

Marketplace

(GRI 102-15, GRI 103-2)

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

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

17. Product Quality

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

Quality Policy

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

Our Quality Philosophy Includes:-

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

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

Our quality focus starts from our Research Department and continues through every aspect of our agricultural, milling and downstream activities until the final product is delivered to our customers. The diagrams shown on pages 158- 160 provide a clear overview of the many steps involved in ensuring palm oil products of high quality.

18. Certifications for Food Safety, Sustainability and Others (GRI 416-1, GRI 417-1)

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

Unitata Berhad – Quality Policy



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

As part of our commitment to uphold Unitata's historical standing as a quality producer, much emphasis is placed on quality assurance throughout the various stages in the refinery.

This is evidenced through our continuous investments in the latest process technology and high-end sophisticated analytical equipment providing accurate and timely controls to ensure customer satisfaction on high quality and food safety.

Edible Oil Refining and Specialty Fats Production

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

In order to cater for the growing demand of high quality products our refinery is equipped with automated manufacturing processes such as Neutralization, Bleaching, Deodorization, Fractionation, Interesterification and packaging of specialty fats and oils.

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



The Unitata quality and marketing team planning marketing strategies.

Consumers today have an increased focus on safety and health as well as producing food through a transparent and traceable supply chain based on optimum processes that focuses on reducing processing aids, water and energy and the overall GHG footprint. Furthermore, it is important for consumers that social care for employees as well as protection of forests, including High Carbon Stock and High Conservation Value areas are associated with the food they choose to buy.

To keep up with increasing demands on traceability in the supply chain, we have obtained numerous local and international certifications as follows: ISO 9001, HACCP, Halal, Kosher, BRC, SEDEX, FDA, RSPO SCCS, GMP, MeSTI and MPCA. In September 2017, we have successfully obtained GMP+B2 Feed Certification Scheme for supply of acid oils into Europe for the feed industry. GMP+B2 provides assurance for feed safety in all links of the feed chain.

As a requirement for the above-mentioned certifications, Unitata is audited annually by the various certification bodies and by customers. In 2017, 8 certification audits and 7 customer audits have been conducted on Unitata. In addition, Unitata has audited and assessed key suppliers of raw materials, packaging, and ingredients. All raw materials, packaging materials and ingredients are certified as food grade.

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

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

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

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

LOW 3-MCPD and Glycidyl Esters

3-MCPD and Glycidyl Esters are contaminants formed during the processing (refining) of edible oils and fats and has become a topic of concern for vegetable oil refiners and consumers based on a report published by the European Food Safety Authority (EFSA) in May 2016.

The EFSA Panel on Contaminants in the Food Chain (CONTAM Panel) published the results of its assessment of the safety of 3-MCPD and Glycidyl esters with respect to human health.

Available evidence from animal studies indicates that kidney toxicity is the most critical health effect of 3-MCPD in rats. Using this data, EFSA established a tolerable daily intake (TDI) for 3-MCPD for humans which represents the maximum amount that can be consumed daily over a lifetime without being harmful to health. It includes a very large margin of safety.

The TDI for 3-MCPD has been calculated as 0.8 micrograms per kilogram of body weight per day ($\mu\text{g}/\text{kg}$ bw per day.)

With the combination of premium quality fruit bunches derived from our own plantation on UP combined with Unitata's processing know-how, we have been able to produce refined palm oil with levels of 3-MCPD and Glycidyl Esters which for over 20 years have been considerably

lower than the industry's norm, including the TDI levels mentioned above.

The decades' old sound practices have to-date built a scaffold for research to intensify focus on mitigating contaminants to near non-detection.

Whilst the majority of refineries as time passed opted for easier and cheaper refining methodologies, Unitata has firmly stood by her charter to place quality above all else and maintained her position as a leader within chemical refining of oils and fats.

This decision has resulted in Unitata being recognized as a leader in high quality refining which is attested by the surprising renaissance of chemical refining within the local industry.

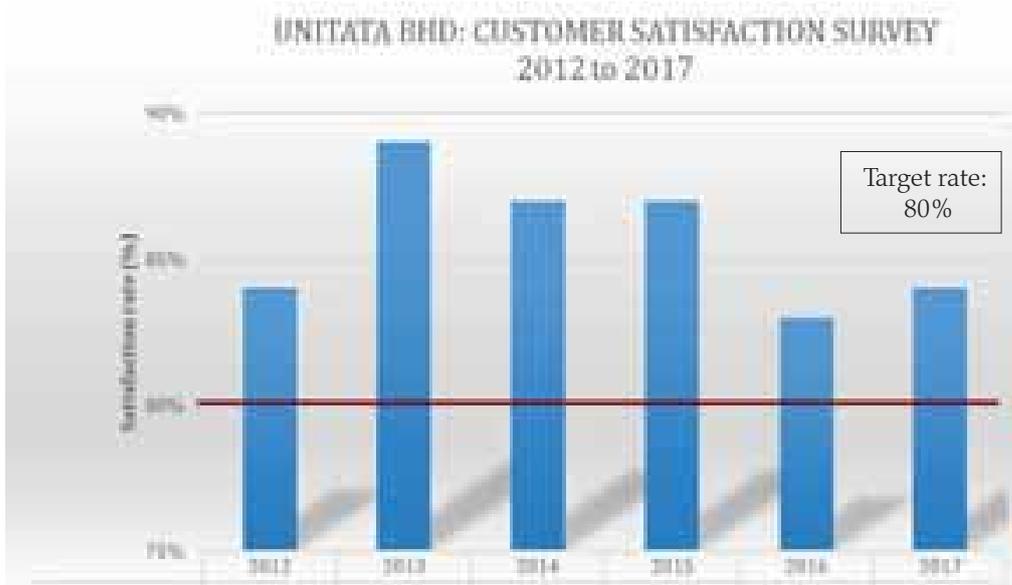
The company's decision to invest in a modern laboratory, the Nair's Wing, was an integral part in securing the background knowledge for mitigation work. In June 2016 collaboration work was initiated by the American Oil Chemist Society in developing statistical measurements for a new analytical method called AOCS Cd30-15: Analysis of 2- and 3-MCPD Fatty Acid Esters and Glycidyl Fatty Acid Esters in Oil-Based Emulsions.

Unitata was one of the 17 internationally recognized laboratories, after a screening process, to participate in this collaboration.

The new method has been endorsed and included in the AOCS compendium of Official Methods in July 2107.

As part of establishing credence on the accuracy and precision over the analytical protocols the laboratory voluntarily and successfully participated in proficiency testing schemes such as the Food Analysis Performance Assessment Scheme (FAPAS) held in September 2017.

As a result, Unitata is able to meet stringent customer demand for oils used in the production of infant formulas. We are committed to further reduce the levels of these substances to the benefit of the customers globally.



Customer Satisfaction
(GRI 102-43, GRI 102-44)

At Unitata, the annual customer satisfaction survey is used to measure how our finished products meet our customers’ expectations. This annual survey is an important measure in relation to our continuous improvement attitude and provides us with an important understanding of our service and collaboration with our customers based on their valuable feedback.

The survey focuses on three key areas which are:

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

The results are analyzed and tabulated in an appropriate graphical form for presentation at the management review meetings as well as during the various certification audits throughout the year. Besides that, Unitata also adopts an on-going communication method with the existing customer to keep them engaged with their products.

Regular communication with customers enables Unitata to develop products and provide the necessary service to ensure a continuous customer satisfaction which cannot be taken for granted in the competitive business of refining.

Non-compliance with regulations concerning product labelling.
(GRI 417-2)

In March 2017, Unitata received a cargo detention notice, for one of our consignment of packed products, from the US FDA authority with regards to insufficient nutritional information on product labelling.

Necessary changes to the nutritional information on our product labelling was made based on FDA recommendations to ensure that future export of our product are in full compliance with the FDA regulations and there has since been no further issues in terms of any of our packed products entering the US.



Small trucks ready to deliver FFB in the foreground while CPO tankers in the background are awaiting to collect CPO from our Lada Mill in Central Kalimantan.

19. Sustainability and Traceable Supply Chains

Our Commitment to ensure that the certified sustainable palm oil and palm kernel oil used in the production of finished goods actually came from sustainable sources

The interest for certified sustainable and segregated palm oil is increasing as many global brand manufacturers have committed to only use RSPO certified and segregated palm oil solutions. This development combined with new labelling rules introduced in Europe effective December 2014 has increased demand further.

Traceability at UP

One of Unitata’s key commitments to its customers is to ensure that our finished products can be traced back to its origins, namely palm oil mills and further to the plantation level.

The purpose is to ensure greater transparency in our supply chain. Unitata is currently in a favourable position to meet this growing demand due to the direct link with UP’s supply of RSPO certified sustainable and segregated palm oil traceable back to the plantations.

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

Today 100% of UP’s total production of CPO is traceable back to the plantations.

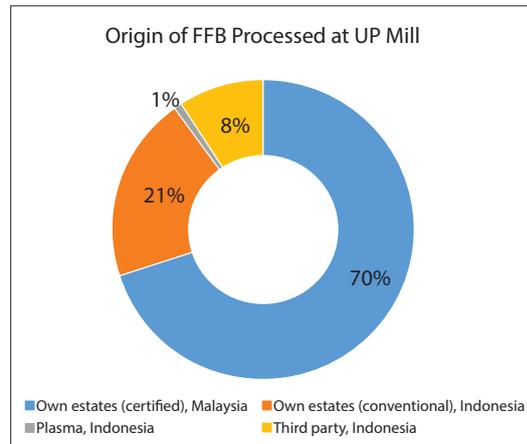
In Malaysia, all CPO used at our Unitata refinery can be traced back to the mills and plantations. CPO produced in Indonesia is sold to neighbouring refineries as we don’t have any downstream operations in the country.

For all UP PKs can be trace back to the plantations, however, as the palm kernels produced by UP is insufficient to cater for the needs of our refinery’s use of crude palm kernel oil, we currently source significant volumes which we are only able to trace back to the mills.

Going forward, we will be working with third party suppliers to increase the percentage of crude palm kernel oil that can be traced back to the plantations in line with increased customer demand for traceability.

Our assurance for the level of traceability is based on our ability to identify the parent company,

the mill name, mill coordinates, mill certification status from suppliers and plantations from where the crop (FFB) is produced.



(a) Upstream Operations (United Plantations)

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

(b) Downstream Operations (Unitata)

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

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

All CPO produced in Malaysia is RSPO certified and segregated. In Indonesia, we have undergone RSPO certification for part of our plantations (with HGU certificates) and will be receiving RSPO certification for these areas in 2018.

Full certification and production of RSPO certified and segregated palm oil traceable to the mill and plantations is expected to be reached in 2020 for all our plantations areas in line with receiving the final land titles (HGU certificates) for all our Indonesian properties.



Filling of certified sustainable and traceable specialty fats at Unitata.

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

Supply Chain Certification

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

In December 2010, Unitata received its Supply Chain Certification and have since been able to handle and deliver first class sustainably certified and segregated palm and palm kernel oil solutions to customers worldwide based on the RSPO supply chain traceability system.

The RSPO cooperates with the traceability service provider, UTZ, who through the RSPO Palm Trace system ensures that the necessary traceability is in place in order for proper certification of palm and palm kernel oil that is used in the refining process.

The supply chain certification is the buyers' and consumers' guarantee that the palm oil or palm kernel oil used in the production of finished goods actually comes from the claimed RSPO source.

This requires records to be kept to demonstrate the volume of CPO or CPKO sold as sustainable oil does not exceed the amount produced by the upstream RSPO certified mills.

During November 2017, Unitata had their first verification audit by one of their key customers for supply of certified material. The audit was conducted independently by a third party auditor appointed by the customer. It was a full traceability audit on the origin of materials supplied by Unitata Bhd.

It was a successful audit and the auditor concluded that the material sourced by the customer is 100% traceable throughout the supply chain.



A well laid out warehouse for packed products at Unitata.

20. Evaluation of Supplier/Contractors' Sustainability Commitment

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

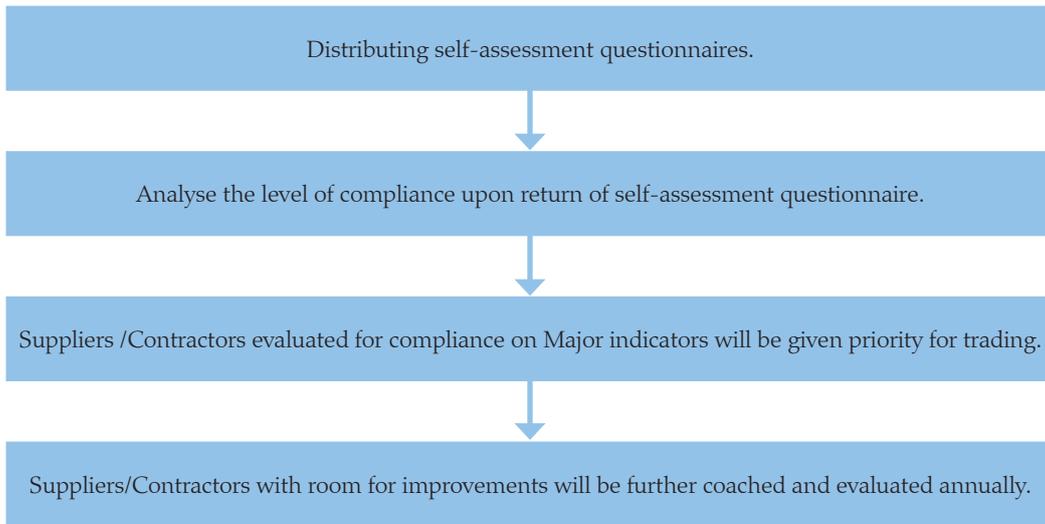
As an important step towards improving our sustainability within economic, environmental and social areas of our business, we have invited our suppliers and contractors to join us along the journey. Prior to any formal engagement with suppliers or contractors within our Group, a screening process by distributing a self-assessment questionnaire against social and environment aspect is carried out.

Our aim is to improve sustainability in our supply chain and ensure our suppliers and contractors collaborate with us in the compliance of company policy as well as legal requirements. The scope of self-assessment includes:

- a) Safety and Health (Major)
- b) No child labor (Major)

- c) Protect from any forms of discrimination (Major)
- d) Equal remuneration (Major)
- e) Fair employment contract as per legislation (Major)
- f) Fire safety plan (Minor)
- g) Business conduct (Major)
- h) Energy consumption (Minor)
- i) Zero burning (Major)
- j) No deforestation (Major)
- k) Reduction in GHG (Minor)
- l) No new development in HCV/HCS/Peat areas (Major)

The process to prioritize and assess our suppliers and contractors as flowchart below:



Suppliers and Contractors Assessed – United Plantations Bhd	
Number of key suppliers	43
Number of key suppliers assessed	36
Percentage of key suppliers assessed (%)	83.72
Number of key contractors	142
Number of key contractors assessed	121
Percentage of key contractors assessed (%)	85.21

*Up to September 2017.

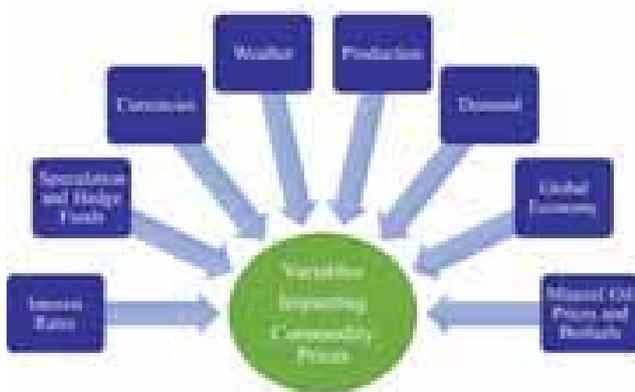
Please log into the link below to view the Assessment Questionnaire:
http://www.unitedplantations.com/sustainability/marketplace_assessment.asp

21. Commodity Prices

Prices of commodities are mainly the result of future expectations of Supply and Demand. Managing fluctuating commodity prices to protect shareholder value

Malaysia produces about a third of all palm oil in the world. Total palm oil production in Malaysia for 2017 was 19.98 million tons with around 15% of the palm oil being consumed directly in the country. Because Malaysia is so dependent on exports, palm oil prices in Malaysia are very much driven by international supply and demand. Palm oil is traded in three forms: the physical market, the futures market and the paper market. Palm oil prices in the physical, futures and paper market are different because of transparency, liquidity and ease of execution.

Numerous variables impact the prices of commodities as indicated below.



As this is an area of high risk, much focus is being directed towards safeguarding the exposure to our business in connection with fluctuations in Commodity Prices.

Risks are an inevitable part of Unitata’s business where price risk is considered to be of major significance.

In connection with price risk, both outright prices and market structure (inverse/carry) are risks which need to be monitored, mapped and most importantly, dealt with. The Group uses the the physical market, the futures market and the paper market to manage some of the transaction exposure. However, strict control and monitoring procedures include, amongst others, setting of trading limits approved by the Board and monitored closely by the Audit Committee through management reporting and both Internal and External Audits conducted frequently.

22. Currency Fluctuation

Managing adverse foreign exchange fluctuations to ensure longterm sustainability of our Company’s operations

For the export-oriented Refining Industry In which Unitata operates, a Weak Malaysian Ringgit against the USD has been an advantage as most of our costs are denominated in Ringgit whilst our sales prices are denominated in USD. More Ringgit per USD has therefore benefited Unitata when USD sales have taken place.

With margin pressure in the Malaysian Refining Industry due to the fierce competition specifically from Indonesia, it is extremely important that currency fluctuations are managed in order to safeguard profits and minimize risks. In the same manner as with commodities, the Group uses forward currency hedges to manage some of the transactions exposure.

Control and monitoring procedures are similar to what is done under commodities and is elaborated further under the section “Statement on Risk Management and Internal control” on page 184-186.

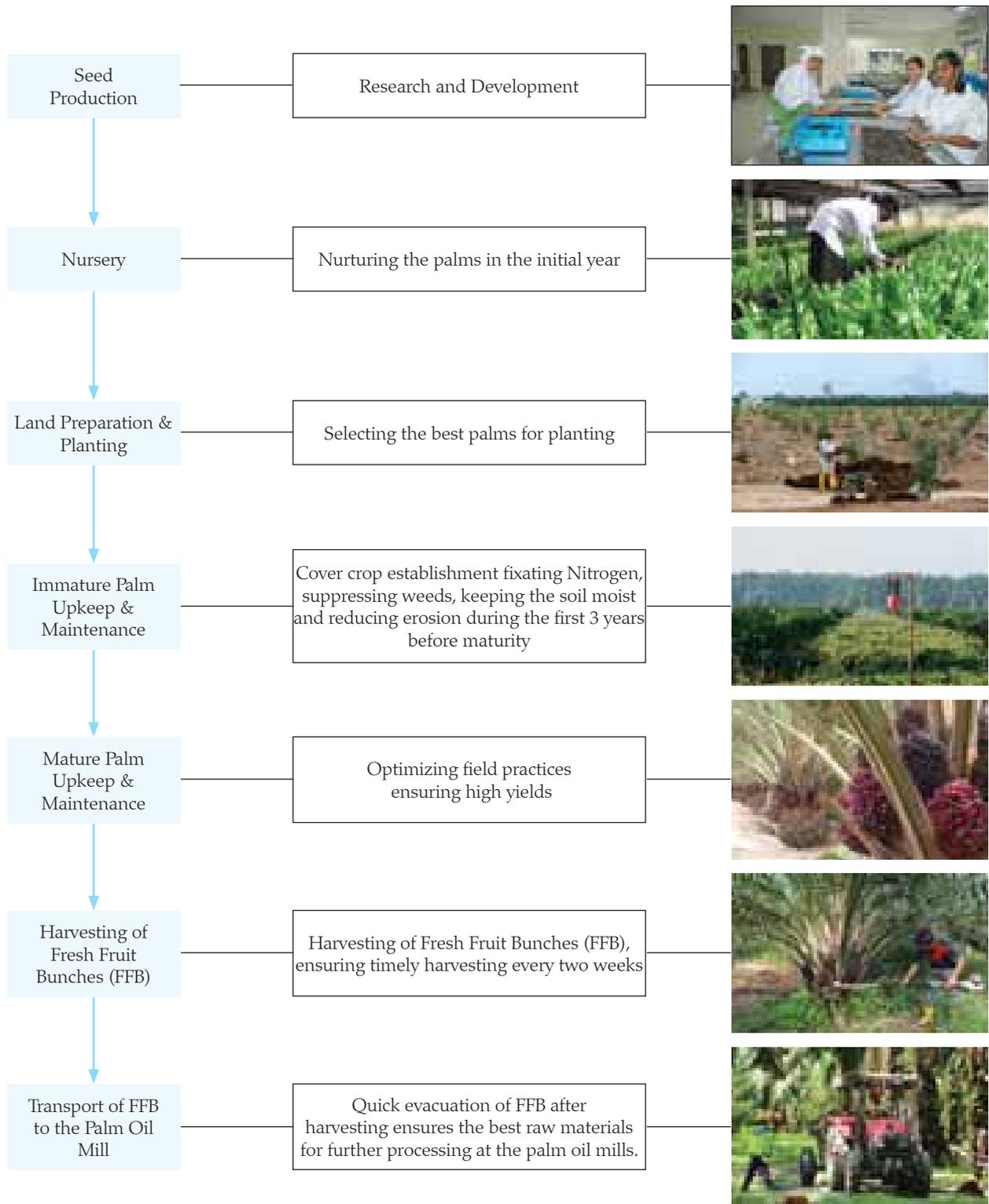




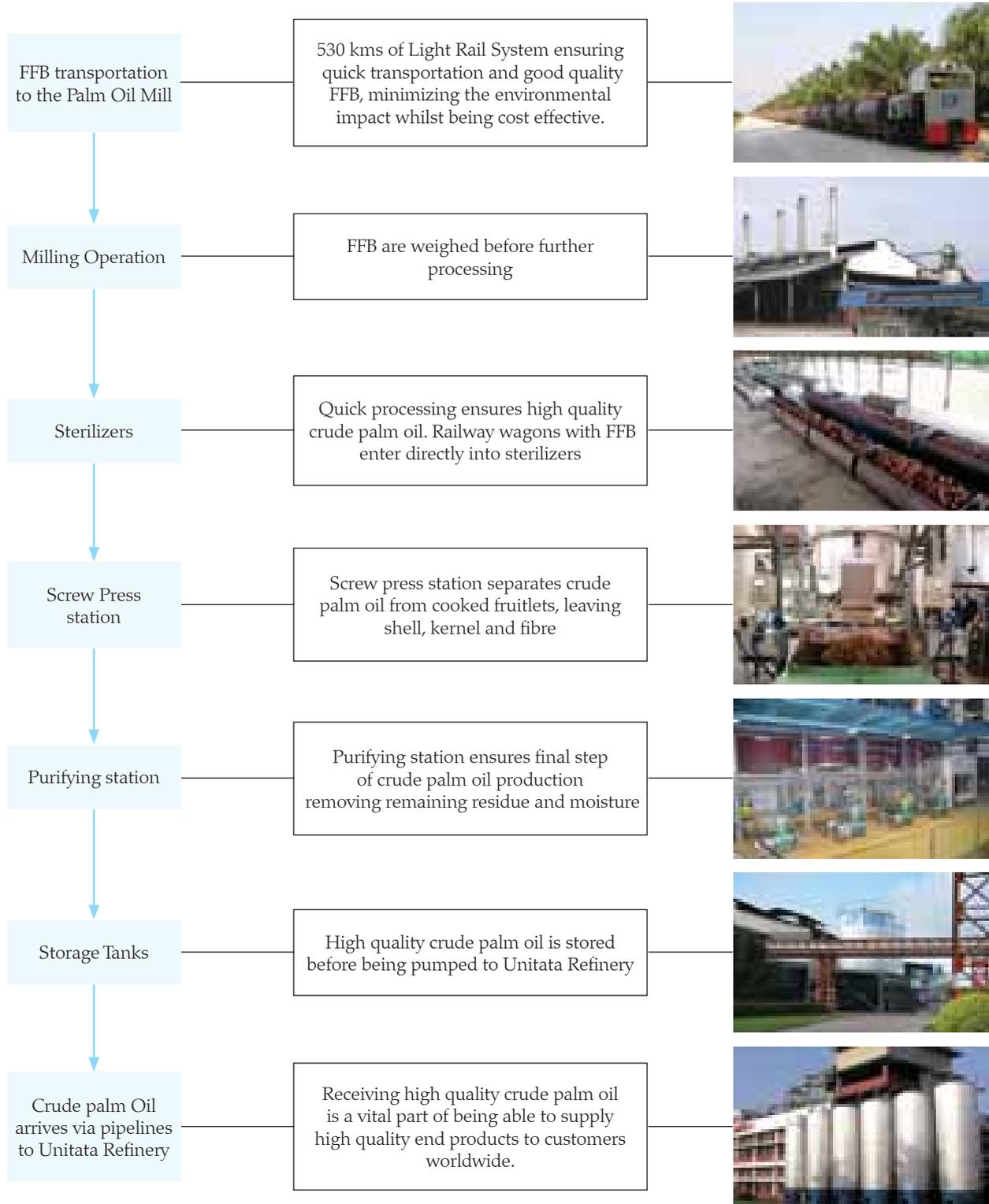
Our well maintained state-of-the-art Lada Palm Oil Mill.

Commitment to quality

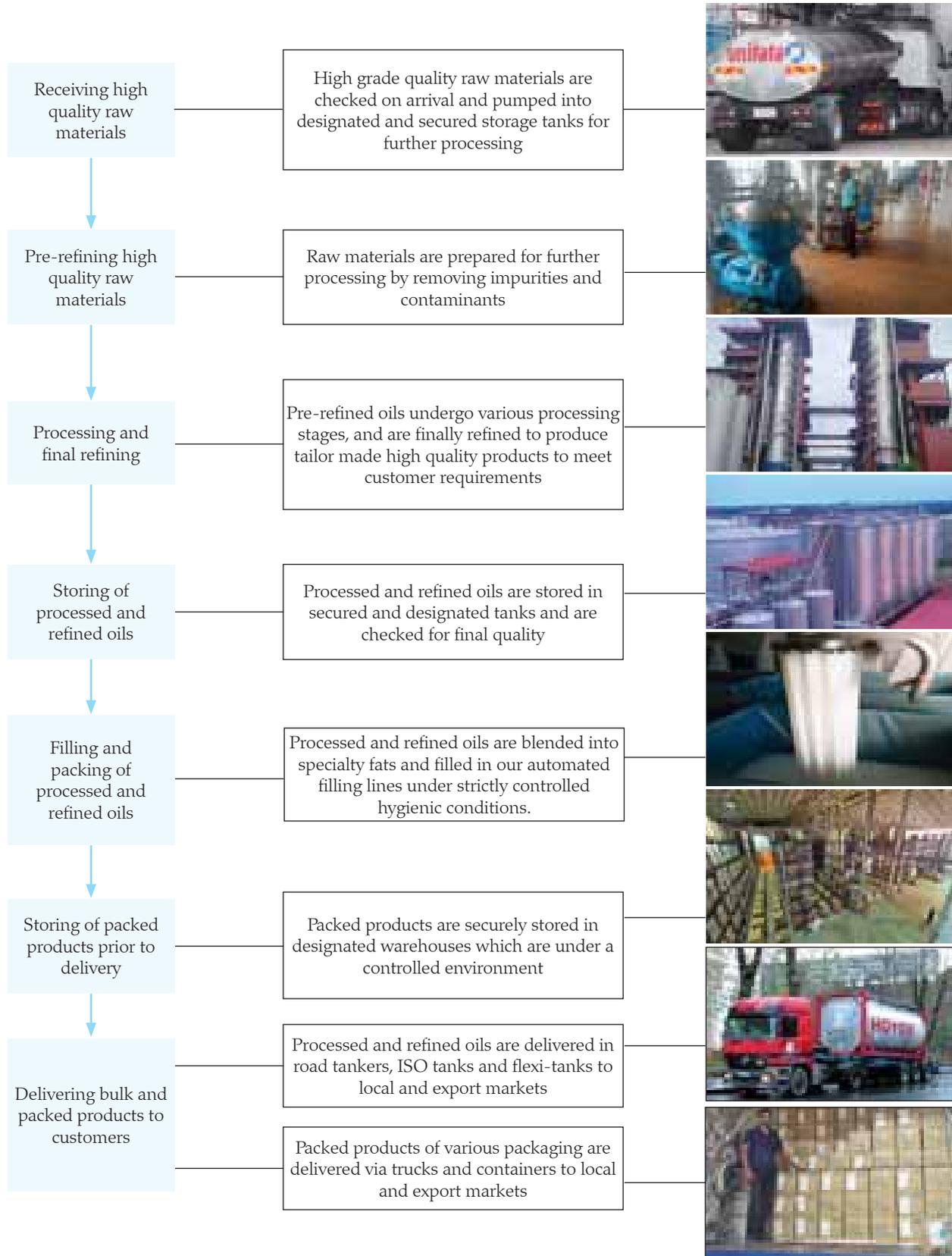
Good agricultural practices



Quick evacuation and processing at the palm oil mill



Food safety and quality focus at the refinery



Global Reporting Initiative (GRI) Content Index

(GRI 102-55)

United Plantations Berhad Annual Report 2017 has been prepared in accordance with the GRI Sustainability Reporting Standards (Core level disclosures). The following summary table details the location of specific disclosures throughout the report.

GRI Standards	Description	Reference Section	Page Number
GRI 102: General Disclosures			
1. Organizational Profile			
102-1	Name of the organization	Front Cover	ii
102-2	Activities, brands, products, and services	Report of the Directors	3,6
102-3	Location of headquarters	Corporate Information	4
102-4	Location of operations	Locations of Estates, Factories and Holdings Planted areas – 31st December 2017	last page (map)
102-5	Ownership and legal form	Corporate Information – Notes to the Financial Statement	208
102-6	Markets served	Geographical Segments – Notes to the Financial Statements	266
102-7	Scale of the organization	Notes to the Financial Statements	208
102-8	Information on employees and other workers	Employees	65
102-9	Supply chain	UP & RSPO Marketplace	26 34
102-10	Significant changes to the organization and its supply chain	There were no changes during the reporting period regarding size, structure, ownership or supply chain. However, changes in the senior management team are featured in Executive Committee and Senior Management.	5
102-11	Precautionary Principle or approach	Statement on Corporate Governance	172
102-12	External initiatives	UP & RSPO Environment	85
102-13	Membership of associations	UP & RSPO Environment In addition to the above, UP has memberships in Malaysian Palm Oil Association (“MPOA”), Palm Oil Refiners Association of Malaysia (“PORAM”)	85
2. Strategy			
102-14	Statement from senior decision-maker	CED’Message	12,14
102-15	Key impacts, risks, and opportunities	Engaging Our Stakeholders Materiality Employees Environment Community Marketplace	51 54 63 85 132 149
3. Ethics and Integrity			
102-16	Values, principles, standards, and norms of behaviour	Statement on Corporate Governance Employees (Whistle blower Policy)	63, 64
102-17	Mechanisms for advice and concerns about ethics	Employees (Whistle blower Policy)	63, 64

GRI Standards	Description	Reference Section	Page Number
GRI 102: General Disclosures (Contd.)			
4. Governance			
102-18	Governance structure	Corporate Governance Overview Statement Governance Structure	172 40
102-19	Delegating authority	Governance Structure	40
102-20	Executive-level responsibility for economic, environmental, and social topics	Governance Structure	40
102-21	Consulting stakeholders on economic, environmental, and social topics	Stakeholders Engagement	50
102-22	Composition of the highest governance body and its committees	Governance Structure	40
102-23	Chair of the highest governance body	Corporate Governance Overview Statement Chair of the highest governance body is the Chairman of the Board, who is independent and non-executive	172
102-24	Nominating and selecting the highest governance body	Nomination Committee – Corporate Governance Overview Statement	172
102-25	Conflicts of interest	Corporate Governance Overview Statement	172
102-26	Role of highest governance body in setting purpose, values, and strategy	Corporate Governance Overview Statement	172
102-27	Collective knowledge of highest governance body	Corporate Governance Overview Statement Governance Structure	172
102-28	Evaluating the highest governance body's performance	Corporate Governance Overview Statement Statement on Risk Management and Internal Control Audit Committee Report	172
102-29	Identifying and managing economic, environmental, and social impacts	Governance Structure	40
102-30	Effectiveness of risk management processes	Corporate Governance Overview Statement	172
102-31	Review of economic, environmental, and social topics	Corporate Governance Overview Statement Governance Structure	172 40
102-32	Highest governance body's role in sustainability reporting	Governance Structure	40
102-33	Communicating critical concerns	Governance Structure	40
102-34	Nature and total number of critical concerns	Governance Structure	40
102-35	Remuneration policies	Remuneration Committee - Statement on Corporate Governance	177
102-36	Process for determining remuneration	Remuneration Committee - Statement on Corporate Governance	177
102-37	Stakeholders' involvement in remuneration	Remuneration Committee - Statement on Corporate Governance	177
102-38	Annual total compensation ratio	Not Disclosed in this Report	-
102-39	Percentage increase in annual total compensation ratio	Not Disclosed in this Report	-

GRI Standards	Description	Reference Section	Page Number
GRI 102: General Disclosures (Contd.)			
5. Stakeholder Engagement			
102-40	List of stakeholder groups	Stakeholders Engagement	51, 55
102-41	Collective bargaining agreements	Employees	71
102-42	Identifying and selecting stakeholders	Stakeholders Engagement	51
102-43	Approach to stakeholder engagement	Stakeholders Engagement	51
102-44	Key topics and concerns raised	Stakeholders Engagement Employees Environment Community Marketplace	55
6. Reporting Practice			
102-45	Entities included in the consolidated financial statements	Financial Statements	193-283
102-46	Defining report content and topic Boundaries	About This Report Stakeholders Engagement Materiality	54
102-47	List of material topics	Materiality	54
102-48	Restatements of information	There is no restatement of information.	30
102-49	Changes in reporting	No significant changes	30
102-50	Reporting period	About This Report	30
102-51	Date of most recent report	Annual Report 2016	30
102-52	Reporting cycle	About This Report	30
102-53	Contact point for questions regarding the report	Procedure for Handling External Stakeholders Issues	143
102-54	Claims of reporting in accordance with the GRI Standards	Global Reporting Initiative Index	161
102-55	GRI content index	Global Reporting Initiative Index	161
102-56	External assurance	About This Report	30, 170-171
GRI 103: Management Approach			
103-1	Explanation of the material topic and its Boundary	Materiality	30,54
103-2	The management approach and its components	Corporate Governance Overview Statement Materiality Employees Environment Community Marketplace	172 54 63 85 132 149
103-3	Evaluation of the management approach	Materiality Employees Environment Community Marketplace	54 63 85 132 149
GRI 201: Economic Performance			
201-1	Direct economic value generated and distributed	Financial Statements and Notes to the Financial Statement	193-277
201-2	Financial implications and other risks and opportunities due to climate change	Not Disclosed in this Report	-
201-3	Defined benefit plan obligations and other retirement plans	Financial Statements	259
201-4	Financial assistance received from government	Not Disclosed in this Report	-

GRI Standards	Description	Reference Section	Page Number
GRI 202: Market Presence			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Employees (Paying Fair wages and Employees Benefits)	70
202-2	Proportion of senior management hired from the local community	Employees Our policy is to hire employees with attitudes and skills enabling them to develop a long-term relationship with us, with no discrimination towards the employee's race, colour, religion, gender, national origin, ancestry, disability, marital status and sexual orientation.	65
GRI 203: Indirect Economic Impacts			
203-1	Infrastructure investments and services supported	Employees Community	63
203-2	Significant indirect economic impacts	Not effected yet	-
GRI 204: Procurement Practices			
204-1	Proportion of spending on local suppliers	We endeavour to support local suppliers in the countries we operate in, which is Malaysia and Indonesia.	-
GRI 205: Anti-corruption			
205-1	Operations assessed for risks related to corruption	Not effected yet	-
205-2	Communication and training about anti-corruption policies and procedures	Code of Ethics and Business Conduct	63
205-3	Confirmed incidents of corruption and actions taken	Not effected yet	-
GRI 206: Anti-competitive Behaviour			
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Not effected yet	-
GRI 301: Materials			
301-1	Materials used by weight or volume	Agrochemical and Energy Inputs in the Cultivation of Oil Palm and Other Oilseed Crops - Environment	124
301-2	Recycled input materials used	Production and Level of Utilisation of Oil Palm Biomass Residues - Environment	114
301-3	Reclaimed products and their packaging materials	Not effected yet	-
GRI 302: Energy			
302-1	Energy consumption within the organization	GHG emissions, discharges and waste management	110
302-2	Energy consumption outside of the organization	GHG emissions, discharges and waste management	110
302-3	Energy intensity	Emission reductions and Biogas plants	110
302-4	Reduction of energy consumption	GHG emissions, discharges and waste management	110
302-5	Reduction in energy requirements of products and services	Not effected yet	-
GRI 303: Water			
303-1	Water withdrawal by source	Not disclosed in this Report	-
303-2	Water sources significantly affected by withdrawal of water	Not disclosed in this Report	-
303-3	Water recycled and reused	Rain Harvesting	123

GRI Standards	Description	Reference Section	Page Number
GRI 304: Biodiversity			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Adjacent Protected & Conservation Areas - Environment	86
304-2	Significant impacts of activities, products, and services on biodiversity	Biodiversity & Conservation	86
304-3	Habitats protected or restored	Biodiversity & Conservation	86
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Biodiversity & Conservation	90
GRI 305: Emissions			
305-1	Direct (Scope 1) GHG emissions	Life Cycle Assessment	110
305-2	Energy indirect (Scope 2) GHG emissions	Life Cycle Assessment	110
305-3	Other indirect (Scope 3) GHG emissions	Life Cycle Assessment	110
305-4	GHG emissions intensity	Life Cycle Assessment	110
305-5	Reduction of GHG emissions	Life Cycle Assessment, Emissions Reductions & Biogas Plant	110
305-6	Emissions of ozone-depleting substances (ODS)	Not applicable	-
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	Isokinetic Monitoring of Gaseous Emissions from the Palm Oil Mills, VORSEP Dust Collector System	113
GRI 306: Effluents and Waste			
306-1	Water discharge by quality and destination	GHG emissions, discharges and waste management	110-113
306-2	Waste by type and disposal method	Recycling of Pesticide Containers and Scheduled Wastes - Environment	131
306-3	Significant spills	Not effected yet	-
306-4	Transport of hazardous waste	Recycling of Pesticide Containers and Scheduled Wastes - Environment	131
306-5	Water bodies affected by water discharges and/or runoff	Not effected yet	-
GRI 307: Environmental Compliance			
307-1	Non-compliance with environmental laws and regulations	None. LCA	110
GRI 308: Supplier Environmental Assessment			
308-1	New suppliers that were screened using environmental criteria	Evaluation of Suppliers/Contractors' Sustainability Commitment - Marketplace	155
308-2	Negative environmental impacts in the supply chain and actions taken	Not effected yet	-
GRI 401: Employment			
401-1	New employee hires and employee turnover	Employees – Group Employees 2012-2017. UP Group Employees	65
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Human and Workers' Rights - Employees	65
401-3	Parental leave	Not effected yet	-
GRI 402: Labor/Management Relations			
402-1	Minimum notice periods regarding operational changes	Human and Workers' Rights - Employees	67

GRI Standards	Description	Reference Section	Page Number
GRI 403: Occupational Health and Safety			
403-1	Workers representation in formal joint management-worker health and safety committees	Freedom to Join Unions - Employees	71
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Fatal Accident & Lost Time Injury Frequency – Occupational Safety & Health – Employees	82
403-3	Workers with high incidence or high risk of diseases related to their occupation	Lost Time Injury Frequency Rate - Employees	82
403-4	Health and safety topics covered in formal agreements with trade unions	Occupational Safety & Health Policy - Employees	81
GRI 404: Training and Education			
404-1	Average hours of training per year per employee	Training and Development of Employees – Employees	80
404-2	Programs for upgrading employee skills and transition assistance programs	Training and Development of Employees – Employees	80
404-3	Percentage of employees receiving regular performance and career development reviews	Not effected yet	-
GRI 405: Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	Equal Treatment - Employees	64
405-2	Ratio of basic salary and remuneration of women to men	Equal Treatment - Employees Average Earning - Employees	64
GRI 406: Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	Equal Treatment - Employees	64
GRI 407: Freedom of Association and Collective Bargaining			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Evaluation of Suppliers/Contractors' Sustainability Commitment - Marketplace	155
GRI 408: Child Labor			
408-1	Operations and suppliers at significant risk for incidents of child labor	Evaluation of Suppliers/Contractors' Sustainability Commitment - Marketplace	155
GRI 409: Forced or Compulsory Labor			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Evaluation of Suppliers/Contractors' Sustainability Commitment - Marketplace	155
GRI 410: Security Practices			
410-1	Security personnel trained in human rights policies or procedures	Training Hours - Employees	80
GRI 411: Rights of Indigenous Peoples			
411-1	Incidents of violations involving rights of indigenous peoples	Not effected yet	-
GRI 412: Human Rights Assessment			
412-1	Operations that have been subject to human rights reviews or impact assessments	FPIC - Community	136
412-2	Employee training on human rights policies or procedures	Training Hours - Employees	80
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Evaluation of suppliers/contractors sustainability commitments-marketplace	155

GRI Standards	Description	Reference Section	Page Number
GRI 413: Local Communities			
413-1	Operations with local community engagement, impact assessments, and development programs	FPIC, Land Dispute - Community	136
413-2	Operations with significant actual and potential negative impacts on local communities	FPIC - Community	136
GRI 414: Supplier Social Assessment			
414-1	New suppliers that were screened using social criteria	Evaluation of Suppliers/Contractors' Sustainability Commitment - Marketplace	155
414-2	Negative social impacts in the supply chain and actions taken	Not effected yet	-
GRI 415: Public Policy			
415-1	Political contributions	Not disclosed in this Report	-
GRI 416: Customer Health and Safety			
416-1	Assessment of the health and safety impacts of product and service categories	At Unitata, all products are significantly important and may give health and safety producing ingredients to food producers	150
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Not effected yet	-
GRI 417: Marketing and Labelling			
417-1	Requirements for product and service information and labelling	Certification for Food Safety, Sustainability and Others - Marketplace	150
417-2	Incidents of non-compliance concerning product and service information and labelling	Certification for Food Safety, Sustainability and Others - Marketplace	152
417-3	Incidents of non-compliance concerning marketing communications	Not effected yet	-
GRI 418: Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Personal Data Protection	63
GRI 419: Socioeconomic Compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	Not effected yet	-

Glossary

Biodiversity (BioD)	The diversity (number and variety of species) of plant and animal life within a region.
Biological oxygen demand (BOD)	The amount of oxygen used when organic matter undergoes decomposition by micro- organisms. Testing for BOD is done to assess the amount of organic matter in water.
Carbon Footprint	A measure of the total amount of greenhouse gases, including carbon dioxide, methane and nitrous oxides, emitted directly or indirectly by an organisation, event, product or person.
Child Labour	According to the International Labour Organization (ILO) core labour standards, minimum age should not be less than 16 years old.
CO ₂ Equivalents	Carbon dioxide equivalents (CO ₂ eq) provide a universal standard of measurement against which the impacts of releasing (or avoiding the release of) different greenhouse gases can be evaluated.
Crude Palm Oil (CPO)	Oil produced from oil palm fruits in milling process.
Creating Shared Value (CSV)	A responsibility to manage our resources resourcefully and engage in activities that optimize return for shareholders and the society we operate in.
Deforestation	Defined by UP as direct human-induced conversion of forest to non-forests, with an exception for small scale low intensity subsistence conversion by indigenous peoples and forest dependent traditional communities (consistent with RSPO P & C as well as Indonesian laws, Environmental Impact Assessments (ELA) and High Conservation Value Assessment (HCV).
Effluents	Water discharged from one source into separate body of water, such as mill process water.
Employees	Our Employees are our core assets and human capital management is considered an integral and vital part of our operations.
Environment	UP's commitment in constantly striving towards reducing variables that impact the environment negatively.
Forced Labour	A person who is coerced to work under the threat of violence, intimidation, or undue stress of penalty.
Free, Prior and Informed Consent (FPIC)	The principle that a community has the right to give or withhold its consent to proposed projects that may affect the lands they customarily own, occupy or otherwise use.
Fresh fruit Bunches (FFB)	Bunch harvested from the oil palm tree. The weight of the fruit bunch ranges between 10 kg to 40 kg depends on the size and age.
Global Reporting initiative (GRI)	A multi-stakeholder standard for sustainability reporting, providing guidance on determining report content and indicators.
Greenhouse Gas (GHG) emissions	Greenhouse gas or carbon emissions are gasses in an atmosphere that absorb and emit radiation within the thermal infrared range. This process is the fundamental cause of the greenhouse effect. The primary greenhouse gases in the Earth's atmosphere are water vapor, carbon dioxide, methane, nitrous oxide, and ozone.
GreenPalm	Is a certificate trading system that allows manufacturers and retailers to purchase GreenPalm certificates from an RSPO certified palm oil growers to offset each tonne of palm oil and palm kernel oil they use. A book-and-claim supply chain system.
High Conservations Value (HCV)	The concept of High Conservation Value Forests (HCVF) was first developed by the Forest Stewardship Council (FSC) in 1999 as their ninth principle. The FSC defined HCVF as forests of outstanding and critical importance due to their environmental, socio-economic and cultural biodiversity and landscape value.
High carbon stock (HCS)	The HCS Approach is a methodology to avoid deforestation in land development. The approach stratifies the vegetation on an area of land into different classes using analyses of satellite images and field plot measurements. Each vegetation class is validated through calibrating it with carbon stock estimates in the above-ground tree biomass.
Hak Guna Usaha(HGU)	The right to enjoy immovable property of another person with the obligation to pay the annual income to the landowner.
ILO (International Labour Organisation)	Is a tripartite world body representative of labour, management and government, and is an agency of the United Nations. It disseminates labour information and sets minimum international labour standards called "conventions", offered to member nations for adoption.
Integrated Pest management (IPM)	A pest management system that in context of the associated environment and the population dynamics of the pest species utilizes all suitable techniques and methods in as compatible a manner as possible and maintains the pest population at levels below those causing economically unacceptable damage and loss.
IUCN Red List	Based in Switzerland, the International Union for Conservation of Nature and Natural Resources (also known as The World Conservation Union) is an organisation involved in the preservation of natural resources. IUCN publishes the Red Data Book, which lists the endangered species of every nation.

Identity Preserved/ IP	Certified sustainable palm oil is physically separated from other certified and non-certified palm oil throughout the supply chain, i.e from the RSPO mill through to the end-user.
Oil Extraction Rate	The amount of oil extracted from oil palm fruit at a mill. Crude palm oil (CPO) is extracted from the flesh; palm kernel oil (PKO) from the nut.
Mass Balance	Certified sustainable palm oil and non-certified palm oil is mixed to avoid the cost of keeping the two quantities controlled. The mass balance system is constructed in such a way that volumes of RSPO certified products shipped will never exceed volumes received by the end-user.
Mature Oil Palm	After planting, the oil palm tree is classified as immature until fresh fruit bunches are produced, which is approximately 30 months later, whereupon the oil palm tree is classified as mature.
Non-governmental organisation (NGO)	Is used in this report to refer to grassroots and campaigning organisations focused on environmental or social issues.
Palm oil Mill effluent (POME)	By-product of processed fresh fruit bunch (FFB).
Peat	Peat is an accumulation of partially decayed vegetation matter. Peat forms in wetlands or peat lands, variously called bogs, moors, muskegs, pocosins, mires, and peat swamp forests.
Plasma schemes	A programme initiated by the Indonesian government to encourage the development of smallholders' plantations with the assistance and cooperation of plantation companies (the nucleus) which assist and support the surrounding community plantations (the plasma).
Palm Kernel (PK)	Seed of the oil palm fruit, which is processed to extract palm kernel oil and other by-products.
Palm Kernel (PK)	Seed of the oil palm fruit, which is processed to extract palm kernel oil and other by-products.
Roundtable on sustainable palm oil (RSPO)	A non-governmental multi-stakeholder organisation based in Kuala Lumpur, Malaysia. The organisation has developed a certification scheme for sustainable palm oil.
Social Impact Assessment	A process of analysing, monitoring and managing the intended and unintended, both positive and negative social consequences of planned interventions (policies, programs, plans, projects) and any social change processes invoked by the interventions. Its primary purpose is to bring about a more sustainable and equitable biophysical and human environment.
Segregated/ SG	Certified sustainable palm oil is physically separated from non-certified palm oil throughout the entire supply chain.
Stakeholders	Any group or individual who are affected by or can affect a company's operations.
Sustainability	A term expressing a long-term balance between social, economic and environmental objectives. Often linked to Sustainable Development which is defined as "Development that meets the need of current generations without compromising the needs of future generations"
Traceability	Traceability is the capability to track sustainable palm oil along the entire supply chain.
Toxicity	Toxicity measures the degree to which a substance is harmful to living organisms.



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Independent Limited Assurance Report

Relating to United Plantations Berhad's Annual Report for the year ended 31 December 2017.

To the Directors of United Plantations Berhad

We, KPMG PLT, have been engaged by United Plantations Berhad ("United Plantations") and are responsible for providing a limited assurance conclusion in respect of the Selected Sustainability Information for the year ended 31 December 2017 to be included in the Annual Report 2017 ("the Report") as identified below ("the Selected Sustainability Information").

Management's Responsibilities

The management of United Plantations ("Management") is responsible for the preparation and presentation of the Selected Sustainability Information in accordance with Management's calculation methodologies and the information and assertions contained within it and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that United Plantations complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Our Responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Selected Sustainability Information is free from material misstatement.

Selected Sustainability Information

Selected Sustainability Information includes the following data for the year ended 31 December 2017:

- Total average earnings per worker per month;
- Lost time injury frequency rate;
- Fatal accident rate;
- Fertiliser equivalent and monetary value of oil palm biomass residues recycled on land;
- Production and level of utilisation of oil palm biomass residues;
- Domestic water consumption;
- Mill water consumption in processing fresh fruit bunches (FFB);
- Usage of herbicides and pesticides;
- Local and international certifications; and
- Roundtable on Sustainable Palm Oil ("RSPO") certifications.

Procedures Performed over Selected Sustainability Information

A limited assurance engagement on the Selected Sustainability Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures include:

- Interviews with Senior Management and relevant staff at corporate and operating sites;
- Inquiries about the design and implementation of the systems and methods used to collect and process the information reported, including the aggregation of source data into the Selected Sustainability Information;
- Visits to 5 operating sites¹, selected on the basis of a risk analysis including the consideration of both quantitative and qualitative criteria; and

¹ Jendarata Estate, Jendarata Engineering Department, Ulu Berman Estate, Ulu Berman Engineering Department, Unitara

- Comparing the information presented in the Selected Sustainability Information to corresponding information in the relevant underlying sources to determine whether all the relevant information has been included in the Selected Sustainability Information and prepared in accordance with Management's calculation methodologies.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion.

Our independence and quality control

We have complied with the independence and other relevant ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

KPMG PLT applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Inherent limitations

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities in the information presented in the Report may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Report, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

Our conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Independent Limited Assurance Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and evidence obtained, as described above, nothing has come to our attention that would lead us to believe that the Selected Sustainability Information included in the Report for the year ended 31 December 2017, is not presented, in all material respects, in accordance with Management's calculation methodologies.

Restriction of use of our Independent Limited Assurance Report

Our Independent Limited Assurance Report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than United Plantations, for any purpose or in any other context. Any party other than United Plantations who obtains access to our Independent Limited Assurance Report or a copy thereof and chooses to rely on our Independent Limited Assurance Report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we do not accept nor assume responsibility and deny any liability to any party other than United Plantations for our work, for this Independent Limited Assurance Report, or for the conclusions we have reached.

Our Independent Limited Assurance Report is released to United Plantations on the basis that it shall not be copied, referred to or disclosed, in whole (save for United Plantations's own internal purposes) or in part, without our prior written consent.



KPMG PLT
Petaling Jaya
24 February 2018

Corporate Governance Overview Statement

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

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

With the publication of Malaysian Code on Corporate Governance 2017 and in accordance to the guidance given by Bursa through its circular titled "Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements" dated 29 November 2017, the Board of Directors are pleased to present the corporate governance overview statement. The detailed explanation on the application of the corporate governance practices are reported under Corporate Governance Report (CG Report) as published in the Company's website.

A) Application of Malaysian Code of Corporate Governance 2017 (MCCG 2017) Practices

Practice 1.1

The Board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The Board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application: Applied

Practice 1.2

A Chairman of the Board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board is appointed.

Application: Applied

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application: Applied

Practice 1.4

The Board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application: Applied

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application: Applied

Practice 2.1

The Board has a Board Charter which is periodically reviewed and published on the company's website. The Board Charter clearly identifies–

- the respective roles and responsibilities of the Board, Board committees, individual directors and management; and
- issues and decisions reserved for the Board.

Application: Applied

Practice 3.1

The Board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application: Applied

Practice 3.2

The Board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application: Applied

Practice 4.1

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

Application: Departure

Measure: Potential candidates for the independent directorship of the Board are being identified and to be interviewed.

Timeframe: Within 3 years.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the Board as a non-independent director.

If the Board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the Board continues to retain the independent director after the 12th year, the Board should seek annual shareholders' approval through a two-tier voting process.

Application: Departure

Alternative Practice: The Nomination Committee and the Board have determined at the annual assessment carried out on the 3 directors who have served the Board more than 12 years remain objective and independent in participating in the deliberations and decision making of the Board and Board Committees. The length of their service on the Board does not interfere with their exercise of independent judgment and act in the best interest of the Group notably in discharging their roles, in the case of Tan Sri Datuk Dr. Johari bin Mat, as Chairman of the Board, Chairman of the Remuneration Committee and Chairman of the Nomination Committee, in the case of Dato' Jeremy Derek Campbell Diamond as the Chairman of the Audit Committee as well as the member of the Remuneration and Nomination Committees, and in the case of Mr. Ahmad Riza Basir as the member of the Audit Committee.

Each of the above three independent directors has provided an annual confirmation of his independence to the Nomination Committee and the Board. The Board has recommended the continuation of these 3 directors as independent directors of the Company as the Board believes that it is in the best position to evaluate and determine whether any independent director can continue acting in the best interest of the Group and bringing unbiased and professional judgement to Board deliberations. The Board has to balance the need to continue with Directors who have intimate knowledge of the Group's business and fresh perspective which new candidates may bring.

Measure: The Board is in the process of identifying suitable candidates for succession to the independent non-executive directors who have served more than 12 years.

Timeframe: Within 3 years.

Practice 4.3 - Step Up

The Board has a policy which limits the tenure of its independent directors to nine years.

Application: Not Adopted

Practice 4.4

Appointment of Board and senior management are based on objective criteria, merit and with due regard for diversity in skills and experience, age, cultural background and gender.

Application: Applied

Practice 4.5

The Board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the Board must have at least 30% women directors.

Application: Departure

Alternative Practice: The Board has 1 woman director out of 9 directors.

Measure: The Board is of the view that it is important to recruit and retain the best available talent regardless of gender, ethnicity and age to maximize the effectiveness of the Board. The Board takes cognizance of the importance of having more women representation on Board and is taking steps to identify women who has the qualifications and qualities that meets the Group's needs. However, the Board would want to avoid the pitfall of tokenism which is not in the best interest of the Company.

Timeframe: As explained, the Board shall make efforts to increase woman representation on the Board but would not commit to a definite timeframe to achieve the 30% target.

Practice 4.6

In identifying candidates for appointment of directors, the Board does not solely rely on recommendations from existing Board members, management or major shareholders.

The Board utilises independent sources to identify suitably qualified candidates.

Application: Applied

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application: Applied

Practice 5.1

The Board should undertake a formal and objective annual evaluation to determine the effectiveness of the Board, its committees and each individual director. The Board should disclose how the assessment was carried out and its outcome.

For Large Companies, the Board engages independent experts periodically to facilitate objective and candid Board evaluations.

Application: Departure

Measure: The Nomination Committee based on peer review conducted an annual evaluation to determine the effectiveness of the board, its committees and each individual director. However, the Board does not have the practise of having the assistance of independent experts on this area. The current practice of evaluating the Board by peer review has objective and is determined to have achieve the desired result of ensuring the effectiveness of the Board. The Board shall continue to evaluate the effectiveness of current process on this area and would consider engaging independent consultant if necessary.

Timeframe: Not Applicable

Practice 6.1

The Board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application: Applied

Practice 6.2

The Board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the

remuneration of Board and senior management. The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application: Applied

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application: Applied

Practice 7.2

The Board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application: Departure

Alternative Practice: The Board decided that it is the policy of the Company to only disclose the remuneration of all the 4 executive directors.

Measure: This policy is in line with the best management practice of ensuring confidentiality of the remuneration of all employees except for directors.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application: Not adopted.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the Board.

Application: Applied

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application: Applied

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application: Applied

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application: Adopted.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application: Applied

Practice 9.1

The Board should establish an effective risk management and internal control framework.

Application: Applied

Practice 9.2

The Board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application: Applied

Practice 9.3 - Step Up

The Board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application: Not Adopted.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application: Applied

Practice 10.2

The Board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;

- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application: Applied

Practice 11.1

The Board ensures there is effective, transparent and regular communication with its stakeholders.

Application: Applied

Practice 11.2

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

Application: Departure

Alternative Practice: The current reporting complies with the requirements of the Companies Act 2016, the applicable accounting standards and the Main Market Listing Requirements.

Measure: The Board acknowledges that the integrated reporting will improve the quality of information available to investors and promotes greater transparency and accountability on the part of the Company. For the preparation of such report, the Board will set up a team comprising of various operating and functional units within the financial year 2018 and it is intended that the adoption of the integrated reporting be done within 3 years.

Timeframe: Within 3 years.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application: Applied

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application: Applied

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application: Departure

Alternative Practice: The Company shall continue with the current practice of having physical AGM at the UP registered office on Jendarata Estate.

Measure: The Board is of the view that remoteness is relative and that the UP registered office on Jendarata Estate which is the venue of the AGM is accessible by good road networks.

Timeframe: Not applicable.

In addition to the above analysis on the compliance of MCCG 2017, the Company to further strengthen the CG practices has adopted the following practices.

B1) Board Charter

The Board Charter sets out the Board's strategic intent and outlines the Board's roles and responsibilities. The Charter elaborates the fiduciary and leadership functions of the Board and serves as a primary reference for prospective and existing Board members and senior management. The Charter is reviewed periodically to ensure it complies with current legislation and best practices. The Board Charter was updated on 26 February 2018 which can be viewed at the company's website.

C1. Strengthen Composition

Specific responsibilities are delegated to Board Committees where appropriate. The Board Committees comprise Nomination Committee, Remuneration Committee, Audit Committee and Executive Committee. Each Committee operates within its respective Terms of Reference which have been approved by the Board.

C1.1 Nomination Committee (GRI 102-24)

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

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

The members of the Nomination Committee as at the end of financial year 2017 were as follows:-

Ybhg. Tan Sri Datuk Dr. Johari bin Mat (Chairman)

(Independent, Non-Executive Director)

Y. Hormat Dato' Jeremy Derek Campbell Diamond

(Independent, Non-Executive Director)

Mr. R. Nadarajan

(Independent, Non-Executive Director)

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

The Committee held 1 meeting in respect of the year ended 31 December 2017 for the purpose of making an assessment of individual directors and Board committees, for considering directors who are due to retire on rotation at the A.G.M., re-appointment of 3 directors, assessment of candidates for directorship and the re-designation of 3 directors as independent directors. Under Article 92 of the Company's Memorandum and Articles of Association at the A.G.M. one-third of the directors shall retire from office and are eligible to seek re-election. The committee also reviewed the required mix of skills and qualities that non-executive directors should bring to the Board. At this meeting an assessment on the effectiveness of the Board and the Committees, and the contributions of each individual director were deliberated.

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

performance of a particular Director who is also a member of the Nomination Committee, that member abstained from the discussions.

C1.2 Remuneration Committee and Directors Remuneration (GRI 102-35, GRI 102-36, GRI 102-37)

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

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

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

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

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

Only the executive directors have contracts of service which are normally reviewed every three years. The executive directors' salaries are

linked to their position, seniority, experience and the Company's overall profitability which would vary from year to year. The salary components are determined in accordance with the Company's established remuneration policy for executive directors. The remuneration packages are sufficiently attractive to attract and retain executive directors.

All directors are paid annual fees. The chairman and members of the Audit Committee receive additional fees taking into account the nature of their responsibilities. Members of other Board committees do not receive any additional fees. The directors' fees are reviewed by the Board only when it deems necessary, subject however to approval by the shareholders at the A.G.M.

The amount is related to their level of responsibilities. Periodical review of the fees is undertaken based on market information on directors' fees. A fixed meeting attendance allowance is paid for all attendances at Board and Board Committee meetings except for the Executive Committee meetings.

The Remuneration Committee held 2 meetings during the financial year ended 31 December 2017 to deliberate on the new service contracts of 2 executive directors and making recommendation to the Board.

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

	Directors' Fees		Basic Salary (RM)	Additional Remuneration (RM)	Benefits-in Kind (RM)	Other Benefits (RM)	Meeting Attendance Allowance (RM)	Total (RM)
	Company	Subsidiaries						
	(RM)	(RM)						
Ybhg. Tan Sri Datuk Dr. Johari bin Mat (Chairman, Independent, Non-Executive)	135,000	-	-	-	-	-	9,000	144,000
Ybhg. Dato' Carl Bek-Nielsen (Chief Executive Director)	70,000	28,000	156,000	968,500	37,839	226,515	6,000	1,492,854
Mr. Ho Dua Tiam (Executive)	70,000	-	150,000	1,076,250	40,856	204,398	6,000	1,547,504
Mr. Ahmad Riza Basir (Independent, Non-Executive)	80,000	-	-	-	-	-	10,500	90,500
Y. Hormat Dato' Jeremy Derek Campbell Diamond (Independent, Non-Executive)	90,000	-	-	-	-	-	16,500	106,500
Mr. Martin Bek-Nielsen (Executive)	70,000	23,000	150,000	931,250	36,465	217,095	6,000	1,433,810
Ybhg. Dato' Mohamad Nasir bin Ab. Latif (Independent, Non-Executive) until 30.11.2017	64,166	-	-	-	-	-	6,000	70,166
Mr. Loh Hang Pai (Executive)	70,000	-	130,800	667,050	28,004	140,138	6,000	1,041,992
Mr. R. Nadarajan (Independent, Non-Executive)	80,000	-	-	-	-	-	16,500	96,500
Madam Rohaya binti Mohammad Yusof (Independent, Non-Executive) wef 30.11.17	5,834	-	-	-	-	-	-	5,834
Total	735,000	51,000	586,800	3,643,050	143,164	788,146	82,500	6,029,660

C1.3 Audit Committee

The Audit Committee consists entirely of 3 non-executive directors, all of whom are independent directors. The Terms of Reference includes scope, functions and activities. The activities of the Audit Committee during the year have been described at length in a separate statement in this Annual Report (pages 186-189).

C1.4 Executive Committee

The Executive Committee consists of executive directors only. The scope, functions and activities are given in the Terms of Reference approved by the Board. It is responsible to oversee the day-to-day management of the Group's operations which include review of the annual revenue and capital budgets before presenting to the Board, reviewing the monthly, quarterly and annual results of the Company and Group and comparing them with the respective business units' budgets and taking remedial actions for budget variances, implement policies and procedures approved by the Board, implement recommendations of the Audit Committee, identify key risks annually and implement mitigating actions where practicable, recommend expansion and diversification plans, implement policies for succession, labour recruitment, replanting and replacement of plant and machinery, and the review of research policies and projects. The Executive Committee has established the Group Sustainability Committee which reviews sustainability issues concerning the environment, social/community, employees and market place. The Sustainability Report has been included in a separate statement in this Annual Report.

The Executive Committee has access to the services of the Company Secretary who records and maintains minutes of meetings.

The Executive Committee met formally 3 times during the year 2017, and the minutes thereof were included in the Board files for information and deliberation by the Board. All the executive directors attended all 3 meetings. The Executive Committee also met informally to deal with matters that required prompt response and decisions.

D. Reinforce Independence

D.1 Board Balance and Independence of Directors

The Company has an effective Board entrusted with leadership responsibilities by its shareholders. It is headed by a Chairman who is independent of management and whose key role is the stewardship of the Board. The Chief Executive Director on the other hand is an executive director and the head of management whose key responsibilities are to run the business and implement the policies and strategies approved by the Board. Due to their contrasting roles at the head of the Company, the two roles are not combined.

Following this division of responsibilities at the head of the Company we have in the Board's composition included a balance of executive and independent non-executive directors so that no one group would dominate the decision making process.

Your Board consists of 9 directors, 4 of whom are executives who have an intimate knowledge of the business. Amongst the remaining 5 non-executive directors, 4 of them are independent. The Board is satisfied that the size has fulfilled its requirements adequately.

The composition of the Board reflects a mix of skills and experience and other qualities which non-executive directors should bring to the Board. Due to the diversified backgrounds and their independence, the non-executive directors are ably engaged in healthy discussions and debates with the executive directors at the Board meetings which are conducive for an effective Board.

The independent directors play a pivotal role in the Board's responsibilities. However, they are not accountable and responsible for the day to day running of the business, which is the role of the executive directors. The independent non-executive directors are actively involved in various Board committees and contribute significantly to areas such as performance monitoring and enhancement of corporate governance by providing independent assessment and opinions on proposals put forward by the executive directors and act as a check and balance for the executive directors.

The Board has established a formal and transparent policy for the role of the executive and non-executive directors.

Biographies of the Directors as given in this Annual Report, show the necessary depth to bring experience and judgment to bear on the collective decision making processes of the Board. The Board's composition fairly represents the ownership structure of the Company with appropriate representatives from the two largest shareholders. There are adequate number of representatives on the Board who fairly reflect the interests of the minority shareholders.

The Board has established position descriptions for the role of each of the executive director who has specific management responsibilities for the day to day running of the business. The Company has included a Group Philosophy Statement in the inside cover of this Annual Report and it has clearly described its objectives in the statement on sustainability to which the Board is deeply committed.

One of the recommendations of the MCCG states that the tenure of an independent director should not exceed a cumulative term of 9 years. However, the Nomination Committee and the Board have determined at the annual assessment carried out that Tan Sri Datuk Dr. Johari bin Mat, who has served on the Board for 16 years, Dato' Jeremy Derek Campbell Diamond who has served on the Board for 16 years and Mr. Ahmad Riza Basir who has served on the Board for 17 years remain objective and independent in participating in the deliberations and decision making of the Board and Board Committees. The length of their service on the Board does not interfere with their exercise of independent judgment and act in the best interest of the Group notably in discharging their roles, in the case of Tan Sri Datuk Dr. Johari bin Mat, as Chairman of the Board, Chairman of the Remuneration Committee and Chairman of the Nomination Committee, in the case of Dato' Jeremy Derek Campbell Diamond as the Chairman of the Audit Committee as well as the member of the Remuneration and Nomination Committees, and in the case of Mr. Ahmad Riza Basir as the member of the Audit Committee.

Each of the above three independent directors has provided an annual confirmation of his

independence to the Nomination Committee and the Board. The Board has recommended the continuation of these 3 directors as independent directors of the Company as the Board believes that it is in the best position to evaluate and determine whether any independent director can continue acting in the best interest of the Group and bringing unbiased and professional judgement to Board deliberations. The Board has to balance the need to continue with Directors who have intimate knowledge of the Group's business and fresh perspective which new candidates may bring.

The Board also wish to report that it has started the process of identifying suitable candidates for succession to the independent non-executive directors who have served long.

The Nomination Committee recognized that the Board diversity should be in tandem with expertise, experience, skills and not gender. It also took note that the recommendation in the MCCG 2017 is only a guideline and not mandatory. The Board is of the view that it is important to recruit and retain the best available talent regardless of gender, ethnicity and age to maximize the effectiveness of the Board. Should there be a vacancy on the Board, the Directors will take into consideration the gender diversity.

Nevertheless, the Board is taking steps to identify women who have the qualifications and qualities that meet the Group's needs.

E. Foster Commitment

The Non-Executive Directors are expected to commit approximately 30 to 45 days in a year of his time to the Group. Time spent include not only formal Board meetings but also Board committees, discussion with management, dealing with the



Members of EXCOM during their field inspection.

authorities, professional, education and Company functions. The Board is satisfied with the level of time commitment given by each of the directors towards fulfilling their roles on the Board and Board Committees.

The Board meets not less than 4 times a year to review and approve the quarterly results for announcements. The Board meetings for the ensuing year are fixed in advance. Notice of meetings and the agenda are given in a timely manner.

Standard matters set out in the agenda for the Board meetings are as follows:-

- 1) Matters arising from the previous minutes of the Board and Committees of the Board
- 2) Monthly, Quarterly and Yearly Financial Statements and financial forecasts/projections
- 3) Matters relating to the business namely finance, land matters, staff & labour, succession planning, budgets, production, marketing and others
- 4) New Investments
- 5) Subsidiary Companies
- 6) Sustainability Issues
- 7) General

During the year under review 4 Board meetings were held and the directors' attendances thereat are summarized herebelow:-

Directors	No. of Meetings	
	Attended	Held
Ybhg. Tan Sri Datuk Dr. Johari bin Mat -Chairman	4	4
Ybhg. Dato' Carl Bek-Nielsen	4	4
Mr. Ho Dua Tiam	4	4
Mr. Ahmad Riza Basir	3	4
Y. Hornat Dato' Jeremy Derek Campbell Diamond	4	4
Mr. Martin Bek-Nielsen	4	4
Ybhg. Dato' Mohamad Nasir bin Ab. Latif	4	4
Mr. Loh Hang Pai	4	4
Mr. R. Nadarajan	4	4
Madam Rohaya binti Mohammad Yusof	0*	0*

* Since her appointment on 30th November 2017

The directors are also mindful of their continuous training requirements. Directors are encouraged to attend various external and internal professional programs relevant and useful in contributing to the effective discharging of their duties as directors.

The Company Secretary facilitates programme registration for interested directors and would maintain such records of the programmes and their attendance thereat. All directors are allowed to choose courses/seminars of relevance in discharging their duties.

The Board, with the input from the Company Secretary, assessed the training needs of individual directors and satisfied that all directors have met their training needs. Relevant training programmes, seminars and conferences attended by Directors during the financial year ended 31 December 2017 were:

- 1) Bursa Malaysia's Annual Palm & Lauric Oils Conference & Exhibition: Price Outlook 2017 (POC 2017) - 6-7 March 2017
- 2) Companies Act 2016 Key Changes & Implications by MICG-11 April 2017
- 3) Assessment of the Board-Stock of Performance by MICG-11 April 2017
- 4) Audit Committee Conference 2017 by MIA-5 April 2017
- 5) CG Breakfast Series by Bursa -13 October 2017
- 6) PIPOC 2017 (Palm Oil Congress) organized by MPOB 14-16 November 2017
- 7) Impact of the New Companies Act 2016 by MIA on 7 February 2017
- 8) Risk Management Programme by Bursa- 27 November 2017

F. Integrity in Financial Reporting

The Board in compliance with 15.26a of Bursa Malaysia's Main Market Listing Requirements issues a Statement explaining its responsibility for preparing the annual audited financial statements. The Board is required by law to prepare financial statements for each financial year which will give a true and fair view of the state of affairs of

the Group and of the Company at the end of the financial year in a manner which is comprehensive and transparent. In the preparation of the financial statements, the directors will consider compliance with all applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 2016.

F.1 Internal Control

The Board recognizes its responsibility for the group's system of internal controls. In this connection, the Audit Committee conducts an annual review of the adequacy and effectiveness of the system of internal controls and renders a statement to the shareholders to this effect. In this connection, the Audit Committee is assisted by an in-house internal audit department and an external independent professional firm who conduct regular reviews of the internal controls and report to the Audit Committee directly. The external auditors are appointed by the Board to review the Statement of Internal Control and to report thereon.

F.2 Relationship with the Auditors

The Board maintains a formal procedure of carrying out an independent review of all quarterly reports and annual audited financial statements by the Audit Committee, at its meetings. The external auditors and representatives of the management are present to answer questions and provide explanations to the Audit Committee. The activities of the Audit Committee have been described at length in a separate statement given in this Annual Report.

G. Recognize and Manage Risks

The Board, assisted by the Audit Committee, reviews the risk management policies formulated by management, headed by the Executive Director, Finance & Marketing, and makes relevant recommendations to the management. The Group continues to maintain and review its internal control policies and procedures to ensure, as far as possible, to protect the Group's assets.

The Board has established internal audit function, complimented by an in-house team and an external professional firm. Both the internal audit teams report direct to the Audit Committee. Details of the Group's internal control system and framework are set out in the Statement on Risk Management and Internal Control.

H. Timely and High Quality Disclosures

The Group has in place a procedure for compliance with the Listing Requirements. The Company Secretary reviews all announcements to ensure accuracy and compliance. The Board reviews and approves all quarterly and other important announcements. The Board is mindful that information which is material is announced immediately.

The Group has designated executive directors as spokespersons in the handling of discussions and disclosures with investors, fund managers and the public.

The Company has a website www.unitedplantations.com where all the Company's announcements, corporate information and updates are posted.

I. Strengthen Relationship Between the Company and Shareholders

I.1 Communications and Investor Relations

The Board acknowledges the need for an effective communication policy with shareholders and investors as the same intimate relationship that exists with management is usually lacking with shareholders with the exception of the controlling shareholders who are represented on the Board. The Company's website: www.unitedplantations.com and the stock exchange websites: www.bursamalaysia.com are used as a forum to communicate with shareholders and investors where they can access corporate information, company's announcements, corporate proposals, quarterly and annual reports, etc.

The Company's executive directors hold bi-annual briefings at its Registered Office/Kuala Lumpur Office with institutional investors, market analysts and fund managers. Questions relating to these announcements can be directed to Dato' Carl Bek-Nielsen, Chief Executive Director and Mr. Martin Bek-Nielsen, Executive Director (Finance & Marketing).

Besides the above, the Board believes that the Company's Annual Report is a vital source of essential information for shareholders and investors and other stakeholders. The Company strives to provide a high level of reporting and transparency as an added value for users.



The 96th Annual General Meeting in session at the Borge Bek-Nielsen Auditorium.

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

The Annual General Meeting is an excellent forum for dialogue with all shareholders for which due notice is given.

The shareholders are given the opportunity to vote on the regular businesses of the meeting, viz. consideration of the financial statements, consideration and approval of a final dividend, consideration and approval of directors and auditors fees, re-election of directors and special business if any.

The Chairman explains the voting procedure before the commencement of the A.G.M. The shareholders present are given the opportunity to present their views or to seek more information. The resolutions passed at the meeting are released to Bursa Malaysia in a timely manner.

The Notice of A.G.M. is sent along with a Proxy Form to all shareholders. Items relating to special business in the agenda, if any, are supported with detailed explanatory notes in a Circular to Shareholders sent along with this Report.

There are sufficient notes in the Notice of AGM to guide shareholders for the completion of the Proxy Forms.

All Board members, Senior Management from the Finance Department and the External Auditors are present to respond to questions from the shareholders during the A.G.M.



Shareholders registration done electronically prior to attending the general meeting.

PT SSS Board of Commissioners and members of its Management Team during a Commissioners (Board Meeting) meeting in Jakarta Indonesia.



Statement On Directors' Responsibility As At 31 December 2017

The Board is required under paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia to issue a statement explaining its responsibility for preparing the annual audited financial statements.

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the financial year end and of the results and cashflows of the group for the financial year then ended.

The Directors consider that, in preparing the financial statements of United Plantations Berhad for the financial year ended 31 December 2017 the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates. The Directors

also consider that all applicable Financial Reporting Standards in Malaysia have been complied with and confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 2016.

The Directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Auditors' responsibilities are stated in their report to the shareholders.



Lush oil palm seedlings raised at the Research Department nursery.

Statement On Risk Management and Internal Control

The Board of Directors (“the Board”) of United Plantations Berhad (“the Group”) recognizes its responsibility for the Group’s system of Risk Management and Internal Control (RMIC) for the review of its adequacy and effectiveness, whilst the role of management is to implement the Board’s policies on risks and controls. A sound system of RMIC includes the establishment of an appropriate control environment and framework, encompassing financial, operational and compliance controls and management of risks throughout its operations in order to protect its shareholders’ value and the Group’s assets as well as other stakeholders’ interests, at the same time.

The Risk Management Framework is embedded in its culture as documented in the Group Sustainability System Framework as illustrated on page 42. The Risk Management Framework overlaps with the Sustainability Governance Management Structure.

Risk Management Framework



Because of the limitations that are inherent in any system of RMIC, such systems are designed to manage and mitigate risks that may impede the achievement of the Group’s business objectives. Accordingly, the system of RMIC provides only reasonable and not absolute assurance against material misstatement, error or loss. The concept of reasonable assurance also recognizes that the cost of control procedures should not exceed the expected benefits.

The Board has received assurances from the members of the Executive Committee, that the Group’s system of RMIC is operating adequately and effectively in all material aspects.

Internal Control And Risk Management

The Board regards risk management as an integral part of business operations. There is a formal process to identify, evaluate and manage significant strategic, operational, financial, tax-related and

legal risks faced by the Group. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken and the time frame to mitigate and minimize these risks. The process is undertaken by a Risk Management Committee headed by the Executive Director, Finance & Marketing and comprises senior executives of the Company and a written report is submitted to the Board. Management proactively reviews the measures taken to manage those identified risks on a timely and consistent manner.

Other Key Elements Of RMIC

Other key elements of the Group’s system of internal control are as follow:

- Defined management structure of the Group and clear delegation of authority to committees of the Board and management where authority levels have been clearly established;
- Established operating policies and procedures with respect to key operational areas are continuously reviewed and updated by management to reflect changing risk profile;
- Comprehensive financial and operational reports, including key performance indicators are reviewed against prescribed budgets and parameters by management and executive directors on a monthly and daily basis where applicable;
- Regular meetings are held between the executive directors and management to deliberate on Group strategies and policies, operational and financial performance and other key issues;
- An annual budgetary process whereby each operating entity submits a budget and business plan to the executive committee for consolidation, review and approval, which is then tabled to the Board for deliberation;
- It is the responsibility of each employee to report any potential shortcomings in the internal controls in relation to their respective responsibilities;
- An internal audit function that is outsourced to an independent professional firm, KPMG which reports directly to the Audit Committee. In addition, the Group also has a group internal audit department to complement the reviews by

the independent professional firm. Based on a risk-based audit plan, the internal audit function performs regular reviews of critical business processes to identify any significant risks, assess the effectiveness and adequacy of the system of RMIC and where necessary, recommend possible improvements;

- Each subsidiary of the group is (as a minimum requirement) subjected annually to scrutiny of its financial statements by an external auditor. Any comments relating to this external audit are passed on to the management in the form of a “management letter”. No significant shortcomings in internal controls have been found in the past; and
- The Audit Committee, on behalf of the Board, receives reports from both the internal and external auditors and regularly reviews and holds discussions with management on the actions taken on identified RMIC issues. The role of the Audit Committee is further elaborated in the Audit Committee Report on pages 186-189.

No major weaknesses in the system of internal controls were identified during the year nor have any of the reported weaknesses resulted in material losses or contingencies requiring disclosure in the Group’s Annual Report. Those areas of non-compliance with the procedures and policies and those which require improvements as highlighted by the internal and external auditors during the period have been or are being addressed. The Board confirms that its risk management and internal control systems which were operational throughout the financial year and up to the date of approval of the Annual Report are adequate and effective to safeguard the Group’s assets.

The Board remains committed towards operating a sound system of RMIC and therefore recognizes that the system must continuously evolve to support the type of business and size of operations of the Group. As such, the Board, in striving for continuous improvement will put in place appropriate action plans, when necessary, to further enhance the Group’s system of RMIC.

The significant risks identified for the financial year 2017 and 2016 are outlined below:

- Fluctuating commodity prices

This is the risk faced by the Company due to fluctuating commodity prices, namely crude palm oil prices. The Company uses a Board-regulated forward sales policy to manage this risk.

- Adverse foreign exchange fluctuations

The Company is exposed to fluctuation in foreign currency exchange differences due to its Indonesian Rupiah denominated loan to its Indonesian subsidiary. This loan is a long term loan and as such, the Company feels that the currency fluctuations will even-out in the long term.

- Insufficient and inexperienced labour force

The plantation industry in Malaysia, which is labour intensive, is facing a shortage of field workers, harvesters and collectors. This is an ever-present risk which is constantly being monitored by the Company. The Company is looking to recruit more guest workers from Bangladesh and India to alleviate the dependence on Indonesian guest workers, and to have a more balanced ratio of guest workers in the Company’s estates. At the same time, the Company is focused on reducing labour dependency by introducing automation and productivity improvements within all operation areas where possible.

- Political instability and uncertainties in local regulatory and practices

This is a risk area which is closely monitored by the Group, as changes in legislations in labour policies, land and environmental laws can have a significant impact on the Group’s business. The Group has established good contacts with the local and central governments and is updated with the latest prevailing laws and regulations.

- Risks in the refinery industry

This risk pertains to the refinery operations in one of the Company’s subsidiary, Unitata Berhad. The refinery industry is a challenging industry with tight margins and high competition amongst its players. Unitata Berhad has managed these risks with efficient operations and selected niche products to stay competitive, and by staying vigilant of the latest developments both in the local and international markets. As sales are US Dollar denominated, the currency risks are managed by a Board approved hedging policy.

- Increasing labour costs

The risk of increasing costs, especially labour costs is an ever-present one. In view of the rising costs, the Company is constantly improving its

productivity through efficient management of its labour force and mechanization in selected operational areas. Efforts are underway to consolidate the operations in some of our palm oil mills into an integrated and labour-efficient combined mill.

- Extreme weather conditions

This is a risk identified in view of the ramifications of extreme weather conditions on the palm oil yield. During 2016, it has been evident that this risk has a significant impact on the Company's profitability. Water management is in place to mitigate the effects of drought and flooding to a certain extent. Fire brigade team was introduced in Indonesia.

Review of the statement by External Auditors

The external auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagement to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Group's Annual Report for the year ended 31 December 2017 and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Guidelines, nor is the Statement factually inaccurate.

RPG 5 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Groups' risk management and internal control system including the assessment and opinion by the Directors and management thereon.

The report from the External Auditors was made solely for and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purpose or parties. The External Auditors do not assume responsibility to any person other than the Board of directors in respect of any aspect of this report.

Audit Committee Report

Members of the Audit Committee:

Y. Hormat Dato'Jeremy Derek Campbell Diamond
(Chairman – appointed on 31-7-2001)
(Independent, Non-executive Director)

Mr. Ahmad Riza Basir
(appointed on 19-6-2004)
(Independent, Non-executive Director)

Mr. R. Nadarajan
(appointed on 1-6-2013)
(Independent, Non-executive Director)

The Audit Committee consists entirely of independent non-executive directors. One of the members (Mr. R. Nadarajan) is an associate member of the Chartered Institute of Management Accountants, United Kingdom and a member of the Malaysian Institute of Accountants. This meets the requirement of the Bursa Securities Listing Requirements which requires at least one qualified accountant as a member of the Audit Committee.

1) Objectives

The Committee operates under the Terms and Reference of Audit Committee containing requirement as spelt out by Bursa Malaysia and the Terms of Reference is posted under Corporate Information section of the Company's website at www.unitedplantations.com.

The Terms of Reference prescribes the Committee's scope of responsibilities and the primary objectives of the Committee are:

- To assist in discharging the Board's responsibilities as they relate to the Group's management including risk management, internal controls, accounting policies and financial reporting;
- To provide, by way of regular meetings, a line of communication between the Board and the external and internal auditors;
- To oversee and review the quality of the audits conducted by the external and internal auditors; and
- To enhance the perceptions held by interested parties, such as shareholders, regulators, creditors and employees, of the credibility and objectivity of the financial reports.

2) Activities of the Audit Committee during the year

The Committee held five (5) meetings in the year 2017 to conduct and discharge its functions in accordance with the Terms of Reference mentioned above. Details of Directors' attendances at Audit Committee meetings are as follows:

Name of Directors	No. of meetings	
	Attended	Held
Y. Hormat Dato' Jeremy Derek Campbell Diamond	5	5
Mr. Ahmad Riza Basir	4	5
Mr. R. Nadarajan	5	5

The Audit Committee met on a scheduled basis. The Financial Controllers were invited to attend the meetings. The internal and external auditors were also invited to discuss their audit findings, management letters, Audit Planning Memorandum and other matters deemed relevant.

During the scheduled meetings, the members of the Audit Committee also had two (2) sessions with the internal and external auditors without the presence of the Management.

During the year, the Committee carried out the following activities:

- a) Internal Audit (IA) (Both in-house and outsourced)
 - i. Reviewed the annual audit plans for 2017 to ensure adequate scope, coverage of the activities of the Company and the Group and the resource requirements of IA to carry out its functions;
 - ii. Reviewed the Internal Audit reports, audit recommendations and Management's responses to these recommendations (further details provided under item 3);
 - iii. Reviewed the followup report on corrective actions implemented by Management to rectify the outstanding audit issues to ensure control lapses are addressed;
 - iv. Instructed the conduct of investigations on activities within its terms of reference;

- v. Evaluated the performance and effectiveness of the outsourced internal auditors, KPMG; and

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

b) External Audit

- i. Reviewed with the external auditor:-

- The Audit Planning Memorandum and scope of work for the year; and
- The Results of the audit, the relevant audit reports and Management Letters together with the Management's responses and comments to the findings.

- ii. Assessed the independence and objectivity of the external auditors during the year and prior to reappointment. The assessment is based on the private discussions, quality of issues raised in their report and their level of participation on issues discussed during the quarterly meetings they attended. The Committee also received from the external auditors their policies and written confirmation regarding their independence and the measures used to control the quality of their work;

- iii. Evaluated the performance and effectiveness of the external auditors and made recommendations to the Board of Directors on their reappointment and remuneration;

- iv. Evaluated the impact and issues with the proposed implementation IAS 41- Biological Assets;

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

- vi. Assessed the impact and issues with the implementation of the Companies Act 2016.

c) Financial Reporting

Reviewed the quarterly unaudited financial results and the annual audited financial statements of the Company and the Group

prior to recommending them for approval by the Board of Directors. The Committee, in the current year, reviewed only the first three quarters of the unaudited quarterly financial results as the fourth quarter announcement had been dispensed with as approved by Bursa, the approval is on the condition that the full financial report is announced within two months from the close of the financial year end. The review was to ensure that the financial reporting and disclosures are in compliance with:

- i. Provisions of the Companies Act, 2016;
 - ii. Listing Requirements of Bursa Malaysia Securities Berhad;
 - iii. Applicable approved accounting standards in Malaysia; and
 - iv. Other legal and regulatory requirements.
- d) Related Party Transactions

During the year, Management had reported to the Audit Committee that except for the transactions as disclosed under Note 25 of the financial statements, there is no other related party transaction entered into by the Company and the Group.

- e) Annual Report

Reviewed with the external auditors the Statement on Risk Management and Internal Control.

- f) Risk Assessment and Management

Reviewed and discussed with management the outcome of the exercise to identify, evaluate and manage significant strategic, operational, financial, hedging, trading, tax-related and legal risks faced by the Group.

3) Internal Audit Function

The Committee is supported by the in-house Group Internal Audit Department and the outsourced internal auditors, KPMG in the discharge of its duties and responsibilities. The internal auditors provide independent and objective assessment on the adequacy and effectiveness of the risk management and internal controls. The in-house internal

auditors also carry out investigative audits whenever improper, illegal and dishonest acts are reported.

The internal auditors review the effectiveness of the internal control structures of the Group's activities focusing on high risk areas as determined using a risk-based approach. All operating units are audited at least once over a two year period by the in-house internal auditors, and at least once over a three year period by the outsourced internal auditors (excluding foreign operations).

The internal audits cover the review of the adequacy of risk management, operational controls, compliance with established procedures, guidelines and statutory requirements, quality of assets and management efficiency, amongst others. These audits are to ensure that the established controls are appropriate, effectively applied and achieve acceptable risk exposures consistent with the Group's risk management policy. In performing such reviews, recommendations for improvement and enhancements to the existing system of internal controls and work processes are made.

All auditing activities are conducted in line with the Group's objectives and policies, in accordance with applicable laws and regulations, and as guided by Code of Ethics and International Standards for the Professional Practice of Internal Auditing.

For the year 2017 the activities undertaken by the internal auditors were as follows:

- a) Developed an audit plan using risk-based approach, and carried out the assignments according to the audit plan for the year;
- b) Conducted ad-hoc assignments as instructed by the Audit Committee;
- c) Recommended improvements and enhancements to the existing system of internal controls and work procedures/processes;
- d) Conducted investigation into activities or matters as instructed by the Audit Committee and Management;

- e) Performed a review and assessment exercise to identify, evaluate and manage significant strategic, operational, financial, hedging, trading, tax-related and legal risks faced by the Group; and
- f) Preparation of Audit Committee Report and Statement on Risk Management and Internal Control for the Company's Annual Report.

A total of 32 (2016: 27) audit engagements (in-house internal audits) were completed in 2017. The in-house internal audit team visited 2 Palm Oil Mills (2016: 2) and 6 Estates (2016: 4) in 2017 to conduct internal auditing on the financial and operational aspects of the operations with particular emphasis on cash management, stocks, reporting and fixed assets. In addition, 11 special audits (2016:3) were conducted focusing on the cash handling, CCTV review, vehicles maintenance costs and foreign workers recruitments.

Furthermore 6 (2016: 12) follow up audits were performed including surprise coconut counts and follow up audits on previous audit recommendations. Material findings include among others weaknesses in existing petty cash management, enhancement in payment procedures, weaknesses in stock management and enhancement to the fixed assets management system. Such findings were rectified in the respective operating units and follow up audits were performed subsequently.

For the outsourced internal audits, 6 (2016: 6) audit engagements were completed/ ongoing in 2017, encompassing 1 Palm Oil Mill audit, 4 Estate audits and also the Refinery audit.

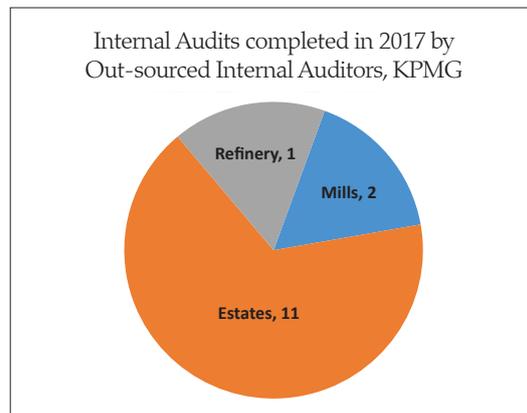
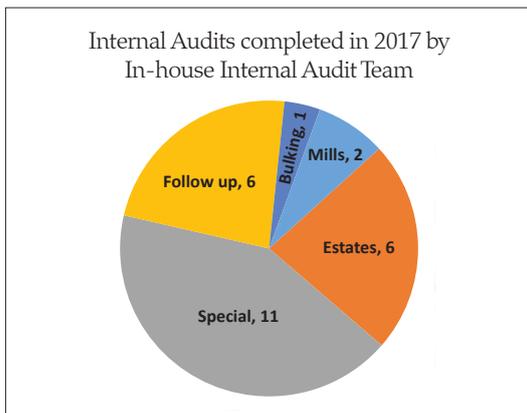
The audit objectives are to independently assess the system of internal control as established by Management, the adequacy and integrity of such internal control system versus the objectives served, and to make appropriate recommendation thereof.

Material findings include among others enhancement to the procedures of crude palm oil and palm kernel dispatches, enhancement to stock count practices and stock management procedures.

Any control and procedural weaknesses identified were discussed with Management and remedial measures instituted to address the weaknesses identified.

The Audit Committee reviewed the audit report presented and the management's responses to ensure that material findings were adequately addressed. Some follow up audit works are done subsequently for material findings to ensure adherence to the auditors' recommendation if any.

A total of 32 (2016: 27) audit engagements (combined in-house and outsourced internal audits) were completed in 2017, categorized as follows:



Additional Disclosures

Pursuant to the listing requirements of Bursa Malaysia Securities Berhad, additional disclosures by the Group for the year ended 31 December 2017 are as follows :-

- 1) Utilization of proceeds raised from Corporate Proposals

There were no issue of shares during the financial year.

- 2) Non-audit fees paid to External Auditors

Non-audit fees paid and payable to Company and Subsidiaries' external auditors for the financial year were as follows:-

	RM
Tax services	89,120

- 3) Cost of Internal Audit

RM 550,671 was incurred by the Group in the Financial year for its outsourced internal audit and in-house internal audit department.



The Directors' Mess which was completed in 2009 is used to accommodate overseas visitors and Directors during their stay on the plantation.



Mr. Martin Bek-Nielsen handing over a gift to Mr. A. Ganapathy during a farewell dinner held on 28 April 2017. Mr. A. Ganapathy served the UP Group for 16 years and retired as Company Secretary.



On 12th December 2017, the Company had a farewell for our three senior executives, Dr. Xavier Arulandoo, Dr. C.T. PremaKumari Nair and Mr. Azero bin Mohamed Anuar who in between them served an outstanding total of 92 years in the Company.



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