarterly financial results as the fourth quarter announcement had been dispensed with as approved by Bursa, the approval is on the condition that the full financial report is announced within two months from the close of the financial year end. The review was to ensure that the financial reporting and disclosures are in compliance with:

- i. Provisions of the Companies Act, 2016;
 - ii. Listing Requirements of Bursa Malaysia Securities Berhad;
 - iii. Applicable approved accounting standards in Malaysia; and
 - iv. Other legal and regulatory requirements.
- d) Related Party Transactions

During the year, Management had reported to the Audit Committee that except for the transactions as disclosed under Note 25 of the financial statements, there is no other related party transaction entered into by the Company and the Group.

- e) Annual Report

Reviewed with the external auditors the Statement on Risk Management and Internal Control.

- f) Risk Assessment and Management

Reviewed and discussed with management the outcome of the exercise to identify, evaluate and manage significant strategic, operational, financial, hedging, trading, tax-related and legal risks faced by the Group.

3) Internal Audit Function

The Committee is supported by the in-house Group Internal Audit Department and the outsourced internal auditors, KPMG in the discharge of its duties and responsibilities. The internal auditors provide independent and objective assessment on the adequacy and effectiveness of the risk management and internal controls. The in-house internal

auditors also carry out investigative audits whenever improper, illegal and dishonest acts are reported.

The internal auditors review the effectiveness of the internal control structures of the Group's activities focusing on high risk areas as determined using a risk-based approach. All operating units are audited at least once over a two year period by the in-house internal auditors, and at least once over a three year period by the outsourced internal auditors (excluding foreign operations).

The internal audits cover the review of the adequacy of risk management, operational controls, compliance with established procedures, guidelines and statutory requirements, quality of assets and management efficiency, amongst others. These audits are to ensure that the established controls are appropriate, effectively applied and achieve acceptable risk exposures consistent with the Group's risk management policy. In performing such reviews, recommendations for improvement and enhancements to the existing system of internal controls and work processes are made.

All auditing activities are conducted in line with the Group's objectives and policies, in accordance with applicable laws and regulations, and as guided by Code of Ethics and International Standards for the Professional Practice of Internal Auditing.

For the year 2017 the activities undertaken by the internal auditors were as follows:

- a) Developed an audit plan using risk-based approach, and carried out the assignments according to the audit plan for the year;
- b) Conducted ad-hoc assignments as instructed by the Audit Committee;
- c) Recommended improvements and enhancements to the existing system of internal controls and work procedures/processes;
- d) Conducted investigation into activities or matters as instructed by the Audit Committee and Management;

- e) Performed a review and assessment exercise to identify, evaluate and manage significant strategic, operational, financial, hedging, trading, tax-related and legal risks faced by the Group; and
- f) Preparation of Audit Committee Report and Statement on Risk Management and Internal Control for the Company's Annual Report.

A total of 32 (2016: 27) audit engagements (in-house internal audits) were completed in 2017. The in-house internal audit team visited 2 Palm Oil Mills (2016: 2) and 6 Estates (2016: 4) in 2017 to conduct internal auditing on the financial and operational aspects of the operations with particular emphasis on cash management, stocks, reporting and fixed assets. In addition, 11 special audits (2016:3) were conducted focusing on the cash handling, CCTV review, vehicles maintenance costs and foreign workers recruitments.

Furthermore 6 (2016: 12) follow up audits were performed including surprise coconut counts and follow up audits on previous audit recommendations. Material findings include among others weaknesses in existing petty cash management, enhancement in payment procedures, weaknesses in stock management and enhancement to the fixed assets management system. Such findings were rectified in the respective operating units and follow up audits were performed subsequently.

For the outsourced internal audits, 6 (2016: 6) audit engagements were completed/ ongoing in 2017, encompassing 1 Palm Oil Mill audit, 4 Estate audits and also the Refinery audit.

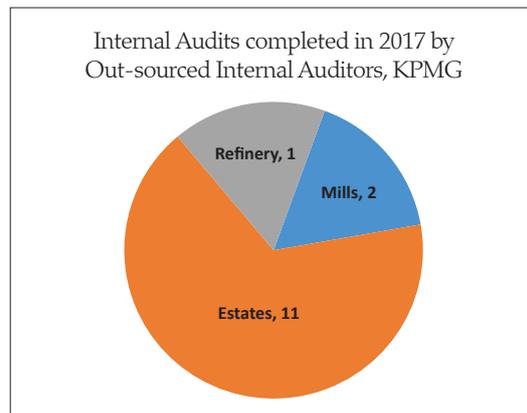
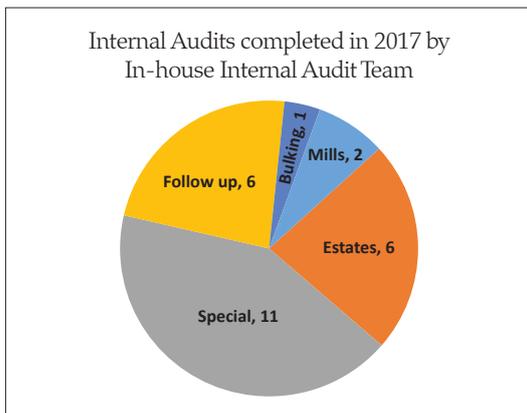
The audit objectives are to independently assess the system of internal control as established by Management, the adequacy and integrity of such internal control system versus the objectives served, and to make appropriate recommendation thereof.

Material findings include among others enhancement to the procedures of crude palm oil and palm kernel dispatches, enhancement to stock count practices and stock management procedures.

Any control and procedural weaknesses identified were discussed with Management and remedial measures instituted to address the weaknesses identified.

The Audit Committee reviewed the audit report presented and the management's responses to ensure that material findings were adequately addressed. Some follow up audit works are done subsequently for material findings to ensure adherence to the auditors' recommendation if any.

A total of 32 (2016: 27) audit engagements (combined in-house and outsourced internal audits) were completed in 2017, categorized as follows:



Additional Disclosures

Pursuant to the listing requirements of Bursa Malaysia Securities Berhad, additional disclosures by the Group for the year ended 31 December 2017 are as follows :-

- 1) Utilization of proceeds raised from Corporate Proposals

There were no issue of shares during the financial year.

- 2) Non-audit fees paid to External Auditors

Non-audit fees paid and payable to Company and Subsidiaries' external auditors for the financial year were as follows:-

	RM
Tax services	89,120

- 3) Cost of Internal Audit

RM 550,671 was incurred by the Group in the Financial year for its outsourced internal audit and in-house internal audit department.



The Directors' Mess which was completed in 2009 is used to accommodate overseas visitors and Directors during their stay on the plantation.



Mr. Martin Bek-Nielsen handing over a gift to Mr. A. Ganapathy during a farewell dinner held on 28 April 2017. Mr. A. Ganapathy served the UP Group for 16 years and retired as Company Secretary.



On 12th December 2017, the Company had a farewell for our three senior executives, Dr. Xavier Arulandoo, Dr. C.T. PremaKumari Nair and Mr. Azero bin Mohamed Anuar who in between them served an outstanding total of 92 years in the Company.



Oil Palm, the highest oil yielding crop in the world.

Financial Statements For the year ended 31 December 2017

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Report Of The Directors For The Year Ended 31 December 2017

The Directors have pleasure in submitting for your consideration their 97th annual report together with the audited financial statements of the Company and of the Group for the year ended 31 December 2017.

Principal Activities

The Company carries on the business of oil palm and coconut cultivation and processing on its plantations in Peninsular Malaysia.

The Company also has an active Research Centre providing improved planting material for the Group's estates as well as for the Malaysian agricultural sector in general.

The subsidiary companies are primarily engaged in the following activities:

- (a) Business of oil palm cultivation and processing in Indonesia.
- (b) Refining of palm oil, manufacturing edible oils, fats, cocoa butter substitute and trading in crude palm oil and palm kernel products.
- (c) Handling and storage of vegetable oil and molasses.
- (d) Trading, marketing and investment holding.

There have been no significant changes in the nature of these activities during the year.

Financial Results

	Group RM'000	Company RM'000
Profit after taxation	392,289	285,783
Attributable to:		
Equity owners of the parent	390,522	285,783
Non-controlling interests	1,767	-
Total	392,289	285,783

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in the financial statements.

Group's Plantation Properties

The Group's plantation properties at the end of the year were as follows:

Malaysia	Hectares
UIE estates	10,370
Jendarata	6,339
Kuala Bernam	830
Sungei Bernam	2,292
Ulu Bernam	3,194
Changkat Mentri	2,549
Ulu Basir	3,987
Sungei Erong	3,663
Sungei Chawang	3,286
Seri Pelangi	1,422
Lima Blas	2,889
Sub-total	40,821

Indonesia

PT Surya Sawit Sejati (planted area)	9,035
Plasma	1,285
Conservation	8,251
Buildings & others	92
Sub-total	18,663
Total	59,484

Report Of The Directors For The Year Ended 31 December 2017

Dividends

Dividends paid by the Company since the end of the previous financial year were as follows:

- (a) A final single-tier dividend of 20 sen per share amounting to RM41,558,498 in respect of the previous financial year was paid on 17 May 2017.
- (b) A special single-tier dividend of 65 sen per share amounting to RM135,065,120 in respect of the previous financial year was paid on 17 May 2017.
- (c) An interim single-tier dividend of 20 sen per share amounting to RM41,558,498 in respect of the current financial year was paid on 14 December 2017.
- (d) A special single-tier dividend of 10 sen per share amounting to RM20,779,249 in respect of the current financial year was paid on 14 December 2017.

At the forthcoming Annual General Meeting, a final single-tier dividend of 20sen per share amounting to RM41,588,498 and a special single-tier dividend of 100sen per share amounting to RM207,792,492 in respect of the year ended 31 December 2017 on the ordinary shares in issue at book closure date will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect these proposed dividends. Such dividends, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2018.

Treasury Shares

The shareholders of the Company, by a resolution passed at the Annual General Meeting held on 18 June 2005, approved the Company's plan to purchase up to 10% of the issued and paid-up share capital of the Company. The authority granted by the shareholders was subsequently renewed during subsequent Annual General Meetings, including the last meeting held on 22 April 2017. Notwithstanding the above, the Company in exercising this mandate shall ensure that the public spread shall not fall below 25% as required under the Main Market Listing Requirements of Bursa Malaysia.

As at 31 December 2017, the number of treasury shares held remained at 341,774 shares as there were no share buy-back nor any cancellation, re-sale or distribution or distribution of treasury shares in the current year. These treasury shares were held in accordance with the requirement of Section 127 of the Companies Act 2016.

The Company has the right to cancel, resell these shares and/or distribute these shares as dividends at a later date. As treasury shares, the rights attached to voting, dividends and participation in other distribution are suspended.

As at the end of the financial year, the number of ordinary shares in issue after deducting treasury shares is 207,792,492 ordinary shares.

Report Of The Directors For The Year Ended 31 December 2017

Directors

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Ybhg. Tan Sri Datuk Dr. Johari bin Mat
 Ybhg. Dato' Carl Bek-Nielsen*
 Mr. Ho Dua Tiam*
 Mr. Ahmad Riza Basir
 Y.Hormat Dato' Jeremy Derek Campbell Diamond
 Mr. Martin Bek-Nielsen*
 Mr. Loh Hang Pai
 Mr. R Nadarajan
 Madam Rohaya binti Mohammad Yusof
 (Appointed on 30 November 2017)
 Ybhg. Dato' Mohamad Nasir bin Ab. Latif
 (Resigned on 30 November 2017)

* These Directors are also directors of the Company's subsidiaries

The name of the director of a subsidiary of the Company since the beginning of the financial year to the date of this report, not including those directors listed above is:

Mr. Geoffrey Ian George Cooper

The following Directors who held office at the end of the financial year had according to the register required to be kept under Section 59 of the Companies Act 2016 an interest in shares of the Company and its subsidiary companies, as stated below:

	Number of Shares				% of Issued Capital*
	1 January 2017	Bought	Sold	31 December 2017	
The Company:					
Ybhg. Tan Sri Datuk Dr. Johari bin Mat					
- held directly	90,000	-	-	90,000	0.04
- deemed interested	10,000	-	-	10,000	-
Ybhg. Dato' Carl Bek-Nielsen					
- held directly	2,242,491	150,000	-	2,392,491	1.15
- deemed interested	98,401,335	970,094	-	99,371,429 ¹	47.82
Mr. Ho Dua Tiam					
- held directly	707,400	-	-	707,400	0.34
Mr. Ahmad Riza Basir					
- held directly	70,500	-	-	70,500	0.03
Y. Hormat Dato' Jeremy Derek Campbell Diamond					
- held directly	14,000	-	-	14,000	0.01
- deemed interested	258,000	5,000	-	263,000	0.13
Mr. Martin Bek-Nielsen					
- held directly	552,389	-	-	552,389	0.27
- deemed interested	98,359,277	970,094	-	99,329,371 ²	47.80
Mr. Loh Hang Pai					
- held directly	23,000	3,000	-	26,000	0.01

Report Of The Directors For The Year Ended 31 December 2017

Notes:

*1 Dato' Carl Bek-Nielsen

9,718,571 shares - Deemed interested in the shares registered in the name of United International Enterprises Limited

89,607,800 shares - Deemed interested in the shares registered in the name of Maximum Vista Sdn. Bhd.

45,058 shares - Deemed interested through immediate family members.

99,371,429 shares

*2 Mr. Martin Bek-Nielsen

9,718,571 shares - Deemed interested in the shares registered in the name of United International Enterprises Limited

89,607,800 shares - Deemed interested in the shares registered in the name of Maximum Vista Sdn. Bhd.

3,000 shares - Deemed interested through immediate family members.

99,329,371 shares

* calculated based on 207,792,492 shares which do not include 341,774 treasury shares.

By virtue of their interest in the shares of United International Enterprises Limited and Maximum Vista Sdn. Bhd., Dato' Carl Bek-Nielsen and Mr. Martin Bek-Nielsen are also deemed to have interest in the shares of all the subsidiary companies of the Company to the extent the Company has an interest in them.

The remaining Directors in office at the end of the financial year did not have any interest in shares in the Company or its related corporations during the financial year.

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares or

debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest except as disclosed in Note 25 to the financial statements.

Report Of The Directors For The Year Ended 31 December 2017

Directors' indemnity

There was no amount of insurance premium paid or payable for the directors or officers of the Company in respect of their liability for any act or omission in their capacity as directors or officers of the Company or in respect of costs incurred by them in defending or settling any claim or proceedings relating to any such liability for the financial period.

Other statutory information

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Report Of The Directors For The Year Ended 31 December 2017

Indemnity to auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of the audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been paid to indemnify Ernst & Young during the financial period.

Auditors and auditors' remuneration

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 5 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 February 2018.

TAN SRI DATUK	}	
DR. JOHARI BIN MAT	}	
	}	
	}	
	}	Directors
	}	
	}	
DATO' CARL BEK-NIELSEN	}	

Jendarata Estate,
36009 Teluk Intan,
Perak Darul Ridzuan,
Malaysia.

Statements Of Comprehensive Income
For The Year Ended 31 December 2017

	Note	Group			Company		
		2017 RM'000	2016 RM'000	Changes (%)	2017 RM'000	2016 RM'000	Changes (%)
Revenue	4	1,474,323	1,228,384	20.0	591,914	468,755	26.3
Other income		37,577	70,923	(47.0)	9,317	20,673	(54.9)
		1,511,900	1,299,307	16.4	601,231	489,428	22.8
Changes in finished goods		(17,904)	72,284	(124.8)	(9,199)	13,609	(167.6)
Raw materials and consumables used		(628,238)	(620,659)	1.2	(5,015)	(11,385)	(56.0)
Amortisation of biological assets		(29,692)	(27,841)	6.6	(21,539)	(19,717)	9.2
Depreciation of property, plant and equipment		(54,422)	(44,819)	21.4	(33,578)	(23,905)	40.5
Amortisation of land use rights		(688)	(720)	(4.4)	-	-	-
Staff costs	5	(166,286)	(149,293)	11.4	(120,652)	(110,394)	9.3
Other expenses		(139,815)	(137,195)	1.9	(73,387)	(70,942)	3.4
Profit from operations	5	474,855	391,064	21.4	337,861	266,694	26.7
Finance costs	6	(22)	(22)	-	(19)	(20)	(5.0)
Investment and interest income	7	26,112	26,893	(2.9)	20,047	21,490	(6.7)
Share of results of joint venture	13	(101)	-	-	-	-	-
Profit before taxation		500,844	417,935	19.8	357,889	288,164	24.2
Taxation	8	(108,555)	(87,128)	24.6	(72,106)	(61,954)	16.4
Net profit for the year		392,289	330,807	18.6	285,783	226,210	26.3
Attributable to:							
Equity owners of the parent		390,522	329,488	18.5	285,783	226,210	26.3
Non-controlling interests		1,767	1,319	34.0	-	-	-
		392,289	330,807	18.6	285,783	226,210	26.3
Earnings per share (sen)	9	189	159	18.9			

The accompanying notes form an integral part of the financial statements.

Statements Of Comprehensive Income
For The Year Ended 31 December 2017

	Group			Company		
	2017	2016	Changes	2017	2016	Changes
	RM'000	RM'000	(%)	RM'000	RM'000	(%)
Net profit for the year	392,289	330,807	18.6	285,783	226,210	26.3
Other comprehensive income:						
Reversal of available for sale reserve	-	(893)	100.0	-	(893)	100.0
Foreign currency translation, representing net other comprehensive income for the year, to be reclassified to profit and loss in subsequent period, net of tax	(13,884)	6,888	(301.6)	-	-	-
Total comprehensive income for the year	378,405	336,802	12.4	285,783	225,317	26.8
Total comprehensive income attributable to:						
Equity owners of the parent	377,035	334,616	12.7	285,783	225,317	26.8
Non-controlling interests	1,370	2,186	(37.3)	-	-	-
	378,405	336,802	12.4	285,783	225,317	26.8

The accompanying notes form an integral part of the financial statements.

Statements Of Financial Position

As At 31 December 2017

Group		2017	2016
	Note	RM'000	RM'000
Assets			
Non-Current Assets			
Biological assets	10 (a)	444,585	448,731
Property, plant and equipment	10 (b)	1,029,474	970,642
Land use rights	10 (c)	34,115	36,192
Associated company	12	50	50
Joint venture	13	29,899	-*
Derivatives	28 (g)	3,417	-
Deferred tax assets	19	3,524	1,732
		1,545,064	1,457,347
Current Assets			
Inventories	14	156,833	189,958
Trade and other receivables	15	237,588	293,239
Prepayments		3,211	2,475
Tax recoverable		3,848	6,247
Derivatives	28 (g)	20,244	3,456
Cash and bank balances	16 (a)	473,711	272,292
Short term funds	16 (b)	377,874	418,622
		1,273,309	1,186,289
Total Assets		2,818,373	2,643,636
Equity and Liabilities			
Equity attributable to owners of the parent			
Share capital	17 (a)	390,054	208,134
Treasury shares	17 (b)	(8,635)	(8,635)
Reserves	18	2,118,878	2,162,723
		2,500,297	2,362,222
Non-controlling interests		6,714	5,344
Total Equity		2,507,011	2,367,566
Non-Current Liabilities			
Deferred tax liabilities	19	132,799	116,916
Retirement benefit obligations	20	13,626	13,254
Derivatives	28 (g)	1,115	178
		147,540	130,348
Current Liabilities			
Trade and other payables	21	137,749	114,403
Tax payable		13,333	16,152
Retirement benefit obligations	20	971	749
Derivatives	28 (g)	11,658	14,312
Bank borrowings	22	111	106
		163,822	145,722
Total Liabilities		311,362	276,070
Total Equity and Liabilities		2,818,373	2,643,636

* The carrying amount of the investment in joint venture was RM1.00.

The accompanying notes form an integral part of the financial statements.

Statements Of Financial Position

As At 31 December 2017

Company		2017	2016
	Note	RM'000	RM'000
Assets			
Non-Current Assets			
Biological assets	10 (a)	348,827	333,574
Property, plant and equipment	10 (b)	853,605	762,848
Subsidiary companies	11	379,865	404,826
Associated company	12	50	50
Joint venture	13	30,000	-*
		1,612,347	1,501,298
Current Assets			
Inventories	14	33,232	42,821
Trade and other receivables	15	78,456	168,743
Prepayments		399	86
Cash and bank balances	16 (a)	371,285	152,566
Short term funds	16 (b)	136,224	273,194
		619,596	637,410
Total Assets		2,231,943	2,138,708
Equity and Liabilities			
Equity attributable to owners of the parent			
Share capital	17 (a)	390,054	208,134
Treasury shares	17 (b)	(8,635)	(8,635)
Reserves	18	1,627,516	1,762,613
Total Equity		2,008,935	1,962,112
Non-Current Liabilities			
Deferred tax liabilities	19	122,951	109,759
Retirement benefit obligations	20	5,672	6,910
		128,623	116,669
Current Liabilities			
Trade and other payables	21	86,460	46,631
Tax payable		7,276	12,703
Retirement benefit obligations	20	649	593
		94,385	59,927
Total Liabilities		223,008	176,596
Total Equity and Liabilities		2,231,943	2,138,708

* The carrying amount of the investment in joint venture was RM1.00.

The accompanying notes form an integral part of the financial statements.

Statements Of Changes In Equity For The Year Ended 31 December 2017

Group	← Attributable to equity owners of the parent →										
	← Non-distributable →					← Distributable →					
	Note	Share capital (Note 17(a))	Available for sale reserve (Note 18)	Share premium (Note 18)	Capital reserve (Note 18)	Foreign currency translation reserve (Note 18)	Treasury shares (Note 17(b))	Retained profits (Note 18)	Total	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2016		208,134	893	181,920	21,798	3,167	(8,635)	1,828,121	2,235,398	3,158	2,238,556
Total comprehensive income for the year		-	(893)	-	-	6,021	-	329,488	334,616	2,186	336,802
Dividends, representing total transaction with owners of the parent	23	-	-	-	-	-	-	(207,792)	(207,792)	-	(207,792)
At 31 December 2016		208,134	-	181,920	21,798	9,188	(8,635)	1,949,817	2,362,222	5,344	2,367,566
At 1 January 2017		208,134	-	181,920	21,798	9,188	(8,635)	1,949,817	2,362,222	5,344	2,367,566
Total comprehensive income for the year		-	-	-	-	(13,487)	-	390,522	377,035	1,370	378,405
Dividends, representing total transaction with owners of the parent	23	-	-	-	-	-	-	(238,960)	(238,960)	-	(238,960)
Transfer pursuant to S618(2) of CA 2016*		208,134	-	181,920	21,798	(4,299)	(8,635)	2,101,379	2,500,297	6,714	2,507,011
		181,920	-	(181,920)	-	-	-	-	-	-	-
At 31 December 2017		390,054	-	-	21,798	(4,299)	(8,635)	2,101,379	2,500,297	6,714	2,507,011

Note: * Pursuant to Section 618(2) of the Companies Act 2016 ("CA 2016"), any outstanding share premium and capital redemption reserve accounts shall become part of Share Capital.

The accompanying notes form an integral part of the financial statements.

Statements Of Changes In Equity
For The Year Ended 31 December 2017

Company	← Non-distributable →		← Distributable →			Total	
	Note	Share capital (Note 17(a)) RM'000	Available for sale reserve (Note 18) RM'000	Share premium (Note 18) RM'000	Treasury shares (Note 17(b)) RM'000		Retained profits (Note 18) RM'000
At 1 January 2016		208,134	893	181,920	(8,635)	1,562,275	1,944,587
Total comprehensive income for the year		-	(893)	-	-	226,210	225,317
Dividends, representing total transaction with owners of the parent	23	-	-	-	-	(207,792)	(207,792)
At 31 December 2016		208,134	-	181,920	(8,635)	1,580,693	1,962,112
At 1 January 2017		208,134	-	181,920	(8,635)	1,580,693	1,962,112
Total comprehensive income for the year		-	-	-	-	285,783	285,783
Dividends, representing total transaction with owners of the parent	23	-	-	-	-	(238,960)	(238,960)
		208,134	-	181,920	(8,635)	1,627,516	2,008,935
Transfer pursuant to S618(2) of CA 2016*		181,920	-	(181,920)	-	-	-
At 31 December 2017		390,054	-	-	(8,635)	1,627,516	2,008,935

Note: * Pursuant to Section 618(2) of the Companies Act 2016 ("CA 2016"), any outstanding share premium and capital redemption reserve accounts shall become part of Share Capital.

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements

For The Year Ended 31 December 2017

	Note	Group		Company	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Cash Flows From Operating Activities					
Receipts from customers		1,485,596	1,144,518	591,819	468,753
Payments to suppliers		(643,955)	(591,751)	(5,621)	(11,194)
Payments of operating expenses		(229,644)	(295,944)	(118,341)	(177,336)
Payments of taxes		(95,370)	(80,322)	(64,341)	(55,344)
Other receipts		51,427	37,387	9,317	5,355
Net cash generated from operating activities		568,054	213,888	412,833	230,234
Cash Flows From Investing Activities					
Proceeds from sale of property, plant and equipment and biological assets		12,105	8,781	245	8,758
Investment in a joint venture		(30,000)	-	(30,000)	-
Proceeds from disposal of investment		-	21,030	-	21,030
Interest income		22,049	30,165	13,607	21,744
Net change in deposits with licensed banks with tenure more than 3 months		(196,541)	183,615	(156,613)	178,000
Net change in short term funds		40,748	(65,779)	136,970	(91,816)
Dividend received from a subsidiary company		-	-	6,000	-
Redemption of RCCPS		-	-	25,000	-
Pre-cropping expenditure incurred		(39,815)	(44,163)	(36,792)	(43,083)
Purchase of property, plant and equipment	(a)	(106,430)	(82,408)	(95,748)	(58,747)
Land use rights payment made		(1,170)	(1,501)	-	-
Net cash (used in)/generated from investing activities		(299,054)	49,740	(137,331)	35,886

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements

For The Year Ended 31 December 2017

	Note	Group		Company	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Cash Flows From Financing Activities					
Interest paid		(22)	(22)	(19)	(20)
Dividends paid		(238,960)	(207,792)	(238,960)	(207,792)
Inter-company balances		-	-	50,728	(66,539)
Associated company balances		7	(6)	7	(6)
Joint venture balances		(25,152)	-	(25,152)	-
Net cash used in financing activities		(264,127)	(207,820)	(213,396)	(274,357)
Net increase/(decrease) in cash and cash equivalents		4,873	55,808	62,106	(8,237)
Cash and cash equivalents at the beginning of year		115,919	60,111	13,566	21,803
Cash and cash equivalents at end of year	(b)	120,792	115,919	75,672	13,566

(a) Total purchase of property, plant and equipment during the year for the Group and the Company amounted to RM135,767,000 and RM125,085,000 respectively, out of which RM106,430,000 for the Group and RM95,748,000 for the Company were fully paid for in cash and the remaining amounts included in sundry payables.

(b) Analysis of cash and cash equivalents:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	443,429	238,436	369,660	150,669
Cash at banks and in hand	30,282	33,856	1,625	1,897
Bank overdrafts	(111)	(106)	-	-
	473,600	272,186	371,285	152,566
Less: Deposits with licensed banks with tenure more than 3 months	(352,808)	(156,267)	(295,613)	(139,000)
Cash and cash equivalents at end of year	120,792	115,919	75,672	13,566

The accompanying notes form an integral part of the financial statements.

Notes To The Financial Statements

1. Corporate Information

The Company carries on the business of oil palm and coconut cultivation and processing on its plantations in Peninsular Malaysia. The Company also has an active Research Centre providing improved planting material for the Group's estates as well as for the Malaysian agricultural sector in general. The principal activities of the subsidiary companies, joint venture and associated company are as disclosed in Note 3.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and principal place of business is located at Jendarata Estate, 36009 Teluk Intan, Perak Darul Ridzuan.

The number of employees at 31 December 2017 for the Group was 6,825 (2016: 5,926) and for the Company was 5,223 (2016: 4,482).

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 24 February 2018.

2. Significant Accounting Policies

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the requirements of the Companies Act 2016.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

2.2 Changes In Accounting Policies

On 1 January 2017, the Group and the Company adopted the following new and amended FRSs and annual improvements to FRSs mandatory for annual financial periods beginning on or after 1 January 2017.

	Effective for annual periods beginning on or after
• FRS 12 Disclosure of Interests in Other Entities (Amendments to FRS 12)	1 January 2017
• FRS 107 Disclosures Initiatives (Amendments to FRS 107)	1 January 2017
• FRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to FRS 112)	1 January 2017

The adoption of the above standards and interpretation did not have any significant effect on the financial performance and position of the Group and of the Company.

Notes To The Financial Statements

2.3 Summary Of Significant Accounting Policies

(a) Subsidiary Companies And Basis Of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) Exposure, or rights, to variable returns from its involvement with the investee, and
- (c) The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee
- (b) Rights arising from other contractual arrangements
- (c) The Group's voting rights and potential voting rights

Notes To The Financial Statements

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statements of financial position and statements of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- (a) Derecognises the assets (including goodwill) and liabilities of the subsidiary
- (b) Derecognises the carrying amount of any non-controlling interests
- (c) Derecognises the cumulative translation differences recorded in equity
- (d) Recognises the fair value of the consideration received
- (e) Recognises the fair value of any investment retained
- (f) Recognises any surplus or deficit in profit or loss

Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(iii) Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

(b) Associated Companies

Associated companies are entities in which the Group has significant influence and that is neither a subsidiary company nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Notes To The Financial Statements

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associated company is carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associated company.

The Group's share of the net profit or loss of the associated company is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associated company, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses in transactions between the Group and the associated company are eliminated to the extent of the Group's interest in the associated company. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associated company. The associated company is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associated company.

Goodwill relating to an associated company is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associated company's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any long-term interest that, in substance, form part of the Group's net investment in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

The most recent available audited financial statements of the associated companies are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associated companies are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(c) Joint Venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves an unincorporated entity or the establishment of a separate entity in which each venturer has an interest.

Investment in joint venture is accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.3(b). Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on transactions between the Group and its joint venture.

Notes To The Financial Statements

The financial statements of the joint venture are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

In the Company's separate financial statements, investment in joint venture is stated at cost less impairment loss. On disposal of such investment, the difference between net disposal proceeds and their carrying amount is included in profit or loss.

(d) (i) Biological Assets

Biological assets comprise pre-cropping expenditure incurred from land clearing to the point of maturity. Such expenditure is capitalised and is amortised at maturity of the crop at the following rates which are deemed as the useful economic lives of the crop:

Pre-cropping expenditure - oil palm	over 20 years or 5%
Pre-cropping expenditure - coconut palm	over 30 years or approximately 3.33%

(ii) Property, Plant and Equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land and capital work-in-progress are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold land and capital work-in-progress are stated at cost less any accumulated impairment losses.

The cost of freehold land initially acquired is allocated between the land, buildings and biological assets elements in proportion to the relative fair values for the interests in the land element, buildings element and biological assets element. Freehold land has an unlimited useful life and therefore is not depreciated. Long term leasehold land is depreciated over the period of the lease which range from 50 years to 99 years. Capital work-in-progress are also not depreciated as these assets are not available for use. Other property, plant and equipment are depreciated by equal annual instalments over their estimated economic lives based upon the original cost or deemed cost on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life. The principal annual depreciation rates used are:

Buildings	2% - 5%
Bulking installations	5%
Railways	over 25 years or 4%
Rolling stock	over 14 years or approximately 7.14%
Plant and machinery	5% - 20%
Furniture and office equipment	10% - 20%
Motor vehicles, tractors and implements	12.5% - 25%
Aircrafts	5%

Notes To The Financial Statements

Spare parts which are held for use in the production or supply of goods or services and are expected to be used during more than one period, and thus are classified under property, plant and equipment. The cost will be charged out to income statement when the spare parts are utilised.

The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the profit or loss.

(iii) Land Use Rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

(e) Inventories

Agricultural produce stocks are stated at net realisable value at the reporting date.

All other inventories are valued at the lower of cost and estimated net realisable value. Cost includes the actual cost of materials, labour and appropriate production overheads and is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Notes To The Financial Statements

(g) Foreign Currencies

(i) Functional And Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to the functional currency at exchange rates ruling on the transaction dates.

Exchange differences arising on the settlement of monetary items or on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency ("RM") of the consolidated financial statements are translated into RM as follows:

- (a) Assets and liabilities for each statements of financial position presented are translated at the closing rate prevailing at the reporting date;
- (b) Income and expenses for each profit or loss are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- (c) All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Notes To The Financial Statements

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

The principal exchange rates used for currency ruling at the reporting date are as follows:

	2017	2016
	RM	RM
1 United States Dollar (USD)	4.0475	4.4860
100 Indonesian Rupiah (IDR)	0.0298	0.0333

(h) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) *Sale of goods*

Revenue from sale of produce stocks and finished goods is recognised when the significant risk and rewards of ownership of the produce stocks and finished goods have passed to the buyer.

(ii) *Interest income*

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

(iii) *Dividend income*

Dividend income from investment is recognised when the right to receive payment is established.

(iv) *Revenue from services*

Revenue from services is recognised when services are rendered.

(v) *Rental income*

Rental income is recognised on a time proportion basis.

Notes To The Financial Statements

(i) Employee Benefits

(i) *Short term benefits*

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). In addition, the Group also contributes to a defined contribution fund set up for certain eligible employees of the Group.

(iii) *Defined benefit plans*

The Company and certain subsidiary companies provide for retirement benefit for their eligible employees on unfunded defined benefit plans in accordance with the terms of employment and practices. The Group's obligations under these plans are determined internally using the Projected Unit Credit Method based on certain actuarial assumptions where the amount of benefits that employees have earned in return for their services rendered is estimated.

Full provision is recognised for retirement benefit payable to all eligible employees. Should an employee leave before attaining the retirement age, the provision made for the employee is written back. Actuarial gains or losses are recognised as income or expense immediately through OCI. Past service costs are recognised immediately.

(j) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, including land clearing and planting up to the time of maturity, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

Notes To The Financial Statements

(k) Impairment Of Non-Financial Assets

At each reporting date, the Group reviews the carrying amounts of its assets, other than inventories, assets arising from employee benefits and financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of an asset's fair value less cost to sell and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs and prorated to the asset by reference to the cost of the asset to the cost of the cash-generating unit.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(l) Financial Assets

Financial assets are recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include available for sale investments and loans and receivables.

(i) Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as receivables.

Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the receivables are derecognised or impaired, and through the amortisation process.

Receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

Notes To The Financial Statements

(ii) Available for sale financial assets

Available for sale financial assets are financial assets that are designated as available for sale or are not classified in any of the financial assets as disclosed in Notes 2.3(l) (i) and 2.3(q).

After initial recognition, available for sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available for sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available for sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(iii) Marketable securities at fair value

Marketable securities are carried at market value, determined on an aggregate basis. Market value is determined based on quoted market price. Increases or decreases in the carrying amount of marketable securities are recognised in the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

Notes To The Financial Statements

(m) Impairment Of Financial Assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) *Trade and other receivables and other financial assets carried at amortised costs*

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

(ii) *Available for sale financial assets*

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available for sale financial assets are impaired.

If an available for sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available for sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available for sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

Notes To The Financial Statements

(n) Cash And Cash Equivalent

Cash and cash equivalents represent cash on hand and at banks and short term deposits with a maturity of three months or less that are readily convertible to known amount of cash which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

(o) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either payables, interest-bearing borrowings or other financial liabilities.

(i) Payables

Payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

(ii) Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

(iii) Other financial liabilities

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Notes To The Financial Statements

(p) Equity Instruments

Ordinary shares are classified as equity. The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided. Costs of issuing equity securities in connection with a business combination are included in the cost of acquisition. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(q) Financial Assets Or Financial Liabilities At Fair Value Through Profit Or Loss

Financial assets or financial liabilities at fair value through profit or loss include financial assets and liabilities held for trading and short term funds.

Financial assets or financial liabilities held for trading are derivatives. The Group uses derivatives such as forward foreign exchange contracts and commodity futures contracts to hedge the Group's exposure to foreign currency and commodity price fluctuations.

Such derivatives are measured at fair value at each reporting date. The fair values of derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives are recognised in profit or loss.

The fair values of the forward foreign exchange contracts have been calculated using the rates quoted by the Group's bankers to terminate the contracts at the reporting date and the fair value of the commodity futures contracts are calculated using future market prices quoted by the Group's broker as at reporting date.

Short term funds are investments in income trust funds carried in the statements of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive changes in fair value) in the statements of profit or loss.

(r) Research And Development Costs

All general research and development costs are expensed as incurred.

(s) Operating Leases - The Group As Lessee

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease.

(t) Government grants

Grants that compensate the Group for replanting expenses incurred are credited against the pre-cropping expenditure and are amortised over the economic life of the crop.

Grants received as incentives by the Group are recognised as income in the periods the incentives are receivable where there is reasonable assurance that the grant will be received.

Notes To The Financial Statements

2.4 Significant Accounting Estimate

The key assumptions concerning the future and other key source of estimation uncertainty at the reporting date, that have significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

(i) Impairment of property, plant and equipment

Assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, a significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business, and significant adverse industry or economic changes. Recoverable amounts of assets are based on management's estimates and assumptions of the net realisable value, cash flows arising from the future operating performance and revenue generating capacity of the assets and cash operating units, and future market conditions. Changes in circumstances may lead to changes in estimates and assumptions, and result in changes to the recoverable amounts of assets and impairment losses needed.

(ii) Biological Assets

Biological assets comprise pre-cropping expenditure incurred from land clearing to the point of maturity. Such expenditure is capitalised and is amortised at maturity of the crop over the useful economic lives of the crop. Management estimates the useful economic lives of the Group's and the Company's oil palms and coconut palms to be 20 years and 30 years respectively.

Notes To The Financial Statements

2.5 Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework"). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities').

After few announcements of deferment since 19 November 2011, on 8 September 2015, MASB announced that Transitioning Entities shall be required to apply the MFRS Framework for annual periods beginning on or after 1 January 2018.

The Group falls within the scope definition of Transitioning Entities and will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018.

The subsequent adoption of the MFRS Framework would result in the Group preparing an opening MFRS statement of financial position as at 1 January 2017, which adjusts for differences between the classification and measurement bases in the existing FRS Framework versus that in the new MFRS Framework. This would also result in a restatement of the annual financial performance for the financial year ended 31 December 2017 in accordance with MFRS, which would form the MFRS comparatives for the annual financial performance for the financial year ending 31 December 2018 respectively.

Notes To The Financial Statements

The MFRSs, Amendments to MFRSs and IC Interpretations expected to be adopted are as follows:

- MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards
- MFRS 2 Share-based Payment
- MFRS 3 Business Combinations
- MFRS 4 Insurance Contracts
- MFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- MFRS 6 Exploration for and Evaluation of Mineral Resources
- MFRS 7 Financial Instruments: Disclosures
- MFRS 8 Operating Segments
- MFRS 9 Financial Instruments
- MFRS 10 Consolidated Financial Statements
- MFRS 11 Joint Arrangements
- MFRS 12 Disclosure of Interests in Other Entities
- MFRS 13 Fair Value Measurement
- MFRS 14 Regulatory Deferral Accounts
- MFRS 15 Revenue from Contracts with Customers
- MFRS 101 Presentation of Financial Statements
- MFRS 102 Inventories
- MFRS 107 Statement of Cash Flows
- MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
- MFRS 110 Events After the Reporting Period
- MFRS 112 Income Taxes
- MFRS 116 Property, Plant and Equipment
- MFRS 117 Leases
- MFRS 119 Employee Benefits
- MFRS 120 Accounting for Government Grants and Disclosure of Government Assistance
- MFRS 121 The Effects of Changes in Foreign Exchange Rates
- MFRS 123 Borrowing Costs
- MFRS 124 Related Party Disclosures
- MFRS 126 Accounting and Reporting by Retirement Benefit Plans
- MFRS 127 Separate Financial Statements
- MFRS 128 Investments in Associates and Joint Ventures

Notes To The Financial Statements

- MFRS 129 Financial Reporting in Hyperinflationary Economies
- MFRS 132 Financial Instruments: Presentation
- MFRS 133 Earnings Per Share
- MFRS 134 Interim Financial Reporting
- MFRS 136 Impairment of Assets
- MFRS 137 Provisions, Contingent Liabilities and Contingent Assets
- MFRS 138 Intangible Assets
- MFRS 139 Financial Instruments: Recognition and Measurement
- MFRS 140 Investment Property
- MFRS 141 Agriculture
- Amendments to MFRS 1 Government Loans
- Amendments to MFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 10, MFRS 11 and MFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- Amendments to MFRS 10, MFRS 12 and MFRS 127 Investment Entities
- Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associates or Joint Venture
- Amendments to MFRS 10, MFRS12 and MFRS 128 Investment Entities: Applying the Consolidation Exception
- Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income
- Amendments to MFRS 101 Disclosure Initiative
- Amendments to MFRS 116 Property, plant and equipment: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants
- Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions
- Amendments to MFRS 127 Equity method in Separate Financial Statements
- Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136 Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 138 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 139 Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments
- IC Interpretation 4 Determining whether an Arrangement Contains a Lease

Notes To The Financial Statements

- IC Interpretation 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IC Interpretation 6 Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
- IC Interpretation 7 Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyperinflationary Economies
- IC Interpretation 9 Reassessment of Embedded Derivatives
- IC Interpretation 10 Interim Financial Reporting and Impairment
- IC Interpretation 12 Service Concession Arrangements
- IC Interpretation 14 MFRS 119 Employee Benefits – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17 Distributions of Non-cash Assets to Owners
- IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
- IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- IC Interpretation 21 Levies
- IC Interpretation 107 Introduction of the Euro
- IC Interpretation 110 Government Assistance – No Specific Relation to Operating Activities
- IC Interpretation 115 Operating Leases – Incentives
- IC Interpretation 125 Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
- IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IC Interpretation 129 Service Concession Arrangements: Disclosures
- IC Interpretation 132 Intangible Assets – Web Site Costs

Notes To The Financial Statements

The directors expect that the adoption of the MFRS Framework will not have any material effect on the financial statements in the period of initial application except as discussed below:

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required.

During 2017, the Group has performed a detailed impact assessment of all three aspects of MFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt MFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity.

(a) Classification and measurement

The Group does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of MFRS 9. It expects to continue measuring at fair value all financial assets and liabilities currently held at fair value.

Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of these trade receivables. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

MFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group has determined that, based on its assessment on the market information currently available and the reputation and the past credit history of the counterparties with which the Group traded with, the Group will not be recording an expected credit loss on its trade receivables in its books.

(c) Hedge accounting

The Group does not apply hedge accounting and has no intention of doing so at the moment.

Notes To The Financial Statements

MFRS 15 Revenue from Contracts with Customers

MFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under MFRS. As the Group is a transitioning entity, a full retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2017, the Group performed a detailed assessment of MFRS 15.

The Group carries on the business of oil palm and coconut cultivation and processing on its plantations in Peninsular Malaysia and Indonesia, refining of palm oil, manufacturing edible oils, fats, cocoa butter substitute, trading in crude palm oil and palm kernel, handling and storage of vegetable oil, and molasses and investment holding.

(a) Sale of goods

For contracts with customers in which the sale of crude palm oil, palm kernel, coconuts, refined palm oil, palm kernel and coconut products is generally expected to be the only performance obligation, adoption of MFRS 15 is not expected to have any impact on the Group's revenue and profit or loss.

The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on collection or delivery of the goods.

(b) Rendering of services

The Group's bulking installation provides storage tank rental services. The Group concluded that the services are satisfied over periods of one month each given that the customer simultaneously receives and consumes the benefits provided by the Group.

(c) Advances received from customers

Generally, the Group receives only short-term advances from its customers. They are presented as part of trade and other payables.

Under MFRS 15, the Group must determine whether there is a significant financing component in its contracts. However, the Group decided to use the practical expedient provided in MFRS 15 whereby the Group need not adjust for the promised amount of consideration for the effects of a significant financing component as the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. Therefore, for short term advances, the Group will not account for a financing component.

(d) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than under current FRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in MFRS 15 are new and the Group has assessed that the impact of some of these disclosures requirements will not be significant.

Notes To The Financial Statements

MFRS 141 Agriculture and Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants

MFRS 141 Agriculture prescribes the accounting treatment, financial statements presentation, and disclosures related to most agricultural activity. It requires measurement at fair value less costs to sell from initial recognition of biological assets, except for bearer plants, up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. This Standard requires that subsequent change in fair value less costs to sell of a biological asset be included in profit or loss for the period in which it arises.

The amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will be within the scope of MFRS 116. After initial recognition, bearer plants will now be measured under MFRS 116 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). As the Group is currently measuring the bearer biological assets at cost less amortisation, the change in accounting policies is limited to reclassification of the bearer assets from biological assets to property, plant and equipment and thus, the change will not impact comprehensive income or equity. The amendments also require that produce that grows on bearer plants be within the scope of MFRS 141 measured at fair value less costs to sell.

The biological assets of the Group comprise of fresh fruit bunch ("FFB") and coconut prior to harvest. The valuation model to be adopted by the Group considers the present value of the net cash flows expected to be generated from the sale of FFB and coconut.

To arrive at the fair value of FFB, the management considered the oil content of the unripe FFB and derived the assumption that the net cash flow to be generated from FFB prior to more than 4 weeks to harvest to be negligible, therefore quantity of unripe FFB on bearer plant of up to 4 weeks prior to harvest was used for valuation purpose. The value of the unripe FFB was estimated to be approximately 49% for FFB that are 3 to 4 weeks prior to harvest and 83% for FFB that are 1 to 2 weeks prior to harvest, based on actual oil extraction rate and kernel extraction rate of the unripe FFB from tests. Costs to sell, which include harvesting and transport cost, are deducted in arriving at the net cash flow to be generated.

To arrive at the fair value of coconuts, the management derived the assumption that the net cash flow to be generated from coconuts prior to more than 4 weeks to harvest to be negligible, therefore quantity of unripe coconuts on bearer plant of up to 4 weeks prior to harvest was used for valuation purpose.

Notes To The Financial Statements

Under the above valuation method, the effects of the amendments of MFRS 141 are as follows:

	Increase/(decrease)	
	2017 RM'000	2016 RM'000
Comprehensive income	3,126	6,637
Biological assets	3,126	6,637
Deferred taxation	(750)	(1,593)
Equity	2,376	5,044

The key assumptions applied are as follows:

	2017	2016
Oil Palms		
Average FFB selling price (RM/MT)	569	595
Coconut Palms		
Average selling price (RM/nut)	1.06	0.96

Sensitivity Analysis

A 10% increase/decrease in the average oil palm fresh fruit bunches (FFB) selling price (RM/MT) and average selling price of coconuts (RM/nut) would result in the following to the fair value of the biological asset:

	2017 RM'000	2016 RM'000
10% increase	3,396	3,529
10% decrease	(3,396)	(3,529)

Notes To The Financial Statements

3. Group Structure

The subsidiary companies are as follows:

Company	Country of incorporation and principal place of business	Percentage of equity held by the Group*	Percentage of equity held by non-controlling interest*	Activities (see below)
		2017 / 2016 %	2017 / 2016 %	
Unitata Berhad	Malaysia	100	-	(a)
Butterworth Bulking Installation Sdn. Bhd.	Malaysia	100	-	(b)
Bernam Advisory Services Sdn. Bhd.	Malaysia	100	-	(c)
Berta Services Sdn. Bhd.	Malaysia	100	-	(c)
PT. Surya Sawit Sejati ("PT SSS1")	Indonesia	95	5	(d)
PT. Sawit Seberang Seberang ("PT SSS2")	Indonesia	93	7	Dormant
Bernam Agencies Sdn. Bhd.	Malaysia	100	-	(e)
United International Enterprises (M) Sdn. Bhd.	Malaysia	100	-	Dormant

* equals to the proportion of voting rights held

The subsidiary companies are primarily engaged in the following activities:

- (a) Refining of palm oil, manufacturing edible oils, fats, cocoa butter substitute and trading in crude palm oil and palm kernel products.
- (b) Handling and storage of vegetable oil and molasses.
- (c) Trading, marketing and investment holding.
- (d) Business of oil palm cultivation and processing in Indonesia.
- (e) Investment holding.

Notes To The Financial Statements

The joint venture is as follows:

Company	Country of incorporation and principal place of business	Percentage of equity held by the Group*		Principal Activities
		2017 %	2016 %	
Unifuji Sdn. Bhd. (previously known as Unifractions Sdn. Bhd.)	Malaysia	50	50	Refining of palm oil and trading of palm oil products

* equals to the proportion of voting rights held

The joint venture is accounted for using the equity method.

The associated company is as follows:

Company	Country of incorporation and principal place of business	Percentage of equity held by the Group*		Principal Activities
		2017 %	2016 %	
Bernam Bakery Sdn. Bhd.	Malaysia	30	30	Dormant

* equals to the proportion of voting rights held

The associated company is accounted for using the equity method.

The associated company is dormant and the financial statements of the associated company are coterminous with those of the Group.

All subsidiaries and associated company are audited by Ernst & Young, Malaysia other than PT SSS1 and PT SSS2, which are audited by a member firm of Ernst & Young Global in Indonesia.

4. Revenue

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue consists of the following and excludes, in respect of the Group, intragroup transactions:				
Sales proceeds of produce stocks	414,273	353,862	591,914	468,755
Sales proceeds of finished goods	1,058,592	873,016	-	-
Rendering of services	1,458	1,506	-	-
	1,474,323	1,228,384	591,914	468,755

Notes To The Financial Statements

5. Profit From Operations

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit from operations is arrived at, after charging:				
Directors' remuneration				
- fees	786	786	735	735
- emoluments	4,946	4,797	4,946	4,785
- others	82	146	82	146
Auditors' remuneration				
- statutory audit: current year	446	362	310	250
- non-audit service	8	8	8	8
- statutory audit fee received by a member firm of EY Global	179	168	-	-
Write-down of inventories	-	272	-	272
Property, plant and equipment written off	-	469	-	-
Loss on disposal of property, plant and equipment	432	615	432	615
Unrealised foreign exchange loss	12,203	7,194	-	-
Realised foreign exchange loss	2,135	-	-	-
Impairment on plasma debt	-	795	-	-
Rental of premises	218	132	-	-
Rental of equipment	1,683	1,580	44	47
Profit from operations is arrived at, after crediting:				
Reversal of impairment on plasma debt	276	-	-	-
Rental income	89	109	89	109
Profit on disposal of property, plant and equipment and biological assets	41	22	-	-
Gain on disposal of available for sale financial asset	-	15,285	-	15,285
Reversal on impairment on investment in subsidiary	-	-	39	600
Unrealised foreign exchange gain	14,030	11,865	-	32
Realised foreign exchange gain	10,783	22,615	-	-

Notes To The Financial Statements

Staff costs of the Group and of the Company incurred during the financial year consist of the following:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages and salaries	138,096	123,775	100,676	91,315
Social security cost	1,736	1,443	375	364
Pension costs				
- defined contribution plans	6,503	6,069	5,499	5,181
- defined benefit plans (Note 20)	3,169	2,373	865	951
Other staff related expenses	16,782	15,633	13,237	12,583
	166,286	149,293	120,652	110,394

Included in staff costs of the Group and of the Company are executive directors' emoluments amounting to RM4,946,000 (2016: RM4,797,000 and RM4,785,000 respectively).

In addition to contribution to the Employees Provident Fund, the Group also contributes to a defined contribution fund set up for certain eligible employees of the Group.

6. Finance Costs

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Finance costs consist of interest expenses on:				
- bank overdraft/bankers acceptances	22	22	19	20

Notes To The Financial Statements

7. Investment And Interest Income

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Dividend income from a subsidiary company	-	-	3,000	3,000
Interest income from deposits with licensed banks	26,032	26,893	15,605	18,433
Interest income from loan granted to subsidiary	-	-	1,362	57
Interest income from advances to Joint Venture	80	-	80	-
	26,112	26,893	20,047	21,490

8. Taxation

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Income tax	93,584	77,676	57,926	56,227
Under provision in prior year	1,366	2,010	988	412
	94,950	79,686	58,914	56,639
Deferred tax (Note 19):				
Relating to origination and reversal of temporary difference	13,186	9,403	12,783	5,315
Under/(over) provision in prior years	419	(1,961)	409	-
	13,605	7,442	13,192	5,315
Total income tax expense	108,555	87,128	72,106	61,954

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year. The deferred tax computation is based on this rate.

Notes To The Financial Statements

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before taxation	500,844	417,935	357,889	288,164
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	120,203	100,304	85,893	69,159
Effect of different tax rates in other countries	584	361	-	-
Income not subject to tax	(5,789)	(15,998)	(2,284)	(7,510)
Expenses not deductible for tax purposes	6,969	4,800	2,297	2,244
Utilisation of double deduction for research and reinvestment allowance	(15,197)	(2,351)	(15,197)	(2,351)
Under/(over)provision of deferred tax in prior year	419	(1,961)	409	-
Under provision of income tax in prior year	1,366	2,010	988	412
Others	-	(37)	-	-
Tax expense for the year	108,555	87,128	72,106	61,954

9. Earnings per share

The calculation of earnings per share is based on net profit for the year attributable to equity holders of the Company of RM390,522,000 (2016: RM329,488,000) divided by the weighted number of ordinary shares of 207,792,492 (2016: 207,792,492) in issue during the year after deducting treasury shares of 341,774 (2016: 341,774).

	Group	
	2017 sen	2016 sen
Basic earnings per share	189	159

The Group has no potential ordinary shares in issue as at reporting date and therefore, diluted earnings per share has not been presented.

Notes To The Financial Statements

10. (a) Biological Assets

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Pre-cropping expenditure				
Cost				
At 1 January	875,226	820,196	712,637	669,554
Additions	39,815	44,163	36,792	43,083
Transfer to plasma at cost	(1,912)	(277)	-	-
Exchange differences	(17,995)	11,144	-	-
At 31 December	895,134	875,226	749,429	712,637
Accumulated amortisation				
At 1 January	426,495	395,449	379,063	359,346
Amortisation for the year	29,692	27,841	21,539	19,717
Exchange differences	(5,638)	3,205	-	-
At 31 December	450,549	426,495	400,602	379,063
Net book value				
At 31 December	444,585	448,731	348,827	333,574

Under Indonesian laws, the plantation owners are obliged to assist the local communities by assisting them to develop plasma smallholdings. The area of plasma required is 20% of the planted area and this is one of the conditions which must be fulfilled by all plantation owners before the issuance of HGU (lease certificates) of the estate lands by the authorities. The Group is in the process of complying with this condition. The transfer cost is recoverable from the sales of the crops to our mill.

Notes To The Financial Statements

10. (b) Property, Plant And Equipment

Group	Freehold land	Long term leasehold land	Buildings	Plant and machinery	Capital work-in-progress*	Spare Parts	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost							
At 1 January 2017	204,413	385,314	295,476	640,289	71,719	1,397	1,598,608
Additions	-	-	14,971	111,966	8,830	-	135,767
Disposals	-	-	(108)	(2,138)	(11,792)	-	(14,038)
Reclassification	-	-	2,105	53,682	(55,787)	-	-
Exchange differences	-	-	(6,916)	(10,055)	(150)	-	(17,121)
Net movement for the year	-	-	-	-	-	(226)	(226)
At 31 December 2017	204,413	385,314	305,528	793,744	12,820	1,171	1,702,990
Accumulated depreciation							
At 1 January 2017	-	62,643	162,042	403,281	-	-	627,966
Depreciation for the year	-	4,118	9,337	40,967	-	-	54,422
Disposals	-	-	(84)	(1,458)	-	-	(1,542)
Exchange differences	-	-	(1,628)	(5,702)	-	-	(7,330)
At 31 December 2017	-	66,761	169,667	437,088	-	-	673,516
Net book value							
At 31 December 2017	204,413	318,553	135,861	356,656	12,820	1,171	1,029,474

Notes To The Financial Statements

Group	Freehold	Long term			Capital	Spare	
	land	leasehold	Buildings	Plant and	work-in-	Parts	Total
	RM'000	land	RM'000	machinery	progress*	RM'000	RM'000
Cost							
At 1 January 2016	204,413	385,314	283,451	620,288	28,643	1,333	1,523,442
Additions	-	-	6,804	25,875	49,729	-	82,408
Disposals	-	-	-	(16,806)	-	-	(16,806)
Written off	-	-	-	(648)	-	-	(648)
Reclassification	-	-	1,215	5,438	(6,653)	-	-
Exchange differences	-	-	4,006	6,142	-	-	10,148
Net movement for the year	-	-	-	-	-	64	64
At 31 December 2016	204,413	385,314	295,476	640,289	71,719	1,397	1,598,608
Accumulated depreciation							
At 1 January 2016	-	58,525	152,519	375,537	-	-	586,581
Depreciation for the year	-	4,118	8,679	32,022	-	-	44,819
Disposals	-	-	-	(7,432)	-	-	(7,432)
Written off	-	-	-	(179)	-	-	(179)
Reclassification	-	-	(43)	43	-	-	-
Exchange differences	-	-	887	3,290	-	-	4,177
At 31 December 2016	-	62,643	162,042	403,281	-	-	627,966
Net book value							
At 31 December 2016	204,413	322,671	133,434	237,008	71,719	1,397	970,642

Notes To The Financial Statements

Group

* Capital work-in-progress of the Group mainly consists of construction of plants and buildings at the following locations:

	2017	2016
	RM'000	RM'000
In the estates of the Company in Peninsular Malaysia	7,472	56,654
In Unitata Berhad	4,207	13,624
In PT SSS1, Central Kalimantan, Indonesia	1,141	1,441
	12,820	71,719

Notes To The Financial Statements

Company							
	Freehold land	Long term leasehold land	Buildings	Plant and machinery	Capital work-in- progress	Spare parts	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost							
At 1 January 2017	203,848	385,314	191,141	368,949	56,654	335	1,206,241
Additions	-	-	12,590	107,181	5,314	-	125,085
Disposals	-	-	(108)	(1,761)	-	-	(1,869)
Reclassifications	-	-	976	53,520	(54,496)	-	-
Net movement for the year	-	-	-	-	-	(73)	(73)
At 31 December 2017	203,848	385,314	204,599	527,889	7,472	262	1,329,384
Accumulated depreciation							
At 1 January 2017	-	62,643	135,142	245,608	-	-	443,393
Depreciation for the year	-	4,118	5,170	24,290	-	-	33,578
Disposals	-	-	(84)	(1,108)	-	-	(1,192)
At 31 December 2017	-	66,761	140,228	268,790	-	-	475,779
Net book value							
At 31 December 2017	203,848	318,553	64,371	259,099	7,472	262	853,605

Notes To The Financial Statements

Company							
	Freehold land	Long term leasehold land	Buildings	Plant and machinery	Capital work-in- progress	Spare parts	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost							
At 1 January 2016	203,848	385,314	187,731	360,924	25,974	267	1,164,058
Additions	-	-	3,546	19,564	35,637	-	58,747
Disposals	-	-	-	(16,632)	-	-	(16,632)
Reclassifications	-	-	(136)	5,093	(4,957)	-	-
Net movement for the year	-	-	-	-	-	68	68
At 31 December 2016	203,848	385,314	191,141	368,949	56,654	335	1,206,241
Accumulated depreciation							
At 1 January 2016	-	58,525	130,191	238,031	-	-	426,747
Depreciation for the year	-	4,118	4,994	14,793	-	-	23,905
Disposals	-	-	-	(7,259)	-	-	(7,259)
Reclassifications	-	-	(43)	43	-	-	-
At 31 December 2016	-	62,643	135,142	245,608	-	-	443,393
Net book value							
At 31 December 2016	203,848	322,671	55,999	123,341	56,654	335	762,848

Notes To The Financial Statements

10. (c) Land Use Rights

	Group	
	2017	2016
	RM'000	RM'000
At 1 January	36,192	33,890
Additions	1,170	1,501
Amortisation for the year	(688)	(720)
Exchange differences	(2,559)	1,521
At 31 December	34,115	36,192

11. Subsidiary Companies

Investment in subsidiary companies	Company	
	2017	2016
	RM'000	RM'000
Unquoted shares at cost	44,451	44,451
Less: Accumulated impairment losses	(14,386)	(14,425)
	30,065	30,026
Unquoted Redeemable Cumulative Convertible Preference Shares	374,800	374,800
Redemption	(25,000)	-
Total	379,865	404,826

The Company had in the previous years subscribed to a total of 424,800,000 RCCPS issued by the following subsidiary companies. In the current year, 25,000,000 RCCPS were redeemed by Unitata Berhad leaving a balance of 349,800,000 RCCPS as at end of the year. There was no redemption in 2016:-

- (i) 278,813,000 issued by Bernam Advisory Services Sdn. Bhd.. These funds, in turn, were used to provide a loan to PT SSS1.
- (ii) 45,987,000 issued by Berta Services Sdn. Bhd.. These funds, in turn, were used to provide a loan to PT SSS2.
- (iii) 100,000,000 issued by Unitata Bhd.. The proceeds from the issue were used to settle the advances from the Company. 25,000,000 RCCPS were redeemed in the current year leaving a balance of 25,000,000.

Notes To The Financial Statements

The salient features of the RCCPS issued by the companies are as follows:

- (a) Each RCCPS entitles the holder the right to be paid, out of such profits available for distribution, a cumulative dividend at a rate as the issuer of the RCCPS shall decide from time to time.
- (b) Each RCCPS entitles the holder the right to vote if there is any resolution for the winding up of the company, reduction of the capital, declaration of dividend on any RCCPS or if a resolution affects the special rights and privileges attached to the RCCPS.
- (c) The RCCPS are redeemable at the option of the issuer for RM1.00 for every RCCPS held.
- (d) The RCCPS are convertible at the option of the issuer into ordinary shares on the basis of one ordinary share for every RCCPS held.
- (e) Each RCCPS entitles the holder the right on winding up or other return of capital (other than the redemption of the RCCPS) to receive, in priority of the ordinary shareholders of the company.

The non-controlling interests in respect of PT SSS1 and PT SSS2 are not material to the Group. Hence, summarised financial information of these two subsidiaries are not presented.

Notes To The Financial Statements

12. Associated Company

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Investment in an associated company				
Unquoted shares, at cost	101	101	101	101
- Share of post acquisition losses and reserves (see Note (i) below)	(51)	(51)	-	-
- Accumulated impairment losses	-	-	(51)	(51)
	50	50	50	50

	Group	
	2017 RM'000	2016 RM'000
Represented by: Share of net assets	50	50
Note (i): Share of post acquisition losses and reserves is arrived at as follows:		
Profit for the year	-	-
Share of accumulated losses	(51)	(51)
	(51)	(51)

Notes To The Financial Statements

13. Joint Venture

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unquoted shares, at cost	30,000	- *	30,000	- *
Share of post acquisition losses and reserves	(101)	-	-	-
	29,899	- *	30,000	- *
Analysed as:				
Unquoted shares, at cost				
At 1 January	- *	- *	- *	- *
Acquisition during the year	30,000	-	30,000	-
At 31 December	30,000	- *	30,000	- *
Share of post-acquisition reserve:				
At 1 January	-	-	-	-
Share of results	(101)	-	-	-
At 31 December	(101)	-	-	-

* During the previous financial year, the Company had entered into an agreement to form a joint venture with an investment amount of RM1. The joint venture is accounted for using the equity method.

The Group has joint control on its joint arrangement as unanimous consent is required for relevant activities from the parties sharing control under the contractual arrangement.

The joint arrangement is structured via a separate entity and provide the Group with the rights to the net assets of the entity under the arrangement. Therefore the entity is classified as a joint venture of the Group.

Notes To The Financial Statements

(a) Details of the Group's joint venture is as follows:

Company	Principal place of business/Country of incorporation	% of ownership interest held by the Group		Accounting model applied
		2017	2016	
Unifuji Sdn. Bhd. (formerly known as Unifractions Sdn. Bhd.)	Malaysia	50	50	Equity method

This joint venture has the same reporting period as the Group. No quoted market price is available for the shares of Unifuji Sdn. Bhd. as the Company is a private company.

Unifuji Sdn. Bhd. is private limited company incorporated and domiciled in Malaysia. The registered office and principal place of business is located at Jendarata Estate, 36009 Teluk Intan, Perak.

The principal activities of the joint venture are that of refining palm oil and trading of palm oil products.

The joint venture is audited by Ernst & Young, Malaysia.

(b) Summarised financial information of Unifuji Sdn. Bhd. is set out below. The summarised information represents the amounts in the financial statements of the joint venture and not the Group's share of those amounts.

(i) Summarised statement of financial position

	2017	2016
	RM'000	RM'000
Assets		
Current assets	5,367	-*
Non-current assets	86,870	-
Total assets	92,237	-*
Equity and liabilities		
Equity	59,798	-*
Current liabilities	32,439	-
Total equity and liabilities	92,237	-*

Notes To The Financial Statements

(ii) Summarised statement of comprehensive income

	2017	2016
	RM'000	RM'000
Revenue	-	-
Loss for the year	(202)	-
Total comprehensive loss for the year	(202)	-

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in the joint venture.

	2017	2016
	RM'000	RM'000
Net assets at 1 January	- *	-
Issuance of share	60,000	- *
Total comprehensive loss for the year	(202)	-
Net assets at 31 December	59,798	-
Interest in joint venture (%)	50	50
Carrying value of Group's interest in joint venture	29,899	- **

* RM 2

** RM 1

Notes To The Financial Statements

14. Inventories

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At net realisable value:				
Produce stocks	19,528	32,940	12,475	21,674
At cost:				
Estate stores	27,809	27,192	20,757	21,147
Raw materials	11,656	25,488	-	-
Finished goods	92,037	99,008	-	-
Inventory-in-transit	728	1,197	-	-
Consumables	5,075	4,133	-	-
	137,305	157,018	20,757	21,147
	156,833	189,958	33,232	42,821

Notes To The Financial Statements

15. Trade And Other Receivables

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current trade receivables					
Third parties		168,602	181,875	105	10
Due from subsidiary companies	(b)	-	-	40,628	67,884
Trade receivables, net	(a)	168,602	181,875	40,733	67,894
Other receivables					
Due from subsidiary companies	(b)	-	-	1,210	25,269
Due from an associated company	(c)	8	15	8	15
Due from joint venture	(c)	25,152	-	25,152	-
Deposits	(d)	980	73,666	83	66,578
Sundry receivables		43,365	38,478	11,270	8,987
		69,505	112,159	37,723	100,849
Less: Allowance for impairment: Sundry receivables		(519)	(795)	-	-
		68,986	111,364	37,723	100,849
Total trade and other receivables		237,588	293,239	78,456	168,743
Add: Cash and bank balances (Note 16(a))		473,711	272,292	371,285	152,566
Total loans and receivables		711,299	565,531	449,741	321,309

The average credit terms granted to the Group's customers are 10 to 75 days (2016: 10 to 75 days).

Notes To The Financial Statements

(a) Trade receivables

Ageing analysis of trade receivables

The ageing analysis of the Group's and the Company's trade receivables is as follows:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Neither past due nor impaired	168,224	181,462	40,733	45,761
1 to 30 days past due not impaired	193	218	-	22,133
31 to 60 days past due not impaired	56	35	-	-
61 to 90 days past due not impaired	64	90	-	-
91 to 120 days past due not impaired	65	70	-	-
	378	413	-	22,133
Impaired	-	-	-	-
	168,602	181,875	40,733	67,894

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. More than 98% (2016: 97%) of the Group trade receivables arise from customers with more than three years of business relationships with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM378,000 (2016: RM413,000) that are past due at the reporting date but not impaired. These receivables are unsecured.

Notes To The Financial Statements

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2017	2016
	RM'000	RM'000
Trade receivables - nominal amounts	-	-
Movement in allowance accounts:		
At 1 January	-	12
Written off	-	(12)
At 31 December	-	-

(b) Due from subsidiary companies (trade and non-trade)

The amounts due from subsidiary companies are unsecured. The trade debt due from a subsidiary company has a repayment term of 30 days and the overdue trade debt bears an average interest of approximately 3.37% per annum (2016: 3.40% per annum). All other amounts are repayable on demand and non-interest bearing.

(c) Due from an associated company and a joint venture

The amount due from an associated company and a joint venture are interest free, unsecured and repayable on demand.

(d) Deposits

Included in deposits of the Group is RM836,000 being deposits placed with a broker for Bursa Malaysia Derivatives Bhd. for crude palm oil futures. There were no deposits placed with a broker by the Company as at the balance sheet date. The deposit for the Group and the Company in 2016 was RM73,376,000 and RM66,349,000 respectively.

Notes To The Financial Statements

16. (a) Cash And Bank Balances

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash at banks and on hand	30,282	33,856	1,625	1,897
Deposits with licensed banks	443,429	238,436	369,660	150,669
Cash and bank balances (Note 15)	473,711	272,292	371,285	152,566

The weighted average interest rates during the financial year as at 31 December 2017 are as follows:

	Weighted average interest rates	
	2017	2016
	%	%
Deposits with licensed banks	3.94	4.29

(b) Short Term Funds

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Short term funds	377,874	418,622	136,224	273,194

Short term funds are investments in income trust funds in Malaysia. The trust funds invest in highly liquid assets which are readily convertible to known amount of cash with insignificant changes in value.

The weighted average interest rates during the financial year as at 31 December 2017 are as follows:

	Weighted average interest rates	
	2017	2016
	%	%
Short term funds	3.26	3.58

Notes To The Financial Statements

17. (a) Share Capital

	Number of ordinary shares		Amount	
	2017 Unit'000	2016 Unit'000	2017 RM'000	2016 RM'000
Authorised				
At 1 January and 31 December	-*	500,000	-*	500,000
Issued and fully paid:				
At 1 January	208,134	208,134	208,134	208,134
Transfer of share premium *	-	-	181,920	-
At 1 January and 31 December	208,134	208,134	390,054	208,134

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

* The Companies Act 2016 which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Pursuant to Section 618(2) of the Companies Act 2016, any outstanding share premium and capital redemption reserve accounts shall become part of share capital.

(b) Treasury Shares

The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe the purchase of treasury shares is in the best interests of the Company and its shareholders. The Company has the right to cancel, resell and/or distribute these shares as dividends at a later date. As treasury shares, the rights attached to voting, dividends and participation in other distribution are suspended.

As at 31 December 2017, the number of treasury shares held remained at 341,774 shares as there were no share buy-back nor any cancellation, re-sale or distribution or distribution of treasury shares in the current year. These treasury shares were held in accordance with the requirement of Section 127 of the Companies Act 2016.

	No of shares	Cost RM
2017		
As at the beginning/end of the financial year	341,774	8,634,700
2016		
As at the beginning/end of the financial year	341,774	8,634,700

The share buy-back was financed by internally generated funds.

Notes To The Financial Statements

18. Reserves

		Group		Company	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Distributable					
Retained profits	(a)	2,101,379	1,949,817	1,627,516	1,580,693
Non-distributable					
Share premium	(b)	-	181,920	-	181,920
Capital reserve	(c)	21,798	21,798	-	-
Foreign currency translation reserve	(d)	(4,299)	9,188	-	-
		17,499	212,906	-	181,920
Total		2,118,878	2,162,723	1,627,516	1,762,613

The nature and purpose of each category of reserve are as follows:

(a) Retained profits

The entire retained earnings can be distributed as dividend under the single tier system.

(b) Share premium

Pursuant to Section 618(2) of the Companies Act 2016 ("CA 2016"), any outstanding share premium and capital redemption reserve accounts shall become part of share capital in 2017.

(c) Capital reserve

The capital reserve is in respect of bonus shares issued by subsidiary companies out of their retained earnings.

(d) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from the translation of monetary items which form part of the Group's net investment in foreign operations.

Notes To The Financial Statements

19. Deferred taxation

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At 1 January	115,184	107,417	109,759	104,444
Recognised in profit or loss (Note 8)	13,605	7,442	13,192	5,315
Exchange differences	486	325	-	-
At 31 December	129,275	115,184	122,951	109,759
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	132,799	116,916	122,951	109,759
Deferred tax assets	(3,524)	(1,732)	-	-
	129,275	115,184	122,951	109,759

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Accelerated Capital Allowances	Others	Total
	RM'000	RM'000	RM'000
At 1 January 2017	125,689	-	125,689
Recognised in profit or loss	11,515	3,367	14,882
At 31 December 2017	137,204	3,367	140,571
At 1 January 2016	120,482	-	120,482
Recognised in profit or loss	5,207	-	5,207
At 31 December 2016	125,689	-	125,689

Notes To The Financial Statements

Deferred tax assets of the Group:

	Retirement Benefit Obligations	Others	Total
	RM'000	RM'000	RM'000
At 1 January 2017	(3,359)	(7,146)	(10,505)
Recognised in profit or loss	(220)	(1,057)	(1,277)
Exchange differences	113	373	486
At 31 December 2017	(3,466)	(7,830)	(11,296)
At 1 January 2016	(2,843)	(10,222)	(13,065)
Recognised in profit or loss	(516)	2,751	2,235
Exchange differences	-	325	325
At 31 December 2016	(3,359)	(7,146)	(10,505)

Deferred tax liabilities of the Company:

	Accelerated capital allowances RM'000
At 1 January 2017	111,960
Recognised in profit or loss	13,058
At 31 December 2017	125,018
At 1 January 2016	106,178
Recognised in profit or loss	5,782
At 31 December 2016	111,960

Notes To The Financial Statements

Deferred tax assets of the Company:

	Retirement Benefit Obligations	Others	Total
	RM'000	RM'000	RM'000
At 1 January 2017	(1,801)	(400)	(2,201)
Recognised in profit or loss	284	(150)	134
At 31 December 2017	(1,517)	(550)	(2,067)
At 1 January 2016	(1,631)	(103)	(1,734)
Recognised in profit or loss	(170)	(297)	(467)
At 31 December 2016	(1,801)	(400)	(2,201)

Notes To The Financial Statements

20. Retirement Benefit Obligations

The Company and certain subsidiary companies pay retirement benefits to their eligible employees in accordance with the terms of employment and practices. These plans are generally of the defined benefit type under which benefits are based on employees' years of service and at predetermined rates or average final remuneration, and are unfunded. From the financial year 2011 onwards, the subsidiaries in Indonesia provided employee benefits under the Labour Law No.13. No formal independent actuarial valuations have been undertaken to value the Group's obligations under these plans but are estimated by the Group. The obligations of the Group are based on the following actuarial assumptions:

	2017 %	2016 %
Discount rate in determining the actuarial present value of the obligations	6.0 - 7.5	6.0 - 7.5
The average rate of increase in future earnings	4.0 - 10.0	4.0 - 10.0
Turnover of employees	10.0 - 20.0	10.0 - 20.0

The amounts recognised in the statements of financial position are determined as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Present value of unfunded defined benefit obligations	14,597	14,003	6,321	7,503
At 1 January	14,003	11,854	7,503	6,798
Provision during the year	3,169	2,373	865	951
Write back during the year	(1,846)	-	(1,846)	-
Paid during the year	(276)	(523)	(201)	(246)
Exchange difference	(453)	299	-	-
At 31 December	14,597	14,003	6,321	7,503
Analysed as:				
Current	971	749	649	593
Non-current:				
Later than 1 year but not later than 2 years	515	362	335	140
Later than 2 years but not later than 5 years	1,997	2,534	926	1,476
Later than 5 years	11,114	10,358	4,411	5,294
	13,626	13,254	5,672	6,910
	14,597	14,003	6,321	7,503

Notes To The Financial Statements

Sensitivity analysis

The impact on changes of each significant actuarial assumption as at the end of the reporting period is as follows:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Discount rate increase by 1%	(1,495)	(1,397)	(570)	(678)
Discount rate decrease by 1%	1,730	1,588	670	795
The average rate of increase in future earnings increase by 1%	810	602	29	45
The average rate of increase in future earnings decrease by 1%	(743)	(575)	(29)	(45)
Turnover of employees increase by 1%	(124)	(121)	(26)	(44)
Turnover of employees decrease by 1%	79	69	26	44

Notes To The Financial Statements

21. Trade And Other Payables

		Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current trade payables					
Third parties	(a)	33,522	48,813	197	1,266
Other payables					
Due to subsidiary companies	(b)	-	-	3,242	829
Advances from customers		828	864	828	864
Accruals		44,886	40,683	37,169	33,200
Sundry payables		58,513	24,043	45,024	10,472
		104,227	65,590	86,263	45,365
Total trade and other payables		137,749	114,403	86,460	46,631
Add: Bank borrowings (Note 22)		111	106	-	-
Total financial liabilities carried at amortised cost		137,860	114,509	86,460	46,631

(a) Trade payables

Trade payables are non-interest bearing and the average credit terms granted to the Group and the Company range from 30 to 60 days (2016: 30 to 60 days).

(b) Due to subsidiary companies

Amounts due to subsidiary companies are interest free, unsecured and repayable on demand.

22. Bank Borrowings

	Group	
	2017 RM'000	2016 RM'000
Bank overdraft - unsecured	111	106

The interest rate applicable to the bank borrowings for the year was 6.70% (2016: 7.25%) per annum.

Notes To The Financial Statements

23. Dividends

	Group / Company			
	Amount		Net Dividends per Share	
	2017 RM'000	2016 RM'000	2017 sen	2016 sen
Final single-tier dividend paid in respect of previous financial year: - 20 sen per share (2016: 20 sen per share)	41,558	41,558	20.00	20.00
Special single-tier dividend paid in respect of previous financial year: - 65 sen per share (2016: 50 sen per share)	135,065	103,897	65.00	50.00
Interim single-tier dividend in respect of current financial year: - 20 sen per share (2016: 20 sen per share)	41,558	41,558	20.00	20.00
Special single-tier dividend in respect of current financial year: - 10 sen per share (2016: 10 sen per share)	20,779	20,779	10.00	10.00
	238,960	207,792	115.00	100.00

At the forthcoming Annual General Meeting, a final single-tier dividend of 20sen per share amounting to RM41,558,498 and a special single-tier dividend of 100sen per share amounting to RM207,792,492 in respect of the year ended 31 December 2017 on the ordinary shares in issue at book closure date will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect these proposed dividends. Such dividends, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2018.

24. Significant Inter-Company Transactions

	Company	
	2017 RM'000	2016 RM'000
Sale of raw materials to a subsidiary company	367,400	283,862
Sale of biomass and biogas steam to a subsidiary company	1,878	1,801
Interest charged to a subsidiary company	1,362	57

All transactions with the subsidiary companies are undertaken in the ordinary course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Notes To The Financial Statements

25. Significant Related Party Transactions

(a) Related Party Transactions

The Group entered into transactions with International Plantations Services Limited (IPS), a company incorporated in Bahamas. This company is deemed to be a related party by virtue of common directorship held by certain directors in IPS and the Group.

In addition to the inter-company balances and transactions detailed in Notes 11, 15, 21 and 24 of the financial statements, the Group and the Company had the following transactions with related parties during the year:

Nature Of Transactions	Amount Billed Group		Amount Billed Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sale of plant and equipment to Unifuji Sdn. Bhd.	11,792	-	-	-
Service fees paid to IPS	83	78	83	78

The Directors are of the opinion that the above related party transactions are undertaken in the ordinary course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Amount outstanding at 31 December:				
Due from IPS	24	208	24	208

The outstanding balances at the reporting date in relation to related party transactions are included in other receivables (Note 15).

(b) Compensation of key management personnel

The remuneration of key management during the year was as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short-term employee benefits	5,136	5,071	5,085	5,008
Post employment benefits: Defined contribution plan	678	658	678	658
	5,814	5,729	5,763	5,666

Notes To The Financial Statements

26. Segmental Information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:-

- The plantations segment carries on the business of oil palm and coconut cultivation and processing on its plantations in Peninsular Malaysia and Kalimantan, Indonesia. Under this segment, there is also an active Research Centre providing improved planting material for the Group's estates as well as for the Malaysian agricultural sector in general.
- The palm oil refining segment which carries on the business of palm oil processing, manufacturing of edible oils, fats, cocoa butter substitute and trading in crude palm oil and palm oil products.
- The other segments consist of bulking facilities which carry on the business of handling and storage of vegetable oils and molasses and holding companies for subsidiaries in Indonesia which are also involved in marketing and trading of the Group's products.

The Group's principal activities are the cultivation and processing of oil palm and coconut on plantations in Peninsular Malaysia and Indonesia. The activities of the subsidiary companies (except Unitata Berhad) are all incidental to the main activity and in terms of revenue, profit contribution and assets employed, they are insignificant. Inter-segment sales at fair market values have been eliminated.

The principal activity of Unitata Berhad is palm oil refining and its ancillary activities.

The analysis of Group operations is as follows:

(i) Business segments

	Plantations		Palm Oil Refining		Other Segments		Elimination		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue and expenses										
Revenue:										
External sales	414,273	353,863	1,058,592	873,015	1,458	1,506	-	-	1,474,323	1,228,384
Inter-segment sales	367,400	283,862	-	-	-	-	(367,400)	(283,862)	-	-
Total revenue	781,673	637,725	1,058,592	873,015	1,458	1,506	(367,400)	(283,862)	1,474,323	1,228,384
Results:										
Segment results/ operating profit	402,215	318,948	86,450	61,774	(13,810)	10,342	-	-	474,855	391,064
Investment and interest income	17,935	19,731	714	778	21,217	24,034	(13,754)	(17,650)	26,112	26,893
Interest expense	(12,411)	(17,613)	(1,365)	(59)	-	-	13,754	17,650	(22)	(22)
Share of results of joint venture	-	-	(101)	-	-	-	-	-	(101)	-
Income taxes	(87,072)	(71,670)	(21,107)	(15,135)	(376)	(323)	-	-	(108,555)	(87,128)
Net profit for the year									392,289	330,807

Notes To The Financial Statements

	Plantations		Palm Oil Refining		Other Segments		Elimination		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets and liabilities										
Segment assets	2,049,523	1,959,892	437,718	470,371	301,183	213,323	-	-	2,788,424	2,643,586
Investment in an associated company	-	-	-	-	50	50	-	-	50	50
Investment in a joint venture	29,899	-	-	-	-	-	-	-	29,899	-
Consolidated total assets									2,818,373	2,643,636
Segment liabilities	244,900	196,177	66,160	79,568	302	325	-	-	311,362	276,070
Consolidated total liabilities									311,362	276,070
Other information										
Capital expenditure *	171,871	112,327	4,873	15,745	8	-	-	-	176,752	128,072
Depreciation	44,160	34,627	10,223	10,153	39	39	-	-	54,422	44,819
Amortisation	30,380	28,561	-	-	-	-	-	-	30,380	28,561
Other significant non-cash expenses:										
Net write-down of inventories	-	272	-	-	-	-	-	-	-	272
Net realised foreign exchange (gain)/loss	-	-	(10,783)	(21,964)	2,135	(651)	-	-	(8,648)	(22,615)
Net unrealised foreign exchange (gain)/ loss	(1)	(32)	(14,029)	7,193	12,203	(11,832)	-	-	(1,827)	(4,671)

Notes To The Financial Statements

(ii) Geographical segments

In determining the geographical segments of the Group, revenue is based on the geographical location of customers. Total assets and capital expenditure are based on the geographical location of assets:

	Malaysia		Indonesia		Europe		United States		Others		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	680,080	468,382	189,759	168,914	481,413	448,675	59,491	122,836	63,580	19,577	1,474,323	1,228,384
Total assets	2,473,417	2,214,238	268,543	314,921	52,587	63,495	7,835	50,630	15,991	352	2,818,373	2,643,636
Capital expenditure *	166,758	117,575	9,994	10,497	-	-	-	-	-	-	176,752	128,072

* Capital expenditure presented above consist of the following items as presented in the consolidated statement of financial position:

		Group	
		2017 RM'000	2016 RM'000
Biological assets	10 (a)	39,815	44,163
Property, plant and equipment	10 (b)	135,767	82,408
Land use rights	10 (c)	1,170	1,501
		176,752	128,072

(iii) Information about a major customer

Revenue from one major customer amounted to RM961,186,000 (2016: RM788,194,000), arising from sales by the palm oil refining segment.

Notes To The Financial Statements

27. Capital Commitments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Capital expenditure approved by the directors but not contracted	116,111	220,106	96,806	198,797
Capital expenditure contracted but not provided for	17,650	11,761	15,220	9,500
	133,761	231,867	112,026	208,297
Share of capital commitments in a joint venture	-	30,000	-	30,000

28. Financial Instruments

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its interest rate, liquidity, foreign exchange, commodity price and credit risks. The Group operates within clearly defined guidelines that are approved by the Board.

During the year, the Group entered into commodity futures contracts. Control and monitoring procedures include, amongst others, setting of trading limits and the manner and timing of management reporting. Such derivative trading is also under the close supervision of the executive committee. These control procedures are periodically reviewed and enhanced where necessary in response to changes in market condition.

(b) Interest rate risk

The Group's primary interest rate risk relates to short term fixed rate term deposits with licensed banks and negotiable papers issued by licensed banks. The Group does not hedge this exposure. The maturity periods are mixed such that the Group's cash flow requirements are met while yielding a reasonable return. The effective interest rates are as disclosed in Note 16.

The Group's bank borrowings are insignificant to hedge. The effective interest rate is disclosed in Note 22.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 10 basis points higher/lower, with all other variables held constant, the Group's profit net of tax would have been RM653,000 (2016: RM614,000) higher/lower, arising as a result of higher/lower interest income from deposits with licensed banks, and the Group's retained earnings would have been RM653,000 (2016: RM614,000) higher/lower. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market movements.

Notes To The Financial Statements

(c) Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily RM and Indonesian Rupiah (“IDR”). The foreign currencies in which these transactions are denominated are mainly US Dollars (“USD”).

Approximately 65% (2016: 68%) of the Group’s sales are denominated in foreign currencies whilst almost 66% (2016: 78%) of costs are denominated in the respective functional currencies of the Group entities. The Group’s trade receivable and trade payable balances at the reporting date have similar exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances amounted to RM2,166,000 (2016: RM10,593,000) and RM308,000 (2016: RM475,000) for the Group and the Company respectively.

Foreign currency transactions denominated in IDR are not hedged while transactions in USD are hedged by forward currency contracts, whenever possible. The forward currency contracts must be in the same currency as the hedged item. It is the Group’s policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

At 31 December 2017, the Group hedged 100% (2016: 100%) and 0% (2016: 13%) of its foreign currency denominated sales and purchases respectively, for which firm commitments existed at the reporting date, extending to January 2020 (2016: December 2017).

The Group is also exposed to currency translation risk arising from its net investments in Indonesia.

Notes To The Financial Statements

The net unhedged financial assets of the Group that are not denominated in their functional currencies are as follows:

Functional currency of the Group	Indonesian Rupiah RM'000	Total RM'000
<hr/>		
At 31 December 2017:		
Ringgit Malaysia denominated advances to foreign subsidiaries	106,248	106,248
<hr/>		
At 31 December 2016:		
Ringgit Malaysia denominated advances to foreign subsidiaries	188,448	188,448
<hr/>		

The Group had entered into forward currency contracts with the following notional amounts and maturities:

	Currency	Maturities		Total notional amount RM'000
		Within 1 year RM'000	1 year up to 5 years RM'000	
<hr/>				
As at 31 December 2017:				
Forwards used to hedge receivables	USD	344,162	57,023	401,185
As at 31 December 2016:				
Forwards used to hedge receivables	USD	260,242	-	260,242
payables	USD	22,305	-	22,305
<hr/>				

The net recognised loss as at 31 December 2017 on forward exchange contracts used to hedge receivables and payables as at 31 December 2017 amounted to RM18,268,000 (31 December 2016: net recognised loss RM14,147,000).

Notes To The Financial Statements

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD and IDR exchange rates against the functional currencies of the Group entities, with all other variables held constant.

	Group	
	2017 RM'000 Profit net of tax	2016 RM'000 Profit net of tax
USD/RM		
- strengthened 3%	(11,414)	(5,747)
- weakened 3%	11,414	5,747
IDR/RM		
- strengthened 3%	3,097	5,489
- weakened 3%	(3,097)	(5,489)

(d) Credit risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Except for the amount due from a major customer of the palm oil refinery unit, the Group has no other significant concentration risk that may arise from exposures to a single debtor or to a group of debtors. Trade receivables are monitored on an ongoing basis via Company management reporting procedures (with the exception of fixed deposits and short term funds invested in income trust funds). The average credit terms granted to the Group's customers are 10 to 75 days.

Credit risk of commodity futures contracts arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Group and the Company have a gain position. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market prices.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position, including derivatives with positive fair values.

Notes To The Financial Statements

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the trade receivables of its operating segments on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	Group			
	2017		2016	
	RM'000	% of total	RM'000	% of total
By Segment:				
Plantations	2,211	1.31%	4,617	2.54%
Palm Oil Refining	166,254	98.61%	177,133	97.39%
Others	137	0.08%	125	0.07%
	168,602	100.00%	181,875	100.00%

At the reporting date, approximately 87% (2016: 94%) of the Group's trade receivables were due from a major customer of the palm oil refinery unit.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 15. Deposits with banks and other financial institutions, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 15.

Notes To The Financial Statements

(e) Liquidity risk

The Group actively manages its cash flows by monthly forecasts of funding requirements. As part of its prudent liquidity management, the Group maintains sufficient levels of cash or cash equivalents, banking facilities of a reasonable level to meet its working capital requirements. As far as possible, the Group funds significant long term investments with internal funding to achieve overall cost effectiveness.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted amounts.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
2017				
Financial liabilities:				
Trade and other payables	137,749	-	-	137,749
Derivatives	11,658	1,115	-	12,773
Bank borrowings	111	-	-	111
Total undiscounted financial liabilities	149,518	1,115	-	150,633
2016				
Financial liabilities:				
Trade and other payables	114,403	-	-	114,403
Derivatives	14,312	178	-	14,490
Bank borrowings	106	-	-	106
Total undiscounted financial liabilities	128,821	178	-	128,999

Notes To The Financial Statements

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Company				
2017				
Financial liabilities:				
Trade and other payables	86,460	-	-	86,460
Total undiscounted financial liabilities	86,460	-	-	86,460
2016				
Financial liabilities:				
Trade and other payables	46,631	-	-	46,631
Total undiscounted financial liabilities	46,631	-	-	46,631

(f) Market risk

Market risk is the potential change in value caused by movement in market prices. The contractual amounts stated under Note 28(g) provide only a measure of involvement in these types of transactions.

Notes To The Financial Statements

Sensitivity analysis for market price risk

At the reporting date, if the value of the derivatives as stated under Note 28(g) had been 3% higher/lower, with all other variables held constant, the Group's profit net of tax would have been RM237,000 (2016: RM177,000) higher/lower, arising as a result of higher/lower fair value gains on held for trading/hedging commodity future contracts, and the Group's retained earnings would have been higher/lower by the same amount, arising as a result of an increase/decrease in the fair value of the aforementioned commodity future contracts. As at the reporting date, the impact of changes in the commodity future market, with all other variables held constant, is immaterial to the Group's profit net of tax and equity.

(g) Derivatives

	Contract/ Notional Amount RM'000	Assets RM'000	Liabilities RM'000
Group 2017			
Non-hedging derivatives:			
Current			
Forward currency contracts	344,162	14,850	-
Commodity futures contracts	806,741	5,394	(11,658)
		20,244	(11,658)
Non-Current			
Forward currency contracts	57,023	3,417	-
Commodity futures contracts	149,535	-	(1,115)
		3,417	(1,115)
Total derivatives		23,661	(12,773)
Group 2016			
Non-hedging derivatives:			
Current			
Forward currency contracts	281,828	165	(14,312)
Commodity futures contracts	469,813	3,291	-
		3,456	(14,312)
Non-Current			
Commodity futures contracts	156,537	-	(178)
		-	(178)
Total derivatives		3,456	(14,490)

Notes To The Financial Statements

The Group uses forward currency contracts and commodity futures contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are used to hedge the Group's sales and purchases denominated in USD for which firm commitments existed at the reporting date, extending to January 2020 (2016: December 2017) (Note 28(c)).

During the financial year, the Group recognised a gain of RM10,888,000 (2016: loss of RM11,034,000) arising from fair value changes of derivative contracts. The fair value changes are attributable to changes in commodity prices and forward exchange rates.

Determination of fair value

Fair value of the commodity futures contracts is determined by reference to the difference between the contracted rate and the forward rate as at the reporting date.

Fair value of the forward currency contracts is determined by reference to the difference between the contracted rate and the market rate as at the reporting date.

(h) Fair value of financial instruments

The Group and the Company use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Notes To The Financial Statements

The Group held the following financial instruments carried at fair value in the statements of financial position:

	31 December			
	2017 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group				
Assets/(liabilities) measured at fair value				
Fair value through profit or loss:				
Short term funds	377,874	377,874	-	-
Commodity futures contracts	(7,379)	(7,379)	-	-
Forward currency contracts	18,267	-	18,267	-

	31 December			
	2016 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group				
Assets/(liabilities) measured at fair value				
Fair value through profit or loss:				
Short term funds	418,622	418,622	-	-
Commodity futures contracts	3,113	3,113	-	-
Forward currency contracts	(14,147)	-	(14,147)	-

Notes To The Financial Statements

29. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains acceptable capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions or expansion plans of the Group. The Group may adjust the capital structure by issuing new shares, returning capital to shareholders or adjusting dividend payment policies. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

The Group includes within net debt, bank borrowings (bank overdraft) and trade and other payables, less cash and bank balances. Capital includes equity attributable to the owners of the parent.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<u>Debt</u>				
Bank borrowings	111	106	-	-
Trade and other payables	137,749	114,403	86,460	46,631
	137,860	114,509	86,460	46,631
Less: Cash and bank balances	(473,711)	(272,292)	(371,285)	(152,566)
Net surplus of cash and bank balances over debt	(335,851)	(157,783)	(284,825)	(105,935)
Equity attributable to the owners of the parent	2,500,297	2,362,222	2,008,935	1,962,112
Total capital	2,500,297	2,362,222	2,008,935	1,962,112
Capital and net surplus of cash and bank balances over debt	2,836,148	2,520,005	2,293,760	2,068,047
Gearing ratio	-	-	-	-

There are no externally imposed capital requirements.

Statement By Directors

Pursuant to Section 251(2) of the Companies Act 2016

We, TAN SRI DATUK DR. JOHARI BIN MAT and DATO' CARL BEK-NIELSEN, being two of the Directors of United Plantations Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 200 to 277 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 February 2018.

TAN SRI DATUK
DR. JOHARI BIN MAT

DATO' CARL BEK-NIELSEN

Jendarata Estate
36009 Teluk Intan,
Perak Darul Ridzuan,
Malaysia.

Statutory declaration

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, NG ENG HO the Officer primarily responsible for the financial management of United Plantations Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 200 to 277 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed NG ENG HO at
Teluk Intan in the State of Perak Darul Ridzuan
on 26 February 2018.

NG ENG HO

Before me,

Siti Suhadah Bt Shoeb
Commissioner For Oaths,
Teluk Intan,
Perak Darul Ridzuan,
Malaysia.

Independent auditors' report to the members of United Plantations Berhad (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of United Plantations Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 200 to 277.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2017 and their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards ("FRS") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and of the Company. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue Recognition
(Refer to Notes 2.3(h) and 4 to the financial statements)

Revenue from sale of finished goods recognised by the Group during the year amounted to RM1,059 million. Given the nature of the manufacturing operations of the Group, we identified revenue recognition in respect of sale of finished goods to be an area of audit focus as we consider the high volume of transactions for numerous types of finished goods produced by the Group to be a possible cause of higher risk of material misstatements in the timing and amount of revenue recognised. Specifically, we focused our audit efforts to determine the possibility of overstatement of revenue.

How our audit addresses this matter

Our audit procedures for revenue recognition included testing the Group's internal controls over timing and amount of revenue recognised. We inspected the terms of significant sales contracts to determine the point of transfer of significant risk and rewards. We have independently obtained third party confirmation of sales for the year from a key customer. We have also inspected documents which evidenced the delivery of goods to customers. We also focused on testing the recording of sales transactions close to the year end, including credit notes issued after year end, to establish whether the transactions were recorded in the correct accounting period.

Biological Asset
(Refer to Notes 2.3(d)(i) and 10(a) to the financial statements)

During the current financial year ended 31 December 2017, the Company capitalised a total pre-cropping (i.e replanting) expenditure of RM39.82 million as part of its biological assets. Due to the significance of the expenditure incurred, we consider this to be an area requiring audit focus. Specifically, we focused our audit efforts to determine whether the capitalisation of pre-cropping expenditure was made in accordance with the Group's policy and whether any expenditure incurred ought to be expensed to the income statement.

How our audit addresses this matter

Our audit procedures to address this area of focus included amongst others:

- (a) testing the effectiveness of the internal controls at estate level in respect of recording and categorization of pre-cropping expenditure. We inspected documents such as contracts with suppliers to support the expenditure incurred such as land clearing, seedling, labour and manuring costs;
- (b) testing the allocation of expenditure by fields categorised by matured and immature fields;
- (c) testing whether the expenditure incurred on matured fields were appropriately expensed to the income statement; and
- (d) performing analytical procedures by setting expectations of the estimated pre-cropping expenditure for each stage of pre-cropping (using historical and industry data) and comparing our expectations to the actual results.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view accordance with FRS and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the up's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (d) Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 3 to the financial statements.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG
AF: 0039
Chartered Accountants

HOH YOON HOONG
No. 02990/08/2018 J
Chartered Accountant

Kuala Lumpur, Malaysia
24 February 2018

Shareholders Information As At 30 January 2018

Issued Capital	:	No. of shares 208,134,266 (including 341,774 treasury shares)
Class of Shares	:	Ordinary Shares
Voting Rights	:	One Vote per ordinary share

Categories Of Shareholders As At 30 January 2018

Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Issued Capital *
Less than 100 shares	183	5.23	4,271	0.00
100 to 1,000 shares	1,723	49.22	1,283,929	0.62
1,001 to 10,000 shares	1,265	36.13	4,557,772	2.19
10,001 to 100,000 shares	257	7.34	7,811,934	3.76
100,001 to less than 5% of issued shares	67	1.91	51,927,980	24.99
5% and above of issued shares	6	0.17	142,206,606	68.44
Total	3,501	100.00	207,792,492	100.00

Substantial Shareholders As At 30 January 2018

Name of Shareholder	Direct Interest No. of Shares	% of Issued Capital *	Deemed Interest No. of Shares	% of Issued Capital *
1. Maximum Vista Sdn. Bhd. (MVSB)	89,607,800	43.12	-	-
2. Employees Provident Fund Board	29,033,648	13.97	-	-
3. Perbadanan Pembangunan Pertanian Negeri Perak (Perbadanan)	13,065,158	6.29	330,000*5	0.16
4. United International Enterprises Limited (UIEL)	9,718,571	4.68	89,607,800*1	43.12
5. C & M Holding Limited (C & M HL)	-	-	99,326,371*2	47.80
6. Brother's Holding Ltd (BHL)	-	-	99,326,371*2	47.80
7. Ybhg. Dato' Carl Bek-Nielsen	2,392,491	1.15	99,371,429*3	47.82
8. Mr. Martin Bek-Nielsen	552,389	0.27	99,329,371*4	47.80
9. Standard Life Aberdeen PLC and its subsidiary	-	-	11,860,400*6	5.71
10. AmanahRaya Trustees Berhad - Amanah Saham Malaysia	10,500,000*7	5.05	-	-

*Notes

- (1) Deemed interest by virtue of substantial shareholdings in MVSB.
- (2) Deemed interest by virtue of substantial shareholdings in MVSB and UIEL.
- (3) Deemed interest by virtue of substantial shareholdings in MVSB, UIEL and through immediate family members.
- (4) Deemed interest by virtue of substantial shareholdings in MVSB, UIEL and through immediate family members.
- (5) Deemed interest by virtue of shares held by subsidiary company of Perbadanan.
- (6) Deemed interest through its shareholding in Standard Life Aberdeen PLC and its subsidiary.
- (7) Direct interest in the shareholdings in UP registered in the name of AmanahRaya Trustees Berhad.

Directors' Shareholdings As At 30 January 2018

Name of Director	Direct Interest No. of Shares	% of Issued Capital *	Deemed Interest No. of Shares	% of Issued Capital *
Ybhg. Tan Sri Datuk Dr. Johari Bin Mat	90,000	0.04	10,000	-
Ybhg. Dato' Carl Bek-Nielsen	2,392,491	1.15	99,371,429	47.82
Mr. Ho Dua Tiam	707,400	0.34	-	-
Mr. Ahmad Riza Basir	70,500	0.03	-	-
Y. Hormat Dato' Jeremy Derek Campbell Diamond	14,000	0.01	273,000	0.13
Mr. Martin Bek-Nielsen	552,389	0.27	99,329,371	47.80
Mr. Loh Hang Pai	26,000	0.01	-	-
Mr. R. Nadarajan	-	-	-	-
Madam Rohaya binti Mohammad Yusof	-	-	-	-

Shareholders Information

Thirty (30) Largest Shareholders As At 30 January 2018		
Name of Shareholder	No. of Shares	% of Issued Capital*
1. Maximum Vista Sdn Bhd	86,891,100	41.82
2. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	27,860,648	13.41
3. Perbadanan Pembangunan Pertanian Negeri Perak	13,065,158	6.29
4. Amanahraya Trustees Berhad Amanah Saham Malaysia	10,500,000	5.05
5. United International Enterprises Limited	9,694,656	4.67
6. HSBC Nominees (Asing) Sdn Bhd BPSS Lux For Aberdeen Global - Asian Smaller Companies Fund	4,464,500	2.15
7. Amanahraya Trustees Berhad Amanah Saham Didik	2,754,900	1.33
8. Maximum Vista Sdn Bhd	2,716,700	1.31
9. Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	2,627,600	1.26
10. BHR Enterprise Sdn Bhd	2,422,440	1.17
11. Ybhg. Dato' Carl Bek-Nielsen	2,307,491	1.11
12. Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	2,020,000	0.97
13. HSBC Nominees (Asing) Sdn Bhd Exempt An for Danske Bank A/S (Client Holdings)	1,920,374	0.92
14. DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt An for The Bank of New York Mellon SA/NV (Jyske Clients)	1,449,020	0.70
15. HSBC Nominees (Asing) Sdn Bhd BNP Paribas SECS SVS Paris For Aberdeen Asian Smaller Companies Investment Trust PLC	1,352,600	0.65
16. DB (Malaysia) Nominee (Asing) Sdn Bhd BNYM SA/NV For First State Investments ICVC - Stewart Investors Asia Pacific Sustainability Fund	1,309,900	0.63
17. DB (Malaysia) Nominee (Asing) Sdn Bhd BNYM SA/NV for Nykredit Bank A/S	1,278,730	0.62
18. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Aberdeen)	1,173,000	0.56
19. KAF Nominees (Tempatan) Sdn. Bhd. Bernam Nominees (Tempatan) Sdn Bhd for Jendarata Bernam Provident Fund	1,147,012	0.55
20. HSBC Nominees (Asing) Sdn Bhd JPMCB NA For Pacific Assets Trust Plc	932,000	0.45
21. HSBC Nominees (Asing) Sdn Bhd BPSS LUX For Aberdeen Global - Emerging Markets Smaller Companies Fund	746,400	0.36
22. Mr. Ho Dua Tiam	707,400	0.34
23. Citigroup Nominees (Asing) Sdn Bhd Exempt An for Citibank N.A (Nordea Bk A/S/C)	685,330	0.33
24. KAF Nominees (Tempatan) Sdn. Bhd. Bernam Nominees (Tempatan) Sdn Bhd for United Plantations Berhad Education And Welfare Fund	675,000	0.32
25. DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund AM4N for Aberdeen Institutional Commingled Funds LLC	669,000	0.32
26. Amanahraya Trustees Berhad Public Islamic Select Treasures Fund	662,200	0.32
27. Amsec Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen)	652,000	0.31
28. Mr. Martin Bek-Nielsen	552,389	0.27
29. Citigroup Nominees (Asing) Sdn Bhd Exempt An for UBS Switzerland AG (Clients Assets)	513,846	0.25
30. M & A Nominee (Tempatan) Sdn Bhd Jendarata Bernam Provident Fund	501,200	0.24
	184,252,594	88.67

* calculated based on 207,792,492 shares which do not include 341,774 treasury shares

Comparative Statistics - 10 Years

Year ended 31 December	2017 RM'000's	2016 RM'000's	2015 RM'000's	2014 RM'000's	2013 RM'000's	2012 RM'000's	2011 RM'000's	2010 RM'000's	2009 RM'000's	2008 RM'000's
Balance Sheet Analysis										
Issued Capital (no. of shares 000's)	208,134	208,134	208,134	208,134	208,134	208,134	208,134	208,134	208,134	208,134
Reserve	2,110,243	2,154,088	2,027,264	1,916,377	1,985,150	1,942,594	1,788,252	1,563,935	1,430,011	1,224,853
Non-Controlling Interests	6,714	5,344	3,158	2,417	1,076	420	207	505	125	619
Funds Employed	2,507,011	2,367,566	2,238,556	2,126,928	2,194,360	2,151,148	1,996,593	1,772,574	1,638,270	1,433,606
Biological Assets										
Property, Plant and Equipment	1,029,474	970,642	936,861	921,362	921,776	916,640	902,084	874,153	846,380	744,175
Land Use Rights	34,115	36,192	33,890	32,042	31,110	34,071	31,763	30,794	31,173	25,105
Other Non-Current Assets	36,890	1,782	6,496	21,147	17,114	9,829	7,811	9,600	10,603	28,301
Current Assets	1,273,309	1,186,289	1,074,585	960,481	1,049,281	1,030,654	880,664	736,347	627,011	606,157
Total Assets	2,818,373	2,643,636	2,476,579	2,333,752	2,396,000	2,371,341	2,200,269	2,006,160	1,836,988	1,645,083
Less: Liabilities	311,362	276,070	238,023	206,824	201,640	220,193	203,676	233,586	198,718	211,477
Net Assets Employed	2,507,011	2,367,566	2,238,556	2,126,928	2,194,360	2,151,148	1,996,593	1,772,574	1,638,270	1,433,606
Other Data										
Profit Before Tax	500,844	417,935	375,997	355,604	340,476	454,239	491,541	349,460	372,797	397,818
Tax	108,555	87,128	83,566	76,233	87,989	111,688	117,955	84,753	91,913	98,259
Net Profit	392,289	330,807	292,431	279,371	252,487	342,551	373,586	264,707	280,884	299,559
Non-Controlling Interests	(1,767)	(1,319)	(881)	(1,341)	(656)	(310)	365	(400)	591	-
Profit attributable to equity owners of the Parent	390,522	329,488	291,550	278,030	251,831	342,241	373,951	264,307	281,475	299,559
Earnings Per Share (in sen)	189.00	158.56	141.00	134.00	121.00	165.00	180.00	127.00	134.95	143.93
Net Dividend Rate (in sen) (Ordinary Share)										
- Interim and Final	150.00	115.00	90.00	165.00	93.87	93.75	90.00	67.50	52.50	37.50
Share Prices On The Bursa Malaysia Securities Berhad										
Highest	28.98	28.44	28.00	29.50	33.26	28.00	21.16	17.70	14.00	14.60
Lowest	26.82	24.62	23.38	22.96	24.70	19.16	16.00	13.32	9.70	7.85
Production -Malaysia										
Palm Oil - own - Tonnes	158,060	134,999	151,988	144,162	146,962	161,407	165,408	164,066	198,883	203,864
Palm Kernel - own - Tonnes	35,373	29,631	34,256	33,885	35,118	40,331	42,163	42,522	53,134	55,537
Coconuts - Nuts ('000)	75,252	86,052	77,501	68,424	74,678	74,110	71,763	83,331	75,541	83,626
FFBYield per hectare - Tonnes	25.46	21.11	24.24	22.97	22.42	25.05	25.16	24.61	29.05	29.60
CPOYield per hectare - Tonnes	5.34	4.64	5.32	5.09	4.95	5.48	5.47	5.28	6.31	6.38
Palm Oil extraction rate - %	20.97	21.97	21.95	22.17	22.07	21.86	21.73	21.46	21.73	21.54
Palm Kernel extraction rate - %	4.69	4.82	4.95	5.21	5.27	5.46	5.54	5.56	5.81	5.87
CoconutsYield per hectare - Nuts	25,345	30,305	27,747	25,056	26,858	26,077	24,771	28,135	22,616	25,037
Cost Of Production - Malaysia **										
Palm Oil - Per Tonne	1,197	1,221	1,032	1,064	1,006	894	817	768	678	711
Palm Kernel - Per Tonne	386	365	318	316	298	270	233	213	170	170
Average Sales Price										
Palm Oil - Per Tonne	2,578	2,424	2,163	2,353	2,702	3,017	3,050	2,408	2,242	2,368
Palm Kernel - Per Tonne	2,650	2,138	1,493	1,774	1,283	1,584	2,168	1,532	1,031	1,691
Production -Indonesia										
Palm Oil - own - Tonnes	47,459	44,143	48,159	41,440	36,529	35,182	24,747	5,435	-	-
Palm Kernel - own - Tonnes	8,387	7,948	8,266	7,044	6,793	6,679	4,277	830	-	-
FFBYield per hectare - Tonnes	22.56	19.53	20.02	16.86	15.84	17.50	16.22	14.98	-	-
CPOYield per hectare - Tonnes	5.25	4.81	5.03	4.24	3.88	4.27	3.84	2.12	-	-
Palm Oil extraction rate - %	23.29	24.62	25.15	25.17	24.41	24.38	23.80	21.23	-	-
Palm Kernel extraction rate - %	4.12	4.43	4.32	4.28	4.54	4.63	4.14	3.24	-	-
Cost Of Production - Indonesia										
Palm Oil - Per Tonne	1,471	1,570	1,374	1,319	1,396	1,434	1,862	1,983	-	-
Palm Kernel - Per Tonne	517	479	496	521	509	516	413	828	-	-
Average Sales Price										
Palm Oil - Per Tonne	2,572	2,316	2,002	2,301	2,179	2,381	2,553	2,755	-	-
Palm Kernel - Per Tonne	2,049	1,899	1,198	1,305	997	1,032	1,247	2,000	-	-

Notes:

* Production of CPO and PK commenced in July 2010.

** Cost of production figures include depreciation.

Group Properties As At 31 December 2017

Properties	Tenure	Area In Hectares	Description	Age In Years	Net Tangible Asset Value RM '000
Jendarata Estate	Leasehold		Registered Office - 1,369 sq.m.	53	2,282
36009 Teluk Intan	Expiring on:		Research Station - 1,070 sq.m.	52	1,164
Perak Darul Ridzuan	15.01.2062	594.58	Oil Palm & Coconut Estate		109,090
	07.06.2104	610.53	Palm Oil Mill	} 10,032 sq.m.	6,807
	07.06.2104	36.07	Biomass Plant		12
	20.11.2067	982.45			
	22.08.2068	149.68			
	Yr to Yr	33.62			
	Freehold	3,932.07			
Kuala Bernam Estate	Freehold	830.11	Coconut Estate		12,232
Batu 18, Jalan Bagan Datoh					
36300 Sungai Sumun					
Perak Darul Ridzuan					
Sungei Bernam Estate	Leasehold		Coconut Estate	43	30,524
Sungai Ayer Tawar	Expiring on:				
45200 Sabak Bernam	Yr to Yr	16.59			
Selangor Darul Ehsan	28-03-2056	1.33			
	Freehold	2,274.11			
Ulu Bernam Estate	Leasehold		Oil Palm Estate		51,597
36500 Ulu Bernam	Expiring on:		Palm Oil Mill - 8,193 sq.m.	85	2,108
Perak Darul Ridzuan	Yr to Yr	95.31	Optimill/Biogass/Unifuji - 545,100 sq.m	0	27,384
	Freehold	3,098.57			
Changkat Mentri Estate	Leasehold		Oil Palm Estate		16,934
36500 Ulu Bernam	Expiring on:				
Perak Darul Ridzuan	26.11.2067	1,538.60			
	01-10-2081	162.94			
	Freehold	847.77			
Ulu Basir Estate	Leasehold		Oil Palm Estate		52,832
36500 Ulu Bernam	Expiring on:		Palm Oil Mill - 6,352 sq.m.	28	647
Perak Darul Ridzuan	26-11-2067	11.40			
	20-01-2087	2,468.00			
	08.12.2099	159.50			
	Yr to Yr	129.44			
	Freehold	1,218.62			
Sungei Erong Estate	Leasehold		Oil Palm Estate		42,593
36500 Ulu Bernam	Expiring on:				
Perak Darul Ridzuan	02.11.2064	53.90			
	08-04-2033	809.39			
	Yr to Yr	43.18			
	Freehold	2,756.53			
Sungei Chawang Estate	Freehold	3,280.69	Oil Palm Estate		44,127
36500 Ulu Bernam	Yr to Yr	5.50			
Perak Darul Ridzuan					
Seri Pelangi Estate	Leasehold		Oil Palm Estate		8,384
Batu 11 3/4	Expiring on:				
Jalan Bidor	15.06.2068	1,419.02			
36000 Teluk Intan	Freehold	2.82			
Perak Darul Ridzuan					
Lima Blas Estate	Freehold	2,888.89	Oil Palm Estate		140,353
35800 Slim River					
UIE	Leasehold		Oil Palm Estate		404,686
Pantai Remis	Expiring on:		Palm Oil Mill - 6,148 sq.m.	26	1,493
Perak Darul Ridzuan	23.12.2103	10,359.26			
	Freehold	9.94			
Unitata Berhad	Freehold	18.45	Palm Oil Refinery	} Buildings	26,249
36009 Teluk Intan			Complex, Soap Plant,		
Perak Darul Ridzuan			Cebes Plant		
Bernam Bakery	Freehold	0.45	Bakery	33	185
36009 Teluk Intan					
Perak Darul Ridzuan					
Butterworth	Leasehold		Bulking & Storage & Rigging Facilities		
Bulking Installation	Expiring on:				
4536 Deep Water Wharf	31-08-2019	0.84		45	48
12100 Butterworth					
PT Surya Sawit Sejati	Leasehold		Oil Palm Estate		159,864
Pangkalan Bun, Central Kalimantan, Indonesia	Expiring on:		Palm Oil Mill - 90,000 sq.m.	8	7,447
	24.09.2040	2,508.47			
	**	16,154.29			

Notes :

* Estate Includes Land, Pre-cropping Cost and Buildings

** awaiting issue of lease

Group's Plantation Properties As At 31 December 2017

	Jendarata Hect.	Kuala Bernam Hect.	Sungei Bernam Hect.	Ulu Bernam Hect.	Changkat Mentri Hect.	Ulu Basir Hect.	Sungei Erang Hect.	Sungei Chawang Hect.	Seri Pelangi Hect.	Lima Blas Hect.	UIE Hect.	PT Surya Sawit Sejati Hect.	Total
OIL PALM :													
Mature	4,428			1,727	2,364	3,363	3,417	2,816	1,337	2,579	7,353	9,085	38,419
Immature-Planted 2015	356			353			83	322		164	270		1,548
Immature-Planted 2016	365			333		374		96			1,117		2,285
Immature-Planted 2017	267			643			8	6			470		1,394
Sub-Total	5,416			3,056	2,364	3,737	3,508	3,240	1,337	2,743	9,210	9,085	43,646
COCONUT :													
Mature	20	811	2,134										2,965
Immature-Planted 2014	81		85										166
Immature-Planted 2015											105		105
Immature-Planted 2016	168										169		337
Immature-Planted 2017	299		36								250		585
Sub-Total	568	811	2,255								524		4,158
OTHER AREAS:													
Other Crops	15												15
Plasma Areas												1,285	1,285
Conservation (jungle areas, shrub land, swamps & wetlands)					12					85	91	8,251	8,439
Buildings, roads, drains, air-strip, nurseries, toddy tapping areas, railway, OPTIMILL etc.	340	19	37	138	173	250	155	46	85	61	545	92	1,941
TOTAL	6,339	830	2,292	3,194	2,549	3,987	3,663	3,286	1,422	2,889	10,370	18,663	59,484

Oil Palm		
Age in years	Hectares	% Under crop
4 - 5	6,694	15
6 - 8	7,617	17
9 - 18	19,546	45
19 and above	4,562	10
Mature	38,419	88
Immature	5,227	12
Total	43,646	100

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 97th Annual General Meeting of the Company will be held at Jendarata Estate, 36009 Teluk Intan, Perak Darul Ridzuan, Malaysia on Tuesday, 24 April 2018 at 10.00 a.m. for the purpose of considering the following business:-

	Ordinary Resolutions
1. To receive and consider the financial statements for the year ended 31 December 2017 together with the Reports of the Directors and the Auditors thereon.	1
2. To approve the payment of a Final Single-tier dividend of 20sen and a Special Single-tier dividend of 100sen for the year ended 31 December 2017.	2
3. To approve Directors' fees (inclusive of Board Committees' fees) of RM786,000 for the financial year ended 31 December 2017.	3
4. To approve the Director's benefits (other than Director's fees) of RM5,243,660 for the financial year ended 31 December 2017.	4
5. To re-elect as Director Y. Hormat Dato' Jeremy Derek Campbell Diamond who retires by rotation pursuant to Article 92 of the Company's Articles of Association.	5
6. To re-elect as Director Mr. Martin Bek-Nielsen who retires by rotation pursuant to Article 92 of the Company's Articles of Association.	6
7. To re-elect as Director Mr. Loh Hang Pai who retires by rotation pursuant to Article 92 of the Company's Articles of Association.	7
8. To re-elect as Director Madam Rohaya binti Mohammad Yusof who retires pursuant to Articles 84 of the Company's Articles of Association.	8
9. To re-appoint Messrs. Ernst & Young as auditors of the Company for the year 2018 and to authorize the Directors to fix their remuneration.	9

As Special Business

To consider and if thought fit, to pass the following resolutions:

- (i) Proposed Continuation in Office as Independent Non-Executive Directors

Notice Of Annual General Meeting

- | | | |
|-----|---|----|
| 10. | “That Ybhg. Tan Sri Datuk Dr. Johari bin Mat having served as Independent Non-Executive Director for a cumulative term of more than 9 years, continue to act as Independent Non-Executive Director of the Company.” | 10 |
| 11. | “That Mr. Ahmad Riza Basir having served as Independent Non-Executive Director for a cumulative term of more than 9 years, continue to act as Independent Non-Executive Director of the Company.” | 11 |
| 12. | “That Y. Hormat Dato’ Jeremy Derek Campbell Diamond having served as Independent Non-Executive Director for a cumulative term of more than 9 years, continue to act as Independent Non-Executive Director of the Company.” | 12 |
| | (ii) Proposed Renewal of Authority for Purchase of Own Shares | |
| 13. | “THAT, subject to the Companies Act, 2016 (“the Act”)(as may be amended, modified or re-enacted from time to time), the Company’s Articles of Association, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and approvals of all relevant governmental and/or regulatory authorities, where applicable, the Company be and is hereby authorized to purchase and/or hold such amount of ordinary shares in the Company (Proposed Share Buy-Back) as may be determined by the Directors of the Company from time to time and upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of ordinary shares purchased and/or held pursuant to this resolution shall not exceed ten per centum (10%) of the total issued share capital of the Company at any given point in time and an amount of funds not exceeding the total retained profits of the Company based on the audited financial statements for the financial year ended 31 December 2017 be utilized by the Company for the Proposed Share Buy-Back AND THAT at the discretion of the Directors of the Company, the ordinary shares of the Company to be purchased may be cancelled and/or retained as treasury shares and subsequently distributed as dividends or resold on Bursa Malaysia or be cancelled AND THAT the Directors of the Company be and are hereby empowered generally to do all acts and things to give effect to the Proposed Share Buy-Back AND THAT such authority shall commence immediately upon passing of this ordinary resolution until: | 13 |
| | (i) the conclusion of the next Annual General Meeting of the Company (“AGM”) in 2019 at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or | |

Notice Of Annual General Meeting

- (ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is earlier; but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid date and in any event, in accordance with the provisions in the guidelines issued by Bursa Malaysia and/or by any other relevant authorities.”

- (iii) Authority for Directors to issue shares pursuant to Section 75 and 76 of the Companies Act, 2016

14. “THAT, pursuant to Section 75 and 76 of the Companies Act, 2016 and subject always to the approval of the relevant authorities, the Directors be and are hereby authorised to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors be and are also authorised to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next annual general meeting of the company.” 14

Special
Resolution

- (iv) Special Resolution-Proposed adoption of new Constitution of the Company
15. “ THAT approval be and is hereby given to adopt the new Constitution of the Company as set out in Part B of the Circular to shareholders dated 26 February 2018 accompanying the Company’s Annual Report 2017 in place of the existing Memorandum and Articles of Association of the Company with immediate effect.” 15

Notice Of Annual General Meeting

Notice on Entitlement and payment of Final Dividend and Special Dividend

NOTICE IS HEREBY GIVEN THAT the Final Single-tier dividend of 20sen and a Special Single-tier dividend of 100sen, if approved at the 97th Annual General Meeting will be paid on 18 May 2018 to shareholders whose names appear in the Record of Depositors and the Register of Members at the close of business on 30 April 2018.

A Depositor shall qualify for entitlement only in respect of :-

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 30 April 2018 in respect of transfers; and
- (b) Shares bought on Bursa Malaysia on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

NG ENG HO
Company Secretary

Jendarata Estate,
36009 Teluk Intan,
Perak Darul Ridzuan,
Malaysia
26 February 2018

Notice Of Annual General Meeting

Notes

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to vote in his stead other than an exempt authorized nominee who may appoint multiple proxies in respect of each Omnibus account held. A proxy need not be a member of the Company. If you wish to appoint as your proxy someone other than the Chairman or Vice Chairman of the meeting, cross out the words The Chairman or Vice Chairman of the meeting and write on the lines the full name and address of your proxy.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Jendarata Estate, 36009 Teluk Intan, Perak Darul Ridzuan, Malaysia not less than 48 hours before the time set for the meeting. The number of shares to be represented by the proxy should be stated in the proxy form.
3. Where this Form of Proxy is executed by a corporation, it must be either under seal or under the hand of any officer or attorney duly authorised.
4. A proxy may vote or abstain from voting as he thinks fit on a specified resolution, if no indication is given on the proxy form by the member appointing the proxy. Voting on all resolutions to be proposed at the AGM will be by way of a poll.
5. In the case of joint shareholders the proxy form signed by the first named registered shareholder on the register shall be accepted to the exclusion of the other registered shareholder(s). If voting is in person(s) the vote of the first shareholder who tenders the vote shall be taken.
6. For shares listed on the Bursa Malaysia, only a depositor whose name appears on the Record of Depositors as at 18 April 2018 shall be entitled to attend the said meeting or appoint a proxy or proxies to attend and/or vote on his/her behalf.

Notice Of Annual General Meeting

Notes On The Special Business

For Ordinary Resolutions 10 - 12 Proposed Continuation In Office As Independent Non-Executive Director

The Nomination Committee has assessed the independence of the Directors who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than 9 years and recommend them to continue to act as Independent Non-Executive Directors of the Company.

Ybhg. Tan Sri Datuk Dr. Johari bin Mat

His vast experience and diversified background has contributed significantly to the performance monitoring and enhancement of good corporate governance. In his capacity as Chairman of the Company for the past 15 years, he has provided leadership, independent views, objective assessments and opinions. He has been with the Company for more than 16 years and is familiar with the Company's business operations.

Mr. Ahmad Riza Basir

A lawyer by training, his experience, expertise and independent judgment has contributed to the effective discharging of his duties. He has devoted sufficient time and attention to his professional obligations for informed and balanced decision making as an Independent Non-Executive Director. He has been with the Company for more than 17 years and is familiar with the Company's business operations.

Y. Hormat Dato' Jeremy Derek Campbell Diamond

A planter by profession, his vast knowledge acquired during his tenure within the plantation industry has enabled him to provide the Board with a diverse set of experience and expertise. His role as Chairman of the Audit Committee is one that he has discharged with due care and diligence. He has carried out his professional duties as an Independent Non-Executive Director in the best interest of the Company. He has been with the Company for more than 16 years and is familiar with the Company's business operations.

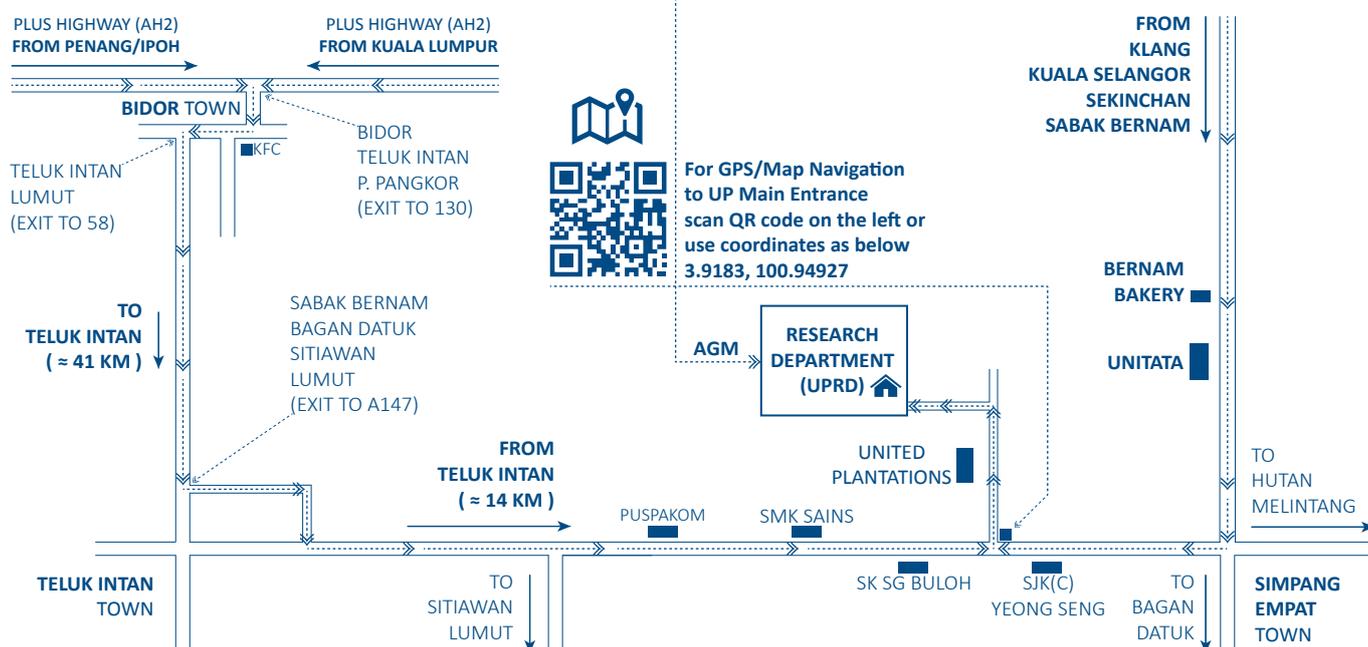
For Ordinary Resolution 13 - Please refer to explanatory information in Part A of the Circular to Shareholders dated 26 February 2018.

For Ordinary Resolution 14 - The Board continues to consider strategic opportunities to broaden the earnings potential of the Company and this may involve equity deals which may require the company to issue new shares. If passed, will provide flexibility to the Directors to undertake any possible fund raising activities, including but not limited to further placing of shares for the funding of the Company's future investment projects, working capital and/or acquisitions, by issuance of shares at any time up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next annual general meeting of the company.

For Special Resolution 15 - Please refer to explanatory information in Part B of the Circular to Shareholders dated 26 February 2018.

97TH ANNUAL GENERAL MEETING

Venue : Borge Bek-Nielsen Auditorium (UPRD)
 Date : 24 April 2018
 Time : 10:00 am



FINANCIAL CALENDAR

FINANCIAL YEAR END **DEC 31** 2017

<p>2018</p> <p>ANNOUNCEMENTS OF RESULTS</p>	<p>ANNOUNCEMENT OF ANNUAL REPORT 2017</p> <p>FEBRUARY</p> <p>26</p>	<p>FIRST QUARTER</p> <p>APRIL</p> <p>24</p>	<p>SECOND QUARTER</p> <p>AUGUST</p> <p>20</p>	<p>THIRD QUARTER</p> <p>NOVEMBER</p> <p>12</p>
<p>2018</p> <p>PUBLISHED ANNUAL REPORT AND FINANCIAL STATEMENTS</p>	<p>NOTICE OF ANNUAL GENERAL MEETING</p> <p>FEBRUARY</p> <p>26</p>	<p>ANNUAL GENERAL MEETING</p> <p>APRIL</p> <p>24</p>		
<p>2017</p> <p>INTERIM DIVIDEND</p>	<p>ANNOUNCEMENT</p> <p>NOVEMBER</p> <p>13</p>		<p>ENTITLEMENT DATE</p> <p>NOVEMBER</p> <p>28</p>	<p>PAYMENT DATE</p> <p>DECEMBER</p> <p>14</p>
<p>2018</p> <p>FINAL DIVIDEND</p>	<p>ANNOUNCEMENT</p> <p>FEBRUARY</p> <p>26</p>	<p>ENTITLEMENT DATE</p> <p>APRIL</p> <p>30</p>	<p>PAYMENT DATE (TENTATIVE)</p> <p>MAY</p> <p>18</p>	

Planted Area (Hectares) 31 December 2017

Estate	Oil Palm	Coconut	Other Crops	Total
UIE	9,210	524	-	9,734
Jendarata	5,416	568	15	5,999
Kuala Bernam	-	811	-	811
Sungei Bernam	-	2,255	-	2,255
Ulu Bernam	3,056	-	-	3,056
Changkat Mentri	2,364	-	-	2,364
Ulu Basir	3,737	-	-	3,737
Sungei Erong	3,508	-	-	3,508
Sungei Chawang	3,240	-	-	3,240
Seri Pelangi	1,337	-	-	1,337
Lima Blas	2,743	-	-	2,743
PT SSS	9,035	-	-	9,035
TOTAL (Hectares)	43,646	4,158	15	47,819

Location of Company Owned Mills

No.	Name of Mill Location	Latitude	Longitude
1	UIE	N 4°26'53"	E 100°43'11"
2	Jendarata	N 3°51'14"	E 100°58'06"
3	Ulu Bernam	N 3°44'43"	E 101°08'46"
4	Ulu Bernam Optimill*	N 3°46'19"	E 101°13'14"
5	Ulu Basir	N 3°43'28"	E 101°15'21"
6	PT.SSS	S 2°35'24"	E 111°46'16"

* Will replace Ulu Bernam Mill upon completion.

- ★ Palm oil mill
- Biogas plant





An eagle gliding over our oil palm fields on PT SSS, Indonesia, with storage tanks in the background.