

ANNUAL REPORT
2016



UP

UNITED PLANTATIONS BERHAD

(Company No. 240-A)



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 5.60 billion at the end of its financial year 31 December 2016.

UP's core business activity lies within the cultivation of oil palm and coconuts. Its total cultivated landbank covers approximately 50,000ha spread over Malaysia (80%) and Indonesia (20%) and is supported by 5,926 employees across the Group.

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

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

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



Front Cover:

Newly germinated oil palm seedlings at the pre-nursery.

Group Philosophy



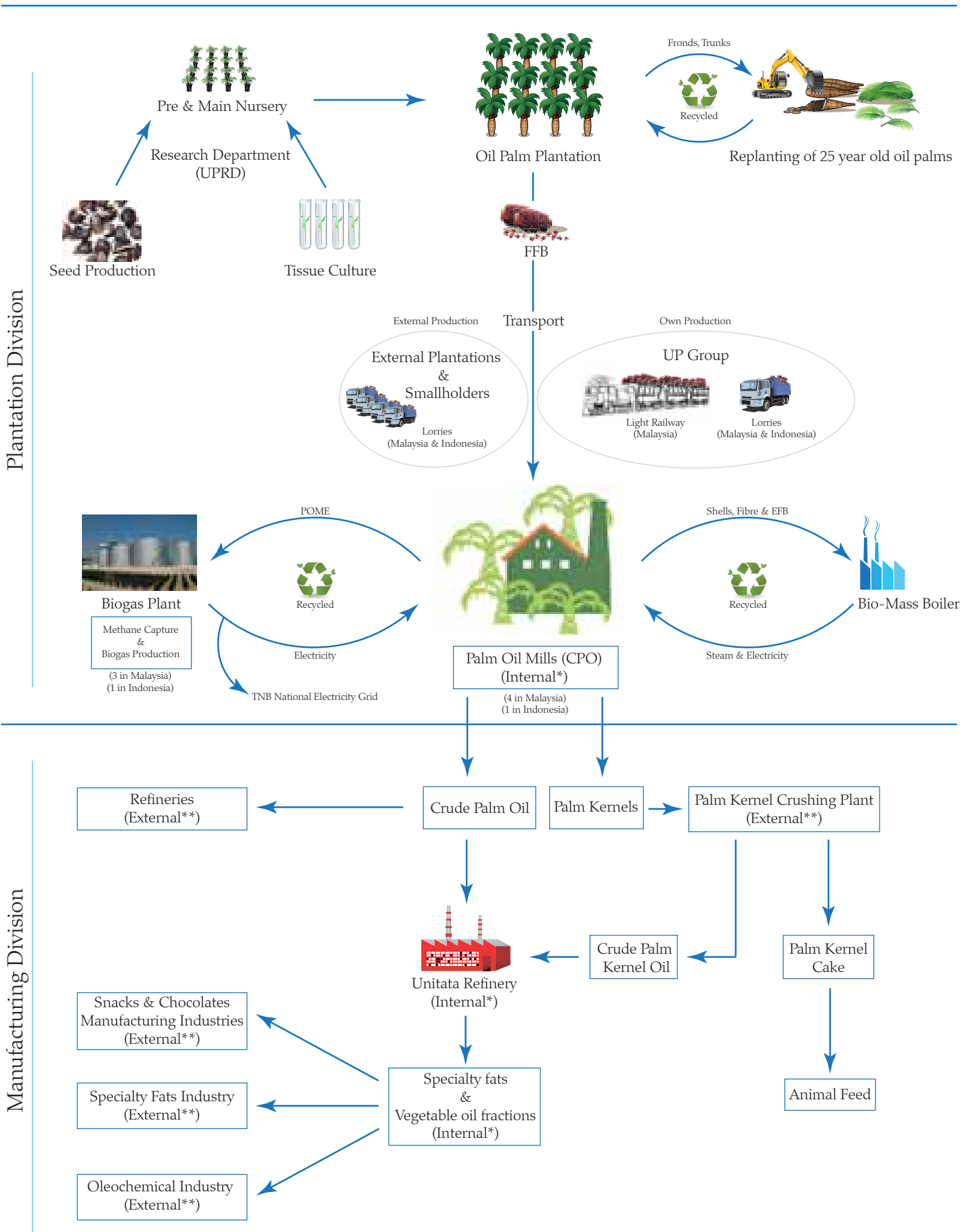
We strive towards being recognized as second to none within the plantation industry, producing high quality products, always focusing on the sustainability of our practices and our employees' welfare whilst attaining acceptable returns for our shareholders.

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The Financial Statements are printed on 100% recycled paper.



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.



Harvesting and collection in progress at a mature oil palm field.



Our unique rail transportation system enables swift crop transport to the mill thus ensuring efficiency and oil quality.

UNITED PLANTATIONS BERHAD

(Company No. 240-A)

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Corporate Information

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

Executive Committee and Senior Management

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

Senior Executive Staff

Finance & Corporate

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

Plantations

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

Research

<p>Ho Shui Hing Director of Research</p>	<p>Dr. Xaviar Arulandoo Group Research Adviser</p>	<p>J. Vijiandran Sr Research Manager</p>
<p>Lim Chin Ching Research Manager(Biotechnology)</p>	<p>Kandha Sriharan Research Manager</p>	<p>Appala Naidu Marie Research Manager, PT SSS</p>

Engineering

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

Palm Oil Refining and Others

<p>Dr. C.T. Premakumari Nair Chief Research & Quality Controller, Unitata Berhad</p>	<p>Jughdev Singh Dhillon Sr Plant Manager, Unitata Berhad</p>	<p>Dr. Andrew Nair Research & Quality Controller, Unitata Berhad</p>	<p>Dev Ganesh Manager, OPP Unitata Berhad</p>
<p>Allan Loh Teik Boon Manager, Commerce Unitata Berhad</p>	<p>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>

Group as at 31 January 2017

Plantations

United Plantations Berhad (Malaysia)
Issued Share Capital RM 208m



PT Surya Sawit Sejati (Indonesia)
95%



Palm Oil Refining

Unitata Berhad (Malaysia)
100%



Others

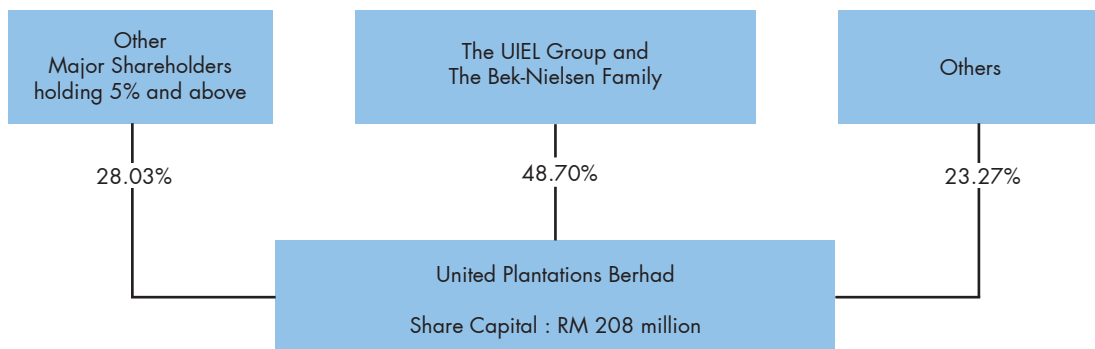
Bernam Agencies Sdn. Bhd. (Malaysia)
100%

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 2017



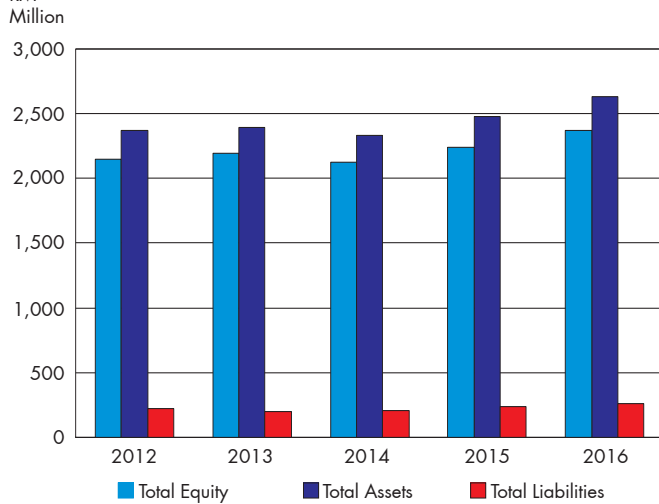
Financial Highlights

	2016	2015	Change (%)	2014	2013	2012
Revenue (RM' Million)	1,228	1,004	22.31	1,022	950	1,183
Profit Before Tax (RM' Million)	418	376	11.17	356	341	454
Profit After Tax (RM' Million)	331	292	13.36	279	252	342
Earnings Per Share (Sen)	159	141	12.77	134	121	165
Net Dividend Per Share (Sen)*	115	100	15.00	165**	93.87	93.75
Dividend Payout Ratio	0.72	0.71	1.41	1.23**	0.78	0.57
Dividend yield as at 31 December (%)	4.27	3.94	8.38	6.76	3.61	3.75
Total Equity (RM' Million)	2,368	2,239	5.76	2,127	2,194	2,151
Return on Equity (%)	13.98	13.04	7.21	13.12	11.49	15.90
Total Borrowings (RM' Million)	0	0	-	0.80	0.30	0.08
Non-Controlling Interests (RM' Million)	5.3	3.2	65.63	2.40	1.08	0.42
Cash Position (RM' Million)	691	753	(8.23)	738	779	748
Total Assets (RM' Million)	2,641	2,477	6.62	2,334	2,396	2,371
Total Liabilities (RM' Million)	274	238	15.13	207	202	220
Year-End Closing Share Price (RM)	26.92	25.36	6.15	24.40	26	25

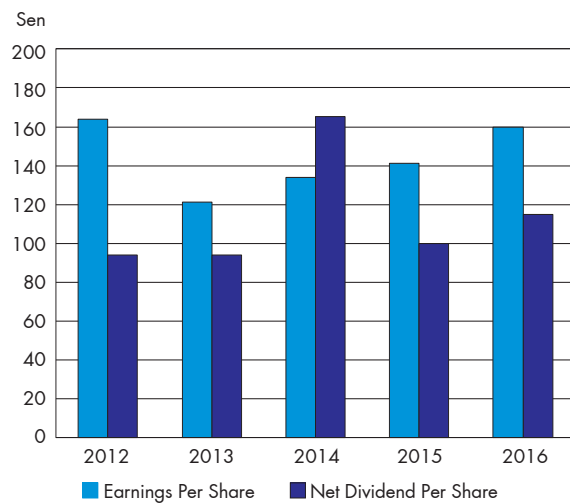
* Including proposed Final Dividend

** Special Extraordinary Dividend paid out in 2014

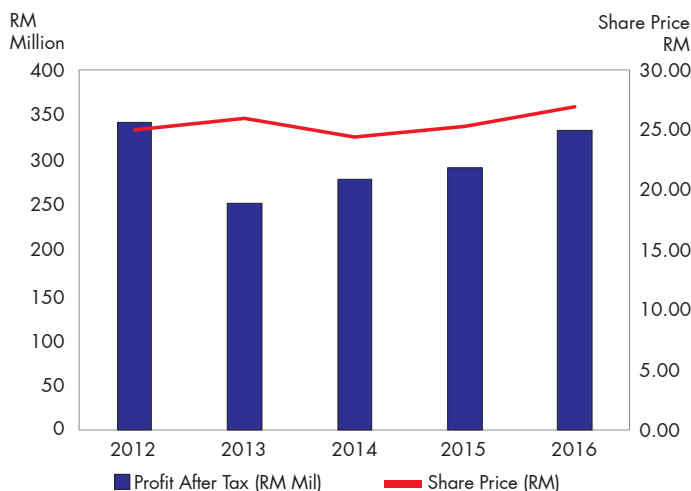
RM Million Total Equity, Total Assets and Total Liabilities



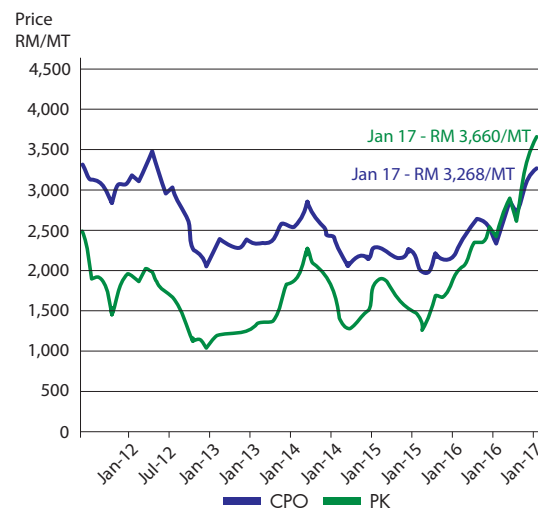
Sen Earnings Per Share and Net Dividend Per Share (sen)



RM Million Profit After Tax and Year-End Share Price



CPO and PK Prices (2012 - 2016)





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

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

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

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

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



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

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

Dato' Carl Bek-Nielsen, born in Petaling Jaya in 1973, is a Danish citizen with a Permanent Resident status in Malaysia. He started his career with the Company in 1993 as a Cadet Planter leaving a year later to pursue his tertiary education in Denmark graduating with a B.Sc. degree in Agricultural Science from the Royal Veterinary and Agriculture University of Denmark. In 1998 he returned to Malaysia to take up the position of Corporate Affairs Officer with the Company. He was promoted to the position of Executive Director (Corporate Affairs) on 1 March 2000. On 9 November 2004 he was appointed Director In-Charge of Unitata Berhad.

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

He is a Council Member of the Malaysian Palm Oil Association (MPOA) and the Malaysian Palm Oil Council (MPOC). He is 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
*Inspector General,
 Estates and Special Adviser
 Executive Director
 Non-Independent*

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

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

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

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



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

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

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

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

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



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

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

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

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



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

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

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

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

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

He is the brother of Dato' Carl Bek-Nielsen, and is a Board representative of the Company's two major shareholders, UIEL and Maximum Vista Sdn. Bhd. He is deemed interested in various related party transactions between UP Group and certain companies carried out in the ordinary course of business as disclosed in Note 26 to the Financial Statements.



Dato' Mohamad Nasir bin Ab. Latif
*Non-Independent
 Non-Executive Director*

Appointed director of the Company on 28 July 2004, Dato' Mohamad Nasir bin Ab. Latif, born in 1958, a Malaysian, graduated in 1989 with a Bachelors degree in Social Science (Major-Economics), Universiti Sains Malaysia and obtained a certified Diploma in Accounting & Finance from The Chartered Association of Certified Accountants in 1996 and Master of Science in Investment Analysis from University of Sterling, United Kingdom in 1999.

Started his career with the Employees Provident Fund (EPF) in 1982 and held several positions including State Enforcement Officer (1990 – 1995), Senior Research Officer, Investment & Economics Research Department (1995 – 1998) and Manager, Investment & Economics Research Department (1998 – 2003), Senior Manager, Company & Intermediary Supervision Division (June 2003 – March 2008), Senior Manager, Equity Investment Department (April 2008- June 2009), General Manager, International Equity Department (July 2009 – April 2013) and currently is the Deputy Chief Executive Officer (Investment).

In 2015, he was conferred the Darjah Kebesaran Dato'-Sultan Sharafuddin Idris Shah (D.S.I.S) award which carries the title " Dato' " by His Royal Highness The Sultan of Selangor.

He is also a member of the Board of Directors of PLUS MALAYSIA BERHAD, Battersea Project Company Limited, BBCC Development Sdn. Bhd and Yinson Holdings Berhad.



Loh Hang Pai
*Executive Director
 Non-Independent*

Appointment to the Board as Executive Director (Estates) on 1 January 2013, Mr. Loh Hang Pai, born in 1948, a Malaysian, graduated from the Serdang Agricultural College. He served Kumpulan Guthrie as Junior Assistant in 1969 and subsequently joined United Plantations Berhad on 1 January 1973 as an Assistant Manager. He served the Company in various positions and was promoted to the position of Estates Director on 1 January 2004.

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

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



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

Appointed director of the Company on 1 June 2013, Mr. R. Nadarajan, born in 1948, a Malaysian, joined the company in 1977 as a Management Accountant, after having qualified and worked in the UK in various capacities in management accounting and finance. He was promoted to the position of Financial Controller in 1980 and to the position of Company Secretary/Senior 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.

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 Statement on Corporate Governance on page 162 - 170.
5. Gender
 All Board members are male.



*Selected high quality germinated oil palms seeds
after culling—to ensure only the best are produced
for our customers.*

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 2016. Similar to last year, the early release on the 27 February 2017 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 2016 our Group posted a most gratifying after tax profit of RM331 million, which is an increase of 13% over RM292 million achieved in 2015.

Although our Group experienced a significant drop in production due to the monster El-Nino impacting South East Asia during 2016 combined with severe labour shortages, the improved results achieved were due to a contribution of several factors amongst others, better commodity prices, a significantly improved result in our refinery division as well as an extraordinary net gain of RM15.2 million arising from the disposal of our long term held minority investment in the AAK refinery in Mexico.

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

The Group also continues to maintain healthy cash and cash equivalents, which as of 31 December 2016, stood at RM 691 million. This was a decrease from RM753 million in 2015 mainly attributable to the company's large replanting commitments combined with the construction of the new palm oil mill and biogas plant.

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

Dividends

Based on the above gratifying results, your Board is recommending a final dividend of 85% per share consisting of;

1. A Final Single Tier Dividend of 20% per share
2. A Special Single Tier Dividend of 65% per share

When taking into consideration the interim dividend of 30% per share paid during December 2016, the total dividend paid in respect of FY2016 is 115% per share.

Sustainability

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

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

I am proud of the progress being made and grateful for the support from our stakeholders on this important sustainability journey.

We recognize that there is always room for improvement and are committed to address ongoing challenges based on transparency and dedication towards achieving our higher sustainability goals.

Our many Sustainability initiatives are covered under the "Sustainability Report" section in this annual report starting from page 29 - 161.



Our Chairman - Ybhg. Tan Sri Datuk Dr. Johari bin Mat.

Looking Forward

Lower global inventories combined with a steady demand for palm oil, has resulted in 2017 starting well. Currently spot prices of Crude Palm Oil (CPO) assisted by the weak Malaysian Ringgit against the USD have increased significantly from the lows experienced in 2016 and are today at RM3,200/MT.

However, production of fresh fruit bunches in both Indonesia and Malaysia are expected to recover in mid-2017 and into 2018 which will likely bring lower prices as inventories will be significantly increased. This can also be seen on the 6 months forward prices of CPO trading at RM2,650/MT.

We must therefore lay strong emphasis on the importance of our core values and the necessity to adapt to the ever changing and challenging business environment and thereby be prepared for lower commodity prices combined with the ever increasing and challenging labour shortages.

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

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

On 31st December 2016, Mr A. Ganapathy, who had served our Group for the past 16 years, stepped down as Company Secretary due to his retirement. On behalf of the Board I wish to thank Mr A. Ganapathy for his loyal and dedicated service and invaluable contributions to the Group. At the same time we welcome Mr Ng Eng Ho who has taken over as Company Secretary from his earlier role as our Group Financial Controller.

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

Tan Sri Datuk Dr. Johari bin Mat
Chairman

Management Discussion and Analysis

Summary of Global Operating Environment

2016 continued to be a year where world commodity prices were subject to volatility. Whilst most base metals and the majority of agricultural products continued along the same trajectory that commenced during the end of the super commodity cycle in 2014, one must now recognise that the last 12 months has seen a cyclical reversal with many commodities moving higher and away from the lows experienced in 2014 and 2015. This is indeed very evident with crude mineral oil prices which have recovered considerably from their lows of USD30/barrel to now ±USD55/barrel representing a 70-80% increase in prices over the last 12 months. Prices of Iron Ore followed a similar trend rising more than 80% in 2016 as the Government induced stimulus in China helped to sustain steel production.

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

China

Economically, the global scenario remained challenging in 2016 with the Chinese GDP growth slowing down even further to 6.7% from an expansion of 6.9% in 2015 thus recording the weakest full year expansion since 1990. Projections for 2017 remain dim with Chinese GDP expected to reach the 6.5% mark. Nevertheless, being the world's second largest economy and the world's largest producer (measured by the quantity of goods and services produced) China is still expected to account for almost one-fifth of the world economic activity during 2017 in spite of the lower growth

prospects. Whilst the Chinese economy does have its problems in the form of rising debts, one should not forget that there is still a lot of momentum in China especially as the economy gradually moves away from an over-dependence on manufacturing and construction and towards a more consumer driven and service orientated economy boosting the demand for household appliances, motorcars, food and leisure.

The US

Fortunately, the US has continued to provide reaffirming signs of a sustained recovery which has been a catalyst for hope, growth and employment in 2016. With the election of President Donald J Trump to the White House, we have seen the stock market in the US rallying to new highs and interest rates finally being increased to contain rising inflation. The strengthening of the US Dollar is a reflection of the belief that the United States of America will focus more on America Incorporated without necessarily relinquishing its position as the world's undisputed super power. These developments will be followed closely as many things can and will change over the course of the next 12 months.

Production and Prices of Crude Palm Oil (CPO)

The monster El-Nino experienced in South East Asia in 2015 and early 2016 adversely impacted the growing conditions of oil palms in South East Asia. The table below indicates clearly the production drop experienced during the year. As a result, global production of CPO declined by 6.8% from 62.56 million MT to 58.29 million MT in 2016. Indonesian production declined by 4.8% from 33.4 million MT to 31.8 million MT and Malaysian production declined from 19.96 million MT to 17.32 million MT in 2016 equal to a 13% drop year on year, again the consequences of the prolonged drought.

PALM OIL : World Production (Mn MT) and Yields (MT/ha)						
	Production			Yields		
	2016	2015	2014	2016	2015	2014
Indonesia	31.80	33.40	31.50	3.48	3.87	3.87
Malaysia	17.32	19.96	19.67	3.51	4.18	4.26
C&S America	3.96	3.82	3.42	3.09	3.13	2.95
Africa	2.46	2.38	2.36	1.67	1.66	1.69
Others	2.75	3.00	2.98	2.12	2.38	2.44
WORLD	58.29	62.56	59.93	3.22	3.61	3.62

Source: Oil World - January, 2017



Young palms displaying signs of water stress with multiple unopened spears.

The El-Nino also impacted United Plantations in 2016 with overall production declining by 11% in Malaysia and by 8% on our Indonesian properties.

CPO prices which during the first quarter of 2016 trended lower started to recover shortly thereafter when indications of a stronger than expected El-Nino appeared. When the dramatic and unexpected drop from the two largest producers (Indonesia and Malaysia) in the world became evident in September 2016, palm oil prices extended the earlier rise and rallied significantly.

The price rally was further supported by the weakening of the Ringgit which saw its value decline from RM4.00 in May/June 2016 to RM4.45 in January 2017 representing a 11% decline vis-à-vis the US Dollar.

The significant price increase taking prices above RM3,000/MT helped to buffer the drop in production experienced in UP during the year.

Labour Shortages

In spite of the severe labour shortages experienced in 2016 throughout many industrial sectors of Malaysia including the Plantation Sector, I am happy to report that Management has made good progress in terms of completing the majority of its upkeep programmes on time throughout our estates. New initiatives are eagerly being explored to introduce more innovative ways to boost productivities through mechanization.

Our Downstream Refining Business

Although the Malaysian Refinery Sector faced a tougher operating environment in 2016 with margins coming under pressure due to competition from Indonesia, our downstream refining business managed to achieve a record result in 2016.



Members of the EXCOM during a field inspection



Parched land as a result of the prolonged drought.

Another factor contributing positively to the group result was the Indonesian Rupiah strengthening against the Malaysian Ringgit which resulted in our Group experiencing an unrealised/realised exchange gain. Finally, the overall result was impacted positively by the sale of our small interest in the AAK Mexico refinery.

On the following pages I will elaborate further on the financial performance of 2016 and the reasons for achieving a net profit of RM331 million, which has been most satisfactory.

Financial Review of Operations

- The Group’s revenue during 2016 increased by 22% to RM1,228 million compared to 2015. The higher revenue was mainly due to higher revenue generated by the refinery unit as the result of higher volume sold, higher sale prices and weaker Ringgit.
- The Group’s profit before tax increased by 11% from RM376 million in 2015 to RM418 million in 2016.
- The United Plantations Group results recorded a profit after tax of RM331 million for 2016 which was an increase of 13% from RM292 million in 2015. The Board of Directors therefore joins me in placing on record that the results have been most satisfactory for year 2016.

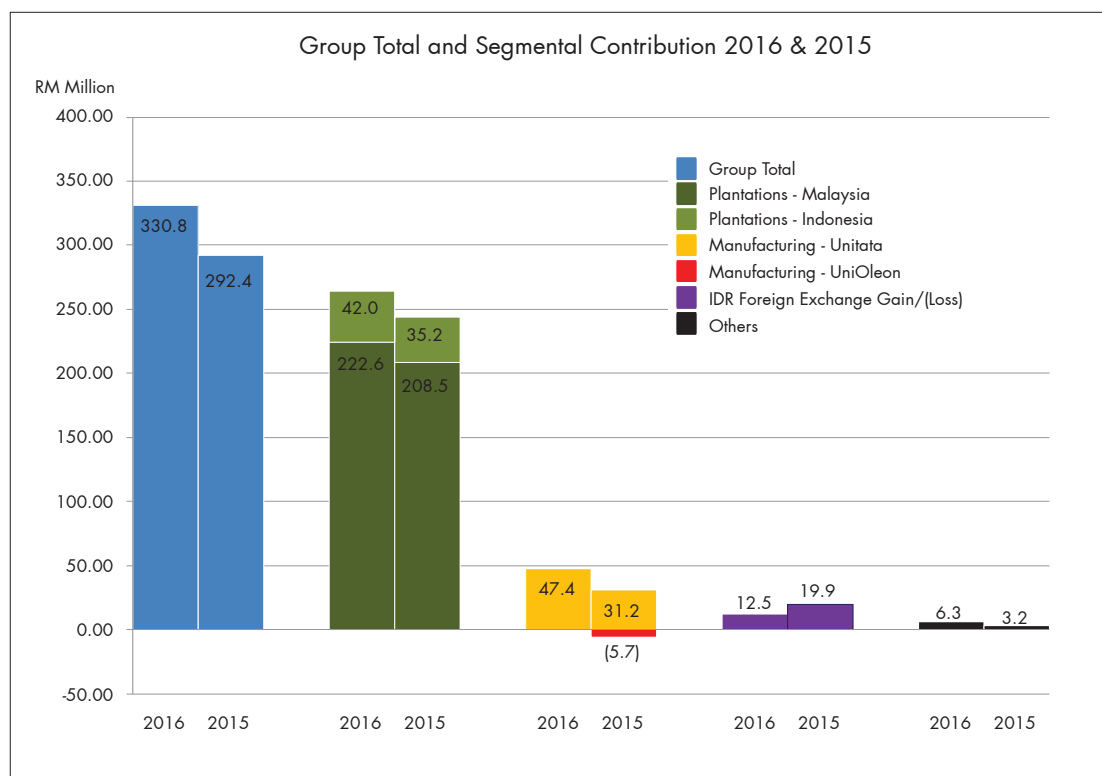
Dividends

The Board of Directors have recommended a Final Single Tier Dividend of 20% per share and a Special Single Tier Dividend of 65% per share for the year ended 31 December 2016.

Summary of Dividends for the year ended 31 December 2016 is as follows:

	<u>Percent</u>
Interim single tier dividend declared and paid	20%
Special single tier dividend declared and paid	10%
Proposed final single tier dividend	20%
Proposed special single tier dividend	65%
Total Dividends	115%

The total dividend pay-out will therefore amount to RM239 million for the year ended 2016 which is a 15% increase from 2015.



In this connection, it is important to re-emphasize that the Board of Directors is committed towards maintaining its policy of having a strong balance sheet and especially a healthy cash position, which as of 31 December 2016 stood at RM691 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 these arise without being dependent on the financial institutions.

Plantation Operations

- CPO production in 2016 reached 134,999 MT (Malaysia) and 44,143 MT (Indonesia) totalling 179,142 MT of CPO for the Group compared to 200,147 MT CPO in 2015. The 10.5% decrease in the Group's overall production, equal to 21,005 MT of CPO was as mentioned before mainly due to the adverse effects of the monster El-Nino which struck our Indonesian properties in 2015 followed by the same phenomenon in 2016 on our Malaysian estates. This stressed the oil palms' growing conditions.

The adverse climatic factors also resulted in a very pronounced and unavoidable setback in yields as seen below to the lowest levels in more than 20 years.

UP Group	Metric Tonnes (MT) CPO		
	2016	2015	Change %
Malaysia	134,999	151,988	(11.2)
Indonesia	44,143	48,159	(8.3)
Total UP Group	179,142	200,147	(10.5)

	2016	2015	Change
UP Group FFB average yield in MT/Hectare	20.73	23.18	(10.6%)
UP Group average Oil Extraction Rates (OER) in %	22.57	22.64	(0.31%)
UP Group average Kernel Extraction Rates (KER) in %	4.73	4.81	(1.66%)
UP Malaysian CPO average yield in MT/Hectare	4.64	5.32	(12.8%)
UP Indonesian CPO average yield in MT/Hectare	4.81	5.03	(4.4%)
UP Group CPO average yield in MT/Hectare	4.68	5.25	(10.85%)
Malaysian National CPO yield in MT/Hectare	3.21	3.78	(15.07%)

* Includes our Indonesian plantations.

As of 31 December 2016 our Group's areas planted up with oil palms can be summarized as follows:

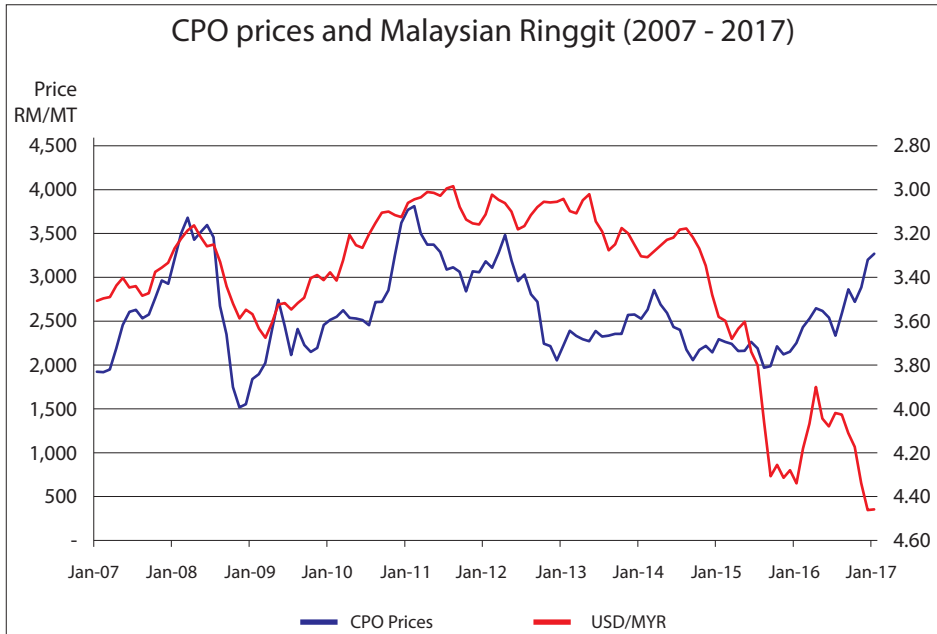
In Hectares	2016	2015	Change
UP Malaysia			
Mature Area	28,963	28,254	2.5%
(oil palms between 2 1/2 - 5 years in age)	21.53%	17.53%	22.8%
Immature Area	6,346	7,281	(12.8%)
Total Area under Oil Palm	35,309	35,535	(0.6%)
UP Indonesia			
Mature Area	9,179	9,560	(4.0%)
Immature Area	-	-	-
Total Area under Oil Palm	9,179	*9,560	(4.0%)
Grand Total for the Group	44,488	45,095	(1.3%)
Total Group Area having come into Maturity	3,237	2,909	(11.3%)

* net of areas converted to Plasma.

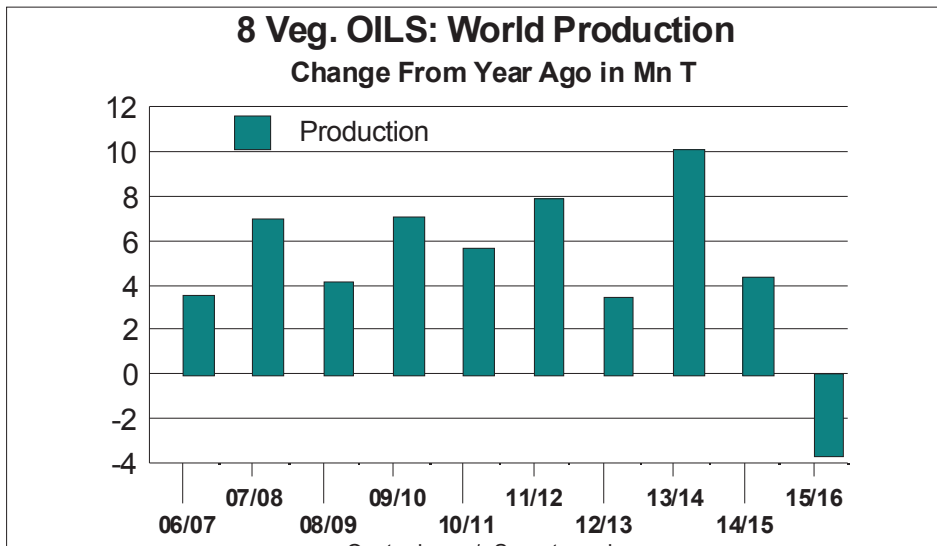
One can also note that the total immature area in relation to the total area under oil palms in 2016 now stands at 14.3% compared to 16.1% in 2015. The total immature area on our Malaysian Estates is now 18.0% compared to 20.5% in 2015.

Cost of Production of Crude Palm Oil

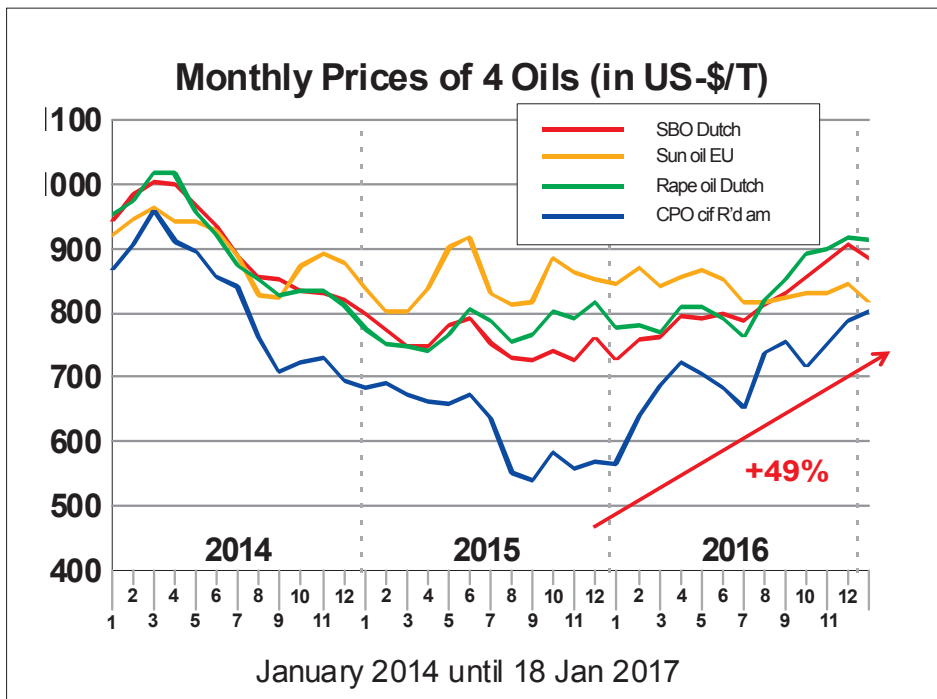
- The direct cost of production (before depreciation and amortization) during 2016 increased by 19.8% from RM810/MT CPO to RM970/MT CPO for our Malaysian operations. The total cost of production including depreciation and amortisation for 2016 was RM1,221/MT vs RM1,032/MT in 2015.
- During the year in review labour costs have again increased as a result of an additional increase in the minimum wage that took place in July 2016. Labour wages in Malaysia have now increased by well over 126% from 2006 to 2016 impacting the cost of production considerably. 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 for the manufacturing sector, the construction sector but also the agricultural and plantation sectors.



Source: MPOB, BLOOMBERG



Source: Oil World - January, 2017



Source: Oil World - January, 2017

- The Board of Directors join me in stating that this is a most worrying and unsustainable trend as it will only erode the Malaysian 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.

It is therefore acutely important that Management accentuates its pursuit of increasing productivity through mechanization and other means so the dependency on labour can be brought down. Nevertheless, things do not happen overnight and it is therefore hoped that the Malaysian Government will give due consideration to the Plantation Sector's plea to recruit guest workers as our produce is highly perishable and will suffer losses if the present labour shortages are not overcome soon.

Selling Prices of CPO and Palm Kernels

- The average selling prices for Crude Palm Oil achieved during the year increased from RM2,163/MT in 2015 to RM2,424/MT in 2016 from our Malaysian CPO, an increase of 12.1%.

	Crude Palm Oil			Palm Kernel		
	2016	2015	Change	2016	2015	Change
MPOB Avrg price (RM)	2,653	2,154	23.2%	2,611	1,528	71%
UP's Avrg price (RM)	2,424	2,163	12.1%	2,138	1,493	43.2%

- The average selling price for Palm Kernels recorded an increase of 43.2% to RM2,138/MT in 2016 compared to RM1,493/MT in 2015 for our Malaysian Palm Kernels due to high price as the result of lower production coupled with higher demand.

Coconut Production

Our coconut production of 86,052,311 nuts, recorded an increase of 11% compared to 77,500,660 nuts in 2015. Whilst this was a function of the coconut palms recovering from the biological resting phase the effects of nut size was severely affected for several months again as a consequence of the drought suffered mainly during 4 consecutive months in early 2016.

Average yields therefore increased from 27,747 nuts/hectare in 2015 to 30,305 nuts/hectare in 2016 equal to an improvement of 9.2% year on year which is very pleasing.

Capital Expenditure

The Group spent a capital expenditure of RM82.4 million in property, plant and equipment in the current year as compared to RM53.5 million in the previous year. The 54% increase was mainly due to the construction of a state-of-the-art palm oil mill and additional capital investments in the refinery division in the current year.

On biological assets, the Group incurred RM44.2m in the current year which is a 6% increase from RM41.5 million in 2015. Heavy investment continued to be made by the group during 2016. The main areas of investment were made under our large replanting programme where a total of 2,302 Ha were replanted in Malaysia as well as new plantings of 92 Ha under the plasma scheme for our Indonesian subsidiary.

All capital expenditures are funded by internally generated funds.

Manufacturing Division

Unitata Berhad

In our downstream refinery division, our wholly owned subsidiary Unitata, performed very satisfactorily especially in view of the much tougher market conditions and increasing competition by especially the Indonesian Refinery Sector in recording a record profit after tax of RM 47.4 million in 2016 vis-à-vis RM 31.2 million in 2015.

The improved results were mainly attributable to higher sales volumes of high quality, sustainable and traceable products, a weaker Malaysian Ringgit vs US Dollar, positive hedging results as well as the effects of the cost cutting measures that have been fully implemented.

The interest for certified sustainable palm oil is increasing, and Unitata is committed to providing high quality tailor made solutions to clients who demand palm fractions which have been produced in and above the sustainability criteria of the RSPO.

Sale of Stake in Mexico Refinery

During the second quarter of 2016, the Company decided to sell its 4.4% stake in AAK Mexico to the AAK Group as this is a passive investment which, except in the earlier years, has not been generating any cash flow or positive returns for the Group. Nevertheless, our Group most pleasingly recorded a realized gain of RM15.2 million with this disposal.



Vigorous oil palm seedlings in the pre-nursery.

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 prime importance in terms of our Group's ability to further improve our agronomic productivities. Our Group target is to reach a yield of 28MT of FFB/Ha and an OER of 23% equivalent to a CPO yield/Ha/year of 6.5MT on average for our Malaysian plantations.

For our Indonesian plantations our target is 25.5MT of FFB/Ha and an oil extraction rate of 25.5% also equivalent to a CPO yield/Ha/year approximately 6.5MT on average. The difference in terms of yields of FFB/Ha/year and the OER between the countries, is due to the difference in planting materials, soils, climatic factor and labour availability.

A total of 2,302 Ha of oil palms were replanted on our Malaysian properties during 2016 compared to 2,715 Ha in 2015. 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

8 years (2009 – 2016) our Malaysian estates have replanted a total of 19,206 Ha of oil palms equal to 58% 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. 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 2016 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.



Overhead sprinkler system to irrigate main nursery seedlings.



An aerial view of newly replanted oil palm fields with lush covercrop establishment which till today remains a company policy.



A panoramic view of our store and office complex, reservoir and further afield our palm oil mill.



Indonesia

Our Plantation Division in Indonesia generated a Group contribution of RM42 million in 2016 against RM35.2 million in 2015, representing an increase of 19.3%.

Whilst operating conditions continue to be challenging it is with much satisfaction that after 11 years of operations since entering Indonesia, the efforts and commitment provided towards the difficult expansion process into Central Kalimantan is finally paying off.

UP Indonesia's production accounted for 24.6% of our Group's CPO production in 2016 compared to 24.1% in 2015 which is a pleasing development.

All plantings have now reached maturity and the company now provides employment for 1,215 employees, many of whom were previously unemployed.

The Indonesian Rupiah's appreciation against the Malaysian Ringgit resulted in an exchange gain of RM12.5 million (out of which RM0.6 million realized) for our Group against an unrealized currency exchange gain of RM19.9 million experienced in 2015.

I am pleased to report to shareholders that the following infrastructural additions have been completed in Indonesia during 2016, namely, 6 new terrace houses and 2 staff quarters were completed in 2016 bringing the total number of high quality modern living quarters for our executives, staff and workers to more than 450 units.

Whilst the Board of Directors remains committed to its business in Indonesia, it also wishes to report that difficulties continue to be experienced in obtaining permits for any future expansion linked with prolonged delays and demands surrounding the issuance of these permits.

Nevertheless we are optimistic additional land titles (HGU permits) will be received in 2017.

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 20 years ago. Further expansion will for these reasons only be considered if the investment climate improves and most importantly 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, 9,179 Ha of oil palms (net of 552 Ha converted to Plasma) have been planted and about 6,500 Ha of permanent conservation areas established. The rest of the area is shrub and bush land.

These conservation areas making up about minimum 35% of the 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 us acquiring the properties. These sanctuaries are a testimony to our Group's commitment towards maintaining an important balance between economy and ecology and where conservation means development as much as it does protection of the environment.

Copenhagen Zoo



Our Company's collaboration with Copenhagen Zoo which was introduced in 2007 continues to develop very satisfactorily with notable initiatives and positive developments having been made in 2016.

The objective of this cooperation is to ensure that Environmental Management and smooth operation of our Biodiversity Department continue as planned in order for these softer yet acutely important values to become an even stronger integral part of our Agricultural operations to which we remain committed. (page 90 - 100)



The Lada Mill FFB ramp which can hold upto 700MT of FFB at any one time.



The Lada Estate office complex designed in the local architecture at Pangkalan Bun, Kalimantan.



A Stork-billed Kingfisher (*Pelargopsis capensis*), one of the many bird species encountered in our plantation environment.

Sustainability Report (SR)

Since our founding 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 we operate. We see this trend intensifying.

Management's commitment towards providing as well as improving the social amenities within our Group shall therefore remain the hallmark of the EXCOM and management in 2017.

Progress was also made during 2016 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 2017.



Reducing our Carbon Footprint

Our Group's commitment towards mitigating its "carbon footprint" and thereby its Greenhouse Gas (GHG) emissions remains a high priority to which new initiatives and important investment decisions continue to be made. Following an updated and very comprehensive Life Cycle Analysis (LCA) report it was pleasing to note that UP from 2004 -2016 has managed to reduce its GHG emissions per kg refined oil by 29% (excluding indirect land use change) and 38% (including indirect land use change and nature conservation). Our target is to reach a reduction of 50% (including indirect land use change and nature conservation) vs the 2004 figures by the end of 2018 to which new innovations are currently under way. (page 105)

UP and the RSPO



On 26 August 2008 UP became the world's very first certified producer of sustainable palm oil in accordance with the Principles and Criteria of the RSPO. Since then our Group has continued to demonstrate and implement new initiatives that go beyond the current RSPO Principles & Criteria. UP has therefore committed to a No Deforestation policy since 2010 thereby delinking deforestation and palm oil production. Before 2018, UP will proceed with an even higher level of sustainability certification through the RSPO, namely the "RSPO NEXT" which is appreciated and recognised by our key customers and their stakeholders locally and around the world.

A detailed sustainability report is accounted for in a separate section of this annual report. (page 29 - 161)

Prospects and Outlook

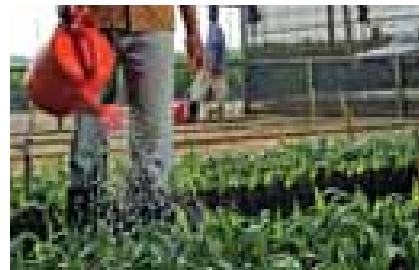
Based on the current operating environment UP is aware of the challenges 2017 will bring. Focus on cost efficiencies and improved productivity will therefore continue as a vital part of sustaining our positive development.

Special attention will also be given towards addressing the acute labour shortages experienced throughout our Malaysian Estates during 2016 and which continue to linger on in 2017.

In accordance with our replanting policy, UP will proceed to replant large areas of our older and less productive oil palm stands in Malaysia during 2017. All areas in our Indonesian operations will continue to be in production in 2017 and we will likely see that the large replanting programme undertaken on our Malaysian Estates over the last 8 years will ensure that our Malaysian production of CPO will start creeping back to levels achieved in the past.

The monster El-Nino which impacted Indonesia and Malaysia in 2015 and early 2016 had a most devastating effect on palm oil and palm kernel oil production in 2016 cutting global CPO production by 4.27 million tonnes thereby bringing the world's stocks of the 17 Oil and Fats down by 5.96 million tonnes equal to 18% decline. This was a very bullish factor and helped vegetable oil prices recover in 2016. Inventories however are yet to recover to pre-June 2015 levels. Nevertheless, with the improved weather in 2016 palms have finally started to recover in Indonesia with Malaysia expected to follow soon. This coupled with the prospect of further increases of soybean plantings in the US are viewed as an additional bearish factor which must be watched closely as this could also exert pressure on the vegetable oil price complex from April/May 2017 onwards.

Nevertheless, the impact of World Biodiesel production continues to be a key variable affecting the overall demand for vegetable oils. In this connection, one must recognise the growing influence which Indonesian biodiesel programme has on global palm oil demand by consuming between 2.8-3.0 million MT of palm oil to fulfil their biodiesel admixture policy. Indonesia has as a result of their Biodiesel Policy become the world's second largest consumer of palm oil today, only overtaken by India being the largest consumer of palm oil in 2016.



Sustainability story of the oil palm and the concept of the "Circular Economy".

Any change in the Indonesian biodiesel programme must therefore be watched closely as this will impact the price complex.

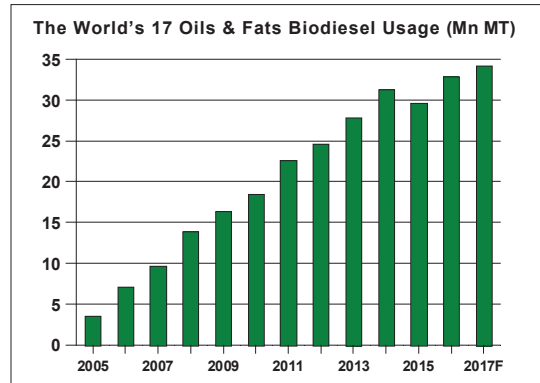
In this respect, one must recognise that 32.9 million tonnes of oils and fats equal to almost 16% of the world's 17 Oils & Fats were used for biofuel/biodiesel products in 2016, again emphasising this segment's significant role in terms of impacting demand.

Another factor which helped to support prices of palm oil in Malaysian Ringgit was the depreciation of the Malaysian Ringgit against the USD.

This is expected to continue into 2017 as the finalisation of the quantitative easing programme by the US Federal Reserve takes place coupled with further interest rate rises, applying further pressure on emerging economies and their currencies vis-à-vis the USD.

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

With the prices contracted under our forward sales policy and with our Indonesian production improving coupled with large areas steadily coming into maturity from our replanted areas in Malaysia, the Board of Directors expects that the results for 2017, will be satisfactory.



Source: Oil World - 2017

Acknowledgement

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.

The 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 equated only by few organisations 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 recognized as "second to none".

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

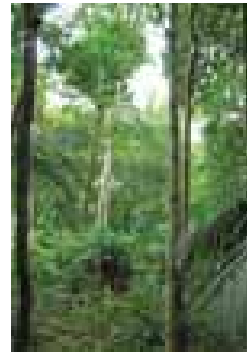
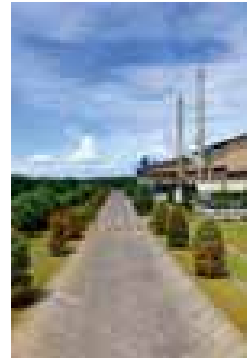
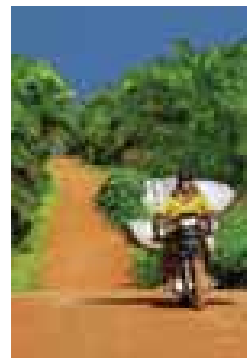
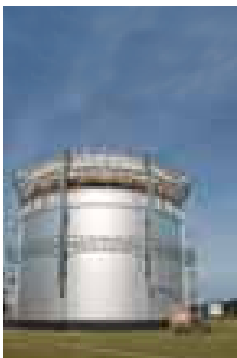


Recognition of long serving staff and executives during our Company Dinner held in July 2016.

Sustainability Report 2016

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About This Report

United Plantations Sustainability Report 2016 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 2016, with comparable prior year statistics where available and relevant.

In the previous 6 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 G4 Sustainability Reporting Guidelines. An internal Sustainability Committee at UP has been formed to officially coordinate 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 15 material sustainability matters which are reflected in the materiality matrix included in this report.

Through this report, we hope to provide our stakeholders with an overview of our approach and continuous progress in meeting our sustainability commitments.

As this is our first sustainability report in this format we have engaged KPMG to review and provide feedback on 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.

Based on the above, we will move towards seeking assurance according to the GRI G4 Guidelines in future sustainability reports.

You can also find this report and additional information about United Plantations Berhad on our website www.unitedplantations.com



A panorama of mature palms stretching into the distance seen from Margarethe Hill, Changkat Mentri Estate.

Message From The CED



In compliance with our zero burn policy, palm trunks are felled and later chipped and mulched, enhancing the organic carbon content in the soil.

We are proud to present our 2016 sustainability report to you, where we describe our Group's sustainability policies and actions in order to share our commitment on sustainability and to show how we are pursuing this in practice. Ultimately, it is our actions and behaviour that defines what company we are and for UP, I 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 a balance between Economy, Environment and Social factors 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 strive to go beyond the current standard by implementing the RSPO Next certification by 2018. This latest initiative raises the bar for sustainable production by firmly upholding our Policies on No deforestation and No new peat development already introduced in 2010, as well as strengthening human rights and the well being of the local community.

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. Whilst working hard to better integrate and mainstream our sustainability efforts into our operations, it was most pleasing that our commitment to further advance our Group's sustainability goals and objectives were recognised in 2016 when we received the 1st prize for sustainability initiatives by the EDGE BILLION RINGGIT CLUB award for companies below a market cap of RM10 billion.



Recognition is the best reward for accomplishments

Indeed, Bursa Malaysia is in the process of making Sustainability Reporting mandatory for listed companies in Malaysia. This clearly signals the importance for stakeholders to have a chance in evaluating companies based on their sustainability commitments associated with them. We strongly support this move.

In preparation of our 2016 sustainability report, we have drawn upon guidance from Bursa Malaysia and the Global Reporting Initiative (GRI). As part of our commitment towards a fulfilling and even more transparent sustainability report, we are targeting to be fully GRI G4 compliant by 2018, which includes third party verification.

During 2016, a detailed 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 Marketplace.

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.



Our employees - our strength

We remain focused on safety leadership and strategies targeting risk reduction as we value the lives and well being of our employees and contractors. Although we are doing our best to improve awareness on safe practices and to enhance preventive skills amongst all our employees, I am saddened to report that we experienced a death of an employee in 2016 which is most unfortunate. We will try our utmost best to enhance our safety and health performance going forward to further minimize the risk of work place accidents thereby moving towards our main goal of achieving zero accidents causing serious bodily injury or death.

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.



Tranquil view of oil palms at our up-river estates.

UP is committed to being a leader in environmental performance through focusing on good agricultural practices and safeguarding the natural resources. Finding the right balance between Economy and Ecology is a cornerstone in our Group and much emphasis is therefore placed on reducing variables that impact our environment negatively.

Much scrutiny and criticism has been aimed at the palm oil industry, with accusations of habitat destruction and endangerment of protected species, human rights issues, indiscriminate burning and causing regional trans-boundary haze, as well as contributing towards social conflicts and climate change. Whilst palm oil production has contributed to certain aspects of the above, it is important that the accusations are backed by holistic facts and presented objectively instead of being singled out as the lightning rod for the public's growing anger on issues concerning deforestation & 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 subjective accusations keep tarnishing the image of the industry without offering solutions or taking ownership of problems getting us nowhere thereby negatively impacting the livelihoods of millions of people.

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

UP has since 2004 monitored its Green House Gas (GHG) emissions and is continuously looking for ways to reduce our carbon footprint throughout our operations. Following an extensive peer reviewed life cycle analysis completed in 2008 in accordance to the ISO 14040 and 14044 international standards providing a total overview of our GHG emissions, various areas were identified within our production chain to which there was room for much improvement.

This increased awareness has since then spearheaded many significant investments such as expanding our railway lines for crop transportation, establishing biomass boilers in our palm oil mills as well as constructing biogas plants to ensure optimal utilization of our by-products in the form of empty fruit bunches, shells, fibre and waste water to produce renewable energy thereby reducing our dependency on fossil fuels and with that mitigating our Green House Gas emissions.

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



Our first Biogas Plant at the Jendarata palm oil mill.

This project will enable us to reach our milestone of connecting all UP's mills with associated biogas facilities thereby permanently mitigating a significant contributor of Green House Gases within the palm oil production chain.

In this connection, a major milestone has been achieved in 2016 with the successful completion of our UIE Electrification Project which enables the conversion of biogas to electricity and selling the internally generated electricity back to the national grid based on biogas derived from the waste water of our palm oil mill.



Newly installed Biogas Engine for electricity generation.

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

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

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

I am therefore pleased to report that our Group has committed to invest and commission this technology in all our palm oil mills in Malaysia latest by the 31 December 2017.

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

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



Discussing important BioD issues.

Our Biodiversity team is responsible for mainstreaming environmental concerns into standard operating procedures and whilst there is much to be done, great progress is being made as detailed in this report.

Community

We recognise that we are part of a global community, and we therefore have an obligation to bring about positive change to the lives of 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 this 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.



Erecting a signboard for the local community at Lada Estate.

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 2016 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 2016 with many more to come this year both in Malaysia and Indonesia.

We believe that in order for any business to develop fruitfully one must commit oneself to a long term perspective and shun shorttermism. Only by committing oneself to this and taking ownership can one conceptualise 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 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 to our customers.

During 2016 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.



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

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

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.



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

The points I have touched on above serve only as highlights to this report, and will be further elaborated upon in the following pages.

Finally, I thank you for your interest in our sustainability efforts and hope you will find our journey interesting.

I would also like to thank our Board of Directors for their continuous support, guidance and interest in this report as well as all our stakeholders including NGOs for their active and valuable participation and inputs that have been of much value to our Group.

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

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

The UP Legacy And Values



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

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

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

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

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



Group Hospital 1928



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

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

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

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



Corporate Social Responsibility and Creating Shared Value

Building Bridges Between Two Nations



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



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

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

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

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

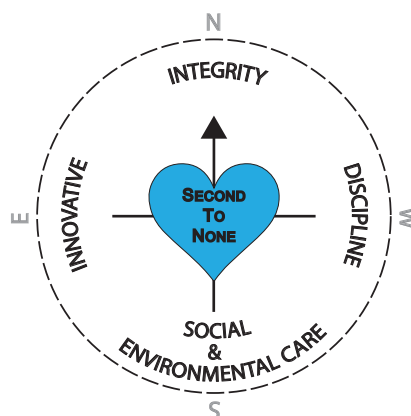
Through this close collaboration the two stalwarts ensured that UP progressed into an internationally recognized Group.

Over the last 111 years since our foundation, UP has been focusing on maintaining social and environmental awareness and striving to the best of its abilities to create a balance between economy and ecology.

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

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

Our Core Values



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



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

The UP Museum

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

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



Planters' hats



Rubber sheet manual mangle



Telephones from yesteryears



Relics of UP motor vessels

Awards and Recognitions

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

Governance Structure

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

The Board of Directors of UP is responsible for approving the direction and overall strategy for UP Group and monitoring 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).

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

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

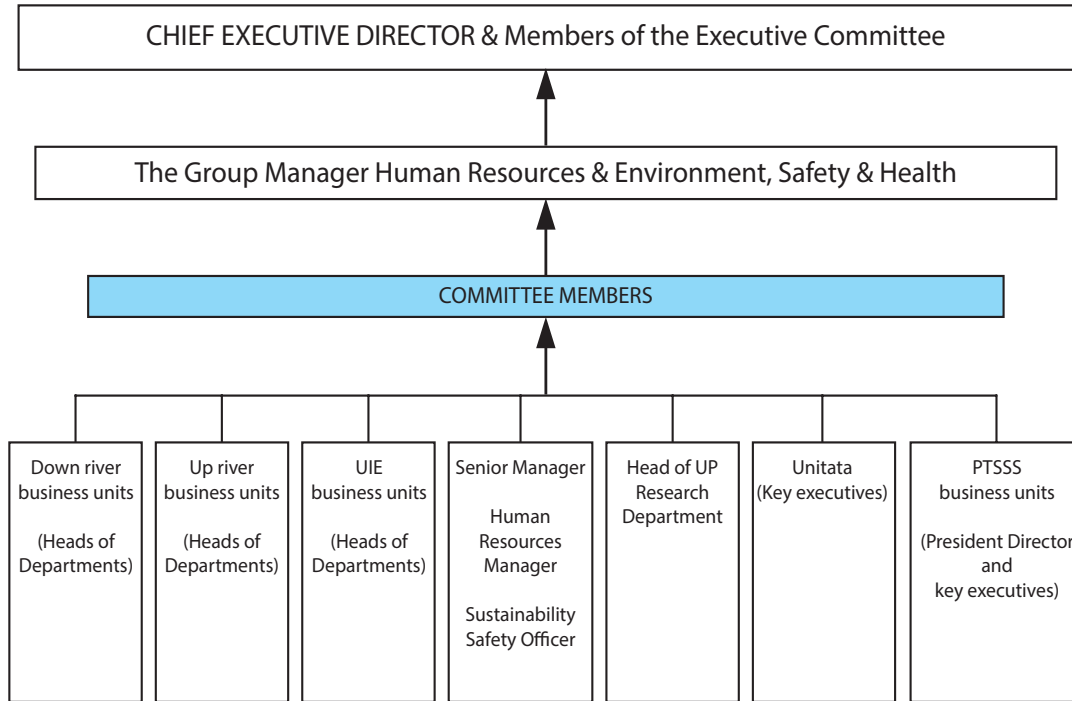
The GSRT collates all the information from GSC, stakeholders’ responses and prepares the Sustainability Report.

Sustainability Governance Management Structure



The members of the Group Sustainability Committee comprise the following:

Group Sustainability Committee



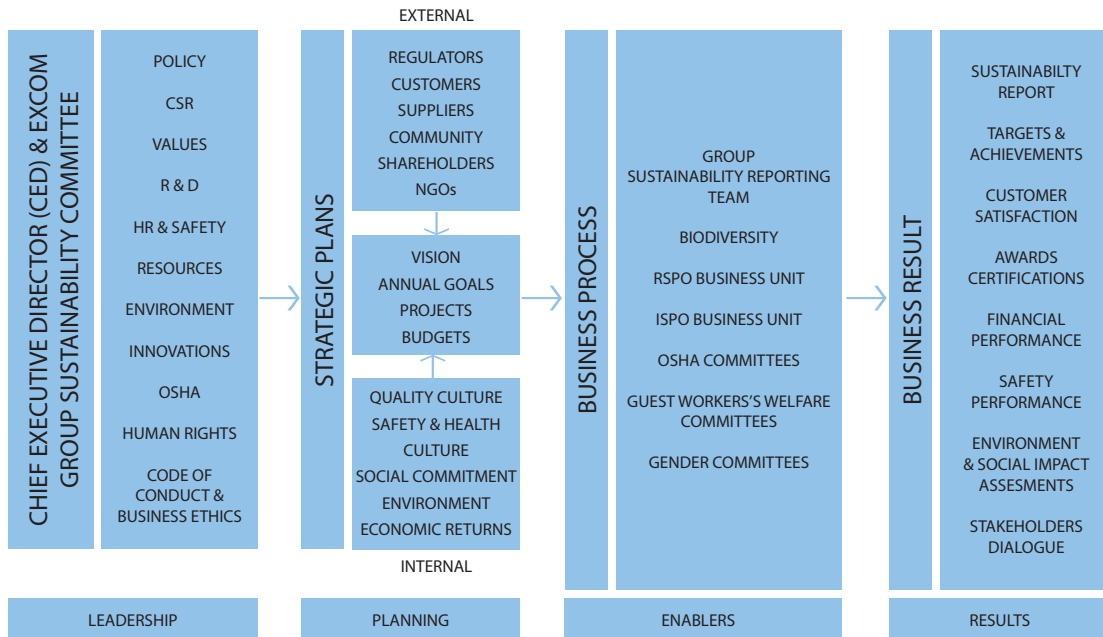
Since the year 2016 when Sustainability Report became mandatory, Mr. Martin Bek-Nielsen has been briefing the Board, CED and EXCOM at every official meeting held since July 2016 on the work of the GSRT and sustainability issues.

Sustainability matters have been a subject close to the heart of UPB. Formally 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.

United Plantations’ Sustainability Policy is embedded in its culture as documented in the Group Sustainability System Framework (GSSF) (page 42), evolved on four operating principles of Leadership, Strategic Plans, Business Processes and Business Results. Strategic plans encompassing external and internal needs are formulated through the Company’s vision, policies, goals, projects and budgets.

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

Group Sustainability Systems Framework



The various sub-committees and the RSPO Business Units are enablers of the GSSF and ensure that the environmental and operational policies are implemented. They are guided by the following policies and manuals:

- 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

Business results are measured through customer satisfaction, safety performance, financial performance, environment, social assessments and certifications.

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

Targets and Achievement

Our targets and commitments 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 , Bio-diversity, Climate change, Community, Employees, Legal Compliance and Economics.

These targets and the achievements todate provides an overview of our goals over a period of 3 years up to 2018.

Targets and Achievements

Objectives	Targets Achieved To date	Target 2016	Status of Target in 2016	Target for 2017	Target for 2018	Addressed by Specific Material Sustainability Matter	Reference Page
Target 1 : Employees							
No child labour (under age of 16 years, or as per local regulations)			No breaches in compliance reported or observed in audits			Human & Workers' Rights	66
No forced or trafficked labour in our operations			No breaches in compliance reported or observed in audits			Human & Workers' Rights	66
No retention of Guest workers' passports		To construct a room with individual passport lockers in Jendarata Est. Div 2 to facilitate free access to their passports without any restrictions	Achieved		On the evaluation of the pilot test at Jendarata Estate, further locker rooms shall be installed in all estates in Malaysia	Human & Workers' Rights	66
Phasing out of Paraquat	No Paraquat usage policy 2010		Achieved 2010			Occupational Safety & Health	79
No work-related fatalities		Zero fatality	Regretfully one fatality case in 2016	Zero fatality	Zero fatality	Occupational Safety & Health	80
Reduce Lost Time Injury Frequency Rate (LTFR) below 2014 levels. (12.27)		12	Regretfully the rate increased by 6.2%	Introduce a behavioural safety approach		Occupational Safety & Health	80
To live up to the UN Guiding Principles on Business And Human Rights	Human Rights Policy 2013 Guest Workers Policy 2014			To complete group wide re-training		Human & Workers' Right	66

Objectives	Targets Achieved To date	Target 2016	Status of Target in 2016	Target for 2017	Target for 2018	Addressed by Specific Material Sustainability Matter	Reference Page
Target 2 : Environment (Biodiversity)							
Monitoring and management of HCV, SEIA and conservation areas.	2008		Ongoing monitoring and maintenance of the flora and fauna			Biodiversity & Conservation	86
Established the Kingham-Cooper Tree Species Reserve at UIE Estate.	2008		Ongoing monitoring and maintenance of the flora and fauna			Biodiversity & Conservation	102
UP and Copenhagen Zoo established a partnership with UP including establishing a Biodiversity Department	2010		Ongoing partnership			Biodiversity & Conservation	90
Research on raising predators in the Insectary	2012		Ongoing research			Biodiversity & Conservation	119
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	84
Research on Rat control by Leopard cats in collaboration with Copenhagen Zoo	2014		Ongoing research			Biodiversity & Conservation	98
Monitoring and management of HCS	2015		Ongoing monitoring and maintenance of the flora and fauna			Biodiversity & Conservation	86
Research on King Cobra in collaboration with Copenhagen Zoo/ Madras Crocodile Bank and the Agumbe Forest Research Centre	2015		Ongoing research			Biodiversity & Conservation	99

Objectives	Targets Achieved To date	Target 2016	Status of Target in 2016	Target for 2017	Target for 2018	Addressed by Specific Material Sustainability Matter	Reference Page
Target 3 : Environment (Climate Change)							
Installation of Biomass Reciprocating Boilers	Jendarata Palm Oil Mill in 2006 and Ulu Basir Palm Oil Mill in 2014			Ulu Bernam (Optimill), Jendarata and UIE Palm Oil Mills		GHG Emissions, Discharge & Waste Management	105
No new development of peatland.	2010		Ongoing			GHG Emissions, Discharge & Waste Management	83
Install methane capture in palm oil mills (4 locations installed out of 5)	2013			Biogas Plant to be installed in Ulu Bernam (Optimill)		GHG Emissions, Discharge & Waste Management	105
Measuring GHG emissions for all palm oil operations 29% excluding indirect land use change and a 38% reduction when including indirect land use change reduction since 2004 (achieved in 2016)	2015	1.52 kg CO ₂ -eq/kg NBD Oil	The results were 1.61 kg CO ₂ -eq/kg NBD Oil Due to lower yield in 2016 the GHG emission is slightly higher however cap more or less constant by new technology	1.31 kg CO ₂ -eq/kg NBD Oil	1.18kg CO ₂ -eq/kg NBD Oil Reduction of UP Carbon Footprint per MT of NPD oil produced by 50% when compared to 2004 levels.	GHG Emissions, Discharge & Waste Management	105
Conversion of conventional lightings to T5 lights with the potential savings in power consumption by 78 %	2015					GHG Emissions, Discharge & Waste Management	123
To measure the total GHG emissions per year for the UP Group				To complete		GHG Emissions, Discharge & Waste Management	104
To supply electricity to the National Grid derived from the biogas plant at UIE Palm Oil Mill		Export to national grid	Achieved (Nil flaring)			GHG Emissions, Discharge & Waste Management	106
Monitoring and control of fire across our estates and neighboring areas with adequate firefighting capacity.		Purchase two fire engines and other related equipment for PT SSS	Purchased and ongoing monitoring			GHG Emissions, Discharge & Waste Management	81
Monitoring of fire hot spots			Ongoing	Monitoring of fire hot spots from Global Fire Watch portal		GHG Emissions, Discharge & Waste Management	81

Objectives	Targets Achieved To date	Target 2016	Status of Target in 2016	Target for 2017	Target for 2018	Addressed by Specific Material Sustainability Matter	Reference Page
Target 3 : Environment (Climate Change)							
Installation of VORSEP System at Palm Oil Mills to reduce dust emission	Ulu Basir installed in 2015			Ulu Bernam (Optimill), Jendarata and UIE Palm Oil Mills		GHG Emissions, Discharge & Waste Management	107
Water Footprint-reduction by 5% compared to 2015 level of 80 gallons per capita by 2018		79 gallons / capita/day	61 gallons (reduction by 22%)	60 gallons / capita/day	60 gallons / capita/day	GHG Emissions, Discharge & Waste Management	113
Target 4 : Community							
PLASMA-schemed smallholders to establish in PTSSS (20% of Company's planted area in Indonesia i.e. 1770 ha)		600ha	620ha ongoing	450ha	700ha	PLASMA Development	138
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	128 & 131

Objectives	Targets Achieved Todate	Target 2016	Status of Target in 2016	Target for 2017	Target for 2018	Addressed by Specific Material Sustainability Matter	Reference Page
Target 5 : Legal Compliance							
Hak Guna Usaha (HGU) permits for all planted areas (9650 ha) in Indonesia as per the President of the Republic of Indonesia decree 104, 2015 dated 28 Dec. 2015.	2508.47ha hectares in Lada Estate obtained in 2005	1500 ha	Progress is behind schedule. However todote we have successfully obtained Forest Release for 5122.73 ha. In addition, the Panitia B process by the Land Office has been conducted.	2000 ha	To fully achieve objective	Code of Ethic & Governance	58
Target 6 : Economics							
<u>Malaysia</u>						Product Quality	270
FFBYield Per Hectare		26.12	21.11	24.53			
Oil Extraction Rate		22.16	21.97	22.33			
CPOYield Per Hectare		5.79	4.64	5.48			
			Crop for 2016 yielded below our target due to the prolonged El Nino lasting for five consecutive months in 2015				
<u>Indonesia</u>						Product Quality	270
FFBYield Per Hectare		24.34	19.53	23.96			
Oil Extraction Rate		25.47	24.62	25.48			
CPOYield Per Hectare		6.20	4.81	6.11			
			Crop for 2016 yielded below our target due to the prolonged El Nino lasting for five consecutive months in 2015				

Objectives	Targets Achieved To date	Target 2016	Status of Target in 2016	Target for 2017	Target for 2018	Addressed by Specific Material Sustainability Matter	Reference Page
Target 7 : Certifications							
Migros Sustainability Certification conducted by ProForest	2003					Certification for Food Safety, Sustainability and Others	56
World's first RSPO Certification for all 6* oil mills in Peninsular Malaysia	2008					Certification for Food Safety, Sustainability and Others	58
Achieve RSPO re-certification for all 4 oil mills in Peninsular Malaysia	2013				4 oil mills in Peninsular Malaysia to seek RSPO Re-certification (3rd Cycle) 2018	Certification for Food Safety, Sustainability and Others	58
RSPO P&C s Re-certification (3rd cycle)		ASA 3 for 4 oil mills in P Malaysia	ASA 3 Achieved for 4 oil mills in P Malaysia	Re-certification for 4 oil mills in P Malaysia		Certification for Food Safety, Sustainability and Others	58
RSPO P&C –PTSSS (Lada Oil Mill)		RSPO &ISPO P&Cs certification of Lada Palm Oil Mill	Progress behind schedule as HGU application is in progress-Time Bound Plan Amended –New target is 2017 to seek certification in tandem with hectarage secured under HGU	RSPO &ISPO P&Cs certification of Lada Palm Oil Mill (HGU achieved areas)	RSPO &ISPO P&Cs certification of Lada Palm Oil Mill's balance supply bases (HGU achieved areas)	Certification for Food Safety, Sustainability and Others	58
RSPO P&C – PTSSS (PLASMA) 1770.00ha		600ha	Progress behind schedule as HGU application is in progress-Time Bound Plan Amended	1050ha	700ha	Certification for Food Safety, Sustainability and Others	58
RSPO NEXT					Jendarata Palm Oil Mill, Optimill and Ulu Basir Mill	Certification for Food Safety, Sustainability and Others	58
Global Reporting Initiative Compliant		To draw guidance from the GRI G4 Sustainability Reporting Standards	On going		To comply and get third party assurance	Certification for Food Safety, Sustainability and Others	32

* 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 2016	Status of Target in 2016	Target for 2017	Target for 2018	Addressed by Specific Material Sustainability Matter	Reference Page
Target 7 : Certifications							
Unitata – ISO 9001	1995	Annual certification	Achieved	Annual certification	Annual certification	Certification for Food Safety, Sustainability and Others	142
Unitata – HACCP	2003	Annual certification	Achieved	Annual certification	Annual certification	Certification for Food Safety, Sustainability and Others	142
Unitata – Halal	2004	Annual certification	Achieved	Annual certification	Annual certification	Certification for Food Safety, Sustainability and Others	142
Unitata – KOSHER	2005	Annual certification	Achieved	Annual certification	Annual certification	Certification for Food Safety, Sustainability and Others	142
Unitata – BRC	2008	Annual certification	Achieved	Annual certification	Annual certification	Certification for Food Safety, Sustainability and Others	142
Unitata – RSPO SCCS	2010	Annual certification	Achieved	Re-certification	Annual certification	Certification for Food Safety, Sustainability and Others	142
Unitata – GMP	2014	Annual certification	Achieved	Annual certification	Annual certification	Certification for Food Safety, Sustainability and Others	142
Unitata – MESTI	2014	Annual certification	Achieved	Annual certification	Annual certification	Certification for Food Safety, Sustainability and Others	142
Unitata – MPCA	2014	Bi-annual certification	Achieved		Bi-annual certification	Certification for Food Safety, Sustainability and Others	142
Unitata – FDA	2008	Annual Renewal	Achieved	Annual Renewal	Annual Renewal	Certification for Food Safety, Sustainability and Others	142
Unitata – GMP + B2				To seek certification		Certification for Food Safety, Sustainability and Others	142

Stakeholder Engagement

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

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

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

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

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



United Plantations engages with several hundred guests every year who visit our premises. These range from a variety of stakeholders including smallholders, private investors, shareholders, NGOs, government officials and as this picture depicts occasionally Members of the European Parliament.

Overview of Stakeholder Engagement

Stakeholder Group	Specific stakeholders addressed	Type of engagement	Frequency	Areas of interest	Outcomes	Addressed by specific Material Sustainability Matters	Reference Page
Shareholders & Investors	Shareholders both in Malaysia and in Denmark	<ul style="list-style-type: none"> Engagement survey Annual General Meetings Analysts briefings 	At least once a year	Pollution, carbon footprint, preservation of the ecosystem, sustainable agricultural practices, consistent profitability and dividends from the company, maximisation of shareholder value, employee welfare and equal rights.	Good relationship with shareholders and positive reputation amongst investors, constructive feedback	<ul style="list-style-type: none"> Biodiversity & Conservation Sustainable Agricultural Practices Human and Workers' Rights Social Care and Workers' Welfare Equal Treatment 	84
			Once a year				113
			Twice a year				66
							72
							64
Customers	Major consumer goods manufacturers, Refineries, and end consumers	<ul style="list-style-type: none"> Engagement survey One-to-one meetings Visits to Estates, Mills and our Refinery 	At least once a year	No deforestation, and open burning, Reduction of carbon footprint, Price competitiveness, product quality and food safety, employee welfare, development and improvement of sustainable supply chain of products	Better awareness of UP Group's commitment to sustainability, and better understanding of our policies, culture and values	<ul style="list-style-type: none"> Biodiversity & Conservation GHG Emissions, Discharges & Waste Management Product Quality Sustainable Supply Chain of Products Certifications for Food Safety, Sustainability and Others 	84
			Periodic				104
			Periodic				141
							144
							142
Employees	Executives, staffs and workers	<ul style="list-style-type: none"> Annual employee survey, Operations and Environment Management Committee meeting Gender committee meetings Guest Workers Welfare Committee Occupational Safety & Health Committee Internal trainings 	Once a year	Pollution, Chemical and pesticide usage, environmental care, commensurate remuneration, employee social and welfare care, equal rights, safe and sustainable agricultural practices, health and safety at work, employment opportunities for locals, CSR and sustainable programs	Improved understanding of company policies and efforts taken to date, Inclusiveness in the management decision making	<ul style="list-style-type: none"> Sustainable Agricultural Practices GHG Emissions, Discharges & Waste Management Biodiversity & Conservation Human and Workers' Rights Social Care and Workers' Welfare Occupational Safety & Health Equal Treatment Community Welfare 	113
			Once a year				104
			Four times a year				84
			Six times a year				66
			Four times a year				72
			Periodic				79
							64
							124

Stakeholder Group	Specific stakeholders addressed	Type of engagement	Frequency	Areas of interest	Outcomes	Addressed by specific Material Sustainability Matters	Reference Page
Small holders & Local communities	Small holders surrounding and near our operations in Malaysia and Indonesia	<ul style="list-style-type: none"> Annual Small holders' Field Day and Town-Hall style meetings, One-to-one communications 	<ul style="list-style-type: none"> At least once a year Periodic 	Sharing of sustainable agricultural practices and advice and training in best agronomic practices and solutions, social activities which benefits small holders and local communities, Solving common grievances, Free Prior Informed Consent, Pollution, waste management, communication and cooperation, and job opportunities for the locals	An opportunity to sustainably enhance the agricultural practices of small holders, amicable solution to grievances, better social relations with UP Group.	<ul style="list-style-type: none"> Sustainable Agricultural Practices Community Welfare Grievance Resolution GHG Emissions, Discharges & Waste Management 	<p>113</p> <p>124</p> <p>131</p> <p>104</p>
Government Agencies	DOSH, Labour Department, Indonesian local government, Indian High Commission	<ul style="list-style-type: none"> Engagement Survey One-to-one meetings 	<ul style="list-style-type: none"> Periodic As and when necessary 	Waste management, environmental protection, sustainable agricultural practices, job opportunities for local community, human and workers' and community rights and welfare, compliance to rules and regulations, land dispute resolution	An opportunity to share the Group's commitment, and policies and procedures to sustainable operations	<ul style="list-style-type: none"> GHG Emissions, Discharges & Waste Management Sustainable Agricultural Practices Community Welfare Human and Workers' Rights Social Care and Workers' Welfare Free Prior Informed Consent Grievance Resolution 	<p>104</p> <p>113</p> <p>124</p> <p>66</p> <p>72</p> <p>128</p> <p>131</p>
Non-governmental organisations	SUHAKAM, TENAGANITA	<ul style="list-style-type: none"> One-on-one meetings Engagement surveys Direct correspondences via email and telephone conversations 	<ul style="list-style-type: none"> As and when necessary Once a year As and when necessary 	Climate change, pollution, protecting rights of indigenous people, human and workers' rights, product supply chain, being a transparent and caring employer	Better understanding of NGO's concerns and raised awareness of UP Group's sustainability commitments by NGOs	<ul style="list-style-type: none"> GHG Emissions, Discharges & Waste Management Community Welfare Human and Workers' Rights Social Care and Workers' Welfare 	<p>104</p> <p>124</p> <p>66</p> <p>72</p>
Suppliers	Suppliers of various inputs within the Group	<ul style="list-style-type: none"> Engagement survey One-to-one meetings 	<ul style="list-style-type: none"> Once a year Periodic 	Discharge and waste management, sustainable development, pollution, Impact to human health, climate change, biodiversity and conservation, prompt payment, cost effective solutions, customer relations, ethical business practices	Raised awareness of UP Group's sustainability commitments, better understanding of UP Group's business	<ul style="list-style-type: none"> GHG Emissions, Discharges & Waste Management Biodiversity & Conservation Code of Ethics and Governance 	<p>104</p> <p>84</p> <p>63</p>



Tunera ulmifolia, a beneficial plant, planted as part of our overall Integrated Pest Management programme.

Materiality

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, we have drawn information from various internal and external sources of information. This includes the views of the Group Sustainability Reporting Team within our organisation, stakeholders, industry groups, as well as 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 identified 15 key sustainability issues under four main headers, namely Employees, Environment, Community and Marketplace, which we have assessed as being of high concern to stakeholders and of high significance for our Group in 2016.

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 shown on the following page.

Material issues which have been identified are then assessed by the Group 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 process is repeated every reporting year after a thorough review of our key stakeholders and sustainability risks and opportunities which are significant to the Group as a whole.

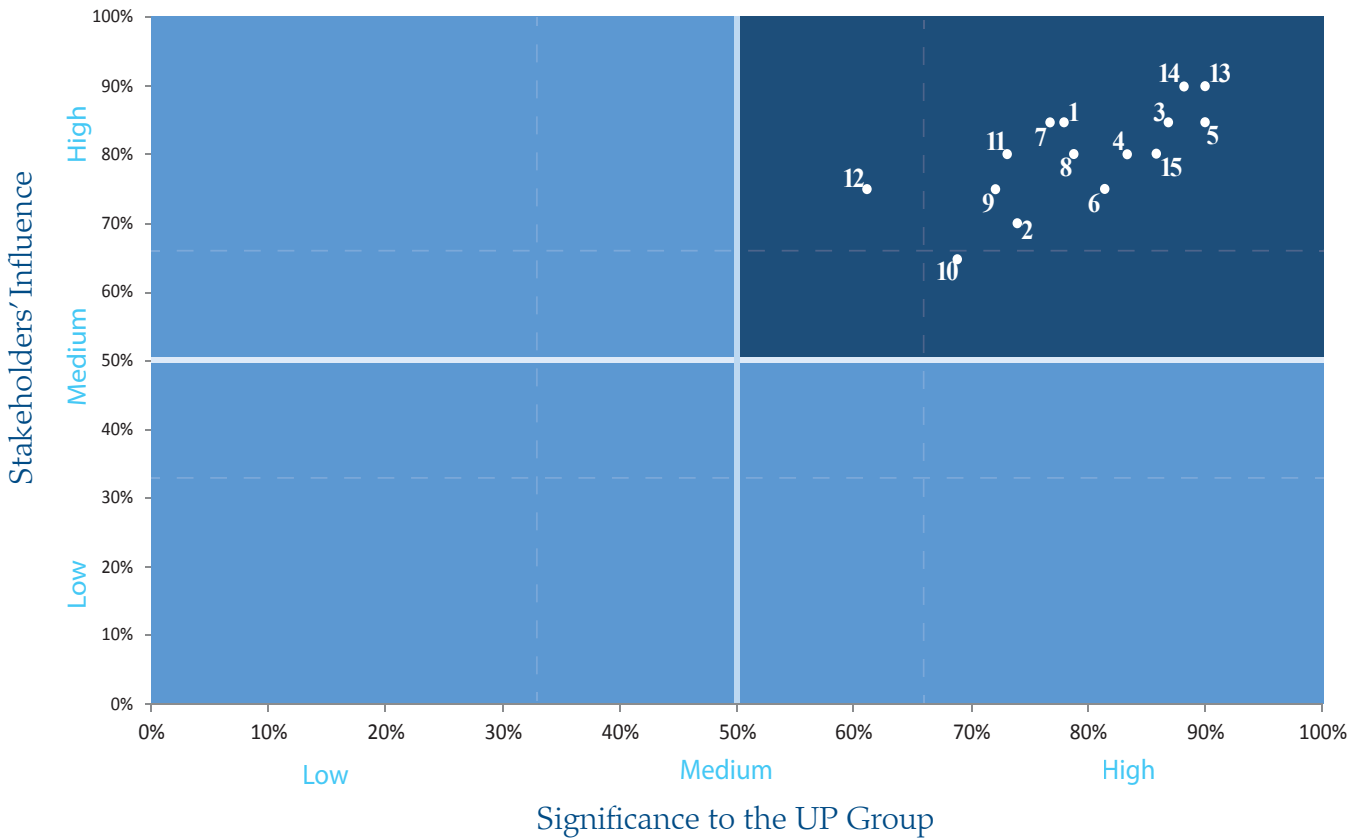


The Group Sustainability Reporting Team at one of their meetings.

Summary of Materiality Matters

15 Key Sustainability Issues	Stakeholder Groups
<ol style="list-style-type: none"> 1. Code of Ethics & Governance 2. Equal Treatment 3. Human & Workers' Rights 4. Social Care & Workers' Welfare 5. Occupational Safety & Health 6. Biodiversity & Conservation 7. GHG Emissions, Discharges & Waste Management 8. Sustainable Agricultural Practices 9. Community Welfare 10. Free Prior Informed Consent 11. Grievance Resolution 12. Plasma Development 13. Product Quality 14. Certifications for Food Safety, Sustainability & Others 15. Sustainable Supply Chain of Products 	<ul style="list-style-type: none"> - Shareholders - Investors - Customers - Employees - Small holders - Local communities - Government Agencies - Non-governmental organisations - Suppliers

Materiality Matrix





UP and the Roundtable on Sustainable Palm Oil (RSPO)

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

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

Global RSPO Members and Governance

The RSPO has more than 3,080 members worldwide who represent all stakeholders along the palm oil supply chain. The primary objectives of the RSPO is to promote a credible standard of palm oil production and members have committed to produce, source and /or use sustainable palm oil certified by the RSPO, in order to transform markets to make sustainable palm oil the norm.

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

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

Roundtable

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

Sustainable

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

The RSPO's Principles and Criteria and Certification

The RSPO has defined eight principles and thirty nine criteria and numerous indicators within economic, environmental and social areas,

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

The RSPO is not born complete and it is important to understand that continuous efforts to improve and strengthen the Principles & Criteria is an ongoing process. In this connection, new accreditation requirements will likely be introduced in 2017 which will increase the areas that the certification bodies will have to cover.

Improving the competencies of the auditors and in general strengthening oversight by both the certification bodies and ASI (Accreditation Services International) are some of RSPO's goals going forwards.

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

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

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

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

In 2007, UP's in-house RSPO business units were formed. The RSPO business units are headed by the heads of the respective business units and overseen by the Group Manager, Human Resources and Environment, Safety and Health.

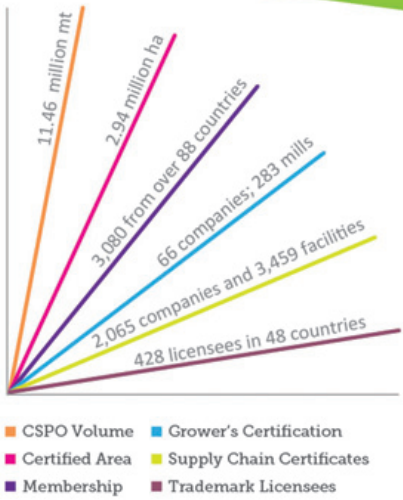


- ## 8 PRINCIPLES
- for growers to be RSPO certified
- 1 Commitment to transparency
 - 2 Compliance with applicable laws and regulations
 - 3 Commitment to long-term economic and financial viability
 - 4 Use of appropriate best practices by growers and millers
 - 5 Environmental responsibility and conservation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

Transforming the market to make sustainable palm oil the norm

Source: RSPO website

RSPO WORLDWIDE IMPACT



+18%
of palm oil globally is certified by the RSPO

Transforming the market to make sustainable palm oil the norm

RSPO worldwide impact



Source: RSPO website

UP and the World's First RSPO Certificate in 2008

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

UP's RSPO certified sustainable production volumes

Our capability of supplying sustainably certified, traceable and high quality palm oil and palm kernel oil is an important part of our commitment to customers. Our total RSPO certified and traceable quantity available based on our own production was approximately 135,000 MT of palm oil and 30,000 MT of palm kernels in 2016. In line with the expected recovery in production, this figure is likely to increase in 2017.

All UP's Malaysian estates were certified in 2008 and re-certified in 2013. For the new Indonesian Estates, UP had targeted to move towards RSPO and ISPO certification in 2016. This target was not achieved as the HGU application is in progress. The Time Bound Plan is therefore amended and our new target is 2017 in tandem with hectareage issued with HGU

certificates. We are committed to move towards full certification of all its areas by 2018. For our Plasma smallholders scheme, full certification is expected by 2018.

UP and RSPO NEXT Certification

Environmental and social awareness is absolutely essential and UP will continue to engage itself with ongoing debate by both supporting and promoting the essentials of sustainable development through the RSPO. UP will continue to engage itself with ongoing debate by supporting and promoting the essentials of sustainable development through the RSPO. As a sign of our continuous commitment towards sustainable palm oil, UP is moving towards RSPO NEXT certification by 2018.

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

UP's involvement in the RSPO today

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



A picture taken during the opening ceremony of the RSPO's RT14 Meeting held in Bangkok in November 2016. From the left one can see, the Chief Executive Officer of the RSPO, Datuk Darrel Webber. The guest of honour in the middle, the Deputy Prime Minister of Thailand, His Excellency General Prawit Wongsuwan who officially inaugurated the sustainability conference. Dato' Carl Bek-Nielsen is standing to the right who attended this conference in the capacity as the RSPO's Co-Chairman on behalf of the Malaysian Palm Oil Association.

Key policies of RSPO NEXT:

NO DEFORESTATION

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

REDUCTION OF GHG

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

TRACEABILITY OF ALL FRESH FRUIT BUNCHES TO MILL

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

RESPECT FOR HUMAN RIGHTS

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

NO FIRE

Expanded responsibility for fire prevention in and around plantations

NO PLANTING ON PEAT

Of any depth after 16 November 2015

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

RSPO Roundtable on Sustainable Palm Oil

Eligibility to participate in RSPO NEXT :

ARE YOU A...

RSPO GROWER MEMBER

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

Yes → Do 30% of your mills and their supply base meet RSPO NEXT requirements? → Certification body to verify → **Yes** → **Congratulations!** You can now claim that you produce RSPO NEXT palm oil

No → Sorry, you are not eligible yet. Continue P&C certification to become eligible

RSPO SUPPLY CHAIN MEMBER

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

Yes → Are you purchasing RSPO NEXT Credits equal to at least 20% of your CSPO/PK volume* AND have a program of measuring, reduction and reporting on GHG? → **Yes** → **Congratulations!** You can claim that you participate in RSPO NEXT

No → Sorry, you are not eligible yet. Continue working towards 100% CSPO purchases to become eligible

NOT RSPO MEMBER

Become RSPO member

How to participate in RSPO NEXT

*Or 150,00 MT whichever is lesser

Global Palm Oil Production

In 2016 Global production of palm oil reached approximately 58.29 million MT and today it is the most used vegetable oil in the world, contributing to more than 28.5% of the global production of oils & fats. Combined with the 6.33 million MT of palm kernel oil also produced by the oil palm, the total vegetable oil output for this crop was 59.94 million MT in 2016 equal to 31.6% of the worlds total 17 oils & fats production.

Palm oil is versatile and has numerous users. It is found in food products, soaps, detergents, cosmetics, plastics and over the last number of years also on biofuel production.

Supply outpacing RSPO certified demand

Whilst it is commendable that approximately 18% of the world production of palm oil is now certified by the RSPO it is unfortunately still a fact that the global uptake of RSPO certified palm oil is only around 50% of the supply, thereby outpacing demand. The RSPO certified oil not purchased will end up in the supply chain without being sold as certified sustainable palm oil, but just conventional palm oil.

With the European reform on labelling introduced in December 2014 as well as significantly increased commitments from International Brand manufacturers to switch to Sustainable Palm Oil, mainly due to consumer demand and NGO pressure, it is anticipated that demand will start picking up going forward.

This is viewed as important to ensure continuous support and commitment to the RSPO by sceptical producers including smallholders that would want a carrot to follow the strict principles and criteria of the RSPO.

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

Indonesian Sustainable Palm Oil (ISPO) Certification

The Indonesian Government established a mandatory certification scheme in 2011, namely the Indonesian Sustainable Palm Oil Principles & Criteria (ISPO) to ensure that all producers within a few years will have to live up to certain standards when operating in Indonesia.

Being mandatory, producers in Indonesia will have to comply with the ISPO criteria and cannot hide behind the voluntary RSPO scheme as members only.

The ISPO standard includes legal, economic, environmental and social requirements, which largely are based on existing national regulations. The ISPO main audit for our Indonesian Plantations will commence in 2017.



A scenic reflection of the setting sun amongst the young palms captured on the water canal.



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

Employees

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

1. Code of Ethics & Governance

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

Code of Conduct & Business Ethics

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

Standard of Conduct

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

Obeying the Law

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

Consumers

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

Shareholders

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

Business Partners

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

Community Involvement

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

The Environment

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

Competition

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

Business Integrity and Corruption

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

Conflicts of Interests

The Board has adopted in line with its best practices an annual declaration of Conflict of Interest by each director in order to increase individual director and board awareness and responsibility in managing potential conflict of interest within the group.

Whistle Blower Policy

All UP personnel and business partners are encouraged and have the responsibility to report any known or suspected incidences of improper conduct by reporting verbally or making a protected disclosure to any member of the Executive Committee or to the Company Secretary. The Executive Directors and the Company Secretary, who reside on the plantation, practice an "open door policy" which has been of great benefit towards encouraging whistle blowing for generations.

Confidentiality of the whistle blower is maintained and appropriate reward is made when an allegation is proven to be true.

2. Equal Treatment

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

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

Gender Policy

In line with this gender policy, we shall:

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

Gender Committee

Our Gender Policy is designed to protect our female employees. We have established Gender Committees which include representatives from labour unions and management to promote female participation and advancement in the workplace, handle sexual harassment complaints and provide support for victims. When a harassment case is reported, informally or formally, the relevant committee investigates the case to determine if further sanctions are needed or if law enforcement action needs to be taken.



Our employees at our Indonesian operations.

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.

The Company is increasingly more dependent on guest workers because of urban migration of local workers. It should be noted that we have a shortage of oil palm harvesters and other workers in the critical areas affecting production, mill throughput and palm oil quality, which deserve the immediate attention of the Malaysian Government.

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.

	Indonesia Estates	Malaysia Estates
Percentage Female Employees	20.25 %	12.93 %
Percentage Male Employees	79.75 %	87.07 %

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 collecting loose fruits that have fallen on the ground.

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

UP Group

Employees – Year 2012 to Current

	2016	2015	2014	2013	2012
UP Bhd	4,482	5,216	5,563	5,297	5,489
Unitata Bhd	213	216	227	255	267
Butterworth Bulking Installation Sdn. Bhd.	16	16	15	18	17
PT SSS1, Indonesia	1,215	1,180	1,481	802	994
PT SSS2, Indonesia	-	-	-	108	140
Total	5,926	6,628	7,286	6,480	6,907

Category of Employees (Malaysian) as at 31 December 2016

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	95	17	27	51	34	20	21	71		112
Staff	189	129	73	159	86	92	7	212	7	318
Workers	535	396	150	453	328	237	2	686	6	931
Total										1,363

Category of Employees (Other Nationalities) as at 31 December 2016

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	2	8	5	1	14				15
Staff	42	13	15	40			55				55
Workers - PTSSS	916	231	317	785	45		1,147				1,147
Guest Workers	3,277	67	1,173	2,140	31	5	1,194	43	575	1,527	3,344
Total											4,563

* Danish & British

Grand Total = 5,926

3. Human and Workers' Rights

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

UN Guiding Principles On Business And Human Rights

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

- Human Rights Policy
- Guest Workers' Policy

As per our continuous improvement efforts, we are embarking in 2017, on retraining (reach, teach and remind) all our employees, customers, contractors, suppliers and communities on the core values which we are fully committed to.

Human Rights Policy

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

- We conduct our business in a manner that respects the rights and dignity of all people, complying with all legal requirements.
- We treat everyone who works for United Plantations Berhad fairly and without discrimination.
- We respect the rights of all personnel to join and participate in registered trade unions and to bargain collectively.
- We respect the rights of people in communities impacted by our activities. We will seek to identify adverse social and environmental impacts through respective assessments and take appropriate steps to avoid, minimize and/or mitigate them.
- We will not tolerate the use of child or forced labour, slavery or human trafficking in any of our plantations and facilities. We are using the United Nations definition of

'child' as anyone who is less than 16 years old or superceded by local regulations above 16 years.

- We will strive to commit our employees, contractors and suppliers to adhere to our core values.

Guest Workers' Policy

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

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

Guest Workers' Committees

Our guest workers are indispensable partners in our business and constitute approximately 85% of our total workforce in Malaysia. Each estate and department has a formal guest workers' committee comprising representatives of various nationalities, contractors, staff and management which meets monthly. It is a collaborative platform to address all issues pertaining to guest workers, induction course, "Home Away From Home", festival celebrations, safety, health and recreation.

	2016	2015	2014	2013	2012
Total Average Earnings per worker per month - UP Group Plantations (Malaysia)	RM 1,472	RM 1,308	RM 1,147	RM 1,156	RM 1,163
Total Average Earnings per worker per month - UP Group (Indonesia) - Permanent Workers	IDR 2,567,777	IDR 2,883,552	IDR 2,817,097	IDR 1,996,124	IDR 1,810,280
Total Average Earnings per worker per month - UP Group (Indonesia) - Temporary Workers	IDR 2,566,166	IDR 2,566,108	IDR 1,749,865	IDR 1,610,007	IDR 1,743,502

Paying fair wages and employee benefits

All employees of UP in Malaysia receive at least the minimum wage set by the Malaysian Government (Wage Order 2016) of RM1,000 per month.

The average earnings of our workers supersede the minimum wages as reflected in the above table.

For our plantations in Indonesia there is a fixed minimum wage and this is revised annually by each provincial government.

The company follows the minimum wage agreements and all new guidelines or revisions to the existing agreements are communicated to employees.

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

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

awareness by retraining and conducting audits within all operational areas of our group.

The results of these measures will be monitored and incorporated in our efforts for continuous improvements, and highlighted in our future reports.

The traditional practice of wives assisting their husbands in harvesting have ceased by employing them into the estates' permanent workforce. Seasonal temporary workers are offered employment with appropriate insurance coverage and medical facilities.

Banking facilities

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

Freedom to form a Union

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.

	2016	2015	2014	2013	2012
UP Group (Malaysia) % of workers as members of Union	23%	24%	22%	24%	26%
UP Group (Indonesia) % of workers as members of Union	100%	0%	0%	58%	56%

Guest Workers Passport Lockers

We have constructed a room containing passports lockers within the plantation to enable our guest workers free access to their passports without any restrictions at Jendarata Estate. On further evaluation of this pilot project, it shall be replicated to the rest of the estates of UP. Currently in other estates, passports of guest workers are voluntarily submitted to the respective management for safe custody in the estates' safes and will be readily made available upon request.



Guest workers gaining free access to their travel documents.



Guest workers passport lockers.

Guest Workers Repatriation and Leave

With 85% of our workforce being guest workers, there is a frequent turnover of employees within our Group. We strongly promote freedom of movement which can be seen in the table below. During 2016, 837 of our guest workers have been repatriated upon completion of their employment tenure. Another 437 guest workers went back on leave to their respective home countries with the majority returning back to resume their employment at UP. Nevertheless, 84 guest workers that had gone on leave did not return.



Seamless potable water for all residents.



A guest worker busy at work in the nursery.

Repatriation and Leave during the year	2016	Total number of guest workers
Total number of guest workers	3,344	100%
Repatriation	837	25 %
Gone on leave	437	13 %
Gone on leave and return	353	11 %
Gone on leave and didn't return	84	3 %



Guest workers are indispensable partners in our business.



The ferry transport is an important alternative to road transport to get to our up-river estates.



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 2016 to maintain the highest possible welfare standards for our workforce.

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

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

Places of worship for our employees, Group Hospitals and Clinics and an Old Folks Home to care for the aged and the homeless as well as a fully operational Danish Bakery are also a part

of UP's care and commitment towards the well being of its employees.

In addition, 42 scholarships were granted to children of our employees during 2016 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 2016 in line with the Company's goal to provide its employees with the best housing facilities within the plantation industry.

Upgrading of our guest workers living quarters which our Company embarked on in 2010 has progressed well with the first two apartment blocks completed in 2011. These have provided the finest living facilities in our industry with a living area of 220m² per unit encompassing 3 bedrooms, 1 kitchen, 2 bathrooms and a large hall and patio. More than 20 additional terrace apartment blocks have been built providing first class housing facilities for more than 140 employees during 2016.



Children joyfully enjoying a game of soccer after the rain.



An aerial view of modern workers' housing complex at UIE estate in the midst of luscious growing oil palms.

Bernam Bakery

Bernam Bakery located on Jendarata Estate UP, 160km north of Kuala Lumpur, renowned for its Danish pastries and hand-made cookies, was established by our late Tan Sri Dato' Seri B. Bek-Nielsen in 1982 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 Mr. 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 employees with wholesome and nutritious recipes of bread and cookies of excellent quality, using mainly butter but also 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. A special thanks to Mr. Saksi Daran who retired in 2016 after 34 years of excellent and dedicated service and who managed to put Bernam Bakery on the Malaysian map. 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.



Skillful hands of the baker.



Our Jendarata Football Club team emerged champions in the 2016 Sambanthan Cup.

Sporting Activities

We encourage our employees to participate in sporting and social activities by providing facilities such as football fields, community halls, badminton courts, etc. Annual sports days are held at selected estates to enhance friendship and community spirit through sports.

Victory of Sambanthan Cup 2016

Since 1961, UP's football team Jendarata FC has tried to win the Sambanthan Cup and whilst it has been close, all previous attempts failed. Nevertheless, Jendarata FC team of 2016 managed to finally stick together, fight together and win together, thereby emerging as champions of the 2016 Sambanthan Cup.



An indoor badminton facility.



The winning cup.



Children's sports day.



2016 Merdeka celebration walk.



The Sri Maha Mariamman Temple - Circa 1919

Centennial and Consecration Celebration of the Sri Maha Mariamman Temple Jendarata Estate

The Sri Maha Mariamman Temple at Jendarata Estate is the oldest large temple which our Group has been blessed to have on its property. It was a very auspicious year for the temple because the Centenary Celebrations coincided with the Consecration Ceremony in 2016.

100 years in age is a rare proclamation to be able to make on an oil palm estate today and we are very proud of this temple being a vital testimony to our company's commitment of social compassion and respect to one of our many places of worship.

The temple with its intricate and inspiring Italian architecture designed 10 decades ago has provided to all Hindu devotees and visitors a magnificent place of worship.



The consecration ceremony of the Sri Maha Mariamman Temple during the centenary celebration in November 2016.



Old folks home at Jendarata Estate caters for the retired and the aged employees.

United Plantations Berhad – Old Folks Home

Our corporate culture is deeply embedded in our traditional values and legacy the Company's founders initiated nearly 111 years ago. The Old Folks Home was officially opened by Minister of Labour, YBhg Tan Sri V. Manikavasagam on 17 March 1967 on Jendarata Estate and is the only one of its kind in this industry. Set in a peaceful environment, it caters for the retired and aged employees who are given free boarding, food and medical care. A full time caregiver is also provided for the Home.

Annual Benevolent Payments

Annual benevolent payments as well other compassionate and educational payments made by the Group to workers amounted to RM801,110 during 2016. The payments made through our various Benevolent and Educational Schemes are as follows:

1. UP Workers Benevolent Retirement Scheme (established in 1985)
2. UP Education and Welfare Fund (established in 1986)
3. UIE (M) Education and Welfare Fund (established in 1997)

The objective of the UP Workers Benevolent Retirement Scheme is to provide retirement benefits to workers who are loyal and have served the Group for 10 years and above and in addition to the workers entitlement under their respective collective agreements. Over the last 5 years, an average of RM230,000 per annum was paid out from this scheme. The objective of the 2 education and welfare funds is to grant scholarships for suitably qualified workers children or dependants, and other benefits such as welfare and medical costs to deserving cases irrespective of race, religion or creed.

Social Commitments of the Group

	2016 RM	2015 RM	2014 RM	2013 RM	2012 RM	Grand Total RM	Beneficiaries for 2016 RM
Hospital & Medicine for Employees, Dependents & Nearby Communities	2,229,584	2,125,483	2,083,013	1,887,592	1,782,549	10,108,221	29,510
Retirement Benevolent Fund *	252,500	188,750	253,250	195,250	247,750	1,137,500	25
Education, Welfare, Scholarships & Other	303,694	359,621	319,011	384,514	360,840	1,727,680	69
Bus Subsidy for School Children	244,916	219,732	209,574	254,608	271,784	1,200,614	257
External Donations	302,997	208,325	145,301	156,583	247,360	1,038,875	71
New Infrastructure-Road, TNB and Water-Supply for domestic use	298,461	208,061	910,529	877,124	1,492,659	3,786,834	-
Employee Housing	5,937,022	980,731	8,865,462	3,747,645	11,719,418	40,411,553	-
Infrastructure Projects, Buildings, Community Halls, Places of Worship	1,502,571	1,265,998	868,542	914,786	1,201,266	5,753,163	-
Provision of Social Amenities	5,396,162	8,787,188	8,235,585	8,064,964	8,436,477	29,844,368	173

Environmental Commitments of the Group

	2016 RM	2015 RM	2014 RM	2013 RM	2012 RM	Grand Total RM	Beneficiaries for 2016 RM
Environment Friendly Operational Activities	6,395,566	10,521,932	10,462,491	10,755,059	9,381,704	47,516,752	-
Environment Friendly Project (Biogas, Biomass-others)	1,346,254	9,207,905	3,551,035	2,935,999	4,946,000	21,987,193	-
Biodiversity & Conservation (Forest reserve, Endangered Tree Species Projects, Collaboration with Copenhagen Zoo)	584,061	607,833	608,393	543,824	597,000	2,941,111	-
Total	24,793,788	13,077,891	21,890,267	16,483,066	25,760,103	167,453,865	-

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



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



Unitata's long service awards to 30 employees with an impressive combined period of more than 797 years of dedicated and loyal service.

Training and Development of Employees

Training is a programme that helps employees learn specific knowledge or skills to improve performance in their current role. Development focuses on employee growth and future performance. In UP our human capital is

indispensable and our approach is “Reach and Teach” as well as “Reach and Remind”. Various trainings in Occupational Safety & Health, Human Rights, Best Agriculture & Management Practices and Industrial Laws are conducted at all levels from time to time formally and informally.

Level	Average Training Hours Per Employee – Malaysia									
	2016		2015		2014		2013		2012	
	M	F	M	F	M	F	M	F	M	F
Managerial	59	17	36.4	10.7	48.3	14.8	39	6.8	32.3	11.8
Staff	32	30	25.7	18.2	26.5	18	26.1	16.2	23.8	14.4
Security	70	139	89.3	111.4	89.8	95.8	89.3	96.1	87.2	108.9
Workers	40	44	41.0	43.0	43.3	43.9	44.6	38.9	39.9	36.5

Level	Average Training Hours Per Employee – Indonesia									
	2016		2015		2014		2013		2012	
	M	F	M	F	M	F	M	F	M	F
Managerial	142	0	37.5	2	13.5	0	106.5	0	4.5	2
Staff	5.9	15.8	13	2.2	9.6	2.7	9	3.3	2.4	0.3
Security	156	0	48	0	0.6	0	0.5	0	0	0
Workers	73.7	48.72	36.7	42.5	37.7	52.7	29.9	30.5	17.8	12.7



In-house training for our female employees on elimination of all forms of Discrimination against women (CEDAW) in line with the United Nations Convention 1979.

5. Occupational Safety and Health

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

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

Occupational Safety And Health Policy

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

- Devote our continuous efforts to accident prevention, by conducting Hazard Identification, Risk Assessment and Risk Control (HIRARC) on all our operations.
- Provide continuous training and supervision to all categories of employees to build and promote a safe and healthy work environment in full compliance with legislative requirements.
- Equip and train employees to use appropriate protective equipment and to develop a health and safety conscious citizen.
- Since 2010, we have banned the use of Paraquat weedicide (1, 1'-Dimethyl-4, 4'-bipyridinium dichloride) in our plantations and facilities and are committed to reduce and phase out pesticides that fall under the WHO IA & IB category when effective and suitable alternatives are available.
- Develop a culture of individual responsibility and accountability for the employee's own well being as well as those of the personnel and facilities under their control.
- Require contractors working on our behalf and suppliers doing business with us to

adhere to the Safety and Health regulations and standards.

Estate Group Hospitals

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

Department of Safety & Health

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.

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 compounds 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 Officer.



Sprayers using appropriate Personal Protective Equipment.



HIRARC training session conducted regularly.

Hazard Identification, Risk Assessment and Risk Control (HIRARC)

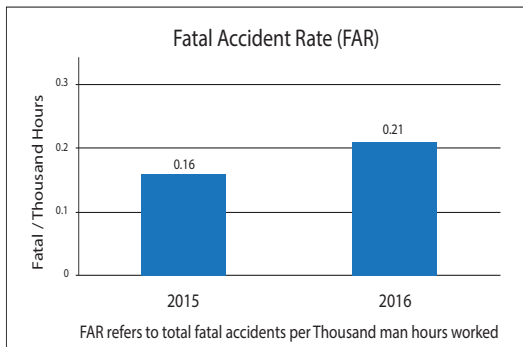
In recent years, HIRARC has become fundamental to the planning, management and the operation of a business as a basic risk management practice. In line with our approach of preventive measures as a way of providing safe workplaces, we have conducted HIRARC on all our operations. With HIRARC, we were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

Fatal Accident Rate (FAR)

Fatal Accident Rate calculation is as per the below formula (Malaysian OSH Act 1994 JKKP8)

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

Our aim is to avoid all incidents that put our employees at risk and to achieve zero fatalities. However, we still have some way to go. We are sad to report one workplace death in 2015 and one in 2016. Every fatality is followed by a thorough review of the cause and action undertaken to eliminate the factors involved. The deaths in 2015 and 2016 were caused by non compliance with safety procedures. All reviews have been reinforced with continued



efforts in the training and retraining on the use of appropriate protective equipment in order to minimise risks.

Every 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 will also be provided to the bereaved family.

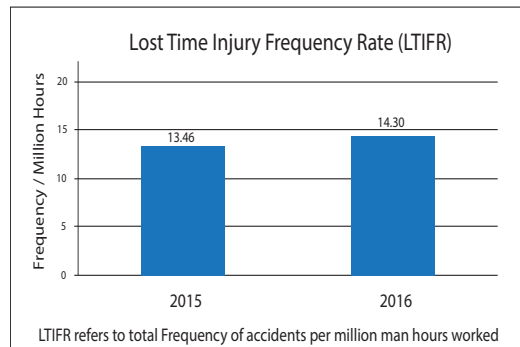
Lost Time Injury Frequency Rate (LTIFR)

LTIFR refers to the number of lost time injuries occurring in the work place per 1 million man-hours worked. From the table below (year 2016) shows that 14.30 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 JKKP8)

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

77% of accidents involved are in harvesting operations (thorn pricks, debris falling into eyes, fronds falling on body), 14% commuting accidents and 9% others (factory operations, manuring, carpentry and sundry works). In 2017, we are introducing a behavioural safety approach to further enhance the safety culture.



Fighting the Haze and Preventing Fires

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

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

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

Zero Burning Policy

Our fire prevention is managed through our strict zero burning policy since 1989, as well as through our fire management and monitoring standard operating procedures. These are continuously reviewed to ensure they are effective. Our Emergency Response Teams (ERTs) are regularly trained in fire prevention and fire fighting in all our plantations.

Trainings are done regularly in-house, as well as in conjunction with the local authority, fire

brigades and the Ministry of Forestry. Any fire starting within an outer ring of 500 m from any of our plantations' borders are immediately reported to the local fire brigade for their action.

A fire within an inner ring of 100 m is fought by our ERTs. We embrace fire safety in various ways such as promoting no-smoking, tracking and identifying fire brigade locations and water sources.

We have stepped up our fire fighting capacity by conducting more training and fire drills, and by purchasing additional fire fighting equipment.

Having analysed our fire incident data in 2016, we have concluded that fires were mainly caused by illegal burning activities carried out by local communities engaged in small-scale farming in areas neighbouring our property.

In response, 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.

Hectares Burnt In Fires

	2016	2015	2014
Non Planted	30.89	669.94	93.64
Planted	107.14	81.45	0
Total	138.03	751.39	93.64



Fire brigade at Runtu Estate



Estates Emergency Response Team extinguishing a fire at a neighbouring community's plot



One of our jungle reserves at Lima Blas Estate. UP places strong emphasis on conservation of jungle reserves and promoting green corridors.

Environment

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 Green House 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 plantation in 2008, 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



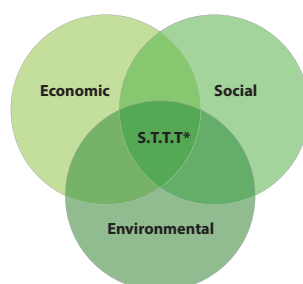
UP is very much aware of the footprint it leaves on the environment. Our group therefore constantly strives towards reducing variables that impact the environment negatively. Focus on reducing GHG's energy water and waste is therefore a vital part of UP's environmental policy.

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

Environment Policies in place

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

Sustainable Development



*Sustainability through Transparency, Traceability & Trust

6. Biodiversity and Conservation

Our efforts undertaken by the UP Group to conserve jungle reserve and wildlife sanctuaries as well as promoting green corridors which are our commitment to the environment

Our Environmental Objectives and Biodiversity and Conservation Commitments

We 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.
- Promoting the conservation and development of biodiversity within our group of plantations.
- Respecting the rights of people in our communities impacted by our activities by adhering to the principles of FPIC.
- We will seek to identify adverse social and environmental impacts through their respective assessments and take necessary appropriate steps to avoid, minimize and/ or mitigate them.
- Continuously working on sound soil management e.g. determining appropriate amount and composition of nutrients based on annual leaf nutrient analyses, 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.
- Continuous focus on promoting new technologies with low environmental impact as well as reducing GHG emissions.
- Protect and conserve Endangered, Rare and Threatened Tree species and Animals.
- We will strive to commit our contractors and suppliers to adhere to the environment regulations and thereby focus on traceability within our supply chain.
- Continuously working to mitigate our water footprint related to mill waste, maintaining buffers along natural waterways, harvesting rainwater, frugal domestic water usage and responsible use of pesticides & weedicides. We are committed to reduce and phase out chemicals that fall under the WHO 1A & 1B category when effective and suitable alternatives are available.
- We strive to maintain an open and dynamic approach towards continuous approach improvements in respect of High Conservation Values (HCV), High Carbon Stocks (HCS), GHG Emissions and FPIC and adhere to the following commitments and policies.

New Planting Procedure (NPP)

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

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

A successful implementation of the NPP ensures that all the indicators of the RSPO Principles and Criteria (P & C) 2013 Principle 7 are being implemented and therefore in compliance when the new development starts.

One of the outputs of the NPP is a report that proposes how and where new oil palm plantings should proceed, or not, for a given management area.

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



Part of our environmental objective is to conserve jungle reserves and wildlife sanctuaries.



*Tree frog (*Polypedates colletti*) are thought to be excellent "biological indicators" because they are susceptible to small changes in overall environment health. Monitoring changes in amphibian populations can therefore provide insight on habitat management requirements.*



The Bornean Orang Utan (*Pongo pygmaeus*).

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 management /jurisdiction of UP.

Zoological Society of London (ZSL)

UP participated in the ZSL’s Palm Oil Transparency Toolkit (SPOTT), designed to measure best practice on disclosure and Company Transparency. Whilst many indicators are linked to the RSPO Annual Communication of Progress (ACOP) process, the main aim is to benchmark and measure company best practise outside any certification standard including that of the RSPO. (For more info see www.zsl.org)

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. Todate more than 6,000 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.

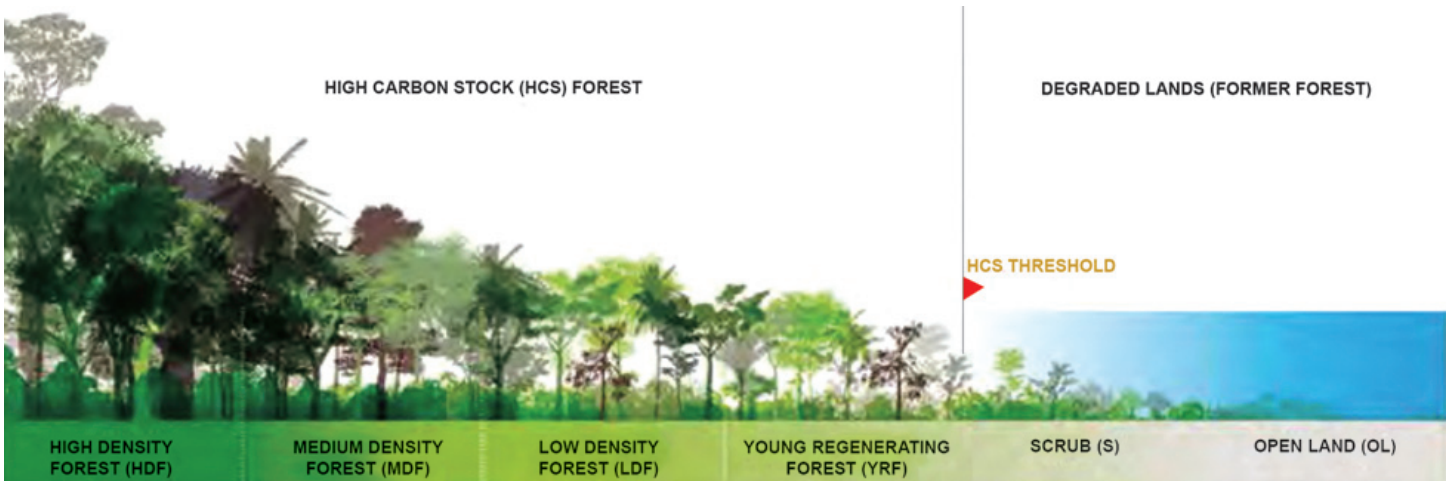
High Carbon Stock (HCS) Assessment

HCS assessments are a relatively new concept related to oil palm development. The HCS Approach was started in late 2010 by Golden Agri-Resources (GAR) and Green Peace during the development of GAR’s Forest Conservation Policy.

This included working through the challenges of defining “forests” and achieving conservation of these forests in the long-term.

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.

Apart from the HCS approach, the HCS+ methodology which is industry led, is a similar toolkit which differ from each other in certain areas. However, in November 2016 it was announced during the Annual RSPO



conference in Bangkok (RT14) that the NGO community and the non-NGO community and various HCS teams, after more than one year of intense work, had reached an agreement on convergence between the HCS approach and the HCS+ methodology. The convergence agreement means that moving forward, there will be one methodology for putting “No Deforestation” into practice.

UP’s HCS assessment and Plasma development plans

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

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

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

Daemeter Consulting completed the Land Use Change Analysis in November 2014 which quantified the emissions associated to UP’s

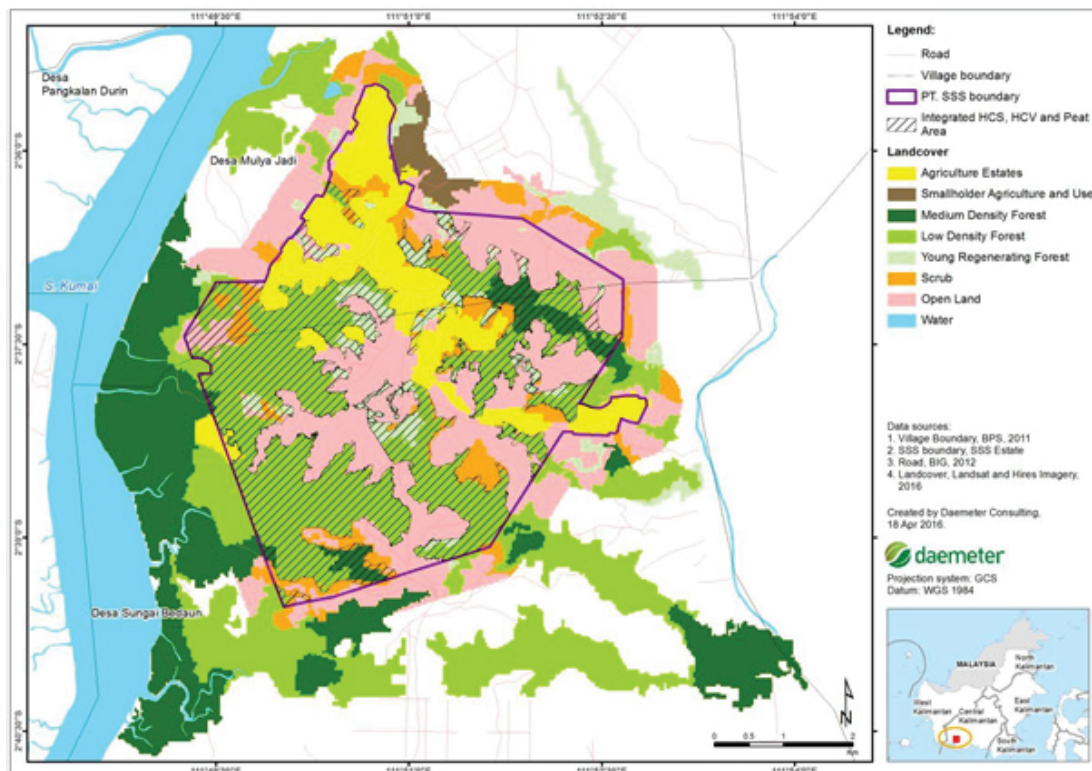
intended new Plasma plantings in the Kumai concession area.

The Forest Trust (TFT), an international organization helping transform supply chains for benefit of people and nature, has reviewed Daemeter’s Land Use Change Analysis and has provided recommendations for leveraging off the Land Use Change work to facilitate a full HCS study. This recommendation have been followed in the final HCS report.

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

The consolidated map below was prepared by Daemeter based on their final HCS report released in August 2016, indicating the concession area, the outcome of the HCS, HCV, FPIC and peat surveys, thereby incorporating social and environmental considerations in line with RSPO’s NPP guidelines. Daemeter’s assessment found that 40% of the concession area surveyed is recommended to be reserved from development because it is either considered HCS, HCV or located on peat soils.

This approach has ensured that UP is in full compliance to its No Deforestation Policy of July 2014.



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

Environmental concerns

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

NGOs and Palm Oil

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

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

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

Deforestation – How to balance Development & Conservation

UP has a clear commitment against deforestation as enshrined in several of our policies: 'No primary forest clearing policy (1990)', 'No HCV forest clearing policy (2005)' and 'High carbon stock assessment & land use change analysis for new plantings (2014)'.

Whilst a certain portion of oil palm cultivation, just like all other agriculture, is a result of land use change, it is incorrect to single out the oil palm industry as the lightning rod for the world's growing anger on global warming and deforestation.

This has been clearly described in a recent article by Professor Corley published in the "The Planter" magazine, Vol. 92 No 1086, September 2016. Quote: "In the 29 main countries where oil palm is grown 78 million hectares of forest were lost between 1990 and 2000, while oil palm plantations expanded by 3.9 million hectares (FAO, 2011).

Thus oil palm expansion can explain no more than 5 per cent of the loss in those countries. The rate



An aerial view of a nature reserve in the midst of our Indonesian operation.

of forest loss diminished between 2000 and 2010 (FAO, 2011), while oil palm expansion increased; 58 million hectares of forest were lost in the same 29 countries, while oil palm expanded by 6 million hectares. Worldwide, therefore, even if all oil palm expansion was at the expense of forest (which it was not—see first table below), it would still account for 10 percent of recent forest loss.

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

Globally, according to the Food & Agricultural Organization (FAO), 13 million hectares of forests are cleared every year. Between 1990 to 2012, more than 320 million hectares of forests were cleared and converted into other uses such as commercial ranching, agriculture, town expansion as well as infrastructural projects amongst others. Oil palm areas increased by approximately 10 million hectares in the same period accounting there by less than 3% of the deforested area in that period. Indeed, things should be put in perspective and acknowledgement given to the fact that palm oil is not the main cause of deforestation, but that ongoing initiative must be intensified to minimize the impact of not just agriculture but all activities but in one way or the other contribute to deforestation and global warming.

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

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

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

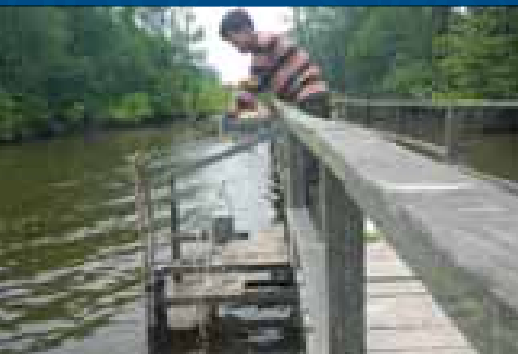
Source: *The Planter*, Vol. 92, No. 1086, September 2016

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

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

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

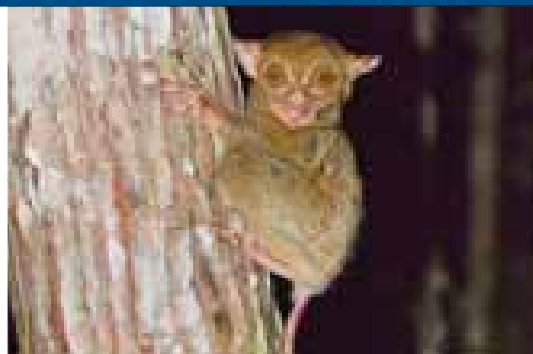
Source: *The Planter*, Vol. 92, No. 1086, September 2016



Water sampling.



Lesser Whistling-Duck (*Dendrocygna javanica*)



Bornean Tarsier (*Tarsius bancanus ssp. borneanus*)

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 6,000 hectares of land for conservation purpose representing approximately 10% of our total planted area in order to encourage biodiversity and wildlife on our estate. In Indonesia, UP has set approximately 30% 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

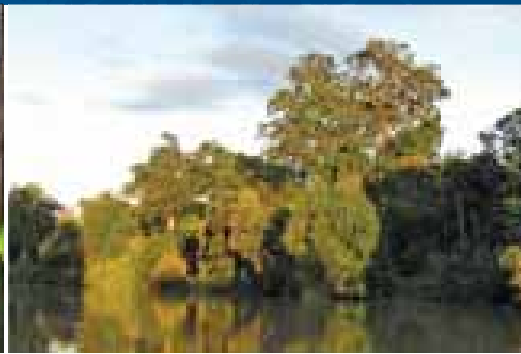
The completion of the BioD office took place in a very short period of time and this remarkable achievement is a testament to the hard work and commitment by all involved.

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 component 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 and essential topic specialists, such as a limnologist, a forester/botanist, zoologist, herpetologist and



Nursery.



Riparian reserve forest.



White-throated Kingfisher (*Halcyon smyrnensis*)

a database officer. These subject specialists are supported by two chief rangers and a number of ranger assistants, as well as a native tree nursery manager.

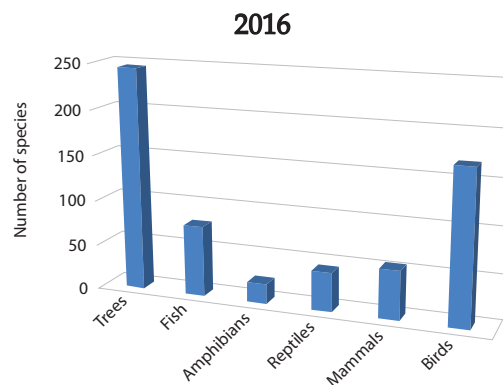
Biodiversity Department’s activities in 2016

Much progress has taken place since the official collaboration with Copenhagen Zoo was established in 2010. Dr. Carl Traeholt in the following pages has summed up the major activities of the BioD carried out in 2016.

Baseline biodiversity surveys

The BioD keeps monitoring the baseline biodiversity data. New species continue to be recorded and the number of species increased with 24% in 2016 when compared to the 2015 records. Most of these new species are trees,

primarily because the BioD forestry officer setup a 2ha permanent plot to increase the knowledge of tree composition. In addition, the 2ha permanent plot will be used to monitor carbon stock, by monitoring tree growth.



Species record at our Indonesian Operations



EXCOM in discussion on matters relating to biodiversity.



Sun bear (*Helarctos malayanus*)

Biodiversity in Kumai Estate

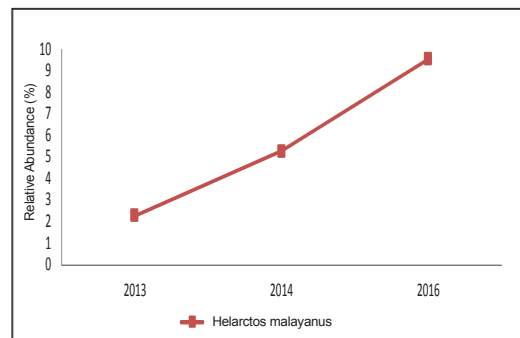
The new development in Kumai is still ongoing. As part of the development process, PTSSS is guided strictly by the RSPO P&C. The BioD plays an important role in providing support and advice to ensure that all levels of activities adhere to the RSPO P&C and to avoid costly mistakes from taking place.

The BioD provides the estate management with spatial data, so they can get a clear picture of which areas can be developed and which areas must be left as either High Conservation Value and/or High Carbon Stock areas. The development process is a dynamic set of activities, where the BioD liaises with land clearing teams on the ground to evaluate what is being done and how things can improve.

The results of maintaining HCV and other sensitive ecosystems as conservation areas are paying off in a biodiversity context. The conservation areas in Kumai estate is now home for many animals that have been displaced from adjacent habitats, cleared by small holders and irresponsible companies. The BioD continues to monitor biodiversity trends, to understand the

impact of plantation business on local habitats and ecosystems and as part of its obligation to manage endangered species populations. One indicator species is the Sun bear (*Helarctos malayanus*) and the BioD is happy to report that the records show an increase in the number of sun bears since 2013.

This, however, does not necessarily suggest that the resident population has increased through reproduction but could simply indicate immigration of displaced individuals from other areas that have been cleared. The BioD will continue to monitor and study the approx. 1,100 Ha conservation land in Kumai Estate and to what extent it has become a refuge for animals, such as the sun bear.



The increment of the Sun bear abundance in the Kumai conservation areas.



Sambar deer (*Cervus unicolor*).

Species survey in Kumai and Arut

A separate survey by Aksenta in 2014 also recorded at least 35 mammal species, 20 reptile species, 9 amphibian species and 90 bird species in the PT Surya Sawit Sejati Location Permit of Arut and Kumai which

form part of the overall biodiversity count in our Indonesian Operations. Key species of each category encountered in this survey and their status are as presented herebelow.

Mammal species recorded in and around PT Surya Sawit Sejati Location Permit of Arut and Kumai, including endemic species and species listed in IUCN Red List, CITES Appendix, or National Regulations

No.	Scientific Name	English Name	Status			
			Endemic	IUCN	CITES	NR
1	<i>Pongo pygmaeus</i>	Bornean Orangutan	E	CR	App. I	AB
2	<i>Hylobates albibarbis</i>	Bornean White-bearded Gibbon	E	EN	App. I	AB
3	<i>Tarsius bancanus</i>	Horsfield's Tarsier		VU	App. II	AB
4	<i>Presbytis rubicunda</i>	Maroon Leaf Monkey			App. II	AB
5	<i>Macaca nemestrina</i> *	Southern Pig-tailed Macaque		VU	App. II	
6	<i>Macaca fascicularis</i> *	Long-tailed Macaque			App. II	
7	<i>Prionailurus bengalensis</i>	Leopard Cat			App. II	AB
8	<i>Pardofelis marmorata</i>	Marbled Cat		VU	App. II	AB
9	<i>Helarctos malayanus</i>	Sun Bear		VU	App. I	AB
10	<i>Hemigalus derbyanus</i>	Banded Civet		VU		
11	<i>Aonyx cinerea</i> *	Asian Small-clawed Otter		VU	App. II	
12	<i>Manis javanica</i> *	Sunda Pangolin		CR	App. II	AB
13	<i>Sus barbatus</i>	Bearded Pig		VU		
14	<i>Cervus unicolor</i>	Sambar Deer		VU		AB
15	<i>Muntiacus muntjak</i>	Southern Red Muntjac				AB
16	<i>Tragulus javanicus</i>	Javan Mousedeer				AB
17	<i>Lariscus insignis</i>	Three-striped Ground Squirrel				AB
18	<i>Maxomys whiteheadi</i>	Whitehead's Sundaic		VU		
19	<i>Niviventer cremoriventer</i>	Sundaic Arboreal Niviventer		VU		
20	<i>Nycteris javanica</i>	Javan Slit-faced Bat		VU		
Total			2	1/2/11	3/8	12

Notes: E = Endemic to Borneo; IUCN (2012): CR = Critically Endangered, EN = Endangered, VU = Vulnerable; App. I = CITES Appendix I; App. II = CITES Appendix II; NR = National Regulations; A = Law no. 5 of 1990; B = Government Decree No. 07 of 1999. * = additional findings by Aksenta. **Source:** Aksenta field survey on May 2014.

Bird species recorded in and around PT Surya Sawit Sejati Location Permit of Arut and Kumai , including endemic species and species listed in IUCN Red List, CITES Appendix, or National Regulations.

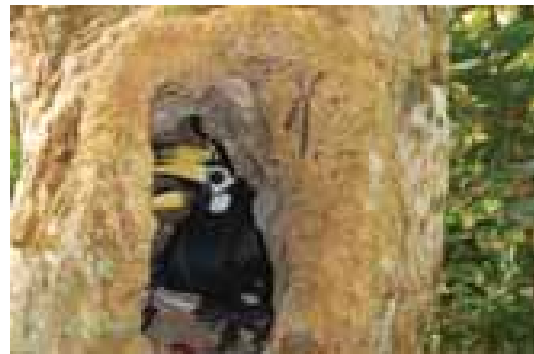
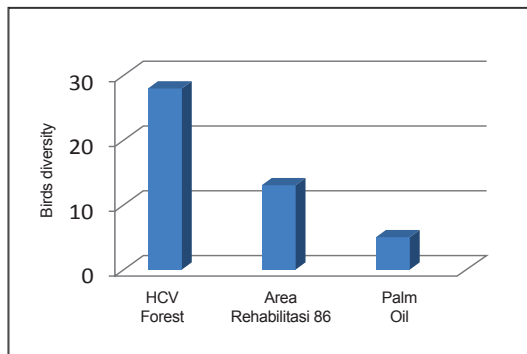
No.	Scientific Name	English Name	Status			
			Endemic	IUCN	CITES	NR
1	<i>Anhinga melanogaster</i> *	Oriental Darter				AB
2	<i>Leptoptilos javanicus</i> *	Lesser Adjutant		VU		AB
3	<i>Haliastur indus</i>	Brahminy Kite			App. II	AB
4	<i>Spizaetus cirrhatus</i> *	Changeable Hawk-Eagle			App. II	AB
5	<i>Elanus caeruleus</i> *	Black-winged Kite			App. II	AB
6	<i>Lophura erythrophthalma pyronota</i> *	Bornean Crestless Fireback	E	VU		
7	<i>Loriculus galgulus</i>	Blue-crowned Hanging Parrot			App. II	
8	<i>Psittacula longicauda</i>	Long-tailed Parakeet			App. II	
9	<i>Psittacula alexandri</i>	Red-breasted Parakeet			App. II	
10	<i>Alcedo meninting</i>	Blue-eared Kingfisher				AB
11	<i>Ceyx rufidorsa</i>	Rufous-backed Kingfisher				AB
12	<i>Pelargopsis capensis</i>	Stork-billed Kingfisher				AB
13	<i>Buceros rhinoceros</i> *	Rhinoceros Hornbill			App. II	AB
14	<i>Anthraceroceros malayanus</i>	Black Hornbill			App. II	AB
15	<i>Setornis criniger</i>	Hook-billed Bulbul		VU		
16	<i>Pityriasis gymnocephala</i>	Bornean Bristlehead	E			
17	<i>Rhipidura javanica</i>	Pied Fantail				AB
18	<i>Hypogramma hypogrammicum</i>	Purple-naped Sunbird				AB
19	<i>Anthreptes simplex</i>	Plain Sunbird				AB
20	<i>Arachnothera longirostra</i>	Little Spiderhunter				AB
21	<i>Mulleripicus pulverulentus</i>	Great Slaty Woodpecker		VU		
22	<i>Gracula religiosa</i>	Hill Myna			App. II	
23	<i>Lonchura fuscans</i>	Dusky Munia	E			
Total			3	4	9	14

Notes: E = Endemic to Borneo; IUCN (2012): EN = Endangered, VU = Vulnerable; App. I = CITES Appendix I; App. II = CITES Appendix II; NR = National Regulations; A = Law no. 5 of 1990; B = Government Decree no. 9 of 1999. * = additional findings by Aksenta. **Source:** Aksenta field survey on May 2014.

Reptile species recorded in and around PT Surya Sawit Sejati Location Permit of Arut and Kumai, including endemic species and species listed in IUCN Red List, CITES Appendix, or National Regulations.

No.	Scientific Name	English Name	Status			
			Endemic	IUCN	CITES	NR
1	<i>Heosemys grandis</i>	Giant Asian Pond Turtle		VU	App. II	
2	<i>Cuora amboinensis</i> *	Southeast Asian Box Turtle		VU	App. II	
3	<i>Siebenrockiella crassicollis</i>	Black Marsh Turtle		VU	App. II	
4	<i>Varanus salvator</i> *	Common Water Monitor			App. II	
5	<i>Python reticulatus</i> *	Reticulated Python			App. II	
6	<i>Naja sumatrana</i> *	Sumatran Cobra			App. II	
Total			0	3	6	0

Notes: E = Endemic to Borneo; IUCN (2012): EN = Endangered, VU = Vulnerable; App. I = CITES Appendix I; App. II = CITES Appendix II; NR = National Regulations; A = Law no. 5 of 1990; B = Government Decree no. 9 of 1999. * = additional findings by Aksenta. **Source:** Aksenta field survey on May 2014.



The understory bird's diversity on three types of habitat using the mist-netting method. After 4 years of rehabilitation in site "Area Rehabilitasi 86", there was higher bird diversity compared with oil palm fields.

Rehabilitation activities

All rehabilitation processes are designed to increase the value of biodiversity in the respective area of concern. Prior to developing a species replanting plan, the BioD collect base line data of plants and trees from adjacent intact areas, to get a better understanding of what was originally in place before the palm oil plantation was developed.

The understory bird community is a good measure of the relative biodiversity index that, in turn, will provide information about the relative return of biodiversity in a rehabilitation area. The more species, the more successful is the rehabilitation process. The BioD has monitored the understory bird community for

the past four years in Field 86, Lada Estate. This field was one of the first rehabilitation areas and is being used as a research plot as well. The BioD has undertaken mist netting of birds and the results reveal a solid increase in the bird diversity. Compared to an oil palm plantation (three bird species), the rehabilitation area is now home to more than 10 bird species. This is still significantly lower than in a natural habitat (35 species), but as the forest matures in the rehabilitation area, we are hopeful that the bird community will eventually return to the same level as natural habitat. This is indeed very good news as it indicates that the area is, so far, positively responding to the rehabilitation actions. The BioD will continue to monitor the site every year to understand the relative biodiversity recovery rate in such areas.



Water monitor lizard found commonly in the plantations.



Mr. Lahiru S. Wijedasa conducting his research.

Nurseries for native tree species

The habitat rehabilitation and enrichment activities continue at unabated speed where seeds and seedlings from jungle trees are collected and propagated in the Lada and Runtu nurseries.

These are currently also being used to supply seedlings to the new Kumai Estate, although a local Kumai nursery is planned.

Lada nursery currently has 21,077 seedlings, and Runtu nursery has 32,032 seedlings. These will be planted out after 2-3 years in the nursery. In 2016, the BioD forestry officer successfully collected and germinated *Anisoptera costata* seeds from the Dipterocarpaceae family. This is an important milestone, since it is listed as Endangered on the IUCN Red list.

The seeds were collected from trees in Kumai estate. BioD will continue to collect more seeds from Kumai, where preliminary assessments have revealed an interesting number of tree species.

A Visiting Researcher's Comments

During the year Mr Lahiru S. Wijedasa, and expert on Theoretical Ecology & Modelling Laboratory National University of Singapore visited PT SSS and wrote the following which is most interesting and pleasing:

"I was really impressed by what I saw. I learned quite a lot. I think the diversity within UP (PT SSS's conservation areas in Indonesia) is amazing and I would say there are more species and habitats within the plantation than the entire Singapore!

I counted 9 different forest types and nearly all of them (are) in really good condition. The kerangas forest in particular is the best I have ever seen, actually the first time I had ever seen pristine kerangas forest after 10 years working in different parts of the region.

The management of these areas is top notch and the research and team is top class!"

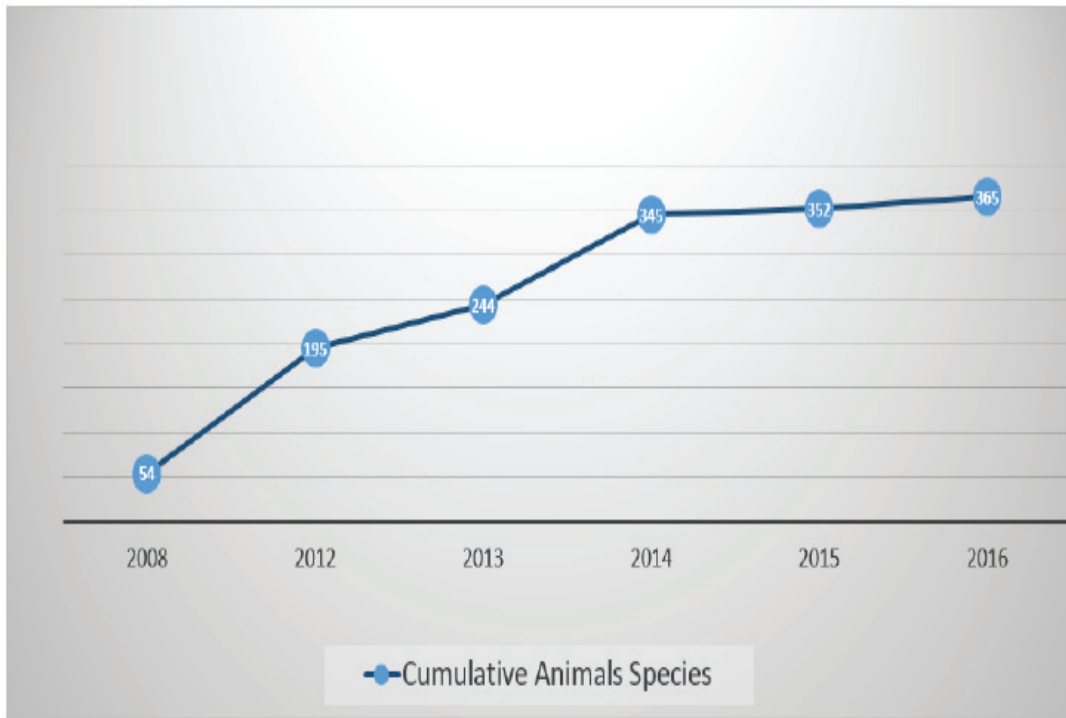
[Lahiru S. Wijedasa](#)

Theoretical Ecology & Modelling Laboratory
National University of Singapore



Seeds of Marsawa (*Anisoptera costata*), which is listed as an Endangered species based on the IUCN Red List, sprouting in Lada Nursery.

Species Record at PT SSS



Pictures depicting the high animal biodiversity in PTSSS, Kalimantan.

GIS Database-Protection and Monitoring

Monitoring and managing biodiversity resources requires a comprehensive knowledge of baseline ecological conditions before commencing on agricultural development.

The BioD Team has setup a comprehensive GIS-database with several hundred information layers (e.g. rivers/streams, topography, boundaries, channels, planted areas, soil composition, flow-direction, water sampling sites, conservation areas and many more).

The BioD GIS-database forms the backbone of all matters relating to stored information and data recording, analyses, monitoring biodiversity trends and ecological processes, research, patrolling and protection, RSPO environmental compliance, Indonesian environmental laws and legal disputes. This is by far, the most phenomenal component of the BioD, and it is made an active asset to the entire PTSSS-group, because important information is available in digitized format that can be accessed immediately.

The UP/PTSSS GIS-database is built up around ESRI's ArcGIS® software platform that is considered the world's most powerful GIS-software.



The software handles every type of data-input, from NASA's high resolution satellite images, to general orangutan observation way-points. Built into the BioD GIS-database is the Spatial Monitoring and Reporting Tool (SMART) that was developed by a conglomerate of international conservation agencies. The SMART system is the world's preferred, most comprehensive and user-friendly conservation monitoring system. The added advantage of using SMART is its statistical power that allows the BioD to compile and develop trend-lines and other forms of analyses pertaining to managing and protecting conservation areas and species.

Research and conservation

The BioD has initiated a range of research and education programmes, of which some of these are ground breaking initiatives. The team is studying the role of leopard cats, *Prionailurus bengalensis*, as rat-predator in UP/PTSSS' plantations. The BioD has also embarked on a first of its kind of study on the ecology of the world's largest venomous snake, the king cobra, *Ophiophagus hanna*, as well as the Sumatran black spitting cobra (*Naja sumatrana*), in a palm oil plantation.



Dr. Rom Whitaker handling a Sumatran black spitting cobra (*Naja sumatrana*).



BioD team implanting radio transmitters to study the ranging behaviour of cobras.

Cobras in a palm oil landscape

In 2015, the BioD with help from a team of cobra experts managed to capture and implant radio-transmitters in two Sumatran black spitting cobras (*Naja sumatrana*) and two king cobras (*Ophiophagus hannah*). These snakes were tracked and studied for months afterwards. However, both black cobras were tracked down and eaten by a king cobra within three months of release. The king cobras were tracked over several months after which they disappeared out of signal range.

In October, 2016, the BioD again had the opportunity to work together Dr. Rom Whitaker, Miss Janaki Lenin and Dr. Matt Goode. Together, they captured two Sumatran black spitting cobras and three king cobras and, under the supervision of Dr. Matt Goode, implanted radio-transmitters in all individuals, before they were released. All snakes are still being tracked.

Preliminary data reveal that the king cobra home-ranges are 25 times larger than Sumatran black spitting cobras. King Cobras moved 14.2 km over a 100-day period, a very extensive dispersal range for a reptile. The mean home

range (95% MCP) size of Sumatran black spitting cobras was 0.06km² (S.E. = 0.04 km²). Snakes constitute the main prey of King cobras, including Sumatran black spitting cobras. In contrast to the king cobra's extensive dispersal pattern that includes villages, riparian zones and other types of adjacent habitat, the Sumatran black spitting cobras all remained within the plantation and predated almost entirely on rats.

Our preliminary data on king cobras' habitat use suggest that it is important to maintain relatively intact native habitat within and adjacent to palm oil plantations.

In the future, our goal is to use what we learn from intensive radio telemetry on these snakes to guide us in determining the size and configuration of protected areas needed to sustain reptile diversity in areas where the demand for agricultural lands is high.

The list of activities and accomplishments continues, with many not highlighted here. However, every activity has shared a common factor: none would have happened without the support from the rest of the PT SSS management



Monitoring of radio tagged animals.

team and staff. In addition, several Indonesian student volunteers have assisted with everything, including monitoring radio-tagged snakes and collared leopard cats. In many cases, these activities required permanent night shifts, tracking leopard cats from 8pm to 5am, or putting up a tent next to a digesting king cobra to measure micro-climate in nest sites from 8pm to 5am.

Integrating environmental concerns into standard operation practices is more far reaching than developing a BioD. It entails a new way of thinking and introduces a new definition of good agricultural practices.

Ultimately, the formation of the Biodiversity team to facilitate and promote integration and mainstreaming of environmental concerns into standard operational practices reflects the company's commitment to the overall goal of producing quality palm oil using methods that are socially responsible and environmentally sustainable.

In conclusion, I can confidently declare that the six years of collaboration have been a wonderful success and a testament to what can be achieved by working together, as long as the commitment and dedication remains intact and the spirit positive.

On behalf of Copenhagen Zoo, I would like to thank the management at PT SSS for their support; to UP's EXCOM for their unwavering support and dedication through thick and thin; and to the BioD team at PTSSS that has grown, and continue to grow, with each emerging challenge. They have done a marvellous job.

Dr Carl Traeholt

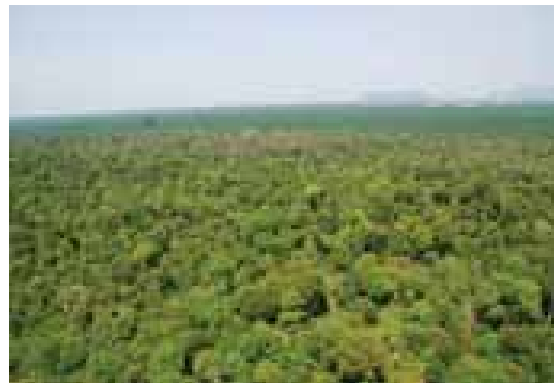
UP Group Chief Environmental Advisor



Three day old baby Sumatran cobra. The baby cobra was released at the same spot where the clutch was found at the first time.



A majestic Changeable Hawk-Eagle
(*Spizaetus cirrhatus*).



Reserves and parks established at our UIE Estates, namely (top left) the Main Office Parks, the Sg Anak Macang Riparian Reserve, (bottom left) the Kingham-Cooper Tree Species Reserve and the Bek-Nielsen Sanctuary.

Tree Reserves

2016 has mainly been a year of consolidation, care and maintenance at the existing park areas:

The Lagoon (Kingham-Cooper) Tree Species Reserve, the Main Office Parks, the Sg Anak Macang Riparian Reserve and the Bek-Nielsen Sanctuary.

Most of the focus for additional trees planted was carried out along the length of the Sg Macang Riparian zone (southern river and boundary of UIE). A further 500 trees were planted along this stretch, many from our own nursery, and also from external suppliers (from PENAWAR HUTAN/James Kingham) who have been the main provider of rare and endangered species such as the 'Dipterocarpaceae Family' and the locally named Meranti species, valued for its timber hardwood.

To date, some 16,000 trees have been planted, covering a wide range of 265 species from 60

family groups, thus providing a good basis for biodiversity (with the objective of 70% as Food Chain species which attract birds and small mammals, and 30% as tall forest species) which have become threatened due to their valuable timber/hardwood use, and thereby achieving a good balance of the tree species established across the years.

We aim to continue enriching and intensifying the number of trees in UIE/UP, with a wider range of species in the years ahead and to create a unique collection of trees for seed supply and future establishment into further suitable estate reserves.

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

Geoffrey Cooper
Group Manager UIE Estates



Seedlings of native jungle tree species being propagated at the UIE tree nursery.

The Story of 'A Little Hill'

When UIE was established in 1986, a small hill ('Bukit kichil' in Malay) was found in the midst of the property. Of the entire 20.8 Ha site, around 10ha was owned by two local businessmen who had planted part of the area with local fruit trees. The rest of the site was initially used as a quarry for road building materials. In 2006 and then in 2011, UIE separately purchased these two

parcels of land from the two owners and set aside the hill for conservation, naming it the 'Bukit Kichil Forest Reserve'. Since then some local fruit trees such as *Durio sp* and *Artocarpus sp* have been planted on the site in addition to allowing the forest to regenerate. Further enrichment with local jungle tree species from our forest tree nursery is being undertaken to add to the biodiversity here.



An aerial view of Bukit Kichil Forest Reserve surrounded by newly planted oil palm on the UIE Estate.

7. GHG Emissions, Discharges & Waste Management

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

United Plantations' Carbon Footprint Initiatives

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

Life Cycle Assessment (LCA)

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

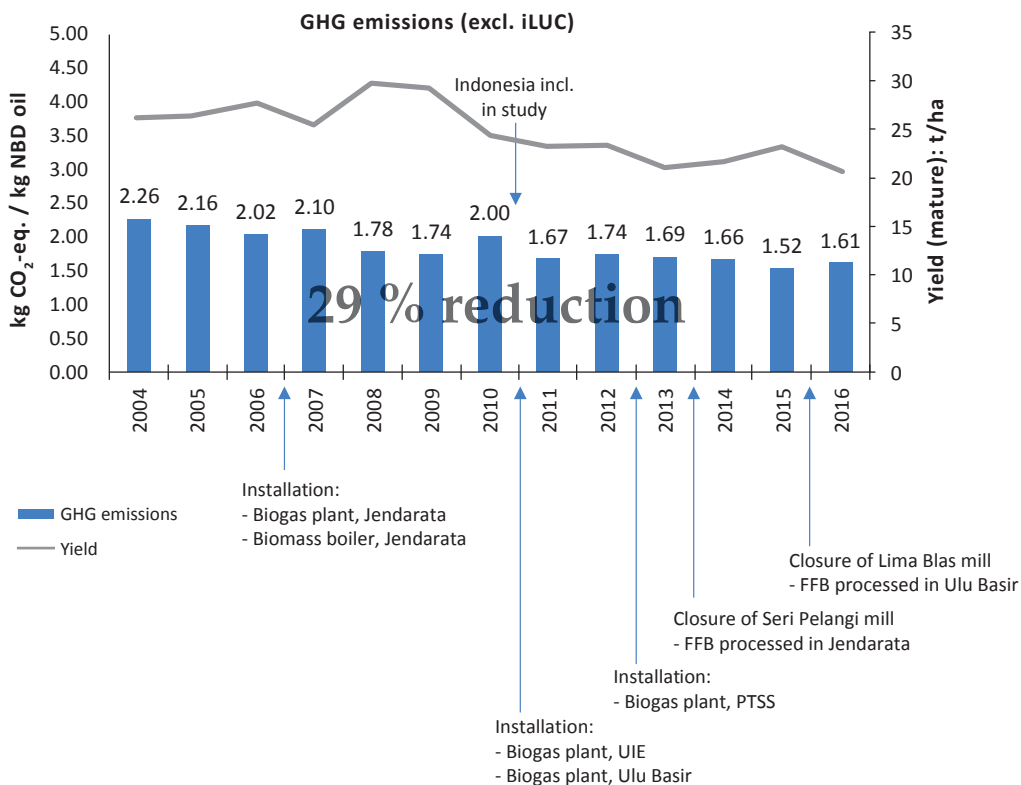
For example, the world's first comprehensive LCA in accordance with ISO 14040 and 14044 International Standards on palm oil was finalized in 2008 and subsequently underwent a critical panel review.

Further updates to this LCA were carried out by 2.0-LCA Consultants from Aalborg, Denmark from February 2011 to May 2011 and again in 2012. An updated LCA study of palm oil at UP was undertaken by Dr. Jannick Schmidt of 2.0LCA Consultants, Aalborg, Denmark during the period January to February 2017 and builds on top of earlier studies providing management with a detailed and clear overview of the development in the Company's efforts to reduce its carbon footprint over the last decade.

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

Clean Development Mechanism (CDM)

United Plantations has a total of 4 CDM projects which have been registered under UNIFCCC. Combined, these projects have reduced the annual emission of GHG by a minimum 125,000MT of CO₂ (eq) thus enabling our Group to



Time-series for NBD palm oil at United Plantations Berhad (without iLUC) for year 2004-2016.

meet our target of reducing our "Carbon Footprint" per MT of refined palm oil produced by 29% already in 2016 when compared to pre-2005 levels. If one were to include the impacts of indirect land use change (iLUC) the UP Group's carbon footprint would have declined by 38% in 2016 compared to pre-2015 levels.

The effect of this work is illustrated by tracking the carbon footprint for the Company's production of palm oil each year from 2004 to 2016 and is summarised in the graph on page 104.

Good progress has been made over the years in reducing our impact on global warming (excluding iLUC) to 1.61kg CO₂-eq for every 1kg of refined palm oil produced in 2016.

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

The major contributors to GHG emissions is methane (CH₄) derived from the waste water, from the milling stage, which is sent to the anaerobic ponds. If iLUC is included, the total contribution of GHG emissions is 2.06kg CO₂ eq per kg of refined palm oil. Hence iLUC is a significant contributor to GHG emissions.

However, when taking into account the positive mitigating effects of including the Group's 6,000Ha of nature reserves set aside on UP's entire production will be considerably lower.

In conclusion, the UP Group has through awareness, investments and commitments managed to reduce its GHG emissions by 29% (without iLUC), 20% (with iLUC) per kg of refined oil produced from 2004 to 2016.

Target 2018

With more initiatives and further investment between 2016-2018, we anticipate reducing UP's "Carbon Footprint" per MT of refined palm oil produced by 50% in 2018 when compared previous 2004 levels.

Emissions Reductions & Biogas Plants

Since 2004, significant investments have been made in promoting green energy starting with the Biomass Reciprocating Boiler cum Power Plant and constructing four Biogas Plants. These projects combined have since helped to significantly reduce our emissions of CO₂ by 70% and CH₄ by 80% at the respective operating units.



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



An aerial view of the main office complex and state-of-the-art palm oil mill at PT SSS Kalimantan.

Indonesian Palm Oil Mill and Biogas Plant

To further reaffirm our commitment towards reducing our GHG emissions, our 4th Biogas Plant, the first of its kind in Central Kalimantan was commissioned in June 2013 at our Company's Palm Oil Mill in Indonesia.

The fifth and final biogas plant is scheduled to be established in 2017 which would result in all our mills having methane capture facilities in the form of Biogas plants which will be a most gratifying achievement.

United Plantations Biogas To Grid Project

Since the UIE biogas plant began operation in 2010, the biogas generated at the mill was either flared or used as a substitute fuel in the mill boiler.

In order to further improve our carbon footprint and to better utilise this resource, a Power

Purchase Agreement was signed in December 2015 between TNB and UP, whereby UIE has been given the right to generate electricity at 11kV for 1.19MW and TNB as the distribution licensee will purchase electricity from UIE.

In this connection, the biogas generated from the biogas plant (capacity 600m³/day) is scrubbed to remove the hydrogen sulphide and then used as fuel to generate electricity via a newly installed 1.2MW Biogas Engine, minimising the need for the closed flaring operation and utilising the biogas to offset fossil fuel consumption in generating electricity.

The final approval from the Energy Commission was obtained in October 2016, the electrical protection system was commissioned on 10th November 2016 and supply to the grid commenced in November 2016.



External building view and the Biogas Engine Room supplying electricity to the TNB power grid.

Isokinetic Monitoring of Gaseous Emissions from the Palm Oil Mills

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 2016. The average dust concentration in the flue gases of three palm

oil mills in UP’s Malaysian Operations and the Indonesian mill without the VORSEP System were as tabulated. In all cases the average dust concentrations were below the limit of 0.4g/Nm³ set by the Department of Environment as per the Environment Quality Act, 1978 in Malaysia and the 0.3g/Nm³ set by the Peraturan Menteri Negara Lingkungan Hidup No. 07 Tahun 2007 in Indonesia.

Palm Oil Mill	Average Dust Concentration (g/Nm ³)
Jendarata Stack 5	0.3013
Ulu Bernam Boiler 2 & 3	0.1345
UIE Stack 1 & 2	0.1283
Lada Boiler 1 & 2	0.0428

VORSEP Dust Collector System at Ulu Basir 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. The unit was commissioned in the beginning of June 2015. This unit was installed primarily to meet the DOE’s Environmental Quality Act (Clean Air Regulation) 2014 among others requires a cleaner emission standard from the boiler with the following conditions: -

- i) The dust concentration emitted from the stack should not be more than 150mg/Nm³

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

The VORSEP unit is a dry, low maintenance dust collector system and is made up of the battery of axial flow vortex tubes, with two stages and integrated scavenging (or fine dust extraction) system. The dust is collected in hoppers and discharged into a screw conveyor via motorized double flap valves (airlocks).

The system has been tested by third party testers in May and December 2016 with all tests showing results below 150mg/Nm³ @ 12% CO² as tabulated below.

Date	Emission (mg/Nm ³ , @ 12% CO ²)
May 2016	0.132
December 2016	0.116

It is planned that another two of our palm oil mills as well as our new Optimill will be fitted with the VORSEP units by 2018.

Production and Level of Utilisation of Oil Palm Biomass Residues in UP in 2016

(Dry Matter Basis-Malaysian Operations)

Biomass	Quantity Produced (MT)	Quantity Utilised (MT)	% Utilisation	Method of Utilisation
Trunks and fronds at replanting	234,033	234,033	100	Mulch
Pruned fronds	294,546	294,546	100	Mulch
Spent male flowers	28,322	28,322	100	Organic matter recycled on land
Fibre	57,111	57,111	100	Fuel & mulch in nursery
Shell	30,970	30,970	100	Fuel & mulch for polybag seedlings
POME	20,331	19,314	95	Biogas generation, nutrient source, field irrigation and base for organic fertiliser production
EFB	62,919	60,411	96	Mulch and Fuel
Total	728,232	724,707	-	-
Level of utilisation =99.5%				

In 2016, a total of 728,232MT of biomass residues were generated through the various field and mill activities of the Company's Malaysian operations. From these, 724,707 MT or 99.5% of the total, were effectively utilised with most of the residues recycled as organic matter back to the fields, in the form of organic mulch in the nursery or as fuel source, thereby enriching our

soils and displacing the use of fossil fuels whilst adding value to the biomass generated.

To enhance biomass utilisation, plans are underway for the construction of another two units of Biomass Reciprocating Boiler at our Jendarata and UIE palm oil mills, to be completed by 2018.

(Dry Matter Basis-Indonesian Operations)

Biomass	Quantity Produced (MT)	Quantity Utilised (MT)	% Utilisation	Method of Utilisation
Trunks and fronds at replanting	-	-	-	-
Pruned fronds	87,356	87,356	100	Mulch
Spent male flowers	8,400	8,400	100	Organic matter recycled on land
Fibre	18,701	18,701	100	Fuel & mulch in nursery
Shell	13,043	13,043	100	Fuel & mulch for polybag seedlings
POME	6,007	5,767	96	Biogas generation, nutrient source and field irrigation
EFB	22,657	21,799	96	Mulch and Fuel
Total	156,164	155,066	-	-
Level of utilisation =99.3%				

From our Indonesian operations the biomass generated amounted to 156,164 MT of dry matter. Even though the quantum is lesser than what is generated in Malaysia, a very high

proportion of these biomass (155,066 MT or 99.3%) has been utilised through recycling in the field and as an energy source.

Fertilizer Equivalent and Monetary Value of Oil Palm Biomass Residues Recycled on Land in UP in 2016

(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	234,033	2,925	983	3,764	1,794
Pruned fronds	Mulch	294,546	6,640	2,160	5,616	3,676
Spent male flowers	Organic Matter	28,322	911	603	1,676	870
EFB	Mulch	48,657	846	357	2,352	541
Digested POME	Biogas generation & Irrigation	19,314	672	425	1,056	773
Total (MT)		624,872	11,994	4,528	14,464	7,654
Monetary value (RM)			14,273,738	1,684,389	18,585,400	4,048,655
Total monetary value RM 38,592,182						

(Indonesian 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	-	-	-	-	-
Pruned fronds	Mulch	87,356	1,969	641	1,666	1,090
Spent male flowers	Organic Matter	8,400	270	179	497	258
EFB	Mulch	21,799	379	160	1,054	242
Digested POME	Biogas generation & Irrigation	5,767	201	127	315	231
Total (MT)		123,322	2,819	1,107	3,532	1,821
Monetary value (RM)			4,293,067	652,941	5,635,679	1,564,040
Total monetary value RM 12,145,727						

With a strong emphasis on sustainability and good agricultural practices, the recycling of field and mill biomass residues back to the oil palm land remains a cornerstone of UP's focus. These measures have been shown to maintain and even improve soil fertility in the long term and benefit palm growth and oil yield. In 2016, the total organic matter recycled on land in UP's Malaysian operations amounted to 624,872 MT of organic matter, which is equivalent to 249,949 MT of carbon. At this rate, we are returning 18 MT of organic matter or 7 MT of carbon to each hectare, over the period of a year, thereby helping to replenish the soil carbon stock which is an important component of soil health.

Upon mineralisation, the organic residues release substantial quantities of previously

locked plant nutrients to the soil which is available for palm uptake. The fertiliser equivalent of the material recycled on land is of the order of 38,832 MT of NPKMg fertiliser which in itself is worth a very substantial RM38.59 million at the prevailing 2016 fertiliser prices.

For our Indonesian operations, a total of 123,322 MT of biomass was recycled onto plantation land. This exercise is equivalent to adding 49,328 MT of organic carbon to enrich the land which on a hectare basis is akin to returning 15 MT of organic matter or 6 MT of organic carbon to the land. The nutrient content in these recycled biomass is equivalent to 9,279 MT of inorganic NPKMg fertilisers, which in Indonesia will have a worth equivalent to RM 12.14 million.



On-site inspection of the construction works at the Boiler House by the Chief Executive Director, the Chief Engineer and the Group Engineer.

New Palm Oil Mill (Optimill) Project

Changes in technology combined with the desire to drive efficiencies to higher levels has over the last 2 years resulted in a changing landscape, now also being pursued within UP's palm oil mills. From 6 palm oil mills in Malaysia processing the Malaysian estates fresh fruit bunches the Company is now in the final stages of realising its strategy of reducing the total number of palm

oil mills in Malaysia from 6 to 4 and at the same time maximising the generation of renewable energy. With the completion of the new Optimill before the end of 2017 all of United Plantations 4 processing centres (including the mill in Indonesia) will be equipped with Biogas Plants thereby closing the loop and mitigating green house gas emissions considerably.



Installation of rail tracks in the marshalling yard.



The safety superintendent, Mr. Kalai during his daily inspections at the Optimill construction site.



The construction of the in-house designed 60 tonne per hour Optimill which upon commissioning will not only stand out aesthetically but just as importantly become an example of fulfilling the “circular economy”.



Aerial view of the construction progress made at the Optimill in Ulu Bernam.

UP's Light Rail Transport System

With its 530km of narrow gauge railway network, United Plantations has a unique system of transporting fresh fruit bunches from the field to the mill. An in-house fabricated 90hp diesel locomotive can efficiently transport up to 180 tonnes of crop in a single trip, compared to an average 6 tonne payload capacity when using trucks or tractor-trailers. This superior efficiency offered substantial fossil fuel savings together with the attendant mitigation of GHG emissions, an important advantage in the current concern with climate change.

It has been estimated that an estate could ferry an annual crop of 180,000 tonnes fresh fruit bunches a year with a fleet of 6 locomotives. In contrast, to transport the same crop would require a total of 30,000 truckloads which often require multiple handlings resulting in greater bruising of the crop. On the other hand, sending crop through the light rail transport system enabled minimal handling of the fruit bunches which ensures high CPO quality with low FFA content.

In our quest for continuous improvement, a major refurbishment programme was undertaken from 2005 to replace the existing

timber sleepers with steel sleepers which are more durable and also alleviates the pressure to source for tropical timber sleepers.

'And what a good story it was, as I discovered later during my tours of the plantations, witnessing the sheer scale, distance, capacity and efficiency of the rail systems and the skill and expertise in the engineering workshops. Watching the FFB being cut, transported and processed in just a few hours, ensuring maximum yield of top quality palm oil was impressive. The processing mills burning their own waste, so providing power and steam to run the mill itself - in what is nearly a perpetual motion system is amazing.'

Norman Drake

The above was an extract of a letter from Mr. Norman Drake, a railway enthusiast from Perth, western Australia who visited United Plantations a few times in order to see our railway system in operation. The result of his visits was a special article on United Plantations railway system featured in the special 215th issue of the "Narrow Gauge magazine", published by the Narrow-Gauge Railway Society (NGRS)



Harvested crop being transported quickly and efficiently to the mill.

8. Sustainable Agricultural Practices

Conducting our operations under the best principles of agriculture, that is to reduce chemical and pesticides usage compatible with the natural environment

Water Footprint

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 food and nutrients to the various organs.

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.



Reservoir at Jendarata.

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.

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 these crops ranges from 120-150 mm per month. To meet 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 the first quarter of 2014. Weirs have been constructed across the collections 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.



Drip irrigation system.



Monitoring water quality.

The Biodiversity team has developed a “Hydrology map” and identified a number of permanent sites for sampling water quality. Using state-of-the-art equipment, the team measures and records organic, inorganic and physical pollution parameters in the field.

Potential trace elements and toxins are measured with a spectrophotometer in the laboratory. In the event of a sudden deterioration in water quality, the team will identify the source of pollution and initiate a process to rectify the problem.

This includes identifying any unusual organic contamination, usually due to empty fruit bunches that mistakenly have 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.

Per Capita Domestic Water Consumption Per Day (Malaysian Operations)

	2016	2015	2014	2013
Malaysian operations (gallons)	61	80	81	85

Moisture Conservation on Fragile Soils

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 (FeS_2) 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 these 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.



Wooden weirs are important tools to regulate the height of the water tables in the fields.

The weirs are made of wood, concrete or they can simply be sandbags. The concrete structures are either built on site or they are precast and placed into position.

To regulate the height of the water table, wooden planks are slotted into the desired level. Except for periodic flushing of acidic water during the rainy seasons, the blocks are maintained at the predetermined level at all times.

The density of weirs varies with the soil type, slope, rainfall and cropping system. On the average, one weir is provided for every 40 to 60 hectares or every 600-1,000m along the collection drain.

Assisted by the water gates at the discharge ends of the main drains, the weirs are very effective in minimizing the adverse effects of the moisture stress.

Monitoring of meteorological parameters

A dozen weather stations have been setup at strategically important locations in PTSSS. 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.

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



Water tanks are supplied for harvesting rain water.

Rain Harvesting

As part of our effort to conserve water resources and minimise wastages we have embarked on a programme to fit workers' housing with tanks to store harvested rain water which is especially beneficial during periods of prolonged dry weather.

Mill Water Consumption Rate

Water consumption rate in our Indonesian operation has improved over the recent years whereas the mill water consumption rate in our Malaysian operations has been showing a slight increase over the recent years.

This is due to poor source water quality and mills raising steam for affiliated facilities such as our refinery in addition to processing the mill's crop. Water use efficiency is being monitored and is expected to improve from 2017 onwards with the phasing out of the older mill and the commissioning of the new Optimill.

Mill water consumption rate in processing fresh fruit bunches (MT water/MT FFB processed)

	2016	2015	2014	2013
Malaysia	1.7	1.9	1.7	1.6
Indonesia	1.3	1.5	1.6	2.1



A bee visiting a Tunera bloom.

Minimising Pesticide Usage

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 affordably 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

United Plantations Palm Oil (Malaysian Operations)				Soybean	Sunflower	Rapeseed
	2016	2015	2014			
Pesticides / Herbicides (kg per MT oil)	0.83	0.91	0.93	29	28	3.73

*The 2016 pesticide/herbicides usage figure has improved compared to the two previous years as a consequence of innovative herbicide practices and drier weather which slowed weed regeneration.



Chemical store in a secure environment.

major oil seed crops, primarily through Good Agricultural Practices and improvement in planting materials. Today, UP's use of pesticide is 4-5 times lower per tonne of oil produced compared to Rapeseed farmers and about 36-40 times lower compared to Soybean farmers.

Over the last many years, UP has been working towards minimizing the use of pesticides through implementing the following key components of IPM:

Establishing Beneficial Flowering Plants

To date a total of 134,766 and 66,386 beneficial broadleaf flowering plants have been planted in our Malaysian and Indonesian plantations respectively, encouraging parasite and predator activities which is a vital part of our IPM programme. This represents a steady increase in the number of beneficial plants planted over the last 5 years. However due to replanting activities in most of the estates as well as the loss of beneficial plants to flood, plants numbers could suffer in the short term although the numbers are expected to further rise in the coming years.

	Malaysia	Indonesia
<i>Cassia cobanensis</i>	- 34,982 planted	- 10,482 planted
<i>Tunera subulata/ulmifolia</i>	- 80,877 planted	- 55,343 planted
<i>Antignon leptosus</i>	- 8,892 planted	- 60 planted
<i>Carambola sp</i>	- 2,353 planted	-
<i>Others</i>	- 7,662 planted	- 500 planted
Total	134,766 planted	66,386 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

United Plantations Palm Oil (Indonesian Operations)				Soybean	Sunflower	Rapeseed
	2016	2015	2014			
Pesticides / Herbicides (kg per MT oil)	0.18	0.17	0.46	29	28	3.73

Pesticide/herbicides usage in the Indonesian operation are much lower than in Malaysia and has been falling since 2014.



Rhinoceros beetle grubs thriving on rotting organic matter.

only carried out when the damage exceeds established critical thresholds. Several census gangs are deployed on each estate to survey the extent of pest infestation. This is coupled with regular aerial reconnaissance in order to track and pre-empt pest build-up thereby more effectively treating potential outbreaks.

Use of biological pesticides and pheromones

First line treatment against leaf pests i.e. Nettle Caterpillar and Bagworm is by biological treatment in the form of *Bacillus thuringiensis*. The use of pheromones to trap Rhinoceros Beetles thus reducing the dependency on chemical pesticides is also adopted on all estates.

Pheromone traps also provide management with statistical information of the severity of the beetle problem and only if many beetles are caught in the buckets, thus necessitating chemical spraying rather than prophylactic spraying to reduce beetle damage.



A rhinoceros beetle adult attracted to an oil palm seedling

Overpopulation of rats, beetles and various kinds of weeds can have profound negative impact on production and yield. UP Group attempts to minimize the usage of chemical control-agents where possible, and the BioD undertakes a number of research projects to maximise the usage of biological control agents where possible. For example, leopard cat (*Prionailurus bengalensis*) is one of the key-predators of rats and other small rodents, and preliminary studies on the effect of these cats as rat-controllers in a plantation landscape is ongoing.

The results have been very promising, and UP's biodiversity team is currently exploring ways to enrich the habitat conditions for leopard cats, to maximise the population density and thereby reduce the effect of rat damage. Apart from leopard cats, the team also records ecological parameters along with the effect on rat populations of other predators such as barn owls (*Tyto alba*), Spitting cobra (*Naja sumatrana*) and water monitor lizards (*Varanus v. salvator*).



Pheromone trap is used to control rhinoceros beetle population in the fields.

The following pages provide an overview of some of the methods to reduce pesticide usage as well as ongoing research within our biodiversity team and UPRD:

5-Step Integrated Pest Management Programme approach taken to contain and/or control Bagworm outbreak thus limiting the usage of monocrotophos:

1) *Integrated Pest Management*

E.g. planting of beneficial plants to enhance the natural parasitic and predator activities against bagworm. To date more than 201,152 beneficial broadleaf flowering plants have been planted in both Malaysia and Indonesia.

2) *On-going Monitoring*

Census gangs deployed on each estate who take random frond samples in a pre-determined pattern throughout each estate. These fronds are subjected to insect counts and damage assessments by trained personnel.

3) *Aerial Surveillance*

Regular aerial reconnaissance is carried out to better detect, pre-empt and treat potential outbreaks.

4) *Use of biological control agents*

E.g. Bacillus thuringiensis as the first line of treatment against an outbreak.

5) *Final Resort*

As a final resort and only when Steps 1 to 4 have proven to be futile in containing or controlling the natural equilibrium between pest and beneficial predator, our trained personnel intervenes with the specific treatment of trunk injection using monocrotophos.

Mowing of Harvesters' Paths

Blanket weeding is discouraged, soft weeds with shallow root system which do not grow to excessive heights are encouraged outside the weeded palm circle. Harvesters' paths are mowed. This practice maintains a flora which is favourable to natural enemies of crop pests and reduces soil loss.

Use of Safer Class 3 & 4 pesticides wherever possible

In line with the RSPO's continuous improvements initiative the Company's Group Sustainability Committee monitors and reviews the pesticide usage, exploring avenues to reduce overall pesticide usage as well as evaluating alternative safer pesticides. In this context, UP has since February 2008 been working towards minimizing the usage of Paraquat, which has been documented in the annual RSPO Surveillance Audits. In May 2010, Management took the decision to voluntarily phase out the usage of Paraquat, a goal which was realized with effect from October 2010.



Palms defoliated by bagworm outbreak.

Monocrotophos

Monocrotophos is a class 1B insecticide which is permitted in Malaysia for trunk injection of palms affected by bagworm. Foliar application usage was banned by the Malaysian Government in 1996. Efforts to source and evaluate alternatives for the Class 1B insecticide, monocrotophos, have been ongoing since 2006 and are still being pursued together with several multinational chemical companies, amongst others Bayer and BASF (Germany), Syngenta (Switzerland), Cheminova (Denmark) and Sumitomo (Japan).

So far, we have not been able to meet our internal goals of phasing out monocrotophos as the agrochemical industry has not been able to identify an effective and suitable alternative that is able to effectively control bagworm. This conclusion is shared by all the leading multinational chemical producers present in Malaysia.

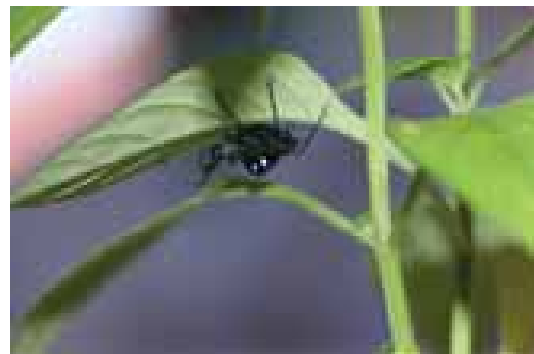
Monocrotophos will therefore still be used in very limited quantities for trunk injection only and solely as a last resort in the company's 5-Step Integrated Pest Management Programme when all other attempts to contain or control a bagworm outbreak



Trunk injection of insecticides as a last resort.



An employee tending to beneficial insects raised in the insectary.



Sycanus being cultured in the insectary lab.

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

During 2016, combined monocrotophos and metamidophos usage was significantly higher than the previous years due to extensive bagworm outbreaks although the Company has successfully reduced its use of monocrotophos as an active ingredient basis by approximately 40-50% for most years 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 are being made to rear and propagate a number of predator species in a purpose-built insectary since 2012.

The eventual benefit of this endeavour may be 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 collaborated 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.

Agrochemical and Energy Inputs in the Cultivation of Oil Palm and Other Oilseed Crops

Input	Per tonne oil basis					
	Oil Palm*			Soybean**	Sunflower**	Rapeseed**
	2016	2015	2014			
Fertiliser nutrients						
Nitrogen (N-kg)	20	19	16	315	96	99
Phosphate (P2O5-kg)	9	8	7	77	72	42
Potash (K2O-kg)	47	42	40	NA	NA	NA
Magnesium (MgO-kg)	7	7	5	NA	NA	NA
Pesticides/Herbicides (kg)	0.83	0.91	0.93	29	28	3.73
Energy (GJ)	0.97	0.72	0.83	2.90	0.20	0.70

* includes palm oil + palm kernel oil (UP, 2014-2016- 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.

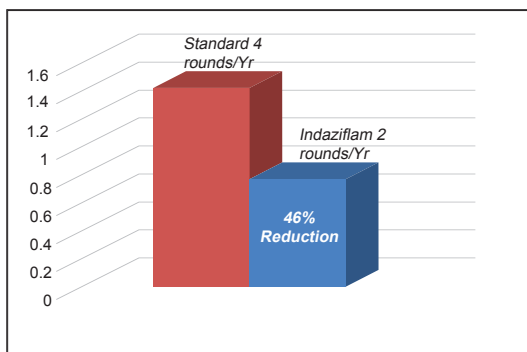
	2016	2015	2014	2013	2012
Malaysia	4,250	77	318	223	423
Indonesia	0	0	0.3	0	NA

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. Any improvement in the length of control for weeds will contribute significantly to a reduction in pesticide use for mature palms.

Over the years United Plantations has actively co-operated with leading agrochemical manufacturers to evaluate a range of herbicidal compounds. Arising from the close collaboration with Bayer CropScience a new compound, Indaziflam, with long lasting weed control was extensively tested in our fields and was found to



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

be able to slash the number of herbicide rounds from four rounds a year with the standard herbicide mix to two rounds a year with the Indaziflam combination. This confers the clear benefit of almost halving the herbicide input in a field and greatly improving labour productivity where this approach has been adopted.

Calibration for Pesticide Application Equipment

The Company engages the services of equipment suppliers to regularly monitor the calibration of the equipment to avoid application error (under and over applications) and safety to operators. Regular training and refresher courses are implemented, all of which are audited by accredited auditors of the RSPO every year.

Chemical Health Risk Assessment (CHRA)

In line with the Use and Standards of Exposure of Chemicals Hazardous to Health (USECHH) Regulations 2000, UP first appointed a certified assessor to conduct CHRA in 2004, for all chemicals utilized in the respective plantations, oil mills and refinery. It is being reviewed every 5 years by the assessor as stipulated in the Regulations and annual medical health surveillance is conducted on all spray operators. As can be seen in table above, the quantity of agrochemicals (fertilizer nutrients and pesticide/ herbicide) per tonne of oil produced in oil palm cultivation at UP over the last three years remain substantially lower than annual oilseed crops such as soybean, sunflower and rapeseed, a reflection on the resource utilization efficiency of the oil palm crop.

Direct fossil fuel energy consumption went up in 2016 as a result of the sustained replanting programme combined with a reduced crop level compared with 2015.

	2016	2015	2014	2013
Malaysia	2.46	3.30	3.41	2.80
Indonesia	0.86	0.91	2.09	NA

Reduction of overall herbicide usage (kg a.i./ha/year) in mature oil palm planting with the introduction of Indaziflam herbicide in 2016.



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*), padi 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	2016	2015	2014	2013	2012
Total Boxes	2,284	2,116	2,032	1,905	1,825
Total Area Under Owl (ha)	31,040	29,278	27,654	27,017	28,676.
Box to land ratio in Scheme	13.59	13.87	13.61	14.18	15.71
% Occupancy in Scheme	47.00	51.15	46.60	71.81	78.30
Total Planted Area (ha)	36,496	36,111	36,111	35,813	35,862
Box to land ratio over Total Planted Area	15.98	17.07	17.77	18.80	19.65
Rodenticide ai/planted ha (kg/ha)	0.0012	0.000178	0.000412	0.000260	0.000532



Leopard cat being collared 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.

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.

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.



A leopard cat predated on a rat.

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.

Recycling of pesticide containers and scheduled wastes

To avoid contaminating the environment and prevent misuse of pesticide containers and other scheduled wastes we have been collecting and disposing off triple rinsed pesticide containers, spent lubricants, used batteries and spent fuel filters through certified waste managers. The waste managers will either safely recycle these items or dispose of them in accordance with government regulations.

Triple rinsed plastic pesticide containers (MT)

	2016	2015	2014	2013	2012
UPB	27	310	326	141	1,746
PTSSS	0.5	0.4	0.5	No data	No data

Spent lubricants (lit)

	2016	2015	2014	2013	2012
UPB	47,987	41,592	49,740	61,935	46,100
PTSSS	3,585	3,230	4,160	2,844	2,185

Used batteries (pieces)

	2016	2015	2014	2013	2012
UPB	284	176	258	263	250
PTSSS	47	11	31	6	No data

Spent fuel filters (pieces)

	2016	2015	2014	2013	2012
UPB	4,736	3,029	3,522	3,777	3,649
PTSSS	358	187	253	No data	237



Temporary storage unit for used pesticide 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. Close bonds with our local communities are therefore a key priority to our organisation.

9. Community Welfare

Our commitment to promoting socio-economic policies and progress in the local communities we operate in

UP therefore 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 2016 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 eight Primary Schools and nine Kindergartens on its properties which are maintained by the Company, providing education for more than 500 children ranging from age of 5 to 12 years from within and outside the plantations.

Estate Group Hospitals

The Company operates two well-equipped estate group hospitals in Malaysia and Indonesia with trained resident Hospital Assistants supervised by a Medical Doctor.

Regular inspections of the employees' housing are made by the Health Care Team to ensure that sanitation, health and drainage standards are upheld according to the Company's policies. In addition we also organize visits by our medical staff to the neighbouring villages for the benefit of the local communities. Medical services are open to our rural neighbours who in the past lacked access to basic healthcare and immunisation programmes.



Enthusiastic children at our kindergarten in PT SSS.



Well-equipped Hospital/Health Care Center with ambulance service provided to cater for the immediate health needs of workers, staff and officers at Lada Estate, Central Kalimantan.



10. Free Prior Informed Consent

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 Kommunitas 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 PT SSS in December 2016 and has done a very good job in 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 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 73 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 area, leaving approximately 600 Ha available for new Plasma development.

The below diagram indicates the various steps to the FPIC process which ultimately will enable the potential establishment of the Plasma plantations. The FPIC report was finalised in November 2016.

The discussion of which lots to be distributed to ex-land owners or tenants and their testators as well as local communities were conducted based on land tenure study findings and have been finalized in 2016. 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 138.

Various steps to the FPIC process



Going forward it is important for all of the stakeholders involved to comprehend that the whole HCS study including the process of FPIC does not end with the signing of the Plasma Agreement.

The monitoring and evaluation of progress is important and will be carried out routinely in order to identify issues and find solutions together thereby maintaining a good relationship and a successful Plasma collaboration project.

Sustainability development and forest protection can be achieved by effectively implementing the processes summarized in the below diagram. HCV, HCS assessments (HCS Converged Approach) and FPIC processes must be integrated together with the other information specified above in order to develop appropriate development options.

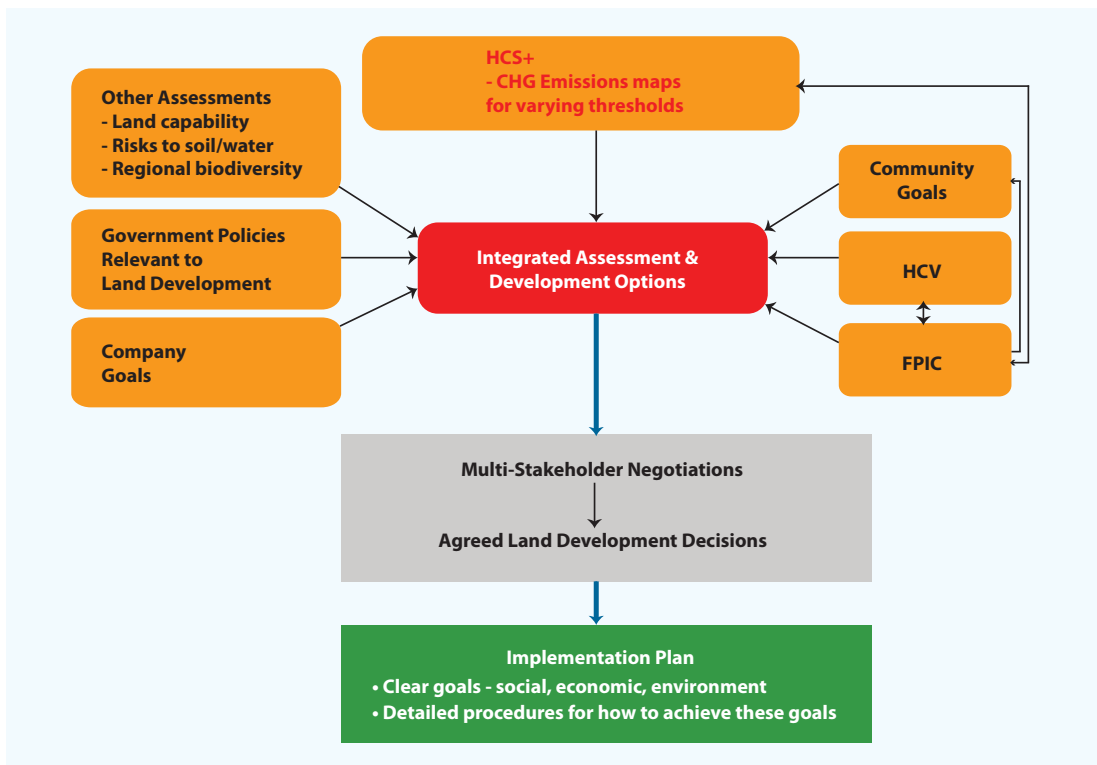
The diagram below indicates the many important processes and inputs required in order to make an effective land use plan for concession areas.

Balancing the effects of land conversion to oil palm on global climate issues with potential

local/regional socio-economic benefits is extremely challenging, given the vastly differing spatial and temporal scales involved and the different metrics used to measure these impacts. This is only possible by using a comprehensive approach to land development decisions that integrates relevant social, economic and environmental inputs via multi-stakeholders negotiations.

Making the HCV, HCS and FPIC approach a requirement for certification under the RSPO NEXT and as part of purchasing policies of large companies, is a good move to prevent and minimize deforestation in specific concessions and areas. We subscribe to the above in our new oil palm plantings and aim to fully comply in our sourcing of crop from third parties in the not too distant future.

However, it should be acknowledged that unless government support and local people and communities can see their own economic interest and historic entitlements better met through forests set aside and protected for the long term rather than the short term gain, it will be difficult to prevent deforestation no matter how good intentions companies may have.





Discussion in progress on allocation and distribution of Plasma lots in full compliance to FPIC.



Supply of forest tree saplings to the community



Repairs to road and culverts of adjacent villages at PT SSS



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



Scholarships to children of PT SSS employees.

11. Grievance Resolution

Our obligation to a mutually agreed and documented system to deal with complaints and grievances, which is implemented and accepted by all parties

Land disputes can be based on many different variables and reasons. Some cases are genuine and can be due to historical reasons, bad heritage, misunderstanding and miscommunication, cases of wrongful compensation amounts and frivolous claims. It is however extremely important that land disputes are taken seriously and are well documented in order to ensure transparency and evidence in connection with various ongoing cases.

Land Disputes in Indonesia

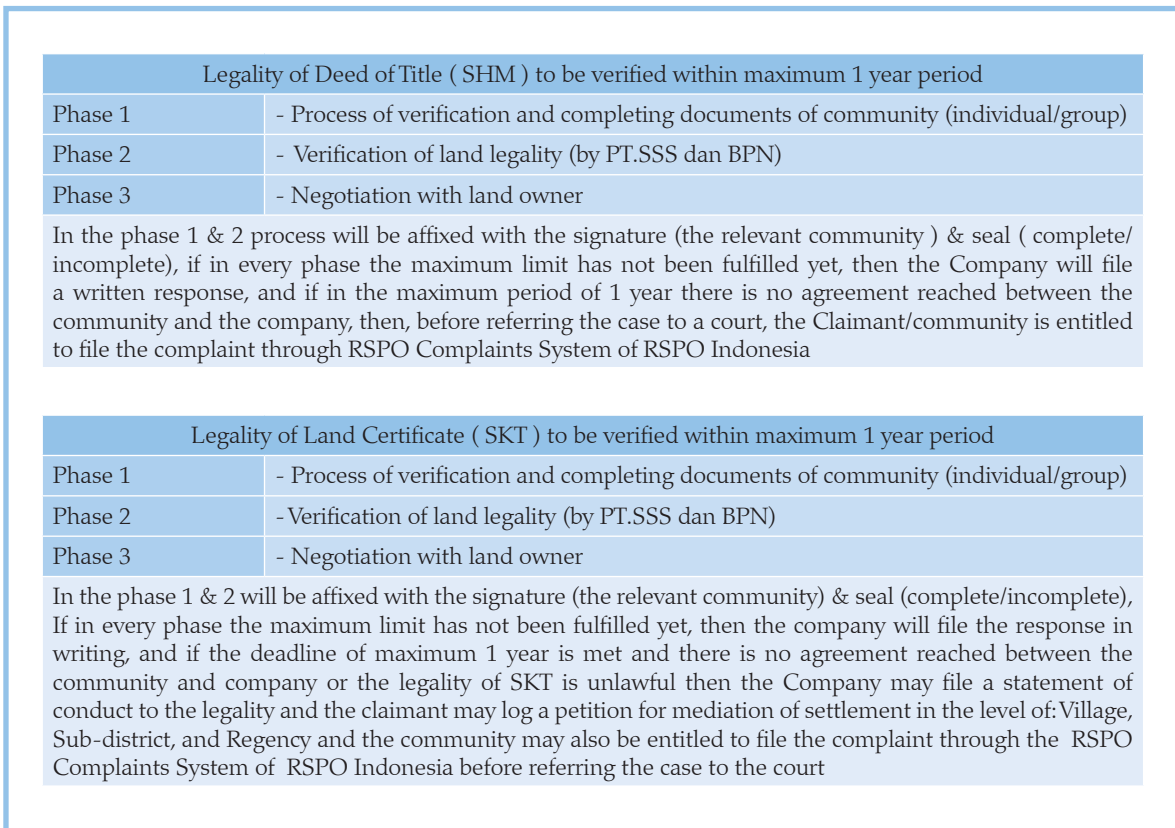
In Indonesia land disputes are inevitable and part of managing plantations in the country. To minimize land issues, important free, prior and informed consent sessions with stakeholders are conducted as a vital part of sustainable plantation development.

UP has been involved with several thousand land deals with the local community and whilst most cases of disputes have been amicably resolved, there still exists unresolved cases that are in the process of being resolved based on facts and full transparency under our Standard Operating Procedure (SOP) for Land Disputes Settlement as per FPIC. Please see below the flow chart.

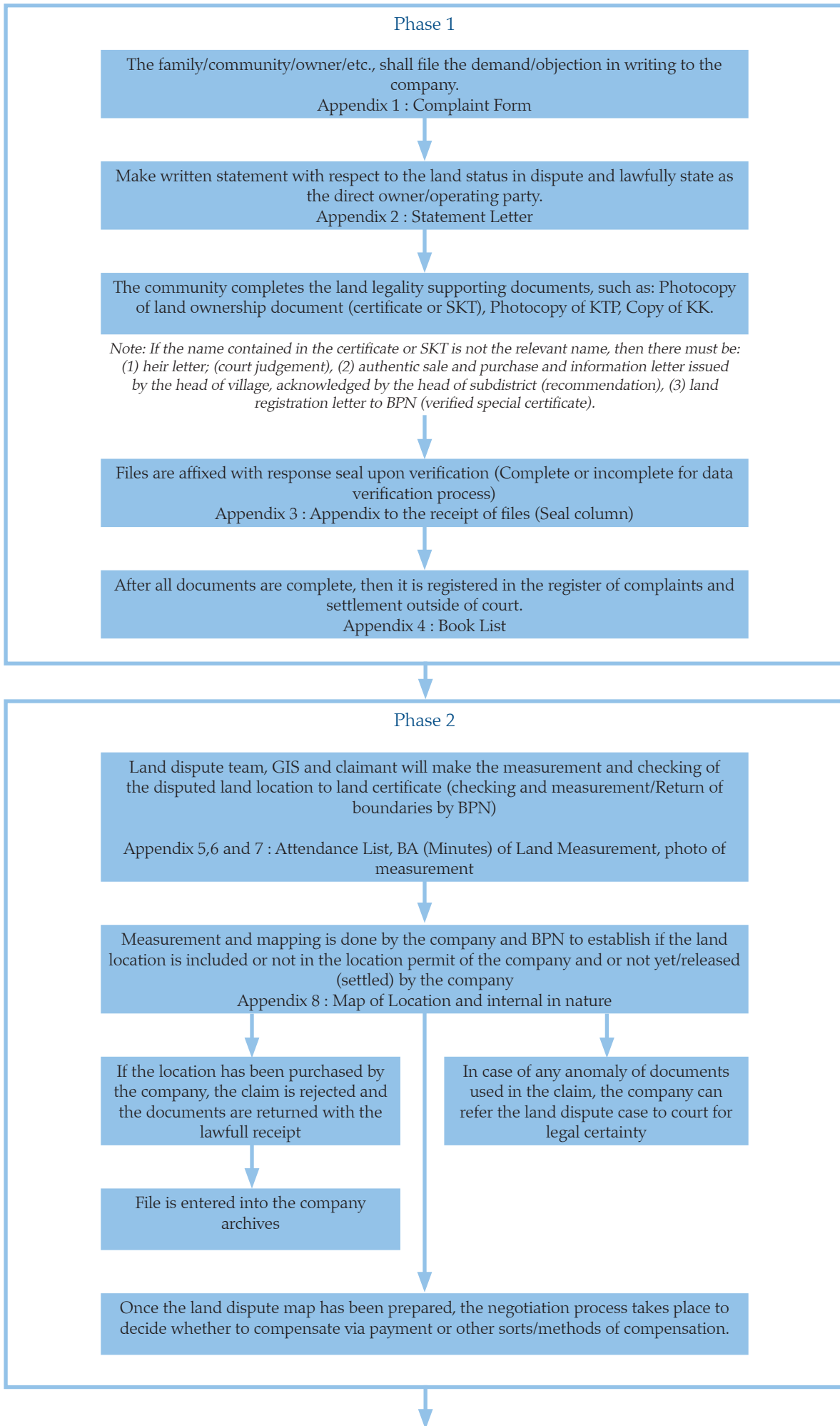
Standard Operating Procedure for Land Dispute Settlement as per Free Prior & Informed Consent (FPIC) - RSPO Principles

(This is a translated version from Bahasa Indonesia, in the event there is conflict of interpretation the Bahasa Indonesia text should prevail.)

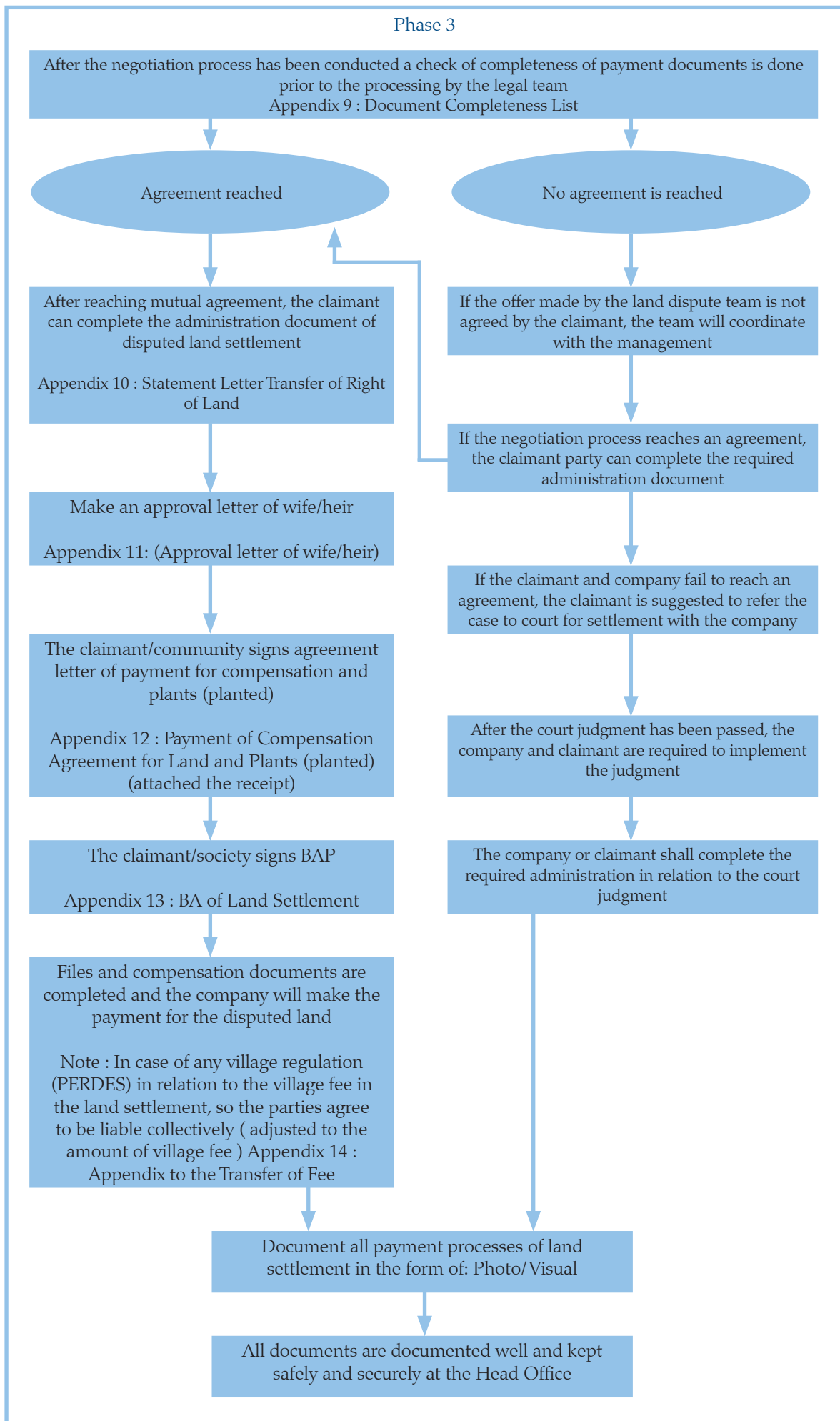
PT. Surya Sawit Sejati (PT SSS)



Three Phases of The Settlement Process



Settlement Process



Summary of Disputed, Resolved and Settled Cases from 2014 to 2016 (PT SSS)

Year	Resolved/Settled Cases	Estate	Disputed area (Ha)
2014	15	Lada Estate	202.55
2015	26	Lada Estate	264.21
2016	16	Lada Estate	18.14
2016	2	Runtu Estate	606.50
2016	4	Arut/Kumai Estate	17.05
Total	63		1108.45

No	Date Claim Submitted	Cert/SKT	Name of Claimants	Blk/Flds	Hectarage		Nature/Status of Dispute Status of Docs & Facts	Progress Todate
					Docs	Claimant's Demand		
1	15-9-2014	Cert	Jaka Seherman 30 (people) Ex Plasma Medco	88	30 Certs @ 2 Ha	60	Requesting for Plasma Documents incomplete	For 19 Certificates, they have agreed for land exchange and join the Plasma. Administration of documentation is in progress.
2	13-2-2014	Cert	Arbain	55	2 Certs	4	Requesting for compensation To be measured and verified by BPN	A meeting held with Bapak Arbain on 5 January 2016. Follow up meeting for resolution will be done with Desa Pangkalan Dewa Authorities.
3	18-3-2013	Cert	Purnomo	5	0.75	0.65	Documents incomplete Requesting land to be returned	Awaiting for the incomplete documents
4	24-10-2016	Cert	Jinan	-	0.75	-	Requesting for compensation	Negotiation in progress
5			Rajiman	-	0.75	-		
6	28-10-2016	Cert	Suparni	-		-		Joint inspection in progress

■ Cases pending for more than 1.5 years

■ Cases pending for less than 1 year

Continuous Stakeholder Engagement

UP has engagements with various stakeholders in and around our areas of operation. Our engagement approach varies from formal to informal.

All enquiries by stakeholders are recorded and monitored in order to resolve any ongoing issues as sustainable development cannot be achieved without engagement with stakeholders.

Grievance Procedure for Stakeholder Issues

Under our RSPO framework, we are obligated to deal with issues openly. RSPO Principle 1 states the need for a commitment to transparency. RSPO Principle 6.3 further states that there is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all parties. This procedure is given to ensure that local and other interested parties understand the communications and consultation process for raising any issues with UP.

UP accepts its responsibility as a corporate citizen and wants local communities to be aware and involved in the communications and consultation methods it uses, thereby aiming to resolve grievances (including those originating from employees) through a consultative process and realizes that any system must resolve disputes in an effective, timely and appropriate manner that is open and transparent to any affected party. Recognising the value and importance of communication and consultation in clearing up misunderstanding/conflicts/

grievances or raising any issues with United Plantations Berhad, the following procedure is adopted, in an affective, timely and appropriate manner that is open and transparent to any affected parties.

External Stakeholders

They are Statutory Bodies, Indigenous People, Local Communities, Small holders, Independent Suppliers of FFB and Services, Local and National NGOs.

Internal Stakeholders

All employees of United Plantations Berhad and their respective Trade Unions.

Procedure for Handling External Stakeholders' Issues

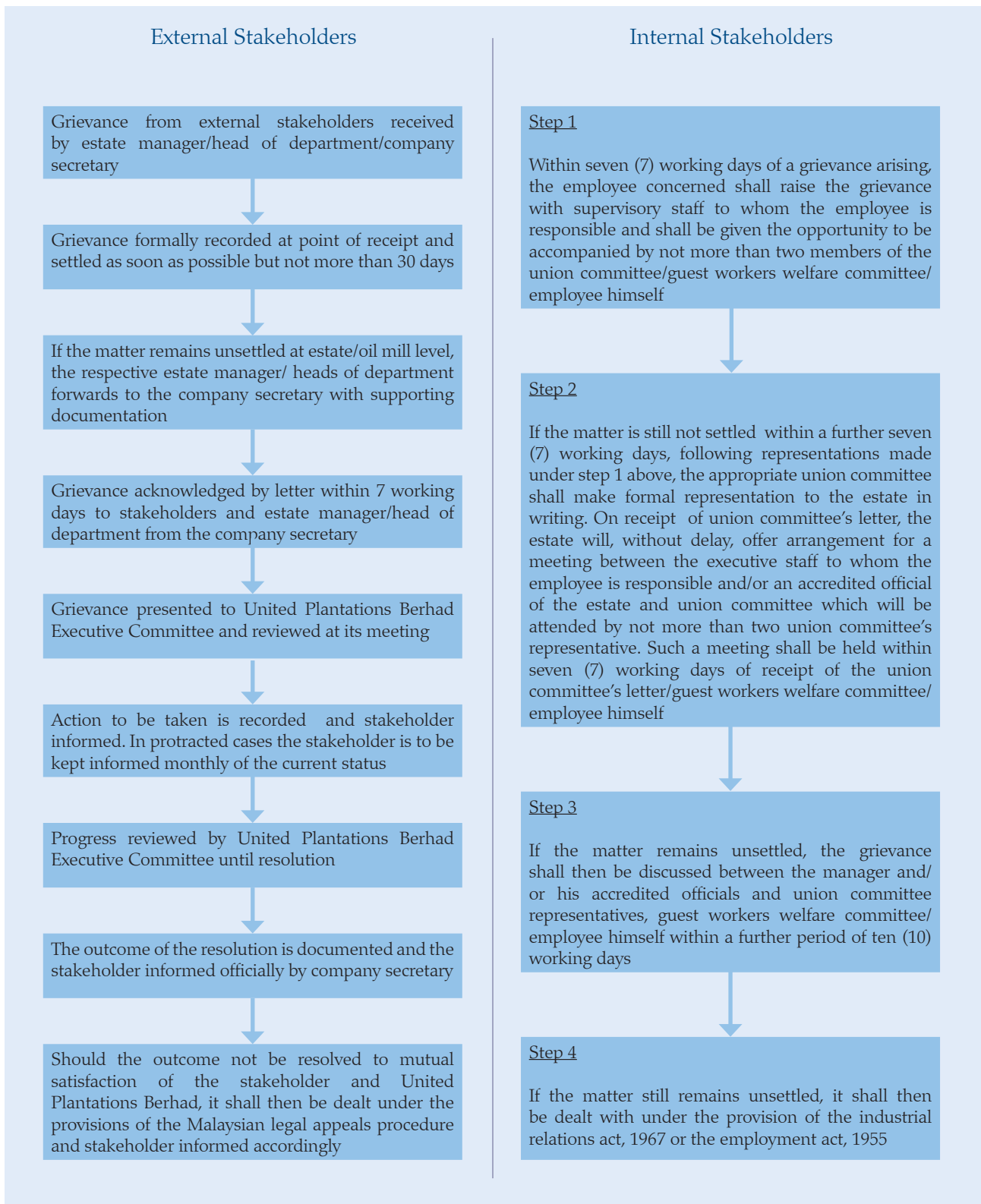
The Company Secretary of United Plantations Berhad will be responsible for the handling of all enquires and grievances against the Company. The stakeholder may lodge their enquiries/grievances to respective Estate Manager or Head of Department or direct to the Company Secretary. The Company Secretary's 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



Stakeholders Dialogue session in progress.

Grievance Redressal Procedure for:





Ibu Dewi Suyatman (right) Sr. Manager, Legal & Corporate Affairs, PT SSS and Ibu Aida Lailawati, Head of Education Department Pangkalan Bun, having a discussion on the importance of working together with the community and their children.

12. Plasma Development

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 a government project known as the Plasma Scheme, designed to assist smallholders to become independent plantation growers.

Under the Plasma Scheme, UP helps smallholders to develop their land, including land preparation, 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 buying their FFB at government determined rates.



Associated Smallholders under PLASMA in Indonesia.

To assist them, we provide vital training on plantation management practices and financial arrangements

UP's commitment to Plasma Project

The Company's internal Plasma team has taken over the responsibility of the various plasma projects from our external plasma consultant, Mr. Rudolf Heering who retired in August 2015. Further progress has been made during 2016 with more than 230 Ha of new Plasma areas having been planted.

Todate 752 Ha of Plasma have been developed for 425 smallholders and another additional 1,000 hectares is expected to be provided and developed for the communities surrounding the Company's properties during 2017 to 2019.

Partnership with the local communities is crucial to achieve success in Indonesia and it is therefore of utmost importance that the local communities also benefit from UP's development.

Smallholders' Field Day

Oil palm smallholders have a critical role in helping us achieve our sustainability goals, they are part of the supply chain providing an estimated 40% of world palm oil production.

The RSPO defines smallholders with less than 50 hectares of cultivated land and are mostly family-run, with some sustenance farming to support basic needs

As part of our Company's involvement, UP continuously engages with smallholders. We invited farmers from local districts to visit our plantations to get a better understanding of good agricultural practices, sustainability initiatives and environmental protection. The smallholders were given training sessions in safe handling of pesticides, integrated pest control, nursery upkeep, optimal harvesting procedures and fertilizer application in order to assist them with their agricultural interests.



Smallholders being briefed on oil palm germinated seeds.



Diligent inspection of oil palm nursery at PTSSS.



Smallholders being briefed on Personal Protective Equipments (PPEs).



A well laid out warehouse for packed products at Unitata.

Marketplace

Through investment in our people, technology and focus on our supply chain UP is committed to providing high quality certified sustainable and traceable products and services to customers worldwide. We aim for continuous improvement in our products and services and we work towards building long-term relationship through interaction and discussions about sustainability, global, trends, health and nutrition with customers, suppliers, business partners and other stakeholders in the marketplace.

By interactions with customers and other stakeholders, a deep understanding of this responsibility has been developed and provides a healthy avenue for continuous improvement in quality and food safety by minimizing risks throughout the supply chain. Furthermore, UP has gained much knowledge on market trends and have become more capable of responding to them.

13. Product Quality

Our Commitment to produce quality palm oil, palm kernels, coconuts, and their derived products to the total satisfaction of our worldwide valued customers

Quality Policy

It is the Policy of UP to produce quality palm oil, palm kernels, coconuts and their derived products to the total satisfaction of our worldwide valued customers.

Our Quality Philosophy Includes:-

- U**pholding the name and reputation of UP as a top producer of premium quality palm products.
- N**urturing a diligent work force who takes pride in contributing to the development of the Company.
- I**nitiating and innovating positive, progressive work ethics, methods and incorporating a winning culture.
- T**raining of personnel is the key to upgrading our skills and keeping in trend with the marketplace.
- E**nsuring that only the best quality palm products are produced, to the satisfaction of our customers' needs.
- D**elivering decisive efforts in Research and Development to continuously improve our working methods, efficiency and product quality.

UP recognizes the importance of safeguarding its customers by ensuring the highest standards in quality as well as environmental and social care.

Our quality focus starts from our Research Department and continues through every aspect of our agricultural, milling and downstream activities until the final product is delivered to our customers. The diagrams shown on page 148 - 150 provide a clear overview of the many steps involved in ensuring palm oil products of high quality.

14. Certifications for Food Safety, Sustainability and Others

Our Commitment towards food safety and sustainable and consistent high quality products through relevant international certification

Unitata Berhad – Quality Policy



Total commitment to quality in order to ensure our customer's satisfaction and continuous commitment to Unitata's reputation as a manufacturer of high quality oil palm products which are safe for human consumption, and meets the statutory and legal requirements of the customer.

As part of our commitment to uphold Unitata's historical standing as a quality producer, much emphasis is placed on quality assurance throughout the various stages in the refinery. This is evidenced through our continuous investments in the latest process technology and high-end sophisticated analytical equipment providing accurate and timely controls to ensure customer satisfaction on high quality and food safety.

Edible Oil Refining and Specialty Fats Production

Attention to quality, investment in production facilities and ongoing product development are priorities in order for Unitata to meet challenging and changing customer demands.

In order to cater for growing demand our refinery is equipped with automated manufacturing processes such as Neutralization, Bleaching, Deodorization, Fractionation, Interesterification and packaging of specialty fats and oils. Thorough process controls and a discipline manufacturing culture helps to ensure that quality assurance procedures are in place in order to comply with customer requirements.

Today's consumers have an increased focus on safety and health as well as producing food in a transparent and traceable supply chain through 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 can be associated with the food they choose to buy.



Dr Andrew Nair ensuring the best quality oils.

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 2017, we will be seeking certification for GMP + B2 Feed Certification Scheme for supply of acid oils into Europe for feed industry. GMP +B2 provides assurance of the feed safety in all the 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 2016, 8 certification audits and 9 customer audits have been conducted on Unitata. In addition, Unitata has audited and assessed key suppliers of raw materials, packaging, and ingredients. All raw materials, packaging materials and ingredients are certified as food grade.

Furthermore, we have established and validated our process controls to consistently minimize the risk of contaminants and meet acceptable food safety standards.

Unitata also stresses on the element of food defense as part of product security. This assures the protection of our products from malicious contamination, adulteration or theft.

All packed products are traceable to the raw materials, additives and packaging materials used via batch and code numbers on the labels. The labels meet the requirements of the Malaysian Food Act and the requirements of the respective export markets.

Relevant food safety training is of high priority for all employees in order to keep abreast with the increasingly demanding food safety requirements.

LOW 3-MCPD and Glycidyl Esters

3-MCPD and Glycidyl Esters are contaminants formed during the processing (refining) of edible oils and fats and has recently 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 (µg/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. As a result, Unitata is able to meet stringent customer demand for oils used in the production of infant formulas. We are committed to further reduce the levels of these substances to the benefit of customers globally.

Customer Satisfaction

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.

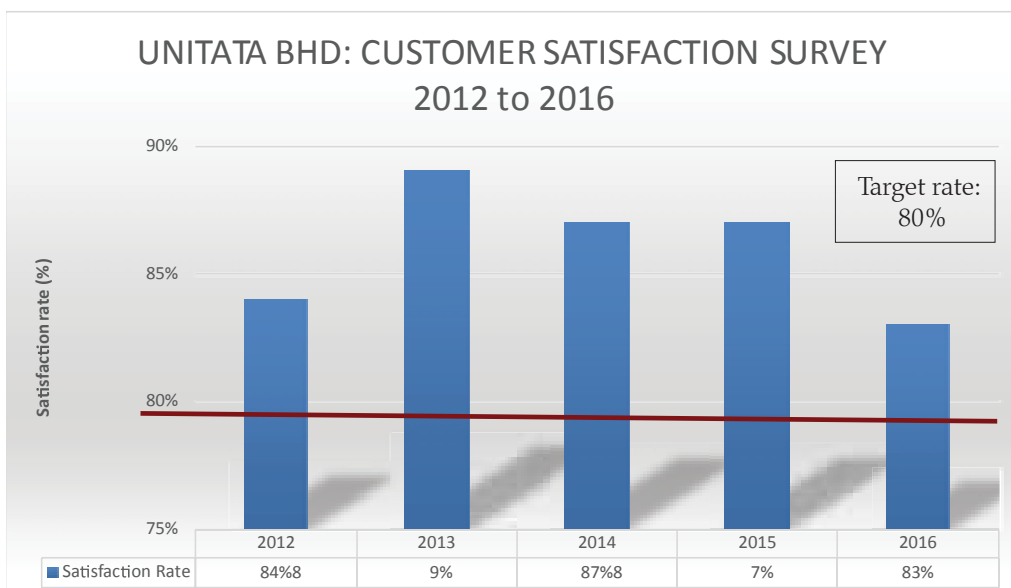
The survey focuses on three key areas which are:

- (i) Product quality
- (ii) Service quality
- (iii) Delivery timeliness

The results are analyzed and tabulated in an appropriate graphical form for presentation at the management review meetings as well as during the various certification audits throughout the year.

Besides that, Unitata also adopts an on-going communication method with customers to keep abreast with their trends and expectations.

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.



15. Sustainable Supply Chain of Products

Our Commitment to ensure that the 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, is expected to increase demand further.

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.

Traceability at UP

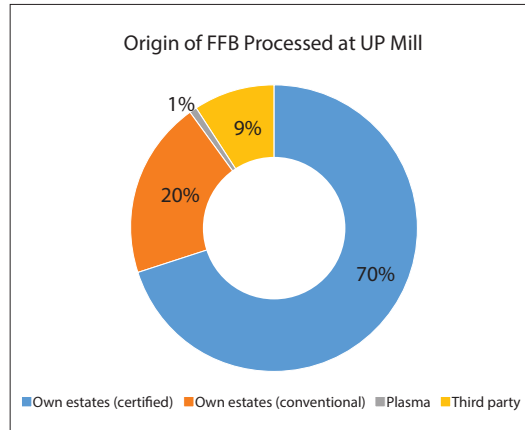
The tables below indicate that crop processed in all our mills in Malaysia and Indonesia can be traced back to the plantations.

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

As the palm kernels produced by UP is insufficient to cater for the needs of our refinery’s use of crude palm kernel oil, we currently source significant volumes which we are only able to trace back to the mills.

Going forward, we will be working with third party suppliers that currently are not being forthcoming with information, thereby improving the percentage of crude palm kernel oil that can be traced back to the plantations in line with increased customer demand for traceability.

Our assurance for the level of traceability is based on our ability to identify the parent company, the mill name, mill coordinates, mill certification status from suppliers and plantations from where the crop (FFB) is produced.



(a) Upstream Operations (United Plantations)

List of Mills	Traceable to Plantations	
	Own Crop (FFB)	Outside Crop (FFB)
Jendarata	100%	Nil
Ulu Basir	100%	Nil
Ulu Bernam	100%	Nil
UIE	100%	100%
PTSSS	100%	100%

(b) Downstream Operations (Unitata)

Refinery	Raw material	Traceable to Mill	Traceable to Plantations
Unitata	CPO	100%	100%
	CPKO	100%	23%

Commitment to Traceability

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

Today approximately 67% of UP’s total production is RSPO certified and segregated and traceable palm oil back to the mills and plantations. Full certification and production of RSPO certified and segregated palm oil traceable to the mill and plantations is expected to be reached in 2018 for all our plantation areas in line with receiving the final land titles (HGU certificates) for all our Indonesian properties.

UP is committed to further develop traceable and transparent supply chains and protect peat areas whilst ensuring economic and social benefits to the local people and communities where oil palm is grown and respecting their right to give consent to proposed developments or conservation through the free, prior and informed consent (FPIC) process.



The Multistock Deodorisers at Unitata.

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, calls for diligent compliance with all relevant laws in this area.

In this connection, we are increasing awareness by retraining and audits within all operational areas of our group. The results of these measures will be monitored and incorporated in our efforts for continuous improvements, and highlighted in our future reports.

Supply Chain Certification

In 2008, before RSPO Supply Chain Certification was introduced, Unitata was the first Company to ship refined RSPO certified segregated palm oil to customers worldwide which was verified by independent surveyors.

In December 2010, Unitata received its Supply Chain Certification and have since been able

to handle and deliver first class sustainably certified and segregated palm and palm kernel oil solutions to customers worldwide based on the RSPO supply chain traceability system.

The RSPO cooperates with the traceability service provider, UTZ, who through the RSPO-Etrace 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.

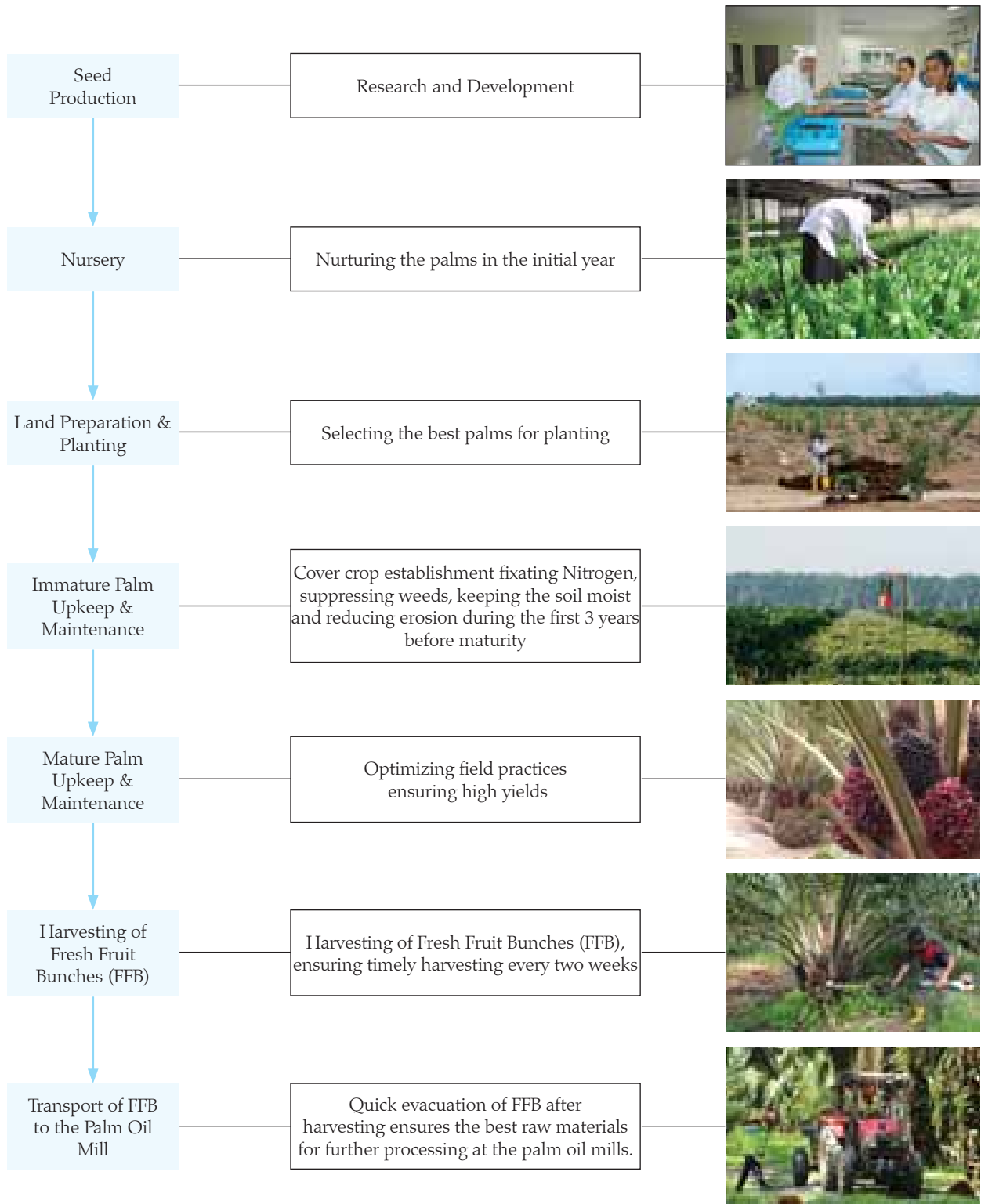


An aerial view of Unitata refinery established in 1973.

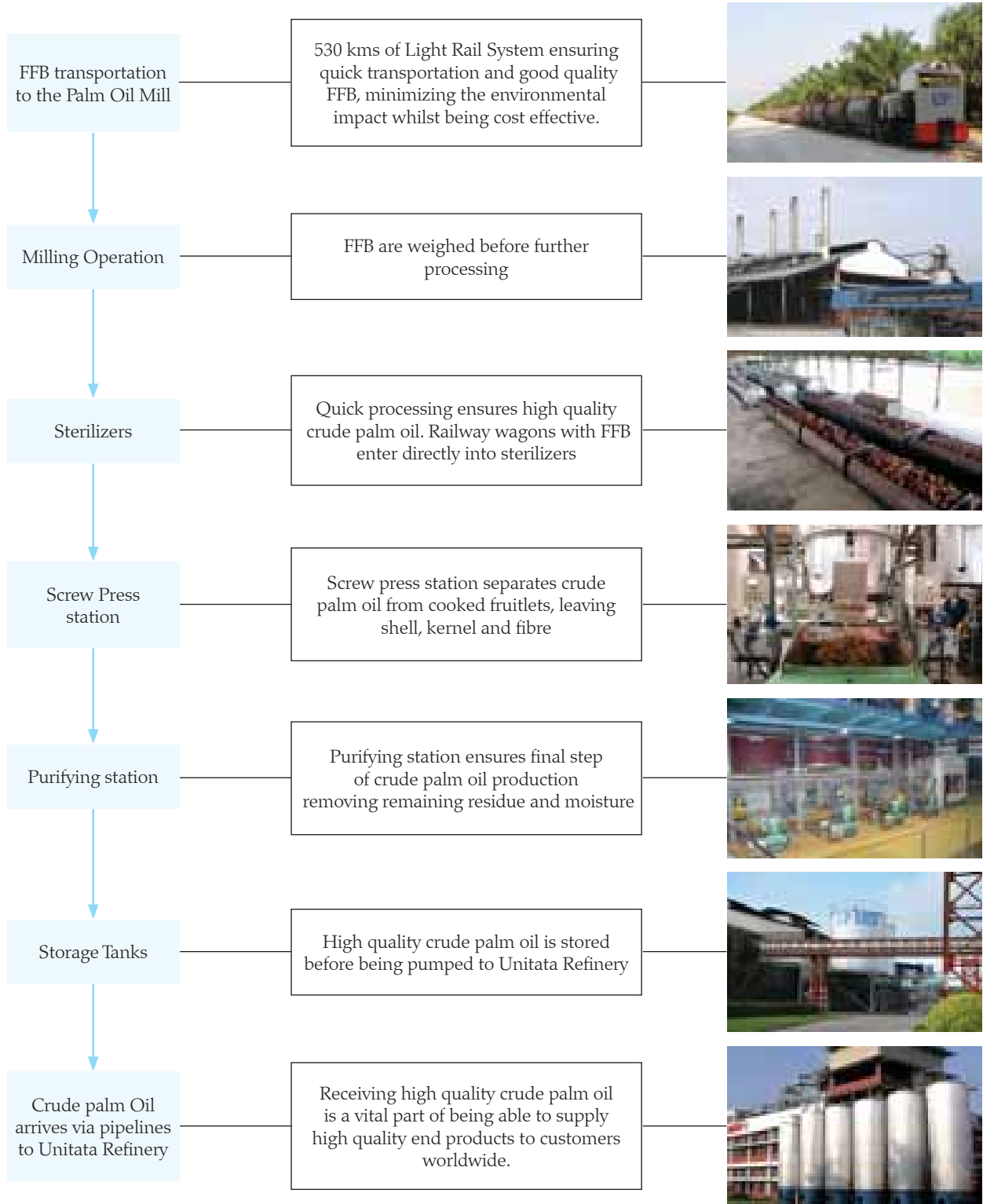


Commitment to quality

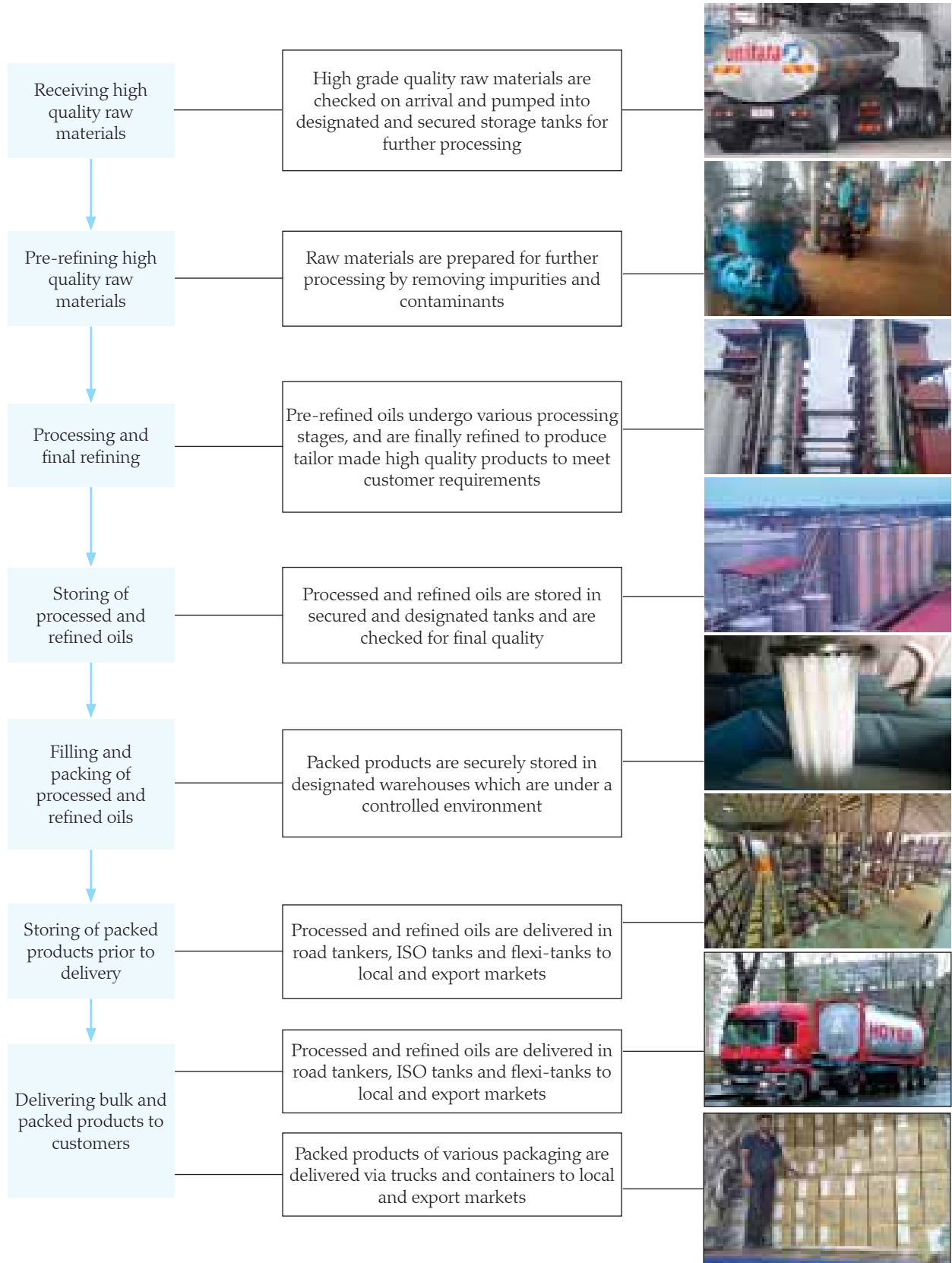
Good agricultural practices



Quick evacuation and processing at the palm oil mill



Food safety and quality focus at the refinery



Global Reporting Initiative (GRI) Content Index

GENERAL STANDARD DISCLOSURES			
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STRATEGY & ANALYSIS			
G4-1	A statement from the most senior decision-maker of the organization	CED'S Message	31
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		Materiality	54
		Employees	63
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ORGANISATIONAL PROFILE			
G4-3	Name of the organisation	Front Cover	-
G4-4	Primary brands, products, and services	Report of the Directors	182
G4-5	Location of the organisation's headquarters	Corporate Information	2
G4-6	Number and names of countries where the organization operates	Locations of Estates, Factories and Holdings in Peninsular Malaysia	280
		Planted Area – 31 December 2016	281
G4-7	Nature of ownership and legal form	Corporate Information – Notes to the Financial Statements	196
G4-8	Markets served	Geographical Segments - Notes to the Financial Statements	246
G4-9	Scale of the organisation	Notes to the Financial Statements	196
G4-10	Workforce statistics	Employees	65
G4-11	Total employees covered by collective bargaining agreements	Employees	65
G4-12	Organisation's supply chain	UP & RSPO	56
		Marketplace	141
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or 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.	3
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Statement on Corporate Governance	162
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives	UP & RSPO	56
		Environment	83
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organisations	UP & RSPO	56
		Environment	83
		In addition to the above, UP has memberships in Malaysian Palm Oil Association ("MPOA"), Palm Oil Refiners Association of Malaysia ("PORAM")	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Entities included in the organisation's consolidated financial statements or equivalent documents	Financial Statements	213

GENERAL STANDARD DISCLOSURES (Contd.)			
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		Materiality	54
G4-19	Material Aspects identified in the process for defining report content	Materiality	54
G4-20	Aspect Boundary within the organisation	About This Report	30
G4-21	Aspect Boundary outside the organisation	About This Report	30
G4-22	Restatements of information provided in previous reports	This is our first Sustainability Report in the current form	30
STAKEHOLDER ENGAGEMENT			
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	This is our first Sustainability Report in the current form	30
G4-24	List of stakeholder groups engaged by the organisation	Stakeholder Engagement	50
G4-25	Basis for identification and selection of stakeholders with whom to engage	Stakeholder Engagement	50
G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Stakeholder Engagement	50
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	Stakeholder Engagement	50
		Employees	63
		Environment	83
		Community	124
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REPORT PROFILE			
G4-28	Reporting period	About This Report	30
G4-29	Date of most recent previous report	This is our first Sustainability Report in the current form	30
G4-30	Reporting cycle	About This Report	30
G4-31	Contact point	Corporate Information	2
G4-32	GRI Content Index	Global Reporting Initiative Index	151
G4-33	External assurance	About This Report	30
GOVERNANCE			
G4-34	Governance Structure	Statement on Corporate Governance Governance Structure	162
G4-35	Process for delegating authority for sustainability issues	Governance Structure	40
G4-36	Executive-level with responsibility for sustainability issues	Governance Structure	40
G4-37	Process for consultation between stakeholders and the highest governance body	Stakeholder Engagement	50
G4-38	Composition of the highest governance body and its committees	Governance Structure	40
G4-39	Chair of the highest governance body	Statement on Corporate Governance Chair of the highest governance body is the Chairman of the Board, who is independent and non-executive	162

GENERAL STANDARD DISCLOSURES (Contd.)			
G4 Indicators	Description	Reference Section (or direct response)	Page Number
G4-40	Nomination and selection processes for the highest governance body and its committees	Nomination Committee - Statement on Corporate Governance	162
G4-41	Process for avoiding conflicts of interest	Statement on Corporate Governance	162
G4-42	Highest governance body's roles concerning strategy and goals	Statement on Corporate Governance	162
G4-43	Measures taken concerning the highest governance body's knowledge in sustainability issues	Statement on Corporate Governance	162
		Governance Structure	40
G4-44	Evaluation of the highest governance body's performance concerning sustainability issues	Statement on Corporate Governance	162
		Statement on Risk Management and Internal Control	172
		Audit Committee Report	174
G4-45	Highest governance body's role concerning sustainability impacts, risks, and opportunities	Governance Structure	40
G4-46	Highest governance body's role concerning the effectiveness of risk management	Statement on Corporate Governance	162
G4-47	Frequency of the highest governance body's review of sustainability impacts, risks, and opportunities	Governance Structure	40
G4-48	Highest committee that formally reviews and approves the sustainability report	Governance Structure	40
G4-49	Process for communicating critical concerns to the highest governance body	Governance Structure	40
G4-50	Critical concerns that were communicated to the highest governance body	Governance Structure	40
G4-51	Remuneration policies for the highest governance body	Remuneration Committee - Statement on Corporate Governance	162
G4-52	Process for determining remuneration	Remuneration Committee - Statement on Corporate Governance	162
G4-53	Stakeholders' views regarding remuneration	Notice of Annual General Meeting	273
		In regards to the Board of Directors' Fees, we have identified shareholders as the key stakeholders. The Directors' fees will be proposed for shareholders' approval at the upcoming AGM.	
G4-54	Ratio of the highest annual total compensation to the median annual total compensation	This information is currently unavailable.	-
G4-55	Ratio of percentage increase in annual total compensation	This information is currently unavailable.	-
ETHICS AND INTEGRITY			
G4-56	Values, principles, standards and norms of behaviour	Statement on Corporate Governance	162
		Employees (Whistle Blower Policy)	63
G4-57	Mechanisms for seeking advice on ethical and lawful behaviour	Employees (Whistle Blower Policy)	63
G4-58	Mechanisms for reporting concerns about unethical or unlawful behaviour	Employees (Whistle Blower Policy)	63

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G4 Indicators	Description	Reference Section (or direct response)	Page Number
G4-DMA	Generic Disclosures on Management Approach	Statement on Corporate Governance	162
		Materiality	54
		Employees	63
		Environment	83
		Community	124
		Marketplace	141
ECONOMIC PERFORMANCE			
G4-EC1	Direct economic value generated and distributed	Financial Statements and Notes to the Financial Statements	180
G4-EC2	Financial implications, risks and opportunities for the organisation's activities due to climate change	This information is currently unavailable.	-
G4-EC3	Coverage of the organisation's defined benefit plan obligations	Financial Statements	239
G4-EC4	Financial assistance received from government	No financial assistance received from the Government directly.	-
MARKET PRESENCE			
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage	Employees (Paying Fair Wages and Employee Benefits)	67
G4-EC6	Proportion of senior management hired from the local community	Employees Our policy is to hire employees with attitudes and skills enabling them to develop a long-term relationship with us, with no discrimination towards the employee's race, colour, religion, gender, national origin, ancestry, disability, marital status and sexual orientation.	66
G4-EC7	Development and impact of infrastructure investments and services supported	Employees	63
		Community	124
INDIRECT ECONOMIC IMPACTS			
G4-EC8	Significant indirect economic impacts	We do not attempt to quantify the indirect economic impact. The activities we have embarked on are assessed over time through long-term monitoring of the benefits achieved.	-
PROCUREMENT PRACTICES			
G4-EC9	Proportion of spending on local suppliers	We endeavour to support local suppliers in the countries we operate in, which is Malaysia and Indonesia.	-
ENVIRONMENTAL			
- MATERIALS			
G4-EN1	Materials used by weight or volume	Agrochemical and Energy Inputs in the Cultivation of Oil Palm and Other Oilseed Crops - Environment	119
G4-EN2	Percentage of materials used that are recycled input materials	Not applicable	-

SPECIFIC STANDARD DISCLOSURES (Contd.)			
G4 Indicators	Description	Reference Section (or direct response)	Page Number
- ENERGY			
G4-EN3	Energy consumption within the organization	Agrochemical and Energy Inputs in the Cultivation of Oil Palm and Other Oilseed Crops - Environment	119
G4-EN4	Energy consumption outside of the organization	Not applicable	-
G4-EN5	Energy intensity	Not applicable	-
G4-EN6	Reduction of energy consumption	Clean Development Mechanism, Emissions Reductions & Biogas Plants	104
G4-EN7	Reductions in energy requirements of products and services	Not applicable	-
- WATER			
G4-EN8	Total water withdrawal by source	Not applicable	-
G4-EN9	Water sources significantly affected by withdrawal of water	Not applicable	-
- BIODIVERSITY			
G4-EN10	Percentage and total volume of water recycled and reused	Rain Harvesting	115
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not applicable	-
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Biodiversity & conservation	84
G4-EN13	Habitats protected or restored	Biodiversity & conservation	84
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Biodiversity & conservation	84
- EMISSIONS			
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Life Cycle Assessment	104
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Life Cycle Assessment	104
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Life Cycle Assessment	104
G4-EN18	Greenhouse gas (GHG) emissions intensity	Life Cycle Assessment	104
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Life Cycle Assessment, Emissions Reductions & Biogas Plants	104
G4-EN20	Emissions of ozone-depleting substances (ODS)	Not applicable	-
G4-EN21	NOX, SOX, and other significant air emissions	Isokinetic Monitoring of Gaseous Emissions from the Palm Oil Mills, VORSEP dust collector system	107
- EFFLUENTS AND WASTE			
G4-EN22	Total water discharge by quality and destination	Not applicable	-
G4-EN23	Total weight of waste by type and disposal method	Not applicable	-
G4-EN24	Total number and volume of significant spills	Not applicable	-

SPECIFIC STANDARD DISCLOSURES (Contd.)			
G4 Indicators	Description	Reference Section (or direct response)	Page Number
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Not applicable	-
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	Not applicable	-
- PRODUCTS AND SERVICES			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Not applicable	-
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	Not applicable	-
- COMPLIANCE			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Life Cycle Assessment	104
- TRANSPORT			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	Not applicable	-
- OVERALL			
G4-EN31	Total environmental protection expenditures and investments by type	Not disclosed in this report	-
- SUPPLIER ENVIRONMENTAL ASSESSMENT			
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Not effected yet	-
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	Not effected yet	-
- ENVIRONMENTAL GRIEVANCE MECHANISMS			
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	None so far	-
SOCIAL – LABOUR PRACTICES AND DECENT WORK			
- EMPLOYMENT			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Employees – Group Employees 2012 – 2016. UP Group Employees	65
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	None	-
G4-LA3	Return to work and retention rates after parental leave, by gender	Not disclosed	-
- LABOUR / MANAGEMENT RELATIONS			
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Not applicable	-

SPECIFIC STANDARD DISCLOSURES (Contd.)			
G4 Indicators	Description	Reference Section (or direct response)	Page Number
- OCCUPATIONAL HEALTH AND SAFETY			
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Freedom to form a union - Employees	67
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Fatal Accident & Lost Time Injury Frequency – Occupational Safety & Health - Employees	80
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Not applicable	-
G4-LA8	Health and safety topics covered in formal agreements with trade unions	Occupational Safety & Health Policy- Employees	79
- TRAINING AND EDUCATION			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Training and Development of Employees - Employees	78
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Training and Development of Employees - Employees	78
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	No formal performance reviews are conducted for employees	-
- DIVERSITY AND EQUAL OPPORTUNITY			
G4-LA12	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Equal treatment - Employees	64
- EQUAL REMUNERATION FOR WOMEN AND MEN			
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Equal treatment – Employees	64
		Average earnings - Employees	67
- SUPPLIER ASSESSMENT FOR LABOUR PRACTICES			
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria	Not effected yet	-
G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	Not effected yet	-
- LABOUR PRACTICES GRIEVANCE MECHANISMS			
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	No grievances reported	-
SOCIAL – HUMAN RIGHTS			
- INVESTMENT			
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Not applicable	-
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Combined and total average training hours - Employees	78

SPECIFIC STANDARD DISCLOSURES (Contd.)			
G4 Indicators	Description	Reference Section (or direct response)	Page Number
- NON-DISCRIMINATION			
G4-HR3	Total number of incidents of discrimination and corrective actions taken	None reported	64
- FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	None reported	66
- CHILD LABOUR			
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	None reported	66
- FORCED OR COMPULSORY LABOUR			
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	None reported	66
- SECURITY PRACTICES			
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	Combined Training Hours – Employees	78
- INDIGENOUS RIGHTS			
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	None reported	-
- ASSESSMENT			
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	FPIC - Community	128
- SUPPLIER HUMAN RIGHTS ASSESSMENT			
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Not effected yet	-
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	Not effected yet	-
- HUMAN RIGHTS GRIEVANCE MECHANISMS			
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	Not disclosed this year as insufficient data gathering at the moment	-
SOCIAL – SOCIETY			
- LOCAL COMMUNITIES			
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Land Disputes, FPIC	128 & 131
G4-SO2	Operations with significant actual and potential negative impacts on local communities	Not disclosed this year as insufficient data gathering at the moment	-

SPECIFIC STANDARD DISCLOSURES (Contd.)			
G4 Indicators	Description	Reference Section (or direct response)	Page Number
- ANTI-CORRUPTION			
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Done as part of the Group Risk Assessment process	173
G4-SO4	Communication and training on anti-corruption policies and procedures	Code of Ethics and Business Conduct	63
G4-SO5	Confirmed incidents of corruption and actions taken	None	-
- ANTI-COMPETITIVE BEHAVIOUR			
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	None	-
- COMPLIANCE			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	None	-
- SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY			
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	Not effected yet	-
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	Not effected yet	-
- GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY			
G4-S11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	None reported	-
SOCIAL – PRODUCT RESPONSIBILITY			
- CUSTOMER HEALTH AND SAFETY			
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	At Unitata, all products are significantly important and health and safety impacts are continuously being assessed for improvements.	-
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	No major non-compliance	-
- PRODUCT AND SERVICE LABELLING			
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements	Certifications for Food safety, Sustainability and others - Marketplace	142
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	None	-
G4-PR5	Results of surveys measuring customer satisfaction	Customer Satisfaction - Marketplace	143

SPECIFIC STANDARD DISCLOSURES (Contd.)			
G4 Indicators	Description	Reference Section (or direct response)	Page Number
- MARKETING COMMUNICATIONS			
G4-PR6	Sale of banned or disputed products	None	-
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	None	-
- CUSTOMER PRIVACY			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	None	-
- COMPLIANCE			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	None	-

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 Equivalent	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.

Green House Gas (GHC) 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.

Statement On Corporate Governance

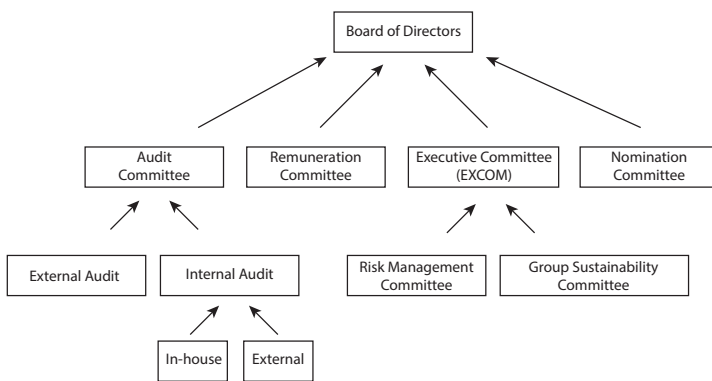
The Board of Directors of the Company recognizes the importance of good corporate governance and continues to be committed to ensure that high standards of corporate governance are practiced throughout the Group to deliver long term sustainable value to the shareholders and other stakeholders.

1. Establish Clear Roles and Responsibilities

1.1 Clear Functions of The Board and Management

The Board is responsible for the oversight and stewardship of the Group. There is clear division of functions between the Board and Management. In order to effectively discharge its duties, the Board has established a governance framework which provides an overview of the corporate governance processes and responsibilities within the Group.

Governance Framework



1.2 Board Roles and Responsibilities

The duties and responsibilities of the Board of Directors are clearly spelt out in the Board Charter. In summary, the Board had assumed the following stewardship responsibilities in furtherance of its duties:

- (i) Reviewed and adopted the strategic plan, both short term and long term, for the Group; reviewed and deliberated new investment proposals (both equity and expansion) by the Executive Committee before making a decision;
- (ii) Approve and monitor the progress of major capital expenditure;
- (iii) Oversight and evaluated the conduct of the Group's business based on the monthly and quarterly financial and other reports prepared by management and concluded that the business is being managed sustainably with regards to the economic, social and environmental aspects;
- (iv) Identified principal risks and ensured that appropriate systems were implemented to manage these risks as far as practicable;
- (v) Reviewed the Sustainability Report and were satisfied that the report reflects the Risks and Opportunities identified through stakeholder engagement and internal deliberation by the Group Sustainability Committee;
- (vi) Reviewed succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management;
- (vii) Ensured that the investor relations programme and shareholder communications policy for the Company are implemented;
- (viii) Reviewed the efficiency and quality of Group's financial reporting process as well as the adequacy and the integrity of the Group's internal control and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines and were satisfied that the internal control systems and information systems were adequate in all material aspects and that the Group complied with applicable laws and regulations;
- (ix) Reviewed the proposed dividends and ensured that they commensurate with the performance of the company and meet the expectations of the shareholders;
- (x) Reviewed the circular to shareholders and ensured that it complies with applicable rules on disclosure of information;
- (xi) Reviewed the interim financial statements and the annual report and satisfied that the financial statements and the contents of the annual report reflected the true and fair view of the financial position and results of the group and presented its activities accurately.

1.3 Code of Conduct and Business Ethics

The Group's Code of Conduct and Business Ethics for directors and employees continue to govern the standards of ethics and good conduct expected of directors and employees. These Code of Conduct and Business Ethics are communicated to the Directors and employees of the Group. The details of the Code of Conduct and Business Ethics are included in this Annual Report.

In addition, the Group's Whistle Blower policy seeks to foster an environment of integrity and ethical behavior, and any illegal or improper action in the Group which may be exposed. The Company's Whistle Blower Policy is described on page 63.

1.4 Sustainability of Business

The Board promotes sustainable business practices covering economic, social and environmental aspects, which are strongly believed to translate into better corporate performance.

The Group's first Sustainability Report is disclosed on page 29 - 161.

1.5 Access to Information and Advice

All the directors are supplied with all information within the Company and the Group in a timely manner. The information is not only financial relating to performance but goes beyond. The Company Secretary, upon the instructions of the Chairman and the Chief Executive Director, will prepare the agenda and organize the information relating thereto in the Board files to be dealt with at the Board Meetings. The Board files are sent out to all directors not less than 3 days before the Board Meetings.

The Company's monthly management accounts are sent to all Board members on a timely basis. In addition, monthly management accounts of key subsidiaries are sent to all the members of the Audit Committee.

The proceedings of all Board and Committee meetings are minuted by the Company Secretary for confirmation at the next Board/Committee Meetings. All minutes of the Board committees are circulated to all members of the Board.

There are procedures in place for non-executive directors to obtain information from management. All directors have access to the services and the advice of the Company Secretary. The Board acknowledges the need for a competent Company Secretary to carry out the duties to which the post entails as well as to provide strong support to the Chairman to ensure its effective functioning.

The Board has access to professional advice from third parties in furtherance of their duties in accordance with the Company's established procedures.

1.6 Qualified and Competent Company Secretary

The Board and Board Committees have unrestricted access to the advice and services of the Company Secretary. Both the retired and new Company Secretaries are members of the Malaysian Institute of Accountants and are

qualified to act as Company Secretary. The Board is satisfied with the performance and support rendered by the Company Secretary in the discharge of its duties effectively. The Company Secretary plays an advisory role to the Board in relation to Group policies and procedures, compliance with regulatory requirements, codes and guidelines. The Company Secretary also facilitates directors' training.

The Company Secretary attends all Board and Board Committee meetings and ensures that all papers are sent to the members in a timely basis, meetings are properly convened and accurate and proper records of the proceedings and resolutions are minuted and subsequently distributed to the members of the Board and Board Committees, and where relevant, communicates decisions and policies made to the management.

1.7 Board Charter

The Board Charter sets out the Board's strategic intent and outlines the Board's roles and responsibilities. The Charter elaborates the fiduciary and leadership functions of the Board and serves as a primary reference for prospective and existing Board members and senior management. The Charter is reviewed periodically to ensure it complies with current legislation and best practices. The Board Charter was updated on 19 November 2016 which can be viewed at the company's website.

2. 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.

2.1 Nomination Committee

The Principal Board function of making recommendations for new appointments to the Board is delegated to the Nomination Committee. The Committee consists entirely of non-executive directors, all of whom are independent directors.

The Committee has access to the services of the Company's Secretary who would record and maintain minutes of meetings and obtain information for the purpose of meeting statutory obligations as well as obligations arising from Bursa Malaysia's Main Market Listing Requirements.



Ferry services across the Bernam river mainly used by our employees for faster journey to our Sungei Bernam Estate.

The members of the Nomination Committee as at the end of financial year 2016 were as follows:-

Ybhg. Tan Sri Datuk Dr. Johari bin Mat
(Chairman)
(Independent, Non-Executive Director)

Y. Hormat Dato' Jeremy Derek Campbell Diamond
(Independent, Non-Executive Director)

Mr. R. Nadarajan
(Independent, Non-Executive Director)

Selection of candidates to be considered for appointment as directors is facilitated through recommendations from members of the Board and or shareholders. The Committee will then meet with the proposed candidates to assess their suitability in terms of age, qualifications, experience, expertise, any potential conflict of interest and leadership quality before recommending them for appointment to the Board.

The Committee held 1 meeting in respect of the year ended 31 December 2016 for the purpose of making an assessment of individual directors and board committees, for considering directors who are due to retire on rotation at the A.G.M., re-appointment of 3 directors under Section 129(6) of the Companies Act 1965, and the re-designation of 3 directors as independent directors. Under Article 92 of the Company's Memorandum and Articles of Association at the A.G.M. one-third of the directors shall retire from office and are eligible to seek re-election.

The committee also reviewed the required mix of skills and qualities that non-executive directors should bring to the Board. At this meeting an assessment on the effectiveness of the Board and the Committees, and the contributions of each individual director were deliberated.

The Committee reached the conclusion that the Board Committees and the directors in their individual capacity supported the current needs of the Board. Of the 3 directors who were proposed to be re-designated as independent directors, the Committee reviewed their attendance, participation in Board deliberations, including Board Committees and concluded that all 3 of them remain objective and independent and their lengths of service do not interfere with their exercise of independent judgement and accordingly recommended to the Board to be so re-designated. The Company will seek the shareholders' approval for the re-designation of these 3 directors. When deliberating on the performance of a particular Director who is also a member of the Nomination Committee, that member abstained from the discussions.

2.2 Remuneration Committee and Directors Remuneration

The Remuneration Committee consists entirely of 3 non-executive directors, all of whom are independent Directors. Its primary function is to review and recommend the remuneration for the Company's executive directors.

The members of the Remuneration Committee are stated herebelow:-

Ybhg. Tan Sri Datuk Dr. Johari bin Mat
(Chairman)
(Independent, Non-Executive Director)

Y. Hormat Dato'Jeremy Derek Campbell Diamond
(Independent, Non-Executive Director)

Mr. R. Nadarajan
(Independent, Non-Executive Director)

It is the Committee's usual practice to draw information on the company's remuneration policy from the Executive Committee to assist them with their duties. Executive directors do not participate in the deliberations of the Remuneration Committee.

Only the executive directors have contracts of service which are normally reviewed every three years. The executive directors' salaries are linked to their position, seniority, experience and the Company's overall profitability which would vary from year to year. The salary components are determined in accordance with the Company's established remuneration policy for executive directors. The remuneration packages are sufficiently attractive to attract and retain executive directors.

All directors are paid annual fees. The chairman and members of the Audit Committee receive additional fees taking into account the nature of their responsibilities. Members of other Board committees do not receive any additional fees. The directors' fees are reviewed by the

Board only when it deems necessary, subject however to approval by the shareholders at the A.G.M. The amount is related to their level of responsibilities. Periodical review of the fees is undertaken based on market information on directors' fees. A fixed meeting attendance allowance is paid for all attendances at Board and Board Committee meetings except for the Executive Committee meetings.

The Remuneration Committee did not hold any meeting during the financial year ended 31 December 2016. The aggregate remuneration for the year consisted of the following components as shown in the tables below.

It is not the Board's policy to disclose the remuneration of each individual director due to the Company's concerns for the sensitivity and confidentiality of such information. However, directors remuneration are disclosed in the applicable bands of RM50,000 herebelow differentiating the numbers between executive and non-executive directors.



The Executive Committee holding a meeting with the executives prior to a field visit.

	Director's Fees		Basic Salary (RM)	Additional Remuneration (RM)	Benefits-in Kind (RM)	Other Benefits (RM)	Meeting Attendance Allowance (RM)	Total (RM)
	Company	Subsidiaries						
	(RM)	(RM)						
Non-Executive Directors	455,000	-	-	-	-	-	115,500	570,500
Executive Directors	280,000	51,000	565,200	3,538,000	139,463	694,044	30,000	5,297,707
Total	735,000	51,000	565,200	3,538,000	139,463	694,044	145,500	5,868,207

Remuneration Range	Executive Directors	Non-Executive Directors
RM 50,001 - RM 100,000		1
RM 100,001 - RM 150,000		4
RM 1,000,001 - RM 1,050,000	1	
RM 1,300,001 - RM 1,350,000	1	
RM 1,350,001 - RM 1,400,000	1	
RM 1,500,001 - RM 1,550,000	1	

2.3 Audit Committee

The Audit Committee consists entirely of 3 non-executive directors, all of whom are independent directors. The Terms of Reference includes scope, functions and activities. The activities of the Audit Committee during the year have been described at length in a separate statement in this Annual Report. (page 174 - 177)

2.4 Executive Committee

The Executive Committee consists of executive directors only. The scope, functions and activities are given in the Terms of Reference approved by the Board.

It is responsible to oversee the day-to-day management of the Group's operations which include review of the annual revenue and capital budgets before presenting to the Board, reviewing the monthly, quarterly and annual results of the Company and Group and comparing them with the respective business units budgets and taking remedial actions for budget variances, implement policies and procedures approved by the Board, implement recommendations of the Audit Committee, identify key risks annually and implement mitigating actions where practicable, recommend expansion and diversification plans, implement policies for succession, labour recruitment, replanting and replacement of plant and machinery, and the review of research policies and projects.

The Executive Committee has established the Group Sustainability Committee which reviews sustainability issues concerning the environment, social/community, employees and market place. The Sustainability Report has been included in a separate statement in this Annual Report.

The Executive Committee has access to the services of the Company Secretary who records and maintains minutes of meetings.

The Executive Committee met formally 3 times during the year 2016, and the minutes thereof were included in the Board files for information and deliberation by the Board. All the executive directors attended all 4 meetings. The Executive Committee also met informally to deal with matters that required prompt response and decisions.

3. Reinforce Independence

3.1 Board Balance and Independence of Directors

The Company has an effective Board entrusted with leadership responsibilities by its shareholders. It is headed by a Chairman who is independent of management and whose key role is the stewardship of the Board. The Chief Executive Director on the other hand is an executive director and the head of management whose key responsibilities are to run the business and implement the policies and strategies approved by the Board. Due to their contrasting roles at the head of the Company, the two roles are not combined.

Following this division of responsibilities at the head of the Company we have in the Board's composition included a balance of executive and independent non-executive directors so that no one group would dominate the decision making process.

Your Board consists of 9 directors, 4 of whom are executives who have an intimate knowledge of the business. Amongst the remaining 5 non-executive directors, 4 of them are independent. The Board is satisfied that the size has fulfilled its requirements adequately.

The composition of the Board reflects a mix of skills and experience and other qualities which non-executive directors should bring to the Board. Due to the diversified backgrounds and their independence, the non-executive directors are ably engaged in healthy discussions and debates with the executive directors at the Board meetings which are conducive for an effective Board.

The independent directors play a pivotal role in the Board's responsibilities. However, they are not accountable and responsible for the day to day running of the business, which is the role of the executive directors. The independent non-executive directors are actively involved in various Board committees and contribute significantly to areas such as performance monitoring and enhancement of corporate governance by providing independent assessment and opinions on proposals put forward by the executive directors and act as a check and balance for the executive directors.

The Board has established a formal and transparent policy for the role of the executive and non-executive directors.

Biographies of the Directors as given in this Annual Report, show the necessary depth to bring experience and judgment to bear on the collective decision making processes of the Board.

The Board's composition fairly represents the ownership structure of the Company with appropriate representatives from the two largest shareholders. There are adequate number of representatives on the Board who fairly reflect the interests of the minority shareholders.

The Board has established position descriptions for the role of each of the executive director who has specific management responsibilities for the day to day running of the business. The Company has included a Group Philosophy Statement in the inside cover of this Annual Report and it has clearly described its objectives in the statement on sustainability to which the Board is deeply committed.

One of the recommendations of the MCCG states that the tenure of an independent director should not exceed a cumulative term of 9 years. However, the Nomination Committee and the Board have determined at the annual assessment carried out that Tan Sri Datuk Dr. Johari bin Mat, who has served on the Board for 15 years, Dato' Jeremy Derek Campbell Diamond who has served on the Board for 15 years and Mr. Ahmad Riza Basir who has served on the Board for 16 years remain objective and independent in participating in the deliberations and decision making of the Board and Board Committees.

The length of their service on the Board does not interfere with their exercise of independent judgment and act in the best interest of the Group notably in discharging their roles, in the case of Tan Sri Datuk Dr. Johari bin Mat, as Chairman of the Board, Chairman of the Remuneration Committee and Chairman of the Nomination Committee, in the case of Dato' Jeremy Derek Campbell Diamond as the Chairman of the Audit Committee as well as the member of the Remuneration and Nomination Committees, and in the case of Mr. Ahmad Riza Basir as the member of the Audit Committee.

Each of the above three independent directors has provided an annual confirmation of his independence to the Nomination Committee and the Board.

The Board has recommended the continuation of these 3 directors as independent directors of the Company as the Board believes that it is in the best position to evaluate and determine whether any independent director can continue acting in the best interest of the Group and bringing unbiased and professional judgement to Board deliberations.

The Board has to balance the need to continue with Directors who have intimate knowledge of the Group's business and fresh perspective which new candidates may bring.

The Board also wish to report that it has started the process of identifying suitable candidates for succession to the independent non-executive directors who have served long.

The Nomination Committee recognized that the Board diversity should be in tandem with expertise, experience and skills and not gender. It also took note that the recommendation in the MCCG 2012 is only a guideline and not mandatory.

The Board is of the view that it is important to recruit and retain the best available talent regardless of gender, ethnicity and age to maximize the effectiveness of the Board. Should there be a vacancy on the Board, the Directors will take into consideration the gender diversity.

Nevertheless, the Board is taking steps to identify women who have the qualifications and qualities that meet the Group's needs.

4. 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 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 5 Board meetings were held and the directors' attendances thereat are summarized below:-

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. Homat Dato' Jeremy Derek Campbell Diamond	5	5
Mr. Martin Bek-Nielsen	5	5
Ybhg. Dato' Mohamad Nasir bin Ab. Latif	4	5
Mr. Loh Hang Pai	5	5
Mr. R. Nadarajan	5	5

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 2016 were:

1. Bursa Malaysia's Annual Palm & Lauric Oils Conference & Exhibition: Price Outlook 2016 (POC2016)
2. Audit Committee Conference 2016 by MIA
3. Sustainability Engagement Series by Bursa Malaysia
4. Advocacy Sessions on Management Discussion & Analysis by Bursa Malaysia
5. Budget Seminar Tax Implication on Budget 2017 with GST coverage by ACCA Malaysia
6. Bursa Malaysia – CG Series : Improving Board Risk Oversight Effectiveness
7. Bursa Malaysia – CG Series : Future of Auditor Reporting –The Game Changer for Boardroom
8. 14th Roundtable Meeting (RT14) on Sustainable Palm Oil
9. Share Capital at No Par Value, Share Buy backs and Redeemable by MICPA
10. Training on New Companies Bill 2015

5. Integrity in Financial Reporting

The Board in compliance with 15.26a of Bursa Malaysia's Main Market Listing Requirements issues a Statement explaining its responsibility for preparing the annual audited financial statements. The Board is required by law to prepare financial statements for each financial year which will give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year in a manner which is comprehensive and transparent. In the preparation of the financial statements, the directors will consider compliance with all applicable Financial Reporting Standards

in Malaysia and the provisions of the Companies Act, 1965.

5.1 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.

5.2 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.

6. 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.

7. 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.

8. Strengthen Relationship Between the Company and Shareholders

8.1 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.

8.2 The Annual General Meeting (A.G.M.)

The Annual General Meeting is an excellent forum for dialogue with all shareholders for which due notice is given. The shareholders are given the opportunity to vote on the regular businesses of the meeting, viz. consideration of the financial statements, consideration and approval of a final dividend, consideration and approval of directors and auditors fees, re-election of directors and special business if any.

The Chairman explains the voting procedure before the commencement of the A.G.M. The shareholders present are given the opportunity to present their views or to seek more information. The resolutions passed at the meeting are released to Bursa Malaysia in a timely manner.

The Notice of A.G.M. is sent along with a Proxy Form to all shareholders. Items relating to special business in the agenda, if any, are

supported with detailed explanatory notes in a Circular to Shareholders sent along with this Report. There are sufficient notes in the Notice of AGM to guide shareholders for the completion of the Proxy Forms.

All Board members, Senior Management from the Finance Department and the External Auditors are present to respond to questions from the shareholders during the A.G.M.

Compliance Statement

The Group has complied with the principles and recommendations of the Malaysian Code of Corporate Governance 2012 (MCCG 2012), save for one of the recommendations that the tenure of an independent director should not exceed a cumulative term of 9 years where the non-observance has been explained in this Statement.



Shareholders voting on a resolution at the AGM held on 23 April 2016.



UNICEF officials visiting our kindergarten at Jendarata Division 1.

Statement On Directors' Responsibility As At 31 December 2016

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 2016 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, 1965.

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. Vincenzo Tapella from Ferrero together with Executive Director Finance & Marketing, Mr. Martin Bek-Nielsen and Group Research Adviser, Dr. Xaviar Arulandoo giving a tour on our good agricultural practices that starts at the nursery.

Statement On Risk Management and Internal Control

The Board of Directors (“the Board”) of United Plantations Berhad (“the Group”) recognizes its responsibility for the Group’s system of Risk Management and Internal Control (RMIC) for the review of its adequacy and effectiveness, whilst the role of management is to implement the Board’s policies on risks and controls. A sound system of RMIC includes the establishment of an appropriate control environment and framework, encompassing financial, operational and compliance controls and management of risks throughout its operations in order to protect its shareholders’ value and the Group’s assets as well as other stakeholders’ interests, at the same time.

The Risk Management Framework is embedded in its culture as documented in the Group Sustainability System Framework as illustrated on page 42. The Risk Management Framework overlaps with the Sustainability Governance Management Structure.

Risk Management Framework



Because of the limitations that are inherent in any system of RMIC, such systems are designed to manage and mitigate risks that may impede the achievement of the Group’s business objectives. Accordingly, the system of RMIC provides only reasonable and not absolute assurance against material misstatement, error or loss. The concept of reasonable assurance also recognizes that the cost of control procedures should not exceed the expected benefits.

The Board has received assurances from the members of the Executive Committee, that the Group’s system of RMIC is operating adequately and effectively in all material aspects.

Internal Control And Risk Management

The Board regards risk management as an integral part of business operations. There is 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 comprises senior executives of the Company and a written report is submitted to the Board. Management proactively reviews the measures taken to manage those identified risks on a timely and consistent manner.

Other Key Elements Of RMIC

Other key elements of the Group’s system of internal control are as follow:

- Defined management structure of the Group and clear delegation of authority to committees of the Board and management where authority levels have been clearly established;
- Established operating policies and procedures with respect to key operational areas are continuously reviewed and updated by management to reflect changing risk profile;
- Comprehensive financial and operational reports, including key performance indicators are reviewed against prescribed budgets and parameters by management and executive directors on a monthly and daily basis where applicable;
- Regular meetings are held between the executive directors and management to deliberate on Group strategies and policies, operational and financial performance and other key issues;
- An annual budgetary process whereby each operating entity submits a budget and business plan to the executive committee for consolidation, review and approval, which is then tabled to the Board for deliberation;
- It is the responsibility of each employee to report any potential shortcomings in the internal controls in relation to their respective responsibilities;
- An internal audit function that is outsourced to an independent professional firm, KPMG which reports directly to the Audit Committee. In addition, the Group also has a group internal audit department to complement the reviews by

the independent professional firm. Based on a risk-based audit plan, the internal audit function performs regular reviews of critical business processes to identify any significant risks, assess the effectiveness and adequacy of the system of RMIC and where necessary, recommend possible improvements;

- Each subsidiary of the group is (as a minimum requirement) subjected annually to scrutiny of its financial statements by an external auditor. Any comments relating to this external audit are passed on to the management in the form of a “management letter”. No significant shortcomings in internal controls have been found in the past.
- 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 174 to 177.

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 2016 are outlined below:

- Fluctuating commodity prices

This is the risk faced by the Company due to fluctuating commodity prices, namely crude palm oil prices. The Company uses a Board-regulated forward sales policy to manage this risk.

- Adverse foreign exchange fluctuations

The Company is exposed to fluctuation in foreign currency exchange differences due to its Indonesian Rupiah denominated loan to its Indonesian subsidiary. This loan is a long term loan and as such, the Company feels that the currency fluctuations will even-out in the long term.

- Insufficient and inexperienced labour force

The plantation industry in Malaysia, which is labour intensive, is facing a shortage of field workers, harvesters and collectors. This is an ever-present risk which is constantly being monitored by the Company. The Company is looking to recruit more guest workers from Bangladesh and India to alleviate the dependence on Indonesian guest workers, and to have a more balanced 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.

- Political instability and uncertainties in local regulatory and practices

This is a risk area which is closely monitored by the Group, as changes in legislations in labour policies, land and environmental laws can have a significant impact on the Group’s business. The Group has established good contacts with the local and central governments and is updated with the latest prevailing laws and regulations.

- Risks in the refinery industry

This risk pertains to the refinery operations in one of the Company’s subsidiary, Unitata Berhad. The refinery industry is a challenging industry with tight margins and high competition amongst its players. Unitata Berhad has managed these risks with efficient operations and selected niche products to stay competitive, and by staying vigilant of the latest developments both in the local and international markets. As sales are US Dollar denominated, the currency risks are managed by a Board approved hedging policy.

- Increasing labour costs

The risk of increasing costs, especially labour costs is an ever-present one. In view of the rising costs, the Company is constantly improving its

productivity through efficient management of its labour force and mechanization in selected operational areas. Efforts are underway to consolidate the operations in some of our palm oil mills into an integrated and labour-efficient combined mill.

- Extreme weather conditions

This is a new risk identified in view of the ramifications of extreme weather conditions on the palm oil yield. During 2016, this risk if not because of the surge in crude palm oil and palm kernel prices in the second half of the year would have had a significant impact on the Company's profitability.

Review of the statement by External Auditors

The external auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagement to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Group's Annual Report for the year ended 31 December 2016 and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Guidelines, nor is the Statement factually inaccurate.

RPG 5 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Groups' risk management and internal control system including the assessment and opinion by the Directors and management thereon.

The report from the External Auditors was made solely for and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purpose or parties. The External Auditors do not assume responsibility to any person other than the board of directors in respect of any aspect of this report.

Audit Committee Report

Members of the Audit Committee:

Y. Hormat Dato'Jeremy Derek Campbell Diamond
(Chairman – appointed on 31-7-2001)
(Independent, Non-executive Director)

Mr. Ahmad Riza Basir
(appointed on 19-6-2004)
(Independent, Non-executive Director)

Mr. R. Nadarajan
(appointed on 1-6-2013)
(Independent, Non-executive Director)

The Audit Committee consists entirely of independent non-executive directors. One of the members (Mr. R. Nadarajan) is an associate member of the Chartered Institute of Management Accountants, United Kingdom and a member of the Malaysian Institute of Accountants. This meets the requirement of the Bursa Securities Listing Requirements which requires at least one qualified accountant as a member of the Audit Committee.

1) Objectives

The Committee operates under the Terms and Reference of Audit Committee containing requirement as spelt out by Bursa Malaysia and the Terms of Reference is posted under Corporate Information section of the Company's website at www.unitedplantations.com.

The Terms of Reference prescribes the Committee's scope of responsibilities and the primary objectives of the Committee are:

- To assist in discharging the Board's responsibilities as they relate to the Group's management including risk management, internal controls, accounting policies and financial reporting;
- To provide, by way of regular meetings, a line of communication between the Board and the external and internal auditors;
- To oversee and review the quality of the audits conducted by the external and internal auditors; and
- To enhance the perceptions held by interested parties, such as shareholders, regulators, creditors and employees, of the credibility and objectivity of the financial reports.

2) Activities of the Audit Committee during the year

The Committee held 5 meetings in the year 2016 to conduct and discharge its functions in accordance with the Terms of Reference mentioned above. Details of Directors' attendances at Audit Committee meetings are as follows:

Name of Directors	No. of meetings	
	Attended	Held
Y. Hormat Dato' Jeremy Derek Campbell Diamond	5	5
Mr. Ahmad Riza Basir	5	5
Mr. R. Nadarajan	5	5

The Audit Committee met on a scheduled basis. The Group Financial Controller and 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 (Both in-house and outsourced)
 - i. Reviewed the annual audit plans for 2016 to ensure adequate scope, coverage of the activities of the Company and the Group and the resource requirements of IA to carry out its functions;
 - ii. Reviewed the Internal Audit reports, audit recommendations and Management's responses to these recommendations (further details provided under item 3);
 - iii. Reviewed the 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

- vi. Reviewed and assessed the trading manual limits for the Group.
- b) External Audit
 - i. Reviewed with the external auditor:-
 - The Audit Planning Memorandum and scope of work for the year; and
 - The Results of the audit, the relevant audit reports and Management Letters together with the Management's responses and comments to the findings.
 - ii. Assessed the independence and objectivity of the external auditors during the year and prior to reappointment. The assessment is based on the private discussions, quality of issues raised in their report and their level of participation on issues discussed during the quarterly meetings they attended. The Committee also received from the external auditors their policies and written confirmation regarding their independence and the measures used to control the quality of their work;
 - iii. Evaluated the performance and effectiveness of the external auditors and made recommendations to the Board of Directors on their reappointment and remuneration;
 - iv. Evaluated the impact and issues with the proposed implementation IAS 41- Biological Assets;
 - v. Evaluated and assessed the issues arising from the implementation of GST and the documentation of the resolutions with the Customs.
 - vi. Assessed the impact and issues with the proposed implementation of the Companies Act 2016 and;
 - vii. Assessed the impact and issues with the discontinuance of an Enterprise Resource Planning software in a subsidiary company.
- 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, 1965;
- 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 that the Group had entered into transaction with International Plantations Services Limited (IPS), a company incorporated in Bahamas. This company is deemed to be related party by virtue of common directorship help by certain directors in IPS and the Group.

e) Review on trade of derivatives

It was highlighted by the authorities to the Audit Committee during the year of an appearance of a potential conflict of interest in the trading of derivatives in that an Executive Director who has been authorized to trade on behalf of the Company in Crude Palm Oil (CPO) Futures also in his personal capacity entered into trades on such derivatives amongst others. The Company taps on the expertise of this Executive Director on the trading of Crude Palm Oil (CPO) Futures.

Through an independent professional review on this matter, there was no evidence that the Executive Director had benefited from these trading activities at the expense of UP Group or that UP Group had incurred losses from these activities. The Audit Committee had presented the findings of this independent review to the authorities.

To eliminate any potential conflict of interest situation, the Executive Director had stopped from personal trading in CPO futures since the potential conflict of interest was highlighted and addressed to the satisfaction of the Audit Committee and the Board of Directors.

To further strengthen the application of the conflict of interest policy, the Board has adopted in line with best practices, an annual declaration of conflict of interest by each director in order to increase individual director and board awareness and responsibility in managing potential conflicts within the Group.

f) Annual Report

Reviewed with the external auditors the Statement on Risk Management and Internal Control.

g) Risk Assessment and Management

Reviewed and discussed with management the outcome of the exercise to identify, evaluate and manage significant strategic, operational, financial, hedging, trading, tax-related and legal risks faced by the Group.

3) Internal Audit Function

The Committee is supported by the in-house Group Internal Audit Department and the outsourced internal auditors, KPMG in the discharge of its duties and responsibilities. The internal auditors provide independent and objective assessment on the adequacy and effectiveness of the risk management and internal controls. The in-house internal auditors also carry out investigative audits whenever improper, illegal and dishonest acts are reported.

The internal auditors review the effectiveness of the internal control structures of the Group's activities focusing on high risk areas as determined using a risk-based approach. All operating units are audited at least once over a two year period by the in-house internal auditors, and at least once over a three year period by the outsourced internal auditors (excluding foreign operations).

The internal audits cover the review of the adequacy of risk management, operational controls, compliance with established procedures, guidelines and statutory requirements, quality of assets and management efficiency, amongst others. These audits are to ensure that the established controls are appropriate, effectively applied and achieve acceptable risk exposures consistent with the Group's risk management policy. In performing such reviews, recommendations for improvement and enhancements to the existing system of internal controls and work processes are made.

All auditing activities are conducted in line with the Group’s objectives and policies, in accordance with applicable laws and regulations, and as guided by Code of Ethics and International Standards for the Professional Practice of Internal Auditing.

For the year 2016 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 27 audit engagements (in-house internal audits) were completed in 2016. The in-house internal audit team visited 2 Palm Oil Mills and 4 Estates in 2016 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, 3 special audits were conducted focusing on the palm oil mill’s sludge oil, payroll costs and petty cash investigation. Furthermore 12 follow up audits were performed including surprise coconut counts and follow up audits on previous audit recommendations. Material findings include among others weaknesses in existing petty cash management, enhancement in payment procedures, weaknesses in stock management and enhancement to the fixed assets management system.

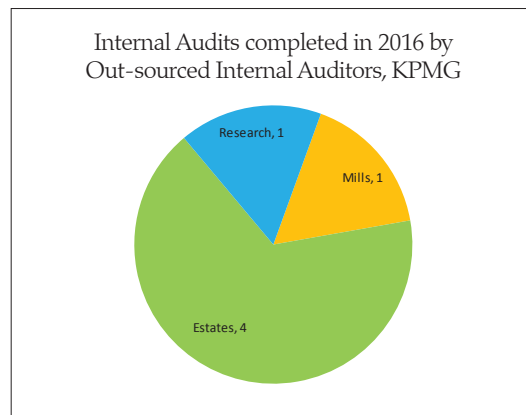
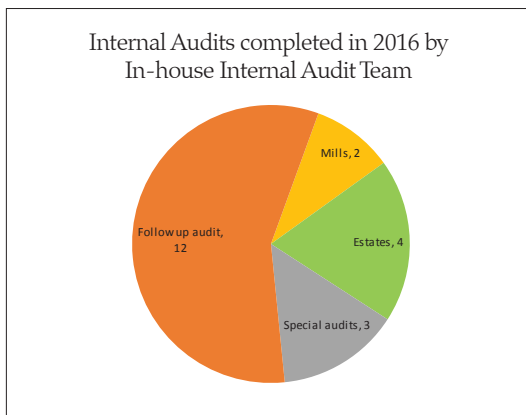
For the outsourced internal audits, 6 audit engagements were completed in 2016, encompassing 1 Palm Oil Mill audit, 4 Estate audits and also the Research Department audit.

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 procedure of crude palm oil and palm kernel dispatches, enhancement to stock count practices and stock management procedures.

Any control and procedural weaknesses identified were discussed with Management and remedial measures instituted to address the weaknesses identified.

The Audit Committee reviewed the audit report presented and the management’s responses to ensure that material findings were adequately addressed. Some follow up audit works are done subsequently for material findings to ensure adherence to the auditors’ recommendations if any.

A total of 27 audit engagements (combined in-house and outsourced internal audits) were completed in 2016, categorized as follows:



Additional Disclosures

Pursuant to the listing requirements of Bursa Malaysia Securities Berhad, additional disclosures by the Group for the year ended 31 December 2016 are as follows:-

- 1) Utilization of proceeds raised from Corporate Proposals

There were no issue of shares during the financial year.

- 2) Share Buy-Backs

The treasury shares as at 31 December 2016 remained at 341,774 ordinary shares of RM1.00 each similar to the position as at 31 December 2015 , as there were no share buy-back nor any cancellation, re-sale or distribution of treasury shares in the current year. The ordinary shares repurchased as treasury shares in 2013 are treated in accordance with the requirements of Section 67A of the Companies Act , 1965.

- 3) Options, Warrants and Convertible securities

There were no options, warrants or convertible securities in issue during the financial year.

- 4) American Depository Receipt (ADR) and Global Depository Receipt (GDR)

The Company did not sponsor any ADR and GDR in the financial year.

- 5) Sanctions and/or Penalties

During the financial year, there were no material sanctions and/or penalties imposed on the Company or its subsidiary companies, Directors or Officers arising from any significant breach of rules/guidelines/legislation by the relevant regulatory authorities.



Efficient transport of fresh fruit bunches to the mill

- 6) 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	65,600

- 7) Variation in Profit Estimates, Forecasts, Projections or Unaudited Results

The Group had not issued any profit estimate, forecast or projections during the financial year. There was no variation in the results from the unaudited results for the financial year previously announced.

- 8) Profit Guarantee

The Group has not provided any profit guarantee in the financial year.

- 9) Cost of Internal Audit

RM 558,029 was incurred by the Group in the Financial year for its outsourced internal audit and in-house internal audit department.



Ripe fresh fruit bunches ready to be harvested.



A scenic view of tall palms which are amongst the last few fields remaining at UP, as extensive replanting have taken place over the last eight years.

Financial Statements For the year ended 31 December 2016

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Report Of The Directors For The Year Ended 31 December 2016

The Directors have pleasure in submitting for your consideration their 96th annual report together with the audited financial statements of the Company and of the Group for the year ended 31 December 2016.

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	330,807	226,210
Attributable to:		
Equity owners of the parent	329,488	226,210
Non-controlling interests	1,319	-
Total	330,807	226,210

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in the financial statements.

Group's Plantation Properties

The Group's plantation properties at the end of the year were as follows:

Malaysia	Hectares
UIE estates	10,370
Jendarata	6,339
Kuala Bernam	830
Sungei Bernam	2,292
Ulu Bernam	3,194
Changkat Mentri	2,549
Ulu Basir	3,987
Sungei Erong	3,663
Sungei Chawang	3,286
Seri Pelangi	1,422
Lima Blas	2,889
Sub-total	40,821

Indonesia

PT Surya Sawit Sejati (planted area)	9,179
Conservation and Plasma	9,392
Buildings & others	92
Sub-total	18,663
Total	59,484

Report Of The Directors For The Year Ended 31 December 2016

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% amounting to RM41,558,498 in respect of the previous financial year was paid on 18 May 2016.
- (b) A special single-tier dividend of 50% amounting to RM103,896,246 in respect of the previous financial year was paid on 18 May 2016.
- (c) An interim single-tier dividend of 20% amounting to RM41,558,498 in respect of the current financial year was paid on 16 December 2016.
- (d) A special single-tier dividend of 10% amounting to RM20,779,249 in respect of the current financial year was paid on 16 December 2016.

At the forthcoming Annual General Meeting, a final single-tier dividend of 20% amounting to RM41,558,498 and a special single-tier dividend of 65% amounting to RM135,065,120 in respect of the year ended 31 December 2016 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 2017.

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 23 April 2016.

As at 31 December 2016, the number of treasury shares held remained at 341,774 shares of RM1.00 each 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 67A of the Companies Act, 1965.

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 of RM1.00 each.

Report Of The Directors For The Year Ended 31 December 2016

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

Ybhg. Dato' Mohamad Nasir bin Ab. Latif
Mr. Loh Hang Pai
Mr. R Nadarajan

The following Directors who held office at the end of the financial year had according to the register required to be kept under Section 134 of the Companies Act, 1965, an interest in shares of the Company and its subsidiary companies, as stated below:

	Number of Shares of RM1.00 each				% of Issued Share Capital*
	1 January 2016	Bought	Sold	31 December 2016	
The Company:					
Ybhg. Tan Sri Datuk Dr. Johari bin Mat					
- held directly	90,000	-	-	90,000	0.04
- deemed interested	10,000	-	-	10,000	-
Ybhg. Dato' Carl Bek-Nielsen					
- held directly	2,242,491	-	-	2,242,491	1.08
- deemed interested	98,401,335	-	-	98,401,335 ^{*1}	47.36
Mr. Ho Dua Tiam					
- held directly	707,400	-	-	707,400	0.34
Mr. Ahmad Riza Basir					
- held directly	70,500	-	-	70,500	0.03
Y. Hormat Dato'Jeremy Derek Campbell Diamond					
- held directly	14,000	-	-	14,000	0.01
- deemed interested	258,000	-	-	258,000	0.12
Mr. Martin Bek-Nielsen					
- held directly	552,389	-	-	552,389	0.27
- deemed interested	98,359,277	-	-	98,359,277 ^{*2}	47.34
Mr. Loh Hang Pai					
- held directly	23,000	-	-	23,000	0.01

Report Of The Directors For The Year Ended 31 December 2016

Notes:

*1 Dato' Carl Bek-Nielsen

8,748,477 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

98,401,335 shares

*2 Mr. Martin Bek-Nielsen

8,748,477 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

98,359,277 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 2016

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 2016

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 February 2017.

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 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	4	1,228,384	1,004,235	468,755	471,578
Other income		70,923	52,804	20,673	16,281
		1,299,307	1,057,039	489,428	487,859
Changes in finished goods		72,284	(6,799)	13,609	(8,385)
Raw materials and consumables used		(620,659)	(335,282)	(11,385)	(11,177)
Amortisation of biological assets		(27,841)	(26,646)	(19,717)	(19,020)
Depreciation of property, plant and equipment		(44,819)	(44,582)	(23,905)	(24,392)
Amortisation of land use rights		(720)	(572)	-	-
Staff costs	5	(149,293)	(146,846)	(110,394)	(106,780)
Other expenses		(137,195)	(140,398)	(70,942)	(75,314)
Profit from operations	5	391,064	355,914	266,694	242,791
Finance costs	6	(22)	(26)	(20)	(22)
Investment and interest income	7	26,893	28,368	21,490	24,682
Share of results of joint venture	13	-	(8,259)	-	-
Profit before taxation		417,935	375,997	288,164	267,451
Taxation	8	(87,128)	(83,566)	(61,954)	(63,770)
Net profit for the year		330,807	292,431	226,210	203,681
Attributable to:					
Equity owners of the parent		329,488	291,550	226,210	203,681
Non-controlling interests		1,319	881	-	-
		330,807	292,431	226,210	203,681
Earnings per share (sen)	9	159	141		

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

Statements Of Comprehensive Income
For The Year Ended 31 December 2016

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Net profit for the year	330,807	292,431	226,210	203,681
Other comprehensive income:				
Reversal of available for sale reserve	(893)	-	(893)	-
Foreign currency translation, representing net other comprehensive income for the year, to be reclassified to profit and loss in subsequent period, net of tax	6,888	6,210	-	-
Total comprehensive income for the year	336,802	298,641	225,317	203,681
Total comprehensive income attributable to:				
Equity owners of the parent	334,616	297,900	225,317	203,681
Non-controlling interests	2,186	741	-	-
	336,802	298,641	225,317	203,681

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

Statements Of Financial Position

As At 31 December 2016

Group		2016	2015
		RM'000	RM'000
	Note		
Assets			
Non-Current Assets			
Biological assets	10 (a)	448,731	424,747
Property, plant and equipment	10 (b)	970,642	936,861
Land use rights	10 (c)	36,192	33,890
Associated company	12	50	50
Joint venture	13	-*	-
Available for sale financial asset	14	-	6,446
		1,455,615	1,401,994
Current Assets			
Inventories	15	189,958	110,987
Trade and other receivables	16	293,239	206,910
Prepayments		2,475	1,616
Tax recoverable		6,247	985
Derivatives	29 (g)	3,456	1,239
Cash and bank balances	17 (a)	272,292	400,005
Short term funds	17 (b)	418,622	352,843
		1,186,289	1,074,585
Total Assets		2,641,904	2,476,579
Equity and Liabilities			
Equity attributable to owners of the parent			
Share capital	18 (a)	208,134	208,134
Treasury shares	18 (b)	(8,635)	(8,635)
Reserves	19	2,162,723	2,035,899
		2,362,222	2,235,398
Non-controlling interests		5,344	3,158
Total Equity		2,367,566	2,238,556
Non-Current Liabilities			
Deferred taxation	20	115,184	107,417
Retirement benefit obligations	21	13,254	10,728
Derivatives	29 (g)	178	2,154
		128,616	120,299
Current Liabilities			
Trade and other payables	22	114,403	71,881
Tax payable		16,152	11,526
Retirement benefit obligations	21	749	1,126
Derivatives	29 (g)	14,312	33,179
Bank borrowings	23	106	12
		145,722	117,724
Total Liabilities		274,338	238,023
Total Equity and Liabilities		2,641,904	2,476,579

* The carrying amount of the investment in joint venture is RM1.00.

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

Statements Of Financial Position

As At 31 December 2016

Company		2016	2015
		RM'000	RM'000
	Note		
Assets			
Non-Current Assets			
Biological assets	10 (a)	333,574	310,208
Property, plant and equipment	10 (b)	762,848	737,311
Subsidiary companies	11	404,826	404,226
Associated company	12	50	50
Joint venture	13	-*	-
Available for sale financial asset	14	-	6,446
		1,501,298	1,458,241
Current Assets			
Inventories	15	42,821	29,627
Trade and other receivables	16	168,743	101,285
Prepayments		86	86
Cash and bank balances	17 (a)	152,566	338,803
Short term funds	17 (b)	273,194	181,378
		637,410	651,179
Total Assets		2,138,708	2,109,420
Equity and Liabilities			
Equity attributable to owners of the parent			
Share capital	18 (a)	208,134	208,134
Treasury shares	18 (b)	(8,635)	(8,635)
Reserves	19	1,762,613	1,745,088
Total Equity		1,962,112	1,944,587
Non-Current Liabilities			
Deferred taxation	20	109,759	104,444
Retirement benefit obligations	21	6,910	5,826
		116,669	110,270
Current Liabilities			
Trade and other payables	22	46,631	42,183
Tax payable		12,703	11,408
Retirement benefit obligations	21	593	972
		59,927	54,563
Total Liabilities		176,596	164,833
Total Equity and Liabilities		2,138,708	2,109,420

* The carrying amount of the investment in joint venture is RM1.00.

Statements Of Changes In Equity
For The Year Ended 31 December 2016

Group	← Attributable to equity owners of the parent →									
	← Non-distributable →					Distributable →				
Note	Share capital (Note 18(a))	Available for sale 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	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2015	208,134	893	181,920	21,798	(3,183)	(8,635)	1,723,584	2,124,511	2,417	2,126,928
Total comprehensive income for the year	-	-	-	-	6,350	-	291,550	297,900	741	298,641
Dividends, representing total transaction with owners of the parent	24	-	-	-	-	-	(187,013)	(187,013)	-	(187,013)
At 31 December 2015	208,134	893	181,920	21,798	3,167	(8,635)	1,828,121	2,235,398	3,158	2,238,556
At 1 January 2016	208,134	893	181,920	21,798	3,167	(8,635)	1,828,121	2,235,398	3,158	2,238,556
Total comprehensive income for the year	-	(893)	-	-	6,021	-	329,488	334,616	2,186	336,802
Dividends, representing total transaction with owners of the parent	24	-	-	-	-	-	(207,792)	(207,792)	-	(207,792)
At 31 December 2016	208,134	-	181,920	21,798	9,188	(8,635)	1,949,817	2,362,222	5,344	2,367,566

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

Statements Of Changes In Equity

For The Year Ended 31 December 2016

Company	Note	← Non-distributable →		← Distributable →		Total	
		Share capital (Note 18(a))	Available for sale 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 2015		208,134	893	181,920	(8,635)	1,545,607	1,927,919
Total comprehensive income for the year		-	-	-	-	203,681	203,681
Dividends, representing total transaction with owners of the parent	24	-	-	-	-	(187,013)	(187,013)
At 31 December 2015		208,134	893	181,920	(8,635)	1,562,275	1,944,587
At 1 January 2016		208,134	893	181,920	(8,635)	1,562,275	1,944,587
Total comprehensive income for the year		-	(893)	-	-	226,210	225,317
Dividends, representing total transaction with owners of the parent	24	-	-	-	-	(207,792)	(207,792)
At 31 December 2016		208,134	-	181,920	(8,635)	1,580,693	1,962,112

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

Cash Flow Statements

For The Year Ended 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash Flows From Operating Activities					
Receipts from customers		1,144,518	992,284	468,753	471,592
Payments to suppliers		(591,751)	(326,146)	(11,194)	(11,603)
Payments of operating expenses		(295,944)	(368,167)	(177,336)	(223,949)
Payments of taxes		(80,322)	(75,975)	(55,344)	(54,718)
Other receipts		37,387	23,871	5,355	6,160
Net cash generated from operating activities		213,888	245,867	230,234	187,482
Cash Flows From Investing Activities					
Proceeds from sale of property, plant and equipment and biological assets		8,781	13,058	8,758	13,009
Proceeds from disposal of joint venture		-	9,000	-	9,000
Proceeds from disposal of investment		21,030	-	21,030	-
Interest income		30,165	29,730	21,744	20,785
Net change in deposits with licensed banks with tenure more than 3 months		183,615	71,767	178,000	47,000
Net change in short term funds		(65,779)	(156,607)	(91,816)	(75,783)
Dividend received from a subsidiary company		-	-	-	10,500
Redemption of RCCPS		-	-	-	50,000
Pre-cropping expenditure incurred		(44,163)	(41,514)	(43,083)	(41,514)
Purchase of property, plant and equipment	(a)	(82,408)	(53,453)	(58,747)	(43,275)
Land use rights payment made		(1,501)	(395)	-	-
Net cash generated from/(used in) investing activities		49,740	(128,414)	35,886	(10,278)

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

Cash Flow Statements

For The Year Ended 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash Flows From Financing Activities					
Interest paid		(22)	(26)	(20)	(22)
Dividends paid		(207,792)	(187,013)	(207,792)	(187,013)
Inter-company balances		-	-	(66,539)	9,927
Associated company balances		(6)	(4)	(6)	(4)
Net cash used in financing activities		(207,820)	(187,043)	(274,357)	(177,112)
Net increase/(decrease) in cash and cash equivalents		55,808	(69,590)	(8,237)	92
Cash and cash equivalents at the beginning of year		60,111	129,701	21,803	21,711
Cash and cash equivalents at end of year	(b)	115,919	60,111	13,566	21,803

(a) Purchase of property, plant and equipment during the year was fully paid for in cash and excludes intragroup transfers.

(b) Analysis of cash and cash equivalents:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits with licensed banks	238,436	361,252	150,669	336,370
Cash at banks and in hand	33,856	38,753	1,897	2,433
Bank overdrafts	(106)	(12)	-	-
	272,186	399,993	152,566	338,803
Less: Deposits with licensed banks with tenure more than 3 months	(156,267)	(339,882)	(139,000)	(317,000)
Cash and cash equivalents at end of year	115,919	60,111	13,566	21,803

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 2016 for the Group was 5,926 (2015: 6,628) and for the Company was 4,482 (2015: 5,210).

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 25 February 2017.

2. Significant Accounting Policies

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the Companies Act, 1965 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

2.2 Changes In Accounting Policies

On 1 January 2016, the Group and the Company adopted the following new and amended FRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2016.

	Effective for annual periods beginning on or after
• Annual improvements to FRSs 2012-2014 Cycle	1 January 2016
• Amendments to FRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
• Amendments to FRS 101: Presentation of Financial Statements: Disclosure Initiatives	1 January 2016
• Amendments to FRS 116 and FRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
• Amendments to FRS 127: Equity Method in Separate Financial Statements	1 January 2016
• Amendments to FRS 10, FRS 12 and FRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
• Amendments to FRS 116 and FRS 141: Agriculture: Bearer Plants	1 January 2016
• FRS 14 Regulatory Deferral Accounts	1 January 2016

Notes To The Financial Statements

The adoption of the above standards and interpretation did not have any significant effect on the financial performance and position of the Group and of the Company.

2.3 Summary Of Significant Accounting Policies

(a) Subsidiary Companies And Basis Of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b) Exposure, or rights, to variable returns from its involvement with the investee, and
- (c) The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee
- (b) Rights arising from other contractual arrangements
- (c) The Group's voting rights and potential voting rights

Notes To The Financial Statements

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statements of financial position and statements of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- (a) Derecognises the assets (including goodwill) and liabilities of the subsidiary
- (b) Derecognises the carrying amount of any non-controlling interests
- (c) Derecognises the cumulative translation differences recorded in equity
- (d) Recognises the fair value of the consideration received
- (e) Recognises the fair value of any investment retained
- (f) Recognises any surplus or deficit in profit or loss

Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(iii) Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

(b) Associated Companies

Associated companies are entities in which the Group has significant influence and that is neither a subsidiary company nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Notes To The Financial Statements

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associated company is carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associated company.

The Group's share of the net profit or loss of the associated company is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associated company, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses in transactions between the Group and the associated company are eliminated to the extent of the Group's interest in the associated company. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associated company. The associated company is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associated company.

Goodwill relating to an associated company is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associated company's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any long-term interest that, in substance, form part of the Group's net investment in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

The most recent available audited financial statements of the associated companies are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associated companies are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(c) Joint Venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves an unincorporated entity or the establishment of a separate entity in which each venturer has an interest.

Investment in joint venture is accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.3(b). Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on transactions between the Group and its joint venture.

Notes To The Financial Statements

The financial statements of the joint venture are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

In the Company's separate financial statements, investment in joint venture is stated at cost less impairment loss. On disposal of such investment, the difference between net disposal proceeds and their carrying amount is included in profit or loss.

(d) (i) Biological Assets

Biological assets comprise pre-cropping expenditure incurred from land clearing to the point of maturity. Such expenditure is capitalised and is amortised at maturity of the crop at the following rates which are deemed as the useful economic lives of the crop:

Pre-cropping expenditure - oil palm	over 20 years or 5%
Pre-cropping expenditure - coconut palm	over 30 years or approximately 3.33%

(ii) Property, Plant and Equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land and capital work-in-progress are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold land and capital work-in-progress are stated at cost less any accumulated impairment losses.

The cost of freehold land initially acquired is allocated between the land, buildings and biological assets elements in proportion to the relative fair values for the interests in the land element, buildings element and biological assets element. Freehold land has an unlimited useful life and therefore is not depreciated. Long term leasehold land is depreciated over the period of the lease which range from 50 years to 99 years. Capital work-in-progress are also not depreciated as these assets are not available for use. Other property, plant and equipment are depreciated by equal annual instalments over their estimated economic lives based upon the original cost or deemed cost on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life. The principal annual depreciation rates used are:

Buildings	2% - 5%
Bulking installations	5%
Railways	over 25 years or 4%
Rolling stock	over 14 years or approximately 7.14%
Plant and machinery	5% - 20%
Furniture and office equipment	10% - 20%
Motor vehicles, tractors and implements	12.5% - 25%
Aircrafts	5%

Notes To The Financial Statements

Spare parts which are held for use in the production or supply of goods or services and are expected to be used during more than one period, and thus are classified under property, plant and equipment. The cost will be charged out to income statement when the spare parts are utilised.

The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the profit or loss.

(iii) Land Use Rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

(e) Inventories

Agricultural produce stocks are stated at net realisable value at the reporting date.

All other inventories are valued at the lower of cost and estimated net realisable value. Cost includes the actual cost of materials, labour and appropriate production overheads and is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Notes To The Financial Statements

(g) Foreign Currencies

(i) Functional And Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to the functional currency at exchange rates ruling on the transaction dates.

Exchange differences arising on the settlement of monetary items or on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency ("RM") of the consolidated financial statements are translated into RM as follows:

- (a) Assets and liabilities for each statements of financial position presented are translated at the closing rate prevailing at the reporting date;
- (b) Income and expenses for each profit or loss are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- (c) All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Notes To The Financial Statements

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

The principal exchange rates used for currency ruling at the reporting date are as follows:

	2016	2015
	RM	RM
1 United States Dollar (USD)	4.4860	4.2935
100 Indonesian Rupiah (IDR)	0.0333	0.0311

(h) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) *Sale of goods*

Revenue from sale of produce stocks and finished goods is recognised when the significant risk and rewards of ownership of the produce stocks and finished goods have passed to the buyer.

(ii) *Interest income*

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

(iii) *Dividend income*

Dividend income from investment is recognised when the right to receive payment is established.

(iv) *Revenue from services*

Revenue from services is recognised when services are rendered.

(v) *Rental income*

Rental income is recognised on a time proportion basis.

Notes To The Financial Statements

(i) Employee Benefits

(i) *Short term benefits*

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund (“EPF”). In addition, the Group also contributes to a defined contribution fund set up for certain eligible employees of the Group.

(iii) *Defined benefit plans*

The Company and certain subsidiary companies provide for retirement benefit for their eligible employees on unfunded defined benefit plans in accordance with the terms of employment and practices. The Group’s obligations under these plans are determined internally using the Projected Unit Credit Method based on certain actuarial assumptions where the amount of benefits that employees have earned in return for their services rendered is estimated.

Full provision is recognised for retirement benefit payable to all eligible employees. Should an employee leave before attaining the retirement age, the provision made for the employee is written back. Actuarial gains or losses are recognised as income or expense immediately through OCI. Past service costs are recognised immediately.

(j) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, including land clearing and planting up to the time of maturity, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

Notes To The Financial Statements

(k) Impairment Of Non-Financial Assets

At each reporting date, the Group reviews the carrying amounts of its assets, other than inventories, assets arising from employee benefits and financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of an asset's fair value less cost to sell and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs and prorated to the asset by reference to the cost of the asset to the cost of the cash-generating unit.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(l) Financial Assets

Financial assets are recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include available for sale investments and loans and receivables.

(i) Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as receivables.

Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the receivables are derecognised or impaired, and through the amortisation process.

Receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

Notes To The Financial Statements

(ii) Available for sale financial assets

Available for sale financial assets are financial assets that are designated as available for sale or are not classified in any of the financial assets as disclosed in Notes 2.3(l) (i) and 2.3(q).

After initial recognition, available for sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available for sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available for sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(iii) Marketable securities at fair value

Marketable securities are carried at market value, determined on an aggregate basis. Market value is determined based on quoted market price. Increases or decreases in the carrying amount of marketable securities are recognised in the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in profit or loss.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

Notes To The Financial Statements

(m) Impairment Of Financial Assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) *Trade and other receivables and other financial assets carried at amortised costs*

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

(ii) *Available for sale financial assets*

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available for sale financial assets are impaired.

If an available for sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available for sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available for sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

Notes To The Financial Statements

(n) Cash And Cash Equivalent

Cash and cash equivalents represent cash on hand and at banks and short term deposits with a maturity of three months or less that are readily convertible to known amount of cash which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

(o) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either payables, interest-bearing borrowings or other financial liabilities.

(i) Payables

Payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

(ii) Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

(iii) Other financial liabilities

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Notes To The Financial Statements

(p) Equity Instruments

Ordinary shares are classified as equity. The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided. Costs of issuing equity securities in connection with a business combination are included in the cost of acquisition. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(q) Financial Assets Or Financial Liabilities At Fair Value Through Profit Or Loss

Financial assets or financial liabilities 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.

(r) Research And Development Costs

All general research and development costs are expensed as incurred.

(s) Operating Leases - The Group As Lessee

Operating lease payments are recognised as an expense on a straight line basis over the term of the relevant lease.

(t) Government grants

Grants that compensate the Group for replanting expenses incurred are credited against the pre-cropping expenditure and are amortised over the economic life of the crop.

Grants received as incentives by the Group are recognised as income in the periods the incentives are receivable where there is reasonable assurance that the grant will be received.

Notes To The Financial Statements

2.4 Significant Accounting Estimate

The key assumptions concerning the future and other key source of estimation uncertainty at the reporting date, that have significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

(i) Impairment of property, plant and equipment

Assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, a significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business, and significant adverse industry or economic changes. Recoverable amounts of assets are based on management's estimates and assumptions of the net realisable value, cash flows arising from the future operating performance and revenue generating capacity of the assets and cash operating units, and future market conditions. Changes in circumstances may lead to changes in estimates and assumptions, and result in changes to the recoverable amounts of assets and impairment losses needed.

(ii) Biological Assets

Biological assets comprise pre-cropping expenditure incurred from land clearing to the point of maturity. Such expenditure is capitalised and is amortised at maturity of the crop over the useful economic lives of the crop. Management estimates the useful economic lives of the Group's and the Company's oil palms and coconut palms to be 20 years and 30 years respectively.

Notes To The Financial Statements

2.5 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 Company intends to adopt these standards, if applicable, when they become effective:

Description	Effective for annual periods beginning on or after
• FRS 107 Disclosures Initiatives (Amendments to FRS 107)	1 January 2017
• FRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to FRS 112)	1 January 2017
• FRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to FRS 2)	1 January 2018
• FRS 15 Revenue from Contracts with Customers	1 January 2018
• FRS 9 Financial Instruments	1 January 2018
• FRS 16 Leases	1 January 2019
• Amendments to FRS 10 and FRS 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 have no material impact on the financial statements in the period of initial application except as discussed below:

FRS 9 Financial Instruments

In November 2014, Malaysian Accounting Standards Board ("MASB") issued the final version of FRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 139 Financial Instruments: Recognition and Measurement and all previous versions of FRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. FRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

Retrospective application is required, but comparative information is not compulsory. The adoption of FRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

Notes To The Financial Statements

Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board (“MASB”) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRS Framework”). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called ‘Transitioning Entities’).

After few announcements of deferment since 19 November 2011, on 8 September 2015, MASB announced that Transitioning Entities shall be required to apply the MFRS Framework for annual periods beginning on or after 1 January 2018.

The Group falls within the scope definition of Transitioning Entities and will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

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)
		2016 / 2015 %	2016 / 2015 %	
Unitata Berhad	Malaysia	100	-	(a)
Butterworth Bulking Installation Sdn. Bhd.	Malaysia	100	-	(b)
Bernam Advisory Services Sdn. Bhd.	Malaysia	100	-	(c)
Berta Services Sdn. Bhd.	Malaysia	100	-	(c)
PT. Surya Sawit Sejati ("PT SSS1")	Indonesia	95	5	(d)
PT. Sawit Seberang Seberang ("PT SSS2")	Indonesia	93	7	Dormant
Bernam Agencies Sdn. Bhd.	Malaysia	100	-	(e)
United International Enterprises (M) Sdn. Bhd.	Malaysia	100	-	Dormant

* equals to the proportion of voting rights held

The subsidiary companies are primarily engaged in the following activities:

- (a) Refining of palm oil, manufacturing edible oils, fats, cocoa butter substitute and trading in crude palm oil and palm kernel products.
- (b) Handling and storage of vegetable oil and molasses.
- (c) Trading, marketing and investment holding.
- (d) Business of oil palm cultivation and processing in Indonesia.
- (e) Investment holding.

Notes To The Financial Statements

The associated company is as follows:

Company	Country of incorporation and principal place of business	Percentage of equity held by the Group*		Principal Activities
		2016 %	2015 %	
Bernam Bakery Sdn. Bhd. (a)	Malaysia	30	30	Dormant

* equals to the proportion of voting rights held

(a) The associate is accounted for using the equity method.

The associated company is dormant and the financial statements of the associated company are coterminous with those of the Group.

All subsidiaries and associated company are audited by Ernst & Young, Malaysia other than PT SSS1 and PT SSS2, which are audited by a member firm of Ernst & Young Global in Indonesia.

4. Revenue

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue consists of the following and excludes, in respect of the Group, intragroup transactions:				
Sales proceeds of produce stocks	353,862	376,883	468,755	471,578
Sales proceeds of finished goods	873,016	625,577	-	-
Rendering of services	1,506	1,775	-	-
	1,228,384	1,004,235	468,755	471,578

Notes To The Financial Statements

5. Profit From Operations

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit from operations is arrived at, after charging:				
Directors' remuneration				
- fees	786	846	735	735
- emoluments	4,797	4,747	4,785	4,723
- others	146	83	146	83
Auditors' remuneration				
- statutory audit: current year	362	362	250	250
- non-audit service	8	8	8	8
- statutory audit fee received by a member firm of EY Global	168	131	-	-
Write-down of inventories	272	143	272	143
Rental of premises	132	119	-	-
Rental of equipment	1,580	1,953	47	680
Loss on disposal of joint venture	-	-	-	8,576
Impairment on investment in subsidiary	-	-	-	671
Impairment on plasma debt	795	-	-	-
Property, plant and equipment written off	469	4	-	4
Loss on disposal of property, plant and equipment	615	1	615	-
Unrealised foreign exchange loss	7,194	33,769	-	-
Profit from operations is arrived at, after crediting:				
Rental income	109	129	109	129
Gain on disposal of joint venture	-	2,608	-	-
Profit on disposal of property, plant and equipment and biological assets	22	10,214	-	10,186
Gain on disposal of investment	15,285	-	15,285	-
Reversal on impairment on investment in subsidiary	-	-	600	-
Unrealised foreign exchange gain	11,865	18,766	32	61
Realised foreign exchange gain	22,615	5,888	-	-

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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Wages and salaries	123,775	119,786	91,315	87,824
Social security cost	1,443	1,164	364	350
Pension costs				
- defined contribution plans	6,069	6,263	5,181	5,029
- defined benefit plans (Note 21)	2,373	2,514	951	593
Other staff related expenses	15,633	17,119	12,583	12,984
	149,293	146,846	110,394	106,780

Included in staff costs of the Group and of the Company are executive directors' emoluments amounting to RM4,797,000 and RM4,785,000 (2015: RM4,747,000 and RM4,723,000) 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Finance costs consist of interest expenses on:				
- bank overdraft/bankers acceptances	22	26	20	22

Notes To The Financial Statements

7. Investment And Interest Income

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Dividend income from a subsidiary company	-	-	3,000	4,500
Interest income from deposits with licensed banks	26,893	28,302	18,433	20,116
Interest income from loan granted to subsidiary	-	-	57	-
Interest income from loan granted to Joint Venture	-	66	-	66
	26,893	28,368	21,490	24,682

8. Taxation

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
Income tax	77,676	80,462	56,227	58,341
Under/(over)provision in prior year	2,010	495	412	(215)
	79,686	80,957	56,639	58,126
Deferred tax (Note 20):				
Relating to origination and reversal of temporary difference	7,442	1,537	5,315	5,644
Under provision in prior year	-	1,072	-	-
	7,442	2,609	5,315	5,644
Total income tax expense	87,128	83,566	61,954	63,770

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year. The deferred tax computation is based on this rate.

Notes To The Financial Statements

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	417,935	375,997	288,164	267,451
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	100,304	93,999	69,159	66,863
Income not subject to tax	(15,998)	(14,850)	(7,510)	(5,031)
Expenses not deductible for tax purposes	5,161	3,858	2,244	2,892
Utilisation of double deduction for research and reinvestment allowance	(2,351)	(586)	(2,351)	(586)
Effect of change in tax rate	-	(348)	-	(153)
Under/(over)provision of deferred tax in prior year	(1,961)	1,072	-	-
Under/(over)provision of income tax in prior year	2,010	495	412	(215)
Others	(37)	(74)	-	-
Tax expense for the year	87,128	83,566	61,954	63,770

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 RM329,488,000 (2015: RM291,550,000) divided by the weighted number of ordinary shares of 207,792,492 (2015: 207,792,492) in issue during the year after deducting treasury shares of 341,774 (2015: 341,774).

	Group	
	2016	2015
	sen	sen
Basic earnings per share for: Profit for the year	159	141

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

Notes To The Financial Statements

10. (a) Biological Assets

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Pre-cropping expenditure				
Cost				
At 1 January	820,196	764,794	669,554	628,908
Additions	44,163	41,514	43,083	41,514
Transfer to plasma at cost	(277)	(308)	-	-
Disposal	-	(868)	-	(868)
Exchange differences	11,144	15,064	-	-
At 31 December	875,226	820,196	712,637	669,554
Accumulated amortisation and impairment losses				
At 1 January				
Accumulated amortisation	395,449	366,074	359,346	340,897
	395,449	366,074	359,346	340,897
Amortisation for the year	27,841	26,646	19,717	19,020
Disposal	-	(571)	-	(571)
Exchange differences	3,205	3,300	-	-
At 31 December	426,495	395,449	379,063	359,346
Net book value				
At 31 December	448,731	424,747	333,574	310,208

Under Indonesian laws, the plantation owners are obliged to assist the local communities by assisting them to develop plasma smallholdings. The area of plasma required is 20% of the planted area and this is one of the conditions which must be fulfilled by all plantation owners before the issuance of HGU (lease certificates) of the estate lands by the authorities. The Group is in the process of complying with this condition. The transfer cost is recoverable from the sales of the crops to our mill.

Notes To The Financial Statements

10. (b) Property, Plant And Equipment

Group	Freehold land	Long term leasehold land	Buildings	Plant and machinery	Capital work-in- progress*	Spare Parts	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost							
At 1 January 2016	204,413	385,314	283,451	620,288	28,643	1,333	1,523,442
Additions	-	-	6,804	25,875	49,729	-	82,408
Disposals	-	-	-	(16,806)	-	-	(16,806)
Written off	-	-	-	(648)	-	-	(648)
Reclassification	-	-	1,215	5,438	(6,653)	-	-
Exchange differences	-	-	4,006	6,142	-	-	10,148
Net additions for the year	-	-	-	-	-	64	64
At 31 December 2016	204,413	385,314	295,476	640,289	71,719	1,397	1,598,608
Accumulated depreciation							
At 1 January 2016							
Accumulated depreciation	-	58,525	152,519	375,537	-	-	586,581
Depreciation for the year	-	4,118	8,679	32,022	-	-	44,819
Disposals	-	-	-	(7,432)	-	-	(7,432)
Written off	-	-	-	(179)	-	-	(179)
Reclassification	-	-	(43)	43	-	-	-
Exchange differences	-	-	887	3,290	-	-	4,177
At 31 December 2016	-	62,643	162,042	403,281	-	-	627,966
Net book value							
At 31 December 2016	204,413	322,671	133,434	237,008	71,719	1,397	970,642

Notes To The Financial Statements

Group	Freehold land	Long term leasehold land	Buildings	Plant and machinery	Capital work-in-progress*	Spare Parts	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	Cost						
At 1 January 2015	204,413	385,452	271,522	603,968	1,491	1,067	1,467,913
Additions	-	-	6,604	18,191	28,658	-	53,453
Disposals	-	(138)	(456)	(10,856)	-	-	(11,450)
Written off	-	-	(4)	-	-	-	(4)
Reclassification	-	-	610	896	(1,506)	-	-
Exchange differences	-	-	5,175	8,089	-	-	13,264
Net additions for the year	-	-	-	-	-	266	266
At 31 December 2015	204,413	385,314	283,451	620,288	28,643	1,333	1,523,442
Accumulated depreciation							
At 1 January 2015	-	54,449	143,753	348,349	-	-	546,551
Accumulated depreciation	-	54,449	143,753	348,349	-	-	546,551
Depreciation for the year	-	4,118	8,221	32,243	-	-	44,582
Disposals	-	(42)	(287)	(8,573)	-	-	(8,902)
Exchange differences	-	-	832	3,518	-	-	4,350
At 31 December 2015	-	58,525	152,519	375,537	-	-	586,581
Net book value							
At 31 December 2015	204,413	326,789	130,932	244,751	28,643	1,333	936,861

Notes To The Financial Statements

Group

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

	2016 RM'000	2015 RM'000
In the estates of the Company in Peninsular Malaysia	56,654	25,974
In Unitata Berhad	13,624	1,398
In PT SSS1, Central Kalimantan, Indonesia	1,441	1,271
	71,719	28,643

Notes To The Financial Statements

Company							
	Freehold land	Long term leasehold land	Buildings	Plant and machinery	Capital work-in- progress	Spare parts	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost							
At 1 January 2016	203,848	385,314	187,731	360,924	25,974	267	1,164,058
Additions	-	-	3,546	19,564	35,637	-	58,747
Disposals	-	-	-	(16,632)	-	-	(16,632)
Reclassifications	-	-	(136)	5,093	(4,957)	-	-
Net additions for the year	-	-	-	-	-	68	68
At 31 December 2016	203,848	385,314	191,141	368,949	56,654	335	1,206,241
Accumulated depreciation							
At 1 January 2016	-	58,525	130,191	238,031	-	-	426,747
Depreciation for the year	-	4,118	4,994	14,793	-	-	23,905
Disposals	-	-	-	(7,259)	-	-	(7,259)
Reclassifications	-	-	(43)	43	-	-	-
At 31 December 2016	-	62,643	135,142	245,608	-	-	443,393
Net book value							
At 31 December 2016	203,848	322,671	55,999	123,341	56,654	335	762,848

Notes To The Financial Statements

Company							
	Freehold land	Long term leasehold land	Buildings	Plant and machinery	Capital work-in- progress	Spare parts	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost							
At 1 January 2015	203,848	385,452	183,667	356,581	1,491	509	1,131,548
Additions	-	-	3,908	13,393	25,974	-	43,275
Disposals	-	(138)	(450)	(9,931)	-	-	(10,519)
Written off	-	-	(4)	-	-	-	(4)
Reclassifications	-	-	610	881	(1,491)	-	-
Net usage for the year	-	-	-	-	-	(242)	(242)
At 31 December 2015	203,848	385,314	187,731	360,924	25,974	267	1,164,058
Accumulated depreciation							
At 1 January 2015	-	54,449	125,552	230,347	-	-	410,348
Depreciation for the year	-	4,118	4,921	15,353	-	-	24,392
Disposals	-	(42)	(282)	(7,669)	-	-	(7,993)
At 31 December 2015	-	58,525	130,191	238,031	-	-	426,747
Net book value							
At 31 December 2015	203,848	326,789	57,540	122,893	25,974	267	737,311

Notes To The Financial Statements

10. (c) Land Use Rights

	Group	
	2016	2015
	RM'000	RM'000
At 1 January	33,890	32,042
Additions	1,501	395
Amortisation for the year	(720)	(572)
Exchange differences	1,521	2,025
At 31 December	36,192	33,890

11. Subsidiary Companies

Investment in subsidiary companies	Company	
	2016	2015
	RM'000	RM'000
Unquoted shares at cost	44,451	44,451
Less: Accumulated impairment losses	(14,425)	(15,025)
	30,026	29,426
Unquoted Redeemable Cumulative Convertible Preference Shares	374,800	424,800
Redemption	-	(50,000)
Total	404,826	404,226

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, no redemption was made (2015 : 50,000,000) and RCCPS outstanding remained at 374,800,000 as at end of the year:-

- (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. No redemption was made in the current year as compared to redemption of 50,000,000 in the previous year. The RCCPS outstanding remained at 50,000,000 as at the end of the year.

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 of RM1.00 for every RCCPS held.
- (e) Each RCCPS entitles the holder the right on winding up or other return of capital (other than the redemption of the RCCPS) to receive, in priority of the ordinary shareholders of the company.

The non-controlling interests in respect of PT SSS1 and PT SSS2 are not material to the Group. Hence, summarised financial information of these two subsidiaries are not presented.

Notes To The Financial Statements

12. Associated Company

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 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	
	2016 RM'000	2015 RM'000
Represented by: Share of net assets	50	50
Note (i): Share of post acquisition losses and reserves is arrived at as follows:		
Profit for the year	-	-
Share of accumulated losses	(51)	(51)
	(51)	(51)

Notes To The Financial Statements

13. Joint Venture

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted shares, at cost *	-	17,576	-	17,576
Share of post acquisition losses and reserves	-	(11,184)	-	-
Disposal	-	(6,392)	-	(17,576)
	-	-	-	-
Analysed as:				
Unquoted shares, at cost				
At 1 January	-	17,576	-	17,576
Acquisition during the year	-	-	-	-
Disposal	-	(17,576)	-	(17,576)
At 31 December	-	-	-	-
Share of post-acquisition reserve:				
At 1 January	-	(2,925)	-	-
Share of results	-	(8,259)	-	-
Disposal	-	11,184	-	-
At 31 December	-	-	-	-

The interest in the joint venture was disposed in 2015. The Group shared a loss of RM8,259,000 from the joint venture in the previous financial year and the subsequent divestment recorded a disposal gain of RM2,608,000 which in aggregate resulted in a net loss of RM5,651,000 in 2015.

During the financial year, the Company had entered into an agreement to form a joint venture with an investment amount of RM1. As at the end of the financial year, the joint venture company has not commenced operations and remain dormant. The joint venture is accounted for using the equity method.

Notes To The Financial Statements

14. Available-For-Sale Financial Assets

	Group / Company	
	2016	2015
	RM'000	RM'000
Unquoted shares		
At cost	-	10,018
Accumulated impairment losses	-	(4,465)
Cumulative fair value adjustment (Note 19)	-	893
	-	6,446

Movement in available-for-sale investments are as follows:

	Group / Company	
	2016	2015
	RM'000	RM'000
At 1 January	6,446	6,446
Disposal	(6,446)	-
At 31 December	-	6,446

15. Inventories

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Produce stocks	32,940	24,393	21,674	8,066
Estate stores	27,192	29,574	21,147	21,561
Raw materials	25,488	15,445	-	-
Finished goods	99,008	36,304	-	-
Inventory-in-transit	1,197	747	-	-
Consumables	4,133	4,524	-	-
	189,958	110,987	42,821	29,627

Notes To The Financial Statements

16. Trade And Other Receivables

	No	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current trade receivables					
Third parties		181,875	98,021	10	8
Due from subsidiary companies	(b)	-	-	67,884	25,425
		181,875	98,021	67,894	25,433
Less: Allowance for impairment:					
Third parties		-	(12)	-	-
Trade receivables, net	(a)	181,875	98,009	67,894	25,433
Other receivables					
Due from subsidiary companies	(b)	-	-	25,269	1,405
Due from an associated company	(c)	15	9	15	9
Deposits	(d)	73,666	73,680	66,578	61,107
Sundry receivables		38,478	35,212	8,987	13,331
		112,159	108,901	100,849	75,852
Less: Allowance for impairment:					
Sundry receivables		(795)	-	-	-
		111,364	108,901	100,849	75,852
Total trade and other receivables		293,239	206,910	168,743	101,285
Add: Cash and bank balances (Note 17)		272,292	400,005	152,566	338,803
Total loans and receivables		565,531	606,915	321,309	440,088

(a) Trade receivables

The average credit terms granted to the Group's customers are 5 to 75 days (2015: 10 to 75 days).

Notes To The Financial Statements

Ageing analysis of trade receivables

The ageing analysis of the Group's and the Company's trade receivables is as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Neither past due nor impaired	181,462	97,826	45,761	25,433
1 to 30 days past due not impaired	218	62	22,133	-
31 to 60 days past due not impaired	35	41	-	-
61 to 90 days past due not impaired	90	28	-	-
91 to 120 days past due not impaired	70	52	-	-
Impaired	413	183	22,133	-
	-	12	-	-
	181,875	98,021	67,894	25,433

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 97% (2015: 72%) 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 RM413,000 (2015: RM183,000) that are past due at the reporting date but not impaired. These receivables are unsecured.

Notes To The Financial Statements

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2016	2015
	RM'000	RM'000
Trade receivables - nominal amounts	-	12
Movement in allowance accounts:		
At 1 January	12	12
Written off	(12)	-
At 31 December	-	12

(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 3.40% per annum (2015: 4.10% per annum). All other amounts are repayable on demand and non-interest bearing.

(c) Due from an associated company

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

(d) Deposits

Included in deposits of the Group and of the Company are RM73,376,000 and RM66,349,000 respectively (2015: RM73,400,000 and RM60,887,000) being deposits placed with a broker for Bursa Malaysia Derivatives Bhd. for crude palm oil futures.

Notes To The Financial Statements

17. (a) Cash And Bank Balances

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash at banks and on hand	33,856	38,753	1,897	2,433
Deposits with licensed banks	238,436	361,252	150,669	336,370
Cash and bank balances (Note 16)	272,292	400,005	152,566	338,803

The weighted average interest rates during the financial year as at 31 December 2016 are as follows:

	Weighted average interest rates	
	2016	2015
	%	%
Deposits with licensed banks	4.29	4.12

17. (b) Short Term Funds

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Short term funds	418,622	352,843	273,194	181,378

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 2016 are as follows:

	Weighted average interest rates	
	2016	2015
	%	%
Short term funds	3.58	3.60

Notes To The Financial Statements

18. (a) Share Capital

	Number of ordinary shares of RM1 each		Amount	
	2016 Unit'000	2015 Unit'000	2016 RM'000	2015 RM'000
Authorised At 1 January and 31 December	500,000	500,000	500,000	500,000
Issued and fully paid: At 1 January and 31 December	208,134	208,134	208,134	208,134

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(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 2016, the number of treasury shares held remained at 341,774 shares of RM1.00 each 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 67A of the Companies Act, 1965.

	No of shares	Cost RM
2016 As at the beginning/end of the financial year	341,774	8,634,700
2015 As at the beginning/end of the financial year	341,774	8,634,700

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

Notes To The Financial Statements

19. Reserves

		Group		Company	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Distributable					
Retained profits	(a)	1,949,817	1,828,121	1,580,693	1,562,275
Non-distributable					
Available for sale reserve	(b)	-	893	-	893
Share premium		181,920	181,920	181,920	181,920
Capital reserve	(c)	21,798	21,798	-	-
Foreign currency translation reserve	(d)	9,188	3,167	-	-
		212,906	207,778	181,920	182,813
Total		2,162,723	2,035,899	1,762,613	1,745,088

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) Available for sale reserve

The available for sale reserve represents the cumulative fair value changes of available for sale financial assets.

(c) Capital reserve

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

(d) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from the translation of monetary items which form part of the Group's net investment in foreign operations.

Notes To The Financial Statements

20. Deferred taxation

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	107,417	105,389	104,444	98,800
Recognised in profit or loss (Note 8)	7,442	2,609	5,315	5,644
Exchange differences	325	(581)	-	-
At 31 December	115,184	107,417	109,759	104,444
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	115,184	107,417	109,759	104,444

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Accelerated Capital Allowances RM'000	Others RM'000	Total RM'000
At 1 January 2016	120,482	-	120,482
Recognised in profit or loss	5,207	-	5,207
At 31 December 2016	125,689	-	125,689
At 1 January 2015	113,192	-	113,192
Recognised in profit or loss	7,290	-	7,290
At 31 December 2015	120,482	-	120,482

Notes To The Financial Statements

Deferred tax assets of the Group:

	Retirement Benefit Obligations	Others	Total
	RM'000	RM'000	RM'000
At 1 January 2016	(2,843)	(10,222)	(13,065)
Recognised in profit or loss	(516)	2,751	2,235
Exchange differences	-	325	325
At 31 December 2016	(3,359)	(7,146)	(10,505)
At 1 January 2015	(2,887)	(4,916)	(7,803)
Recognised in profit or loss	44	(4,725)	(4,681)
Exchange differences	-	(581)	(581)
At 31 December 2015	(2,843)	(10,222)	(13,065)

Deferred tax liabilities of the Company:

	Accelerated capital allowances RM'000
At 1 January 2016	106,178
Recognised in profit or loss	5,782
At 31 December 2016	111,960
At 1 January 2015	100,340
Recognised in profit or loss	5,838
At 31 December 2015	106,178

Notes To The Financial Statements

Deferred tax assets of the Company:

	Retirement Benefit Obligations	Others	Total
	RM'000	RM'000	RM'000
At 1 January 2016	(1,631)	(103)	(1,734)
Recognised in profit or loss	(170)	(297)	(467)
At 31 December 2016	(1,801)	(400)	(2,201)
At 1 January 2015	(1,623)	83	(1,540)
Recognised in profit or loss	(8)	(186)	(194)
At 31 December 2015	(1,631)	(103)	(1,734)

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. The obligations of the Group are based on the following actuarial assumptions:

	2016 %	2015 %
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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Present value of unfunded defined benefit obligations	14,003	11,854	7,503	6,798
At 1 January	11,854	11,548	6,798	6,491
Provision during the year (Note 5)	2,373	2,514	951	593
Paid during the year	(523)	(2,661)	(246)	(286)
Exchange difference	299	453	-	-
At 31 December	14,003	11,854	7,503	6,798
Analysed as:				
Current	749	1,126	593	972
Non-current:				
Later than 1 year but not later than 2 years	362	28	140	13
Later than 2 years but not later than 5 years	2,534	1,526	1,476	1,078
Later than 5 years	10,358	9,174	5,294	4,735
	13,254	10,728	6,910	5,826
	14,003	11,854	7,503	6,798

Notes To The Financial Statements

22. Trade And Other Payables

		Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current trade payables					
Third parties	(a)	48,813	19,903	1,266	1,075
Other payables					
Due to subsidiary companies	(b)	-	-	829	4,045
Advances from customers		864	1,521	864	820
Accruals		40,683	32,498	33,200	27,986
Sundry payables		24,043	17,959	10,472	8,257
		65,590	51,978	45,365	41,108
Total trade and other payables		114,403	71,881	46,631	42,183
Add: Bank borrowings (Note 23)		106	12	-	-
Total financial liabilities carried at amortised cost		114,509	71,893	46,631	42,183

(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 (2015: 30 to 60 days).

(b) Due to subsidiary companies

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

23. Bank Borrowings

	Group	
	2016 RM'000	2015 RM'000
Bank overdraft - unsecured	106	12

The interest rate applicable to the bank borrowings for the year was 7.25% (2015: 7.25%) per annum.

Notes To The Financial Statements

24. Dividends

	Group / Company			
	Amount		Net Dividends per Share	
	2016 RM'000	2015 RM'000	2016 sen	2015 sen
Final dividend paid in respect of previous financial year: - 20.0% single tier (2015: 20.0% single tier)	41,558	41,558	20.00	20.00
Special dividend paid in respect of previous financial year - 50.00% single tier (2015: 40.00% single tier)	103,897	83,118	50.00	40.00
Interim dividend in respect of the current financial year: - 20.0% single tier (2015: 20.0% single tier)	41,558	41,558	20.00	20.00
Special dividend in respect of the current financial year: - 10% single tier (2015: 10% single tier)	20,779	20,779	10.00	10.00
	207,792	187,013	100.00	90.00

At the forthcoming Annual General Meeting, a final single-tier dividend of 20.0% amounting to RM41,558,498 and a special single-tier dividend of 65.0% amounting to RM135,065,120 in respect of the year ended 31 December 2016 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 2017.

Notes To The Financial Statements

25. Significant Inter-Company Transactions

	Company	
	2016 RM'000	2015 RM'000
Sale of raw materials to a subsidiary company	283,862	232,342
Sale of biomass and biogas steam to a subsidiary company	1,801	2,118
Interest charged to a subsidiary company	57	-

All transactions with the subsidiary companies are undertaken in the ordinary course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

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 transactions detailed elsewhere in 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Service fees paid to IPS	78	78	78	78

The Directors are of the opinion that the above related party transactions are undertaken in the ordinary course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Notes To The Financial Statements

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Amount outstanding at 31 December:				
Due from IPS	208	425	208	425

(b) Compensation of key management personnel

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short-term employee benefits	4,664	4,606	4,652	4,582
Post employment benefits:				
Defined contribution plan	736	727	736	727
	5,400	5,333	5,388	5,309

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 consists 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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue and expenses										
Revenue:										
External sales	353,863	376,883	873,015	625,577	1,506	1,775	-	-	1,228,384	1,004,235
Inter-segment sales	283,862	232,342	-	-	-	-	(283,862)	(232,342)	-	-
Total revenue	637,725	609,225	873,015	625,577	1,506	1,775	(283,862)	(232,342)	1,228,384	1,004,235
Results:										
Segment results/ operating profit/(loss)	318,880	284,631	61,774	41,750	10,342	18,157	68	11,376	391,064	355,914
Investment and interest income	19,731	21,494	778	1,661	24,034	23,050	(17,650)	(17,837)	26,893	28,368
Interest expense	(17,613)	(17,858)	(59)	(5)	-	-	17,650	17,837	(22)	(26)
Share of results of joint venture	-	-	-	-	-	(8,259)	-	-	-	(8,259)
Income taxes	(71,670)	(69,822)	(15,135)	(12,209)	(323)	(1,535)	-	-	(87,128)	(83,566)
Net profit for the year									330,807	292,431

Notes To The Financial Statements

	Plantations		Palm Oil Refining		Other Segments		Elimination		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets and liabilities										
Segment assets	1,958,160	1,965,411	470,371	340,436	213,323	164,236	-	-	2,641,854	2,470,083
Investment in an associated company	-	-	-	-	50	50	-	-	50	50
Other investments	-	-	-	-	-	6,446	-	-	-	6,446
Consolidated total assets									2,641,904	2,476,579
Segment liabilities	194,445	172,701	79,568	64,838	325	484	-	-	274,338	238,023
Consolidated total liabilities									274,338	238,023
Other information										
Capital expenditure *	112,327	90,519	15,745	4,679	-	164	-	-	128,072	95,362
Depreciation	34,627	34,492	10,153	10,037	39	53	-	-	44,819	44,582
Amortisation	28,561	27,218	-	-	-	-	-	-	28,561	27,218
Other significant non-cash expenses:										
Net write-down of inventories/(reversal of write-down)	272	143	-	-	-	-	-	-	272	143
Net realised foreign exchange loss/(gain)	-	-	(21,964)	(4,622)	(651)	(1,266)	-	-	(22,615)	(5,888)
Net unrealised foreign exchange loss/(gain)	(32)	(89)	7,193	33,769	(11,832)	(18,677)	-	-	(4,671)	15,003

Notes To The Financial Statements

(ii) Geographical segments

In determining the geographical segments of the Group, revenue is based on the geographical location of customers. Total assets and capital expenditure are based on the geographical location of assets:

	Malaysia		Indonesia		Europe		United States		Others		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	468,382	460,097	168,914	137,647	448,675	294,806	122,836	87,371	19,577	24,314	1,228,384	1,004,235
Segment assets	2,214,238	2,106,353	313,189	306,912	63,495	44,121	50,630	16,466	352	2,727	2,641,904	2,476,579
Capital expenditure *	117,575	89,632	10,497	5,730	-	-	-	-	-	-	128,072	95,362

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

		Group	
		2016 RM'000	2015 RM'000
Biological assets	10 (a)	44,163	41,514
Property, plant and equipment	10 (b)	82,408	53,453
Land use rights	10 (c)	1,501	395
		128,072	95,362

(iii) Information about a major customer

Revenue from one major customer amounted to RM788,194,000 (2015: RM568,289,000), arising from sales by the palm oil refining segment.

Notes To The Financial Statements

28. Capital Commitments

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Capital expenditure approved by the directors but not contracted	220,106	180,042	198,797	174,008
Capital expenditure contracted but not provided for	11,761	17,357	9,500	13,352
	231,867	197,399	208,297	187,360
Share of capital commitments in a joint venture	30,000	-	30,000	-

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 RM614,000 (2015: RM605,000) 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 RM614,000 (2015: RM605,000) higher/lower. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market movements.

Notes To The Financial Statements

(c) Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily RM and Indonesian Rupiah (“IDR”). The foreign currencies in which these transactions are denominated are mainly US Dollars (“USD”).

Approximately 68% (2015: 59%) of the Group’s sales are denominated in foreign currencies whilst almost 78% (2015: 52%) of costs are denominated in the respective functional currencies of the Group entities. The Group’s trade receivable and trade payable balances at the reporting date have similar exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances amounted to RM10,593,000 (2015: RM23,112,000) and RM475,000 (2015: RM1,050,000) 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 2016, the Group hedged 100% (2015: 100%) and 13% (2015: 0%) of its foreign currency denominated sales and purchases respectively, for which firm commitments existed at the reporting date, extending to December 2017 (2015: December 2017).

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

Notes To The Financial Statements

The net unhedged financial assets of the Group that are not denominated in their functional currencies are as follows:

Functional currency of the Group	Indonesian Rupiah RM'000	Total RM'000
At 31 December 2016:		
Ringgit Malaysia denominated advances to foreign subsidiaries	188,448	188,448
At 31 December 2015:		
Ringgit Malaysia denominated advances to foreign subsidiaries	204,248	204,248

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 2016:				
Forwards used to hedge receivables	USD	260,242	-	260,242
payables	USD	22,305	-	22,305
As at 31 December 2015:				
Forwards used to hedge receivables	USD	313,493	42,025	355,518
payables	USD	-	-	-

The net recognised loss as at 31 December 2016 on forward exchange contracts used to hedge receivables and payables as at 31 December 2016 amounted to RM14,147,000 (31 December 2015: net recognised loss RM34,167,000).

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	
	2016 RM'000 Profit net of tax	2015 RM'000 Profit net of tax
USD/RM		
- strengthened 3%	(5,747)	(6,149)
- weakened 3%	5,747	6,149
IDR/RM		
- strengthened 3%	5,489	6,127
- weakened 3%	(5,489)	(6,127)

(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 5 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.

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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			
	2016		2015	
	RM'000	% of total	RM'000	% of total
By Segment:				
Plantations	4,617	2.54%	40	0.04%
Palm Oil Refining	177,133	97.39%	97,733	99.72%
Others	125	0.07%	236	0.24%
	181,875	100.00%	98,009	100.00%

At the reporting date, approximately 94% (2015: 93%) of the Group's trade receivables were due from a major customer of the palm oil refinery unit.

Financial assets that are neither past due nor impaired

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

Notes To The Financial Statements

(e) Liquidity risk

The Group actively manages its cash flows by monthly forecasts of funding requirements. As part of its prudent liquidity management, the Group maintains sufficient levels of cash or cash equivalents, banking facilities of a reasonable level to meet its working capital requirements. As far as possible, the Group funds significant long term investments with internal funding to achieve overall cost effectiveness.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted amounts.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
2016				
Financial liabilities:				
Trade and other payables	114,403	-	-	114,403
Derivatives	14,312	178	-	14,490
Retirement benefit obligations	749	2,896	10,358	14,003
Total undiscounted financial liabilities	129,464	3,074	10,358	142,896
2015				
Financial liabilities:				
Trade and other payables	71,881	-	-	71,881
Derivatives	33,179	2,154	-	35,333
Retirement benefit obligations	1,126	1,554	9,174	11,854
Total undiscounted financial liabilities	106,186	3,708	9,174	119,068

Notes To The Financial Statements

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Company				
2016				
Financial liabilities:				
Trade and other payables	46,631	-	-	46,631
Retirement benefit obligations	593	1,616	5,294	7,503
Total undiscounted financial liabilities	47,224	1,616	5,294	54,134
2015				
Financial liabilities:				
Trade and other payables	42,183	-	-	42,183
Retirement benefit obligations	972	1,091	4,735	6,798
Total undiscounted financial liabilities	43,155	1,091	4,735	48,981

(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.

Notes To The Financial Statements

Sensitivity analysis for market price risk

At the reporting date, if the value of the derivatives as stated under Note 29(g) had been 3% higher/lower, with all other variables held constant, the Group's profit net of tax would have been RM177,000 (2015: RM655,000) higher/lower, arising as a result of higher/lower fair value gains on held for trading/hedging commodity future contracts, and the Group's retained earnings would have been higher/lower by the same amount, arising as a result of an increase/decrease in the fair value of the aforementioned commodity future contracts. As at the reporting date, the impact of changes in the commodity future market, with all other variables constant, is immaterial to the Group's profit net of tax and equity.

(g) Derivatives

	Contract/ Notional Amount RM'000	Assets RM'000	Liabilities RM'000
Group 2016			
Non-hedging derivatives:			
Current			
Forward currency contracts	281,828	165	(14,312)
Commodity futures contracts	469,813	3,291	-
		3,456	(14,312)
Non-Current			
Commodity futures contracts	156,537	-	(178)
		-	(178)
Total derivatives		3,456	(14,490)
Group 2015			
Non-hedging derivatives:			
Current			
Forward currency contracts	313,493	-	(33,179)
Commodity futures contracts	952,620	1,239	-
		1,239	(33,179)
Non-Current			
Forward currency contracts	42,025	-	(988)
Commodity futures contracts	47,354	-	(1,166)
		-	(2,154)
Total derivatives		1,239	(35,333)

Notes To The Financial Statements

The Group uses forward currency contracts and commodity futures contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are used to hedge the Group's sales and purchases denominated in USD for which firm commitments existed at the reporting date, extending to December 2017(2015: December 2017) (Note 29(c)).

During the financial year, the Group recognised a loss of RM11,034,000 (2015: loss of RM34,094,000) arising from fair value changes of derivative contracts. The fair value changes are attributable to changes in commodity prices and forward exchange rates.

Determination of fair value

Fair value of the commodity futures contracts is determined by reference to the difference between the contracted rate and the forward rate as at the reporting date.

Fair value of the forward currency contracts is determined by reference to the difference between the contracted rate and the market rate as at the reporting date.

(h) Financial Instruments Recognised In The Statements Of Financial Position

The net carrying value of financial assets and financial liabilities which are carried at fair value on the statements of financial position of the Group and of the Company as at the financial year end are represented as follows:

	Group		Company	
	Carrying Amount RM'000	Fair value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial assets				
At 31 December 2016				
Non-current unquoted shares (Note 14)	-	-	-	-
At 31 December 2015				
Non-current unquoted shares (Note 14)	6,446	6,446	6,446	6,446

(a) In estimating the fair values of financial instruments, the following assumptions and bases were applied:

- (i) the book values of cash, fixed deposits, negotiable papers issued by licensed banks, short term funds invested in income trust funds, trade receivables, trade and other payables and amounts due to subsidiary companies approximate their fair values due to the short maturity;
- (ii) the book value of short term bank borrowings with floating rates approximates fair value;

Notes To The Financial Statements

- (iii) the book value of the negotiable instrument of deposit approximates its fair value due to the interest rate which approximates the market rate for similar instrument; and
- (iv) the fair value of unquoted available-for-sale financial asset is estimated by discounting future cash flows using rate currently available for investment of similar industry and risk.

As such, the Group and the Company do not anticipate the carrying amounts recorded at the reporting date for the above financial instruments to be significantly different from the values that would eventually be received or settled.

(i) Fair Value Hierarchy

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.

As at 31 December 2016, the Group and the Company held the following financial instruments carried at fair value in the statement of financial position:

	31 December			
	2016 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group				
Assets/(liabilities) measured at fair value				
Fair value through profit or loss:				
Commodity futures contracts	3,113	3,113	-	-
Forward currency contracts	(14,147)	-	(14,147)	-
Available-for-sale financial asset:				
Unquoted shares	-	-	-	-
Company				
Asset measured at fair value				
Available-for-sale financial asset:				
Unquoted shares	-	-	-	-

During the year ended 31 December 2016, there were no transfers to or from Level 3.

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As at 31 December 2015, the Group and the Company held the following financial instruments carried at fair value in the statement of financial position:

	31 December			
	2015 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group				
Assets/(liabilities) measured at fair value				
Fair value through profit or loss:				
Commodity futures contracts	73	73	-	-
Forward currency contracts	(34,167)	-	(34,167)	-
Available-for-sale financial asset:				
Unquoted shares	6,446	-	-	6,446
Company				
Asset measured at fair value				
Available-for-sale financial asset:				
Unquoted shares	6,446	-	-	6,446

During the year ended 31 December 2015, there were no transfers to or from Level 3.

Reconciliation of fair value measurements of Level 3 financial instruments

The Group and the Company carry unquoted equity share as available-for-sale financial instruments classified as Level 3 within the fair value hierarchy.

The movement in the available-for-sale financial asset as summarised below:

	Group and Company	
	2016 RM'000	2015 RM'000
1 January	6,446	6,446
Disposal	(6,446)	-
31 December	-	6,446

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 2016 and 31 December 2015.

There are no externally imposed capital requirements.

Notes To The Financial Statements

31. Other disclosures

Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants as issued by Malaysian Accounting Standards Board ("MASB")

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will be within the scope of MFRS 116. After initial recognition, bearer plants will now be measured under MFRS 116 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). As the Group is currently measuring the bearer biological assets at cost less amortisation, the change in accounting policies is limited to reclassification of the bearer assets from biological assets to property, plant and equipment and thus, the change will not impact comprehensive income or equity.

The amendments also require that produce that grows on bearer plants be within the scope of MFRS 141 measured at fair value less costs to sell. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

Notwithstanding the above, the Group has made the disclosure of the effects of the Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants had it adopted such standards for financial year ended 31 December 2015 as United International Enterprises Limited which is the largest shareholder of the Company is listed in Nasdaq CPH (Denmark) and has early adopted the Amendments to IAS 16 and IAS 41 for bearer plants issued by International Accounting Standards Board ("IASB") which is equivalent to Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants as issued by MASB.

Notes To The Financial Statements

Currently, the application of the amendments are being discussed and hence, there appears to be at the moment, no consensus on how to measure the fruits growing on the trees. The Group is currently adopting a method of valuation that it believes best reflects the biological transformation of fruit bunches on palm trees and coconuts. The Group will, however, follow the development of an industry practice closely and it will align with the emerged consensus on how to measure the produce growing on the bearer assets upon issuance of a guidance. Under the envisaged method, the effects of the amendments of MFRS 141 are as follows:

	Increase/(Decrease)	
	2016 RM'000	2015 RM'000
Comprehensive income	6,637	(320)
Biological assets	6,637	(320)
Deferred taxation	(1,593)	76
Equity	5,044	(244)

The key assumptions applied are as follows:

	2016	2015
Oil Palms		
Average FFB selling price (RM/MT)	595	419
Coconut Palms		
Average selling price (RM/nut)	0.96	0.94

Sensitivity Analysis

A 10% increase/decrease in the average oil palm fresh fruit bunches (FFB) selling price (RM/MT) and average selling price of coconuts (RM/nut) would result in the following to the fair value of the biological asset:

	2016 RM'000	2015 RM'000
10% increase	3,529	2,793
10% decrease	(3,529)	(2,793)

Notes To The Financial Statements

32. Supplementary information

The breakdown of the retained profits of the Group and of the Company as at 31 December 2016 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained profits				
- realised	2,030,781	1,919,201	1,668,778	1,667,229
- unrealised	(82,244)	(82,618)	(88,085)	(96,378)
	1,948,537	1,836,583	1,580,693	1,570,851
Total share of accumulated loss from joint venture				
- realised	-	(8,576)	-	(8,576)
Total share of accumulated loss from an associated company				
- realised	(51)	(51)	-	-
	1,948,486	1,827,956	1,580,693	1,562,275
(Less)/Add: Consolidation adjustments	1,331	165	-	-
Total retained profits	1,949,817	1,828,121	1,580,693	1,562,275

Statement By Directors

Pursuant to Section 169(15) of the Companies Act, 1965

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 188 to 260 are drawn up in accordance with applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of the results and the cash flows of the Group and of the Company for the year then ended.

The information set out in Note 32 to the financial statements on page 261 has been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 February 2017.

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 169(16) of the Companies Act, 1965

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 188 to 261 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 27 February 2017.

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 2016 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 188 to 260.

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 2016 and their financial performance and their cash flows for the year then ended in accordance with Financial Reporting Standards ("FRS") and the requirements of the Companies Act 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia. 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 current financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and of the Company. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue Recognition
(Refer to Notes 2.3(h) and 4 to the financial statements)

Revenue from sale of finished goods recognised by the Group during the year amounted to RM873 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 inspected documents which evidenced the delivery of goods to customers. We also focused on testing the recording of sales transactions close to the year end, including credit notes issued after year end, to establish whether the transactions were recorded in the correct accounting period.

Biological Asset
(Refer to Notes 2.3(d)(i) and 10(a) to the financial statements)

During the current financial year ended 31 December 2016, the Company capitalised a total pre-cropping (i.e replanting) expenditure of RM44.16 million as part of its biological assets. Due to the significance of the expenditure incurred, we consider this to be an area requiring audit focus. Specifically, we focused our audit efforts to determine whether the capitalisation of pre-cropping expenditure was made in accordance with the Group's policy and whether any expenditure incurred ought to be expensed to the income statement.

How our audit addresses this matter

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

- (a) testing the effectiveness of the internal controls at estate level in respect of recording and categorization of pre-cropping expenditure. We inspected documents such as contracts with suppliers to support the expenditure incurred such as land clearing, seedling, labour and manuring costs;
- (b) testing the allocation of expenditure by fields categorised by matured and immature fields;
- (c) testing whether the expenditure incurred on matured fields were appropriately expensed to the income statement; and
- (d) performing substantive analytical procedures by setting expectations of the estimated pre-cropping expenditure for each stage of pre-cropping (using historical and industry data) and comparing our expectations to the actual results.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view accordance with MFRS, IFRS and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as management determines 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.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

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 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, we exercise professional judgment and maintain professional scepticism throughout the planning and performance of 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 and 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 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, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors, have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other reporting responsibilities

The supplementary information set out in Note 32 on page 261 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG
AF: 0039
Chartered Accountants

HOH YOON HOONG
No. 02990/08/2018 J
Chartered Accountant

Kuala Lumpur, Malaysia
25 February 2017

Shareholders Information As At 31 January 2017

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 2017

Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Issued Capital *
Less than 100 shares	162	4.73	4,229	0.00
100 to 1,000 shares	1,659	48.42	1,279,677	0.62
1,001 to 10,000 shares	1,256	36.66	4,505,699	2.17
10,001 to 100,000 shares	265	7.73	8,002,037	3.85
100,001 to less than 5% of issued shares	79	2.31	60,722,744	29.22
5% and above of issued shares	5	0.15	133,278,106	64.14
Total	3,426	100.00	207,792,492	100.00

Substantial Shareholders As At 31 January 2017

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	30,605,148	14.73	-	-
3. Perbadanan Pembangunan Pertanian Negeri Perak (Perbadanan)	13,065,158	6.29	330,000* ⁵	0.16
4. United International Enterprises Limited (UIEL)	8,748,477	4.21	89,607,800* ¹	43.12
5. C & M Holding Limited (C & M HL)	-	-	98,356,277* ²	47.33
6. Brother's Holding Ltd (BHL)	-	-	98,356,277* ²	47.33
7. Ybhg. Dato' Carl Bek-Nielsen	2,242,491	1.08	98,401,335* ³	47.36
8. Mr. Martin Bek-Nielsen	552,389	0.27	98,359,277* ⁴	47.34
9. Aberdeen Asset Management PLC and its subsidiaries	-	-	15,614,400* ⁶	7.51

*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, C & M HL, BHL and through immediate family members.
- (4) Deemed interest by virtue of substantial shareholdings in MVSB, UIEL, C & M HL, BHL and through immediate family members.
- (5) Deemed interest by virtue of shares held by subsidiary company of Perbadanan.
- (6) Deemed interest through its shareholding in Aberdeen Asset Management PLC, a fund management group.

Directors' Shareholdings As At 31 January 2017

Name of Director	Direct Interest No. of Shares	% of Issued Capital *	Deemed Interest No. of Shares	% of Issued Capital *
Ybhg. Tan Sri Datuk Dr. Johari Bin Mat	90,000	0.04	10,000	-
Ybhg. Dato' Carl Bek-Nielsen	2,242,491	1.08	98,401,335	47.36
Mr. Ho Dua Tiam	707,400	0.34	-	-
Mr. Ahmad Riza Basir	70,500	0.03	-	-
Y. Hormat Dato' Jeremy Derek Campbell Diamond	14,000	0.01	258,000	0.12
Mr. Martin Bek-Nielsen	552,389	0.27	98,359,277	47.34
Ybhg. Dato' Mohamad Nasir bin Ab. Latif	-	-	-	-
Mr. Loh Hang Pai	23,000	0.01	-	-
Mr. R. Nadarajan	-	-	-	-

Shareholders Information As At 31 January 2017

Thirty (30) Largest Shareholders As At 31 January 2017		
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	29,240,148	14.07
3. Perbadanan Pembangunan Pertanian Negeri Perak	13,065,158	6.29
4. United International Enterprises Ltd	8,724,562	4.20
5. Amanahraya Trustees Berhad Amanah Saham Malaysia	7,709,800	3.71
6. HSBC Nominees (Asing) Sdn Bhd BNP Paribas SECS SVS Lux For Aberdeen Global	6,660,900	3.21
7. Amanahraya Trustees Berhad Amanah Saham Didik	2,914,900	1.40
8. Maximum Vista Sdn Bhd	2,716,700	1.31
9. BHR Enterprise Sdn Bhd	2,422,440	1.17
10. Ybhg. Dato' Carl Bek-Nielsen	2,157,491	1.04
11. Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	2,105,300	1.01
12. HSBC Nominees (Asing) Sdn Bhd Exempt An for Danske Bank A/S (Client Holdings)	1,874,870	0.90
13. DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt An for The Bank of New York Mellon SA/NV (Jyske Clients)	1,472,574	0.71
14. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Aberdeen)	1,365,000	0.66
15. DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund AM4N for Aberdeen Institutional Commingled Funds LLC	1,357,000	0.65
16. HSBC Nominees (Asing) Sdn Bhd BNP Paribas SECS SVS Paris For Aberdeen Asian Smaller Companies Investment Trust PLC	1,352,600	0.65
17. DB (Malaysia) Nominee (Asing) Sdn Bhd BNYM SA/NV for Nykredit Bank A/S	1,278,730	0.62
18. Amanahraya Trustees Berhad Public Islamic Select Treasures Fund	1,161,000	0.56
19. Amanahraya Trustees Berhad Amanah Saham Bumiputera	1,000,000	0.48
20. KAF Nominees (Tempatan) Sdn. Bhd. Bernam Nominees (Tempatan) Sdn Bhd for Jendarata Bernam Provident Fund	897,012	0.43
21. Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	767,400	0.37
22. Amsec Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen)	730,000	0.35
23. Mr. Ho Dua Tiam	707,400	0.34
24. KAF Nominees (Tempatan) Sdn. Bhd. Bernam Nominees (Tempatan) Sdn Bhd for United Plantations Berhad Education And Welfare Fund	675,000	0.32
25. Citigroup Nominees (Asing) Sdn Bhd Exempt An for Citibank N.A (Nordea Bk A/S/C)	674,058	0.32
26. Mr. Martin Bek-Nielsen	552,389	0.27
27. M & A Nominee (Tempatan) Sdn Bhd Jendarata Bernam Provident Fund	501,200	0.24
28. HSBC Nominees (Asing) Sdn Bhd Exempt An for JPMorgan Chase Bank, National Association (Guernsey)	487,000	0.23
29. Citigroup Nominees (Asing) Sdn Bhd Exempt An for UBS Switzerland AG (Clients Assets)	484,946	0.23
30. KAF Nominees (Tempatan) Sdn. Bhd Bernam Nominees (Tempatan) Sdn Bhd for Jendarata Bernam Provident Fund United Plantations Workers Benevolent Retirement Scheme	448,000	0.22
	182,394,678	87.78

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

Comparative Statistics - 10 Years

Year ended 31 December	2016 RM'000's	2015 RM'000's	2014 RM'000's	2013 RM'000's	2012 RM'000's	2011 RM'000's	2010 RM'000's	2009 RM'000's	2008 RM'000's	2007 RM'000's
Balance Sheet Analysis										
Issued Capital	208,134	208,134	208,134	208,134	208,134	208,134	208,134	208,134	208,134	208,134
Reserve	2,154,088	2,027,264	1,916,377	1,985,150	1,942,594	1,788,252	1,563,935	1,430,011	1,224,853	988,347
Non-Controlling Interests	5,344	3,158	2,417	1,076	420	207	505	125	619	672
Funds Employed	2,367,566	2,238,556	2,126,928	2,194,360	2,151,148	1,996,593	1,772,574	1,638,270	1,433,606	1,197,153
Biological Assets	448,731	424,747	398,720	376,719	380,147	377,947	355,266	321,821	241,345	196,499
Property, Plant and Equipment	970,642	936,861	921,362	921,776	916,640	902,084	874,153	846,380	744,175	724,354
Land Use Rights	36,192	33,890	32,042	31,110	34,071	31,763	30,794	31,173	25,105	25,665
Other Non-Current Assets	50	6,496	21,147	17,114	9,829	7,811	9,600	10,603	28,301	26,915
Current Assets	1,186,289	1,074,585	960,481	1,049,281	1,030,654	880,664	736,347	627,011	606,157	389,070
Total Assets	2,641,904	2,476,579	2,333,752	2,396,000	2,371,341	2,200,269	2,006,160	1,836,988	1,645,083	1,362,503
Less: Liabilities	274,338	238,023	206,824	201,640	220,193	203,676	233,586	198,718	211,477	165,350
Net Assets Employed	2,367,566	2,238,556	2,126,928	2,194,360	2,151,148	1,996,593	1,772,574	1,638,270	1,433,606	1,197,153
Other Data										
Profit Before Tax	417,935	375,997	355,604	340,476	454,239	491,541	349,460	372,797	397,818	232,985
Tax	87,128	83,566	76,233	87,989	111,688	117,955	84,753	91,913	98,259	53,597
Net Profit	330,807	292,431	279,371	252,487	342,551	373,586	264,707	280,884	299,559	179,388
Non-Controlling Interests	(1,319)	(881)	(1,341)	(656)	(310)	365	(400)	591	-	13
Profit attributable to equity owners of the Parent	329,488	291,550	278,030	251,831	342,241	373,951	264,307	281,475	299,559	179,401
Earnings Per Share (in sen)	158.56	141.00	134.00	121.00	165.00	180.00	127.00	134.95	143.93	86.19
Net Dividend Rate (Ordinary Share)										
- Interim and Final	115.00%	90.00%	165.00%	93.87%	93.75%	90.00%	67.50%	52.50%	37.50%	29.60%
Share Prices On										
The Bursa Malaysia Securities Berhad										
Highest	28.44	28.00	29.50	33.26	28.00	21.16	17.70	14.00	14.60	14.80
Lowest	24.62	23.38	22.96	24.70	19.16	16.00	13.32	9.70	7.85	9.00
Production -Malaysia										
Palm Oil - own - Tonnes	134,999	151,988	144,162	146,962	161,407	165,408	164,066	198,883	203,864	176,272
Palm Kernel - own - Tonnes	29,631	34,256	33,885	35,118	40,331	42,163	42,522	53,134	55,537	47,753
Coconuts - Nuts ('000)	86,052	77,501	68,424	74,678	74,110	71,763	83,331	75,541	83,626	87,049
FFBYield per hectare - Tonnes	21.11	24.24	22.97	22.42	25.05	25.16	24.61	29.05	29.60	25.46
CPOYield per hectare - Tonnes	4.64	5.32	5.09	4.95	5.48	5.47	5.28	6.31	6.38	5.45
Palm Oil extraction rate - %	21.97	21.95	22.17	22.07	21.86	21.73	21.46	21.73	21.54	21.41
Palm Kernel extraction rate - %	4.82	4.95	5.21	5.27	5.46	5.54	5.56	5.81	5.87	5.80
CoconutsYield per hectare - Nuts	30,305	27,747	25,056	26,858	26,077	24,771	28,135	22,616	25,037	25,962
Cost Of Production - Malaysia **										
Palm Oil - Per Tonne	1,221	1,032	1,064	1,006	894	817	768	678	711	711
Palm Kernel - Per Tonne	365	318	316	298	270	233	213	170	170	175
Average Sales Price										
Palm Oil - Per Tonne	2,424	2,163	2,353	2,702	3,017	3,050	2,408	2,242	2,368	1,840
Palm Kernel - Per Tonne	2,138	1,493	1,774	1,283	1,584	2,168	1,532	1,031	1,691	1,121
Production -Indonesia										
Palm Oil - own - Tonnes	44,143	48,159	41,440	36,529	35,182	24,747	5,435	-	-	-
Palm Kernel - own - Tonnes	7,948	8,266	7,044	6,793	6,679	4,277	830	-	-	-
FFBYield per hectare - Tonnes	19.53	20.02	16.86	15.84	17.50	16.22	14.98	-	-	-
CPOYield per hectare - Tonnes	4.81	5.03	4.24	3.88	4.27	3.84	2.12	-	-	-
Palm Oil extraction rate - %	24.62	25.15	25.17	24.41	24.38	23.80	21.23	-	-	-
Palm Kernel extraction rate - %	4.43	4.32	4.28	4.54	4.63	4.14	3.24	-	-	-
Cost Of Production - Indonesia										
Palm Oil - Per Tonne	1,570	1,374	1,319	1,396	1,434	1,862	1,983	-	-	-
Palm Kernel - Per Tonne	479	496	521	509	516	413	828	-	-	-
Average Sales Price										
Palm Oil - Per Tonne	2,316	2,002	2,301	2,179	2,381	2,553	2,755	-	-	-
Palm Kernel - Per Tonne	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 2016

Properties	Tenure	Area In Hectares	Description	Age In Years	Net Tangible Asset Value RM '000
Jendarata Estate	Leasehold		Registered Office - 1,369 sq.m.	52	1,185
36009 Teluk Intan	Expiring on:		Research Station - 1,070 sq.m.	51	1,328
Perak Darul Ridzuan	15.01.2062	594.58	Oil Palm & Coconut Estate		102,589
	07.06.2104	610.53	Palm Oil Mill	} 10,032 sq.m.	7,884
	07.06.2104	36.07	Biomass Plant		
	20.11.2067	982.45		11	1,615
	22.08.2068	149.68			
	Yr to Yr	33.62			
	Freehold	3,932.07			
Kuala Bernam Estate	Freehold	830.11	Coconut Estate		12,822
Batu 18, Jalan Bagan Datoh					
36300 Sungai Sumun					
Perak Darul Ridzuan					
Sungei Bernam Estate	Leasehold		Coconut Estate	42	30,653
Sungai Ayer Tawar	Expiring on:				
45200 Sabak Bernam	Yr to Yr	16.59			
Selangor Darul Ehsan	28-03-2056	1.33			
	Freehold	2,274.11			
Ulu Bernam Estate	Leasehold		Oil Palm Estate		45,165
36500 Ulu Bernam	Expiring on:		Palm Oil Mill - 8,193 sq.m.	84	2,110
Perak Darul Ridzuan	Yr to Yr	95.31			
	Freehold	3,098.57			
Changkat Mentri Estate	Leasehold		Oil Palm Estate		18,400
36500 Ulu Bernam	Expiring on:				
Perak Darul Ridzuan	26.11.2067	1,538.60			
	01-10-2081	162.94			
	Freehold	847.77			
Ulu Basir Estate	Leasehold		Oil Palm Estate		52,212
36500 Ulu Bernam	Expiring on:		Palm Oil Mill - 6,352 sq.m.	27	591
Perak Darul Ridzuan	26-11-2067	11.40			
	20-01-2087	2,468.00			
	08.12.2099	159.50			
	Yr to Yr	129.44			
	Freehold	1,218.62			
Sungei Erong Estate	Leasehold		Oil Palm Estate		44,468
36500 Ulu Bernam	Expiring on:				
Perak Darul Ridzuan	02.11.2064	53.90			
	08-04-2033	809.39			
	Yr to Yr	43.18			
	Freehold	2,756.53			
Sungei Chawang Estate	Freehold	3,280.69	Oil Palm Estate		44,800
36500 Ulu Bernam	Yr to Yr	5.50			
Perak Darul Ridzuan					
Seri Pelangi Estate	Leasehold		Oil Palm Estate		9,111
Batu 11 3/4	Expiring on:				
Jalan Bidor	15.06.2068	1,419.02			
36000 Teluk Intan	Freehold	2.82			
Perak Darul Ridzuan					
Lima Blas Estate	Freehold	2,888.89	Oil Palm Estate		140,915
35800 Slim River					
UIE	Leasehold		Oil Palm Estate		399,514
Pantai Remis	Expiring on:		Palm Oil Mill - 6,148 sq.m.	25	1,723
Perak Darul Ridzuan	23.12.2103	10,359.26			
	Freehold	9.94			
Unitata Berhad	Freehold	18.45	Palm Oil Refinery	} Buildings	26,854
36009 Teluk Intan			Complex, Soap Plant,		
Perak Darul Ridzuan			Cebes Plant		
Bernam Bakery	Freehold	0.45	Bakery	32	36
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		44	66
12100 Butterworth					
PT Surya Sawit Sejati	Leasehold		Oil Palm Estate		165,330
Pangkalan Bun, Central	Expiring on:		Palm Oil Mill - 90,000 sq.m.	7	8,035
Kalimantan, Indonesia	24.09.2040	2,508.47			
	**	16,154.29			

Notes :

* Estate Includes Land, Pre-cropping Cost and Buildings

** awaiting issue of lease

Group's Plantation Properties As At 31 December 2016

	Jendarata Hect.	Kuala Bernam Hect.	Sungei Bernam Hect.	Ulu Bernam Hect.	Changkat Mentri Hect.	Ulu Basir Hect.	Sungei Erang Hect.	Sungei Chawang Hect.	Seri Pelangi Hect.	Lima Blas Hect.	UIE Hect.	PT Surya Sawit Sejati Hect.	Total
OIL PALM :													
Mature	4,756			2,111	2,356	2,927	3,367	2,742	1,337	2,382	6,985	9,179	38,142
Immature-Planted 2014				94	8	194	133	75		147	678		1,329
Immature-Planted 2015	590			512		225		327		211	850		2,715
Immature-Planted 2016	365			333		391		96			1,117		2,302
Sub-Total	5,711			3,050	2,364	3,737	3,500	3,240	1,337	2,740	9,630	9,179	44,488
COCONUT :													
Mature	25	746	2,093										2,864
Immature-Planted 2013		65	77										142
Immature-Planted 2014	81		85										166
Immature-Planted 2015											105		105
Immature-Planted 2016	168										169		337
Sub-Total	274	811	2,255								274		3,614
OTHER AREAS:													
Other Crops	5												5
Conservation and Plasma buildings, roads, drains, air-strip, nurseries, toddy tapping areas, railway, etc.	349	19	37	144	173	250	163	46	85	64	375	92	1,797
TOTAL	6,339	830	2,292	3,194	2,549	3,987	3,663	3,286	1,422	2,889	10,370	18,663	59,484

Oil Palm		
Age in years	Hectares	% Under crop
4 - 5	6,999	16
6 - 8	8,266	19
9 - 18	17,126	38
19 and above	5,751	13
Mature	38,142	86
Immature	6,346	14
Total	44,488	100

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 96th Annual General Meeting of the Company will be held at Jendarata Estate, 36009 Teluk Intan, Perak Darul Ridzuan, Malaysia on 22 April 2017 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 2016 together with the Reports of the Directors and the Auditors thereon.	1
2. To consider the recommendation of the Directors and authorise the payment of a Final Single-tier dividend of 20% and a Special Single-tier dividend of 65% for the year ended 31 December 2016.	2
3. To approve Directors' fees for 2016.	3
4. To re-elect as Director Mr. Ahmad Riza Basir who retires by rotation pursuant to Article 92 of the Company's Articles of Association.	4
5. To re-elect as Director Mr. R. Nadarajan who retires by rotation pursuant to Article 92 of the Company's Articles of Association.	5
6. To re-appoint Messrs. Ernst & Young as auditors of the Company for the year 2017 and to authorize the Directors to fix their remuneration.	6
As Special Business	
To consider and if thought fit, to pass the following resolutions:	
(i) Proposed Continuation in Office as Independent Non-Executive Directors	
7. "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."	7
8. "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."	8
9. "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."	9

Notice Of Annual General Meeting

(ii) Proposed Renewal of Authority for Purchase of Own Shares

10. “THAT, subject to the Companies Act, 2016 (as may be amended, modified or re-enacted from time to time), the Company’s Articles of Association, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and approvals of all relevant governmental and/or regulatory authorities, where applicable, the Company be and is hereby authorised to purchase and/or hold such amount of ordinary shares in the Company (Proposed Share Buy-Back) as may be determined by the Directors of the Company from time to time and upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of ordinary shares purchased and/or held pursuant to this resolution shall not exceed ten per centum (10%) of the total issued share capital of the Company at any given point in time and an amount of funds not exceeding the total retained profits of the Company based on the audited financial statements for the financial year ended 31 December 2016 be utilized by the Company for the Proposed Share Buy-Back AND THAT at the discretion of the Directors of the Company, the ordinary shares of the Company to be purchased may be cancelled and/or retained as treasury shares and subsequently distributed as dividends or resold on Bursa Malaysia or be cancelled AND THAT the Directors of the Company be and are hereby empowered generally to do all acts and things to give effect to the Proposed Share Buy-Back AND THAT such authority shall commence immediately upon passing of this ordinary resolution until:
- (i) the conclusion of the next Annual General Meeting of the Company (“AGM”) in 2018 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
 - (ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Malaysian Companies Act, 2016 (“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.”

Notice Of Annual General Meeting

- (iii) Authority for Directors to issue shares pursuant to Section 76 of the Companies Act, 2016
11. “THAT, pursuant to Section 76 of the Companies Act, 2016 and subject always to the approval of the relevant authorities, the Directors be and are hereby authorised to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors be and are also authorised to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next annual general meeting of the company.” 11
- Special
Resolution
12. Proposed Amendments to the Articles of Association of the Company 12
That the existing Articles 89 (a) – (e) as follows be deleted in its entirety:
- Existing Article 89
- (a) Subject to the provisions of this Article no person shall be capable of being appointed or re-elected a Director of the Company if at the time of his appointment or re-election he has attained the age of seventy (70) years.
- (b) Subject as aforesaid he shall vacate his office at the conclusion of the Annual General Meeting held next after he attains the age of seventy (70) years. Provided that acts done by a person as Director shall be valid notwithstanding that it is afterwards discovered that his appointment had terminated by virtue of this paragraph.
- (c) Where a person retires by virtue of the last foregoing paragraph no provision for the automatic re-appointment of retiring Directors in default of another appointment shall apply; and if at the meeting at which he retires the vacancy is not filled, it may be filled as a casual vacancy.
- (d) Notwithstanding anything in this Article a person of or over the age of seventy (70) years may by a Resolution of which no shorter notice than that required to be given to the members of the Company of an Annual General Meeting has been duly given, passed by a majority of not less than three-fourths (3/4) of such members of the Company as being entitled so to vote in person, or, where proxies are allowed, by proxy at a General Meeting of the Company, be appointed or re-appointed as a Director of the Company to hold office until the next Annual General Meeting of the Company or be authorised to continue in office as a Director until the next Annual General Meeting of the Company.
- (e) A person when re-appointed Director on retiring by virtue of paragraph (b) of this Article or appointed in place of a Director so retiring shall be treated for the purpose of determining the time at which he or any other Director is to retire as if he had become Director on the day on which the retiring Director was last appointed before his retirement; but except as provided by this paragraph, the retirement of a Director out of turn by virtue of paragraph (b) hereof shall be disregarded in determining when any other Directors are to retire.

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 20% and a Special Single-tier dividend of 65%, if approved at the 96th Annual General Meeting will be paid on 17 May 2017 to shareholders whose names appear in the Record of Depositors and the Register of Members at the close of business on 28 April 2017.

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 28 April 2017 in respect of transfers; and
- (b) Shares bought on Bursa Malaysia on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

NG ENG HO
Company Secretary

Jendarata Estate,
36009 Teluk Intan,
Perak Darul Ridzuan,
Malaysia
27 February 2017

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. A proxy may vote on a show of hands and on a poll.
5. In the case of joint shareholders the proxy form signed by the first named registered shareholder on the register shall be accepted to the exclusion of the other registered shareholder(s). If voting is in person(s) the vote of the first shareholder who tenders the vote shall be taken.
6. For shares listed on the Bursa Malaysia, only a depositor whose name appears on the Record of Depositors as at 17 April 2017 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 Resolutions 7 - 9 Proposed Continuation In Office As Independent Non-Executive Director

The Nomination Committee has assessed the independence of the Directors who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than 9 years and recommend them to continue to act as Independent Non-Executive Directors of the Company.

Ybhg. Tan Sri Datuk Dr. Johari bin Mat

His vast experience and diversified background has contributed significantly to the performance monitoring and enhancement of good corporate governance. In his capacity as Chairman of the Company for the past 14 years, he has provided leadership, independent views, objective assessments and opinions. He has been with the Company for more than 15 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 16 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 15 years and is familiar with the Company's business operations.

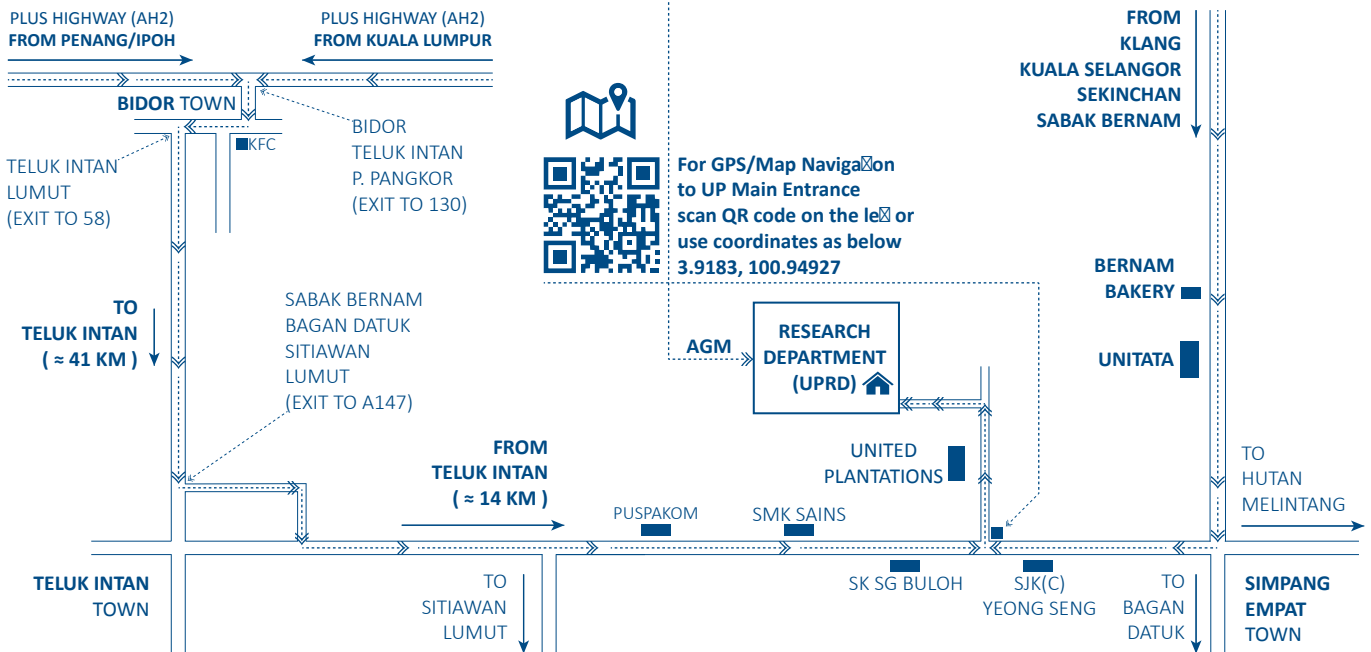
For Resolution 10 - Please refer to explanatory information in the Circular to Shareholders dated 27 February 2017.

For Resolution 11 - The Board continues to consider strategic opportunities to broaden the earnings potential of the Company and this may involve equity deals which may require the company to issue new shares. If passed, will provide flexibility to the Directors to undertake any possible fund raising activities, including but not limited to further placing of shares for the funding of the Company's future investment projects, working capital and/ or acquisitions, by issuance of shares at any time up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next annual general meeting of the company.

For Resolution 12 - The Companies Act 2016 which came into force on 31 January 2017 does not have provision on the maximum age limit of 70 years for a director and the proposed deletion of Articles 89 (a) – (e) of the Articles of Association of the Company is to align its Articles with the current legislation. Ybhg. Tan Sri Datuk Dr. Johari bin Mat, Mr Ho Dua Tiam and Y. Hormat Dato' Jeremy Derek Campbell Diamond, who are above the age of 70 years were re-appointed by the members at the 95th Annual General Meeting of the Company held on 23 April 2016, to hold office until the conclusion of the 96th Annual General Meeting. When Resolution 12 is passed by the required special majority, their re-appointment will be decided by the Board of Directors and they shall be subjected to retirement by rotation as provided in the Articles of Association of the Company.

96TH ANNUAL GENERAL MEETING

Venue : Borge Bek-Nielsen Auditorium (UPRD)
 Date : 22 April 2017
 Time : 10:00 am



FINANCIAL CALENDAR

FINANCIAL YEAR END **DEC 31** 2016

<p>2017</p> <p>ANNOUNCEMENTS OF RESULTS</p>	<p>ANNOUNCEMENT OF ANNUAL REPORT 2016</p> <p>FEBRUARY</p> <p>27</p>	<p>FIRST QUARTER</p> <p>APRIL</p> <p>24</p>	<p>SECOND QUARTER</p> <p>JULY</p> <p>31</p>	<p>THIRD QUARTER</p> <p>NOVEMBER</p> <p>13</p>
<p>2017</p> <p>PUBLISHED ANNUAL REPORT AND FINANCIAL STATEMENTS</p>	<p>NOTICE OF ANNUAL GENERAL MEETING</p> <p>FEBRUARY</p> <p>27</p>	<p>ANNUAL GENERAL MEETING</p> <p>APRIL</p> <p>22</p>		
<p>2016</p> <p>INTERIM DIVIDEND</p>	<p>ANNOUNCEMENT</p> <p>NOVEMBER</p> <p>21</p>		<p>ENTITLEMENT DATE</p> <p>DECEMBER</p> <p>6</p>	<p>PAYMENT DATE</p> <p>DECEMBER</p> <p>16</p>
<p>2017</p> <p>FINAL DIVIDEND</p>	<p>ANNOUNCEMENT</p> <p>FEBRUARY</p> <p>27</p>	<p>ENTITLEMENT DATE</p> <p>APRIL</p> <p>28</p>	<p>PAYMENT DATE (TENTATIVE)</p> <p>MAY</p> <p>17</p>	

Locations of Estates, Factories and Holdings in Peninsular Malaysia



Key

- Subsidiary Companies
- Factories
- ▲ Oil Palm Estate
- ▲ Coconut Estate
- Biogas Plant



Planted Area (Hectares) 31 December 2016

Estate	Oil Palm	Coconut	Other Crops	Total
UIE	9,630	274	-	9,904
Jendarata	5,711	274	5	5,990
Kuala Bernam	-	811	-	811
Sungei Bernam	-	2,255	-	2,255
Ulu Bernam	3,050	-	-	3,050
Changkat Mentri	2,364	-	-	2,364
Ulu Basir	3,737	-	-	3,737
Sungei Erong	3,500	-	-	3,500
Sungei Chawang	3,240	-	-	3,240
Seri Pelangi	1,337	-	-	1,337
Lima Blas	2,740	-	-	2,740
PT SSS	9,179	-	-	9,179
TOTAL (Hectares)	44,488	3,614	5	48,107

★ Palm oil mill
● Biogas plant





A tractor moving along a well maintained estate road between fields of lush oil palms.