



Plantations



KUALA LUMPUR KEPONG BERHAD
(15043-V)

SUSTAINABILITY REPORT 2017



SUSTAINABILITY STATEMENT & REPORT

SUSTAINABILITY MISSION STATEMENT

KLK is committed to creating sustainable stakeholders values by integrating environmental and societal concerns into its business strategies and performance.

Such values are realised through continuous balanced assessment and development of its operations, which simultaneously conserving and improving the natural environment, and uplifting the socio-economic conditions of the employees and communities. The management of sustainable business and corporate responsibility activities are focused on four (4) core areas, namely:



This Sustainability Report (“Report”) had been prepared with guidance from Bursa Malaysia’s Sustainability Reporting Framework and the Global Reporting Initiative G4 (“GRI”) guidelines. This Report lays out our ways of working, and how they relate to our Company’s performance on an operational and business level. This Report focuses on the Plantations and the Oleochemicals division (“KLK OLEO”), which are our largest and most established business sectors.

The economic, environmental and social (“EES”) performance in the following pages covers data which have been compiled internally for the 12-month period from 1 October 2016 to 30 September 2017, and where applicable, historical data of the preceding year have been included for comparison. We will move towards seeking external assurance for future reports. Our goal with this Report is to share our progress, development and improvements relating to sustainability. More specifically, in addition to managing sustainability governance, sustainable product development and environmental stewardship, we also advance our people and partner with the community for balanced development.

SUSTAINABILITY
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KLK SUSTAINABILITY MILESTONES 1999



THE JOURNEY CONTINUES...

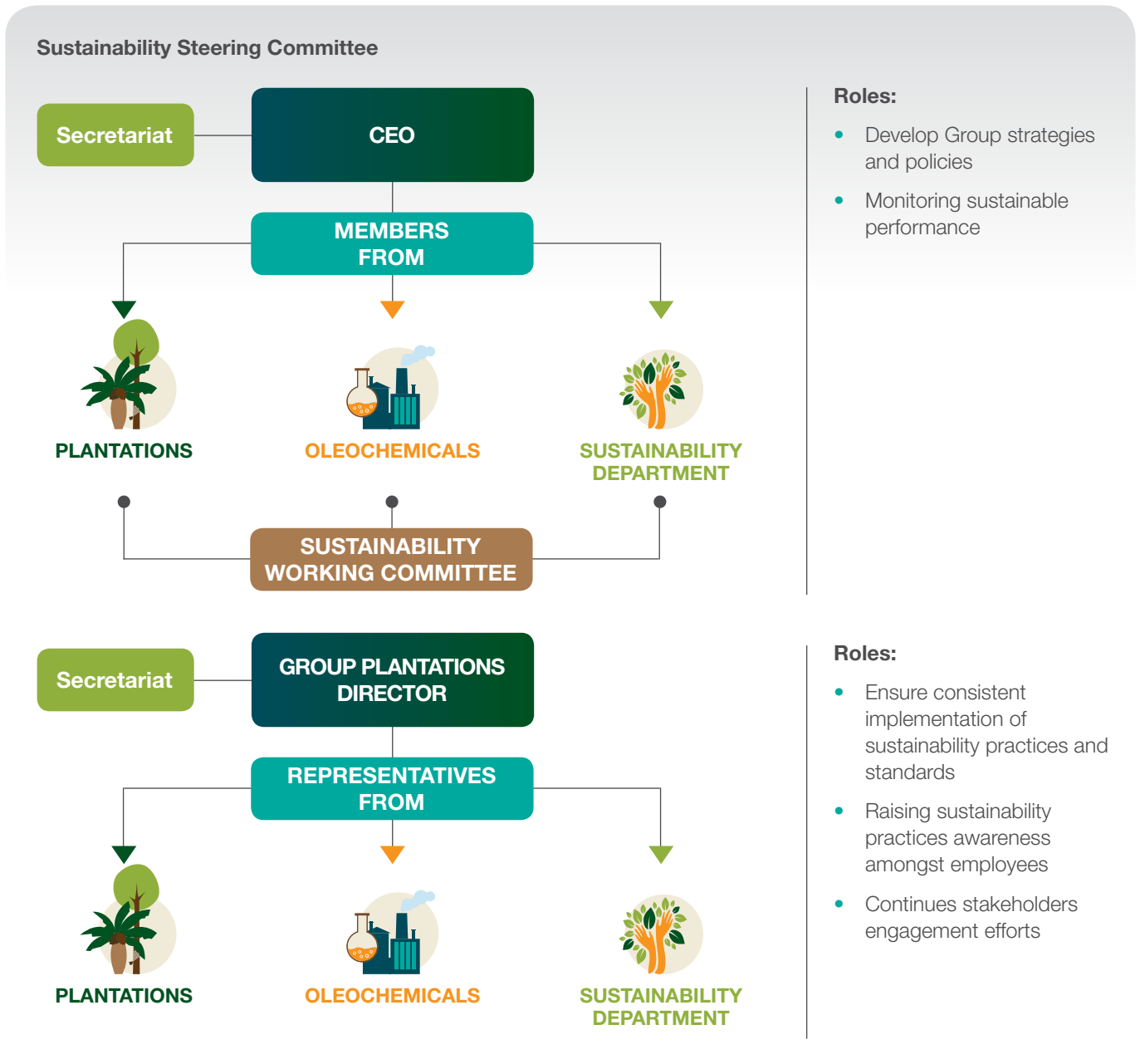
SUSTAINABILITY STATEMENT & REPORT

SUSTAINABILITY GOVERNANCE

At KLK, sustainability is an organic journey and a fundamental aspect of how it conducts its business. Sustainability governance is done through the Sustainability Steering Committee (“SSC”) formed in September 2015, chaired by the CEO whilst members of the SSC include the Group Plantations Director, Managing Director of KLK OLEO and representatives from the Sustainability team.

The mandate of the SSC is to develop sustainable strategies and policies, and to guide decision-making efforts for the Group. The SSC also has a monitoring role to ensure that KLK meets both its compliance and sustainable development responsibilities. The CEO updates the Board of Directors on the Group’s progress pertaining to its Sustainability Agenda.

The SSC is supported by the Sustainability Working Committee (“SWC”). The SWC discusses operational matters that center around sustainability, recommends and implements solutions.



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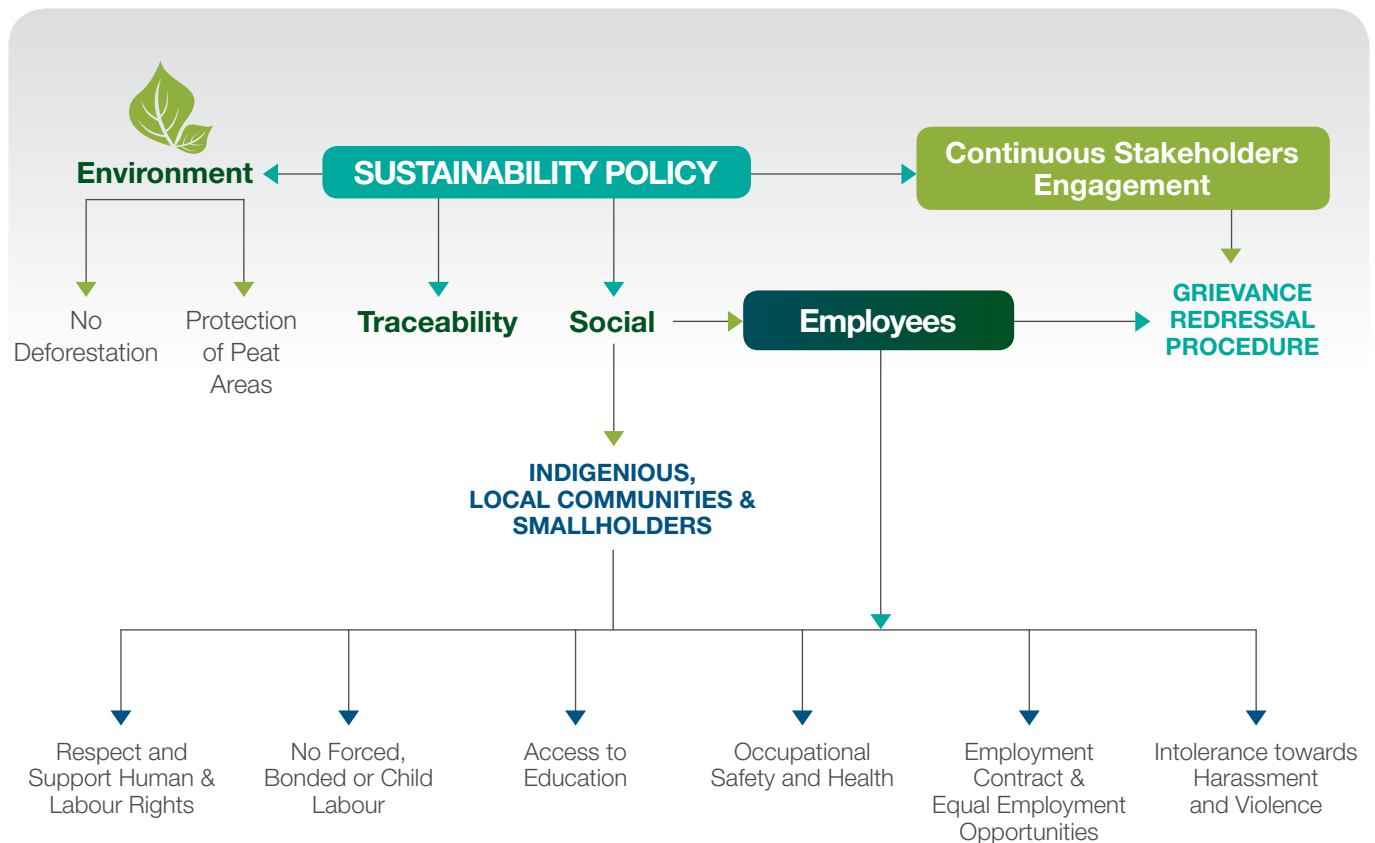
Sustainability Policy

Sustainability has been embedded in our operations since the early 2000s. This is evidenced by our longstanding implementation of good agricultural practices, including a strict Zero Burning Policy for new plantings and replanting.

In line with this, in December 2014, we have developed our comprehensive Sustainability Policy ("Policy"). This publicly available Policy helps us keep our values, sustainability pillars and commitments in check. KLK adopts the Principles & Criteria ("P&C") set out by the RSPO as the foundation of

its sustainable practices and are further guided by the areas stipulated in its Policy. The focus areas would include:

- No deforestation;
- No development on peatland for new plantation areas; and
- No exploitation of stakeholders which include employees, local & indigenous communities and smallholders.



The Policy is currently being reviewed for relevance and will be amended (including complimentary policies issued to support the Policy), where applicable, to reflect developments that have taken place during the last three (3) years since its introduction. The review will also look into a new timeline for our supply chain to fully comply with the Policy, in view of the challenge for third party suppliers and dealers to fully adhere to the commitments in the Policy. The revised Policy is expected to be announced at the end of March 2018.

KLK is also committed to provide updates as and when there are new developments and not on a half yearly basis as stipulated in the Policy.

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Policy Action Plan & Implementation Status

OCT 2016 - SEPT 2017	
Action Plan	SUMMARY OF IMPLEMENTATION
<ul style="list-style-type: none"> To continue engagement sessions with external suppliers, customers and Non-Government Organisations (“NGOs”) – both upstream and downstream. 	<ul style="list-style-type: none"> Engagement with stakeholders are important element in our policy.
<ul style="list-style-type: none"> Continue assistance to certify Smallholders. 	<ul style="list-style-type: none"> Certification completed in April 2017. We will continue to support the certified Smallholders to meet with the expected standards.
<ul style="list-style-type: none"> Apply the High Carbon Stock (“HCS”) Approach methodology to new planting areas in Liberia and Indonesia. 	<ul style="list-style-type: none"> Completed HCS Approach assessment operations in Indonesia and Liberia in April and August 2017 respectively.
<ul style="list-style-type: none"> Review Malaysian and Indonesian labour practices. Implementing measures to reduce or close the gaps. 	<ul style="list-style-type: none"> Continuos review of labour practices between Malaysia and Indonesia. Areas of high priority includes ensuring there is no bondage or forced labour and adherence to our Policy by external contractors appointed for specific work in the fields.
<ul style="list-style-type: none"> Initiate field assessment on external suppliers to ascertain level of compliance with Policy. 	<ul style="list-style-type: none"> Field assessment was undertaken for three (3) external suppliers and one (1) dealer. We will continue with the engagement with other suppliers and carry out the field assessments in FY2018.
<ul style="list-style-type: none"> All MSPO Certification audits to be completed by November 2017. 	<ul style="list-style-type: none"> We obtained our first MSPO certification for our Kekayaan Palm Oil Mill. All our remaining Malaysian palm oil mills have been audited in November 2017 and are awaiting their certification, expected to be obtained by end December 2017.

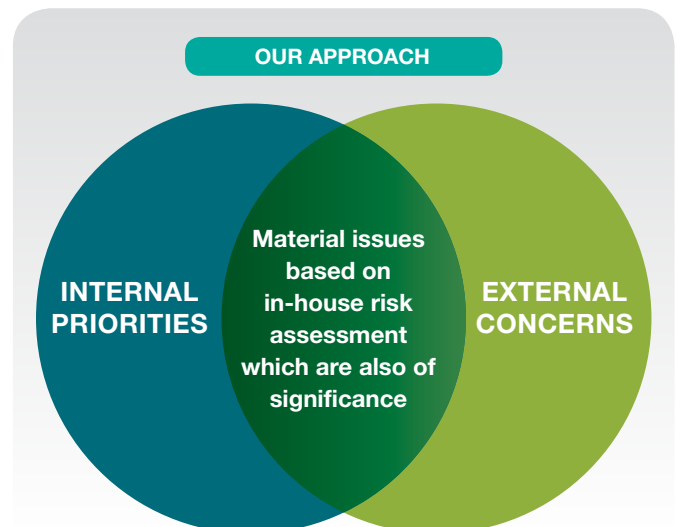
MATERIALITY MATRIX

According to the GRI, materiality refers to aspects that reflect an organisation’s significant EES impact, and how a company can have a substantial influence on stakeholder assessments and decisions.

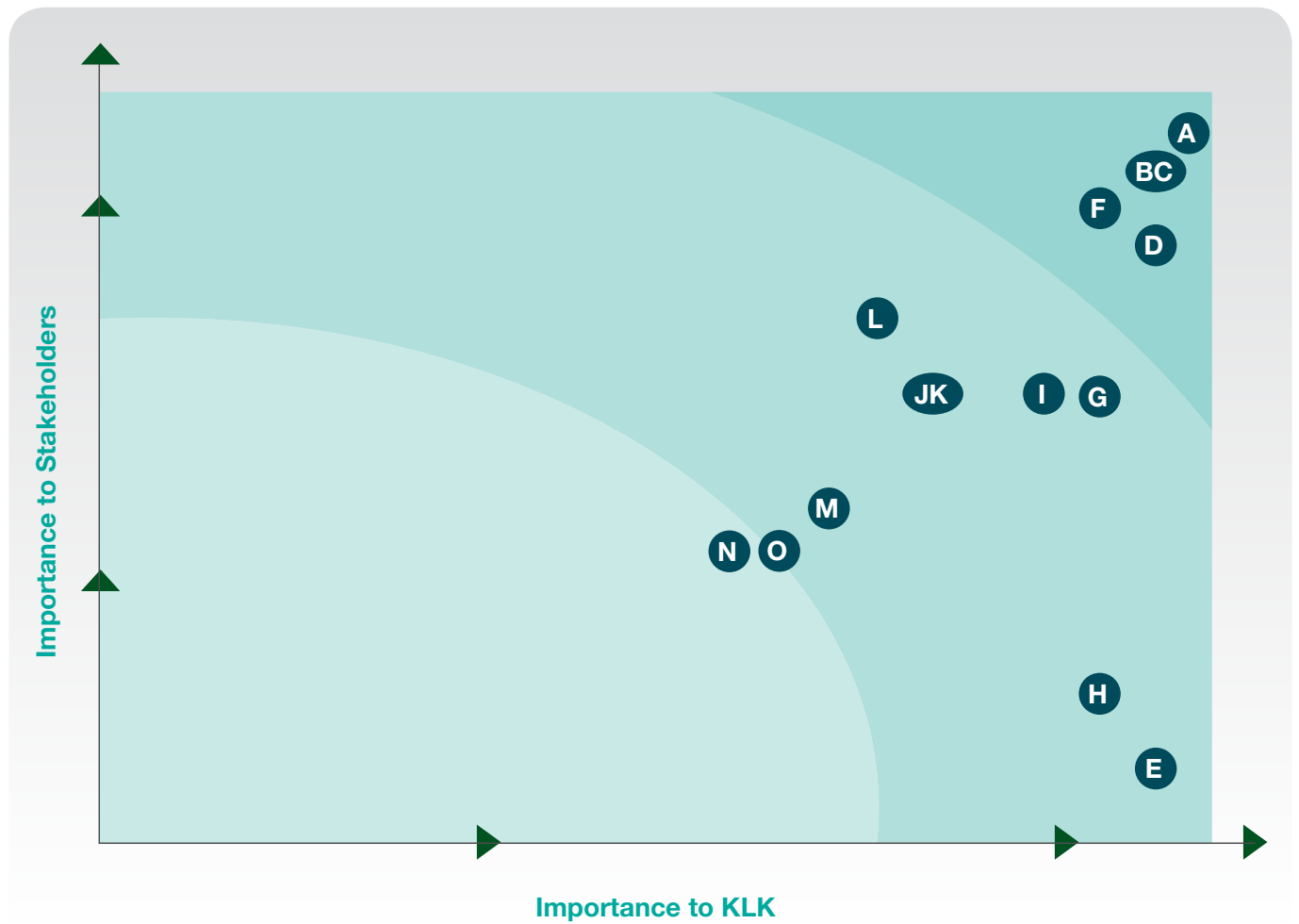
During the preparation of KLK’s first Report for FY2016, we conducted a materiality assessment exercise which involved a combination of in-house risk assessment and identification of external stakeholder expectations and trends. The Senior Management reviewed key EES issues which our stakeholders are most concerned with, against potential financial, operational and reputational impact that these issues may have on the Company. The Materiality Matrix (“MM”) was drawn up based on this.

We realise that in today’s globalised and fast-paced world, material issues are always evolving. However, since there has been no major corporate developments or developments specific to the Company’s Plantations and KLK OLEO for FY2017, our MM remains the same for most of the part, except in the increased importance of Water Footprint and Community Investment.

It should be noted that material issues that fall outside the scope of coverage are no less important considerations to us and disclosure of our progress in addressing these concerns continue to be made through other appropriate channels.



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● High Importance ● Very High Importance ● Extremely High Importance

- A. Deforestation of HCS Forests and Peatlands
- B. Degradation of High Conservation Value and Biodiversity
- C. Traceability
- D. Legal Compliance
- E. Employee Retention

- F. FPIC
- G. Product Certification
- H. Operational & Development Cost
- I. Health and Safety
- J. Labour Relations and Human Rights

- K. Sustainable Development of Smallholders
- L. Carbon Footprint
- M. Water Footprint
- N. Community Investment
- O. Training and Education

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MARKETPLACE

TRACEABILITY

Traceability is of utmost importance to our business where supply chains run across business sectors i.e. Plantations and KLK OLEO. It is to ensure that our end products are sustainably produced, which is an increasingly important consideration for our stakeholders.

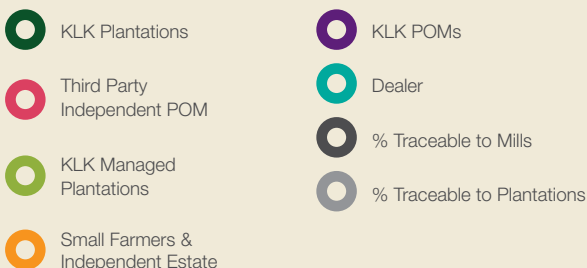
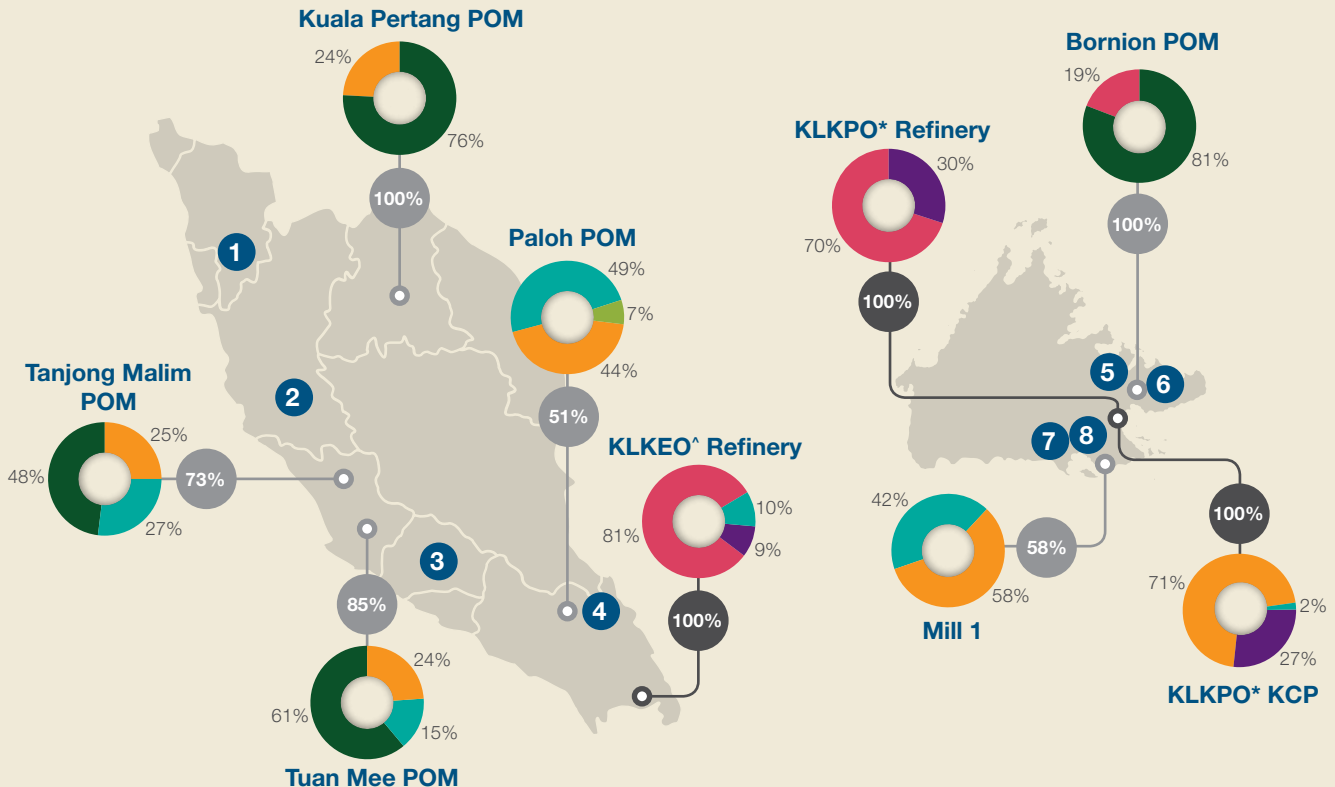
Traceability at Plantations

The palm products produced at KLK are traceable right up to its respective palm oil mills ("POMs"), refineries and kernel crushing plants ("KCPs"). The next step of tracing the

source of palm products of its third-party suppliers, remains a huge challenge. These suppliers include Smallholders, Small Growers, external POMs, external refineries and other palm products production plants. KLK has taken steps to understand the practices of its third-party suppliers and to include them in its traceable data. This is a long-term process and KLK will strive to convince its third-party suppliers of the importance of adopting traceability requirements.

To further improve transparency towards traceable palm products, KLK has also made available the GPS coordinates of its POMs in its corporate website, www.klk.com.my.

KLK POMs, Refineries and KCPs in Malaysia FY2017



POM RECEIVING 100% FFB FROM KLK PLANTATIONS:

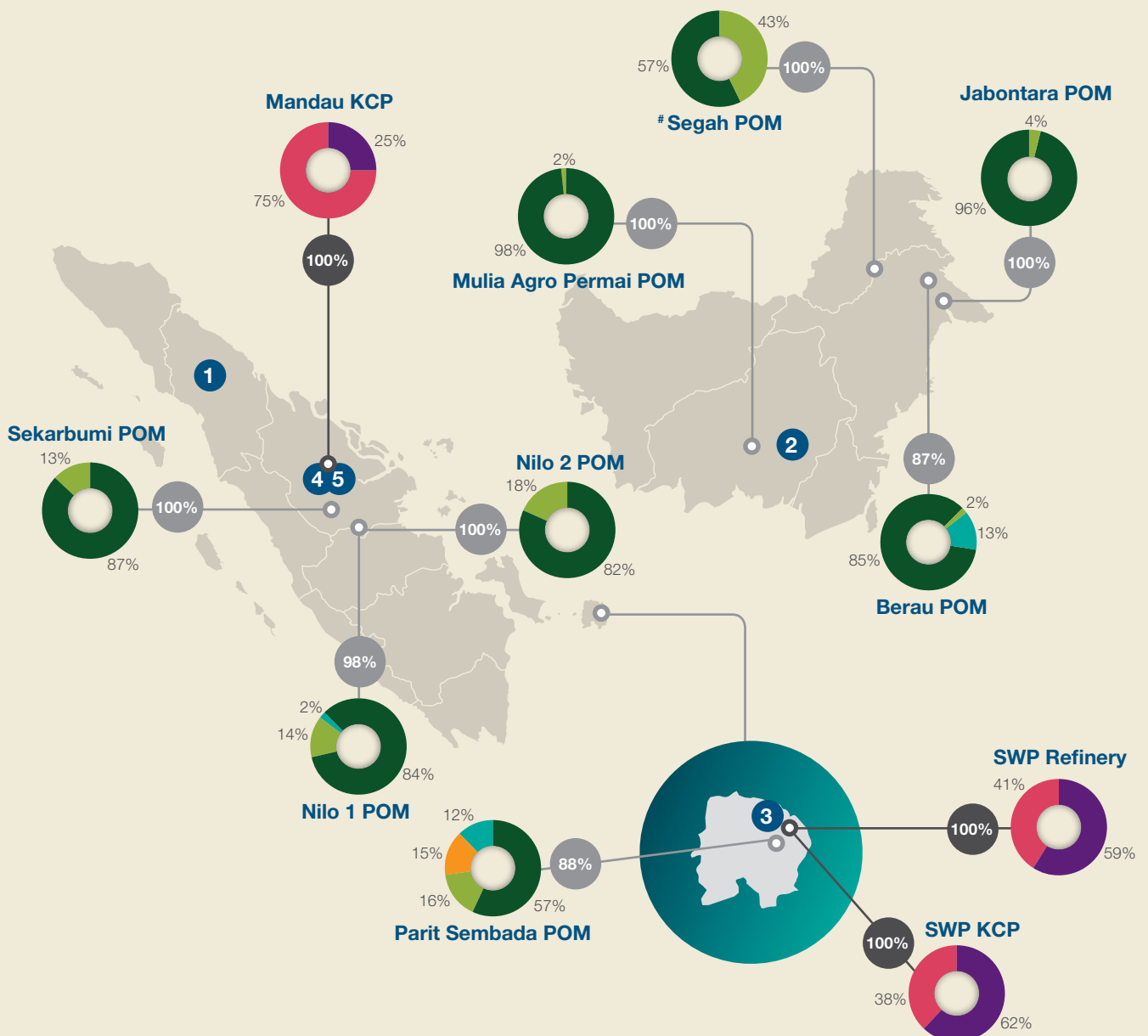
1. Batu Lintang POM
2. Changkat Chermin POM
3. Jeram Padang POM
4. Kekayaan POM
5. Rimmer POM
6. Lungmanis POM
7. Pinang POM
8. Mill 2 POM

^ KLKEO – KL-Kepong Edible Oils Sdn Bhd
 * KLKPO – KLK Premier Oils Sdn Bhd

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KLK POMs, Refineries and KCPs in Indonesia
FY2017



POM RECEIVING 100% FFB FROM KLK PLANTATIONS:

1. Stabat POM
2. Karya Makmur Abadi POM
3. Steelindo Wahana Perkasa POM
4. Mandau POM

MANDAU REFINERY RECEIVING 100% PKO FROM:

5. Mandau KCP

Managed by KLK

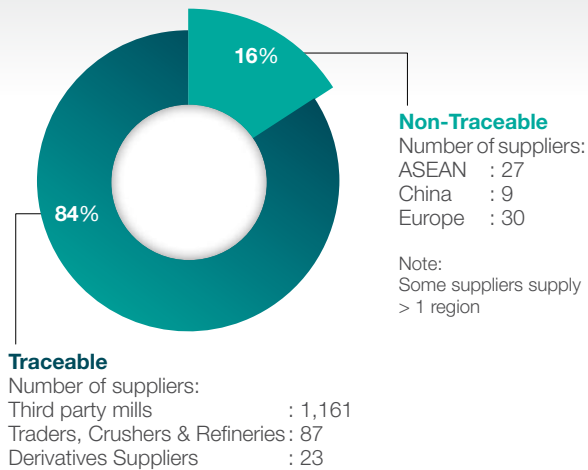
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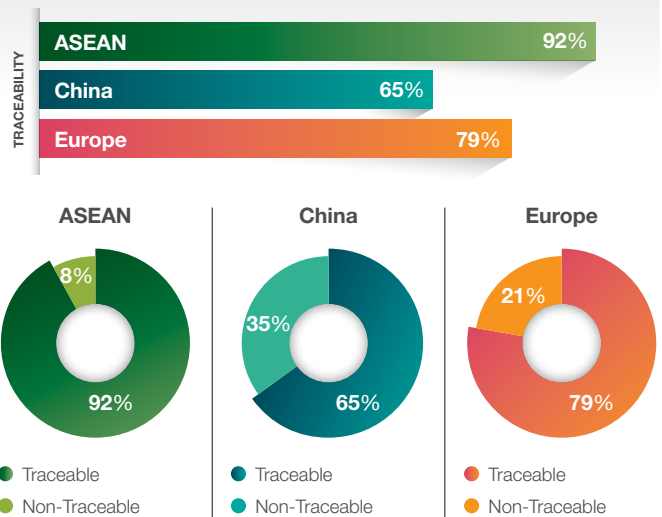
Traceability at KLK OLEO

With the inherent complexity in KLK's supply chain, traceability for its downstream business is mapped to the POM level and the data provided are estimates. The percentages disclosed were tabulated based on the weighted average purchases for oils and derivatives processed in its OCs in China, Europe, Indonesia and Malaysia and taking into consideration the information publicly available and those provided by its suppliers (with verification exercises still on-going).

KLK OLEO Traceability Status FY2017

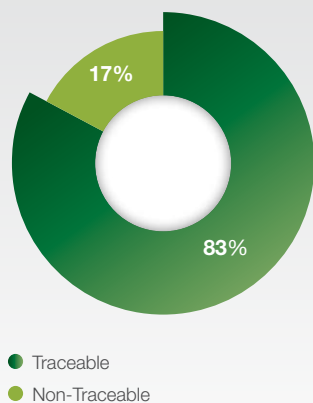


Traceability (By Region) FY2017

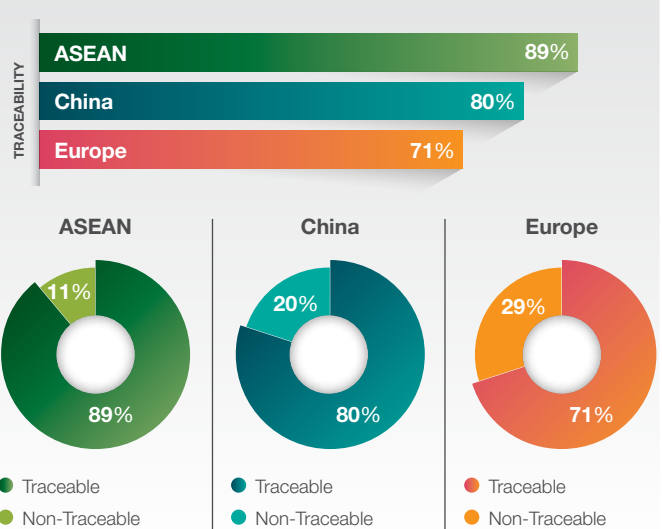


Traceability (By Feedstock) FY2017

Palm Kernel Based

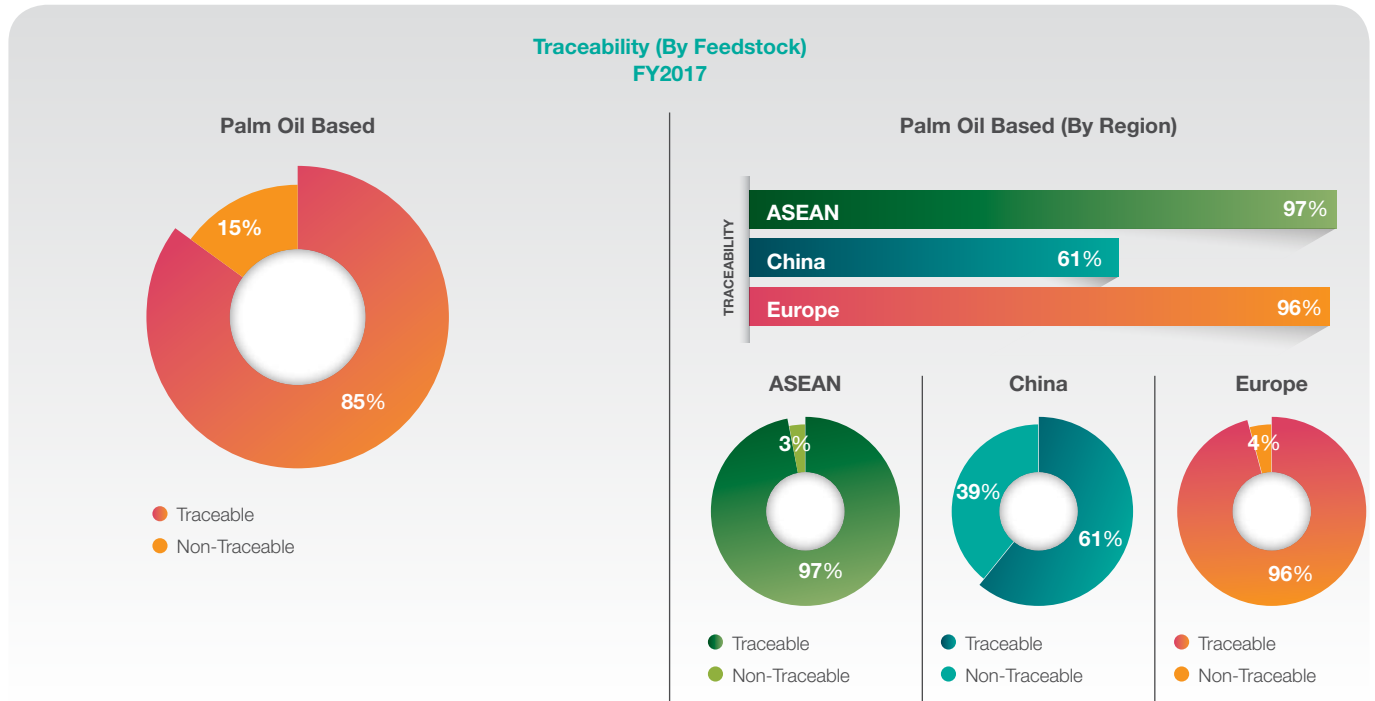


Palm Kernel Based (By Region)



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Supply Chain Sustainability Risk Management

At KLK OLEO, we strive to manage sustainability risks throughout the supply chain. To handle this, we developed a risk-based sustainability sourcing framework, presented below. During the FY, we have been implementing the sourcing framework, shown below, with our tier 1 suppliers. We believe continuous engagement with our suppliers together with cooperation and collaboration are key to successful supply chain management.

Milestones - Third Party Supply Chain Management Programme

MILESTONE	DELIVERABLE & TIMELINE	STATUS
1. Assess current state	January – February 2017	✓
2. Conduct sustainability lab	28 February 2017	✓
3. Develop sustainability sourcing framework	<ul style="list-style-type: none"> Sustainability sourcing framework & Supplier Code of Conduct: March – June 2017 2 on-site audit pilot tests on direct suppliers: <ul style="list-style-type: none"> i. Palm Oil Mill (29 May 2017) ii. Kernel Crusher & Refinery (8 June 2017) 	✓ ✓
4. Perform supplier engagement sessions	<ul style="list-style-type: none"> Sustainability Talk: 26 July 2017 Webinar 1: 22 August 2017 Webinar 2: 20 September 2017 	✓ ✓ ✓
5. Execute sustainability sourcing framework	<ul style="list-style-type: none"> Scheduled from August – December 2017 Primary, secondary and tertiary assessments Perform on-site audits for selected high-risk suppliers 	⚙️ ⚙️ ★
6. Review risk mitigation plan	<ul style="list-style-type: none"> Scheduled from January 2018 onwards 	★

Legend

✓ Implemented

⚙️ On-going

★ In Pipeline

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STAKEHOLDERS ENGAGEMENT

With stakeholder engagement as a cornerstone of KLK’s sustainability approach, the Group actively meets, converses, consults and works with a broad cross-section of stakeholders to address areas of shared interests and concerns. Our commitment to continuously engage with them echoes our support for Free, Prior and Informed Consent (“FPIC”) process.

Regular engagements are held with internal and external stakeholder groups to keep them updated on the latest developments within our Company. At least once a year, all our operating centres (“OCs”) hold both internal and external stakeholder meetings. These meetings allow us to communicate information on Company policies and activities and further discuss on issues that could impact stakeholders’ interests. We record these communication sessions in stakeholder meeting minutes, which are available at our mills and estates.

Apart from official meetings, information is also provided to stakeholders upon request to our Management.

Our website www.klk.com.my is one of the channels to further enhance stakeholders communication. Information pertaining to the Group including announcements, news releases, stakeholders responses, quarterly financial announcements and reports are made available online. All such communications are guided by our Corporate Disclosure Policy. We also have a dedicated email account, sustainability@klk.com.my for direct communication with us and a Grievance Redressal Procedure in place. We aim to address any grievance or complaints between the Group and other parties fairly and effectively. Our channels provide a framework for non-discriminatory and fair treatment to all parties.

Stakeholder Groups and Key Engagement Conducted in FY2017

STAKEHOLDER GROUP	HOW KLK ENGAGES WITH STAKEHOLDERS	OUTCOME
Employees	<ul style="list-style-type: none"> Team building, sport and social activities Annual training programmes Building different employee committees 	<ul style="list-style-type: none"> First-aid, RSPO P&C, environment, social and safety aspects training Employees are provided avenues to share their needs and desires
Local Communities	<ul style="list-style-type: none"> Meetings with different stakeholders Organise joint exercises with different stakeholders 	<p>Liberia</p> <ul style="list-style-type: none"> Signed Memorandum of Understanding (“MoU”) with different stakeholders Initiated the Smallholder Tree Crops Revitalisation Support Project in collaboration with Liberia’s Ministry of Agriculture and World Bank assisting oil palm smallholders Developed joint participatory mapping Conflict resolutions including settling land claims Oil palm maintenance training All communities agreed with the initiated village buffer zone in Liberia <p>Other regions (Malaysia and Indonesia)</p> <ul style="list-style-type: none"> Training programme for Smallholders supplying to Bornion Palm Oil Mill, Sabah Engaging and organising community projects that involve local communities such as “gotong-royong” at village, health talks and checks for villagers and festive celebrations

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STAKEHOLDER GROUP	HOW KLK ENGAGES WITH STAKEHOLDERS	OUTCOME
Governments	Engage with different ministries and involve them in our projects	Compensation process and venue
Media	Involve media in our local projects, invite them to our meetings	Articles published about our projects
Secretariat of certification bodies such as: RSPO, MSPO, ISPO, ISCC	Regular reporting: meetings	Actively engaged as a member of the RSPO
Certification Bodies	One-on-one meetings	Audit and certification
NGOs	Involve different NGOs in meetings and joint exercises	Collaboration with Smallholders, development of programmes
Schools and Universities	<ul style="list-style-type: none"> • Provide scholarships for students • Talks held in schools and universities 	<ul style="list-style-type: none"> • Opportunities for underprivileged children to further their studies • Awareness about oil palm development and the palm oil industry • Create awareness about working life and expectations of graduates • Develop a training programme to provide a skill and improve the employability of school dropouts
Consumers	Invite consumers for discussions regarding social and environmental issues	Consumers are actively involved in the production and co-creation of programmes
Consultancies	Involve consultants in project development for specific fields	Successful execution and project results
Investors	One-on-one meetings for investment discussions	Business improvement and better business performances



Engagement with delegates from Indonesian Ministry



Estate visit by investors & fund managers

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Stakeholders Engagement in Liberia

The effort around our commitment to respecting local communities rights at our concessions in Liberia, i.e. Palm Bay Estate and Butaw Estate during this period focused on stakeholder engagements between our subsidiary Equatorial Palm Oil plc (“EPO”) with the respective land owners. Numerous meetings have taken place and were mainly in relation to:

- 1) the completion of the remaining crop counting and compensation payment exercises and the endorsement of the land use plan at Palm Bay Estate, and
- 2) dissemination and discussion on the outcome of the High Conservation Value (“HCV”) assessment with local authorities and other stakeholders in Monrovia, and most importantly to the respective communities, in Butaw Estate. Likewise, the preliminary outcome of the recent HCS assessment was also presented to the communities here.

Arising from the land deeds produced by Winston Farm and Weleysama Town in Palm Bay Estate, EPO has initiated engagements with representative(s) of both parties for their views on its development plan for the area. Relevant authorities were also engaged to confirm the land deeds and to lead the subsequent participatory mapping exercise. These engagement processes are still ongoing. EPO will respect the land owner’s decision and should they decide not to be a party to the planned development, the affected area will be delineated and excluded.

From February 2017, EPO had also initiated preliminary engagements with Palm Bay Estate’s Phase 2 communities. The engagements were mainly intended to obtain a general view of the communities on EPO’s proposed development for their area. Going forward, EPO hopes to be able to have the presence of Sustainable Development Institute (“SDI”), a non-governmental organisation to participate in EPO’s FPIC engagements with these communities.

MONTH	SPECIFIC STAKEHOLDER MEETING IN LIBERIA
Oct 2016	Met with communities of Kampala, Moarse, Payes, Gbenee and Wesseh led by Ministry of Agriculture and witnessed and attested by the District Superintendent and the District Commissioner to: <ul style="list-style-type: none"> • distribute finalised crop compensation documents to the farmers, • conduct crop compensation payment and endorsement on the land use map Held preliminary community engagements to give explanation of EPO’s intent in relation to Palm Bay Phase 2 communities of Sammy, Nuhn and Weleysama
Nov 2016	Met with the House of Representatives and community representatives on EPO’s application for the extension of the concession agreement’s rehabilitation period
Dec 2016	Conducted the crop compensation payment for the remaining 11 farmers from Kampala and Payes
Jan 2017	Met with Smallholder Tree Crop Revitalisation Support Project (“STCRSP”) programme representatives on the smallholders replanting programme Held preliminary engagements with Rivercess communities to provide explanation of the EPO’s plan
Feb 2017	Conducted boundary resurvey of Winston Farm based on their land deed Held preliminary community engagements with Palm Bay Phase 2 communities of Nuhn, Weleysama, Takpelleh and Sammy to provide explanation of Company’s plan

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MONTH	SPECIFIC STAKEHOLDER MEETING IN LIBERIA
Mar 2017	<p>Met with community of Sugarhill led by Ministry of Agriculture to conduct crop counting exercise</p> <p>Met with the STCRSP programme representatives to finalise the smallholders replanting programme</p> <p>Received consent letter for development from Weleysama and Takpelleh Town</p> <p>Met with Tarsue and Karboh communities on the resolution of the land claim issues</p> <p>Participated in the public consultation of the HCV assessment findings of Butaw at project site and Monrovia</p>
Apr 2017	<p>Met with Winston Farm owner to discuss on development options</p> <p>Received consent letter for development from Gbah Town</p> <p>Conducted preliminary engagements with Rivercess to provide explanation of EPO's plan</p>
Jun 2017	<p>Engaged with communities residing on the eastern side of Winston Farm to initiate/brief crop counting exercise</p> <p>Met with community of Sugarhill led by Ministry of Agriculture to resume the conduct of crop counting exercise</p> <p>Conducted boundary resurvey of the area indicated in the land deed submitted by Weleysama Town</p> <p>Met with SDI to discuss the option of leading the FPIC engagements in Phase 2</p>
Jul 2017	<p>Met with SDI and community representatives of Qlapojelay, Tarloe, Nuhn, Blayah, Sammy and Zaymatas Town pertaining to the development of their area</p> <p>Met with community representatives of Rivercess from Monrovia</p>
Aug 2017	<p>Met with communities of Tarsue and Karboh to initiate and subsequently close the HCS assessment process</p>
Sept 2017	<p>Held preliminary meeting with communities of New Town and Mboe Town as well as the Bah Family from Monrovia on EPO's development plan</p>

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PALM BAY AND BUTAW ESTATES: FPIC ENGAGEMENTS



Crop compensation and farm verification exercise at Palm Bay Estate



Community engagement team visited villages and towns to obtain general views of the community on EPO's development plan



SMALLHOLDERS' PROJECT

Our engagement with stakeholders goes beyond mere dialogue, as we also seek to empower and enable stakeholders to fulfill their aspirations. Our Plantations sector has led us to interiors, placing us at the doorsteps of often isolated communities. By having a presence in these remote localities, we are in a unique position to make a positive impact to the livelihoods of the rural folks.

Bornion Smallholders' Project

In April 2017, Neste joined KLK and Fuji Oil Holdings Inc. as partners, and together, are undertaking the Smallholders' Project in KLK's Bornion Palm Oil Mill in Sabah. Training programmes facilitated by Wild Asia had been organised for the smallholders with topics that include concepts relating to labour contracts and wages, environmental sustainability and HCV, best management practices, Occupational Safety and Health, storage facilities, general housekeeping and domestic & scheduled waste management. The first batch of 55 Smallholders and Small Growers under this project were successfully certified under the RSPO Certification in April 2017. With this, Bornion POM's intake of certified fresh fruit bunches ("FFB") increased from 75% to 90%.

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While we have been able to certify these 55 Smallholders and Small Growers, we acknowledge that there are many challenges faced by this group of producers when it comes to complying with the requirements of major players in the production of palm oil. As such, continuous engagement sessions with our Smallholders and Small Growers suppliers will be carried out. KLK and Wild Asia will continue to strive to achieve 100% certified FFB intake.

Smallholder Tree Crops Revitalisation Support Project

In Liberia, out of the 54 cooperative farmers initially identified for the Smallholder Tree Crops Revitalisation Support Project in District #4 of Grand Bassa County, 33 of them qualified for the project. These eligible farmers have since benefited from the project, from receiving various farming tools, supplies of good planting materials and fertilisers funded by World Bank to receiving technical support from EPO for replanting works in their oil palm farms. To-date, the project has successfully completed the replanting work at these farms.

CERTIFICATIONS

Certification is indispensable and central to any meaningful pursuit. It serves to provide reliable assurance to stakeholders that the Company's products are produced ethically and responsibly, with the necessary safeguards put in place to mitigate risks. We prioritise recognised standards which are consistent with our core commitments and add value through improved market access, enhanced brand reputation and advancement of best-in-class practices.

Roundtable on Sustainable Palm Oil ("RSPO")

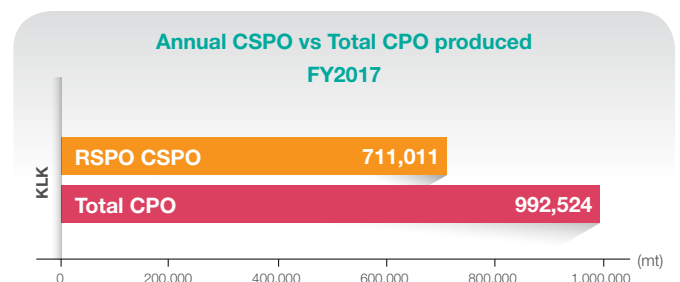
RSPO

Roundtable on Sustainable Palm Oil

The RSPO is a multi-stakeholder initiative that aims to transform the market to make sustainable palm oil the norm. Members consist of supply chain members namely producers and processors, consumer goods manufacturers, retailers, banks & investors as well as environmental and social non-governmental organisations. KLK is one of its pioneer members and is fully committed to certify all of its OCs. KLK's Malaysian operations have been fully certified since 2014. For its Indonesia operations, KLK targets to achieve full certification by end of 2019 to allow sufficient time to resolve technical matters peculiar to Indonesia.

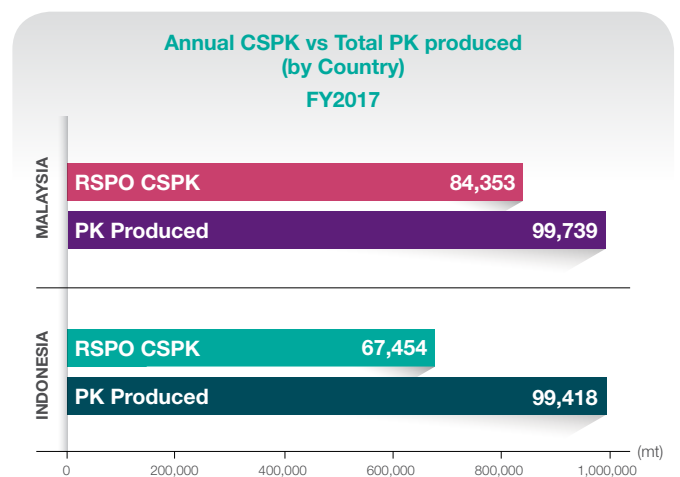
RSPO Certified Sustainable Palm Oil ("CSPO")

Our current estimated annual production of RSPO CSPO has reached 711,011 mt, which represents approximately 72% of our total CPO produced.



RSPO Certified Sustainable Palm Kernel ("CSPK")

In Malaysia, KLK certified 84,353 mt of CSPK under the RSPO certification scheme. This accounts for 85% of the total PK produced in Malaysia. In Indonesia 68% has been certified in FY2017 representing a total quantity of 67,454 mt.



RSPO Supply Chain Certificate ("SCC")

Supply Chain Certification assures customers that the palm oil and palm kernel oil used in the production of finished goods, actually comes from the claimed RSPO source. Four (4) refineries and three (3) KCPs in Malaysia and Indonesia, together with KLK OLEO in Malaysia, Indonesia, China and Europe, are RSPO SCC certified. With the SCC, it can satisfy the product and sustainable development needs of its customers.

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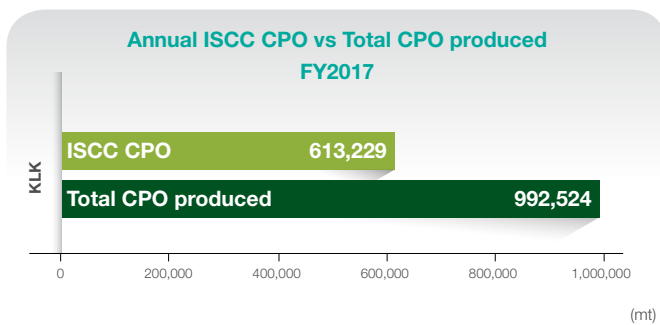
Malaysian Standard on Sustainable Palm Oil (“MSPO”)

The MSPO provides general principles for the implementation, establishment and improvement of the operational practices of a sustainability system incorporated in Malaysia to ensure the sustainability of palm oil. This certification standard currently covers the oil palm industry supply chain comprising independent and organised smallholders, plantations and POMs. It also includes grouping smallholders into Sustainable Palm Oil Clusters (“SPOC”) or other group management systems. Certification of palm kernel crushers, refineries and palm biomass and biofuel plants will be implemented once the standards are ready. KLK targets to achieve full certification for Malaysian operations by end of 2017, a year ahead of the mandatory timeline for producers that already have RSPO certifications.

International Sustainability and Carbon Certification (“ISCC”)



ISCC is a system for certifying the biomass and bioenergy industries. The system focuses on reducing Greenhouse Gas (“GHG”) emissions, sustainable use of land, protection of natural biospheres and social sustainability. It has received official state recognition through the German government’s Biomass Sustainability Ordinance (BioNachV) and is recognised by the European Commission as a certification scheme compliant with the EU Renewable Energy Directive’s (“RED”) requirements. As of September 2017, KLK had reached a production of approximately 613,229 mt ISCC certified palm oil.



Indonesia Sustainable Palm Oil (“ISPO”)

The government of Indonesia established the mandatory ISPO certification scheme to improve the sustainability and competitiveness of the Indonesian palm oil industry. This scheme also supports the Indonesian government’s objectives to reduce GHG emissions and draws attention to environmental issues. Similar to the RSPO, the ISPO Standard includes legal, economic, environmental and social requirements, which are based largely on existing national regulations. Currently, nine (9) (an addition of four (4) compared to previous FY) of KLK’s POMs in Indonesia are ISPO certified. Full certification is targeted to be obtained by end of 2018.

Certifications for KLK OLEO

Many of our Oleochemicals division’s products and processes have been certified by various international bodies as having world-class standards.



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ENVIRONMENT

HIGH CARBON STOCK (“HCS”)

Background

The No Deforestation commitment among growers in their oil palm operations and supply chains has seen many developments, primarily the merging of the two prominent methodologies - HCS Approach and HCS+ in November 2016. This convergence resulted in a single and coherent set of rules to drive this commitment. It has brought about refinements, additions and important changes to the first version of the HCS Approach Toolkit through which the methodology is standardised and made available to all practitioners. A new HCS Approach Toolkit ver. 2.0 was subsequently released this year. It incorporates the latest scientific research, feedback from on-the-ground trials as well as new topics and inputs from working groups of the HCS Approach Steering Group.

HCS Toolkit (Ver. 2.0): Putting No Deforestation into Practice

This toolkit was launched on 3 May 2017. It provides guidance to users through the steps in identifying HCS forest in fragmented forest landscapes and mosaics in the humid tropics, from initial stratification of the vegetation classes using satellite images and field plots, through a Decision Tree process to assess the conservation value of the HCS forest patches in the landscape and ensure communities’ rights and livelihoods are respected, to making the final conservation and land use map. It also takes into consideration other parallel land use and conservation strategies, which include FPIC and the protection of peatlands, riparian zones, HCV areas, and areas of cultural or economic importance to local communities and indigenous people. This has kickstarted the work around the development of procedures for integrated HCV-HCS assessments to identify HCS forests alongside HCVs areas – a collaboration effort between HCS Approach Steering Group and HCV Resource Network (HCVRN).

Updates on Implementation of No Deforestation Commitment

KLK is committed to its No Deforestation and No New Peat area policy. Since the release of the HCS Toolkit ver. 2.0, KLK has had HCS assessments conducted using this methodology at its concessions in Indonesia and Liberia during the FY.

The HCS assessment of P.T. Karya Makmur Abadi in Indonesia was completed in April 2017. It is currently at the final stage of the quality assurance process, a process which involves an independent review of the assessment report. The latter will be published in the HCS Approach website, <http://highcarbonstock.org/>. Similarly, another HCS assessment took place in August 2017 at Butaw Estate, Liberia. Its report is currently being finalised and once completed it will also undergo the same quality assurance process and publication.

GREENHOUSE GAS (“GHG”) MANAGEMENT

In producing sustainable palm oil, attention should duly be given to GHG emissions across all aspects of plantation development and KLK OLEO. In this regard, the measurement of relevant GHG emission data is important in serving as a basis for objective evaluation of the impact of businesses on the environment, which in turn provides the essential guidance on effective mitigation measures to be taken. As noted in our Policy, we are committed to reduce our GHG emissions with two (2) approaches: First, through the installation of biogas plants; second, by employing the use of the filter belt-press system. Not only are these safe methods of managing waste, they also promote greater energy self-sufficiency and provide input-cost savings.

Biogas Power Plants

Our biggest source of emissions come from POM effluent (“POME”). POME is the waste water discharged from the milling process and it produces methane gas from its anaerobic digestion. Methane gas is very potent as it traps about 34 times as much heat as carbon dioxide. To decrease methane gas emissions, KLK currently has six (6) operational biogas power plants, spread across Malaysia and Indonesia. These plants help to trap methane gas and prevent it from being released into the atmosphere. They also have the capacity to generate 16 MV of electricity which are being supplied to the national grid of both countries and POM boilers.

Filter Belt-Press (“FBP”)

Besides the use of methane capture facilities, KLK also installs FBP in its POMs. The FBP system removes the bottom slurry solids from effluent ponds. This reduces soluble organic matters and substantially lowers the biological nutrient loading to effluent ponds. The biomass can be used as fertiliser in the estates. Also, water extracted from this system is recycled for cleaning purposes. To-date, we have 17 mills with FBPs installed, while six (6) are in the process of installation.

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In collaboration with Neste, ISCC and IDH Sustainable Trade Initiative, we have commissioned external GHG experts from Meo Carbon Solutions GmbH to conduct on-site measurements of methane and Chemical Oxygen Demand on our FBPs. It has been determined that the FBP system does indeed provide a significant impact in GHG reduction. In a case study conducted in one of our palm oil mill, the FBP system led to a considerable reduction in the GHG emissions of 130 kg carbon dioxide equivalent (“CO₂e”) per tonne of CPO.

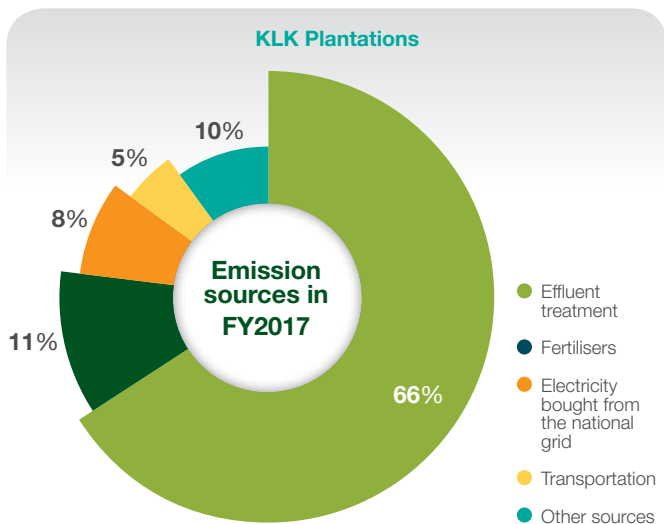
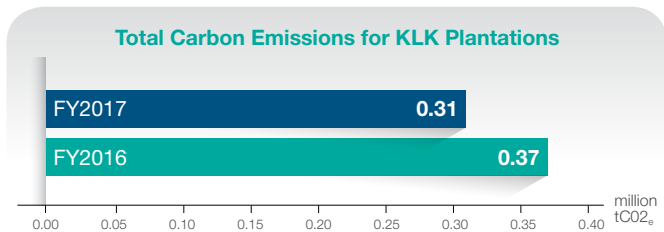
Reduction of GHG

During the period under review, GHG emissions were scheduled to be progressively reduced in existing plantations within OCs through the methane capture facilities and the FBP system. Efforts to reduce GHG emissions are also supported by national as well as international legislation, such as the European Renewable Energy Directive (“EU RED”).

As at 30 September 2017, KLK Plantations and Mills in Malaysia recorded an emission of 0.31 million tonnes of CO₂e, a reduction of 16% compared to the last FY.

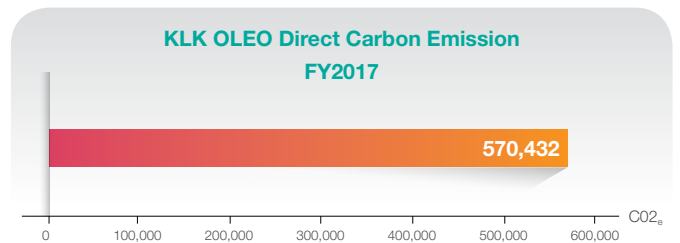
The treatment of effluent accounts for 66% of GHG emissions, followed by fertilisers at estates (11%), electricity bought from the national grid (8%), transportation (5%) and other sources (10%).

KLK strives to reduce GHG emissions by 20% using FY2016 figure as the base.



GHG Management at KLK OLEO

At KLK OLEO, we strive to reduce our carbon emissions in order to lower the environmental impact. On one hand, the emphasis is on increasing the efficiency of our industrial process to enhance our productivity, while on the other hand we attempt to reduce the use of resources and fossil fuels. Our Oleochemicals division closely monitors the direct carbon emissions into the atmosphere. The following figures of direct carbon emission are from KLK OLEO:



Gas Turbine Generator (“GTG”) Project

In July 2017, a new Gas Turbine Co-Generation (“COGEN”) Plant was successfully commissioned at KL-Kepong Oleomas Sdn Bhd (“Oleomas”), Selangor, Malaysia. The COGEN Plant consists of a GTG, a heat recovery steam generator and other supporting equipment. In the COGEN Plant, piped-in natural gas is combusted in the GTG which in turn produces electricity. Waste heat from the GTG is then used to generate steam.

When operating at its full capacity, the COGEN Plant is capable of generating 6.31 MW of electricity and 17.43 mt/hr of steam. As a result, one unit of the existing steam boilers can be shut down. The cost of electricity generated by the GTG is comparable to the price of electricity from the Malaysian electricity utility company. Overall, there is a significant saving of natural gas consumption.

Besides saving energy and improving production efficiency, the net reduction in carbon dioxide emission from the COGEN Plant is estimated at 13,000 mt per year. With its built-in Dry Low Emission technology, the COGEN Plant also has low nitrogen oxide and carbon monoxide emissions.

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A new COGEN at Oleomas



Besides generating electricity and steam, there is net reduction in GHG emission from the use of the GTG

PEAT LAND PROTECTION

Peat land is a natural area that is accumulated with partially decayed vegetation or organic matter, vital stores of carbon. Peat land plays a vital role in providing drinking water, biodiversity maintenance, carbon-water storage and regulation. It undoubtedly has significant functional roles in environmental conservation and the provision of eco-system services. KLK is committed to play its part to preserve ecosystems of conservation value and ensure no development in peat areas for its new plantation areas, regardless of depth.

KLK would also apply best management practices to peat land that exist within its plantations. In areas that are found to be unsuitable for replanting, it will work with experts to explore options, including environmentally-friendly alternative uses or peat restoration.

ZERO BURNING POLICY (“ZBP”)

KLK maintains a strict ZBP in relation to all new planting, replanting and other related development. This policy is also extended to all plasma schemes managed by KLK.

Recognising the relatively higher risk in our Indonesia OCs, the Haze Task Force was set up at the Indonesia Head Office to monitor and manage the haze situation in our OCs. Standardised practices of managing the possibility of any fire outbreak within or outside the OCs have been adopted. These would include mapping of any high-risk fire zones, setting up of hotlines in each estate, building of additional fire monitoring towers, making available more fire-fighting equipment like Shibaura water-pump, setting up fire index signages to create awareness, daily satellite monitoring of hotspots in and outside our plantations (within the radius of approximately three (3) km). Canal blocking has also been set up with the assistance of the police force to ensure sufficient water is available during dry periods.

Each OC is also equipped with a fire-fighting team, trained by the local government fire-fighting department (*Dinas Pemadam Kebakaran*). Managers, assistants, relevant staff, workers and members from the communities in surrounding areas also take part in the training to equip them with the relevant information and knowledge in combating incidences of fire. Our fire patrolling teams continue to monitor the estates and also neighbouring villages.

SOIL ENRICHMENT AND CHEMICAL REDUCTION

The implementation of the ZBP minimises smoke pollution, reduces GHG emissions and promotes economic and ecological sustainability. By recycling plant biomass, the zero burning technique improves soil organic matter, moisture retention and soil fertility. By knowing where and how fertiliser losses occur, we are able to minimise these losses, enabling us to use less fertiliser to achieve the same impact. This reduces the overall requirement for inorganic fertilisers and decreases the risk of water pollution through leaching or surface wash of nutrients.

Agronomic benefits can be enhanced if the oil palm seedlings are planted directly on the residue piles, rather than on bare soil. Through this approach higher levels of total nitrogen, potassium, calcium and magnesium can be obtained, releasing nutrients over a longer period of time.

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Minimising Usage of Herbicides

In order to develop and improve the quality of KLK's plantations, it is essential to cut back on reliance on fertilisers, pesticides and herbicides. By focusing on the use of non-chemical pest control, plants and owls, KLK's Plantations Sector in Malaysia was able to reduce herbicide consumption from 2.45 litres/ha to 1.14 litres/ha and reduction of fertiliser consumption from 1.36 mt/ha to 1.18 mt/ha. This also includes reducing the total volumes of pesticides applied. We adopted a policy to stop the use of herbicide paraquat with effect from July 2011 in Malaysia operations and subsequently in Indonesia and Liberia operations on January 2017 as it has been highlighted as a chemical of concern by stakeholders due to widespread misuse.

Non-chemical Pest Control

We adopt environmentally friendly techniques and used them to innovate our Integrated Pest Management System ("IPMS"). These techniques are used when we clear out the old palm trees. Small pieces of pulverised palms are spread widely across the whole field, effectively destroying potential breeding sites of pests such as rhinoceros beetles and rats. This form of non-chemical pest management system ensures that the decomposed biomass eventually adds back the soil's organic matter and reduces the use of pesticides.

Beneficial plants such as *antigonon leptopus*, *turnera subulata* and *cassia cobanensis* provide shelter and supplementary food such as nectar. These plants also encourage the population of predators and parasites. Barn owls cull rat population, resulting in major reduction of rodent damage. It is a much simpler and less risky approach to pest management.

BIODIVERSITY PROTECTION

Commercial palm oil cultivation and care for the environment should not be viewed as opposing pursuits. In fact, the two can be mutually reinforcing in securing a new sustainable future for all.

KLK pledges to conserve biodiversity by identifying, protecting and maintaining areas of HCV. This would include areas that contain significant concentration of biological values, rare, threatened and endangered species and areas that provide eco-system services. Examples are hot springs and riparian boundaries.

In the context of RSPO, HCV areas would also include:

- Areas fundamental to meeting basic needs of local communities (e.g. subsistence and health); and
- Areas critical to the local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in co-operation with local communities).



Barn owl in one of KLK's estates

Our Group works closely with local NGOs and the State Wildlife Agency when rare and endangered species are found within these HCV sites. Their habitats are conserved and appropriate management and monitoring plans are implemented. For example, when we discovered falcons at some of our European sites, we recognised the significance of their presence and considered it our responsibility to provide a suitable habitat for their return.

In line with this objective, KLK also adheres to the best soil conservation practices. In order to minimise soil degradation, we cultivate leguminous cover crop during replants resulting in minimum top soil losses and enrichment of soil.

ENERGY MANAGEMENT

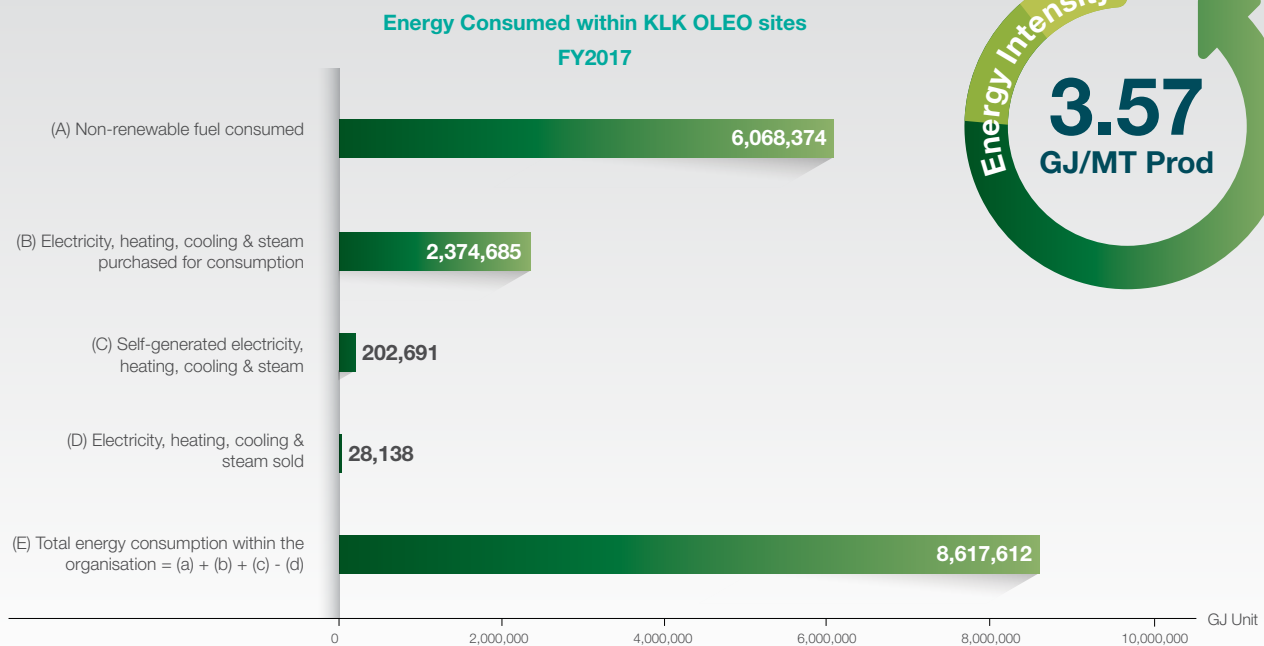
Recognising that energy has implications on the environment, our Group commits to sound energy management which addresses energy conservation, green energy usage and energy efficiency. We are mindful that while usage of non-renewable energy sources cannot be avoided altogether for now, earnest efforts are made to ensure these resources are used optimally and efficiently. Towards this end, we have adopted a variety of energy management practices and in 2017, we used an average of 0.08GJ per mt of CPO produced.

At our POMs, by-products such as Palm Pressed Fiber ("PPF") and kernel shells are increasingly being used as an alternative energy source. The use of PPF as a green energy source presents multiple benefits as it helps reduce consumption of fossil fuels. Improved thermal efficient boilers and steam turbines are installed at KLK's POMs to make energy utilisation more efficient. Energy efficiency is also a primary consideration in designing new oil mill projects with the aim of reducing overall energy consumption and generating greater cost savings.

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Energy Management at KLK OLEO



This includes the data from the following sites of KLK OLEO:

- KL- Kepong Oleomas Sdn Bhd
- KLK Bioenergy Sdn Bhd
- Palm-Oleo Sdn Bhd
- Palm-Oleo (Klang) Sdn Bhd
- Davos Life Science Sdn Bhd
- KLK Emmerich GmbH
- KLK Emmerich GmbH (Dusseldorf site)
- KSP Manufacturing Sdn Bhd
- Palmamide Sdn Bhd
- P.T. KLK Dumai
- Taiko Palm-Oleo (Zhangjiagang) Co Ltd
- Kolb Distribution AG
- KLK Tensachem SA

Kolb Hedingen (“Kolb”), one of the subsidiaries of KLK OLEO, committed itself for a second time in 2013 to a contract with the Swiss Energy Agency, of a CO₂ emission cap of 22,432 mt of CO_{2e} until 2020. In the first contract (i.e. from year 2008 to 2012), Kolb was able to save 38% of CO₂ compared to 2007.

WASTE MANAGEMENT

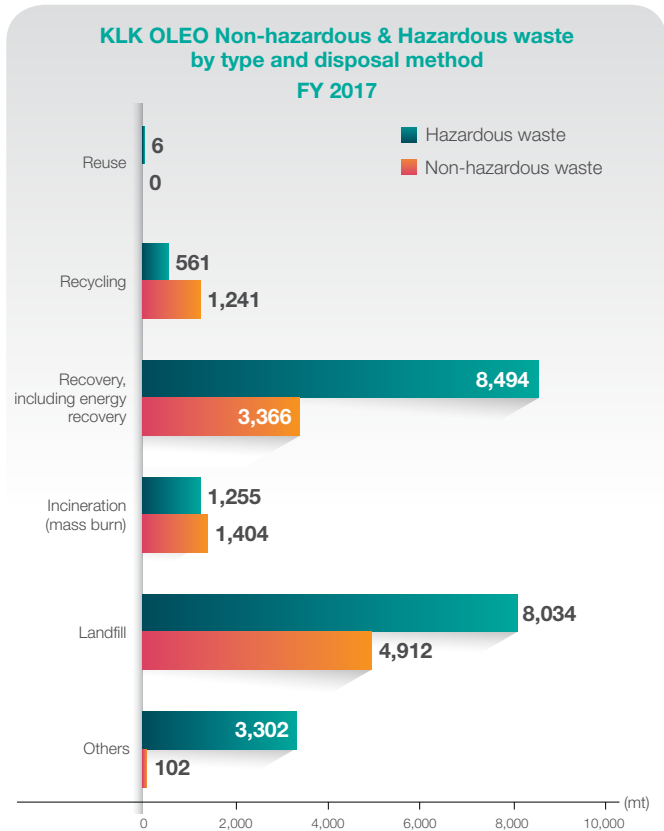
Proper waste disposal has wide ranging implications on the environment and human health. Eliminating waste altogether is obviously the ideal scenario. Though it is admittedly a daunting goal for the palm oil industry, our Group nevertheless seeks to contribute to whatever extent feasible towards its eventual realisation.

All waste products, including domestic waste, agricultural waste, biomass or by-products generated by our Plantations or Manufacturing business sectors, are, if not recycled, then required to be safely disposed of in accordance with the prevailing regulations and the best practices.



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ENVIRONMENT



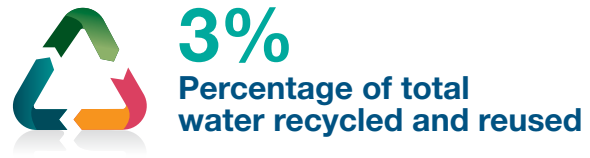
Reuse of Water

At Oleomas, treated water from 3 units of IETS was previously discharged to outside drain upon complying with DOE Standard B parameters. Due to shortage of water supply in Pulau Indah area, this initiative was implemented to reprocess and reuse the treated water for plant use.

Now, treated water goes into a new Ultra Filtration & Reverse Osmosis Plant with design capacity of 750 m³/day of feed. Reverse Osmosis water produced is then used as make up water for Cooling Tower ("CT101") or as boiler feed water.

Impact Achieved

- About 50% of treated water from IETS can be recycled.
- Reduced municipal water supplies by 180 m³/day or 5% of total consumption.



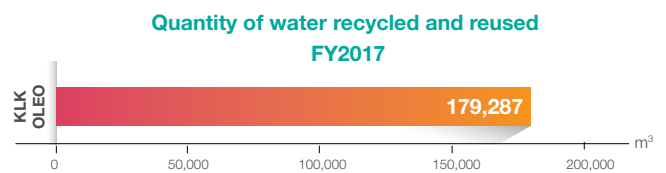
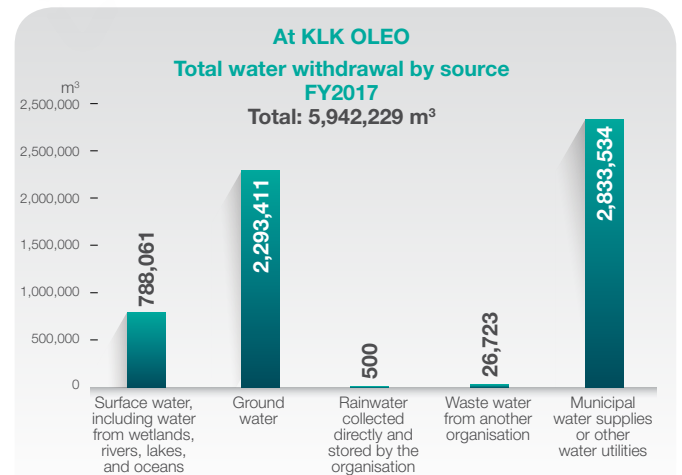
WATER MANAGEMENT

Waste Water Management

Since the beginning, Oleomas has used conventional chemical and biological treatment technology for the Industrial Effluent Treatment System ("IETS"). The waste from the filter press has to be disposed to a government approved managed landfill site. With new expansion, a new technology for IETS technology was selected. The technology uses double biological process where the waste is non-hazardous, purely organic and can be directly used as fertiliser ingredient mix.

Impact Achieved

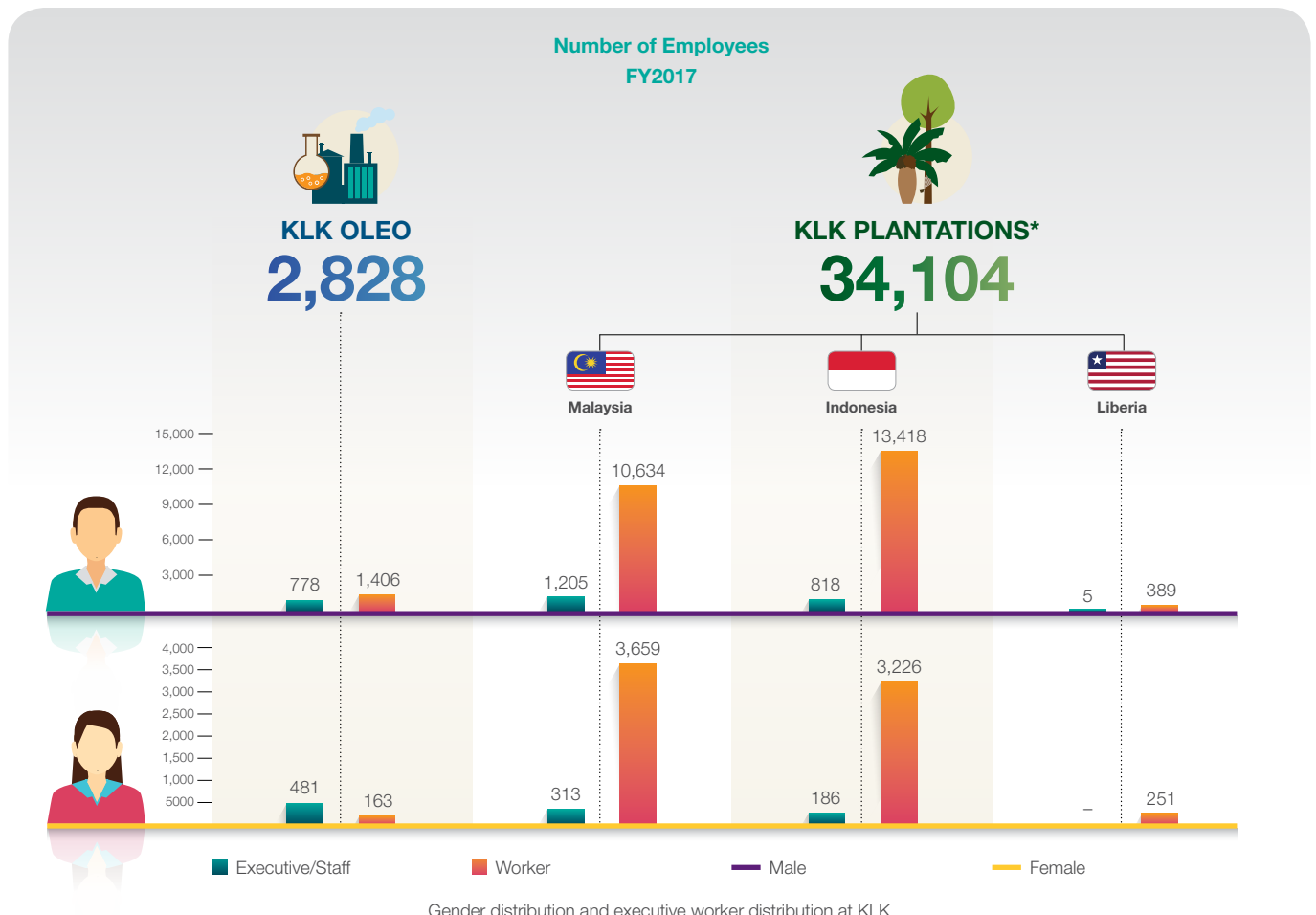
- Compact layout, thus requires less carbon footprint by about 40% saving of land space.
- Less chemical consumption since no chemical treatment is required, resulting in savings of RM50,000 annually.
- No new hazardous sludge produced. Sludge cake waste reduction is about 60% - 70%.



SUSTAINABILITY STATEMENT & REPORT



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Gender distribution and executive worker distribution at KLK
* KLK Plantations data is for Malaysia (Peninsular Malaysia, Sabah), Indonesia and Liberia

KLK believes that its employees are one of its greatest assets and employee welfare remains its top priority. KLK has a workforce of close to 37,000 employees, at locations all over the world. We value our people, and reward their hard work with fair remuneration, career development opportunities, scholarships and further training prospects.

FAIR EMPLOYMENT PRACTICES

In an industry with strong competition and a shortage of skilled labour, we are conscious of the need to maintain our edge as a preferred and fair employer. KLK embraces diversity within its workforce, which comprises a mix of employees from different genders, age groups and ethnicity. We also believe in practising non-discrimination regardless of race, caste, national origin, religion, marital status, union membership or political affiliation.

Freedom of Association and Collective Bargaining

Employees and workers have the right to form and become members of labour unions recognised by KLK. Through unions, workers have the right to carry out collective bargaining as permitted under Malaysia and Indonesia laws.

For FY2017, 53% and 5% of our Peninsular Malaysia employees are members of The Malaysian Agricultural Producers Association/The National Union of Plantation Workers ("MAPA/NUPW") and The Malaysian Agricultural Producers Association/The All Malayan Estates Staff Union ("MAPA/AMESU") respectively.

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CAREER DEVELOPMENT OPPORTUNITIES

We place significant importance in upgrading of skills for our people as we firmly believe that our success is founded on their abilities. We invest in talent development and training sessions for our employees which cover areas such as technical skills, business and human resources, personal development and leadership excellence.

Human Capital Development

Human capital is the backbone of KLK and it places great emphasis in developing its people to reach their full potential. This development is achieved through structured training programmes and exposure on the job. Various initiatives undertaken include conducting training, encouraging workplace diversity, promoting employee welfare.

General Training

The key to a competent and committed workforce lies in efforts to provide continuous learning and development opportunities for employees. For the Plantations sector, all newly recruited planters and engineers are required to undergo orientation and induction programmes. For our Manufacturing sector, the Supervisor Centre of Excellence programme is designed to develop the skills of our existing supervisors. Regardless of the type of training, all employees are grounded in the KLK core values of integrity, loyalty and teamwork.

Intentional Mentoring Programme (“IMP”)

At KLK, we understand that mentoring is an important aspect of helping our people move forward in their careers. To that end, we have set up a two-phased training structure for plantation staff and executives, consisting of IMP at our KLK Training Centre.

The mentoring courses last for a minimum of nine (9) months, and cover all necessary knowledge surrounding plantation management for oil palm and rubber planting in 11 field modules. For the duration of the course, trainees will be rotated through five (5) selected OCs. For the purpose of monitoring, on a quarterly basis, the Estate Manager will submit a progress report for each trainee on the scheduled and completed subjects. These reports will be compiled by the Training Manager at the KLK Training Centre, where they will be evaluated by Senior Management as a source of reference for the next phase of training programme.

Trainees will then continue to the KLK Training Centre in Ipoh, to address any knowledge gaps. A wide range of topics are covered in the Phase Two modular courses, ranging from technical and administrative knowledge to soft skills and motivational talks. The weeklong courses are conducted twice a year.

HEALTH AND WELL-BEING OF EMPLOYEES

The welfare of our people is also a major priority. Apart from equal opportunities for personal and career development, we are also committed to providing an inclusive and conducive working and living environment for our employees.

Occupational Safety and Health (“OSH”) Compliance

Being a responsible company, KLK conducts its business with a high standard of safety and health protection for our employees and stakeholders.

Our target is to achieve zero fatal accidents and to reduce serious accident cases by 10% compared to the previous financial year. We have no reported cases of fatalities at our Group’s estates and POMs in Malaysia for FY2017. We have achieved zero fatal accident record in Malaysia for two consecutive financial years.

We also strive to prevent accidents and injuries and take necessary preventive steps to reduce them. Lower incident rates bring lower staff turnover, lower absenteeism and higher productivity. Awareness, education and improved reporting are our key tools to achieving this goal.

The Plantations OSH department at the Group’s Head Office is headed by an OSH Senior Manager, working alongside a team of Department of Occupational Safety and Health Green Book certified officers. They are guided by the KLK OSH Manual and Guidelines to ensure that OSH requirements are applied uniformly and consistently across all OCs.

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Audits and Training

OSH audits are carried out twice a year ensuring that all OCs are always in compliance and any other uncertain issues are addressed accordingly.

Training is carried out during all audit visits and when requested by OCs. Compulsory in-house training and competency tests for Tractor Drivers and Safety and Health Committee (“SHC”) members are carried out yearly. This is to ensure all KLK Tractor Drivers are competent, qualified and to create awareness among SHC members to play their role as OSH ambassadors.

Awareness training is also carried out during OSH field audits for Chemical Sprayers, Fertiliser Applicators and Oil Palm Harvesters to constantly remind them of the dangers faced when carrying out their duties.

Competent external training providers were engaged to carry out First Aiders Course for all regions. Also, OCs are engaging with their respective suppliers to carry out technical training on safe handling of worker equipment.

OSH training is also provided to all OC executives in collaboration with KLK Training School based on modules and working experience as part of the Company’s effort and responsibility to instil OSH culture and awareness.

Safety and Health Committees (“SHC”)

In order to effectively identify and manage occupational risk, a SHC was set up at each OC. KLK currently has close to 2,000 OSH Committee representatives in all of its Plantations OCs. Compliance with the Chemical Health Risk Assessment, Chemical Exposure Monitoring, Medical Surveillance, Audiometric Testing, the use of Personal Protective Equipment (“PPE”) and annual medical surveillance are mandatory and strictly monitored across all OCs.

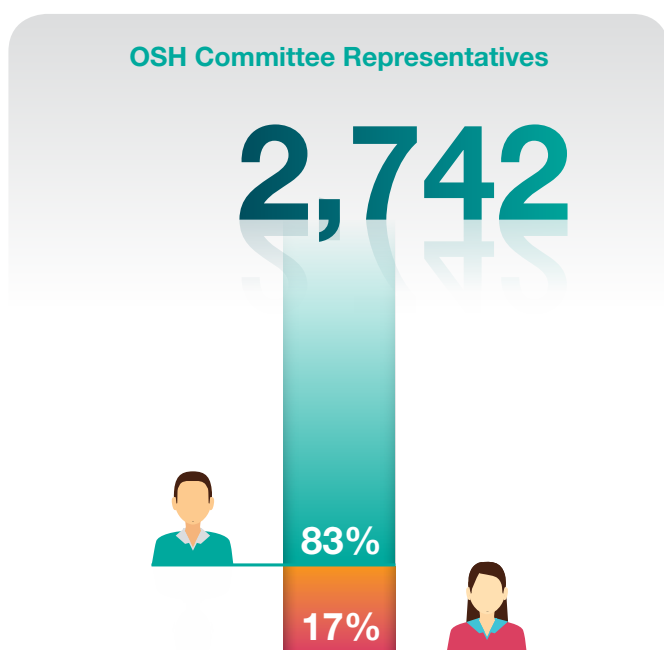
We have implemented various activities and initiatives to provide a safe and occupational-illness free environment to our employees. These activities and initiatives include:

- Safety training – fire drills, first aid training, safety and health talks;
- Regular medical and physical checkups;
- Substitution – higher class of chemicals to lower class (less hazardous); high frequency of spraying rounds to less frequency; and from high volume spraying equipment to ultra-low volume;
- Engineering Controls – fencing of all moving machinery parts, construction of noise reductions rooms and placement of guardrails/handrails where needed; and
- Safe Work System – safety briefings and toolbox meetings, risk assessment programmes, worker supervision, safe operating procedures, availability of the OSH Manual, standardisation of the OSH filing system, maintenance and updating of the workers’ compliance and non-compliance book, workplace inspections and speedy placement of safety and warning signboards.

Accident Monitoring

KLK has achieved zero fatal accident record for two consecutive FYs in Malaysia: FY2016 and FY2017. Our accident severity rate, which refers to absenteeism of more than 5 days due to an accident, remains low, with most accident cases involving minor injuries such as cuts and thorn pricks.

Operating under the system of continuous improvement, the OSH department reviews the Lost Time Injury (“LTI”) on a monthly basis. The results produced will be monitored and aspects of our operations that may pose OSH impacts will be identified. Through this we take action to improve the LTI rate and severity rate of the LTI. The low LTI rate is a reflection of the commitment and joint efforts by Management, Safety and Health Officers, OSH Committees, workers and contractors to reduce workplace accidents.



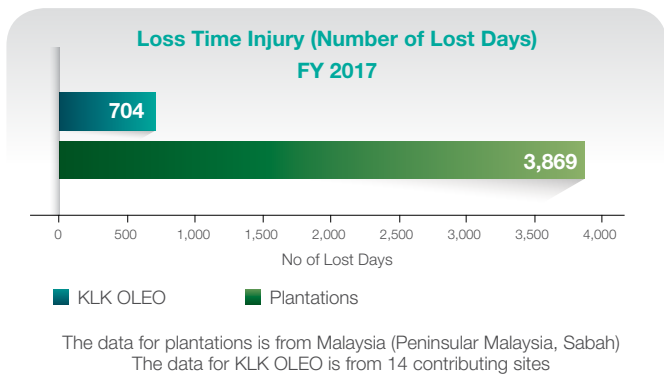
Source from Plantations (Peninsular Malaysia, Sabah, Indonesia) and KLK OLEO

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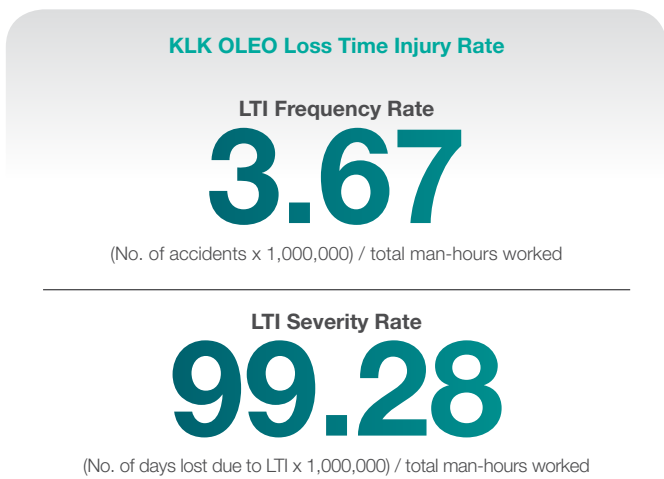
WORKPLACE

Our OC in Central Kalimantan, P.T. Mulia Agro Permai (“P.T. MAP”) has again for the fourth consecutive year been recognised by the Indonesian Ministry of Manpower and Transmigration for its excellence in creating a safe and healthy work environment for workers with the Zero Accident Award. P.T. MAP was also recognised for a third consecutive year for its continuous efforts and programmes related to prevention and countermeasures of HIV/AIDS in the work place.

These achievements are a testament of the high standards of OSH practices in our OCs.



	ACCIDENTS			LOST DAYS	
	FATALITY	MAJOR	MINOR	MAJOR	MINOR
KLK Plantations					
Peninsular Malaysia	0	136	447	2,798	719
Sabah	0	1	206	15	337
Indonesia	2	39	1,995	15,361	
Liberia	0	45	96	Not available	
KLK OLEO	0	22	65	704	



Training on importance of PPE in Butaw Estate, Liberia



PPE issuance and training for tractor drivers



Chemical Sprayer equipped with appropriate Personal Protective Equipment

Independent Labour Audit

As part of KLK’s continuous self-improvement programme and to ensure the welfare of its employees are consistently taken into consideration, we undertook a voluntary labour audit during the previous FY. With the findings at hand now, we are taking measures to reduce or diminish the gaps in the implementation of its Sustainability Policy and any inconsistent practices highlighted served as a guide in the Group’s overall enhancement programme. Labour practices are now being streamlined across our Indonesian estates and Malaysia and where applicable, other improvements are being rolled out simultaneously.

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Labour Practices Streamlined for Malaysia and Indonesia Operations

MATTER	ACTION PLAN	STATUS AND TIMELINE		
		MALAYSIA	INDONESIA	
(a) Workers' awareness	<p>The socialisation programmes were rolled out in each of the operating centres beginning from February 2015 for new and existing employees to create awareness of the Policy and ensure that they are mindful of the importance of sustainable practices in their daily work.</p> <p>Q&A sessions will be used after training to ensure that they fully understand the objectives of the commitments stated in the Policy and all the procedures are adhered to. This would provide an indication on the effectiveness of the training programme.</p> <p>An annual refresher course will be conducted for all employees to embed the importance of sustainability in their mind.</p>	✓	✓	
<ul style="list-style-type: none"> Improve awareness on Sustainability Policy and plantations procedures through refresher training programmes by giving written policies, procedures To formulate mechanism to gauge effectiveness 				
<ul style="list-style-type: none"> Enhanced disclosure pertaining to computation of wages, benefit and deductions Workers able to understand and compute own wages 	<p>The recommended enhancement in disclosure in the payslip for the workers have been incorporated. Workers who require further clarification or unable to understand the computation of their wages can contact the relevant executives/staff in their respective offices.</p>	✓	✓ except for Belitung Island which is expected to be completed by end of 2017.	
(b) Facility Records and Documentation	To avoid forgery, thumb print will be affixed to the contract of employment.	Implemented. The translation of contracts into the worker's own language will be issued individually to enhance transparency. The workers will acknowledge receipt by affixing their thumb print on the copy of the document.	The biometrics system had been implemented in several operating centres. The full adoption is expected to be completed by end of 2017. At the meantime, those without biometrics will continue to observe the use of thumb prints for all workers, including contract workers.	
(c) Child Labour	<ul style="list-style-type: none"> No underage labour detected 	KLK had been consistent and strict on not hiring underaged labour.	✓	✓
(d) Freedom of Association	<ul style="list-style-type: none"> Ensure union is independent of management Guarantee workers' right to freedom of association 	<ul style="list-style-type: none"> Management, consistent with the statement in the Policy continues to respect employees' rights to form trade unions if they desire so, subject to the requirement of the law. All workers have been informed of their freedom to be part of an association. 	✓	✓
(e) Forced Labour	Management has installed safety boxes in each foreign workers' room for them to keep their passports. The workers are responsible for their own passports and are custodian to the key to their respective safety box. Management does not have direct access to these safety boxes.	⚙️ Target completion of installation by end of 2017.	N/A	
(f) Work Hours	<ul style="list-style-type: none"> Review work hours policy to include master roll call as part of working hours Ensure overtime within legal limit and employees provided with at least one day off in every seven days 	<p>The normal working hours shall not be more than 8 hours inclusive of master roll call.</p> <p>Started a new overtime system and expected to be fully rolled out for the whole Group by Jun 2018. The objective of the new system is curb unnecessary overtime hours.</p>	✓	✓
(g) External Contractors	A checklist had been developed to ensure external contractors appointed for work at all KLK operating centres are in compliance with KLK Sustainability Policy.	⚙️ Group wide implementation by December 2018.	⚙️ Group wide implementation by December 2018.	

Legend

✓ Implemented

⚙️ On-going

SUSTAINABILITY STATEMENT & REPORT

WORKPLACE



Liberia - Human Rights Impact Assessment (“HRIA”)

EPO commits to respecting, supporting and upholding fundamental human rights throughout its operations. To meet its responsibility, EPO has engaged in a human rights due diligence exercise to better understand the impacts and address them. To this end, EPO has engaged business and human rights expert Anna Triponel to conduct a HRIA as an initial step in its work implementing the UN Guiding Principles on Business and Human Rights. The assessment encompassed the types of impact that this assessment could unveil and eventually considering the recommended actions to strengthen EPO's approach to human rights.

The HRIA commenced in April 2017 with a conversation with the company's board of directors followed by a comprehensive desktop review of relevant materials, and finally a one week on site assessment from 5 June 2017 to 9 June 2017. It then concluded with follow-up telephone conversations with individuals based in Liberia and the drafting of the resulting report.

Through this process, EPO identified the salient areas on which it should focus as a priority. The areas of high priority include contractor wages and employment status, accidents on the plantations, the impact of use of land on communities, employee housing conditions, the health and wellbeing of the company's executives, and exercising the right to freedom of association. Moving forward, these are the areas that the company will be focusing to address and strengthen through a range of actions.

Housing and Living Amenities

KLK believes Corporate Responsibility starts from our workplace. Hence, we strive to provide a safe and healthy work environment to our employees. We provide high quality housing and living amenities for our employees and their families. Apart from the essential living amenities like electricity and clean water, we also provide places of worship, clinics, kindergarten, creches, club houses as well as recreational and sports facilities.



Provision of sports facilities at KLK's estates



Free houses provided to the estate staff and workers



Free medical service is provided to employees and the local community in Liberia

SUSTAINABILITY STATEMENT & REPORT

WORKPLACE

Health And Well-being Of Our Employees

Improving the health and well-being of employees are certainly KLK's top priority. We believe that through sports, one learns the true meaning of sportsmanship which helps towards positive physical and mental growth. KLK encourages its employees to adopt an active and healthy lifestyle through sports and leisure activities such as badminton, football, fun-walk, yoga and bowling.

In an effort to improve employee engagement, KLK also encourages its employees to take part in various activities to maintain a good work-life balance and lifestyle. These activities include the annual Sports Festivals, Family Days, health campaigns, religious and festivals get together with an aim to encourage team spirit and to foster a closer working relationship amongst our employees.



Employees are encouraged to take part in sports activities



KLK's health fun-walk at Jiyang Lake, Zhangjiagang City, China



KLK employees participate in an internally organised bowling tournament



KLK Plantations Southern Region Football Tournament



Tan Sri Lee Oi Hian and fellow colleagues at the Majlis Berbuka Puasa

SUSTAINABILITY STATEMENT & REPORT



EMPOWERING THE YOUNG GENERATION THROUGH EDUCATION

Access To Education

We believe that education is an important catalyst for positive change in the community. We create appropriate educational inroads and pathways in areas where we operate via collaborations with the Humana Child Aid Society in Sabah, the Indonesia Heritage Foundation in Indonesia and the Ministry of Education in Liberia to provide basic education to children who have no access to mainstream education.

“At KLK, we believe in growing our business in a sustainable and responsible manner – we empower the communities where we operate to ensure continued growth of the present and the future generations.”

In FY2017, more than 5,000 students received education at our 61 learning centres, kindergartens and primary schools.

In addition to that, and to further create a conducive and nurturing learning environment, we also provided the necessary infrastructure at these learning centres, kindergartens and schools – including the provision of free transportation to students in need of a means to reach these centres of learning.



KLK's learning centre in Indonesia



KLK provides basic education to children in Sabah



Provision of free school bus service to children in Liberia



Students in KLK's Palm Bay Learning Centre, Liberia

SUSTAINABILITY STATEMENT & REPORT

COMMUNITY

Scholarships and Career Opportunities

In support of our efforts to create a positive difference in the lives of many in the community, and with our key focus being value creation through the provision of education and career opportunities, the Yayasan KLK Scholarship Award Programme is offered to deserving students.

Yayasan KLK is an educational foundation which has been providing scholarships and career opportunities to outstanding Malaysians to pursue their undergraduate studies related to the Group's business nature.

As part of the scholarship programme, KLK has also created the Career Connection Internship programme to improve the sustainable economic development of the college community by providing undergraduates the opportunity to practice their skills in a real working environment. In addition, the scholars are also given the opportunity to take part in the Group's Corporate Responsibility ("CR") activities to help them develop more awareness of their social responsibilities as well as to impart caring values to young minds.



Yayasan KLK Scholars participate in the Company's project

Youth Development Programme

As empowering youth through education is the key to stability and sustainable development, KLK volunteers have actively organised and participated in various educational CR activities.

KLK Palm Oil Education Programme

During the FY, KLK initiated the KLK Palm Oil Education Programme which aims to create awareness with regard to palm oil attributes and career opportunities in the palm oil industry amongst secondary school students. Students are educated on the importance of the Malaysian palm oil industry as it is a significant contributor to the overall economy, providing both employment and income from exports.

A total of 1,150 students from five (5) schools, namely, SMK Bandar Utama, SMK(P) Sri Aman, SMK Pulau Indah, SMK Seri Kundang in Selangor and SMK Taman Desa in Kuala Lumpur participated in the programme and the students were also given the opportunity to experience soap making activity.



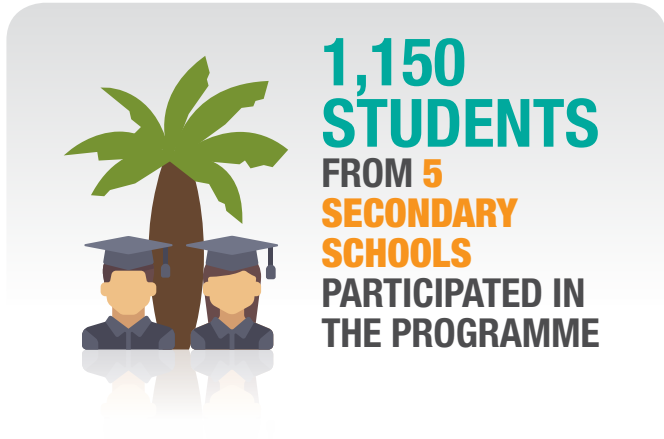
Students learn about palm oil and its derivatives to produce home and personal care ingredients



Yayasan KLK Scholars

SUSTAINABILITY STATEMENT & REPORT

COMMUNITY



1,150 STUDENTS
FROM 5 SECONDARY SCHOOLS
PARTICIPATED IN THE PROGRAMME

“Money & Me” Youth Financial Empowerment Programme

KLK, in collaboration with The Edge Education Foundation conducted the “MONEY & ME” – Youth Financial Empowerment Programme which aimed to teach secondary students the importance of saving and encouraging them to adopt good spending habits. In addition, through this programme the students are exposed to basic entrepreneurship skills to help them improve their economic prospects for the future. In this programme, KLK volunteers facilitated the teaching of various modules for 26 students at SMK Bandar Utama.



Students experience hands-on soap making activity



Students participate in the interactive activity during the “Money & Me” programmes



Students are happy with their hand-made soap

SUSTAINABILITY STATEMENT & REPORT

COMMUNITY

REACHING OUT TO OUR COMMUNITY

Through the years, the local community has always been and continues to be, at the forefront of the KLK Group's business plans and CR activities. Through various targeted activities, community health and well-being campaigns, sporting events and charitable donations, we have established our commitment to making a positive difference to the well-being of our local communities.

Engaging Students With Special Needs

Children with physical and learning difficulties often face hurdles in joining sports activities. Naturally, parents and caretakers worry about their children being hurt during these sports activities.

Since 2014, the KLK Group has been supporting students with special needs by engaging children with learning difficulties in motivational and sports activities.

In FY2017, KLK organised a Sports Day and Motivational Camp for the special needs children to enable them to experience equality, freedom and a dignified means for empowerment. Sports is a unique life-changing vehicle for people with learning difficulties and we hope to instill both self-confidence and sense of belonging through the sports and motivational activities.



Volunteer with student of SK Telok Gadong



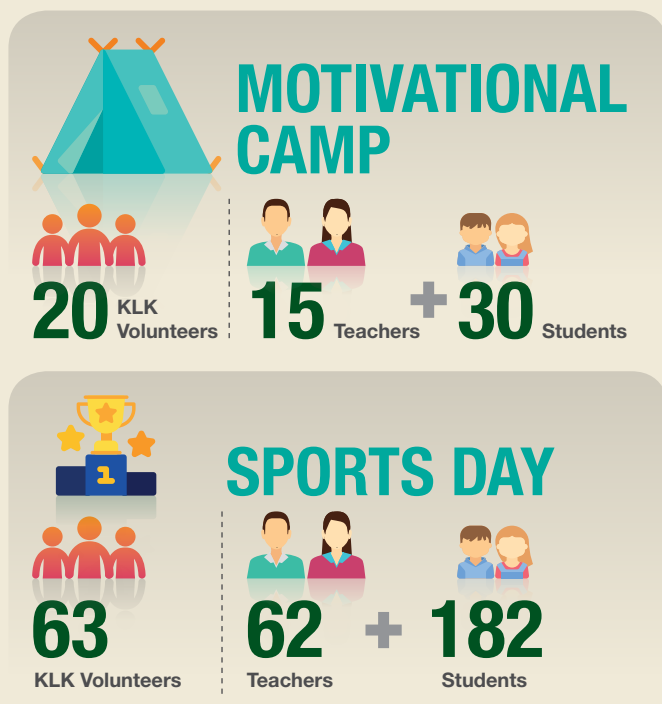
Volunteers assist student in playing games



Special needs children dress up for the Sports Day Parade



Motivational Camp participants from SK Telok Gadong



SUSTAINABILITY STATEMENT & REPORT

COMMUNITY

Enriching The Lives Of Our Communities

KLK Group is committed to uplifting the well-being of the communities within our plantations. Various initiatives were undertaken by KLK to improve the basic infrastructure including provision of clean water for drinking, upgrading roads, places of worship and free medical facilities.

KLK has provided handpumps to supply clean water for 32 villages surrounding our plantations in Liberia. We have also constructed and upgraded over 500km of road access to ensure that an improved quality of life is attained and enjoyed by the local communities in Liberia.

KLK strives to ensure healthcare is accessible to its employees on the plantations. In addition to the provision of free medical services at our clinics, we also organise visits by qualified medical personnel and disease prevention awareness campaigns to the villages near our operating centres for the benefit of the local communities there.



CONTRACTED & MAINTENANCE OVER 500KM ROAD ACCESS



KLK provides basic infrastructure to the communities in Liberia



LIBERIA PROVISION OF HANDPUMPS TO 32 VILLAGES



Provision of hand pumps to supply clean drinking water to the local communities in Liberia

SUSTAINABILITY STATEMENT & REPORT

COMMUNITY

Connecting People Through Sports

All around the world, sports is one the significant driving forces for peace and development. It is also a great vehicle to ensure respect for each other, regardless of ethnicity, culture or religion.

KLK organised the Muhibah Cup to encourage and provide a platform for our multiracial populace to come together and play a game of football and at the same time, promote healthy lifestyles and national unity amongst the youth. The Muhibah Cup was participated by over 700 young talented football players in the Under-12 and Under-16 years of age categories.



KLK's Muhibah Cup aims at promoting racial harmony

PRESERVING ENVIRONMENT FOR FUTURE GENERATIONS

The KLK Group places great importance on the protection and preservation of the environment and this is reflected in our core business practices and policies. We have always striven to achieve long term sustainability in all that we do because we strongly believe that our livelihoods depend on a healthier, and more livable world for us today and our future generations.

Waste Separation and Upcycling Awareness Campaign

KLK organised waste separation and upcycling workshops at SJKC Kundang with the aim of creating awareness of waste reduction and environmental protection amongst young children.

In collaboration with the Lovely Disabled Home, the waste separation workshop which comprised an informative talk and interactive games related to upcycling and waste separation was attended by more than 150 students and teachers of SJKC Kundang.



UPCYCLING WORKSHOP



10

KLK Volunteers



4

Teachers



41

Students



WASTE SEPARATION PROGRAMME



37

KLK Volunteers



39

Teachers



115

Students

SUSTAINABILITY STATEMENT & REPORT

COMMUNITY

WASTE SEPARATION AND UPCYCLING WORKSHOP



KLK volunteer teaches students to make handicraft from recycle materials



Students showing their hand-made handicraft



Students of SJKC Kundang participated in the waste separation awareness campaign

A GLIMPSE OF KLK'S OTHER CR INITIATIVES



KLK Academic Awards for Southern Region estates



KLK volunteers working together with the teachers and students of SJK Seri Kundang to beautify the schools surrounding by planting vegetable and herbs at the community garden



KLK volunteer spreading joy to Yi Qing Yuan Nursing Home residents in Houcheng Town, Zhangjiagang City, China

SUSTAINABILITY STATEMENT & REPORT

COMMUNITY



Donation of rice to the surrounding community in Liberia's estate



Volunteers engaging the elderly people at Rumah Sejahtera Jelapang, Ipoh



Blood donation campaign in Indonesia



Visit to the Tawau Old Folks Home, Sabah