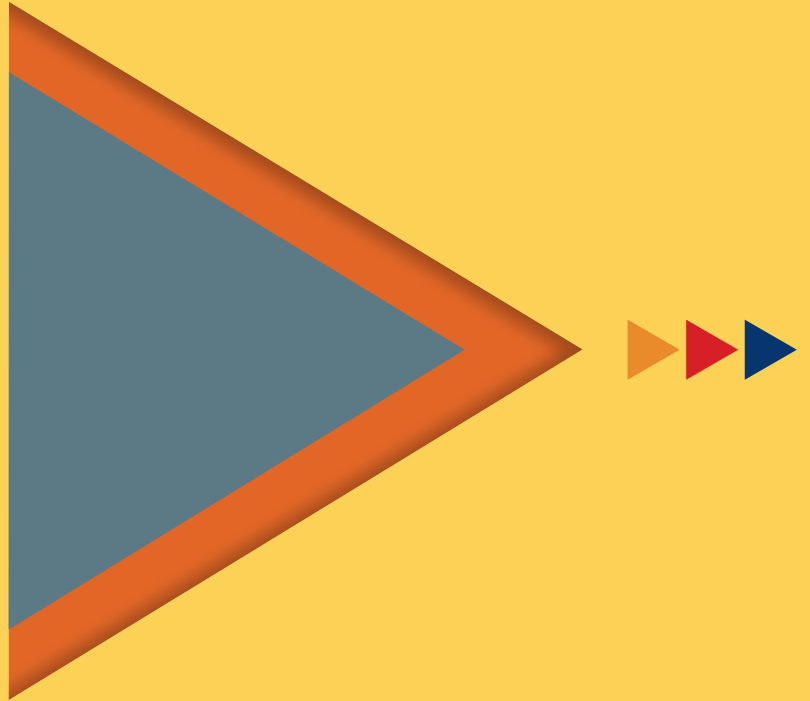




Kulim (Malaysia) Berhad
(23370-V)

We C.A.R.E

Unlocking **Sustainable Value**



PLANTATIONS DIVISION

S U S T A I N A B I L I T Y
R E P O R T 2 0 0 9

AN OVERVIEW OF PALM OIL PRODUCTION PROCESS

3. PLANTING

Optimal plant density is 136 palms/ha with triangular patterns of 30x30 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.



4. HARVESTING

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



ESTATES

2. NURSERY

Geminated 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.



5. DELIVERY TO MILL

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



1. SEEDS

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



6. RECEPTION

FFB from the estates are unloaded from vehicles into hoppers. From the hoppers, FFB are loaded into cages for sterilisation and further processing.



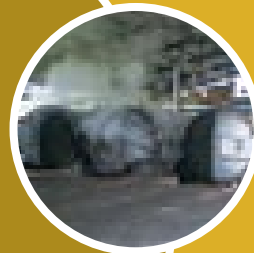
CRUDE PALM OIL ("CPO")

PALM KERNEL ("PK")

MILLS

7. STERILISATION

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



8. 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.



9. 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





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KULIM (MALAYSIA) BERHAD PLANTATIONS DIVISION Sustainability Report 2009

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CHAIRMAN AND MANAGING DIRECTOR WELCOME

We would like to welcome readers to our second Sustainability Report, covering the financial year of 2009, which is an account of our business objectives, values and sustainability performance. This year, we are reporting on progress against our targets, and to increase accountability, we have submitted this report for external assurance.

This report covers a year which brought many difficulties. The world markets faced one of the largest global financial crises ever, creating hardships for many. At the same time, we are still attempting to address an ongoing ecological crisis. As a consequence, many stakeholders look to the business community for solutions, requiring ethical, socially responsible and environmentally friendly business practices and responses.

We have not been immune to the uncertainty that the crisis has brought about, but we have continued to work towards more transparency and responsiveness. Our approach has always been to hold steadfast to our fundamental values as well as long term commitment to commercial and environmental sustainability while delivering shareholders value.

Our sustainability agenda takes into account the fundamental task of dealing in a complex industry. We aim to develop and build a sustainable palm oil business that is premised on trust and efficiency in our operations as well

as addressing longer term challenges that we face as an industry. As one of the first producer to achieve RSPO certification, we have demonstrated an ongoing commitment to meet the needs of a consistently sustainable operating model. Our aim is to create long term value for our customers, investors and society as a whole.

Palm oil is an important commodity to the development of Malaysia. We believe that if grown and produced responsibly, it creates jobs, brings foreign direct investment and alleviates rural poverty. We are therefore proud to be a part of this nation building engagement through our involvement in the industry.

As a committed player in the palm oil industry, we recognise that our leadership is an ongoing learning process. We constantly challenge ourselves and the processes that we go through. We put ourselves through such rigour in order to ensure that our production is more sustainable for the environment. The robustness of our governance structure also receives keen scrutiny. At the same time, we want our

employees to be sufficiently engaged and to account for the social impacts that we have on our various stakeholders. These various aspects form the pulse points of our sustainability engagement.

Since our first Sustainability Report in 2008, we have come a long way. A top priority in 2009 has been taking our Roundtable on Sustainable Palm Oil ("RSPO") journey further by effective management of our business practices. We did this by constantly reviewing and understanding the impact of our operations. We are especially proud of the significant progress we have made in meeting our health and safety targets. However, we are not at the end of the road, and still have challenges in reducing our emissions through an effective Clean Development Mechanism ("CDM"), and ensuring that use of chemicals is reduced further.

We have also been active in mapping out internal capabilities, particularly through the establishment of the Sustainability and Quality Council. We have revamped our Sustainability Department and established the Council in order to

further embed sustainability within our business. The Council is responsible for building strategies and action plans for overall sustainability engagement. It works closely with the various line departments in developing strategies and managing stakeholder relations. The Council reports directly to Managing Director and the Board.

We are hopeful of the impact of our Women OnWards ("WoW") programme, which replaces the Women's Grievance Panel ("PAW"). Kulim is committed to gender equality and promoting opportunities for women, and the recently launched WoW will be responsible for addressing not just issues pertaining to gender discrimination but also work towards integrating female perspectives into our business.

Our community engagement will not be possible without our employees. Under the We Care We Share programme our employees have shown a remarkable spirit of volunteerism in reaching out to their immediate community from tree planting activities to promoting biodiversity awareness among school children.

A priority for us in the coming years will be to ensure that quality of life is improved for all our employees. In essence, we believe that a responsible employer should seek to provide a standard of living which is as good as what you would be content with yourself. We want to find ways to address income disparity for those at the lower end of pay scales – particularly older employees, and we want to continue to improve facilities for those living within our estates.

We regard the Sustainable Palm Oil ("SPO") programme as one of our Corporate Responsibility ("CR") fundamentals. There may be upfront costs involved, but we see this as an investment that will be returned through productivity gains, employee satisfaction and retentions. For us, meaningful CR is to ensure that our business serves a higher social cause, embracing sustainable use of land and water, advocating appropriate treatment of wildlife, and leaving a lasting heritage for our future generations.



AHAMAD MOHAMAD
Managing Director

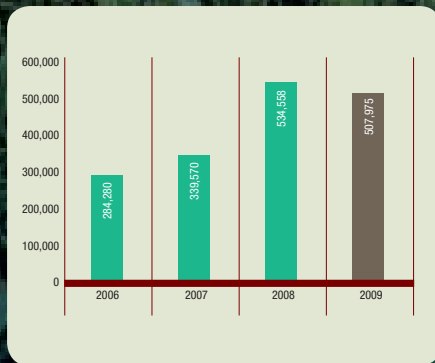
TAN SRI DATO' MUHAMMAD ALI HASHIM
Chairman

TAN SRI DATO' MUHAMMAD ALI HASHIM
Chairman

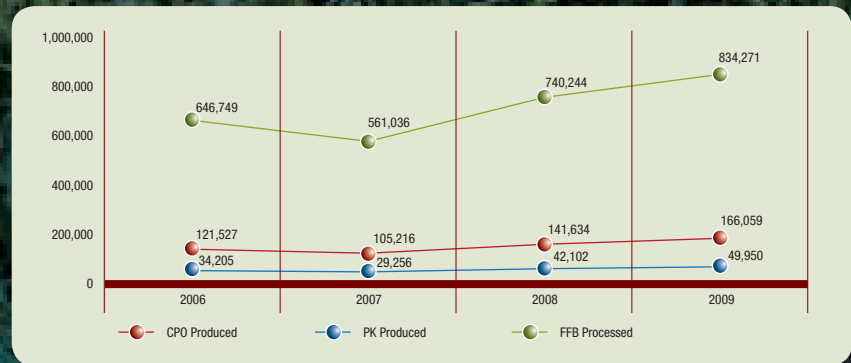
AHAMAD MOHAMAD
Managing Director

KULIM IN BRIEF

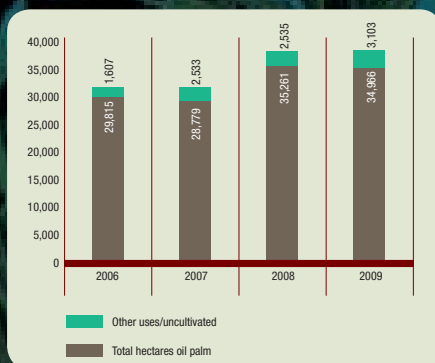
REVENUE - MALAYSIA PLANTATIONS AND SUPPORT RM '000



PRODUCTION - MALAYSIA PLANTATIONS (tonnes)



OUR LAND - MALAYSIA (hectares)



SUSTAINABILITY RECOGNITIONS AND AWARDS IN 2009:

Certification against the RSPO Principles and Criteria
Awarded by the Roundtable on Sustainable Palm Oil
Audited by BSI

Global CSR Awards 2009
Gold Award for Environmental Excellence
Awarded by Pinnacle Group International

Malaysia Sustainability Reporting Awards (MaSRA) 2009
Winner: Best first time reporter
Commendation: Best governance and strategy reporting
Awarded by ACCA Malaysia

Code of Good Nursery Practice for Oil Palm Nurseries - Sindora Estate (Nursery)
Awarded by Malaysian Palm Oil Board (MPOB)

Code of Good Agricultural Practice for Oil Palm Estates and Smallholdings - Sindora Estate
Awarded by Malaysian Palm Oil Board (MPOB)

OUR COMMITMENTS AND TARGETS

	TARGET DATE (YEAR-END)*	YE 2009 STATUS
PEOPLE		
Establish a gender committee to promote diversity and address gender-related issues	2009	Achieved
Rollout of identity card programme to all foreign workers	2011	In progress – on hold due to external factors
100% of external fruit to be certified	2011	In progress
Reduce Lost Time Accident rate to 10	2009	Achieved – 7.5
Reduce severity rate to 3.5	2009	Not achieved 4.2
Zero fatalities	2009	Achieved
No breaches of excessive overtime legislation	2009	Achieved
Assist Johor Corporation-owned plantations in achieving RSPO certification	2010	Achieved
PLANET		
Reduce pesticide usage by 10%	2009	Not achieved - revised
Reduce herbicide usage by 10%	2020	New target
Reduce paraquat usage by 10%	2020	New target
Reduced water usage to 0.7 tonnes per tonnes FFB	2009	Not achieved 0.9 - extended to 2011
CDM projects launched for all three mills	2011	In progress
CO ₂ equivalents reduced by 90%	2011	In progress
No increase in peat development	2009	Achieved
No development on land containing one or more high conservation values	2009	Achieved
No penalties for environment-related incidents	2009	Achieved
PROFIT		
Achieve average FFB yield per hectare of 30 tonnes	2013	In progress
Achieve average combined palm product extraction rate of 30%	2013	In progress

* Where target is an ongoing commitment or has already been achieved, the date denotes next status reporting.

KULIM (MALAYSIA) BERHAD

- OVERVIEW

Kulim is a diversified entity headquartered in Ulu Tiram, Johor, Malaysia. We have been listed on the Main Market of Bursa Malaysia Securities Berhad since 1975. Our core business operations are oil palm plantations, oleochemicals, foods and restaurants and intrapreneur ventures, all with corporate offices in Peninsular Malaysia. This portfolio of activities presents a balanced profile for consistent growth and yields synergies through its links from services (intrapreneur), through raw ingredients (palm oil) to refining (oleochemicals) and retail/food (restaurants).

For the year 2009, our Group revenues exceeded RM5.8 billion, up from around RM4 billion in 2008. The revenue growth is a result of significant expansion in our Foods and Restaurants Division. We recorded pre-tax profits of almost RM522 million, a drop on 2008 (RM667.8 million). The decrease is largely a reflection of historically high crude palm oil ("CPO") in 2008, followed by a sharp drop and subsequent stabilisation in 2009.

Our majority shareholder today is Johor Corporation ("JCorp" - formerly known as Johor State Economic Development Corporation) which has a 52.02% interest. As at year-end 2009, foreign shareholding stood at 16.91%.

PLANTATIONS

Our plantations have been a steady and significant contributor to the Group's growth. In 2009, our Plantations Division contributed around 28% to Group revenues and despite low CPO prices, were responsible for 61% of profits. In Malaysia, our plantations cover over

38,000 hectares in Peninsular Malaysia – 18 estates served by 3 mills. In addition, we manage 24,000 hectares of plantations owned by JCorp – our majority shareholder. We also have a 50.68% stake in London-listed New Britain Palm Oil Limited ("NBPOL"), which has a land bank of just under 87,000 hectares across Papua New Guinea ("PNG") and the Solomon Islands ("SI") (as at 31 December 2009). All of our mills in Malaysia are RSPO certified. Out of NBPOL's six mills, four are certified, and the remaining two are expected to achieve certification in Q2 2010.





OLEOCHEMICALS

We are one of the largest oleochemicals producers in the world. Our subsidiary, Natural Oleochemicals Sdn Bhd ("NatOleo"), produces high quality, natural and eco-friendly oleochemicals. Through NatOleo, we have a presence in both the upstream and downstream value chain of the palm oil industry.

NBPOL is set to become the world's leading provider of traceable sustainable palm oil ingredients with the 2010 opening of New Britain Oils - a UK refinery that will exclusively process traceable, certified sustainable palm oil.

Our manufacturing business is also consolidated by a multi-feedstock methyl ester plant in Tanjung Langsat, Johor, Malaysia.



FOODS AND RESTAURANTS

Through our 62% shareholding in QSR Brands Bhd, we have also become the region's leading and fully integrated food and restaurant enterprise, continuously expanding in Malaysia, Singapore, Brunei, Cambodia and India. The brands that come under our umbrella include Pizza Hut, KFC, Ayamas and RasaMas.

In 2009, our Foods and Restaurants Division accounted for 48% of our revenues – up from 13% in 2008, and we expect this share to grow significantly as a proportion of Group income.

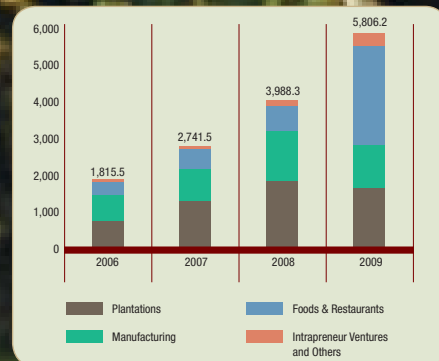


INTRAPRENEUR VENTURES

Our diversified interest is further strengthened by various miscellaneous interests under the 'Intrapreneur scheme', particularly by the 76% acquisition in Sindora Berhad. This scheme supports employees and communities in setting up supporting businesses, such as contractor services or trade shops. Kulim will provide finance and know-how in support of these businesses, creating opportunities beyond its core businesses.

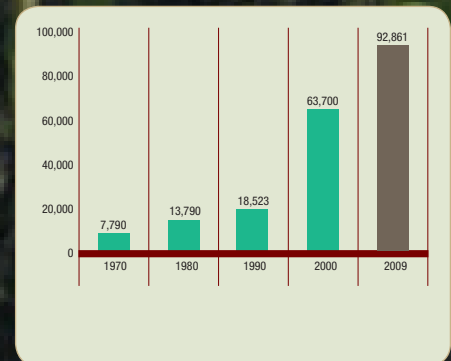
GROUP REVENUE BY SEGMENT

RM million



GROUP PLANTED AREA GROWTH

MALAYSIA, PAPUA NEW GUINEA AND THE SOLOMON ISLANDS (hectares)

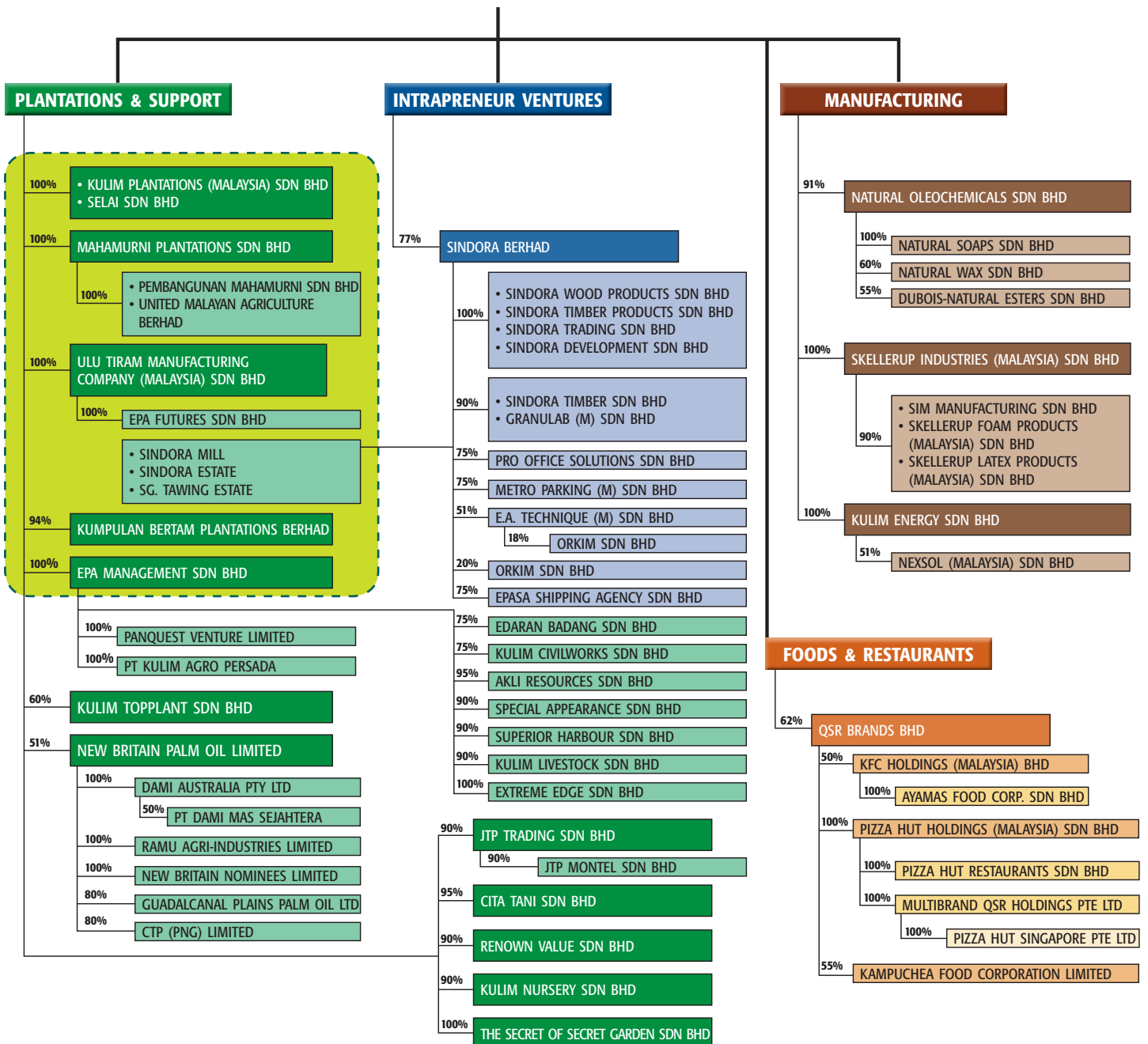


GROUP SIGNIFICANT SUBSIDIARIES

AS AT 31 MARCH 2010



Kulim (Malaysia) Berhad
(23370-V)



SCOPE OF SUSTAINABILITY REPORT 2009

KULIM PLANTATIONS IN MALAYSIA

The focus of our palm oil operations is on quality, sustainability and productivity increases, as we believe this presents the most significant growth vehicle for a Malaysia-based producer.

PLANTATIONS AND MILLS

Our plantations are all based in the southern part of Peninsular Malaysia, in the states of Johor and Pahang. In 2009, we produced 166,059 tonnes of Crude Palm Oil ("CPO") and 49,950 tonnes of Palm Kernel ("PK") from our 34,966 hectares. In addition, our three mills processed over 372,000 tonnes of external fresh fruit bunches ("FFB") from neighbouring estates, smallholders and traders.

Our land bank has been in agricultural use for decades, but borders important national parks, such as the Endau Rompin in the southern part of Peninsular Malaysia. As our operations are based in Peninsular Malaysia, we face restrictions in both land expansion and in availability of labour. However, we believe that continuous and sustainable improvements in our operations can achieve significant productivity gains without physical expansion. Our only

recent expansion in Malaysia has been the acquisition of our sister company Sindora Berhad, and we have no imminent plan to increase our land area.

RESEARCH AND DEVELOPMENT

Our focus on improving crop productivity is based around our ambitious Vision 30:30 – achieving annual yields of 30 tonnes of FFB per hectare and palm product extraction rates of 30 percent. At a wider level, we also seek to maximise use of all inputs and optimise use of waste products from the production process. In addition to the obvious environmental benefits, such resource efficiencies also increase profit margins to the benefit of our shareholders.

Our Research and Development ("R&D") efforts are driven by these objectives. The R&D services are provided by Kulim Agrotech Centre based in Kota Tinggi, Johor. NBPOL also has its own R&D facility. Collaborative efforts are

sometimes undertaken for knowledge sharing purpose.

Good management practices are also crucial in increasing productivity through ongoing improvements in soil conservation, integrated pest management, controlled chemical applications, and waste management. To sustain higher production, we are committed towards improving the average age profile of our palms. The Group Malaysian estates' average age is 12.8 years. Replanting is done with the latest high yielding palm varieties. In 2009, a total of 890.36 hectares were replanted in Malaysia.

We have also undertaken studies related to the inter-cropping of banana, pineapple and pegaga (the herb *Centella Asiatica*) under oil palm as well as recently researched *Jatropha Curcas* as an alternative source of biofuel.



KULIM PLANTATIONS IN MALAYSIA CONTINUED

OUR MARKETPLACE

The majority of our customers are refineries that produce food ingredients and cooking oils – mainly for domestic sales. In the past year, we have also seen a significant increase in sales for biofuels. We believe that this is strongly linked to our RSPO certification, as biofuels customers place great emphasis on the sustainability credentials of its palm oil sources.

We have also joined the Greenpalm trading mechanism – a book and claim system, which allow our customers to buy certificates for the volume of certified palm oil required. This mechanism provides an easy way for even smaller

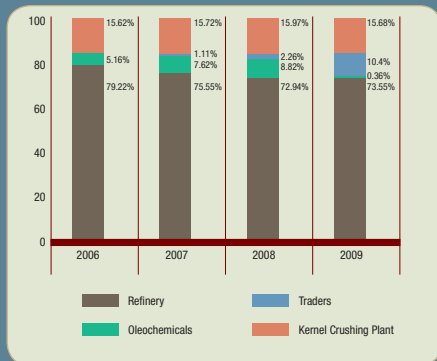
buyers to support certification without the high cost of identity preservation or segregation. The Greenpalm mechanism also covers Palm Kernel Oil ("PKO"), which is ideal for non-food purposes such as cosmetics.

TOWARDS 100% RSPO CERTIFIED PALM OIL

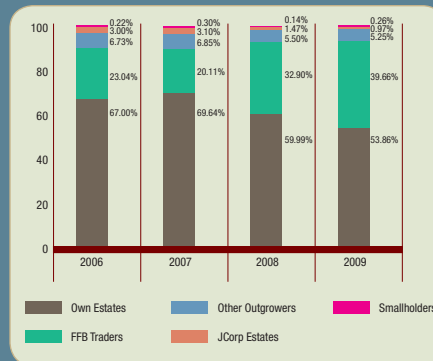
Our RSPO certification was awarded to all of our three mills in January 2009, certifying that all of our planted area adhered to the stringent Principles and Criteria of the RSPO. In 2009, we exchanged a small estate with another plantation company, and this will be included in our 2011 surveillance audit, ensuring that all internal FFB can be claimed as RSPO-certified.

Over 45% of our production is based on external FFB, and we want to ensure that this is grown to the same high sustainability standards that we require for internal fruit. We have already assisted JCorp in preparing for certification, and are now working with the Malaysian Palm Oil Board ("MPOB") to reach out to smallholders and the traders through whom we buy.

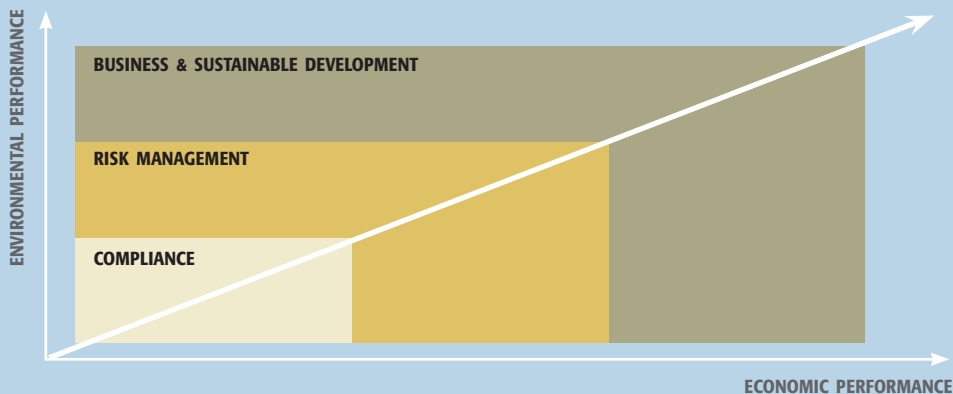
CUSTOMERS BY TYPE
% of sales



FRESH FRUIT BUNCHES BY SOURCE
%

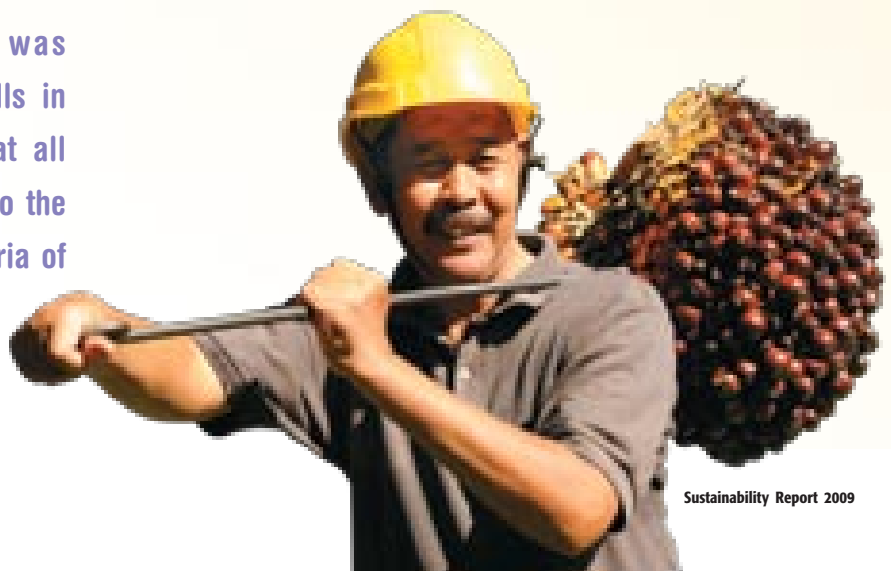


ECONOMIC PERFORMANCE IS LINKED TO SUSTAINABILITY PERFORMANCE





Our RSP0 certification was awarded to all our three mills in January 2009, certifying that all of our planted area adhered to the stringent Principles and Criteria of the RSP0.



KULIM PLANTATIONS IN PAPUA NEW GUINEA AND THE SOLOMON ISLANDS

- NEW BRITAIN PALM OIL LIMITED

New Britain Palm Oil Limited ("NBPOL") is the largest palm oil plantation company in both Papua New Guinea and the Solomon Islands, with a total land bank of almost 87,000 hectares and six mills (as at 31 December 2009). In addition, NBPOL is Papua New Guinea's leading sugar and beef producer. Its Damai Oil Palm Research Station is a world-class producer of oil palm seed and continues its research in breeding programmes with the selection of better yielding elite palms.

PLANTATIONS

NBPOL operations in the West New Britain, Morobe Province of Papua New Guinea and in the Guadalcanal region of the Solomon Islands extend to a total planted area of almost 72,000 hectares, and a workforce of over 13,000. In 2010, NBPOL expects to increase its land bank and planted areas by over 50% through acquisitions of existing plantations in Papua New Guinea.

With almost 8,000 smallholders across 25,000 hectares delivering FFB to its mills, NBPOL has taken a lead in bringing small growers along on its

sustainability journey. In 2008, the company's New Britain operation included all of its smallholders in its RSPO certification. This required significant training and capacity building among the 7,000 smallholders in the province, but ensured that the company could process 100% certified palm oil in its mills.

A WORLD LEADER IN SUSTAINABLE PALM OIL BASED INGREDIENTS

NBPOL is committed to incorporating sustainability into every aspect of its business. It was the first plantation



[READ OUR STORY HERE](#)

NBPOL produces its own Sustainability Report, which can be found on www.nbpol.com.pg

company to achieve ISO 14001 certification, and has actively supported the RSPO since it was first established. Four of NBPOL's six mills have been RSPO certified since 2008, and the remaining two are expected to achieve certification by Q2 2010. With a certified CPO production of 263,995 tonnes, NBPOL produces around 17% of RSPO oil production, making it the world's leading producer (as at May 2010 – updates can be found on www.rspo.org).

To leverage this market advantage and service its customers, in Q2 2010 NBPOL will open the doors to the world's first refinery to offer only traceable and certified sustainable palm oil. The UK-based refinery will be able to process 200,000 tonnes of palm oil per year, and will be dedicated to NBPOL so there will be no segregation issues and will be able to process the majority of NBPOL's CPO production. The company is investing GBP18 million to set up the facility, in an aim to become one of the first palm oil producers to offer fully traceable, sustainable palm oil in the UK and wider Europe.



KULIM-MANAGED PLANTATIONS - JOHOR CORPORATION

We manage the Palm Oils Business Division of our majority shareholder Johor Corporation ("JCorp") – a total of 22,866 hectares of planted area. In 2009, JCorp's total FFB production was 317,962 tonnes, and there are 2,049 workers employed in the oil palm operations. JCorp is a Johor State Government-linked corporation that owns oil palm operations as well as other businesses in Malaysia and the region. JCorp is a member of RSPO and has applied to BSI Management Systems Singapore Pte Ltd for RSPO Certification of its palm oil production from three mills and ten estates in Johor, Malaysia. In 2009, we assisted JCorp in preparing for its first RSPO audit, which was undertaken in December 2009.

ADDRESSING BIODIVERSITY OFFSET

In late 2009, we became aware that a Kulim subsidiary, Sindora Berhad had cleared 264.65 hectares within JCorp's control without having conducted a high conservation value assessment of the area. We immediately took action and imposed a moratorium on all Sindora's activities in our plantations, and we are currently in the process of addressing how the clearing of this area can be compensated through the establishment or maintenance of forest elsewhere.

CORPORATE GOVERNANCE



BOARD OF DIRECTORS OF KULIM (MALAYSIA) BERHAD

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
- Datuk Haron Siraj
- Kua Hwee Sim
- Dr. Radzuan A. Rahman
- Rozan Mohd Sa'at

The Board of Directors of Kulim is the highest decision-making body in the Company and ultimately responsible for the standards and ambition level that guide Kulim's journey towards sustainability. With a diverse mix of agricultural, civil service and financial backgrounds, the Board is strongly equipped to deal with the complex issues involved in producing certified sustainable palm oil.

Our commitment to the creation of long-term returns in the area of sustainable palm oil starts at Board level. For us, good governance and sustainable business practices go hand in hand and are essential to a company managed in the interests of its shareholders, customers, employees and the wider community.

COMPLIANCE, INTEGRITY AND ACCOUNTABILITY

Our starting point is with compliance. Fulfilment of all required laws and regulations as well as internal guidelines is the minimum requirements of good governance.

We embrace open and visible governance, which is grounded in business reality. We take steps to understand our impacts, manage risks and add value across our operations. This is fundamental to achieving the Group's strategic objectives and overall governance.

In extension of this commitment, we see transparency as an integral part of our governance structure, and the Board supports accountability in the form of annual disclosure of all aspects of the Company's operations, as well as key policies and standards. This has led to the publication of our first Sustainability Report in 2008 and the public availability of Kulim's Sustainability Handbook.

BOARD COMPOSITION

The diversity of Kulim's Board of Directors reflects its industry as well as its domestic customers and production base. In addition to the Chairman, there are 10 Board members, including 4 independent, non-executive directors. All Directors are Malaysian nationals, and there are two women on the Board. The Board of Directors has a committee: the Audit Committee.

ADOPTING BEST PRACTICE AND STANDARDS

We see good governance as an ingredient of long-term business success. We want to sustain a reputation for the highest possible standards of ethics, accountability, and transparency. The



Board is committed to the Malaysian Code on Corporate Governance and assumes six principal stewardship responsibilities:

- Reviewing and adopting a strategic plan for the Company
- Overseeing the conduct of the Company's business
- Identifying and managing principal risks
- Succession planning
- Developing and implementing investor relations programmes
- Reviewing the adequacy and integrity of the Company's internal controls

Over the past years, sustainability has become an integral part of the Board agenda. As a result, review of Board competences, Company KPIs and remuneration and bonuses to senior management is linked to specific targets on related to RSPO certification and other environmental and social objectives.

ETHICS POLICY

Underlying our governance commitment is a clear ethics policy, designed to ensure that business is conducted to the highest standards of integrity. The scope of our Ethics Policy covers accountability, customer relationships, business competition, teamwork and transparency. In addition, our policies extend to business partners and anyone interacting with or acting on behalf of Kulim.

We have an active whistle-blowing policy, which allows both internal and external stakeholders to report cases involving fraud, bribery, corruption and other such incidences directly to our Internal Audit Department. The Internal Audit Department is empowered to conduct investigations of suspected and reported incidents and it reports directly to the Board.

Finally, the Group has also established a formal avenue for all employees to report directly to the Managing Director of any misconduct or unethical behaviour conducted by any employees of the Group.

STRATEGY, POLICY AND MANAGEMENT SYSTEMS



We integrate our business strategy with sustainability through a commitment to people, planet and profit ("3Ps"). The 3Ps inform how we create sustainable value for our shareholders and stakeholders. To meet our goals and deliver the sustainable returns expected of us, we embrace a deep commitment towards building a fair, ethical and responsible company. This sits at the heart of our sustainability approach and structures our relationships with our stakeholders and the operating environment.

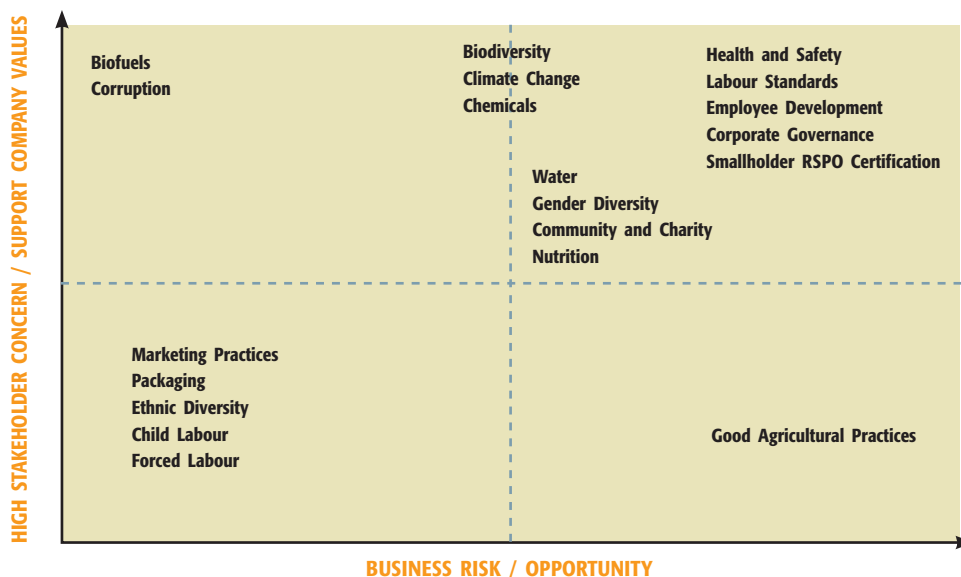
STRATEGY

Our sustainability strategy is linked to our business objectives, to our specific operating environment and to the concerns of stakeholders. We try to prioritise issues which represent significant risks or opportunities in terms of reputation, productivity, employee attraction and retention and efficiency

gains. In addition, we prioritise issues which support our company values. In 2008, our senior management team participated in developing a "materiality matrix". Social impact assessments, stakeholder engagement, natural environment conditions and regulatory frameworks were used to assess and determine the key focus areas for Kulim's

sustainability activities, disclosure and engagement. We understand that there are areas of concern to stakeholders where we need to engage and communicate, despite representing low risks in our business context. Likewise, there may be areas that are crucial to our operations, but which have little importance to stakeholders.

SUSTAINABILITY STRATEGY MAP



POLICIES

The Kulim Sustainability Handbook is our base document, which sets out a broad outline of Kulim’s sustainability policy and practices. This document is distributed to all staff, and is translated into standard operating procedures, guidance documents and training throughout our operations.

CONTENT OF KULIM SUSTAINABILITY HANDBOOK



CERTIFICATION – RSPO AND ISO

As one of the first few palm oil companies RSPO certified globally, we continue to manage our social and environmental risks in accordance with the guidelines developed by the RSPO. For us, the adaptation of RSPO Principles and Criteria is also connected to Islamic teachings which focus on value creation, sustainable use of biodiversity and engagement of stakeholders.

We achieved RSPO certification for all of our estates in January 2009, and in January 2010, we passed our first annual surveillance audit. 100%

of our mills and estates were certified. However, since we have recently swapped 2,146 hectares with another plantation operation operator, a small area; Sg. Tawing Estate is not yet covered by our certification. This will be included in our 2011 surveillance audit.

The certification was the conclusion of a three-year work programme, which has included social impact assessments, biodiversity mapping, a new management system for health and safety and a general major overhaul of our environmental and workplace practices.

As in the case of ISO certification, plantations are not certified as a whole company, but by individual mills and estates. The RSPO certification scheme allows for a three-year time frame for outgrower inclusion, to ensure that these are not denied access to sales to certified mills. We are currently in the process of engaging outgrowers to assist them in achieving certification.



Certificate No : 537873

RSPO Principles and Criteria for Sustainability Palm Oil
Production : 2007; Malaysian National Interpretation : 2008

STRATEGY, POLICY AND MANAGEMENT SYSTEMS CONTINUED

SUSTAINABILITY AND QUALITY COUNCIL

In 2010, we consolidated the structure of our Corporate Responsibility ("CR") governance through the launch of the Sustainability and Quality Council. The role of the Council is to oversee our CR strategy and activities on behalf of the Board, and is headed by Umi Kalthom Samsu, Chairperson of the Sustainability and Quality Council.

The Council has established a Company-wide data collection system for monitoring and reporting against agreed metrics. The Council also ensures that our day-to-day business operations respond to the opportunities and avoid the risks posed by sustainability issues. To do this, the Council challenges the Management to assess and control risks while developing programmes to capitalise on opportunities. The Council uses targets to monitor the performance in achieving these tasks and co-ordinates sustainability initiatives across departments.

The Council has prioritised employee engagement, including HIV and sexual harassment awareness, work-life balance and capacity building as areas of priority. This is based on the belief that employees at all levels form the backbone of our Company and there is a need to embed a sense of ownership amongst them.

AUDITS AND ASSESSMENTS

We take pride in our integrated management and agricultural practices. The framework is set in motion by systematic guidelines and operating procedures. Our Internal Audit Department oversees and reviews all processes and procedures.

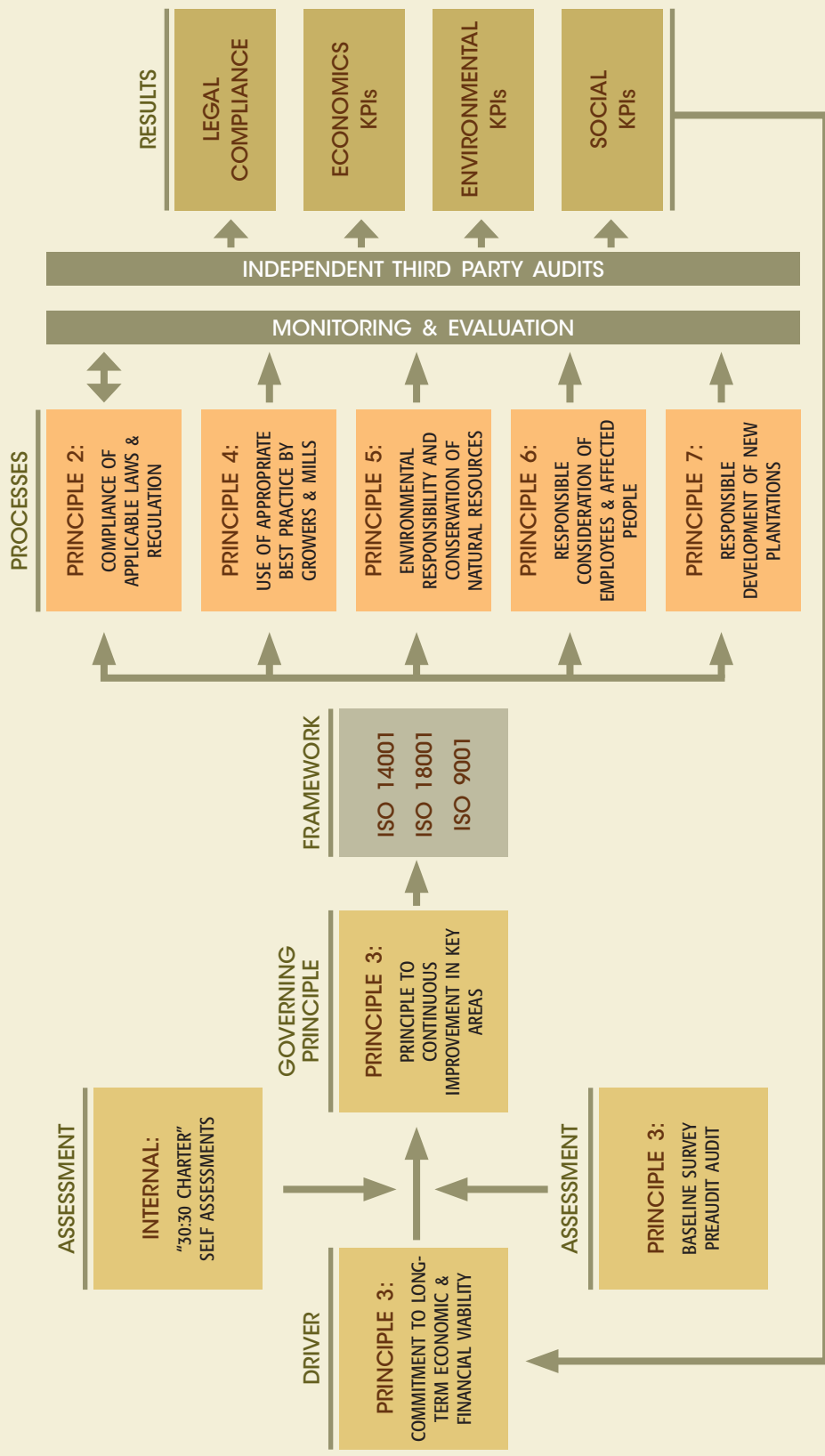
Our environmental performance is guided by the ISO 14001 framework, and one of our mills and two of our estates in Malaysia have been certified to this standard. Under the ISO 14001 framework, mills and estates are to implement environmental policies with third party certification. The framework was also used as a basis for implementing the RSPO Principles and Criteria.

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

We carry out ongoing SIA based on Principle 6 of the RSPO Principles and Criteria as well as SA8000 (established by Social Accountability International). SIA incorporates interviews with workers, dependents and local communities, and forms the basis of improvement plans for all areas identified as common complaints, or areas which are considered high risk in terms of impact or legal compliance.



DIAGRAM A: MANAGEMENT MODEL FOR KULIM SUSTAINABLE PALM OIL PRODUCTION



PRINCIPLE 1: COMMITMENT TO TRANSPARENCY (Communication) - Maintained by Third Party Audits



STAKEHOLDER ENGAGEMENT

We see engagement as an integral part of being a sustainable business. We significantly increased our proactive engagement with stakeholders. Our practices, planning and targets are based on extensive and ongoing consultation with stakeholders and third-party experts. As a result of growing awareness around social and environmental issues linked to the palm oil industry, we are experiencing a constant shift in our stakeholder landscape, and to ensure that we can maintain our leadership role in the industry we make every effort to listen to and address their concerns.

In most areas, our engagement is still ad-hoc, in the form of collaborations on biodiversity or social issues, while in other areas, such as employee engagement, we have regular meetings with trade unions in place, and annual employee briefings.

INDUSTRY ENGAGEMENT AND THE ROUNDTABLE ON SUSTAINABLE PALM OIL

The RSPO remains one of our most valued avenues for structured engagement.

In addition to active participation in all annual roundtables, Kulim's Director of R&D was an active member on the RSPO's Greenhouse Gas Emissions Working Group, which set out its recommendations to the General Assembly of the RSPO in November 2009.

We also remain an active member of the Malaysian Palm Oil Association ("MPOA"), which is our primary vehicle for engagement with the Government and regulators.

NON-GOVERNMENTAL ORGANISATIONS ("NGOs")

Our commitment towards working with the environment and community is made possible by effective partnerships with NGOs. We are members of the Malaysian Nature Society and are currently engaged with the Wildlife Conservation Society. We find that these types of partnerships can supply us with technical expertise, third party perspectives and resource capacity.



We see NGOs as partners in the promotion of sustainable business practices, and find that engaging with critical voices can be constructive in finding joint solutions to difficult issues. In 2008, we engaged - jointly with NBPOL - with Greenpeace UK in refining a Moratorium on Deforestation. Although there is still some debate about the definitions of forests, we felt that the overall objective was valid, and sponsored the Moratorium as a resolution at the 6th RSPO Conference in Bali in November 2008.

INVESTORS

We are proactively seeking to engage and inform our shareholders on the financial benefits that can be derived from our sustainability efforts. In 2009, we organised group meetings with analysts to provide an overview of our operations as well as sustainability issues management, particularly on RSPO related achievements. We believe that our investors engagement needs to be stepped up during the financial crisis because investors are increasingly looking for sustainability commitments as an indicator of a company's financial viability.

OUTGROWERS AND COMMUNITIES

Our RSPO programme requires us to undertake structured engagement with both our employees, surrounding communities and outgrowers supplying us with fruits. Our social impact assessments are undertaken by our in-house social auditors who devise a register of issues to be addressed. In 2009, we have particularly focused on mapping and outreach to outgrowers, with the objective of assisting them in achieving RSPO certification over the next two years.



PROTECTING AND CONSERVING BIODIVERSITY

Our long term business success depends on the ability to understand and manage biodiversity issues. We apply the precautionary principle, not just for unplanted areas, but also for assessing existing plantations at replanting, using High Conservation Value ("HCV") area methodologies.

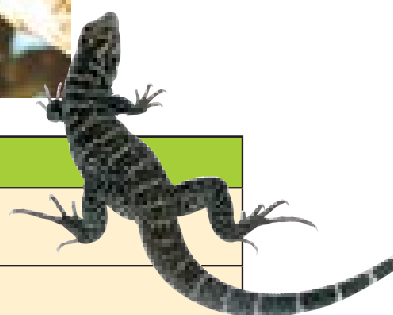
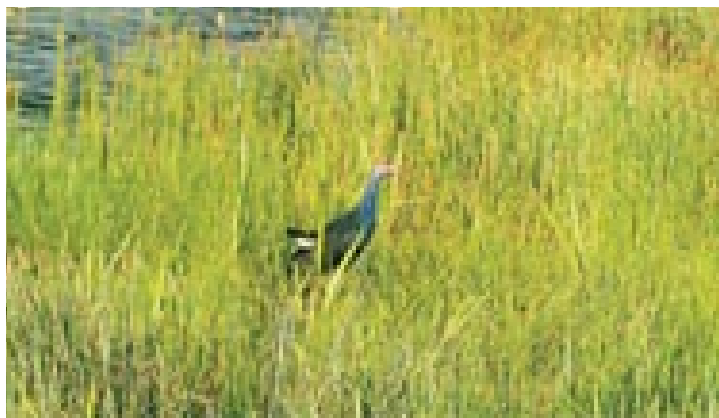
In 2007 and 2008, these assessments enabled us to account for the diverse number of species and plants found in our operating area of Johor, and were able to identify short, medium and long term strategies.

In 2009, we have put in place some of the shorter-term strategies. This includes the process of mapping out and assigning responsibilities to each estate to ensure that cultivation, agricultural practices and buffer zones support the surrounding biodiversity.

ACTIONS PLANNED FOR 2008-2009	STATUS
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.	COMPLETED
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 a high conservation value is present or suspected, the replanting must be scheduled in such a way that the area is always surrounded by a mix of stands with growths of age-classes exhibiting a minimum of five years difference.	PROCESS IN PLACE
Where migratory birds are found to be present, major operations like replanting should only be carried out in the period from May till November.	PROCESS IN PLACE
Commission a waterbird census on major water bodies in each estate during the January-March period to investigate possible importance for migratory birds.	PRELIMINARY INVENTORY COMPLETED
The good, dual-purpose wetland/reservoir will be the subject of a special study (for its original relief, construction methods, source water management, flooding, disasters, past and present dam management). Findings will be used in design and management of reservoirs in other estates.	PROJECT WILL BE STARTED IN 2011
Wetlands and high-quality reservoirs are particularly vulnerable to sedimentation and need extra care. 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.	ADDRESSED ON AN ONGOING BASIS
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).	PROJECT WILL BE STARTED IN 2011
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.	ADDRESSED ON AN ONGOING BASIS

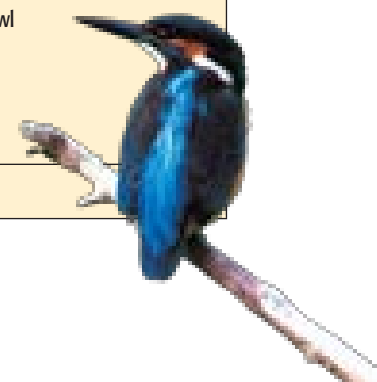


PROTECTING AND CONSERVING BIODIVERSITY CONTINUED



MEDIUM TO LONG TERM STRATEGIES	STATUS
Re-examine all streams (drains) and buffer zones defined and implemented for erosion control and biodiversity.	COMPLETED
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.	COMPLETED
Within the RSPO, set up a working group on environmental issues focusing on management of biodiversity resources for the sake of biodiversity, not just high conservation values. 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.	COMPLETED – an RSPO Biodiversity Committee has been established under the RSPO
Foster good working relations with 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.	IN PROGRESS
Investigate the possibility of acquiring neighbouring (degraded) forest area to provide Rhinoceros Hornbill breeding sites and restore linkages with forest refuges within the estate.	NOT STARTED

IUCN RED LIST CATEGORY	STATUS	MAMMALS	BIRDS
THREATENED	Endangered	Asian Elephant	
	Vulnerable	Malayan Tapir Pig-tailed macaque	Lesser adjutant
LOWER RISK	Near threatened	Long-tailed macaque Pangolin Silvered leaf monkey	Rhinoceros Hornbill Grey-headed fish eagle Lesser fish eagle Black hornbill
	Least concern	Binturong Leopard Black giant squirrel Horse-tail squirrel Wild boar Spectacled Langur Greater Mouse deer	Lesser Whistling Duck Oriental Pied Hornbill Red Junglefowl
DATA DEFICIENT		Malayan Sun Bear	





CONSERVATION IN PARTNERSHIP

In order to devise effective conservation strategies, we need the assistance of experts in the field. Our strategies are, first and foremost, drawn from our High Conservation Value Assessment, undertaken in 2008. In order to implement these strategies, we have established a series of collaborations and partnerships with NGOs, and benefit tremendously from their expertise and capabilities to strengthen our commitment.

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.

We also worked with a non-profit conservation group, Wild Asia, on the Natural Corridor Initiative ("NCI"). The NCI aims to link natural areas within modified landscapes through the creation of corridors, thereby increasing functional space for wildlife to co-exist. For oil palm plantations especially, natural corridors and buffer zones along the rivers and streams improve the health of the river ecosystem by regulating water flow, lessening sedimentation and stabilising stream banks



KULIM WILDLIFE DEFENDERS

Whilst Kulim employees are well aware of Company policies and are trained in monitoring and protecting wildlife, we have found encroachment a particular concern. High conservation value areas set aside by us can sometimes be attractive to neighbouring growers or to poachers due to its rich biodiversity. This is of particular concern in those areas where our operations border the Endau-Rompin National Park. To address such issues, we have teamed up with the Wildlife Conservation Society to establish the Kulim Wildlife Defenders ("KWD") and the Kulim Wildlife Defenders Junior ("KWD Jr.") programmes. These programmes combine vigorous monitoring and physical protection of vulnerable areas, in combination with training and awareness of the value of biodiversity to communities and employees. Among other activities, our Head of Security attended a 'train

the trainer' programme in Thailand specifically aimed at wildlife protection. The programme has now been rolled out to managers and security guards, and workers will be trained in 2010.

In order to ensure the long-term commitment of these initiatives, the Junior programme includes outreach to young people and children in the areas affected to instil greater appreciation for the environment among the younger generation. So far 691 children have joined the programme, and 'Teachers for Tigers' has been set up to increase outreach. Some of the activities undertaken include a photography competition, short story writing and art and craft surrounding wildlife.

The KWD programme has received such attention and support in the community that we will be seeking to launch a tiger protection NGO in 2010.

WATER, EFFLUENTS AND WASTE

We aim to minimise our environmental impacts and ensure the long-term sustainability of our business and the environment on which it depends. Our focus is on maximising the use of all resources through recycling of outputs and minimisation of inputs. These efforts lead to both cost savings and to long-term productivity gains, as well as a healthier environment. Our Sedenak Estate was among the first oil palm estates in the world to achieve ISO 14001 certification, and we apply the system to manage our environmental impact throughout our operations.

WATER AND EFFLUENTS

Due to sufficient rainfall in our region, we do not irrigate our fields, and only use a small amount of water to maintain our nurseries. Our main water usage is in the mills, which draw water from local rivers, in accordance with national and local environmental regulations. We have also established water treatment plants in estates for those housing areas that are not connected to the public water supply.

Mill effluents are treated in so-called Palm Oil Mill Effluent ("POME") lagoons (or ponds), where effluents are treated to reduce Biological Oxygen Demand ("BOD"). Once treated, POME can be recycled as a fertiliser and applied in the field.

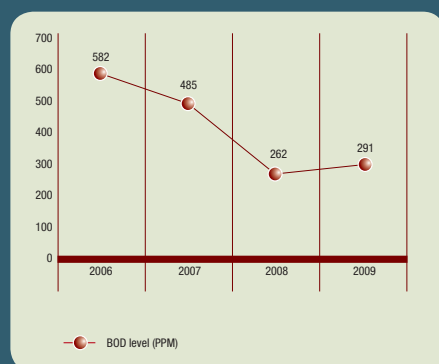
The average BOD slightly increased from 262 ppm in 2008 to 291 ppm in 2009 due to the BOD result for Tereh Mill is high (above 1500 ppm) in June and September 2009. Thus, this increased the average BOD for Tereh Mill, and the overall average for Kulim Group mills. The average for the Sedenak and Sindora mills showed an improvement in BOD.

SOLID WASTE

Very little output from our mills is wasted. The vast volume of waste from the mills is Empty Fruit Bunch ("EFB"). This is a useful mulching agent, and is applied on the ground around young palms, protecting soil and easing uptake of nutrients. Each year, we recycle over

150,000 tonnes of EFB in this fashion. We also generate around 125,000 tonnes of fibre, which can be used as a biomass for our mills, replacing diesel. Finally, we generate a small amount of boiler ash, which can be used for reducing acidity in soil, acid oil which is sold to refineries for soap production and a small amount of hazardous waste that is transported to designated public facilities by an authorised agent.

BIOLOGICAL OXYGEN DEMAND mill average



WATER USED PER TONNE OF FFB PROCESSED (tonnes)



INTEGRATED PEST MANAGEMENT ("IPM")

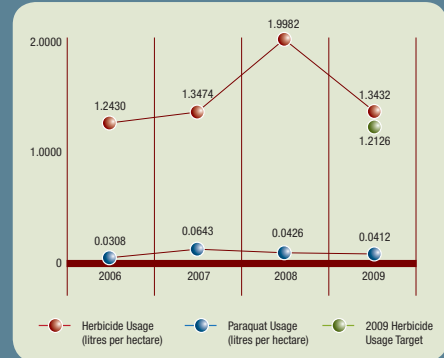
Our IPM system is at the heart of our operations. We recognise that this is most effective if emphasis is placed on education and training of field staff, workers and contractors. We ensure that all those who handle, store, use, spread or dispose of any substances that could pollute water, soil or air are aware of their responsibilities. This particularly relates to know-how on the equipment they use, and the necessary actions to be instituted in cases of emergency.

Our environmental policy also covers the issue of chemical application. The use of chemical control is considered only as a last resort when all biological methods fail. For example, paraquat is only used in small doses to treat young palms. In 2009, we did not reach our 10% reduction target, due to extensive replanting and a high level of immature palm. However, we continue to address reduced pesticide usage through medium and long term targets – aiming for a reduction of 10% by 2020.

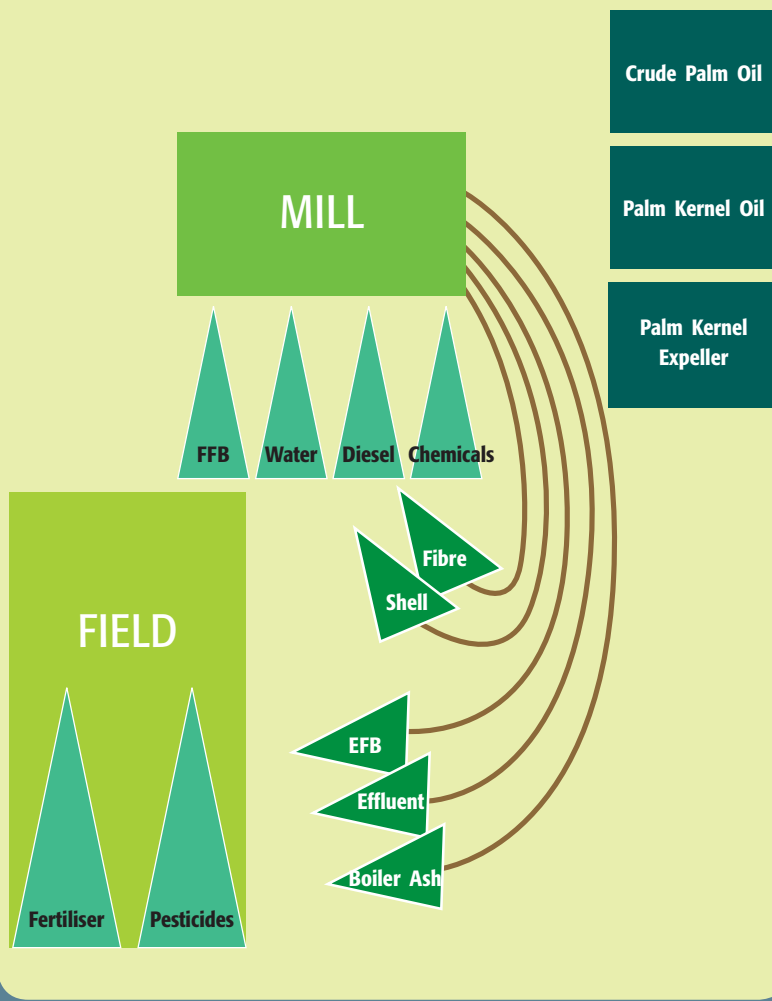
HERBICIDE USAGE PER HECTARE

(active ingredients)

NB: Log Scale



SIMPLIFIED OVERVIEW OF PALM OIL PRODUCTION



SOIL CONSERVATION

The planting of leguminous cover crops to minimise soil erosion is standard practice at Kulim. We have selected a species that protects surface soil from erosion and which aids in recycling plant nutrients while enhancing the soil's organic and moisture content. While we do not plant on steep slopes and observe buffer zones along all riparian strips, we still take every measure to avoid erosion through the construction of terraces on hilly terrain and by planting the vigorous Guatemala grass, *Tripsacum Luxam*, along high risk erosion areas at stream embankments and near bridges. Finally, cut fronds are stacked perpendicular along harvesters' paths.



CLIMATE CHANGE

2009 has been a year in which greenhouse gas ("GHG") emissions took centre stage. At the international political scene, the Copenhagen Summit brought hundreds of political leaders together, and at national level the Malaysian Prime Minister made a commitment for reduction targets of up to 40% by 2020. Within the palm oil industry, reduction in GHG became a focal area of the RSPO during its 7th Roundtable in Kuala Lumpur.

Kulim is committed to playing our part in meeting national and global reduction targets. We were therefore an active participant in the RSPO GHG Working Group, which was set up to provide recommendations for the integration of GHG standards in the RSPO certification standards.

Although the RSPO General Assembly failed to ratify these recommendations, as we continue to support such measures. However, in the meantime, Kulim is committed to adhering to the GHG working group recommendation as a voluntary measure.

MINIMAL EMISSIONS FROM LAND USE

The vast majority of climate change impacts from palm oil cultivation come from land use change. As Kulim has no expansion or land conversion plans, our operations will not have any impacts in this area. We believe that our management and replanting guidelines also minimise any emissions. We have an effective zero-burning policy, and have not experienced any fire in our operations since 1990.

Many organisations have pointed to peatlands as a significant source of carbon emissions. Kulim has a small portion of peat within its cultivated area – 1,380 hectares (slightly over 1%). Conversion took place in 1999-2002, and Kulim places great emphasis on the continued responsible management of this area, through effective water table management, which has been identified as the best way to prevent additional emissions.

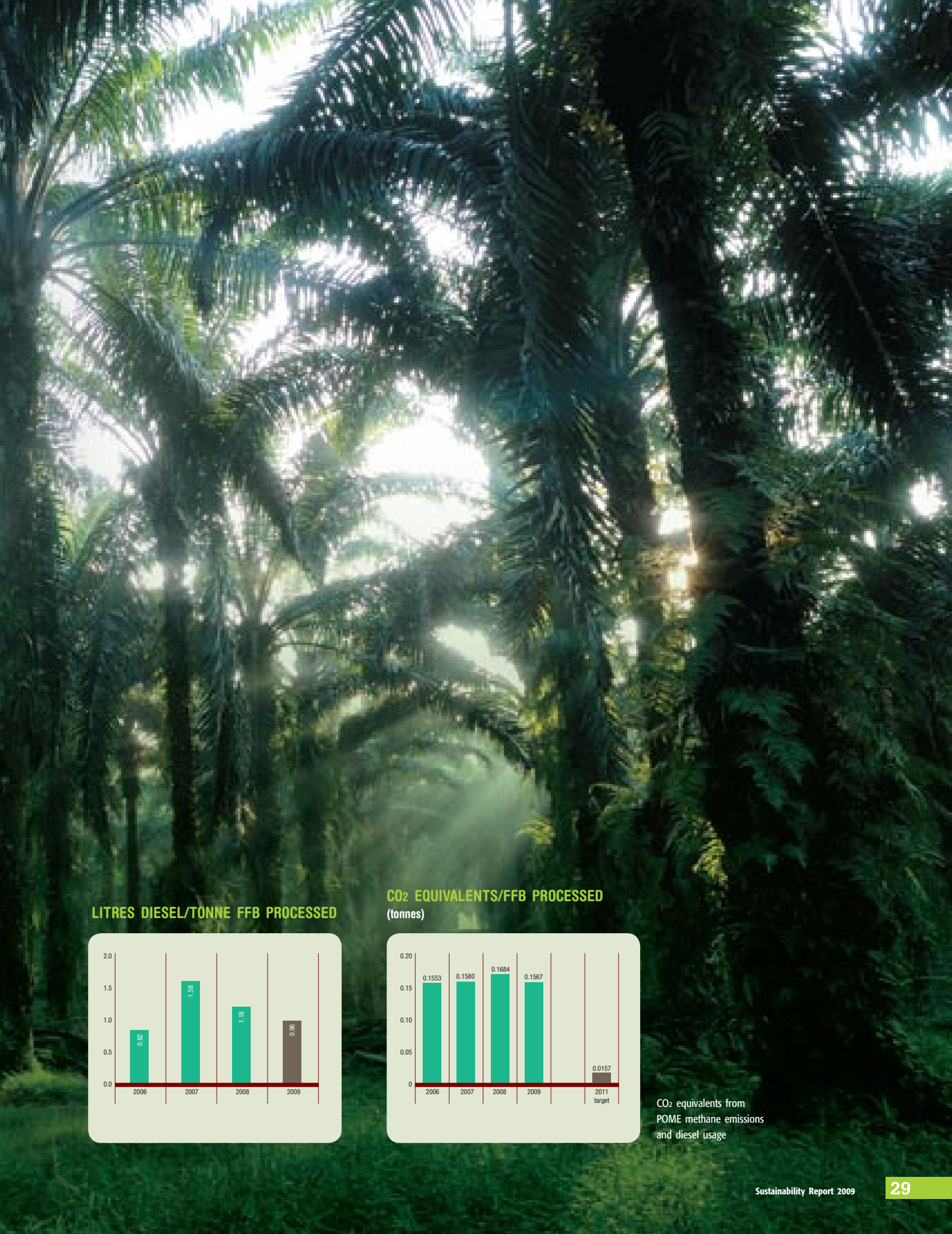
CDM FROM EFFLUENTS

The majority of our CO₂ emissions come from our mills, and have remained relatively stable over the past years. Virtually all power generation in the mills is based on biomass (shell and fibre), with only a small volume of diesel used for back-up generators.

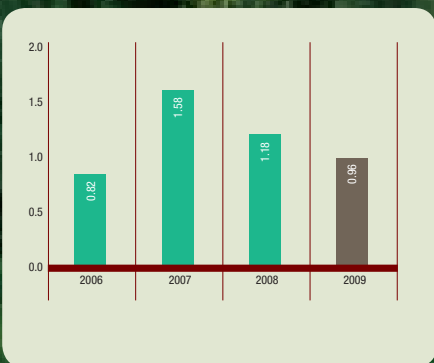
To achieve substantial emissions reductions, in 2008, we began developing a project to capture methane at source through a technology that is classified as a Clean Development Mechanism ("CDM") project. By implementing CDM in all our mills, we will reduce the

production of methane by an estimated 90%. CDM will 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 2010 for all of our mills in Malaysia.

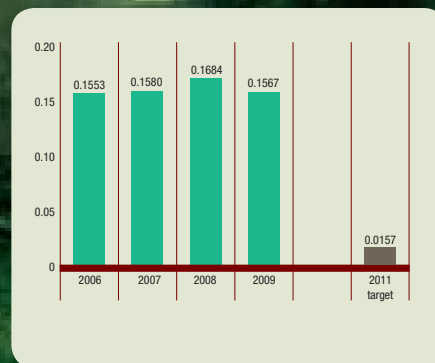
We do however note delays in pursuing our CDM project. This project, which involves composting EFB with POME was scheduled to be implemented in 2009, but our efforts have been stalled as we have had to replace our consulting partner. We nevertheless continue to pursue such projects and have committed the necessary resources in working towards this.



LITRES DIESEL/TONNE FFB PROCESSED



CO₂ EQUIVALENTS/FFB PROCESSED (tonnes)



CO₂ equivalents from POME methane emissions and diesel usage

LABOUR STANDARDS

Our people are our core assets and we consider human capital management to be central to our operations. If our employees are not engaged, our business will not be able to progress. Virtually all staff and management are Malaysians. In Malaysia, we have 4,864 employees of which 4,301 are categorised as workers. The majority of these workers in our mills and estates are foreign workers, comprising Indonesians, Bangladeshis and Indians. Our workforce is very stable and we enjoy low turnover rates – to us this is an important indicator that we meet the needs and expectations of our employees.

ADHERENCE TO ILO CORE LABOUR STANDARDS

The highly labour intensive nature of the industry is further challenged by the scarcity of supply, difficulty in attracting a capable workforce. Therefore, the need to continually improve productivity as well as to create and promote a non-discriminatory, safe and healthy work environment are amongst the focus areas that need to be continually addressed in our social scorecard. We believe that all employees must be treated equally, fairly and with respect. Therefore, our People Policy upholds the mandate of the International Labour Organisation's ("ILO") core labour standards.

For the purpose of obtaining our RSPO certification, we carried out our first internal social impact assessment based on the SA8000 standard to identify the state of our social performance. This will also enable us to take action

in areas where these standards were compromised. In 2008, the RSPO audit team provided third-party verification of the effectiveness of these actions.

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 for all field, office and management workers, based on predefined grades. We have also tried to create an environment where grievances can be expressed freely. Our grievance procedures cover employees, vendors, and any other interested party, and it is publicly available in our "Kulim Sustainability Handbook".

In taking our non-discrimination policy further, we have set guidelines on HIV/AIDS. Workers who have the disease are

guaranteed confidentiality and retained in employment as long they are healthy and able to perform. All employees are made aware of the policy through our Sustainability Handbook as well as Foreign Workers Handbook.

FREEDOM OF ASSOCIATION

We support the rights of our workers to join trade unions, and 1,544 of our employees are trade union members. Further, although Malaysia does not have a legal minimum wage, all workers, including foreign workers, are covered by the same collective bargaining agreement. Our social impact assessment reveals that a worker will be able to support his/her family adequately with the current pay structure. We will monitor any necessary changes in this regard, particularly considering inflation and other economic conditions.



OVERTIME

In last year's sustainability report, we covered the issue of excessive overtime. During peak crop, mill workers tend to work long hours in order to ensure that fruit is processed before its quality deteriorates. We do not have the option of employing part time workers to alleviate this situation due to scarcity of local labour. This issue was also identified during our RSPO audit and led to a minor non-conformance (130 hours per month at 2 mills during peak crop). We are now constantly monitoring the situation by tracking working hours and ensuring adequate rest periods for workers, especially during peak crop durations.

HOUSING

The social impact assessment identified issues regarding the availability and quality of housing, particularly for newly arrived workers. In response, we have been upgrading below standard housing.

We have also submitted a five-year plan to the Government that covers housing, which is particularly focused on better sanitation, water and electricity. We generally house four workers in 2-bedroom 48 square metre quarters or 3-bedroom quarters measuring 80.62 square metres.

ID CARDS FOR FOREIGN WORKERS

Our first social impact assessment in 2007 identified the withholding of foreign workers' passports as a potential breach of ILO conventions, as this is their only means of identification, and can be interpreted as a means of denying workers the possibility of free movement. We have engaged with the Government on this issue and discussions are pending with regards to issuing identification cards to workers by the National Registration Department. We have made some progress, and some workers have now obtained the so-called I-Kad – an ID card specifically for foreign workers. Meanwhile, we continue to inform and

update employees about the status of this issue.

CHILDREN

The only children in our estates are children of workers. We adhere strictly to international child labour laws, and do not permit employment of young people under 16.

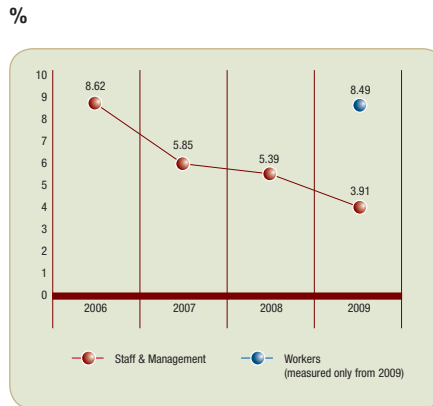
PROTECTING THE WELFARE OF FOREIGN WORKERS

In our estates, foreign workers comprise the majority of our labour force. Our workers come from Indonesia, Bangladesh and India. In order to ensure that workers understand their rights and responsibilities, all foreign workers go through an initial induction programme and are given a copy of our Foreign Workers Handbook. The Handbook includes information on how to lodge complaints that impact their well-being including working and housing conditions, payment of wages, leave entitlements as well as health and safety issues.

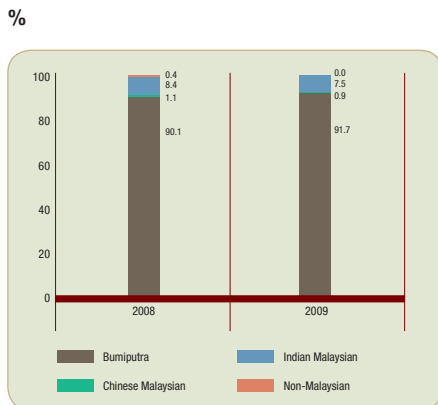
EMPLOYEES BY TYPE



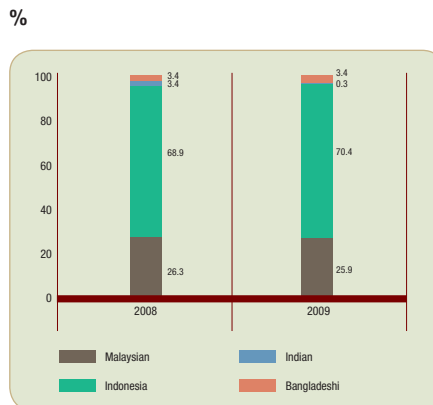
EMPLOYEE TURNOVER



ETHNIC DISTRIBUTION OF STAFF AND MANAGEMENT



WORKERS BY COUNTRY OF ORIGIN





HEALTH AND SAFETY

Ensuring the health and safety of our workforce is a priority. Not only it is our ethical and social responsibility, but low accident rates have a positive impact in an industry with severe labour shortages. Recent tightening on immigration procedures has made it both costly and complex to hire foreign workers, and it is critical that existing workers contribute at full productivity. If our workers are constrained by health issues, productivity will be affected and there are serious implications to our operations as a result.



TOWARDS ZERO ACCIDENT, ZERO FATALITY

Our underlying aim is for zero accident, zero fatality. In 2009, we are happy that we stayed on course – our lost time case rate is showing a clear downwards trend, and we have had no fatalities in 2009.

However, we understand that complacency can easily set in, so we have designed a rigorous monitoring system of health and safety targets, reported and reviewed monthly by

Senior Management. Workers have to periodically go through awareness trainings and safety talks. In 2009, we intensified our approach by running targeted awareness campaigns at all mills and estates. Our dedicated health and safety officers also conducted internal audits, sometimes in collaboration with the Department of Occupational Safety and Health ("DOSH"), in compliance with the prevailing regulations.

One area in which we constantly need scrutiny is the use of personal protective equipment ("PPE"). We reported last year that general workers who were sometimes employed as pesticide sprayers had no training on the use of PPE. We have now put in place compulsory training on use of PPE. Those categorised as 'high risk' - including sprayers - are also provided with ongoing medical surveillance, including monthly screenings and mandatory medical checkups annually.

We have been unable to meet our targets on severity rates. This is partly due to the type of injuries that prevail in our field. Thorn pricks and cuts from palm fronds is by far the major cause of accidents. As such injuries are prone to infections, workers will often be required to remain absent for 2-4 days before returning to work. 183 cases were reported in 2009. We are taking steps to monitor such accidents by developing more awareness and safety training.

ADDRESSING OCCUPATIONAL ILLNESS

Over the past two years, we have expanded our monitoring of health and safety to include occupational illness, enabling us to see if there are any longer-term health issues prevalent in our operations. As a result, we discovered that harvesters have an increased risk of

lumbago. Lumbago is a form of backache that can be debilitating if not addressed correctly. In view of this, our health and safety department now provides training to workers on correct lifting methods. We are also reviewing whether a slightly shorter replanting cycle might remedy the situation as there might be a correlation between palm height and incidents of lumbago.

BEYOND OCCUPATIONAL HEALTH

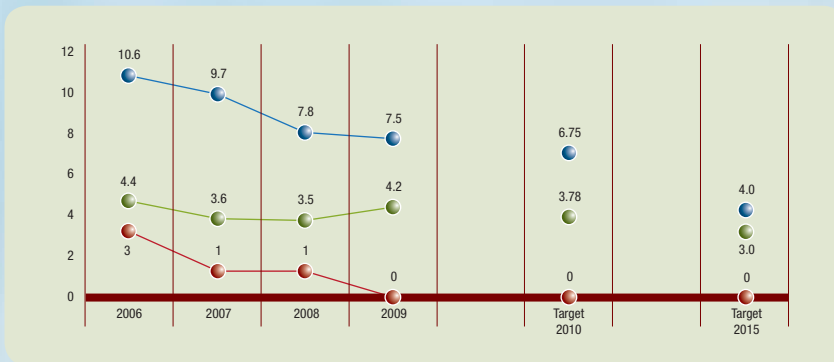
As a business that not only employs but also houses several thousand people, we have a responsibility to address wider health and safety issues outside of the workplace.

In promoting a positive work environment, Kulim operates a strict No Drugs policy, and this is enforced through regular and random drug testing.

Drugs continue to be an issue among plantation workers but the policy appears to act as a deterrent. We also have a HIV/AIDS policy, which is applicable to all our workers. We have provided training to ensure that employees are aware of the policy and have ensured that they can continue working as they are able to meet their required performance. The policy also guarantees confidentiality of their status.

2009 also saw us battling with the H1N1 epidemic sweeping the globe. Our employees live in close quarters and one infection is enough to cripple our operations. We therefore took several measures to educate workers on hygiene and the urgency of seeking medical attention.

SAFETY RECORD AND TARGETS



EMPOWERING WOMEN

Women often lack the opportunity and role models to take control of their lives and contribute to society. Empowering women is part of Kulim's strategy for improving social and economic development in our market.

Women OnWards ("WoW") was originally called Women's Grievance Panel ("PAW") and part of a larger strategy to reach out to all levels of employees. We feel that there is a need to reach out to all levels of employees especially the field workers.

In terms of demographics, women employees in Kulim at the mills and estates are generally hard labourers in gardening or tend to take on cleaning jobs. We are however encouraged that more women are coming forward in management positions. At the Corporate Office, 22% of management consists of women. We now have female assistant manager at the mill and estate. The Head of our R&D Department is also a woman.

The committee has full support from the Management and its activities are funded fully by the Company. Members meet once a month. The road shows to introduce the then PAW were held

throughout 2009, at all operating units, at the same time to make the female employees aware of the function of the panel. With the re-branding of PAW to WoW, we have ambitious plans for 2010 activities. The committee plans to continue with our road shows to all our operating units in order to explain the function of WoW and how it can be useful to them. This is a first step in getting the female community at Kulim to realise that there is a channel for them to air any issues they have or highlight any changes they wish to institute. This is also a good time to listen to their problems relating to work and to some extent to their personal problems. We are planning to have more seminars on women rights and family values.

One key aim is to develop entrepreneurship, particularly amongst the workers by introducing skills like handcrafting which can provide an additional means of income. At the same time, WoW is keen to address some practical issues like transportation from the estate's office to the fields. There needs to be more suitable transport mode as women find it hard to commute in tractor/trailer laden with fertiliser.

At first, the women employees found it hard to reach out to WoW. There was much caution in voicing their grievances. But the committee has been resilient, showing consistent concern for their welfare and opening up various channels for dialogue particularly through road shows about the committee at the various mills and estates.

Some early work that had already been done by the committee included motivation talk during the month of *Ramadhan* as well as awareness programmes for sexual harassment, AIDS and domestic violence.

One of our key breakthroughs was when the women started coming to us to report on sexual harassment. The effort to conduct programme on awareness of sexual harassment to all employees have been successful. The female employees are now more aware of their rights and they more open to report cases on sexual harassment. They felt more comfortable discussing these issues with other women. The previous line of communication was with the line manager and we found that this has not been very effective.

Umi Kalthom Samsu is the Chairperson of the Sustainability and Quality Council. Prior to this she was the General Manager of the Purchasing and Contract Department since 1997. She graduated with a Diploma in Marketing from Institut Teknologi MARA / Institute of Marketing London and began her career with JCorp in 1973 as an Assistant Marketing Officer.

WOMEN IN MANAGEMENT

%



EMPLOYEE BY GENDER

%



EMPLOYEES DEVELOPMENT

Engaging employees is one of our key priorities. Highly engaged employees are more productive in their roles and have a clear link to business performance. There is also a sense of community as there are ongoing efforts to develop not just individual and team performance but team spirit and emotional nurturing.

We take a hands-on approach in dealing with all levels of employees. Senior Management, including the Managing Director, has an open door policy for any issues to be aired. We are also aware of the need to integrate employees at our operations and plantations. We have been organising a series of sports carnivals in working towards this integration. The WoW panel will also be playing a bigger role in conveying the feel of the Kulim 'family'.

SHARING SUCCESSES

As a standard practice, the year 2009 began with the annual gathering of employees. Apart from becoming an avenue for the Senior Management to provide highlights and updates of the Group's performance, challenges faced and future direction, such gathering also gives the opportunity for employees from all levels to voice suggestions and questions. Various awards were presented for outstanding employees. In essence, this annual start-of-year gathering signifies the Company's commitment towards practising and inculcating the spirit of oneness.



STRUCTURED TRAINING AT ALL LEVELS

In terms of employees development, we have structured various training programmes in the form of formal courses, seminars and workshops, which are both internally and externally-held. Our Human Resource Department now centrally co-ordinates all training, ranging from productivity-related courses to effective communication, sustainability, executive development and corporate culture familiarisation.

Our Malaysian operations spent just over RM1 million on formal training in 2009 – over 4% of payroll cost. Over 400 of our staff and executives participated in training programmes, in addition to on-the-job training and skill upgrading.

DEVELOPING LEADERSHIP

In 2007, a new programme was introduced to prepare a new line of leaders (Management Trainees) for the future, the Strategic Enhanced Executive Development System ("SEEDS") programme for our Malaysian operations. The first intake consisting of 37 trainees underwent a comprehensive familiarisation programme and periodical evaluation processes in various business areas of the Group's operations.

The programme was successfully completed in 2008 where 26 trainees were absorbed into units and functions within the division that suits their capability profile.



WORKING WITH OUTGROWERS

As part of our RSPO commitment, Kulim has set a target to certify 100% of external FFB to be certified by the end of 2011. However, as almost 40% of our FFB is purchased through traders, we are not in a position to trace our suppliers accurately. In 2009, we therefore partnered with the Malaysian Palm Oil Board ("MPOB") to get the smallholders certified under RSPO as a group.

MPOB, through this pilot programme, has identified nine RSPO certified palm oil mills in Malaysia, from which Kulim's Sedenak Palm Oil Mill ("POM") and Sindora POM were selected. This programme intends to instil good agriculture practice ("GAP") among the smallholders thus improving the sustainability of the FFB produced and improve their income. With 60% – 70% of FFB for both mills purchased externally, this programme is timely indeed.

The fund for the certification will be provided by MPOB from its RSPO Fund, which at present is estimated at RM500 per smallholder. Kulim will assist MPOB on the smallholder engagements (including the FFB traders) and the implementation aspects especially on the crop quality by providing advisory and training to the smallholders. The first smallholder engagement session

for Sedenak POM was conducted on 9 February 2010. 68 smallholders and FFB traders supplying to Sedenak POM attended the briefing by MPOB.

The first smallholder engagement session for Sindora POM was conducted in Kluang and 44 smallholders and FFB traders supplying to Sindora POM attended the briefing by MPOB.

While MPOB officers explained on the requirements of RSPO for smallholders, managers from Sedenak POM and Sindora POM also briefed on the FFB quality expected by the mills. The question and answer sessions were well participated by both smallholders and FFB traders, which allow MPOB and Kulim to clear any misperception among them, especially on the issue of fair payment. MPOB also randomly selected five smallholders from each session and visited the fields to assess the situation.

This programme is currently limited to 400 smallholders per palm oil mill as specified by RSPO and expected to get certified by end of 2010. Upon completion, Kulim will continue with other smallholders supplying FFB to its mills to ensure the objective of 100% sustainable crop supplied to its mills.

Another aim of this project is to establish a smallholder cooperative in each area to ensure non-victimisation among the smallholders either by the FFB traders or the mills. Kulim views this as something positive as well as mutually beneficial. During both sessions, the majority has agreed on the establishment of the cooperatives. Three smallholders from each area were voted to be the pro-temp members. Kulim will have representatives during these meetings to assist the cooperatives and work together for a win-win solution.





COMMUNITY AND ECONOMIC CONTRIBUTIONS

Kulim has always had strong links to the communities in which it operates. It is a fundamental commitment to not only monitor and manage any impacts our operations might have on these communities, but ensure that we give back where we can. We see this as our licence to operate.

MONITORING AND MANAGING IMPACTS

Our social auditors engage extensively with local communities through our social impact assessments ("SIA") which are conducted at least annually. We also keep a register of all complaints and comments from community representatives. Through this engagement, we get direct feedback on the concerns and needs of those affected by our operations.

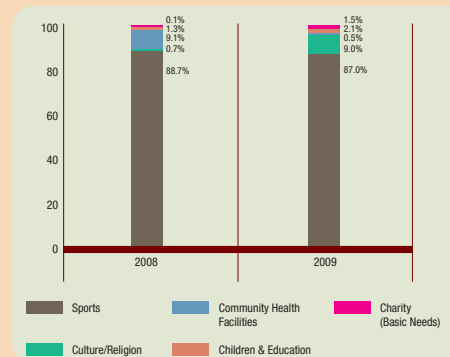
During our last SIA, we identified issues around theft and break-ins as a main concern. Further investigation revealed that this type of crime is, in fact, quite low in the relevant areas, but nonetheless we have decided to increase security efforts to ensure that both communities and workers can feel safer. We have now engaged private security companies and raised salaries for security guards to ensure high-quality staff.

COMMUNITY INVESTMENT

Our community investment programme combines charitable contributions, donations in-kind and volunteering programmes. In 2009, we donated RM5.58 million – in line with previous years. While the majority of our financial contributions are donated to local sports programmes, this does not accurately reflect our commitment to wider community issues through in-kind and volunteering efforts in areas where we think such contributions create better value.

We believe that volunteering is often an effective means of creating strong bonds between communities and staff, and helps raise internal buy-in for our sustainability efforts. Building on the Group's strong sustainability foundations, we rolled out a programme known as We Care We Share in January 2009 with the primary aim of promoting the spirit of volunteerism amongst our employees to initiate and take an active part in any initiatives related to sustainability or corporate responsibility.

COMMUNITY CONTRIBUTIONS BY TYPE
(2009: RM5,578,535)



COMMUNITY AND ECONOMIC CONTRIBUTION CONTINUED

We Care We Share structures our outreach into several segments including green earth programmes, philanthropic activities and disability outreach. Another example is the crèche to help employees manage their work-life balance. The centre provides day care services as well as educational activities for older children. This programme serves as a pilot project, which if successful will be extended to other areas and aspects of our operations.

THE SYNOPSIS OF THE 8 SUB-PROGRAMMES OF WE CARE WE SHARE IS SET OUT BELOW:

PROGRAMME	OBJECTIVE	INITIATIVES AND STRATEGIES
RECYCLE – “LOVE THE PLANET”	To promote reuse and recycling of waste and unused items for environmental preservation. (In 2009, a total of 29,544 kg of waste and unused items were collected for recycling from the employees of Malaysian Plantations Division.)	<ul style="list-style-type: none"> - Organised recycling campaigns at various Group operations locations in Malaysia - Provision of the appropriate resources and centres for collection of recyclable items - Collaboration with various stakeholders including State Municipal of Johor Bahru for technical assistance and advice
CHILDCARE CENTRE – “LOVE FOR CHILDREN”	To provide quality childcare services and promote work-life balance	<ul style="list-style-type: none"> - Setting up facilities and teacher training - Collaboration with Association of Registered Childcare Provider Centre for relevant assistance
RECREATION – “LOVE FOR NATURE”	To promote and revive suitable natural areas for social and recreational activities	<ul style="list-style-type: none"> - Revived stream banks at Ulu Tiram Estate for family recreational activities - Organised various community based activities
SAFETY AND HEALTH AWARENESS FOR SCHOOL CHILDREN – “LOVE FOR LIFE”	To promote safety and health awareness among school children	<ul style="list-style-type: none"> - Organised safety campaigns in schools - Collaborated with the Department of Road Safety and Department of Education for relevant assistance





PROGRAMME	OBJECTIVE	INITIATIVES AND STRATEGIES
BUMI HIJAU –“LOVE FOR FAMILY”	To promote planting of edible plants for own consumptions and emphasise the importance of fresh and nutritional foods	<ul style="list-style-type: none"> - Identification and preparation of suitable areas for planting - Collaborated with Agriculture Department of Johor for free distribution of seeds of various edible plants
AS-SAJDAH –“LOVE FOR PEOPLE IN NEED”	To promote awareness on the need to provide assistance to the under-privileged from within the surrounding community	<ul style="list-style-type: none"> - Organised donation campaigns to help under-privileged families identified from amongst employees and within the vicinity of Kulim’s estates and surroundings - Set-up centralised aid distribution centre at Kelab Sukan & Rekreasi Tiram
CHILDREN ACTIVITY CENTRE –“LOVE FOR LEARNING”	To promote and inculcate useful habits such as learning and reading to children and pupils	<ul style="list-style-type: none"> - Organised donation campaigns in both monetary and non-monetary forms to purchase and provide the necessary equipments and learning aids for MAWAR PKENJ library at Ulu Tiram Estate - Invites and organises volunteers to teach children on academic subjects and other useful skills
REGISTRATION OF DISABLED PERSONS – “LOVE FOR PEOPLE WITH DISABILITY”	To promote the spirit of caring for people with disability	<ul style="list-style-type: none"> - Assist and ease the registration of disabled persons from amongst the Group’s surrounding community in Malaysia - Collaborated with Department of Welfare Services to channel assistance

PRODUCTS RESPONSIBILITY

Palm oil is a basic and low cost ingredient in the diets of Malaysia, where we sell most of our palm oil. The vast majority of our palm oil is used as food – either semi-processed as a cooking oil, or developed into food ingredients.

NUTRITION

As obesity levels are increasing across the country consumers are increasingly concerned about high fat intake and the type of fat they consume. Palm oil is often labelled as a vegetable oil, but is in fact a fruit oil, like coconut and olive oil. Many people have mistaken palm oil for coconut oil. However, the two have fairly distinct uses and compositions. It is palm kernel oil that is similar to coconut oil in terms of chemical composition, physical characteristics and uses. Besides fatty acids composition, palm oil also differs from coconut oil with regard to their impact on heart disease risk, as palm oil contains distinctly less saturated fats.

Palm oil contains important fat-soluble micronutrients like Carotenoids (including pro-vitamin A), vitamins D, E and K. In fact, no other vegetable oil has as much Vitamin E compared to palm oil. Vitamin E is a powerful anti-oxidant, capable of reducing the harmful types of oxygen molecules (free radicals) in the body.

In health terms, the major benefit of palm oil is that its natural semi-solid properties and the versatility of blending with its solid fraction, palm stearin, makes hydrogenation (solidification) of palm oil unnecessary, unlike other oils such as soybean oil is often sold as a hydrogenated fat. Therefore, food products containing palm oil as its sole or main fat ingredient are essentially trans-free.

OTHER USES

Although food is – and will remain – our core market, we also sell our products for refining into oleochemicals and for biofuels. We do not currently believe that such uses compete with food production, or have any impact on driving further palm oil expansion. In fact, we see it as a positive development that non-food actors are committed to buying certified sustainable palm oil, preventing deforestation and unsustainable practices.



VEGETABLE OILS AND SHORTENING	POLYUNSATURATED FATTY ACIDS	MONOUNSATURATED FATTY ACIDS	TOTAL UNSATURATED FATTY ACIDS	SATURATED FATTY ACIDS
Safflower Oil	75%	12%	86%	9%
Sunflower Oil	66%	20%	86%	10%
Corn Oil	59%	24%	83%	13%
Soybean Oil	58%	23%	81%	14%
Cottonseed Oil	52%	18%	70%	26%
Canola Oil	33%	55%	88%	7%
Olive Oil	8%	74%	82%	13%
Peanut Oil	32%	46%	78%	17%
Soft Tub Margarine	31%	47%	78%	17%
Stick Margarine	18%	59%	77%	19%
Vegetable Shortening	14%	51%	65%	31%
Palm Oil	9%	37%	46%	49%
Coconut Oil	2%	6%	8%	86%
Palm Kernel Oil	2%	11%	13%	81%

DATA PAGES

INDICATOR	MEASUREMENT UNIT/ BREAKDOWN		2009	2008	2007	2006
Financial overview						
Total revenue Kulim Group	RM Million		5,806	3,988	2,741	1,815
		Plantations	1,621	1,727	1,162	810
		Manufacturing	1,186	1,564	1,104	738
		Foods and Restaurants	2,760	533	466	259
		Intrapreneur Ventures	228	164	9	9
		Other	11	-	-	-
Total revenue Malaysia plantations	RM Million		508	536	340	284
Customers (% of sales)	Refinery		74	86	90	92
	Oleochemicals (subsidiary)		-	9	9	8
	Traders		10	3	1	-
	Kernel crushing plant		16	1	-	-
Employee breakdown						
Number of employees			4,909	5,029	5,048	4,604
Employee turnover	Total		8.1			
	Management and staff		3.91	5.39	5.85	8.62
	Workers		8.49			
Employee categories	Management		189	189	179	161
	Non-executive staff		374	348	334	331
	Workers		4,301	4,492	4,535	4,105
Female employees			579	560	564	575
Male employees			4,285	4,469	4,484	4,029
Number of foreign workers	Number and origin		3,039	3,095		
			13	64		
			146	151		
Male non-executive staff			236	217		
Female non-executive staff			138	131		
Female workers			400	389		
Male workers			3,901	4,103		
Female management			41	40		
Male management			148	149		
Ethnic/racial breakdown	Bumiputra		516	484		
	Chinese Malaysian		5	6		
	Indian Malaysian		42	45		
	Other Non-Malaysian		0	2		

DATA PAGES CONTINUED

INDICATOR	MEASUREMENT UNIT/ BREAKDOWN		2009	2008	2007	2006
Employee conditions						
Trade union membership	Number of workers		1,544			
Total training cost as % of payroll			1	2		
Reported sexual harassment cases			2			
Community contributions						
Breakdown of charitable contributions (RM)	Sports		4,852,112	4,935,170		
	Culture/religion		500,000	40,000		
	Community health facilities		25,303	507,350		
	Children and education		116,720	73,365		
	Charity (basic needs)		84,400	7,372		
Health and safety						
Fatalities			0	1	1	3
Lost time accident rate	Incidents per 200,000 working hours		7.5	7.8	9.7	10.6
Severity rate	Average number of lost time per incident		4.2	3.5	3.6	4.4
Plantations						
Herbicide usage per hectare	Active ingredients per hectare	litres	1.3432	1.9982	1.374	1.243
Paraquat usage per hectare	Active ingredients per hectare	litres	0.0412	0.0426	0.0643	0.0308
Yield per hectare (mature palm)	Tonnes per hectare		21.20	22.70	22.65	25.61
Kulim estate FFB	Tonnes		449,341			
Johor Corp linked FFB	Tonnes		8,075			
Smallholders FFB	Tonnes		2,203			
FFB traders	Tonnes		330,833			
Other outgrowers FFB	Tonnes		43,819			
Land						
Total titled land	Hectares (Malaysia)		38,069	37,796	31,312	31,422
Total hectares other uses	Hectares		3,103	2,535	2,533	1,607
Total hectares oil palm	Hectares (Malaysia)		34,966	35,261	28,779	29,815
Total hectares Papua New Guinea	Hectares		79,177	79,460	44,714	44,714
Total hectares Solomon Islands	Hectares		7,577	7,577	6,880	6,282

INDICATOR	MEASUREMENT UNIT/ BREAKDOWN		2009	2008	2007	2006
Mills and production						
CO ₂ Equivalents from mills	Tonnes		130,701	124,674	88,625	100,435
		POME methane	128,770	122,580		
		Diesel	1,931	2,094		
BOD level - new mill	PPM		292	262	485	582
Total fertiliser usage	Tonnes		37,535	41,173		
Total water usage	Tonnes		767,871	846,584	1,280,965	746,550
Total diesel usage	Litres		804,686	872,574	885,268	533,515
Total chemicals	Tonnes		193	145	50	60
Total FFB processed	Tonnes		834,271	740,244	561,036	646,749
Total effluents	Tonnes		522,227	574,068	599,949	604,239
Total boiler ash	Tonnes		4,171	3,971	3,570	4,228
Total production	CPO (tonnes)		166,059	141,634	105,216	121,527
	PKE (tonnes)		49,950	45,144	37,962	45,786
	Fibre (tonnes)		124,917	85,715	76,879	62,531
	EFB (tonnes)		156,915	148,741	127,753	66,672
	Acid oil (tonnes)		1,226	882	676	218
	PK (tonnes)		49,950	42,102	29,256	34,205
Extraction rate (CPO)	% per tonne of FFB		19.90	19.11	18.75	18.79

NOTES TO DATA

- Pesticide usage has been restated and corrected as herbicide use per hectare.
- Calculations of CO₂ from POME effluents and has been calculated using "Brinkmann Consultancy in Greenhouse Gas Emissions from Palm Oil Production - Literature review and proposals from the RSPO Working Group on Greenhouse Gases"
 - FFB Processed x 0.7 x 50 x 0.21 x 1/1000 x 21
 - Diesel Usage x 2.4/1000
- Lost time accident rate is calculated per 200,000 working hours

GLOBAL REPORTING INITIATIVE G3 INDEX

Fully Reported Partially Reported

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2.6	Nature of ownership and legal form		Business Profile	6-8
2.7	Markets served		Business Profile	10
2.8	Scale of organisation		Business Profile See also Annual Report for full financial disclosure	6-13
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4.3	State the number of members of the highest governance body that are independent and/or non-executive members		Governance	14-15
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	GRI DISCLOSURE	TYPE	LOCATION – SECTION	PAGE
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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		Strategy, policy and management systems Governance	16-18 14-21
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		Governance	14-21
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EC5.	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Additional	Labour Standards	30-31
EC6.	Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation	Core	Business Profile Governance	6-13 14-21
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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	28-29
EN8.	Total water withdrawal by source	Core	Water, effluents and waste	26-27
EN7.	Water sources significantly affected by withdrawal of water	Additional	Water, effluents and waste	26-27
EN10.	Percentage and total volume of water recycled and reused	Additional	Water, effluents and waste	26-27
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	Protecting and conserving biodiversity	22-25
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	Protecting and conserving biodiversity	22-25
EN13.	Habitats protected or restored	Additional	Protecting and conserving biodiversity	22-25
EN14.	Strategies, current actions, and future plans for managing impacts on biodiversity	Additional	Protecting and conserving biodiversity	22-25
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	Protecting and conserving biodiversity	22-25
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EN21.	Total water discharge by quality and destination	Core	Water, effluents and waste	26-27
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EN23.	Total number and volume of significant spills	Core	No significant spills	
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LA2.	Total number and rate of employee turnover by age group, gender and region	Core	Labour Standards	30-31
LA3.	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Additional	Labour Standards	30-31
LA4.	Percentage of employees covered by collective bargaining agreements	Core	Labour Standards	30-31
LA6.	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Additional	Health & Safety	32-33
LA7.	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	Core	Health & Safety	32-33
LA8.	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Core	Health & Safety	32-33
LA10.	Average hours of training per year per employee per category	Core	Health & Safety	32-33
LA11.	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Additional	Employees Development	35
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	Labour Standards	30-31
Not reported: LA5, LA9, LA12, LA14				
HUMAN RIGHTS				
	Disclosure on Management Approach	Core	Strategy, policy and management systems Social	16-19 30-40
HR1.	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Core	Labour Standards	30-31
HR2.	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Core	Strategy, policy and management systems Working with Outgrowers	16-19 36
HR4.	Total number of incidents of discrimination and actions taken	Core	Labour Standards	30-31
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	Labour Standards	30-31
HR6.	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	Core	Labour Standards	30-31
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	Labour Standards	30-31
HR8.	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations	Additional	Labour Standards Employee Development	30-31 35
Not reported: HR3				

GLOBAL REPORTING INITIATIVE G3 INDEX CONTINUED

	GRI DISCLOSURE	TYPE	LOCATION – SECTION	PAGE
SOCIETY				
	Disclosure on Management Approach	Core	Social	30-40
SO1.	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	37-39
SO2.	Percentage and total number of business units analysed for risks related to corruption	Core	Governance	14-21
SO3.	Percentage of employees trained in organisation's anti-corruption policies and procedures	Core	Governance	14-21
Not reported: SO4, SO5, SO6, SO7				
PRODUCT RESPONSIBILITY				
	Disclosure on Management Approach	Core*	Business Profile	6-13
PR2.	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes	Additional	No non-compliances	
Not reported: PR1, PR3, PR4, PR5, PR6, PR7, PR8, PR9				

SCOPE OF REPORT

This is our second sustainability report for the Plantation Division of Kulim (Malaysia) Berhad, covering the calendar year 2009. Our first report was published in November 2008. We continue to use the GRI G3 Guidelines as the basis of reporting. The principles of the AA1000AS standard of responsiveness, materiality and completeness have guided the contents.

The report brings together our sustainability initiatives, including current and future directions. It is intended to be useful to all our stakeholders - our customers, employees, shareholders, communities as well as being a communication tool to various interested parties about our approach to the social, environmental and economic aspects of our business.

This report does not cover Kulim's plantation operations outside Malaysia. Kulim's subsidiary New Britain Palm Oil Limited produces its own 2009 Sustainability Report, which can be found on the company's website. However, where some synergies are material, they are mentioned in this report. The boundaries of the report also do not cover the company's manufacturing or restaurant and food business nor any joint venture enterprises in Malaysia.

Unless otherwise stated, all data is as at 31 December 2009.

We are committed to continuing our reporting journey, and expect to publish a sustainability report bi-annually.

MATERIALITY

The report covers all sustainability issues deemed material by the company. Like the 2007/2008 Report, those issues classified to be of high impact or to be of high expectations within the company and to stakeholders were explored in detail. Issues deemed to be of low impact but with high expectations and high impact with low expectations have also been included but with less emphasis.

We have made every effort to augment our reporting with detailed performance indicators on those areas of our business over which we have material control and where the impact of our activities is considered significant. Some issues, such as detailed data on our operations and business activities that are already covered in our Annual Report are not repeated at length here.

ASSURANCE STATEMENT

INTRODUCTION

Bureau Veritas has been engaged to provide assurance services to Kulim (Malaysia) Berhad. This Assurance Statement applies to the Sustainability Report 2009 (the “Report”).

The preparation of the Report and its content is the responsibility of Kulim (Malaysia) Berhad. Our responsibility is to provide assurance over the Report and underlying processes within the scope set out below:

- **WORKPLACE: GOVERNANCE**

Verification through low to mid-level assurance via information provided.

- **WORKPLACE: EMPLOYMENT**

Verification through low to mid-level assurance on employment, working and living conditions via compliance against internationally recognised standards.

Low to mid-level assurance on health & safety via Kulim’s management/OSH related records

- **WORKPLACE: AWARDS & ACCREDITATION**

Verification through low to mid-level assurance via information provided.

- **MARKETPLACE:**

Verification through low to mid-level assurance via information provided.

- **ENVIRONMENT:**

Verification through low to mid-level assurance via Kulim’s records, independent assessment records, environmental controls, selected Sedenak mill and Sedenak Estate site visits, Kulim’s policies & practice implementation, targets/GRI data transposition (internal), select factual & numerical data analysis (targets/GRI verification will not be traced to source unless local and accessible)

- **COMMUNITY:**

Verification through low to mid-level assurance via Kulim’s practices/procedures, training records, limited financial data, internal and external assessment records, Kulim’s management/inspection records, etc.

It is agreed that Kulim (Malaysia) Berhad expects to be able to provide a response to each of the GRI-G3 Guideline Protocols.

Kulim (Malaysia) Berhad aims to provide the B+ Application Level which requires reporting on the Standard Disclosures which include on all criteria for G3 Profile disclosures, management approach for each indicator category and a minimum of twenty performance indicators, at least one from each of Economic, Environmental, Human rights, Labour, Society and Product responsibility.

EXCLUSIONS FROM THE SCOPE OF OUR WORK

Excluded from the scope of our work is information relating to:

- Statements of commitment to, or intention to, undertake action in the future;
- Statements of opinion, belief and / or aspiration;
- Our assurance does not extend to the information hyper linked from the Report.

BASIS OF OUR OPINION

In conducting this engagement we have considered the following guiding principles:

The principles of materiality, stakeholder inclusiveness, sustainability context, completeness, balance, comparability, accuracy, timeliness, clarity, relevance and reliability as per Sustainable Reporting Guideline version 3.0 (GRI-G3).

- Our work was planned and carried out to provide reasonable, rather than absolute, assurance and we believe that the work conducted as described in the scope of work above provides a reasonable basis for our conclusions.

We relied on the representations made to us during the course of our assurance work by Kulim (Malaysia) Berhad personnel. Where information in the Report is directly sourced from Kulim Annual Report 2009, Draft 4 (5 May 2010) and Draft 5 (7 May 2010), we consider this to be reliable, as an independent Chartered Accountant and Registered Auditor have audited it.

Where we have provided assurance over numeric information, this has been achieved through review of consolidation processes and databases held at the Headquarters, Kulim (Malaysia) Berhad, Ulu Tiram Estate, Johor. This work is not considered sufficient for us to identify all misstatements.

Our review included the following activities:

- Interviewed with relevant staff at corporate and operation levels responsible for the information in the Report;
- A review of internal and external documentation such as RSPO website, BSI Certificate of Registration (M), Sustainability Report 2007/2008, ACCA Malaysia Website (M), Sustainability and Quality Council meeting minutes, MCM meeting minutes, Terms of reference, 12th WoW meeting minutes, We Care We Share book, Financial statements for the year ended 31 December 2009, Annual report 2009, Draft 4 (5 May 2010), Draft 5 (7 May 2010), EOD worksheet, HR worksheet, website Kulim (Malaysia) Berhad, Mills Operation - FFB purchases statement for the year ended 2009, Rapid biodiversity assessment report, Sustainability Handbook version 3, 2009, NBPOL management accounts for period ending 31 December 2009, Bursa Malaysia listing requirements, Malaysian Code on Corporate Governance, Board Policy Manual, Appointment Certificate by Kembara Mahkota Johor, Engineering Dept data, Sustainable Palm Oil management record, social impact assessment record, Employment Act, Safety dept data, Safety audit plan 2010, Medical surveillance programme, JKPP 8 report for 2009, Training calendar 2009, HR training data, mill engineering data, Kulim (Malaysia) Berhad Employee Handbook, newspaper clips, photos and pictures.
- A review of the underlying systems and procedures used to collect and process the reported information, including the aggregation of data into the information in the Report;
- A review of the reliability of the quantitative and qualitative information in the Report based on sampling;
- Visited Sedenak Palm Oil Mill and Sedenak Estate to review the data collection process and implementation evidence on reported statements in the Report;
- Challenged the related statements and claims made in the Report.

During our investigation we discussed the necessary changes in the Report with Kulim (Malaysia) Berhad and determined that these changes have been adequately incorporated into the final version.

ASSURANCE STATEMENT CONTINUED

CONCLUSIONS

- In our opinion, the Report fulfills the B+ requirements of the GRI 2006 Sustainability Reporting Guidelines (Version 3.0).
- During the course of our review nothing came to our attention to indicate that there was any material error, omission or misstatement. It is Bureau Veritas' opinion that the statements in the Report are accurate and reliable based on Kulim Annual Report 2009 Draft 4 (5 May 2010) and Draft 5 (7 May 2010). The Report provides a fair representation of Kulim (Malaysia) Berhad's sustainability reporting activity for the period from 1 January 2009 up to the data collection deadline on 31 December 2009.

AREAS FOR ONGOING IMPROVEMENT

- The increased use of performance indicators should feature in subsequent reporting to achieve a higher Application Level of A+.
- Kulim (Malaysia) Berhad has to structure its processes for identifying, understanding and managing its social issues and for capturing, understanding and responding to stakeholder views. A periodic or yearly programme is designed such that all the processes for engagements are planned.
- Kulim (Malaysia) Berhad to consider inviting Bureau Veritas to witness any stakeholders' engagement in the future.
- Data collection process could be further enhanced for consistency.
- More visits to the mills and estates needed to observe the total scenario of the estates and mills.

CONSIDERATIONS AND LIMITATIONS

In relation to our assurance work and conclusions, the following considerations and limitations should be noted:

- Certain information is excluded from the scope of our assurance work, as stated above;
- Environmental and social data are subject to inherent limitations due to its nature and the methods used for determining, calculating or estimating such data. Therefore this independent assurance statement should not be relied upon to detect all errors, omissions or misstatements in the Report, nor can it guarantee the quality of social accounting and reporting processes. We have provided reasonable assurance as to the quality and accuracy of the report within the scope of our investigations.



10 June 2010

STATEMENT BY BUREAU VERITAS OF INDEPENDENCE, IMPARTIALITY AND COMPETENCE

Bureau Veritas is an independent professional services company that specialises in Quality, Health, Safety, Social and Environmental management with over 180 years history in providing independent assurance services.

Bureau Veritas has implemented a code of ethics across the business that is intended to ensure that all our staffs maintain high ethical standards in their day-to-day business activities; we are particularly vigilant in the prevention of conflicts of interest.

Competence: Our assurance teams completing the work for the Social Report have extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes and an excellent understanding of good practice in Corporate Responsibility reporting and assurance.

By:

Team advisor: Wan Hisham Balkiah

Lead verifier: Mohamad Muzafar Mokti

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 microorganisms. 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 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".

CO₂ EQUIVALENTS

Carbon dioxide equivalents (CO₂ eq.) 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")

Is a tripartite world body representative of labour, management and government and is an agency of the United Nations. It disseminates labour information and sets minimum international labour standards called "conventions", offered to member nations for adoption.

INDEPENDENT DIRECTOR

According to the UK Combined Code Principles of Good Corporate Governance, an Independent Director is "independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement." – update with Bursa Malaysia

INTEGRATED PEST MANAGEMENT ("IPM")

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

NGO

Non-governmental organisation. In this report used to refer to grass-roots and campaigning organisations focusing on environmental or social issues.

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

RINGELMANN INDEX

A chart used in air pollution evaluation for assigning the degree of blackness of smoke emanating from a source. The observer compares the shades of grey (white to black) with a series of shade diagrams formed by horizontal and vertical black grid lines on a white background. A corresponding number, the Ringelmann number, is then assigned to describe the best match; numbers range from 0 (white) to 5 (black).

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 ("SIA")

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.

SA8000

SA8000 is an international workplace-quality standard based on the concept of social accountability, its major objective is to ensure application of ethical practices in hiring and treatment of employees and in production of goods and services. Released in 1997 by Social Accountability International ("SAI"). It relies on the codes-of-conduct affirmed by the International Labour Organisation ("ILO"), the Universal Declaration of Human Rights, and UN Convention on the Rights of a Child.

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 second 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

Senior Manager, Sustainability Department

salasah@kulim.com.my

MAHMUD SAIDOO

Senior Manager, Sustainability Department

mahmud@kulim.com.my



NOTES



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