

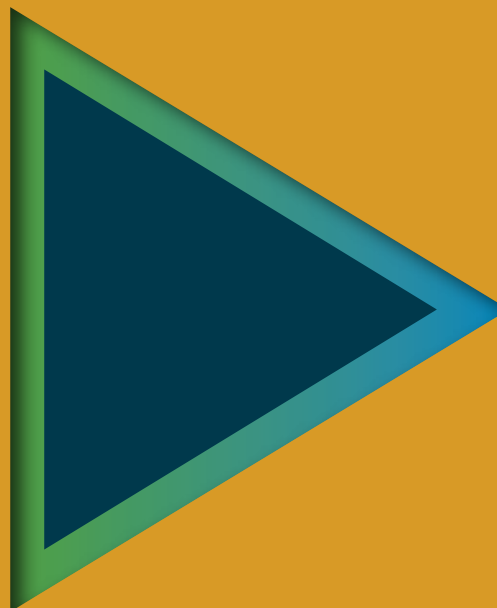


**Kulim (Malaysia) Berhad** (23370-V)

Plantation Division

***EMBRACING THE CHALLENGES AHEAD***

sustainability report 2007/2008



# AN OVERVIEW OF PALM OIL PRODUCTION PROCESS

## SEEDS



Oil palm is propagated by seeds which are produced by Kulim's own breeding laboratory or purchased from third party.

## NURSERY



Germinated seeds in polybag are transplanted to nursery at the age of 3 – 3½ months. Field planting will take place at the age of 12 – 15 months.

## PLANTING



Optimal plant density is 136 palms/ha with triangular patterns of 30 x 30 feet, based on various planting densities. During the first 3 years, oil palm are often intercropped with other suitable plants such as pineapple and banana.

**ESTATES**

## DELIVERY TO MILL



All Fresh Fruit Bunches (FFB) and loose fruits are then delivered to mill within 24 hours after being harvested.

## HARVESTING



Fruit bunches are harvested using sickles attached to long poles. Peak time for harvest is about 7 – 13 years old.

**MILL OPERATION**

## RECEPTION



Fresh fruit bunches (FFB) from the estates are unloaded from vehicles into hoppers. From the hoppers, FFB are loaded into cages for sterilization and further processing.

## STERILISATION



Sterilised fruits are fed into a threshing machine using a tipper and inclined conveyor. The threshing machine separates the fruitlets from the bunch stalks by the tumbling effects on the fruits in a rotating drum.

## PRESSING



Fruitlets in the digesters are mashed by rotating stirrer arms before being fed into screw presses to extract the crude oil from the fruit mash by pressure generated with a reduction of volume. Nuts are separated from fibers in winnowing column.

**MILLS**

## CLARIFICATION & NUT PLANT



Oil is skimmed off into pure oil tank and then dried in a vacuum dryer before being pumped into the storage tanks. Nuts from the nut silos are fed to the nut crackers for cracking to recover the kernels. After drying, the kernels are stored in kernel bunkers before delivery to buyers.

**BUYER**

**CRUDE PALM OIL ( CPO )**



**PALM KERNEL ( PK )**

# Kulim (Malaysia) Berhad

## Plantation Division

sustainability report 2007/2008

# contents

## 1. introduction

- ▶ Welcome 2
- ▶ Overview of Kulim 4
- ▶ KPIs and Targets 5

## 2. company, strategy and policies

- ▶ Who We Are 7
- ▶ Strategy and Business Development 10
- ▶ A Commitment to Integrity and Fair Business 12
- ▶ Corporate Governance 13
- ▶ Policy Framework and Management System 14
- ▶ Responsiveness and Engagement 16
- ▶ Highlights from New Britain Palm Oil Limited 18

## 3. social performance

- ▶ Securing Basic Labour Rights 20
- ▶ Employee Development 22
- ▶ Health and Safety 23
- ▶ Diversity and Non-discrimination 25
- ▶ HIV and AIDS 26
- ▶ Community and Economic Contributions 28

## 4. environment performance

- ▶ Biodiversity 32
- ▶ Soil Conservation, Effluents, Water and Waste 34
- ▶ Climate Change 36

## 5. data and notes to report

- ▶ Data Pages 40
- ▶ Global Reporting Initiative G3 Index 41
- ▶ About Kulim's 2007 - 2008 Sustainability Report 46
- ▶ Glossary 47
- ▶ Contact and Feedback 48



# introduction

- ▶ Welcome
- ▶ Overview of Kulim
- ▶ KPIs and Targets

# WELCOME

THIS REPORT MARKS A NEW CHAPTER IN KULIM'S JOURNEY TO INCORPORATE A SPIRIT OF CORPORATE RESPONSIBILITY AND SUSTAINABILITY INTO THE WAY WE RUN AND GROW OUR BUSINESS. IT IS A CELEBRATION OF OUR JOURNEY TOWARDS THE ROUNDTABLE ON SUSTAINABLE PALM OIL (RSPO) CERTIFICATION, AND OUR CALL TO STAKEHOLDERS TO HELP US CONTINUE OUR JOURNEY TOWARDS DEVELOPING A BUSINESS THAT IS ECONOMICALLY VIABLE, ENVIRONMENTALLY APPROPRIATE AND SOCIALLY BENEFICIAL.

**W**e are very proud of our achievements, and of all the hard work which each of our employees has put into achieving certification against the RSPO Principles and Criteria. But RSPO certification was never the end point. We have made progress, but will not rest on our laurels. Now that we have successfully passed our first RSPO audit and are awaiting formal certification, we feel it is our responsibility to communicate what "Sustainable Palm Oil" means to our operations, and how we intend to live up to Principle 8 of continuous improvement.

We hope that this Report will allow our stakeholders to assess us, provide feedback and help us improve. It is our attempt to present an honest and sober overview of our performance, seeking to explain what "Sustainable Palm Oil" is to Kulim, and how the RSPO has prompted changes and will continue to prompt change.

Overall, we are happy to see the great performance and improvements demonstrated throughout the Report.

In terms of environmental performance, we believe that we are now in a wonderful position to protect and promote conservation and rehabilitation for the plethora of unique species found around our operations. We have clear plans and responsibilities for each estate to restore wildlife corridors and protect vital watercourses. Training our security personnel into "Wildlife Defenders" is just one of many solutions which we have developed in partnership with biodiversity experts and environmental NGOs. We are also pleased with the gradual reduction in our pesticide usage, and we look forward to continuing tackling the issues around climate change through a series of ambitious Clean Development Mechanism (CDM) projects in the coming year.

On the social side, we are proud of our core labour standards and HIV/AIDS policies, which provide protection to all of our employees, without discrimination of ethnic minorities, foreign workers or women. However, although we have made significant progress in managing and measuring our health and safety practices, we are not completely satisfied with our performance, and will set targets for accident reduction in the coming years.

**TAN SRI DATO' MUHAMMAD ALI HASHIM**  
Chairman

**AHAMAD MOHAMAD**  
Managing Director



This is Kulim's first stand-alone "Sustainability Report", and should be seen as a work in progress. At the time of writing, this report is the first of its nature in the Malaysian palm oil industry. This has made its creation a difficult task, since we had no points of comparison or benchmarking. In addition, we had to convert our internally understood measurement systems into something which could be easily understood by external stakeholders. In some areas, such as employee diversity, we believe we have succeeded in creating clear disclosure, while in other areas, such as climate change impacts, our current data did not provide a complete picture, and these have been identified as opportunities to evolve our reporting for our next reporting cycle.

Some observers might think that disclosing of our performance could be risky, as it puts data in the public domain which has previously been reserved for a few privileged individuals. We believe transparency and accountability is an integral part of sustainability, and we are committed to continuing the reporting journey.

Kulim, and business in general, are important constituents of an increasingly global world, and our benchmarks must be global. We cannot afford to make up our own rules, but must apply standards that are internationally recognised and agreed by a broad range of stakeholders. In this report, we are reporting against the internationally recognised Global Reporting Initiatives (GRI) G3 guidelines, providing readers with an easy overview of the report contents, and enabling comparisons with other companies who choose to disclose their sustainability performance.

With global economic and financial turmoil and falling palm oil prices, we are going through extremely challenging circumstances. But palm oil is a long term investment, requiring a long term mindset. This Report is about embracing the challenges ahead – being honest and seeking the collaboration from everyone who is impacted by our operations or is in a position to impact our future.

Sustainability is at the heart of our business. We hope that by being mindful of our surroundings and the socio-economic impact of our actions, we will demonstrate that creating value to stakeholders and shareholders alike is good business – for our people, our planet and our profits.

A handwritten signature in black ink, appearing to read 'M. Ali Hashim', written over a horizontal line.

**TAN SRI DATO' MUHAMMAD ALI HASHIM**  
Chairman

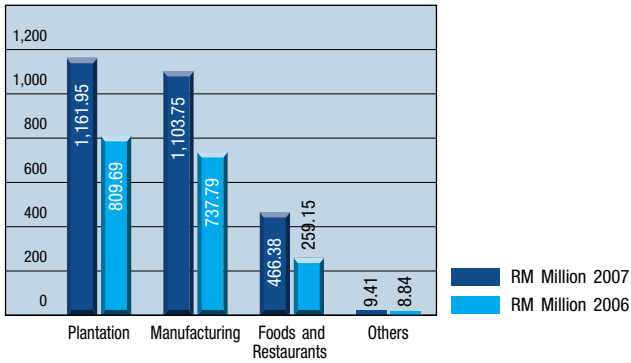
A handwritten signature in black ink, appearing to read 'Ahmad Mohamad', written over a horizontal line.

**AHAMAD MOHAMAD**  
Managing Director

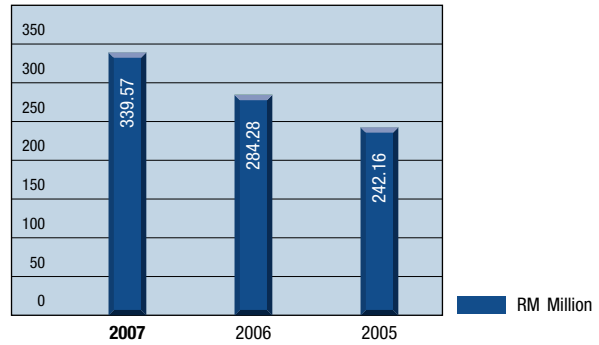
introduction

# overview of Kulim

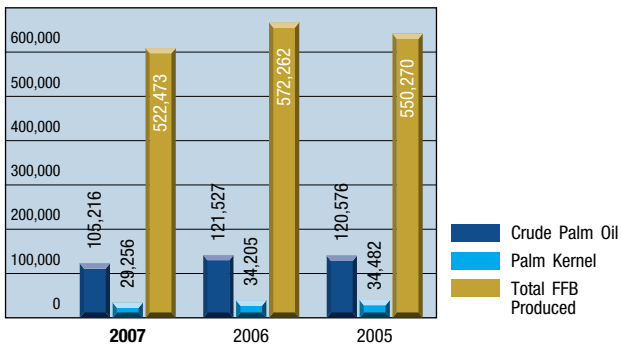
REVENUE BY SEGMENT – KULIM GROUP



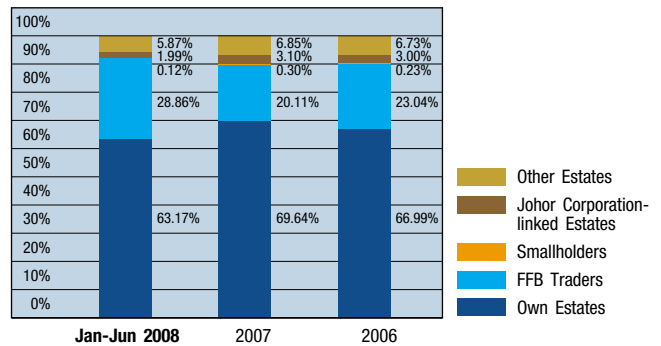
REVENUE – PLANTATION & SUPPORT – MALAYSIA



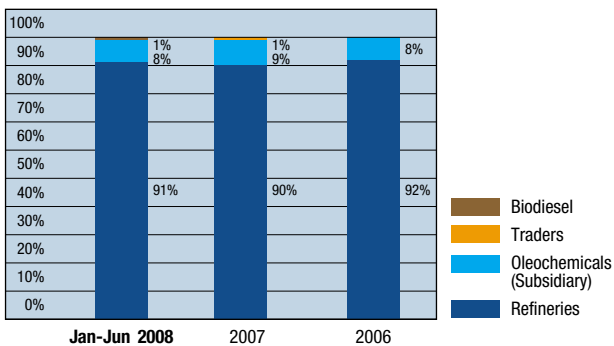
PRODUCTION – MALAYSIA PLANTATION (Tonnes)



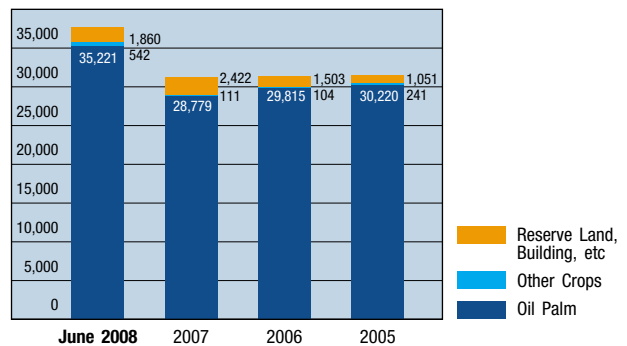
FRESH FRUIT BUNCHES BY SOURCE – MALAYSIA PLANTATION



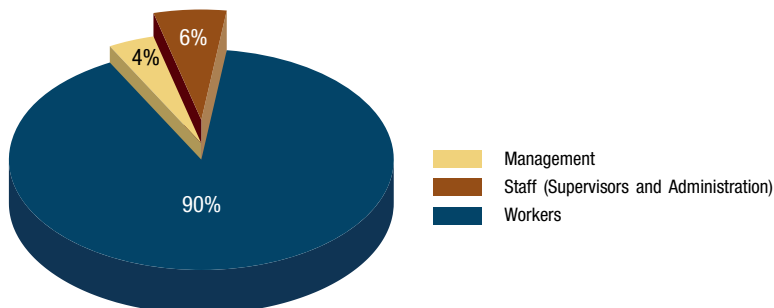
CUSTOMERS BY TYPE – MALAYSIA PLANTATION



LAND USE – MALAYSIA PLANTATION (Hectares)



EMPLOYEES BY TYPE (June 2008: 5,239)





## KPIs and targets

Our commitments and targets	2007 – 2008 status	Target date (year – end)*
<b>PEOPLE</b>		
Establish a gender committee to promote diversity and address gender-related issues	In progress	2009
Rollout of identity card programme to all foreign workers	In progress	2011
100% of external FFB to be certified	In progress	2011
Reduce Lost Time Accident (LTA) rate to 10.4 (5% p.a.)	11.2	2009
Reduce severity rate to 3.4 (5% p.a.)	3.69	2009
Zero fatalities	1	2009
No breaches of excessive overtime legislation	1 breach identified in audit	2009
Assist Johor Corporation-owned plantations in achieving RSPO certification	In progress	2010
<b>PLANET</b>		
Reduce pesticide usage by 10%	0.043 grammes active ingredient per Ha	2009
Reduced water usage for FFB processing to 0.7 tonnes per tonne FFB	1.62 tonnes	2009
CDM in all mills projects launched for all three mills	In progress	2011
CO <sub>2</sub> equivalents reduced by 90%	105,082 tonnes (2008 extrapolated)	2011
No increase in peat development	1,380 ha developed (1999 – 2002)	2009
No development on land containing one or more high conservation values	HCVF assessment undertaken	2009
No penalties for environment-related incidents	1	2009
<b>PROFIT</b>		
Achieve average FFB yield per hectare of 30 tonnes	22.65 (2007)	2013
Achieve average combined oil and kernel extraction rate of 30%	24.78 (June 2008)	2013

\* denotes target for achievement of target where not currently complying. Where target is an ongoing commitment or has already been achieved, the date denotes next status reporting.

# 2.

## company, strategy and policies

- ▶ Who We Are
- ▶ Strategy and Business Development
- ▶ A Commitment to Integrity and Fair Business
- ▶ Corporate Governance
- ▶ Policy Framework and Management System
- ▶ Responsiveness and Engagement
- ▶ Highlights from New Britain Palm Oil Limited





## who we are

OUR PLANTATION OPERATIONS IN MALAYSIA ARE PART OF THE LARGER KULIM GROUP. BASED IN PENINSULAR MALAYSIA, WE ARE ONE OF MALAYSIA'S LEADING PALM OIL GROWERS, PRODUCING OVER 500,000 TONNES OF FRESH FRUIT BUNCHES (FFB) AND 100,000 TONNES OF CRUDE PALM OIL (CPO) ANNUALLY. IN 2008, WE WERE ONE OF THE FIRST PLANTATIONS IN THE WORLD TO PASS A THIRD-PARTY AUDIT AGAINST THE RSPO PRINCIPLES AND CRITERIA.

### OUR LAND

Plantations in Malaysia are managed by EPA Management Sdn Bhd – a wholly-owned subsidiary – with corporate office in Ulu Tiram, Johor. Properties are held directly and through majority-owned subsidiaries. Our main products are FFB, CPO and PK from oil palm. Small cultivation areas also produce and market rubber, Cavendish banana, pineapple and sugarcane.

We have 37,623 hectares of titled area operated under 18 estates with 3 palm oil mills. 35,220 hectares are planted with oil palm at average palm age of 12.6 years (as at June 2008). All are located in the state of Johor except for one estate in Pahang.

In 2008, we were among the first Malaysian companies to apply for certification against the RSPO Principles and Criteria. In addition, one of our mills and two of our estates are certified against the ISO 14001 standard.

### OUR PEOPLE

We employ just over 5,200 people in Malaysia, 90% of whom are field workers, primarily from Indonesia and Bangladesh. The remainder of our employees are managers (4%) and supervisors and administration personnel (6%).

### OUR MARKETS AND PRODUCTS

Our main customer base is local. 90% of our oil is sold to refineries in Malaysia, who process CPO and PK into intermediate and consumer products, such as food ingredients or cooking oil, but palm oil is also used in other products such as candles, cosmetics or plastics. Approximately 9% are sold into Natural Oleochemicals Sdn Bhd (NatOleo), the Kulim Group's own oleochemicals manufacturer, and lately approximately 1% is sold to biodiesel customers.

### OUR SUPPLY BASE

65% of fruit processed comes from our own plantations. 5% are bought directly from neighbouring estates and an additional 30% from outside sources are bought through local traders – middlemen who buy fruit from outgrowers and sell on to mills. While this system operates efficiently, allowing smallholders and estates to get guaranteed buyers and a stable price, it does not allow us full transparency of the source of fruit. In particular this is a challenge in the context of sustainability as we cannot engage directly with our supply base.

The RSPO Principles and Criteria require plantations to put in place an action plan to certify its supply base within 3 years from certification. We are therefore working on a way to increase transparency, which will enable us to engage directly with supplying outgrowers and ensure they can be included in the RSPO certification scheme.



## KULIM GROUP IN BRIEF

KULIM (MALAYSIA) BERHAD IS A MALAYSIAN COMPANY LISTED ON THE MAIN BOARD OF BURSA MALAYSIA – THE MALAYSIAN STOCK EXCHANGE. IT FOCUSES ON THREE MAIN OPERATIONS: **PLANTATIONS, OLEOCHEMICALS, AND FOODS AND RESTAURANTS.**

### OVERVIEW OF GROUP ACTIVITIES

Kulim's plantation operations span over three countries; Malaysia, Papua New Guinea and the Solomon Islands with a total cultivated area of 76,000 hectares. Operations in Papua New Guinea and the Solomon Islands are managed by New Britain Palm Oil Limited (NBPOL), a company listed on the London and Port Moresby Stock Exchanges, in which Kulim holds a 50.68% share.

Our Foods and Restaurants Division is managed by QSR Brands Bhd (QSR). QSR and its associate company, KFC Holdings (Malaysia) Bhd run the Pizza Hut, KFC and Rasamas restaurants in Malaysia, Singapore and Brunei as well as KFC stores in Cambodia. Our subsidiary, Natural Oleochemicals Sdn Bhd (NatOleo) is one of the largest oleochemicals manufacturers in the world manufacturing vegetable oil-based products. In 2006, Kulim established a joint venture with Peter Cremer (Singapore) GmbH to establish two biodiesel processing plants in Malaysia and in Singapore, each with a capacity of 100,000 tonnes per annum. The two plants are able to run on multiple feedstocks, providing flexibility as science and crops evolves.

Together, Kulim's activities in all three sectors produced an annual turnover of RM2.74 billion in 2007, up from RM1.82 billion in 2006.

### OWNERSHIP

Kulim's majority shareholder is Johor Corporation (51.61% as at June 2008), a development arm of the State of Johor. Kulim's foreign shareholding has grown steadily over the past years. As at June 2008, 28.8% of Kulim's shareholders were international investors, up from 6.37% at year-end 2004.

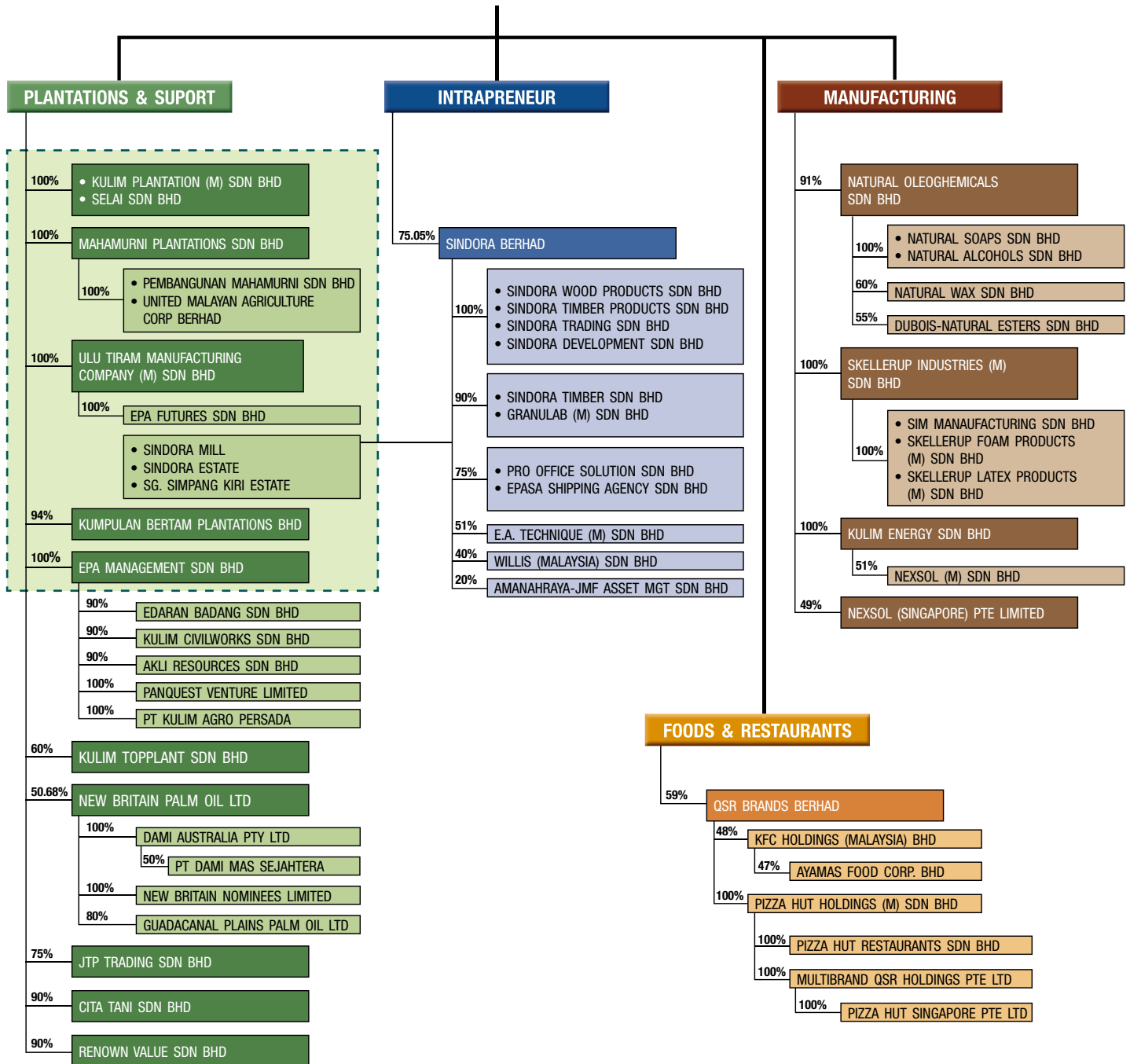


# corporate structure

as at 30 June 2008



Kulim (Malaysia) Berhad (23370-V)



SCOPE OF SUSTAINABILITY REPORT 2007/2008



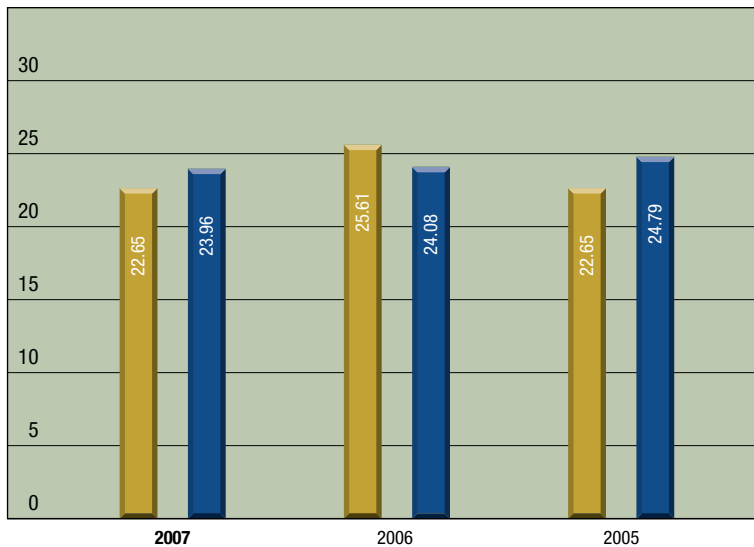
## strategy and business development

OVER THE PAST YEARS, KULIM HAS DEVELOPED A STRATEGY WHICH FOCUSES ON DELIVERING HIGH QUALITY, SUSTAINABLE PALM OIL. WE BELIEVE THAT THE THREE P's – PEOPLE, PLANET AND PROFIT – ARE INTERLINKED. ALL THREE SUSTAIN EACH OTHER, AND ALL THREE HAVE TO BE TAKEN INTO ACCOUNT IN OUR OVERALL BUSINESS STRATEGY. TO UNDERLINE THIS COMMITMENT, WE HAVE CHANNELLED OUR ENERGY ON SUSTAINABLE GROWTH AND IMPROVED OPERATIONS. WE HAVE DIVESTED SIGNIFICANT INTERESTS IN INDONESIA, AND ARE FOCUSING ON PAPUA NEW GUINEA AND THE SOLOMON ISLANDS FOR PHYSICAL EXPANSION. IN MALAYSIA, WE PUT ALL OUR EFFORTS INTO BECOMING A WORLD-CLASS PALM OIL PRODUCER, INCREASING OUR STANDARDS TO BRING HIGHER YIELDS AND EXTRACTION RATES, ALONG WITH HIGHER SUSTAINABILITY PERFORMANCE.



### VISION 30:30

A common goal for all of Kulim's plantation operations in Malaysia and abroad is to reach an annual average FFB yield of 30 tonnes per hectare and a combined extraction rate of 30% of oil and kernel to FFB processed. We have invested heavily in research and development to achieve this goal, and also run our own seed production facilities in Malaysia and Papua New Guinea to ensure that the genetic potential of our crop is of the highest quality. There are some variations within the Group, primarily owing to the significant climatic differences between the three countries in which Kulim has plantation holdings. In Malaysia, we have achieved an average yield in 2007 of 22.65 tonnes, significantly above the national average of 19 tonnes per hectare, as well as an CPO extraction rate of 18.75% – in line with Malaysia's average.

STATUS OF 30:30 – MALAYSIA PLANTATION



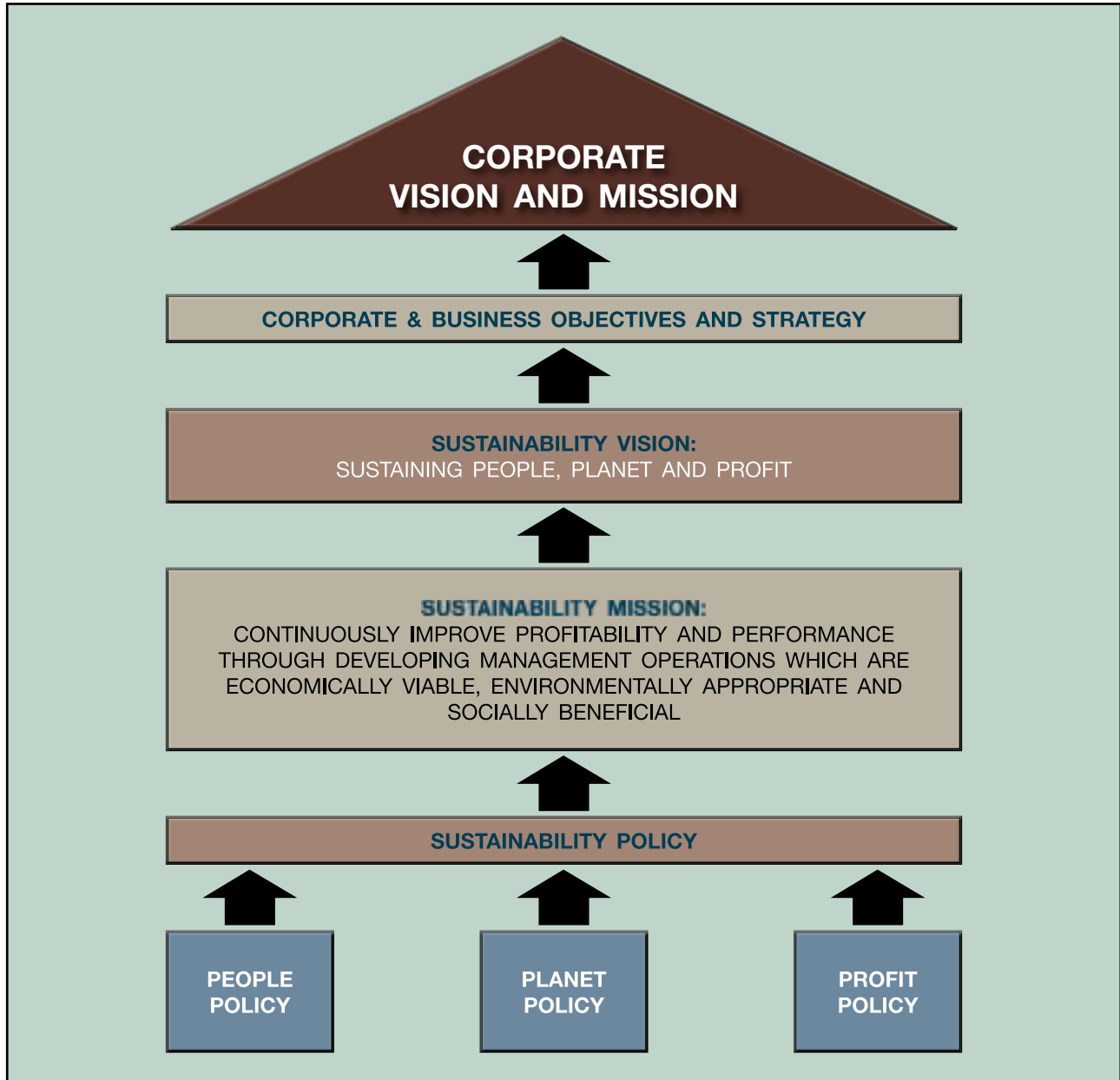
\* Reduction in yield for 2007 compared to 2006 was largely due to flooding in Johor.

 FFB Yield (Tonnes Per Mature Hectare)  
 Extraction Rate (Combined OER and KER)



### RAISING STANDARDS AND PRODUCTIVITY IN MALAYSIA

Kulim's Malaysian operations are based in peninsular Malaysia, where new land comes at a high price, and there is a shortage of labour. We believe that the best and only way to increase value is to raise productivity and quality standards and use our resources more efficiently. We know that better environmental management will result in less wastage and bring higher yields through conservation of soil fertility. We also believe that looking after our people will give us a more loyal and productive workforce. We are also aware that good sustainability performance will be a prerequisite for any oil palm player seeking access to global markets, particularly in Europe and the United States (US). However, while we recognise this "business case" of sustainability, our efforts are driven by a commitment to running a fair, ethical and responsible company.



**FOCUS ON THE PACIFICS – DIVESTMENT IN INDONESIA**

In August 2007, Kulim divested its last holdings of 63,260 hectares in Kalimantan, Indonesia. While this is an area of potential growth, and receives high interest from much of the sector, we found that the returns potential in the areas where we were, was not satisfactory. We have chosen to focus on growth through NBPOL in Papua New Guinea and the Solomon Islands. The main drivers behind the strategy are the availability

of land for expansion and more importantly, the rich volcanic soils highly suitable for palm oil planting in these countries as evidenced by the consistently impressive yields. Also important are the encouragement and continuous support that the Group receives from the local governments and population. When we supported NBPOL's listing on the London Stock Exchange in 2007, this was to enable the company to raise capital to realise its potential.

## a commitment to integrity and fair business



BRIBERY, CORRUPTION AND FRAUD ARE DETRIMENTAL TO SOCIETIES, INDIVIDUALS OR BUSINESSES. IN THEIR WORST FORMS, THEY REDUCE ACCOUNTABILITY AND FAIR BUSINESS DEALINGS, ENABLE AVOIDANCE OF LEGAL COMPLIANCE AND BREED MISTRUST IN COMPANIES AND PUBLIC INSTITUTIONS. KULIM BELIEVES THAT ELIMINATING SUCH PRACTICES IS A CRUCIAL PART OF BEING A SOCIALLY RESPONSIBLE COMPANY, AND IS COMMITTED TO DOING BUSINESS IN AN ENVIRONMENT OF TRANSPARENCY, HONESTY AND INTEGRITY.

### **BUSINESS ETHICS AND FRAUD POLICIES**

Our policies on business ethics and fraud set out a framework to which we require compliance by every employee. In addition, our policies extend to business partners and anyone interacting with or acting on behalf of Kulim.

Our policies include a firm commitment to legal compliance, a prohibition on anti-competitive business dealings (e.g. price fixing), protection of confidential and private data as well as a ban on accepting anything of material value from suppliers, contractors or service providers.

### **MAINTAINING AWARENESS**

We believe that a company policy is an important base, but we also recognise that compliance can only be achieved through awareness and controls. In addition to a general distribution of our policies, we have therefore implemented three key activities which ensure that no staff member is uncertain as to the policy – education, annual reporting and internal audit.

### **EDUCATION AND ANNUAL REPORTING**

Our policies on business ethics and fraud are disseminated to all employees as part of our Sustainability Handbook, which also forms the basis of a variety of awareness training programmes. Each year, every employee must fill out a declaration confirming their awareness of compliance with these policies and highlighting any instances of non-compliance.

### **INVESTIGATING SUSPECTED BREACHES**

Our policy allows both internal and external stakeholders to report cases of fraud, bribery and corruption directly to our Internal Audit Department (IAD). The IAD has the primary responsibility for the investigation of all suspected and reported cases, and are authorised to free and unrestricted access to physical premises and to stored information in the company's paper-based and IT systems. The IAD has direct access the Board of Directors through the Audit Committee.



## corporate governance

THE BOARD OF DIRECTORS OF KULIM IS THE HIGHEST DECISION-MAKING BODY IN THE COMPANY AND ARE ULTIMATELY RESPONSIBLE FOR THE STANDARDS AND AMBITION LEVEL WHICH GUIDE KULIM'S JOURNEY TOWARDS SUSTAINABILITY. WITH A STRONG MIX OF BUSINESS, AGRICULTURAL, FINANCIAL AND SERVICE BACKGROUNDS, THE BOARD IS WELL EQUIPPED TO DEAL WITH THE COMPLEX ISSUES INVOLVED IN PRODUCING CERTIFIED SUSTAINABLE PALM OIL.

### COMPOSITION OF THE BOARD

The role of Chairman and Chief Executive Officer or Managing Director are separate. The Board is led by the Chairman, Tan Sri Dato' Muhammad Ali Hashim while the post of Managing Director is held by Ahamad Mohamad. The Directors are from varied business and professional backgrounds and bring with them a wealth of experience that is brought to bear favourably in board decisions and policy formulations. Together, the Directors bring a wide range of business and financial experience relevant to the direction of the expanding Group.

There are five Independent Non-Executive Directors, representing more than a third of the total members. All are Malaysian citizens, ten Directors are Malay and two are Chinese. There are two women on the Board. Although all the Directors have equal responsibilities for the Group's operations, the role of the Independent Non-Executive Directors is particularly important in ensuring that all business strategies proposed by the executive management are fully discussed and examined, and

take into account the long term interest, not only of shareholders, but also employees, customers, suppliers, and the communities in which the company operates.

### SUSTAINABILITY ON THE BOARD AGENDA

Issues relating to sustainability are discussed at each Board meeting. It was the Board who made the ultimate decision to start working towards RSPO certification in 2007, and progress towards certification has been reviewed in each subsequent Board meeting. The Board also reviews the reports from the Internal Audit Department (IAD), who reports on all aspects and breaches of business integrity. The IAD is also the designated body for grievance procedures, ensuring a mechanism for stakeholders to bring up any complaints and issues with company behaviour or performance. Finally, the Board draws on the input of the Group Director of Sustainability, who oversees progress of sustainability performance across the Group's plantation operations.



from left to right:

- Jamaludin Md Ali
  - Wong Seng Lee
  - Tan Sri Datuk Arshad Ayub
  - Tan Sri Dato' Muhammad Ali Hashim – Chairman
- Ahamad Mohamad – Managing Director
  - Kamaruzzaman Abu Kassim
  - Datin Paduka Siti Sa'diah Sheikh Bakir
  - Dato' Johari Mohamed
- Datuk Haron Siraj
  - Kua Hwee Sim
  - Dr. Radzuan A. Rahman
  - Rozan Mohd Sa'at

# policy framework and management systems

KULIM RECOGNISES THAT OUR COMMITMENTS TO SUSTAINABILITY, CONTINUOUS IMPROVEMENT AND THE THREE P's OF PEOPLE, PLANET AND PROFIT REQUIRE EFFECTIVE AND STRUCTURED SYSTEMS AND TRAINING THROUGHOUT OUR OPERATIONS. TO ENSURE THAT THIS IS HAPPENING, KULIM HAS DEVELOPED A MANAGEMENT MODEL INCORPORATING 9 STEPS TOWARDS RSPO IMPLEMENTATION. THE MODEL INCORPORATES THE CONCEPT OF CONTINUOUS IMPROVEMENT, THROUGH TARGET-SETTING, ANNUAL AUDITS AND STRATEGY REVIEWS.

## KULIM SUSTAINABILITY HANDBOOK

To ensure that our employees and stakeholders have a clear compass and understand Kulim's approach to the three P's – People, Planet and Profit, the topline commitments of Kulim were published and distributed in 2008 in the "Kulim Sustainability Handbook". The document sets out the overall vision and mission of the company, as well as detailed policies in all key areas of sustainability, from business ethics and core labour standards, to health and safety and environment. It also cements Kulim's commitment to the Principles and Criteria of the RSPO. Each of the policies are accompanied by clear responsibilities and improvement plans as well as relevant Standard Operating Procedures, in line with our Sustainability Management Model.



## BUILDING CAPACITY

In 2007, Kulim established a Sustainable Palm Oil (SPO) team and appointed a Group Director of Sustainability. The SPO team is responsible for building strategies and action plans for the implementation of social, environmental and Occupational Health and Safety (OHS) action plans, as well as spearheading stakeholder relations. Each of the team members



have significant experience within the palm oil industry and have received specialist training within their area of responsibility, such as qualification as SA8000 and ISO 14001 auditor training, as well as training on Environmental Impact Assessments and Hazard Identification and Risk assessment.

Line management, supervisors and workers have also been through extensive training programmes, particularly focused on safety training, pesticide stewardship, waste disposal as well as general awareness training on the various aspects of the RSPO certification standard.

## INTERNATIONAL STANDARDS AND BENCHMARKS

Kulim's priority is to comply with Malaysia's vigorous legislation in all of our activities. Our commitment is to go beyond compliance, and apply the highest international standards. Certification against the RSPO Principles and Criteria has been our overall framework over the past years. To achieve this certification, we have applied a number of management approaches.

Our social impact assessments are framed around the SA8000 standard – the leading international standard on labour conditions. We have also adopted the methodologies of OSHA to measure and manage our health and safety performance as well as using the human rights concept of Free, Prior and Informed Consent (FPIC) in our dealings with communities and land rights.

Our environmental performance is guided by the ISO 14000 framework, and one of our mills and two of our estates are now certified to this standard. Conservation and promotion of biodiversity in and around our operations is assessed using High Conservation Value Forest (HCVF) methodologies.



By applying these leading standards, several of which have been developed in multi-stakeholder processes, we believe we are supporting not only our own improvements, but also demonstrating to our industry that these frameworks are practical and affordable, and hopefully inspired others to follow suit.

#### **AUDITS AND ASSESSMENTS**

A central tenet to our continuous improvement programmes are internal and external audits. Our third-party audit programme is aligned to the RSPO. In 2007, BSI went through the first pre-assessment of our operations, which helped us to put in place corrective actions in a number of areas. In July 2008, we undertook and passed our first formal RSPO Certification Audit.

In 2007, we carried out our first internal social impact assessment (SIA) based on Principle 6 of the RSPO Principles and Criteria as well as SA8000. The SIA incorporated interviews with workers, dependents and local communities, and formed the basis of improvement plans for all areas identified as common complaints, or areas which were considered high risk in terms of impact or legal compliance.

We have also undertaken ongoing health and safety assessments, as well as commissioned external Rapid Biodiversity Assessments, all of which form the basis of improvement plans.





## responsiveness and engagement

SUSTAINABILITY IS ULTIMATELY ABOUT MEETING THE NEEDS OF OUR STAKEHOLDERS WITHOUT COMPROMISING THE NEEDS OF FUTURE GENERATIONS. OUR SUSTAINABILITY EFFORTS HAVE THEREFORE BEEN BUILT AROUND A MULTI-STAKEHOLDER APPROACH, ENCOMPASSING DIALOGUE AND ENGAGEMENT WITH EMPLOYEES, SUPPLIERS, OUTGROWERS, CONTRACTORS, AS WELL AS ENVIRONMENTAL AND SOCIAL NGOS FROM MALAYSIA AND BEYOND.



### ENGAGING WITH THE RSPO

The true starting point for our engagement efforts was our involvement in the RSPO. Our Head of Research was one of the members of the initial Criteria Working Group – set up in 2004, a group which represented plantations, traders, social and environmental NGOs from the major palm oil producing countries and major markets. We have been closely involved with the RSPO since then, and participated in the National Interpretation Working Group as well as the Verification Working Group, which supported the development of the RSPO certification scheme.

Kulim also took an active part and was a co-sponsor for the RSPO RT5 conference organised in Kuala Lumpur in November 2007. The Group's exhibition booth at the conference provided a focus for exchange of ideas and dialogues on sustainability.

### CONSULTATION AND SOCIAL IMPACT ASSESSMENT

In order to understand the needs and issues facing communities and workers, our SPO team undertook a series of social impact assessment in 2007. These included interviews with workers, local village representatives, neighbouring plantations and schools. In addition, we undertook a full consultation with communities affected by the proposed CDM projects at our mills. Through these efforts, we are now able to devise further strategies for improvement to maximise benefits and minimise adverse impacts of our operations.

### MONITORING AND RECORDING FOR CONTINUOUS IMPROVEMENT

To ensure that our engagement efforts are sustained, we have provided significant training for managers and executives. In 2007, we introduced an extensive grievance procedure, which allow all stakeholders to lodge grievances directly to our IAD. In addition, all operating units are now required to maintain a register of stakeholder enquires, which we use in devising any corrective actions or improvement plans.





### RESPONDING TO CHALLENGES WITH OPEN DIALOGUE

While the majority of our stakeholder engagement has been proactive, we are also open to dialogue with those who approach us with criticisms or suggestions for improvements. In July 2008, Kulim's Board was contacted by Greenpeace International, urging Kulim to support a resolution to be tabled at the upcoming RSPO General Assembly. The resolution called for a moratorium of deforestation, which would be added to the agreed Principles and Criteria. While Kulim supported the principle of the resolution, we felt that the existing RSPO Principles and Criteria adequately covered this point, and we also found the definitions and maps used to determine what "deforestation" means somewhat impractical. In October 2008, we therefore joined WWF Malaysia in a meeting with Greenpeace in London to seek out clarification and engage in an open discussion.

### STRENGTHENING TIES TO THE CONSERVATION COMMUNITY

We appreciate the expertise that many conservation NGOs have built when it comes to conservation efforts, and are actively seeking partnerships to merge our skills and capabilities. We are a corporate member of the Malaysian Nature Society, and are deepening our partnership with the Wildlife Conservation Society in order to protect and conserve natural habitats in areas adjacent to the Endau-Rompin National Park.



### INDUSTRY ENGAGEMENT

Many of the challenges faced by Kulim are shared across our industry – in Malaysia and abroad. Issues around climate change, deforestation or even treatment of foreign workers require concerted action. Likewise, good agricultural practice is developed through continued sharing of learnings. Through the RSPO we have found a group of likeminded companies who are willing to share learnings and best practice. Our primary industry involvement has traditionally been through the MPOA – the Malaysian Palm Oil Association – an organisation which has staunchly supported the RSPO from its inception.



# highlights from New Britain Palm Oil Limited



NEW BRITAIN PALM OIL LIMITED IS A FULLY VERTICALLY INTEGRATED PALM OIL PRODUCER WITH ITS MAIN OPERATIONS IN WEST NEW BRITAIN PROVINCE, PAPUA NEW GUINEA, AS WELL AS OPERATIONS IN THE SOLOMON ISLANDS.

**I**n most areas, NBPOL and Kulim's standards are aligned. Both companies have been audited against the RSPO Principles and Criteria, and both operate under the clear guidance of the Kulim/NBPOL Sustainability Handbook, which sets out the Group-wide policies on global environmental, social and ethical issues. However, due to the vast cultural, structural and natural differences between Malaysia as opposed to Papua New Guinea and the Solomon Islands, NBPOL has developed their own focus areas and best practices appropriate for the setting.

NBPOL is a long-established leader in the development of good agricultural practice and sustainability. The company was among the first in the world to implement a zero-burning policy in 1967, and was one of the first plantation company in the world to achieve ISO 14001 certification. In September 2008, NBPOL took another giant step when its PNG operations were the first non-Malaysian plantation to be awarded RSPO certification.



NBPOL is the main vehicle for expansion among Kulim's plantation holdings. The company has recently acquired a major share in Ramu Agri-Industries Ltd, a 30,000 hectare sugar and oil palm plantation on the main island of Papua New Guinea.

### INCLUDING SMALLHOLDERS

NBPOL buys fruit from over 7,000 smallholders, and sees it as an important aspect of its sustainability efforts that smallholders are included in, and benefit from, NBPOL's RSPO certification. Over the past years, NBPOL has carried out extensive social impact assessments, consultations and training programmes, ensuring that the higher standards required for certification will not result in the exclusion of any outgrower.

NBPOL has produced its own Sustainability Report for 2007/2008 which can be downloaded from [www.nbpol.com.pg](http://www.nbpol.com.pg).



# 3.

## social performance

- ▶ Securing Basic Labour Rights
- ▶ Employee Development
- ▶ Health and Safety
- ▶ Diversity and Non-discrimination
- ▶ HIV and AIDS
- ▶ Community and Economic Contributions



## securing basic labour rights



KULIM BELIEVES THAT ALL WORKERS MUST BE TREATED EQUALLY, FAIRLY AND WITH RESPECT, AND HAVE IMPLEMENTED A POLICY TO UPHOLD THE INTERNATIONAL LABOUR ORGANISATION'S (ILO) CORE LABOUR STANDARDS. IN 2007, WE CARRIED OUT OUR FIRST INTERNAL SOCIAL IMPACT ASSESSMENT BASED ON THE SA8000 STANDARD, TO IDENTIFY AND TAKE ACTION IN AREAS WHERE THESE STANDARDS WERE COMPROMISED, AND IN 2008, THE RSPO AUDIT TEAM PROVIDED THIRD-PARTY VERIFICATION OF THE EFFECTIVENESS OF THESE ACTIONS.

### **FREEDOM OF ASSOCIATION**

Kulim recognises and respects the rights of employees to form and/or join trade unions of their choice in the industry. While we do not keep a register of union members, all workers, both foreign and local, are covered by one of two collective bargaining agreements. We have not experienced labour conflicts or strikes within the last three years.

### **HARASSMENT**

Kulim wishes to maintain a working environment where employees, irrespective of background, position or gender, are treated with dignity and free from any form of harassment, humiliation and intimidation of a sexual nature. We have a policy on harassment which applies to anyone entering our premises, including employees, visitors, customers and contractors, and breaches are subject to disciplinary action. In addition to this policy, we have also established a formal grievance procedure to ensure that all cases are

documented and resolved satisfactorily and consistently. Over the past three years, we have documented four sexual harassment cases. All cases have resulted in the dismissal or voluntary resignation of the perpetrator.

### **OVERTIME**

Excessive overtime as defined in the ILO core conventions is an issue. During peak crop, mill workers traditionally work long hours in order to ensure that fruit is processed before its quality deteriorates. With a high reliance of foreign workers, Kulim's workforce is fairly inflexible, as workers cannot be brought in on a short-term or temporary basis. Over the past two years, we have implemented increasingly strict controls on overtime, but during our RSPO audit, assessors pointed to time sheets of workers exceeding the 104 hour limit set out in Malaysian labour law. We will continue to emphasise that excessive overtime is not acceptable, but are also looking into time sheet recording, as there may be inconsistencies in reporting.





#### PAY AND BENEFITS

Malaysia does not have a legal minimum wage, but all workers, including foreign workers are covered by the same collective bargaining agreement. A starting rate for an unskilled labourer working full time will typically start at RM600 per month, in addition to provided housing and an annual leave package for foreign workers. Kulim's contributions to the Employee Provident Fund – a publicly managed pension fund – is 15%, in excess the statutory minimum of 12%.

Our RSPO audit identified that not all workers received copies of their employment contract. This has now been rectified. All foreign workers receive the "Foreign Workers Hand Book" which sets out basic entitlements and grievance procedures.

#### HOUSING

Many of our workers live within our estates in housing provided by the company. When provided, we ensure that housing complies with all minimum statutory requirements. Continuous and progressive review will be carried out each year to improve and enhance their condition.

Our social impact assessment identified issues regarding the availability and quality of housing, particularly for newly arrived workers. We also found that sanitation was not always of a sufficient standard and that some occupants had installed illegal electrical wiring. We have now set a strict upper limit as to the number of workers per house, improved and increased our maintenance and inspection of housing facilities, as well as strengthened our communications to workers on how to raise grievances related to their accommodation.

#### FREEDOM FROM FORCED AND BONDED LABOUR

Kulim does not make use of any type of forced or bonded labour. However, we are aware that withholding of employees' passport (their only means of identification) can be interpreted as a means of denying workers the possibility of free movement. One of our challenges as an employer of 3,400 foreign workers is to ensure that our practices do not fall foul of ILO conventions on forced and bonded labour. We have increased awareness among our workers on how to obtain their passport for leave and holidays both through introductory orientations and through inclusion in our Foreign Workers Hand Book.

In 2007, a pilot scheme was launched by the Immigration Department, allowing Indonesian and Indian workers to obtain official ID cards, securing workers' a means of identification. The scheme is still evolving, and does not yet cover the full extent of issues to be addressed. Kulim have approx 380 Bangladeshi workers, and these are not included in the scheme. In addition, the current version of the ID card explicitly states that this is not a valid travel document. So while the identity card is clearly of major benefit to many of our workers in their everyday lives and local travels there are still important gaps. We are in constant dialogue with the Immigration Department to raise some of these concerns.

#### CHILD LABOUR

Child labour is not considered a widespread problem in the formal sector of Peninsular Malaysia, and Kulim has not identified this as a risk. The majority of plantation work requires adult strength and skills, and our company policy prohibits any employment of young workers under the age of 16. We did find that some children had after-school activities as caddies in the company golf club. However, as this was found not to interfere with the school attendance of the children, and the work could not be considered hazardous, we have decided not to take any action at this point.

## employee development

OUR EMPLOYEES ARE OUR MOST VALUED ASSET, AND WE ARE GRATEFUL FOR THE HARD WORK AND COMMITMENT OF OUR OVER 5,000 PEOPLE. TRAINING AND DEVELOPMENT OF OUR PEOPLE HAS THE HIGHEST PRIORITY AT KULIM. THE WAR FOR TALENT IS A CRUCIAL ONE TO WIN AT A TIME WHEN THE GLOBAL INDUSTRY IS GROWING, AND THE NUMBER OF MANAGERS AND RESEARCHERS AVAILABLE CANNOT KEEP UP. AT FIELD LEVEL, THE LEVEL OF SKILL REQUIRED IS ALSO GROWING, AND IT IS CRITICAL THAT WE CAN RETAIN EXPERIENCED WORKERS.



experience. Likewise, sprayers must go through extensive chemical stewardship training before they are allowed to handle pesticides. In 2007 – 2008, the majority of our workers also attended training on zero-burning courses, waste disposal, the correct use of personal protective equipment and a number of other training and awareness sessions. In addition to this, all workers are required to attend daily safety briefings. We are

also focusing on upgrading the skills of our supervisors by providing them with formal management training. In 2007 and 2008, 85 of our supervisors achieved the “Certificate in Plantation Management”.

### SUPPORTING PROFESSIONAL DEVELOPMENT

Our strategy is to enable our junior staff to develop into senior managers, and also to ensure that we can offer external candidates an excellent career path. We continuously support our staff in professional development through internal training programmes, and also through significant investment in external programmes. Over the past three years alone, over 10% of our executive level employees have been awarded formal professional qualifications, paid for by the company. These qualifications range from engineering diplomas to MBAs and Lead Auditor certificates. Overall, our executives and general staffs received an average of 3.6 man days of training per year. With an average turnover rate for staffs and executives of less than 6% for 2007 and 2008, we believe that we are providing an attractive workplace.

### CONTINUOUS TRAINING OF WORKERS

Contrary to many people’s perception, plantation work requires extensive and ongoing training. Our harvesters undergo at least one week of training before they can start work, and productivity increases significantly with





## health and safety

WHILE KULIM HAS ALWAYS OPERATED IN ACCORDANCE WITH MALAYSIA'S STRONG HEALTH AND SAFETY LEGISLATION, THE PROCESS OF RSP0 IMPLEMENTATION HAS STRENGTHENED OUR EFFORTS CONSIDERABLY. THROUGH PARTNERSHIPS WITH SUPPLIERS, CONTRACTORS, AND THE USE OF INTERNATIONAL EXPERTISE, WE WERE DELIGHTED TO PASS THE RSP0 AUDIT WITHOUT ANY NON-COMPLIANCES LINKED TO OUR HEALTH AND SAFETY PRACTICES.

### STRENGTHENING TRAINING AND PROTECTION FOR SPRAYERS

Kulim have strict guidelines in place, requiring all workers handling pesticides and other agrichemicals to undergo safety training and to wear personal protective equipment (PPE). During our social impact assessment in 2007, one of the biggest issues discovered was that general workers were occasionally used as pesticide sprayers, with little training and not included in medical monitoring programmes. We have now reiterated that all workers involved in spraying must undergo the company training programme, and must have medical check-ups at least twice a year. This will be monitored through internal audits.



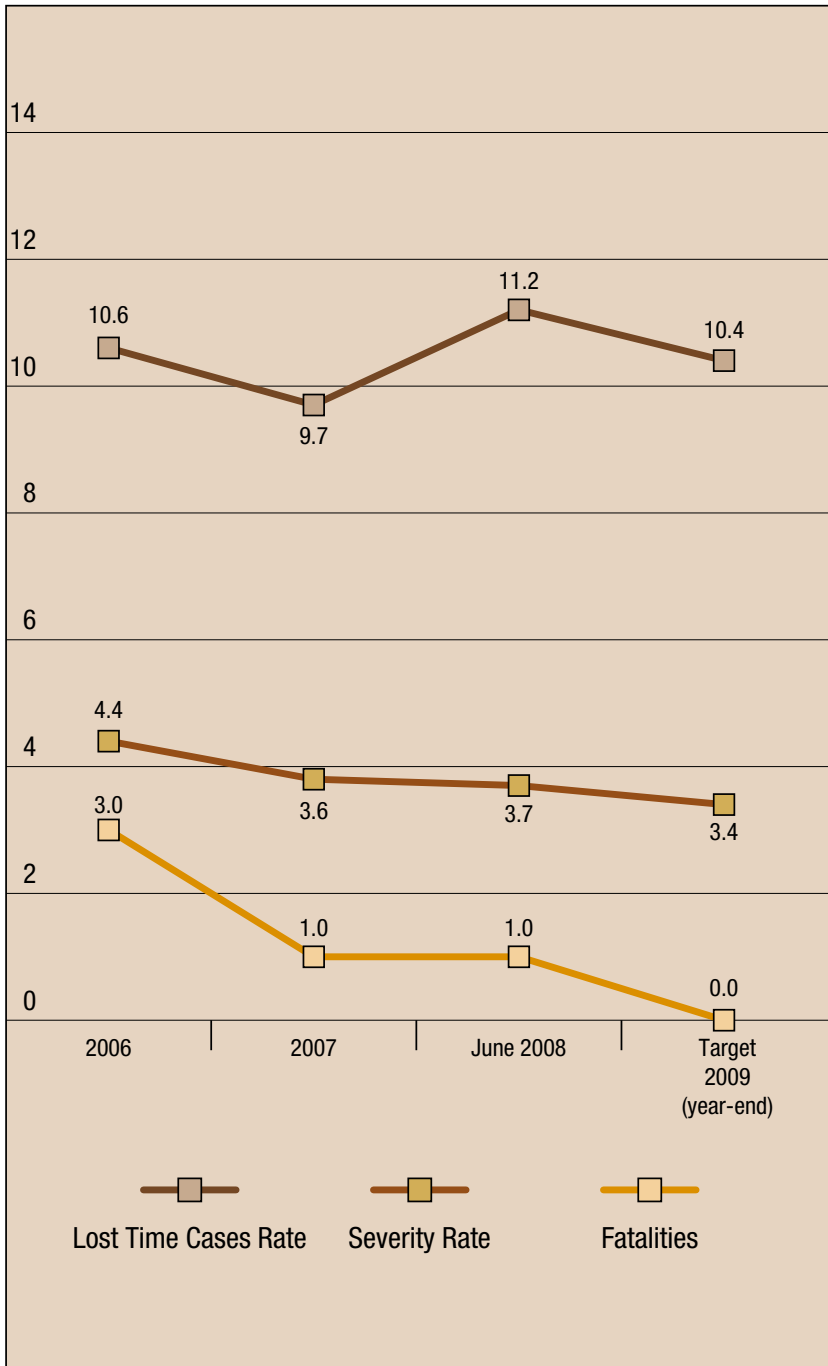
### REDUCTION IN ACCIDENTS

Many of the accidents and illnesses occurring in our estates are caused by inadequate use of appropriate PPE. For example, many workers may cut feet or hands on palm fronds, or spread manure without protective gloves or shoes. In most cases, PPE is available, and our emphasis is on enforcing PPE use.

We have appointed a full time Health and Safety officer, who is responsible for monitoring and auditing practices throughout our estates, develop training programmes for all employees, and action plans for continuous improvement. We also carry out periodical internal safety audits in collaboration with the Department of Occupational Safety and Health (DOSH), in compliance with the prevailing regulations. In 2007, training programmes by both internal and external trainers were conducted by the Health Department, Fire Department and National Institute of Occupational Safety and Health (NIOSH).

While we have continued to strengthen our Health and Safety programme, and are seeing significant reductions already this year as a result of our efforts, we are still not satisfied with our performance. Our target is to continue reducing accidents and lost workdays dramatically, and to see no further fatalities within our operations.

**HEALTH AND SAFETY PERFORMANCE 2006 – 2008**



**Note:** Lost time accident rate describes the number of incidents resulting in one or more lost workdays per 200,000 working hours (i.e. per 100 employees, assuming that each employee work on average 2,000 hours per year).



**KEEPING OUR WORKFORCE SAFE**

One of the traditional issues facing agricultural companies with large numbers of inhabitants within its operations is drug abuse. While this is a broader societal problem, as well as a personal one, we believe that we need to take a proactive stance to secure a safe and non-abusive working and living environment for all our workers. Kulim operates a strict no drugs policy, and this is enforced through regular and random drug testing.

**SECURITY**

We have never experienced significant violence levels in – or around – our operations, but robberies do occur in some parts of the estates, as does petty thefts of materials or machinery. We therefore find it necessary to maintain a small group of security guards. As a general rule, our security guards are not armed. Although fire arms are available, they are restricted to a small group of license holders. We have never had fatalities or severe incidences involving firearms.

We are actively involved in promoting a responsible and safe use of firearms, through our involvement in a local shooting club, where our Managing Director is President by charter.



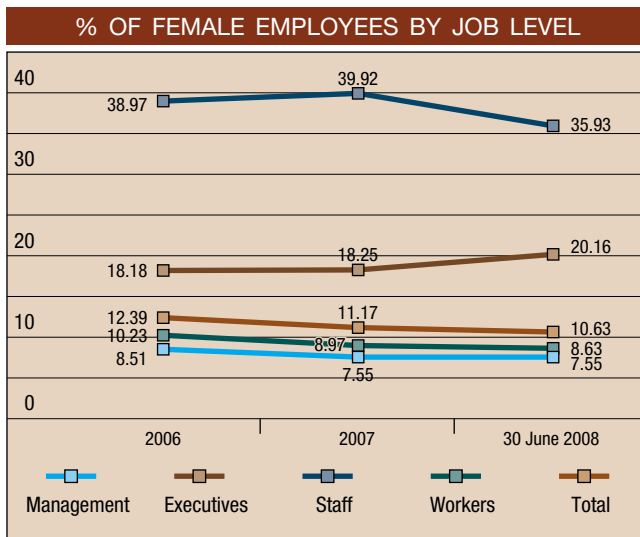


# diversity and non-discrimination

KULIM RECOGNISES THE VALUE OF DIVERSITY AND IS STRONGLY COMMITTED TO NON-DISCRIMINATION TOWARDS WOMEN, ETHNIC OR RELIGIOUS MINORITIES AND FOREIGN WORKERS. IN PARTICULAR WE EMPHASISE EQUAL PAY FOR EQUAL WORK, AND AN ENVIRONMENT WHERE GRIEVANCES CAN BE EXPRESSED FREELY.

### CREATING AN EQUAL PLATFORM FOR WOMEN

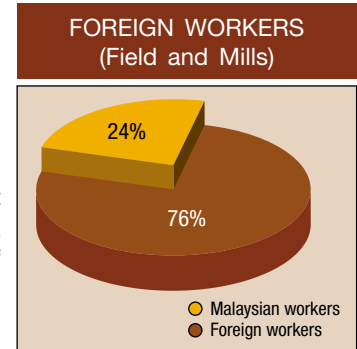
One of the biggest challenges for the Malaysian palm oil industry is lack of skilled managers. Women now make up the majority of university graduates in Malaysia, and as such are an important source of Malaysia's future talent pool. We recognise that the share of women in our company is very low, and have recently launched a Gender Committee, which will be responsible for addressing both issues pertaining to gender discrimination, but also more proactively examining barriers or issues for women to work and obtain promotions at Kulim. We operate a strict equal pay for equal work policy, for both field, office and management workers, based on predefined grades. In 2007, we abandoned the traditional marriage and children allowance for married males which is common in Malaysian plantations, as it compromised our non-discrimination policy.



### WELCOMING FOREIGN WORKERS

Like most other companies in the Malaysian plantation industry, Kulim relies on foreign workers as a significant proportion of our workforce. Currently, 76% of our field workers are from Indonesia, India and Bangladesh. In order to ensure that workers understand their rights, conditions

and responsibilities, all foreign workers go through an initial induction programme and are given a copy of our Foreign Workers Hand Book. The Hand Book includes information on how to lodge complaints about working or housing conditions, basic information on payment of wages, leave entitlements as well as health and safety procedures.

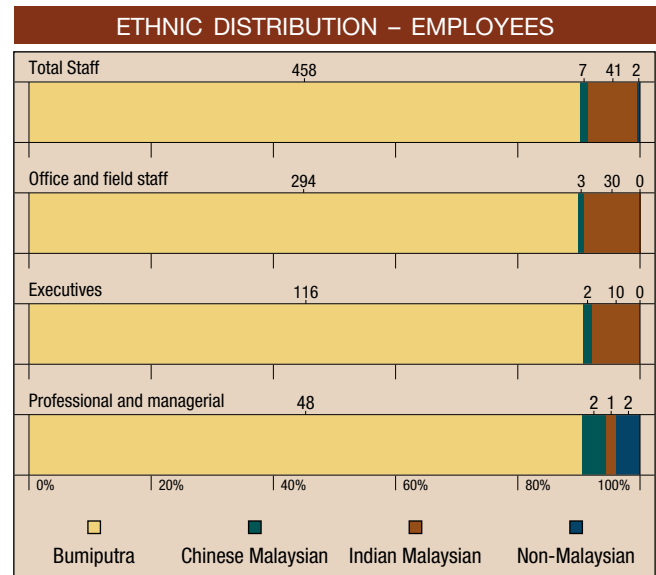


### RESPECTING RELIGIOUS DIVERSITY

With a majority of employees being Malay, Indonesian and Bangladeshi, Islam is widely observed by our employees, and we strive to accommodate religious needs; our offices have dedicated prayer areas, and Friday congregational prayer is respected throughout our operations. However, we ensure that other religious observances are respected. Religious holidays such as Deepavali or Christmas are non working days, and employees have access to temples and churches in and around our plantations.

### REFLECTING THE INDUSTRY'S ETHNIC COMPOSITION

Kulim's ethnic composition is typical of the plantation sector, with the majority of Malaysian employees being Malay, a comparatively high number of Indian origin and few Chinese. We do not believe that this is a result of discriminatory practices, but merely reflect a cultural and traditional low representation of Chinese professionals within the agricultural sector.



## HIV and AIDS

ONE IN 200 MALAYSIANS ARE THOUGHT TO BE LIVING WITH HIV OR AIDS. WE BELIEVE THAT EVERY EMPLOYER CAN PLAY A ROLE IN REDUCING THE SPREAD OF INFECTION, PREVENT DISCRIMINATION AND MINIMISE THE PHYSICAL AND SOCIAL IMPACTS OF THE DISEASE. AS AN EXTENSION OF OUR POLICIES ON HEALTH AND SAFETY, AS WELL AS NON-DISCRIMINATION, KULIM HAS PUT IN PLACE A POLICY STATEMENT ON HIV/AIDS, WHICH IS APPLICABLE TO ALL OUR EMPLOYEES, AND WE HAVE PROVIDED AWARENESS TRAINING TO ENSURE THAT ANY EMPLOYEES AFFECTED BY THE DISEASE, AND THEIR MANAGERS OR COLLEAGUES, WILL BE AWARE OF THE POLICY.



### A HEALTHY WORK AND LIVING ENVIRONMENT

Kulim recognises that HIV is not transmitted by casual contact. Within our operations, there are very few areas where the spread of HIV might occur. We do not require employees with HIV/AIDS to inform Kulim of their status. If an employee chooses to inform another employee that he/she has HIV/AIDS, this information cannot be disclosed to any other person, including human resources managers and medical personnel, without the consent of the employee. If informed, we will respond to the changing health status of employees by making reasonable improvements in hygiene within staff accommodation area. We will not restrict their work, as long as they are able to perform their duties safely and in accordance with performance standards.



### NON-DISCRIMINATION

Kulim understands that people with HIV/AIDS may live full and active lives for many years and we will not discriminate or tolerate discrimination against employees or job applicants on any grounds, including HIV/AIDS. We will not require HIV testing as a prerequisite for recruitment, access to training or promotion. Any pre-employment medical examination – or any other test required for employment purposes – will not include an HIV test.

### PREVENTION AND SUPPORT

Kulim sees HIV/AIDS prevention as the responsibility of all employees, including senior management and supervisors. Kulim will involve employees and their representatives in the planning and implementation of awareness, education and counselling programs, especially as peer educators, counsellors and home-based care providers. We recognise that HIV/AIDS often affect women in different ways than men, and seek to ensure that information and counselling is gender-sensitive.

Kulim will treat employees who are infected or affected by HIV/AIDS with empathy and care, and will provide all reasonable assistance, which may include counselling, time off, sick leave, and information regarding the virus and its effects.

### DIALOGUE

In designing and implementing awareness and education programs, we will seek cooperation, support, and knowledge of employees and their representative organisations, NGOs, faith-based organisations and/or governmental organisations with expertise in HIV/AIDS.







## community and economic contributions

ORIGINATING AS A PART OF THE JOHOR CORPORATION, KULIM HAS ALWAYS HAD A HIGH-LEVEL COMMITMENT TO COMMUNITY INVOLVEMENT AND DEVELOPMENT. OUR COMMITMENT TO COMMUNITY DEVELOPMENT INCLUDES NOT ONLY CHARITABLE DONATIONS, BUT ALSO A COMMITMENT TO HELP GROW THE INCOME OF THE JOHOR STATE AND ITS PEOPLE, AS WELL AS PROTECTING AND RESTORING THE NATURAL ENVIRONMENT OF THE AREA.



repair of roads and drains; and contributions to Darul Hanan, an orphanage established by the Kulim Group's majority shareholder Johor Corporation. Darul Hanan is currently home to 50 children, and has 18 staff. Other recipients of Kulim's charitable donations are Tijarah Ramadan, a TV programme aired during the fasting month.

### INTRAPRENEUR PROGRAMME

In 1995 we launched our "intrapreneur programme" as a pilot project to foster an entrepreneurial spirit among our employees, and in 2005 it was formally adopted by the company. The programme is a combination of mentoring, training and financial support to employees who wish to set up their own business. Employees with a good idea can submit business plans to the company, who will invest between 75% – 95% in the proposed company and assist in developing the necessary capacity and skills. So far, we have seen eight intrapreneur companies launched, in areas ranging from facilities management, agri-machinery to manufacturing of rubber-based products and pineapple and sugarcane plantings.

**T**he Johor state has evolved tremendously over the last decades, and can now boast very low unemployment rates, with a generally high standard in health and education, along with one of the lowest incidences of poverty in Malaysia. Nevertheless, there are still important areas where Kulim can contribute, both in terms of our operating practices and through monetary and in-kind contributions.

### FREE PRIOR AND INFORMED CONSENT

As part of our commitment to the Principles and Criteria of the RSP0, Kulim is committed to ensure that any land expansion or development does not violate the customary land rights of local communities and indigenous populations. However, Kulim's estates have not expanded significantly over the past two decades, and we have no plans to expand, so have not identified any areas where an FPIC consultation would be relevant. Nonetheless, our commitment stands for any future changes in this strategy, as well as our operations in Papua New Guinea, the Solomon Islands and any future acquisitions.

### COMMUNITY INVESTMENT

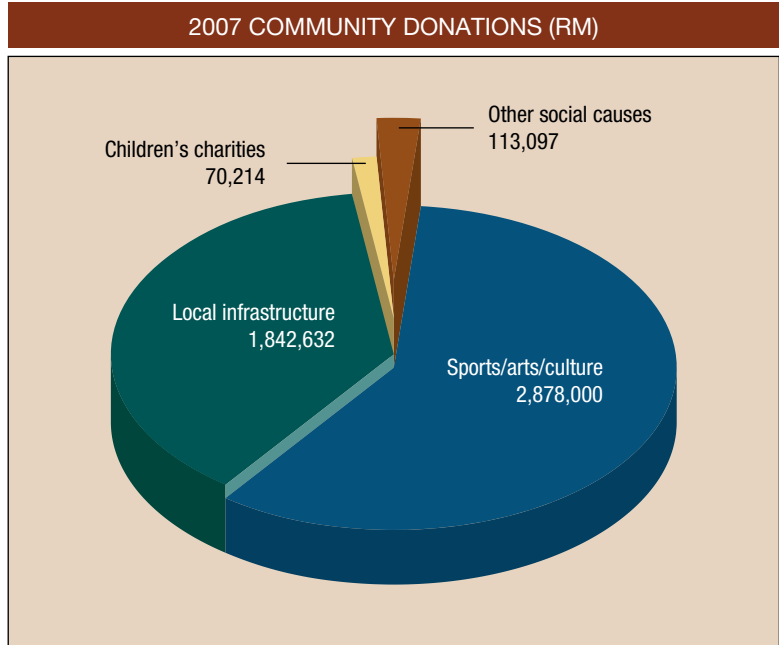
The majority of Kulim's community donations focus on three local causes: the local football club Johor FC, upgrading of local infrastructure, such as





**PRESERVING THE NATURAL ENVIRONMENT**

We also see our contribution to environmental conservation and protection as a significant contribution, as this both preserves resources for future generations and increases the tourism potential of Johor state. Our latest partner is Wild Asia, a not-for-profit conservation group. Wild Asia will be working with Kulim to organise a local tree planting event to launch efforts to protect the natural vegetation along Sungai Labis at Kulim's Labis Bahru Estate in Johor. This will be an exciting extension to our work on natural corridors.





# 4.

## environment performance

- ▶ Biodiversity
- ▶ Soil Conservation, Effluents, Water and Waste
- ▶ Climate Change





# biodiversity

KULIM'S OPERATIONS ARE ALL BASED IN THE SOUTHERN PART OF PENINSULAR MALAYSIA – AN AREA WHOSE BIODIVERSITY HAS NOT BEEN AS SCRUTINISED AS THAT OF SARAWAK AND SABAH IN MALAYSIAN BORNEO. MANY BELIEVE THAT PENINSULAR MALAYSIA HAS ALREADY BEEN DEVELOPED TO THE EXTENT THAT THERE IS LITTLE BIODIVERSITY LEFT. DURING OUR WORK WITH RSPO CERTIFICATION, WE HAVE IDENTIFIED A SURPRISING AND IMPRESSIVE NUMBER OF SPECIES AROUND – AND SOMETIMES WITHIN – OUR PLANTATIONS.

### RAPID BIODIVERSITY ASSESSMENTS

In preparation for our RSPO audit, we commissioned Rapid Biodiversity Assessments to assist us in identifying habitat and biodiversity in and around our plantation, and to highlight any areas of conflict with regards to biodiversity. High Conservation Values, indicative of the highest biodiversity priority, are to be prioritised. The assessment was undertaken by an independent expert and included all fifteen of our estates located in Johor. Identified and (credibly) reported wildlife species were assessed based on their conservation status as reported by the UN designated international conservation bodies IUCN and CITES.



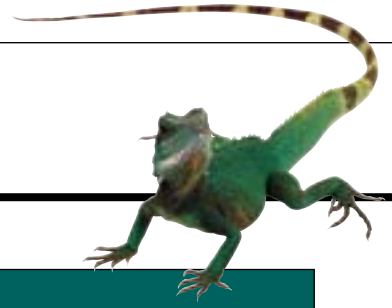
### ACTION PLANS TO PROMOTE AND PROTECT BIODIVERSITY

Although few in numbers, we have discovered that elephants, tapirs, numerous types of monkeys and birds and perhaps even tigers roam near our boundaries and depend on our land for waterways and corridors. We also identified threats to watercourses, wetlands and habitats. Through analysis by external biodiversity experts, we are now mapping out and assigning responsibilities to each estate to ensure that cultivation, agricultural practices and buffer zones are supportive of the endemic and threatened species and their habitat.

We have divided these plans into short term actions and medium-to-long term strategies:

Actions 2008 – 2009
All remaining forested areas within the plantations are to be retained and managed for potential development into full-fledged HCVF or as stepping stone in biological corridors.
Replanting around designated biodiversity areas must be done in stages, with never more than one side exposed to the replanting process at any given time. Where an HCV is present or suspected, the replanting must be scheduled in such a way that the area is always surrounded by a mix of stands of age-classes of minimum 5 years difference.
Where migratory birds are found to be present, major operations like replanting should only be carried out in the period from May until November.
Commission waterbird census on major water bodies in each estate during the January – March period to investigate possible importance for migratory birds.
The good, dual-purpose wetland/reservoir should be the subject of a special study (i.e. for its original relief, construction methods, source water management, floodings, disasters, past and present dam management). Findings to be used in design and management of reservoirs in other estates.
Wetlands and high-quality reservoirs are particularly vulnerable to sedimentation and need extra care taken. Various measures such as re-alignment of roads, construction of turn-out drains and silt traps, and implementation of measures to control sheet erosion, etc should be implemented and planned.
Commission detailed surveys in forest remnants to confirm and assess species richness (mammals, birds, flora) and breeding status of respective species found there (Silvered Leaf Monkey, Rhinoceros Hornbills, Giant Squirrels).
Erosion control measures to be stepped up virtually everywhere to reduce the sediment load on streams and reservoirs, in compliance with RSPO Principle 4, Criterion 4.3.





Medium to long term strategies
Re-examine of all streams (drains) and buffer zones defined and implemented for erosion control and biodiversity.
Develop an environmental unit within the SPO Department to analyse wildlife data properly, in relation to management as well as biodiversity conservation issues, and communicate with estates on outcomes and results.
Within the RSPO, set up a working group on environmental issues focusing on management of biodiversity resources for the sake of biodiversity, not just HCVs and ERTs. This should be tied in with guidelines or criteria on best management practices and may ultimately lead to the development of an additional Criterion under Principle 5.
Foster good working relations with suitable NGOs and institutes of science and higher learning with the aim of providing the SPO Department with a broader resource base for the conduct of surveys and interpretation of results.
Though increasingly used and apparently very effective at erosion control, Mucuna may also have some unexpected negative effects. Its dense groundcover also provides excellent refuge to small rodents, in the process possibly giving populations of pest species a head start.
Investigate the possibility of acquiring neighbouring (degraded) forest area to provide Rhinoceros Hornbill breeding sites and restore linkages with forest refuges within the estate.

IUCN Red List Category	Status	Mammals	Birds
<b>Threatened</b>	<b>Endangered</b>	Asian Elephant	
	<b>Vulnerable</b>	Malayan Tapir Pig-tailed macaque	Lesser adjutant
<b>Lower risk</b>	<b>Near threatened</b>	Long-tailed macaque Pangolin Silvered leaf monkey	Rhinoceros Hornbill Grey-headed fish eagle Lesser fish eagle Black hornbill
	<b>Least concern</b>	Binturong Leopard Black giant squirrel Horse-tail squirrel Wild board Spectacled Langur Greater Mouse deer	Lesser Whistling Duck Oriental Pied Hornbill Red Junglefowl
<b>Data deficient</b>	Malayan Sun-bear		



### KULIM'S WILDLIFE DEFENDERS

One major issue is encroachment: In boundary areas where Kulim have abandoned to allow regrowth of forest, or to protect or re-establish wildlife corridors, there is a risk that neighbouring estates or outgrowers will cultivate the land. Kulim has now strengthened monitoring of this, and we will train our security staff in dealing with encroachment issues as well as human-wildlife conflict. This project has been developed in partnership with the Wildlife Conservation Society, who provides training and in-depth knowledge.



## soil conservation, effluents, water and waste



AS ONE OF THE INDUSTRY PIONEERS IN ENVIRONMENTAL MANAGEMENT, WE ADHERE TO GOOD AGRICULTURAL PRACTICES (GAP) AND HAVE NOW ADOPTED THE RSPO PRINCIPLES AND CRITERIA TO ENSURE CONTINUOUS IMPROVEMENT IN ALL OUR OPERATIONS. OUR SUSTAINABILITY POLICY LAYS DOWN STRATEGIES FOR ALL OPERATIONS NOT ONLY COMPLIANCE WITH STATUTORY ENVIRONMENT LAWS AND REGULATION, BUT BEYOND THIS THROUGH ECOLOGICALLY-FRIENDLY ESTATE MANAGEMENT PRACTICES, INCLUDING INTEGRATED PEST MANAGEMENT, MINIMISING HERBICIDE CONSUMPTION, SOIL CONSERVATION AND UTILISATION AND RECYCLING OF PALM OIL MILL BY-PRODUCTS.

### SOIL CONSERVATION

The planting of leguminous cover crops to minimise soil erosion is standard practice at Kulim. Following extensive trials a shade tolerant legume has been adopted for all replanting programmes. The species selected protects surface soil from erosion and recycles plant nutrients while enhancing the soil's organic and moisture content.

Terraces are constructed on hilly terrain and the vigorous Guatamala grass, *Tripsacum Luxam*, planted along high risk erosion areas at stream embankments and near bridges. Biocompost and empty fruit bunches (EFB) mulch are applied to retain water as well as to substitute inorganic fertiliser. To abate soil erosion, cut fronds are stacked perpendicular along harvester's path.

### MINIMISING AND REPLACING CHEMICAL FERTILISER USE

The application programmes of inorganic chemical fertilisers are carefully measured for optimal usage and to control costs. To minimise the loss of applied nutrients, we use mechanical fertiliser spreaders where possible. To protect land from erosion and to maintain non-deleterious ground vegetation, a weed management policy is put to effect instead of indiscriminate weed control. Herbicide usage is minimised by the mechanical cutting of paths for harvesters. This practice in mature areas form a part of estate weed management goal to promote the proliferation of soft grasses.

An intensive effort has been made by Kulim in the commercial production of biocompost, organic fertiliser and soil conditioner, from the integration of EFB and Palm Oil Mill Effluent (POME). The benefits are two-fold as the by-products are recycled and reused to enrich the soil whilst reducing the usage of chemical fertilisers. The Mills Integrated Waste Management System (MIWAMAS) involves the shredding of EFB and placing the material in rows before being sprayed with POME. Inoculants are added to speed up the composting process. Our pioneer MIWAMAS plant – the first commercial plant in the country – is located at Sedenak Estate, Johor. A total of 7,405 tonnes of biocompost produced was used in 2007 as a substitute for inorganic fertiliser and soil conditioner. As a matter of policy, biocompost is incorporated in planting holes for all replants except in flood prone or high water table areas.

### INTEGRATED PEST MANAGEMENT

Kulim is committed to reducing the use of agri-chemicals through Integrated Pest Management (IPM) programme involves the combination of a variety of methods of biological and chemical solutions control to suppress pest populations to below the economic injury-causing level.

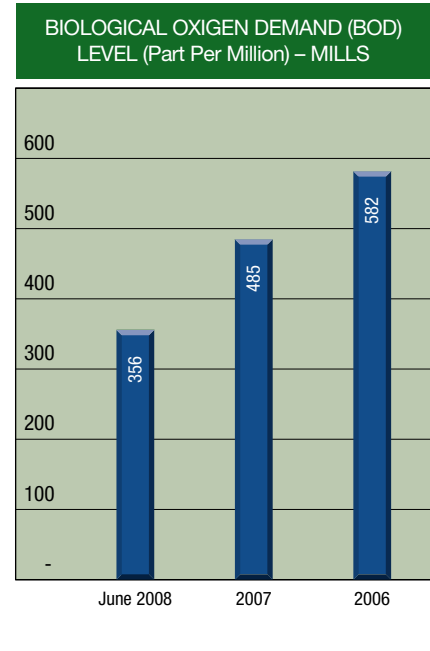
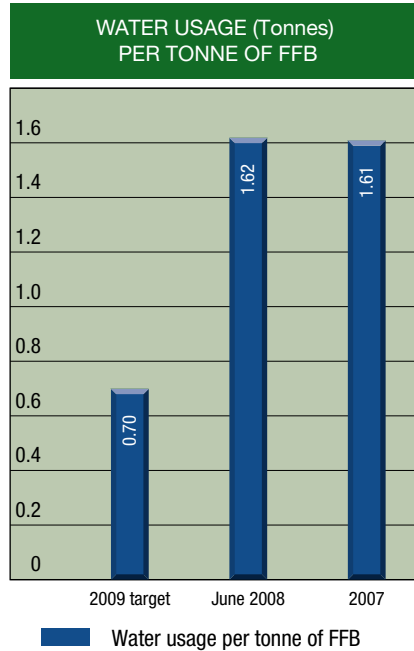
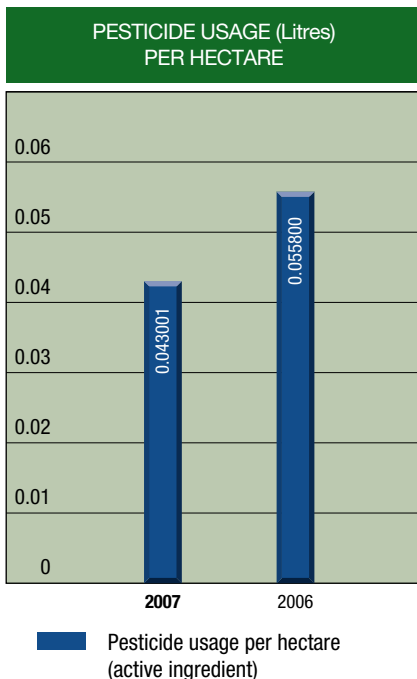
Rats are found in virtually all oil palm and they are known to cause very severe damage in nurseries and to young palms if control measures are not effective. To address this problem and minimise the use of pesticides, an eco-friendly alternative method for rat control is through the breeding

of barn owl, Tyto Alba. The diet of the barn owl consists of 98% rats and about 2,000 rats per year can be consumed by a pair of owls and their offspring. Breeding boxes for the barn owl have been erected throughout our estates since the 1980s, and has significantly reduced our need to use traditional rat poison.

Bagworms are other serious pests of oil palm in Malaysia. An integral part of IPM is the planting of beneficial plants to encourage the proliferation of natural enemies for the control of bagworms and nettle caterpillars.

The Oryctes Rhinoceros beetle is a common pest in Malaysia, as it enters the heart of the palms and feed on the tender tissues within. As a result, new leaves will be damaged. We have found that pheromone traps the beetle effectively, preventing spreading and proliferation.

Apart from reduction in chemicals, Kulim are also seeking to reduce spraying. For the control of leaf-eating pests, we have adopted trunk injection of insecticides in place of spraying, wherever possible, which has the advantage of preserving beneficial insects.



**RECYCLING, WASTE MANAGEMENT AND UTILISATION OF NATURAL RESOURCES**

Oil palm production and processing produces large quantities of by-products and wastes such as EFB, excess fibre, excess shell and POME. To reduce wastage, these by-products are recycled into the fields. Recycling into fields provides an excellent source of plant nutrient, is environmentally friendly, and is in compliance with environmental legislation. POME generated from mills will be treated at the effluent treatment plant before it is discharged into the watercourse or sent to estates for land application. In 2007, we recycled a total of 117,277 tonnes of EFB and 346,047 tonnes of POME.

We also introduced a recycling programme that involved the proper disposal of used pesticides and fertiliser containers to further complement the treatment of scheduled wastes. Our fertiliser container recycling programme involves the collection and return of all empty fertiliser containers to our fertiliser supplier, who recycles them at source. In 2007, we were the first plantation company in Malaysia to launch a Pesticide Stewardship Programme, whereby collections of pesticides container is scheduled every quarter. The programme was developed in collaboration with Malaysian Croplife and Public Health Association (MCPA) and Malaysian Department of Agriculture.

**ISO 14001**

In 2004, Kulim's Sedenak Estate was one of the first plantations in the country to achieve ISO 14001 certification. Today, two of our estates and one mill are certified to the ISO 14001 standard. Under ISO 14001 frameworks, mills and estates are to implement environmental policies with third party certification subsequently being carried out. The framework was also used as a basis for implementing the RSPO Principles and Criteria.



## climate change



CLIMATE CHANGE HAS EMERGED AS ONE OF THE BIGGEST THREATS TO PEOPLE AND PLANET. FOR THE AGRICULTURAL SECTOR, CLIMATE CHANGE MAY ALSO CREATE THREATS TO PROFITS, AS OUR INDUSTRY IS SENSITIVE TO CLIMATIC CHANGES AND NATURAL DISASTERS. WE ARE THEREFORE COMMITTED TO DOING EVERYTHING WE CAN TO SUPPORT SOLUTIONS AND MINIMISE OUR IMPACTS ON GLOBAL WARMING AND EMISSIONS.

### ZERO-BURNING

The main source of carbon emissions related to palm oil is linked to large-scale agricultural development during land clearing stages. In this respect, our impacts are minimal, as we have no immediate plans to develop additional land. However, since 1984 we have enforced a strict zero-burning policy, which applies to both replanting and new developments. Zero-burning techniques contribute towards a cleaner, greener environment and enhance soil fertility by returning nutrients and organic matter to land. This technique has now been taken a step further by the utilisation of oil palm chips from felled trees in a single layer along new planting rows which has the additional benefit of curtailing breeding sites for the *Oryctes Rhinoceros* beetle.

### CARBON CREDIT PROJECTS

During production of CPO at the palm oil mill, wastewater is generated with a high organic load. The biological degradation takes place under anaerobic conditions, in lagoons. These open lagoons emit methane. Methane is a potent greenhouse gas, 21 times more harmful than carbon dioxide.

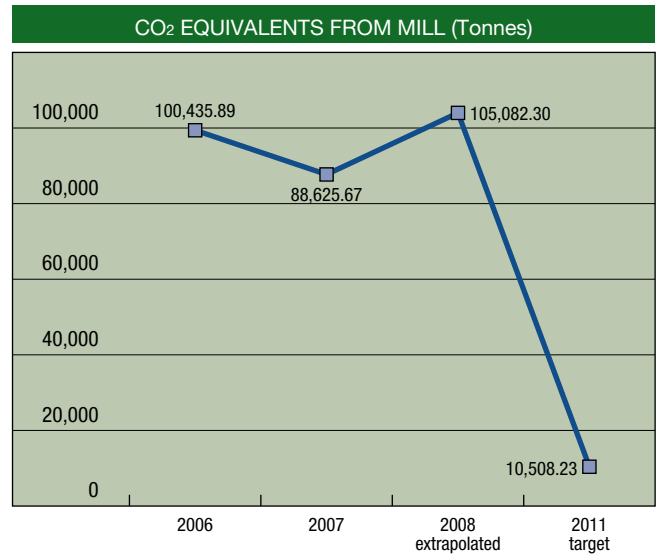
We are currently working with specialists to develop a project to capture methane at source through a technology that is classified as a CDM project that will attract not only attract carbon credits, but also reduce the consumption of diesel through the use of methane as a fuel to produce electricity. The first project is scheduled to commence operation in 2008 at our Sedenak Mill and to be followed by other mills.

**PEAT**

Peat is often described as a “carbon sink”, as the emissions from degrading or burning peatlands can lead to devastatingly high carbon emissions. For plantations already planted on peat, water table management is the best way to prevent additional emissions. Of Kulim’s 35,000 ha, approx 1,380 ha is planted on peat land. Conversion took place in 1999 – 2002, and Kulim places great emphasis on the continued responsible management of this area.

**TRANSPORT**

Currently, Kulim sells all its oil to buyers on the Malaysian peninsular, and as such our transport emissions are fairly limited. However, we estimate that we operate approximately 500 vehicles within our plantations. Currently, there are no alternatives, such as low-emission vehicles available for this type of use, but we will continue to monitor more energy efficient options.









# 5.

## data and notes to report

- ▶ Data Pages
- ▶ Global Reporting Initiative G3 Index
- ▶ About Kulim's 2007 - 2008 Sustainability Report
- ▶ Glossary
- ▶ Contact and Feedback



## data pages

			30 June 2008	2007	2006	
<b>PROFIT</b>	Total revenue – Kulim Group	RM Million	–	2,741.49	1,815.48	
	Total revenue – Malaysia Plantation	RM Million	–	339.57	284.28	
	Yield per hectare (mature palms)	Tonnes	–	22.65	25.61	
	Extraction rate CPO	%	–	18.75	18.79	
	Extraction rate PK	%	–	5.21	5.29	
	Total hectares oil palm		35,221*	28,779	29,815	
	Total hectares (other uses)		2,402	2,533	1,607	
<b>PEOPLE</b>	Total employees		5,239	5,048	4,604	
	Employee turnover	%	3.13	5.85	8.62	
	Number of employees by categories	Management		177	179	161
		Non-executive staff		334	334	331
		Workers		4,728	4,535	4,105
	Number of employees by gender	Female		557	564	575
		Male		4,682	4,484	4,029
	Average number of formal training hours (salaried staff)		29.18	28.93	28.24	
	Breakdown of charitable contributions (RM)	Sports/arts/culture		3,185,170	2,878,000	2,598,976
		Local infrastructure		303,547	1,842,631	625,145
		Children's charities		481	70,214	98,164
		Other social causes		247,000	113,096	38,954
	Lost time accident rate	Incidents per 200,000 working hours		11.2	9.7	10.6
Severity rate	Average number of lost days per incident		3.7	3.6	4.4	
Fatalities			1	1	3	
<b>PLANET</b>	Pesticide usage per hectare (active ingredients)	Litres	–	0.0430	0.0558	
	CO <sub>2</sub> Equivalents from mills	Tonnes	52,541	88,625	100,435	
	Biological Oxygen Demand (BOD) level	Part per million (ppm)	356	485	582	
	Total water usage (all operational uses including irrigation)	Tonnes	630,995	1,242,182	1,134,275	

\* Increase due to formal inclusion of *Sindora estates*.

# global reporting initiative G3 index

GRI Disclosure		Type	Location – section
STRATEGY AND ANALYSIS			
1.1	CEO statement	Core	Welcome
1.2	Description of key impacts, risks, and opportunities	Core	Strategy and business development
ORGANISATIONAL PROFILE			
2.1	Name of the organisation	Core	Who we are
2.2	Primary brands, products, and services	Core	Who we are
2.3	Operational structure	Core	Who we are
2.4	Headquarters location	Core	Who we are
2.5	Countries of operation	Core	Who we are
2.6	Nature of ownership and legal form	Core	Who we are
2.7	Markets served	Core	Who we are
2.8	Scale of organisation	Core	Who we are
2.9	Significant changes during the reporting period regarding size, structure, or ownership	Core	Who we are
2.10	Awards received during the reporting period	Core	Who we are
REPORT PARAMETERS			
3.1	Reporting period	Core	About the report
3.2	Date of most recent previous report	Core	About the report
3.3	Reporting cycle	Core	About the report
3.4	Contact	Core	Contact us
3.5	Process for defining report content	Core	About the report
3.6	Boundary of the report	Core	About the report
3.7	Limitations of the scope or boundary of the report	Core	About the report
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that could affect comparability	Core	About the report
3.9	Data measurement techniques and assumptions	Core	Notes to data
3.10	Explanation of the effect of any restatements of information provided in earlier reports	Core	Notes to data
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Core	Notes to data
3.12	GRI content index	Core	GRI Index
3.13	Policy and current practice with regard to seeking external assurance for the report	Core	About the report



GRI Disclosure		Type	Location – section
GOVERNANCE, COMMITMENTS AND ENGAGEMENT			
4.1	Governance structure	Core	Corporate Governance
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Core	Corporate Governance
4.3	State the number of members of the highest governance body that are independent and/or non-executive members	Core	Corporate Governance
4.4	Mechanism for shareholders and employees to provide recommendations or direction to the board	Core	Corporate Governance
4.8	Statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Core	Strategy and business development
4.9	Board procedures for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	Core	Corporate Governance Policy framework and management systems
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	Core	Policy framework and management systems
4.13	Memberships in associations or advocacy organisations	Core	Policy framework and management systems
4.14	List of stakeholder groups engaged by the organisation	Core	Responsiveness and engagement
4.15	Basis for identification and selection of stakeholders with whom to engage	Core	Responsiveness and engagement
Not covered: 4.5, 4.6, 4.7, 4.10, 4.11, 4.16			
ECONOMIC PERFORMANCE			
	Disclosure on Management Approach	Core	Community and economic contributions
EC1	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Core	Community and economic contributions
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Core	Climate Change
EC3	Coverage of the organisation's defined benefit plan obligations	Core	Securing basic labour rights
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Additional	Securing basic labour rights
EC6	Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation	Core	Who we are
EC7	Procedures for local hiring and proportion of senior management hired from local community of significant operations	Core	Diversity and non-discrimination
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro-bono engagement	Core	Community and economic contributions
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Additional	Community and economic contributions
Not reported: EC4			

GRI Disclosure		Type	Location – section
ENVIRONMENTAL			
	Disclosure on Management Approach	Core	Policy framework and management systems
EN1	Materials used by weight or volume	Core	Effluents and waste
EN2	Percentage of materials that are recycled input material	Core	Effluents and waste
EN3	Direct energy consumption by primary energy source	Core	Climate Change
EN5	Energy saved due to conservation and efficiency improvements	Additional	Climate Change
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Additional	Climate Change
EN8	Total water withdrawal by source	Core	Effluents and waste
EN10	Percentage and total volume of water recycled and reused	Additional	Effluents and waste
EN11	Location and size of land owned, leased and managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Core	Biodiversity
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Core	Biodiversity
EN13	Habitats protected and restored	Additional	Biodiversity
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	Additional	Biodiversity
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Additional	Biodiversity
EN16	Total direct and indirect greenhouse gas emissions by weight	Core	Climate Change
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Additional	Climate Change
EN22	Total weight of waste by type and disposal method	Core	Effluents and waste
EN25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	Additional	Biodiversity Effluents and waste
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Core	Biodiversity Effluents and waste
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	Additional	Climate Change
Not reported: EN4, EN7, EN9, EN17, EN19, EN20, EN21, EN23, EN24, EN27, EN28, EN30			

GRI Disclosure		Type	Location – section
SOCIAL			
LABOR PRACTICES AND DECENT WORK			
	Disclosure on Management Approach	Core	Securing basic labour rights
LA1	Total workforce by employment type, employment contract, and region	Core	Overview of Kulim
LA2	Total number and rate of employee turnover by age group, gender and region	Core	Diversity and non-discrimination
LA4	Percentage of employees covered by collective bargaining agreements	Core	Securing basic labour rights
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	Core	Health and Safety
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Core	HIV/AIDS
LA10	Average hours of training per year per employee per category	Core	Employee Development
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Additional	Employee Development
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Core	Corporate Governance Non-discrimination and diversity
Not reported: LA3, LA5, LA6, LA9, LA12, LA14			
HUMAN RIGHTS			
	Disclosure on Management Approach	Core	Policy framework and management systems
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Core	Community and economic contributions
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Core	Smallholders
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Core	Securing basic labour rights
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	Core	Securing basic labour rights
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour	Core	Securing basic labour rights
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations	Additional	Health and safety
Not reported: HR3, HR4			



GRI Disclosure		Type	Location – section
SOCIETY			
	Disclosure on Management Approach	Core	Business ethics Community and economic contributions
S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	Core	Community and economic contributions
S02	Percentage and total number of business units analysed for risks related to corruption	Core	Business ethics
S05	Public policy positions and participating in public policy development and lobbying	Core	Business ethics
Not reported: S03, S04, S06, S07, S08			
PRODUCT RESPONSIBILITY			
Not reported: PR1, PR2, PR3, PR4, PR5, PR6, PR7, PR8, PR9			

Full report
  Partially reported
  Not reported

## about Kulim's 2007 - 2008 sustainability report

**Q:**

### WHO IS THE REPORT FOR?

**A:** We have reported substantially on our sustainability efforts in our annual report every year since 2006, but this is our first stand-alone sustainability report. Our target audiences for this Report are primarily "professional stakeholders", such as investors, business-to-business customers, professional staff, NGOs and media. The Report content will form the basis of additional communications and engagement with broader groups such as communities, fieldworkers and suppliers, in formats better suited to such groups.

**Q:**

### DOES THE REPORT COVER ALL OF KULIM'S OPERATIONS?

**A:** The Report covers Kulim's oil palm plantations in Malaysia only. Data and processes described do not cover the company's operations in manufacturing or foods and restaurants, nor does it cover operations by its subsidiary NBPOL, except where indicated. NBPOL has produced its own sustainability report, also based on the Global Reporting Initiative. The Report does not include joint ventures or minor office-based activities outside of Malaysia.

**Q:**

### WHAT PERIOD DOES THE DATA COVER?

**A:** Due to the timing of the Report, all financial and market information is based on year-end 2007 results, whereas environmental and social data is primarily collated up to the July 2008 RSPO audit. The data notes specifies the exact dates covered by each indicator or dataset.

**Q:**

### HOW WERE MATERIAL ISSUES DETERMINED?

**A:** The Report covers all social, economic and environmental issues deemed material to the company. The Report content was determined on the basis of several processes, combining external stakeholder expectations with internal consultations. As a starting point, the Report seeks to address all RSPO Principles and Criteria. Kulim sees the Principles and Criteria as a direct expression of core stakeholder issues to be addressed. Based on this overall scoping, the senior management team, representing all main operations areas went through a half day workshops covering external views on oil palm. On this basis, the management team identified key issues to the company and those considered key to external stakeholders, using the GRI materiality matrix. As a guideline "high-impact/high expectation" issues were prioritised. Issues deemed "low-impact/high expectation" or "high impact/low expectation" are included in the report, but with less emphasis.

**Q:**

### WILL YOU REPORT EVERY YEAR?

**A:** Kulim is committed to continuing sustainability reporting, and will issue a report covering a full year 2009 Sustainability Report in early 2010. Going forward, stakeholders feedback will determine whether to report annually or bi-ennially.

**Q:**

### DOES KULIM USE ANY REPORTING FRAMEWORKS?

**A:** The Report has used the GRI G3 Guidelines as the basis of reporting, and the reporting team believes that the report has achieved a "C" application level. Furthermore, the principles of the AA1000 standard of Responsiveness, Materiality and Completeness have been instrumental in determining report content.

**Q:**

### IS THE REPORT AVAILABLE IN OTHER LANGUAGES?

**A:** The Report will be published in English and in Bahasa Malaysia.

## glossary

### BIODIVERSITY

The diversity (number and variety of species) of plant and animal life within a region.

### BIOFUELS

Biofuels are fuels that are derived from biomass (recently living organisms such as wood or vegetable oil) or their metabolic by-products, such as manure from cows. They are a renewable energy source, unlike other natural resources such as petroleum or coal.

### 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.

### BUMIPUTRA

Bumiputra are all indigenous people of Malaysia, including Malay and other original ethnic groups such as the "Orang Asli" in Malaysian Borneo.

### CLEAN DEVELOPMENT MECHANISM (CDM)

CDM projects are initiatives that reduce carbon emissions and are approved under the Kyoto Protocol. A crucial feature of an approved CDM carbon project is that it has established that the planned reductions would not occur without the additional incentive provided by emission reductions credits, a concept known as "additionality".

### CO<sub>2</sub> EQUIVALENTS

Carbon dioxide (CO<sub>2</sub>) equivalents provide a universal standard of measurement against which the impacts of releasing (or avoiding the release of) different greenhouse gases can be evaluated.

### EFFLUENTS

Water discharged from one source into a separate body of water, such as mill process water.

### GLOBAL REPORTING INITIATIVE (GRI)

A multi-stakeholder standard for sustainability reporting, providing guidance on determining report content and indicators.

### HIGH CONSERVATION VALUES

The concept of High Conservation Value Forests (HCVF) was first developed by the Forest Stewardship Council (FSC) in 1999 as their 9th principle. The FSC defined HCVF as forests of outstanding and critical importance due to their environmental, socio-economic, cultural, biodiversity and landscape value.

### INTERNATIONAL LABOUR ORGANISATION (ILO)

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.

### INDEPENDENT DIRECTOR

According to the Listing Requirements of Bursa Malaysia, an Independent Director is "not acting as a nominee or representative of any executive director or major shareholder of the said Corporation." There are exceptions for shareholders holding less than 15% of the share, as well as certain types of public and collective trusts.

### INTEGRATED PEST MANAGEMENT (IPM)

Integrated Pest Management (IPM) is a pest control strategy that uses an array of complementary methods: mechanical devices, physical devices, genetic, biological, legal, cultural management, and chemical management. These methods are done in three stages: prevention, observation, and intervention. It is an ecological approach with a main goal of significantly reducing or eliminating the use of pesticides.

### IUCN RED LIST

The International Union for Conservation of Nature and Natural Resources (also known as The World Conservation Union) is an organisation based in Switzerland which is involved in preservation of natural resources. Publishes the Red Data Book, which lists the endangered species of every nation.

### NON-EXECUTIVE DIRECTOR

A Board Director who does not currently hold other employment with the company. Unlike an Independent Director, a non-executive can have significant financial interests or close personal ties to the company.

### PEAT

Peat is an accumulation of partially decayed vegetation matter. Peat forms in wetlands or peatlands, variously called bogs, moors, muskegs, pocosins, mires, and peat swamp forests.

### ROUNDTABLE ON SUSTAINABLE PALM OIL (RSPO)

A multi-stakeholder organisation based in Kuala Lumpur, Malaysia. The organisation has developed a certification scheme for sustainable palm oil.

### SOCIAL IMPACT ASSESSMENT

Social impact assessments includes the processes of analysing, monitoring and managing the intended and unintended social consequences, both positive and negative, of planned interventions (policies, programs, plans, projects) and any social change processes invoked by those interventions. Its primary purpose is to bring about a more sustainable and equitable biophysical and human environment.

### STAKEHOLDERS

Any group or individual who are affected by or can affect the 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".



## contact and feedback

This is Kulim's first Sustainability Report, and we would welcome your feedback.

### MAILING ADDRESS:

Kulim (Malaysia) Berhad  
c/o EPA Management Sdn Bhd  
Ulu Tiram Estate, Ulu Tiram  
K.B. No. 705, 80990 Johor Bahru  
Johor, Malaysia

Tel : 607 861 1611  
Fax : 607 863 1902/1084

**TAN SRI DATO' MUHAMMAD ALI HASHIM**  
Chairman  
mahh@kulim.com.my

**AHAMAD MOHAMAD**  
Managing Director  
ahamad@kulim.com.my

**ABDUL HAMID ABDUL RAHMAN**  
Head of Internal Audit  
hamid@kulim.com.my

**SALASAH ELIAS**  
Manager, Sustainability Department  
salasah@kulim.com.my

**MAHMUD SAIDOO**  
Manager, Sustainability Department  
mahmud@kulim.com.my

**SHAMSUL NIZAM SHAMSUDIN**  
Senior Manager, Corporate Affairs Department  
shamsul@kulim.com.my



THIS REPORT IS PRINTED ON  
ENVIRONMENTALLY FRIENDLY PAPER  
FROM CERTIFIED SUSTAINABLE SOURCES

Designed by: OneMind Advertising Sdn Bhd

Edited and facilitated by Netterstrom Corporate  
Responsibility, UK, [www.netterstrom.dk](http://www.netterstrom.dk)

**Kulim (Malaysia) Berhad** (23370-V)

<http://www.kulim.com.my>