



SUSTAINABILITY REPORT

2016

SUSTAINABILITY REPORT

We define sustainability in a way that brings responsibility and accountability into every business activity and process. Doing business with sustainability in mind is not only a matter of balanced corporate responsibility, but is also sensible from a business perspective. We can only retain our competitive edge if we fully dedicate ourselves to our customers, our employees, our services, the environment and the local communities where we operate.

As our sustainability practices evolve, we know we must focus on what's right for our business. We

care deeply about issues such as the health and safety of our employees, environmental protection, product quality and safety, resource conservation, support for the communities we operate in and returning profits to our shareholders. Towards this end, we will continue to work with our stakeholders and others on common-ground sustainability efforts. We acknowledge that not every effort works well for every company, but by carefully selecting opportunities, we can share ideas and leverage resources as we continue to learn and progress as a corporation.



MARKET PLACE



MARKET PLACE

ENGAGING STAKEHOLDERS



Our stakeholders' expectations revolve around good returns, sustainable profits, growth, regulatory compliances, transparency and accountability. We respond to our stakeholders' expectations through improvements in our business strategy, governance and corporate reporting framework. Stakeholders are provided with timely updates of the Group's financial performance through announcements to Bursa Malaysia Securities Berhad, which are posted on our corporate website at www.fima.com.my, along with other relevant updates.

We also work closely with local governments, regulatory authorities and industry associations to address mutual concerns and topics, help drive development and support livelihoods in the communities where we operate.



Visit by Malaysian Palm Oil Board representatives to Ladang Amgreen, Miri

OUR STAKEHOLDERS



MARKET PLACE

cont'd

QUALITY & STANDARDS



To maintain safety and quality, the Group stays current with new regulations, industry best practices and marketplace conditions and the Group's businesses consistently strive to improve and refine their requirements and standards throughout the entire supply chain.

Each of our businesses have also developed and documented policies and procedures that the business should exercise over specified processes.

The **Food Division's** production facilities, suppliers of ingredients and packaging materials are required to comply with stringent international standards and regulations, government regulations and company policies, procedures, controls and good manufacturing practices applicable to their operations. To ensure compliance with these requirements, we are subject to a number of audits and inspections. This includes (but not limited to) audits conducted by government and regulatory authorities such the National Fisheries Authority of Papua New Guinea and annual audits performed by independent third-party organizations for the British Retail Consortium, International Food Standard, Dolphin Safe, HACCP, GMP, Marine Stewardship Council ("MSC") and Halal (JAKIM) accreditations.

What Does MSC mean?

MSC stands for the Marine Stewardship Council. They are the world's leading certification and ecolabelling programme for environmental sustainability of wild caught seafood. The iconic blue logo identifies all seafood products that come from well-managed, sustainable fisheries.

What's behind the label?

Before any seafood product can carry the MSC ecolabel it must first adhere to three core principles. These include:

1. Sustainable fish stocks.
2. Impact in the eco-system reduced to a minimum
3. The fishery is well managed.

Also, seafood that has an MSC label is fully traceable back to the certified fishery where it was caught.

IFC CERTIFICATIONS



FIMA INSTANCO CERTIFICATIONS



Further, the **Plantation Division's** Indonesian subsidiary, PT Nunukan Jaya Lestari ("PTNJL") is accredited with ISO 14001:2004 Environment Management System for the processes employed in the production of its CPO, CPKO and palm kernel. The Indonesian Sustainable Palm Oil ("ISPO") audit on PTNJL is currently on-going. The ISPO standard includes legal, environmental, economic and social requirements, which is based mainly on prevailing national regulations.

The following companies within the **Bulking Division** adhere to globally recognized quality management systems for the handling, storage and shipment of various product categories to help maintain objective oversight of the quality of its operations:

MARKET PLACE

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COMPANY	ACCREDITATION	TYPE
Fima Bulking Services Berhad	ISO 9001:2008	Handling, storage & shipment oleochemicals, oils and fats
Fimachem Sdn Bhd	ISO 9001:2008	Transferring from ships, handling, filling of drums and transport of hazardous & non-hazardous liquids
	OHSAS18001:2007	Transferring from ships, handling, filling of drums and transport of hazardous & non-hazardous liquids
Fima Freight Forwarders Sdn Bhd	ISO 9001:2008	Freight forwarding and bulk transportation
Fima Palmbulk Services Sdn Bhd	ISO 9001:2008	Handling, storage & shipment of oleochemicals, edible oils, molasses and latex



ENVIRONMENT



ENVIRONMENT

The Group’s businesses range from manufacturing to plantation operations. In each business segment, we are constantly looking at ways to reduce our environmental footprint. The Group’s priorities within this include:

SUSTAINABLE AGRICULTURAL PRACTICES



Conservation areas: Within our estates, areas alongside river banks (riparian reserves) are set aside as conservation areas wildlife corridors which include, among others, sanctuaries for migratory birds and habitat for jungle flora and fauna.

Soil Management: We follow best industry practices e.g. application of empty fruit bunches (“EFB”) to new plantings, establishing cover crops such as *Mucuna Bracteata* and planting of vetiver grass along the ponds, bunds and field drains. Such processes are recognised to improve soil properties, lower carbon dioxide emissions, reduce erosion and prevent landslips.

Biological controls against pests: Beneficial plants are planted to attract predators (insects) of leaf pests. These predators feed on leaf pest larvae thereby minimising the usage of pesticides. The introduction of barn owls in estates to suppress rodent population and the placement of pheromone traps to capture Rhinoceros beetles are among methods that have been adopted and have proven effective in reducing damage to crops.



Riparian reserves at Ladang Amgreen, Miri



Migratory birds at PTNJL



Antigonon Leptopus serves as host to predatory insects



Ground crop cover (*Mucuna bracteata*)



Ducks at PTNJL

ENVIRONMENT cont'd

WASTE MANAGEMENT



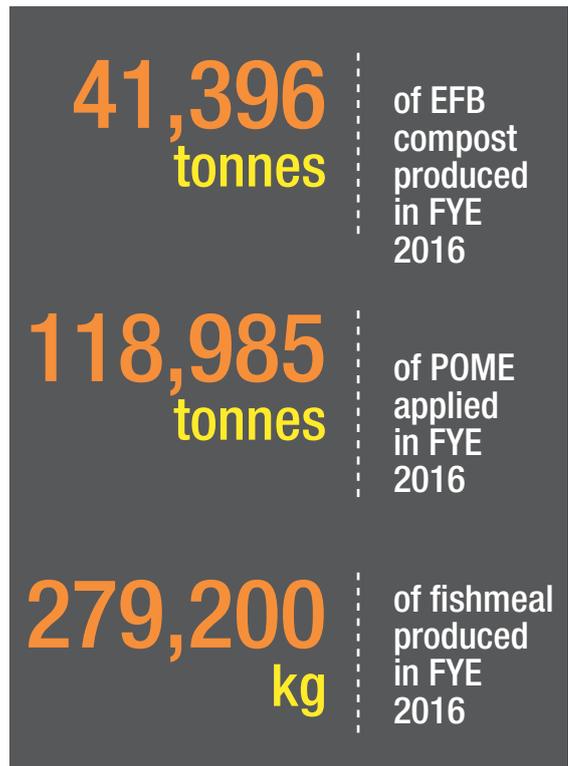
The **Plantation Division** adheres to a “zero waste” policy by recycling waste and by-products. At our palm oil mill in Indonesia, oil mill wastes comprising POME and EFB are converted into organic fertilizer or compost which is then applied directly at oil palm fields as a source of nutrients and to supplement fertilizer application. We monitor and treat all effluent and wastewater before discharging into the natural waterways. At PTNJL, the organic materials in the wastewater are broken down by natural activities of anaerobic and aerobic bacteria. This process eliminates the need to add chemicals before the water is discharged and this has resulted in successful fish breeding at the final effluent pond. The new palm oil mill complex proposed to be built in Miri will also include a zero-discharge composting plant.



Fish breeding at the final effluent pond at PTNJL

Fish waste generated by fish processing activities at International Food Corporation Ltd (“IFC”), the **Food Division’s** processing plant in Papua New Guinea are converted into fishmeal which is then sold to companies involved in the livestock industry.

Elsewhere, hazardous wastes and residual products recovered from the **Bulking and Manufacturing Divisions’** terminal and manufacturing operations respectively are disposed of in accordance with stringent industry standards and statutory requirements.



ENVIRONMENT cont'd

WATER MANAGEMENT



The Group's businesses are also focused on efficient water management through, inter alia, reusing water throughout their operations and rainwater harvesting. For example, **Food Division's** PNG subsidiary identified opportunities to reduce its water consumption using a variety of approaches including recycling water, recirculating cooling water, replacing faulty equipment, and eliminating water leaks. In addition, the **Plantation Division** has installed rainwater tanks at workers' quarters at our Miri and PTNJL estates to harvest rainwater to be used for non-drinking purposes, namely washing and sanitation. Weirs have also been constructed across the field drains at our Miri estate to facilitate water retention and maintain the groundwater table at optimal levels.

Further, the Group's Indonesian subsidiary, PTNJL has set aside areas within its plantation as water catchment zones. Chemical applications are strictly prohibited at the water catchment zones to facilitate natural re-vegetation of the areas and preservation thereof.



Water reservoir at Ladang Amgreen



Water catchment zone at PTNJL

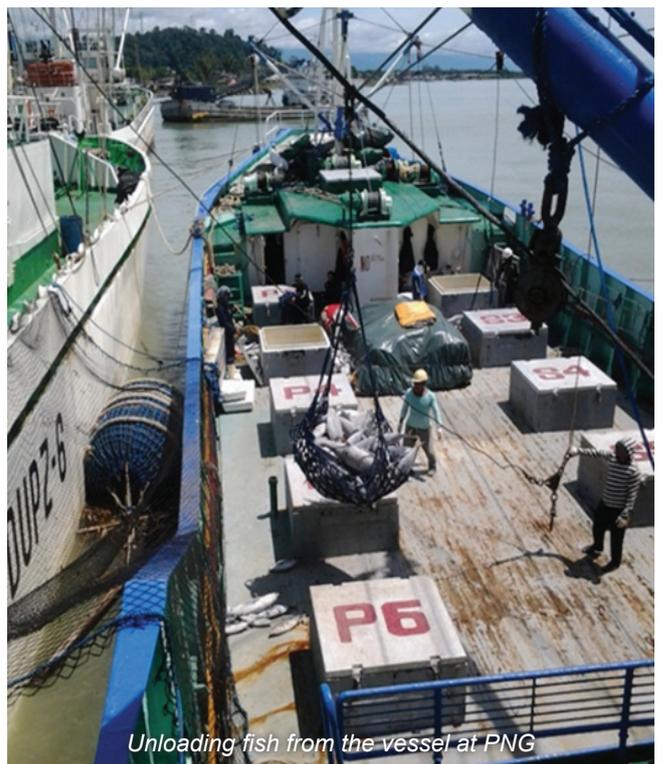


Scheduled water quality checking

RESPONSIBLY SOURCED SEAFOOD



The **Food Division** believes ocean sustainability is important. The Division's PNG subsidiary, IFC, responsibly sources their fish supply to support and ensure the long term sustainability and conservation of fish resources. Sustainability and traceability is high on IFC's agenda when making purchase decisions. IFC works closely with their suppliers to ensure that the tuna they procure and process do not contain those which are illegal, unreported and unregulated ("IUU"). During FYE2016, IFC did not incur any IUU-related violations.



Unloading fish from the vessel at PNG



OCCUPATIONAL SAFETY & HEALTH



Bulking Division

We regard safeguarding of our employees, neighbours, visitors and assets as a core indicator of our business success.

Towards this end, we comply with all the relevant national laws, regulations and other requirements relating to best practices in occupational safety and health; and constantly carry out activities aimed at preventing work injuries. Preventive and scheduled maintenance are regularly performed on all the Group's facilities, plants, storage tanks and terminals; whereupon repairs and replacements are made when necessary or appropriate. Employees who use any machinery are trained to do so properly, while training programmes in the use of personal protective equipment for workers handling or exposed to hazardous materials are regularly conducted and have been, and will continue to be, a vital part of the Group's operations.



Emergency preparedness is an important aspect within our operations, thus our facilities are equipped with firefighting systems and have in place adequate response plans, spill prevention and other programs to respond to emergencies.



During the year under review, Fimachem Sdn Bhd was presented with Merit Awards in the Employee Health and Safety Code and Distribution Code categories at the Chemical Industries Council of Malaysia Responsible Care Awards 2014/2015. We are indeed very proud of this achievement, as it is a testament of our continuous efforts to improve our safety practices and procedures.



Chemical spillage drill exercise at Bulking Division

SOCIAL



SOCIAL

OUR PEOPLE



The Group's continuing success and in particular its ability to meet the frequent and varied challenges it faces is due to the caliber and commitment of its employees. We support them by providing a work environment that is positive and build an inclusive culture in which all employees can thrive. We also believe that diversity in the experiences, backgrounds and perspectives of our workforce enables us as a company to have a better understanding of our stakeholders and a greater ability to engage in the communities in which we operate.



Global Workforce

3,232

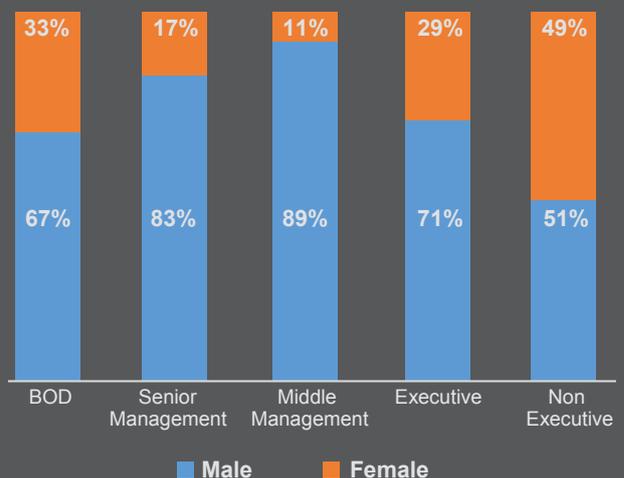


people employed as of FYE 2016 by KFima Group

Number of Employees by Region

Malaysia
834
Indonesia
1,368
Papua New Guinea
1,030

Employee Breakdown By Gender and Position



SOCIAL
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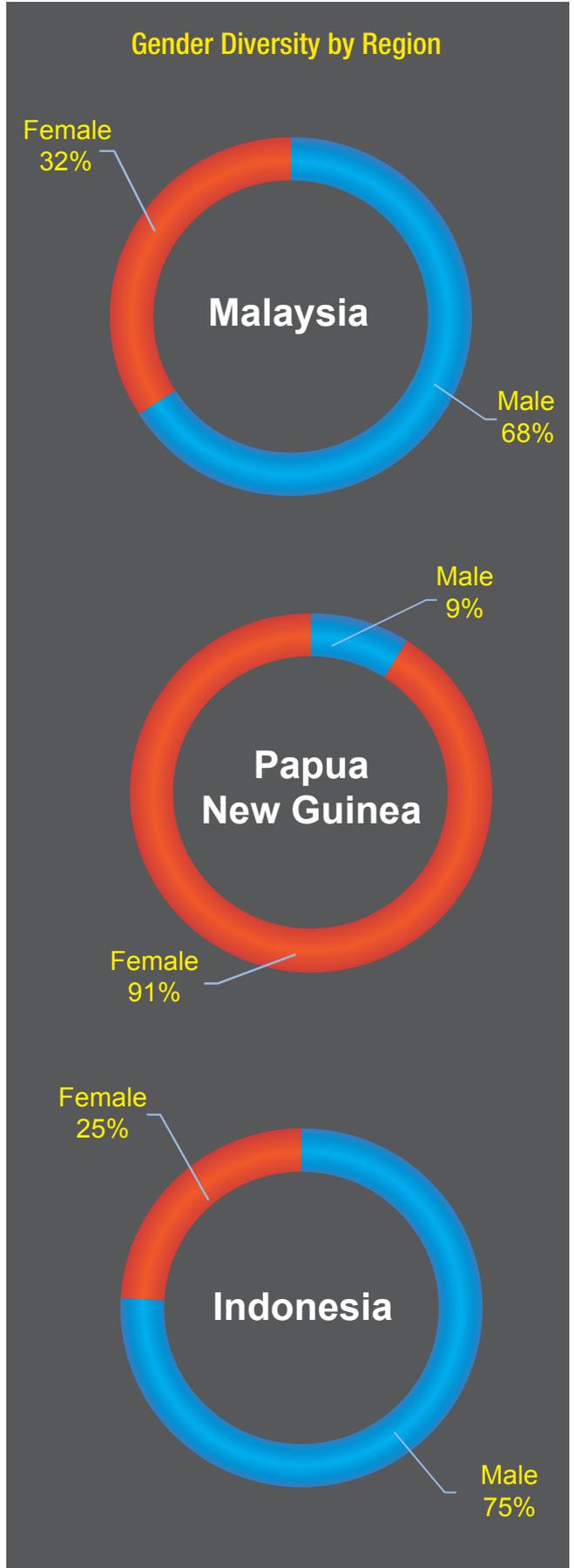
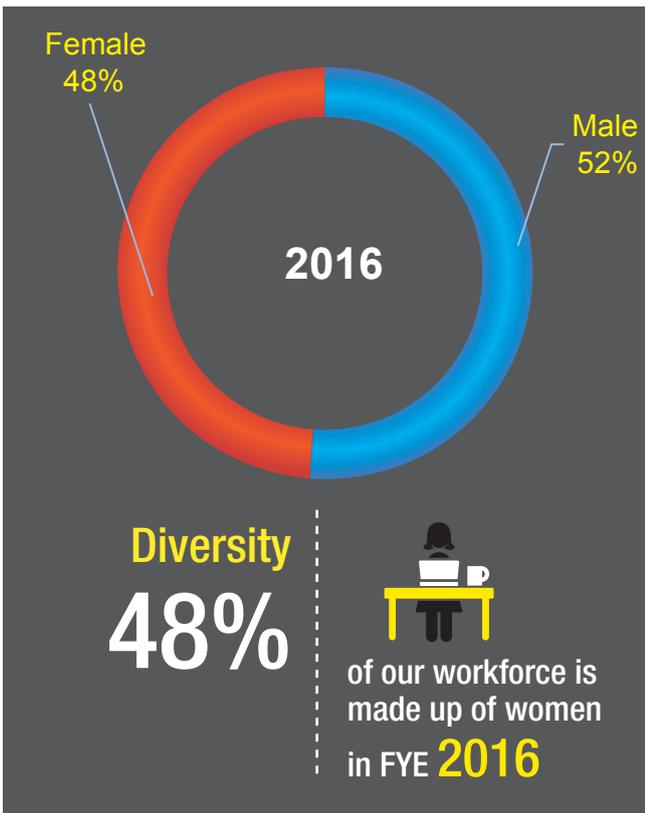
DIVERSITY AND GENDER BALANCE



As at 31 March 2016, the Group's workforce stood strong at 3,232 employees. Overall, the Group has a gender balanced workforce, made up of 48% women and 52% men.

Our diverse and inclusive workplace is representative of the countries and communities in which we operate.

	Head Office	Manufacturing	Plantation	Food	Bulking
Total Workforce	63	352	1,608	1,063	146
Senior Management	6	2	1	1	2
Middle Management	10	13	6	9	9
Executive	23	30	46	9	21
Non Executive	24	307	1,555	1,044	114



SOCIAL cont'd

EMPLOYEE DEVELOPMENT AND ENGAGEMENT



We view career development as part of our commitment to build a more efficient, highly motivated and talented team to ensure that the Group can remain agile and responsive in competitive environments. Every year, training allocation is available for our employees to participate in internal or external workshops and seminars. We believe that a mixture of both internal and external training develops targeted skills and knowledge for a specific role. We also encourage our people to look beyond their experiences and current practices by undertaking job rotation and overseas assignments for exposure in different markets.

All new employees will go through an induction program to familiarize them with all aspects of the Company and the Group, including business operations and strategies as well as our expectations for ethical conduct.



Training session at PTNJL

The performance appraisal of our employees is conducted annually based on the objective set for the review period. Based on performance and contribution, they are rewarded through increments, bonuses or promotions. The annual performance appraisal is also an effective communication platform between employer and employee for feedback, sharing ideas, review areas for improvement and to recognize individual training and development needs.



In-house training at Head Office

Training

8,526
hours



of employee time were devoted to training and development in FYE **2016**



SOCIAL
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BENEFITS AND WELFARE



The Group's compensation structure includes fixed and variable components depending on the employee's job grade. Each location within the Group has its own locally defined employee benefit schemes. For eligible employees, these include:

- contributions to retirement fund;
- medical benefits for outpatient, specialist and hospitalization treatment for employees, spouse and eligible children;
- group term life and personal accident insurance;
- our Indonesian subsidiary, PTNJL provides free transportation for the workers' children to nearby local schools. There is also a clinic and crèche at the estate to cater to the needs of the plantation staff and workers; and
- provision of housing together with clean water and sanitation to our plantation workers.

During the year, a review of the Group's Scheme of Service was undertaken to address identified gaps in our HR policies, practices and benefits.



Worker's quarters at PTNJL

KFima's Employees' Share Scheme which has had a very strong take-up rate since its launch in 2011 are helping our employees to relate directly to the overall performance of the Group and to eventually realize gains from the appreciation on the value of KFima's shares.



IFC expatriate housing complex in PNG

During the year, the **Manufacturing and Bulking Divisions** continued to provide financial aid to children of employees to help them pursue their tertiary education in institutes of higher learning in Malaysia. The Bulking Division had also maintained its long-standing tradition of rewarding cash incentives to children of employees who have excelled in the UPSR, PT3 and SPM examinations.



Schools at PTNJL



Employee Engagement

> RM500,000

spent on employee activities



In our effort to strengthen the spirit of camaraderie within the extended KFima family, we encourage our employees to take part in numerous activities organized by Kelab Fima such as “Tazkirah” Ramadhan, Ramadhan Iftar function, Hari Raya Open House and mini bowling tournament. We also participated in the “Reach Out Run: Run For A Cause” organized by iM4U, where 40 employees of KFima had taken up in the run held in Putrajaya. Funds raised therefrom will go towards supporting Dyslexia Association of Malaysia, SVM Welfare Association, Langkawi Animal Shelter & Sanctuary Foundation and Yayasan Jantung Negara. Family days, weekend retreats and festive gatherings were also regularly organized at the divisional level.



Reach Out Run: Run For A Cause

COMMUNITY



We are cognizant of our responsibility to care for the communities in which we operate by supporting various sporting and community programmes through contributions in cash and kind. During the year, the main focus areas for our community investment activities are education, sports, youth and social welfare.

The **Food Division** continued its partnership with the PNG Football Association and sponsorship of the Besta FA Cup, a yearly football tournament in PNG, to help promote and popularize football as the number one sport throughout the country whilst at the same time facilitate the development of a soccer programme for youths through its affiliation with the Besta FA Cup.

The **Manufacturing Division** supported Persatuan Al-Hunafa, a non-profit organization via sponsorship of its Titian Samara Programme aimed at helping secondary students with academic and social problems. The programme currently focuses on 5 schools in the Klang area namely, SMK Raja Lumu, SMK Pandamaran Jaya, SMK Tengku Ampuan Jemaah, SMK Telok Gadong and SMK Kampung Jawa.



SOCIAL
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Rumah Anak-anak Yatim YAPIN Banting



Educational visit by PNG school students



Training session for estate workers



Hari Raya Celebration at Head Office

As part of our effort to ease the burden of the less fortunate during the holy month of Ramadhan, we made contributions in the form of donations and support in kind to Komuniti Perwani 1Malaysia Gombak and Rumah Anak-anak Yatim YAPIN Banting.

The Group offers placements to university students to undergo on-the-job programmes in various functions within the Group to gain the skills and experience they need to access entry-level job opportunities. During the year, 7 students from the Printing Faculty of Institut Latihan Perindustrian, a government vocational education training centre, underwent a 6-month work-based training programme at our **Manufacturing Division**. PTNJL also received 45 students from various universities in Indonesia to undergo a 3-month internship programme during the year. At the end of the programme, selected students were absorbed as permanent employees of the Manufacturing Division's production unit and PTNJL's oil mill, respectively.

To foster the economy in the communities near our projects, the Group hires and trains local employees at our jobsites, providing technical training and skills to improve workers' wage-earning potential. We also do business with local suppliers whenever possible; to further stimulate regional business development.

Community Engagement

>RM300,000



spent on community activities

