



SUSTAINABILITY REPORT 2020-2021

a JCORP Company



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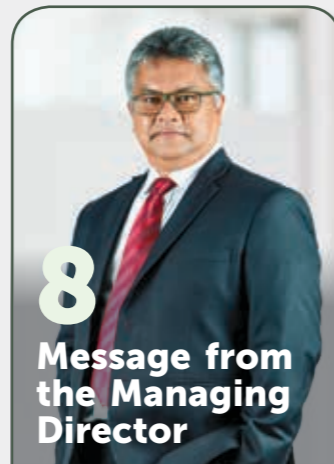
## THEME RATIONALE

This report's overarching theme is Putting People First because it signifies Kulim's commitment to our greatest asset. The report closely examines some of the people-led initiatives that have been vital Kulim pillars throughout 2020 and 2021. First, we recognise that our employees' and their families health and welfare must always come first. As illustrated by the Covid-19 pandemic and its unprecedented challenges, we continue to prioritise health, safety and food security. Second, we are implementing concrete measures to review the rights, benefits and hiring practices of our Kulim plantation workers. By partnering with our customers and a technical service provider, we hope to address any systemic risks to fundamental labour rights. Finally, we continue to put communities at the heart of our initiatives by extending educational programmes, female empowerment initiatives, and infrastructure development for those surrounding our operations.

As a longstanding partner to the people of the Johor, Kulim will always put our people first. This report is a tribute to the employees and communities that inspire us daily.

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Scan the QR code or visit our website for more information: [www.kulim.com.my](http://www.kulim.com.my)



# ABOUT THIS REPORT

(GRI 2-2, 2-3, 2-5)

**This is Kulim (Malaysia) Berhad's seventh report, outlining our sustainability performance progress for the calendar years 2020 and 2021.**

The report was prepared using the latest Global Reporting Initiative (GRI) Standards, including the 2022 Sector Standard for Agriculture: GRI 13. We have also drawn from industry platforms we belong to and the requirements from leading benchmarks and assessment organisations, including the Zoological Society of London's Sustainability Policy Transparency Toolkit (ZSL SPOTT). GRI disclosures are included throughout the report and referenced under headings or subheadings as [GRI XXX-XX] or GRI [Topic 13.XX.X].

## ABOUT THIS REPORT

### REPORT SCOPE AND BOUNDARIES

This report covers our most significant revenue stream: our palm oil estates and mills in Malaysia. It does not cover our associate companies or joint ventures. It also does not include our Indonesian ventures, which were being divested at the time of this report's publication.

Aside from our palm oil operations, this report introduces our plans for non-palm oil operations. We will report on our other ventures when these measures and metrics become available.

Unless otherwise stated, performance data is from 1 January 2020 to 31 December 2021 and includes historical data where relevant and available. Given the timing of this report, we have also incorporated significant 2022 milestones.

### STAKEHOLDER INCLUSIVENESS

To ensure that we address themes and topics important to all our stakeholders, we have conducted stakeholder consultations with our customer base, a supplier, a biomethane joint venture partner, and the independent consultant that helped develop Kulim's 2022 Environmental, Social and Governance (ESG) framework.


We are guided by international and sector-wide platforms, such as the Roundtable on Sustainable Palm Oil (RSPO) and the High Conservation Value (HCV) Network. We also draw on issues identified in leading sustainability and ESG benchmarks. These topics are continuously reviewed through stakeholder discussions and our sustainability-related strategies and plans.

### ASSURANCE

We conducted assurance on 31 material areas of our operations, which we identified with our assurance provider, Control Union Certifications. See page 116 for our independent assurance statement.



## 2020-2021 TARGETS AND PROGRESS

In May 2022, Kulim launched our new ESG framework outlining our strategic vision and objectives for the coming years. The following table details the progress of our measures against existing objectives, while the ESG framework targets will be addressed in our next report. We have also included notable highlights. We have restructured our target reporting and flow for this report to be in line with the main pillars of the 2022 ESG framework. For more information, see [New ESG Framework 2022](#). 

Contributing to SDGs:



DELIVER POSITIVE ENVIRONMENTAL IMPACTS					
Focus Area	Key Highlights		Target	Target Year	2020/2021 Status
Conservation and biodiversity	2022: developed and published the <a href="#">Kulim-Biodiversity Policy</a>	2022: new satellite monitoring programme to detect deforestation	No increase in peat development	Ongoing	<b>Achieved</b>
	>1,400 ha reserved for conservation		No development in land containing one or more High Conservation Values (HCVs)	Ongoing	<b>Achieved</b>
Regulatory compliance			No fines for environment-related incidents	Ongoing	<b>Achieved</b>
Water management			Maintain mill water consumption to 1.2 m <sup>3</sup> /MT FFB and below	Ongoing	<b>Achieved:</b> mill water consumption was 1.10 and 1.11 m <sup>3</sup> /MT FFB in 2020 and 2021, respectively
Chemicals/pesticides	Herbicide usage decreased by 31.1% in 2021 compared to 2020		2% year-on-year reduction in the use of glyphosate on one-year-old palms	2020	<b>Achieved:</b> average 2020 glyphosate usage in the first year of planting increased by 47.1% due to replanting. However, there was a 46.6% reduction in 2021, mainly due to crop-spraying labour shortages
	2021: we launched a new project: the Sustainable Agriculture Network (SAN) on Integrated Pest Management (IPM) and biodiversity conservation practices				
Carbon footprint	New biogas plants commissioned at Tereh, totalling three operational facilities		50% carbon intensity reduction (against 2012 baseline); achieved by installing five biogas plants	2025	<b>On track:</b> 8.13% reduction from 1.23 MT CO <sub>2</sub> e per metric tonne of crude palm oil/palm kernel processed (MT CPO/PK) to 1.13 MT CO <sub>2</sub> e/MT CPO/PK

## 2020-2021 TARGETS AND PROGRESS

Contributing to SDGs:



SAFEGUARDING WORKFORCE HUMAN RIGHTS					
Focus Area	Key Highlights		Target	Target Year	2020/2021 Status
Labour conditions	Minimum wage increased to RM1,500 as per local regulations	New Earthworm Foundation programme to assess foreign worker recruitment-related risks	<b>New target:</b> Completion of our labour transformation programme	2024	<b>In progress:</b> began a new Kulim plantations' human rights risk assessment with Intercontinental Specialty Fats, Ferrero, and the Earthworm Foundation
	Exploring mechanisation initiatives at plantations to increase efficiency and address labour shortages				
Diversity	Women comprise 22% of senior managers and 31% of mid-managers	Continuation of the Women OnWards (WOW) initiatives			
Occupational safety and health	Achieved: 69.7% reduction in Lost-time Accident Rate (LTAR) since 2017		Maintain a LTAR below 10 (per 200,000 working hours)	Ongoing	<b>Achieved:</b> LTAR was 1.48 and 1.03 for 2020 and 2021, respectively
			Maintain the severity rate below 3.5 year-on-year	Ongoing	<b>Achieved:</b> severity rates were 1.46 and 2.87 for 2020 and 2021, respectively
	Zero fatalities	Ongoing	<b>Not achieved in 2020:</b> regrettably, there were 3 fatalities in 2020 <b>Achieved:</b> 2021		

2020-2021 TARGETS AND PROGRESS

Contributing to SDGs:



CONTRIBUTING TO THE COMMUNITY					
Focus Area	Key Highlights		Target	Target Year	2020/2021 Status
Community engagement	Over RM35 million was allocated for CSR programmes in 2020/2021	Over 20 programmes supporting children at surrounding schools			
	Dispersed Covid-19 community contributions				
Supply-chain traceability and certification	Revised vendor and supplier pre-requisites in line with sustainability commitments	In 2022, began deforestation monitoring of supplier plantations through the Global Forest Watch (GFW) platform	Revised target: achieve 100% traceability to plantation	2025	In progress: since 2010, Kulim has achieved full traceability to our own plantations. As of December 2021, traceability to suppliers' plantations was 49% (an overall 86.7% traceability to plantation)
			100% external fruit certification	2025	In progress: 7.8% of external FFB RSPO-certified. To date, more than RM300,000 in premiums have been paid out

Contributing to SDGs:



PROMOTING TRANSPARENCY AND ACCOUNTABILITY					
Focus Area	Key Highlights		Target	Target Year	2020/2021 Status
Governance	New ESG committee established to oversee Group's ESG work plans at an operational level	New sustainability-link loan awarded by CIMB Bank			
Stakeholder engagement	Joined HCV Network in 2022				
Reporting and communications	New Kulim website launched in April 2022	SPOTT score improved from 67.05% to 73.2% (ranking 24 in the 2022 assessment)	Kulim plantation biennial carbon report	Every two years	Achieved: Published 2020 Carbon Footprint Report on 20 November 2021

2020-2021 TARGETS AND PROGRESS

Contributing to SDGs:



PRODUCTION, CERTIFICATION AND SUPPLY CHAINS					
Material Topic	Key Highlights		Target	Target Year	2020/2021 Status
Yield/production			Achieve an average FFB yield of 30 MT/ha and Palm Product Extraction Rate (PPER) of 30%	2036	FFB yield: 2020: 22.93 MT/ha 2021: 20.34 MT/ha  PPER: 2020: 26.35% 2021: 26.17%
	Certification	2020: 100% mills MSPO SCCS certified	2021: mills produced 20% more CSPO (compared to 2019 and 2020)		
Dec 2018: 100% MSPO-certified mills		2018: 100% ISCC-certified mills	All mills MSPO and SCCS certified	2020	Achieved: 2020 (All Malaysian mills and estates were MSPO and SCCS certified)





MESSAGE FROM THE

# MANAGING DIRECTOR

[GRI 2-22]

**DEAR FRIENDS, COLLEAGUES AND PARTNERS,**

**IT IS MY PLEASURE TO PRESENT KULIM'S 2020–2021 SUSTAINABILITY REPORT WHICH SETS OUT OUR EFFORTS IN COPING WITH A GLOBAL PANDEMIC, SEEKING NEW SOLUTIONS TO SUSTAINABILITY CHALLENGES AND SETTING OUT A RENEWED STRATEGY AND VISION FOR OUR BUSINESS.**

The past two years have been anything but “business as usual” and demanded we make significant changes in the way we operate. The pandemic disrupted global and regional movements of migrant workers as national borders closed. In 2021, this led to a 17% reduction in our workforce, which meant we had to act swiftly to maintain production levels and address the shortfall. This pushed us to make crucial, far-reaching decisions including making a concerted effort to mechanise our harvesting operations. We also explored how to mechanise other types of fieldwork and reduced our dependency on manual labour. These efforts were in line with digitising and integrating our day-to-day operations.

Despite that, Kulim continued to rely on our dedicated workforce to succeed and has never diverged from our ultimate commitment: their welfare. I am proud of how Kulim has adapted to market disruptions while continuing to prioritise the health and safety of our employees and harness our local reputation to help communities in Johor.

## MESSAGE FROM THE MANAGING DIRECTOR

The resurgence of interest in labour rights by international stakeholders also called for greater employee welfare that put well-being at the forefront. Kulim's commitment to upholding labour rights has never wavered. We strive to continuously improve the standards we adopt, in line with industry best practice and expectations. We launched two programmes in collaboration with our customers and Earthworm Foundation, a non-profit organisation that collaborates with the business community, to identify potential labour rights risks and possible gaps in recruitment practices. We will report on our efforts as we progress. As part of the local community itself, it is an important priority for us to be able to help boost the income streams of Johor smallholders and farmers by integrating them into sustainable supply chains. To date, we have helped two outgrowers and one trader's group achieve sustainability certification – having more than doubled premiums paid out since 2019.

Our efforts build on our extensive track record in sustainability, transparency and accountability. From our ongoing Roundtable on Sustainable Palm Oil (RSPO) and Sustainable Development Goals (SDGs) commitments to staying ahead of the latest sustainable market requirements and sustainability disclosure since 2008, Kulim has always sought to protect the environment and improve community livelihoods. This deep-rooted commitment to sustainability makes us well-positioned to meet the increasingly stringent certified palm oil production standards required by regulators and customers, as well as the recent Environmental, Social and Governance (ESG) requirements by financial institutions and commercial partners.

Another key pillar in our sustainability strategy has been our climate change reduction efforts and waste-to-wealth initiative, which has grown from a compliance response to an industry-recognised standard. Installing methane capture and biogas facilities has led to improved group earnings but more importantly, helped reduce our carbon



footprint. Our measured carbon intensity in 2021 was 1.13 MT CO<sub>2</sub>e/MT CPO/PK – an 8.1% reduction compared to 2020. This reduction was achieved with only three operational biogas facilities; the remaining two are currently being commissioned. This initiative will be a key contributor to meeting our 50% reduction target by 2025 (against 2012 levels) and our 2050 net-zero aspirations.

We are also proud to have supported Malaysia's national infrastructure with our capabilities. In 2021, we launched a partnership with Gas Malaysia to produce compressed bio-methane from Palm Oil Mill Effluent (POME) and channel this into Malaysia's natural gas distribution system. This will support the Government of Malaysia's efforts to increase renewable energy generation to 20% by 2050. Exporting bio-methane from POME into a national gas grid is Malaysia's first and one of Kulim's greatest achievements to date.

Moving forward, we are embarking on major strategic changes for the business. Having operated in the Johor province of Malaysia since the 1930s, we are a well-established partner among customers and local communities. Kulim will be leveraging our strengths to reprioritise and focus on our Johor operations while exiting operations outside of Malaysia. This will be an unparalleled opportunity to bolster Johor's plantation industry and support our smallholders and local farmers.

This structural realignment is supported by two key strategies. The first is the divestment of our other

non-palm oil business with a refocus on other agricultural ventures at home. This has meant divesting from our Indonesian operations which we are currently negotiating its sale. Our second approach is expanding our Johor agri-food business and offerings to include crops such as pineapple, coconut and durian as well as vegetables including cucumber, brinjal and long bean. Under the livestock segment, we are looking into producing Halal meat like beef, mutton and lamb. This comes in the wake of the pandemic in which food imports were hampered, and the world was sharply reminded of the need for a secure local supply of nutritious food. Thanks to decades of palm oil production experience, we are in a unique position to grow our agri-food business and bring it to fruition.

In the coming years, Kulim also intends to move our palm oil business into downstream operations. Although commercial considerations are at the forefront of this decision, the move will increase the value of our sustainable products. By going direct to the market and the consumer, we will be better positioned to respond nimbly to market conditions and maximise our sustainability capabilities.

To stay true to our commitments, these strategic ambitions for the business will need to be backed by

## MESSAGE FROM THE MANAGING DIRECTOR

the right objectives. Kulim launched a new ESG framework – a roadmap that is not a reinvention of our goals but rather further embeds our existing obligations into the core of our agri-business ventures. At the same time, Kulim is strengthening and reshaping governance to ensure ESG factors are always embedded in our daily operations. These efforts to foster an internal sustainability culture will also influence our work with external stakeholders.

Sustainability has and always will remain at the core of our operational functions, but we must work with our stakeholders and partners to bring the most meaningful impact. I believe this approach will keep us on the right trajectory of remaining responsive to ESG needs while we pursue our wider sustainability goals, as we have always done.

**MOHD FARIS ADLI SHUKERY**  
Managing Director

# ABOUT KULIM

(GRI 2-1, 2-6, 3-3, 201-1)

## OVERVIEW

Kulim (Malaysia) Berhad ('Kulim' or the 'Group') is a leading diversified plantation company headquartered in Ulu Tiram, Johor, Malaysia. Kulim's operations have significantly grown since our founding almost 90 years ago. Our primary business is managing palm oil mills and estates: an oil palm-planted area of over 55,000 hectares (ha) in Malaysia. Our workforce is 6,364 employees.

Kulim was previously involved in other business ventures, including property and oil and gas. Over the last two years, the Group has undertaken strategic steps to divest from our non-core businesses to refocus on our agricultural strengths in Johor. This restructuring includes divesting from our plantations in Indonesia, spanning over 14,000 hectares. Our new strategic direction will primarily focus on our palm oil business and diversify into other agricultural ventures such as agro-farming and livestock.

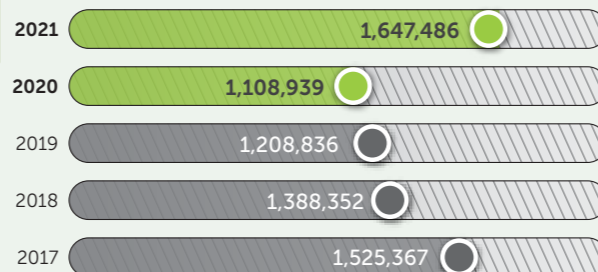
## OWNERSHIP STRUCTURE AND ECONOMIC PERFORMANCE

Kulim dates back to 1933 when Kulim Rubber Plantations Ltd was incorporated in the UK. Kulim was publicly listed in 1975 on the main market of Bursa Malaysia Securities Berhad. A year later, Johor Corporation (JCorp) became Kulim's major shareholder. JCorp is a Johor state government-linked corporation that owns oil palm operations and other businesses in Malaysia and across the region. Subsequently, Kulim became a wholly owned JCorp subsidiary and was delisted in 2016.

## Financial performance

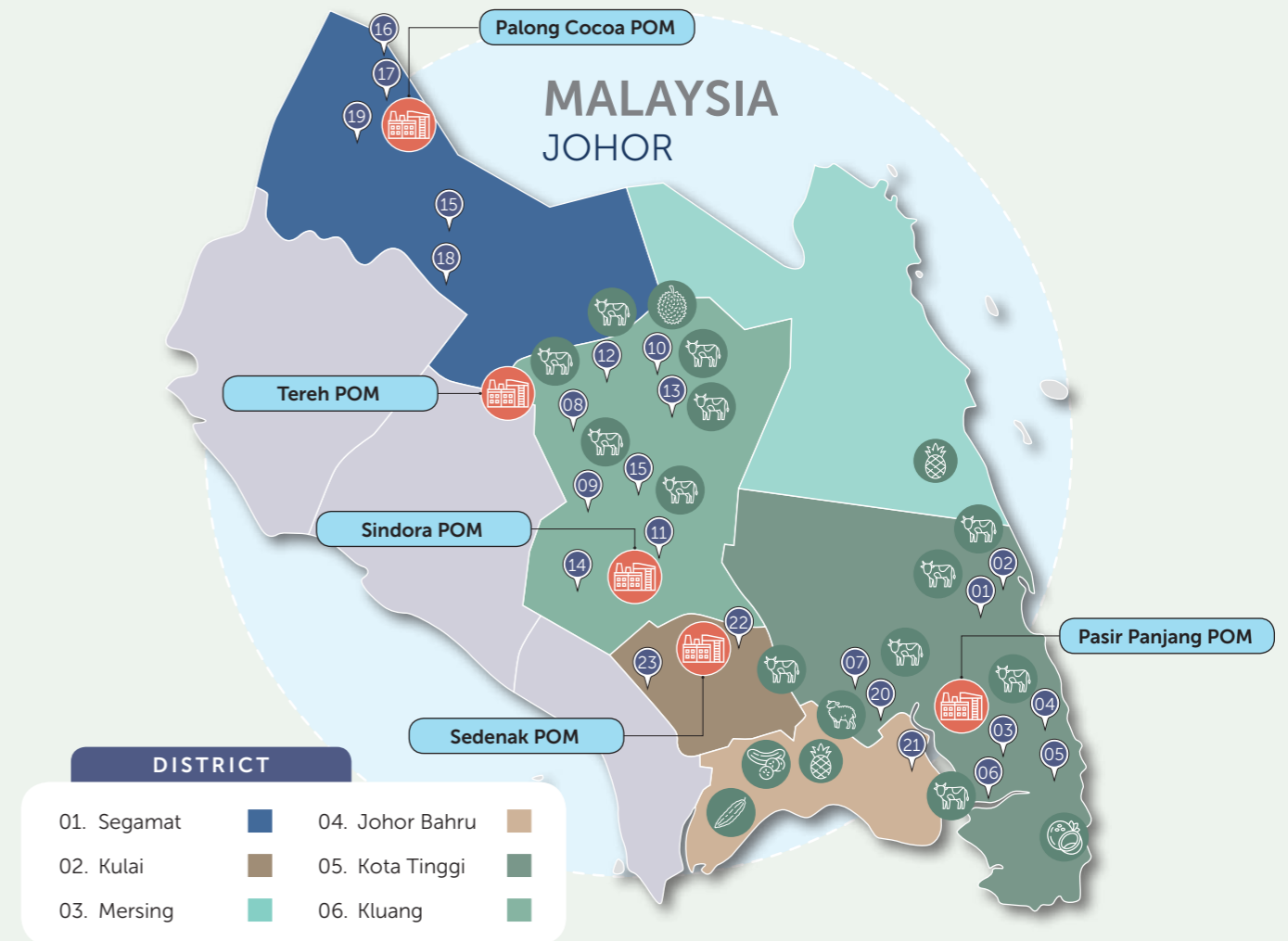
The Group's recorded revenue rebounded significantly from RM1.11 billion in 2020 to RM1.65 billion in 2021. Despite relatively stable production throughout 2020 and 2021, this is an increase of 48.6%. The sudden increase in revenue is due to two factors: increased pandemic-related demand and soaring prices of crude palm oil and palm-based products sold to market.

Group revenue 2017-2021 ('000 RM)



## Palm oil operations

Kulim manages 23 palm oil estates<sup>1</sup>: 22 in the Johor districts of Segamat, Kulai, Johor Bahru, Kota Tinggi, Kluang and one in Pahang. These estates comprise a landbank of 60,064 hectares, of which 55,796 hectares are planted area. Fresh Fruit Bunches (FFB) harvested at these estates are supplied to our five palm oil mills for processing into CPO. All FFB is locally sourced. Two of our mills source solely from Kulim plantations; three source from external suppliers.



## ABOUT KULIM

<sup>1</sup> In 2021, Kulim conducted a merger exercise for our group estates. This involved combining total hectares, and resulted in a change of total estates from 27 to 23. Our operational set up remains the same.



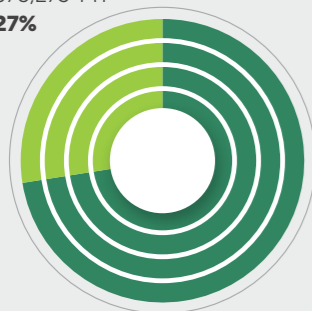
ABOUT KULIM

AGRICULTURAL PRODUCTIVITY

In 2021, our five mills processed 1.42 million metric tonnes (MT) of FFB: 73% sourced from our own plantations and 27% from third parties. FFB yields at Kulim's plantations were at their lowest in 2021: 20.11 MT/ha. This 12.3% decrease from 2020 was because of pandemic-related labour shortages, resulting in less FFB harvested. This resulted in a 6.4% reduction in CPO production.

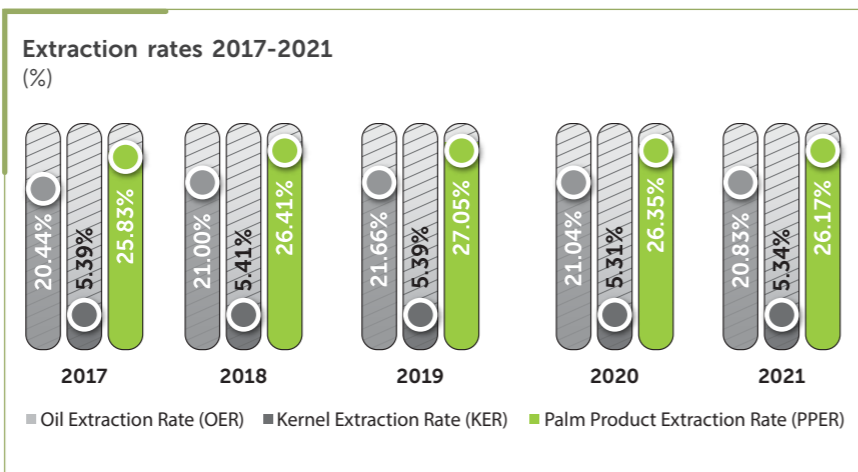
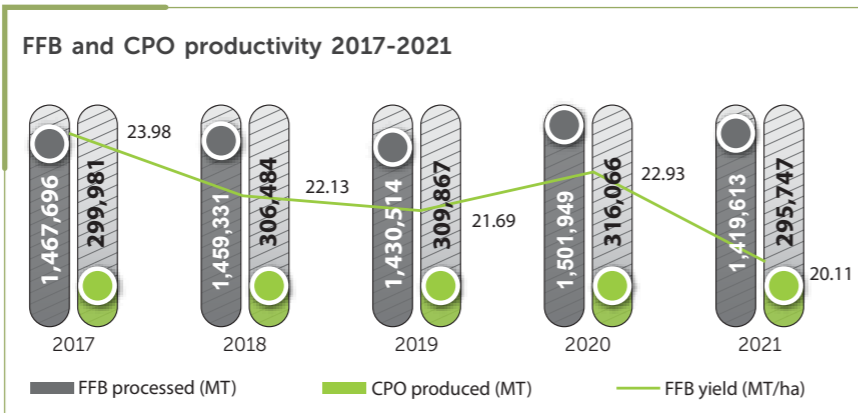
FFB volumes sourced by origin 2021 (MT, %)

Third-party suppliers, 378,273 MT  
27%



Kulim plantations owned and managed 1,035,342 MT  
73%

TOTAL  
**1,419,613 MT**



ABOUT KULIM

Other agribusinesses

Drawing upon our decades of experience in plantation management and leveraging on our landbank, Kulim has ventures in other agri commodities aside from palm oil. We use smart-farming technology and maintain the highest crop quality to bring commercial fruit and vegetables to market. As of December 2021, we have over 470 hectares of planted fruits and vegetables.

AGRO FARMING

- PINEAPPLE** 247 ha
- 100 ha** COCONUT
- DURIAN** 7.35 ha
- 4 ha** CUCUMBER AND LUFFA

Kulim also raises, breeds and processes livestock for beef, mutton and lamb production. For almost 20 years, cow herds have been integral to our plantations. Instead of using herbicides, our herds graze on weeds and are a form of natural biological control. Kulim recently expanded our operations to include sheep and intends to commercialise halal beef, mutton, and lamb. We maintain the highest food quality and safety standards and ensure that all our production is halal-certified. We aim to increase our business to over 10,000 cattle by 2025 and 6,000 sheep by 2028.

LIVESTOCK

- CATTLE** 7,500 heads
- 220 heads** SHEEP

## ABOUT KULIM

### Trading and services

Kulim is also engaged in other trading and direct-to-consumer services, building on our wide range of expertise developed and honed over years in the plantation industry. Our agribusinesses are supported by four distribution centres, allowing us to sell directly to consumers.

We also supply services and equipment to third parties, such as:



### Supporting agribusinesses with research and development

To stay at the forefront of the plantation industry, Kulim invests significantly in Research and Development (R&D). The Kulim Agrotech Centre in Kota Tinggi was established in 2019 and spans 2.87 ha. Here, our scientists and technical staff conduct R&D to support our operations. Initiatives include quality improvement and agro-product innovation through five key operating units: a tissue culture facility, a genomic laboratory, a plant breeding laboratory, the Ulu Tiram central laboratory, and the R&D management office (comprising an agronomy and plant breeding programme, and microbiology lab).

Kulim uses R&D to continuously improve our palm oil and other agribusiness ventures. In 2019, a memorandum of understanding was signed with the Malaysian Nuclear Agency (MNA) to research disease-resistant pineapple varieties. The aim is to determine the survival rate of seedlings on various radiation exposure rates and infectivity against heart rot disease. The seedlings were sourced from mutagenesis pineapple tissue culture provided by the MNA; they were planted at the Kulim pineapple farm.

For more information, see [kulim.com.my/research-development](http://kulim.com.my/research-development).



### A move to mechanisation

In 2021, Kulim launched a comprehensive review of our field operations. Typically, Malaysian plantations employ foreign workers for manual harvesting. However, the challenge of having to comply with a government-mandated nationwide hiring freeze because of the pandemic, coupled with soaring palm oil demand, drove us to fundamentally rethink how we could fulfil our sales orders. Kulim took this as an opportunity and rolled out our mechanisation plan with the goal of reducing conventional work per the suitability of the area. We use machines such as mechanical buffalos, mini tractors as well as mini tractor grabbers with crop-picking scissors. We also aim to improve FFB handling when it is transported to the mill, improving the overall quality of our deliveries. Kulim is exploring using machinery for other fieldwork, such as motorised spraying, control droplet applicators, and self-powered ground vehicles. Tractors equipped with a spreader machine during fertilisation can increase productivity over a wide area. Kulim has begun using spreaders with GPS/GIS technology wherever possible to ensure traceability and digitalised reporting.

To support this endeavour and to provide better managerial oversight, we are also digitising our operational-level processes. Our approach includes the development of a K-Plant mobile application: a single environmental reporting system to support real-time monitoring and reporting. We are also exploring using technology to automate our other tracking systems, such as traceability data.

# OUR APPROACH TO SUSTAINABILITY

(GRI 2-23, 2-24)

## section 02



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## OUR SUSTAINABILITY COMMITMENTS

The Group's sustainability journey began in 2004 when we became one of the first Malaysian palm oil companies to join the RSPO. Our [sustainability policy](#) outlines these commitments, with clear pledges to uphold our No Deforestation, No Peat and No Exploitation (NDPE) commitments per industry requirements. Other policies, such as health and safety, biodiversity and labour standards, are also supported by our sustainability measures. These policies can be found on our [website](#).

Although we initially developed our sustainability policy for our palm oil operations, we recognise the need to ensure implement sustainability measures throughout our operations. Some of our sustainability policy commitments will apply to Kulim's ventures in other agribusinesses found on the landbank of our palm oil plantations. In the future, we will examine operational similarities and differences to



ensure alignment of our sustainability measures throughout the company. We will draw on our decades of experience in palm oil production and apply them to our agrofoods businesses.

Moving forward, we will also focus on aligning our sustainability strategies with our parent company, JCorp.

Our current policies are communicated to all our employees, suppliers, contractors, shareholders and joint venture partners. This is achieved through employee inductions, stakeholder briefings posted on operating unit notice boards and circulated by email.



## OUR SUSTAINABILITY COMMITMENTS

### NEW 2022 ESG FRAMEWORK

**In May 2022, a new framework for our ESG commitments was developed and approved by Kulim's Board of Directors.** Led by an independent consultant, the ESG framework defines our vision and objectives.

The framework is not a reinvention of our current measures but repackages the foundational work Kulim has done over the years with forward-looking plans. It considers Kulim's existing resources and strengths to implement our policy objectives and identifies gaps and targets to ensure the effective implementation of our commitments.

To ensure we meet the growing expectations of regulators and investors, the framework considered the criteria of global and local standards and benchmarks, such as the Bursa Sustainability Reporting Guide, the Malaysian Code on Corporate Governance, global ESG ratings (e.g. FTSE Russell, MSCI ESG, Zoological Society of London's Sustainable Palm Oil Transparency Toolkit [ZSL SPOTT]), and sustainability reporting standards (e.g. the Global Reporting Initiative [GRI] Standards, Sustainability Accounting Standards Board, and recommendations of the Task Force on Climate-related Financial Disclosures [TCFD]).

In 2022, we began identifying key focus areas and mobilising resources to fulfil the objectives of the ESG framework. This started with key personnel at Kulim identifying and discussing crucial material issues, strategic responses and challenges in implementing the ESG agenda to help develop the ESG framework.

Upon completion of the framework, Kulim ESG champions were appointed. They received training on the ESG regulatory landscape, international standards and Kulim's ESG framework. This enabled them to understand Kulim's ESG themes, ESG targets, material issues, identified gaps, related action plans, and success criteria. **We will outline indicators and metrics in future reports to meet our ESG framework targets. However, some reporting – where existing measures have been implemented – can be found in this report.**



## OUR SUSTAINABILITY COMMITMENTS

## Kulim's ESG themes



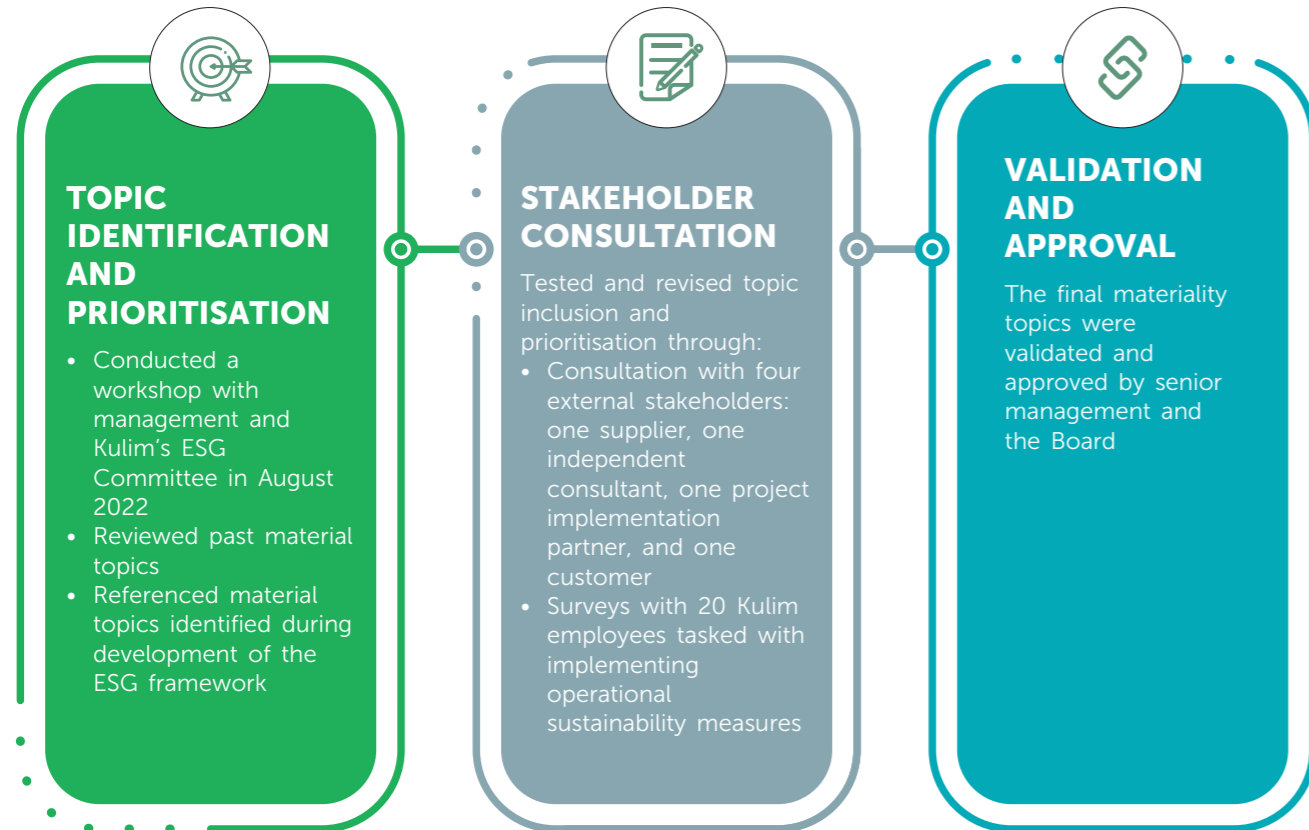
- 1 DELIVERING POSITIVE ENVIRONMENTAL IMPACTS**  
**Delivering positive environmental impacts through leading sustainability practices**  
 Leveraging Kulim's market influence to be a catalyst for inspiring change and developing a low-carbon future
- 2 CONTRIBUTING TO THE COMMUNITY**  
**Community contributions through socio-economic initiatives and people engagement**  
 To support societal and community growth while protecting and adding value to employee wellbeing
- 3 PROMOTING TRANSPARENCY AND ACCOUNTABILITY**  
**Promoting an organisational culture of accountability and transparency**  
 Building and maintaining a transparent, responsible and accountable internal and external reputation
- 4 SAFEGUARDING HUMAN RIGHTS**  
**Safeguarding human rights: Zero tolerance for labour exploitation**  
 A commitment to upholding labour rights by strengthening internal frameworks and adhering to best practice

## 2022 MATERIALITY ASSESSMENT

[GRI 3-1, 3-2, 2-14]

Our reporting covers themes that are most material to our business and stakeholders. These ESG-related topics are updated biennially in each sustainability report. Along with Kulim’s newly enhanced sustainability and ESG commitments, we began a comprehensive review of our material issues. Led by our sustainability reporting consultant, Helikonía, this included a managerial workshop with Kulim’s ESG committee members, a materiality survey with Kulim’s employees tasked with implementing sustainability measures at our operations, and consultation with four external stakeholders.

### OVERVIEW OF THE MATERIALITY ASSESSMENT PROCESS



## 2022 MATERIALITY ASSESSMENT

### 2022 MATERIALITY MATRIX



- |  |  |   |
|--|--|---|
| 1. Stakeholder collaboration and communication | 11. Customer satisfaction                  | 21. Community investment and engagement |
| 2. GHG reduction and climate impacts           | 12. Energy management and renewable energy | 22. Children’s rights                   |
| 3. Regulatory and certification compliance     | 13. Risk management and controls           | 23. Food security                       |
| 4. Human rights and labour practices           | 14. Community rights/FPIC/land rights      | 24. Pandemic preparedness               |
| 5. Product quality                             | 15. Common group-level goals               | 25. Diversity and equal opportunity     |
| 6. Agricultural productivity                   | 16. Grievance mechanism                    | 26. Vendor and contractor management    |
| 7. Conservation and biodiversity               | 17. Economic performance                   | 27. Waste and pollution management      |
| 8. Supply Chain and Smallholder inclusion      | 18. Responsible chemical use               | 28. Fire and haze                       |
| 9. Occupational safety and health              | 19. Peat                                   | 29. Logistics and transportation        |
| 10. Corporate governance                       | 20. Ethics and anti-corruption             | 30. Training and education              |
|  |  | 31. Water Management                    |

## 2022 MATERIALITY ASSESSMENT

### Changes to material topics







Since our last report, we have made the following material topic changes:	
New topics	<ul style="list-style-type: none"> <li>• Risk management and control</li> <li>• Stakeholder collaboration and communication</li> <li>• Agricultural productivity</li> <li>• Common group-level goals</li> <li>• Food security</li> <li>• Vendor and contractor management</li> <li>• Logistics and transportation</li> <li>• Community rights/FPIC/land rights</li> <li>• Children's rights</li> <li>• Peat</li> </ul>
Merged topics	<ul style="list-style-type: none"> <li>• <b>Human rights and labour practices</b> now include the previous workers' union</li> <li>• The previous smallholder management and supply-chain management topics were merged to become <b>Supply chain and smallholder inclusion</b></li> <li>• <b>Economic performance</b> now consists of the previous market presence topic</li> <li>• The previous effluent, waste and recycling topics were combined and renamed to become <b>Waste and pollution management</b></li> </ul>
Updated topics (the former name is in parentheses)	<ul style="list-style-type: none"> <li>• <b>Regulatory and certification compliance</b> (Compliance)</li> <li>• <b>GHG reduction and climate change</b> (Emissions)</li> <li>• <b>Corporate governance</b> (Corporate governance and policies)</li> <li>• <b>Conservation and biodiversity</b> (HCV/HCS protection and management)</li> <li>• <b>Energy management and renewable energy</b> (Energy)</li> <li>• <b>Ethics and anti-corruption</b> (Anti-corruption)</li> <li>• <b>Water management</b> (Water)</li> <li>• <b>Pandemic preparedness</b> (Covid-19)</li> </ul>

## 2022 MATERIALITY ASSESSMENT

### OUR CONTRIBUTIONS TO THE SDGS AND THE 5Ps

Kulim understands the importance of our contributions to global goals and principles. Our sustainability strategy is underpinned by the 5P principle: people, planet, prosperity, peace, and partnership. We further aligned these principles to 10 of the 17 United Nations Sustainable Development Goals (SDGs) – ratified by 193 member states, including Malaysia. These have become the benchmark for governments and businesses to address systemic barriers and chart sustainable growth targets.






### Overview of material topics aligned to the 5Ps and SDGs

Material topic	Description	Alignment with 5Ps	Alignment with SDGs
<b>Theme: delivering positive environmental impacts</b>			
Conservation and biodiversity	<i>Upholding no deforestation commitments to ensure no forest areas are cleared or converted without conducting HCS assessments and adhering to guidelines by certification schemes, such as RSPO. Ensuring proper conservation and biodiversity management plans are implemented to ensure harmonious coexistence with nature</i>	PLANET PEOPLE	     
Energy management and renewable energy	<i>Minimising the environmental footprint across operations through the efficient consumption and management of energy. This includes initiatives to use renewable energy (biogas, solar panels, methane capture, etc.) as an alternate energy source</i>		
Fire and haze	<i>Commitment to fire and haze prevention by ongoing monitoring of hotspots and fires at our estates and surrounding estates; adaptation of zero-burning replanting techniques</i>		
GHG reduction and climate impacts	<i>Minimising the carbon footprint across our operations to reduce overall GHG emissions intensity, e.g. through methane capture facilities and other measures; implementing measures to mitigate impacts caused by extreme weather. Striving to improve yield quality to withstand weather-related events</i>		
Peat	<i>A commitment to having no new developments on peatland and encouraging the use of best management practices on existing plantations on peat</i>		
Responsible chemical use	<i>Responsibly using chemicals to ensure user safety and the safety of the public and environment; investing in R&amp;D and IPM</i>		
Waste and pollution management	<i>Managing waste from inception to disposal per current regulations; implementing waste reduction strategies; recycling biomass to reduce the amount diverted to landfill; recycling at operations (separating waste, minimising paper use)</i>		

2022 MATERIALITY ASSESSMENT

Material topic	Description	Alignment with 5Ps	Alignment with SDGs
<b>Theme: safeguarding workforce human rights</b>			
Diversity and equal opportunities	Fostering a diverse and inclusive workplace throughout our entire operations, including Board level. Ensuring equal opportunities regardless of age, ethnicity, gender, nationality, minority group, sexual orientation, physical ability, religious and personal beliefs	PEOPLE PARTNERSHIPS PEACE	  
Human rights and labour practices	Maintaining a harmonious relationship with relevant stakeholders by ensuring positions, policies, and management systems uphold human rights across our operations. Ensuring our supply chains are per national and global standards. Implementing fair recruitment processes and standardisation of labours' benefits by providing fair and decent working opportunities. Respecting and protecting the rights, dignity and security of Kulim's workers, surrounding communities and all those that are part of Kulim's value chain		
Occupational, safety and health (OSH)	Promoting and safeguarding the health, safety and well-being of the workforce. This includes efforts to reduce fatalities, injuries and sick leave and promote well-being through health programmes		
Training and education	Investing in human capital by providing development opportunities through reskilling and upskilling programmes		
<b>Theme: contributing to the community</b>			
Community rights/FPIC/ land rights	Recognising community and land rights and ensuring their rights are protected by upholding FPIC principles	PEACE PEOPLE PARTNERSHIPS PROSPERITY	      
Customer satisfaction	Continuously reviewing customer satisfaction levels to improve product quality, delivery and service		
Food security	Initiatives to ensure availability and accessibility of food for employees and communities; investments in agrifood ventures to support a steady local supply of nutritious food		
Product quality	Addressing customer concerns and meeting regulations on product quality and safety		
Smallholder inclusion	Recognising the importance of smallholders and the need for improving smallholder inclusion in the supply chain by supporting and involving them through engagement initiatives		
Children's rights	Employing measures to ensure no child labour is engaged at our operations; upholding children's rights throughout the company, and ensuring they have access to education and daycare facilities		
Community investment and engagement	Financial and non-financial contributions to support and boost local communities (e.g. infrastructure development; provision of facilities; promoting community cohesion through sports and events)		

2022 MATERIALITY ASSESSMENT

Material topic	Description	Alignment with 5Ps	Alignment with SDGs
<b>Theme: promoting transparency and accountability</b>			
Common group-level goals	Striving to achieve common goals and achievement initiatives through effective group-level communication; rolling out NDPE implementation plans and ESG framework goals across the Group; meeting sustainable financing criteria set by banks and investors	PEOPLE PARTNERSHIPS PEACE	  
Corporate governance	Implementation of effective corporate governance practices to maintain Board independence and ensure no conflict of interest between Board members		
Ethics and anti-corruption	Processes and systems to ensure Kulim operates responsibly with high ethical standards per the ESG framework (e.g. anti-bribery and anti-corruption, codes of ethics and business conduct)		
Grievance mechanism	Continuous management of formal grievance procedures to address stakeholder complaints fairly and effectively while encouraging transparency on key issues within the Kulim value chain		
Pandemic preparedness	Establishing strategies and business continuity plans for potential future pandemics		
Regulatory and certification compliance	Compliance with local and international regulations, policies and processes to regulate business practices across all entities. Voluntary adoption of sustainability standards and certifications to demonstrate the performance and commitment to sustainability within the business		
Risk management and controls	Ensuring the establishment of adequate internal controls and risk management processes		
Stakeholder collaboration and communication	Building and maintaining a long-term relationship with key stakeholders through a strong collaboration strategy. This includes involvement in multistakeholder initiatives; publicly disclosing sustainability progress		
Vendor and contractor management	Effective vendor and contractor management processes to ensure vendors and contractors comply with laws and regulations (including Kulim-endorsed labour practices)		
<b>Others</b>			
Agricultural productivity	Striving to improve yield and implementing measures to increase productivity; investment in resilient seeds, and investing in mechanisation at operations and digitising processes	PROSPERITY	 
Economic performance	Ensuring economic growth of the company and remaining profitable. The 5Ps underpin this strategy		
Logistics and transportation	Ensuring logistics and transportation service providers adhere to Kulim's policies and are compliant with laws and regulations, including recommended labour practices		



## CERTIFICATION AND COMPLIANCE

One of Kulim's highest priorities is compliance with national laws and regulations. We place equal importance on adhering to and supporting leading industry sustainability certification standards to maintain our industry reputation and stakeholder accountability. We have established internal targets and Key Performance Indicators (KPIs) to monitor our effectiveness and continuity. Certification bodies and relevant government authorities also audit our performance through regular surveys and site visits.

### RSPO

**We have been members of the RSPO since 2004, and in 2009 were one of the earliest Malaysian palm oil companies to attain RSPO certification.** The Group's RSPO-certified practices help influence our access to global markets and assure customers and consumers that we follow responsible and sustainable practices.

**Our five mills and accompanying estates are 100% RSPO-certified** and undergo re-certification every five years. Our Bukit Layang estate was the latest to achieve RSPO certification in June 2020.

Three of our mills hold Identity Preserved status. This means palm oil from these mills can be traced to a single identifiable certified source and kept separate from conventional oil throughout the supply chain. The two other mills hold mass balance status, meaning Certified Sustainable Palm Oil (CSPO) is mixed and sold with conventionally produced Crude Palm Oil (CPO).

In 2021, our mills produced 235,119 tonnes of CSPO – 22% less than in 2019. All Kulim FFB sourced at mills is RSPO-certified. As of December 2021, 7.8% of all our externally sourced FFBs are RSPO-certified. For more on our external supply, see [Supply chain and sourcing](#).

#### RSPO certification status of mills

Operations	RSPO model	Status
Tereh mill, Johor, Malaysia	Identity Preserved	Certified since 2009
Palong Cocoa mill, Johor, Malaysia	Identity Preserved	Certified since 2009
Sedenak mill, Johor, Malaysia	Mass Balance	Certified since 2009
Sindora mill, Johor, Malaysia	Mass Balance	Certified since 2009
Pasir Panjang mill, Johor, Malaysia	Identity Preserved	Certified since 2017

### MSPO

We are 100% certified to the Malaysian Sustainable Palm Oil (MSPO) scheme, a nationally mandated programme that came into effect on 1 January 2020 for all palm oil mills and oil palm estates larger than 40.46 hectares. Our MSPO policy was published in 2018 and outlines our commitments. We completed all our MSPO audits in 2018 and achieved our objective for all mills to be MSPO certified by subsequently receiving certification for all our mills and estates in 2019.

In 2019, all mills also underwent MSPO Sustainable Supply Chain Certification (SCCS) audits, and we met our 2020 target of receiving MSPO SCCS certification for all mills.

### ISCC

All five of our mills are certified against the International Sustainability and Carbon Certification (ISCC), a globally recognised standard for sustainable biomass and bio-energy production that applies to companies selling products to European markets.

### Quality certifications

We obtained various international and national certifications relevant to our business operations, including the International Organization for Standardization (ISO) and RSPO compliance. In December 2020, we discontinued our accreditation to ISO QMS 9001:2015 and EMS 9001:2015, as being RSPO compliant ensures we adhere to similar ISO requirements.

Our Ulu Tiram central laboratory in Kota Tinggi is ISO/IEC 17025:2017-certified. The certification specifies the general requirements for the competence to conduct tests or calibrations, including sampling. All our mills are halal-certified to MS 1500:2009. Our [halal policy](#) outlines standards for halal food production, preparation, handling and storage.

	Halal certification MS 1500:2009	ISO/IEC 17025:2017
<b>Mill</b>		
Sedenak	✓	
Sindora	✓	
Tereh	✓	
Palong Cocoa	✓	
Pasir Panjang	✓	
<b>Laboratory</b>		
Ulu Tiram Central Laboratory		✓

# DELIVERING POSITIVE ENVIRONMENTAL IMPACTS

## section 03



As a responsible grower and palm oil producer, we firmly believe that balancing environmental concerns with commercial business needs is integral to our business. We are committed to maintaining the ecological integrity of our plantations and surrounding areas and mitigating or minimising the adverse impacts of our operations. We simultaneously ensure that land management practices are consistent with long-term resource productivity and are suitable for agricultural use.



- Carbon footprint.....35
- Energy consumption ..... 40
- Water management ..... 44
- Waste management..... 48
- Responsible chemical use..... 50
- Conservation and biodiversity .....52
- Zero-burning and managing soil erosion .....56

**Our measures are guided by the no deforestation and no peat commitments of our sustainability policy and are supported by a dedicated environmental policy.**

These help us meet national legislation and maintain industry management practices such as the Roundtable on Sustainable Palm Oil Principles and Criteria (RSPO P&C) and Malaysia Good Agricultural Practices (MyGAP).

To reduce particle pollution at our mills, we have invested in Electrostatic Precipitators (ESPs) to ensure compliance with the Environmental Quality Act. ESPs have been installed in Sedenak, Palong, Tereh and Sindora POMs; Pasir Panjang POM is submitting a budget to do so. The Group's environmental and biodiversity unit oversees all environmental matters, especially biodiversity protection and pollution control. The team collates and analyses environmental and wildlife data, publishing its findings and outcomes in environmental and biodiversity bulletins. There were no environmental violations reported in 2020 and 2021.



## CARBON FOOTPRINT

[GRI 3-3, 305-1-5, Topic 13.1.1-13.1.3, 13.1.5-13.1.6]

Climate change and fluctuating weather patterns pose a significant risk to the livelihoods and safety of communities, fragile ecosystems, and agricultural supply chains. Kulim aims to be part of the solution and is firmly committed to progressively reducing our Greenhouse Gas (GHG) emissions. We support Malaysia as a signatory to the United Nations Framework Convention on Climate Change (UNFCCC)<sup>1</sup> and are committed to supporting Malaysia's 2050 carbon-neutral roadmap.

In November 2021, we published our fifth biennial 2020 Carbon Footprint Report. We drew upon data using PalmGHG (Version 4) with data comparisons on our 2015-2020 emissions performance. We have also begun categorising our emission sources according to the GHG protocol scope. See our [Carbon Footprint Report 2020](#) for more details.

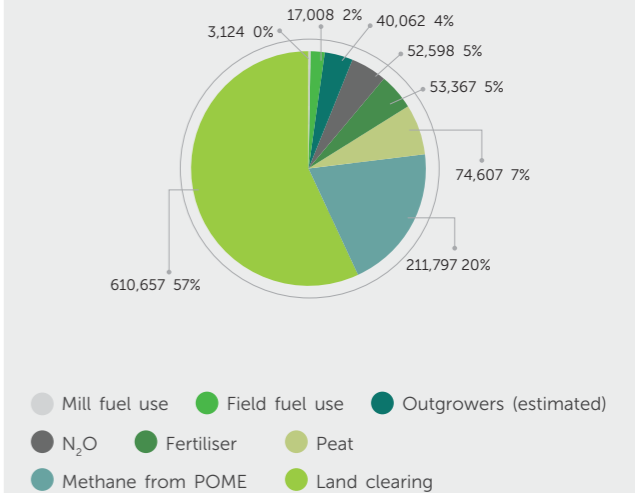
### CARBON EMISSIONS

#### RSPO PalmGHG

The most significant contributor to our GHG footprint is emissions from historical land clearing for planting, accounting for 57% in 2021. 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 (N<sub>2</sub>O) from fertiliser application and field fuel consumption. We offset emissions by planting oil palms, setting aside conservation areas that sequester carbon, and selling palm kernel shells to third parties for electricity generation. In 2021, we recorded a total net emission of 418,288 tonnes of carbon dioxide equivalent (MT CO<sub>2</sub>e) across our operations, a 13.7% decrease from 484,970 MT CO<sub>2</sub>e in 2020.

<sup>1</sup> 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](https://www.miti.gov.my/miti/resources/Article_on_Malaysia_UNFCCC-Paris_Agreement.pdf?mid=572) (Accessed 13 October 2022).

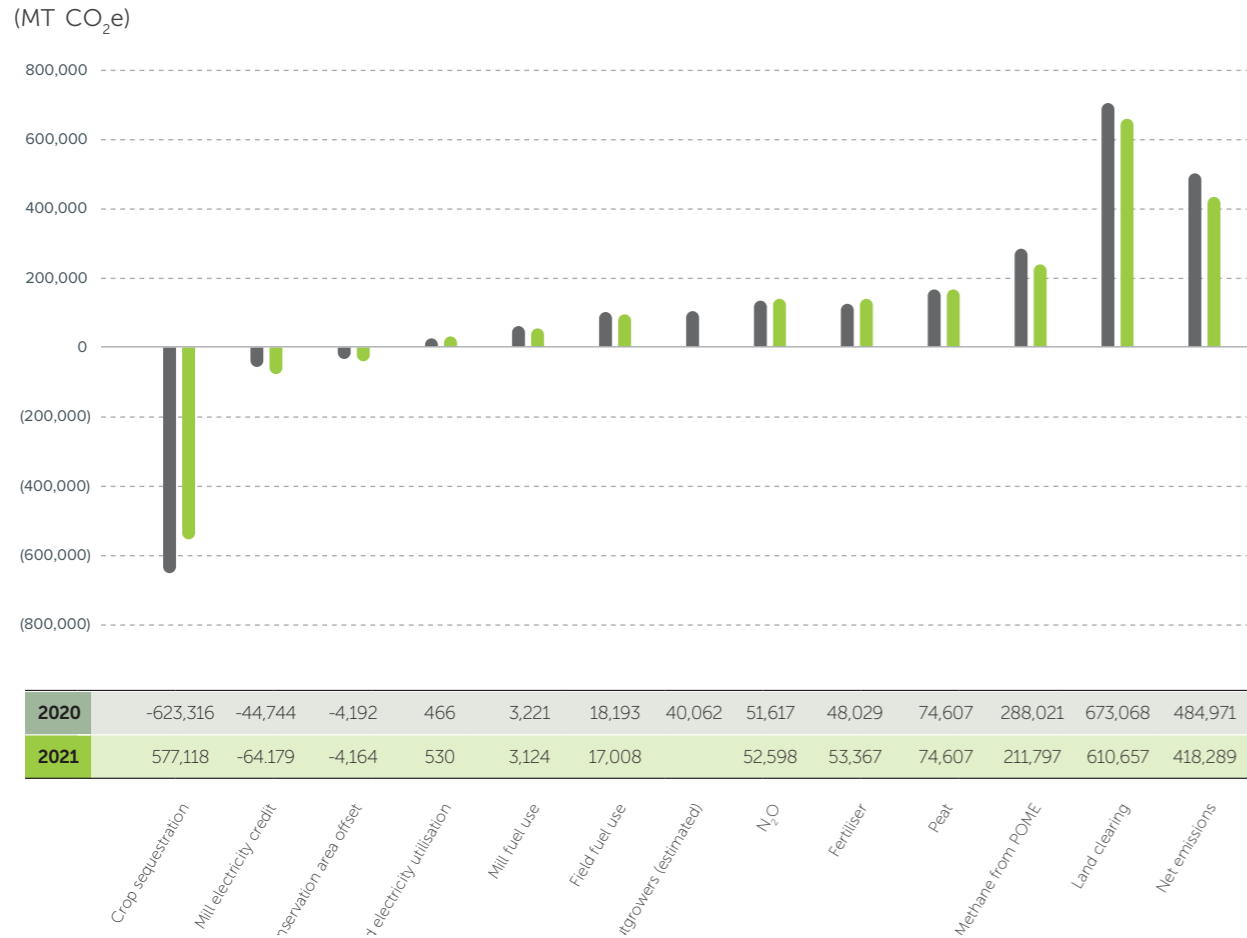
**Carbon Emission by Source 2021**  
(MT CO<sub>2</sub>e, %)



### CARBON FOOTPRINT

This was mainly due to increased methane captured from POME that we had in our biogas facilities at greater capacity than before. In 2021, a new biogas plant was built at our Tereh mill, and our 2020-built biogas Palong Cocoa plant became fully operational. Therefore, with three biogas plants, including Pasir Panjang, we were able to achieve a reduction in total emissions. Kulim is on track to commission two new biogas plants in 2022 at our remaining two mills.

**Emission source and sinks 2020-2021**



In 2021, our measured carbon intensity reduced by 8.13% from 1.23 MT CO<sub>2</sub>e per metric tonne of crude palm oil/palm kernel processed (MT CPO/PK) to 1.13 MT CO<sub>2</sub>e/MT CPO/PK. Thanks to our methane captures and biogas facilities, we are on target to achieve our 2025 target of a 50% carbon intensity reduction against our 2012 baseline of 1.76 MT CO<sub>2</sub>e/MT CPO/PK.

### GHG Protocol

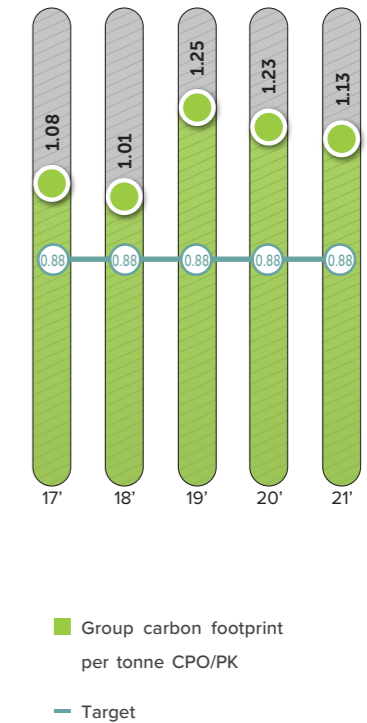
We also reference the GHG Protocol Corporate Accounting and Reporting Standard and the GHG Protocol Agricultural Guidance when reporting our carbon emissions performance data.

	2020	2021
Scope 1	361,052	284,526
Scope 2	466	530
Scope 3	48,029	53,367
Biogenic emissions	75,423	39,802

Climate action is a crucial pillar of our 2022 ESG framework. As part of our implementation plan, we are considering net-zero aspirations and will develop objectives per science-based targets. Kulim will also explore reporting per industry and nationally encouraged standards, such as the Taskforce on Climate-related Financial Disclosures (TCFD). These commitments will apply across our operations, where future Kulim climate reporting will not be limited to our palm oil business but also cover our other agribusinesses. Consequently, we will ensure all relevant stakeholders are kept abreast of our progress through our reporting process. We also reference the GHG protocol corporate accounting and reporting standard and the GHG protocol agricultural guidance when reporting our carbon emissions performance data.

### CARBON FOOTPRINT

**Kulim carbon footprint per tonne CPO/PK/ 2017-2021**  
(MT CO<sub>2</sub>e/MT CPO/PK)



## CARBON FOOTPRINT

In 2022, with the support of our reporting consultant, we mapped our current measures against the TCFD framework and its disclosure recommendations. The following table summarises Kulim's status and plans for future reporting:

TCFD pillar	Recommended disclosures	Current status	Future reporting plans
<b>Governance:</b> Disclose the organisation's governance per climate-related risks and opportunities	a) Describe the board's oversight of climate-related risks and opportunities	Kulim Board's and our management's role and responsibilities structure can be found in our 2021 Integrated Report p150–163	We will determine and emphasise at the Board and management level the status of climate-related risks and opportunities
	b) Describe management's role in assessing and managing climate-related risks and opportunities		
<b>Strategy:</b> Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	Some identified climate-related risks and opportunities were reported on in our 2021 Integrated Report: p100. This includes unpredictable climate patterns with prolonged monsoons and dry periods affecting yield as well as potentially damaging plantations	We will disclose a comprehensive list of climate-related risks and opportunities based on the short-, medium- and long-term and map mitigating strategies
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Kulim reports on impacts and mitigating strategies of some climate-related risks and opportunities, e.g. enhanced water management systems to combat unpredictable rainfall patterns; our new biogas plant project to inject biomethane from POME into the national gas distribution system, etc. These can be found in our 2021 Integrated Report: p98, p100  It is also documented in this report, see <a href="#">Carbon footprint</a>	We will identify all impacts and strategies related to climate-related risks and opportunities
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	n/a	We will conduct scenario analyses to test the resiliency of our organisational strategies

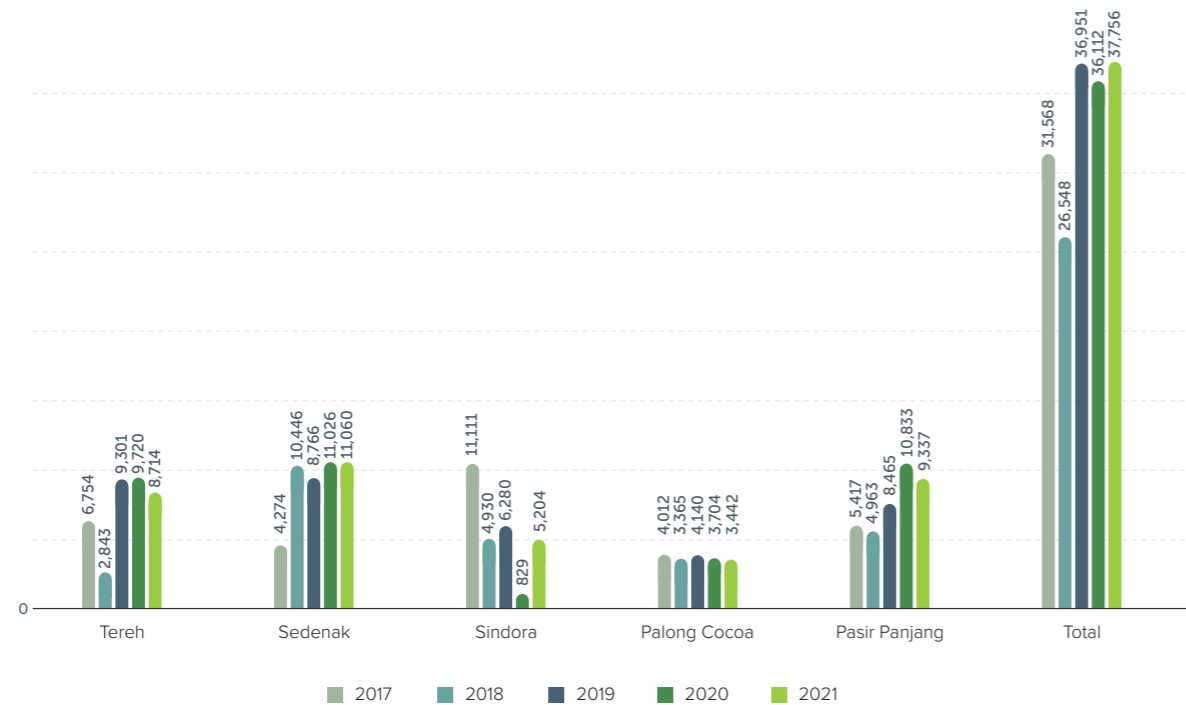
TCFD pillar	Recommended disclosures	Current status	Future reporting plans
<b>Risk management:</b> Disclose how the organisation identifies, assesses, and manages climate-related risks.	a) Describe the organisational processes for identifying and assessing climate-related risks	Kulim has a statement on risk management and internal controls in our 2021 Integrated Report p164–172	We will review our risk management structures and processes when assessing all future climate-related risks
	b) Describe the organisation's processes for managing climate-related risks		
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management		
<b>Metrics and targets:</b> Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Kulim reports on: – Total net emissions (CO <sub>2</sub> e) – Emission intensity (CO <sub>2</sub> e/MT CPO/PK) – Biogas production (m <sup>3</sup> )  See: <a href="#">Carbon footprint</a>	
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions and related risks	Scope 1, 2, 3 and biogenic emissions impacts per GHG protocol and available data  See: <a href="#">Carbon footprint report 2020</a> and <a href="#">Carbon footprint</a>	We will expand on Scope 3 reporting per GHG protocol, as data is limited to PalmGHG only
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Our targets include: – Methane capture facilities installed at 100% of our mills – A minimum 50% reduction in POME emissions from a 2012 baseline of 250,415 MTCO <sub>2</sub> e – A 50% carbon footprint reduction from a 2012 baseline of 1.76 MT CO <sub>2</sub> e per MT CPO/PK by 2025  See: <a href="#">Carbon footprint</a>	We will consider group-level targets for GHG emission reductions that are not limited to palm oil. This includes our plan to meet our 2050 net-zero goal

# ENERGY CONSUMPTION

[GRI 3-3, 302-1, 302-3, 302-4]

We continue to track and implement programmes to reduce our overall energy consumption, generate or utilise renewable energy, and drive operational efficiencies. In 2021, electricity consumption across all our mills amounted to 37,756 megawatt hours (MWh) – a slight increase of 4.55% compared to 2020 and 2.18% more than in 2019.

**Electricity consumption by mill 2017-2021**  
(MWh)



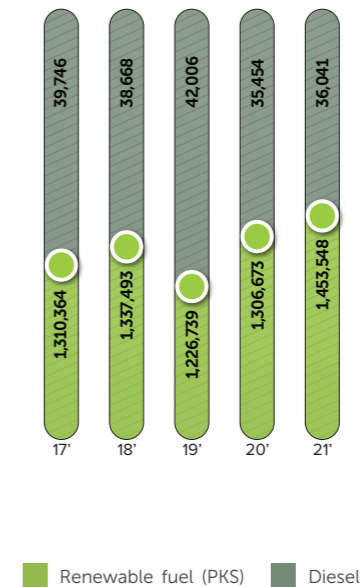
## Renewal Energy

Our mills are powered by renewable and non-renewable energy. Renewable energy sources include biogas from POME and biomass from Palm Kernel Shells (PKS) and palm fibre. All five of our mills are equipped with biogas facilities that capture methane. Currently, only three are fully operational (see facility types and operational statuses below). Methane captured and reused to generate energy means we are on track to meet our 50% GHG emission reduction target. We also utilise electricity from Tenaga National Berhad (TNB), which comprises the remaining non-renewable energy.

Our operational fuel comes from palm biomass (renewable) and diesel (non-renewable). In 2021, we produced 88,918 MT of PKS, most of which was used internally for power and steam generation, with 22% sold to third parties. Diesel comprised only 2.4% of our total fuel consumption.



**Fuel use by type 2017-2021**  
(GJ)



We are pleased to report that our overall usage of renewable fuel from biomass is maximised, and the remaining diesel usage is for vehicles and machinery.

## ENERGY CONSUMPTION

Status of biogas plant plants as of December 2021:

POM biogas plant	Biogas utilisation	Status
<b>Pasir Panjang</b>	Power generation and boiler usage	Biogas plant became operational in July 2017; biogas engines have been operational since October 2019
<b>Palong Cocoa</b>	Boiler usage	Operational in May 2020
<b>Tereh</b>	Power generation	Operational since September 2021. Plant to be expanded for CBG commercialisation in 2023
<b>Sedenak</b>	Biomethane	Expected year of operation: September 2022
<b>Sindora</b>	Power generation	Expected year of operation: May 2022. Plant to be expanded for CBG commercialisation in 2023



#### A world first: POME biomethane for the national gas grid

As part of Kulim's 'Trash to Treasure' initiative, we have partnered with Gas Malaysia Bhd to produce Compressed Biogas (CBG) from palm oil mill effluent to be injected into Gas Malaysia's natural gas distribution system network. Construction at our Sedenak POM began in 2020. The biogas plants at Sindora and Tereh POMs will be upgraded for CBG commercialisation by 2023 as we strive to achieve 70% renewable utilisation at our operating units. Biogas generated from POME at our Tereh and Sindora POMs will be converted into biomethane and sold to Gas Malaysia Berhad. Gas Malaysia will then feed the methane into the national gas grid.

The Sedenak POM Gas Purchase Agreement (GPA) was signed in October 2019. The second, covering Tereh and Sindora POMs began in December 2021. It was hoped the project would be fully operational by mid-2021. However, this goal was delayed because of the pandemic and ensuing supply-chain disruption. We now hope to commercialise the Sedenak Biomethane project by late 2022.

This collaboration harmonises government efforts to increase the nation's renewable energy generation target to 20% by 2025. Once commercialised, it is projected to save over 90,000 MTCO<sub>2</sub>e per annum.

## ENERGY CONSUMPTION

#### Stakeholder commentary | Siti Nor Azraa Muhammad, Green Gas Executive, Business Development, Gas Malaysia Berhad

Malaysian palm oil mills have been processing methane for generations. It is mandatory that the Malaysian Palm Oil Board (MPOB) has methane captures to upgrade/increase mills throughput. However, enforcement has been challenging because many mills are reluctant to invest in capturing systems, which are capital-intensive and offer little to no return on investment.

Anticipating multiple opportunities across the entire value chain, we joined forces with Kulim for a world first: a CBG commercialisation project where biomethane sourced from POME is injected into the national gas grid. This project – the first as part of Gas Malaysia's green gas initiative – involves capturing biogas from POME. To meet the specifications of the natural gas pipeline, the biogas is upgraded into biomethane, which is then injected into the natural gas distribution system.

Gas Malaysia partnered with Kulim for multiple reasons. As well as their commercially viable mill sizes and locations, Kulim's strong financial position and consistent track record were crucial factors. Kulim has been highly responsive in helping us to overcome many hurdles. Since signing the GPA with them, we have developed four other biomethane collaborations in the peninsular (excluding Sedenak).

An abundance of untapped potential is a win-win for the environment and our bottom line. Gas Malaysia is also exploring other energy efficiency opportunities with Kulim. These include combined heat and power generation projects to produce electricity, steam, hot water, and chilled water from a single-fuel natural gas source. These could generate considerable internal consumption cost savings.

We hope this and other projects will help Gas Malaysia lead the way for other biomethane projects from landfills and other organic residues throughout Malaysia.

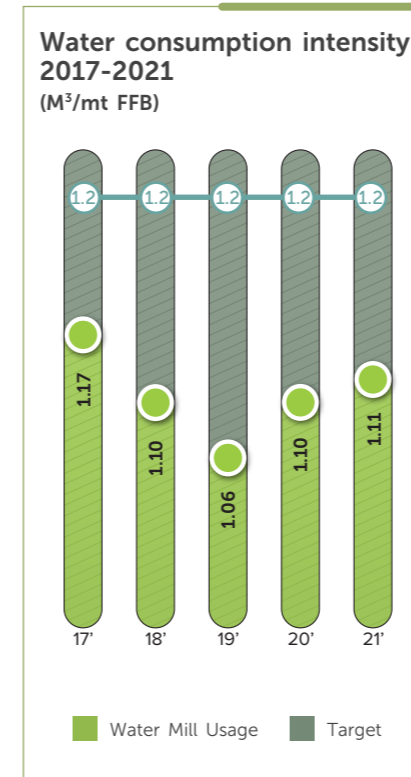
*About: Kulim is Gas Malaysia's first-ever green gas project partner. Azraa works with the business development department's green gas (biomethane) team. She is tasked with assessing potential collaboration and development opportunities for biomethane projects – from palm oil mills, landfills, wastewater treatment and other organic residues.*

## WATER MANAGEMENT

[GRI 3-3, GRI 303-1-2, 303-5, Topic 13.7.1-3, 13.7.6]

Clean, safe water is an indispensable asset: for our palm oil mills, estates, employee and local community health, wildlife, and aquatic ecosystems. We are cognisant that FFB harvesting and CPO production entails heavy water usage. Water supply shortages can stress the palm trees and lower overall fruit yields leading to reduced agricultural productivity. Water is required during the planting phase and FFB mill processing. We are very aware of the negative environmental impacts on our surrounding communities if our water extraction is excessive.

Consequently, we have implemented best water management practices to reduce operational impacts. We monitor our water use by recording the water consumption of our mills to track our yearly consumption. Our consumption fluctuates year-on-year depending on total production and water use. While total water consumption decreased by 7.26% from 1,673,502 m<sup>3</sup> in 2020 to 1,551,910 m<sup>3</sup> in 2021, our water consumption intensity increased by 4.39% compared to 2019. Despite this, we have continued to meet our target of remaining below 1.2 m<sup>3</sup>/MT FFB.



### USING HARVESTED RAINWATER

Kulim also strives to minimise the impact on water tables through eight rainwater catchments to harvest rainwater. These catchments also supply potable water to workers' homes within our estate grounds. Our goal is to extend this to our remaining estates.

Mills and estates are also irrigated with natural surface water sources to avoid depleting groundwater supplies. We monitor our water sources with regular testing per Ministry of Health drinking water guidelines to ensure that water supplied to estate homes is safe for consumption.

### MANURING PITS

Kulim uses manuring pits to rechannel water runoff from estates for irrigation. This is done by digging slit pits at the bottom of terrace hills on slopes to capture surface water runoff from heavy rain. Stop bund walls and weirs are constructed in the main drainage to channel water captured from the manuring pits back to the estate hills. This system reduces soil erosion and recycles surface water runoff instead of being channelled directly into the drain.





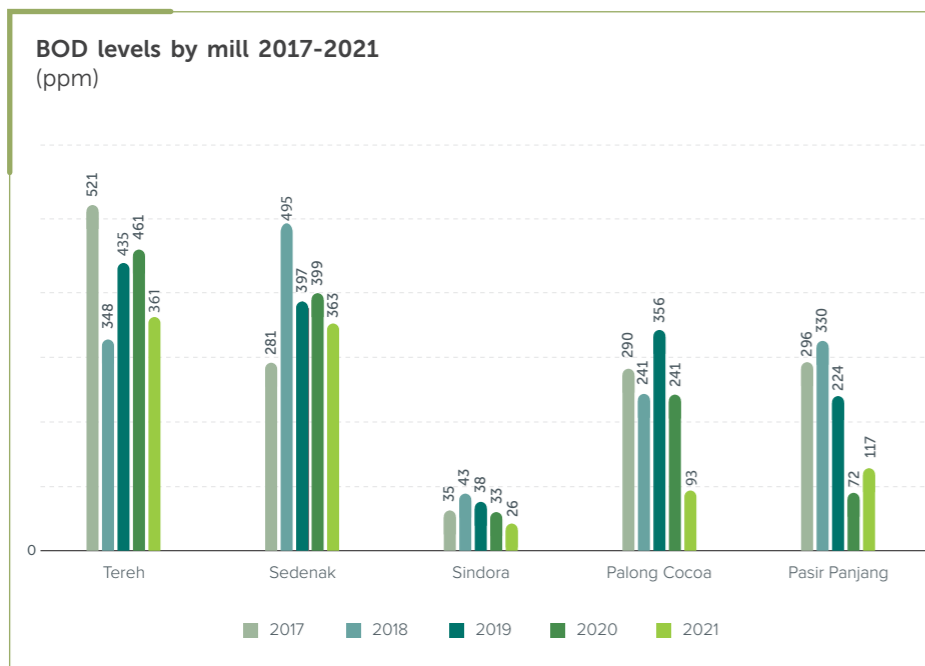
## WATER MANAGEMENT

### TREATING POME AND SAFEGUARDING AGAINST SPILLS

We take a zero-discharge approach by treating all POME per required standards before applying the treated water through land irrigation. It is then used on plantation land to provide moisture, nutrients, and organic matter to enhance the soil.

We monitor POME quality at the environmental impact point by observing biological oxygen demand (BOD) levels to ensure the results was within legal limits as per compliance with regulation. We have continued to maintain our BOD results within legal limits and fully complying with the 1974 Environment Quality Act.

Although there is no statutory limit on the chemical oxygen demand (COD) of effluents, over the last three years, we have been monitoring the COD value of wastewater from our mills using Kulim’s internal palm oil mill dashboard.



Note: BOD levels in Pasir Panjang POM increased in 2021 because the effluent pond was rehabilitated due to a crack in the biogas reactor lining. Palong BOD levels decreased in 2021; the biogas plant became operational in May 2020, which reduced nutrient loading to the effluent pond. In Tereh, we have conducted an additional effluent plant

	Tereh	Sedenak	Sindora	Palong Cocoa	Pasir Panjang
BOD Legal Limits (ppm)	2,500	2,500	100	2,500	1,000

## WATER MANAGEMENT

Other sources of water pollution may be because of cleaning activities at lubricant stores or workshops. Regular maintenance activities may also contain traces of diesel or other chemicals. We endeavour to keep this under control.

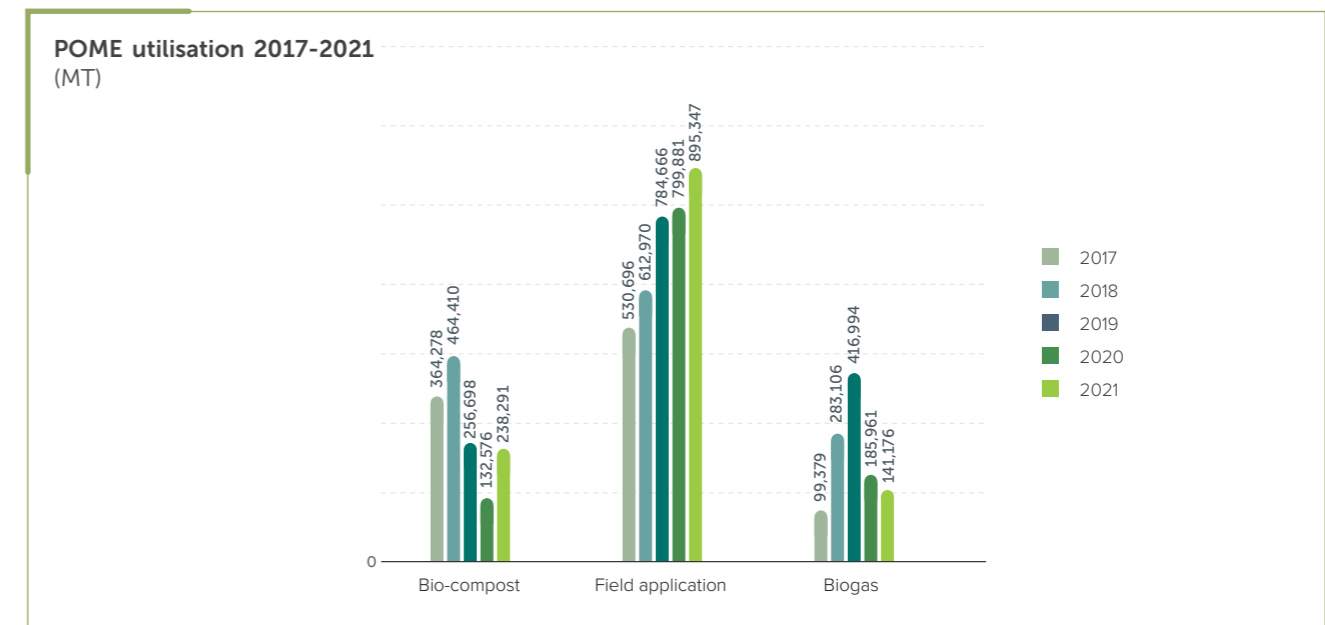
Although chemical spillage is rare, we have taken added precautions by installing barriers to prevent the likelihood of spillage in our stores or workshops that could potentially spread to the surrounding area – especially during cleaning (which includes rinsing the floors and equipment). The estate’s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

In 2021, we started upgrading our bio-compost plants from an open to a covered system, eliminating the need

for stormwater retention ponds. Currently, two out of four of our bio-compost plants – Sedenak and Pasir Panjang – use a covered system; Tereh and Palong have open systems. The Sedenak bio-compost plant was initially an open plant but was upgraded to a closed system in April 2022 as a mitigation plan following a 2019 bund rupture incident. Currently, Sindora does not have any bio-compost plants.

### POME SLURRY

Residue from the treatment of POME slurry is reused at our operations in three ways: at our biogas plants, as bio-compost, and for land irrigation at our plantations. In 2021, 11% was used at our biogas plants to generate renewable energy, 19% was used as bio-compost, and 70% was treated before being used for land irrigation applied to the fields.



## WASTE MANAGEMENT

[GRI 3-3, 306-1-4, 303-4, Topic 13.8.1-13.8.5]

Responsible waste management practices are integral to DoE regulatory compliance and safeguarding our workers while handling hazardous waste. We have implemented appropriate waste management procedures for all hazardous and domestic waste and mitigation and prevention measures to reduce the risk of environmental pollution. We provide readily accessible, adequate rubbish bins separating domestic waste and recyclables throughout our operations. Kulim strictly prohibits the burning of any waste material on our estate grounds. Agriculture manuals outlining responsible disposal methods are readily available onsite, and we regularly educate workers on the correct handling and separation of waste.

Types of waste	Source	Disposal method
Cut fronds	Frond pruning	Pruned and stacked in interrow spacing: 90° to harvesting paths; front butts in undulating areas
Biomass (replanting)	Replanting	
EFB	CPO extraction process byproducts	Shredded for mulching and composting
PKS and palm fibre		Excess PKS and palm fibre sold to replace fossil fuels
Boiler ash	Boiler biomass combustion of PKS and palm fibres	Disposed of in designated areas
POME	CPO extraction process wastewater byproducts	<ul style="list-style-type: none"> <li>- Generates renewable energy via biogas plants</li> <li>- Used as bio-compost</li> <li>- Treated before field application for land irrigation</li> </ul>
Scheduled waste	Generated daily at mills and estates	Stored in waste sheds, then responsibly disposed of by DoE-approved licenced contractors

## BIOMASS WASTE RECYCLING

Our biomass waste comprises Empty Fruit Bunches (EFB), palm fibres, PKS and cut fronds. To reduce our consumption of chemical fertilisers, we recycle EFB through shredding for mulching and composting to reduce the amount diverted to surrounding landfills. 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 some of our PKS to third parties.

In 2021, we produced 576,908 MT of EFB, PKS and palm fibre waste that was either recycled, reused or sold to third parties. The remaining EFB is stored for use during the next mulching or composting cycle.

## WASTE MANAGEMENT



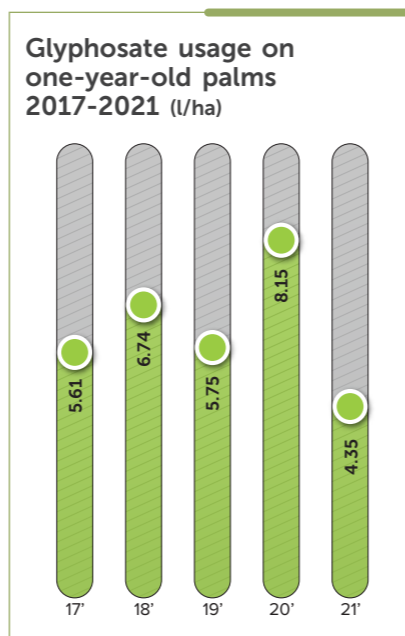
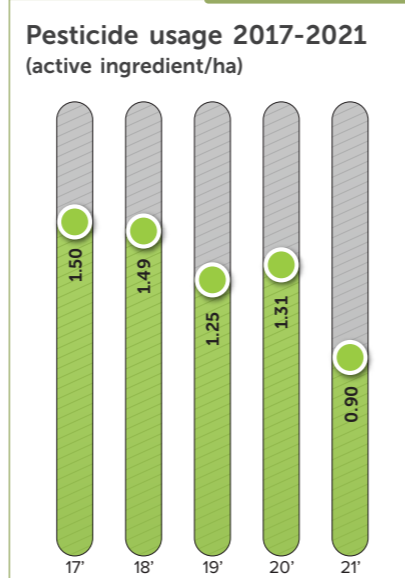
## RESPONSIBLE CHEMICAL USE

[GRI Topic 13.6.1, 13.6.2]

We continuously strive to reduce our reliance on chemical fertilisers and pesticides at our plantations by optimising their use and replacing them with organic substitutes wherever possible. This is achieved by implementing an integrated pest management (IPM) strategy backed by extensive long-term research and development (R&D) efforts.

Pesticidal use depends on the specific type of infestation and is only used as a last resort when other IPM biological measures are unavailable. When we have to use chemicals, we are guided by responsible chemical stewardship practices. Our objective is to promote safe usage and reduce chemical use wherever feasible. Examples of chemicals we frequently use include *Cyfluthrin* (insecticide), *Glyphosate Isopropyl Ammonium/Isopropylamine*, *Metsulfuron-Methyl*, *Triclopyr Butoxy Ethyl Ester*, and *diuron* (herbicide).

We continue to track and report herbicide usage at our operations. Overall pesticide usage at our plantations decreased by 31.1% in 2021 compared to the previous year – from 1.31 active ingredients per hectare to 0.9. To reduce dependency on herbicides, we practice selective spraying and natural forms of vegetation management, such as livestock grazing.



## RESPONSIBLE CHEMICAL USE

We use glyphosate for weed management since the first year of planting, applied only in palm circle areas. Given that glyphosate may have potential health risks, its use is carefully monitored, managed and controlled. In 2020, there was a 47.1% increase in average glyphosate use, mainly because of the continuous eradication of voluntary oil palm seedlings in immature fields. Replanting areas increased by 215 hectares in 2020 compared to 2019, requiring more blanket spraying. In 2021, we faced severe labour shortages due to the Covid-19 related government hiring freeze and, therefore, could not carry out our spraying programme. This resulted in a reduction of glyphosate use by 47%.

### INTEGRATED PEST MANAGEMENT

IPM combines ecological, physical or biological controls to reduce high volumes of chemical pesticides, thereby

mitigating adverse environmental effects. Barn owls (*Tyto alba*) and snakes are the most commonly used biological controls for managing rat infestations. We also use plants such as britton (*Cassia cobanensis*), coral vine (*Antigonon leptopus*), and white buttercup (*Turnera subulata*) to encourage a natural defence against caterpillars and bagworms. Rhinoceros beetles (*Dynastinae*) are a more formidable challenge because of their resilience to conventional insecticides. To manage this, we plant thick ground cover and spread a thin layer of palm oil chips along the planting rows to deter their movement and reproduction. Pheromone traps are also used to further reduce its population. We have also lessened chemical dependency by integrating cattle grazing in targeted areas. Livestock grazing enables a natural form of vegetation management and can therefore minimise herbicide dependency.



#### Advancing IPM with the Sustainable Agriculture Network

In 2021, Kulim partnered with the Sustainable Agriculture Network (SAN) to further develop our IPM and biodiversity conservation practices. This pilot project is an initiative by our client, Intercontinental Specialty Fats (ISF) and their customer, Ferrero. The study focused on Pesticide and Alternatives – a mobile application that integrates IPM into robust agricultural practices and conducts a census on pests, beneficial insects and their host plants. This was devised based on the results of the detected IPM practices and awareness of the environmental risks of pesticides. The project concluded in June 2022, and we aim to implement SAN's recommendations to improve our operational practices in future.

## CONSERVATION AND BIODIVERSITY

[GRI 3-3, 304-1-3, Topic 13.3-13.5]

Our plantation boundaries are adjacent to many forested regions that support various ecosystems. Our Johor plantations border the Endau-Rompin National Park and the Labis Forest Reserve. As a responsible operator in these regions, our environmental management practices aim to minimise environmental impacts and focus on conserving our nation's natural habitats.

Section link: [IUCN red list](#) 

Our sustainability policy reflects our commitment to no deforestation – namely, no new developments in areas of primary forest classified as High Carbon Stock (HCS) and in an area containing one or more High Conservation Values (HCVs). Although there has not been any Kulim land expansion since 2009, we have conducted HCV assessments in 2013 and 2017 which take into account biodiversity, conservation, and maintenance by identifying, protecting, and maintaining the HCV of these areas, protecting cultural heritage and customary land use, and the capacity of the land to sustain the proposed agricultural activities.

We conducted an HCV-HCS assessment in 2017 and will continue to implement international best practices in the identification and management of HCV areas following the 2018 RSPO P&C. Through the use of P&C 2018, we are also dedicated to the restoration or rehabilitation of non-compliant deforestation or HCV loss at our plantations.

**In 2022, we launched our new [Biodiversity policy](#) with details on HCV, HCS and protection of rare, threatened or endangered species.**



## CONSERVATION AND BIODIVERSITY

### NO DEFORESTATION

We strive to ensure that our direct and indirect supply chain upholds the Group's NDPE commitments set out in our sustainability policy. Since 2014, we have enforced a strict no-deforestation stance. Despite pandemic-related restrictions, we continued to monitor deforestation activity monthly as part of our supply chain monitoring commitment. The monitoring covers our buffer zone boundary along forest reserve areas. During our December 2021 routine annual tracking, we did not detect any evidence of deforestation within our limits.

### New satellite deforestation monitoring programme

In 2022, Kulim began monitoring our supply base deforestation with a subscription to GFW satellite provider. The GFW website is an open-access website and a significant advancement in our quest to create a deforestation-free supply chain. This technology allows users to overlap any estate location by uploading the estate shapefile to the website. Overlapping concession maps is also done to our own operating units beside the suppliers' area of operation. The GFW

website links to satellite imagery data concerning potential deforestation. Furthermore, satellite monitoring will enable us to detect deforestation in our operations and suppliers' operations.

### HCV/HCS MANAGEMENT

As of December 2021, we maintain the identified 1,131.1 ha as HCV areas and 276.25 ha as conservation areas (CA).

Per RSPO criteria, we manage and enhance the biodiversity of identified areas by establishing HCV management and monitoring plans for the long-term management of these areas. We have created buffer zones at significant water bodies in or around our estates and next to forest reserves. Kulim conducts regular rapid biodiversity monitoring in identified hotspot areas within the vicinity of operating units. We closely monitor any intruder encroachment 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 is a focal point 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.

Since 2017, we have conducted a national corridor initiative to initiate passages that facilitate the free movement of wildlife, thereby contributing to sustained, viable populations. Over the years, we have instigated annual tree planting events with employees and the general public at selected sites to help connect fragmented natural wildlife habitats in areas of high population density. Kulim has also built a reservoir home to a variety of wildlife, including two species of migratory birds in the HCV category.

In 2022, we redoubled our commitment and subscribed to the HCV Network, a member-based organisation that strives to protect these areas.

## CONSERVATION AND BIODIVERSITY

### NO PEAT DEVELOPMENT

We are committed to no planting on peat areas, regardless of depth. We currently have 1,380 ha of planted area on peat, comprising 2.5% of our total planted area cultivated from 1999 to 2002. Since then, our planted peat area has remained unchanged, and we continue to apply best management practices. Ongoing targets show our determination to ensure there is no increase in peat development.

### CONSERVATION INITIATIVES

Key conservation programmes

Programme	Details	Year Launched
<b>Human–elephant Conflict (HEC)</b>	Collaborated with the Wildlife Conservation Society (WCS), Perbadanan Taman Negara Johor and the Department of Wildlife and National Parks Peninsular Malaysia ( <i>PERHILITAN</i> ) in identifying and mitigating the HEC issue at Sg Tawing, Enggang, Selai, Mutiara, Sungai Sembrong estate, and conducting an HEC survey at Tereh Complex.	<b>2021</b>
<b>Infaq 1 Warisan</b>	This Kulim initiative focused on tree planting as a mitigating factor for conserving the estate's riparian reserve and buffer zone. The latest programme was the greening of degraded habitats ( <i>Program Penghijauan Kawasan Tersorot</i> ) organised by the Malaysian Anti-Corruption Commission ( <i>Suruhanjaya Pencegahan Rasuah Malaysia, SPRM</i> ) and the Forestry Department of Peninsular Malaysia ( <i>Jabatan Perhutanan</i> ) at Pantai Gunung Arong, Mersing.	<b>2019</b>
<b>Conservation and research collaboration with WCS, MEME, and Nottingham University</b>	Research partnership with local and international universities on issues such as HEC in oil palm plantations.	<b>2020</b>

#### Managing elephant incursions

Our estate grounds border many surrounding forests. Human–wildlife encounters, especially from elephant herds, are frequent as their natural habitat is often disturbed by plantation activities. Kulim mandates that each estate track local and nearby incursions.

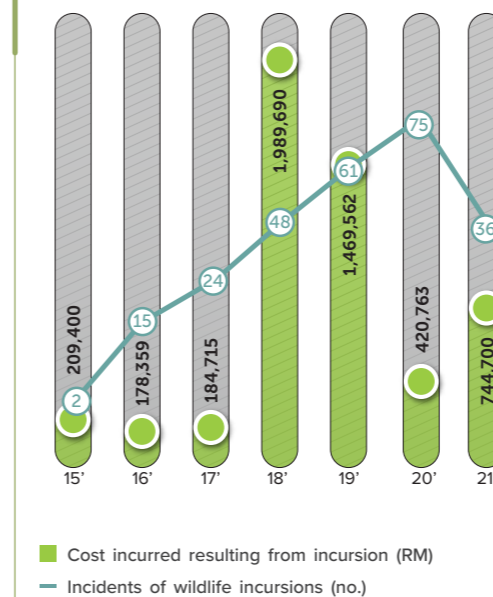
## CONSERVATION AND BIODIVERSITY

Since 2015, increased estate activity has resulted in additional elephant incursions. This rose from 61 in 2019 to 75 in 2020, the highest number since 2015, but in 2021 there was a 50% reduction in elephant incursions. Incursions across our estates and surrounding residential areas resulted in an economic loss of about RM744,700 in 2021, almost double the amount incurred in 2020 despite half the number of incidences. Affected areas included Sindora, Mutiara, Pasir Panjang, Tunjuk Laut, Ladang REM, Sg Tawing and Pasir Logok estates, and Pasak and Bukit Payung divisions.

Number of wildlife incursions and costs incurred for 2015–2021

	2015	2016	2017	2018	2019	2020	2021
Wildlife incursions (no.)	2	15	24	48	61	75	36
Incursion-related costs (RM)	209,400	178,359	184,715	1,939,690	1,469,562	420,762	744,699

#### Wildlife incursions and costs incurred 2015-2021



We have developed a protocol for dealing with human–elephant encounters. This includes monitoring and regular day and night elephant patrols. Each unit consists of a team member with a firearm permit. The weapon is used when a warning shot is required to drive herds off plantation grounds. We have also erected electric fencing and dug trenches around the perimeter of our plantations.

In 2009 we launched the Kulim Wildlife Defenders (KWD) programme to mitigate incursions and help eradicate estate poaching. We work closely with the Wildlife Conservation Society (WCS) and the Johor Department of Wildlife to bolster our internal monitoring and control procedures. We also engage in dialogue with state officials and local outgrowers.

In 2021, we collaborated with WCS and Management and Ecology of Malaysian Elephants (MEME) to research human–elephant conflicts in oil palm plantations. MEME conducted an elephant behaviour and ecology workshop at our plantations. The objective was to build awareness of mitigating human–elephant conflict situations and ensure the safety of estate workers.

## ZERO-BURNING AND MANAGING SOIL EROSION

Since the early 1990s, we have adopted a zero-burning replanting technique and continue implementing measures to meet our policy commitments. Our zero-burning practice is a key pillar of Kulim's commitment to safeguarding the safety of people and our operations and minimising GHG emissions. Fire safety is a critical component of our employee training programmes.

We log and report hotspots and fires in our states and surrounding ones. We also subscribe to GeoRSPO – a publicly available platform of RSPO member concession areas monitored by satellite technology.

There was one recorded fire within our surrounding estate in 2020 and two in 2021.

To manage the fire risk in our operating units, we use the Asian Fire Alert application to monitor weather patterns that could cause scorching heat and the possibility of wildfire outbreaks in our estates and communities.



## ZERO-BURNING AND MANAGING SOIL EROSION



### Minimising soil erosion

Kulim has implemented robust management techniques to yield sustainable FFB and minimise soil nutrient erosion and depletion. We do so by planting soft grass such as velvet beans (*Mucuna pruriens*) and providing natural crop cover for young palms. Other measures include realigning our roads and constructing silt traps where necessary. In areas of severe erosion, we have encouraged planting vetiver grass (*Chrysopogon zizanioides*) and Guatemala

grass (*Tripsacum andersonii*) to help replenish nutrients. In undulating regions, we have also constructed planting platforms and covered them with leguminous crops to improve soil stability and reduce the likelihood of landslides at our estates.

Before palm planting begins, Kulim intends to develop terrace planting with leguminous crop cover in hilly areas with less than 25 degrees of slope. In addition, we have our own agricultural manual to provide a reference and guidelines for planting activities, including soil erosion plans and mitigation measures.

# SAFEGUARDING WORKFORCE HUMAN RIGHTS

## section 04



Kulim’s workforce is the backbone of our company. We continually strive to meet the needs of our estates’ employees and families. Kulim promotes a positive working environment and ensures fair treatment for all our workers. We are guided by the no exploitation commitments outlined in our [sustainability policy](#), [dedicated people policy](#) and [core labour standard policy](#).



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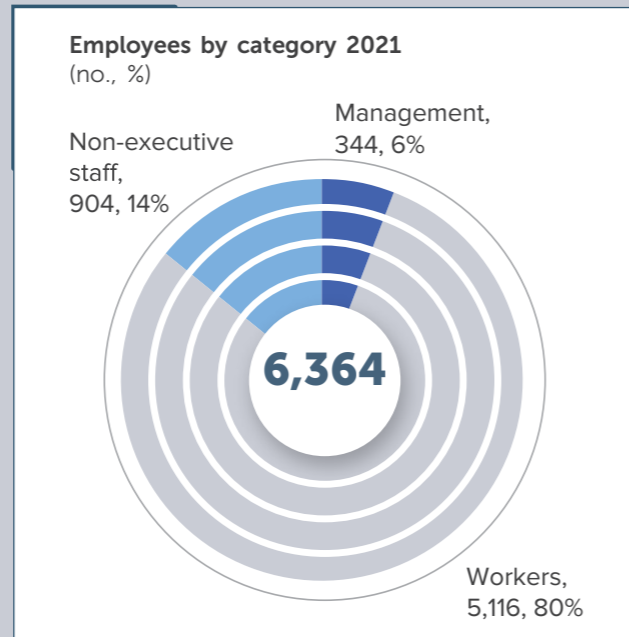
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## WORKFORCE OVERVIEW

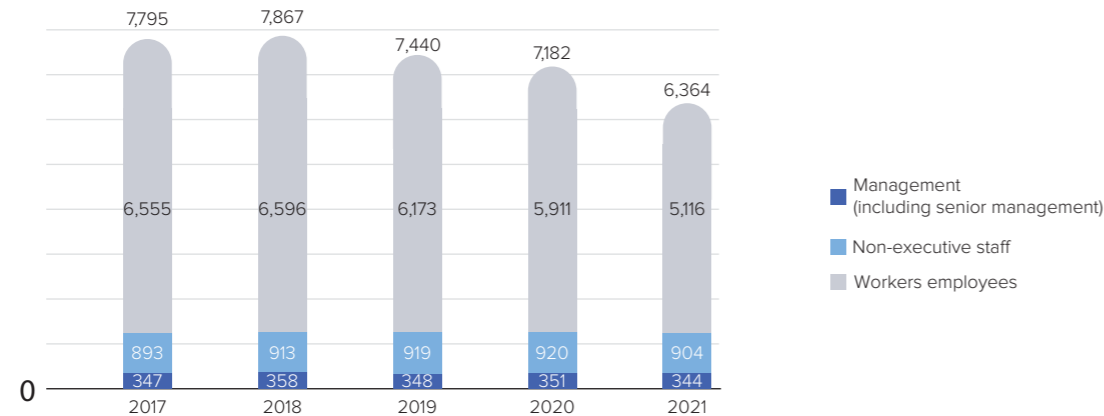
[GRI 2-7, 2-8]

Kulim employs 6,364 permanent employees across our estates, mills and offices in Malaysia. Of these, 80.4% are plantation workers; the remaining 19.6% are comprised of management and non-executive positions. Government-mandated hiring freezes on foreign workers during the pandemic meant that the plantation industry faced worker shortages. Consequently, there was a drastic 17% reduction in our total workers: from 6,173 in 2019 to 5,116 in 2021.

See how we have addressed these shortages in Migrant workers and addressing labour shortages.



Total employees by category 2017-2021 (no.)



## WORKFORCE OVERVIEW



### Wages, benefits, and living conditions

[GRI 3-3, 201-1, 401-2]

We are guided by the employment rights set out in the International Labour Organization core conventions and remain committed to adhering to the principles of the Universal Declaration of Human Rights. We conduct annual social impact assessments to assess and improve the welfare and living standards of our workers and local communities. We uphold the principle of equal pay for equal work. Salaries are based on predefined grades and apply to all our workforce, including field, office and management. Every employee is paid at least minimum wage, regardless of gender or nationality. In April 2022, the government raised the minimum monthly salary from RM1,200 to RM1,500, which we have met for all employees.

Working hours do not exceed overtime limits, even during peak season when mill workers tend to work longer to ensure the fruit is processed before a deterioration in quality. Given that our operations are often far from state infrastructure, we provide our entire workforce with free housing, subsidised

water and electricity facilities for estate houses, insurance coverage through the National Social Security Organisation (SOCSO) and children's daycare facilities.

Worker accommodation is typically in two- or three-bedroom homes. Weekly inspections ensure all living quarters – including nurseries and community halls – are in pristine condition. We also offer medical assistance, including coverage of treatment costs, transportation, and admission cost for all employees. Every worker is given a copy of their employment contract with clear notice period guidelines.

In 2021, Kulim updated the monthly payroll system that directly credits employees' debit cards. This replaces the previous KASH KAD system. Kulim employees now receive a direct deposit to their account, thereby eliminating the limitations of a traditional cash salary. This system was highly advantageous during the pandemic, allowing our employees to make no-contact transactions and payments.



## WORKFORCE OVERVIEW

### New programmes to identify and address labour rights-related risks for workers

In 2021, we partnered with our direct customer, Intercontinental Specialty Fats (ISF), tier-two customer Ferrero; International SA; and the Earthworm Foundation (EF) – a non-profit technical services provider – on two programmes to address on-the-ground labour issues:

- A) Labour Transformation Programme (LTP): LTP is an engagement framework developed by EF to support mill and plantation managers and guide them in adopting improved labour practices. The EF framework uses a scoring methodology to assess our current mill and plantation labour practices. The assessment engages with workers and management and verifies Kulim's labour practices and employee benefits by evaluating employee contracts, wages and working hours, grievance mechanisms, freedom of movement, freedom of association, and health and safety. It also includes worker accommodation site visits.
- B) Ethical recruitment: This methodology is based on EF's ethical Recruitment Human Rights Due Diligence (ER HRDD). It focuses on Kulim's recruitment policies and practices, with an emphasis on foreign workers as well as local ones. It aims to ensure that workers' rights are maintained during the hiring process. It covers recruitment practices in workers' home countries, fees incurred, contracts provided, and rights during their employment in Malaysia.

The project was slated to begin in third quarter of 2021 but was postponed because of pandemic-related travel restrictions. In February 2022, EF conducted its first site visit to assess Kulim's current labour practices at Tereh and Palong's estates and mills. An executive summary report detailing the findings and actionable next steps was sent to us. We conducted internal meetings and discussions and are working towards implementing EF's recommendations. These will be further explored in any upcoming visits. Currently, respective estate and mill managers oversee the project on the ground, which is monitored at the regional level. We have also established a task force to streamline standards and decisions for all our estates and mills. The project is expected to conclude in 2023.

## WORKFORCE OVERVIEW



### Stakeholder commentary | Hoo Boon Han, Assistant General Manager, Sustainability Department, Intercontinental Specialty Fats Sdn Bhd (ISF)

Kulim is one of ISF's most prominent suppliers and strategic partners. Since establishing our NDPE policy in December 2017, ISF has collaborated with our customers and suppliers to uphold NDPE's no exploitation component.

In 2021, Ferrero International SA launched two supply chain initiatives: the LTP and ethical recruitment in collaboration with the non-profit EF to ensure that palm oil supply chains are free from worker exploitation.

Kulim is our direct supplier, and we introduced this programme to them because they are one of our key strategic partners and a leading tier-two Ferrero supplier. The programme helps suppliers build capacity by instigating measures to reduce human rights risks at suppliers' business and supply locations.

We are delighted that Kulim is our strategic supplier and partner. Our agreement has gone from strength to strength and achieved significant milestones such as RSPO certification and adherence to other voluntary industry certification standards. Notably, Kulim's industry-leading voluntary biannual carbon report highlights its sustainability progress. This puts them well ahead of their peers.

*About: ISF has purchased RSPO segregated and conventional CPO from Kulim since 2017. Boon Han leads ISF's commercial sustainability team and oversees ISF's ESG matters.*

## WORKFORCE OVERVIEW

### Migrant workers and addressing labour shortages

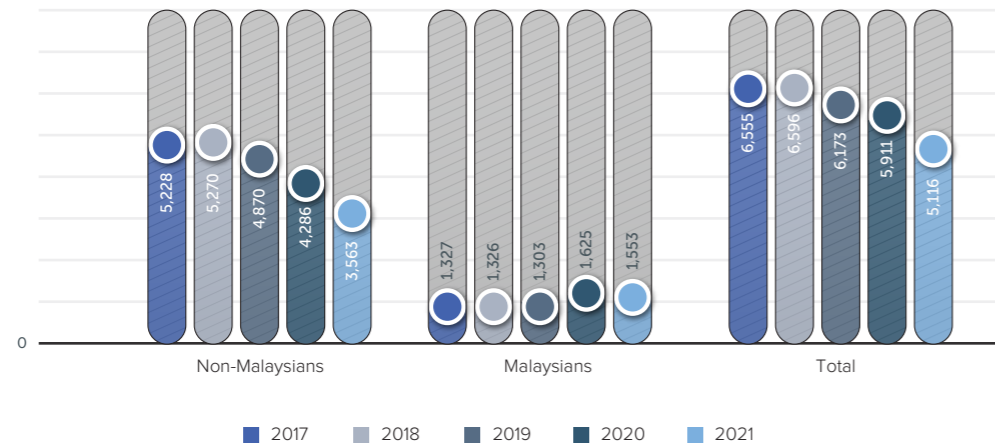
Malaysia is a temporary home to approximately 3.85 million migrant workers, commonly hired throughout the agricultural, manufacturing, construction, and service sectors. Kulim employs a large migrant worker workforce at our estates and mills. At plantations, foreign workers are typically tasked with harvesting, transportation, and maintenance. Work contracts generally are for a three-year duration.

In 2021, our workforce in Malaysia was made up of 3,563 migrant workers: 54% from Indonesia, 20% from India and 15% from Bangladesh. Due to the government-

mandated hiring freeze on foreign workers during the pandemic, Kulim saw a 12% reduction in the workforce in 2020 and a 17% reduction in 2021. However, demand for palm oil continued to soar, and we had to hire additional local workers to help address staff shortages.

Despite these efforts, we continued to face decreased productivity and increased costs. Even with workers in employment, Covid-19 related measures led to delays in worker permit renewals and medical check-ups. Kulim has worked tirelessly with the relevant authorities and followed due process to ensure our workers are protected and regulations are adhered to. We have also taken steps to address slow harvesting through automation. See section on [A move to mechanisation](#).

Local vs. foreign workers 2018-2021 (no.)



We are committed to complying with the highest welfare standards and providing social amenities for all our migrant workers. We adhere to the criteria outlined in 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, complimentary housing, access to free clinics, health benefit plans, and the Social Security Organisation (SOCSO) scheme for local employees.

## WORKFORCE OVERVIEW

### Diversity and equal opportunity

[GRI 3-3, 2-7, 401-3,405-1-2, 406-1, Topic 13.15.1-13.15.4]

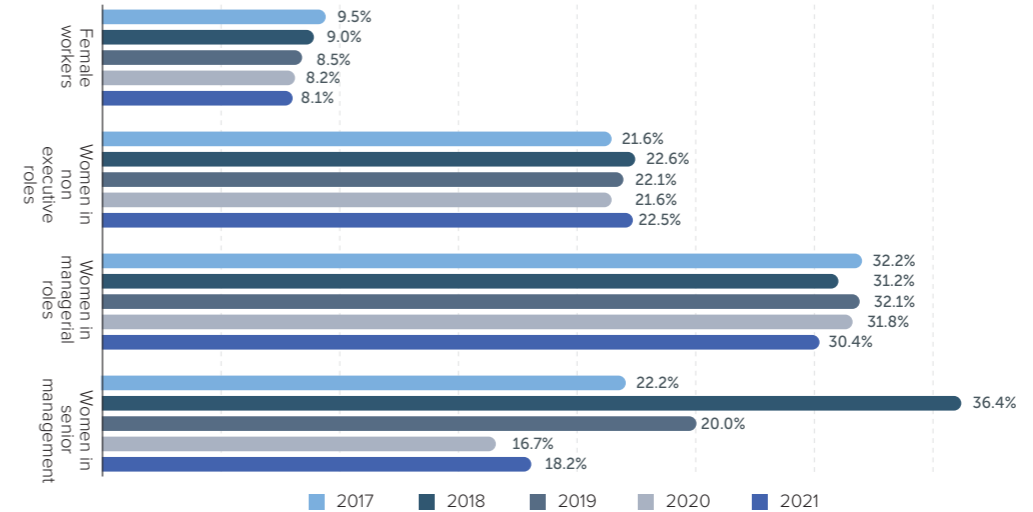
At every level, we strive to create an inclusive work environment. We have a strict policy of non-discrimination based on gender, ethnic or religious minority groups, and foreign workers. Kulim provides training and awareness to promote equal treatment for our entire workforce.

### Women in the workforce

We do our utmost to ensure female representation across the different levels of employment. As of December 2021, the 789 women on our payroll make up 12.4% of our workforce. Of our 344 managers, 110 (31.9%) are women. Currently, two of our nine senior managers are female, representing 22.2% of the senior management team. However, there is still scope to increase female representation at the non-executive level in our corporate office.

In the field, only 484 (9.5%) of our 5,116 workers are women. This is not unusual, as agricultural work tends to be more male dominated. Female workers are typically engaged in estate manuring, general housekeeping, and gardening.

Female workforce representation 2017-2021 (%)



## WORKFORCE OVERVIEW



### Empowering women through WOW

Our Women OnWards (WOW) programme helps empower our female workforce. A dedicated WOW unit is established in each of our estates and is a safe space for women to voice gender-related concerns. WOW women are also given opportunities to become entrepreneurs under a programme known as *Jejari Bestari*. Every WOW unit focuses on developing a unique product, service or skill, including tailoring, baking, arts, and handicrafts. These products or services are sold to staff and the general public during company events and festive occasions. However, in 2020 and 2021, many events were postponed or cancelled because of pandemic-related restrictions. Nonetheless, we could still implement a few lower-scale programmes to continue our quest for increased female empowerment.

### WOW programmes and collaborations 2020–2021

Programme	Activities/purpose	Year
<b>Jejari Bestari</b>	Opportunities for Kulim female staff to become entrepreneurs. Products or services were sold to staff and the general public on festive occasions (such as Hari Raya Aidilfitri) and other company events. WOW members organised biscuit sales during Hari Raya. These were also included in Kulim's Raya hampers. Total sales: RM11,000.	<b>2020 and 2021</b>
<b>Webinar Khas WANITA 'Suri Hati Hebat, Pencetus Semangat'</b>	WOW members participated in a special webinar by <i>Agensi Kaunseling and Pengurusan Kredit</i> Kuala Terengganu.	<b>2021</b>

## WORKFORCE OVERVIEW

### Senior management mentorships

Women in senior management also serve as mentors, providing career development guidance and engaging in company activities.

### Sexual harassment

We have established a zero-tolerance sexual harassment policy and strive to eradicate all forms of workplace harassment. Our ethos is communicated to employees through our plantation worker handbooks (*Buku Panduan Anggota Pekerja Perladangan*) and company policy posters. These programmes also focus on increasing human rights awareness for our female employees. Consequently, female workers have become more comfortable reporting sexual harassment. No violations were reported in 2020 and 2021.

### Maternity and support

As per national regulations, all Kulim female employees are entitled to 60 consecutive days of paid maternity leave.

In 2020 and 2021, 30 and 34 female employees, respectively, took maternity leave. Kulim is pleased that all our female employees on maternity leave in 2020 and 2021 have remained in continuous employment with us – a testament to employee satisfaction with our ongoing support for working mothers.

Kulim provides childcare facilities at all our plantations for the children of working mothers. At our headquarters, mothers can access breastfeeding rooms and milk storage units. We take the utmost care to ensure that pregnant or nursing employees are not exposed to harmful chemicals when undertaking their duties.

## WORKFORCE OVERVIEW

### Employee development and retention

[GRI 3-3, 401-1, 404-1–3]

Our human resources team is dedicated to expanding Kulim's labour pool by hiring and nurturing new employees and providing them with opportunities to build careers with us. In 2020 and 2021, 82 and 86 new employees were hired, respectively. We are fully committed to fostering a culture and environment that attracts and keeps the best talent and allows them to reach their utmost potential.

Our [knowledge management policy](#) outlines the importance of investing in employee training and development. Our dedicated human capital development programme comprises five key components that support our growth and retention efforts.

#### Kulim's Human Capital Development Programme

##### Upskilling programmes

To promote learning and training to builds on core competencies. Encourage employees to pursue professional qualifications

##### Performance management system

To promote a culture for hard workers and high achievers through performance-based reward systems

##### Job rotation

To bridge staffing skills gaps at all levels. Ensure maximum exposure to the entire range of the Group's operations

##### Talent management and manpower succession planning

To ensure the placement of the right person with the right skills for the right job at the right time. Ensure leadership readiness for key positions when the need arises

##### Engagement sessions

To provide employees with the space to voice their ideas, concerns and expectations through regular staff engagement sessions



## WORKFORCE OVERVIEW

### Upskilling programmes

#### Professional qualifications

We encourage employees to pursue professional employment-related qualifications. This promotes learning and training and builds on the core competencies for their day-to-day work. We collaborate with the Johor Skills Development Centre (PUSPATRI), *Institut Latihan Perindustrian Pasir Gudang*, and *Institut Kemahiran MARA Johor Bahru* to provide employee technical courses.

#### 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). These schemes expose participants to many scenarios with business challenges, and they are given an opportunity to share leadership experiences.

In 2020 and 2021, Kulim invested RM695,339 and RM999,795, respectively, in employee training and development. In 2021, 14 employees graduated from JLP, and six from AJLP. An average of 6.82 training hours was spent on employee training in 2021. There was a 2022 reduction in average training hours of 22%, mainly due to restrictions caused by the pandemic. We hope to organise more training sessions to increase the average training hours for each of our employees in 2022.

#### Average training hours by level and gender 2020–2021

	2020	2021
Management (female)	16.80	27.29
Management (male)	10.65	17.78
Executive (female)	18.94	24.15
Executive (male)	18.82	16.91
Non-executive (female)	8.57	3.68
Non-executive (male)	5.03	1.18

## OCCUPATIONAL SAFETY AND HEALTH

[GRI 3-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-9, Topic 13.19.1, 13.19.2, 13.19.3, 13.19.4, 13.19.5, 13.19.6, 13.19.9]

Protecting the health and safety of our workforce is of paramount importance to Kulim. Covid-19 made this more crucial than ever. While we continue to address pandemic-related issues, our overarching goal is to ensure all workers and employees are working in a safe environment.

All employees, including foreign workers, can access free health clinics and health benefit plans. Whenever workers require hospital medical attention, the company reimburses all applicable expenses. Other worker protection measures include regular fogging to mitigate dengue fever and the provision of potable water treatment facilities.

All our measures follow local regulations. These commitments are set out in our [occupational safety and health \(OSH\) policy](#), which applies not only to Kulim employees but includes visitors, customers, and contractors on our premises. Strict supervision, continuous improvement of processes, and taking stock of previous incidents are critical to managing high OSH standards.



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

Every worker is required to undergo an average of 40 hours or five person-days of safety training each year. Training includes handling machinery, fire drills, chemical spraying, diesel handling and the safe disposal of chemical containers. We trained approximately 1,000 workers on safety and health standards in 2020 and 2021. Furthermore, 136 employees are qualified first-aiders.

### Accidents

Our overall Lost-time Accident Rates (LTAR) have continuously improved over the last five years. **In 2021 our Group LTAR was 1.03 accidents per 200,000 working hours – a 69.7% reduction since 2017.** We are pleased with our progress and aim to maintain an annual LTAR of less than ten.

The severity of accidents has remained steady over the last five years, except in 2020, when the seriousness was 48% less than in 2019 and 2021. We have continued to keep our severity rate target below 3.5.

In 2021, we implemented safety awareness training programmes focussing on electrical awareness, tractor safety, working at height, hazard identification, risk assessment, and risk control. We also conducted a mini-OSH conference, occupational disease awareness programmes, medical surveillance, confined health surveillance, chemical exposure monitoring, and audiometric tests for relevant employees across our operations.

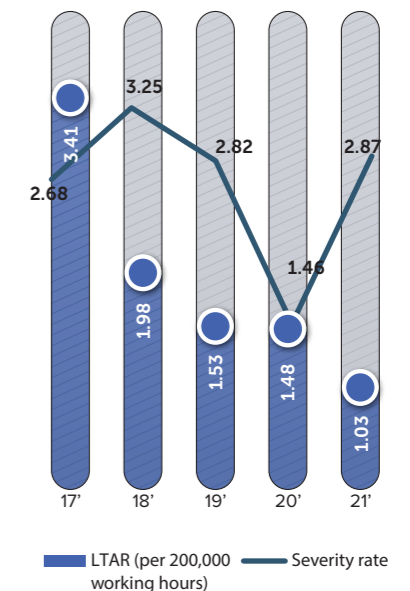
### Fatalities

We regret to report three workplace-related fatalities in 2020 at our estates and mills.

Our employees were involved in two of the incidents. In the first, a Sedenak mill employee was electrocuted while operating a welding machine. The second fatality involved a Palong estate worker who died of his injuries after attempting to jump out of a moving trailer carrying fertilisers. Reports suggest the employee was driving on a steep, downhill road and lost control of the vehicle, causing it to lurch to the shoulder of the road. In the third fatality, a contractor died falling off a loading ramp during FFB unloading at our Kuala Kabong estate.

## OCCUPATIONAL SAFETY AND HEALTH

Lost time accident rate and severity rate 2017-2021



Note:

1. The lost-time injuries rate measures lost productivity because of accidents. It is calculated as follows: the number of accidents divided by total hours worked, multiplied by 200,000.
2. The severity rate measures the seriousness of accidents. It is calculated as follows: the total number of days lost divided by the total number of accidents.

## OCCUPATIONAL SAFETY AND HEALTH

The Kulim OSH teams take these concerning incidents extremely seriously. We have taken corrective action and are implementing stricter safety measures for high-risk activities. We have also assessed and improved the condition of equipment and work areas related to these incidents.

We have implemented several mitigation procedures to prevent such incidences from occurring again. This includes installing safety lines at all loading ramps and ensuring that each of our drivers undergoes a mandatory health check and is declared fit for work. We also conduct regular machinery inspections and ensure workers wear personal protective equipment, including safety harnesses. We have revised our electrical equipment standard operating procedures (for example, ensuring that areas surrounding electrical machinery remain dry, etc.). We are also planning that all main roads at our Palong estate are covered in gravel and crushed stone to avoid slippery surfaces, especially during the rainy season.



### Worker unions

[GRI 2-30, 3-3, 402-1, 407-1, Topic 13.18]

We respect and recognise the rights of eligible employees to form or join a trade union of their choice. This includes workers and non-executive staff throughout our mills and estates. Kulim has signed Collective Bargaining Agreements (CBA) with two unions: the Malayan Agricultural Producers Association and All Malayan Estates Staff Union (MAPA AMESU) and the Malaysian Agricultural Producers Association and National Union of Plantation Workers (MAPA NUPW). These agreements cover employment-related issues such as working conditions, notice periods, wages and benefits and are negotiated every three years.

As of December 2021, the CBA covers 2,166 or 34% of our employees.

## NO CHILD, FORCED OR BONDED LABOUR

[GRI 3-3, 408-1, 409-1, Topic 13.16,13.17]

We understand that the exploitation of child labour is of paramount concern across our palm oil estates. Many workers throughout our operations live with their families, which increases the possibility of children being present at our plantations. Our [core labour standard policy](#) outlines our commitment towards protecting children's rights by ensuring there are no instances of child labour or any form of child exploitation or abuse at our facilities. Consequently, we strictly adhere to international child labour laws throughout our operations and do not sanction the employment of labour below 16 years old. To support this, we relay the importance of education for children among families living at our estates by providing access to schools and other amenities. Educational development is crucial, and we go beyond compliance in setting up libraries and organised tuition for school children.

None of our employees is subject to forced or bonded labour. All our workers enter employment voluntarily and freely and without duress. Any documentation provided to foreign workers is made available in a language of their choice. It is strictly prohibited to withhold passports from workers. Effective August 2022,



we do not withhold passports of employees in all our operations who had previously handed over them to be kept by the company for safe keeping. This is to ensure that we are in full compliance with the Passport Act 1966 (Act 150).

### Recruitment of foreign workers

Our experience has demonstrated that, while we have established standard operating procedures and controls per international human rights policies, we continue to face challenges with cross-border policy gaps and deep-rooted socio-economic migration drivers. We recognise the risks of migrant worker recruitment and are taking steps to improve our practices.

As part of our collaboration with Earthworm Foundation (EF), Kulim's foreign worker recruitment policies and practices are also being reviewed. We will work to address any risks highlighted in EF's assessment.

# CONTRIBUTING TO THE COMMUNITY

[GRI 3-3, 203-1-2, 413-1-2, Topic 13.12, 13.22]

## section 05



We maintain a longstanding relationship with the local communities surrounding our operations. We are committed to upholding human rights, including customary ownership rights, legal land rights, and all Indigenous and local community rights. This includes implementing comprehensive independent social and environmental impact assessments and adhering to the principle of Free, Prior and Informed Consent (FPIC) before beginning any development. Our land encroachment manual includes guidelines for addressing potential land conflicts, including compensation guidance.



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## COMMUNITY ENGAGEMENT AND INVESTMENT

Our community engagement and investment programmes represent our commitment to providing focused and practical support to local communities in need while instilling an ethos of volunteerism among Kulim employees across our operations. We actively encourage management and staff to participate in welfare, work, and charity projects. Our initiatives focus on five key pillars: community well-being, sports, welfare, education and infrastructure development.

Kulim allocated RM18.43 million and RM17.26 million, respectively, for corporate responsibility initiatives in 2020 and 2021. These were directed to institutions and outreach programmes linked to the five previously mentioned pillars.

Programme	Description
<i>Kelab Bola Sepak Johor Darul Takzim (JDT)</i>	To support the development of football in Malaysia
<i>Yayasan Johor Corporation</i>	To improve the living conditions of underprivileged communities
Kulim 'X' MyFundAction	Collaboration with NGO MyFundAction for Selangor and Johor post-flood relief
<i>Tabung Bantuan Banjir JCorp</i>	Post-flood relief contribution for JCorp Group employees
Johor Cerebral Palsy Association	Donation to the Johor Cerebral Palsy Association
School uniform project	Provide school uniforms for employees' children
Covid-19 support for communities with local governments	Contributions to hospitals, a government-initiated Covid-19 fund, frontliners, haemodialysis patients subject to a Covid home surveillance order, NGOs and communities
<i>Transformasi Diri, Pemugaran Emosi</i>	Motivational back-to-school programme for our employees' children. A virtual December 2021 programme involved 142 participants from various operating units and our headquarters. The objective was to motivate the children for the 2022 school year
Kulim Go Green Campaign	A series of educational programmes and activities were conducted to instil environmental awareness among our employees while promoting Kulim's ESG initiatives

## COMMUNITY ENGAGEMENT AND INVESTMENT

Programme	Description
#kulim88 pledge campaign	This is a digital campaign where Kulim has pledged RM88,888 to be channelled to MyFundAction, a youth-led non-profit organisation
Iftar Ramadhan celebration	Iftar Ramadan programme with the Managing Director and <i>Asnaf</i> from our operating units. Participants received monetary donations and hampers during the event

### Investing in quality education

A key Kulim priority is supporting children throughout our communities. We have a dedicated PINTAR *Harapan* programme in collaboration with Yayasan Pelajaran MARA (YPM) to assist primary and secondary school students in rural areas, especially those from families with a monthly household income of less than RM3,000 (B40 households). 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 the provision of training books.

We also provide ad hoc donations to public schools surrounding our operations for sports activities, infrastructure upgrades and other educational events. In 2020, 23 schools received in-kind contributions. In 2021, 27 schools were supported by this initiative.





## COMMUNITY ENGAGEMENT AND INVESTMENT

### Food security

[GRI Topic 13.9]

We are committed to mitigating community food security impacts. This was a fundamental concern during the pandemic; ensuring a continuous supply of nutritious food at remote locations was sometimes challenging. We continuously endeavour to make positive community contributions. Measures include monitoring and maintaining the prices of essential items. As part of our Green Book programme, gardens are allocated at some estates so workers and communities can cultivate fruit and vegetables.



During the pandemic, food supplies faced severe disruption putting people living in remote plantations at risk. Kulim saw this as an opportunity to develop our non-palm oil agricultural business to support the availability of nutritious food and basic staples for our communities. We are focussing on cucumber, coconut, pineapple, and livestock and hope we can reduce Johor's dependency on imported food to help fortify our long-term national food security plans.

We also support R&D for our pineapple crop at the Kulim Agrotech Centre. See [Supporting agribusinesses with R&D](#) for more.



## SUPPORTING COMMUNITIES DURING COVID-19

Kulim continues to balance business continuity with safeguarding the welfare of our workforce and local communities affected during the pandemic. To address Covid-19's impact, and guided by national health authorities' best practices, we established a wide range of preventive measures to protect our employees and the broader community.

Providing local community support was the cornerstone of our strategy for tackling the pandemic in 2020 and beyond. We have implemented proactive measures to ensure our staff's and surrounding communities' health and safety. We also continue to fulfil our commitments to our customers and partners.

### Key measures included:

- **Ensuring adequate assistance is provided to workers:** e.g. additional food supply and basic provisions, ensuring convenience shops are stocked up with essential provisions with capped prices, additional pay-out and allowances given to Covid positive workers in quarantine, upholding equal treatment policies for all workers irrespective of race or nationality.
- **Continuous review of measures and recovery plans:** appointing safety officers to monitor Covid-related measures and propose plans for continuous improvement.
- **Implementing mitigation plans:** follow government guidelines on maintaining safe and sanitised premises, regular checking of temperature, implementing social distancing measures, etc.

### Covid-19 contributions

#### Supporting haemodialysis patients

During the pandemic, the Kulim Training Centre was converted into a self-quarantine zone for haemodialysis patients

#### Distributing food baskets and shopping vouchers

Distributed food baskets to employees during MCO. Collaborated with Yayasan Johor Corporation to distribute shopping vouchers worth RM88,800 to 888 families across six Johor districts

#### In-kind donations

Masks, disinfectant sprays, sanitiser, PPE, and handwashing stations were provided to local Johor communities

#### Government-initiated Covid-19 efforts

Contributed to the Covid-19 government-initiated fund in collaboration with the Malaysian Palm Oil Association

#### Hospital contributions

In 2020, we contributed RM450,000 towards the purchase of three respiratory ventilators for Sultanah Aminah Hospital in Johor Bahru

#### Employment opportunities

Offered employment opportunities to fill 500 vacancies in our estates and mills during the pandemic

#### Support to frontliners/NGOs/communities

Donated meals and beverages amounting to RM110,000 for frontline workers

## CUSTOMER SATISFACTION

[GRI 3-3, 416-1-2, Topic 13.10.1–13.10.3]

Customer satisfaction and feedback are essential for us to continuously improve the quality of our products and services. We seek input from buyers through an annual customer satisfaction survey. This allows us to engage with our customers in an organised and constructive manner, identifying product quality issues and taking prompt action when required. In 2020 and 2021, customer satisfaction rates remained above 70% across all certified mills.

### Product quality and food safety

To ensure our products continue to meet the standards and expectations set by regulators and our customers, we have implemented a [quality policy](#). We comply with leading industry standards and sustainability certification schemes. This assures our customers and stakeholders of product quality and sustainability.

See section: [Quality certifications](#)



### Product grading

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



## SUPPLY CHAIN AND SOURCING

[GRI 2-6, 3-3, 204-1]

The majority of our FFB is sourced from our own estates. Only 25% of our FFB supply is derived from external sources, namely outgrowers (directly sourced from third-party plantations and smallholders) and indirect suppliers (traders who collect from smallholders).

Two of our mills – Palong Cocoa and Pasir Panjang – purchase only from Kulim estates. The remaining mills source from our own estates and external ones. In 2021, these mills sourced 378,273 MT of FFB from over 30 third-party suppliers.

### Overview of Kulim's supply chain

Category	Kulim's definition	No. of suppliers
<b>Outgrowers</b>	All direct supplies from: – Third-party plantations: 8 – Managed plantations: 2	10
<b>Traders</b>	All indirect supply is sourced from traders who collect from independent smallholders	19
<b>Schemed smallholders</b>	Farmers or landowners with less than 50 hectares and do not have the freedom and decision-making power on the operation. Kulim contractually purchases from them	3
<b>Independent smallholders</b>	Farmers or landowners with less than 50 hectares who sell to any mill or trader of their choice	0

## SUPPLY CHAIN AND SOURCING

### Traceability

[GRI 13.23.1, 13.23.2, 13.23.3]

Understanding the source of our supply can help us identify and address any associated environmental and social risks. The Group subscribes to the RSPO traceability system: RSPO PalmTrace. The scheme permits certified RSPO members to register their physical sales and processing activities of palm oil, palm kernels and fractions sold to market. Kulim tracks each step of the palm oil production process to achieve full palm oil traceability. This begins at the planting phase and progresses to the trading stage when we distribute CSPO to consumers and product manufacturers. Because three of our mills' source only from our fully certified plantations, they have maintained their Identity Preserved status. The remaining two mills that source external FFB have mass balance status.

All of our own FFB processed at our mills are fully traceable to our plantations. However, challenges persist in reaching full supplier plantation traceability. Although we initially planned to achieve 100% traceability to suppliers' plantations by 2023, this has been pushed back to a more realistic goal of 2025. We recently started our supplier traceability exercise by requesting that they complete the forms we distributed. In 2021, we made it compulsory for all smallholders and traders to provide their traceability information as part of our FFB purchase agreements and have achieved some progress in 2022. We will report on the latest information in our next report.

### Supporting smallholders and traders

[GRI 3-3, 201-1, 203-1, 13.22.1, 13.22.2, 13.23.1, 13.23.4]

Smallholder suppliers grow oil palm on family estates 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 engaging with smallholders to help them gain MSPO or RSPO certification through our smallholder inclusion programme.

Our sustainability department conducts annual RSPO awareness programmes for all smallholders and engages with them on how to become RSPO compliant. 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 how to develop better agricultural practices and efficient palm-growing techniques for better yields. While outreach activities were affected because of pandemic-related travel restrictions, we continue to engage with the smallholders under this programme.

To date, we have supported two Outgrowers – FGVPM Paloh Estate and Ladang Wawasan – in obtaining RSPO certification. Kulim monitors and supports these groups to maintain RSPO compliance through annual audits implemented by our teams. In addition, we have extended support to all our suppliers to help them better understand RSPO certification requirements.

## SUPPLY CHAIN AND SOURCING

In 2019, one of our trader suppliers, Eng Lee Heng Trading, was successfully certified against MSPO standards and achieved RSPO group certification under the management of Wild Asia Group Scheme Smallholders (WAGS) Johor. The ISH RSPO-Eng Lee Heng smallholder group certification was completed in May 2020 through the participation of 108 smallholders with a certification area of 733.10 ha. In August 2022, this certification expanded with the addition of 78 smallholders. This is a cumulative total of 186 members, with the certification area increasing to 1,080.06 ha. These smallholders have increased their supply to our Sindora mill, which achieved identity preserved certification in 2022. As Kulim improves our traceability for external supply, we will identify the certification status of all sources. By 2025, Kulim aims to achieve 100% traceability to supply chain.

### Stakeholder commentary

**Bushra binti Osman, Supervisor,  
AZ Iman Resources Sdn Bhd**

Kulim is dedicated to maintaining the high quality of our FFB to ensure our operations continue to provide strong yields. Although Kulim does not directly engage with us on sustainability requirements, they constantly seek traceability-related data from us.

*About: AZ Iman Resources Sdn Bhd (AZ Iman) is based at Layang-Layang, Johor. They are licenced by the Malaysian Palm Oil Board (MPOB) to acquire and sell Fresh Fruit Bunches (FFB) from about 250 smallholders in the Layang-Layang district. They have been supplying 100% of their FFB to Kulim since 2012. Bushra oversees overall administrative-related matters at AZ Iman.*

Kulim is always available for consultation and rapid feedback. The Kulim team, including the managers from their headquarters and mill representatives, are very cooperative. They stand ready to assist with logistical issues or other supply-related matters. Our future objective is to draw upon Kulim's expertise in helping our Layang-Layang district smallholders achieve RSPO certification. It would also be beneficial for Kulim to develop more on-the-ground smallholder engagement programmes to support smallholders in improving their livelihoods.



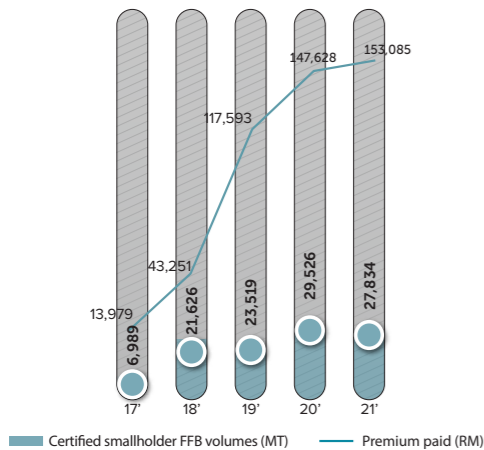
## SUPPLY CHAIN AND SOURCING

### Incentivising smallholders with better premiums

Since 2013, Kulim has provided economic incentives to smallholders and traders that trade in RSPO-certified FFB. As of 2019, we pay a premium of RM5 per tonne of certified FFB for our certified smallholders and hope to encourage more smallholders to apply for RSPO certification. This was updated from the RM2 premium paid previously. As of end-December 2021, we have paid out almost RM475,500 in dividends to our three certified suppliers. In 2021, the total output from outgrowers and smallholder contributed to 7.8% of our RSPO-certified FFB.



RSPO certified smallholder volumes and premiums paid 2017-2021



### Supplier screening and monitoring

[GRI 3-3, 308-1, 308-2, 414-1, 414-2]

Kulim requires that suppliers that wish to partner with the Group adhere to the standards set out in our business operations. We expect they will consent to visits, strict registration processes, and annual assessments. These performance appraisals allow us to measure our suppliers against established sustainability policy commitments. The reports provided by the estates determine whether their contracts will be renewed.

In 2022, we began monitoring our supply base for deforestation through the GFW satellite detection programme. This system allows us to overlay the boundaries of Kulim's estates and our supplier estates with a detection system to determine any potential areas that may have been deforested every month. We also subscribe to the GeoRSPO transparency tool: a hotspot monitoring dashboard built on GFW Map Builder by RSPO to detect any land cleared by burning. We will begin reporting on sites detected and confirmed cases in future reports.

## SUPPLY CHAIN AND SOURCING

### Vendor and contractors

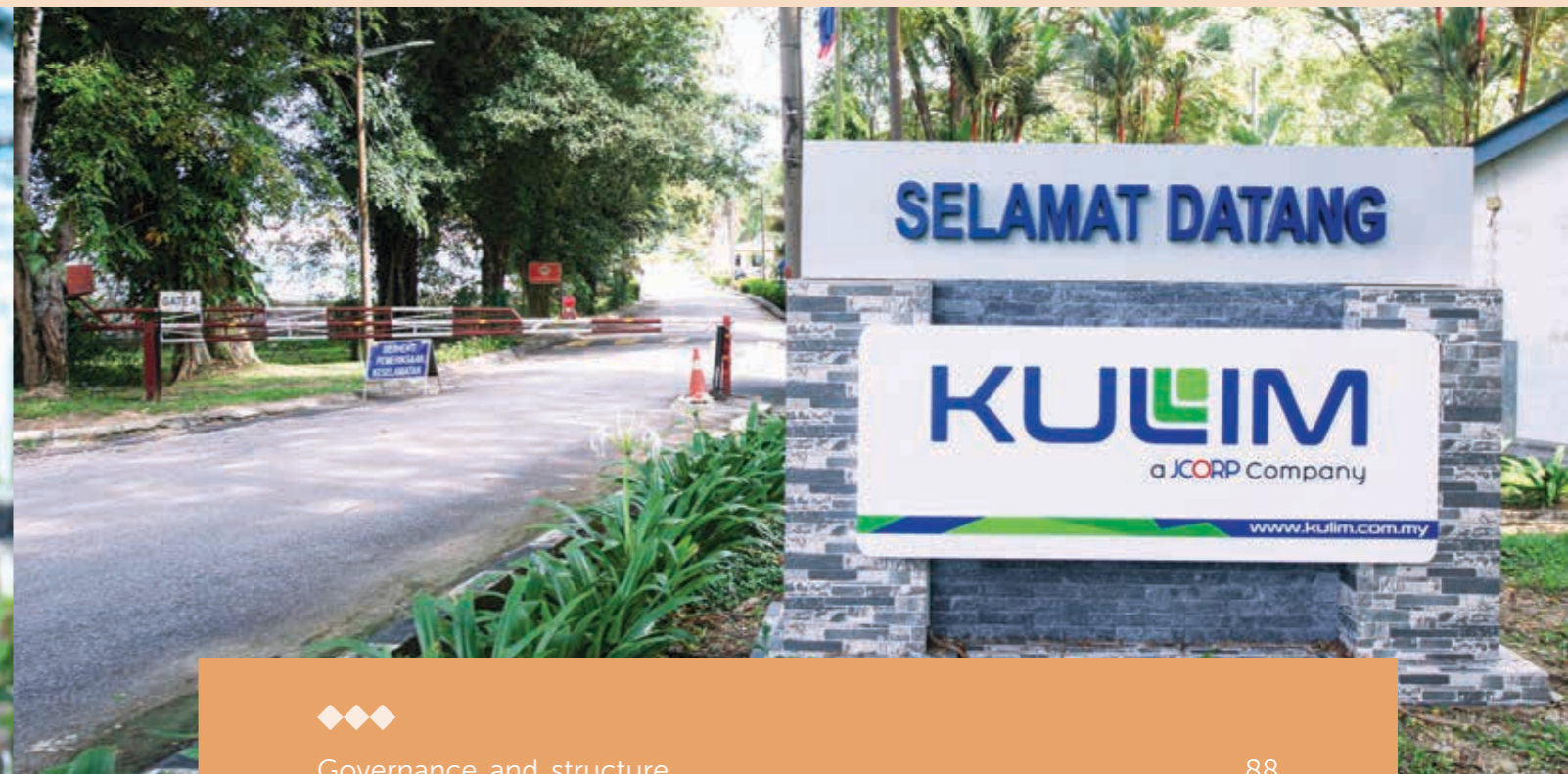
Before engaging with our vendors, we ensure they adhere to our requirements through a prerequisite contract agreement. The suppliers must commit to following and adhering to all the rules and regulations set out by the Government of Malaysia, all Kulim Group of companies' relevant business policies, and compliance with the respective mill's certification programme standards. During stakeholder engagement sessions, we also brief our vendors and contractors on certification compliance, company policies, and Anti-Bribery Management Systems (ABMS) compliance.

We did not conduct any vendor and supplier screening in 2020 and 2021 due to the restrictions caused by the pandemic. We are re-evaluating our current vendor and supplier pre-requisite processes to further strengthen our commitment to ensure compliance towards Kulim's policies and national standards. From 2022 onwards, vendors will be required to sign Kulim's Vendor Code Business Ethics (VCOBE) along with the vendor registration form.



# PROMOTING TRANSPARENCY AND ACCOUNTABILITY

## section 06



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## GOVERNANCE AND STRUCTURE

[GRI 2-9, 2-11, 2-12, 2-13, 3-3, 405-1, 207-1, 207-2, 207-3]

Our sustainability framework is supported by a multi-tiered governance structure with the objective of embedding sustainability into our day-to-day business operations. The Board of Directors plays an integral role in guiding the progress of the group's sustainability initiatives. Chairman Tan Sri Dr Ismail Bakar leads the Board, supported by the Managing Director and six non-executive directors from diverse backgrounds. Out of eight directors, three are independent. All Board members are Malaysian nationals.

In early 2022, Kulim's sustainability and quality department was renamed the Sustainability and Innovation Department (SID). Our head of sustainability, innovation and projects leads the department. It is tasked with implementing, reviewing, and planning sustainability-related initiatives such as certification, compliance, audits, and social impact assessments. SID documents the progress of its sustainability measures to senior management for evaluation and review, and our performance is regularly reported to the Board. Kulim's Managing Director is the Board member responsible for sustainability.



### Strengthened ESG governance

We are taking significant steps to strengthen our governance to lead our ESG initiatives, specifically concerning our day-to-day operations. In July 2021, a formal ESG committee was established to oversee and monitor the development, implementation, compliance and effectiveness of all operational ESG-related matters. The ESG committee replaces the previous sustainability initiative council. The ESG committee's remit is to:

- Act in an advisory capacity to the managing director and Kulim's management committee.
- Monitor the implementation of Kulim's environmental, health and safety, labour and community, and certification programmes at Kulim (this does not cover CSR activities and matters related to governance or integrity, which are dealt with by other departments).
- Review the effectiveness of our certification measures and policies and propose recommendations.

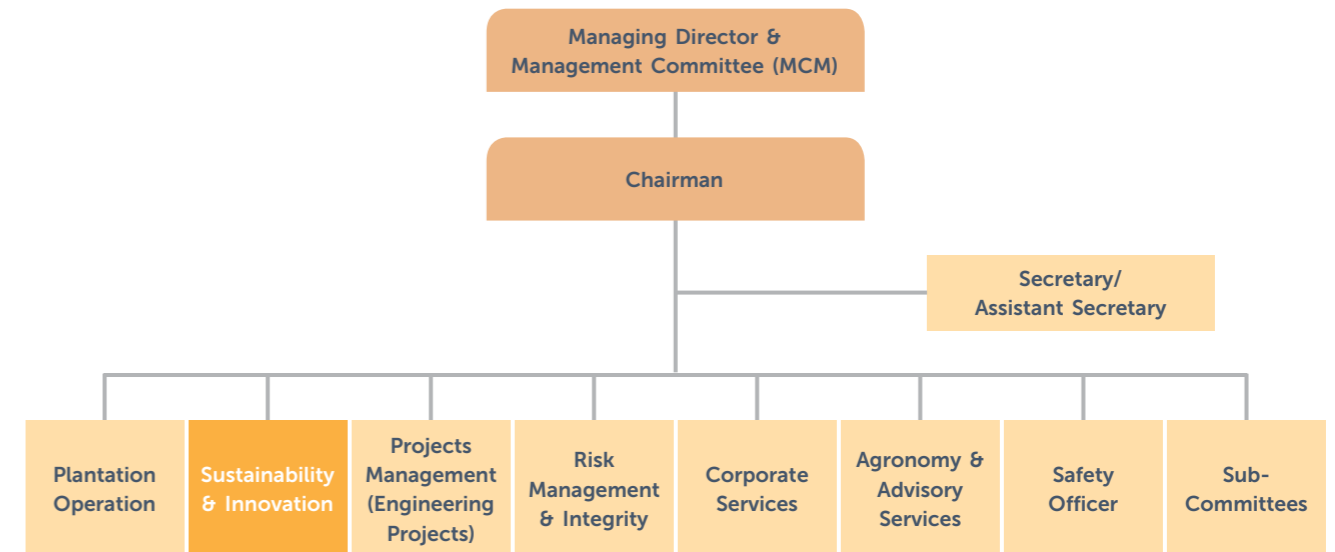
The committee's oversight is not limited to our palm oil operations but also considers ESG-related impacts of our Group activities, including other agribusinesses.

The committee comprises eight members from various Kulim departments: the plantations operation, Sustainability and Innovation, Risk Management & Integrity, agronomy and advisory services, security, property and legal. It is led by a chairman and vice chairman from the plantations operation. A secretary and assistant secretary support the committee – from the Projects Management (Engineering Projects), and health and safety departments, respectively. The ESG committee meets every quarter to discuss critical issues and reports to the Board, management committee or the managing director at least quarterly.

In light of improved governance at Kulim, we will review our organisational governance against the Malaysian Code of Corporate Governance criteria in 2023 and will report on the changes.

## GOVERNANCE AND STRUCTURE

### ESG Committee



### ESG committee representatives

Position	Department of PIC
<b>Chairman</b>	Plantation Operation
<b>Vice chairman</b>	Plantation Advisory
<b>Members</b>	Risk Management & Integrity, Agronomy and Advisory Services, Sustainability and Innovation, Security, Property, Legal
<b>Secretary</b>	Projects Management (Engineering Projects)
<b>Assistant secretary</b>	Health and Safety

## ETHICS, INTEGRITY, AND MANAGING GRIEVANCES

[GRI 2-16, 2-25, 2-26, 3-3, 205-1, 205-2, 205-3, 13.26.1, 13.26.2, 13.26.3, 13.26.4]

Kulim is committed to the highest standards of ethics, integrity, and professionalism. We are guided by policies on ethics, anti-bribery and corruption, due diligence, conflict of interest, gifts and entertainment. In 2021, Kulim obtained ISO 37001:2016 certification for our anti-bribery management system (ABMS), which was established to prevent, detect and respond to bribery incidences. Kulim's integrity and compliance unit periodically reviews all business units' activities relating to ABMS, anti-bribery-related policies and procedures and cases raised and reports to the Board Audit and Risk Committee (BARC). In 2020 and 2021, 100% of the ABMS-certified business units were assessed for corruption-related risks.

Employees receive annual training on anti-corruption policies and procedures. In 2020 and 2021, 870 and 5,923 employees received training, respectively. The low number in 2020 was due to pandemic-related travel restrictions.

A whistleblowing policy is in place to ensure anyone wishing to report wrongdoing or improper conduct can do so without fear of retribution. Employees and external stakeholders are given multiple avenues to report policy breaches. Reports

can be submitted by email, online, telephone, or mail to the head of the integrity and compliance unit, BARC chairman or chairman of the Board committee. Details can be found on our website: [kulim.com.my/corporate-governance](http://kulim.com.my/corporate-governance).

Our 2008 grievance policy also ensures that internal and external stakeholders can raise grievances which will be dealt with fairly and transparently. As a member of the MAPA, Kulim is bound by the collective agreements grievance procedure. This applies to all our estate and mill workers. Kulim ensures all our employees are made aware of our grievance policy. Formal reporting mechanisms, by way of employee briefing sessions, are conducted internally.

Our grievance procedure aims to provide all employees with several avenues to have their complaints heard and resolved. Grievances can be raised through complaint boxes, direct reporting to appropriate personnel and by company email.

The WOW platform is also a mechanism for female Kulim employees to raise grievances.



## STAKEHOLDER ENGAGEMENT

[GRI 2-28, 2-29]

Kulim believes it is imperative to continuously engage with our stakeholders to better understand their perspectives on critical issues and build robust relationships with key groups. We maintain an open stakeholder dialogue to effectively identify concerns and react promptly. These stakeholders include our employees, workers, NGOs, investors and business partners, industry peers, communities, suppliers, customers, regulators, unions and the media. An overview of our engagement methods and meeting frequency with each stakeholder group can be found [here](#).

During 2020 and 2021, to meet our sustainability objectives, we entered into new partnerships and continued ongoing ones.

### Notable 2020–2022 engagements

Environmental	Social	Governance
<ul style="list-style-type: none"> <li>• Joined the HCV as a supporter. HCV is a member-based organisation that promotes the HCV approach methodology to protect biodiversity</li> <li>• Subscribed to GFW in 2022, a satellite deforestation monitoring system</li> <li>• Gas Malaysia engagement</li> <li>• IPM and biodiversity study with Sustainable Agriculture Network (SAN), ISF and Ferrero (see <a href="#">Integrated pest management</a> section)</li> <li>• Human wildlife conflict study with MEME and WCS</li> </ul>	<ul style="list-style-type: none"> <li>• Labour transformation programme with EF, ISF, Ferrero (see <a href="#">Wages, benefits and living conditions</a> section)</li> <li>• Covid-19 relief with NGOs and local government</li> </ul>	<ul style="list-style-type: none"> <li>• Began engagement with an independent consultant on Kulim's 2022 ESG framework (see <a href="#">New ESG framework 2022</a>)</li> </ul>

## IMPROVING REPORTING AND COMMUNICATIONS

Reporting and communicating our sustainability measures is crucial for our stakeholders and the credibility of our business. Aside from regular engagement with key stakeholders, we continue to report on our sustainability and GHG measures standards: annually in our integrated annual reports' sustainability statements, biennially in our dedicated sustainability reports, and biennially in our carbon footprint reports. In 2022, the Kulim website was revamped to better host stakeholder communication material. We will continue to update the website with the latest information.

Aside from reporting, Kulim has implemented plans to improve our score on the Zoological Society of London's Sustainable Palm Oil Transparency Toolkit (ZSL SPOTT), a platform that annually assesses 100 companies on their environmental, social and governance disclosure. In 2022, our score improved from 67% to 73.2%. Our ranking improved from 26 to 24 thanks to our added website disclosures.



From 2023 onwards, we aim to increase engagement with stakeholders through digital communication channels and deploy a sustainability communication strategy. As a key industry player, Kulim's goal is to participate in industry-level conversations to exchange ideas with our peers and towards common NDPE-related goals. To stay responsive to stakeholder expectations, Kulim also hopes to adopt reporting frameworks other than the Global Reporting Initiative (GRI) Standards, such as the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.



**SPOTT**

**100**  
companies

2022

our score improved from **67%** to **73.2%** ▲

and rank rose from **26** to **24** ▲



## BASE DATA

### General disclosures

Category/indicator	Unit	FY2021	FY2020	FY2019	FY2018	FY2017
Total revenue	'000 RM	1,647,486	1,108,939	1,208,836	1,388,352	1,525,367
Total operating cost	'000 RM	1,213,672	1,811,077	1,346,683	1,316,416	1,498,569
Employee wages and benefits	'000 RM	235,218	285,065	279,570	253,531	250,406
Payment to capital providers	'000 RM	158,491	212,403	201,446	195,083	262,922
Payment to government agencies	'000 RM	118,383	46,066	57,512	61,053	56,391
Community investments	'000 RM	1,100	1,100	3,789	4,963	3,788
Employer EPF contribution	'000 RM	18,555	19,324	19,979	19,084	19,637

Category/indicator	Breakdown	Unit	FY2021	FY2020	FY2019	FY2018	FY2017
Landbank	Total	ha	74,511	74,575	65,362	65,505	65,505
	Malaysia	ha	60,064	60,064	50,851	50,994	50,994
	Indonesia	ha	14,447	14,511	14,511	14,511	14,511
Planted area (oil palm)	Total	ha	63,158	63,509	55,501	55,604	55,442
	Malaysia	ha	55,796	56,147	47,230	47,259	47,097
	Mature	ha	50,808	49,945	41,819	41,556	41,497
	Immature	ha	4,988	6,202	5,411	5,703	5,601
	Indonesia	ha	7,362	7,362	8,271	8,345	8,345
	Mature	ha	7,362	3,722	2,807	2,814	3,524
	Immature	ha	0	3,640	5,464	5,531	4,821
Replanting	Total	ha	1,105	1,240	1,025	1,615	N/A
Planted area (other crops Malaysia only)	Total	ha	370	380	302	232	212
Unplanted area designated for future planting	Total	ha	7,225	7,222	7,811	N/A	4,535

## BASE DATA

Category/indicator	Breakdown	Unit	FY2021	FY2020	FY2019	FY2018	FY2017
FFB produced	Total	MT	1,035,342	1,145,090	907,188	919,844	995,129
	Processed by our mills	MT	1,030,864	1,131,887	894,765	902,764	952,278
	Sold to others	MT	4,478	13,203	12,423	17,080	42,851
FFB processed	Total	MT	1,419,613	1,494,762	1,261,208	1,305,287	1,265,240
	Purchased FFB	MT	378,273	370,062	399,933	421,204	328,067
CPO produced	Total	MT	295,747	316,066	309,867	306,484	299,981
	Tereh	MT	59,392	74,042	76,142	69,152	68,072
	Sedenak	MT	82,668	84,459	77,574	95,904	88,961
	Sindora	MT	50,983	54,971	53,130	50,622	49,378
	Palong Cocoa	MT	37,859	39,343	44,382	40,632	43,092
	Pasir Panjang	MT	64,845	63,250	58,639	50,173	50,479
PK produced	Total	MT	75,867	79,711	77,108	78,995	79,071
	Tereh	MT	15,585	19,414	19,061	18,062	18,916
	Sedenak	MT	21,610	21,485	20,157	25,948	23,613
	Sindora	MT	12,731	13,472	12,533	12,812	13,209
	Palong Cocoa	MT	9,440	9,958	11,356	10,164	10,954
	Pasir Panjang	MT	16,502	15,382	14,003	12,009	12,379

Category/indicator	Breakdown	Unit	FY2021	FY2020	FY2019	FY2018	FY2017
Total employees	Male	no.	5,575	6,331	6,600	7,018	6,960
	Female	no.	789	851	840	849	835
	Senior management	no.	9	11	15	12	11
	Management	no.	335	340	333	346	336
	Non-executive staff	no.	904	920	919	913	893
	Workers	no.	5,116	5,911	6,173	6,596	6,555
Employees received training on anti-corruption policies and procedures	Total	no.	5,923	870			
	Senior management	no.	114	49			
	Management	no.	349	212			
	Non-executive staff	no.	421	225			
	Workers	no.	5,039	384			

## BASE DATA

## Certification

Category/indicator	Breakdown	Unit	FY2021	FY2020	FY2019	FY2018	FY2017
RSPO-certified area	Total	ha	60,964	60,958	60,560	60,560	60,560
	Total certifiable area	%	100.0%	100.0%	98.8%	98.8%	98.8%
RSPO-certified, CPO produced	Total	MT	235,119	246,622	300,514	N/A	379,527
	SG/IP	MT	130,513	110,593	95,555	N/A	78,998
	MB	MT	19,844	14,776	11,170	N/A	38,802
	B&C	MT	16,000	0	47,400	N/A	0
	Other schemes	MT	5,480	1,477	29,026	N/A	62,996
	Sold as conventional	MT	63,282	119,775	117,362	N/A	198,731
RSPO-certified, PK produced	Total	MT	60,314	64,256	65,405	N/A	N/A
	SG/IP	MT	42,979	42,979	13,030	N/A	N/A
	MB	MT	10,084	10,084	3,499	N/A	N/A
	Sold as conventional	MT	7,252	11,193	48,876	N/A	N/A

## Delivering positive environmental impacts

Category/indicator	Breakdown	UoM	FY2021	FY2020	FY2019	FY2018	FY2017
GHG emissions sources and sinks	Group net emissions	mtCO <sub>2</sub> e	418,288	484,970	483,422	389,897	409,256
	Land clearing	mtCO <sub>2</sub> e	610,657	673,068	717,995	729,751	756,518
	Crop sequestration	mtCO <sub>2</sub> e	-577,118	-623,316	-661,870	-672,087	-690,397
	Fertiliser	mtCO <sub>2</sub> e	53,367	48,029	61,086	55,738	48,159
	N <sub>2</sub> O	mtCO <sub>2</sub> e	52,598	51,617	55,682	65,672	60,505
	Field fuel use	mtCO <sub>2</sub> e	17,008	18,193	17,304	19,417	16,445
	Peat	mtCO <sub>2</sub> e	74,607	74,607	74,607	74,292	74,292
	Conservation area offset	mtCO <sub>2</sub> e	-4,164	-4,192	-4,196	-4,261	-3,410
	Methane from POME	mtCO <sub>2</sub> e	211,797	288,021	257,781	145,492	175,592
	Mill fuel use	mtCO <sub>2</sub> e	3,124	3,221	3,640	3,382	3,445
	Mill electricity credit	mtCO <sub>2</sub> e	-64,179	-44,744	-38,857	-27,809	-32,208
	Grid electricity utilisation	mtCO <sub>2</sub> e	530	466	249	310	315

## BASE DATA

Category/indicator	Breakdown	UoM	FY2021	FY2020	FY2019	FY2018	FY2017
GHG emissions intensity	Group	mtCO <sub>2</sub> e/mtCPO	1.13	1.23	1.25	1.01	1.08
	Tereh	mtCO <sub>2</sub> e/mtCPO	0.66	1.28	1.28	0.85	1.05
	Sedenak	mtCO <sub>2</sub> e/mtCPO	2.26	2.09	2.03	1.27	1.37
	Sindora	mtCO <sub>2</sub> e/mtCPO	1.11	1.10	1.45	1.12	1.16
	Palong Cocoa	mtCO <sub>2</sub> e/mtCPO	0.62	1.34	1.10	1.02	0.97
	Pasir Panjang	mtCO <sub>2</sub> e/mtCPO	0.40	0.35	0.50	0.62	0.76
	Fuel use by type	PKS	GJ	1,453,548	1,306,673	1,226,739	1,337,493
Diesel		GJ	36,041	35,454	42,006	38,668	39,746
Surface water withdrawn	Total	m <sup>3</sup>	1,528,599	1,651,163	1,535,280	1,594,106	1,712,969
	Tereh	m <sup>3</sup>	323,288	489,525	380,019	403,147	374,941
	Sedenak	m <sup>3</sup>	431,918	408,204	418,458	489,216	447,501
	Sindora	m <sup>3</sup>	200,432	228,683	226,828	187,575	318,107
	Palong Cocoa	m <sup>3</sup>	221,435	216,436	204,333	230,911	248,234
Third-party water withdrawn	Total	m <sup>3</sup>	23,311	22,339	22,181	22,246	22,184
Effluent water discharged	Total	m <sup>3</sup>	1,049,276	1,043,640	1,066,337	1,045,677	1,130,028
Effluent BOD reading	Average	mg/L	192	241	288	261	285
	Tereh	mg/L	367	461	426	348	521
	Sedenak	mg/L	363	399	397	342	281
	Sindora	mg/L	26	33	38	43	35
	Palong Cocoa	mg/L	86	241	356	241	290
	Pasir Panjang	mg/L	117	72	224	330	296

## BASE DATA

Category/indicator	Breakdown	UoM	FY2021	FY2020	FY2019	FY2018	FY2017
Effluent COD reading	Average	mg/L	1,786	1,790	1,960	1,837	1,786
	Tereh	mg/L	2,140	3,105	3,147	2,310	3,148
	Sedenak	mg/L	3,334	2,780	3,056	2,642	1,967
	Sindora	mg/L	464	615	414	788	474
	Palong Cocoa	mg/L	1,091	1,701	2,176	1,641	1,698
	Pasir Panjang	mg/L	1,903	751	1,007	1,803	1,642
Non-hazardous biomass waste produced	Total	MT	559,407	591,154	564,748	572,376	587,466
	EFB	MT	279,987	289,109	275,482	282,552	295,095
	PKS	MT	88,918	98,362	90,913	91,760	92,650
	Palm Fibre	MT	190,502	203,683	198,352	198,065	199,720
Diverted from disposal (non-hazardous)	Biocompost evacuated	MT	59,251	69,403	106,484	183,376	163,614
	Mulching evacuated	MT	194,009	217,793	166,022	95,454	121,867
	Incinerated (PKS)	MT	86,794	78,023	73,250	79,864	78,244
	Sold to third party	MT	30,225	33,344	17,662	11,896	14,406
Hazardous waste directed to disposal	Registered waste handler	MT	69.9	70.7	96.1	90.3	64.6
Fertiliser applied	Inorganic	MT	63,542	61,656	58,639	65,836	62,961
	Organic	MT	65,772	57,795	40,635	21,577	27,525
Herbicide usage	Active ingredient per planted hectare	liters/ha	0.903	1.312	1.255	1.490	1.499
	Glyphosate usage per planted hectare of one-year-old palms	liters/ha	4.35	8.15	5.75	6.74	5.61
Chemical use by mill processes	Total	MT	243.74	240.17	292.82	271.78	296.41
Identified HCV area		ha	1,131.10	1,132.03	1,053.65	1,053.65	1,052.62
Non-HCV area reserved for conservation		ha	276.25	276.61			

## BASE DATA

Category/indicator	Breakdown	UoM	FY2021	FY2020	FY2019	FY2018	FY2017
Hotspots detected	Within estate boundary	no.	0	0	1	0	1
	Within 5 km radius of estate boundary	no.	2	1	1	1	0
Confirmed fires	Within 5 km radius estate boundary	no.	0	0	1	0	1
	Within 5 km radius estate boundary	no.	2	1	1	1	0

## International Union for Conservation of Nature (IUCN) Red List

Category/indicator	No	Local name	Scientific name	IUCN status
IUCN Red List species and national conservation list species with habitats in areas affected by operations	1	Asian elephant	<i>Elephas maximus</i>	Endangered
	2	Malayan tapir	<i>Tapirus indicus</i>	Endangered
	3	Pangolin	<i>Pholidota</i>	Endangered
	4	Pig-tailed macaque	<i>Macaca nemestrina</i>	Vulnerable
	5	Binturong	<i>Arctictis binturong</i>	Vulnerable
	6	Malayan sun bear	<i>Helarctos malayanus</i>	Vulnerable
	7	Lesser adjutant	<i>Leptoptilos javanicus</i>	Vulnerable
	8	Silvered leaf monkey	<i>Trachypithecus cristatus</i>	Near threatened
	9	Leopard	<i>Panthera pardus</i>	Near threatened
	10	Black giant squirrel	<i>Ratufa bicolor</i>	Near threatened
	11	Horse-tailed squirrel	<i>Sundasciurus hippurus</i>	Near threatened
	12	Spectacled langur	<i>Trachypithecus obscurus</i>	Near threatened
	13	Rhinoceros hornbill	<i>Buceros rhinoceros</i>	Near threatened
	14	Grey-headed fish eagle	<i>Ichthyophaga ichthyaetus</i>	Near threatened
	15	Lesser fish eagle	<i>Ichthyophaga humilis</i>	Near threatened
	16	Black hornbill	<i>Anthracoceros malayanus</i>	Near threatened

## BASE DATA

## Safeguarding workforce human rights

Category/indicator	Breakdown	UoM	FY2021	FY2020	FY2019	FY2018	FY2017
Workers by nationality	Total	no.	5,116	5,911	6,173	6,596	6,555
	Malaysian	no.	1,553	1,625	1,303	1,326	1,327
	Indonesian	no.	2,780	3,580	4,175	4,562	4,438
	Indian	no.	20	24	27	24	35
	Bangladeshi	no.	763	682	668	684	755
New hires by age group (excluding workers)	<30 years	no.	51	59	66	71	48
	30–50 years	no.	31	21	41	36	20
	>50 years	no.	4	2	0	11	3
Turnover by age group (excluding workers)	<30 years	%	9.6%	6.4%	10.2%	9.5%	6.6%
	30–50 years	%	4.7%	2.1%	4.0%	8.6%	4.1%
	>50 years	%	15.3%	12.4%	6.6%	1.4%	5.7%
New hires by gender (excluding workers)	Male	no.	73	71	83	97	60
	Female	no.	13	11	24	21	11
Turnover by gender (excluding workers)	Male	%	7.4%	6.1%	6.6%	6.0%	5.8%
	Female	%	6.9%	2.8%	5.1%	4.5%	2.7%
Employees receiving regular career development reviews	Executive male	no.	234	241	240	243	248
		%	100%	100%	100%	100%	100%
	Executive female	no.	110	110	108	112	107
		%	100%	100%	100%	100%	100%
	Non-executive male	no.	709	712	716	716	700
		%	100%	100%	100%	100%	100%
	Non-executive female	no.	195	208	203	197	193
		%	100%	100%	100%	100%	100%
Senior management diversity	Male	no.	7	7	9	10	9
	Female	no.	2	4	3	2	2
	<30 years	no.	0	0	0	0	0
	30–50 years	no.	1	2	4	3	2
	>50 years	no.	8	8	8	9	9
Management diversity	Male	no.	227	234	229	236	234
	Female	no.	108	106	107	110	102
	<30 years	no.	44	62	66	78	86
	30–50 years	no.	232	213	207	204	189
	>50 years	no.	59	65	63	64	61

## BASE DATA

Category/indicator	Breakdown	UoM	FY2021	FY2020	FY2019	FY2018	FY2017
Non-executive staff diversity	Male	no.	709	712	716	716	692
	Female	no.	195	208	203	197	201
	<30 years	no.	228	234	227	224	230
	30–50 years	no.	491	490	492	471	463
	>50 years	no.	185	196	200	218	200
Fatalities	Total	no.	0	3	1	0	1
High-consequence work related injuries	Total	no.	27	34	24	41	56
Lost-time injuries	Total	no.	72	168	158	183	298
Total hours worked	Total	no.	20,453,056	23,035,984	24,131,264	19,304,352	19,139,376
Work related ill-health	Total	no.	33	0	26	8	28
Worker participation, consultation, and communication on occupational safety and health	Management representative	no.	396	396	396	396	396
	Worker representative	no.	330	330	330	330	330
	Stakeholder representative	no.	29	29	29	29	29
Training on health and safety standards		no.	1,000	1,000	1,304	1,310	1,302
Competent first aiders (cumulative)		no.	136	136	136	83	79
Unionised employees	Total	no.	2,166	2,250	2,977	2,741	1,976
	Of total employees	%	34.0%	31.3%	40.0%	34.8%	25.3%

## Supply chain and sourcing

Category/indicator	Breakdown	UoM	FY2021	FY2020	FY2019	FY2018	FY2017
FFB sourced from its own plantations	Total	MT	1,030,864	1,131,887	894,765	902,764	952,278
FFB sourced from external outgrowers and traders	Total	MT	378,273	362,875	366,443	402,523	312,962

## STAKEHOLDER ENGAGEMENT TABLE

Stakeholder group	Focus	Engagement method	Engagement frequency
<b>Employees</b>	Training and development	Management and employee roundtable conferences and dialogue	Annually
		Training	When required
	Employee performance	Employee survey	Every five years
		Sponsorship	When required
	Employee satisfaction	Performance reviews	Annually
		Grievance mechanism	When required
	Employee engagement (salary and benefits, career progression, etc.)	Company policies	When required
Occupational safety and health training		Annually	
<b>Workers</b>	Workers' welfare and well-being (foreign and local)	Social impact assessments (SIA)	Annually
		Skills enhancement projects: Women OnWards (WOW)	Annually
		Surveys Group/one-on-one meetings	When required Quarterly
	OSH	Operational and official visits	Ad hoc
<b>Non-governmental organisations</b>	Environmental conservation and engagement	Partnerships, multi-stakeholder forums, and joint projects	When required
		CSR programmes and responsible business practices	Annually
		Compliance with local and international law Adherence to RSPO P&C	When required
		Charitable contributions	When required
	Employee social issues	Partnerships, multi-stakeholder forums and joint projects	Annually

## STAKEHOLDER ENGAGEMENT TABLE

Stakeholder group	Focus	Engagement method	Engagement frequency
<b>Investors, bankers, and business partners</b>	Sustainability certification	Update on RSPO initiatives	Annually
		Update on MSPO initiatives	Annually
	Sustainability risks and opportunities	Roadshows and group meetings	When required
		Investor meetings	Annually
	Socially responsible landbank expansion	Research and development Dialogue and relationship	When required
	Corporate funding and company profile	Shareholder engagement and investments	When required
		International networking sessions	When required
Enhancing company/corporate profile/network	Publications	Annually Bi-annually	
	Website	When required	
<b>Industry peers</b>	Environmental best practices	Increase in R&D to improve product quality	When required
		Compliance	Annually
		Development and update of applicable policies	When required
	Environmental conservation and management	Research and development	When required
		Development and update of applicable policies	When required
	Livelihoods of workers and communities	Development and update of applicable policies	Every three years
	Good agricultural practices	Implementation of robust agricultural practices	When required
Industry scheme/initiatives	Membership	When required	
<b>Communities and outgrowers</b>	Assist with RSPO certification	Social impact assessments and regular training for RSPO requirements	Annually
		Public meetings, workshops, individual meetings	When required
		Meeting and engagement for certification with FFB suppliers/smallholders	When required
	Community contributions	Disaster relief efforts, community outreach development programmes, and humanitarian assistance	Annually
<b>Trading houses</b>	Client profile	Regular engagement with buyers	Annually
	Product sales and diversity	Regular review of sales report; product range presentation for traders	Annually

## STAKEHOLDER ENGAGEMENT TABLE

Stakeholder group	Focus	Engagement method	Engagement frequency
Customers	Supply chain certification and compliance	Joint ventures and meetings	When required
		Site visits and surveys to determine product quality	When required
	Customer satisfaction	Regular RSPO audits RSPO and ISCC briefing Customer satisfaction surveys	When required Annually Annually
Governments and regulators	Sustainability and sectoral development	Regular engagement and communication Corporate responsibility initiatives Sports and recreation activities	When required
	Building partnerships with government and regulators	Industrial meetings Participation and representation in events/programmes organised by government and regulators	When required
Unions	Labour policy, workers' rights and quality of life	Group/one-on-one meetings Conferences	When required Annually
Media	Media engagement	Press releases Media announcements	When required
	Internal communications and media	Regulatory announcements Shareholders' circulars Fact sheets	
Suppliers	Supplier engagement	Contract supplier interview and negotiation	When required
		Site visits	
		Supplier screening and assessments	
	Strategic partnership and engagement meetings	Annually	

## GRI CONTENT INDEX

The Global Reporting Initiative (GRI) is a widely adopted multi-stakeholder standard for sustainability reporting, guiding determining report content and indicators. 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. Our 2021 Sustainability Report has been prepared per 2021 GRI Standards. Our GRI content index references our 2020-2021 Sustainability Report and the [Kulim website](#).

<b>Statement of use</b>	Kulim (Malaysia) Berhad has reported the information cited in this GRI content index for the period of 1 January 2020 to 31 December 2021 with reference to the GRI Standards.
<b>GRI 1 used</b>	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION (Section of report / website link)
<b>GRI 2: General Disclosures 2021</b>	2-1 Organizational details	About Kulim (15)
	2-2 Entities included in the organization's sustainability reporting	About this report (2-3) <a href="#">Company footprint</a>
	2-3 Reporting period, frequency and contact point	About this report (2-3) Contact (121)
	2-4 Restatements of information	Available throughout where relevant
	2-5 External assurance	About this report (2-3) Assurance statement (116)
	2-6 Activities, value chain and other business relationships	About Kulim (15) Supply chain and sourcing (81) <a href="#">Company footprint</a>
	2-7 Employees	Workforce overview (60) Diversity and equal opportunity (65)
	2-8 Workers who are not employees	Workers performing core work for the organisation are employees
	2-9 Governance structure and composition	Governance and structure (88-89) <a href="#">Kulim sustainability</a>
	2-10 Nomination and selection of the highest governance body	<a href="#">Kulim Integrated Report 2021</a>
	2-11 Chair of the highest governance body	Governance and structure (88-89) <a href="#">Kulim Integrated Report 2021</a>
	2-12 Role of the highest governance body in overseeing the management of impacts	Governance and structure (88-89) <a href="#">Kulim Integrated Report 2021</a>

## GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	LOCATION (Section of report / website link]
<b>GRI 2: General Disclosures 2021 (cont'd)</b>	2-13 Delegation of responsibility for managing impacts	Governance and structure (88–89) <a href="#">Kulim Integrated Report 2021</a>
	2-14 Role of the highest governance body in sustainability reporting	2022 Materiality assessment (24)
	2-15 Conflicts of interest	Information not available
	2-16 Communication of critical concerns	Ethics, integrity and managing grievances (90)
	2-17 Collective knowledge of the highest governance body	<a href="#">Kulim Integrated Report 2021</a>
	2-18 Evaluation of the performance of the highest governance body	Information not available
	2-19 Remuneration policies	<a href="#">Kulim Integrated Report 2021</a>
	2-20 Process to determine remuneration	<a href="#">Kulim Integrated Report 2021</a>
	2-21 Annual total compensation ratio	Information not available
	2-22 Statement on sustainable development strategy	Message from the Managing Director (9–11)
	2-23 Policy commitments	Approach to sustainability (20–21)
	2-24 Embedding policy commitments	Our Approach to sustainability (20–21)
	2-25 Processes to remediate negative impacts	Ethics, integrity and managing grievances (90)
	2-26 Mechanisms for seeking advice and raising concerns	Ethics, integrity and managing grievances (90)
	2-27 Compliance with laws and regulations	2020–2021 Targets and Progress (4)
	2-28 Membership associations	Stakeholder engagement (91)
	2-29 Approach to stakeholder engagement	2022 Materiality assessment (24) Stakeholder engagement (91)
	2-30 Collective bargaining agreements	Worker unions (72)
	<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics
3-2 List of material topics		2022 Materiality assessment (24)
3-3 Management of material topics		Available throughout SR2021 <a href="#">Kulim Website</a>
<b>GRI 201: Economic Performance 2016</b>	201-1 Direct economic value generated and distributed	About Kulim (15) Wages, benefits, and living conditions (61) Supporting smallholders and traders (82) Base data (94)
<b>GRI 203: Indirect Economic Impacts 2016</b>	203-1 Infrastructure investments and services supported	Contributing to the community (74) Supporting smallholders and traders (82)
	203-2 Significant indirect economic impacts	Contributing to the community (74) Supporting smallholders and traders (82)

## GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	LOCATION (Section of report / website link]
<b>GRI 204: Procurement Practices 2016</b>	204-1 Proportion of spending on local suppliers	Supply chain and sourcing (81)
<b>GRI 205: Anti-corruption 2016</b>	205-2 Communication and training about anti-corruption policies and procedures	Ethics, integrity and managing grievances (90)
	205-3 Confirmed incidents of corruption and actions taken	No incidents of corruption reported
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organization	Energy consumption (40) Base data (97)
	302-3 Energy intensity	Energy consumption (40) Base data (97)
	302-4 Reduction of energy consumption	Energy consumption (40) Base data (97)
<b>GRI 303: Water and Effluents 2018</b>	303-1 Interactions with water as a shared resource	Water management (44)
	303-2 Management of water discharge-related impacts	Water management (44)
	303-5 Water consumption	Water management (45) Base data (97)
<b>GRI 304: Biodiversity 2016</b>	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Conservation and biodiversity (52)
	304-2 Significant impacts of activities, products and services on biodiversity	Conservation and biodiversity (52)
	304-3 Habitats protected or restored	Conservation and biodiversity (52)
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Conservation and biodiversity (52) Base data (99)
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	Carbon footprint (37) <a href="#">Carbon Footprint Report 2020</a>
	305-2 Energy indirect (Scope 2) GHG emissions	Carbon footprint (37) <a href="#">Carbon Footprint Report 2020</a>
	305-3 Other indirect (Scope 3) GHG emissions	Carbon footprint (37) <a href="#">Carbon Footprint Report 2020</a>
	305-4 GHG emissions intensity	Carbon footprint (37) <a href="#">Carbon Footprint Report 2020</a> Base data
	305-5 Reduction of GHG emissions	Carbon footprint (37) <a href="#">Carbon Footprint Report 2020</a> Base data (97)

## GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	LOCATION (Section of report / website link]
<b>GRI 306: Waste 2020</b>	306-1 Waste generation and significant waste-related impacts	Waste management (48)
	306-2 Management of significant waste-related impacts	Waste management (48)
	306-3 Waste generated	Waste management (48) Base data (98)
	306-4 Waste diverted from disposal	Waste management (48) Base data (98)
<b>GRI 308: Supplier Environmental Assessment 2016</b>	308-1 New suppliers that were screened using environmental criteria	Supplier screening and monitoring (84)
	308-2 Negative environmental impacts in the supply chain and actions taken	Supplier screening and monitoring (84)
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	Base data (100)
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Wages, benefits, and living conditions (61)
	401-3 Parental leave	Maternity and support (67)
<b>GRI 402: Labour/ Management Relations 2016</b>	402-1 Minimum notice periods regarding operational changes	Workers unions (72)
<b>GRI 403: Occupational safety and health 2018</b>	403-1 Occupational safety and health management system	Occupational safety and health (70)
	403-2 Hazard identification, risk assessment, and incident investigation	Occupational safety and health (70)
	403-3 Occupational health services	Occupational safety and health (70)
	403-4 Worker participation, consultation, and communication on occupational safety and health	Occupational safety and health (70) Base data (101)
	403-5 Worker training on occupational safety and health	Occupational safety and health (70) Base data (101)
	403-6 Promotion of worker health	Occupational safety and health (70)
	403-9 Work-related injuries	Occupational safety and health (70) Base data (101)

## GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	LOCATION (Section of report / website link]
<b>GRI 404: Training and Education 2016</b>	404-1 Average hours of training per year per employee	Employee development and retention (68)
	404-2 Programs for upgrading employee skills and transition assistance programs	Employee development and talent retention (68)
	404-3 Percentage of employees receiving regular performance and career development reviews	Base data (100)
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	Governance and structure (88) Diversity and equal opportunity (65) <a href="#">Kulim Integrated Report 2021</a>
<b>GRI 406: Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken	No incidents of discrimination reported
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Worker unions (72)
<b>GRI 408: Child Labor 2016</b>	408-1 Operations and suppliers at significant risk for incidents of child labor	No child, forced or bonded labour (73)
<b>GRI 409: Forced or Compulsory Labor 2016</b>	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	No child, forced or bonded labour (73)
<b>GRI 413: Local Communities 2016</b>	413-1 Operations with local community engagement, impact assessments, and development programs	Contributing to the community (76)
	413-2 Operations with significant actual and potential negative impacts on local communities	Contributing to the community (76)
<b>GRI 414: Supplier Social Assessment 2016</b>	414-1 New suppliers that were screened using social criteria	Supplier screening and monitoring (84)
	414-2 Negative social impacts in the supply chain and actions taken	Supplier screening and monitoring (84) Ethics, integrity and managing grievances (90)
<b>GRI 416: Customer Health and Safety 2016</b>	416-1 Assessment of the health and safety impacts of product and service categories	Customer satisfaction (80)
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	No incidents of non-compliance concerning health and safety of products were reported.



## GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	LOCATION (Section of report / website link]
<b>GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022</b>		
<b>Topic 13.1 Emissions</b>	13.1.1 Disclosure 3-3 Management of material topics	Carbon footprint (37) <a href="#">Carbon Footprint Report 2020</a>
	13.1.2 Disclosure 305-1 Direct (Scope 1) GHG emissions	Carbon footprint (37) <a href="#">Carbon Footprint Report 2020</a>
	13.1.3 Disclosure 305-2 Energy indirect (Scope 2) GHG emissions	Carbon footprint (37) <a href="#">Carbon Footprint Report 2020</a>
	13.1.4 Disclosure 305-3 Other indirect (Scope 3) GHG emissions	Carbon footprint (37) <a href="#">Carbon Footprint Report 2020</a>
	13.1.5 Disclosure 305-4 GHG emissions intensity	Carbon footprint (37) <a href="#">Carbon Footprint Report 2020</a> Base data (97)
	13.1.6 Disclosure 305-5 Reduction of GHG emissions	Carbon footprint (37) <a href="#">Carbon Footprint Report 2020</a>
<b>Topic 13.2 Climate adaptation and resilience</b>	Not applicable	
<b>Topic 13.3 Biodiversity</b>	13.3.1 Disclosure 3-3 Management of material topics	Conservation and biodiversity (52)
	13.3.2 Disclosure 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not applicable
	13.3.3 Disclosure 304-2 Significant impacts of activities, products and services on biodiversity	Conservation and biodiversity (52)
	13.3.4 Disclosure 304-3 Habitats protected or restored	Conservation and biodiversity (54)
	13.3.5 Disclosure 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Conservation and biodiversity (52) Base data (99)

## GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	LOCATION (Section of report / website link]
<b>Topic 13.4 Natural ecosystem conversion</b>	13.4.1 Disclosure 3-3 Management of material topics	Conservation and biodiversity (53)
	13.4.4 Additional sector disclosure	Conservation and biodiversity (53)
<b>Topic 13.5 Soil health</b>	13.5.1 Disclosure 3-3 Management of material topics	Conservation and biodiversity (52) Minimising soil erosion (57)
<b>Topic 13.6 Pesticides use</b>	13.6.1 Disclosure 3-3 Management of material topics	Responsible chemical use (50)
	13.6.2 Additional sector disclosures	Responsible chemical use (50)
<b>Topic 13.7 Water and effluents</b>	13.7.1 Disclosure 3-3 Management of material topics	Water management (44)
	13.7.2 Disclosure 303-1 Interactions with water as a shared resource	Water management (44)
	13.7.3 Disclosure 303-2 Management of water discharge-related impacts	Water management (44)
	13.7.6 Disclosure 303-5 Water consumption	Water management (45) Base data (97)
<b>Topic 13.8 Waste</b>	13.8.1 Disclosure 3-3 Management of material topics	Waste management (48)
	13.8.2 Disclosure 306-1 Waste generation and significant waste-related impacts	Waste management (48)
	13.8.3 Disclosure 306-2 Management of significant waste-related impacts	Waste management (48)
	13.8.5 Disclosure 306-4 Waste diverted from disposal	Waste management (48) Base data (98)

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GRI STANDARD	DISCLOSURE	LOCATION (Section of report / website link]
<b>Topic 13.9 Food security</b>	13.9.1 Disclosure 3-3 Management of material topics	Food security (78)
<b>Topic 13.10 Food safety</b>	13.10.1 Disclosure 3-3 Management of material topics	Customer satisfaction (80)
	13.10.2 Disclosure 416-1 Assessment of the health and safety impacts of product and service categories	Customer satisfaction (80)
	13.10.3 Disclosure 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	No incidents of non-compliance concerning health and safety of products were reported.
<b>Topic 13.11 Animal health and welfare</b>	Not applicable	
<b>Topic 13.12 Local communities</b>	13.12.1 Disclosure 3-3 Management of material topics	Contributing to the community (76)
	13.12.2 Disclosure 413-1 Operations with local community engagement, impact assessments, and development programs	Contributing to the community (76)
	13.12.3 Disclosure 413-2 Operations with significant actual and potential negative impacts on local communities	Contributing to the community (76)
<b>Topic 13.13 Land and resource rights</b>	Not applicable	
<b>Topic 13.14 Rights of indigenous peoples</b>	Not applicable	
<b>Topic 13.15 Non-discrimination and equal opportunity</b>	13.15.1 Disclosure 3-3 Management of material topics	Governance and structure (88) Diversity and equal opportunity (65) <a href="#">Kulim Integrated Report 2021</a>
	13.15.2 Disclosure 405-1 Diversity of governance bodies and employees	Governance and structure (88) Diversity and equal opportunity (65) <a href="#">Kulim Integrated Report 2021</a>
	13.15.4 Disclosure 406-1 Incidents of discrimination and corrective actions taken	No incidents of discrimination reported

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GRI STANDARD	DISCLOSURE	LOCATION (Section of report / website link]
<b>Topic 13.16 Forced or compulsory labor</b>	13.16.1 Disclosure 3-3 Management of material topics	No child, forced or bonded labour (73)
	13.16.2 Disclosure 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	No child, forced or bonded labour (73)
<b>Topic 13.17 Child labor</b>	13.17.1 Disclosure 3-3 Management of material topics	No child, forced or bonded labour (73)
	13.17.2 Disclosure 408-1 Operations and suppliers at significant risk for incidents of child labor	No child, forced or bonded labour (73)
<b>Topic 13.18 Freedom of association and collective bargaining</b>	13.18.1 Disclosure 3-3 Management of material topics	Worker unions (72)
	13.8.2 Disclosure 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Worker unions (72)

## GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	LOCATION (Section of report / website link]
<b>Topic 13.19 Occupational safety and health</b>	13.19.1 Disclosure 3-3 Management of material topics	Occupational safety and health (70)
	13.19.2 Disclosure 403-1 Occupational safety and health management system	Occupational safety and health (70)
	13.19.3 Disclosure 403-2 Hazard identification, risk assessment, and incident investigation	Occupational safety and health (70)
	13.19.4 Disclosure 403-3 Occupational health services	Occupational safety and health (70)
	13.19.5 Disclosure 403-4 Worker participation, consultation, and communication on occupational safety and health	Occupational safety and health (70) Base data (101)
	13.19.6 Disclosure 403-5 Worker training on occupational safety and health	Occupational safety and health (70) Base data (101)
	13.19.7 Disclosure 403-6 Promotion of worker health	Occupational safety and health (70)
	13.19.10 Disclosure 403-9 Work-related injuries	Occupational safety and health (70) Base data (101)
	<b>Topic 13.20 Employment practices</b>	Not applicable
<b>Topic 13.21 Living income and living wage</b>	Not applicable	

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GRI STANDARD	DISCLOSURE	LOCATION (Section of report / website link]
<b>Topic 13.22 Economic inclusion</b>	13.22.1 Disclosure 3-3 Management of material topics	About Kulim (15) Wages, benefits, and living conditions (61) Supporting smallholders and traders(82) Contributing to the community (76)
	13.22.2 Disclosure 201-1 Direct economic value generated and distributed	About Kulim (15) Wages, benefits, and living conditions (61) Supporting smallholders and traders (82) Base data (94)
	13.22.3 Disclosure 203-1 Infrastructure investments and services supported	Contributing to the community (74) Supporting smallholders and traders (82)
	12.22.4 Disclosure 203-2 Significant indirect economic impacts	Contributing to the community (74) Supporting smallholders and traders (82)
	<b>Topic 13.23 Supply chain traceability</b>	13.23.1 Disclosure 3-3 Management of material topics
	13.23.2 Additional sector disclosures	Traceability (82)
	13.23.3 Additional sector disclosures	Traceability (82)
	13.23.3 Additional sector disclosures	Traceability (82)
<b>Topic 13.24 Public policy</b>	Not applicable	
<b>Other material topics not covered by the GRI Standards 2021</b>		
<b>Risk management and controls</b>		Ethics, integrity and managing grievances (90)
<b>Common-group level goals</b>		Our sustainability commitments (20) Promoting transparency and accountability (88)
<b>Logistics and transportation</b>		Vendor and contractors (85)
<b>Fire and haze</b>		Zero-burning and managing soil erosion (56)
<b>Pandemic preparedness</b>		Our sustainability commitments (20) Supporting communities during Covid-19 (79)
<b>Stakeholder collaboration and communication</b>		Stakeholder engagement (91) Improving reporting and communications (92)

## ASSURANCE STATEMENT



## INDEPENDENT ASSURANCE STATEMENT

Control Union (Malaysia) Sdn Bhd (hereinafter referred to as "Control Union") was commissioned by Kulim (Malaysia) Berhad (hereinafter referred to as "Kulim") to undertake an independent assurance of Sustainability Report 2020 – 2021. Due to the time of publication, some significant milestones from 2022 are included in the Sustainability Report.

Kulim is responsible for the collection, analysis and preparation of the information in the Sustainability Report. Control Union was not involved in the preparation of any material included in the report, except for the issuance of this Independent Assurance Statement.

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

Control Union's assurance engagement is based on the assumption that all data and information provided is reliable and in good faith.

#### Scope of Assurance

Kulim's Sustainability Report was developed using Global Reporting Initiative (GRI) standards. Thus, assurance has been planned and performed for the selected sustainability performance disclosures presented by Kulim in the Sustainability Report. Control Union multi-disciplinary verification team performed the assurance process that involves verification of the following aspects:

#### Inclusivity:

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

Kulim has continuously engaged with several groups of stakeholders, which resulted in several notable engagements related to environmental, social and governance for the period of 2020 until 2022. The results of maintaining open stakeholder dialogue and through multiple platforms and programmes allow Kulim 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*

The ESG-related material topics are identified and prioritised through comprehensive review with their sustainability reporting consultant, survey with employees and engagement with Kulim's external stakeholders. The process of identification of relevant materiality topics as verified in the materiality matrix resulted in changes of their material topics from previous report.

## ASSURANCE STATEMENT



#### Responsiveness:

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

Kulim 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 is able to directly address the concerns of stakeholders and effectively act on these concerns. Through such engagements, notable results are obtained for example, formed partnerships, receiving sustainability-linked loan and programmes such as labour transformation programme.

#### 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 presented 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 of personnel with relevant divisions and consultant responsible for Sustainability Report

#### Independence and quality control

Control Union Certifications, operating in more than 70 countries in six continents, offer one of more than 100 available programmes. It is affirmed that Control Union and the auditors are free from bias and conflict of interests with the Organization. The auditors performing the data check have proven track records in the review of similar assignments and qualified according to industry leading third-party certification programs of the palm and forestry sector.

#### Conclusion

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.

For and on behalf of Control Union (Malaysia) Sdn Bhd,	
Signed: Chathuranga Deshapriya	Signed: Supun Nigamuni
Date: 22-12-2022	Date: 22-12-2022
Lead Verifier	Managing Director

## GLOSSARY

**Biodiversity** | The diversity (number and variety of species) of regional plant and animal life.

**Biological oxygen demand (BOD)** | The amount of oxygen used when organic matter undergoes decomposition by microorganisms. BOD testing assesses the amount of organic matter in the water.

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

**Certified sustainable palm oil (CSPO)** | Palm oil that is RSPO- or MSPO-certified according to specific criteria.

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

**Empty fruit bunch (EFB)** | Remains of FFB after the fruit has been removed for oil pressing; a potential biomass source 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 from 10 kg to 40 kg depending on the size and age of the tree.

**Free, prior, and informed consent (FPIC)** | The principle that a given community has the right to grant or withhold its consent for 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** | Atmospheric 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** | An object or action that is permissible to be used or engaged in according to Islamic laws. The term covers and designated not only food and drink but also all matters of daily life.

**High carbon stock (HCS)** | The amount of carbon and biodiversity stored within a land. The amount varies according to the type of vegetative cover. The HCS approach stratifies the vegetation in a given land area according to six classes using analyses of satellite data and ground survey measurements.

**High conservation value (HCV)** | HCVs are natural habitats of outstanding significance or critical importance due to their high biological, ecological, social or cultural values. These lands must be appropriately managed to maintain or enhance their identified values. There are six possible HCVs covering the environmental and social aspects of a natural forest.

**Identity Preserved** | An RSPO supply-chain model where 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 a single mill.

**International Organization for Standardization (ISO)** | An international standard-setting body comprised of representatives from various national standards organisations.

**Integrated pest management (IPM)** | The careful consideration of pest control techniques and subsequent measures to discourage pests and ensure that pesticides and other interventions are kept to economically justified levels and reduce or minimise risks to human health and the environment. IPM encourages the growth of healthy crops with the least disruption to agroecosystems. Natural pest control mechanisms are encouraged.

**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 listing endangered species in every nation.

**International Sustainability and Carbon Certification (ISCC)** | A sustainability certification system covering the entire supply chain and all biobased feedstocks and renewables.

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

**Malaysian Sustainable Palm Oil (MSPO)** | A Malaysian national certification standard developed with palm oil industry stakeholder input.

**Mass balance** | An RSPO supply-chain model that allows mixing RSPO-certified and non-certified palm oil at any stage in the supply chain provided that overall quantities are controlled.

**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 mill-extracted oil palm fruit. CPO is taken out 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 also be smallholders.

**PalmGHG** | RSPO PalmGHG is a tool that calculates the emissions generated and sequestered from activities and processes during the agricultural and mill stages. A detailed scope and boundaries can be found [here](#).

**Palm fibre** | Byproduct of a palm oil mill, produced from oil palm's vascular bundles in the EFB.

**Palm oil mill effluent (POME)** | A byproduct of processed FFB.

**Peat** | A soil surface organic layer consisting of partially decomposed organic matter, derived mainly from plant material, which has accumulated under conditions of waterlogging, oxygen deficiency, high acidity and nutrient deficiency.

## GLOSSARY

## GLOSSARY

**Promoting Intelligence, Nurturing Talent and Advocating Responsibility Foundation (PINTAR)** | An institution that supports 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 sustainable palm oil certification scheme. 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 that are structurally bound by contract, a credit agreement or a given mill. Scheme smallholders are often not able to choose which crops they cultivate. They are supervised in their planting and crop management techniques. They are often 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 positive and negative social consequences of planned interventions (policies, programs, plans, projects) and any social changes triggered by those interventions. SIA is intended to foster 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** | An expression denoting a long-term balance between social, economic, and environmental objectives. The term is often connected to sustainable development, which is defined as progress that meets the needs of the current generation without compromising the needs of future ones.

**Sustainable Development Goals (SDGs)** | Also known as the global goals, SDGs were adopted in 2015 by all United Nations member states as a universal call to action to end poverty, protect the planet and ensure that all peoples can 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** | Participants in the RSPO-certified oil palm products supply chain. The traders take legal ownership of oil palm products, derivatives and/or purchases and sell futures without physically handling the oil palm products.

**Women OnWards (WOW)** | Formerly known as Kulim's Women's Grievance Panel or *Panel Aduan Wanita*, the programme's objective is to empower Kulim's female community. WOW is also a mechanism for women to address gender-related grievances.

## CONTACT

[GRI 2-3]

We welcome your thoughts or suggestions regarding this report. Feedback can be directed to:

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