

ANNUAL REPORT
2018

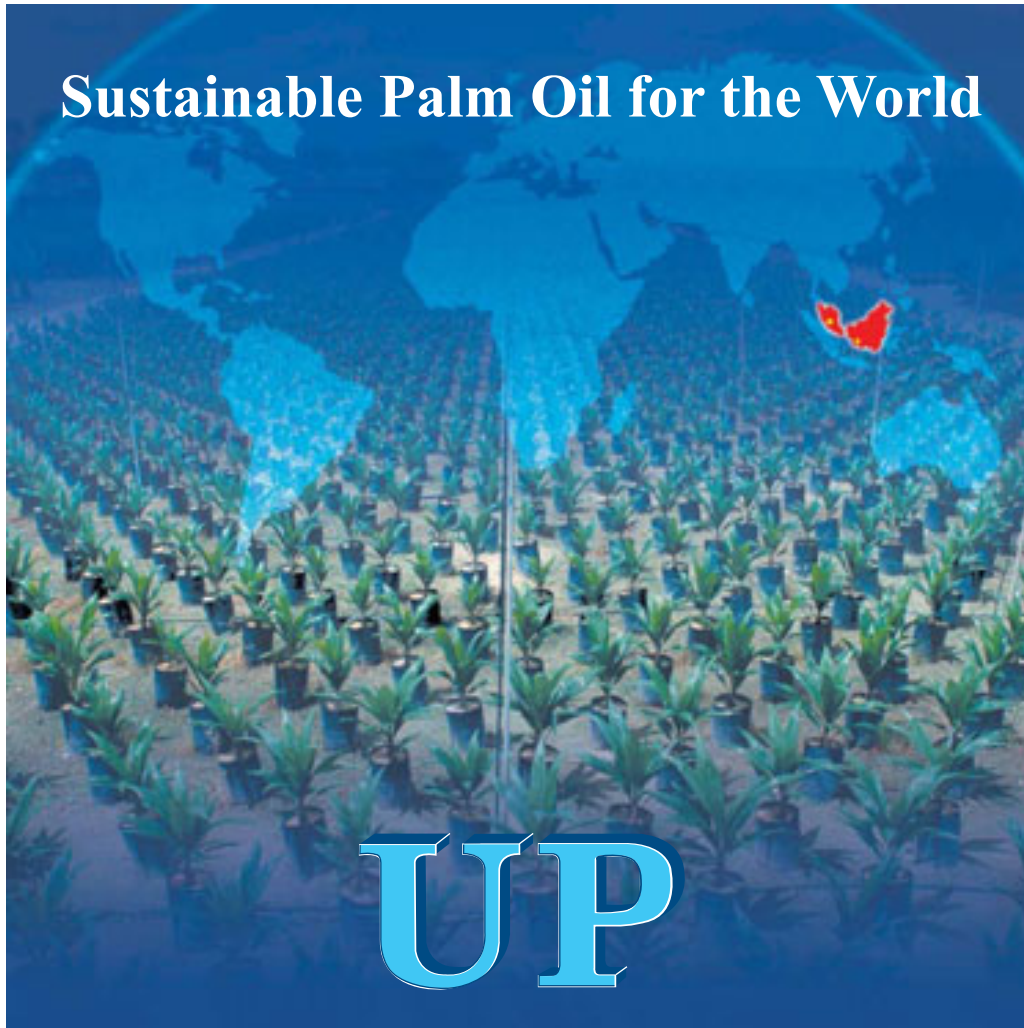


UP

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:

Aerial picture of the Optimill and Unifuji project.

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
-  12,750 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 Blue Carbon® methodology. Results are obtained according to technical information and subject to modification.

Sources :



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 5.31 billion at the end of its financial year 31 December 2018.

UP's core business activities are focused on responsible 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 6,508 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 specialty fats based on certified sustainable palm oil and a strong emphasis on high quality and food safety standards.

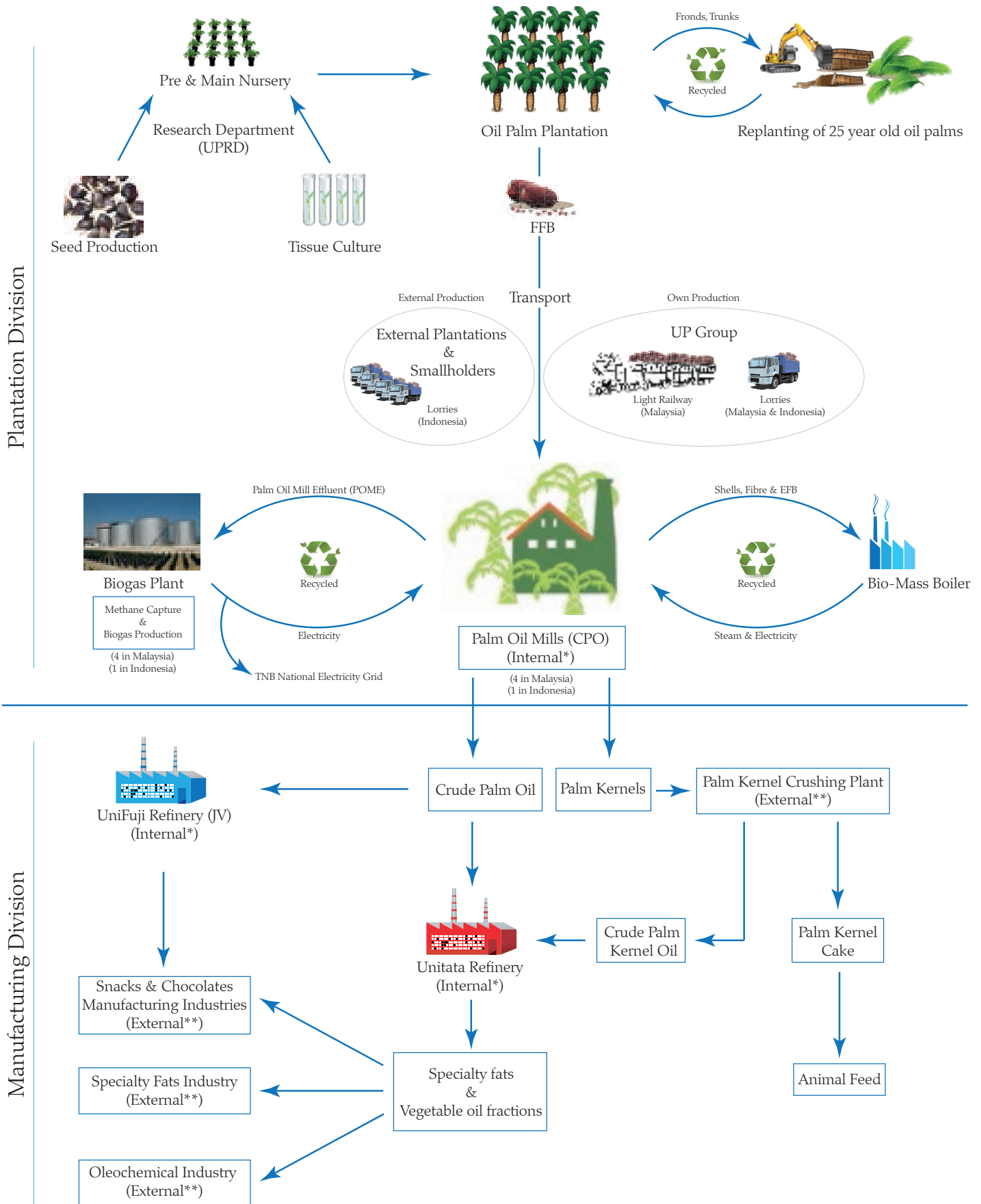
Through its focus on Corporate Social Responsibility and Creating Shared Values combined with sound managerial and technical expertise, UP is today recognised as one of the highest yielding, cost competitive and innovative plantations companies in the world.



Corporate Social Responsibility and Creating Shared Values

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	<p>Ybhg. Tan Sri Datuk Dr. Johari bin Mat (Chairman, Independent, Non-Executive) Ybhg. Dato' Carl Bek-Nielsen (Chief Executive Director) Mr. Ho Dua Tiam (Non-Independent, Non-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) Mr. Jorgen Balle (Non-Independent, Non-Executive)</p>
Company Secretary	Mr. Ng Eng Ho
Registered Office and Principal Share Register	<p>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</p>
Auditors	Ernst & Young
Principal Bankers	<p>Malaysia 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 PT Bank Mandiri (Persero) Tbk Bank DBS PT Bank CIMB Niaga Tbk</p>
Stock Exchange Listing	<p>Malaysia Bursa Malaysia Securities Berhad (Bursa Malaysia) Website : www.bursamalaysia.com</p>

Executive Committee/Senior Management and Senior Executives (GRI 102-10)

Executive Committee (EXCOM)

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

Senior Executives

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 & Environment, Safety & Health</p>	<p>Shirley Selvasingam Manager, IT Systems</p>
<p>D. Jeevan Dharmapalan Manager Human Resources & Environment, Safety & Health</p>	<p>Lee Kian Wei Manager Human Resources & Environment, Safety & Health</p>		

Plantations

<p>Edward Rajkumar Daniels Estates Director, Upriver</p>	<p>Geoffrey Cooper Estates Director, Downriver</p>	<p>Muhammad Ratha President Director, PT SSS</p>	<p>C. Mohan Das Group Manager, Jendarata Estate</p>
<p>Nek Wahid bin Nek Harun Group Manager, Ulu Basir Estate</p>	<p>Azhar bin Yazid Sr Manager, Lima Blas Estate</p>	<p>S. Chanthravarnam Sr Manager, UIE</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/ Sungei Chawang 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>Kandha Sriitharan Research Manager</p>
<p>Lim Chin Ching Research Manager (Biotechnology)</p>	<p>Appala Naidu Marie Research Manager, PT SSS</p>	<p>Wong Foo Hin Research Manager, PT SSS (Tissue Culture)</p>

Engineering

<p>P. Seker Director of Engineering, Upstream</p>	<p>Ir P. Rajasegaran Director of Engineering, Downstream</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>
		<p>Goh Kheng Wee Resident Engineer, Jendarata Estate</p>

Palm Oil Refining and Others

<p>Jughdev Singh Dhillon Group Production Manager, Unitata Berhad</p>	<p>Dr. Andrew Nair Group 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 Yook 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>	<p>Kapil Punj Refinery Manager, UniFuji Sdn. Bhd.</p>		

Group as at 31 January 2019

Plantations

United Plantations Berhad (Malaysia)
Issued Capital (no. shares) 208m

PT Surya Sawit Sejati (Indonesia)
95%



Palm Oil Refining

Unitata Berhad (Malaysia)
100%

UniFuji Sdn. Bhd. (Malaysia)
50%



Others

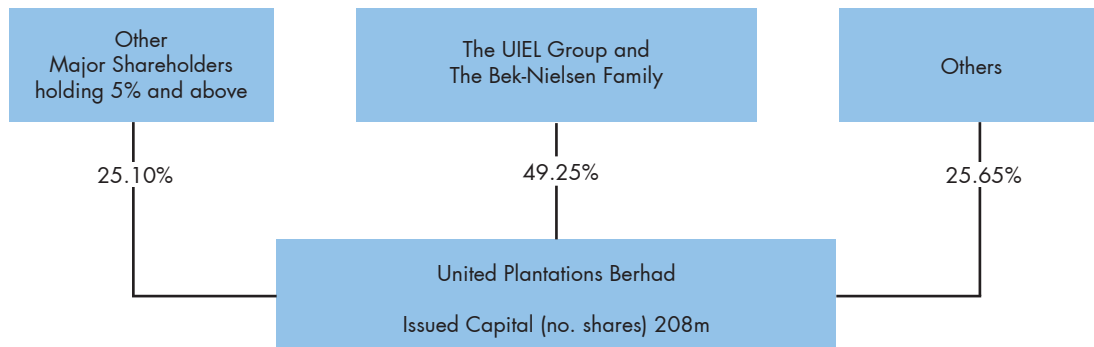
Bernam Agencies Sdn. Bhd. (Malaysia)
100%

Butterworth Bulking Installation Sdn. Bhd. (Malaysia)
100%

Bernam Advisory Services Sdn. Bhd. (Malaysia)
100%

Berta Services Sdn. Bhd. (Malaysia)
100%

General Shareholding Structure Group as at 31 January 2019



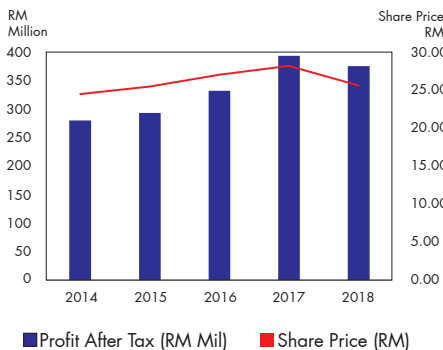
Financial Highlights

	2018	2017	Change (%)	2016	2015	2014
Revenue (RM' Million)	1,306	1,474	(11.40)	1,228	1,004	1,022
Profit Before Tax (RM' Million)	491	504	(2.58)	418	376	356
Profit After Tax (RM' Million)	374	395	(5.32)	331	292	279
Earnings Per Share (Sen)	179	189	(5.29)	159	141	134
Net Dividend Per Share (Sen)*	140	150	(6.67)	115	100	165**
Dividend Payout Ratio	0.78	0.79	(1.27)	0.72	0.71	1.23**
Dividend yield as at 31 December (%)	5.49	5.34	2.81	4.27	3.94	6.76
Total Equity (RM' Million)	2,589	2,531	2.29	2,368	2,239	2,127
Return on Equity (%)	14.45	15.61	(7.43)	13.98	13.04	13.12
Total Borrowings (RM' Million)	0.1	0.1	-	0.1	0	0.80
Non-Controlling Interests (RM' Million)	7.8	6.9	13.04	5.3	3.2	2.40
Cash Position (RM' Million)	916	852	7.51	691	753	738
Total Assets (RM' Million)	2,918	2,850	2.39	2,644	2,477	2,334
Total Liabilities (RM' Million)	329	319	3.13	276	238	207
Year-End Closing Share Price (RM)	25.50	28.08	(9.19)	26.92	25.36	24.40

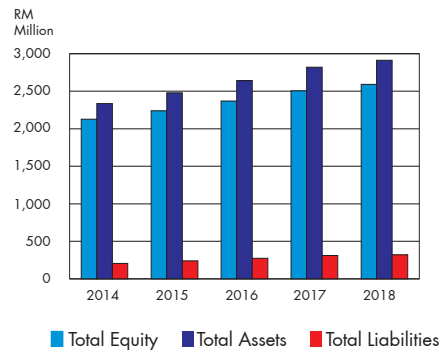
* Including proposed Final Dividend

** Including Special Extraordinary Dividend paid out in 2014

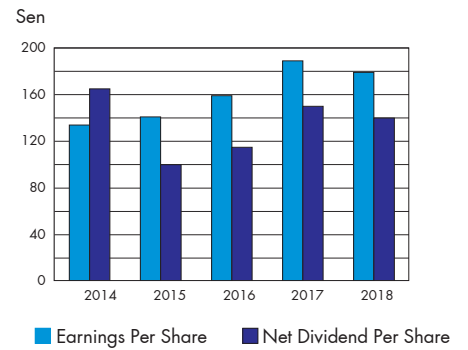
Profit After Tax and Year-End Share Price



Total Equity, Total Assets and Total Liabilities



Earnings Per Share and Net Dividend Per Share



CPO PRODUCTION
219,729
METRIC TONNES
▲ 7%

PK PRODUCTION
45,860
METRIC TONNES
▲ 5%

COCONUT PRODUCTION
71.4
MILLION NUTS
▼ 5%

CPO YIELD
5.71
METRIC TONNES/HECTARE
▲ 7%

Profile Of Directors



**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 was 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 Planning 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, SEAMEO, 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, a public listed company on the NASDAQ OMX Stockholm AB.

Since 2005, he has been 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 26 to the Financial Statements.



Ho Dua Tiam
*Non-Independent
Non-Executive Director*

Appointed director of the Company on 1 January 1995, Mr. Ho Dua Tiam, born in 1943, a Malaysian.

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 Deputy Senior Executive Director on 28 January 2002 and thereafter as Senior Executive Director on 21 June 2003. He retired from his position as Senior Executive Director (CEO) on 31 December 2012 and continued to serve the Company as Inspector General, Estates and Special Advisor of UP Berhad from 1 January 2013 until his retirement on 31 December 2018.

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.

Profile Of Directors



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.

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 26 to the Financial Statements.



Loh Hang Pai
*Executive Director
 Non-Independent*

Appointed 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. He served the Company in various positions and was

Profile Of Directors

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 The Certified Practising Accountants, 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, Malaysian Resources Corporation Berhad, Plus Malaysia Berhad and Projek Lebuhraya Usahasama Berhad.



Jorgen Balle
Non-Independent
Non-Executive Director

Appointed director of the Company on 21 May 2018, Mr. Jorgen Balle, born in 1964, a Danish citizen, graduated in 2001 with a Masters in Business Administration from SIMI/CBS Copenhagen.

Started his career with Aarhus Karlshamn AB as a Director (2000-2003) and was subsequently appointed to Managing Director of Aarhus Karlshamn A/S (2003 to 2010). He also held the position of VP Global CCF/LFC in the Business Unit of Aarhus Karlshamn AB for a duration of 5 years from 2005 to 2010.

In 2010, he was appointed Executive Director of Frode Laursen Group and to date holds the position of Advisor of the Frode Laursen Group

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

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 pages 142 to 147.
5. Gender
UP's Board consist of one female director and nine male directors.
6. Profile of Senior Management
The Senior Management only comprise of the Executive Directors.



The UP Board of Directors attending a Board Meeting in November 2018.

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 2018. Similar to last year, the early release on the 25 February 2019 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 2018 our group posted an after tax profit of RM374 million.

Whilst this is a reduction of 5% compared with the RM395 achieved in 2017, it is viewed as a very pleasing result based on the depressed market prices for palm oil experienced during the second half of 2018.

Palm Oil production on our estates continued its recovery in Malaysia as well as Indonesia during 2018 following the El-Nino in 2016 which impacted South East Asia. This increase contributed positively to our Groups results and was somewhat of a buffer to the decline in palm oil prices.

Whilst labour shortages continue to hamper operations resulting in associated crop losses, the situation was not as significant compared with 2017. Nevertheless, the drive towards mechanization that has taken place over the last many years and which is still ongoing, minimized the negative impact of this ongoing problem.

The Group continues to maintain a healthy policy in respect of its cash and cash equivalents, which as of 31 December 2018 stood at RM916 million. This was an increase of RM64 million from RM852 million in 2017 which was most gratifying considering the capital expenditure that took place in 2018.

Our prudent approach towards capital management has ensured that we can balance the dividend payments to shareholders, and take on necessary 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.

Pinehill Plantations

In this connection and after a number of years searching for the right land bank expansion opportunity, it was most pleasing that we announced the acquisition of the 3,642Ha Pinehill Plantations Estates, for a total consideration of RM414 million, located in the Lower Perak Region approximately 25km from our Headquarters on Jendarata Estate.

Our cash and cash equivalents will thereby also reduce compared with the 31st December 2018 position, when the deal is completed and payment has been made.

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

Dividends

Based on the above gratifying results, your Board is recommending a final dividend of 110sen per share consisting of;

1. A Final Single Tier Dividend of 20sen per share
2. A Special Single Tier Dividend of 90sen per share

When taking into consideration the interim dividend of 30sen per share paid during December 2018, the total dividend paid in respect of FY2018 is 140sen per share compared with 150sen in FY2017.

Inauguration Ceremony

On the 17 January 2019, the combined project of the Optimill and UniFuji refinery was officially inaugurated by our Royal Highnesses Duli Yang Maha Mulia Paduka Seri Sultan Perak Darul Ridzuan Sultan Nazrin Muizzuddin Shah and Duli Yang Maha Mulia Raja Permaisuri Perak Darul Ridzuan Tuanku Zara Salim. It was indeed a great honour.

My sincere appreciation goes out to the team of people involved in making this important milestone for UP a successful one.

Sustainability

The Board upholds our commitment to undertake responsible agricultural practices which focuses on sustainability and good corporate governance and we remain committed to the Round Table of Sustainable Palm Oil (RSPO) and our Policy on No Deforestation.



A harvester, pictured here in his rounds, undertakes one of the most important tasks in any plantation group today.

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 sustainability efforts by receiving three (3) awards for year 2018 as follows:

1. The "EUROPA AWARDS for Best Sustainability Reporting 2018".
2. Best Climate Change Initiatives (First Place) and
3. A Special Recognition Award Land Use & Biodiversity (Runner up) by the Sustainable Business Awards in partnership with Global Initiatives

More information on the awards as well as our many Sustainability initiatives are covered under the "Sustainability Report" section in this annual report starting from pages 29 to 141.

Looking ahead I note with concern the increasing global inventories of vegetable oils which resulted in prices coming under significant pressure over the last 6 months. Nevertheless, with production starting to slow down and exports picking up the recent spot price recovery from RM1,800 to RM2,200 has been most welcome.

We must, however, continue to 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.

Before 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. I, also take great pleasure in welcoming Mr Jorgen Balle to the UP Board and will look forward to working alongside him going forward.

Finally, I would like to place on record the Board's appreciation to Mr Ho Dua Tiam for his outstanding contributions, loyalty and integrity towards the UP Group over the last 54 years. Whilst he retired from his executive roles on 31 December 2018, Mr Ho Dua Tiam will continue as a Board Member as well as having an advisory role to the Group.

In closing 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

The likelihood of a global economic slowdown has risen considerably over the last 6 months mainly due to the looming trade war between the USA and China and the adverse consequences which this would unleash onto the world economy.

The repercussions of what can only be seen as an economic conflict between the world's two largest economies will indeed send shock waves to all trading nations inevitably impacting not just global growth but more so the livelihoods of billions of people fueling the risk of political instability as inequalities continue to widen.

Already now we see how big companies like Apple of the US, South Korea's Samsung and Indian owned Jaguar-Land Rover in the UK have warned that their businesses are being hit by the slowdown notably in China.

However, the point which one must appreciate is that the signs of distress being felt by China's slowdown is now slowly but steadily metastasizing and spreading from the capital markets to the real economy where the external impact will be far greater than most people can imagine.

Already today, China is the world's biggest automotive market representing 30% of the global car market. For the first time since 1991 car sales in China fell in 2018.

From the start of 2012 to 2016 China produced nearly three times as much cement as the US did in the entire

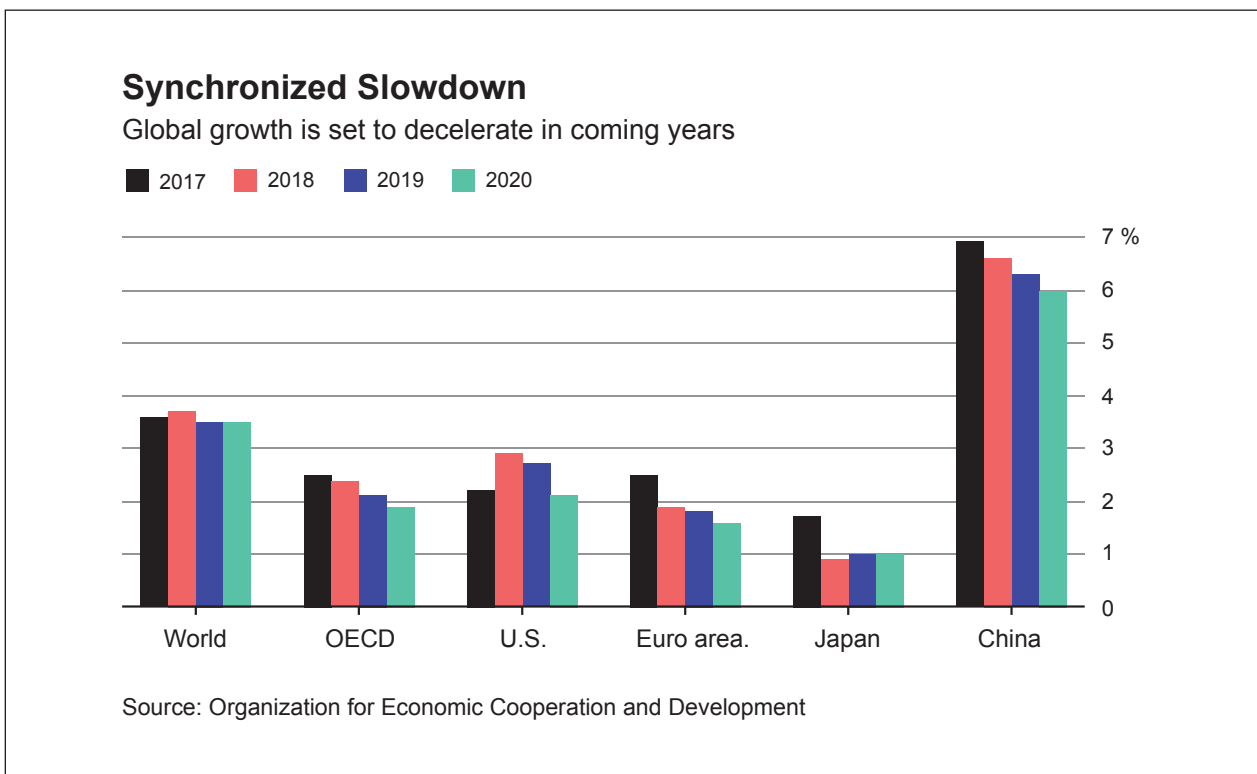
20th century. However, much of this investment has gone to waste as more than one in five Chinese homes in urban areas or about 65 million apartments are empty (source: China South Western University of Finance & Economic 2018).

Even cosmetic sales in China slowed by 10.5% in 2018 a sharp decline compared to 2017. What we are seeing is a level of insecurity setting into the mind of the 1.4 billion Chinese consumers who will without hesitation display their natural ability to hold back and apply a level of restraint on temptations and unnecessary purchases.

This will make companies around the world tremble as China today accounts for not only 16% of the global economy but has for the past decade accounted for a staggering 30% of worldwide growth.

This combined with the risks of a hard Brexit, slower growth prospects in the EU, growing tensions between Southern Europe and Northern Europe (France's Ambassador was recently called back from Italy due to disagreement) have resulted in the Federal Reserve Chairman, Mr Jay Powell sending a more dovish message on interest rates and monetary policy contra the hawkish attitude which prevailed during the first 3 quarters of 2018.

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



Production and Prices of Crude Palm Oil (CPO)

2018 saw a continued recovery in palm oil production in South East Asia, notably from Indonesia, where CPO production grew to 41 million MT up from 37.1 million MT in 2017. Global palm oil production continued to expand from 68.25 million MT in 2017 to 72.08 million MT in 2018 equal to a net increase of 3.83 million MT or 5.6% year on year mainly attributable to the favourable weather throughout 2018. Indonesia alone accounted for over 90% of the net growth in global palm oil production in 2018.

UP's Estates, both in Malaysia and in Indonesia also benefited from the better weather conditions recording a 6.7% increase in CPO production in Malaysia and a 7.6% increase in CPO production on our Indonesian estates. Combined, the UP Group's total CPO production rose by 6.9% to 219,729MT and PK production rose by 4.8% to 45,860MT.

During the first half of 2018, CPO prices remained in the range of RM2,400-RM2,600, however with the recovery in production and with that rising CPO stocks, market prices started to come under pressure especially in the last quarter of 2018.

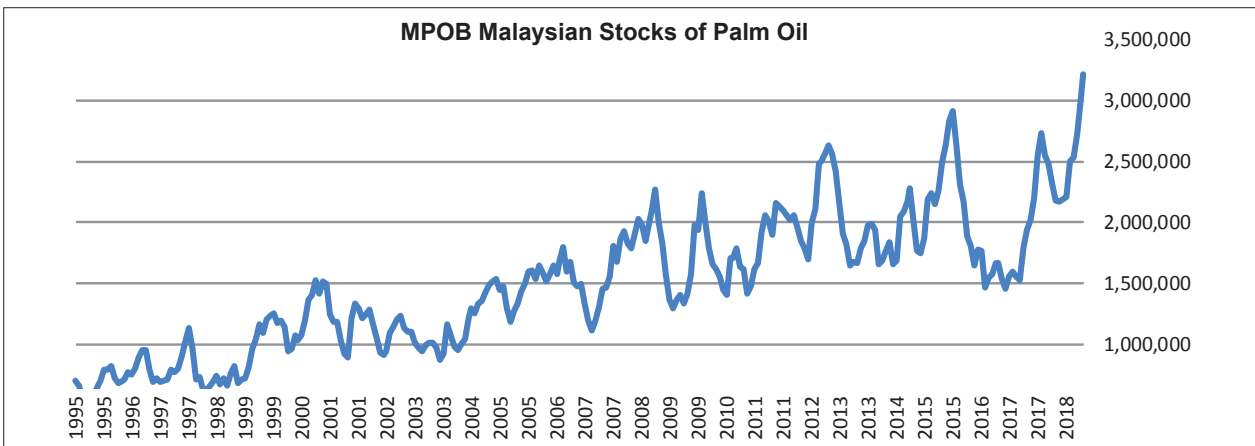
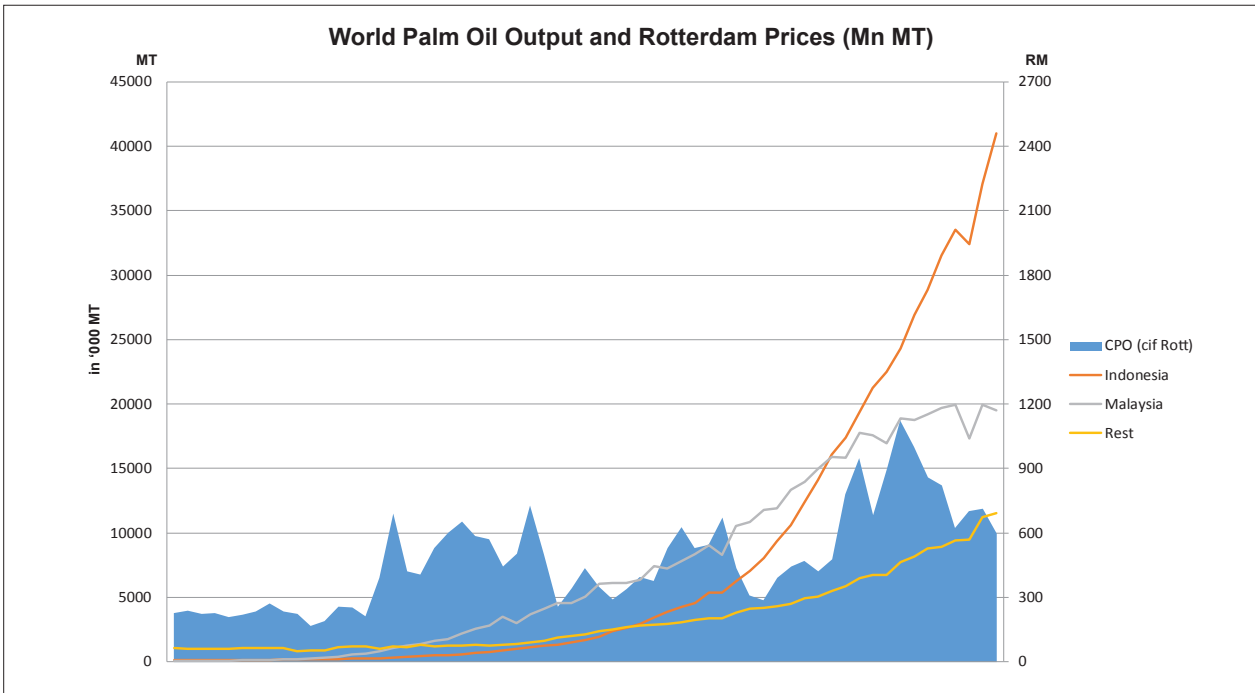
CPO prices hit the lowest levels in 10 years with the 3rd month future position on BMD breaking the psychological RM2,000/MT level and spot month prices going below RM1,800/MT due to Malaysian palm oil stocks reaching an all time high of above 3 million MT in December 2018. (see below tables)

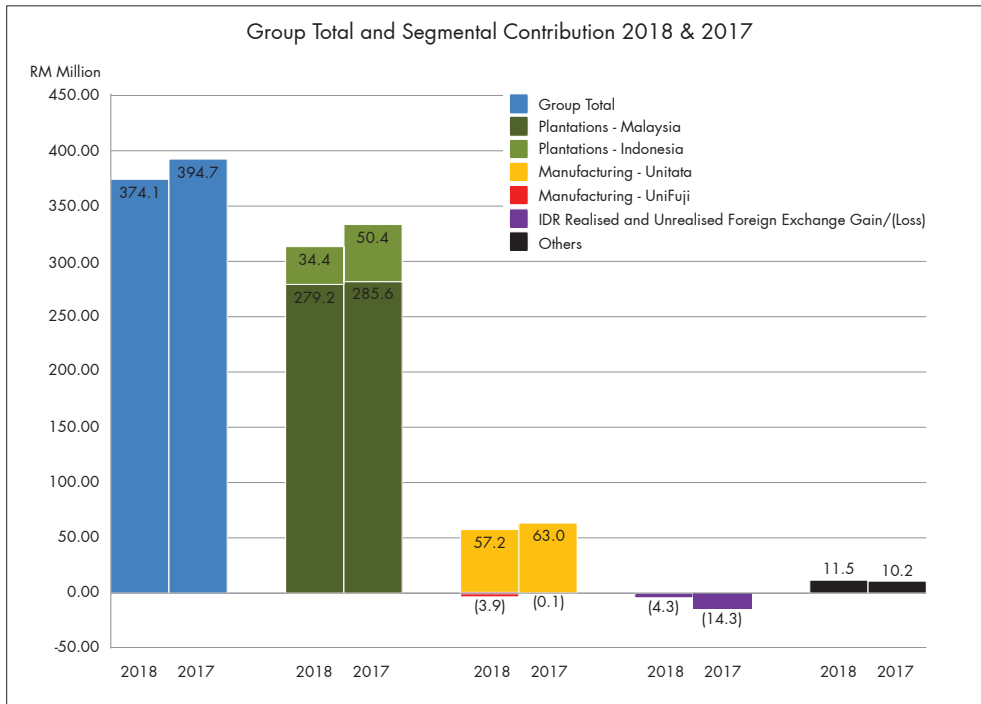
The price situation could have been worse had it not been for the Malaysian currency weakening vis-a-vis the USD thereby lending their support to CPO prices in Ringgit Malaysia.

2nd Best Result in UP's History

For 2018, the Company nevertheless managed to secure an average CPO price of RM2,606/MT and coupled with the improvement in overall CPO production, the Group secured a profit after tax of RM374 million or just over USD91 million.

On the following pages, I will elaborate further on the financial performance for 2018 and the reasons for securing the above net profit.





Financial Review of Operations

- The Group’s revenue during 2018 decreased by 11% to RM1,306 million compared to 2017 mainly due to lower sales prices for PK in our Malaysian operations and lower CPO and PK prices in our Indonesian operations. In addition, the Refinery unit also witnessed a lower revenue as a function of lower sales prices of PK products.
- The Group’s profit before tax decreased by 3% from RM504 million in 2017 to RM491 million in 2018.
- The Group profit after tax of RM374 million for 2018 was a decrease of 5% from the record result of RM395 million in 2017. It should be noted that due to the fair value adjustment of our forward sales, as per the accounting treatment, RM 17 million after tax have been included into the 2018 result. Nevertheless, the Board of Directors joins me in acknowledging that the post-tax results achieved in 2018 were very satisfactory, the 2nd best ever in the Company’s history.

Dividends

The Board of Directors has recommended a Final Single Tier Dividend of 20sen per share and a Special Single Tier Dividend of 90sen per share for the year ended 31 December 2018. Summary of Dividends for the year ended 31 December 2018 are shown below:

The total dividend pay-out will therefore amount to

Dividends for the year ended 31 December 2018

	RM
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	90sen
Total Dividends	140sen

RM 291 million for year ended 2018 which is a 7% decrease from 2017.

Strong Cash Position and Investment in Pinehill Estate

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 2018 stood at RM916 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 investments should opportunities arise without being dependent on financial institutions.

In this connection UP managed to enter into a sales and purchase agreement pertaining to 3,642Ha (8,999 acres) of established (brownfield) estates for a total consideration of RM414 million.

The acquisition is expected to be finalized, pending certain approvals from the Perak State Government, in March/April 2019 and will thereafter increase our landbank in Malaysia by almost 10% from 40,766Ha to 44,408Ha.

The announcement on page 17, was released to the market in September 2018 and provides relevant information behind the acquisition:

21 September 2018 Announcement on the Acquisition of Pinehill Plantations Estates



UP has today entered into 3 conditional sales & purchase agreements with Pinehill Group to acquire their 8,999-acre agriculture land together with all structures attached to the land including a palm oil mill, employees' living quarters and site office ("Subject Properties"), located approximately 10 KM from Teluk Intan in lower Perak, Malaysia, for a sum of RM413.57 million equal to a transacted price per acre of approximately RM46,000.

The acquisition will be funded through UP's internally generated funds. The deal is expected to be completed by the first quarter of 2019 subject to approvals by the relevant authorities. The Subject Properties will thereafter be incorporated into UP's existing business.

"We have long been eyeing on this property due to its good accessibility which is located approximately 10 KM away from UP's headquarters in lower Perak and the acquisition is therefore a remarkable opportunity for our Group.

As the acquired land is an old established plantation (brownfield land), UP will comply fully with its No Deforestation Policy and will also transform the Subject Properties to produce certified sustainable palm oil in accordance with the criteria of the Round Table on Sustainable Palm Oil (RSPO)", said UP's Chief Executive Director, Dato' Carl Bek-Nielsen. "The acquisition will increase UP's land bank size in Malaysia by almost 10% and provide synergies by enhancing our

economies of scale and facilitate a continuation of UP's core strength of cutting bureaucracy and providing a "hands on" management approach throughout our Group," said UP's Chief Executive Director, Dato' Carl Bek-Nielsen.

"The soil types are excellent and the land is flat, providing UP with the ability to mechanize the operations which is vital in respect of enhancing productivities and reducing costs. Within the next 3 years, UP will replant a majority of the acquired land and by introducing UP's high yielding planting materials combined with our total commitment towards enforcing sustainable practices, we will be able to increase the yields significantly on this 8,999-acre property within the next 4-6 years. Finally, we remain confident and committed to long term investments in Malaysia and especially in our home state of Perak where we have operated since 1906 and look forward to continue creating value for all stakeholders, " said Dato' Carl Bek-Nielsen.

"A lot of work have gone into this and there have been many tough negotiations. Today I would like to thank my team headed by the Executive Director Finance & Marketing Mr Martin Bek-Nielsen and the Company Secretary Mr Ng Eng Ho together with our advisors who have diligently been working around the clock towards reaching this stage of the deal, " said UP's Chief Executive Director, Dato' Carl Bek-Nielsen.

Plantation Operations

UP Group	Metric Tonnes (MT) CPO		
	2018	2017	Change
Malaysia	168,680	158,060	6.7%
Indonesia	51,049	47,459	7.6%
Total UP Group	219,729	205,519	6.9%

CPO production in 2018 reached 168,680 MT (Malaysia) and 51,049 MT (Indonesia) totaling 219,729 MT of CPO for the Group compared to 205,519 MT CPO in 2017. The 6.9% increase in the Group's overall CPO production, equal to 14,210 MT of CPO was, as mentioned before mainly due to the recovery in production arising from the excellent weather conditions combined with the improved performance of UP's latest planting materials from the substantial replanting undertaken over the last 10 years.

Average yields for the UP Group also improved as can be seen in the tables below reaching 5.71 MT CPO/Ha and 5.73 MT CPO/Ha for our Malaysian Estates equal to a 67% higher yield from the national average yield recorded in Malaysia.

	2018	2017	Change
UP Group FFB average yield in MT/Hectare	26.20	24.78	5.73%
UP Group average Oil Extraction Rates (OER) in %	21.80	21.46	1.58%
UP Group average Kernel Extraction Rates (KER) in %	4.55	4.57	(0.44%)
UP Malaysian CPO average yield in MT/Hectare	5.73	5.34	7.30%
UP Indonesian CPO average yield in MT/Hectare	5.66	5.25	7.81%
UP Group CPO average yield in MT/Hectare	5.71	5.32	7.33%
Malaysian National CPO yield in MT/Hectare	3.42	3.52	(2.84%)

* Includes our Indonesian plantations.

As of 31 December 2018, our Group's areas planted up with oil palms can be summarized as follows:

In Hectares	2018	2017	Change
UP Malaysia			
Mature Area	29,563	29,384	0.6%
Total Group Area having come into Maturity (oil palms between 2 1/2 - 5 years in age)	2,502	2,514	(0.5%)
Immature Area	4,674	5,227	(10.6%)
Replanted Area	1,949	1,394	39.8%
Total Area under Oil Palm	34,237	34,611	(1.1%)
UP Indonesia			
Mature Area	9,098	9,035	0.7%
Immature Area	-	-	-
Total Area under Oil Palm	9,098*	9,035*	0.7%
Grand Total for the Group	43,335	43,646	(0.7%)

* net of areas converted to Plasma.

UP Group	Metric Tonnes (MT) PK		
	2018	2017	Change
Malaysia	36,789	35,373	4.0%
Indonesia	9,071	8,387	8.2%
Total UP Group	45,860	43,760	4.8%

One can also note that the total immature area in relation to the total group area under oil palms in 2018 now stands at 10.8% compared to 12.0% in 2017.

The total immature area on our Malaysian Estates is now 13.7% compared to 15.1% in 2017.

Cost of Production of Crude Palm Oil

- The direct cost of production (before depreciation and amortization) during 2018 increased marginally by 0.34% to RM896/MT CPO from RM893/MT CPO in 2017 for our Malaysian operations. The total cost of production including depreciation and amortization for 2018 was RM1,188/MT CPO vs. RM1,197/MT in 2017.
- During the second half of the year labour costs in Malaysia increased by 5% compared to levels in 2017 and have now increased by over 149% from 2006 to 2018 impacting the labour costs considerably. The trend has been even more steep in Central Kalimantan where labour costs have risen by 337% 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 increases in yields and productivity, which unfortunately has not been the case for the majority of palm oil producers in Malaysia who have seen their cost of production escalate.

Labour Shortages

Labour shortages continued to affect the operations within the Malaysian Plantation Sector in 2018, including our Company. However, crop losses were minimized mainly due to the newly introduced measures of mechanization without which crop losses would have been much higher.

During 2019, new initiatives will continue to be explored in order to introduce more innovative ways to boost productivities through mechanization.

Nevertheless, it is 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 great losses if labour shortages re-emerge as has periodically been the case during 2018.

We believe that with sufficient guest workers yields on Malaysian Estates in general could increase by 0.5-1 MT FFB/ Ha on average.

Selling Prices of CPO and Palm Kernels

- The average selling prices of Crude Palm Oil achieved during the year increased from RM2,578/MT in 2017 to RM2,606/MT in 2018 from our Malaysian CPO, an increase of 1.09% which was achieved through the Group's forward sale policy which resulted in certain quantities having been sold at higher price levels than the depressed market prices achievable during the 2nd half of 2018.
- The average selling price for Palm Kernels recorded a decrease of 24.8% to RM1,992/MT in 2018 compared to RM2,650/MT in 2017 for our Malaysian Palm Kernels.

	Crude Palm Oil			Palm Kernel		
	2018	2017	Change	2018	2017	Change
MPOB Avrg price (RM)	2,233	2,783	(19.8%)	1,828	2,536	(27.9%)
UP's Avrg price (RM)	2,606	2,578	1.1%	1,992	2,650	(24.8%)

Manufacturing Division

Unitata and UniFuji

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 the Indonesian Refinery Sector in recording a contribution to the Group amounting to RM57.2 million in 2018 vis-à-vis RM63.0 million in 2017.

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

Interest in 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.

For our JV refinery UniFuji, the plant was being commissioned in the 2nd half of 2018. It recorded a RM3.9mil negative contribution to our Group.



Coconut Production

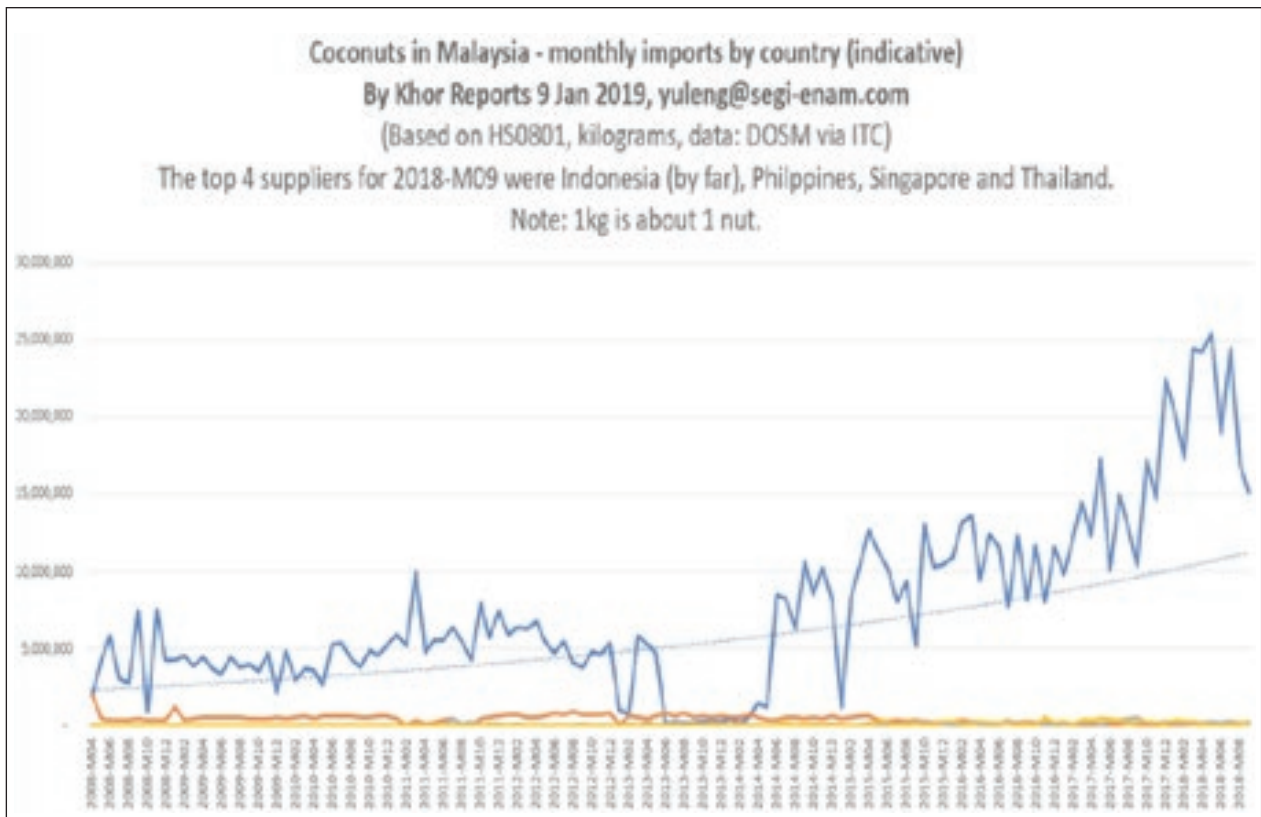
Our coconut production of 71,423,003 nuts in 2018, recorded a decrease of 5.1% compared 75,251,825 nuts in 2017. Average yields therefore declined from 25,345 nuts/hectare in 2017 to 23,154 nuts/Ha in 2018 representing a decrease of 8.6% which was less satisfactory.

This was mainly due to the very serious and concerning glut in the domestic market caused by the tremendous influx of Indonesian coconuts from May to November which affected the demand for our Group’s coconuts. This resulted in several million nuts being lost due to the delayed offtake in nuts extending the harvesting rounds resulting in germination taking place.

The entire Malaysian coconut industry including the smallholders have voiced their deep concern to the Malaysian Government, as this will jeopardize the coconut industry in Malaysia where the cost of production is higher than in Indonesia. The graph below captures the monthly imports of coconuts from 2008 to 2018.



High yielding yellow dwarf coconut palms.



The significant influx of Indonesian coconuts from May to November 2018 had an adverse impact on the demand for Malaysian home-grown nuts.

Indonesia

Our Plantation Division in Indonesia generated a Group contribution of RM34.4 million in 2018 against RM50.4 million in 2017, representing a decrease of 32%. As mentioned earlier, the reduction in profits were primarily a function of the substantially lower market prices of palm oil and palm kernel obtained in Indonesia. Indeed, CPO prices came under considerable pressure in Kalimantan during the 2nd half of 2018 when the abundance in supply saw domestic CPO prices even testing RM1,500 per MT.

Nevertheless, with better weather and improved growing conditions our estates in Indonesia recorded a 7.6% increase in CPO production in 2018, i.e. from 47,459 MT CPO in 2017 to 51,049 MT in 2018 with the total cost of production declining by 4.0% thereby reaching the lowest cost of production since starting our operations in Indonesia. These factors were fundamentally important in a year of depressed commodity prices and helped to cushion the effects of the lower palm oil and palm kernel prices.

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 also, just as importantly, from a socio-economic point of view.

UP Indonesia's production accounted for 23.2% of our Group's CPO production in 2018 compared to 23.1% in 2017 which is a most pleasing development. All plantings have now reached maturity and the company now provides employment for 1,274 employees, many of whom were previously unemployed. The Indonesian Rupiah's depreciation against the Malaysian Ringgit resulted in an exchange loss of RM4.3million (out of which RM1.3million was realized) for our Group against an exchange loss of RM14.3million experienced in 2017.

All infrastructural additions have been completed in Indonesia during 2018 where 6 new terraced houses were completed thereby bringing the total number of high quality modern living quarters for our executives, staff and workers to over 500 units today.



Loading of FFB into trucks on our Indonesian estates.

The Board of Directors, over the last 8-9 years have encountered prolonged delays surrounding the issuance of land permits, however, I am pleased to inform all shareholders that we have received the HGU (Land Titles) for 6,004Ha in 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 13 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, 9,098Ha of oil palms (net of 1,259Ha converted to Plasma) have been planted and more than 7,500Ha of permanent conservation areas established.

These conservation areas, making up about 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.



A leopard cat captured on one of our camera traps in the midst of feeding on a rat. Leopard cats are a natural component of biological control against rodents.



This colourful Stork Billed Kingfisher (Pelargopsis capensis), commonly seen as one drives along our fields. The population of this bird has been on the increase due to the abundant availability of fish and other sources of food such as frogs, lizards and insects, mainly found in our drains and waterways.

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 to 141)

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 2019.

Capital Expenditure

The Group spent a capital expenditure of RM120.7 million in property, plant and equipment (including bearer plants) in the current year as compared to RM175.6 million in the previous year.

The 31% decrease 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 previous year. On bearer plants (capex spent on replanting), the Group incurred RM39.6 million in the current year which is a 1% decrease from RM39.8 million in 2017.

For the year 2,345 Ha of oil palm and coconuts were replanted in Malaysia against 2,457Ha in 2017. All capital expenditures were funded by internally generated funds.

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 further improve our agronomic productivities.

Yield Targets

The table below 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	28.0MT	23.0%	6.5MT
Indonesia	25.5MT	25.5%	6.5MT

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

A total of 1,949 Ha of oil palms were planted on our Malaysian properties during 2018 compared to 1,394 Ha in 2017. 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 10 years (2009-2018) our Malaysian estates have replanted a total of 22,451Ha of oil palms equal to 66% 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.

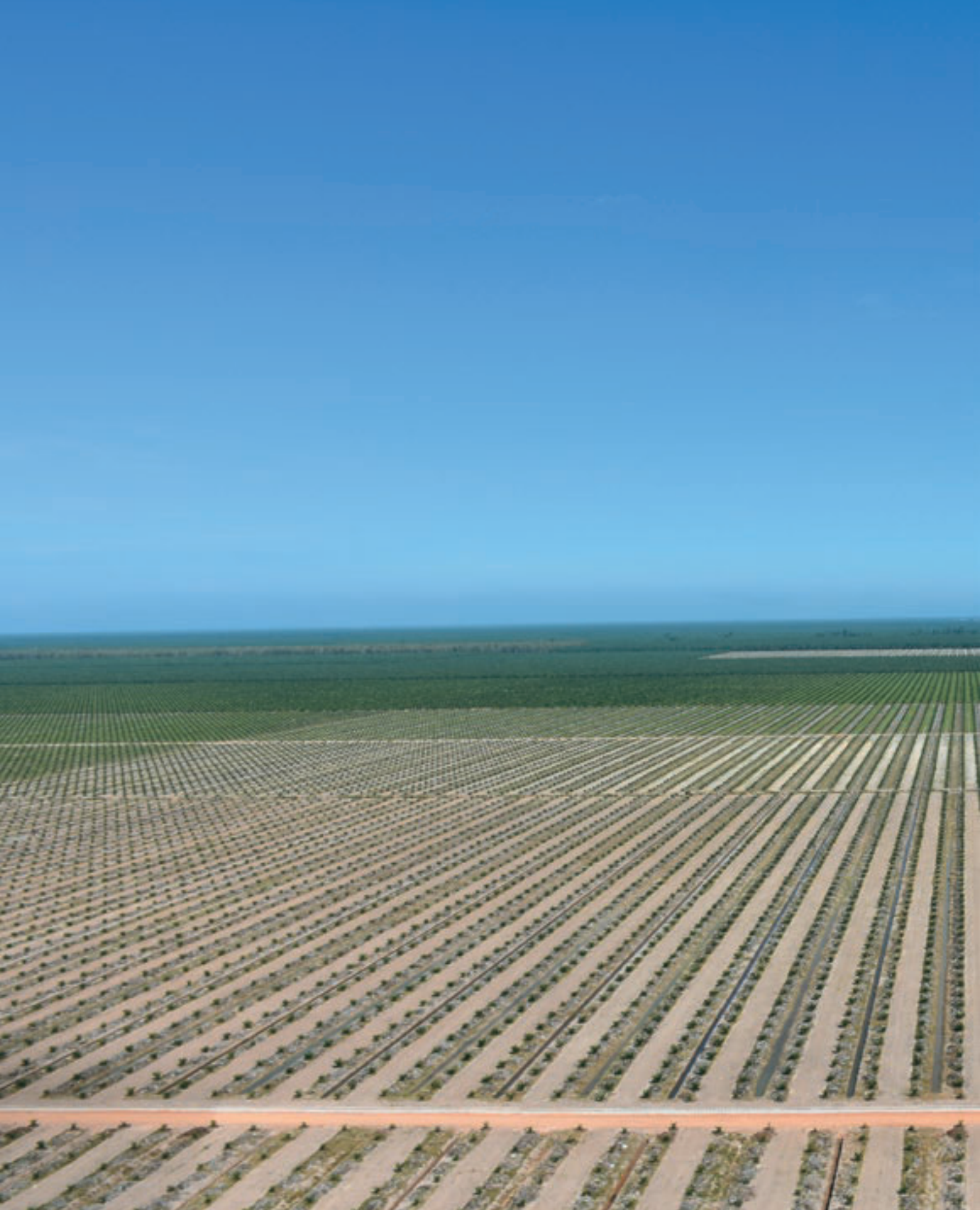
Failure to implement this critical aspect of plantation management will inevitably lead to stagnating yields and declining production resulting in the inability to remain competitive.

All replanting carried out during 2018 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.



A well laid out replant of oil palms at Changkat Mentri Estate with the addition of new roads to facilitate not only supervision but also crop evacuation over the next 20-25 years.



A textbook example of replanted field at Ulu Bernam Estate. Rows of evenly spaced out young seedlings and stacks of shredded palm biomass from the earlier plantings are placed neatly as far as the eye can see.





Mechanised FFB collection in progress at a mature oil palm field in Jendarata.

Prospects and Outlook

Based on the current operating environment UP is respectful of the challenges which 2019 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 2019 after which the replanting rate will be somewhat lower compared to the acreages replanted over the last 10 years.

As this message is being written, our Company is awaiting the outcome from the authorities on the permits and approvals which are absolutely necessary before UP can complete the land acquisition to take over the 3,640 Ha Pinehill Estate located only 30 minutes’ drive from our Headquarters.

Should this materialize, we will accelerate the replanting on this property in order to take full advantage of our latest planting materials from UPRD which have a much higher yield potential.

World Palm Oil Production thus contributed to over 44% of the net growth in the World’s 17 Oils & Fats production in 2018 which increased from 222.1 million MT to 230.79 million MT enabling stocks to increase from 30.85 million MT in 2017 to 33.06 million MT in 2018.

PALM OIL: World Production (Mn MT)

Palm Oil Production	2018	2017
Indonesia	41.00	37.10
Malaysia	19.52	19.92
Rest of the World	11.52	11.23
Total	72.08	68.25

Source: Oil World 2019

The abundant supplies of Oils & Fats notably within the palm oil sphere applied a downward pressure on prices which fell to a 12 year low of USD598 on average of January/December 2018 (CIF Rotterdam).

One would have observed how palm oil prices (CIF Rotterdam) declined by a thumping 30% from USD 681 in March to USD475 in November.

The main reason for this was firstly an increase in Palm Oil supplies which increased by 3.79 million MT year on year but more so the poorer demand from key importing nations such as China whereas consumption of palm oil only grew by 5.8% to 5.4 million MT and where consumption in the biggest importing market, India, actually declined from 9.3 million MT in 2017 to 9.07 million MT in 2018.

Consumption of Palm Oil in Key Countries (in Million MT)

	2018	2017
Indonesia	11.80	9.22
India	9.07	9.30
EU 28	7.58	7.56
China	5.40	5.10
USA	1.45	1.33

For 2019 we foresee that global CPO production will grow by an additional 3.5-3.8 million MT with 80-85% of the main growth in production coming from Indonesia. This combined with the ample stocks of soybeans is expected to put a ceiling on the price complex.

However, there are 2 aspects which must be followed closely as they could cause a break-away from the fundamentals. The first is the political intervention by the importing countries such as India and what strategies the Government decides to adopt in terms of import duties for palm oil. The second parameter will be the pace of world biodiesel production and whether the production seen in 2018 amounting to 40.25 million MT cannot just be sustained but in fact will grow by another 3-4 million MT.

The country which holds the key to this complex situation will increasingly fall on Indonesia which during 2018 was not only the largest producer of palm oil but became the largest consumer of palm oil.

The renowned and reputable German Company, Oil World, wrote on 11 January that, "At an estimated 13.8 million MT in Oct/Sept 2018/2019 Indonesia is seen boosting palm oil consumption by 2.9 million MT or by 27% from a year earlier."

Indonesia will be having an election in 2019 and millions of people's livelihoods depend on the well-being of palm oil prices.

Their votes are therefore important. We believe that the Indonesian Government will go all out not only to fuel their biodiesel industry but also to stimulate the offtake of biodiesel domestically in line with the implementation of the B20 admixture mandate in September 2018 which sharply raised domestic consumption.



The Chairman, Tan Sri Datuk Dr. Johari bin Mat and other Board members being shown around the new Unifuji refinery by the Chief Executive Director, Dato' Carl Bek-Nielsen.

BIODIESEL : World Production by Country (Mn T)

	January / December				
	2019F	2018	2017	2016	2015
EU-28	13.50*	13.30*	13.55	12.68	12.37
U.S.A.	7.43*	7.14*	6.13	6.21	4.72
Argentina	2.50*	2.50*	2.87	2.66	1.81
Brazil	5.15*	4.66*	3.75	3.33	3.46
Colombia	.60*	.57*	.54	.51	.51
Singapore	1.20*	1.12*	1.05	.99	.87
Indonesia	7.45*	5.20*	2.92*	3.18*	1.22
Malaysia	1.40*	1.14*	.72	.50	.67
Thailand	1.53*	1.30*	1.20*	1.12	1.14
Oth. ctries.	3.52*	3.31*	3.07*	2.93*	2.83*
Total	44.28*	40.24*	35.80	34.11	29.60
Change in Mn T	+4.04*	+4.44*	+1.69	+4.51	-1.80

Source: Oil World 2019

A further sizeable growth is expected in 2019 in tandem with the government's target of raising the admixture mandate to 30% or B30.

The forecasts so far by Oil World, Hamburg are that Indonesia alone will increase its production of biodiesel from 5.2 million MT in 2018 to 7.45 million MT in 2019 representing a 2.25 million MT increase in demand for this sector. This, if materialised, would put a floor on the fairly bearish outlook on prices and may help to sustain prices around the RM2,200-2,300/MT CPO.

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 2019, will be lower compared to 2018 but nevertheless satisfactory when taking the prevailing prices for palm oil and palm kernel into consideration.

Acknowledgment

In closing, I would like to applaud Management for the various concerted efforts made during the last 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 equaled only by few organizations 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)

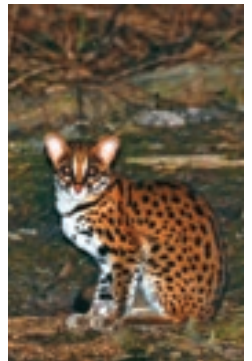
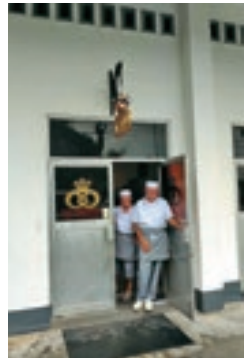


Productivity improvement - a harvesting team with motorised cutter.

Sustainability Report 2018

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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 2018 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 2018, with comparable prior year statistics where available and relevant.

In the previous 8 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 Guidelines.

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 represents 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 has provided limited assurance over 10 selected Key Performance Indicators (KPI's) reported in our 2018 Sustainability Report thereby bringing additional value and credibility to our disclosure.

Their assurance report is available on pages 140 to 141.



Often seen in abundance on our plantations, these butterflies are indicators of a rich biodiversity, healthy environment and a healthy ecosystem.

Message From The CED

(GRI 102-14)



Dato' Carl Bek-Nielsen, Chief Executive Director, UP Bhd.

We are pleased to present our 2018 sustainability report to you in which we describe our Group's sustainability policies and actions in order to share our commitment on sustainability and to comment how we are pursuing this in practice.

Ultimately, it is our actions and behaviour that defines what type of 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 viability, Environment 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 were the first plantations-based company in Asia Pacific and Africa to go beyond the current standard by being awarded the RSPO Next certification for some of our operating units.

These initiatives combined raises the bar for sustainable production even further by firmly upholding our Policies on No deforestation and No New Peat Development which were already introduced in 2010, as well as strengthening human rights and the wellbeing of the local community. We see this as a necessary commitment in order to assure the industry's future relevance and acceptance by consumers around the world.

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 we intend to work harder at integrating and mainstreaming our sustainability efforts into our operations.

In this respect, I am pleased to report that the sustained efforts undertaken by our Company especially since 2005 were recognized by the Sustainable Business Awards in partnership with Global Initiatives who on the 29 January 2019 awarded United Plantations Bhd the winner under the category of "Climate Change". The conclusion by the National Advisory Panel which lead to this prize was:

Quote:

Through its focused efforts, United Plantations Bhd has managed to reduce its GHG emissions by 40% (with indirect land use change and nature conservation) per kg of refined oil produced from 2004 to 2017. They have also invested heavily in biogas plants which have helped to reduce their CO2 emissions.

: Unquote

On the same evening, United Plantations Bhd was also given a special recognition award under the category of "Land Use & Biodiversity".



Management discussing a full day field visit on UP's estates in Indonesia which remains a vital part of managing plantation.

Recognition is pleasing but it also raises the bar and compels Management to keep stimulating new progressive ideas, failing which, the positive momentum, created by so many individuals in our Group will slow down.

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 2018, 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 there were no fatal accidents in 2017, I regret to inform that one of our Company's tractor drivers met with a fatal accident in 2018 when he lost control of his tractor.

This was a most unfortunate event especially since so many have been engaged in taking mitigative measures to minimise the risks that may result in bodily injury or death. Nevertheless, the Company remains vigilant and will continue its regular in-house training programmes combined with impromptu safety audits in our mills, estates and refineries.

Progress was also made during 2018 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 2019.

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 by not just focusing on good agricultural practices but also by committing itself to 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 and whilst there are rogue players who blatantly violate most environmental laws, 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.

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

Unjust and subjective accusations keep tarnishing the image of the industry without offering solutions or taking ownership of problems. This behaviour will get us nowhere apart from negatively impacting the livelihoods of millions of people whose sole objective is to uplift themselves out of poverty. We need to be more nuanced with our criticism but also highlighting good practices so others may emulate these.



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 preferred choice. This above all else should be our common goal.

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 investments continue to be made.

Following an updated and very comprehensive Life Cycle Analysis (LCA) report undertaken from January to February 2019 it was pleasing to note that UP from 2004-2018 has managed to reduce its GHG emissions per kg refined oil by 54% (including indirect land use change and nature conservation) compared to 46% in 2017 thus reaching a new record low GHG footprint per kg of refined palm oil produced.

Our target of reaching a 50% reduction (including indirect land use change and nature conservation) before the end of 2019 has therefore been reached and a new and revised goal of reaching a 60% reduction (including indirect land use change and nature conservation) by 2025 has been set by Management and will relentlessly be pursued through new innovations inspired by our strong collaboration in Scandinavia. (please refer to page 90)

During 2018, the Company completed and commissioned a strategic project it had been working on since April 2015. This involved designing a layout that encompassed the latest technologies available to create a perfect example of the circular economy within an oil palm plantation involving a ‘state of the art’ optimill, biogas plant and a uniquely innovative in-house refinery running without the use of fossil fuels.

The project covering 25Ha of land was inaugurated by His Majesty Sultan Nazrin Muizzuddin Shah Ibni Almahrum Sultan Azlan Muhibbuddin Shah Al-Maghfur-Lah, Deputy Yang Di-Pertuan Agong and

Her Royal Highness Raja Permaisuri Perak Darul Ridzuan Tuanku Zara Salim on 17 January 2019 in the presence of the Mentri Besar Perak Darul Ridzuan, YAB Dato Seri Ahmad Faizal bin Dato Azumu, YB Teresa Kok, the Honourable Minister of Primary Industries, Malaysia as well as Excellencies from EU, Denmark, Netherlands, Sweden, Japan and the United Nations. It was a memorable day and I am extremely grateful to all those who made the effort to witness this milestone.

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 flourish with many success stories arising from the hard work, research and studies undertaken to date.

The commitment and skills introduced by Copenhagen Zoo have been extremely fulfilling and has helped our Group operationalise not only the vital virtue sustainability but also helped to manage and nurture our more than 7,500 Ha jungle reserves in our Group.

Today, our Biodiversity team more than ever is responsible for mainstreaming environmental concerns into standard operating procedures. Nevertheless, more can be done and there are still areas in need of greater attention and where we in UP have to learn to see the light and not be blinded by the light -so to say.



The housing complex established in 2010, on Lada Estate in Central Kalimantan, Indonesia.



Employees children at the creche in Lada Estate, PT SSS Central Kalimantan.

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. 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 2018 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 2018 with more to come this year. 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 conceptualize the true spirit of creating shared value (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



The Unitata inland refinery.

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.

Since 2017, we have established a total 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 or the various palm oil mills, 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. To trace all the palm kernel oil back to the plantations is still a challenge and is a process that needs to 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 to 141).

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)*



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



*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)*

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.

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.

Building Bridges Between Two Nations

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 113 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 UP's 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 UP in one way or another, the Museum evolved. The UP Museum had its inception in 2006 in conjunction with UP 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 an institution that houses and cares for a collection of pictures and stories as well as artifacts 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.



Guests being shown the museum and told the history of UP Bhd.

Awards and Recognitions

2016	✓ 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 ✓ RSPO NEXT Certification - (World's second RSPO NEXT Certification and the first for Asia Pacific and Africa) ✓ Awarded the ACCA MaSRA Commendation Award for Biodiversity.
2018	<ul style="list-style-type: none"> ✓ Awarded Winner for the Best Sustainability Reporting by Europa Awards for Sustainability organized by EUMCCI 2018 ✓ MSPO Certification (for all UP's Malaysian operations) ✓ Awarded Winner for Climate Change and a Special Recognition Award on Land Use and Biodiversity by the Sustainable Business Awards Malaysia 2018 (SBAM) presented by Global Initiatives.



The Human Resource Environment Safety & Health Team of United Plantations comprising (from left) Mr. Lee Kian Wei, Mr. C. Mathews, Mr. Norhazizi Nayan, Mr. D. Jeevan Dharmapalan at the Europa Awards where UP won the Best Sustainability Reporting prize.



The Minister of Energy, Science, Technology, Environment and Climate Change, YB Puan Yeo Bee Yin handing over the award for Winner on Climate Change to UP's Chief Executive Director, Dato'Carl Bek-Nielsen.

Governance Structure

(GRI 102-18, GRI 102-19, GRI 102-20, GRI 102-22)

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 UP Group and monitoring and management's progress in connection with the 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), Dato' Carl Bek-Nielsen. 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.

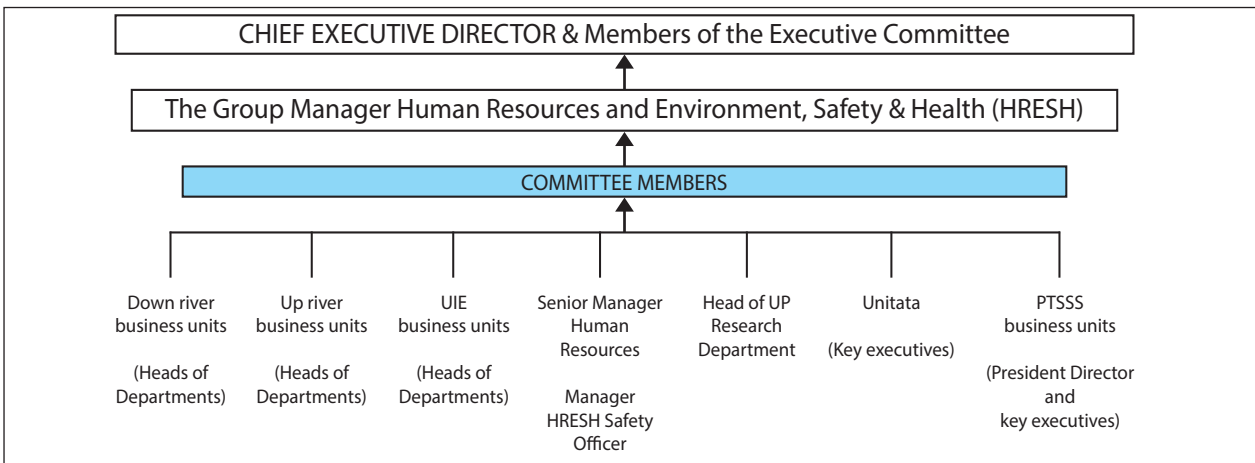
The GSRT collates all the information from GSC, stakeholders' responses and prepares the Sustainability Report. Sustainability matters have been a subject close to the heart of UPB. Officially established in 2003, the GSC (formerly known as Operations and Environment Management Committee) provides policy 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. 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.

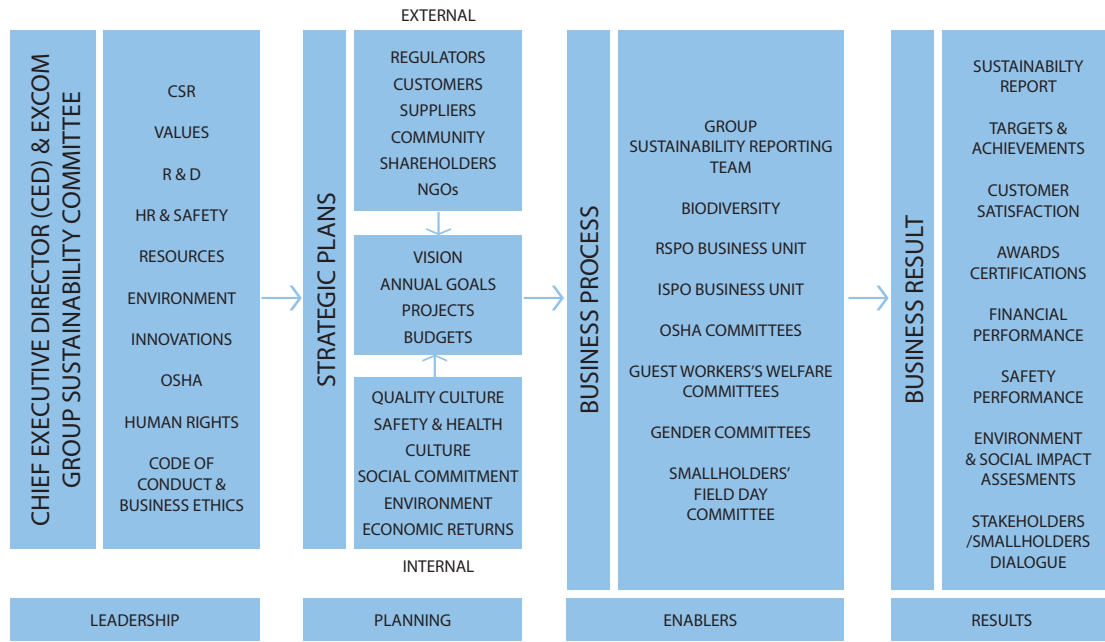
Sustainability Governance Management Structure



Group Sustainability Committee



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 Internal Audit Department, 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.

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.



The Director of Research, Mr. Ho Shui Hing providing an overview of UP's initiatives on integrated pest management to Ybhg. Datuk Shahril Ridza Ridzuan, former CEO of EPF and other officers of EPF. Today EPF owns 13.48% of UP's shares and has become the second largest shareholder in the Company.

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

Stakeholders 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 	Deforestation, pesticides & chemical usage, Occupational Safety & Health (OSH), free, prior & informed consent (FPIC) and product quality	Good relationship with shareholders and positive reputation amongst investors, constructive feedback	3 7 10 14 17	57 70 101 114 121
Customers/ Consumers	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 	GHG emissions, discharges & waste management, deforestation, high carbon stock, peat development, human & workers' rights, social welfare, OSH, product quality, food safety & sustainability certifications and supply chain	Better awareness of UP Group's commitment to sustainability, and better understanding of our policies, culture and values	2 3 4 8 9 10 17 18 19	55 57 60 82 88 101 121 122 125
Employees	Executives, staffs and workers	<ul style="list-style-type: none"> Annual employee survey, Group Sustainability 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 	Human & workers' rights, social welfare, OSH, equal treatment, grievance resolution, product quality, food safety & sustainability certifications	Improved understanding of company policies and efforts taken to date, Inclusiveness in the management decision making	8 9 10 11 15 17 18	82 88 101 103 117 121 122
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 	Biodiversity & conservation, pesticides & chemical usage, workers' rights, OSH, product quality and food safety & sustainability certifications	An opportunity to sustainably enhance the agricultural practices of smallholders, amicable solution to grievances, better social relations with UP Group.	1 7 8 10 17 18	55 70 82 101 121 122
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 	pesticides & chemical usage, human & workers' rights, social welfare, OSH, equal treatment, code of ethics & governance, product quality, supply chain and evaluation of supplier/ contractors' sustainability commitment	An opportunity to share the Group's commitment, and policies and procedures to sustainable operations	7 8 9 10 11 12 17 19 20	70 82 88 101 103 104 121 125 127
Non-governmental organisations	SUHAKAM, TENAGANITA, AMESU, MAPA	<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 	Biodiversity & conservation, water impacts, pesticides & chemical usage, workers' rights, social welfare, code of ethics & governance, grievance resolution and product quality	Better understanding of NGO's concerns and raised awareness of UP Group's sustainability commitments by NGOs	1 6 7 8 9 12 15 17	55 67 70 82 88 104 117 121
Palm Oil Industry Group	Neighbouring plantations and, MPOA, MPOC, MPOCC	<ul style="list-style-type: none"> Engagement surveys 	<ul style="list-style-type: none"> Once a year 	GHG emissions, fire & haze, discharges & waste management, pesticides & chemical usage, human & workers' rights, OSH, product quality, food safety & sustainability certifications and commodity prices	Good relationship with industry group and maintain knowledge sharing to enhance the sustainability of industry	2 5 7 8 9 10 17 18 21	55 66 70 82 88 101 121 122 128
Suppliers and Contractors	Suppliers of various inputs and key contractors 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 	Biodiversity & conservation, GHG emissions, discharges & waste management, deforestation, high carbon stock, peat development, workers rights, social welfare, OSH and product quality	Raised awareness of UP Group's sustainability commitments, better understanding of UP Group's business	1 2 3 4 8 9 17	55 55 57 60 82 88 121

* Please refer to Summary of Materiality Matters (22 Key Sustainability Issues) on page 42.

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 2018.

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. The materiality assessment has been reviewed and endorsed by Executive Committee (EXCOM) of UP.



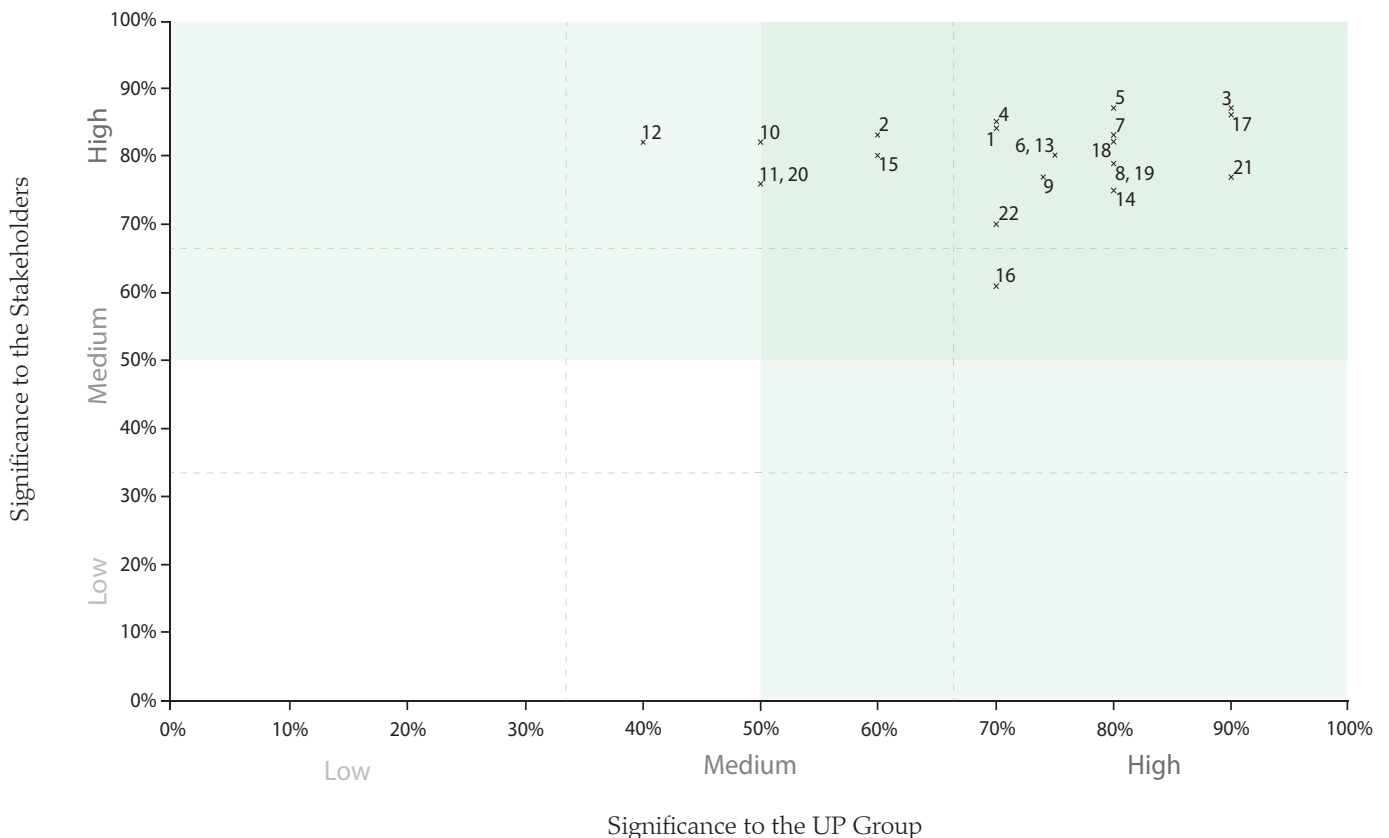
UP's light railway network stretching over 500km remains of vital importance in terms of facilitating an efficient and fragile transportation of its fresh fruit bunches from the fields to the mills.

Summary of Materiality Matters

22 Key Sustainability Issues	Relevant UN SDGs *	Stakeholder Groups
1. Code of Ethics and Governance	8, 16	<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
2. Equal Treatment	5	
3. Human and Workers' Rights	1, 8	
4. Social Care and Workers' Welfare	2, 4, 8	
5. Occupational Safety & Health	3, 9	
6. Fighting the Haze and Preventing Fires	13	
7. Biodiversity and Conservation	14, 15, 16, 17	
8. Deforestation/High Carbon Stock	13	
9. GHG Emissions, Discharges and Waste Management	7, 9, 13, 16, 17	
10. Water Impacts	6, 9	
11. Peat Development	13	
12. Pesticides and Chemical Usage	12	
13. Community Welfare	3, 4, 8	
14. Free, Prior and Informed Consent	16	
15. Grievance Resolution	16	
16. Plasma Development (for Indonesia)	2, 12	
17. Product Quality	12	
18. Certifications for Food Safety, Sustainability and Others	12	
19. Sustainability and Traceable Supply Chains	12	
20. Evaluation of Suppliers/Contractors' Sustainability Commitment	12	
21. Commodity Prices	-	
22. Currency Fluctuation	-	

* Please refer to page 44 on United Nations Sustainable Development Goals (UN SDGs).

Materiality Matrix



United Nations Sustainable Development Goals (UN SDGs)

Introduction

The Sustainable Development Goals (SDGs) were born at the United Nations Conference on Sustainable Development in Rio de Janeiro in 2012. The objective was to produce a set of universal goals meeting the urgent environmental, political and economic challenges facing our world. The SDGs replace the Millennium Development Goals (MDGs), which started a global effort in 2000 to tackle the indignity of poverty. The MDGs established measurable, universally-agreed objectives for tackling extreme poverty and hunger, preventing deadly diseases, and expanding primary education to all children, among other development priorities.

For 15 years, the MDGs drove progress in several important areas: reducing income poverty, providing much needed access to water and sanitation, driving down child mortality and drastically improving maternal health. They also kick-started a global movement for free primary education, inspiring countries to invest in their future generations. Most significantly, the MDGs made huge strides in combatting HIV/AIDS and other treatable diseases such as malaria and tuberculosis.

The SDGs came into effect in January 2016, and they will continue to guide United Nations Development Programme (UNDP) policy and funding until 2030. As the lead UN development agency, UNDP is uniquely placed to help implement the Goals through our work in

some 170 countries and territories. UNDP believes that sustained, inclusive and sustainable growth is essential for achieving the 2030 Agenda. Growth can be inclusive and can eliminate poverty but only if all segments of society, including the marginalized, share the benefits of development and participate in decision-making. In this respect it is important to stress that the key objective of the UN and with that the SDGs is that no one is left behind when pursuing the SDGs.

The SDGs are unique as the goals and targets cover all of the key issues affecting us. They reaffirm our international commitment to end poverty, permanently, everywhere. They are ambitious in making sure no one is left behind. More importantly, they involve us all to build a more sustainable, safer, more prosperous planet for all of humanity.

UP and UN SDGs

As a company with global operations, UP respects and recognises the importance of its role in this global initiative. As such, the Group has mapped the relevant SDGs with each materiality topic and identified eight (8) UN SDGs with their specific targets that are most relevant to its business operations as well as key concerned materiality topic highlighted by the stakeholders.



SDGs	Specified Targets	Status	Action Plan
SDG 1 – No Poverty	1.1 – By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day	Ongoing	<p>All employees of UP in Malaysia receive at least the minimum wage set by the Malaysian Government (Minimum Wages Order 2018), RM1,100/- per month with effective from 1st January 2019. The average earnings in United Plantations was 50 % higher from the minimum wage in 2018.</p> <p>Accommodation is provided free of charge to all workers with potable water supply and electricity at a subsidized rate.</p> <p>UP provides annual benevolent payments as well as other compassionate and educational payments/scholarships to the workers via the UP Benevolent Fund. The Benevolent Retirement Scheme was established in 1985 to provide retirement benefits to workers who have loyally served the Group for 10 years and above.</p> <p>UP helps smallholders to develop their land, including land preparation, for cultivation of oil palms under the Plasma Scheme. The scheme is expected to provide more opportunities for the smallholders and help alleviate poverty. To date a total of 1316.36 Ha of Plasma Schemes have been developed.</p>
SDG 2 – No Hunger	2.1 – By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.	Ongoing	<p>The Company facilitates the purchase of rice and sugar at wholesale price for its employees. Cooking oil is supplied to the general employees at a subsidized rate.</p> <p>The orchards with local fruits trees are established in estates for employees and residents’ consumption. The Company also plants coconut palms and fruit trees around the workers quarters for their access and use. Residents are encouraged to plant vegetables in their backyard.</p> <p>UP established the Old Folks Home in 1967. The Home caters for the retired and aged employees who are given free boarding, food and medical care with a full-time caregiver.</p>
SDG 3 – Good Health	3.8 – Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all.	Ongoing	<p>There are two (2) Group Hospitals and seven (7) clinics in UP Group with full-time certified Hospital Assistants (HA) and ambulance services. In addition, there are regular visits by the Visiting Medical Officers (VMO) cum Occupational Health Doctor (OHD).</p> <p>Medicines and treatments are provided free of charge to all employees and their dependents as well as the neighbouring communities.</p>
	3.9 – By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.	Ongoing	<p>In line with our Company OSH Policy, we are committed to secure the safety and health of our employees at work. Nevertheless, we strive to maintain a safe and healthy working environment for our employees, customers and the public.</p> <p>Appropriate Personal Protective Equipment (PPE) are provided free of charge to the employees.</p> <p>Training on Safe Operating Procedures (SOP) and Hazards Identification, Risk Assessment and Risk Control (HIRARC) are conducted on a regular basis.</p> <p>Regular safety audits are conducted by the Company’s Resident Safety Officer to identify any risks, safety non-conformances which are subsequently addressed by the management units.</p> <p>Potable water supply is provided to all employees and their dependents on the estates. Domestic water sample analysis conducted by accredited laboratory on a regular basis.</p> <p>The implementation of chemical measurement and transfer method by using new Anabranh Liquid Handling System significantly reducing the exposure of chemicals to the chemical mixing operators as well as reducing the soil and waterways contamination during pouring and transferring of chemicals.</p>
SDG 7 – Renewable Energy	7.2 – Increase substantially the share of renewable energy in the global energy mix.	Ongoing	<p>All mills in UP Group are equipped with Biogas plants which capture the methane gas produced when palm oil effluents are biodegraded by an array of bacteria thereby producing green energy. This considerably mitigates the Greenhouse Gas (GHG) emissions reducing the impact on climate change. Furthermore, the Electrification Project in one of our mills enables the conversion of biogas to electricity that is exported back to the national grid thereby displacing the need to burn coal.</p> <p>The state-of-the-art new refinery, Unifuji utilises renewable energy derived from Biomass generated from the newly established neighbouring Optimill which creates a “circular economy” and best practice within the industry. This complex now operates without the use of fossil fuels significantly reducing the GHG footprint of the Groups operations.</p>

SDGs	Specified Targets	Status	Action Plan
SDG 8 – Good job and economic growth	8.2 – Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.	Ongoing	<p>The opening of new Optimill factory complex and Unifuji not only produces value added palm fractions but also provides employment opportunities for 150 people.</p> <p>The average earning of workers is 50% higher than the minimum wages based on their productivity.</p>
	8.8 – Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, and those in precarious employment.	Ongoing	UP Group 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.
SDG 9 – Innovation and Infrastructure	9.4 – By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.	Ongoing	<p>UP encompasses and amalgamates the most modern equipment and technologies available in the industry embracing the concept of the circular economy. This can be demonstrated through the Company’s investment in the new Optimill and a new joint venture refinery called Unifuji.</p> <p>The VORSEP Dust Collector System has been installed in all of our mills where the dust emissions have been successfully reduced to the level far below permissible level by Department of Environment (DOE).</p>
SDG 13 – Climate Action	13.2 – Integrate climate change measures into national policies, strategies and planning.	Ongoing	<p>By creating a greater environmental awareness and by mapping out areas that contribute negatively towards greenhouse gas emissions the UP Group has through been able to make specific and target orientated green investments that has contributed towards reducing its GHG emissions by 46% (without iLUC), 40% (with iLUC) and 54% (with iLUC and nature conservation) per kg of refined oil produced from 2004.</p> <p>Nature tree reserves parks including the Group’s 7,500Ha of jungle conservation area that has been permanently set aside. UP has effectively cancelled out the negative impact of iLUC on our GHG emissions.</p> <p>Throughout the years, additional railway tracks were laid to facilitate crop transportation bringing the total network length to about 540km. The in-house fabricated 90hp diesel locomotives 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.</p> <p>Most of the oil palm residues including chipped trunks, fronds, EFB, fibre and shells are effectively utilised and recycled as organic matter back to the fields, in the form of organic mulch in the nursery thereby enriching our soils or as a fuel source displacing the use of fossil fuels whilst adding value to the biomass generated. To further enhance our biomass utilisation, 8 new Biomass Reciprocating Boilers have been built since 2005.</p>
SDG 17 – Partnership for the Goals	17.16 – Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnership that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries.	Ongoing	<p>UP and Fuji Oil agreed to establish a Joint Venture (JV) based on a common goal of a long-term partnership in which unique technologies, sustainable practices and first-class palm oil quality are combined. This JV has materialised into a super modern and efficient setup including a solvent fractionation plant.</p> <p>UP collaborates with Copenhagen Zoo in conducting research on leopard cats, King Cobra, the cultivation and planting of endangered tree species, restoration and rehabilitation initiatives as well as biodiversity conservation. This collaboration was initiated in 2007 and officially established on 1 October 2010, through a Memorandum of Understanding (MOU).</p>

Targets and Achievements

(GRI 102-15)

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.

Objectives	Targets Achieved To date	Target 2018	Status of Target in 2018	Target for 2019	Target for 2020	Addressed by Specific Material Sustainability Matter	Reference page	Relevant UN SDGs
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	57	8
No forced or trafficked labour in our operations			No breaches in compliance reported or observed in external and internal audits			Human & Workers' Rights	57	8
No retention of Guest workers' passports		Since its construction and evaluation, the Company has decided to replicate the construction of passport lockers in other estates in stages	In 2018, new passport lockers constructed in Ulu Bernam Estate	To replicate the construction of passport lockers in UIE and Ulu Basir Complex		Human & Workers' Rights	57	8
Phasing out of Paraquat	No Paraquat usage policy 2010		Achieved in 2010					3
No work-related fatalities		Zero fatality	One work-related fatality reported	Zero fatality	Zero fatality	Occupational Safety & Health	66	3
Reduce Lost Time Injury Frequency Rate (LTIFR) below 2014 levels. (12.27)		Introduce a behavioural safety approach	Continuous Improvement (LTIFR 6.56)			Occupational Safety & Health	66	3
To live up to the UN Guiding Principles on Business And Human Rights	Human Rights Policy 2013 Guest Workers Policy 2014	To establish United Plantations Information Centre (UPIC) in Bangladesh	In view of change in Government Policy on recruitment of Bangladeshis the establishment of UPIC is on hold.	Establish call centres in source countries for disseminating information to potential candidates		Human & Workers' Right	57	3
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	70	15
Established the Kingham-Cooper Tree Species Reserve at UIE Estate.	2008		Ongoing monitoring and maintenance of the flora and fauna			Biodiversity & Conservation	70	15
UP and Copenhagen Zoo established a partnership with UP including establishing a Biodiversity Department	2010		Ongoing partnership			Biodiversity & Conservation	70	15, 17
Research on raising predators in the Insectary	2012		Ongoing research			Biodiversity & Conservation	70	15
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	70	13
Research on Rat control by Leopard cats in collaboration with Copenhagen Zoo	2014		Ongoing research			Biodiversity & Conservation	70	15, 17
Monitoring and management of HCS	2014		Ongoing monitoring and maintenance of the flora and fauna			Biodiversity & Conservation	70	13

Objectives	Targets Achieved To date	Target 2018	Status of Target in 2018	Target for 2019	Target for 2020	Addressed by Specific Material Sustainability Matter	Reference page	Relevant UN SDGs
Target 3 : Environment (Climate Change)								
Installation of Biomass Reciprocating Boilers	Jendarata Palm Oil Mill (2006), Ulu Basir Palm Oil Mill (2014), Ulu Bernam (Optimill) and Jendarata Palm Oil Mills (2017)	UIE Palm Oil Mill	Completed			GHG Emissions, Discharge & Waste Management	88	9, 12
No new development of peatland.	2010		Ongoing			GHG Emissions, Discharge & Waste Management	88	13
Install methane capture in all palm oil mills	2013 (Achieved in 2017)					GHG Emissions, Discharge & Waste Management	88	9, 12
Measuring GHG emissions for all palm oil operations (33% reduction since 2004 (achieved in 2015) (iLUC including conservation)	2015	1.18 kg CO ₂ -eq/kg NBD Oil	Achieved UP Carbon Footprint per MT of NBD oil reduced by 54% compared to 2004 levels with iLUC and nature conservation.	1.18 kg CO ₂ -eq/kg NBD Oil	1.18kg CO ₂ -eq/kg NBD Oil	GHG Emissions, Discharge & Waste Management	88	7, 12
To measure the total GHG emissions per year for the UP Group			Ongoing			GHG Emissions, Discharge & Waste Management	88	7, 12
Conversion of conventional lightings to T5 lights with the potential savings in power consumption by 78 %	2015		Ongoing			GHG Emissions, Discharge & Waste Management	88	7, 12
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	88	7, 12
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	88	13
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	88	13
Installation of VORSEP System at Palm Oil Mills to reduce dust emission	Ulu Basir installed in 2015, Ulu Bernam (Optimill) and Jendarata Palm Oil Mills installed in 2017	UIE Palm Oil Mill	Completed			GHG Emissions, Discharge & Waste Management	88	9, 12
Water Footprint-reduction by 5% compared to 2015 level of 80 gallons per capita by 2018		60 gallons / capita/ day	Malaysian Operation: 69 gallons/ capita/ day Indonesian Operation: 76 gallons/capita/day	60 gallons / capita/ day	60 gallons / capita/day	GHG Emissions, Discharge & Waste Management	88	6

Objectives	Targets Achieved To date	Target 2018	Status of Target in 2018	Target for 2019	Target for 2020	Addressed by Specific Material Sustainability Matter	Reference page	Relevant UN SDGs
Target 4 : Community								
PLASMA-schemed smallholders to establish in PTSSS (20% of Company's planted area in Indonesia i.e. 1770 Ha)		1770Ha.	1316Ha	454Ha		PLASMA Development	119	1, 12
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	114	3
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.	2,508.47Ha in Lada Estate obtained in 2005Ha in Lada Estate obtained in 2005Ha in Lada Estate obtained in 2005	To fully achieve objective	HGU for 6,004.15Ha obtained (Lada & Runtu Estate)	To fully achieve objective	To fully achieve objective	Code of Ethic & Governance	55	16
Target 6 : Economics								
<u>Malaysia</u>								
FFBYield Per Hectare		25.11	26.67	26.33		Product Quality	121	12
Oil Extraction Rate		21.98	21.47	21.90				
CPOYield Per Hectare		5.52	5.73	5.47				
<u>Indonesia</u>								
FFBYield Per Hectare		23.68	24.69	25.34		Product Quality	121	12
Oil Extraction Rate		25.50	22.94	24.55				
CPOYield Per Hectare		6.04	5.66	6.22				
Target 7 : Certifications								
Migros Sustainability Criteria Audit conducted by ProForest	2003					Certification for Food Safety, Sustainability and Others	51	12
World's first RSPO Certification for all 6 oil mills in Peninsular Malaysia *4 oil mills currently in operations - RSPO Re-certification (2013 & 2017)	2008	ASA 1 for 4 oil mills in Peninsular Malaysia	Achieved	ASA 2 for 4 oil mills in Peninsular Malaysia		Certification for Food Safety, Sustainability and Others	51	12
RSPO P&C –PTSSS (Lada POM & supply bases)		RSPO Certification for the balance of Lada POM & supply bases (HGU achieved areas)	Achieved	RSPO Certification for the balance of Lada Palm Oil Mill's supply bases (HGU achieved areas)	RSPO Certification for the balance of Lada Palm Oil Mill's supply bases (HGU achieved areas)	Certification for Food Safety, Sustainability and Others	51	12
ISPO P&C PTSSS (Lada POM & supply bases)		ISPO Certification for the balance of Lada POM & supply bases (HGU achieved areas)	ISPO scope extension audit for new HGU acquired areas was carried out 6th-10th August 2018 and awaiting issuance of certificate.	ISPO Certification for the balance of Lada Palm Oil Mill's supply bases (HGU achieved areas)	ISPO Certification for the balance of Lada Palm Oil Mill's supply bases (HGU achieved areas)	Certification for Food Safety, Sustainability and Others	51	12
World's second RSPO NEXT Certification and the first for Asia Pacific and Africa	2017	RSPO NEXT ASA 1	Achieved in September 2018	Ceased (Please refer to UP and Sustainability Certifications Section page 51)		Certification for Food Safety, Sustainability and Others	51	12

* 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 2018	Status of Target in 2018	Target for 2019	Target for 2020	Addressed by Specific Material Sustainability Matter	Reference page	Relevant UN SDGs
Target 7 : Certifications								
MSPO Certification for all Palm Oil Mills and Estates in UP Malaysia		To seek certification for the 4 Palm Oil Mills in UP Malaysia	Achieved in September 2018	ASA 1 for all Palm Oil Mills and Estates in UP Malaysia	ASA 2 for all Palm Oil Mills and Estates in UP Malaysia New acquired plantations (Pinehill) to be MSPO Certified.	Certification for Food Safety, Sustainability and Others	51	12
External Assurance on Sustainability Report	First external assurance was conducted in 2017	To seek third party limited assurance on our sustainability report 2018	Achieved	To seek third party limited assurance on our sustainability report 2019	To seek third party limited assurance on our sustainability report 2020	Certification for Food Safety, Sustainability and Others	140	12
Unitata		Annual certification	Achieved	Annual certification	Annual certification	Certification for Food Safety, Sustainability and Others	122	12
<ul style="list-style-type: none"> • ISO 9001 (1995) • HACCP (2003) • Halal (2004) • KOSHER (2005) • BRC (2008) • RSPO SCCS (2010) • GMP (2014) • MESTI (2014) • FDA (2008) • GMP +B2 (2017) • MPCA (2014 - Bi-annual certification) 								



UP and Sustainability Certifications

(GRI 102-9, GRI 102-12, GRI 102-13)



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 remains one of being active and in this connection, we are pleased to state that our Company was one of the initial palm 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.

Global RSPO Members and Governance

The RSPO has more than 4080 members worldwide (from 92 countries) who represent all stakeholders along the palm oil supply chain. The primary objective of the RSPO is to promote a credible standard on sustainable palm oil production and the subsequent use of sustainable palm oil. All Members have committed to produce, source and /or use sustainable palm oil certified by the RSPO, in order to transform markets thereby making sustainable palm oil the preferred choice.

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. He was elected to this position in November 2014 and has thereby actively participated in and helped to oversee important developments and decisions within the RSPO.

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 on the 26th August 2008 thus becoming the world's first producer of certified sustainable palm oil. It subsequently conducted its second cycle recertification in 2013 and a third cycle recertification in 2017.

For its Indonesian operations, UP had moved towards the RSPO Initial Main Assessment for part of our HGU area in December 2017 and successfully obtained the certificate in November 2018. We anticipate to carry out the RSPO Surveillance Audit 1 concurrently with Scope Extension Audit for the newly acquired HGU area of 6004.15Ha in 3rd quarter of 2019. 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 scheme smallholders, full certification is expected by 2021 subject to issuance of individual land certificates by the local government

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 our customers. Our total RSPO certified and traceable quantity available based on our own production was approximately 168,680MT of palm oil and 36,790MT of palm kernels in 2018.

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 was only 47% of the supply amounting to 13,287,566MT of CPO in 2018, thereby outpacing demand. This is a dreadful message to the growers and clearly shows that there are many Western consumer good manufacturers (CGMs) and retailers who whilst being members of the RSPO have failed to take ownership of the sustainability commitments manifested within the RSPO.

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.

UP and RSPO NEXT Certificate in 2017

In 2017, United Plantations became the first Company in Asia Pacific to become RSPO NEXT certified by taking on the challenge and voluntarily pursuing to obtain the RSPO NEXT Certification for two (2) of our business units and was successful in becoming the first Company in Asia Pacific to become RSPO NEXT certified. Nevertheless, upon successfully obtaining the RSPO NEXT Certificate, it became clear that the early commitments made to uptake palm oil with this higher sustainability standard within the RSPO disappeared with western CGMs and other clients showing no interest. The RSPO NEXT has 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 fulfill 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.

As there has been no demand for RSPO NEXT products in the market, UP has decided not to proceed with RSPO NEXT Certification in 2019, even though we are

confident of fulfilling our commitment by going beyond the RSPO standard compliance. In addition, with the revised RSPO P&C Standards 2018 which has been voted through on 15th November 2018 we can see that the RSPO Standards has moved closer to the RSPO NEXT Standards.

Malaysian Sustainable Palm Oil (MSPO) Certification in 2018

The Malaysian Sustainable Palm Oil (MSPO) standard is a national certification standard created by the Malaysian Government and developed with inputs from stakeholders in the palm oil industry. First launched in November 2013, it officially came into implementation in January 2015. It is a mandatory certification and all RSPO certified millers and growers should be certified by 31st December 2018.

We are pleased to announce that all of our mills and estates in Malaysia have successfully obtained the MSPO Certificates in September 2018.

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 Initial Main Assessment for our Indonesian Plantations has been conducted concurrently with RSPO Initial Main Assessment in 2017 for a part of our HGU. Subsequently, the ISPO Scope

Extension Assessment for newly acquired HGU area of 6004.15Ha was conducted on 9th August 2018 and awaiting issuance of the ISPO certificate.

Sustainable Palm Oil Transparency Toolkit (SPOTT)

UP participated in the Sustainable Palm Oil Transparency Toolkit (SPOTT) assessment conducted by Zoological Society of London (ZSL). SPOTT is designed to measure the transparency of Companies in public disclosures of best practices and sustainability commitments via the RSPO Annual Communication of progress (ACOP), RSPO New Planting Procedures (NPP) Public Notification, Company Annual/Sustainability Report and Company Websites.

The key objectives of the SPOTT assessment are to promote industry transparency and accountability to drive the uptake and implementation of environmental and social best practices 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.

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

Our current status on SPOTT assessment as of November 2018 is 86.50% resulting in UP being ranked as number 5 amongst the 70 assessed Global Oil Palm Plantations (In year 2017, the score was 81.90% and the rank as number 6 amongst 50 assessed Global Oil Palm Plantations).

For further details on SPOTT assessment for palm oil companies, please refer to <https://www.spott.org/palm-oil/>



Bapak Panut Wahono at the Lada palm oil mill where he is responsible for the grading operations that help to track crop ripeness standards.



Harvesting of tall oil palms remains a manual task requiring much skill and dexterity.



Watering young seedlings at the pre-nursery.

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 have materialised.

1. Code of Ethics & Governance

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

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

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.

For further details on Code of Conduct and Business Ethics, please refer to <http://www.unitedplantations.com/sustainability/pdf/Code%20of%20Conduct%20&%20Business%20Ethics%20Policy.pdf>

Personal Data Protection

(GRI 418-1)

UP 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, 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 UP, such as concerns regarding:

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

For further details on Whistle Blower Policy, please refer to <http://www.unitedplantations.com/sustainability/pdf/Whistleblower%20Policy.pdf>

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 2018

Total number of reported incidents of discrimination	NIL
Corrective actions taken	NIL

Gender Policy

In line with this policy, we 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.

For further details on Gender Policy, please refer to <http://www.unitedplantations.com/sustainability/pdf/Gender%20Policy.pdf>

Gender Committee

Our Gender Policy that is designed to protect our female employees. We have established Gender Committee who 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 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.

	UP Indonesia (PTSSS)	UP Malaysia	UP Group
Percentage Female Employees	28.8%	10.9%	14.2%
Percentage Male Employees	71.2%	89.1%	85.8%

UP Group

Employees – Year 2016 to 2018
(GRI 102-8, GRI 202-2, GRI 401-1)

	2018	2017	2016
UP Bhd	4,936	5,223	4,482
Unitata Bhd	282	242	213
Butterworth Bulking Installation Sdn. Bhd.	16	15	16
PT SSS1, Indonesia	1,274	1,345	1,215
PT SSS2, Indonesia	-	-	-
Total	6,508	6,825	5,926

Category of Employees (Malaysian) as at 31 December 2018

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	108	20	29	65	34	21	25	82	-	128
Staff	188	132	90	147	83	91	6	217	6	320
Workers	550	368	211	398	309	234	1	678	5	918
Total	848	520	330	610	428	346	34	977	11	1,368

Category of Employees (Other Nationalities) as at 31 December 2018

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	13	2	3	7	5	2	13	-	-	-	15
Staff	43	12	16	39	-	-	55	-	-	-	55
Workers - PTSSS	859	347	331	816	59	-	1,206	-	-	-	1,206
Guest Workers - Malaysia	3,818	44	1,760	2,072	30	-	800	26	720	2,316	3,862
Total	4735	405	2,110	2,936	94	4	2,074	26	720	2,316	5,140

* Danish & British

Grand Total = 6,508

We actively promote the employment of women at UP. We recognise that some work on our plantations is 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.

For Grievance Redressal Procedure for Sexual Harassment in the Workplace, please refer to http://www.unitedplantations.com/sustainability/community_grievance_harassment.asp

Total incidents of sexual harassment reported and corrective actions taken for 2018
(GRI 412-3)

Total incidents of sexual harassment reported	NIL
Corrective actions taken	NIL

3. Human and Workers’ Rights

(GRI 401-2, GRI 402-1)

Human resource practices which respect 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.

For further details on our Human Rights Policy, please refer to <http://www.unitedplantations.com/sustainability/pdf/Human%20Rights%20Policy.pdf>

Guest Workers Policy

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

For further details on our Guest Workers Policy, please refer to <http://www.unitedplantations.com/sustainability/pdf/Guest%20Worker%20Policy.pdf>



Guest workers have free access to their travel documents.

Guest Workers’ Passport Lockers

We have constructed a room containing passports lockers within the plantations to enable our guest workers free access to their passports without any restrictions at Jendarata and Ulu Bernam Estate.

Since its construction and evaluation, the Company has decided to replicate in other estates in stages. Currently on 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 Repatriation and Leave

With 85% of our workforce being guest worker, 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 2018, 841 of our guest workers have been repatriated upon completion of their employment tenure. Another 444 guest workers went back on leave to their respective home countries with the majority returning back to resume their employment at UP. Nevertheless, 82 guest workers that had gone on leave did not return.

Repatriation and Leave during the year	2018	Total number of guest workers (%)
Total number of guest workers	3876	100
Repatriation	841	21.70
Gone on leave	444	11.46
Gone on leave and returned	362	9.34
Gone on leave and didn’t return	82	2.12

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 may be vulnerable to exploitation at the source country.

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 – Awaiting new recruitment policy by Malaysian Government

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

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

**E-Migrate system by Government of India*

We do not charge any recruitment fees to reduce the financial burden on our guest workers. We planned to establish our Company’s Information Centre at the source country of our guest workers, to facilitate

communications to reduce exploitation, however this proposal has been put on hold until the release of new recruitment policy by the Malaysian Government.

As an alternative, we are planning to establish call centres in the respective source countries which will act as a bridge between the workers from 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-recruiting agents charging additional recruitment costs 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.

Paying fair wages and employees benefits

(GRI405-2)

All employees of UP in Malaysia receive at least the minimum wage set by the Malaysian Government (Minimum Wages Order 2018), RM1,100/- per month with effective from 1st January 2019. We practice gender equality policy on wages payment and remuneration for all of our employees.

The average earnings of our workers supersede the minimum wages by more than 50% as reflected in the table below.

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.

Percentage of Employees (Full attendance) Received Local Minimum Wages

(GRI 202-1)

	Male	Female
Malaysian operations	100%	100%
Indonesian operations	100%	100%

	2018	2017	2016
Total Average Earnings per worker per month – UP Group Plantations (Malaysia)	RM 1,595	RM 1,592	RM 1,472
Total Average Earnings per worker per month – UP Group (Indonesia) – Permanent Workers	IDR 3,767,903	IDR 3,391,159	IDR 2,567,777
Total Average Earnings per worker per month – UP Group (Indonesia) – Temporary Workers	IDR 3,276,675	IDR 2,409,208	IDR 2,566,166

Wage payment records are countersigned by the workers to acknowledge receipt and to confirm that they understand how wages are calculated. In Indonesia, the company in accordance to the labour law 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 are being monitored and will be incorporated in our future reports in our efforts for continuous improvements. In Indonesia the traditional practice of wives assisting their husbands in harvesting have ceased by employing them into the estates' permanent workforce.

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 provide 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.



Banking facilities provided within the premises of the estate for the conveniences of our workers.

Freedom to form a Union
(GRI102-41, GRI403-1)

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.

Minimum Notice Periods Regarding Operational Changes
(GRI402-1)

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

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.



Guest workers arriving at the Kuala Lumpur International Airport being greeted and briefed by UP's Sr. Manager of HRESH, Mr. Norhazizi Nayan.

UP Group (Malaysia)	2018	2017	2016
% of staff as members of All Malayan Estates Staff Union (AMESU)	76	76	-
% of workers as members of National Union of Plantations Workers (NUPW)	16	14	23
% of workers as members of Food Industry Employees' Union	45	57	-
UP Group (Indonesia)	2018	2017	2016
% of workers as members of Union*	6	5	100

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

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 2018 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 & 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 wellbeing of its employees.

In addition, 49 scholarships were granted to children of our employees during 2018 thereby enabling these students to pursue their tertiary 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 2018 in line with the Company's goal to provide its employees with the best housing facilities within the 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 150m² per unit encompassing 3 bedrooms, 1 kitchen, 2 bathrooms and a large hall and patio. More than Two (2) additional terrace apartment blocks have been built in UIE providing first class housing facilities for 64 employees during 2018.

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 court 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.



School children celebrating Independence Day at Jendarata Estate on the 31 August 2018.

UP Football Team, Jendarata FC emerged champions in the Lower Perak District League Championship held on 12 January 2019, after a number of tough matches to the delight of supporting fans and players.

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.

United Plantations Berhad – Old Folks Home

Our corporate culture is deeply embedded in our traditional values and legacy the Company's founders introduced nearly 113 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.



The Bakery Manager of Bernam Bakery, Mr. Jayarama Reddy and in the centre, the Danish Master baker Mr. Vagn Nielsen and his wife Mrs Else Nielsen who periodically visit Bernam Bakery to help uphold the quality of baking and transferring new technologies and practices on to the employees at the Bakery.



Fostering goodwill amongst local communities through sports.



Places of worship provided for all employees of different faith.



Benevolent Fund payments to our long serving employees in appreciation for their dedicated and loyal services.

Annual Benevolent Payments

Annual benevolent payments as well other compassionate and educational payments made by the Group to workers amounted to RM1,036,556 during 2018. 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 3 years, an average of RM295,000 per annum was paid out from this scheme.

The objective of the 2 education and welfare funds 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 tables summarises the annual benevolent payments made in the last 3 years. During the year, 66 retired workers received retirement gratuity, 49 school children received scholarships, 383 school children received bus subsidies and there were 93 beneficiaries from donations given by the Group.

Social Commitments of the Group

	2018 RM	2017 RM	2016 RM	Grand Total RM
Hospital & Medicine for Employees, Dependents & Nearby Communities	2,424,918	2,400,609	2,229,584	7,055,111
Retirement Benevolent Fund *	531,338	101,866	252,500	885,704
Education, Welfare, Scholarships & Other	298,841	298,269	299,824	896,934
Bus Subsidy for School Children	206,377	215,545	244,916	666,838
External Donations	127,359	120,008	302,997	550,364
New Infrastructure-Road, TNB and Water-Supply for domestic use	772,903	1,132,292	298,461	2,203,657
Employee Housing	7,134,389	11,879,818	5,937,022	24,951,229
Infrastructure Projects, Buildings, Community Halls, Places of Worship	2,508,547	6,773,589	1,502,571	10,784,707
Provision of Social Amenities	5,158,811	6,195,586	5,396,162	16,750,559
Total	19,163,483	29,117,582	16,464,037	64,745,102

Environmental Commitments of the Group

	2018 RM	2017 RM	2016 RM	Grand Total RM
Environment Friendly Operational Activities	6,680,501	5,147,810	6,395,566	18,223,877
Environment Friendly Project (Biogas, Biomass-others)	1,577,752	9,030,692	1,346,254	11,954,698
Biodiversity & Conservation (Forest reserve, Endangered Tree Species Projects, Collaboration with Copenhagen Zoo)	758,797	658,062	584,061	2,000,919
Total	9,017,050	14,836,564	8,325,881	32,179,494

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

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/MSPO/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 and Industrial Laws and others.

With 85% of our workforce being guest workers and with 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 trainings 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 programme, conferences and seminars which are relevant to the Group's businesses are identified on an ongoing 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 unannounced internal audits and performance monitoring.



The Chief Executive Director of UP addressing all officers within the Group during the annual field day held at Ulu Bernam Estate on 22 September 2018.

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.

For further details on our Occupational Safety And Health Policy, please refer to <http://www.unitedplantations.com/sustainability/pdf/Occupational%20Safety%20&%20Health%20Policy.pdf>

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 Hospital Assistant 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 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.

The Company's Safety and Health Officer makes 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.



Training of employees working with pesticides is a continuous and weekly process in United Plantations.

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 JKJP8)

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

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 minimize risks. Every tragic 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 are provided to the bereaved family.

Fatal Accident Rate (FAR)

	2018	2017	2016
Fatal/1000 Employees*	0.19	0	0.21

* For Malaysian operation only.

Lost Time Injury Frequency Rate (LTIFR)

(GRI 403-3)

LTIFR refers to Lost Time Injury Frequency Rate, the number of lost time injuries occurring in the work place per 1 million man-hours worked. From the table below (year 2018) shows that 6.56 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)

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

In 2018, 49 % of accidents involved harvesting operations (thorn pricks, debris falling into eyes, cutting stalk, fronds falling on body, 16 % commuting accidents and 35 % others (factory operations, tractor and lorry related, slipped and fall, hand tools related as well as sundry works). We are introducing a behavioral safety approach to further enhance the safety culture in the Group.

Lost Time Injury Frequency Rate (LTIFR)

	2018	2017	2016
Frequency/Million Hours*	6.56	9.04	14.3

* For Malaysian operation only.

Workers with high incidence or high risk of diseases related to their occupation in 2018

Workers with high incidence of diseases	Workers with high risk of diseases
NIL	NIL



Fire drill conducted in Runtu Estate with external stakeholders.

6. Fighting the Haze and Preventing Fires

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 emergency.

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

We will be 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. We conduct periodic fire drills to ensure the preparedness of our emergency response team (ERT) as well as functionality of the firefighting equipment. This year we did short period of drought in Indonesia. There were some isolated fire incidents which burnt approximately 30 Ha of grassland. However the fire was immediately extinguished by our ERT in PTSSS.

Hectares Burnt In Fires

	2018	2017	2016
Non Planted	31.20	6.00	30.89
Planted	0.55	1.16	107.14
Total	31.75	7.16	138.03

Outer Ring Range of ≤500 m

	2018	2017	2016
Outer ring ≤500 m (Ha)	1 *Small farmer's field	Nil	≤ 1 *Small farmer's field



Training session conducted for our Emergency Response Team.



A pair of majestic Changeable Hawk Eagle (Nisaetus cirrhatus) spotted resting on a forest tree at PT SSS.

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.

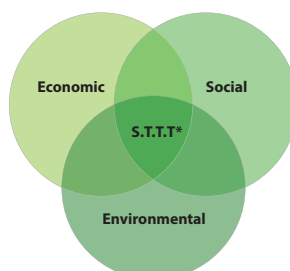
The following pages describe UP's various environmental projects, policies and commitments in place as well as progress made.

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 to prevent deforestation (2014)

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

Sustainable Development



*Sustainability through Transparency, Traceability & Trust



The Lima Blas jungle sanctuary which was set aside in 1926.

7. Biodiversity and Conservation
(GRI 304-2, GRI 304-3, GRI 304-4)

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

UP receives a Special Recognition Award for Land Use and Biodiversity efforts

During an event hosted by PricewaterhouseCoopers (PWC) on 29 January 2019, it was gratifying that years of environmental focus resulted in UP receiving a special recognition award for its efforts on land use and biodiversity. Continuous focus to develop and strengthen this area of importance will continue going forward.

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 all over areas including 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 policy 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.
- Removal of native tree species and capturing, poaching and hunting of 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.

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.

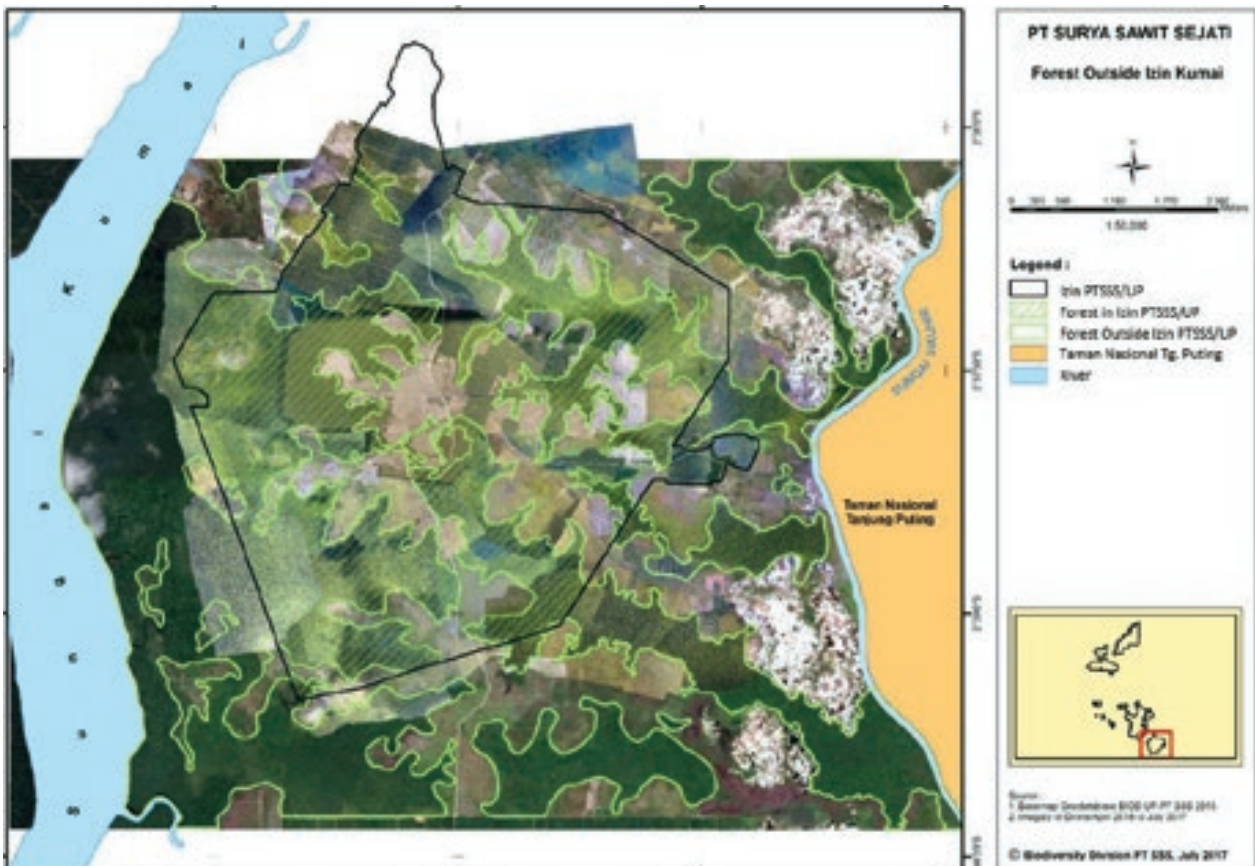
The best known animals in Tanjung Puting are the orangutans, made famous through the long-term efforts of the Orangutan Research and Conservation Program (predecessor to OFI), based at the landmark Camp Leakey research station.

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.



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, 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.



The Company's Biodiversity Team headed by Dr. Carl Traeholt from Copenhagen Zoo (3rd from left) and Pak Muhammad Silmi the Biodiversity Manager (far left) flanked by the Executive Director of UP, Mr. Loh Hang Pai (2nd from left), Dato' Carl Bek-Nielsen (4th from left), Mr. Aseervatham, Manager Runtu Estate (2nd from right) and the President Director, PT SSS Mr. Muhammad Ratha during a field visit where issues relating to conservation, rehabilitation and outstanding issues were discussed.



Leopard cats are excellent rat-predators. An adult cat will kill and eat more than two rats on average per day.

Biodiversity Department's activities in 2018

By Dr. Carl Traeholt and Mr. Muhd Silmi

United Plantations' Biodiversity Division was created in 2011, exactly eight years ago. In this period of time, the Division has undertaken an impressive amount of activities in support of the company's commitment of producing sustainable palm oil. In the past, many exciting activities and accomplishments have been reported. For example, the Biodiversity Division has worked with leopard cats,

Prionailurus bengalensis, as predator of rats to replace the environmentally detrimental chemical control.

The work with the sumatran cobra (*Naja Sumatrana*) and king cobra (*Ophiophagus hannah*), the world's largest venomous snake, has not only produced some amazing results. It has attracted one of the World's best known and respected herpetologists, Romolus Whitaker, who continues to grace UP/PTSS in Kalimantan and offer support and capacity building every year.



Dr. Rom Whitaker visits our Indonesian estates and has been instrumental in guiding the Company's biodiversity department in its extensive studies on the king cobra. (Insert picture -BioD Team implanting radio transmitters.)



Orangutans are regularly recorded in PT SSS' conservation forests. Now begins the huge task of managing the population.

The Biodiversity Division has also undertaken numerous cameratrap surveys, bird and tree surveys to document the biodiversity within the company's conservation areas. The BioD has recorded many of Borneo's endangered species to date, among them Asia's only great ape, the orangutan, *Pongo pygmaeus*.

While these are exciting and inspiring stories about exotic species, the BioD is about far more than that. An entire host of other activities commenced right from the modest beginning in 2011, including developing a GIS database that incorporates literally all the team's recorded data, be it from camera trap pictures, radio-tracking locations, number of tree seeds collected, time and place of illegal logging to recovery of aquatic fauna. Most of these stories are rarely told, however, some of these will be revealed in the following.

Biodiversity in PTSSS

To date, the BioD has recorded a stunning 67 species of mammals, 179 bird species, 46 reptiles, 22 amphibians and 78 fish. This is expected to increase significantly in the future as more surveys are completed, especially with regards to bats. Many of these are listed as either critically endangered (Cr), endangered (E) or vulnerable (Vu) on the International Conservation Union's Red List (IUCN).

In addition, a total of 285 plant species have been recorded, with more than 100,000 seeds and seedlings collected and propagated in two purpose made tree nurseries, before being out-planted in rehabilitation areas. Whereas some activities associated with this enormous database relate to RSPO compliance, many goes well and beyond compliance activities.



Bats constitute a very important trophic layer in any ecosystem. They are the only flying mammals and predate on a host of insects. The BioD team has commenced a dedicated bat survey.



The first record of the rare flat-headed cat (*Prionailurus planiceps*) in Runtu Estate.

In 2018, the BioD recorded two new exciting discoveries. First of all, the team captured on camera a flat-headed cat, *Prionailurus planiceps*. It is the size of a domestic cat and is the rarest cat species in SE Asia and is listed as Endangered on the IUCN Red List.

It is found in peat-forest and wetlands and, in contrast to most other cat species, the flat-headed cat has semi-webbed feet, is an excellent swimmer and loves water. It feeds mainly on aquatic animals such as fish, amphibians and small reptiles.

Another very exciting record is the return of the Borneo clouded leopard, *Neofelis diardi* to the rehabilitation site Field 86 in Lada Estate. It is the largest terrestrial predator on Borneo, weighing up to 30kg and is an expert tree-climber as well. Hence, it is also known as the “tree-leopard”.

The return of this magnificent cat to Field 86 is a wonderful testament to the positive restoration of the area after almost 10 years of work.



The clouded leopard (*Neofelis Diardi*), recorded for the first time in field 86.



The red durian, (*Durio dulcis*), is now extremely rare in Borneo. The BioD has now propagated hundreds of this species and will continue to collect more fruits in the future.

The Borneo red durian, *Durio dulcis*, used to be widespread across most of Borneo's lowland areas. Local people consider it the sweetest of all durians, however, the tree has also very high timber value and the past 20 years' massive deforestation have resulted in the species becoming increasingly rare.

Today, this once common wild durian is listed as "Vulnerable" on the IUCN Red List.

The BioD team identified a local villager who still had a single tree standing adjacent to Runtu Estate's conservation forest. Learning that the owner planned to fell it for timber, the BioD team purchased as many fruits as possible, making it financially beneficial for the owner to keep the tree. Subsequently, the BioD team has propagated almost a thousand seedlings that will be out-planted for the benefit of both humans and wildlife in the future.

Rehabilitation – a measure of success

Rehabilitation of tropical rainforest and wetland is a monumental task that takes years of dedication, innovation and hard work. There is no existing "hand book" to facilitate this process, simply because tropical rainforest loss is a relatively new phenomenon and rehabilitation has not been undertaken sufficiently long term to provide solid results of "dos and don'ts".

The BioD team commenced on rehabilitating a sensitive wetland, Field 86, in Lada Estate in 2011. The need for this was a combination of the field being sensitive biodiversity area as well as important for managing/prevent flooding of planted area further downstream.

The question remains if the restoration and rehabilitation process has had its desired effects i.e. mitigate flooding and bring back biodiversity?

To date, it is very pleasing to report back that there has been no flooding in adjacent areas ever since corrective measures were installed.

Concurrently, the BioD has monitored the biodiversity throughout the years, both with regards to regrowth as well as species composition of understory birds. The latter is a good measure of "health" for rainforests as these are sensitive to any habitat disturbances.

The data collected show a positive recovery i.e. many trees planted almost 10 years ago are now 10-12m tall and the area, once a wasteland, is now covered with vegetation other than *lalang* and invasive ferns.

The area oozes with birds quipping and our results that there are now 24 species of birds inhabiting Field 86, compared to nil in 2011 (graph on page 77) This, combined with the new record of clouded leopard, is a success-story in the making and a testament to long-term dedication to such tasks.

Behind all this, there lies an enormous amount of work. The rehabilitation process began with revisiting old satellite images of the area, including adjacent areas, to be able to restore the stream to its original flow as well as to assess the type of habitat it was before mistakenly being cleared. Subsequently, the BioD developed a list of tree species to plant in the area, choosing a range of species suitable for this type of habitat and with a value for wildlife too.



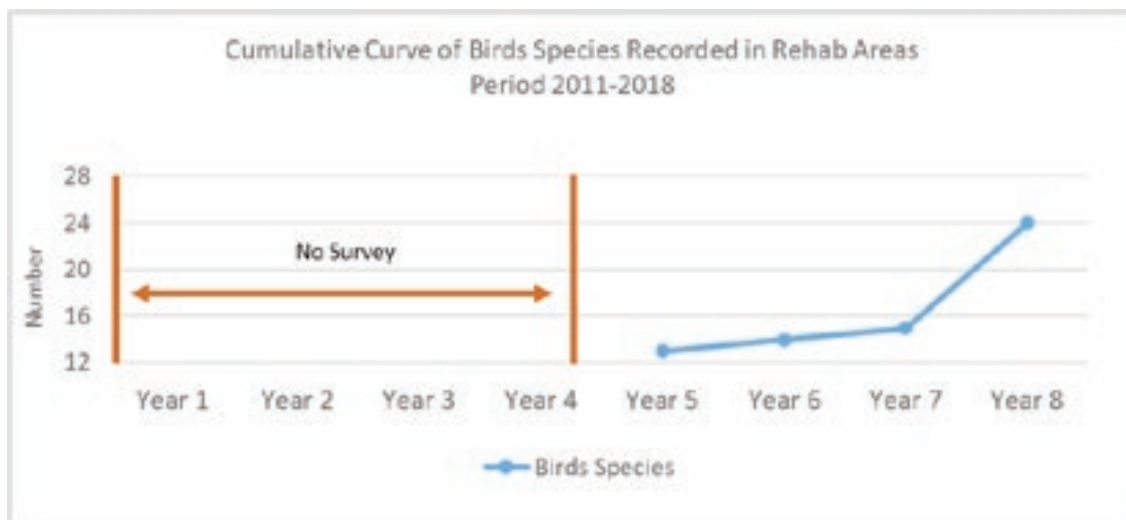
Biodiversity Manager, Mr. Muhammad Silmi, in front of a Rengas tree taken in 2014 (left) and again in 2019 (right) showing the successful rehabilitation process of tree species.

This was to ensure that, not only will the area be restored, but it will also be enriched and become a small important natural oasis in the middle of a sea of plantations. Then began a dedicated search for the desired tree species in adjacent forest tracts, collection and propagation of tens of thousands of seeds, followed by out-planting of tens of thousands of seedlings and finally a constant monitoring of growth rate, mortality rate and leaf area in test plots.

For the first 3-5 years, the BioD also had to “clean” the area around each tree for weed, to prevent small, still fragile, seedlings from being outcompeted by weeds and climbers. All this was undertaken in knee-deep water, using machetes, GPS, measuring tape and notebooks.

Today, similar processes are taking place in many other areas. The challenges and difficulties varies from site to site, however, sustained dedication and hard work will produce the desired results too. For some sites, the BioD will venture into “Phase 2” of the rehabilitation process, which is to enrich the habitat with species that provide edible fruits and leaves for wildlife. One can only marvel at nature’s resilience and ability to recover, if only humans are willing to dedicate ourselves to the task and provide the necessary circumstances for this to take place.

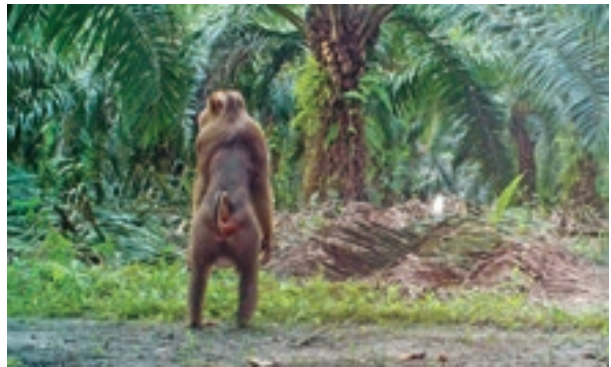
Dr Carl Traeholt
 UP Group Chief Environmental Advisor
 and
 Mr. Muhd Silmi
 Manager Biodiversity Division



From zero birds in Year 1, the BioD has monitored the bird community in Lada’s Field 86 annually. Once the trees reach a height of about 2m (Year 5), there has been a steady increase of species.



An aerial photograph of Field 86, Lada Estate Div II. From planted land, the area is now covered with trees as tall as the surrounding palms indicating the importance of rehabilitation. As an example the recorded bird species has increase significantly in the current area.



Various types of wildlife including five monkey species captures from our BioD Department's camera traps.



An aerial view of UIE's Lagoon Tree Reserve, an oasis of flowering tree and fruits, shelter and food supply for birds and mammals.

Tree Reserves

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

This 7.50 hectare area established in 2008 started as a barren piece of land surrounding the Lagoon (man-made-lake supplying UIE Palm Oil Mill with processing water requirements).

The Lagoon Tree Reserve had since been planted with several thousand local trees, and now resembles a natural thick jungle, with over 250 diverse species and 12,000 trees at this area alone.

A major source of planting material, serves as a gene-bank for the on-site Nursery to germinate harvested seeds and for growing the saplings to be planted on this Estate, as well as the other Estates in the Group to be able to establish its own reserve areas.

The Lagoon is well stocked with a variety of local fish species, attracting numerous bird types (fish eagles, kingfishers, bee eaters, egrets & herons) as well as mammals such as the Malayan Otter.

Main-Office Tree Parks.

Extending beyond the Lagoon, are a number of other fields planted with more diverse trees, emphasis on rare and valuable hardwoods such as the Dipterocarpaceae Family (Shorea, Hopea, and Dipterocarpus).

Additionally, a variety of "food chain" species have been planted to provide food & nesting for birds, habitat for wildlife.

The Anak Macang Riverbank Reserve.

This 5.85 kilometres strip of land along the southern boundary to Anak Macang River (which is not permitted to be cultivated with commercial crops, as regulated by the RSPO, and which has to revert back to natural vegetation).

Since 2011, it has been enriched with a variety of jungle tree species and become a pleasant, diverse area for biodiversity. Numerous valuable hard-wood (Dipterocarpaceae species like Anisoptera Marginata, from James Kingham's Nursery. Penawar Hutan Sdn. Bhd.) as well as Hopea species and Shorea species from the UIE Nursery have been planted here.

To date, well over 3000 trees have been planted along the Anak Macang Riparian Reserve, adding to the variety of wild trees available for the desired range of Biodiversity.

The main focus during 2018 has been the harvesting and raising of tree seeds to the sapling stage, for transplanting and supplying the other Estates in the Group, which one day should replicate the project commenced on UIE in 2008. The trees serve "a 360 degree purpose": not only being admired as magnificent life form but also to provide future generations of planting material for propagation and conservation.

To date, over 18,500 trees have been planted on UIE in the numerous Parks and Reserves which will no doubt be a lasting legacy for generations to come.

Geoffrey Cooper

Estates Director, Downriver



The indigenous jungle tree nursery at UIE(M) where thousand of jungle tree seedlings are raised every year.



Riparian rehabilitation at the Anak Macang. Today more than 3,000 indigenous and rare jungle trees have been planted to intensify the old riparian reserve.

8. Deforestation and High Carbon Stock

UP is fully committed to its NO deforestation policy and contributes to the protection of critical ecosystems and biodiversity in and around the landscapes where we operate. By strictly avoiding land clearing in High Carbon Stock areas, UP ensures that it is in full compliance to its NO deforestation policy of July 2014

New Planting Procedure (NPP) and Responsible land use planning

The RSPO New Planting Procedure (NPP) consists of a set of comprehensive and participatory technical 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.

The Main Assessments of the NPP are as follows:

- Soil suitability and topographic surveys
- Social Environmental Impact Assessments (SEIA)
- HCV and HCS assessments
- Stakeholder engagement, including Free, Prior and Informed Consent (FPIC)
- Land Use Change Analyses (LUCA)
- GHG assessments

A successful implementation of the NPP ensures that all the indicators of the RSPO Principles and Criteria (P&C)

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.

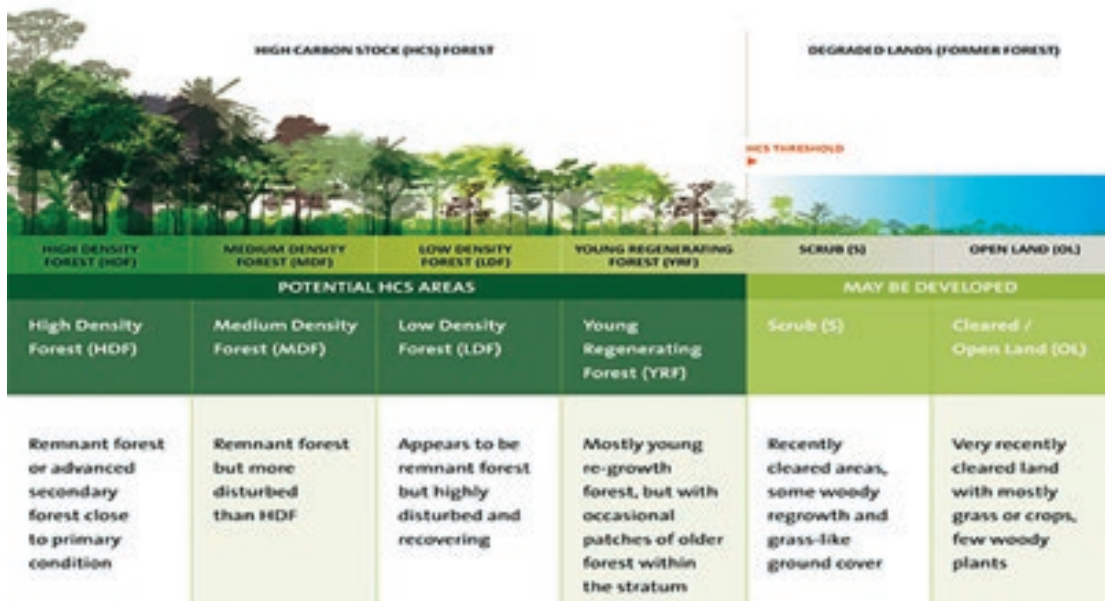
High Conservation Value (HCV) Assessment

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.

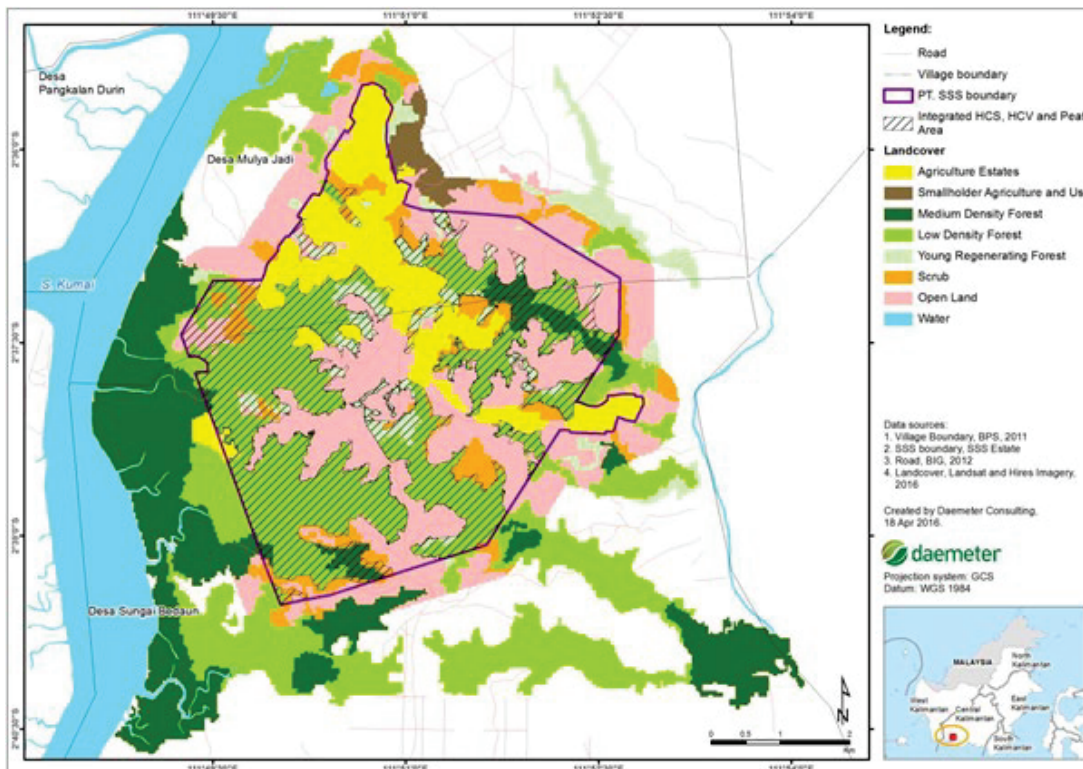
Each vegetation class is validated through calibration with carbon stock estimates in the above-ground tree biomass and field checks. Community land rights and uses are mapped, and the HCS forest patches are further analysed via a Decision Tree to identify viable and optimal forest areas for potential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



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

As of November 2016, the HCS Approach converged with the HCS+ and following the release of the HCV-HCS Assessment Manual in November 2017, which requires all HCS Approach assessments to be conducted as integrated HCV-HCS Assessments, UP will also only appoint licensed HCV assessors and HCS registered assessors for future joint assessments if new developments are to take place. (source: www.highcarbonstock.org)

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 and what areas UP could develop solely for its Plasma commitments in the Kumai Concession area.

UP has since then fully adhered to the Assessments conclusions and recommendations and the plasma development project in the Kumai concession area has progressed well during 2018, 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.

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.



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

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

The Challenges of Protecting Forest Areas from Development

As of 2017, more than 5 million hectares of forest is estimated to have been spared from oil palm development in Indonesia.

This is largely attributed to the individual NDPE commitments of key companies within the sector, alongside government policies. However, ensuring that these areas are not converted in the future remains a challenge.

The pressure for further land use change by other producers and sectors that have not subscribed to global sustainability standards continues to grow.

Companies with NDPE commitments currently account for approximately 2/3 of the combined refining capacities of Indonesia and Malaysia, which still leaves a leakage market of approximately 1/3 of the refining capacity annually.

Stakeholders from the governments, private sector, industries, civil society, markets and the public must continue working together to close this gap.

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

Between 1990 to 2018, more than 375 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 20 million hectares in 2018 or a net increase of 16.3 million hectares or equal to less than 5% of the total deforestation from 1990 to 2018. Nevertheless, whilst fully supporting and recognising that ongoing initiatives must be intensified to minimise the impacts of



Ecology and Economy- riparian reserve being maintained alongside Sg Bernam at the Jendarata Bulking Installation.

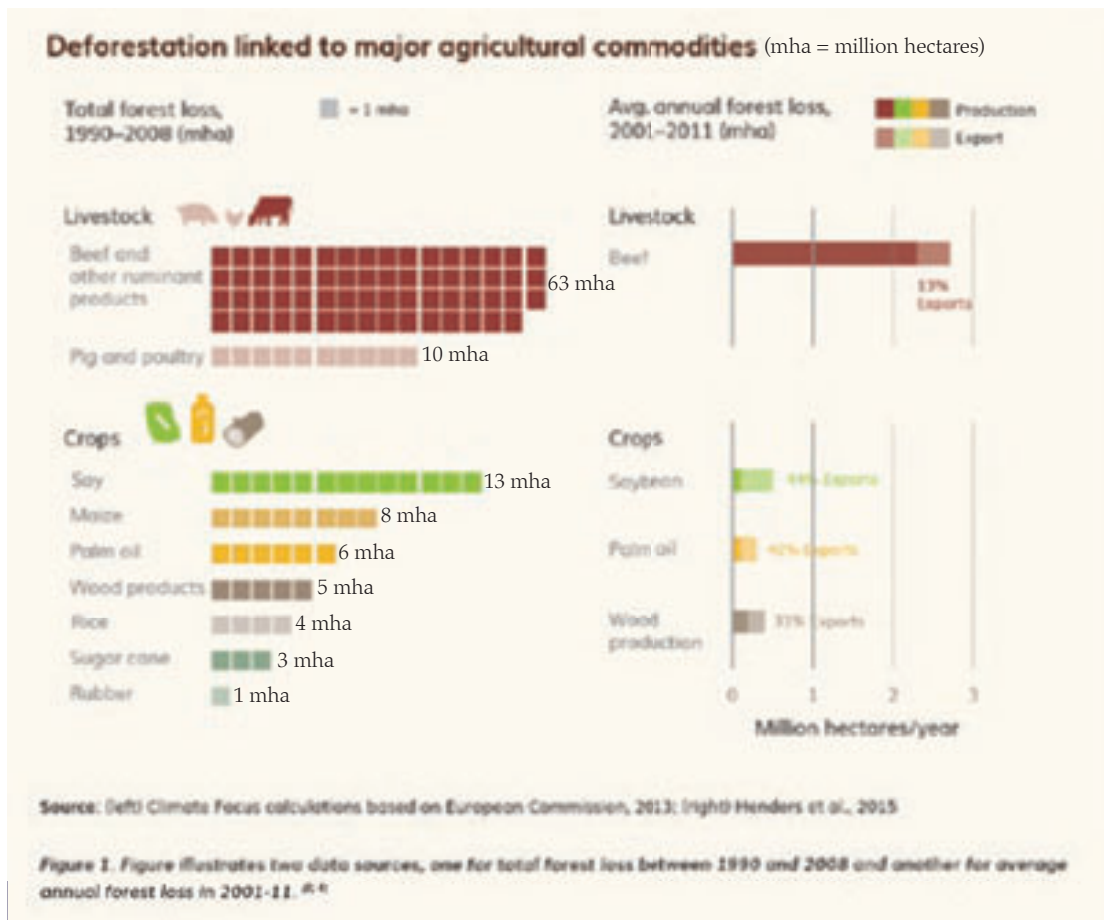
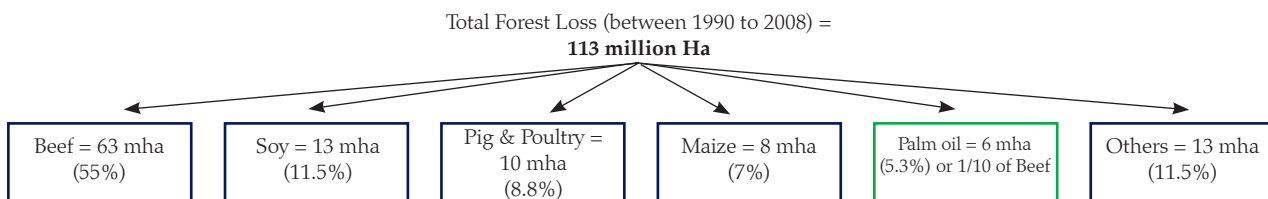


Figure 1. Figure illustrates two data sources, one for total forest loss between 1990 and 2008 and another for average annual forest loss in 2001–11. ⁴⁴



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

9. GHG Emissions, Discharges & Waste Management

(GRI 302-1, GRI 302-2, 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

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).

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

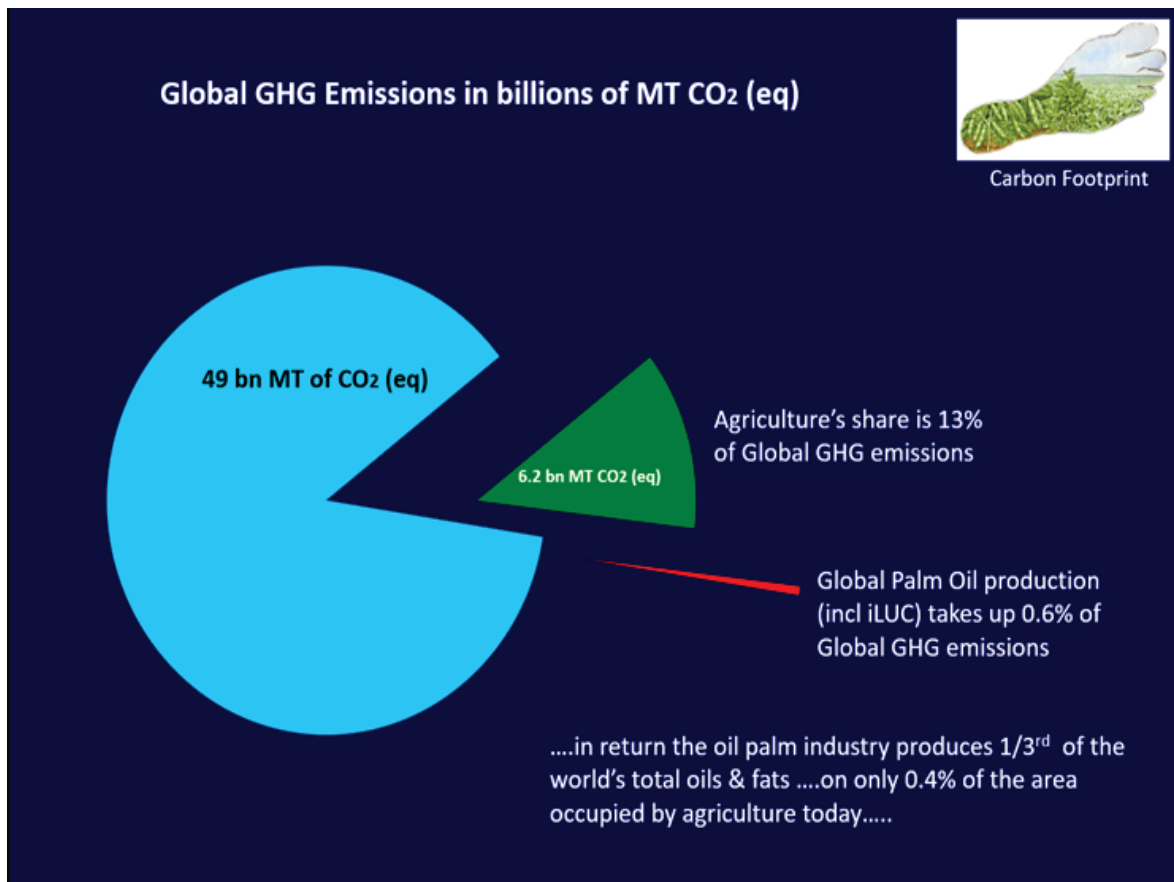
Nevertheless, little Norway today produces about 2 million barrels of crude oil per day.

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. However no one seems to address this acute problem.

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.





The latest and largest Biogas Plant built in 2017/2018 located at the Optimill and generating electricity which is used internally.



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 annual updates to this LCA were carried out by 2.0-LCA Consultant Dr. Jannick Schmidt from Aalborg, Denmark until the latest update undertaken in, the period January to February 2019 thereby providing management with a detailed and clear overview of the development in the Company's efforts to reduce its carbon footprint since 2014.

The updated LCA has indeed 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.

Time series of GHG emissions from palm oil at United Plantations Berhad

Below, time series of GHG emissions from palm oil at UP are presented. The time series for NBD palm oil at UP show reductions at 46% (without iLUC) and 40% (with iLUC) from 2004 to 2018. When including nature conservation, the reduction is 54%.

Target 2025

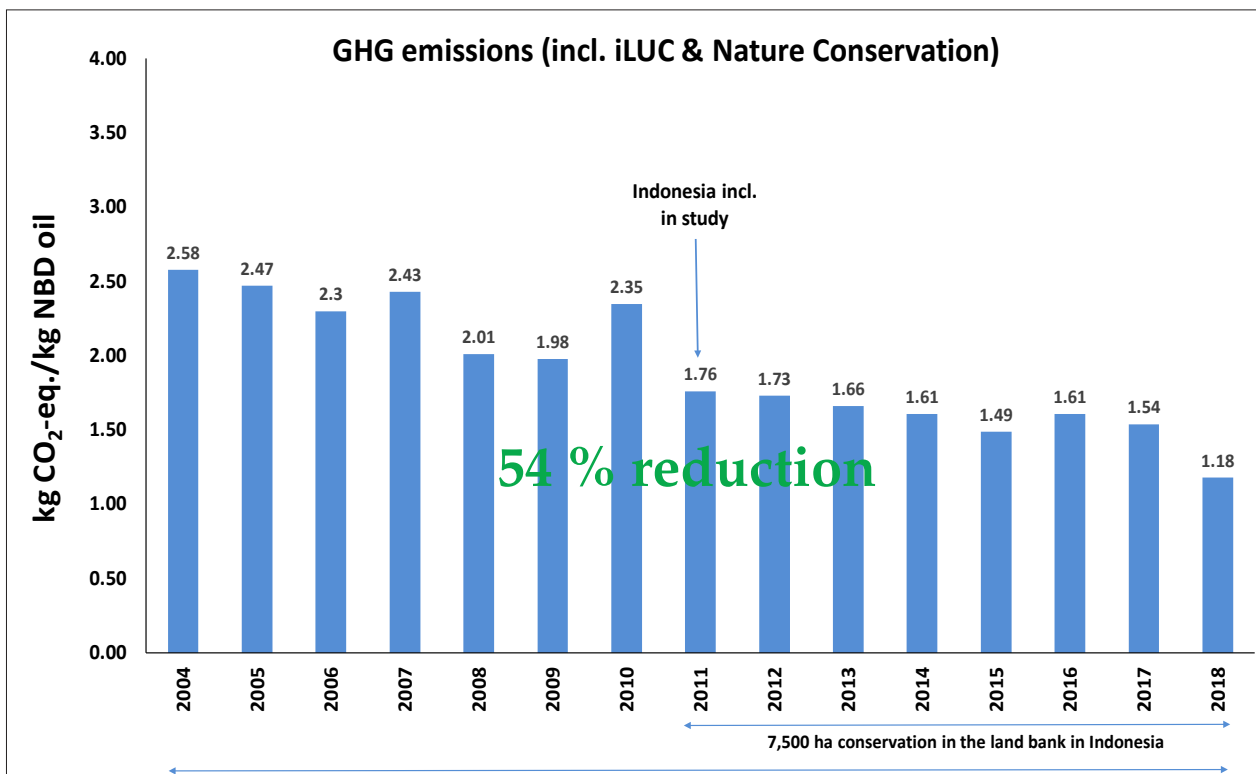
With more initiatives and further investments between 2019-2025, our internal goal is to reduce UP's Carbon Footprint per MT of refined palm oil produced by 60% before the end of 2025 when compared with previous 2004 levels (with iLUC and nature conservation).

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.



Time-series for NBD Palm Oil at United Plantations Berhad (with iLUC and nature conservation) for year 2004-2018

Indonesian Palm Oil Mill and Biogas Plant (GRI 302-3)

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 was commissioned in 2018 and this has resulted in all mills in our Group having methane capture facilities in the form of Biogas plants.

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 electricity and sell electricity back to the National grid.

In this connection, the biogas generated from the biogas plant (capacity 600m³/hour) 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 by 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. The quantum of renewable energy generated in 2018 was however lower than the previous year as a result of problems with the bacteria flora which was later resolved.

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.

Since then the company has built another 7 biomass reciprocating boilers and commissioned 6 of them with the last one at UIE(M) scheduled for commissioning in the month of March 2019.

All the biomass boilers are equipped with the VORSEP dust particle minimizing system, and an automatic fuel feeding system with greater energy efficiency and a lower labour requirement.



The new biomass Reciprocating Boiler at the Optimill commissioned in November 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 2018. 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 BRB 1 and 2	0.191
Ulu Bernam Boiler 2	0.129
Ulu Basir Boiler 4	0.121
UIE Boiler 1 & 3	0.131
Lada Boiler 1 & 2	0.153

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 0.150g/Nm³
- ii) The smoke should not exceed shade No. 1 on the Ringlemann chart and should be less than 20% opacity

Today all of UP’s palm oil mills have introduced the VORSEP dust collector system. However only 3 of UP’s 4 Malaysian mills have commissioned the VORSEP system with the UIE(M) only expecting to commission the VORSEP system by April 2019.

Production and Level of Utilisation of Oil Palm Biomass Residues in UP in 2018

(Dry Matter Basis-Malaysian Operations)

Biomass	Quantity Produced (MT)	Quantity Utilised (MT)	% Utilisation	Method of Utilisation
Trunks and fronds at replanting	152,954	152,954	100	Mulch
Pruned fronds	294,091	294,091	100	Mulch and erosion mitigation
Spent male flowers	28,278	28,278	100	Organic matter recycled on land
Fibre	68,928	68,928	100	Fuel & mulch in nursery
Shell	38,282	38,282	100	Fuel & mulch for polybag seedlings
POME	26,473	24,487	92	Biogas generation, nutrient source, field irrigation and base for organic fertiliser production
EFB	78,089	78,089	100	Mulch and Fuel
Total	687,095	685,109	-	-
Level of utilisation =99.7%				

In 2018, a total of 687,095 MT of biomass residues were generated through the various field and mill operations of the Company's Malaysian operations. From these a very high ratio of 99.7% of the total biomass generated, or 685,109 MT were utilised with most of the residues recycled as organic matter back to the fields, used as 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, another three units of Biomass Reciprocating Boilers were installed and commissioned at our UIE palm oil mill, and the Optimill in 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	91,957	91,957	100	Mulch and erosion mitigation
Spent male flowers	8,842	8,842	100	Organic matter recycled on land
Fibre	24,385	24,385	100	Fuel & mulch in nursery
Shell	15,456	15,456	100	Fuel & mulch for polybag seedlings
POME	7,231	6,689	93	Biogas generation, nutrient source, field irrigation
EFB	29,544	29,544	100	Mulch and Fuel
Total	177,415	176,873	-	-
Level of utilisation =99.7%				

Our Indonesian operations generated a total of 177,415 MT of biomass dry matter in 2018. Even though the quantum is lesser than what is generated in Malaysia, a very high proportion of these biomass (176,873 MT or

99.7%) 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 2018

(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	152,954	1,912	642	2,460	1,173
Pruned fronds	Mulch	294,091	6,630	2,157	5,607	3,671
Spent male flowers	Organic Matter	28,278	910	602	1,673	868
EFB	Mulch	64,561	1,123	473	3,120	717
Digested POME	Biogas generation & Irrigation	24,487	852	539	1,339	980
Total (MT)		564,371	11,427	4,413	14,199	7,409
Monetary value (RM)			13,482,814	1,390,274	15,974,512	4,667,306
Total monetary value RM 35,514,906						

(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	91,957	2,073	674	1,753	1,148
Spent male flowers	Organic Matter	8,842	284	188	523	271
EFB	Mulch	28,487	495	209	1,376	317
Digested POME	Biogas generation & Irrigation	6,689	233	147	366	268
Total (MT)		135,975	3,085	1,218	4,018	2,004
Monetary value (RM)			4,029,803	670,314	5,301,091	1,727,872
Total monetary value RM 11,729,080						

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 2018, the total organic matter recycled on land in UP amounted to 564,371 MT of dry matter which is equivalent to 327,335 MT of carbon. At this rate, we are returning close to 17 MT of organic matter or around 10 MT of carbon to each hectare of land, over the period of a year, thereby helping to replenish the soil carbon stock with a significant impact on 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 37,448 MT of NPKMg fertiliser which in itself has a monetary worth of RM35.51 million at the 2018 fertiliser prices.

For our Indonesian operations, a total of 135,975 MT of biomass was recycled onto plantations land. This is equivalent to adding 78,866 MT of organic carbon to enrich the land which on a hectare basis is akin to returning 16 MT of organic matter (or over 9 MT organic carbon) to the land.

On the more sandy soils in Indonesia such inputs will have a significant influence on improving long term soil health. The nutrient content in these recycled biomass is equivalent to 10,325 MT of inorganic NPKMg fertilisers, with a value equivalent to RM11.73 million at 2018 prices.



Biogas Engines at the Optimill supplying electricity to the UniFuji Refinery.



The Optimill and Unifuji project encompassing an example of the “circular economy”. An enormous effort was undertaken by many to complete this state of the art project.

The Optimill Project

In 2015 the Board of UP decided to build a new Palm Oil Mill, called the “Optimill”, with the most modern equipment and technologies available in the industry and incorporating this into a layout that would not only mirror the Danish Dairy Industry standards but also be a perfect example of the circular economy.

By choosing the right location and capacity for the Optimill it has enabled UP to close two of its older mills and process the crop from approximately 18,000Ha of UP’s land. In addition, it was agreed that UP should explore the opportunities to utilize the enormous amount of biomass that would be available from the new Mill. This amongst others would include an adjacent Biogas Plant thereby closing the loop and mitigating greenhouse gas emissions considerably as is the case at all of UP’s other Palm Oil Mills.

The Optimill, being the biggest engineering project undertaken in UP’s 113 year history was completed on the 29th November 2017.

The UniFuji Project

With the large amounts of renewable energy available from the Optimill, UP managed to pursue a collaboration with the Japanese Company, Fuji Oil as they had been looking to expand their refining business to produce value added palm fractions made from RSPO certified plantations. The common objective was to do this without the use of fossil fuels as well as complying with the highest possible food safety and quality standards in the world.

The UniFuji Refinery project, which is a 50:50 JV between UP and Fuji Oil, was therefore conceptually agreed upon in 2016 after which the initial foundation works and site preparations began.

During the second half of 2018, the JV materialized into a super modern and efficient integrated refinery setup including a solvent fractionation plant in the Ulu Bernam Area of Lower Perak providing employment for about 60 people.

The state-of-the-art factory is a result of two companies coming together with a shared goal of producing value added palm components based solely on UP’s certified sustainable and traceable palm oil and Fuji’s expertise on technical capabilities.

With the completed projects depicted in the picture above, UP and Fuji Oil have 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.

The Projects are testimony to the fact that no one in the top is stronger than the pyramid of people who support them. Both UP’s and Fuji’s appreciation goes out to the team involved for their admirable dedication and commitment which exemplifies the spirit of being “second to none”.



Development stages of the Optimill and Unifuji project.

Inauguration of The Optimill and UniFuji Refinery

On 17 January 2019, the Optimill as well as the Unifuji Refinery project were officially inaugurated by our gracious guest of honour His Majesty Sultan Nazrin Muizzuddin Shah, Deputy Yang Di-Pertuan Agung and Duli Yang Maha Mulia Raja Permaisuri Perak Darul Ridzuan Tuanku Zara Salim.



Various pictures taken on the 17 January 2019 providing a lasting memory on a most eventful day.



His Majesty Sultan Nazrin Muizzuddin Shah, Deputy Yang Di-Pertuan Agung, the Menteri Besar of Perak, Dato' Seri Ahmad Faizal bin Azumu and YB Teresa Kok being briefed on the project by Dato' Carl Bek-Nielsen.



Members of the TEAM in commemoration of a grand and memorable opening ceremony on 17 January 2019.



UNITED PLANTATIONS BHD.



UNIFUJI SDN. BHD.



FUJI OIL HOLDINGS INC.



The EXCOM Members, Mr. Martin Bek-Nielsen, Dato' Carl Bek-Nielsen and Mr. Loh Hang Pai flanked by the President Director Mr. Muhammad Ratha, Manager of Lada Estate, Mr. Ramadevan on a field visit in January 2019.

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, 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.



The water reservoir at Jendarata Estate.

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.

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.



An effective drip irrigation system at Ulu Bernam nursery.



A large water pump to help mitigate periodic flooding at Runtu Estate, Kalimantan.

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 nutrient loss is through surface run-off for which mitigating measures can be developed to minimise the depletion of these vital natural resources.



Laboratory assistant conducting analysis at our PT SSS chemistry laboratory.

Per Capita Domestic Water Consumption Per Day

	2018	2017	2016
Malaysian operations (gallons)	69	58	61
Indonesian operations (gallons)*	76	66	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. United Plantations has recently engaged an external consultant to undertake a peat drainability study in our Malaysian operations to better understand the hydrological characteristics of our peat areas.

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 also improved 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)

	2018	2017	2016
Malaysia	1.5	1.8	1.7
Indonesia	1.2	1.4	1.3

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 262,905 broadleaf flowering plants have been planted in our Malaysian and Indonesian plantations to encourage parasite and predator activities which is a vital cog 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 flood, beneficial plants numbers have been set back for some years although numbers are expected to further rise in the coming years.

	Malaysia	Indonesia
<i>Cassia cobanensis</i>	- 43,219 planted	- 14,712 planted
<i>Tunera subulata/ulmifolia</i>	- 97,756 planted	- 76,866 planted
<i>Antignon leptosus</i>	- 13,986 planted	- 77 planted
<i>Carambola sp</i>	- 3,892 planted	-
<i>Others</i>	- 3,763 planted	- 8,634 planted
Total	162,616 planted	100,289 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.

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.

	United Plantations Palm Oil (Malaysian Operations*)			Soybean**	Sunflower**	Rapeseed**
	2018	2017	2016			
Pesticides / Herbicides (kg per MT oil)	0.702	0.66	0.83	29	28	3.73

*Includes palm oil + palm kernel oil (UP, 2016-2018 - Malaysian operations)
 ** Data from FAO, 1996 - Pesticide data for rapeseed updated in 2010

	United Plantations Palm Oil (Indonesian Operations*)			Soybean**	Sunflower**	Rapeseed**
	2018	2017	2016			
Pesticides / Herbicides (kg per MT oil)	0.12	0.14	0.18	29	28	3.73

*Includes palm oil + palm kernel oil (UP, 2016-2018 - 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.

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.

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.



A rhinoceros beetle adult attracted to an oil palm seedling

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*).



Mr. Shimizu (left) the CEO of Fuji Oil and Mr. Mikey (2nd) from the right being shown how Integrated Pest Management is applied in the use of pheromone traps on Jendarata Estate.

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 262,905 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.



Spreaders are used to apply fertilisers evenly and in a cost effective manner.

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



Palms defoliated by bagworm outbreak.



A widely planted beneficial plant – *Antigonon leptopus*.



Sycanus predating on a leaf eating caterpillar.

a bagworm outbreak have been exhausted. This is in full compliance with all relevant rules and regulations in Malaysia as well as with the RSPO Principles & Criteria.

In 2018, monocrotophos usage was halved from the previous year due to improved pest situation in our Malaysian 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 bagworms 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.

Pesticide usage has seen a slight increase in 2018 due to higher herbicide usage as a result of weather conditions favourable to weed growth.

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**
	2018	2017	2016			
Fertiliser nutrients						
Nitrogen (N-kg)	19	14	20	315	96	99
Phosphate (P ₂ O ₅ -kg)	10	11	9	77	72	42
Potash (K ₂ O-kg)	44	35	47	NA	NA	NA
Magnesium (MgO-kg)	7	6	7	NA	NA	NA
Pesticides/Herbicides (kg)	0.70	0.66	0.83	29	28	3.73
Energy (GJ)	0.76	0.67	0.97	2.90	0.20	0.70

* includes palm oil + palm kernel oil (UP, 2016-2018- 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 2018 than during 2016.

	2018	2017	2016
Malaysia	288	50	4,250
Indonesia	0	0	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 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.

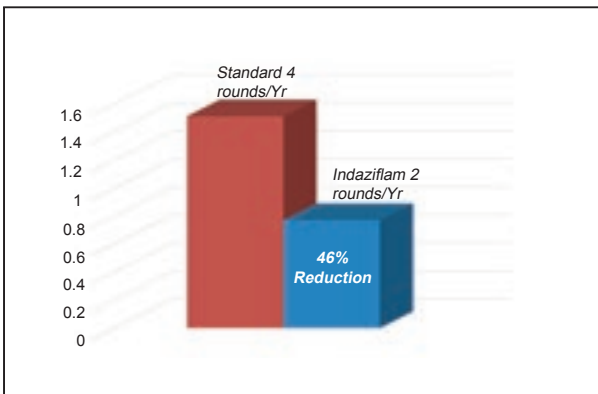
Chemical Health Risk Assessment (CHRA)

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.

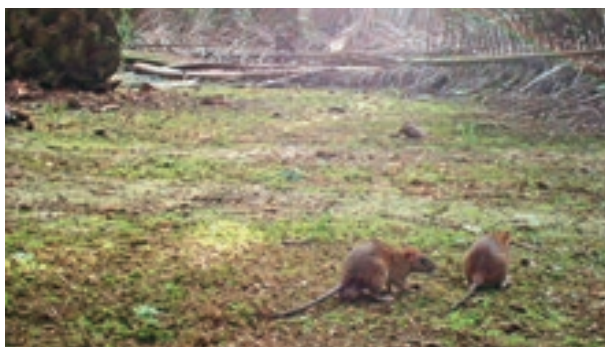
Direct fossil fuel consumption in 2018 increased slightly from 2017 due to increased field operations and mill construction activities.



Significant reduction of herbicide usage in mature fields with the use of Indaziflam herbicide compared to the standard herbicide combination.

	2018	2017	2016
Malaysia	2.91	2.51	2.46
Indonesia	0.69	0.78	0.86

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	2018	2017	2016
Total Boxes	2,491	2,393	2,284
Total Area Under Owl (Ha)	32,322	31,308	31,040
Box to land ratio in Scheme	12.98	13.08	13.59
% Occupancy in Scheme	54.16	52.57	47.00
Total Planted Area (Ha)	35,813	34,808	36,496
Box to land ratio over Total Planted Area	14.38	14.55	15.98
Rodenticide ai/planted Ha (kg/Ha)	0.0008	0.0007	0.0012



Using leopard cats (*Prionailurus bengalensis*) as biological pest control of rats in UP Kalimantan estates. Shown here are tagging with radio collar for tracking their ranging behaviour.

Leopard cats

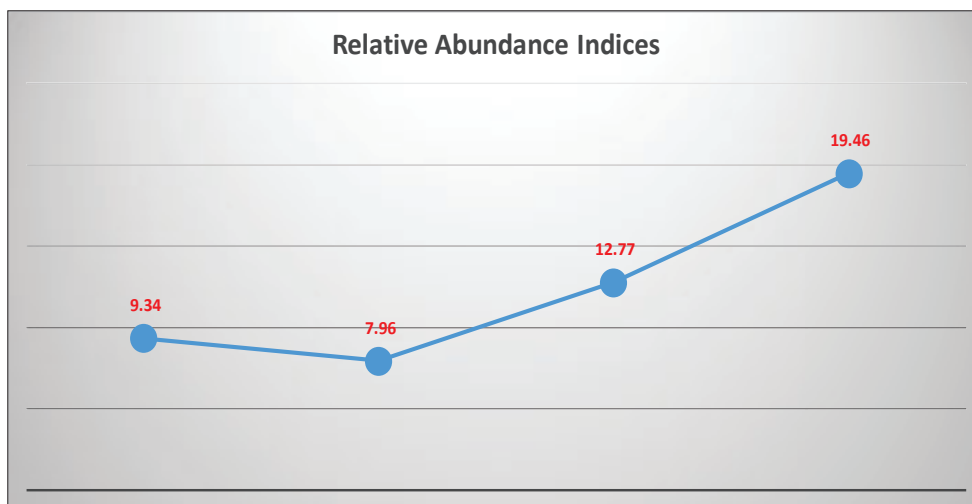
Since its formation in 2011, the BioD in UP/PTSSS has recorded a surprising number of leopard cats, *Prionailurus bengalensis*, in the estates. The species is common throughout Southeast Asia in undisturbed as well as altered habitats. They are common in some oil palm estates; however, little is understood 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.

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.

Triple rinsed plastic pesticide containers (MT)

	2018	2017	2016
UPB	29	25	27
PTSSS	1.8	1.9	0.5

Spent lubricants (lit)

	2018	2017	2016
UPB	46,909	38,441	47,987
PTSSS	3,242	5,775	3,585

Used batteries (pieces)

	2018	2017	2016
UPB	161	263	284
PTSSS	15	9	47

Spent fuel filters (pieces)

	2018	2017	2016
UPB	4,021	3,732	4,736
PTSSS	175	508	358



Temporary storage unit for used pesticides containers and schedule waste prior to recycling.

Community

Our business provides livelihood to families, small businesses and organisations in and around the plantations resulting in many people depending on our Group. Maintaining a good relationship 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 2018 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 up kept according to the Company's policies.

In addition, we also organize visits by our medical staff to the neighbouring villages for the benefits of the local communities.

Medical services are open to our rural neighbours who in the past lacked access to basic healthcare and immunisation programmes.

We also organize visits by our medical staff to the neighbouring villages for the benefits of the local communities. Medical services are open to our rural neighbours who in the past lacked access to basic healthcare and immunisation programmes.



The clinic providing medical care to our workers and residents on Jendarata Div III and Alfa Bernam as well as Unitata.



Kindergarten children joyfully posing for a photoshoot.

14. Free Prior Informed Consent
(GRI 412-1, 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 450Ha 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 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 119.

For further details on the FPIC reports, please refer to http://www.unitedplantations.com/sustainability/community_fpic_external.asp

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. (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 the revised RSPO P&C 2018 and as part of purchasing policies of large companies, it 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. is a good move to prevent and minimize deforestation in specific concessions and areas.

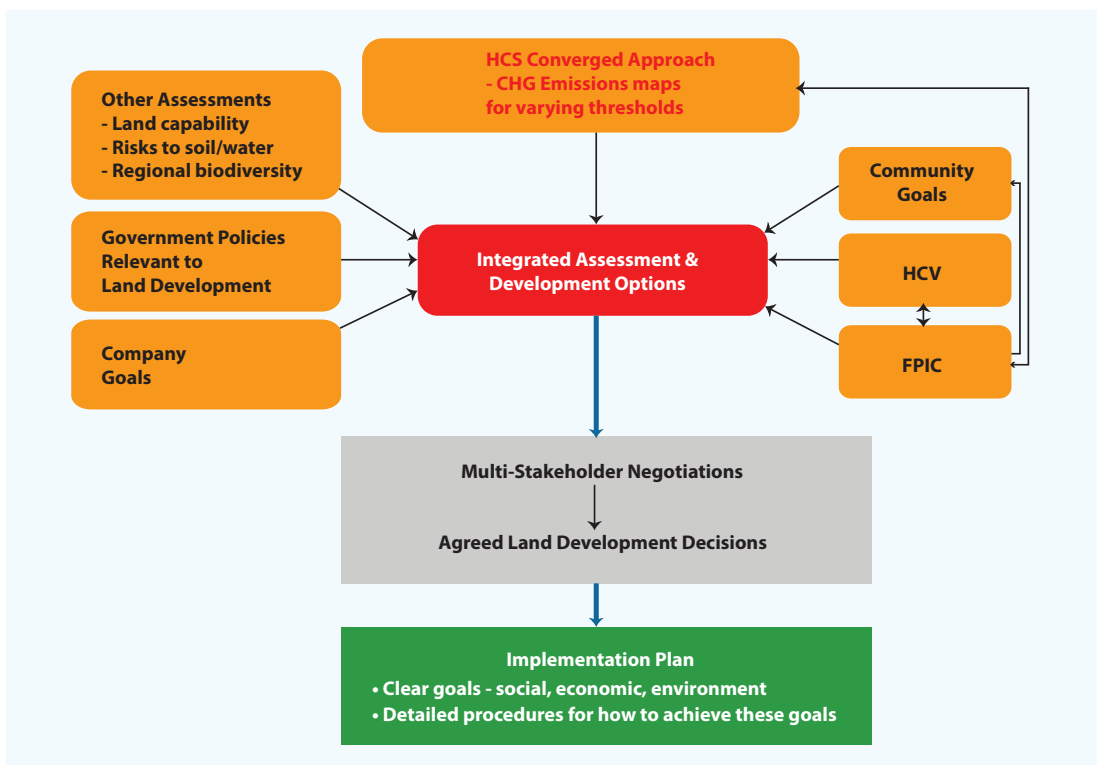
We subscribe to the above in our new oil palm plantings and aim to fully comply in our sourcing of crop from third parties in the not too distant future.

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.





A dialogue session on land matters was held on the 10 October 2018, between Mr, Martin Bek-Nielsen, Director of Finance & Marketing together with Prof Dr. Ir. Sigit Hardwinarto, M Agr Direktur Jendral Planology Kehutanan and Tata Lingkungan and Dr. Ir. Bambang Soepijanto Ex- Direktur Jendral Planology Kehutanan dan Tata Lingkungan, and our Management Team at PTSSS, Mr. Muhammad Ratha, President Director and Ibu Dewi Suyatman, Sr. Manager Legal & Corp Affairs.



"Koperasi" for worker's daily provision at PT SSS.



Free program "Posyandu" for pre and post natal care.



CSR project for the "masyarakat."



Scholarships to local students who excelled in their studies.

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 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.

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.

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.

For further details on SOP for Land Dispute Settlement as per FPIC, please refer to <http://www.unitedplantations.com/sustainability/pdf/Land%20Dispute%20Resolution%20Flow%20Chart.pdf>

Summary of Disputed, Resolved and Settled Cases from 2016 to 2018 (PT SSS)

Year	Resolved/Settled Cases	Estate	Disputed area (Ha)
2016	16	Lada Estate	18.14
2016	2	Runtu Estate	606.50
2016	4	Arut/Kumai Estates	17.05
2017	15	Lada Estate	65.78
2018	2	Lada/Arut Estates	1.33
Total	39		708.80

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		
15-Sep-14	Cert	Jaka Suherman	88	30 certs @ 2 Ha	39 TKD (6 people)	Requesting for Plasma. Documents incomplete	Completion Stage <ul style="list-style-type: none"> The process of transferring rights at the BPN Still waiting for the draft release of rights and power from the land owner (cooperative management)

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 (GRI 102-53)

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

For further details on our grievance redressal procedure, please refer to http://www.unitedplantations.com/sustainability/community_grievance_redressal.asp



Meeting with local community on allocation of Plasma lot.

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. 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 in 2018 with more than 31.23Ha of new plasma areas having been planted.

To date 1316.36Ha of Plasma have been developed for 804 smallholders and another additional 618.99 hectares is expected to be provided and developed for the communities surrounding the Company's properties during 2019 to 2020. All 804 smallholders are directly supported by the Company. 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 17th November 2018. We invited 150 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 101 smallholders or equivalent to 67% 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) 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 Social Impact Assessments (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. For further details on food security, please refer to http://www.unitedplantations.com/sustainability/community_fpic_new_planting.asp



Smallholders' Field Day which was held on 17 November 2018, had participants from local districts visiting our plantation to get a better understanding on good agricultural practices, sustainability initiatives and environmental protection.



The fractionation plant at UniFuji Refinery Complex.

Marketplace

(GRI 102-15, GRI 103-2)

Through investment in our people, technology and focus on our supply chain UP is committed to providing high quality certified sustainable and traceable Palm Oil products and services to customers worldwide. We aim for continuous improvement and work towards building long-term relationships 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

Quality is an integral part of UP's corporate culture. It is our strong objective to deliver premium quality products and services that are safe and based on a high level of responsibility

Quality Policy

It is the Policy of UP to produce high 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 high 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 high 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 130 to 132 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 producing high quality palm oil products which are safe for human consumption and meets the statutory and legal requirements and overall satisfaction of our customers.

As part of our commitment to uphold Unitata’s historical standing as a high 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 in relation to 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.

Through process controls and a disciplined manufacturing culture, we ensure that quality assurance procedures are in place in order to comply with customer requirements.

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 addition to that, Unitata had successfully obtained GMP+B2 Feed Certification Scheme in September 2017 for supply of acid oils into Europe for feed industry. GMP+B2 provides assurance of 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 2018, 8 certification audits and 3 customer audits have been conducted. 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.



Unitata’s Task Force meeting.

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, Glycidyl Esters and MOSH & MOAH

3-MCPD and Glycidyl Esters are contaminants formed during the processing (refining) of edible oils and fats and have 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 the refining industry when it comes to sourcing the highest possible quality of palm components.

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 Performance Assessment Scheme (FAPAS) held in September 2017.

During 2018 further improvements and fine tuning of the Laboratory equipment has taken place and enabled an even greater level of quality assessment.

MOSH & MOAH

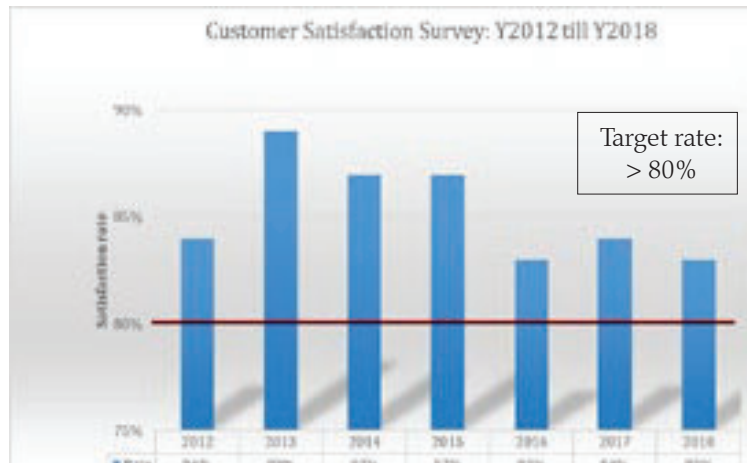
Of nearly equal repute in being a contaminant to final oils and fats is the new and emerging contaminant called Mineral Oil Hydrocarbons (MOH). It encompasses two main sub groups namely saturated hydrocarbons, MOSH and aromatic hydrocarbons, MOAH. The two are generally present at a ratio of 80/20 with MOAH trailing behind MOSH.

MOSH is believed to accumulate in human tissues and cause adverse effects to the liver while MOAH, the greater menace of the two, is reported to be genotoxic carcinogens - causing damage to the DNA leading to cancer. Hitherto, there has been no binding threshold limits set by the EU legislature save for Germany, who is leading the way in drafting out their own national plan.

Regulations from member states such as Germany quite often end up being adopted by the greater Europe - a trend which we have seen in the past. Currently, customers favour suppliers whose thresholds, through consensus, are guided by the rule as low as reasonably achievable, ALARA.

While not compelled by legislation it remains chiefly fiduciary to be prepared for the future challenge. In this respect a task force on MOSH/MOAH chaired by the CED was set up in 2018 to undertake the study of this subject in view of meeting the ALARA levels. Since then, baseline occurrence of the contaminants has been drawn and ensuing mitigation efforts have been carried out both through the mill and the refinery. The committee continues to meet on a quarterly basis to monitor the levels within the group.

As a result of our stringent quality controls and assessments, UP and Unitata are 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 contaminant to the benefit of the customers globally.



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 customer’s 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) Quality of Product
- (ii) Quality of Service
- (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)

Unitata had received a cargo detention notice from the US FDA authority in March 2017 for supply of our packed products due 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 exports are in full compliance with the FDA regulations. Since then, there have been no further issues in terms of export of our packed products into USA.



Meeting key customers globally is an important part of UP’s downstream business.

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.

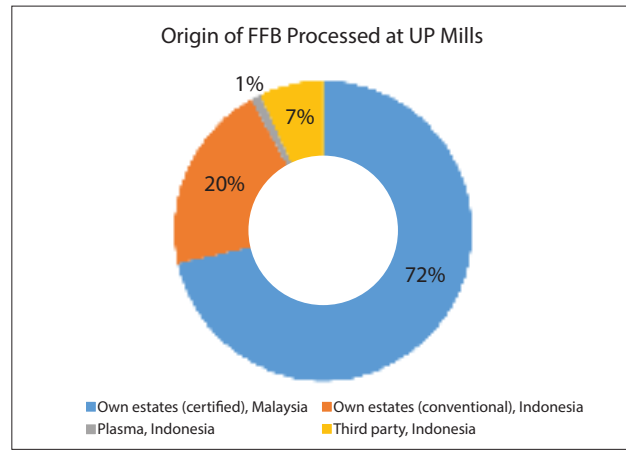
In Malaysia, all CPO used at our Refineries can be traced back to the mills and plantations. CPO produced in Indonesia is sold to neighbouring refineries as we don’t have any downstream operations in the country.

All UP’s PK can be traced back to the plantations, however, as the PK 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.

United Plantations is committed to moving towards full segregation and traceable supply chain models and is therefore slowly reducing mass balance and Greenpalm solutions.



(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 Bemam	100%	Nil
UIE	100%	Nil
PTSSS	100%	100%

(b) Downstream Operations (Unitata)

Refinery	Raw material	Traceable to Plantations	
		Traceable to Mill	Traceable to Plantations
Unitata	CPO	100%	100%

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 have received 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.

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.



The weighbridge at the UniFuji Refinery.

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.

Unitata had their first verification audit by one of their key customers for supply of RSPO certified material in November 2017.

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

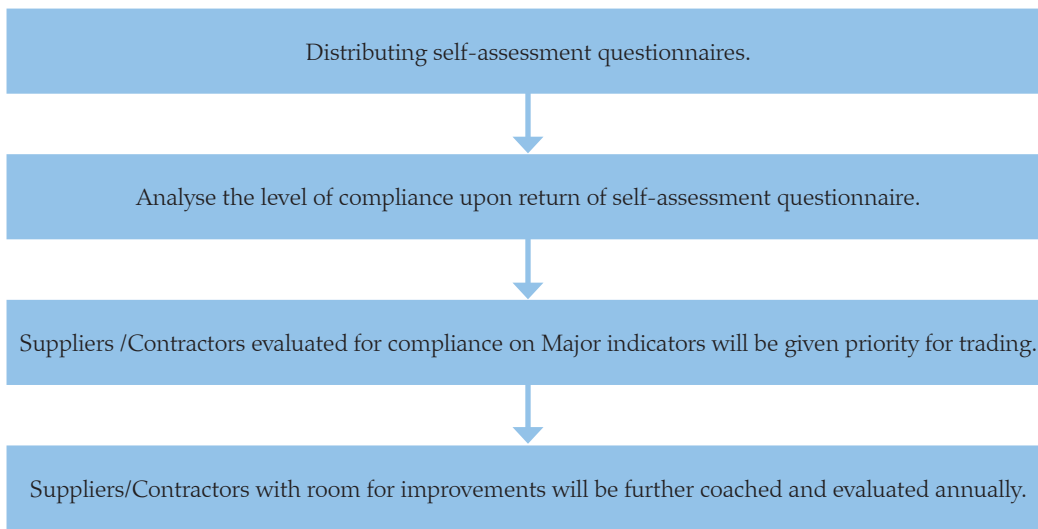
(GRI 308-1, GRI 407-1, GRI 408-1, GRI 409-1, GRI 412-3, GRI 414-1)

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	45
Number of key suppliers assessed	35
Percentage of key suppliers assessed (%)	77.78
Number of key contractors	140
Number of key contractors assessed	110
Percentage of key contractors assessed (%)	78.57

*Up to October 2018.

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 based on Board policies is an important part of our business in order to protect shareholder value

Malaysia produces about a third of all palm oil in the world. Total palm oil production in Malaysia for 2018 was 19.52 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 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 based on Board policies is an important part of our business in order to in order to protect shareholder value

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 pages 149 to 151.

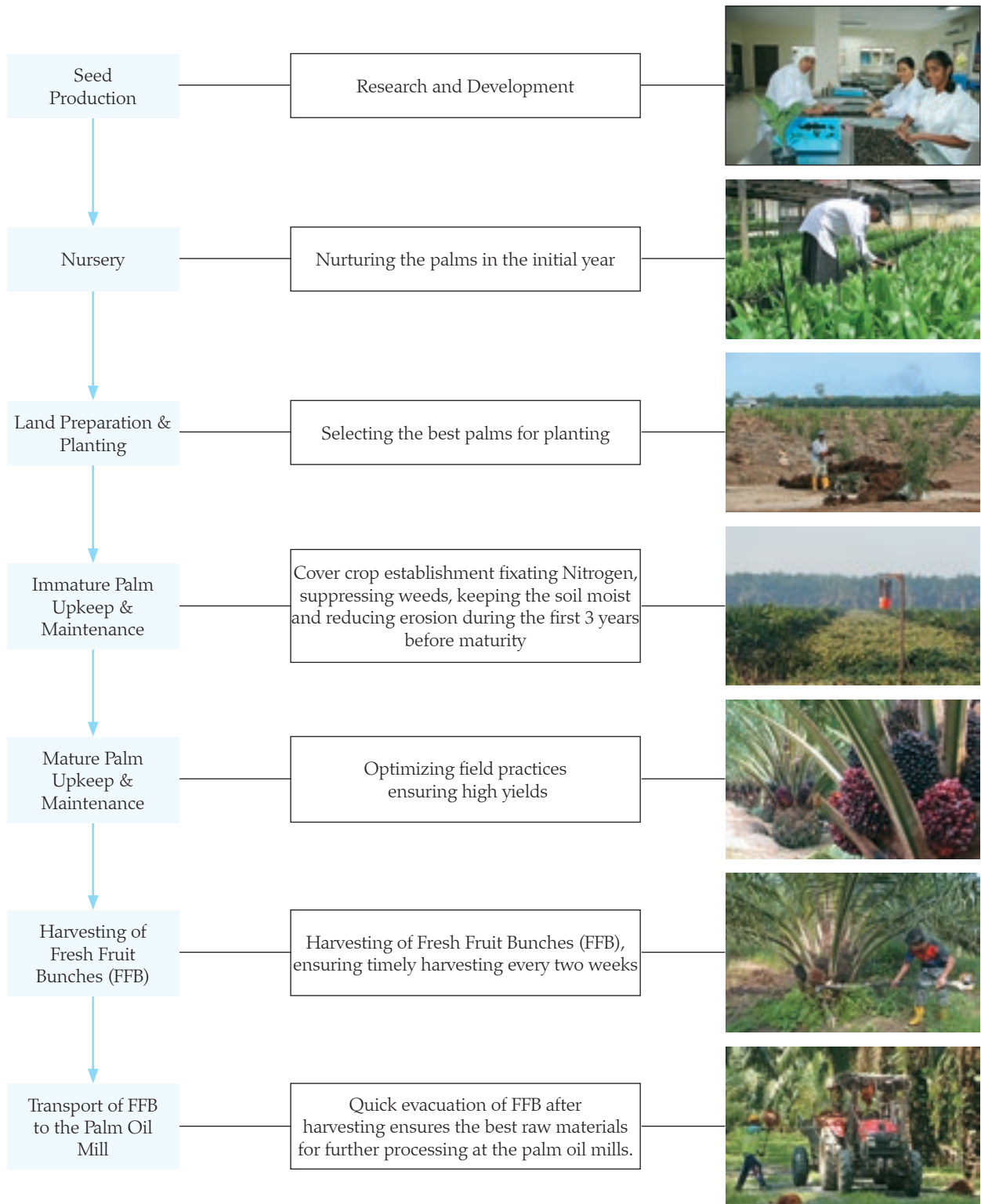




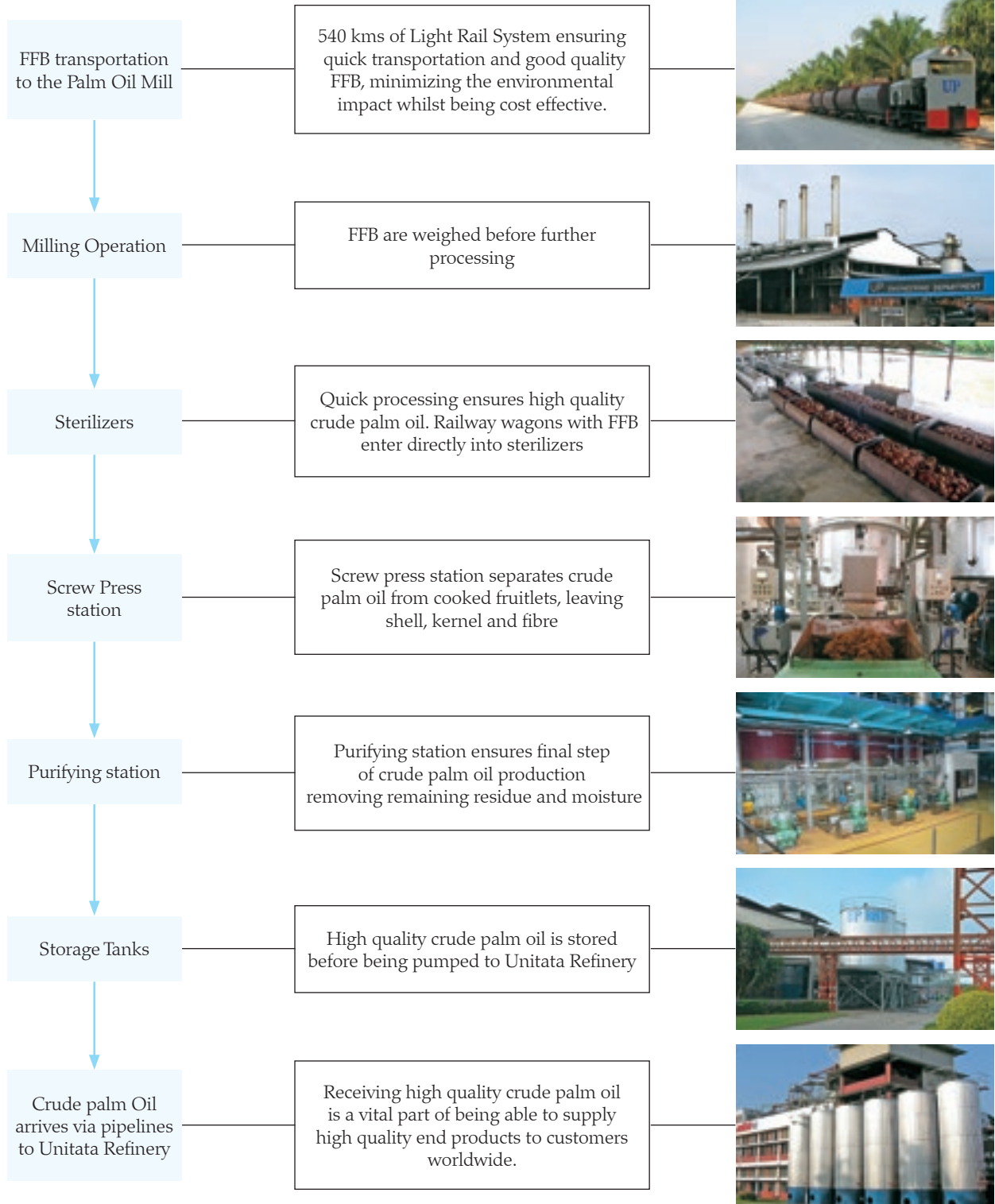
Bottling of Nutrolein Golden Palm Oil under stringent hygienic conditions at our filling plant at Unitata.

Commitment to quality

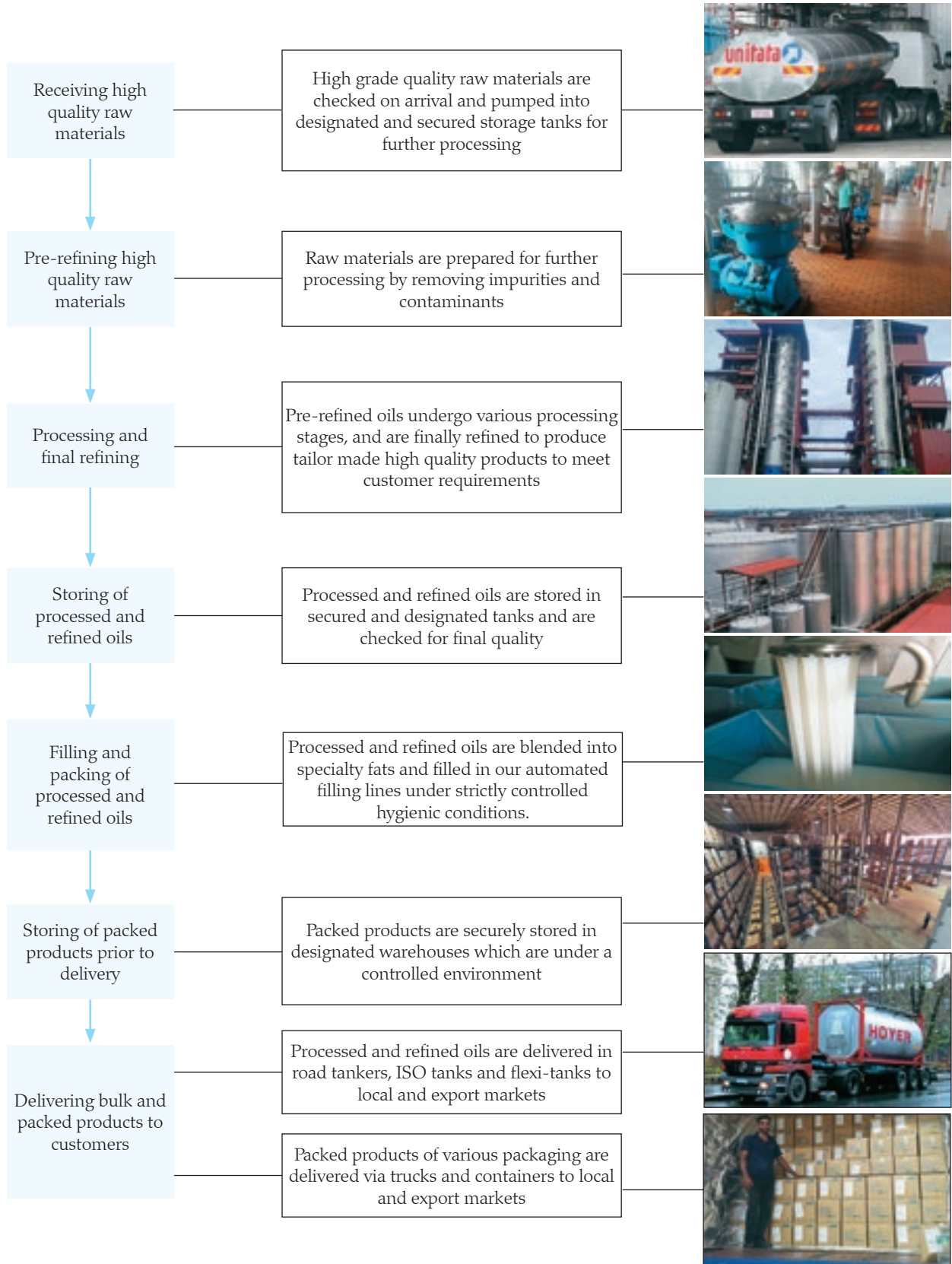
Good agricultural practices



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)

This report has been prepared in accordance with the GRI Standards: Core option. The following summary table details the location of specific disclosures throughout the report.

GRI Standards	Description	Reference Section / Reasons for Omission	Page Number
GRI 102: General Disclosures			
1. Organizational Profile			
102-1	Name of the organisation	Front Cover	Front Cover
102-2	Activities, brands, products and services	Report of the Directors	3, 6, 8
102-3	Location of headquarters	Corporate Information	4
102-4	Location of operations	Locations of Estates, Factories and Holdings Planted areas – 31st December 2018	Last page (Map)
102-5	Ownership and legal form	Corporate Information – Notes to the Financial Statements	174
102-6	Markets served	Geographical Segments – Notes to the Financial Statements	220
102-7	Scale of the organisation	Notes to the Financial Statements	174
102-8	Information on employees and other workers	Employees	56
102-9	Supply chain	UP & Sustainability Certifications Marketplace	51 121
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	142
102-12	External initiatives	UP & Sustainability Certifications Environment	51 69
102-13	Memberships of associations	UP & Sustainability Certifications Environment In addition to the above, UP has memberships in Malaysian Palm Oil Association (“MPOA”), Palm Oil Refiners Association of Malaysia (“PORAM”)	51 69
2. Strategy			
102-14	Statement from senior decision-maker	Message from the CED	31
102-15	Key impacts, risks, and opportunities	Engaging Our Stakeholders Materiality Employees Environment Community Marketplace	41 43 56 69 112 121
3. Ethics and Integrity			
102-16	Values, principles, standards, and norms of behaviour	Statement on Corporate Governance Employees (Whistle blower Policy)	142 55
102-17	Mechanisms for advice and concerns about ethics	Employees (Whistle blower Policy)	55
4. Governance			
102-18	Governance structure	Corporate Governance Overview Statement Governance Structure	142 38
102-19	Delegating authority	Governance Structure	38
102-20	Executive-level responsibility for economic, environmental, and social topics	Governance Structure	38
102-21	Consulting stakeholders on economic, environmental, and social topics	Stakeholders Engagement	41
102-22	Composition of the highest governance body and its committees	Governance Structure	38
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	142
102-24	Nominating and selecting the highest governance body	Nomination Committee – Corporate Governance Overview Statement	142
102-25	Conflicts of interest	Corporate Governance Overview Statement	142
102-26	Role of highest governance body in setting purpose, values, and strategy	Corporate Governance Overview Statement	142

GRI Standards	Description	Reference Section	Page Number
GRI 102: General Disclosures (Contd.)			
4. Governance			
102-27	Collective knowledge of highest governance body	Corporate Governance Overview Statement Governance Structure	132 38
102-28	Evaluating the highest governance body's performance	Corporate Governance Overview Statement Statement on Risk Management and Internal Control Audit Committee Report	142 149
102-29	Identifying and managing economic, environmental, and social impacts	Governance Structure	38
102-30	Effectiveness of risk management processes	Corporate Governance Overview Statement	142
102-31	Review of economic, environmental, and social topics	Corporate Governance Overview Statement Governance Structure	142 38
102-32	Highest governance body's role in sustainability reporting	Governance Structure	38
102-33	Communicating critical concerns	Governance Structure	38
102-34	Nature and total number of critical concerns	Governance Structure	38
102-35	Remuneration policies	Remuneration Committee - Statement on Corporate Governance	143
102-36	Process for determining remuneration	Remuneration Committee - Statement on Corporate Governance	143
102-37	Stakeholders' involvement in remuneration	Remuneration Committee - Statement on Corporate Governance	143
102-38	Annual total compensation ratio	Confidentiality constraints	
102-39	Percentage increase in annual total compensation ratio	Confidentiality constraints	
6. Reporting Practice			
102-40	List of stakeholder groups	Stakeholders Engagement	41
102-41	Collective bargaining agreements	Employees	56
102-42	Identifying and selecting stakeholders	Stakeholders Engagement	41
102-43	Approach to stakeholder engagement	Stakeholders Engagement	41
102-44	Key topics and concerns raised	Stakeholders Engagement Employees Environment Community Marketplace	41 56 69 112 121
6. Reporting Practice			
102-45	Entities included in the consolidated financial statements	Financial Statements	159-235
102-46	Defining report content and topic Boundaries	About This Report Stakeholders Engagement Materiality	30 41 43
102-47	List of material topics	Materiality	43
102-48	Restatements of information	There is no restatement of information.	
102-49	Changes in reporting	No significant changes	
102-50	Reporting period	About This Report	30
102-51	Date of most recent report	Annual Report 2017	
102-52	Reporting cycle	About This Report	30
102-53	Contact point for questions regarding the report	Procedure for Handling External Stakeholders Issues	118
102-54	Claims of reporting in accordance with the GRI Standards	Global Reporting Initiative Index	133
102-55	GRI content index	Global Reporting Initiative Index	133
102-56	External assurance	About This Report	30
GRI 103: Management Approach			
103-1	Explanation of the material topic and its Boundary	Materiality	43
103-2	The management approach and its components	Corporate Governance Overview Statement Materiality Employees Environment Community Marketplace	142 43 56 69 112 121
103-3	Evaluation of the management approach	Materiality Employees Environment Community Marketplace	43 56 69 112 121

GRI Standards	Description	Reference Section	Page Number
GRI 201: Economic Performance			
201-1	Direct economic value generated and distributed	Financial Statements and Notes to the Financial Statement	159-235
201-2	Financial implications and other risks and opportunities due to climate change	Confidentiality constraints	
201-3	Defined benefit plan obligations and other retirement plans	Financial Statements	
201-4	Financial assistance received from government	Confidentiality constraints	
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)	56
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 no discrimination towards the employee's race, colour, religion, gender, national origin, ancestry, disability, marital status and sexual orientation.	56
GRI 203: Indirect Economic Impacts			
203-1	Infrastructure investments and services supported	Employees Community	56 112
203-2	Significant indirect economic impacts	Information unavailable	
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	Information unavailable	
205-2	Communication and training about anti-corruption policies and procedures	Code of Ethics and Business Conduct	55
205-3	Confirmed incidents of corruption and actions taken	Information unavailable	
GRI 206: Anti-competitive Behaviour			
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Information unavailable	
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	104
301-2	Recycled input materials used	Production and Level of Utilisation of Oil Palm Biomass Residues - Environment	94
301-3	Reclaimed products and their packaging materials	Information unavailable	
GRI 302: Energy			
302-1	Energy consumption within the organization	GHG emissions, discharges and waste management	88
302-2	Energy consumption outside of the organization	GHG emissions, discharges and waste management	88
302-3	Energy intensity	Emission reductions and Biogas plants	91
302-4	Reduction of energy consumption	GHG emissions, discharges and waste management	88
302-5	Reduction in energy requirements of products and services	Information unavailable	
GRI 303: Water			
303-1	Water withdrawal by source	Information unavailable	
303-2	Water sources significantly affected by withdrawal of water	Information unavailable	
303-3	Water recycled and reused	Rain Harvesting	103
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	71
304-2	Significant impacts of activities, products, and services on biodiversity	Biodiversity & Conservation	70
304-3	Habitats protected or restored	Biodiversity & Conservation	70
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Biodiversity & Conservation	70
GRI 305: Emissions			
305-1	Direct (Scope 1) GHG emissions	Life Cycle Assessment	90
305-2	Energy indirect (Scope 2) GHG emissions	Life Cycle Assessment	90
305-3	Other indirect (Scope 3) GHG emissions	Life Cycle Assessment	90
305-4	GHG emissions intensity	Life Cycle Assessment	90

GRI Standards	Description	Reference Section	Page Number
GRI 305: Emissions			
305-5	Reduction of GHG emissions	Life Cycle Assessment, Emissions Reductions & Biogas Plant	90
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	93
GRI 306: Effluents and Waste			
306-1	Water discharge by quality and destination	GHG emissions, discharges and waste management	88
306-2	Waste by type and disposal method	Recycling of Pesticide Containers and Scheduled Wastes - Environment	111
306-3	Significant spills	Information unavailable	
306-4	Transport of hazardous waste	Recycling of Pesticide Containers and Scheduled Wastes - Environment	111
306-5	Water bodies affected by water discharges and/or runoff	Information unavailable	
GRI 307: Environmental Compliance			
307-1	Non-compliance with environmental laws and regulations	None. LCA	
GRI 308: Supplier Environmental Assessment			
308-1	New suppliers that were screened using environmental criteria	Evaluation of Suppliers/Contractors' Sustainability Commitment - Marketplace	127
308-2	Negative environmental impacts in the supply chain and actions taken	Information unavailable	
GRI 401: Employment			
401-1	New employee hires and employee turnover	Employees – Group Employees 2016-2018. UP Group Employees	56
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Human and Workers' Rights - Employees	57
401-3	Parental leave	Information unavailable	
GRI 402: Labor/Management Relations			
402-1	Minimum notice periods regarding operational changes	Human and Workers' Rights - Employees	57
GRI 403: Occupational Health and Safety			
403-1	Workers representation in formal joint management-worker health and safety committees	Freedom to Join Unions - Employees	59
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	66
403-3	Workers with high incidence or high risk of diseases related to their occupation	Lost Time Injury Frequency Rate - Employees	67
403-4	Health and safety topics covered in formal agreements with trade unions	Occupational Safety & Health Policy - Employees	66
GRI 404: Training and Education			
404-1	Average hours of training per year per employee	Training and Development of Employees – Employees	65
404-2	Programs for upgrading employee skills and transition assistance programs	Training and Development of Employees – Employees	65
404-3	Percentage of employees receiving regular performance and career development reviews	Information unavailable	
GRI 405: Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	Equal Treatment - Employees	55
405-2	Ratio of basic salary and remuneration of women to men	Equal Treatment - Employees Average Earning - Employees	55 58
GRI 406: Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	Equal Treatment - Employees	55
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	127
GRI 408: Child Labor			
408-1	Operations and suppliers at significant risk for incidents of child labor	Evaluation of Suppliers/Contractors' Sustainability Commitment - Marketplace	127
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	127

GRI Standards	Description	Reference Section	Page Number
GRI 410: Security Practices			
410-1	Security personnel trained in human rights policies or procedures	Training Hours - Employees	65
GRI 411: Rights of Indigenous Peoples			
411-1	Incidents of violations involving rights of indigenous peoples	Information unavailable	
GRI 412: Human Rights Assessment			
412-1	Operations that have been subject to human rights reviews or impact assessments	FPIC - Community	114
412-2	Employee training on human rights policies or procedures	Training and Development of Employees	65
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	
GRI 413: Local Communities			
413-1	Operations with local community engagement, impact assessments, and development programs	FPIC, Land Dispute - Community	114, 117
413-2	Operations with significant actual and potential negative impacts on local communities	FPIC - Community	114
GRI 414: Supplier Social Assessment			
414-1	New suppliers that were screened using social criteria	Evaluation of Suppliers/Contractors' Sustainability Commitment - Marketplace	127
414-2	Negative social impacts in the supply chain and actions taken	Information unavailable	
GRI 415: Public Policy			
415-1	Political contributions	Confidentiality constraints	
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	127
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Information unavailable	
GRI 417: Marketing and Labelling			
417-1	Requirements for product and service information and labelling	Certification for Food Safety, Sustainability and Others - Marketplace	121
GRI 417: Marketing and Labelling			
417-2	Incidents of non-compliance concerning product and service information and labelling	Certification for Food Safety, Sustainability and Others - Marketplace	121
417-3	Incidents of non-compliance concerning marketing communications	Information unavailable	
GRI 418: Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Personal Data Protection	55
GRI 419: Socioeconomic Compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	Information unavailable	

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 (EIA) 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.



Ripe fresh fruit bunches ready to be harvested.



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Independent Limited Assurance Report

Relating to United Plantations Berhad's Annual Report for the year ended 31 December 2018.

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 2018 to be included in the Annual Report 2018 ("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 2018:

- 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.

The boundary of the Selected Sustainability Information included in the Annual Report 2018 represents the entire United Plantations and its subsidiaries operations, with the exception of Lost Time Injury Frequency Rate and Fatal Accident Rate which covers the Malaysian operations only.

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
- 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 2018, 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
Petaling Jaya
23 February 2019

¹ UIE Estate, UIE Palm Oil Mill, Ulu Basir Estate, Ulu Basir Palm Oil Mill and Sungai Chawang Estate

Corporate Governance Overview Statement

(GRI 102-18, GRI 102-23, GRI 102-24, GRI 102-25 to 28, GRI 102-11, GRI 102-30, GRI 102-31)

The Board of Directors recognizes 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 (MCCG 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.

The Company as at the date of this Corporate Governance Overview statement has applied all of the practices in MCCG 2017 except for the followings:

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

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 twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

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.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

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.

Please refer to the CG Report for the detailed explanations for the departures and the practices and measures put in place to apply the departed practices. This is our commitment to promote effective governance to support better decision-making and accountability which in turn shall instill stakeholder confidence and trust in the Company. In addition to the above analysis on the compliance of MCCG 2017, to further strengthen the Corporate Governance practices, the Company has adopted the following practices in the financial year 2018.

A) 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 reviewed and updated on 24 February 2018 and can be viewed at the Company's website at www.unitedplantations.com.

B) 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.

B1.1 Nomination Committee (GRI 102-24)

The Nomination Committee is responsible to make recommendations to the Board regarding the appointment of directors, evaluation of the skills, experience, competencies of the Directors, diversity of the Board's composition. The Nomination Committee consists of 3 members, who are all Independent, Non-Executive Directors. The full report of the Nomination Committee can be found from pages 155 to 156 of this Corporate Governance Overview Statement 2018.

B1.2 Remuneration Committee and Directors Remuneration (GRI 102-35, GRI 102-36, GRI 102-37)

The Remuneration Committee consists entirely of three (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 Remuneration 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 one (1) meeting during the financial year ended 31 December 2018 to deliberate on the new service contract of one (1) of the executive directors and made their recommendation to the Board.

The aggregate remuneration for the year for the following directors are as shown in the table below.

B1.3 Audit Committee

The Audit Committee consists entirely of three (3) non-executive directors as required under the Main Market Listing Requirements, all of whom are independent directors.

The Terms of Reference includes scope, functions and activities. The activities of the Audit Committee during the financial year 2018 have been described at length in a separate statement in this Annual Report. (pages 151 to 154).

	Directors' Fees		Basic Salary (RM)	Additional Remuneration (RM)	Benefits-in Kind (RM)	Other Benefits (RM)	Meeting Attendance Allowance (RM)	Total (RM)
	Company (RM)	Subsidiaries (RM)						
Ybhg. Tan Sri Datuk Dr. Johari bin Mat (Chairman, Independent, Non-Executive)	165,000	-	-	-	-	-	10,500	175,500
Ybhg. Dato' Carl Bek-Nielsen (Chief Executive Director)	100,000	28,000	240,000	1,480,000	56,649	324,340	7,500	2,236,489
Mr. Ho Dua Tiam (Executive)	100,000	-	153,600	1,070,450	41,735	208,568	7,500	1,581,853
Mr. Ahmad Riza Basir (Independent, Non-Executive)	110,000	-	-	-	-	-	16,500	126,500
Y. Hormat Dato' Jeremy Derek Campbell Diamond (Independent, Non-Executive)	120,000	-	-	-	-	-	19,500	139,500
Mr. Martin Bek-Nielsen (Executive)	100,000	23,000	228,000	1,378,500	53,190	305,245	7,500	2,095,435
Mr. Loh Hang Pai (Executive)	100,000	-	136,800	669,600	29,205	145,920	7,500	1,089,025
Mr. R. Nadarajan (Independent, Non-Executive)	110,000	-	-	-	-	-	19,500	129,500
Madam Rohaya binti Mohammad Yusof (Non-Independent, Non-Executive)	100,000	-	-	-	-	-	7,500	107,500
Mr. Jorgen Belle (Non-Independent, Non-Executive) wef 21.05.2018	61,290	-	-	-	-	-	3,000	64,290
Total	1,066,290	51,000	758,400	4,598,550	180,779	984,073	106,500	7,745,592

B1.4 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 Executive Committee meetings.

The Executive Committee met formally 3 times during the year 2018, 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.

C. Reinforce Independence

C.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 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.

For the financial year 2018, your Board consists of ten (10) directors, four (4) of whom are executives who have an intimate knowledge of the business. Amongst the remaining six (6) non-executive directors, four (4) of them are independent directors. The Board is satisfied that the current board size fulfills 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 2017 states that the tenure of an independent director should not exceed a cumulative term of nine (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 and Dato' Jeremy Derek Campbell Diamond who has each served on the Board for seventeen (17) years and Mr. Ahmad Riza Basir who has served on the Board for eighteen (18) 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 (3) 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 has re-assessed the timeline set in the previous year on limiting the tenure of the independent Board members and views that with the recent expansion of the Group's business following the acquisition of the additional plantation land, the Group will require a stable board, particularly of Independent Directors who have a good understanding of the Group's core business operations, to strategize the new development and bring it to fruition in the next 4-5 years.

As such, the Board has moved the timeline for limiting the tenure of the independent directors from end 2021 to end 2023. This will allow the Board to concentrate on the business operations to enhance the value of the Group.

The Nomination Committee recognized that the Board diversity should be in tandem with expertise,

experience and skills and not gender alone. 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.

Although the Company does not have a formalised Board gender diversity policy alongside targets and measures, the issue of diversity is discussed and given prominence during deliberations by the Nomination Committee and the Board.

The appointment of Puan Rohaya binti Mohammad Yusof to the Board on 30 November 2017 in place of Dato' Mohamad Nasir Bin Ab. Latif represents the Board's commitment to consider women directors on the Board.

The Board shall increase woman board representation as and when there is vacancy as well as when suitable and qualified candidates are identified.

D. 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 authorities, professional and 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 four (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 five (5) 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	5	5
Ybhg. Dato' Carl Bek-Nielsen	5	5
Mr. Ho Dua Tiam	5	5
Mr. Ahmad Riza Basir	5	5
Y. Honmat Dato' Jeremy Derek Campbell Diamond	5	5
Mr. Martin Bek-Nielsen	5	5
Mr. Loh Hang Pai	5	5
Mr. R. Nadarajan	5	5
Madam Rohaya binti Mohammad Yusof	5	5
Mr. Jorgen Belle	2*	5

* Since his appointment on 21 May 2018.

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 2018 were:

- 1) Bursa Malaysia's Annual Palm & Lauric Oils Conference & Exhibition: Price Outlook 2018 (POC 2018) - 5-7 March 2018
- 2) Corporate Governance Briefing – MSSG Reporting & CG Guide-28 February 2018
- 3) Audit Committee Institute Breakfast Roundtable 2018 by KPMG - 19 March 2018
- 4) Introduction to Corporate Liability Provision by MICG – 6 September 2018
- 5) Mandatory Accreditation Programme (MAP) by Bursa Malaysia -12 to 13 November 2018
- 6) Roundtable on Sustainable Palm Oil (RT16)-12 to 15 November 2018

E. Integrity in Financial Reporting

The Board in compliance with paragraph 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.

E.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.

E.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.

F. 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.

G. 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.

H. Strengthen Relationship Between the Company and Shareholders

H.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 Headquarters 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.

H.2 The Annual General Meeting (A.G.M.)

The A. G. M. 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.

Kindly take note that pursuant to paragraph 2.19 of the Main Market Listing Requirements and Article 162 of the Company's Constitution and in line with UP's "Go Green" initiatives, the Notice of A.G.M, Proxy Form and Circular to Shareholders can be downloaded from our website at www.unitedplantations.com.

All Board members, Senior Executives 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.



AGM e-voting in progress.

Statement On Directors' Responsibility As At 31 December 2018

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 2018 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.



Mr. P. Seker, Director of Engineering, Upstream giving a briefing to the members of the Board in the Power Control Room at the Optimill.

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 39. The Risk Management Framework overlaps with the Sustainability Governance Management Structure.

Risk Management Framework



Risk Management Approach

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 control procedures should not exceed the expected benefits.

Assurance from Management

The Board has received assurances from the Chief Executive Director and the Executive Director, Finance & Marketing, 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 in place 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 comprising 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 151 to 154. There is no material joint venture that has not been dealt with as part of the Group for the purpose of Statement on Risk management and Internal Control
- 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 spread 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 increases within all operation areas where possible.

Risk Management Activities

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 2018 and 2017 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. The anti-palm lobby in the European Union (“EU”) is to be taken in cognizance. The aversion of using palm oil for biofuels productions is a factor to watch in the EU.

- 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.

- 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. In Malaysia, the change in Government in 2018 brings concern over uncertainty of government policies such as taxation, trade and investments which could significantly impede business decisions. In Indonesia, the issuance of Hak Guna Usaha (“HGU”) for 6,004 ha places the Group’s assets in a more secure position.

- 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 primarily US Dollar denominated, the currency risks are managed by a Board approved hedging policy.

The commissioning of the Unifuji plant in 2018 will further enhance the Group’s position in the global oil & fats industry

- 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 including consolidation and automation of the mills to be more labour efficient.

The labour cost of the Group will increase with the new Malaysian Government's pledge to increase the minimum wage. To mitigate this, Management will continue to increase mechanization and focus on productivity.

- 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 had been evident that this risk had 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. Fire safety plan is in place with regular fire drills conducted to ensure preparedness of Emergency Response Team ("ERT") in the event of fire or flood.

- RSPO certification risk

The Group's downstream operations are totally dependent on selling RSPO-certified oils. Any non-conformities during the certification audits is taken seriously to safeguards our certification.

- CPO and refined oils quality in relation to contaminants

In the past 10 years, more focus on contaminants in the refined oils have surfaced. Therefore, high quality produce is key for our downstream operations success. Special focus on low 3MCPD, Glycidol and Mineral Oil Hydrocarbon have increased lately. Mapping contaminants risks in the mills and refineries is taking place and processing methods are being monitored to safeguard quality.

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 Assurance Practice Guide 3, 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 2018 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

- d) 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 six (6) meetings in the year 2018 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	6	6
Mr. Ahmad Riza Basir	6	6
Mr. R. Nadarajan	6	6

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 2018 to ensure adequate scope, coverage of the activities of the Company and the Group and the resource requirements and budget of in-house Internal Audit department 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 5);
 - iii. Reviewed the status 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; and
 - v. Evaluated the performance and effectiveness of the outsourced internal auditors, KPMG Management & Risk Consulting Sdn. Bhd. ("KPMG") and the in-house internal auditors.

- vi. Reviewed and assessed the trading manual limits for the Group.

- vii. Reviewed the acquisition of 8,999 acres of oil palm lands from Pinehill Pacific Berhad

- viii. Reviewed the application of hedge accounting for the Group's crude palm oil production under the Malaysian Financial Accounting Standard 9 for financial instruments.

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; and

- iv. Evaluated and assessed the issues arising from the implementation of SST and the documentation of the resolutions with the Customs;

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 the Management had reported to the Audit Committee the related party transactions which were recurrent in nature as disclosed under Note 26 of the financial statements. There were no other related party transactions entered into by the Company and the Group.

e) Annual Report

- Reviewed with the external auditors, their evaluation and report of the state of risk management and internal control of the Group and reported the results thereof to the Board of Directors.
- Reviewed the Audit Committee Report, Overview Statement on Corporate Governance, Corporate Governance Report and Statement on Risk Management and Internal Control and recommended the reports to the Board for publication in the 2018 Annual Report.

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. The report was compiled annually and presented to the Audit Committee for further deliberations on the adequacy and effectiveness of the actions taken. In particular, the new joint venture with Fuji Oil Group was discussed and the ongoing status reported on quarterly basis during the Audit Committee meetings.

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 Group Internal Audit Department is headed by a qualified accountant and supported by 2 executives and 2 staffs with experiences in the audit and estate operations. The Internal Audit programmes are tailored specifically based on the risk areas identified by the Executive Committee and Audit Committee with emphasis on operational weaknesses identified and prevalent in the plantation industry. This will ensure that the audit programme add value to management decision making.

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 2018, 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 24 (2017: 26) audit engagements (in-house internal audits) were completed in 2018. The in-house internal audit team visited 2 Palm Oil Mills (2017: 2) and 5 Estates (2017: 6) in 2018 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, 9 special audits (2017:11) were conducted primarily focusing on the audits of seed production, sludge oil sales, cash handling, bulking installation operation and the review of Plant & Vehicle Maintenance system (2017: focusing on the cash handling, CCTV review, vehicles maintenance costs and foreign workers recruitments).

Furthermore 7 follow up audits (2017: 6) were performed including surprise coconut counts and follow-up audits on previous audit recommendations and 1 Refinery audit (2017: 1 bulking installation audit). Material findings include among others weaknesses in existing petty cash management, enhancement in payment procedures, weaknesses in stock management

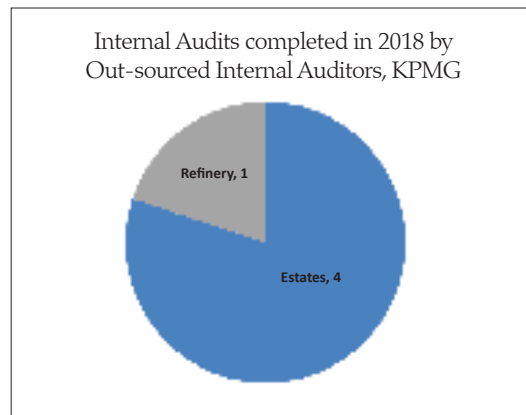
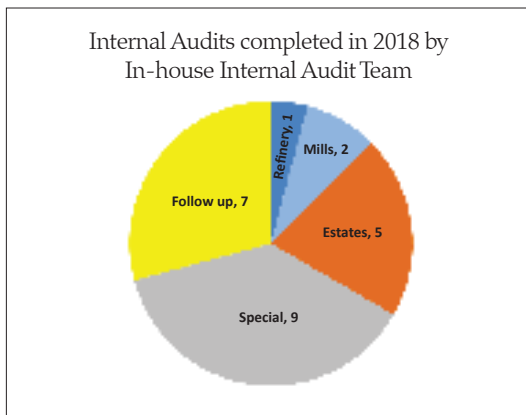
and enhancement to the fixed assets management system. The findings are expected to be rectified in the respective operating units and follow-up audits are done to confirm this.

For the outsourced internal audits, 5 (2017: 6) audit engagements were completed/ongoing in 2018, encompassing 0 (2017: 1) Palm Oil Mill audit, 4 (2017: 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 crude palm oil and palm kernel dispatches, enhancement to stock count practices and stock management procedures. The audit engagements are performed on a rotational basis to ensure that all business units will be audited at least once every 2 years.

Any control and procedural weaknesses identified were discussed with Management and remedial measures instituted to address the weaknesses identified. The Audit Committee will review the audit report presented and the Management's responses to ensure that material findings are adequately addressed. Some follow up audit works were done subsequently for material findings to ensure adherence to the audit recommendation if any.

A total of 29 (2017: 32) audit engagements (combined in-house and outsourced internal audits) were completed in 2018, categorized as follows:



Nomination Committee Report

The members of the Nomination Committee (NC) as at the end of financial year 2018 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)

The principal function of making recommendations for new appointments to the Board is delegated to the Nomination Committee.

The NC consists entirely of non-executive directors as required under the Main Market Listing Requirements, 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.

Objectives

The primary objectives of the Committee are:

- a) to assist in discharging the Board's responsibilities as they relate to the Group's board renewal and succession planing;
- b) to assess the effectiveness of the Board and Committees; and
- c) to assess the contributions of individual directors.

Terms of Reference

The duties of the Committee:

1.1 To consider, in making its recommendations to the Board, candidates proposed by any director or shareholder or consultant, for all directorships. In making the recommendations, the NC shall consider the candidates':

- skills, knowledge, expertise and experience;
- professionalism;
- integrity; and
- in the case of candidates for the position of independent directors, the NC shall also evaluate the candidates' ability to discharge such responsibilities or functions as expected from independent non-executive directors.

1.2 To recommend to the Board, Directors to fill the seats on Board Committees.

1.3 To review annually the Board's required mix of skills and experience and other qualities, including core competencies which the Board members should bring to the Board and Committees to best serve the business and operations of the Group as a whole.

1.4 To assist the Board by formulating and periodically reviewing the criteria and procedure to be carried out by the Committee for assessing the effectiveness of the Board and Board Committees as a whole.

1.5 To assess the board balance by reviewing the size, structure and composition of the Board.

1.6 To assess the independence of the independent directors annually and to recommend to the Board whether an independent director may continue to serve on the Board as an independent director, after his tenure has exceeded a cumulative term of nine years.

1.7 To consider directors who are due to retire on rotation at the AGM and recommend their re-election.

1.8 To develop, review and monitor the policies and approach towards boardroom diversity.

1.9 To review and assess the effectiveness of the Board's succession plan.

1.10 To review the adequacy of the Terms of Reference in the light of new practices and regulatory requirements to ensure that the Committee is operating at maximum effectiveness, and to recommend changes as and when required.

1.11 To perform such other functions relating to the foregoing as the Board may, from time to time, request.

Activities of the NC during the year

In 2018, the NC met 2 times and the attendance of members of the Committee was as follows:-

Name of Directors	No. of meetings	
	Attended	Held
Ybhg. Tan Sri Datuk Dr. Johari bin Mat (Chairman, Independent, Non-Executive)	2	2
Y. Hormat Dato' Jeremy Derek Campbell Diamond (Independent, Non-Executive)	2	2
Mr. R. Nadarajan (Independent, Non-Executive)	2	2

The NC held one meeting in March 2018 for evaluation and selection of candidate for the Board. Selection of candidates to be considered for appointment as directors is facilitated through recommendations from members of the Board and/or shareholders, industry acquaintance, consultants etc to gain access to a wide pool of potential candidates.

The NC 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 NC held another meeting in December 2018 for the purpose of making an assessment of individual directors and board committees, for considering the re-election of directors who are due to retire on rotation at the A.G.M., and the continuation in office as independent directors for the independent directors who have exceeded tenure of nine (9) years.

Under Article 108 of the Company's Constitution one-third of the directors shall retire from office at the A.G.M. and are eligible to seek re-election.

The NC also reviewed the required mix of skills and qualities that non-executive directors should bring to the Board. 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. For the three (3) independent directors who have exceeded the nine (9) years tenure on the Board, namely Tan Sri Datuk Dr. Johari bin Mat, Dato' Jeremy Derek Campbell Diamond and Mr. Ahmad Riza Basir the NC (with absention of interested individuals) had reviewed their attendance, participation in Board deliberations, including Board Committees and concluded that all 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 propose to the shareholders to retain them as independent directors.

The Company will seek the shareholders' approval for these independent directors. When deliberating on the performance of a particular Director who is also a member of the NC, that member abstained from the discussions.



Member of our Company's Auxiliary Police Force attending the monthly drill at Jendarata.

Additional Disclosures

Pursuant to the listing requirements of Bursa Malaysia Securities Berhad, additional disclosures by the Group for the year ended 31 December 2018 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	66,900

- 3) Cost of Internal Audit

RM 646,261 was incurred by the Group in the Financial year for its outsourced internal audit and in-house internal audit department.



Dato' Carl Bek-Nielsen together with visitors Mr and Mrs Ekdahl at the screw-press station in the Jendarata palm oil mill in early November 2018



Oil Palm, the highest oil yielding crop in the world.

Financial Statements For the year ended 31 December 2018

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Report Of The Directors For The Year Ended 31 December 2018

The Directors have pleasure in submitting for your consideration their 98th annual report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2018.

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	374,100	273,572
Attributable to:		
Equity owners of the parent	372,417	273,572
Non-controlling interests	1,683	-
Total	374,100	273,572

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:

	Hectares
Malaysia	
UIE estates	10,369
Jendarata	6,336
Kuala Bernam	830
Sungei Bernam	2,276
Ulu Bernam	3,198
Changkat Mentri	2,551
Ulu Basir	3,991
Sungei Erong	3,620
Sungei Chawang	3,281
Seri Pelangi	1,422
Lima Blas	2,892
Sub-total	<u>40,766</u>
Indonesia	
PT Surya Sawit Sejati (planted area)	9,098
Plasma	1,259
Conservation	8,239
Buildings & others	70
Sub-total	<u>18,666</u>
Total	<u>59,432</u>

Report Of The Directors For The Year Ended 31 December 2018

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 18 May 2018.
- (b) A special single-tier dividend of 100 sen per share amounting to RM207,792,492 in respect of the previous financial year was paid on 18 May 2018.
- (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 12 December 2018.
- (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 12 December 2018.

At the forthcoming Annual General Meeting, a final single-tier dividend of 20 sen per share amounting to RM41,558,498 and a special single-tier dividend of 90 sen per share amounting to RM187,013,243 in respect of the year ended 31 December 2018 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 2019.

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 24 April 2018. 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 Securities Berhad.

As at 31 December 2018, 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 2018

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
 Mr. Jorgen Balle (Appointed on 21 May 2018)

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:

* These Directors are also directors of the Company's subsidiaries

	Number of Shares			31 December 2018	% of Issued Share Capital*
	1 January 2018	Bought	Sold		
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	2,392,491	20,000	-	2,412,491	1.16
- deemed interested	99,371,429	-	-	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	10,000	-	80,500	0.04
Y. Hormat Dato' Jeremy Derek Campbell Diamond					
- held directly	14,000	2,000	-	16,000	0.01
- deemed interested	263,000	66,000	-	329,000	0.16
Mr. Martin Bek-Nielsen					
- held directly	552,389	-	-	552,389	0.27
- deemed interested	99,329,371	-	-	99,329,371 ^{*2}	47.80
Mr. Loh Hang Pai					
- held directly	26,000	17,000	-	43,000	0.02

Report Of The Directors For The Year Ended 31 December 2018

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 26 to the financial statements.

Report Of The Directors For The Year Ended 31 December 2018

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 2018

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 of the Group and Company are RM621,000 and RM318,000 respectively.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 February 2019.

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 2018

	Note	Group			Company		
		2018 RM'000	2017 RM'000	Changes (%)	2018 RM'000	2017 RM'000	Changes (%)
Revenue	4	1,305,591	1,474,323	(11.4)	575,318	591,914	(2.8)
Other income		38,571	38,857	(0.7)	5,310	12,342	(57.0)
		1,344,162	1,513,180	(11.2)	580,628	604,256	(3.9)
Changes in finished goods		(21,709)	(17,904)	21.3	10,497	(9,199)	214.1
Raw materials and consumables used		(466,475)	(628,238)	(25.7)	-	(5,015)	(100.0)
Depreciation of property, plant and equipment		(84,861)	(84,114)	0.9	(56,961)	(55,117)	3.3
Amortisation of land use rights		(1,091)	(688)	58.6	-	-	-
Staff costs	5	(176,757)	(164,440)	7.5	(131,951)	(118,806)	11.1
Other expenses		(128,700)	(139,815)	(7.9)	(70,975)	(73,387)	(3.3)
Profit from operations	5	464,569	477,981	(2.8)	331,238	342,732	(3.4)
Finance costs	6	(25)	(22)	13.6	(20)	(19)	5.3
Investment and interest income	7	30,239	26,112	15.8	26,022	20,047	29.8
Share of results of joint venture	14	(3,911)	(101)	3,772.3	-	-	-
Profit before taxation		490,872	503,970	(2.6)	357,240	362,760	(1.5)
Taxation	8	(116,772)	(109,288)	6.8	(83,668)	(73,275)	14.2
Net profit for the year		374,100	394,682	(5.2)	273,572	289,485	(5.5)
Attributable to:							
Equity owners of the parent		372,417	392,980	(5.2)	273,572	289,485	(5.5)
Non-controlling interests		1,683	1,702	(1.1)	-	-	-
		374,100	394,682	(5.2)	273,572	289,485	(5.5)
Earnings per share (sen)	9	179	189	(5.3)			

The accompanying notes form an integral part of the financial statements.

Statements Of Comprehensive Income For The Year Ended 31 December 2018

	Group			Company		
	2018 RM'000	2017 RM'000	Changes (%)	2018 RM'000	2017 RM'000	Changes (%)
Net profit for the year	374,100	394,682	(5.2)	273,572	289,485	(5.5)
Other comprehensive income:						
Items that will be reclassified subsequently to profit or loss:						
Currency translation differences - subsidiaries	(5,801)	(13,884)	(58.2)	-	-	-
Cash flow hedge - changes in fair value	463	-	-	-	-	-
Tax expense relating to components of other comprehensive income	(111)	-	-	-	-	-
	(5,449)	(13,884)	(60.8)	-	-	-
Items that will not be reclassified subsequently to profit or loss:						
Actuarial changes on defined retirement benefit obligations	1,617	-	-	-	-	-
	1,617	-	-	-	-	-
Total other comprehensive loss for the year	(3,832)	(13,884)	(72.4)	-	-	-
Total comprehensive income for the year	370,268	380,798	(2.8)	273,572	289,485	(5.5)
Total comprehensive income attributable to:						
Equity owners of the parent	368,851	379,493	(2.8)	273,572	289,485	(5.5)
Non-controlling interests	1,417	1,305	8.6	-	-	-
	370,268	380,798	(2.8)	273,572	289,485	(5.5)

The accompanying notes form an integral part of the financial statements.

Statements Of Financial Position
As At 31 December 2018

Group

	Note	2018 RM'000	2017 RM'000	As at 1 January 2017 RM'000
Assets				
Non-Current Assets				
Property, plant and equipment	10 (a)	1,493,021	1,474,059	1,419,373
Land use rights	10 (b)	38,105	34,115	36,192
Associated company	13	50	50	50
Joint venture	14	25,988	29,899	- *
Derivatives	29 (g)	1,582	3,417	-
Deferred tax assets	20	3,631	3,524	1,732
		1,562,377	1,545,064	1,457,347
Current Assets				
Biological assets	11	28,509	31,388	28,262
Inventories	15	152,866	156,833	189,958
Trade and other receivables	16	236,108	237,588	293,239
Prepayments		3,218	3,211	2,475
Tax recoverable		2,273	3,848	6,247
Derivatives	29 (g)	17,238	20,244	3,456
Cash and bank balances	17 (a)	202,389	473,711	272,292
Short term funds	17 (b)	713,411	377,874	418,622
		1,356,012	1,304,697	1,214,551
Total Assets		2,918,389	2,849,761	2,671,898
Equity and Liabilities				
Equity attributable to owners of the parent				
Share capital	18 (a)	390,054	390,054	208,134
Treasury shares	18 (b)	(8,635)	(8,635)	(8,635)
Reserves	19	2,199,670	2,142,506	2,183,893
		2,581,089	2,523,925	2,383,392
Non-controlling interests		7,828	6,893	5,588
Total Equity		2,588,917	2,530,818	2,388,980
Non-Current Liabilities				
Deferred tax liabilities	20	145,991	140,380	123,764
Retirement benefit obligations	21	13,615	13,626	13,254
Derivatives	29 (g)	-	1,115	178
		159,606	155,121	137,196
Current Liabilities				
Trade and other payables	22	137,329	137,749	114,403
Tax payable		22,451	13,333	16,152
Retirement benefit obligations	21	1,234	971	749
Derivatives	29 (g)	8,752	11,658	14,312
Bank borrowings	23	100	111	106
		169,866	163,822	145,722
Total Liabilities		329,472	318,943	282,918
Total Equity and Liabilities		2,918,389	2,849,761	2,671,898

* The carrying amount of the investment in joint venture as at 1 January 2017 was RM1.00.

The accompanying notes form an integral part of the financial statements.

Statements Of Financial Position As At 31 December 2018

Company

	Note	2018 RM'000	2017 RM'000	As at 1 January 2017 RM'000
Assets				
Non-Current Assets				
Property, plant and equipment	10 (a)	1,233,833	1,202,432	1,096,422
Subsidiary companies	12	355,540	379,865	404,826
Associated company	13	50	50	50
Joint venture	14	30,000	30,000	- *
		1,619,423	1,612,347	1,501,298
Current Assets				
Biological assets	11	24,910	26,614	21,743
Inventories	15	40,956	33,232	42,821
Trade and other receivables	16	118,170	78,456	168,743
Prepayments		402	399	86
Cash and bank balances	17 (a)	85,209	371,285	152,566
Short term funds	17 (b)	337,652	136,224	273,194
		607,299	646,210	659,153
Total Assets		2,226,722	2,258,557	2,160,451
Equity and Liabilities				
Equity attributable to owners of the parent				
Share capital	18 (a)	390,054	390,054	208,134
Treasury shares	18 (b)	(8,635)	(8,635)	(8,635)
Reserves	19	1,609,628	1,647,743	1,779,138
Total Equity		1,991,047	2,029,162	1,978,637
Non-Current Liabilities				
Deferred tax liabilities	20	139,095	129,338	114,977
Retirement benefit obligations	21	5,773	5,672	6,910
		144,868	135,010	121,887
Current Liabilities				
Trade and other payables	22	69,997	86,460	46,631
Tax payable		19,898	7,276	12,703
Retirement benefit obligations	21	912	649	593
		90,807	94,385	59,927
Total Liabilities		235,675	229,395	181,814
Total Equity and Liabilities		2,226,722	2,258,557	2,160,451

* The carrying amount of the investment in joint venture as at 1 January 2017 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 2018

Group	← Attributable to equity owners of the parent →										
	Note	← Non-distributable →				← Distributable →				Non-controlling interests	Total equity
		Share capital (Note 18(a))	Cash flow hedge reserve (Note 19)	Share premium (Note 19)	Capital reserve (Note 19)	Foreign currency translation reserve (Note 19)	Treasury shares (Note 18(b))	Retained profits (Note 19)	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2017		208,134	-	181,920	21,798	-	(8,635)	1,980,175	2,383,392	5,588	2,388,980
Total comprehensive income for the year		-	-	-	-	(13,487)	-	392,980	379,493	1,305	380,798
Dividends, representing total transaction with owners of the parent	24	-	-	-	-	-	-	(238,960)	(238,960)	-	(238,960)
		208,134	-	181,920	21,798	(13,487)	(8,635)	2,134,195	2,523,925	6,893	2,530,818
Transfer pursuant to S618(2) of CA 2016*		181,920	-	(181,920)	-	-	-	-	-	-	-
At 31 December 2017		390,054	-	-	21,798	(13,487)	(8,635)	2,134,195	2,523,925	6,893	2,530,818
At 1 January 2018		390,054	-	-	21,798	(13,487)	(8,635)	2,134,195	2,523,925	6,893	2,530,818
Total comprehensive income for the year		-	352	-	-	(5,535)	-	374,034	368,851	1,417	370,268
Dividends, representing total transaction with owners of the parent	24	-	-	-	-	-	-	(311,687)	(311,687)	-	(311,687)
Dividends to non-controlling shareholders of a subsidiary		-	-	-	-	-	-	-	-	(482)	(482)
At 31 December 2018		390,054	352	-	21,798	(19,022)	(8,635)	2,196,542	2,581,089	7,828	2,588,917

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 2018

Company	Note	← Non-distributable →			← Distributable →		Total
		Share capital (Note 18(a))	Cash flow hedge reserve (Note 19)	Share premium (Note 19)	Treasury shares (Note 18(b))	Retained profits (Note 19)	
		RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2017		208,134	-	181,920	(8,635)	1,597,218	1,978,637
Total comprehensive income for the year		-	-	-	-	289,485	289,485
Dividends, representing total transaction with owners of the parent	24	-	-	-	-	(238,960)	(238,960)
		208,134	-	181,920	(8,635)	1,647,743	2,029,162
Transfer pursuant to S618(2) of CA 2016*		181,920	-	(181,920)	-	-	-
At 31 December 2017		390,054	-	-	(8,635)	1,647,743	2,029,162
At 1 January 2018		390,054	-	-	(8,635)	1,647,743	2,029,162
Total comprehensive income for the year		-	-	-	-	273,572	273,572
Dividends, representing total transaction with owners of the parent	24	-	-	-	-	(311,687)	(311,687)
At 31 December 2018		390,054	-	-	(8,635)	1,609,628	1,991,047

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 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash Flows From Operating Activities					
Receipts from customers		1,348,013	1,485,596	573,619	591,819
Payments to suppliers		(485,374)	(643,955)	-	(5,621)
Payments of operating expenses		(273,747)	(229,644)	(197,714)	(118,341)
Payments of taxes		(101,234)	(95,370)	(61,289)	(64,341)
Other receipts		35,524	51,427	2,787	9,317
Net cash generated from operating activities		523,182	568,054	317,403	412,833
Cash Flows From Investing Activities					
Proceeds from sale of property, plant and equipment		3,047	12,105	2,746	245
Investment in a joint venture		-	(30,000)	-	(30,000)
Interest income		34,151	22,049	19,281	13,607
Net change in deposits with licensed banks with tenure more than 3 months		301,808	(196,541)	244,613	(156,613)
Net change in short term funds		(335,537)	40,748	(201,428)	136,970
Dividend received from a subsidiary company		-	-	3,500	6,000
Redemption of RCCPS		-	-	25,000	25,000
Deposit placed for purchase of land		(41,357)	-	(41,357)	-
Purchase of property, plant and equipment	(a)	(133,976)	(146,245)	(106,907)	(132,540)
Land use rights payment made		(5,901)	(1,170)	-	-
Net cash used in investing activities		(177,765)	(299,054)	(54,552)	(137,331)

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements

For The Year Ended 31 December 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash Flows From Financing Activities					
Interest paid		(25)	(22)	(20)	(19)
Dividends paid		(311,687)	(238,960)	(311,687)	(238,960)
Dividends paid to non-controlling shareholders of a subsidiary		(482)	-	-	-
Inter-company balances		-	-	(2,200)	50,728
Associated company balances		(7)	7	(7)	7
Joint venture balances		(2,719)	(25,152)	9,600	(25,152)
Net cash used in financing activities		(314,920)	(264,127)	(304,314)	(213,396)
Net increase/(decrease) in cash and cash equivalents		30,497	4,873	(41,463)	62,106
Cash and cash equivalents at the beginning of year		120,792	115,919	75,672	13,566
Cash and cash equivalents at end of year	(b)	151,289	120,792	34,209	75,672

(a) Total purchases of property, plant and equipment during the year 2018 were made up of purchases which were fully paid in cash, and payments amounting to RM13,237,000 in relation to the amounts included in sundry payables in 2017 (total purchases of property, plant and equipment in 2017 for the Group and the Company amounted to RM175,582,000 and RM161,877,000 respectively, out of which RM146,245,000 for the Group and RM132,540,000 for the Company were fully paid for in cash and the remaining amounts were included in sundry payables).

(b) Analysis of cash and cash equivalents:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits with licensed banks	145,729	443,429	82,719	369,660
Cash at banks and in hand	56,660	30,282	2,490	1,625
Bank overdrafts	(100)	(111)	-	-
	202,289	473,600	85,209	371,285
Less: Deposits with licensed banks with tenure more than 3 months	(51,000)	(352,808)	(51,000)	(295,613)
Cash and cash equivalents at end of year	151,289	120,792	34,209	75,672

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 2018 for the Group was 6,508 (2017: 6,825) and for the Company was 4,936 (2017: 5,223).

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 23 February 2019.

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 Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016.

For all periods up to and including the year ended 31 December 2017, the Group and the Company prepared its financial statements in accordance with Financial Reporting Standards ("FRS"). These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with MFRS, including MFRS 1 - First-time Adoption of Malaysian Financial Reporting Standards, MFRS 9 Financial Instruments, MFRS 15 Revenue from Contracts with Customers and MFRS 141 - Agriculture. Please refer to Note 2.2 for information on the Group's and the Company's adoption of MFRS and the impact of transition to MFRS.

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 First-time adoption of Malaysian Financial Reporting Standards

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with MFRS, including MFRS 1 - First-time Adoption of Malaysian Financial Reporting Standards, MFRS 9 Financial Instruments, MFRS 15 Revenue from Contracts with Customers and MFRS 141 - Agriculture. For periods up to and including the year ended 31 December 2017, the Group and the Company prepared its financial statements in accordance with Financial Reporting Standards ("FRS Framework").

Accordingly, the Group and the Company have prepared financial statements that comply with MFRS applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's and the Company's opening statements of financial position was prepared as at 1 January 2017, the Group's and the Company's date of transition to MFRS. This note explains the principal adjustments made by the Group and the Company in restating its FRS financial statements, including the statements of financial position as at 1 January 2017 and the financial statements for the year ended 31 December 2017.

Notes To The Financial Statements

(a) Reconciliation of equity as at 1 January 2017 (date of transition to MFRS)

Group		FRS	Remeasure- ments	MFRS as at 1 January 2017
	Note	RM'000	RM'000	RM'000
Assets				
Non-Current Assets				
Biological assets	(i)	448,731	(448,731)	-
Property, plant and equipment		970,642	448,731	1,419,373
Land use rights		36,192	-	36,192
Associated company		50	-	50
Joint venture		- *	-	- *
Derivatives		-	-	-
Deferred tax assets		1,732	-	1,732
		1,457,347	-	1,457,347
Current Assets				
Biological assets	(i)	-	28,262	28,262
Inventories		189,958	-	189,958
Trade and other receivables		293,239	-	293,239
Prepayments		2,475	-	2,475
Tax recoverable		6,247	-	6,247
Derivatives		3,456	-	3,456
Cash and bank balances		272,292	-	272,292
Short term funds		418,622	-	418,622
		1,186,289	28,262	1,214,551
Total Assets		2,643,636	28,262	2,671,898
Equity and Liabilities				
Equity attributable to owners of the parent				
Share capital		208,134	-	208,134
Treasury shares		(8,635)	-	(8,635)
Reserves	(ii)	2,162,723	21,170	2,183,893
		2,362,222	21,170	2,383,392
Non-controlling interests		5,344	244	5,588
Total Equity		2,367,566	21,414	2,388,980
Non-Current Liabilities				
Deferred tax liabilities	(i)	116,916	6,848	123,764
Retirement benefit obligations		13,254	-	13,254
Derivatives		178	-	178
		130,348	6,848	137,196
Current Liabilities				
Trade and other payables		114,403	-	114,403
Tax payable		16,152	-	16,152
Retirement benefit obligations		749	-	749
Derivatives		14,312	-	14,312
Bank borrowings		106	-	106
		145,722	-	145,722
Total Liabilities		276,070	6,848	282,918
Total Equity and Liabilities		2,643,636	28,262	2,671,898

* The carrying amount of the investment in joint venture as at 1 January 2017 was RM1.00.

Notes To The Financial Statements

Company		FRS	Remeasure- ments	MFRS as at 1 January 2017
	Note	RM'000	RM'000	RM'000
Assets				
Non-Current Assets				
Biological assets	(i)	333,574	(333,574)	-
Property, plant and equipment		762,848	333,574	1,096,422
Subsidiary companies		404,826	-	404,826
Associated company		50	-	50
Joint venture		- *	-	- *
		1,501,298	-	1,501,298
Current Assets				
Biological assets	(i)	-	21,743	21,743
Inventories		42,821	-	42,821
Trade and other receivables		168,743	-	168,743
Prepayments		86	-	86
Cash and bank balances		152,566	-	152,566
Short term funds		273,194	-	273,194
		637,410	21,743	659,153
Total Assets		2,138,708	21,743	2,160,451
Equity and Liabilities				
Equity attributable to owners of the parent				
Share capital		208,134	-	208,134
Treasury shares		(8,635)	-	(8,635)
Reserves		1,762,613	16,525	1,779,138
Total Equity		1,962,112	16,525	1,978,637
Non-Current Liabilities				
Deferred tax liabilities	(i)	109,759	5,218	114,977
Retirement benefit obligations		6,910	-	6,910
		116,669	5,218	121,887
Current Liabilities				
Trade and other payables		46,631	-	46,631
Tax payable		12,703	-	12,703
Retirement benefit obligations		593	-	593
		59,927	-	59,927
Total Liabilities		176,596	5,218	181,814
Total Equity and Liabilities		2,138,708	21,743	2,160,451

* The carrying amount of the investment in joint venture as at 1 January 2017 was RM1.00.

Notes To The Financial Statements

(b) Reconciliation of equity as at 31 December 2017

Group		FRS	Remeasure- ments	MFRS as at 31 December 2017
	Note	RM'000	RM'000	RM'000
Assets				
Non-Current Assets				
Biological assets	(i)	444,585	(444,585)	-
Property, plant and equipment		1,029,474	444,585	1,474,059
Land use rights		34,115	-	34,115
Associated company		50	-	50
Joint venture		29,899	-	29,899
Derivatives		3,417	-	3,417
Deferred tax assets		3,524	-	3,524
		1,545,064	-	1,545,064
Current Assets				
Biological assets	(i)	-	31,388	31,388
Inventories		156,833	-	156,833
Trade and other receivables		237,588	-	237,588
Prepayments		3,211	-	3,211
Tax recoverable		3,848	-	3,848
Derivatives		20,244	-	20,244
Cash and bank balances		473,711	-	473,711
Short term funds		377,874	-	377,874
		1,273,309	31,388	1,304,697
Total Assets		2,818,373	31,388	2,849,761
Equity and Liabilities				
Equity attributable to owners of the parent				
Share capital		390,054	-	390,054
Treasury shares		(8,635)	-	(8,635)
Reserves	(ii)	2,118,878	23,628	2,142,506
		2,500,297	23,628	2,523,925
Non-controlling interests		6,714	179	6,893
Total Equity		2,507,011	23,807	2,530,818
Non-Current Liabilities				
Deferred tax liabilities	(i)	132,799	7,581	140,380
Retirement benefit obligations		13,626	-	13,626
Derivatives		1,115	-	1,115
		147,540	7,581	155,121
Current Liabilities				
Trade and other payables		137,749	-	137,749
Tax payable		13,333	-	13,333
Retirement benefit obligations		971	-	971
Derivatives		11,658	-	11,658
Bank borrowings		111	-	111
		163,822	-	163,822
Total Liabilities		311,362	7,581	318,943
Total Equity and Liabilities		2,818,373	31,388	2,849,761

Notes To The Financial Statements

Company		FRS	Remeasure- ments	MFRS as at 31 December 2017
	Note	RM'000	RM'000	RM'000
Assets				
Non-Current Assets				
Biological assets	(i)	348,827	(348,827)	-
Property, plant and equipment		853,605	348,827	1,202,432
Subsidiary companies		379,865	-	379,865
Associated company		50	-	50
Joint venture		30,000	-	30,000
		1,612,347	-	1,612,347
Current Assets				
Biological assets	(i)	-	26,614	26,614
Inventories		33,232	-	33,232
Trade and other receivables		78,456	-	78,456
Prepayments		399	-	399
Cash and bank balances		371,285	-	371,285
Short term funds		136,224	-	136,224
		619,596	26,614	646,210
Total Assets		2,231,943	26,614	2,258,557
Equity and Liabilities				
Equity attributable to owners of the parent				
Share capital		390,054	-	390,054
Treasury shares		(8,635)	-	(8,635)
Reserves		1,627,516	20,227	1,647,743
Total Equity		2,008,935	20,227	2,029,162
Non-Current Liabilities				
Deferred tax liabilities	(i)	122,951	6,387	129,338
Retirement benefit obligations		5,672	-	5,672
		128,623	6,387	135,010
Current Liabilities				
Trade and other payables		86,460	-	86,460
Tax payable		7,276	-	7,276
Retirement benefit obligations		649	-	649
		94,385	-	94,385
Total Liabilities		223,008	6,387	229,395
Total Equity and Liabilities		2,231,943	26,614	2,258,557

Notes To The Financial Statements

(c) Reconciliation of profit or loss and comprehensive income for the year ended 31 December 2017

Group				
	Note	FRS RM'000	Remeasure- ments RM'000	MFRS as at 31 December 2017 RM'000
Revenue		1,474,323	-	1,474,323
Other income	(i)	37,577	3,126	40,703
		1,511,900	3,126	1,515,026
Changes in finished goods		(17,904)	-	(17,904)
Raw materials and consumables used		(628,238)	-	(628,238)
Amortisation of biological assets		(29,692)	29,692	-
Depreciation of property, plant and equipment		(54,422)	(29,692)	(84,114)
Amortisation of land use rights		(688)	-	(688)
Staff costs		(166,286)	-	(166,286)
Other expenses		(139,815)	-	(139,815)
Profit from operations		474,855	3,126	477,981
Finance costs		(22)	-	(22)
Investment and interest income		26,112	-	26,112
Share of results of joint venture		(101)	-	(101)
Profit before taxation		500,844	3,126	503,970
Taxation		(108,555)	(733)	(109,288)
Net profit for the year		392,289	2,393	394,682
Other comprehensive income: 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)	-	(13,884)
Total comprehensive income for the year		378,405	2,393	380,798

Notes To The Financial Statements

Company		FRS	Remeasure- ments	MFRS as at 31 December 2017
	Note	RM'000	RM'000	RM'000
Revenue		591,914	-	591,914
Other income	(i)	9,317	4,871	14,188
		601,231	4,871	606,102
Changes in finished goods		(9,199)	-	(9,199)
Raw materials and consumables used		(5,015)	-	(5,015)
Amortisation of biological assets		(21,539)	21,539	-
Depreciation of property, plant and equipment		(33,578)	(21,539)	(55,117)
Staff costs		(120,652)	-	(120,652)
Other expenses		(73,387)	-	(73,387)
Profit from operations		337,861	4,871	342,732
Finance costs		(19)	-	(19)
Investment and interest income		20,047	-	20,047
Profit before taxation		357,889	4,871	362,760
Taxation		(72,106)	(1,169)	(73,275)
Net profit for the year		285,783	3,702	289,485
Other comprehensive income		-	-	-
Total comprehensive income for the year		285,783	3,702	289,485

Notes To The Financial Statements

Notes to the reconciliation of equity as at 1 January 2017 (date of transition to MFRS) and 31 December 2017 and profit or loss and comprehensive income for year ended 31 December 2017.

The significant accounting policies adopted in preparing the financial statement are consistent with those of the audited financial statement for the year ended 31 December 2017, except as discussed below:

(i) Bearer plants and biological assets

Prior to the adoption of the Amendments to MFRS 141, all the new replanting and pre-cropping expenditure incurred from land clearing to the point of maturity were capitalised as biological assets and amortised at maturity of the useful economic lives of the crops.

Upon the adoption of the Amendments to MFRS 141, the Group and Company are required to measure biological assets separately from bearer plants. New replanting and pre-cropping expenditure are classified as bearer plants and would be accounted for the same as property, plant and equipment under MFRS 116, whereas the produce growing on the bearer plants falls within the scope of MFRS 141 Biological Assets and valued at fair value. The resulting adjustments were recognised against retained earnings.

The impact arising from the change is summarised as follows:

	Group		Company	
	31 December 2017 RM'000	1 January 2017 RM'000	31 December 2017 RM'000	1 January 2017 RM'000
Current Asset				
Biological assets	31,388	28,262	26,614	21,743
Non-Current Liability				
Deferred tax	7,581	6,848	6,387	5,218
Statement of comprehensive income				
Fair value gain in biological assets	2,393	Not applicable	3,702	Not applicable

(ii) Cumulative translation differences

The cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to MFRS, 1 January 2017. The entire balance of RM9,188,000 for the Group in the exchange translation reserve at the date of transition has been transferred to retained profits.

Notes To The Financial Statements

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards if applicable, when they become effective.

	Effective for annual periods beginning on or after
• MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
• MFRS 16 Leases	1 January 2019
• MFRS 128 Long-term Interests in Associates and Joint Venture (Amendments to MFRS 128)	1 January 2019
• Annual Improvements to MFRS Standards 2015 - 2017 cycle	1 January 2019
• MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
• IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2019
• MFRS 17 Insurance Contracts	1 January 2021
• Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors expect that the adoption of the above standards and interpretations will not have material impact on the financial statements in the period of initial application except as discussed below:

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

Notes To The Financial Statements

2.4 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 2018. 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, and
- (c) The Group's voting rights and potential voting rights.

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.

Notes To The Financial Statements

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, and
- (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.

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.

Notes To The Financial Statements

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 2.4(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.

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) 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.

Notes To The Financial Statements

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%

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.

Bearer plants 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) 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) Biological assets

Biological assets comprised produce growing on bearer plants. Biological assets are classified as current assets for bearer plants that are expected to be harvested and sold or used for production on a date not more than 4 weeks after the reporting date.

Biological assets are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell are recognised in profit or loss.

Notes To The Financial Statements

(f) 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.

(g) 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.

(h) 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.

Notes To The Financial Statements

(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.

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:

	2018	2017
	RM	RM
1 United States Dollar (USD)	4.1360	4.0475
100 Indonesian Rupiah (IDR)	0.0288	0.0298

(i) 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

(j) 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.

(k) 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.

(l) 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.

Notes To The Financial Statements

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.

(m) 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) *Financial assets at amortised cost*

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(ii) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments which the Group and the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Notes To The Financial Statements

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.

(n) 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.

The Group and the Company recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, other receivables and inter-company balances, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(o) 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.

(p) 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 MFRS 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.

Notes To The Financial Statements

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.

(q) 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.

(r) 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.

(s) Research And Development Costs

All general research and development costs are expensed as incurred.

(t) 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.

(u) 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

(v) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as commodity futures contracts, to hedge its commodity price risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Beginning 1 October 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses commodity futures contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to commodity contracts is recognised in other operating income or expenses. Refer to Note 29 (g) for more details.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Notes To The Financial Statements

2.5 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) Bearer plants

Bearer plants 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.

(iii) Biological Assets

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 plants 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 plants of up to 4 weeks prior to harvest was used for valuation purpose.

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)
		2018 / 2017 %	2018 / 2017 %	
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	-	(e)
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
		2018 %	2017 %	
Unifuji 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 Activity
		2018 %	2017 %	
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 financial statements of the joint venture and 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue from contracts with customers consists of the following and excludes, in respect of the Group, intragroup transactions:				
Sales proceeds of produce stocks	402,296	414,273	575,318	591,914
Sales proceeds of finished goods	901,629	1,058,592	-	-
Rendering of services	1,666	1,458	-	-
	1,305,591	1,474,323	575,318	591,914
Disaggregation of revenue from contracts with customers				
Upstream (Plantations)				
- Malaysia	246,187	224,514	575,318	591,914
- Indonesia	156,109	189,759	-	-
Downstream (Refinery)				
- Malaysia	901,629	1,058,592	-	-
Other operations	1,666	1,458	-	-
	1,305,591	1,474,323	575,318	591,914

The timing of revenue recognition is at a point in time.

Notes To The Financial Statements

5. Profit From Operations

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit from operations is arrived at, after charging:				
Directors' remuneration				
- fees	1,117	786	1,066	735
- emoluments	6,392	5,069	6,261	4,946
- others	187	154	107	82
Auditors' remuneration				
- statutory audit: current year	446	446	310	310
- non-audit service	8	8	8	8
- statutory audit fee received by a member firm of EY Global	167	179	-	-
Write-down of inventories	10,602	-	-	-
Impairment of property, plant and equipment	4,243	-	-	-
Loss on disposal of property, plant and equipment	2,699	432	2,699	432
Fair value loss in biological assets	2,707	1,745	1,704	-
Unrealised foreign exchange loss	3,023	12,203	-	-
Realised foreign exchange loss	1,281	2,135	-	-
Impairment on plasma debt	221	-	-	-
Rental of premises	214	218	-	-
Rental of equipment	1,624	1,683	52	44
Profit from operations is arrived at, after crediting:				
Reversal of impairment on plasma debt	-	276	-	-
Rental income	95	89	95	89
Profit on disposal of property, plant and equipment	253	41	-	-
Fair value gain in biological assets	-	4,871	-	4,871
Reversal on impairment on investment in subsidiary	-	-	675	39
Unrealised foreign exchange gain	1,577	14,030	-	-
Realised foreign exchange gain	8,156	10,783	-	-

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Wages and salaries	147,865	138,096	111,049	100,676
Social security cost	2,109	1,736	387	375
Retirement benefit costs				
- defined contribution plans	6,935	6,503	5,932	5,499
- defined benefit plans (Note 21)	2,611	1,323	484	(981)
Other staff related expenses	17,237	16,782	14,099	13,237
	176,757	164,440	131,951	118,806

Included in staff costs of the Group and of the Company are executive directors' emoluments amounting to RM6,392,000 and RM6,261,000 respectively (2017: RM5,069,000 and RM4,946,000 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Finance costs consist of interest expenses on:				
- bank overdraft/bankers acceptances	25	22	20	19

7. Investment And Interest Income

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Dividend income from a subsidiary company	-	-	10,500	3,000
Interest income from deposits with licensed banks	29,792	26,032	15,374	15,605
Interest income from loan granted to subsidiary	-	-	2	1,362
Interest income from advances to joint venture	447	80	146	80
	30,239	26,112	26,022	20,047

Notes To The Financial Statements

8. Taxation

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current income tax:				
Income tax	114,091	93,584	74,880	57,926
(Over)/under provision in prior year	(2,164)	1,366	(969)	988
	111,927	94,950	73,911	58,914
Deferred tax (Note 20):				
Relating to origination and reversal of temporary difference	5,355	13,919	10,267	13,952
(Over)/under provision in prior year	(510)	419	(510)	409
	4,845	14,338	9,757	14,361
Total income tax expense	116,772	109,288	83,668	73,275

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year. The deferred tax computation is based on this rate.

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit before taxation	490,872	503,970	357,240	362,760
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	117,809	120,953	85,738	87,062
Effect of different tax rates in other countries	394	584	-	-
Income not subject to tax	(6,574)	(5,789)	(4,870)	(2,284)
Expenses not deductible for tax purposes	7,937	6,952	4,399	2,297
Utilisation of double deduction for research and reinvestment allowance	(120)	(15,197)	(120)	(15,197)
(Over)/under provision of deferred tax in prior year	(510)	419	(510)	409
(Over)/under provision of income tax in prior year	(2,164)	1,366	(969)	988
Tax expense for the year	116,772	109,288	83,668	73,275

Notes To The Financial Statements

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 RM372,417,000 (2017: RM392,980,000) divided by the weighted number of ordinary shares of 207,792,492 (2017: 207,792,492) in issue during the year after deducting treasury shares of 341,774 (2017: 341,774).

	Group	
	2018 sen	2017 sen
Basic earnings per share	179	189

The Group has no potential ordinary shares in issue as at reporting date and therefore, diluted earnings per share has not been presented.

10. (a) Property, Plant And Equipment

Group	Freehold land	Long term leasehold land	Bearer plants	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	RM'000
Cost								
At 1 January 2018	204,413	385,314	895,134	305,528	793,744	12,820	1,171	2,598,124
Additions	-	-	39,610	13,396	47,902	19,831	-	120,739
Transfer to plasma at cost	-	-	(267)	-	-	-	-	(267)
Disposals	-	-	(31)	(1,363)	(39,325)	-	-	(40,719)
Reclassifications	-	-	-	5,269	9,356	(14,625)	-	-
Exchange differences	-	-	(5,606)	(2,260)	(3,190)	(41)	(10)	(11,107)
Net movement for the year	-	-	-	-	-	-	205	205
At 31 December 2018	204,413	385,314	928,840	320,570	808,487	17,985	1,366	2,666,975
Accumulated depreciation and impairment losses								
At 1 January 2018								
Accumulated depreciation	-	66,761	450,549	169,667	437,088	-	-	1,124,065
Accumulated impairment losses	-	-	-	-	-	-	-	-
Depreciation for the year	-	4,118	30,183	9,672	40,888	-	-	84,861
Impairment	-	-	-	-	4,243	-	-	4,243
Disposals	-	-	-	(750)	(34,476)	-	-	(35,226)
Exchange differences	-	-	(1,744)	(503)	(1,742)	-	-	(3,989)
At 31 December 2018	-	70,879	478,988	178,086	446,001	-	-	1,173,954
Net book value								
At 31 December 2018	204,413	314,435	449,852	142,484	362,486	17,985	1,366	1,493,021

Notes To The Financial Statements

Group	Freehold land	Long term leasehold land	Bearer plants	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	RM'000
	Cost							
At 1 January 2017	204,413	385,314	875,226	295,476	640,289	71,719	1,397	2,473,834
Additions	-	-	39,815	14,971	111,966	8,830	-	175,582
Transfer to plasma at cost	-	-	(1,912)	-	-	-	-	(1,912)
Disposals	-	-	-	(108)	(2,138)	(11,792)	-	(14,038)
Reclassifications	-	-	-	2,105	53,682	(55,787)	-	-
Exchange differences	-	-	(17,995)	(6,916)	(10,055)	(150)	(30)	(35,146)
Net movement for the year	-	-	-	-	-	-	(196)	(196)
At 31 December 2017	204,413	385,314	895,134	305,528	793,744	12,820	1,171	2,598,124
Accumulated depreciation								
At 1 January 2017	-	62,643	426,495	162,042	403,281	-	-	1,054,461
Depreciation for the year	-	4,118	29,692	9,337	40,967	-	-	84,114
Disposals	-	-	-	(84)	(1,458)	-	-	(1,542)
Exchange differences	-	-	(5,638)	(1,628)	(5,702)	-	-	(12,968)
At 31 December 2017	-	66,761	450,549	169,667	437,088	-	-	1,124,065
Net book value								
At 31 December 2017	204,413	318,553	444,585	135,861	356,656	12,820	1,171	1,474,059

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.

* Capital work-in-progress of the Group mainly consists of construction of plants and buildings at the following locations:

	2018 RM'000	2017 RM'000
In the estates of the Company in Peninsular Malaysia	13,140	7,472
In Unitata Berhad	3,757	4,207
In PT SSS1, Central Kalimantan, Indonesia	1,088	1,141
	17,985	12,820

Notes To The Financial Statements

Company	Freehold land RM'000	Long term leasehold land RM'000	Bearer plants RM'000	Buildings RM'000	Plant and machinery RM'000	Capital work-in-progress RM'000	Spare parts RM'000	Total RM'000
Cost								
At 1 January 2018	203,848	385,314	749,429	204,599	527,889	7,472	262	2,078,813
Additions	-	-	37,449	10,815	39,738	5,668	-	93,670
Disposals	-	-	-	(1,338)	(37,777)	-	-	(39,115)
Net movement for the year	-	-	-	-	-	-	137	137
At 31 December 2018	203,848	385,314	786,878	214,076	529,850	13,140	399	2,133,505
Accumulated depreciation								
At 1 January 2018	-	66,761	400,602	140,228	268,790	-	-	876,381
Depreciation for the year	-	4,118	22,917	5,827	24,099	-	-	56,961
Disposals	-	-	-	(733)	(32,937)	-	-	(33,670)
At 31 December 2018	-	70,879	423,519	145,322	259,952	-	-	899,672
Net book value								
At 31 December 2018	203,848	314,435	363,359	68,754	269,898	13,140	399	1,233,833
Cost								
At 1 January 2017	203,848	385,314	712,637	191,141	368,949	56,654	335	1,918,878
Additions	-	-	36,792	12,590	107,181	5,314	-	161,877
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	749,429	204,599	527,889	7,472	262	2,078,813
Accumulated depreciation								
At 1 January 2017	-	62,643	379,063	135,142	245,608	-	-	822,456
Depreciation for the year	-	4,118	21,539	5,170	24,290	-	-	55,117
Disposals	-	-	-	(84)	(1,108)	-	-	(1,192)
At 31 December 2017	-	66,761	400,602	140,228	268,790	-	-	876,381
Net book value								
At 31 December 2017	203,848	318,553	348,827	64,371	259,099	7,472	262	1,202,432

Notes To The Financial Statements

10. (b) Land Use Rights

	Group	
	2018 RM'000	2017 RM'000
At 1 January	34,115	36,192
Additions	5,901	1,170
Amortisation for the year	(1,091)	(688)
Exchange differences	(820)	(2,559)
At 31 December	38,105	34,115

The additions during the year includes the payment of premium for obtaining the HGU (lease certificates) of the estate lands from the authorities.

11. Biological assets

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Carrying amount at 1 January	31,388	28,262	26,614	21,743
Fair value changes	(2,707)	3,126	(1,704)	4,871
Exchange differences	(172)	-	-	-
Net book value at 31 December	28,509	31,388	24,910	26,614
FFB production (MT)	1,008,063	957,472	785,559	753,673
Coconut production (nuts '000)	71,423	75,252	71,423	75,252
The biological assets of the Group and the Company comprise of:				
Oil palms	22,468	25,592	18,869	20,818
Coconut palms	6,041	5,796	6,041	5,796
	28,509	31,388	24,910	26,614

The biological assets of the Group comprise of oil palm fresh fruit bunches ("FFB") and coconuts 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 coconuts.

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 plants 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 plants of up to 4 weeks prior to harvest was used for valuation purpose.

The change in fair value of the biological assets in each accounting period is recognised in profit or loss.

The Group's and the Company's biological assets were fair valued within Level 3 of the fair value hierarchy. Fair value assessments have been completed consistently using the same valuation techniques.

Notes To The Financial Statements

The key assumptions used to determine the fair value are as follows:

	2018	2017
Oil palms		
Areas (Ha)	38,661	38,419
Average FFB selling price (RM/MT)	468	569
Coconut palms		
Areas (Ha)	3,085	2,965
Average selling price (RM/nut)	1.05	1.06

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 assets:

	2018 RM'000	2017 RM'000
10% increase	3,165	3,396
10% decrease	(3,165)	(3,396)

12. Subsidiary Companies

Investment in subsidiary companies	Company	
	2018 RM'000	2017 RM'000
Unquoted shares at cost	44,451	44,451
Less: Accumulated impairment losses	(13,711)	(14,386)
	30,740	30,065
Unquoted Redeemable Cumulative Convertible Preference Shares:		
As at 1 January	349,800	374,800
Redemption	(25,000)	(25,000)
As at 31 December	324,800	349,800
Total	355,540	379,865

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 324,800,000 RCCPS as at end of the year (2017: 25,000,000 RCCPS were redeemed by Unitata Berhad).

- (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. With the redemption of 25,000,000 RCCPS in the current year, the RCCPS have been fully redeemed.

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.

13. Associated Company

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 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	
	2018 RM'000	2017 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

14. Joint Venture

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unquoted shares, at cost	30,000	30,000	30,000	30,000
Share of post-acquisition losses and reserves	(4,012)	(101)	-	-
	25,988	29,899	30,000	30,000
Analysed as:				
Unquoted shares, at cost				
At 1 January	30,000	- *	30,000	- *
Acquisition during the year	-	30,000	-	30,000
At 31 December	30,000	30,000	30,000	30,000
Share of post-acquisition reserve:				
At 1 January	(101)	-	-	-
Share of results	(3,911)	(101)	-	-
At 31 December	(4,012)	(101)	-	-

* In 2016, 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.

(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
		2018	2017	
Unifuji 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.

Notes To The Financial Statements

(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

	2018 RM'000	2017 RM'000
Assets		
Current assets	36,756	5,367
Non-current assets	172,834	86,870
Total assets	209,590	92,237
Equity and liabilities		
Equity	51,976	59,798
Current liabilities	56,233	32,439
Non-current liabilities	101,381	-
Total equity and liabilities	209,590	92,237

(ii) Summarised statement of comprehensive income

	2018 RM'000	2017 RM'000
Revenue	14,491	-
Loss for the year	(7,822)	(202)
Total comprehensive loss for the year	(7,822)	(202)

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in the joint venture.

	2018 RM'000	2017 RM'000
Net assets at 1 January	59,798	- *
Issuance of share	-	60,000
Total comprehensive loss for the year	(7,822)	(202)
Net assets at 31 December	51,976	59,798
Interest in joint venture (%)	50	50
Carrying value of Group's interest in joint venture	25,988	29,899

* RM 2

Notes To The Financial Statements

15. Inventories

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At net realisable value:				
Produce stocks	31,193	19,528	22,972	12,475
At cost:				
Estate stores	27,687	27,809	17,984	20,757
Raw materials	30,057	11,656	-	-
Finished goods	59,603	92,037	-	-
Inventory-in-transit	-	728	-	-
Consumables	4,326	5,075	-	-
	121,673	137,305	17,984	20,757
	152,866	156,833	40,956	33,232

16. Trade And Other Receivables

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current					
Trade receivables					
Third parties		127,280	168,602	1,804	105
Due from subsidiary companies	(b)	-	-	35,426	40,628
Due from joint venture	(d)	6,432	-	-	-
Trade receivables, net	(a)	133,712	168,602	37,230	40,733
Other receivables					
Due from subsidiary companies	(b)	-	-	13,368	1,210
Due from an associated company	(c)	15	8	15	8
Due from joint venture	(d)	21,440	25,152	15,581	25,152
Deposits	(e)	41,744	980	41,443	83
Sundry receivables		39,937	43,365	10,533	11,270
		103,136	69,505	80,940	37,723
Less: Allowance for impairment: Sundry receivables		(740)	(519)	-	-
		102,396	68,986	80,940	37,723
Total trade and other receivables		236,108	237,588	118,170	78,456
Add: Cash and bank balances (Note 17(a))		202,389	473,711	85,209	371,285
Total loans and receivables		438,497	711,299	203,379	449,741

The average credit terms granted to the Group's customers are 10 to 75 days (2017: 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Neither past due nor impaired	133,149	168,224	37,047	40,733
1 to 30 days past due not impaired	488	193	183	-
31 to 60 days past due not impaired	30	56	-	-
61 to 90 days past due not impaired	1	64	-	-
91 to 120 days past due not impaired	44	65	-	-
	563	378	183	-
Allowance for expected credit losses	-	-	-	-
	133,712	168,602	37,230	40,733

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 93% (2017: 98%) 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 RM563,000 (2017: RM378,000) that are past due at the reporting date but not impaired. These receivables are unsecured.

(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 3.95% per annum (2017: 3.37% per annum). All other amounts are repayable on demand and non-interest bearing.

(c) Due from an associated company

The amount due from an associated company is interest free, unsecured and repayable on demand.

(d) Due from joint venture (trade and non-trade)

The amount due from joint venture is unsecured. The trade debt due from joint venture has a repayment term of 30 days and the overdue trade debt bears an average interest of approximately 3.95% per annum (2017: Nil as there were no trade debts). All other amounts are repayable on demand and bear an average interest of approximately 3.95% per annum.

(e) Deposits

Included in deposits of the Group is RM261,000 (2017: RM836,000) being deposit placed with a broker for Bursa Malaysia Derivatives Bhd. for crude palm oil futures and RM41,357,000 (2017: Nil) being deposit placed for the purchase of land as disclosed in Note 31.

Notes To The Financial Statements

17. (a) Cash And Bank Balances

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash at banks and on hand	56,660	30,282	2,490	1,625
Deposits with licensed banks	145,729	443,429	82,719	369,660
Cash and bank balances (Note 16)	202,389	473,711	85,209	371,285

The weighted average interest rates during the financial year as at 31 December 2018 were as follows:

	Weighted average interest rates	
	2018 %	2017 %
Deposits with licensed banks	3.82	3.94

(b) Short Term Funds

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short term funds	713,411	377,874	337,652	136,224

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 2018 were as follows:

	Weighted average interest rates	
	2018 %	2017 %
Short term funds	3.42	3.26

Notes To The Financial Statements

18. (a) Share Capital

	Number of ordinary shares		Amount	
	2018 Unit'000	2017 Unit'000	2018 RM'000	2017 RM'000
Issued and fully paid:				
At 1 January	208,134	208,134	390,054	208,134
Transfer of share premium *	-	-	-	181,920
At 31 December	208,134	208,134	390,054	390,054

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.

* Pursuant to Section 618(2) of the Companies Act 2016 which came into operation on 31 January 2017, 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 2018, 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'000
2018		
As at the beginning/end of the financial year	341,774	8,635
2017		
As at the beginning/end of the financial year	341,774	8,635

The share buy-back was financed by internally generated funds.

Notes To The Financial Statements

19. Reserves

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Distributable					
Retained profits	(a)	2,196,542	2,134,195	1,609,628	1,647,743
Non-distributable					
Cash flow hedge reserve	(b)	352	-	-	-
Capital reserve	(d)	21,798	21,798	-	-
Foreign currency translation reserve	(e)	(19,022)	(13,487)	-	-
		3,128	8,311	-	-
Total		2,199,670	2,142,506	1,609,628	1,647,743

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) Cash flow hedge reserve

The effective portion of the gain or loss on a hedging instrument is recognised in OCI in the cash flow hedge reserve. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on a hedging instrument and the cumulative change in fair value of the hedged item.

(c) Share premium

Pursuant to Section 618(2) of the Companies Act 2016 ("CA 2016"), any outstanding share premium and capital redemption reserve accounts became part of Share Capital in 2017.

(d) Capital reserve

The capital reserve is in respect of bonus shares issued by subsidiary companies out of their retained earnings.

(e) 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

20. Deferred taxation

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	136,856	122,032	129,338	114,977
Recognised in profit or loss (Note 8)	4,845	14,338	9,757	14,361
Exchange differences	659	486	-	-
At 31 December	142,360	136,856	139,095	129,338
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	145,991	140,380	139,095	129,338
Deferred tax assets	(3,631)	(3,524)	-	-
	142,360	136,856	139,095	129,338

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:

	Biological Assets RM'000	Accelerated Capital Allowances RM'000	Others RM'000	Total RM'000
At 1 January 2018	7,581	137,204	3,367	148,152
Recognised in profit or loss	(660)	7,629	(3,367)	3,602
Exchange differences	(43)	-	-	(43)
At 31 December 2018	6,878	144,833	-	151,711
At 1 January 2017	6,848	125,689	-	132,537
Recognised in profit or loss	733	11,515	3,367	15,784
Exchange differences	-	-	-	(169)
At 31 December 2017	7,581	137,204	3,367	148,152

Notes To The Financial Statements

Deferred tax assets of the Group:

	Retirement Benefit Obligations RM'000	Others RM'000	Total RM'000
At 1 January 2018	(3,466)	(7,830)	(11,296)
Recognised in profit or loss	(110)	1,353	1,243
Exchange differences	50	652	702
At 31 December 2018	(3,526)	(5,825)	(9,351)
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)

Deferred tax liabilities of the Company:

	Biological Assets RM'000	Accelerated capital allowances RM'000	Total RM'000
At 1 January 2018	6,387	125,018	131,405
Recognised in profit or loss	(409)	9,915	9,506
At 31 December 2018	5,978	134,933	140,911
At 1 January 2017	5,218	111,960	117,178
Recognised in profit or loss	1,169	13,058	14,227
At 31 December 2017	6,387	125,018	131,405

Deferred tax assets of the Company:

	Retirement Benefit Obligations RM'000	Others RM'000	Total RM'000
At 1 January 2018	(1,517)	(550)	(2,067)
Recognised in profit or loss	(87)	338	251
At 31 December 2018	(1,604)	(212)	(1,816)
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)

Notes To The Financial Statements

21. 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, except for the obligations of PTSSS1 where an independent actuarial valuation is used. The obligations of the Group are based on the following actuarial assumptions:

	2018 %	2017 %
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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Present value of unfunded defined benefit obligations	14,849	14,597	6,685	6,321
At 1 January	14,597	14,003	6,321	7,503
Provision during the year (Note 5)	2,611	3,169	484	865
Write back during the year	-	(1,846)	-	(1,846)
Paid during the year	(402)	(276)	(120)	(201)
Actuarial changes during the year	(1,617)	-	-	-
Exchange difference	(340)	(453)	-	-
At 31 December	14,849	14,597	6,685	6,321
Analysed as:				
Current	1,234	971	912	649
Non-current:				
Later than 1 year but not later than 2 years	1,150	515	488	335
Later than 2 years but not later than 5 years	1,547	1,997	973	926
Later than 5 years	10,918	11,114	4,312	4,411
	13,615	13,626	5,773	5,672
	14,849	14,597	6,685	6,321

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Discount rate increase by 1%	(1,422)	(1,495)	(571)	(570)
Discount rate decrease by 1%	1,624	1,730	670	670
The average rate of increase in future earnings increase by 1%	707	810	8	29
The average rate of increase in future earnings decrease by 1%	(655)	(743)	(8)	(29)
Turnover of employees increase by 1%	(187)	(124)	(52)	(26)
Turnover of employees decrease by 1%	81	79	30	26

22. Trade And Other Payables

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current					
Trade payables					
Third parties	(a)	14,623	33,522	483	197
Other payables					
Due to subsidiary companies	(b)	-	-	1,528	3,242
Advances from customers		831	828	831	828
Accruals		51,654	44,886	31,573	37,169
Sundry payables		70,221	58,513	35,582	45,024
		122,706	104,227	69,514	86,263
Total trade and other payables		137,329	137,749	69,997	86,460
Add: Bank borrowings (Note 23)		100	111	-	-
Total financial liabilities carried at amortised cost		137,429	137,860	69,997	86,460

(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 (2017: 30 to 60 days).

(b) Due to subsidiary companies

Amounts due to subsidiary companies are interest free, unsecured and repayable on demand.

Notes To The Financial Statements

23. Bank Borrowings

	Group	
	2018 RM'000	2017 RM'000
Bank overdraft - unsecured	100	111

The interest rate applicable to the bank borrowings for the year was 7.40% (2017: 6.70%) per annum.

24. Dividends

	Group / Company			
	Amount		Net Dividends per Share	
	2018 RM'000	2017 RM'000	2018 sen	2017 sen
Final single-tier dividend paid in respect of previous financial year: - 20 sen per share (2017: 20 sen per share)	41,558	41,558	20.00	20.00
Special single-tier dividend paid in respect of previous financial year: - 100 sen per share (2017: 65 sen per share)	207,792	135,065	100.00	65.00
Interim single-tier dividend in respect of current financial year: - 20 sen per share (2017: 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 (2017: 10 sen per share)	20,779	20,779	10.00	10.00
	311,687	238,960	150.00	115.00

At the forthcoming Annual General Meeting, a final single-tier dividend of 20 sen per share amounting to RM41,558,498 and a special single-tier dividend of 90 sen per share amounting to RM187,013,243 in respect of the year ended 31 December 2018 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 2019.

25. Significant Inter-Company Transactions

	Company	
	2018 RM'000	2017 RM'000
Sale of raw materials to a subsidiary company	329,130	367,400
Sale of biomass and biogas steam to a subsidiary company	1,724	1,878
Interest charged to a subsidiary company	2	1,362

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

26. 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 12, 16, 22 and 25 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sale of plant and equipment to Unifuji Sdn. Bhd.	219	11,792	219	-
Interest income from advances to Unifuji Sdn. Bhd.	447	80	146	80
Service fees paid to IPS	83	83	83	83

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amount outstanding at 31 December:				
Due from IPS	67	24	67	24

The outstanding balances at the reporting date in relation to related party transactions are included in other receivables (Note 16).

(b) Compensation of key management personnel

The remuneration of key management during the year was as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short-term employee benefits	5,396	4,268	5,396	4,268
Post employment benefits:				
Defined contribution plan	865	678	865	678
Directors fees	451	331	400	280
Others	110	96	30	24
	6,822	5,373	6,691	5,250

Notes To The Financial Statements

27. 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:-

- (a) 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.
- (b) 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.
- (c) 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue and expenses										
Revenue:										
External sales	402,296	414,273	901,629	1,058,592	1,666	1,458	-	-	1,305,591	1,474,323
Inter-segment sales	329,130	367,400	-	-	-	-	(329,130)	(367,400)	-	-
Total revenue	731,426	781,673	901,629	1,058,592	1,666	1,458	(329,130)	(367,400)	1,305,591	1,474,323
Results:										
Segment results/ operating profit	396,164	405,341	72,560	86,450	(4,155)	(13,810)	-	-	464,569	477,981
Investment and interest income	16,260	17,935	2,599	714	18,544	21,217	(7,164)	(13,754)	30,239	26,112
Interest expense	(7,185)	(12,411)	(4)	(1,365)	-	-	7,164	13,754	(25)	(22)
Share of results of joint venture	-	-	(3,911)	(101)	-	-	-	-	(3,911)	(101)
Income taxes	(99,581)	(87,805)	(16,431)	(21,107)	(760)	(376)	-	-	(116,772)	(109,288)
Net profit for the year									374,100	394,682

Notes To The Financial Statements

	Plantations		Palm Oil Refining		Other Segments		Elimination		Consolidated	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets and liabilities										
Segment assets	2,082,926	2,080,911	460,403	437,718	349,022	301,183	-	-	2,892,351	2,819,812
Investment in an associated company	-	-	-	-	50	50	-	-	50	50
Investment in a joint venture	-	-	25,988	29,899	-	-	-	-	25,988	29,899
Consolidated total assets									2,918,389	2,849,761
Segment liabilities	270,632	252,481	58,606	66,160	234	302	-	-	329,472	318,943
Consolidated total liabilities									329,472	318,943
Other information										
Capital expenditure *	108,541	171,871	17,965	4,873	134	8	-	-	126,640	176,752
Depreciation	74,297	73,852	10,511	10,223	53	39	-	-	84,861	84,114
Amortisation	1,091	688	-	-	-	-	-	-	1,091	688
Other significant non-cash expenses:										
Net write-down of inventories	-	-	10,602	-	-	-	-	-	10,602	-
Net realised foreign exchange (gain)/loss	-	-	(8,156)	(10,783)	1,281	2,135	-	-	(6,875)	(8,648)
Net unrealised foreign exchange (gain)/ loss	-	(1)	(1,577)	(14,029)	3,023	12,203	-	-	1,446	(1,827)

(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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	623,651	680,080	156,109	189,759	347,365	481,413	5,566	59,491	172,900	63,580	1,305,591	1,474,323
Total assets	2,589,242	2,500,031	258,390	273,317	40,114	52,587	151	7,835	30,492	15,991	2,918,389	2,849,761
Capital expenditure *	111,769	166,758	14,871	9,994	-	-	-	-	-	-	126,640	176,752

* Capital expenditure presented above consist of the following items as presented in the consolidated statement of financial position:

	Note	Group	
		2018 RM'000	2017 RM'000
Property, plant and equipment	10 (a)	120,739	175,582
Land use rights	10 (b)	5,901	1,170
		126,640	176,752

(iii) Information about a major customer

Revenue from one major customer amounted to RM742,085,000 (2017: RM961,186,000), arising from sales by the palm oil refining segment.

Notes To The Financial Statements

28. Capital Commitments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Capital expenditure approved by the Directors but not contracted	100,332	116,111	72,721	96,806
Capital expenditure contracted but not provided for	11,604	17,650	11,342	15,220
	111,936	133,761	84,063	112,026

29. 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 17.

The Group's bank borrowings are insignificant to hedge. The effective interest rate is disclosed in Note 23.

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 RM803,000 (2017: RM669,000) 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 RM803,000 (2017: RM669,000) higher/lower. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market movements.

(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 61% (2017: 65%) of the Group's sales are denominated in foreign currencies whilst almost 51% (2017: 66%) 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.

Notes To The Financial Statements

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 RM35,239,000 (2017: RM2,166,000) and RM93,000 (2017: RM308,000) 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 2018, the Group hedged 100% (2017: 100%) and 0% (2017: 0%) of its foreign currency denominated sales and purchases respectively, for which firm commitments existed at the reporting date, extending to January 2020 (2017: January 2020).

The Group is also exposed to currency translation risk arising from its net investments in Indonesia.

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
At 31 December 2018: Ringgit Malaysia denominated advances to foreign subsidiaries	82,266	82,266
At 31 December 2017: Ringgit Malaysia denominated advances to foreign subsidiaries	106,248	106,248

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	
As at 31 December 2018: Forwards used to hedge receivables	USD	383,898	8,564	392,462
As at 31 December 2017: Forwards used to hedge receivables	USD	344,162	57,023	401,185

The net recognised loss as at 31 December 2018 on forward exchange contracts used to hedge receivables and payables as at 31 December 2018 amounted to RM3,132,000 (31 December 2017: net recognised loss RM18,267,000).

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	
	2018 RM'000 Profit net of tax	2017 RM'000 Profit net of tax
USD/RM		
- strengthened 3%	(11,664)	(11,414)
- weakened 3%	11,664	11,414
IDR/RM		
- strengthened 3%	2,419	3,097
- weakened 3%	(2,419)	(3,097)

(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.

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			
	2018		2017	
	RM'000	% of total	RM'000	% of total
By Segment:				
Plantations	7,834	5.86%	2,211	1.31%
Palm Oil Refining	125,700	94.01%	166,254	98.61%
Others	178	0.13%	137	0.08%
	133,712	100.00%	168,602	100.00%

At the reporting date, approximately 86% (2017: 87%) of the Group's trade receivables were due from a major customer of the palm oil refinery unit.

Notes To The Financial Statements

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 16. 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 16.

(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 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Group				
2018				
Financial liabilities:				
Trade and other payables	137,329	-	-	137,329
Derivatives	8,752	-	-	8,752
Bank borrowings	100	-	-	100
Total undiscounted financial liabilities	146,181	-	-	146,181
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

Notes To The Financial Statements

	On demand or within 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Company				
2018				
Financial liabilities:				
Trade and other payables	69,997	-	-	69,997
<hr/>				
Total undiscounted financial liabilities	69,997	-	-	69,997
<hr/>				
2017				
Financial liabilities:				
Trade and other payables	86,460	-	-	86,460
<hr/>				
Total undiscounted financial liabilities	86,460	-	-	86,460
<hr/>				

(f) Market risk

Market risk is the potential change in value caused by movement in market prices. The contractual amounts stated under Note 29(g) provide only a measure of involvement in these types of transactions.

Sensitivity analysis for market price risk

At the reporting date, if the value of the derivatives as stated under Note 29(g) had been 3% higher/lower, with all other variables held constant, the Group's profit net of tax and OCI would have been RM241,000 (2017: RM237,000) 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 futures 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.

Notes To The Financial Statements

(g) Derivatives

Group	Contract/Notional Amount RM'000	Assets RM'000	Liabilities RM'000
2018			
Current			
Non-hedging derivatives:			
Forward currency contracts	383,898	2,866	-
Commodity futures contracts	308,961	8,434	(8,752)
Hedging derivatives:			
Commodity futures contracts	141,008	5,938	-
		17,238	(8,752)
Non-Current			
Non-hedging derivatives:			
Forward currency contracts	8,564	266	-
Commodity futures contracts	6,586	467	-
Hedging derivatives:			
Commodity futures contracts	10,466	849	-
		1,582	-
Total derivatives		18,820	(8,752)
2017			
Current			
Non-hedging derivatives:			
Forward currency contracts	344,162	14,850	-
Commodity futures contracts	806,741	5,394	(11,658)
		20,244	(11,658)
Non-Current			
Non-hedging derivatives:			
Forward currency contracts	57,023	3,417	-
Commodity futures contracts	149,535	-	(1,115)
		3,417	(1,115)
Total derivatives		23,661	(12,773)

Notes To The Financial Statements

Derivatives not designated as hedging instruments

The Group uses forward currency contracts and commodity futures contracts to manage some of the transaction exposure, as well as to take advantage of favourable market conditions. The forward currency contract is not designated as cash flow or fair value hedges and is 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 (2017: January 2020) (Note 29(c)).

During the financial year, the Group recognised a gain of RM10,068,000 (2017: gain of RM10,888,000) arising from fair value changes of derivative contracts. The fair value changes are attributable to changes in commodity prices and forward exchange rates.

Derivatives designated as hedging instruments

Cash flow hedge

Commodity price risk

Commencing from 1 October 2018, the Group has designated certain commodity futures contracts as hedging derivatives to reduce the volatility attributable to price fluctuations of crude palm oil ("CPO"). Hedging of the price volatility of forecast CPO is in accordance with the risk management strategy outlined by the Board of Directors.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the commodity price and commodity forward contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the commodity price and commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments.
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments.
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items.
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

The Group is holding the following commodity forward contracts:

	Maturity			Total
	Less than 6 months	6 to 12 months	More than 12 months	
As at 31 December 2018:				
Commodity forward contracts				
Notional amount (in MT)	4,250	57,475	4,325	66,050
Notional amount (in RM'000)	8,861	132,147	10,466	151,474
Average hedged rate (in RM'000 per MT)	2.08	2.30	2.42	2.29

There is no amount recognised for the change in fair value used for measuring ineffectiveness in profit or loss in the current financial year.

Notes To The Financial Statements

The impact of hedged items (net of tax) on the statements of financial position is, as follows:

	Cash flow hedge reserve RM'000
As at 31 December 2018	
CPO	352

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.

The Group held the following financial instruments carried at fair value in the statements of financial position:

	Assets/ (liabilities) RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
31 December 2018				
Fair value through profit or loss:				
Biological assets	28,509	-	-	28,509
Short term funds	713,411	713,411	-	-
Commodity futures contracts	6,936	6,936	-	-
Forward currency contracts	3,132	-	3,132	-
31 December 2017				
Fair value through profit or loss:				
Biological assets	31,388	-	-	31,388
Short term funds	377,874	377,874	-	-
Commodity futures contracts	(7,379)	(7,379)	-	-
Forward currency contracts	18,267	-	18,267	-

Notes To The Financial Statements

30. 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 2018 and 31 December 2017.

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Debt</u>				
Bank borrowings	100	111	-	-
Trade and other payables	137,329	137,749	69,997	86,460
	137,429	137,860	69,997	86,460
Less: Cash and bank balances	(202,389)	(473,711)	(85,209)	(371,285)
Net surplus of cash and bank balances over debt	(64,960)	(335,851)	(15,212)	(284,825)
Equity attributable to the owners of the parent	2,581,089	2,523,925	1,991,047	2,029,162
Total capital	2,581,089	2,523,925	1,991,047	2,029,162
Capital and net surplus of cash and bank balances over debt	2,646,049	2,859,776	2,006,259	2,313,987
Gearing ratio	-	-	-	-

There are no externally imposed capital requirements.

31. Significant event during the reporting period

On 21 September 2018, the Company entered into 3 conditional sale and purchase agreements ("SPAs") with Pinehill Pacific Berhad's group of companies to purchase agriculture lands measuring approximately 8,999 acres together with a palm oil mill in Daerah Hilir Perak for a total combined purchase consideration of RM413.57 million ("Proposed Acquisition"). Barring unforeseen circumstances, this Proposed Acquisition is expected to be completed by March/April 2019.

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 166 to 229 are drawn up in accordance with Malaysian Financial Reporting Standards, International 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 2018 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 23 February 2019.

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 166 to 229 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 25 February 2019.

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 2018 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 166 to 229.

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 2018 and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards 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 2.4(i) and 4 to the financial statements)

Revenue from sale of finished goods recognised by the Group during the year amounted to RM902 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.

Valuation of Biological Assets – Oil Palms

(Refer to Notes 2.2, 2.4(e), 5 and 11 to the financial statements)

The fair value of the Group's and the Company's Biological Assets – Oil Palms amounts to RM22.5 million and RM18.9 million respectively as of December 31, 2018.

The biological assets of the Group and of the Company mainly comprise oil palm fresh fruit bunches ("FFB") prior to harvest. These biological assets are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell. The agricultural produce harvested from the Group's and the Company's biological assets are measured at its fair value less cost to sell at the point of harvest. Such measurement is the cost at that date when the Group and the Company determine the costs of their inventories.

The valuation model adopted by the Group considers the present value of the net cash flows expected to be generated from the sale of FFB. To arrive at the fair value less cost to sell of the biological assets, the management considered the oil content at the various stages of the unripe FFB.

We focused on the valuation of the Group's and the Company's biological assets as significant judgments were involved in the assessment of oil content of the various stages of the unripe FFB, which may cause possible variations in the fair value less cost to sell of the biological assets.

How our audit addresses this matter

Our audit procedures to address this area of focus included amongst others:

- (a) We obtained an understanding of the methodology adopted by the management in estimating the fair value less cost of sell of the biological assets and assessed whether such methodology is consistent with those used in the industry; and
- (b) We evaluated the management's assumptions on oil content at the various stages of the unripe FFB by comparing to a published research paper on the correlation between oil content and stage of maturity of FFB. We read the published research papers to obtain an understanding of the methodology adopted and the data used in the research.

We also focus on the adequacy of the note disclosures concerning those key assumptions to which the valuation of the fair value of biological asset is most sensitive.

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 Malaysian Financial Reporting Standards, International Financial Reporting Standards 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 Group'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

- (a) As stated in Note 2.2 to the financial statements, United Plantations Berhad adopted Malaysian Financial Reporting Standards and International Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position of the Group and of the Company as at 31 December 2017 and 1 January 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year ended 31 December 2017 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2018, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as at 31 December 2018 and financial performance and cash flows for the year then ended.
- (b) 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. 02990/08/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
23 February 2019

Shareholders Information As At 31 January 2019

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 31 January 2019

Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Issued Capital *
Less than 100 shares	186	5.01	4,337	0.00
100 to 1,000 shares	1,874	50.46	1,336,634	0.64
1,001 to 10,000 shares	1,315	35.41	4,731,001	2.28
10,001 to 100,000 shares	266	7.16	8,116,064	3.91
100,001 to less than 5% of issued shares	67	1.80	52,179,650	25.11
5% and above of issued shares	6	0.16	141,424,806	68.06
Total	3,714	100.00	207,792,492	100.00

Substantial Shareholders As At 31 January 2019

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	28,005,148	13.48	-	-
3. Perbadanan Pembangunan Pertanian Negeri Perak (Perbadanan)	13,065,158	6.29	330,000*5	0.16
4. AmanahRaya Trustees Berhad - Amanah Saham Malaysia	10,746,700*6	5.17	-	-
5. United International Enterprises Limited (UIEL)	9,718,571	4.68	89,607,800*1	43.12
6. C & M Holding Limited (C & M HL)	-	0.00	99,326,371*2	47.80
7. Brothers Holding Ltd (BHL)	-	0.00	99,326,371*2	47.80
8. Ybhg. Dato' Carl Bek-Nielsen	2,419,491	1.16	99,371,429*3	47.82
9. Mr. Martin Bek-Nielsen	552,389	0.27	99,329,371*4	47.80

*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) Direct interest in the shareholdings in UP registered in the name of AmanahRaya Trustees Berhad.

Directors' Shareholdings As At 31 January 2019

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	0.00
Ybhg. Dato' Carl Bek-Nielsen	2,419,491	1.16	99,371,429	47.82
Mr. Ho Dua Tiam	707,400	0.34	-	-
Mr. Ahmad Riza Basir	80,500	0.04	-	-
Y. Hormat Dato' Jeremy Derek Campbell Diamond	16,000	0.01	336,000	0.16
Mr. Martin Bek-Nielsen	552,389	0.27	99,329,371	47.80
Mr. Loh Hang Pai	43,000	0.02	-	-
Mr. R. Nadarajan	-	-	-	-
Madam Rohaya binti Mohammad Yusof	-	-	-	-
Mr. Jorgen Balle	-	-	-	-

Shareholders Information

Thirty (30) Largest Shareholders As At 31 January 2019		
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	27,071,648	13.03
3. Perbadanan Pembangunan Pertanian Negeri Perak	13,065,158	6.29
4. Amanahraya Trustees Berhad Amanah Saham Malaysia	10,746,700	5.17
5. United International Enterprises Limited	9,694,656	4.67
6. Amanahraya Trustees Berhad Amanah Saham Bumiputera 3 - Didik	5,167,200	2.49
7. HSBC Nominees (Asing) Sdn Bhd BPSS Lux For Aberdeen Global - Asian Smaller Companies Fund	2,783,900	1.34
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	2,334,491	1.12
12. HSBC Nominees (Asing) Sdn Bhd Exempt An for Danske Bank A/S (Client Holdings)	1,879,554	0.90
13. DB (Malaysia) Nominee (Asing) Sdn Bhd BNYM SA/NV For First State Investments ICVC - Stewart Investors Asia Pacific Sustainability Fund	1,674,600	0.81
14. Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	1,500,000	0.72
15. DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt An For The Bank of New York Mellon SA/NV (Jyske Clients)	1,408,955	0.68
16. HSBC Nominees (Asing) Sdn Bhd BPSS LDN For Aberdeen Standard Asia Focus Plc	1,352,600	0.65
17. DB (Malaysia) Nominee (Asing) Sdn Bhd BNYM SA/NV For Nykredit Bank A/S	1,262,640	0.61
18. HSBC Nominees (Asing) Sdn Bhd JPMCB NA For Pacific Assets Trust Plc	1,257,400	0.61
19. KAF Nominees (Tempatan) Sdn. Bhd. Bernam Nominees (Tempatan) Sdn Bhd for Jendarata Bernam Provident Fund	1,147,012	0.55
20. Amanahraya Trustees Berhad Amanah Saham Malaysia 3	1,000,000	0.48
21. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Aberdeen)	933,500	0.45
22. Mr. Ho Dua Tiam	707,400	0.34
23. KAF Nominees (Tempatan) Sdn. Bhd. Bernam Nominees (Tempatan) Sdn Bhd for United Plantations Berhad Education And Welfare Fund	675,000	0.32
24. Amanahraya Trustees Berhad Public Islamic Select Treasures Fund	662,200	0.32
25. Citigroup Nominees (Asing) Sdn Bhd Exempt An for Citibank N.A (Nordea DK/CL)	647,272	0.31
26. Citigroup Nominees (Asing) Sdn Bhd Exempt An For UBS Switzerland AG (Clients Assets)	598,746	0.29
27. Mr. Martin Bek-Nielsen	552,389	0.27
28. M & A Nominee (Tempatan) Sdn Bhd Jendarata Bernam Provident Fund	501,200	0.24
29. Maybank Nominees (Tempatan) Sdn Bhd MTrustee Berhad for Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen) (419500)	450,000	0.22
30. KAF Nominees (Tempatan) Sdn. Bhd. Bernam Nominees (Tempatan) Sdn Bhd for United Plantations Workers Benevolent Retirement Scheme	448,000	0.22
	184,180,061	88.64

* calculated based on 207,792,492 shares which do not include 341,774 treasury shares

Comparative Statistics - 10 Years

Year ended 31 December	2018 RM'000's	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
Balance Sheet Analysis										
Issued Capital	390,054	390,054	208,134	208,134	208,134	208,134	208,134	208,134	208,134	208,134
Reserve	2,191,035	2,133,871	2,154,088	2,027,264	1,916,377	1,985,150	1,942,594	1,788,252	1,563,935	1,430,011
Non-Controlling Interests	7,828	6,893	5,344	3,158	2,417	1,076	420	207	505	125
Funds Employed	2,588,917	2,530,818	2,367,566	2,238,556	2,126,928	2,194,360	2,151,148	1,996,593	1,772,574	1,638,270
Property, Plant and Equipment										
Land Use Rights	38,105	34,115	36,192	33,890	32,042	31,110	34,071	31,763	30,794	31,173
Other Non-Current Assets	31,251	36,890	1,782	6,496	21,147	17,114	9,829	7,811	9,600	10,603
Current Assets	1,356,012	1,304,697	1,186,289	1,074,585	960,481	1,049,281	1,030,654	880,664	736,347	627,011
Total Assets	2,918,389	2,849,761	2,643,636	2,476,579	2,333,752	2,396,000	2,371,341	2,200,269	2,006,160	1,836,988
Less: Liabilities	329,472	318,943	276,070	238,023	206,824	201,640	220,193	203,676	233,586	198,718
Net Assets Employed	2,588,917	2,530,818	2,367,566	2,238,556	2,126,928	2,194,360	2,151,148	1,996,593	1,772,574	1,638,270
Other Data										
Profit Before Tax	490,872	503,970	417,935	375,997	355,604	340,476	454,239	491,541	349,460	372,797
Tax	116,772	109,288	87,128	83,566	76,233	87,989	111,688	117,955	84,753	91,913
Net Profit	374,100	394,682	330,807	292,431	279,371	252,487	342,551	373,586	264,707	280,884
Non-Controlling Interests	(1,683)	(1,702)	(1,319)	(881)	(1,341)	(656)	(310)	365	(400)	591
Profit attributable to equity owners of the Parent	372,417	392,980	329,488	291,550	278,030	251,831	342,241	373,951	264,307	281,475
Earnings Per Share (in sen)	179.00	189.00	158.56	141.00	134.00	121.00	165.00	180.00	127.00	134.95
Net Dividend Rate (Ordinary Share)										
- Interim and Final	140.00%	150.00%	115.00%	90.00%	165.00%	93.87%	93.75%	90.00%	67.50%	52.50%
Share Prices On The Bursa Malaysia Securities Berhad										
Highest	29.10	28.98	28.44	28.00	29.50	33.26	28.00	21.16	17.70	14.00
Lowest	25.00	26.82	24.62	23.38	22.96	24.70	19.16	16.00	13.32	9.70
Production - Malaysia										
Palm Oil - own - Tonnes	168,680	158,060	134,999	151,988	144,162	146,962	161,407	165,408	164,066	198,883
Palm Kernel - own - Tonnes	36,789	35,373	29,631	34,256	33,885	35,118	40,331	42,163	42,522	53,134
Coconuts - Nuts ('000)	71,423	75,252	86,052	77,501	68,424	74,678	74,110	71,763	83,331	75,541
FFBYield per hectare - Tonnes	26.67	25.46	21.11	24.24	22.97	22.42	25.05	25.16	24.61	29.05
CPOYield per hectare - Tonnes	5.73	5.34	4.64	5.32	5.09	4.95	5.48	5.47	5.28	6.31
Palm Oil extraction rate - %	21.47	20.97	21.97	21.95	22.17	22.07	21.86	21.73	21.46	21.73
Palm Kernel extraction rate - %	4.68	4.69	4.82	4.95	5.21	5.27	5.46	5.54	5.56	5.81
CoconutsYield per hectare - Nuts	23,154	25,345	30,305	27,747	25,056	26,858	26,077	24,771	28,135	22,616
Cost Of Production - Malaysia**	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Palm Oil - Per Tonne	1,188	1,197	1,221	1,032	1,064	1,006	894	817	768	678
Palm Kernel - Per Tonne	388	386	365	318	316	298	270	233	213	170
Average Sales Price										
Palm Oil - Per Tonne	2,606	2,578	2,424	2,163	2,353	2,702	3,017	3,050	2,408	2,242
Palm Kernel - Per Tonne	1,992	2,650	2,138	1,493	1,774	1,283	1,584	2,168	1,532	1,031
Production - Indonesia										
Palm Oil - own - Tonnes	51,049	47,459	44,143	48,159	41,440	36,529	35,182	24,747	5,435	-
Palm Kernel - own - Tonnes	9,071	8,387	7,948	8,266	7,044	6,793	6,679	4,277	830	-
FFBYield per hectare - Tonnes	24.69	22.56	19.53	20.02	16.86	15.84	17.50	16.22	14.98	-
CPOYield per hectare - Tonnes	5.66	5.25	4.81	5.03	4.24	3.88	4.27	3.84	2.12	-
Palm Oil extraction rate - %	22.92	23.29	24.62	25.15	25.17	24.41	24.38	23.80	21.23	-
Palm Kernel extraction rate - %	4.08	4.12	4.43	4.32	4.28	4.54	4.63	4.14	3.24	-
Cost Of Production - Indonesia	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Palm Oil - Per Tonne	1,253	1,471	1,570	1,374	1,319	1,396	1,434	1,862	1,983	-
Palm Kernel - Per Tonne	430	517	479	496	521	509	516	413	828	-
Average Sales Price										
Palm Oil - Per Tonne	2,003	2,572	2,316	2,002	2,301	2,179	2,381	2,553	2,755	-
Palm Kernel - Per Tonne	1,356	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 2018

Properties	Tenure	Area In Hectares	Description	Age In Years	Net Tangible Asset Value RM '000
Jendarata Estate	Leasehold		Registered Office - 1,369 sq.m.	54	2,382
36009 Teluk Intan	Expiring on:		Research Station - 1,070 sq.m.	53	1,473
Perak Darul Ridzuan	15.01.2062	594.50	Oil Palm & Coconut Estate		114,469
	07.06.2104	611.65	Palm Oil Mill	} 10,032 sq.m.	84
	07.06.2104	34.81	Biomass Plant		
	20.11.2067	982.19		13	7,059
	22.08.2068	149.67			
	Yr to Yr	33.62			
	Freehold	3,929.19			
Kuala Bernam Estate	Freehold	829.60	Coconut Estate		11,771
Batu 18, Jalan Bagan Datoh					
36300 Sungai Sumun					
Perak Darul Ridzuan					
Sungei Bernam Estate	Leasehold		Coconut Estate	44	29,553
Sungai Ayer Tawar	Expiring on:				
45200 Sabak Bernam	28-03-2056	1.32			
Selangor Darul Ehsan	Freehold	2,274.76			
Ulu Bernam Estate	Freehold	3,102.28	Oil Palm Estate		58,660
36500 Ulu Bernam	Yr to Yr	95.31	Optimill/Biogass/Unifuji - 545,100 sq.m.	1	32,052
Perak Darul Ridzuan					
Changkat Menti Estate	Leasehold		Oil Palm Estate		16,721
36500 Ulu Bernam	Expiring on:				
Perak Darul Ridzuan	26.11.2067	1,538.61			
	01-10-2081	162.94			
	HMS	1.21			
	HMS	105.50			
	Freehold	742.27			
Ulu Basir Estate	Leasehold		Oil Palm Estate		51,010
36500 Ulu Bernam	Expiring on:		Palm Oil Mill - 6,352 sq.m.	29	747
Perak Darul Ridzuan	26-11-2067	11.40			
	20-01-2087	2,468.00			
	08.12.2099	163.30			
	Yr to Yr	129.48			
	Freehold	1,218.62			
Sungei Erong Estate	Leasehold		Oil Palm Estate		40,582
36500 Ulu Bernam	Expiring on:				
Perak Darul Ridzuan	02.11.2064	53.89			
	08-04-2033	809.37			
	Freehold	2756.74			
Sungei Chawang Estate	Freehold	3,280.76	Oil Palm Estate		42,645
36500 Ulu Bernam					
Perak Darul Ridzuan					
Seri Pelangi Estate	Leasehold		Oil Palm Estate		10,319
Batu 11 3/4	Expiring on:				
Jalan Bidor	15.06.2068	1,418.90			
36000 Teluk Intan	Freehold	2.82			
Perak Darul Ridzuan					
Lima Blas Estate	Freehold	2,891.89	Oil Palm Estate		140,078
Lot 1899, Mukim Ulu Bernam					
35800, Hulu Selangor, Selangor.					
UIE	Leasehold		Oil Palm Estate		411,014
Pantai Remis	Expiring on:		Palm Oil Mill - 6,148 sq.m.	27	1,263
Perak Darul Ridzuan	23.12.2103	10,359.26			
	Freehold	9.94			
Unitata Berhad	Freehold	18.45	Palm Oil and Palm Kernel Oil Refinery Complex	} Buildings	44
36009 Teluk Intan					
Perak Darul Ridzuan					30,405
Bernam Bakery	Freehold	0.45	Bakery	34	193
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		46	144
12100 Butterworth					
PT Surya Sawit Sejati	Leasehold		Oil Palm Estate		161,338
Pengkalan Bun, Central Kalimantan, Indonesia	Expiring on:		Palm Oil Mill - 90,000 sq.m.	9	6,682
	24.09.2040	2,508.47			
	**	16,157.29			

Notes :

* Estate Includes Land, Pre-cropping Cost and Buildings

** awaiting issue of lease

Group's Plantation Properties As At 31 December 2018

	Jendarata Hect.	Kuala Bemam 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	4,412			2,081	2,270	3,427	3,500	3,147	1,016	2,590	7,120	9,098	38,661
Immature-Planted 2016	192			21		311		87			799		1,410
Immature-Planted 2017	267			564			8	6			470		1,315
Immature-Planted 2018	415			395	94				321	155	569		1,949
Sub-Total	5,286			3,061	2,364	3,738	3,508	3,240	1,337	2,745	8,958	9,098	43,335
COCONUT :													
Mature	107	811	2,167										3,085
Immature-Planted 2015			52										52
Immature-Planted 2016	161										274		435
Immature-Planted 2017	299		36								250		585
Immature-Planted 2018	131										265		396
Sub-Total	698	811	2,255								789		4,553
OTHER AREAS:													
Other Crops	15												15
Plasma Areas												1,259	1,259
Conservation (jungle areas, shrub land, swamps & wetlands)					12					99	91	8,239	8,441
Buildings, roads, drains, air-strip, nurseries, toddy tapping areas, railway, OPTIMILL etc.	337	19	21	137	175	253	112	41	85	48	531	70	1,829
TOTAL	6,336	830	2,276	3,198	2,551	3,991	3,620	3,281	1,422	2,892	10,369	18,666	59,432

Oil Palm		
Age in years	Hectares	% Under crop
4 - 5	6,661	15
6 - 8	7,520	17
9 - 18	20,496	48
19 and above	3,984	9
Mature	38,661	89
Immature	4,674	11
Total	43,335	100

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 98th Annual General Meeting of the Company will be held at Jendarata Estate, 36009 Teluk Intan, Perak Darul Ridzuan, Malaysia on Tuesday, 23 April 2019 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 2018 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 90sen for the year ended 31 December 2018.	2
3. To approve Directors' fees (inclusive of Board Committees' fees) of RM1,117,290 for the financial year ended 31 December 2018.	3
4. To approve the Directors' benefits (other than Directors' fees) of RM106,500 for the financial year ended 31 December 2018.	4
5. To re-elect as Director, Ybhg. Tan Sri Datuk Dr. Johari bin Mat who retires by rotation pursuant to Article 107 of the Company's Constitution.	5
6. To re-elect as Director, Ybhg. Dato' Carl Bek-Nielsen who retires by rotation pursuant to Article 107 of the Company's Constitution.	6
7. To re-elect as Director, Mr R. Nadarajan who retires by rotation pursuant to Article 107 of the Company's Constitution.	7
8. To re-elect as Director, Mr. Jorgen Balle who retires pursuant to Article 100 of the Company's Constitution.	8
9. To re-appoint Messrs. Ernst & Young as auditors of the Company for the year 2019 and to authorize the Directors to fix their remuneration.	9

As Special Business

To consider and if thought fit, to pass the following ordinary 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 Constitution, 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 number of issued shares 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 2018 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, transfer the shares for the purposes of or under an employees share scheme that has been approved by the shareholders, transfer the shares as purchase consideration 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 2020 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 Act (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 Sections 75 and 76 of the Companies Act, 2016
14. “THAT, pursuant to Sections 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 total number of issued shares 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

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 90sen, if approved at the 98th Annual General Meeting will be paid on 15 May 2019 to shareholders whose names appear in the Record of Depositors and the Register of Members at the close of business on 29 April 2019.

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 29 April 2019 in respect of transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad 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
25 February 2019

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 Bursa Malaysia Securities Berhad, only a depositor whose name appears on the Record of Depositors as at 17 April 2019 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 Directors

The Nomination Committee and the Board 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 16 years, he has provided leadership, independent views, objective assessments and opinions. He has been with the Company for more than 17 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 18 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 17 years and is familiar with the Company's business operations.

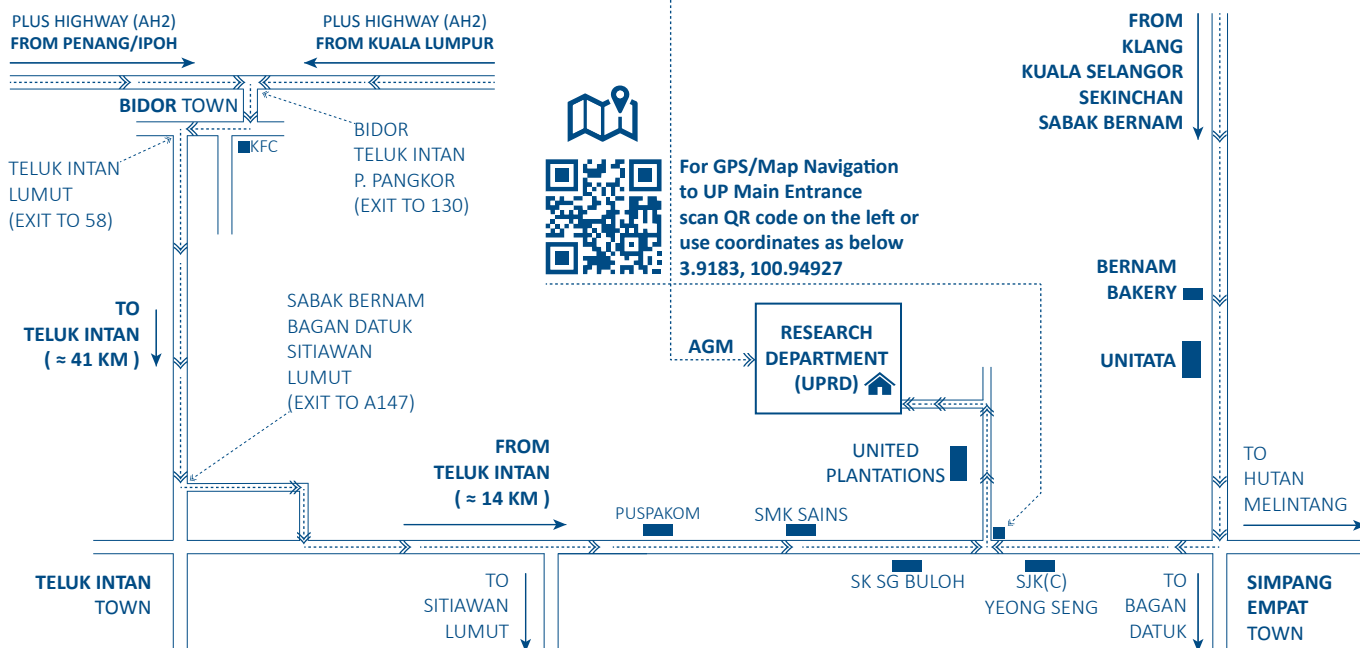
For Ordinary Resolution 13 - Please refer to explanatory information in the Circular to Shareholders dated 25 February 2019.

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, the Shareholders' Mandate to grant authority for Directors to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016 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 total number of issued shares of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company.

The Company did not utilize the Shareholders' Mandate that was approved at the 97th Annual General Meeting. 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.

98TH ANNUAL GENERAL MEETING

Venue : Borge Bek-Nielsen Auditorium (UPRD)
 Date : 23 April 2019
 Time : 10:00 am



FINANCIAL CALENDAR

FINANCIAL YEAR END **DEC 31** 2018

<p>2019</p> <p>ANNOUNCEMENTS OF RESULTS</p>	<p>ANNOUNCEMENT OF ANNUAL REPORT 2018</p> <p>FEBRUARY</p> <p>25</p>	<p>FIRST QUARTER</p> <p>APRIL</p> <p>23</p>	<p>SECOND QUARTER</p> <p>JULY</p> <p>29</p>	<p>THIRD QUARTER</p> <p>NOVEMBER</p> <p>11</p>
<p>2019</p> <p>PUBLISHED ANNUAL REPORT AND FINANCIAL STATEMENTS</p>	<p>NOTICE OF ANNUAL GENERAL MEETING</p> <p>FEBRUARY</p> <p>25</p>	<p>ANNUAL GENERAL MEETING</p> <p>APRIL</p> <p>23</p>		
<p>2018</p> <p>INTERIM DIVIDEND</p>	<p>ANNOUNCEMENT</p> <p>NOVEMBER</p> <p>12</p>		<p>ENTITLEMENT DATE</p> <p>NOVEMBER</p> <p>27</p>	<p>PAYMENT DATE</p> <p>DECEMBER</p> <p>12</p>
<p>2019</p> <p>FINAL DIVIDEND</p>	<p>ANNOUNCEMENT</p> <p>FEBRUARY</p> <p>25</p>	<p>ENTITLEMENT DATE</p> <p>APRIL</p> <p>29</p>	<p>PAYMENT DATE (TENTATIVE)</p> <p>MAY</p> <p>15</p>	

Locations of Estates, Factories and Holdings in Peninsular Malaysia



Key

- Subsidiary Companies
- ▲ Oil Palm Estate
- ▲ Coconut Estate
- ★ Palm Oil Mill
- ▼ Refinery
- Bakery
- Biogas Plant



Planted Area (Hectares) 31 December 2018

Estate	Oil Palm	Coconut	Other Crops	Total
UIE	8,958	789	-	9,747
Jendarata	5,286	698	15	5,999
Kuala Bernam	-	811	-	811
Sungei Bernam	-	2,255	-	2,255
Ulu Bernam	3,061	-	-	3,061
Changkat Mentri	2,364	-	-	2,364
Ulu Basir	3,738	-	-	3,738
Sungei Erong	3,508	-	-	3,508
Sungei Chawang	3,240	-	-	3,240
Seri Pelangi	1,337	-	-	1,337
Lima Blas	2,745	-	-	2,745
PT SSS	9,098	-	-	9,098
TOTAL (Hectares)	43,335	4,553	15	47,903

Location of Company Owned Mills

No.	Name of Mill Location	Latitude	Longitude
1	Jendarata	N 3°51'14"	E 100°58'06"
2	Ulu Basir	N 3°43'28"	E 101°15'21"
3	Ulu Bernam Optimill	N 3°46'19"	E 101°13'14"
4	UIE	N 4°26'53"	E 100°43'11"
5	PT.SSS	S 2°35'24"	E 111°46'16"

- ★ Palm oil mill
- Biogas plant





A pair of Buffy Fish Owl (Ketupa ketupu) with colourful plumage perching atop a vigorous palm tree in Jendarata.