



Kulim (Malaysia) Berhad

Sustainability Report
2018-2019
Plantation Division



KULIM (MALAYSIA) BERHAD 197501001832 (23370-V)

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Sustainability Report 2018-2019 Plantation Division

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... TOWARDS A SUSTAINABLE TOMORROW

The challenges of a volatile business environment as well as the unprecedented global uncertainty plagued by the COVID-19 pandemic has enhanced Kulim Group's determination to stay resilient and remain confident while surging ahead towards a future of sustainable development. We are focused on our unwavering commitment in ensuring compliance to environmental and social standards albeit transparency and accountability. The implementation of strategic initiatives and significant business plans will guide us towards a journey of achieving a sustainable tomorrow.

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OVERVIEW



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01

About This Report

This is Kulim (Malaysia) Berhad's Seventh Sustainability Report

This biennial review covers our sustainability progress and reflects the commitments under our updated 2018 Sustainability Policy. We prepared this report in accordance with the Global Reporting Initiative ("GRI") Standards: Core Option.

Scope and Boundaries

The report's scope covers palm oil estates and mills in Malaysia, managed by Kulim (Malaysia) Berhad, our largest revenue segment. It includes the four (4) estates that belong to our major shareholder, Johor Corporation ("JCorp") and Bukit Layang estate, which is Kulim-owned estate but under the management of Basir Ismail Estate.¹

There were no significant changes to the size, structure or ownership of our palm operations during 2018 and 2019. However, we have streamlined all data to include the four (4) JCorp-owned estates. Specifically, for this report, revised data relates to land and production, and human resource data for 2015 to 2019, where available. In June 2020, the four (4) JCorp estates have been leased to our subsidiary, Mahamurni Plantations Sdn. Bhd. and will continue to be part of our reporting.

The reporting cycle does not include our plantation operations in Indonesia, except under the Roundtable on Sustainable Palm Oil ("RSPO") timebound plan. This report does not include our associate companies or joint ventures.

The period covered in this report is from 1 January 2018 to 31 December 2019. Unless stated otherwise, performance data is as of December 2019. Where relevant and available, we have provided five-year historical information. Given the time of publication, this report also includes some 2020 developments where significant.



Sustainability Context, Stakeholders Inclusiveness, and Materiality

Throughout this report, we have sought to present our performance relative to the broader sustainability context, in Malaysia and the wider region. The material aspects reported have been identified and prioritised through engagement with Kulim's operational sites and external stakeholders – namely, our suppliers and programme partners. This will ensure that we are responsive to themes and components that are of critical importance to our stakeholders.

The report reflects significant issues discussed during our Board meetings, risks highlighted under our

risk register, and matters related to global trends. We have drawn upon the experience and knowledge from industry platforms such as the RSPO and leading benchmarks such as the Zoological Society of London's Sustainability Policy Transparency Toolkit ("ZSL SPOTT").

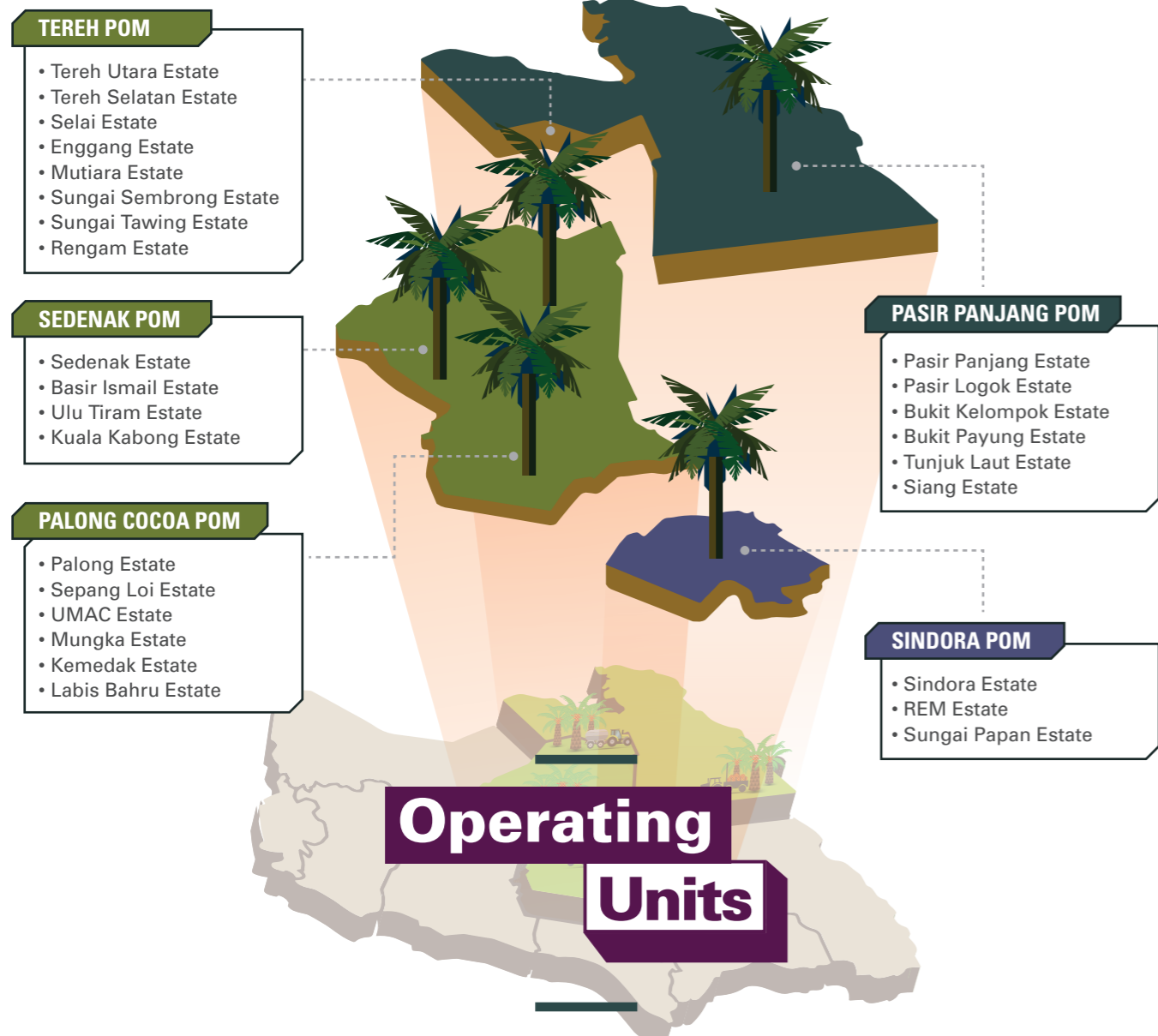
Since our last report, some themes have increased in importance. These include supply chain management, smallholder management, corporate governance and policies, water, anti-corruption, responsible chemical use, grievance mechanism, diversity and equal opportunity, energy, training and education, and market less attention, and we have merged

or updated some indicators to better reflect present-day issues. Community investment has been combined with community engagement and incorporates the previous indicator of impacts on society. Kulim has updated biodiversity to include HCV/HCS protection and management. We have also introduced three (3) new topics: transparency and traceability, COVID-19 health facilities/support/policy, and fire and haze.

The matrix has been mapped against Kulim's 5Ps for sustainable development and is reflected throughout the report. On page 7, we have outlined material topics corresponding to the United Nations Sustainable Development Goals ("SDGs").

¹ We also assist one (1) of our schemed smallholder cooperatives, Asam Bubok, to manage their estates. However, Asam Bubok is considered a supplier to Kulim's Sedenak mill and is not reflected as part of Kulim data in this report.

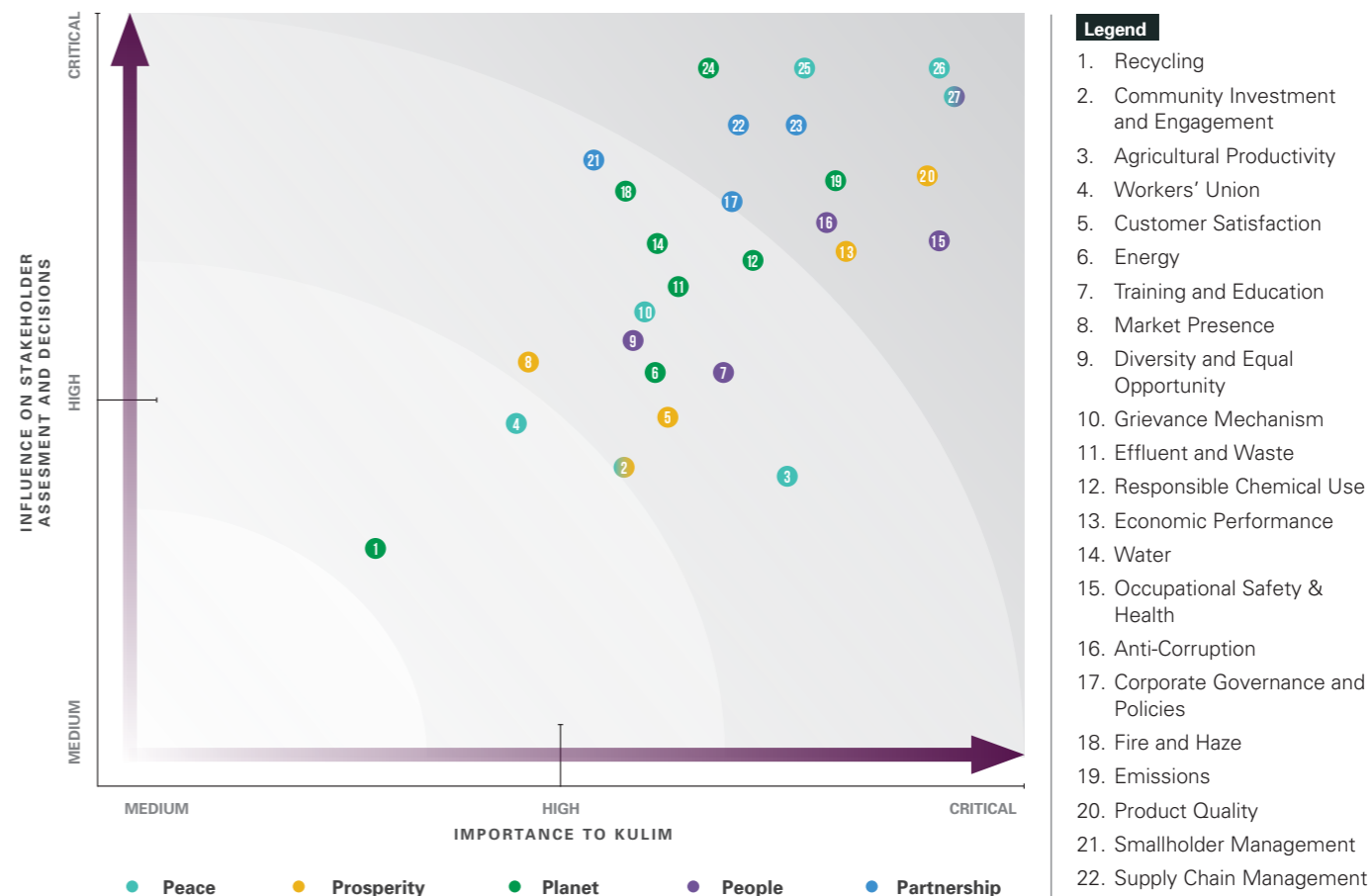
Kulim’s plantation segment which has its Headquarters (“HQ”) in Ulu Tiram Estate, Johor includes five (5) Palm Oil Mills (“POM”) and 27 estates, of which 26 estates are located in Johor and only United Malayan Agriculture Corporation (“UMAC”) Estate is located in Pahang. There are altogether 32 Operating Units (“OU”) as mentioned below:



While the ownership and principal activities of the Group’s subsidiaries are described from Page 261 to 268 of the Kulim’s Integrated Annual Report 2019, the subsidiaries involved in running the plantation operations within the scope of reporting are Kulim (Malaysia) Berhad, Mahamurni Plantations Sdn. Bhd., Kulim Plantations (Malaysia) Sdn. Bhd., Sindora Berhad, Kumpulan Bertam Plantations Berhad, Selai Sdn. Bhd., United Malayan Agriculture Corporation Berhad and Ulu Tiram Manufacturing Company (Malaysia) Sdn. Bhd.

2018-2019
Materiality Matrix

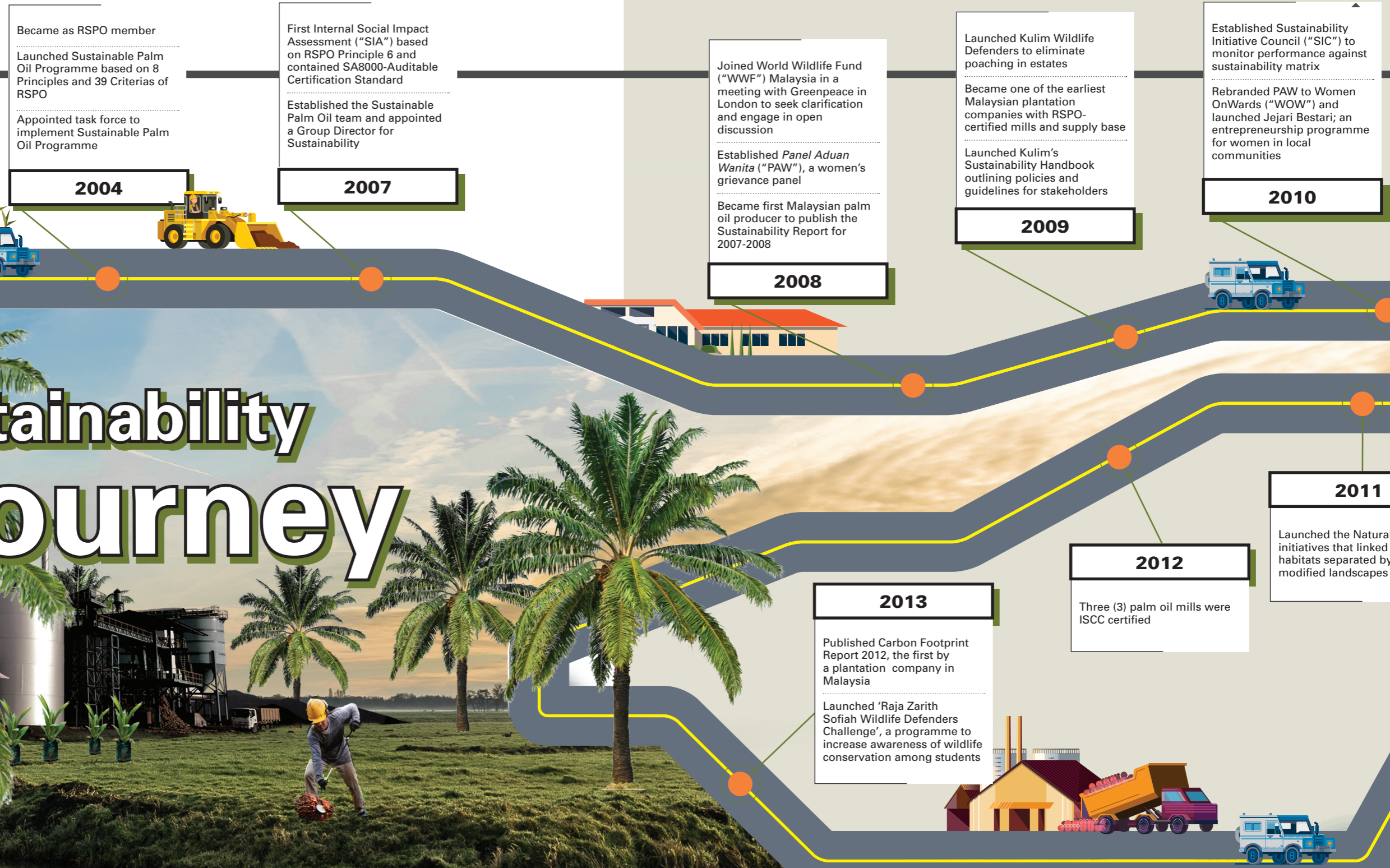
SIGNIFICANCE OF REPORTING ORGANISATION’S ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS



Assurance

We have chosen to conduct assurance on 27 material areas of our operations, which were identified together with our assurance provider. Please refer page 118 for our Independent Assurance Statement.

Sustainability Journey



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2015

Published Carbon Footprint Report 2014

Kulim's Carbon Footprint Report 2014 won the Best Carbon Disclosure Report at Asia Sustainability Reporting Awards ("ASRA") 2015

Installed biogas plants in Sedenak and Pasir Panjang POM to achieve 58% carbon reduction by 2020

Banned the use of Paraquat in all estates

Launched 'Saving Orangutan Saving Forest' campaign with Orangutan Land Trust ("OLT")

Four (4) mills were Halal certified in 2015

2016

Relaunched empty pesticide containers recycling campaign in collaboration with G-Planters

Raja Zarith Sofiah Wildlife Defenders Challenge Programme 2016 'Manusia dan Paya Bakau, Ke Arah Kehidupan Simbiosis'

WOW celebrated International Women's Day with the theme 'Wanita dan Cabaran Global'

2017

Participated in the Tribute to Women Malaysia Lifestyle Fest 2017

RSPO Secretariat conducted field trip to Tereh POM, Tereh Selatan Estate, Sungai Tawing Estate and Kulim Eco-TRAIL Retreat

Wildlife Conservation Campaign at Simpang Renggam

Launched *Semarak Kasih 2.0*, an Education Programme for children with special needs and persons with disabilities

Published Carbon Footprint Report 2016

Published Sustainability Report 2014-2015

WOW celebrated International Women's Day with the theme "Karnival Hari Wanita Antarabangsa 2017"

Pasir Panjang POM was RSPO certified and Halal certified in 2017

2018

Commissioning of Biogas Plant at Sindora POM on 16 January

Received the Identity Preserved ("IP") certified mills recognition for Palong Cocoa POM on 20 April, which subsequently obtained the ISCC Certified Mill on 9 May

WOW celebrated International Women's Day with the theme "Wanita Harapan Negara 2018"

ISO transition of QMS 9001:2008 and EMS 14001:2004 was successfully completed for ISO QMS 9001:2015 and EMS 14001:2015 in August 2018

MSPO certification has completed the Audit programme in December 2018, target to receive certificate in March 2019

Raja Zarith Sofiah Wildlife Defenders Challenge Programme 2018 with theme 'Johor Might Rivers'

Karnival Sukan Piala KMB (U16)

2019

Received MSPO certification in March 2019

Published Carbon Footprint Report 2018

Summer Camp KMB 2019 was held on 13 and 14 August 2019 at Savannah Hill Resort, Ulu Tiram, Johor.

Karnival Sukan Piala KMB (U17)

Sustainability Highlights

NEW / UPDATED POLICIES

Published a revised Sustainability Policy in May 2018 with clear commitments to

- No **Deforestation**
- No **Peat**
- No **Exploitation of People** and **Communities** ("NDPE")



Reviewed and updated several other sustainability-related policies in 2018



New policies published on anti-bribery and corruption, due diligence, and referral letters in September 2020

NEW FACILITIES

February 2019
Kulim established the **1st R&D centre** in Kota Tinggi



SUPPORTING OUTGROWERS AND TRADERS

1 trader successfully certified with MSPO in 2019, and RSPO in 2020. A total of three (3) Kulim suppliers are now RSPO certified.

In 2019, Kulim increased smallholder premiums from RM2 to **RM5** for every tonne of RSPO-certified FFB received

CERTIFICATIONS

5
RSPO
Certified mills



Produced **252,454 MT** of CSPO in 2019

5
MSPO
completed certification in 2019



Produced **181,103 MT** of CSPO in 2019

5
ISCC
Certified mills

Successfully transitioned from QMS 9001:2008 and EMS 14001:2004 to ISO QMS 9001:2015 and EMS 14001:2015 in August 2018

CARBON FOOTPRINT

2018
1.01 MT CO₂e per MT CPO/PK
42.5% reduction from the 2012 baseline

2019
1.25 MT CO₂e per MT CPO/PK
29% reduction from the 2012 baseline



4th biogas plant commissioned in September 2020²

BIODIVERSITY AND CONSERVATION

2018
462.16 ha

2019
462.16 ha

set aside for conservation



2018 & 2019

109

incidences of elephant incursion



² Fifth biogas plant underway at time of publish of this report.

Sustainability Highlights

OUR PEOPLE

7,440
employees



31% of managers are women

100% of female employees who took maternity leave returned to work in 2018 and 2019

83% of which
77% workers foreign workers



Implementation of workers salary **KASH KAD** – a cashless, safe, secure and contactless payroll system



871 and **883** employees received development training in 2018 and 2019, respectively

COMMUNITY INVESTMENT

Kulim disbursed for corporate responsibility initiatives, respectively

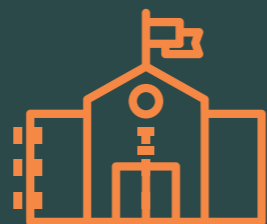


2019

RM17.26
Million

2018

RM18.43
Million



3 primary schools supported under the PINTAR School Adoption Programme, benefited approximately

300 students

SUSTAINABILITY RELATED AWARDS

1

The 19th Malaysia – International HR Awards 2019

- Bronze Award in the category of HR Best Practices



2

HR Excellence Awards 2019

- Excellence in Employee Engagement (Finalist)



3

11th Annual Global CSR Summit Awards Ceremony 2019

Kulim was awarded as the winner in three (3) categories:

1. Empowerment of Women Award (Bronze)
2. Best Workplace Practices Award (Gold)
3. CSR Leadership Award (Silver)



4

Malaysia International HR Awards & Dinner Presentation

- Kulim was awarded as a Best HR Practices Category in Bronze



5

Global Responsible Business Leadership Awards 2018

- Sustainable Palm Oil Plantation Management – Excellence Category



6

41 ADFIAP Awards 2018

- Kulim was awarded a Plaque of Merit for Corporate Responsibility Category



Targets and Achievements

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Target	Target Year	Status as of 31 December 2018	Status as of 31 December 2019 (unless otherwise stated)
1 Maintain a Lost Time Accident Rate ("LTAR") below 10	Ongoing commitment	1.98	1.53
2 Maintain the severity rate to below 3.5	Ongoing commitment	3.25	2.82
3 Zero fatalities	Ongoing commitment	Zero fatalities	One (1) fatality reported
4 No increase in peat development	Ongoing commitment	Achieved	Achieved
5 No development in land containing one or more High Conservation Value (HCV)	Ongoing commitment	Achieved	Achieved
6 No fine for environment-related incidents	Ongoing commitment	No cases reported	One (1) fine from BAKAJ (Sedenak Mill) due to a bund rupture at a stormwater retention pond
7 Reduce water consumption to 1.2 m ³ /MT FFB	Ongoing commitment	1.10 m ³ /MT FFB	1.06 m ³ /MT FFB
8 Biennial carbon report of Kulim plantation	Every two (2) years	-	Carbon Footprint Report 2018 published on 15 November 2019
9 All mills ISCC certified	2017	Fifth mill certified	-

Target	Target Year	Status as of 31 December 2018	Status as of 31 December 2019 (unless otherwise stated)
10 All mills and estates MSPO certified	2019	All mills underwent MSPO audits	All mills and estates received MSPO certification in March 2019
11 All mills MSPO SCCS certified	2020	MSPO SCCS developed and launched	All mills have undergone an MSPO SCCS audit and will receive certification in 2020
12 100% of external fruit to be certified	2025	Aim to assist at least one (1) trader to become certified by 2019	One trader, Eng Lee Heng Trading, embarked on the RSPO certification process in 2019 after Kulim introduced them to Wild Asia Group Scheme ("WAGS"). They became certified in May 2020. They also achieved MSPO certification in 2019 after Kulim introduced them to MPOB.
13 2% year-on-year reduction in usage of glyphosate on one-year-old palms	2020	Average glyphosate usage in first year of planting increased by 20%, from 5.61 l/ha/yr in (P16) in 2017 to 6.74 l/ha/yr in (P17) in 2018	Average glyphosate usage in first year of planting reduced by 14.7%, from 6.74 l/ha/yr (P17) in 2018 to 5.75 l/ha/yr (P18) in 2019
14 50% Reduction of carbon intensity (measured against the 2012 baseline) by installing five (5) biogas plants	2025	Three (3) biogas plants in operation contributing to a 42.5% reduction in carbon intensity against the 2012 baseline	Achieved reduction of 29% in carbon intensity against the 2012 baseline. In September 2020, a fourth biogas plant was commissioned ³ .
15 Achieve an average FFB yield of 30 MT/ha and palm product extraction rate ("PPER") of 30%	2036	FFB yield: 22.13 MT/ha PPER: 26.41%	FFB yield: 21.69 MT/ha PPER: 27.05%

³ Construction of the fifth is in progress at time of publish of this report.

SECTION 01 / OVERVIEW



MESSAGE FROM THE
**MANAGING
DIRECTOR**



SECTION **02**





Dear friends, colleagues, and partners,

It is my pleasure to present our 2018–2019 Sustainability Report. As an industry pioneer, it has been a decade since Kulim published our first Sustainability Report. Since then, we have witnessed tremendous changes in stakeholder expectations, sustainability standards, and commercial requirements. During this time, our commitment to sustainability has remained relentless and words cannot describe how proud we are of our efforts.

Message from the Managing Director

•• Mohd Faris Adli Shukery

We are publishing this report at a time of unprecedented global uncertainty. As COVID-19 continues to force accelerated change in civil society and all segments of the population, we have witnessed significant realignment in our operations too. We have enhanced our standards of safety, security and health and are vigilant in protecting our workforce. We have implemented strict measures to minimise any risk of infection, such as social distancing, enhanced hygiene procedures, and ongoing communication across the business. We have also strengthened security around the parameters of our grounds to negate any further risk.



COVID-19 has inevitable commercial impacts, too, and Kulim is no exception. Malaysia's Movement Control Order ("MCO") and immigration restrictions have effectively sealed our borders, limiting the number of foreign labour intake allowed. Kulim also recognises the personal difficulties faced by workers at our estates and mills who are unable to return to their families during these trying times. While we are uncertain how long this pandemic will carry on for, Kulim must do what we can for those who depend on us for income. As a result of labour shortages, there has been a significant impact on our optimal harvesting and field maintenance crews during the MCO. However, this has pushed players like us to step outside the box to not only continue business as usual, but also enhance productivity and efficiency. This includes re-thinking and re-vamping the way we ensure compliance to environmental and social standards and such digitisation is starting to reveal how we can improve method, such as auditing remotely.



"... IN 2018 WE PUBLISHED OUR NEW SUSTAINABILITY POLICY, REITERATING OUR CONTINUED COMMITMENT TO RSPO CERTIFICATION, INCLUDING OUR FIRM COMMITMENTS ON NO DEFORESTATION, NO PEAT, AND NO EXPLOITATION."

Kulim is proud of our first-mover status and consistent advancement. We were one of the first plantation companies in the world to achieve RSPO Certification, codify our sustainability commitments through our 2009 Sustainability Policy, and certify all our operations to RSPO Principles and Criteria. Throughout this journey, we have always believed in the critical importance of transparency and accountability. Over the last ten years, we have reported continual progress in our sustainability and carbon reports, enabling an ongoing dialogue with our partners and stakeholders.

As the world continues to evolve, we will not rest on our laurels. To mirror the changes in our operating environment and stakeholder expectations, in 2018 we published our new sustainability policy, reiterating our continued commitment to RSPO certification, including our firm commitments on No Deforestation, No Peat, and No Exploitation.

As a wholly-owned subsidiary of JCorp, Kulim is part of the state's economic agenda. With the Environmental, Social and Governance ("ESG") agenda as part of our DNA, we have an innate responsibility to contribute to the local economy and livelihoods. One of Kulim's initiatives includes significant measures to support the hundreds of independent smallholders and outgrowers who form a critical part of our supply chain. By 2025, we are expecting all of our external Fresh Fruit Bunches ("FFB") supply to have achieved certification through our Smallholder Inclusion Programme. Recognising that certification demands enormous effort, in 2013, we introduced an incentive programme that rewarded our partners of certified FFB.

With climate change posing an ongoing existential threat to agricultural communities and companies, Kulim aims to be an industry leader in carbon emission reductions. In 2012, we were the first Southeast Asian palm oil business and the earliest Malaysian company to publish a carbon footprint report outlining our baseline and targets. Since then, to remain at the forefront of bio-composting and alternative uses of waste products, we have worked towards our objective of ensuring that each of our mills has biogas-capture facilities.

Consequently, we are on track to achieve a 50% reduction in our carbon emissions by 2025. Furthermore, in February 2019, Kulim launched the Kulim Agrotech Centre, a research and development platform focused on improving yield quality and testing innovative solutions that will benefit the entire industry.

Kulim established
1st
R&D
centre
in Kota Tinggi in
February 2019

29%
reduction in carbon
footprint from 2012
baseline

4th
biogas plant
commissioned in
September 2020

We recognise that our entire workforce has a part to play in Kulim's future success. It is why we harness their full potential through dedicated upskilling programmes and the opportunity to obtain professional qualifications. Our Women OnWards ("WOW") programme empowers our female employees to pursue entrepreneurial opportunities that will benefit them in the workplace and beyond. We have also improved financial access for our workers in the field by introducing Kulim's cashless, contactless payroll system. In 2019, this provided safe and secure transactions for over 5,000 field workers.

Despite the formidable challenges we face, Kulim is confidently looking toward the future with significant plans for the business. While the economy and the private sector are adjusting to the new normal, we are seeing a renewed global focus on improving food security and food supply. It is imperative that we continue to adapt to food safety regulations by investing in progressive technology and adopting the necessary processes. At Kulim, we are focused on strengthening our core agriculture-related businesses and venturing into new businesses within the agricultural value chain. Moving forward, Kulim intends to become a leading player in this segment, especially for the agriculture arm for the state of Johor.

Regardless of global uncertainties, our commitment to sustainable development will not waiver. We will continue to work

closely with our business partners who are just as committed to sustainability and social responsibility as we are. Looking forward, Kulim, along with our peers in the industry, must now work on communicating to the world both the real benefits of palm oil and the real good that is occurring within our value chains. To do this, we need to take a holistic approach and ensure that even the people at home are aware and are proud of the sustainability journey they party to.

I would like to take this opportunity to convey my heartfelt gratitude and appreciation to the former Executive Director, Tuan Haji Zulkifly Zakariah for his leadership and guidance at the organisation for the last four (4) years and his service to the organisation for over four (4) decades, I would also like to thank En. Idham Jihadi Abu Bakar, the former Head of Corporate Services, and En. Shahrom Mohd Saad, the former General Manager of Finance, for their years of dedication and service before taking on retirement. Last but not least, it would not have been possible to achieve our sustainability goals without the help of our business partners, civil society, our workforce, and the support and advice from our local community.

We look forward to continuing the journey.

MOHD FARIS ADLI SHUKERY
Managing Director
Kulim (Malaysia) Berhad

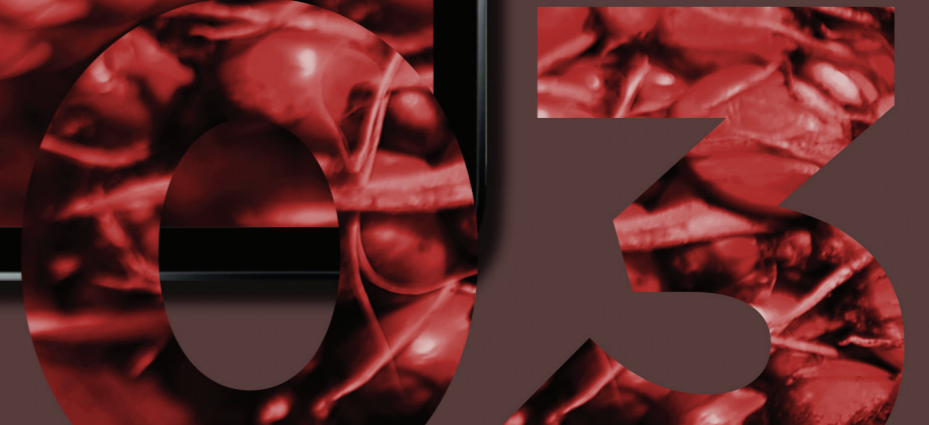


ABOUT KULIM



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About Kulim

Kulim (Malaysia) Berhad traces its history back to 1933 when Kulim Rubber Plantations Ltd. was incorporated in the United Kingdom. Kulim's agribusiness division, our primary line of work, has grown to become a diversified plantation company covering upstream oil palm operations, cattle, pineapple, coconut planting, eco-tourism, and research and development ("R&D"). In addition, we are focused on developing and strengthening our secondary businesses in intrapreneur venture, oil and gas, and property.



Supported by a workforce of 7,440 full-time employees, Kulim is recognised as one of the leading palm oil groups in the industry. Our operations currently span across Malaysia and Indonesia with a total palm oil planted area of 64,502 hectares as of 2019⁴. Our HQ are located at Ulu Tiram estate in Johor; our plantation segment in Malaysia has 32 operating units. We were among the first palm oil producers to be certified to RSPO standards and have continued to strive to become a leading producer that integrates sustainable practices to ensure supply chain traceability.

7,440
full-time employees

⁴ Our Indonesia business is beyond the scope of this report.

Ownership Structure and Economic Performance

In 1975, Kulim was incorporated as a public listed company on the Main Board of the Kuala Lumpur Stock Exchange – now known as the Main Market of Bursa Malaysia Securities Berhad. In 1976, JCorp became a major Kulim shareholder. On 4 August 2016, Kulim became a wholly-owned subsidiary of JCorp and was removed from the official listing of Bursa Malaysia Securities Berhad. JCorp is a Johor state government-linked corporation that owns oil palm operations and other businesses in Malaysia and across the region.

The Group's recorded revenue in 2019 was RM1.21 billion down from RM1.39 billion and a 12.95% decrease from the previous year. This reduction was due to lower earnings from our E.A. Technique (M) Berhad ("EA Tech") business and was compounded by reduced sales and reduced 2019 Palm Kernel ("PK") prices. Nevertheless, our plantations division remained the main contributor to the Group's overall income: at RM834.61 million or 69.04% of total Group's revenue⁵.

As suppliers to the European Union ("EU") market, we have not been directly impacted by the EU's ban on palm oil for biofuel as the majority of our buyers use palm oil for food consumption.

⁵ Representation of the Group's economic performance is beyond the scope of this report.

However, we envisage that such regulations will affect the palm oil market price. To help cushion the impact of Crude Palm Oil ("CPO") volatility and PK prices, Kulim plans to diversify our existing upstream activities throughout the agribusiness value chain, from upstream, midstream, downstream, and to the circular economy via waste-to-wealth activities. We also intend to leverage our expertise and apply it to our pineapple and coconut crops. Kulim is well-positioned to support the Malaysian government in its implementation of the B20 biodiesel programme, which aims to boost the domestic demand for palm oil and contribute to a cleaner environment.

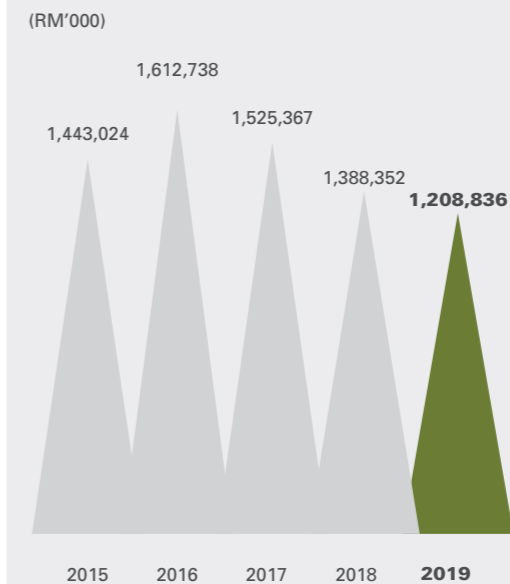
GROUP REVENUE

RM 1.21 billion

down 12.95% from RM1.39 billion in 2018



Group Revenue 2015-2019



Our Palm Oil Operations

Across our Malaysia operations, we manage five (5) POM and 27 estates. Of these estates, 23 are Kulim-owned with four (4) belonging to JCorp. The majority of our estates are located in Johor, with only one (1) estate – UMAC – located in Pahang. Our total landbank in Malaysia spans 61,375 hectares, of which 56,230 hectares are planted, making up 92.5% of the entire area. Our total infrastructure area comprises 585 hectares.

All the CPO and PK produced at our mills is sold to refineries or kernel crushing plants in Malaysia. Before reaching end-users, it is further refined into products such as biodiesel, cooking oil, oleochemicals, cosmetics, and other palm oil-based products.

SUPPLY CHAIN MANAGEMENT AND TRACEABILITY

PLANTATIONS

- KULIM ESTATES
- OUTGROWERS (SCHEME/ INDEPENDENT)
- SMALLHOLDERS (SCHEME/ INDEPENDENT)
- TRADERS

KULIM MILLS

- CSPK
- CSPO

KULIM BIOGAS PLANTS



- BIODIESEL
- COOKING OIL
- PALM OIL-BASED PRODUCTS
- OLEOCHEMICAL

REFINERY

LOGISTICS

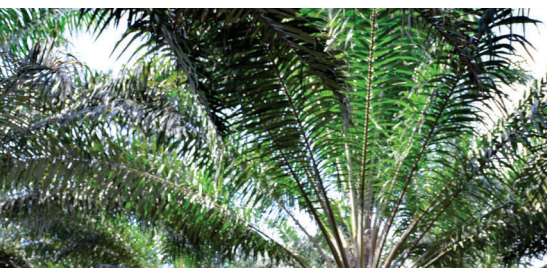
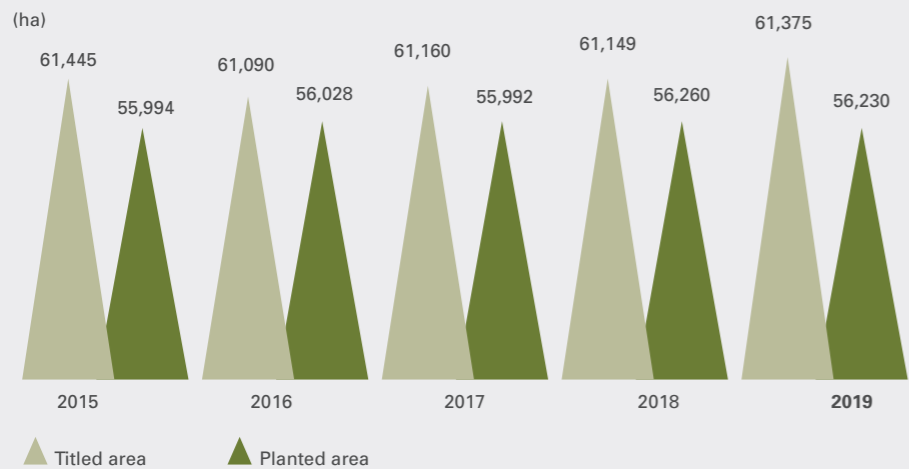
CUSTOMERS



SECTION 03 / ABOUT KULIM

SECTION 03 / ABOUT KULIM

Total Titled Area vs Planted Area 2015-2019



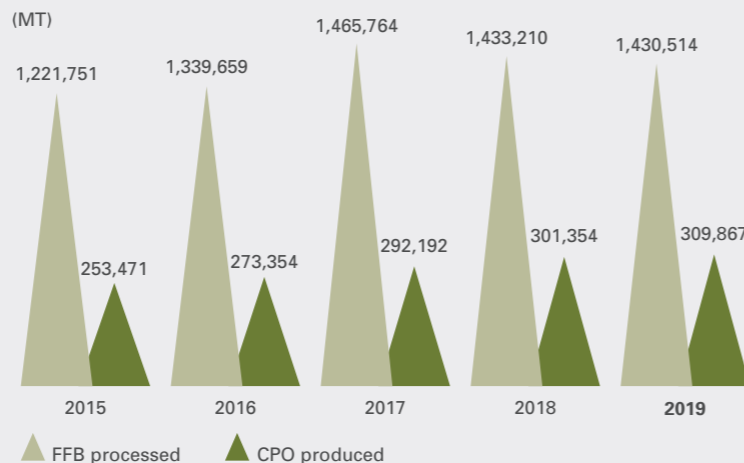
Agricultural Productivity

Around 88.5% of our oil palms are mature crop, and we annually replant an average of 3% to 4% of our oil palm area.

In 2019, our Group's plantations and JCorp's estates produced 1.07 million tonnes of FFB. The remainder of our processed FFB comes from outgrowers and traders. In 2019 this comprised approximately 372,049 tonnes, making up 26% of our total supply.

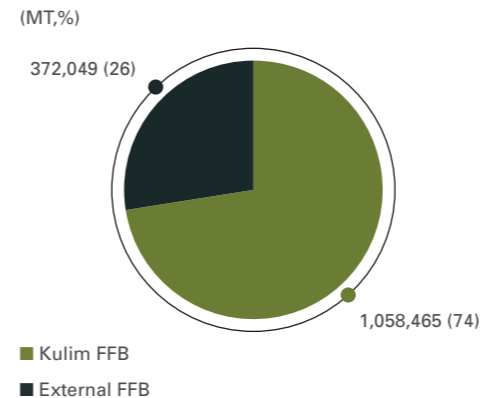
In 2019, we processed a total of 1.43 million tonnes of FFB at our mills. CPO mill production has been steadily increasing over the past five (5) years, due to better FFB quality and increased oil extraction rates. In 2019, we produced 309,867 tonnes of CPO or 2.8% more than in 2018. Compared to 2015, we have seen a 22% increase in production.

FFB Processed and CPO Produced 2015-2019

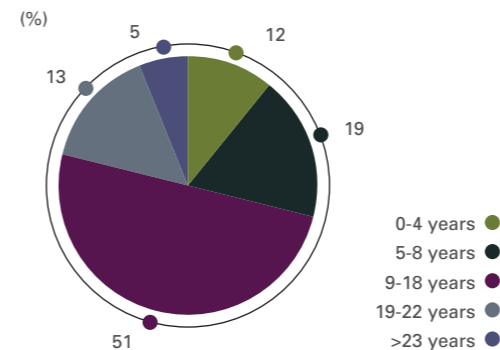


In 2020, however, COVID-19-related challenges have resulted in decreased FFB recovery and mill processing. Foreign workers make up the majority of our workforce, and government immigration restrictions have had a significant impact on field operations such as weeding, manuring, pest and disease control, and harvesting. These restrictions resulted in decreased production capacity. Kulim is working to mitigate these impacts by adopting cost-optimising initiatives at the estates and mills such as deferring expenditure on non-production items and changing from compound to single-nutrient fertilisers.

FFB Supply by Source 2019



Palm Age Profile 2019



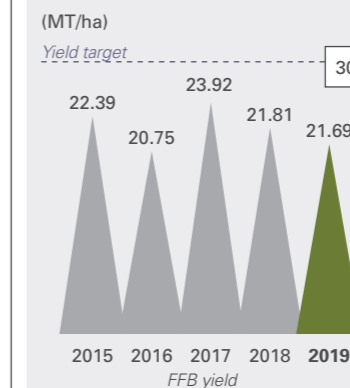
Vision 30:30

As we work towards our goal of increasing agricultural productivity, Kulim strives to maintain a high Oil Extraction Rate ("OER") and Kernel Extraction Rate ("KER") from the harvested fruits. Our management and growth strategy is guided by our Vision 30:30 programme which aims to raise fruit yield to 30 tonnes per hectare (MT/ha) and Palm Product Extraction Rates ("PPER") to 30% by 2036.

In 2019, our FFB yield was 21.69 MT/ha. 2017 was a bumper year for our plantation operations which resulted in a spike in yields, primarily due to favourable weather conditions and increased workforce productivity.

In 2019, we achieved a 21.66% OER and 5.39% KER, totalling a 27.05% PPER and have witnessed a steady increase in PPER since 2016 due to our concerted efforts to boost extraction rates.

FFB Yield Against Target 2015-2019



Extraction Rates Against Target 2015-2019





Using Technology to Optimise Productivity

We optimise field-level management using the Kulim Agrotech Information System ("KATIS"). Designed based on the concept of precision agriculture, we deploy drones to capture high-resolution aerial images, which are then integrated into GPS digital maps. The system is equipped with an avionics autopilot, a digital camera imaging sensor (or any advanced sensor), a cradle system, ground control points, and photogrammetric processing software. Once we gather the information, we can improve land utilisation,

precisely control fertiliser usage, map fields, and monitor crop health for signs of disease and pest infestation.

Kulim has also invested in a computerised terrain modelling system which captures digital geographic data (in coordinates) from an airborne sensor. This information is useful for improving our land preparation during replanting.



New In-Field Data Execution and Analytics System ("IDEAS")

The key to increasing production is to improve the efficiency of the work at estates. It is why Kulim launched the IDEAS system – a web-based programme designed to facilitate our estates to collect in-field data via portable digital barcode terminals. The system allows for daily field data such as FFB count and loose fruit to be captured and recorded and combines data from all estates into one (1) platform to help us monitor and manage inputs and outputs. The system is also able to log worker attendance and any absenteeism, which is integrated with the payroll system. We are also developing a component to better manage workers' overtime, piece-rate work and associated costing.

The programme was launched in 2016 and began with classroom training for all estates. In August 2017, it became mandatory for all estates to use IDEAS as a single, unified system. Workers use the systems in the field, entering data which we store into the device's built-in memory for uploading to computers at the centres at the close of day.

Committed to Research and Development

To remain at the forefront of the industry, Kulim invests significantly in R&D. We launched our first R&D centre in February 2019: the Kulim Agrotech Centre in Kota Tinggi. The centre will benefit our R&D programme and will help the entire plantation industry, especially in terms of quality improvement and agro-product innovation. The facility covers 2.87 hectares and is aligned with the Government of Johor's aspiration of promoting science, technology, and encouraging R&D investment. There are five (5) operating units in the centre: a tissue culture facility, a genomic laboratory, a plant breeding laboratory, the Ulu Tiram central laboratory, and the R&D management office consisting of an agronomy and plant breeding programme and a microbiology lab.



New R&D Programme with MPOB

In 2019, Kulim signed a Memorandum of Agreement ("MoA") with the Malaysian Palm Oil Board ("MPOB") to use their technology to increase the production of oil palm planting materials that offer better yields. These innovations are DNA fingerprinting, SureSawit Virescens and the SureSawit Shell Kit. We also signed a Memorandum of Understanding ("MoU") with the Malaysian Nuclear Agency to collaborate in research for disease-resistant pineapples varieties.⁶ We intend to extend these collaboration to other viable areas and hope that they will have a significant impact on the overall development of the economy. Kulim expects this cooperation to highlight new initiatives that have the potential to increase added value in agricultural sectors, thereby reducing Malaysia's dependency on imported food and strengthening the long-term national food security plan.



⁶ Kulim's pineapple business is beyond the scope of this report.



OUR APPROACH TO SUSTAINABILITY



SECTION **04**

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Supporting Outgrowers and Traders	57





The Group's sustainability journey began in 2004 when we became one of the first Malaysian palm oil companies to join the RSPO as a committed member, we have aligned our standards to RSPO principles and believe this is the most efficient, socially and environmentally responsible way of operating sustainably. Over time we have endeavoured to build upon our approach to sustainability management by aiming to align with the standards of international bodies and trade organisations. We consider sustainable development to encompass social responsibility, resource stewardship, appropriate environmental controls and efficient production standards – this will help us to achieve our 5Ps equilibrium: People, Planet, Prosperity, Peace and Partnership.

Our 2018 Sustainability Policy

In May 2018, we launched our updated Sustainability Policy. The revised policy aligns with RSPO principles more clearly and includes key commitments on no deforestation, no peat, and no exploitation of people and communities ("NDPE"). It applies to all Kulim plantation operations, including our subsidiaries, mills and managed operating units. The policy also applies to our business partners, which includes our contractors, suppliers, traders and other industry stakeholders we have business relationship with. We will work closely with these business partners to implement the policy promptly.

KEY COMMITMENTS



Investing in **employee development**



Implementing effective, sustainable management programmes and ensuring integration with all other company policies

No deforestation:

No new developments on high carbon stock (HCS) forests or high conservation values (HCV) areas

Protecting and maintaining HCV areas

Protecting cultural heritage and customary land use



Adopting sustainable land management practices to preserve soil, maintain water quality, minimise chemical use and **reduce pollution**



Achieving a sustainable management system aligned with the RSPO Principles and Criteria (P&C)

Protection of peat areas:

No development on peat, regardless of depth

Application of best management practices on existing peatlands



Investing in **renewable resources**



Complying with all relevant national legislation

No exploitation of people and communities:

Respecting employees' labour and reproductive rights, regardless of employment status

Upholding the principles of free, prior and informed consent in all stakeholders consultation

Making positive contributions to the communities in which we operate

We have communicated this policy to all our employees, suppliers, contractors, shareholders and joint venture partners. It was done through stakeholder briefings, posted on notice boards at all operating units and circulated to relevant parties via e-mail.

Scan the QR code for more information on our Sustainability Policy



In 2018, we also updated several of our sustainability-related policies, such as ethics, environment, grievances, people, health and safety, quality, and productivity. These are available on our website in English and Bahasa Malaysia.

Corporate and Sustainability Governance

Our sustainability framework is supported by a multi-tiered governance structure to embed sustainability into our day-to-day business operations. The Board of Directors plays an integral role in guiding the progress of Group sustainability initiatives. As of 1 January 2021, the Chairman Datuk Anuar Ahmad leads the Board supported by one (1) Managing Director, and seven (7) non-executive directors from diverse background. Out of eight (8) directors, five (5) are Independent. The Board comprises eight (8) men; seven (7) are Malay and one (1) is Indian.

Kulim's Sustainability Initiative Council ("SIC") acts in an advisory capacity to the managing director. The SIC is chaired by the Plantation Inspectorate and comprises 14 members from various operating units and departments. The Group meets every month to review the Group's sustainability performance on several economic, social, and environmental indicators. Our dedicated Sustainability and Quality Department ("SQD") sits under the responsibility of the SIC and is led by the Head of Marketing & Sustainability Division. The SQD is tasked with implementing, reviewing, and formulating sustainability-related initiatives. It includes matters relating to certification, compliance, audits, and social impact assessments. The Group reports the progress of its sustainability measures to senior management for evaluation and review, and our performance is regularly reported to the Board.

MANAGEMENT TEAM

AS AT 1 JANUARY 2021



Our Sustainable Development Principles

Our sustainability strategy is underpinned by the 5Ps principles: People, Planet, Prosperity, Peace, and Partnership. We further aligned these principles to 10 of the 17 United Nations Sustainable Development Goals (SDGs)⁷ which were ratified by 193 member states, including Malaysia, and have become the benchmark by which governments and businesses address systemic barriers and chart their sustainable growth targets.

At Kulim, we recognise the importance of our contribution by ensuring our strategic direction reflects these principles and SDGs. Our 5Ps and corresponding 10 SDGs are outlined below:



PARTNERSHIP

Implement the agenda through a solid global partnership



PEOPLE

End poverty and hunger in all forms and ensure dignity and equality



PEACE

Foster peaceful, just and inclusive societies



PROSPERITY

Ensure prosperous and fulfilling lives in harmony with nature



PLANET

Protect our planet's natural resources and climate for future generations

SUSTAINABLE DEVELOPMENT

Our materiality matrix reflects how our material topics correspond with the 5Ps. They can be found on page 7. Throughout the report, we have used accompanying icons to indicate which topics correspond to the 5Ps and SDGs.

⁷ United Nations General Assembly (2015) Transforming our World: The 2030 Agenda for Sustainable Development [Online]. Available at https://www.unfpa.org/sites/default/files/resource-pdf/Resolution_A_RES_70_1_EN.pdf (Accessed 1 June 2020).

Upholding Ethics and Integrity

Kulim is committed to the highest standards of ethics, integrity, and professionalism. We adhere to the following operating policies and procedures:

- **Ethics Policy:** these are the ethical standards expected of all our employees when dealing with colleagues, customers, shareholders, suppliers, competitors, the wider community, and the environment. The policy requires employees to submit ethics declaration forms on an annual basis. It provides them with a means of reporting suspected incidents of corrupt practices, fraud or other types of malpractice.
- **Gifts and Entertainment Policy:** this policy aims to avoid any conflict of interest involving a party in any future business with Kulim. We updated this policy in September 2020.
- **Conflict of Interest Policy:** this policy is intended to avoid any potential conflict of interest or perception of personal interest between Kulim and other parties when conducting business or official affairs. We updated this policy in September 2020.

Kulim strives to promote a corruption-free workplace culture. Currently, Kulim towards obtaining ISO 37001:2016 Certification for Anti-Bribery Management System (“ABMS”) which is expected to be certified in first quarter 2021. This measure will provide us with a mechanism to prevent, detect and respond to bribery and comply with applicable anti-bribery laws and commitments. In line with our anti-corruption initiatives, we have also newly developed the following policies:

1. Anti-Bribery and Corruption Policy
2. Due-Diligence Policy
3. Referral Letter Policy

Kulim Board approved these policies in September 2020 in addition to our updated Gifts and Entertainment, Conflict of Interest and Whistleblowing policies. There were no incidents of corruption raised in 2018 and 2019.

In 2013, Kulim established a Whistleblowing Policy which applies to our employees and external business relationships. It is a procedure for stakeholders to report alleged improper or unlawful conduct, without fear of retribution. We updated this policy in September 2020. Any employee that wishes to report wrongdoing or improper conduct can do so by e-mail, telephone, or mail to the Chairman of Audit Committee.



In 2008, we established a Grievance Policy outlining the types of grievances that can be raised and fairly and transparently dealt with. The policy covers both internal and external stakeholders, where employees, suppliers and other stakeholders have a mechanism to raise any dissatisfaction, concerns or feelings of injustice. As a member of the Malaysian Agricultural Producers Association (“MAPA”), Kulim is bound by the grievance procedure tied to collective agreements for all staff and workers at estates and mills. Therefore, were no grievances raised in 2018 or 2019.

Sustainable Management System (“SMS”)

To realise our sustainability commitments and continuously improve our performance, we have developed a sustainable management system. The SMS is based on defined structures, practices, and responsibilities set out in the RSPO’s Principles and Criteria. These prioritise a safe, healthy and viable work environment in compliance with all applicable national and international legislations. The SMS incorporates all of our management systems, such as the quality management system, environmental management system and performance management system.

Stakeholders’ Engagement

Kulim believes it is imperative to continuously engage with our stakeholders to better understand their perspectives on critical issues and build better relationships with key groups. We do so by maintaining an open dialogue with our stakeholders to effectively identify any concerns and react promptly.

Stakeholder Group	Relevant SDGs and 5Ps	Focus Area	Method of Engagement	Frequency of Engagement	Key Activities and Outcomes in 2018 & 2019
Employees	SDG 16  Peace 	Training and development	Management and employee roundtable conferences and dialogues	Annually	Conducted benchmark and salary reviews Reviewed career and succession plans
			Training	As and when required	In 2019, a total of three (3) employees were selected for the Johor Corporation Leadership Programme (JLP) and three (3) for the Advanced Johor Corporation Leadership Programme (“AJLP”), in addition to 19 JLP and four (4) AJLP graduates from 2018 Seven (7) employees in 2018 and six (6) employees in 2019 received formal qualifications funded by Kulim 871 employees in 2018 and 883 employees in 2019 received development training
		Employee assessment and review Employee engagement and development	Employee survey	As and when required	Conducted a performance management clinic Initiated online Peers and Reverse Feedback system (“PARFEED”) Conducted C.A.R.E. programmes and Kulim Employee Engagement Survey 2019 by Kincentric resulted overall score of 86% which in top quartile of SEA norm South East Asia
			Sponsorship	As and when required	Annual dinners, family days, and employee holiday trips
			Performance appraisals	Annually	Conducted annual performance appraisals
			Grievance mechanism	As and when required	No grievances were raised in 2018 and 2019
			Company policies	As and when required	Published our Sustainability Policy in May 2018 Implemented a review of all group-wide company policies and necessary policy updates in May 2018
			Occupational safety and health (“OSH”) training	Annually	Annual OSH training Mini conferences on OSH organised by Kulim Safety and Training Services for all OUs

Stakeholder Group	Relevant SDGs and 5Ps	Focus Area	Method of Engagement	Frequency of Engagement	Key Activities and Outcomes in 2018 & 2019
Workers	SDG 8, 9, 16 Peace, Prosperity 	Workers welfare and wellbeing (foreign and local)	Social Impact Assessments ("SIA")	Annually	Annual SIAs were conducted in 2018 and 2019
			Skills enhancement projects – Women OnWards ("WOW")	Annually	WOW homemaker entrepreneur programmes conducted to enhance skills and income generation
			Surveys	As and when required	Ongoing conducive and safe working environment provided to all employees
		Occupational Safety and Health ("OSH")	Group/one-on-one meetings	Quarterly	Operational and official visits
Operational and official visits	Ad-hoc		Operational visits by the Estate's Operations Department Estate engagement session programme between Konsulat Jeneral Indonesia and Indonesian workers		
Non-Governmental Organisations ("NGOs")	SDG 8, 9, 12, 13, 15 Prosperity, Planet 	Environmental conservation and engagement	Partnerships, multi-stakeholder forums and joint projects	As and when required	Implemented human-wildlife conflict management projects with the Wildlife Conservation Society ("WCS") Kulim Wildlife Defenders ("KWD") involved in Johor Wildlife Conservation Project by Johor National Parks (Perbadanan Taman Negara Johor, PTNJ)
			Corporate social responsibility programmes and responsible business practices	Annually	Embarked on KWD monitoring and patrols under Johor Wildlife Conservation Project and corporate responsibility programmes Launched Ops Bersepadu Khazanah (OBK) programme under Department of Wildlife and National Parks, Peninsular Malaysia (Jabatan Perhilitan) in September 2019
			Compliances to local and international law	As and when required	Strengthened adherence to social and environmental policies
			Adherence to RSPO P&C	As and when required	
		Charitable contributions	As and when required	Contributed to the Orangutan Trust Fund	
		Employee social issues	Partnerships, multi-stakeholder forums and joint projects	Annually	Working closely with the National Union of Plantation Workers ("NUPW") concerning workers' unions

Stakeholder Group	Relevant SDGs and 5Ps	Focus Area	Method of Engagement	Frequency of Engagement	Key Activities and Outcomes in 2018 & 2019
Investors, bankers and business partners	SDG 8, 9 Prosperity 	Sustainability certification	Update on RSPO initiatives	Annually	Carried out audits according to the surveillance audit schedule
			Update on Malaysian Sustainable Palm Oil ("MSPO") initiatives	Annually	All mills underwent MSPO P&C audits in 2018 and became certified in 2019; all mills have undergone MSPO Supply Chain Certification Standard ("SCCS") audits in 2019 and will receive certification in 2020 Achieved ISCC certification for fifth palm oil mill
		Sustainability risk and opportunity	Roadshows and group meetings	As and when required	N/A
			Investor meetings	Annually	
		Socially responsible landbank expansion	Research and development Dialogues and relationship	As and when required	Potential funding for new landbanks International trade bureaucracy High quality of oil palm clones
		Corporate funding and company profile	Shareholders engagement and investments	As and when required	Group dividends pay-out Site visits
			International networking sessions	As and when required	Attended MPOB International Palm Oil Congress and Exhibition ("PIPOC") 2019 Participated in RSPO Annual Roundtable Meeting on Sustainable Palm Oil ("RT17")
			Enhancing company/corporate profile/network	Publications	Annually Bi-annually
Website	As and when required			Website updated regularly	

Stakeholder Group	Relevant SDGs and 5Ps	Focus Area	Method of Engagement	Frequency of Engagement	Key Activities and Outcomes in 2018 & 2019
Industry peers	SDG 3, 4, 5, 8, 9, 12, 13, 15 Planet, People, Partnership, Prosperity 	Environmental best practices	Increase in research and development to improve product quality	As and when required	Continued construction of Palong Cocoa biogas plants and Tereh palm oil mills Increased income by selling RSPO-certified kernel shells and palm oil fruit fibres Launched Biomethane Project at Sedenak POM in October 2019
			Compliance	Annually	Complied with regulatory requirements
			Development and update of applicable policies	As and when required	Guidelines updated to align with national and certification standards
		Environmental conservation and management	Research and development (R&D)	As and when required	Launched Kulim's first R&D centre in Kota Tinggi Signed a MoA with MPOB to use technology to increase the production of oil palm planting materials that offer better yields. Signed a MoU with the Malaysian Nuclear Agency to collaborate in research for disease-resistant pineapples varieties
			Development and update of applicable policies	As and when required	Guidelines updated to align with national standards
			Development and update of applicable policies	Once in three (3) years	Revised the Collective Agreement ("CA") in January 2019 to align with national standards
		Livelihoods of workers and communities	Membership	As and when required	Member of Malaysian Agricultural Producers Association ("MAPA") and All Malayan Estate Staff Union ("AMESU")
			Good agricultural practices	Implementation of good agricultural practices	As and when required
		Industry scheme/ initiatives	Membership	As and when required	Member of RSPO and Malaysian Palm Oil Association ("MPOA")

Stakeholder Group	Relevant SDGs and 5Ps	Focus Area	Method of Engagement	Frequency of Engagement	Key Activities and Outcomes in 2018 & 2019
Communities and Outgrowers	SDG 3, 4, 5, 12, 13, 15, 17 People, Planet, Partnership 	Assist with RSPO certification	SIA and regular training for RSPO requirements	Annually	Engage with FFB smallholders/suppliers on RSPO certification Assisted one (1) trader in obtaining RSPO group certification through the WAGS Four (4) workshops/ roadshows conducted for communities and outgrowers on RSPO in 2018
			Public meetings, workshops, individual meetings	As and when required	
			Meeting and engagement for certification with FFB suppliers/ smallholders	As and when required	
Trading houses	SDG 8, 9 Prosperity 	Client profile	Regular engagement with buyers	Annually	Improved economic performance and enhanced product branding Improved product quality
		Product sales and diversity	Regular review of sales report product range presentation to traders	Annually	

Stakeholder Group	Relevant SDGs and 5Ps	Focus Area	Method of Engagement	Frequency of Engagement	Key Activities and Outcomes in 2018 & 2019
Customers	SDG 12, 13, 15, 17 Planet, Partnership 	Supply chain certification and compliance	Joint ventures and meetings	As and when required	Maintained Halal certification
			Site visits and surveys to determine product quality	As and when required	Obtained MSPO certification in March 2019 Maintained RSPO certification and membership
			Regular audits by RSPO	Annually	Achieved ISCC certification status in 2018 for our fifth mill, Palong Cocoa Transitioned from QMS 9001:2008 to QMS 9001:2015 and EMS 14001:2004 to EMS 14001:2015 in August 2018
		Customer satisfaction	Customer satisfaction surveys	Annually	Maintained customer satisfaction above 70% across all sites throughout 2018 to 2019
Governments and regulators	SDG 8, 9, 12, 13, 15, 16, 17 Planet, Partnership, Prosperity, Peace 	Building partnerships with government and regulators	Industrial meetings	As and when required	Attended partner meetings from Johor Wildlife Conservation Project ("JWCP")
			Participation and representation in events/ programs organised by government and regulators		Attended Human–Elephant Conflict ("HEC") mitigation meeting with WCS and Jabatan Perhilitan Participated in Greening of Degraded Habitats (Program Penghijauan Kawasan Tersohor) programme organised by Malaysian Anti-Corruption Commission and Forestry Department at Pantai Gunung Arong, Mersing
Unions	SDG 16 Peace 	Labour policy, workers' rights and quality of life	Group/one-on-one meetings	As and when required	Continued efforts under local collective bargaining committee comprised of elected union representatives
			Conferences	Annually	

Stakeholder Group	Relevant SDGs and 5Ps	Focus Area	Method of Engagement	Frequency of Engagement	Key Activities and Outcomes in 2018 & 2019
Media	SDG 17 Prosperity, Peace 	Media engagement	Press releases	As and when required	Maintained a good media reputation Kulim sent six (6) press releases in 2018 and six (6) in 2019 We held one (1) press conference in 2018 and three (3) in 2019 A documentary aired on television in Jauhar Selatan's travelogue A documentary on Kulim's pineapple farming aired on television Kemana Kita Kali Ni? #jomlaluE22 Kulim Pineapple Farm
			Media announcements		Regulatory announcements Shareholders' circulars Fact sheets
Suppliers	SDG 8, 9, 12, 13, 16, 17 Prosperity, Planet, Partnership, Peace 	Supplier engagement	Contract supplier interview and negotiation	As and when required	Addressed supplier sustainability questions Maintained business relationships Effective communication with multiple supply chains Informed suppliers of our updated Sustainability Policy
			Site visits		
			Strategic partnership and engagement meetings	Annually	Our Marketing Department conducts annual engagement with FFB suppliers to discuss purchase agreements, sustainability matters certification, and supply chain issues



Achieving higher levels of economic productivity as well as inclusive and sustainable growth.

Creating employment opportunities within the supply chain, especially for marginalised and underrepresented groups.



Developing strategy for expansion and diversification, unlocking value and prioritising R&D efforts to increase productivity.

Investing in infrastructure development to protect human well-being and with a focus on affordable and equitable access for all.



Complying with the national regulations and respecting international agreements.

Implementing non-discriminatory policies and grievance channel for stakeholders to raise concerns.

Protecting the fundamental rights and freedom of employees.

Building community trust by integrating corporate responsibility and sustainability in all our business processes and contributing to the well-being of the communities in which we operate.

Malaysia began its commercial palm oil industry in 1917, which has fostered rapid economic growth, create job opportunities as well as boost the country's exports trade. Kulim continues to strive to become a leading palm oil producer that integrates sustainable practices to ensure supply chain traceability. We achieve this by obtaining RSPO certification and recently, incorporating elements of the UN SDGs to our business practices to showcase our commitment to sustainable development both nationally and internationally.



Certification and Compliance

Complying with national laws and regulations on environmental quality, employment, human rights, and health and safety has always been a priority for Kulim. We place equal importance on adhering to sustainability standards as we do to maintaining our industry reputation and accountability with stakeholders.

We have established internal targets and Key Performance Indicators ("KPIs") to monitor our effectiveness and continuity. Certification bodies and relevant government authorities also check our performance through regular audits, surveys, and site visits.



RSPO

We have been members of the RSPO since 2004, and were one of the earliest Malaysian palm oil companies to gain RSPO certification in 2009. The Group's RSPO-certified practices help leverage our access to global markets and provide a high level of assurance to customers and consumers that we follow responsible and sustainable production.

As of December 2019, all five (5) of our mills, except for one (1) estate (Bukit Layang), were RSPO certified against 2013 RSPO P&C. These undergo re-certification every five (5) years. As of December 2019, 60,560 hectares of our estates – 98.8% of our total tiled area – were RSPO certified. This contributed to 1,059,086 tonnes of certified FFB harvested. Our mills were able to produce 252,454 tonnes of RSPO-certified sustainable palm oil ("CSPO") – 6.5% more than in 2018.

In June 2020, our Bukit Layang estate achieved RSPO certification, making 100% of our estates RSPO certified.

PALONG COCOA MILL RECEIVED RSPO IDENTITY PRESERVED STATUS IN 2018

Kulim uses three (3) RSPO supply chain mechanisms to purchase CSPO: Book and Claim, Identity Preserved, and Mass Balance. The Book and Claim option is the simplest method, allowing buyers to obtain CSPO without incurring high administrative costs or relying on complex logistics. Currently, three (3) of our mills were awarded Identity Preserved status: Tereh palm oil mill (POM), Pasir Panjang POM, and Palong Cocoa POM – the latter having achieved this on 20 April 2018. As the most stringent supply chain custody standard, palm oil from these mills can be traced to a single identifiable certified source and kept separate from conventional oil throughout the supply chain. Kulim sells CPO from our other two (2) POM mills through the Mass Balance mechanism whereby CSPO is mixed with conventionally produced CPO and tracked throughout the supply chain.



RSPO certification status and timebound plan⁸

Operations	RSPO model	Status/timebound plan
Tereh POM, Johor, Malaysia	Identity Preserved	Certified since 2009
Sedenak POM, Johor, Malaysia	Mass Balance	Certified since 2009
Sindora POM, Johor, Malaysia	Mass Balance	Certified since 2009
Palong Cocoa POM, Johor, Malaysia	Identity Preserved	Certified since 2009
Pasir Panjang POM, Johor, Malaysia	Identity Preserved	Certified since 2017
Kulim estates, South Sumatra, Indonesia	-	Expected in 2023

Our Sedenak POM, Sindora POM, and Tereh POM process external fruit from smallholders and outgrowers, the majority of whom are yet to become RSPO certified. We are working with these suppliers to ensure the FFB we receive is 100% by 2025. Please refer page 57 for more information.

⁸ Our Indonesia operations are beyond the scope of this report.

MSPO

We are 100% certified to the MSPO scheme – a nationally mandated programme which came into effect on 1 January 2020 for all palm oil mills and oil palm estates comprising more than 40.47 hectares. In 2018, we published our MSPO Policy outlining our commitments. We achieved our target in December 2018, when we completed all our MSPO audits. We subsequently received certification for all our mills and estates in March 2019. Our estates contributed to 1,064,071 tonnes of MSPO-certified FFB harvested in 2019 and 1,051,536 tonnes in 2018. In 2019, our mills produced 181,103 tonnes of MSPO-certified CPO.

All mills have completed MSPO SCCS audits in 2019, and we aim to achieve certification for all mills by 2020.



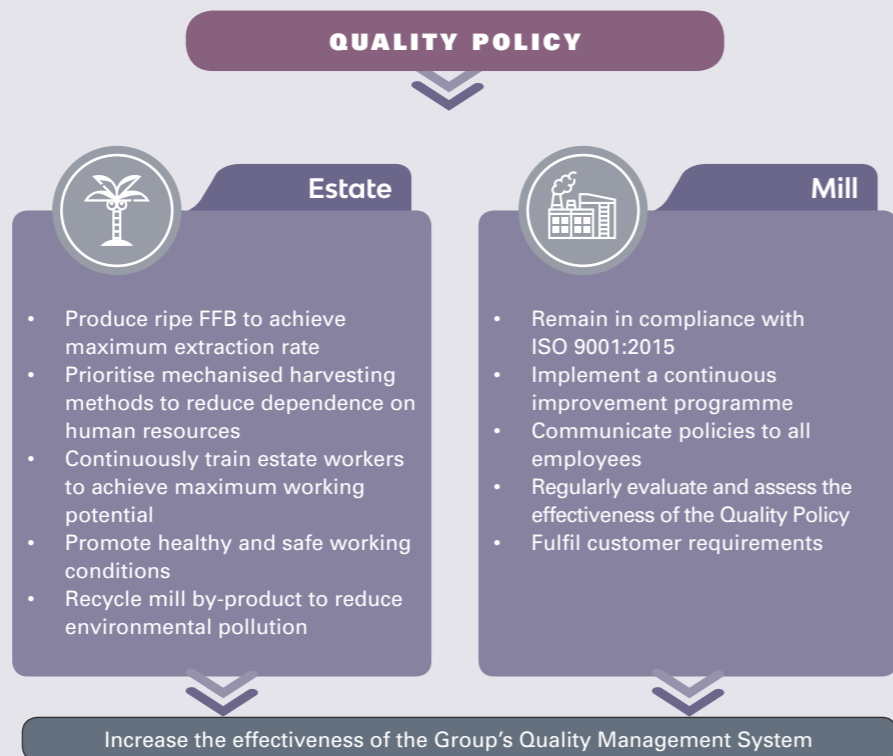
ISCC

All five (5) of our mills are certified against the ISCC, a globally recognised standard for sustainable biomass and bioenergy production that applies to companies selling products in European markets. The latest of these mills to achieve ISCC certification status was Palong Cocoa POM in 2018, although one year later than initially targeted due to a lowered demand for ISCC oil in 2017.

Product Quality and Customer Satisfaction

To ensure the quality of products meets the standards and expectations set by regulators and our customers, we have implemented a Quality Policy.

QUALITY MEASURES OVERVIEW



Quality Certifications

We obtained certification relevant to our business operations for the International Organization for Standardization (“ISO”), Environmental Management Systems (“EMS”), Quality Management Systems (“QMS”), and RSPO compliance. In August 2018, we successfully transitioned from QMS 9001:2008 and EMS 14001:2004 to QMS 9001:2015 and EMS 14001:2015, respectively.

Our Ulu Tiram central laboratory in Kota Tinggi is ISO/IEC 17025:2005 certified. The certification specifies the general requirements for the competence to carry out tests or calibrations, including sampling.

All our mills are halal certified to MS 1500:2009. This certification sets out standards for the production, preparation, handling and storage of halal food. Our Halal Policy guides our commitment.



	ISO QMS 9001:2015	ISO EMS 14001:2015	Halal Certification MS 1500:2009	ISO/IEC 17025:2005
Mill				
Sedenak	✓		✓	
Sindora	✓	✓	✓	
Tereh	✓		✓	
Palong Cocoa	✓		✓	
Pasir Panjang			✓	
Estate				
Sindora		✓		
Sedenak		✓		
Tereh Selatan	✓			
Laboratory				
Ulu Tiram Central Laboratory				✓

Product Grading

We grade our products to improve the quality of our CSPO production and palm oil and palm kernel oil extraction rates. This approach begins at the R&D stage, where we place specific emphasis on planting and cultivating particular species of palms that allow for higher and better yields. For best results during harvesting, we use FFB grading methods when processing into CPO. We circulate our FFB ripeness standards grading criteria to our estates, mills and corporate office via email, and regular briefings. The rules list instructions for distinguishing the FFB ripeness by assessing the colour, size, stalk length, and the characteristic ratios of harvested FFB.

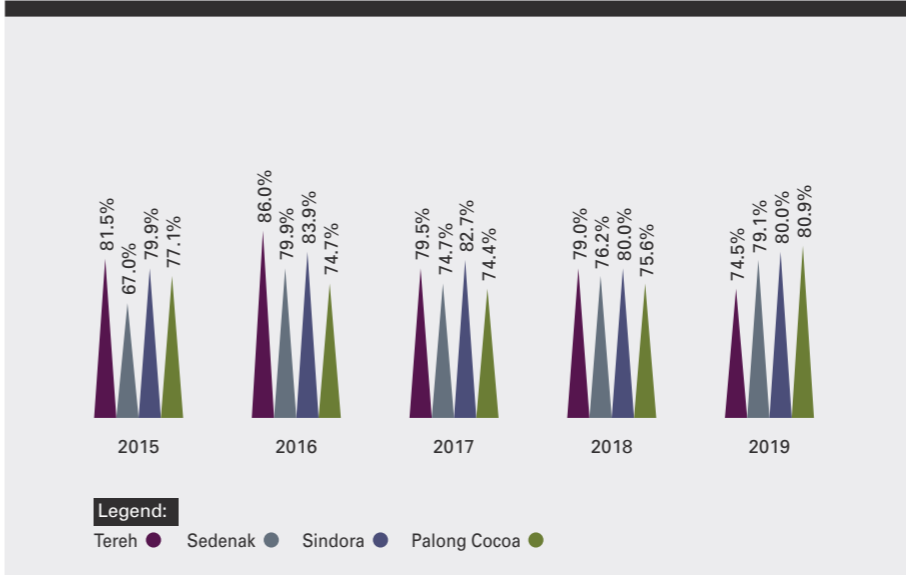
Maintaining Customer Satisfaction

Customer feedback is essential for us to continuously improve the quality of our products and services. As per ISO 9001:2008 product quality requirements, we solicit input through an annual customer satisfaction survey. It allows us to engage with our customers in an organised and constructive manner, identifying product quality issues, and taking prompt action where necessary. Customer satisfaction rates have remained above 70% since 2016 across all ISO 9001:2008 certified mills.

We analyse the results of customer surveys and present our findings to senior management. It helps to ensure that Group leadership is aware of any potential issues or challenges and helps us further improve our product to remain at the forefront of the competitive palm oil production business. No incidents of non-compliance concerning the health and safety impacts of products and services reported in 2018 and 2019.



CUSTOMER SATISFACTION RATES ON PRODUCT QUALITY 2015-2019 (%)



Note: Customer quality satisfaction surveys are a requirement for our ISO 9001:2008 certified mills, and therefore, results was not include our Pasir Panjang POM.

Moving To Food-Grade Lubricants

Since 2018, Kulim has begun using food-grade lubricants at our identity-preserved mills: Palong, Sedenak and Tereh POMs. It enables us to meet the growing demands of European food companies to reduce the amount of mineral hydrocarbon-based lubricants, which can come into contact at critical points during FFB processing. Such lubricants are potential carcinogens and can be detrimental to the health of consumers and therefore replacing this with safer, food-grade products are necessary. While more costly, the use of food-grade lubricants is in line with our commitments to minimise negative impacts on the environment. It contributes to a reduction in carbon emissions, improved hygiene, safeguarding customers' health and lessening lubricant wastage. Kulim spends RM850,000 on food-grade lubricants annually.



Creating effective alliances in the public, public-private and civil society spheres.

Supply Chain Management and Traceability
Developing multi-stakeholder partnerships that mobilise and share knowledge, technology and resources to create shared value and embed sustainable practices throughout the supply chain.

Collaborating with other organisations to create sustainable ventures and enhance economic prosperity.

Over the years, the frequency of cross-sector partnerships to achieve sustainability goals have increased exponentially. Ranging from alliances and collaborations between businesses, government agencies, and NGOs, to support and engage with smallholders, traders and consumers, these partnerships are formed to achieve an overall purpose related to the sustainability of an organisation. Partnerships lead to improved transparency and accountability, creating good working relationships that can benefit both organisations with regards to economic, environmental and social performance.



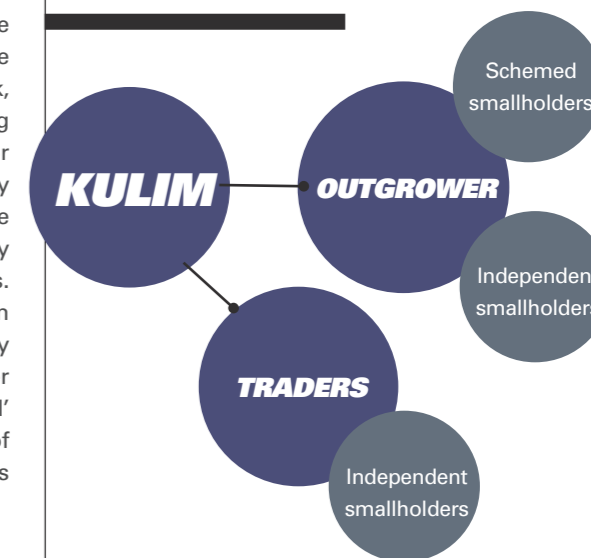
Supporting Outgrowers and Traders

Kulim recognises that we should not limit sustainability to only our operations. In our quest to be a leading palm oil producer and help transform the industry, we have integrated sustainable practices throughout our supply chain. It follows our commitment to ensure that our palm oil continues to meet internationally recognised standards such as RSPO and national scheme requirements such as MSPO.

All our external FFB supply comes from smallholder farmers, either by buying directly from outgrowers or FFB traders who collect from smallholders. In 2019, we externally sourced 26% of the FFB processed at our Sedenak, Sindora and Tereh mills – 87% of which came from traders.

We have a contract to receive supply with three (3) scheme smallholders: Asam Bubok, FGVP M Paloh Estate and Ladang Wawasan. These are farmers or landowners who we contractually buy from. They also receive financing from Kulim and employ our land and production practices. The estates under the Asam Bubok Cooperative are also directly managed by Kulim; we consider them to be Kulim-‘controlled’ supply. The total planted area of our scheme smallholders makes up to 2,132 hectares.

OVERVIEW OF KULIM'S SUPPLY CHAIN

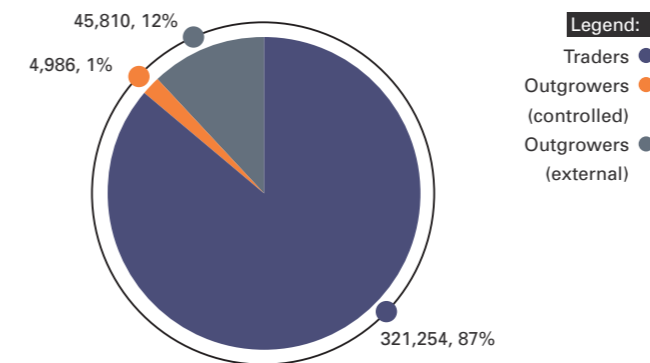


Traceability

The Group subscribes to the RSPO traceability system, RSPO PalmTrace. It allows certified RSPO members to register their physical sales and processing activities of palm oil, palm kernels and fractions sold in the market. Achieving full palm oil traceability requires us to track our entire palm oil production process at each step. This starts from planting to trading when we distribute CSPO to consumers and product manufacturers. All of our own FFB processed at our mills is fully traceable to our plantations. However, challenges remain in reaching full supplier plantation traceability. We aim to achieve 100% traceability to suppliers' plantations by 2023. We have just begun our traceability exercise with our suppliers by requesting them to fill out the forms we distributed. By 2021, we plan to make it compulsory for all smallholders and traders to provide their traceability information as part of our FFB purchase agreements.

External FFB Supply 2019

(MT,%)



Note: Outgrowers (controlled) refers to Asam Bubok estates, a scheme smallholder cooperative that is managed by Kulim. Outgrowers (external) covers all other smallholders we buy directly from (i.e. not through traders), including two other scheme smallholders, FGVP M Paloh Estate and Ladang Wawasan.

Supporting Smallholders

Smallholder suppliers grow oil palm on family estates along with other crops comprising fewer than 50 hectares. These suppliers often face resourcing limitations and lack the technical expertise to produce FFB sustainably. To tackle these shortcomings, we are committed to engagement with smallholders to help them gain RSPO certification through our Smallholder Inclusion Programme. Our SQD team conducts annual RSPO awareness programmes for all smallholders and engages with them on the practices they need to adopt to obtain RSPO compliance. The participants benefit from economic incentives such as premium pricing and improvements to farm yields – resulting from the palm oil supply chain management outlined in the RSPO requirements. They also gain a better understanding of improving good agricultural practices and efficient palm growing techniques for better yield.

With our support, two (2) of our scheme smallholders that supply to our Tereh POM – FGVP M Paloh Estate and Ladang Wawasan – achieved RSPO certification in 2014. Kulim monitors and helps maintain compliance through annual audits carried out by our SQD team. In 2019, these two (2) estates contributed 2% of our

RSPO-certified FFB. By 2025, our target is for 100% of the FFB we receive to be RSPO certified. We initially planned to achieve this target by 2019. However, we revised our objective because suppliers have shifted their focus to achieving MSPO certification in line with the new national mandate.

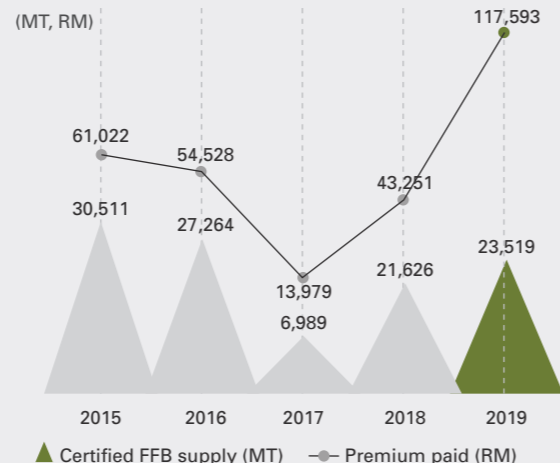
Kulim also supports independent smallholders and traders on their certification journeys by introducing them to certification bodies and programmes to assist with the progress. We also provide technical support wherever possible. In 2019, one (1) of our trader suppliers, Eng Lee Heng (ELH) Trading was successfully certified against the MSPO standards and went on to achieve RSPO certification in April 2020 through the Wild Asia Group Scheme (“WAGS”).



INCENTIVISING SMALLHOLDERS FOR RSPO-CERTIFIED FFB

Since 2013, Kulim has provided economic incentives to smallholders and traders that sell RSPO-certified FFB. Through our Smallholder Inclusion Programme, we have paid a premium of RM2 per tonne of certified FFB purchased to encourage the adoption of sustainability certification. Since our Tereh POM, FGVP M Paloh Estate and Ladang Wawasan became certified in 2014, we have made payments to our two (2) certified scheme smallholders that supply them. In 2019, we increased this premium to RM5 per tonne of certified FFB intending to attract more smallholders to apply for RSPO certification. We paid one additional RSPO-certified supplier a premium of RM3 per tonne of certified FFB from our Sedenak POM in April 2019. As of end-December 2019, we have paid out almost RM300,000 in premiums.

RSPO-Certified Supply and Premiums Paid 2015-2019



Stakeholder Commentary
MR ENG POH WUU
 Director, Eng Lee Heng (ELH) Trading



ABOUT US:

ELH began supplying FFB to Kulim in March 2015. We sell approximately 60% of our volumes to Kulim’s Sindora palm oil POM. We also provide FFB to other mills in the area and will start supplying Tereh POM once we have finalised our RSPO certification.

Kulim maintains very high standards in estate and operations management and generates a high FFB yield. They have always been transparent with their FFB procurement requirements and are prompt payers. If Kulim rejects a batch, they are quick and transparent in explaining why. Kulim is always happy to share their expertise and provide recommendations on how we can improve our FFB quality.

Our RSPO certification journey began at Kulim’s request as they are working towards a 2025 target for 100% certification of all external FFB. In 2018, ELH embarked on the RSPO certification process under the stewardship of the WAGS. During this time,

Kulim has been very collaborative in helping us understand and meet the certification requirements – they are always on hand to answer our many questions. Kulim coordinated training with MPOCC and RSPO on how to meet the certification criteria. As part of the process, Kulim sends safety and chemical handling trainers to the ELH office every year. Given the number of obstacles faced before certification, it would not have been possible to begin this process on our own.

In 2019, we became the first trader group in Johor to achieve MSPO certification. The MPOB recognised our efforts by citing ELH as a role model for best management practices. We have since received many peer enquiries regarding their certification processes and aim to share our knowledge and assist others throughout the procedure.

Under our management, ELH and 110 estates annually produce around 60,000 to 70,000 tonnes of FFB. The majority are estate owners; we help the remaining 10% to 20% manage their plantation operations. In May 2020, ELH was successfully achieved Group RSPO certification.

Screening Suppliers

Kulim requires that suppliers who wish to partner with the Group adhere to the standards set out in our business operations. We expect that they will consent to visits, strict registration processes, and annual assessments. The performance appraisals allow us to measure our suppliers against established Sustainability Policy commitments. The reports provided by the estates determine whether their contracts are renewed or not extended. Since 2016, about 100 vendors have registered with Kulim annually. In 2018 and 2019, Kulim assessed 21% and 38% of these suppliers against our sustainability criteria.

Vendors Registered and Screen 2016–2019

	2016	2017	2018	2019
Number of vendors registered with Kulim	100	102	97	122
Number of vendors screened against sustainability criteria	35	23	20	47
Percentage screened (%)	35	22.6	20.6	38.5



PROTECTING OUR PLANET



SECTION **05**

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Encouraging sustainable sourcing and production through the efficient use of natural resources.

Monitoring and reporting effluents and waste that is generated and disposed of.



Working towards greenhouse gas emission reduction targets.

Strengthening resilience and adaptive capacity to climate-related hazards.



Ensuring the sustainable use of forests, wetlands and other terrestrial ecosystems.

Conserving ecosystems and taking action to halt the loss of biodiversity.

To safeguard the environment, we consider the impact our operations have by managing our energy use, water consumption, waste production as well as implementing good agricultural practices.

To be recognised as a leader in sustainable palm oil production, the Group strives to safeguard our overall environmental performance throughout our supply chain. We prioritise continuous improvement, investing efforts in sustainable development and innovative technology that are geared towards protecting and conserving the environment through sound energy, water and waste management. Our SQD also focuses their resources to introduce initiatives and targets that are aimed to reduce our carbon footprint in an attempt to mitigate climate change.



Protecting our Planet

As a responsible grower and palm oil producer, balancing environmental concerns with our commercial priorities is integral to the way we do business. We aim to mitigate potentially adverse ecological impacts and remain committed to ensuring that land management practices are consistent with long-term resource productivity and are suitable for agricultural use. Our updated Sustainability Policy sets out our commitments to no deforestation, no peat and no exploitation.

In 2018, we published our updated Environmental Policy. It highlights our commitments, such as adhering to and complying with all national environmental legislation, striving for continual improvement in environmental performance, and adopting acceptable industry management practices such as the RSPO P&C and Malaysia Good Agricultural Practices (“MyGAP”).



⁹ Ministry of International Trade and Industry (2017) Malaysia And The United Nations Framework Convention On Climate Change (UNFCCC) – The Paris Agreement [Online]. Available at https://www.miti.gov.my/miti/resources/Article_on_Malaysia_UNFCCC_Paris_Agreement.pdf?mid=572 (Accessed 25 May 2020).

“We will continue to implement international best practice in the identification and management of HCV areas following the 2018 RSPO P&C.”

In 2018, we complied with all environmental regulations, however in 2019 our Sedenak POM fell short due to a ruptured bund at its stormwater retention pond. Kulim received a fine from Badan Kawal Selia Air Negeri Johor (“BAKAJ”), which we duly paid. We have since outlined corrective action plans to safeguard this from happening again. Please refer page 69 for more information.

Reducing our Carbon Footprint

Kulim supports Malaysia’s obligation to the United Nations Framework Convention on Climate Change (“UNFCCC”) in reducing Greenhouse Gas (“GHG”) emission intensity based on gross domestic product by 45% by 2030 compared to the country’s 2005 baseline⁹. Kulim does our part with the RSPO PalmGHG (version 4) to monitor and manage our emissions.

In November 2019, we published our fourth biennial Carbon Footprint Report for the year 2018. We drew data using PalmGHG (version 3) with data comparisons on our 2015–2018 emissions performance. Please refer our Carbon Footprint Report 2018 for more details.



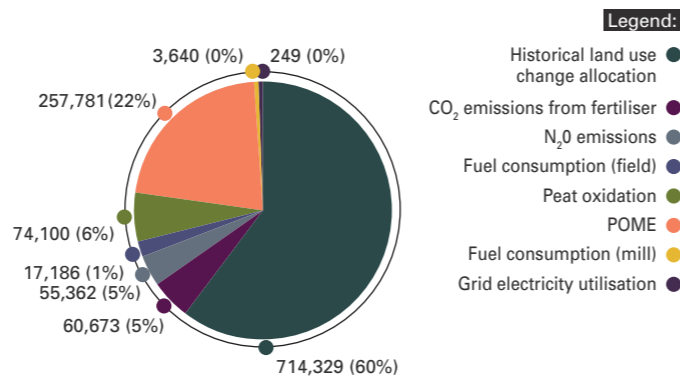
Carbon Emissions

The most significant contributor to our GHG footprint is emissions from historical land clearing for planting, amounting to 60% in 2019. The second-largest contributor of emissions comes from methane produced by Palm Oil Mill Effluent ("POME"). Other contributors are emissions from peat, fertiliser, nitrous oxide ("N₂O") from fertiliser application and field fuel consumption. We offset emissions by planting oil palms and setting aside areas for conservation – which sequester carbon – and sell palm kernel shells to third parties for electricity generation.

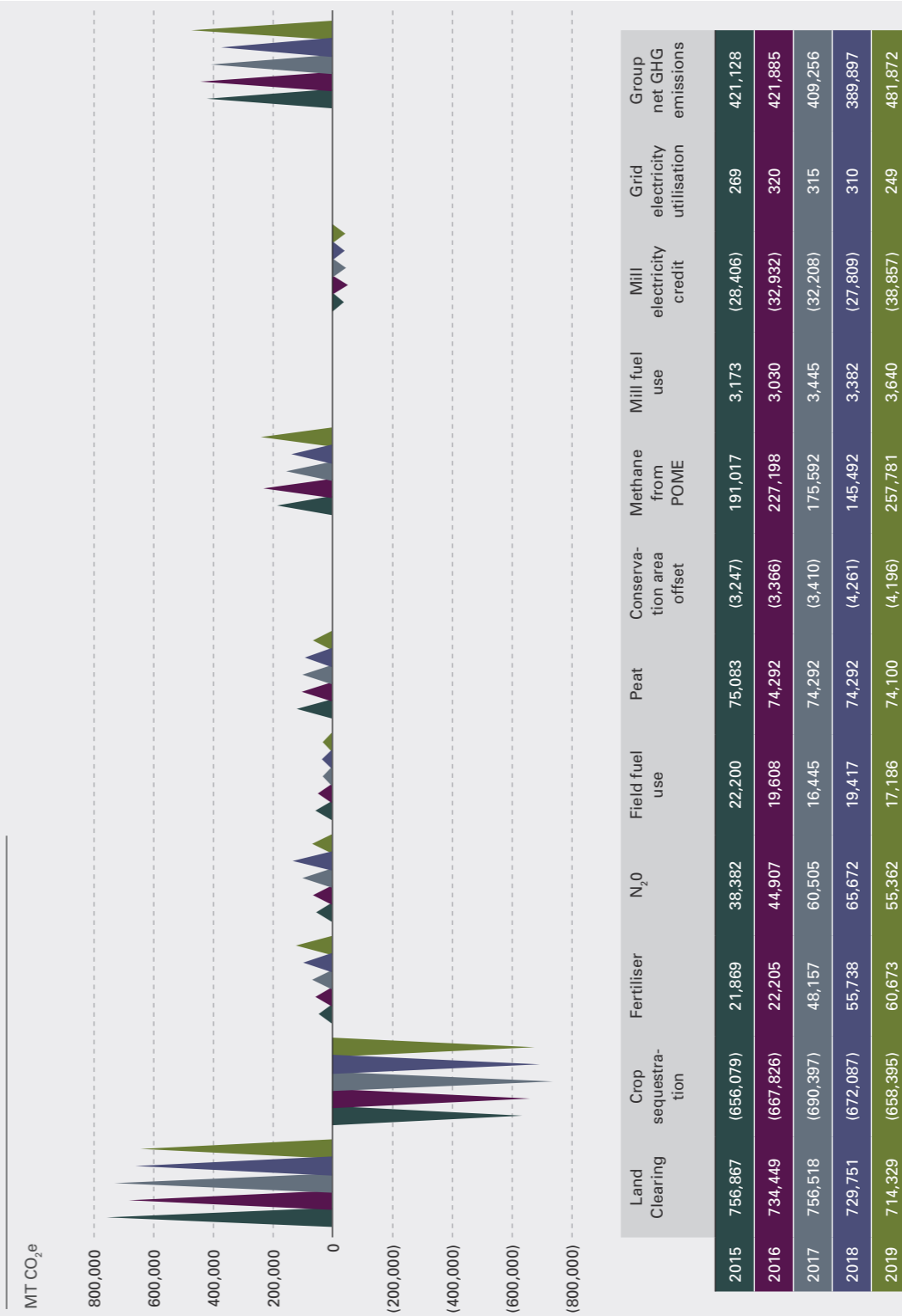
In 2019, we recorded a total of 481,872 tonnes of carbon dioxide equivalent (MT CO₂e) across our operations. Despite a reduction in emissions from N₂O and an increase of mill electricity credits from selling palm kernel shells, we witnessed an 24% increase in total net emissions compared to 2018. It was mainly due to increased POME methane from our Sedenak and Sindora POM and caused by technical issues at biogas plants in both POM. This resulted in a halt to operations for three (3) to four (4) months. The problems have since been resolved, and both mills are now operating at standard capacity.

GHG Emission by Source 2019

(MT CO₂e, %)

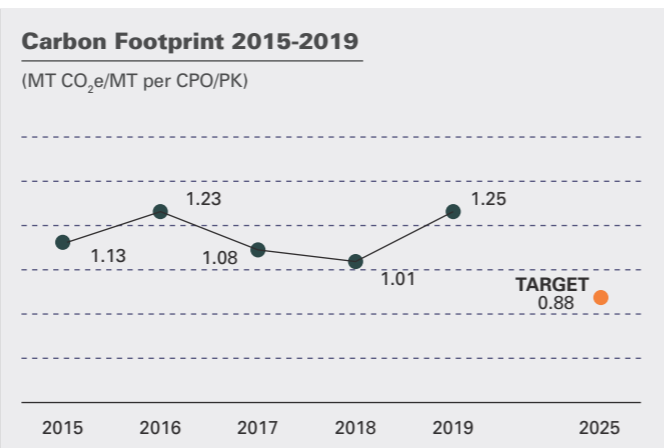


GHG Emissions Sources and Sinks 2015-2019



In 2019, our total recorded carbon intensity was 1.25 MT CO₂e per metric tonne of crude palm oil or palm kernel processed (MT CPO/PK). It was 24% more than in 2018 when our carbon intensity was 1.01 MT CO₂e/MT CPO/PK. It is mainly due to the 2019 temporary shutdown of our Sedenak and Sindora biogas facilities.

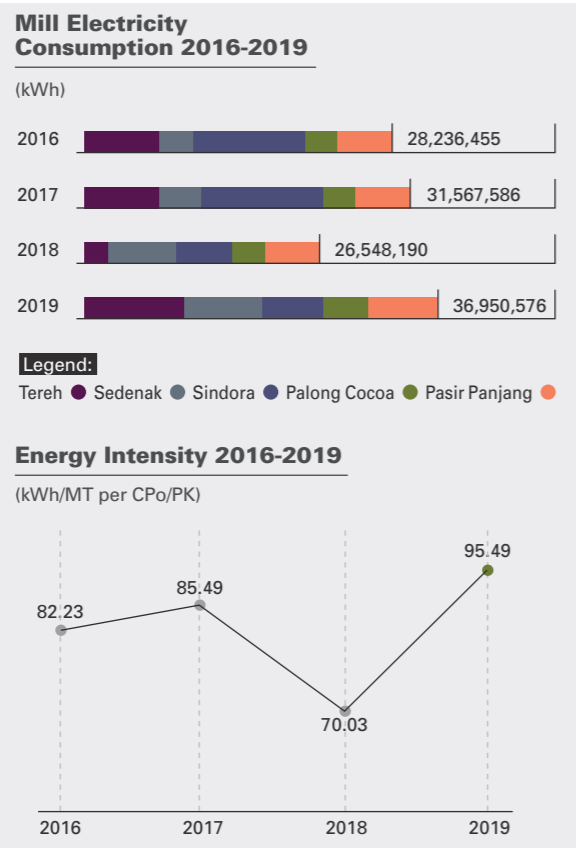
Compared to our 2012 baseline, this is still an overall reduction of 29%. By 2025, we aim to reduce our carbon intensity by 50% against our 2012 baseline¹⁰, which translates to 0.88 MT CO₂e per MT CPO/PK. We will achieve this by installing five (5) biogas plants, one (1) at each of our mills, and estimate this will reduce 90% of total POME emissions while still generating energy.



Energy Consumption

We consume both renewable and non-renewable energy to generate electricity, intending to optimise the use of renewable resources. At our mills, renewable energy sources are biogas and mill steam from biomass, while non-renewable energy sources are imported electricity from Tenaga Nasional Berhad (“TNB”) and diesel. Total electricity consumption across all mills amounted to 36,950,576 kilowatt hours (“kWh”) in 2019 – 39.18% more than in 2018. In 2018, we consumed 26,548,190 kWh of electricity – 15.9% less than in 2017.

In 2019, our energy intensity was 95.49 kWh per tonne of CPO/PK produced – an increase of 36% from 2018.

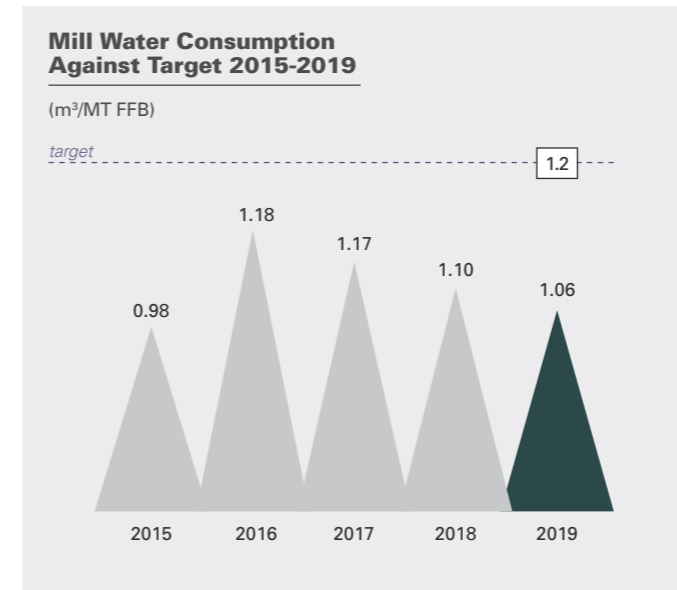


Generating Renewable Energy from Biogas Plants

Our biogas plants use methane captured from POME to generate renewable energy, which we use to power our mills and surrounding estates. We have commissioned four (4) biogas plants at our Sedenak, Sindora, Pasir Panjang POM and the latest at our Palong Cocoa POM which was commissioned in September 2020. We expect the installation of biogas plants at the remaining Tereh to be completed by first quarter 2021. This puts us ahead of our target to achieve fully operational biogas capture facilities at 100% of Kulim mills by 2025. We are pleased to report a 30% reduction in carbon intensity compared to our 2012 baseline of 1.76 MT per MT of CPO/PK. When all five (5) are operational, we estimate there will be a 50% reduction against our 2012 baseline.

Water Management

Kulim recognises the importance of ensuring efficient water management and safeguarding its quality. This is achieved by reducing the impact of our operations. We are cognisant that FFB harvesting and CPO production require a heavy reliance on water and therefore, we seek to implement best water management practices. We monitor water use by recording the level of water consumption of our mills to track our yearly consumption and thereby ensure we meet our targets. Compared to 2017, we reduced our water consumption by 6.1% in 2018 and 8.2% in 2019. We mainly attribute the reduction in water consumption to the recycling of steriliser condensate in our mill operations. With water consumption figures of 1.10 and 1.06 m₃ per metric tonne of FFB processed (m₃/MT FFB) in 2018 and 2019, we have continued to achieve our target to remain well below 1.2 m₃/MT FFB.



We also treat and manage POME – the waste water produced from the processing of FFB to extract CPO at our mills. Please refer on our POME treatment on the next page.

Harvesting Rainwater

We strive to minimise the impact on water tables within our operating area, and we employ best management practices such as installing water catchments to harvest rainwater. To date, we have established eight (8) rainwater catchments across eight (8) of our operating units, such as skid tanks, concrete ponds, poly water storage tanks and concrete culvert storage units. We aim to extend this practice to our remaining estates.

We also irrigate our mills and estates with natural surface water sources to avoid depleting groundwater sources. These water catchments also supply potable water to workers’ homes located on estate grounds. We monitor our water sources based on Ministry of Health drinking water quality standards to ensure that water supplied to the estate homes meets the requirements of regular testing for levels of coliform, turbidity, pH, chloride, and ammonia.



¹⁰ In light of the significant changes made to the PalmGHG methodology and greater certainty in our biogas capture plans, we have revised this target (58% by 2020 – set in 2014) to be in line with our biogas-specific goals as it is largely determined by our POME emission mitigation initiatives.

Manuring Pits

Kulim uses manuring pits to re-channel water runoff from estates for irrigation purposes. We do this by digging slit pits at the bottom of terrace hills on slopes to capture surface water runoff from heavy rain. The hole is bordered by surrounding grass to increase surface water permeability and reduce runoff. We also construct stop bund walls and weirs in the main drainage to channel water captured from the manuring pits back to the estate hills. This system is devised to reduce soil erosion and recycles surface water runoff, instead of being channelled directly into the drain.

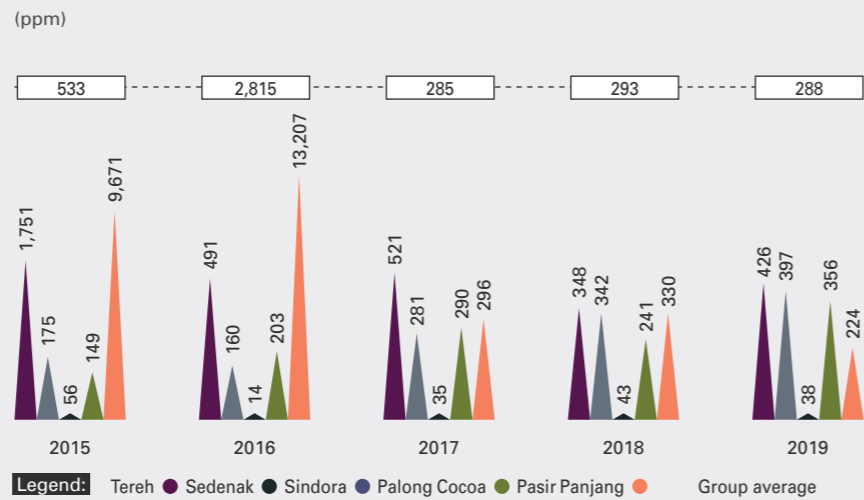
Treating POME and Safeguarding Against Spills

Untreated POME is acidic and is rich in nutrient content and has a high Biological Oxygen Demand (“BOD”). If discharged POME remains untreated, the organic load of the effluent will increase in the water resulting in eutrophication. Furthering Kulim’s commitment to sustainable water management, we practice a zero-discharge approach by treating all POME in line with required standards before applying the treated water through land irrigation. It is used on plantation land to provide moisture, nutrients, and organic matter to enhance the soil.

We strive to keep BOD levels in line with the Johor Department of Environment (“DoE”) requirements. We aim to keep improving BOD levels through the installation of our biogas and polishing plants. After we established our Pasir Panjang POM, BOD levels were extremely high in 2015 and 2016. BOD levels normalised after installation of biogas plant in 2017.

Since 2016, our group average has remained below 300ppm. In 2019, the average BOD from our mills had decreased by 1.5% compared to 2018. We can attribute this to desludging activities carried out at our mills in 2019, as required by the DoE. Desludging removes the excess build-up of solids that collect at the bottom of our treatment ponds, which in turn increases the retention time of POME and improves treatment efficiency. It enables an increase in microbial activity that digests organic waste and pollutants, thereby resulting in reduced BOD.

BOD Levels by Mill and Group Average 2015-2019



Note: BOD levels limits are 2500ppm for Palong, Sedenak and Tereh POMs, 1000ppm for Pasir Panjang POM and 100ppm for Sindora POM as it is located near to Syarikat Air Johor (SAJ)’s water catchment.

Other sources of water pollution may stem from cleaning activities at the lubricant stores or workshops. Regular maintenance activities may also contain traces of diesel or other chemicals.

While chemical spillages are uncommon, we have taken the added precaution of installing barriers to prevent chemical spillage that may occur in our stores or workshops and potentially spread to the surrounding area – especially during cleaning (which includes rinsing the floors and equipment). The estate’s hospital assistant conducts a weekly inspection of our septic tanks to check for signs of leakage. To avoid widespread site contamination, we deal with any overflow quickly, log inspections and record any damage.

In 2019, a bund ruptured at our stormwater retention pond at Sedenak POM. It resulted in the discharge of polluted waste water into the nearby river. We take such incidences seriously and have since put in place short-term and long-term corrective action plans. We have repaired the stormwater retention pond bund and built a secondary bund. We have also reviewed and revised our approach to stormwater retention at other mills to ensure similar levels of stability. In 2020, we installed ammonia sensors as part of an early warning system and constructed emergency buffer ponds to capture pollution from the treatment system. In 2021, we will upgrade our bio-compost plants from an open to a covered system, thereby eliminating the need for stormwater retention ponds.



Managing Waste

Due to our agricultural activities, Kulim generates a large volume of waste in the form of biomass, POME and scheduled waste. Responsible waste management practices are integral to DoE regulatory compliance and for safeguarding our workers during the handling of hazardous waste. Our workers dispose of domestic waste two (2) or three (3) times a week using landfill practices. We provide readily accessible, adequate garbage bins throughout our operations, segregating domestic waste and recyclables. Kulim strictly prohibits the burning of any type of garbage on our estate grounds. Agriculture manuals outlining responsible disposal methods are readily available on-site.

WASTE BY TYPE AND DISPOSAL METHOD

Types of Waste	Source	Disposal Method
Cut fronds	Frond pruning	Pruned and stacked neatly in inter-rows (along the lips of terraces in terrace areas and placed perpendicular to harvesters' paths with frond butts in inter-rows in undulating areas)
Biomass (replanting)	Replanting	
EFB	By-product from the CPO extraction process	Shredded and used for mulching and composting
PKS and palm fibre		Excess PKS and palm fibre are sold to buyers to replace fossil fuels
Boiler ash	Biomass combustion of PKS and palm fibres for boiler	Disposed of at a designated area
POME	Waste water by-product from the CPO extraction process	<ul style="list-style-type: none"> Used to generate renewable energy via biogas plants Slurry used in bio-compost plant Treated before being applied to the field for land irrigation
Scheduled waste	Generated at mills and estates through daily operations	Stored in scheduled waste sheds before responsibly disposed of by DoE-approved licensed contractors

Biomass Waste Recycling

Our biomass waste is comprised of EFB, palm fibres, PKS and cut fronds. We recycle EFB through shredding for mulching and composting to reduce the amount diverted to surrounding landfills. This reduces our consumption of chemical fertilisers and lowers our production cost. PKS and palm fibres are burned as biomass fuel to generate steam at our mill boilers, which produces boiler ash – a fraction of our mill waste. We also sell a portion of our PKS to third parties.

In 2019, we produced a total of 564,748 MT of EFB, PKS and palm fibre waste, of which a total of 96% was either recycled or re-used, with an additional 3% being sold to third parties. The remaining EFB is stored for use during the next mulching or composting cycle.



BIOMASS WASTE MANAGED IN 2018-2019 (MT)

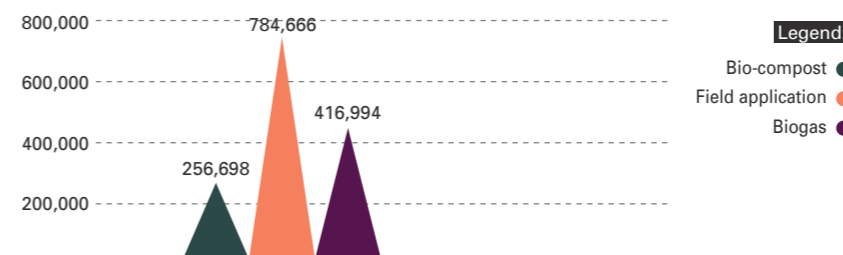
	EFB		PKS		Palm Fibre		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Total produced	275,483	282,551	90,913	91,760	198,353	198,064	564,748	572,375
Total recycled/re-used	272,506	278,830	73,250	79,864	198,353	198,064	544,109	556,757
Composed/mulched	272,506	278,830	-	-	-	-	272,506	278,830
Incinerated (recovered for energy)	-	-	73,250	79,863	198,353	198,064	271,603	271,603
Total sold	-	-	17,662	11,896	-	-	17,662	11,896
Total stored and carried forward for next cycle	2,977	3,721	-	-	-	-	-	-

POME

We use the residue from the treatment of POME in three (3) ways: bio-compost, field application and biogas. In 2019, 416,994 MT was used at our biogas plants to generate renewable energy, 256,698 MT was used as bio-compost, and 784,666 MT was treated before being used for land irrigation applied to the fields.

POME Utilisation 2019

(MT)



Responsible Scheduled Waste Management

We manage hazardous waste as outlined in the 2005 Environmental Quality (Scheduled Wastes) regulations. It covers our approach to waste storage, record keeping, and labelling methods. Licensed contractors approved by the DoE are engaged to ensure responsible waste disposal. Our SQD has developed a scheduled waste management guideline which we use to train our employees on proper handling procedures.

We constructed scheduled waste sheds at our operating units to safely store scheduled waste for up to 180 days or until the maximum volume of 20 tonnes is met. The storage shed is equipped for leaks and spills and labelled with the necessary identification symbols, spills containment kits, and appropriate Personal Protective Equipment ("PPE"). Types of scheduled waste generated at our mills and estates include empty chemical packaging and containers, used batteries, spent oils and used PPE. In 2018 and 2019 we produced 77 tonnes and 85 tonnes of scheduled waste, respectively.

Reducing Chemical Use

Our use of chemicals is targeted in response to specific types of infestation. It is only used as a last resort when other biological measures under our Integrated Pest Management (“IPM”) approach are unavailable. Our agronomy department advises the division on the most effective way to manage weeds and pests to derive maximum yields under our current land use conditions. We are guided by responsible chemical stewardship which aims to reduce the use of chemicals wherever possible, and the safe use of all forms of chemicals.

The levels of precipitation and the terrain where replanting takes place affects the type of chemicals used. For instance, heavy rainfall would adversely affect the efficiency of herbicides sprayed and accelerates vegetative growth. In low lying areas and fields of less than seven (7) years old, we use more herbicide. In mature fields where the palm canopy has closed, we use less herbicide as fewer weeds grow with less sunlight.

We strictly monitor their use to identify which have been excessively used and introduce mitigation measures to reduce our dependence on chemical-based herbicides and pesticides. Examples of chemicals that we frequently use include monocrotophos (insecticide), ALLY 20DF® (herbicide), and diuron and MSMA (herbicide).

One of our techniques includes integrating cattle in targeted areas. Livestock grazing enables a natural form of vegetation management and can therefore reduce the dependency on herbicides. Together with selective spraying practice, this was the reason herbicide usage at our plantations decreased by 15.5% in 2019 compared to the previous year.

Due to the health risks paraquat can bring, we stopped purchasing it in 2015; in 2017, we successfully phased it out throughout our operations.

We use glyphosate to manage the weeds during the first year of planting, applied only in palm circle areas. Glyphosate deters the regrowth of weeds, thereby reducing the need to spray more frequently. Because glyphosate is a herbicide that can result in health risks, its use is carefully monitored, managed and controlled. Since 2016, we collect monthly records of glyphosate use during the first year after planting. From 2018 to 2019, the average annual glyphosate usage in first year planting decreased by 14.7%, from 6.74 litres per hectare per year (l/ha/year) to 5.75 l/ha/year. Our current target is to reduce the usage of glyphosate on one-year-old palms by 2% year-on-year by 2020.



Integrated Pest Management

As part of our biological measures to eradicate pests at our estates, Kulim practices IPM techniques. IPM combines the use of ecological, physical or biological controls to reduce high volumes of chemical pesticides, thereby avoiding negative impacts environmental impacts. High toxicity levels resulting from prolonged chemical use could result in pest resistance and harm to our estate workers. For example, barn owls (*Tyto alba*) and snakes are the most commonly used biological controls to manage rat infestations that cause damage to our crops. We also use plants such as cassia *cobanensis*, antigonon *leptopus*, and tunera *subulta* to encourage the proliferation of natural protection against caterpillars and bagworms. Controlling rhinoceros beetles has proven to be a more formidable challenge due to their resilience to conventional insecticides. To manage this, we plant thick groundcover and spread a thin layer of palm oil chips along the planting rows to deter their reproduction and movement. Pheromone traps are also used, replacing the use of poisonous insecticides.



SECTION 05 / PROTECTING OUR PLANET

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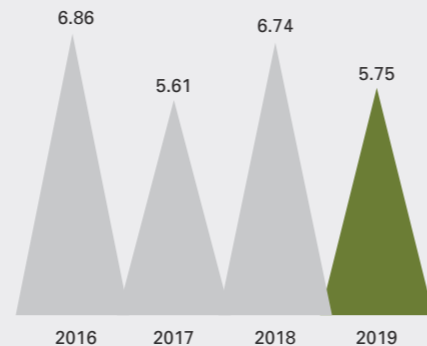
Use of Herbicides 2015-2019

(active ingredient in l/ha)



Annual Glyphosate Usage on One-Year-Old Palms 2016-2019

(l/ha/year)



Safe Chemical Use

To minimise human contact with chemicals, Kulim uses mechanical spreaders to evenly distribute chemical fertilisers and ensure high levels of palm productivity. We protect our estate workers by equipping them with aprons, masks, gloves, and goggles so they can avoid direct contact with the chemicals. Kulim implements strict controls and management measures to prevent spillages that may potentially contaminate the environment. We store our chemicals at well-equipped and clearly marked sheds bordered with bund walls. Compounds with potentially hazardous properties are clearly marked and stored in appropriate containers. Additionally, our chemicals are labelled with Safety Data Sheets (“SDS”), in Malay and English, to ensure our estate workers are fully aware of proper handling procedures. The SDS outlines appropriate storage and handling, including emergency measures in the event of a spillage or if a worker is exposed to hazardous chemicals. To protect our workers, we cordon off areas with severe cases of a pest infestation before treating them with more potent herbicides and pesticides.

Biodiversity Protection and Management

Some forested regions that border our estate grounds support a wide variety of ecosystems. Our Johor plantations border the Endau-Rompin National Park and the Labis Forest Reserve. In 2008, we conducted a survey to assess the flora and fauna bordering our estates. At this time, we began patrols and wildlife monitoring at these estates with sightings recorded by our operating units and through a joint programme with the Johor Wildlife Conservation Project (“JWCP”). Since then, we are delighted to note an increase in many wildlife species on the International Union for Conservation of Nature (“IUCN”) Red List of Threatened Species.

Our revised Sustainability Policy reflects our commitment to no deforestation – namely no new developments in areas of primary forest classified as HCS and in an area containing one or more HCV. Any land development by Kulim takes into account biodiversity, conservation, and maintenance by identifying, protecting, and maintaining the HCV of these areas, the protection of cultural heritage and customary land

use, and the capability of the land to sustain the proposed agricultural activities. We will continue to implement international best practice in the identification and management of HCV areas following the 2018 RSPO P&C. Through the P&C 2018, we are also dedicated to restoration or rehabilitation of non-compliant deforestation or HCV loss at our plantations.

We are committed to no planting on peat areas, regardless of depth. We currently have 1,380 hectares of planted area on peat, making up 2.9% of our total planted area, which was cultivated from 1999 to 2002. Since then, our planted peat area has remained unchanged, and we apply best management practices. Our dedication is reflected with clear ongoing targets to ensure there is no increase in peat development. We also maintain zero development in areas containing one (1) or more HCVs. We achieved these targets for 2018 and 2019.

IUCN Red List of mammals and birds surrounding our estates:

Category	Status	Mammals	Birds
THREATENED	Endangered	Asian elephant Malayan tapir Pangolin	-
	Vulnerable	Pig-tailed macaque Binturong Malayan sun bear	Lesser adjutant
LOWER RISK	Near threatened	Silver leaf monkey Leopard Black giant squirrel Horse-tailed squirrel Spectacled langur	Rhinoceros hornbill Grey-headed fish eagle Lesser fish eagle Black hornbill
	Least concern	Long-tailed macaque Wild boar Greater mouse deer	Lesser whistling duck Oriental pied hornbill Red junglefowl

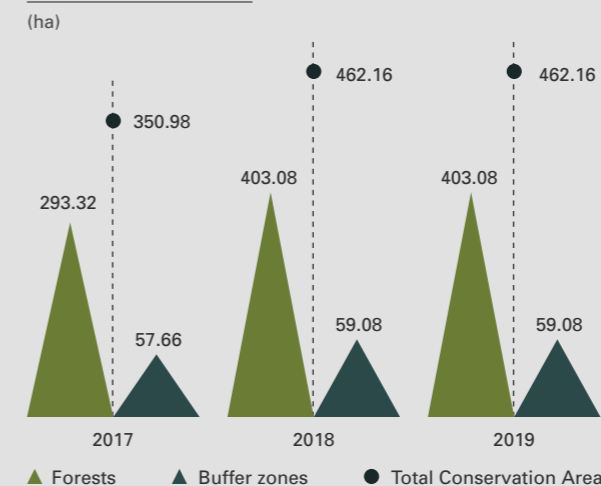


Enhancing Biodiversity Areas

A total of 462.16 hectares of buffer zones and forest strips, pocket forest and undeveloped forest have been set aside for conservation at our estates. Following RSPO criteria, we manage and enhance the biodiversity of identified areas by establishing HCV management and monitoring plans for long-term management of these areas. We have created buffer zones at significant water bodies in or around the estates and adjacent to forest reserves. Kulim conducts regular rapid biodiversity monitoring in identified hotspot areas within the vicinity of operating units. We closely monitor any encroachment by intruders into these conservation areas or hotspots. Hunting, fishing and taking of fauna within our estates and adjacent protected areas are strictly prohibited. The Group’s Environmental and Biodiversity Unit serves as a point of reference for all environmental matters, especially biodiversity protection and pollution control. The unit collates and analyses ecological and wildlife data, publishing its findings and outcomes in environment and biodiversity bulletins.

In 2009, Kulim launched the National Corridor Initiative. Through annual tree planting events among employees and the public, we have created corridors that link fragmented natural wildlife habitats in human-modified landscapes. The corridors are critical for ecological processes as they facilitate free movement of wildlife that contributes to the continuation of viable populations. Kulim has also built a reservoir that houses a variety of wildlife, including two (2) species of migratory birds that fall under the HCV category.

Conservation Area 2017-2019





Managing Elephant Incursions

Due to the proximity of our estate grounds to surrounding pristine forests, we experience frequent human-wildlife encounters, mainly with elephant herds. To effectively manage human-wildlife conflict, we require all estates to provide regular updates on animal species found in the estates' vicinity and track incidents of such incursions.

Since 2015, we have witnessed a growing problem with increasing numbers of reported elephant incursions as a result of increased activity from surrounding estates. Since 2017, the number of cases has nearly tripled. Sightings have risen from 24 in 2017 to 48 in 2018 and 61 in 2019. In 2018 the incidents occurred across eight (8) of our estates and 11 such occurrences happened in 2019. Over the last two (2) years, the damage has costs us almost RM3.4 million.

In our efforts to address this, we have established a human–elephant conflict notice which outlines actions if any of our employees encounter with elephant. It includes monitoring measures and details of regular day or night elephant patrols. Patrol units are required to have personnel with a licence to carry firearms if a warning shot is necessary to drive herds off plantation grounds.

Recognising the need to reach a permanent solution for the incursion problem, in 2009 we launched KWD to focus our efforts on eliminating poaching at estate. We work closely with the Wildlife Conservation Society (“WCS”) and the Johor Department of Wildlife to strengthen our internal monitoring and control mechanisms to mitigate poaching incidents. We also participate in dialogue and meetings with the state government and outgrowers.

Number of Wildlife Incursions and Costs Incurred 2015–2019

(RM)



Raising Awareness through KWD

Under the auspices of the Johor Wildlife Conservation Project, the KWD has joined forces with the Johor National Parks Corporation, the Wildlife Department, Forestry Department, and the police to raise awareness on elephant encroachment and educate the public on the importance of conservation efforts. A total of 19 programmes – ten (10) in 2018 and nine (9) in 2019 – were conducted at different locations in Johor.

KWD has participated in several events, such as:

Date	Programme
April 2018	World Wildlife Day 2018, organised by Department of Wildlife and National Park at Dataran Tangkak, Johor
April 2018	Pertandingan Kreatif Tabika Perpaduan Daerah Kluang 2018 with the theme ‘Saving Wildlife’
July 2019	Program Kesedaran Pemuliharaan Hidupan Liar dan Alam Sekitar, WCS
September 2019	Program Penghijauan Kawasan Tersorot, Suruhanjaya Pencegahan Rasuah Malaysia and WCS Malaysia
August 2019	Summer Camp KMB 2019

In 2013, the Group launched the biennial Raja Zarith Sofiah Wildlife Defenders Challenge programme – a three-stage competition to increase students’ wildlife conservation awareness. The programme challenges students to develop creative ideas and practical solutions for people and nature to co-exist in a symbiotic environment. In 2018, the programme was themed ‘Johor Mighty Rivers’. The challenge attracted students from 11 secondary schools and 13 primary schools, signifying a good response from educational institutions on their willingness to engender environmental awareness. Winners from both categories were sponsored for a trip to Perth, Australia in March 2019, where they were able to tour the city and visit environmental conservation sites such as the Canning River Eco-Education Centre, Swan Valley, and Caversham Wildlife Park.



Minimising Soil Erosion

Continuous harvesting and replanting can result in progressive soil degradation on our estate grounds which could reduce long-term palm oil productivity and quality. We implement best management practices to minimise soil nutrient loss while sustainably reusing our lands to produce FFB.

To minimise soil erosion and nutrient depletion, we plant soft grasses, mucuna and natural cover crops for young palms. We also realign our roads and construct silt traps at appropriate locations. In areas of severe erosion, we have encouraged the planting of vetiver and Guatemala grass to help replenish nutrients.

The Group has successfully tested and implemented the use of a plant strain (mucuna bracteata) as a shade-tolerant leguminous crop cover which effectively protects the soil surface in our estates from erosion and recycles plant nutrients into the soil. Before palm planting commences, the Group plans to implement terrace planting with leguminous crop cover at hilly areas below 25 degrees of slopes. We have also constructed planting platforms for undulating areas and covered them with a leguminous crop to improve soil stability and reduce the likelihood of landslide occurrences at our estates.



“
We implement best management practices to minimise soil nutrient loss while sustainably reusing our lands to produce FFB.”



Zero-Burning

Since the early 1990s, we have adopted a zero-burning replanting technique. Open burning on our estates and mill grounds is strictly prohibited under the 1974 Environmental Quality Act and RSPO regulations. Instead, palms that are no longer viable are subjected to mechanical felling, and felled trees are chipped and shredded to facilitate rapid natural decomposition. Our zero-burning practice is part of Kulim's commitment to minimise global warming through reduced GHG emissions. We brief our employees on fire safety as part of their training programmes.

We log and report hotspots and fires at our own estates as well as those surrounding our estates. We also subscribe to GeoRSPO – a publicly available platform of RSPO's members' concession areas, which are monitored by satellite technology. There were three (3) fires recorded around our estates in 2018 and 2019, two (2) that occurred nearby our Siang estate and Kuala Kabong estate, and another at an estate neighbouring our scheme smallholder cooperative, Asam Bubok. To date, due to our strict zero-burning practices, none of Kulim's estates has been affected by fire.



THE PEOPLE WE WORK WITH



SECTION **06**

Upholding the Rights of
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Community Investment
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3 GOOD HEALTH AND WELL-BEING

Continuously monitoring the health and safety aspects of our operations in order to create a safe working environment.

Protecting the health and well-being of our employees.

4 QUALITY EDUCATION

Providing competency and skill development training to further the candidate's exposure to the industry and to learn transferable skills.

Contributing to efforts by the government that promote equitable access to quality education.

5 GENDER EQUALITY

Encouraging women's full and effective participation and equal opportunities for leadership at all levels of decision-making.

Providing opportunities to encourage women entrepreneurs.

Securing and building on the strength of our workforce.

We strongly believe that the creation of long-term value is linked to the development of human capital, a strategic asset that Kulim is committed to respect, protect and nurture. By offering our employees a workplace that is non-discriminatory, safe and stimulating, where they can express their capabilities and talent to the fullest, we are able to sustain an effective and dynamic team.



The People We Work With

Our Sustainability Policy commits Kulim to support and uphold fundamental human rights. Integral to this, our People Policy outlines our commitment to transparent respect and recognition of the rights of all our employees, including contract and migrant workers. We also commit to supporting reproductive rights according to the laws of the countries and regions in which we operate.

We maintain a longstanding relationship with the local communities surrounding our operations. Before any new plantings, we implement comprehensive independent social and environmental impact assessments. We ensure that Free, Prior And Informed Consent ("FPIC") is obtained in all our negotiations and interactions and provide fair

compensation to affected parties. In doing so, we are committed to respecting customary ownership rights, legal land rights and upholding all Indigenous and local community rights. Our Land Encroachment Manual Procedure shows how to address any potential land conflicts, including compensation guidance.

As part of FPIC and participatory processes, we are committed to mitigating impacts on food security. We do so by allocating areas for workers and communities to cultivate their own fruits and vegetables at certain estates as part of our Green Book Programme. We also monitor and maintain the prices of essential items and through our community investment and engagement programmes, continuously endeavour to make positive contributions to our communities.



Operating Responsibly During Covid-19

In the face of the ongoing pandemic, Kulim continues to balance, business continuity with safeguarding the welfare of our workforce and communities.

To address the impact of COVID-19, and guided by national health authorities' best practices, we established a wide range of precautionary measures to protect our employees and the broader community. As we continue our operations, our priority remains to protect the health and safety of our employees. Our corporate social services division integrates effective communication and best practices to protect our employees and charitable initiatives. The following table includes the measures we have taken:



Policy or Measure	Actions Taken
Internal communication and engagement	<ul style="list-style-type: none"> Establishment of relevant policies and Standard Operating Procedures (SOPs) Regular announcements and circulars sent to employees on: <ul style="list-style-type: none"> KMB Restricted Movement Order (in both Bahasa Malaysia and English) Travel restrictions SOPs for operational units and mills SOPs on preventive measures and risk reduction SOPs to management teams on safeguarding employees health and safety SOPs on workflow Guidelines by relevant authorities such as the Ministry of Health, MPOA and Ministry of Plantation Industries and Commodities on the handling of COVID-19 Circulation and reminders on the Movement Control Order do's & don'ts A survey was conducted as part of the social impact assessment report, to gauge employee satisfaction levels regarding company policies and other preventive measures. The results revealed that employees feel secure and have no issues complying with the new SOPs. Frequent COVID-19 announcements and emails; briefings during worker roll calls.
General preventive and risk minimising efforts	<ul style="list-style-type: none"> Daily temperature screenings Employees displaying signs of COVID-19 exposure to stop work immediately, consult a doctor at the nearest medical facility, and report the outcome to their supervisor For cases of potential vulnerability, employees are to self-quarantine at home Employees in proximity of potential cases are to leave the area immediately Additional medical staff is made available at operational sites On-site workforce the proximity reduced to 50-75% by encouraging staff to work from home. Social distancing measures are enforced across our operations. Temperature screenings and health declaration forms required for all visitors before entry into the premises Regular sanitation of company vehicles and operation units
Personal and/or business travel	Employees are strongly discouraged from travelling; those who wish to do so must consult with their human resource department and present relevant documents to the authorities before departure.
Encouraging good health and hygiene	<ul style="list-style-type: none"> Employees are provided information on the virus, its spread, and the importance of maintaining good health and hygiene Employees are provided with: <ul style="list-style-type: none"> Soap, sanitisers and face masks Supplements to promote healthy immune systems.
CSR efforts	<ul style="list-style-type: none"> Initiated a donation drive (As-Sajadah COVID-19) on 25 March 2020 with Kelab Sukan Rekreasi Tiram (KSRT) to assist the employees who were in need during the MCO. About 200 employees benefited from this initiative. Established an online counselling platform for employees affected by COVID-19. Kulim's counsellor was made available to employees by our holding company, JCorp.
Workers' welfare and wellbeing	<ul style="list-style-type: none"> Adhere to MPOA's guidelines issued to all registered members, including: <ul style="list-style-type: none"> Ensuring that all workers, including foreign workers, are paid monthly according to minimum wage requirements. Ensuring that sufficient food supplies and medical care are provided at all plantations. Provide support and reassurance to our foreign workers unable to return home during the MCO period. This is achieved through regular communications.

Upholding the Rights of Our Workforce

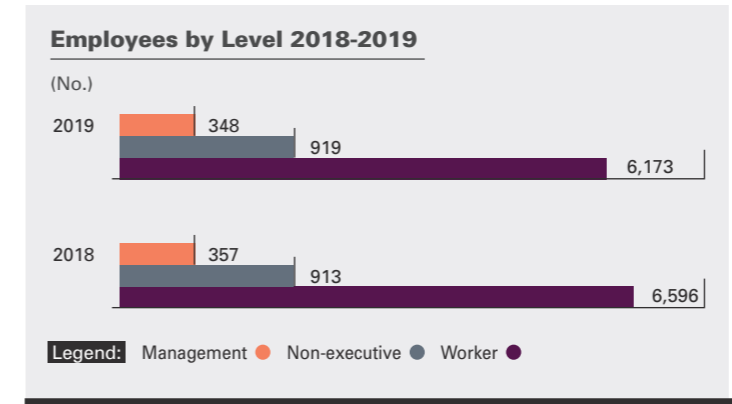
Kulim's employees are our greatest asset. The principles of fairness and equality guide us in protecting the rights and dignity of all our employees.

Our human resource policies are governed by Malaysia's labour laws such as the Employment Act 1955, Minimum Wages Order 2020, Children and Young Persons (Employment) Act 1966, Worker's Minimum Standard of Housing and Amenities Act 1990, Occupational Safety and Health Act 1994, Industrial Relations Act 1967 and Factories and Machinery Act 1967.

We are guided by the International Labour Organization's ("ILO") Declaration on Fundamental Principles and Rights and the Code of Conduct for Industrial Harmony set by the Ministry of Human Resources and the Malaysian Council of Employers' Organisations. This sets out industrial relations principles and guidelines for employers and workers on the practice of industrial relations for achieving greater industrial harmony.

Dedicated to the highest standard of integrity, openness and accountability, our Whistleblowing Policy encourages staff to report any criminal or unethical activities. Furthermore, our conflict of interest policy and drug policy reinforces the need for professional behaviour in critical areas. We expect all employees to sign and abide by our ethics declaration and adhere to the Group's Social Media Policy when engaged in social media platforms within Kulim premises.

As of the end of 2019, we have 7,440 full-time employees working across our estates, mills and offices in Malaysia. Of this, 83% are workers at plantations; the remaining 17% is made up of management and non-executive staff. We also hire workers to assist with harvesting and plantation works on contract, respectively.



Wages, Benefits and Conditions

We subscribe to the fundamental labour principle of equal pay for equal work. It is based on pre-defined grades and applies to all our employees, including field, office and management. Consequently, all our employees are paid at least the minimum wage of RM1,100, regardless of gender or nationality. We conduct annual social impact assessments to continuously assess and improve the welfare of our workers and local communities, to raise their living standards.

Working hours do not exceed overtime limits, even during peak season when mill workers tend to work longer hours to ensure the fruit is processed before the quality deteriorates. Given that our operations are often far from state infrastructure, we provide all our workforce with benefits such as free housing which is provided to over 10,000 employees and their dependents. Workers accommodation is typically in two or three-bedroom homes. Weekly inspections take place to ensure all living quarters – as well as nurseries and community halls – are in good condition. We also offer medical assistance and children’s daycare facilities.

Every employee is given a copy of their employment contract, which includes clear guidelines on their notice period.



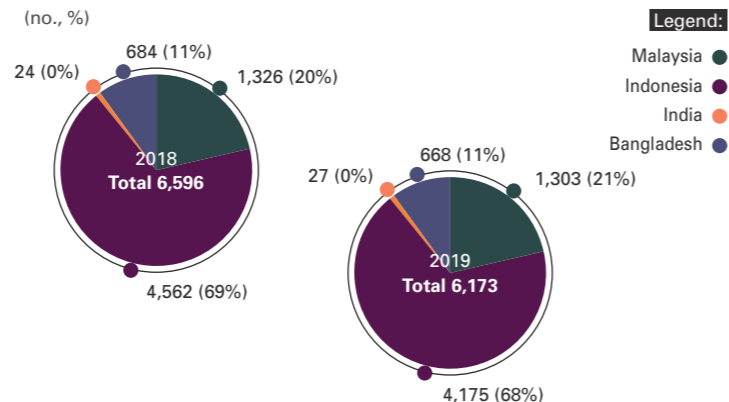
Foreign Workers

Foreign workers – mainly from Bangladesh, India, and Indonesia – account for 65% of our total workforce. We adhere to the standards set out by the Department of Labour (Jabatan Tenaga Kerja (“JTK”), the Ministry of Home Affairs (Kementerian Dalam Negeri (“KDN”)) and Malayan Agricultural Producers Association (“MAPA”) regulations. All foreign workers are given equal rights and benefits equivalent to local workers. This includes equal wages, free housing, access to free clinics, and health benefit plans. As of January 2020, all foreign workers are also covered by the same Social Security Organisation scheme as local employees.

In 2019 regulations tightened around contracts, offer letters, and hiring quotas. To be granted certificates of fitness from the government, applicant companies have to ensure that housing provided to new workers complies with the requirements in the Housing and Amenities Act 1990. Only upon the issuance of the certificates that Kulim can submit applications to hire foreign workers.

Under Malaysia’s MCO in 2020, there have been limitations to foreigners allowed to enter the country. This has left Kulim with fewer workers in the field, which has affected our productivity and increased our costs. For the foreign workers currently in Kulim operations, COVID-related impacts have caused delays in renewing workers’ permits and medical check-ups. We are working with the relevant authorities and abiding with due process to ensure the rights of our workers are protected, and regulations are adhered to.

Workers by Country of Origin 2018 and 2019



New KASH kad system



In 2019, Kulim launched a new KASH KAD payment process. This is a convenient, cashless, monthly payroll system that provides safe, secure transactions. Kulim employees receive a deposit directly into their account, thereby eliminating the limitations of a traditional cash salary.

- 1 Reduced risks related to handling cash monthly
- 2 On-time salary payments
- 3 Easy transfer options for overseas workers who wish to send money to their families in home countries
- 4 Cashless business transaction through merchants at estates
- 5 Cost effective process

In 2019, more than 5,000 workers had registered for a KASH KAD across all Kulim operating units and the scheme smallholder cooperatives we manage, Asam Bubok. The system has received positive feedback, and we aim to achieve a rollout of 100% for all our workers by the end of 2020.

During COVID-19, this system has been beneficial, allowing our employees to make no-contact transactions and payments.

Instilling Strong Values through the C.A.R.E. Programme

In April 2018, the Group launched the C.A.R.E. programme, reflecting Kulim's corporate values: Competitive, Action, Responsible and Ethical. Our employee relations executives run programmes that encourage employees to incorporate these values into their work and day-to-day activities.

As of 2019, Kulim has conducted 21 such programmes, for a total of 609 people covering executives, staff, and security guards from the corporate office and operating units. The programme has achieved an 86% participant satisfaction level. We will strive to further improve and expand this programme to all workers in 2020.



Workers' Unions

Kulim respects and recognises the rights of eligible employees to form or join trade unions of their choice. This includes workers and non-executive staff across all our mills and estates. Kulim has signed Collective Bargaining Agreements ("CBA") with two (2) worker unions: the Malayan Agricultural Producers Association ("MAPA") and All Malayan Estates Staff Union ("AMESU") and the Malaysian Agricultural Producers Association and National Union of Plantation Workers ("NUPW"). These CBAs cover terms related to employment-related issues such as working conditions, wages and benefits and are negotiated every three years. As of December 2019, a total of 2,977 or 40% of our employees are covered by the terms of the CBA.

No child, Forced or Bonded Labour

We recognise that instances of child labour at plantations in this region can be a risk, especially given the number of children living in and around estates. These, we strictly adhere to international child labour laws throughout our operations and do not sanction the employment of labour below the age of 16. To support this, we relay the importance of education for children among families living in the estates by providing access to schools and other amenities for the development of estate children. When it comes to increasing knowledge, we go beyond compliance and have set up libraries and organised tuition for the school children.

None of our employees is being subjected to forced or bonded labour. All our workers enter into employment voluntarily and freely, and without duress. Any documentation provided to foreign workers is made available in the language they understand. It is strictly prohibited to withhold passports from workers. However, for safety purposes, passports are kept securely at the offices of each operating unit, with written consent from workers. All workers can access their passport at any time, without restriction.

Diversity and Equal Opportunities

Kulim strives to create an inclusive work environment. We have a strict policy of non-discrimination based on gender, ethnic or religious minority groups, and foreign workers. Training and awareness-raising are carried out to promote fair and equal treatment for everyone. No incidents of discrimination reported in 2018 and 2019.

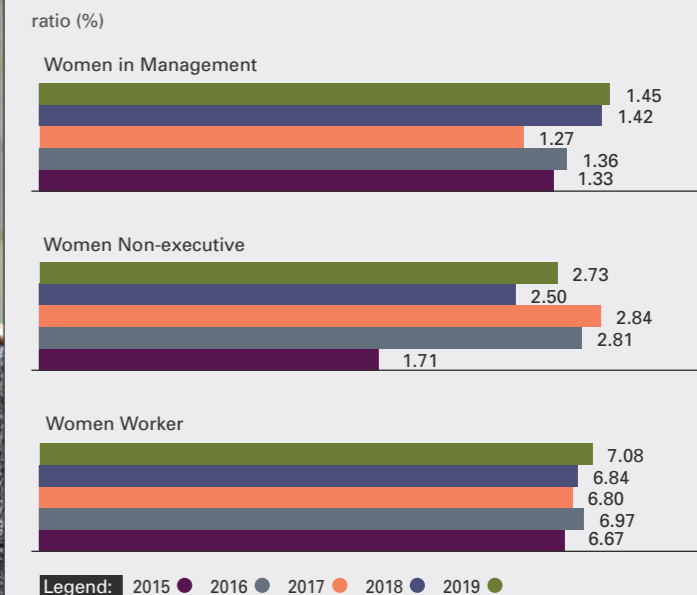
Women in the Workforce

As of December 2019, the 838 women on our payroll constitute 11.3% of our workforce. We do our best to ensure that there is female representation across the different tiers of employment. Of our 348 management, 108 or 31% are women. However, of our 6,173 workers, only 9.3% are women. This is due to the manual nature of agricultural work which tends to be more male dominated. Women usually take up roles such as manuring work at estates, general housekeeping and gardening. While 61% of our female employees are between the ages of 30 and 50, we have 15 women management above the age of 50 and 27 management below the age of 30. As per Malaysia's Minimum Wage Order, the basic salary for men and women is the same.

We are committed to support the inclusion of women and promote gender equality across our palm oil operations. Kulim provides childcare facilities for the children of working mothers. At our headquarters, mothers have access to breastfeeding rooms and milk storage units. Women in senior management also act as mentors, providing career development guidance and engaging in company activities.



Women in the Workforce 2015-2019



Empowering Women through WOW

Our Women OnWards (“WOW”) programme (previously Kulim’s Women’s Grievance PAW) serves to empower the women we work with. A dedicated WOW unit is established at each of our estates. The platform is an avenue where women can air and address gender-related grievances. Through WoW, women are also provided with opportunities to become entrepreneurs in their own right under a programme known as Jejari Bestari. Each WOW unit focuses on developing a unique product, service or skill such as tailoring, baking, arts and handicrafts. These products or services are sold to staff and the public during company events and festive occasions. Income generated from WOW programme is channelled back to their fledgeling businesses, and in 2018 and 2019, this totalled RM 98,000.

WOW programmes and collaborations 2018–2019

Programme	Activities / Purpose	Year
Jejari Bestari	To provide opportunities for women in Kulim to become entrepreneurs. Products or services are sold to staff and the public on festive occasions such as Hari Raya Aidilfitri and other company events.	2018 and 2019
International Women's Day (“IWD”)	IWD is held with a different theme every year to celebrate the economic, political, and social achievements of women past and present. In 2018, IWD was themed ‘Keluarga & Keselamatan Siber’ and was attended by 184 participants.	2018
New recipe book published	Mutiara Johor Corporation, in collaboration with WOW, has published a recipe book entitled: Nak Masak apa mak? Meh mak tunjuk. The book's 60 recipes include the contributions from WOW members from each estate. Accordingly, WOW has received donations from Mutiara Johor Corporation from the sales of the book. These funds were used to design special projects for WOW members and their families, such as barber and hairdresser training, classes in traditional Malay massage and motivational courses for children of WOW members.	2018
Jelajah Mutiara 25 Tahun	In September 2019, an event was organised to reach out to all Mutiara members, to bring members closer, and provide a greater understanding of the roles and functions of the association. The event also included a presentation on stress management topics presented by Psychology Officer Madam Lee Yin, from LPPKN Johor Bahru. The event was organised in conjunction with the 25th Anniversary of the Mutiara Johor Corporation and attended by Yang Dihormati Datin Noor Laila Yahaya, the chairman of Mutiara Johor Corporation.	2019
Kem Da'i Cilik 2.0	In December 2019, WOW organised a motivational course in collaboration with Unit Nilai. The course encouraged the estate’s children to take part in collaborative activities to help them uncover opportunities for personal growth and development, promote self-reliance, build teamwork and become more proactive. The course was part of WOW’s corporate responsibility efforts for its members and their children. The event received enthusiastic feedback from approximately 120 children aged between the ages of 9 and 15.	2019

Recognising the strength of our female empowerment programmes, the Annual Global CSR Summit Awards Ceremony bestowed Kulim as the winner in the Empowerment of Women Awards Gold Category in 2018. In 2019, Kulim was crowned a winner in the Bronze Category.

Sexual Harassment

We have a zero-tolerance Sexual Harassment Policy and strive to eradicate all forms of harassment throughout the workplace. Through a concerted campaign, women are now more aware of their rights and, consequently, have become more open in reporting cases of sexual harassment. Annual roadshows on sexual harassment are also conducted through WOW. In 2019, there were two (2) sexual harassment cases lodged. An independent panel addressed these under our internal relations unit of the Human Capital Management Department. The panel members comprised of representatives from our human capital division and WOW units. The accused have been prosecuted, and we have offered counselling to all aggrieved parties. There were no recorded cases of sexual harassment in 2018.



Maternity Leave

As per national regulations, all our female employees are entitled to 60 consecutive days of paid maternity leave. In 2018 and 2019, 23 and 34 female employees went on maternity leave, respectively. We are proud that 100% of these women returned to Kulim after completing their maternity leave. As of the date of this report’s publication, Kulim is pleased that all female employees who took maternity leave in 2018 and 2019 remain in continuous employment with us – a testament to our employees’ satisfaction with our ongoing support for working mothers.

As a matter of policy, we take the utmost care to that ensure pregnant or nursing employees are not exposed to harmful chemicals when they are discharging their duties.

Employee Development and Retention

Kulim is proud of our talent pool. We have deeply invested in fostering a culture and an environment that attracts, retains and allows people to reach their fullest potential. In 2018 and 2019, there were 118 and 107 new employees hired, respectively. Since 2016 we have maintained a low turnover rate of below 6% – a testament to the Group’s strong retention power.

Our Knowledge Management Policy outlines the importance of investing in employee training and development. Our dedicated Human Capital Development Programme comprised of five key components that support our growth and retention efforts.



Kulim’s Human Capital Development Programme:

Programme	Objectives	2018/2019 Highlights
Performance Management System (“PMS”)	To promote a culture for hard workers and high achievers through performance-based reward systems	Critical to Kulim’s success is our skilled and committed workforce. To this end, 2019 was yet another year which placed high priority on strengthening the Group’s organisational capabilities. Among our many initiatives was our Performance Management System (“PMS”) which aims to promote a culture encourages hard workers and high achievers. Competencies are further encouraged through our performance based Reward System. To push teams, individuals and the Group as a whole to achieve continuously greater excellence, each year the targets of the previous year are reviewed and the bar is raised.
Job rotations	To bridge skills gaps of staff at all levels and ensure maximum exposure to the full range of the Group’s operations	The Group’s job rotation and generic training programmes are specifically tailored to bridge the skill gaps of staff at all levels. Our experience has proven that job rotation can increase the depth and breadth of an employee’s knowledge and capabilities, thereby adding value to the organisation. When an employee is moved from one job to another, he or she is given a schedule of assignments designed to provide maximum exposure to a range of the Group’s operations. Apart from learning new skills, job rotation facilitates a better understanding of the organisation as a whole and the functions of its respective operating units and departments.
Engagement sessions	To provide employees with the space to voice their ideas, concerns and expectations through regular staff engagement sessions	Building a strong pipeline of leaders is fundamental to our sustainability strategy. As millennials reach their peak employment years, they are quickly becoming an influential segment of today’s workforce. This generation brings with them new perceptions of what office life should be like and how relationships should be structured. Compared with Gen-X employees and baby boomers, millennials are more likely to change jobs if they do not believe there are opportunities for them to move up the corporate ladder. Kulim understands that employees within this specific group want their points of view to be heard, so we offer regular staff engagement sessions which provides them with every opportunity to voice their concerns and expectations.
Talent management and manpower succession planning	Our Talent Management Framework identifies candidates with the right potential, a talent development programme, mentoring and coaching, and placement of the talent pool in core and strategic units to develop overall exposure. The ultimate goal is to ensure the placement of the right person with the right skills for the right job at the right time, as well as ensuring leadership readiness for a key position as and when the need arises	Key to the Group’s longevity and human development strategy are Kulim’s plans for staff succession. To meet this need, Kulim introduced a revised Talent Management Framework to support its Workforce Succession Plans for key and critical positions in the management hierarchy. The talent management frameworks covers a number of critical steps, including identification of candidates with the right potential, a talent development programme, mentoring and coaching, and placement of the talent pool in core and strategic units to develop overall exposure. The ultimate goal is to ensure the placement of the right person with the right skills for the right job at the right time, as well as to ensure leadership readiness for key position as and when the need arises.

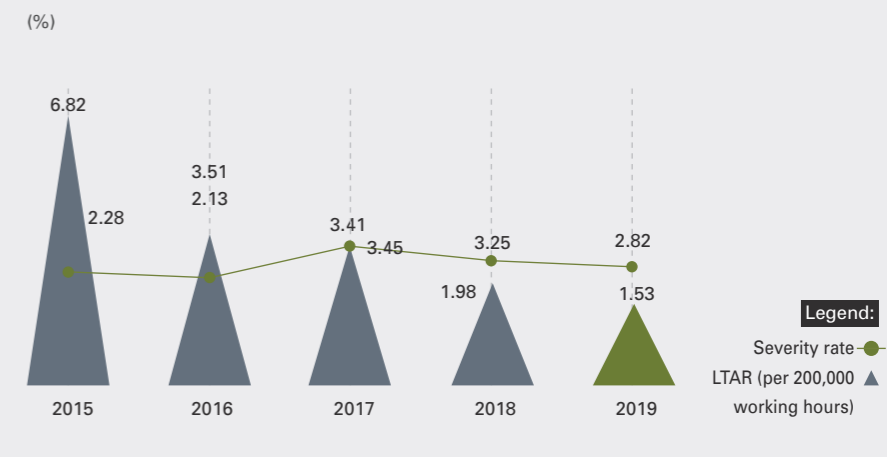
Programme	Objectives	2018/2019 Highlights																		
Upskilling programmes	<p>Professional qualifications To promote learning and training to build on core competencies and encourage motivated employees to pursue professional qualifications, such as job-specific certifications. We also continue to collaborate with the Johor Skills Development Centre (PUSPATRI), Institut Latihan Perindustrian Pasir Gudang as well as Institut Kemahiran MARA Johor Bahru to conduct technical courses for our employees.</p> <p>JLP and AJLP programmes Each year, we assess the potential and performance of outstanding candidates through the Johor Corporation Leadership Programme (JLP) and Advanced Johor Corporation Leadership Programme (AJLP). Under these programmes, participants are exposed to numerous scenarios with business challenges and are given an opportunity to share leadership experiences.</p> <p>SEEDS In 2007, we launched our Strategic Enhance Executive Development System (“SEEDS”) Programme. SEEDS has been reengineered and registered with Skim Latihan 1 Malaysia (“SL1M”) under the aegis of the Economic Planning Unit of the Prime Minister’s Office. There were no intakes for SEED and SL1M programmes in 2018 or 2019.</p>	<p>In 2018 and 2019, Kulim invested RM1.05 million and RM1.87 million, respectively, in employee training and development.</p> <p>In 2019, three (3) employees were selected for the JLP and three (3) for AJLP. This is in addition to the four (4) AJLP and 19 JLP graduates from 2018.</p> <p>A total of 13 employees received formal qualifications funded by Kulim (seven (7) in 2018 and six (6) in 2019).</p> <p>871 and 883 employees received development training in 2018 and 2019, respectively. 523 (30%) were women.</p> <p>An average of 33.7 training hours was spent on employee training in 2019, 10 hours more than in 2018 (23.7).</p>																		
<p>Average training hours by gender 2018–2019:</p> <table border="1"> <tbody> <tr> <td>Management (female)</td> <td>50.38</td> <td>44.56</td> </tr> <tr> <td>Management (male)</td> <td>41.76</td> <td>40.36</td> </tr> <tr> <td>Executive (female)</td> <td>39.00</td> <td>36.39</td> </tr> <tr> <td>Executive (male)</td> <td>49.09</td> <td>48.6</td> </tr> <tr> <td>Non-executive (female)</td> <td>19.13</td> <td>13.94</td> </tr> <tr> <td>Non-executive (male)</td> <td>13.85</td> <td>25.54</td> </tr> </tbody> </table>		Management (female)	50.38	44.56	Management (male)	41.76	40.36	Executive (female)	39.00	36.39	Executive (male)	49.09	48.6	Non-executive (female)	19.13	13.94	Non-executive (male)	13.85	25.54	
Management (female)	50.38	44.56																		
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Each worker is required to undergo an average of 40 hours or five (5) man-days of safety training per year. Training includes the handling of machinery, fire drills, chemical spraying, diesel handling and the safe disposal of chemical containers. We trained approximately 1,300 workers on safety and health standards in 2018 and 2019. A total of 136 personnel has received training over the course of the two (2) years and are qualified first aiders.

We remain vigilant in monitoring our safety performance by keeping track of our lost time accident rates (“LTAR”), severity rates, and fatalities throughout our operations. We aim to maintain an LTAR of below ten each year and a severity rate to below 3.5 each year. In 2018 and 2019, the Group’s LTAR was relatively low compared to previous years, at 1.98 and 1.53 respectively. Our severity rates were lower than in previous years – 1.98 and 1.53 in 2018 and 2019 respectively.



Lost Time Accident Rates (per 200,00 Working Hours) and Severity Rates 2015-2019



We are saddened to have to report one work-related fatality in 2019, which occurred at our Sindora estate. One of our estate workers was hit by a tractor, suffering multiple physical traumas during manual loading of FFB. To prevent such incidences from occurring in the future, we have taken implemented several mitigation procedures. All tractor drivers and workers must wear PPE, check that tractors are in good driving condition, and assess situational risks such as hilly slopes or wet grounds before carrying out work. Workers around tractors during loading are to maintain a safe distance from tractors, and only essential personnel are to remain on-site.

Occupational Safety and Health

The health and safety of all our employees is an ongoing priority and, given the global health pandemic, has been a critical area of focus in 2020.

All our measures follow local regulations. These commitment are set out in our Occupational Safety and Health (“OSH”) policy, which applies not only to Kulim employees but also includes visitors, customers and contractors on our premises. We continuously provide training and briefings to our employees on safety and health issues pertinent to our operations. Strict supervision, continuous improvement of processes, and learning from previous incidents are critical to our approach towards managing high OSH standards.

Each estate and mill, and our headquarters, has a dedicated OSH committee. Our 33 committees are represented by workers, management and stakeholders (such as contractors) and are chaired by the head of each operating unit. Each estate and mill have a dedicated OSH officer who is responsible for organising safety training programmes and conducting quarterly OSH meetings. The officer investigates any accidents that might occur at each operating unit and reports back to the chairperson.

All employees, including foreign workers, have access to free health clinics and health benefit plans. Whenever workers require hospital medical attention, the company reimburses all applicable expenses. Other measures to protect our workers from health risks are regular fogging to guard against dengue fever and the provision of adequate potable water treatment facilities.



Providing competency and skill development training to further the candidate's exposure to the industry and to learn transferable skills.

Contributing to efforts by the government that promote equitable access to quality education.



Achieving higher levels of economic productivity as well as inclusive and sustainable growth.

Creating employment opportunities within the supply chain, especially for marginalised and underrepresented groups.



Developing strategy for expansion and diversification, unlocking value and prioritising R&D efforts to increase productivity.

Investing in infrastructure development to protect human well-being and with a focus on affordable and equitable access for all.



Complying with the national regulations and respecting international agreements.

Implementing non-discriminatory policies and grievance channel for stakeholders to raise concerns.

Protecting the fundamental rights and freedom of employees.

Redefining success to include sustainable levels of consumption to ensure a prosperous future for the coming generations.

This section describes our efforts towards building peaceful relations with our employees as well as external stakeholders. In order to build resilience amongst vulnerable communities as well as provide support where needed, we actively contribute towards social causes and encourage our employees to participate in community engagement activities.



Community Investment and Engagement

Kulim builds trust with community members by instilling corporate responsibility in all our business processes. Given the strength of our operations and resources, Kulim continuously endeavours to make positive contributions to the communities we serve. We actively encourage management and staff to participate in welfare, work, and charity projects. We continue to be heartened by their efforts in volunteering their time and effort, often making personal donations for worthy causes. Kulim allocated RM18.43 million and RM17.26 million for corporate responsibility initiatives in 2018 and 2019, respectively. These were channelled to institutions and programmes for the community, children and education, people's welfare, infrastructure, culture and religion, amongst others.



Community Investment Activities 2018–2019

Institution / Programme	Year	Activity Detail / Purpose
Kelab Bolasepak Johor Darul Takzim (JDT)	2018	National sports sponsorship to support the development of playing football and encourage football clubs to compete at the Asia Championship level.
	2019	
Karnival Sukan Piala KMB	2018	Annual sports tournament hosted by Kulim for children of employees under 17 years old. These include netball and football tournaments to promote healthy activity and friendly competition.
	2019	
Yayasan Johor Corporation	2018	To improve the living conditions of poor communities.
	2019	
Raja Zarith Sofiah Wildlife Defenders Challenge 2018	2018	A student awareness programme for wildlife conservation.
PINTAR Foundation	2018	Sponsorship for tuition programmes and the provision of school essentials for six (6) adopted schools.
	2019	Sponsorship for tuition programmes and the provision of school essentials for three adopted schools.
Yayasan Pelajaran MARA (“YPM”) (PINTAR Harapan Programme)	2019	Sponsorship partner for the Ministry of Rural Development initiative via YPM. The programme’s focus is to assist rural school students in education, especially those from families with a monthly household income of less than RM3,000.
School Uniform Project	2019	An annual school uniform subsidy for Kulim employees’ children located at Kulim’s operating units.
Summer Camp KMB	2019	On 13 and 14 August, Kulim hosted a summer camp for students preparing for their UPSRs, PT3s and SPMs, which took place at Savanna Hill Resort, Ulu Tiram, Johor. A total of 97 students from each operating unit and headquarters participated. The camp kicked off with the motivational activity Jom Jadi Hebat conducted by Akademi Ikon Muda Malaysia (“AIKOM”), followed by Kulim Wildlife Defenders awareness, and aerobic and recreational activities. The highlight of the event was a motivational lecture about student potential and excellence. It included a cheque presentation by Yayasan JCorp to schools within our operating units.
Mutiara Johor Corporation	2019	A sponsored high-tea fundraising programme.

Investing in Quality Education

In 2015, we began a collaboration with Promoting Intelligence, Nurturing Talent and Advocating Responsibility (“PINTAR”) Foundation – an institution established to support the Malaysian government’s efforts to encourage companies to partner with underperforming schools. The organisation endeavours to introduce students to new technologies, after school activities, literacy projects, education clinics and motivational talks.

Under the PINTAR School Adoption Programme, Kulim adopts primary schools located within the vicinity of Kulim operations. In 2018, this covered six (6) schools, but due to minimal responsiveness from three (3) other schools and budgetary constraints, this was reduced to three (3) schools in 2019. These schools provide education to approximately 300 students. Kulim extends financial support to these schools, supplementing their education with tuition classes, motivational courses and educational trips. In 2018, we provided funding to improve the infrastructure of several schools.

We have a dedicated PINTAR Harapan Programme with the purpose of assisting primary and secondary school students in rural areas, especially those who come from families with a monthly household income of less than RM3,000 (known as B40 households). To date, seven (7) schools had benefitted from this programme, including two (2) tuition centres, for 211 students. The programme covers tuition, technique courses, science workshops, excellence seminars, mentor-mentee programmes between students from the MARA College of Science, writing aid programmes, and provision of training books.

Stakeholder Commentary

EN. MUHAMMAD NOR BIN SHAKRONI

Principal, Sekolah Rendah Kebangsaan (SRK) Kemedak



SRK Kemedak was founded in 1992 and is located within the staff residential area of Kulim’s Palong Cocoa POM. We are a close-knit community of teachers and parents. All 168 students are children of Kulim’s employees. In 2015, Kulim and the school authorities began discussions about a tuition assistance programme.

In 2016, the programme was officially launched, with a target for Standard 6 students sitting for the national UPSR exams that year. In 2017, Kulim nominated our school to be enrolled in the PINTAR School Adoption Programme. Since then, we have benefitted from both programmes and saw the tuition programme being extended to Standards 4 and 5. Driven by Kulim’s key performance indicators and targets, we have witnessed a continuous improvement in the passing rates of the UPSR exams from 2017 to 2019. Additionally, under the programme, two (2) to three (3) teachers a year have been given the opportunity to attend capacity building courses and visit international schools for exposure on the latest educational methodologies.

Apart from the tuition programme, Kulim provided financial assistance for the school to organise a variety of social events and cultural celebrations. Among them was the Maulidur-Rasul ceremony in 2019.

Kulim has extended some of their environmental management policy work with us. For example, we now prohibit all open burning of waste by the school cleaning contractor. Kulim supplies the raw water for the school premises from a reservoir which is part of their conservation area. Through the mills, a variety of awareness programmes have been conducted ranging from conserving and minimising water use, waste recycling, and how the mills can reuse waste via its bio-compost programme.

Additional info:

The School Adoption Programme under the auspices of the PINTAR Foundation concluded in 2019. Kulim continues with direct tuition programme assistance with plans for 2020 already underway. It have been the principal since 2015.

Base Data

CATEGORY	MEASUREMENT/ UNIT	MEASUREMENT/ UNIT	END-2019	END-2018	END-2017	END-2016	END-2015
ECONOMIC PERFORMANCE							
	Total revenue	RM '000	1,208,836	1,388,352	1,525,367	1,612,738	1,443,024
	Total operating cost	RM '000	1,346,683	1,316,416	1,498,569	1,552,821	1,325,225
LAND AND PRODUCTION							
Land	Total titled land	Total (ha)	75,828.96	61,149.35	61,160.38	61,090.13	61,444.96
		Malaysia (ha)	61,375.00	61,149.35	61,160.38	61,090.13	61,444.96
		Indonesia (ha)	14,511.25				
	Total hectares oil palm Peat developed	Malaysia (ha)	56,230.30	56,259.57	55,992.10	56,028.37	55,994.70
		Indonesia – Sumsel (ha)	8,271.66				
		ha	1380	1380	1,380	1380	1380
Agricultural production	Yield per hectare (mature palm)	MT/ha	21.69	22.81	23.92	20.75	22.39
	Oil extraction rate (OER)	%	21.66	21.00	20.44	20.40	20.86
	Kernel extraction rate (KER)	%	5.39	5.41	5.39	5.23	5.55
FFB processed	Total FFB processed	Group (MT)	1,430,514.49	1,433,210.32	1,465,764.17	1,339,658.71	1,221,750.62
		Tereh (MT)	351,753.11	329,965.61	333,647.52	305,239.32	
		Sedenak (MT)	371,074.60	469,716.64	442,121.66	458,661.82	
		Sindora (MT)	247,223.51	242,679.44	242,307.55	220,054.98	
		Palong Cocoa (MT)	202,670.65	189,464.22	211,170.05	172,393.69	
		Pasir Panjang (MT)	257,792.62	227,431.92	238,449.66	183,308.90	
FFB produced	Total FFB produced	Kulim estates (MT)	894,765.00	890,459.44	985,070.87	884,581.52	801,027.66
		JCorp estates (MT)	156,883.00	148,534.79	164,639.84	130,299.33	729.20
		Bukit Layang/ Bashir Ismail (MT)	7,437.00				
FFB purchased	External FFB supply	Scheme smallholders (MT)	28,504.33	26,987.71	12,013.33	32,817.71	35,511.62
		Controlled (Assam Bubok) (MT)	4,985.66	5,362.19	5,023.96	5,553.96	5,000.60
		Others (FGVPM and Wawasan) (MT)	23,518.67	21,625.52	6,989.37	27,263.75	30,511.02
		FFB traders (MT)	321,253.66	342,594.71	282,834.80	311,653.92	361,320.12
		Outgrowers (MT)	21,670.71	24,633.67	21,205.33	20,306.23	23,162.02

CATEGORY	MEASUREMENT/ UNIT	MEASUREMENT/ UNIT	END-2019	END-2018	END-2017	END-2016	END-2015
CERTIFICATION							
Plantations	RSPO-certified area	ha	60,589.46	60,589.46			
	MSPO-certified area	ha	61,768.83	61,768.83			
Mills	RSPO-certified mills	No.	5	5			
		Identity Preserved	3	2			
		Segregated	0	0			
		Mass balance	2	3			
	MSPO-certified mills	No.	5	0			
		Identity Preserved	0	0			
	ISCC-certified mills	Segregated	2	0			
		Mass balance	3	0			
		No.	5	5			
Scheme d smallholders	RSPO-certified area	ha	1479.58	1479.58			
	RSPO-certified groups	No.	2	2			
CSPO	RSPO-certified CPO	Total (MT)	252,454.31	237,082.03			
	MSPO-certified CPO	Total (MT)	181,103.16	172,481.68			
Certified FFB	RSPO-certified FFB	Total (MT)	1,082,604	1,073,161			
		Own estates (MT)	1,059,0856	1,051,536			
		Smallholders/ outgrowers (MT)	23,519	21,626			
	MSPO-certified FFB	Total (MT)	1,064,071	1,051,536			
		Own estates (MT)	1,064,071	1,051,536			
		Smallholders/ outgrowers (MT)					
GHG EMISSIONS							
Emissions	Group net GHG emissions	MT CO ₂ e/year	481,572	389,897	409,256	421,885	421,128
	Land clearing	MT CO ₂ e/year	714,329	729,751	756,518	734,449	756,867
	Crop sequestration	MT CO ₂ e/year	(658,395)	(672,087)	(690,397)	(667,826)	(656,079)
	Fertiliser	MT CO ₂ e/year	60,673	55,738	48,159	22,205	21,869
	N ₂ O	MT CO ₂ e/year	55,362	65,672	60,505	44,907	38,382
	Field fuel use	MT CO ₂ e/year	17,186	19,417	16,445	19,608	22,200
	Peat	MT CO ₂ e/year	74,100	74,292	74,292	74,292	75,083
	Conservation area offset	MT CO ₂ e/year	(4,196)	(4,261)	(3,410)	(3,366)	(3,247)
	Methane from POME	MT CO ₂ e/year	257,781	145,492	175,592	227,198	191,017
	Mill fuel use	MT CO ₂ e/year	3,640	3,382	3,445	3,030	3,173
	Mill electricity credit	MT CO ₂ e/year	(38,857)	(27,809)	(32,208)	(32,932)	(28,406)
	Grid electricity utilisation	MT CO ₂ e/year	249	310	315	320	269

CATEGORY	MEASUREMENT/ UNIT	MEASUREMENT/ UNIT	END-2019	END-2018	END-2017	END-2016	END-2015
GHG EMISSIONS							
GHG emission intensity	Mills	Palong Cocoa (MT CO2e/MT CPO/PK)	1.10	1.02	0.97	1.09	1.07
		Sedenak (MT CO2e/MT CPO/PK)	2.03	1.27	1.37	1.32	1.35
		Sindora (MT CO2e/MT CPO/PK)	1.45	1.12	1.16	1.3	0.99
		Tereh (MT CO2e/MT CPO/PK)	1.27	0.85	1.05	1.37	0.9
		Pasir Panjang (MT CO2e/MT CPO/PK)	0.50	0.62	0.76	0.82	1.22
	Group	(MT CO2e/MT CPO/PK)	1.25	1.01	1.08	1.23	1.13

ENERGY							
Energy consumption	Total energy consumed by the site in kWh	Group	36,950,576	26,548,190	31,567,586	28,236,455	
		Tereh	9,300,531	2,843,297	6,753,650	6,732,502	
		Sedenak	8,766,060	10,446,260	4,274,273	3,141,911	
		Sindora	6,279,750	4,930,130	11,111,240	10,124,451	
		Palong Cocoa	4,139,550	3,365,200	4,011,570	3,397,700	
		Pasir Panjang	8,464,685	4,963,303	5,416,853	4,839,891	
Diesel use	Total diesel usage (all uses)	l	1,166,820	1,074,110	1,104,043	971,047	857,438
	Diesel use per tonne of FFB	l/MT FFB	0.8157	0.7494	0.7532	0.72	0.7

WATER							
Water usage	Total water usage (mills only)	MT	1,535,280	1,573,025	1,712,969	1,583,162	1,201,481
	Total water usage intensity (mills only)	MT/MT FFB	1.06	1.10	1.17	1.18	0.98

CATEGORY	MEASUREMENT/ UNIT	MEASUREMENT/ UNIT	END-2019	END-2018	END-2017	END-2016	END-2015
WATER							
Effluents and discharge	BOD level by mills (ppm)	Tereh	426	348	521	491	1,751
		Sedenak	397	342	281	160	175
		Sindora	38	43	35	14	56
		Palong Cocoa	356	241	290	203	149
		Pasir Panjang	224	330	296	13,207	9,671
	Total effluents	MT	1,066,337	1,080,638	1,130,028	1,085,217	843,443
		Anaerobic pond (MT)	845,730	802,765	889,472	1,013,226	785,866
		Biogas plants (MT)	220,607	225,951	240,556	71,990	57,577
	Supernatant Discharge to furrow	MT	784,666	612,970	530,696	510,643	418,660
	Slurry utilisation for bio-compost	MT	256,698	464,410	364,278	326,259	306,800
Slurry utilisation for field application	MT	308	8,786	45,662	67,686	60,587	
Slurry utilisation for biogas	MT	416,994	283,106	99,379	74,919	49,566	

WASTE MANAGEMENT							
Organic	Total EFB	Composted (MT)	106,484	183,376	163,614	155,850	135,543
		Mulched (MT)	166,022	95,454	121,867	101,012	95,210
	Total PKS	Incinerated (MT)	73,250	79,864	78,244	69,217	68,798
		Sold (MT)	17,662	11,896	14,406	14,603	11,517
Scheduled	Total scheduled waste	MT	85.11	77.05			

ENVIRONMENTAL COMPLIANCE							
Fines	Fines due to environmental non-compliance	No.	1	0	0	0	1
Spills	Significant spills	No./vol	Nil	Nil	Nil	Nil	Nil

HERBICIDES							
Herbicides	Herbicide usage per hectare	Active ingredient in l/ha	1.2546	1.4897	1.4986	1.4793	1.3264
Paraquat	Paraquat usage per hectare	Active ingredient in l/ha	0	0	0	0.002	0.1518
Glyphosate	Glyphosate usage per hectare on one-year-old palms	l/ha/year	5.75	6.74	5.61	6.86	n/a
	Total glyphosate usage	l	105,072	126,445	130,293	158,347	

CATEGORY	MEASUREMENT/ UNIT	MEASUREMENT/ UNIT	END-2019	END-2018	END-2017	END-2016	END-2015	
CONSERVATION								
Conservation area	Area set aside for conservation	ha	462.16	462.16	350.98			
	Buffer zone	ha	59.08	59.08	57.66			
	Forest strip, pocket forest and undeveloped forest	ha	403.08	403.08	293.32			
EMPLOYEES								
Employee breakdown	Total employees	No.	7,440	7,866	7,795	7,709	7,899	
	Turnover	Overall rate	5.71	5.42	5.94	4.67	25.98	
	New employees (Malaysia)	Below 30 years (Female)		20	12	7	7	
		Below 30 years (Male)		46	59	29	38	
		30-50 years (Female)		4	8	3	9	
		30-50 years (Male)		37	28	22	33	
		Above 30 years (Female)		0	1	0	0	
		Above 30 years (Male)		0	10	0	1	
		Ratio of management over total employees	%	4.68%	4.54%	4.45%	4.53%	4.11%
	Ratio of estate workers over total employees	%	82.97%	83.85%	84.09%	83.89%	84.85%	
	Employees by category	Management		348	357	347	349	325
		Non-executive staff		919	913	893	893	872
		Workers		6,173	6,596	6,555	6,467	6,702
	Employees by gender	Female		838	847	835	850	822
		Male		6,602	7,019	6,960	6,859	7,077
Foreign workers	Indonesian		4,175	4,562	4,438	4,272	4,284	
	Indian		27	24	35	32	41	
	Bangladeshi		668	684	755	850	944	
	Others		0	0	0	0	0	

CATEGORY	MEASUREMENT/ UNIT	MEASUREMENT/ UNIT	END-2019	END-2018	END-2017	END-2016	END-2015	
EMPLOYEES								
Employee breakdown	Female Management	Below 30 years		27	26	7	7	96
		30-50 years		66	73	4	11	
		Above 30 years		15	13	2	2	
	Male management	Below 30 years		39	36	29	38	229
		30-50 years		134	151	26	37	
		Above 30 years		67	58	17	20	
	Non-executive staff	Below 30 years (Female)		45	38	71	72	673
		Below 30 years (Male)		182	163	176	174	
		30-50 years (Female)		127	135	123	124	
		30-50 years (Male)		337	367	364	381	
	Above 30 years (Female)		31	24	27	21		
	Above 30 years (Male)		197	186	178	164		
TRAINING								
Training provided and cost	Employees that have received formal qualifications funded by Kulim	No.	6	7	1	0	10	
	Total training cost	% of payroll	2.56	3	1.48	1.08	1.12	
LABOUR STANDARDS FOR WORKERS								
Wages	Minimum starting wage	MYR/month	1,100	1,000	1,000	1,000	900	
Trade unions	Employees who are members of a trade union	No.	2,977	2,741	1,976	2,312	1,948	
	Employees eligible to be members of trade union	No.	6,530					

GRI Content Index

The Global Reporting Initiative (“GRI”) is a multi-stakeholder standard for sustainability reporting, providing guidance on determining report content and indicators. GRI is the first and most widely adopted global standard for sustainability reporting. It has been designed to enhance the global comparability and quality of information on environmental and social impacts, thereby enabling greater transparency and accountability of organisations. Sustainability reporting based on the GRI Standards should provide a balanced and reasonable representation of an organisation’s positive and negative contributions towards the goal of sustainable development. This report has been prepared in accordance with the GRI Standards: Core option.

CATEGORY	MEASUREMENT/ UNIT	MEASUREMENT/ UNIT	END-2019	END-2018	END-2017	END-2016	END-2015
LABOUR STANDARDS FOR WORKERS							
Women on maternity	Women who went on maternity leave	No.	34	23	22	19	26
	Women who returned from maternity leave	%	100%	100%	100%	100%	100%
	Women still employed 12 months after maternity leave	%	-	100%	100%	100%	
COMMUNITY AND HOUSING							
Charitable contributions	Charitable contributions	Sports (MYR)	3,026,588	5,560,130	5,845,938		
		Culture/religion (MYR)			371,428	14,500	4,009,564
		Community health facilities (MYR)			1,751,172	0	2,313,000
		Children and education (MYR)			1,450,993	627,920	389,116
		Charity (basic needs) (MYR)			434,679	329,588	2,801,362
		Others (MYR)			118,619	-	-
Housing	Employees and dependants housed	No.	10,604	10,746	9,672	9,786	9,786
	Square metres per inhabitant	m2	9.60	9.60	9.60	9.60	9.60
HEALTH AND SAFETY							
Health and safety	Fatalities	No.	1	0	1	0	0
	Lost time accident rate	Incidents per 200,000 working hours	1.53	1.98	3.41	3.51	6.82
	Severity rate	Average no. of lost time per incident	2.82	3.25	3.45	2.13	2.28
	Major accidents by gender	Female	0	2	56	26	37
		Male	24	39			
	Minor incidents by gender	Female	9	13	242	297	436
		Male	125	129			
	Occupational diseases by gender	Female	0	0	28	2	40
Male		26	8				

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INDEPENDENT ASSURANCE STATEMENT

Control Union Certifications was commissioned by Kulim (Malaysia) Berhad to conduct an independent assurance of Kulim (Malaysia) Berhad Sustainability Report 2018-2019. Due to the time of publication, some significant changes from 2020 are also included in the Sustainability Report.

The information in the Sustainability Report is the exclusive responsibility of Kulim (Malaysia) Berhad. Control Union Certifications was not involved in the preparation of any material included in this document.

The responsibility of Control Union is to express an opinion concerning the information including graphs, tables and statements included in the Report, within the assurance scope mentioned below, with the purpose to inform all the Interested Parties.

Assurance Scope

The sustainability report was developed using the Global Reporting Initiative (GRI) standards. The assurance process involves verification of the following aspects:

Inclusivity:

Engagement with stakeholders in the report development process and their involvement in organizational decision making

Kulim (Malaysia) Berhad periodically engages several groups of stakeholders on focus areas that correspond to specific UN-SDGs and are relevant to each stakeholder group. The aim of this is to better understand critical issues that are of importance to and affect each stakeholder group. The outcome from the stakeholder engagements has served as inputs for several sustainability focused initiatives launched by Kulim (Malaysia) Berhad.

Materiality:

Identification of issues in the report that are relevant and significant to the organization's stakeholders, the presence of and the extent to which these material issues are disclosed in the report

Kulim (Malaysia) Berhad's materiality topics have been identified and prioritised through engagement with Kulim's stakeholders. The process of identification of relevant materiality topics has identified what issues are of increasing importance to stakeholders.

Responsiveness:

Acting on stakeholder issues and provision of feedback through decisions, actions, performance and communication

Kulim (Malaysia) Berhad engages with their stakeholders through various channels (surveys, roundtable meetings, group meetings, one-on-one meetings) and this ensures a two-way dialogue between both parties. In this way Kulim (Malaysia) Berhad is able to directly address the concerns of stakeholders and effectively act on these concerns. Through such engagements Kulim (Malaysia) Berhad has formed partnerships, obtained new certifications and maintained their existing certification status of programmes that promote sustainable oil palm production.



Level of Assurance

The level of Assurance is used to determine the depth of detail that an assurance provider uses to identify if there are material errors, omissions or misstatements. The level of assurance for this report is moderate.

Methodology

- Review of the text of the report (pre-assurance research)
- Review of internal and external documentary evidence produced by Kulim (Malaysia) Berhad
- Review of approach to data collection at company level
- Audit of data presented in the Report
- Review of a selection of internal performance documents
- Interviews with the head of sustainability and key personal with Sustainability & Quality, Corporate Communication and Integrity Departments

Conclusions

Based on our moderate assurance process, nothing has come to our attention that causes us to believe that the scope (subject matter) as detailed above and presented in the report is not presented fairly in accordance with the criteria.

Hence, our work confirms that the information included in the sustainability report is reliable and objective, and is presented clearly and understandably.

Prakhar Goel
Program Manager
15 February 2021

Glossary

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

Biological oxygen demand (BOD) The amount of oxygen used when organic matter undergoes decomposition by micro-organisms. Testing for BOD is done to assess the amount of organic matter in water.

Biomass A renewable and sustainable source of energy developed from organic materials to create electricity or other forms of power.

Certified sustainable palm oil (CSPO) Palm oil that certified by the RSPO or MSPO according to specific criteria.

Crude palm oil (CPO) An edible vegetable oil which is extracted from the reddish pulp of the fruit of oil palms. It is different from kernel oil and coconut oil and is similar to pulp colour because of a high inactive vitamin A content.

Empty fruit bunch (EFB) Remains of FFB after the fruit has been removed for oil pressing; a potential source of biomass to produce biofuels.

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

Fresh fruit bunch (FFB) Bunch harvested from the oil palm tree. The weight of the fruit bunch ranges between 10 kg to 40 kg depending on the size and age of the tree.

Free, prior, and informed consent (FPIC) The principle that a community has a right to give or withhold its consent to proposed projects that may affect the lands they customarily own, occupy or use.

Global Reporting Initiative (GRI) A multi-stakeholder standard for sustainability reporting, providing guidance on determining report content and indicators.

Glyphosate A type of herbicide used to manage weed growth across a variety of agricultural applications.

Greenhouse gas (GHG) emissions Gases in the atmosphere that absorb and emit radiation within the thermal infrared range. The primary greenhouse gases in the Earth's atmosphere are water vapour, carbon dioxide, methane, nitrous oxide, and ozone.

Halal Any object or action which is permissible to be used or engaged in according to Islamic laws. The term covers and designates not only food and drink but all matters of daily life.

High carbon stock (HCS) The amount of carbon and biodiversity stored within an area of land that varies according to the type of vegetative cover. The HCS Approach stratifies the vegetation in an area of land into six different classes using analyses of satellite data and ground survey measurements.

High conservation value (HCV) Areas with HCVs are natural habitats which are of outstanding significance or critical importance due to their high biological, ecological, social or cultural values. These areas need to be appropriately managed to maintain or enhance those identified values. Six possible HCVs can be identified, covering environmental and social aspects of a natural forest.

Identity Preserved An RSPO supply-chain model wherein sustainable palm oil from a single identifiable certified source is kept separate from ordinary palm oil throughout the entire supply chain.

Independent smallholders' Small growers that cultivate up to 50 hectares of land, and are self-financed, -managed, and -equipped. Independent smallholders are not contractually bound to any one mill.

International Organization for Standardisation (ISO) An international standard-setting body composed of representatives from various national standards organisations.

Integrated pest management (IPM) The careful consideration of all available pest control techniques and subsequent integration of appropriate measures that discourage the development of pest populations and keep pesticides and other interventions to levels that are economically justified and reduce or minimise risks to human health and the environment. IPM emphasises the growth of a healthy crop with the least possible disruption to agro-ecosystems and encourages natural pest control mechanisms.

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

International Sustainability and Carbon Certification (ISCC) Sustainability certification system covering the entire supply chain and all kinds of biobased feedstocks and renewables.

Kernel extraction rate (KER) The amount of kernel extracted from the oil palm fruit at a mill.

Key performance indicators (KPIs) Measurable values that demonstrate how effectively a company is achieving key business objectives.

Malaysian Sustainable Palm Oil (MSPO) The Malaysian national certification standard developed with input for the stakeholders in the palm oil industry.

Mass balance An RSPO supply-chain model that allows the mixing of RSPO certified and non-certified palm oil at any stage in the supply chain provided that overall company quantities are controlled. The Mass Balance model is constructed in such a way that volumes of RSPO certified product shipped will never exceed volumes received by the end-user.

Non-governmental organisation (NGO) Grassroots and campaigning organisations focused on environmental or social issues in the context of this report.

Oil extraction rate (OER) The amount of oil extracted from oil palm fruit at a mill. CPO is removed from the flesh; palm PKO from the nut.

Outgrowers Farmers, where the sale of FFB is exclusively contracted to the unit of certification. Outgrowers may be smallholders.

PalmGHG The RSPO PalmGHG is a tool that calculates the emissions generated and sequestered from activities and processes engaged during agricultural and mill stages. Refer to detailed scope and boundaries here.

Palm fibre By-product of a palm oil mill, which is produced from oil palm's vascular bundles in the EFB.

Palm oil mill effluent (POME) A by-product of processed fresh fruit bunch (FFB).

Peat The surface organic layer of a soil that consists of partially decomposed organic matter, derived mostly from plant material, which has accumulated under conditions of waterlogging, oxygen deficiency, high acidity and nutrient deficiency.

Promoting Intelligence, Nurturing Talent and Advocating Responsibility Foundation (PINTAR) is an institution established to support the Malaysian government's efforts to encourage companies to partner with underperforming schools.

Roundtable on Sustainable Palm Oil (RSPO) A multi-stakeholder organisation based in Kuala Lumpur, Malaysia, that has developed a certification scheme for sustainable palm oil. All RSPO members must comply with the RSPO Principles and Criteria (P&C), a set of stringent standards for the production of sustainable palm oil.

Scheme smallholders Smallholder farmers with less than 50 hectares of land who are structurally bound by contract, by a credit agreement or by planning to a particular mill. They are often not free to choose which crop they develop. They are supervised in their planting and crop management techniques and are usually organised, supervised or directly managed by the managers of the mill, estate or scheme to which they are structurally linked.

Social Impact Assessment (SIA) The processes of analysing, monitoring and managing the intended and unintended social consequences, both positive and negative, of planned interventions (policies, programmes, 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.

Stakeholder Any group or individual who is affected by – or can affect – a company's operations.

Sustainability A term expressing a long-term balance between social, economic and environmental objectives. It is often linked to sustainable development, which is defined as 'development that meets the needs of current generations without compromising the needs of future generations'.

Sustainable Development Goals (SDGs) Also known as the Global Goals, the SDGs were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity by 2030.

Sustainable Supply Chain Certification (SCCS) An RSPO standard with auditable requirements designed for use by organisations in the palm supply chain to demonstrate implemented systems for the control of RSPO-certified oil palm products.

Traders Participant in the supply chain of RSPO-certified oil palm products that take legal ownership of oil palm products, derivatives, and/or purchases and sells futures without physically handling the oil palm products.

United Nations Framework Convention on Climate Change (UNFCCC) An international environmental treaty negotiated at the United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro in 1992.

Women OnWards (WOW) Previously Kulim's Women's Grievance Panel or Panel Aduan Wanita, the programme serves to empower Kulim's female community. WoW is also a mechanism where women can air and address gender-related grievances.

Contact and feedback

We accept and appreciate your thoughts or suggestions regarding the contents of this report. You may direct your feedback to:

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