



KUALA LUMPUR KEPONG BERHAD

Sustainability Report 2018

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 is 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:



MARKETPLACE



WORKPLACE



COMMUNITY



ENVIRONMENT

SUSTAINABILITY STATEMENT AND REPORT

ABOUT THIS REPORT

The structure and content of this report draw upon guidance from Bursa Malaysia Securities Berhad’s Sustainability Reporting Framework and the Global Reporting Initiative (“GRI”) Standards 2016 - Core. The economic, environmental and social (“EES”) performances in the following pages cover data which have been compiled internally for the 12-month period from 1 October 2017 to 30 September 2018. Where available and relevant, historical data of the preceding year has been included for comparison. Unless otherwise stated, all data is correct as at 30 September 2018.

This report focuses on our Plantation sector and the Oleochemical division (“KLK OLEO”), which are our largest and most established business sectors.

This Report is intended 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.

We are committed to pursuing our reporting journey and will move towards seeking external assurance for future reports.

SUSTAINABILITY GOVERNANCE

At KLK, sustainability is a fundamental aspect of how it conducts its business. This requires effective governance, leadership and ongoing focus on compliance procedures. It also requires mechanisms to monitor external developments, and means by innovative ways of working can be adopted where relevant.

We endeavour to realise the above mentioned through the formation of the Sustainability Steering Committee (“SSC”) in September 2015, which is headed by KLK’s Chief Executive Officer (“CEO”), with members comprising the Group Plantations Director, Managing Director of KLK OLEO and representatives of 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 the monitoring role to ensure KLK meets both its compliance and sustainable development responsibilities. The CEO consistently updates the Board of Directors throughout the year on the Group’s progress pertaining to its Sustainability Agenda.

The SSC is supported by the Sustainability Working Committee (“SWC”). With representatives from Plantation, KLK OLEO and the Sustainability team, its role include developing and driving the policies and strategies from the SSC with time-bound plans.

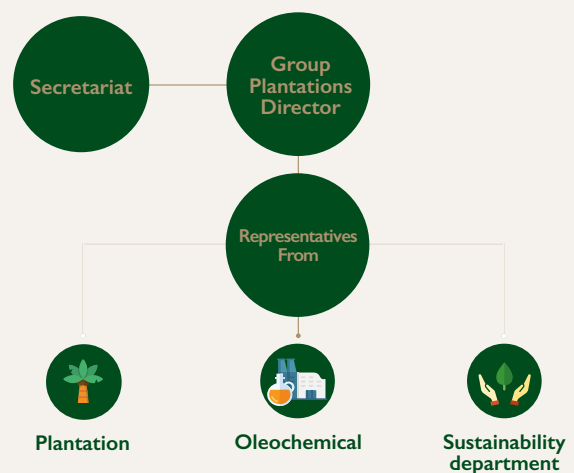
SUSTAINABILITY STEERING COMMITTEE



Roles:

- Develop Group strategies and policies
- Monitoring sustainable performance

SUSTAINABILITY WORKING COMMITTEE

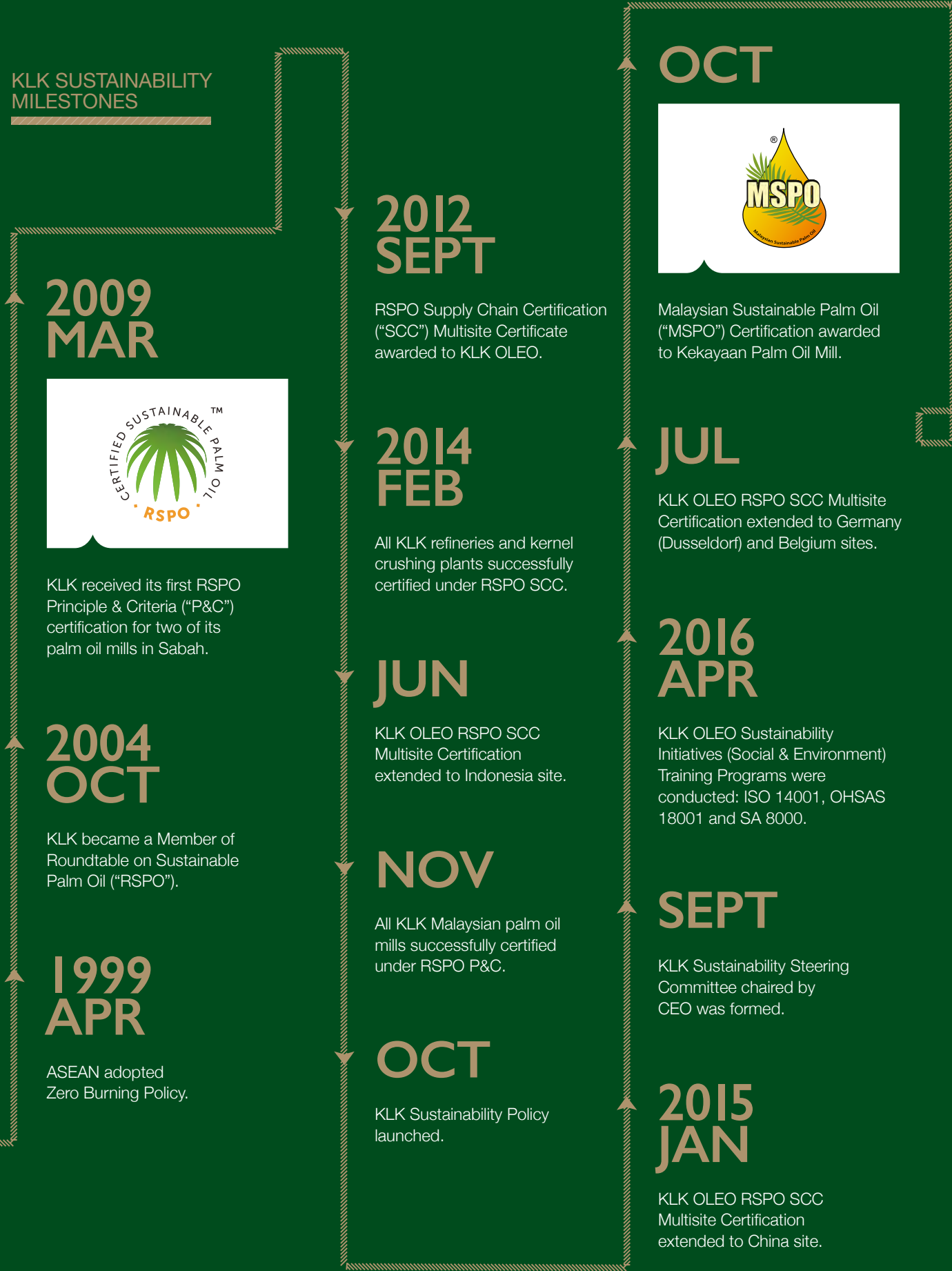


Roles:

- Ensure consistent implementation of sustainability practices and standards
- Raising sustainability practices awareness amongst employees
- Continue stakeholders engagement efforts

SUSTAINABILITY STATEMENT AND REPORT

KLK SUSTAINABILITY MILESTONES



**1999
APR**

ASEAN adopted Zero Burning Policy.

**2004
OCT**

KLK became a Member of Roundtable on Sustainable Palm Oil ("RSPO").

**2009
MAR**



KLK received its first RSPO Principle & Criteria ("P&C") certification for two of its palm oil mills in Sabah.

OCT

KLK Sustainability Policy launched.

NOV

All KLK Malaysian palm oil mills successfully certified under RSPO P&C.

JUN

KLK OLEO RSPO SCC Multisite Certification extended to Indonesia site.

**2014
FEB**

All KLK refineries and kernel crushing plants successfully certified under RSPO SCC.

**2012
SEPT**

RSPO Supply Chain Certification ("SCC") Multisite Certificate awarded to KLK OLEO.

**2015
JAN**

KLK OLEO RSPO SCC Multisite Certification extended to China site.

SEPT

KLK Sustainability Steering Committee chaired by CEO was formed.

**2016
APR**

KLK OLEO Sustainability Initiatives (Social & Environment) Training Programs were conducted: ISO 14001, OHSAS 18001 and SA 8000.

JUL

KLK OLEO RSPO SCC Multisite Certification extended to Germany (Dusseldorf) and Belgium sites.

OCT



Malaysian Sustainable Palm Oil ("MSPO") Certification awarded to Kekayaan Palm Oil Mill.

SUSTAINABILITY STATEMENT AND REPORT

2017
APR

Through its Bornion Smallholders' project, KLK successfully assisted 55 smallholders in obtaining their certifications.

JUL



KLK OLEO launched Supplier Code of Conduct for its palm sourcing suppliers.

DEC



All KLK upstream operations (its supplying estates and palm oil mills) in Malaysia have been certified under the MSPO standards.

2018
JUN

Together with partners, KLK completed a two-year study on application of Filter Belt-Press and its relation to potential GHG reduction. The calculation methodology was submitted to a leading journal, "Springer" and has been accepted and included in ISCC's emission factor for GHG calculations.

JUL

KLK published the suppliers list of all Malaysian and Indonesian palm oil mills, refineries and kernal crushing plants in its website.

AUG

KLK published its revised Sustainability Policy, enhancing its commitments towards the key economic, social and environmental issues.

OCT



- KLK named the winner of the National Energy Awards under Renewable Energy category for utilising biogas power plant into its operations and contributing to the national grid.
- KLK became a member of HSCA Steering Group.

SEP

KLK published its Grievance Redressal List in its website.

The Journey Continues...

SUSTAINABILITY STATEMENT AND REPORT

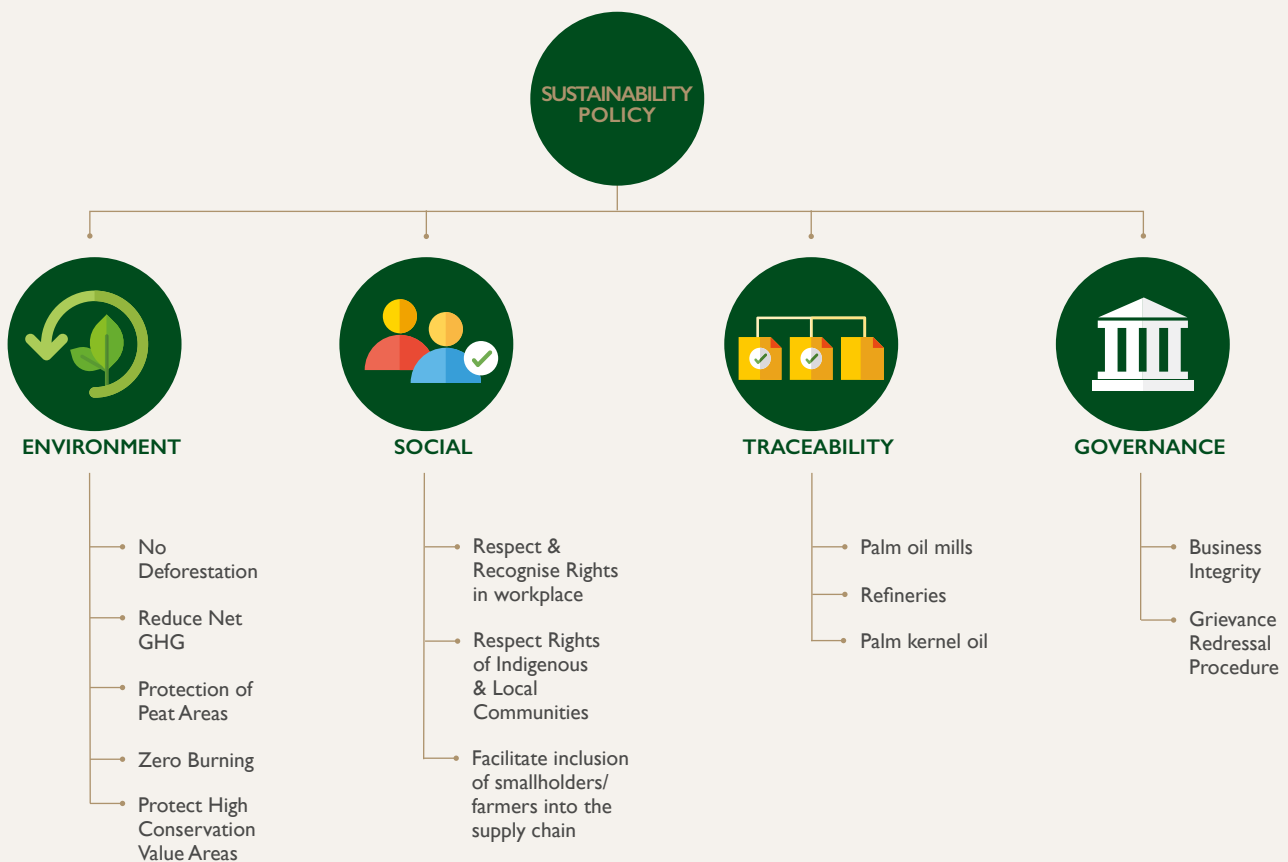
Sustainability Policy

Sustainability has been embedded in our operations since early 2000s. This is evidenced by our longstanding implementation of Good Agricultural Practices, including a strict Zero Burning Policy for new planting and replanting.

In line with this, in December 2014, we developed our comprehensive Sustainability Policy (“Policy”). This publicly available Policy helps us keep our values, sustainability pillars and commitments in check. Through our engagements with stakeholders, we constantly receive constructive inputs on developments and concerns which have taken place during the last four (4) years since the Policy’s inception.

With that, we have incorporated them into the revised Policy, which was released on 30 August 2018. The revised Policy outlines KLK’s enhanced commitments towards the key socio-economic, social and environmental issues faced by the palm oil industry.

KLK adopts the RSPO Principles & Criteria (“P&C”) as the foundation of its sustainable practices. On 15 November 2018, the RSPO P&C has been revised and endorsed at the 15th Annual General Assembly. The revised RSPO P&C aims to halt deforestation, protect peatlands and strengthen human and labour rights across the sustainable palm oil chain. Our revised Policy aligns with these commitments.



SUSTAINABILITY STATEMENT AND REPORT

KLK has also set clear deliverables timeline indicating the Group's commitment towards driving change for its material sustainability issues. These commitments include: -

1. Traceability



- a) Ensuring **palm oil mills** ("POMs") work with its direct upstream fresh fruit bunch ("FFB") suppliers to trace up to the oil palm plantations level by 31 December 2019.
- b) Ensuring **refineries** work with its supply chain to trace up to oil palm plantations level by 31 December 2020.
- c) Ensuring all **palm kernel oil** traceable to POMs by 31 December 2020.
- d) Insisting third party suppliers and dealers to adopt the same timeline for traceability as stated above.

2. No Deforestation



Reaffirm the existing commitment of applying the High Carbon Stock Approach ("HCSA") methodology for new oil palm development. New areas will undergo integrated High Conservation Value Areas ("HCV") and HCSA assessments to determine eligible planting areas with priority given to low carbon stock areas which have no demonstrable HCV, and where Free, Prior and Informed Consent has been obtained from rights-holders.

3. Protection of Peatlands



Introduce additional holistic practices on peatlands protection which include but not limited to periodical monitoring of water table level and also evaluating the existing peatlands planted with oil palm for its sustainability for replanting.

Policy Non-Compliance Protocol

Sustainability is an ongoing journey and it is challenging especially in the palm oil supply chain due to the involvement of multiple stakeholders. KLK will continually monitor and analyse the implementation process with the support and co-operation of its business associates. All suppliers should respect the principles stipulated in the revised Policy and/or Supplier Code of Conduct and adopt practices within their operations and supply chains which are consistent with it.

In our revised Policy, we had stated, together with relevant stakeholders, we would develop and publish a non-compliance protocol by December 2018. However, at the moment of writing, the protocol is still being fine-tuned. KLK believes in a protocol which is robust that serves all stakeholders. Therefore, our new target of publication is January 2019.

SUSTAINABILITY STATEMENT AND REPORT

Policy Action Plan

To demonstrate our commitment towards driving change on key socio-economical, social and environmental issues faced by the palm oil industry, KLK has set clear deliverables and timelines. "Action Plan FY2018" documents our achievement during the FY.

Action Plan FY2018	Summary of Implementation
Environment	<ul style="list-style-type: none"> All new developments underwent the integrated HCV and HCSA assessments in accordance to the HCSA methodology – HCSA toolkit Ver. 2. During FY, this assessment was conducted at one of our concessions in Indonesia, which included a plasma unit. There was no new development on peatland (please refer to "Peatland Protection" section.) Undertook a joint study on the potential of filter belt-press to reduce GHG emission with Neste Corporation, IDH and ISCC. (please refer to "Filter Belt Press" section.)
Stakeholder engagement	Continuous stakeholder engagement throughout the FY. (please refer to "Stakeholder Groups & Engagement" section.)
MSPO certification	MSPO certification of all Malaysian operations was completed in December 2017, a year ahead of the deadline stipulated by MPOCC.
Approach for Traceability	<ul style="list-style-type: none"> Initiated NDPE Compliance Verification of external suppliers and continued engagements during FY KLK refineries and KCPs achieved 100% traceability to POM level Published the suppliers list of all Malaysian and Indonesian POMs, refineries and KCPs in our corporate website Conducted Suppliers Engagement Workshops on KLK's revised Policy
Social	<ul style="list-style-type: none"> Developed FPIC flowchart Continuous engagement with communities (please refer to "Stakeholder Engagement in Liberia" section)

With our recently revised Policy, we have developed a two-prong structured Action Plan, whereby we focus on two (2) main components concurrently. First, NDPE Compliance within the KLK Group and its supply chain. Second, Traceability Compliance for 3rd party suppliers. The tables below showcase our projected target on achieving the goals:

Policy Compliance - Internal

Action Plan	Timeline / Target
NDPE Compliance Verification <ul style="list-style-type: none"> Certification Body accredited by RSPO Quality review by High Conservation Value Resource Network - HCVRN* and HCSA quality panel Internal audit by KLK Sustainability Team Engagement with independent party to conduct NDPE Compliance Verification <p><i>*HCVRN is a member based organisation that strives to protect HCV areas</i></p>	<ul style="list-style-type: none"> Commitment remains Commitment remains Commitment remains January 2020
Newly Acquired Operations <ul style="list-style-type: none"> Conduct NDPE Compliance Verification by KLK Sustainability Team Strive to achieve RSPO Certification within 3 years 	<ul style="list-style-type: none"> Commitment remains Commitment remains

SUSTAINABILITY STATEMENT AND REPORT

Policy Compliance - Internal

Action Plan	Timeline / Target
New Development Area <ul style="list-style-type: none"> • Conduct integrated HCV and HCSA assessments • Engagement with Civil Society Organisations (“CSOs”) and local communities during the course of preparing Integrated Conservation and Land Use Planning (“ICLUP”) 	<ul style="list-style-type: none"> • Commitment remains • Commitment remains
Develop Supplier Code of Conduct and Supplier Non-Compliance Protocol	<ul style="list-style-type: none"> • December 2018 – February 2019
Conduct Sustainability Workshops on Revised RSPO P&C and KLK’s Sustainability Policy, including relevant requirements of HCS Approach and its social requirements <ul style="list-style-type: none"> • For Senior Management and all Operating Centres 	<ul style="list-style-type: none"> • December 2018 – February 2019
Labour related Matters <p>A special labour task force will be set up internally to conduct the following studies:</p> <ul style="list-style-type: none"> • Due diligence on contractors and recruitment agencies • Recruitment fees structure • Living wage assessment 	<ul style="list-style-type: none"> • December 2018 – June 2019

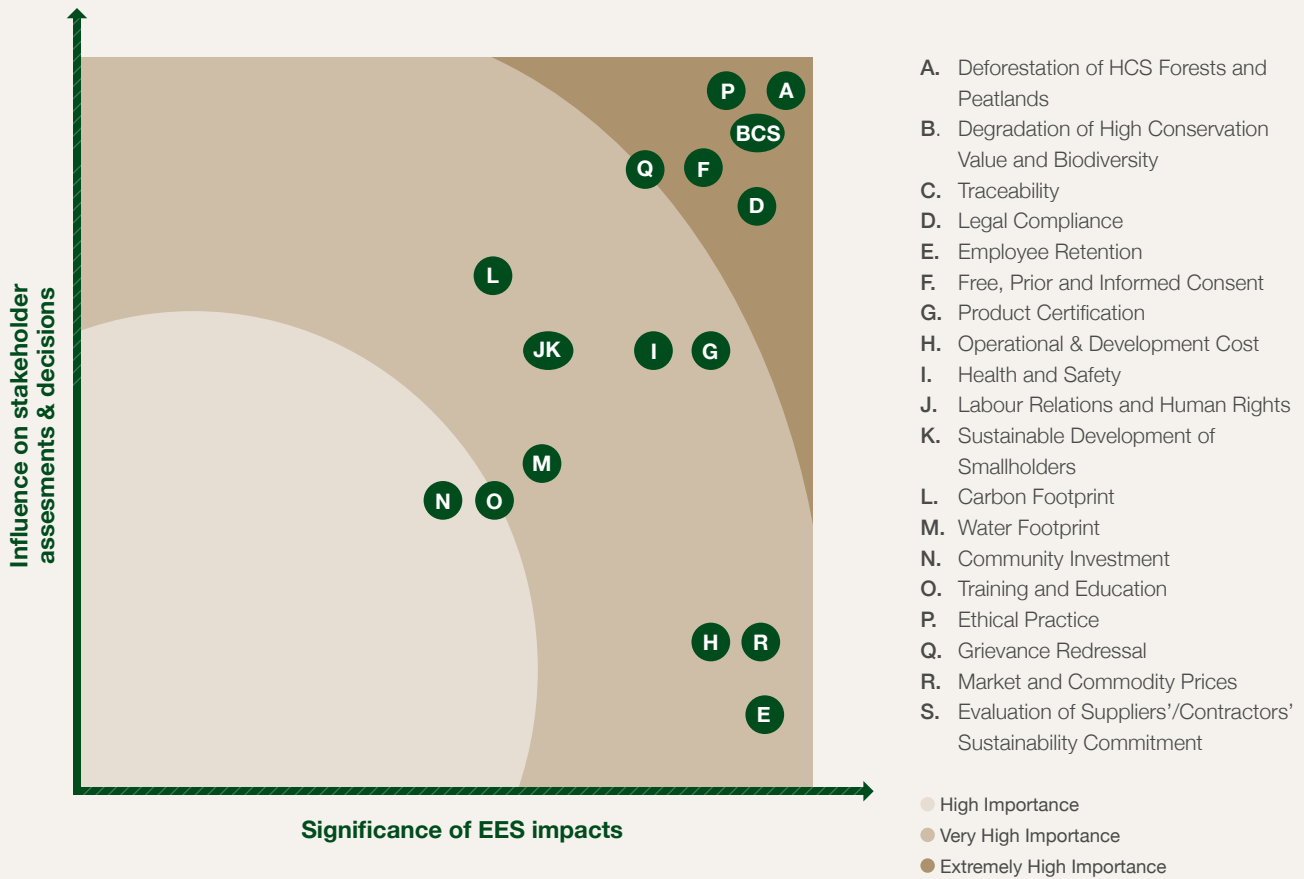
Traceability Compliance

Action Plan	Timeline / Target
KLK POMs – 100% traceable to plantations by end of 2019	
<ul style="list-style-type: none"> • Conduct engagement with 1st tier supplier (direct) • Suppliers mapping and carry out desktop analysis of 1st tier suppliers 	<ul style="list-style-type: none"> • December 2018 – February 2019
<ul style="list-style-type: none"> • Conduct engagement with 1st tier suppliers, including NDPE Compliance Verification at “high risk” suppliers • Data collation from collection centres/dealers on 2nd tier suppliers (indirect) 	<ul style="list-style-type: none"> • March 2019 – June 2019
<ul style="list-style-type: none"> • Conduct 2nd tier suppliers mapping and desktop analysis of 2nd tier suppliers. 	<ul style="list-style-type: none"> • July 2019 – August 2019
<ul style="list-style-type: none"> • Conduct engagement with 2nd tier suppliers together with collection centres/dealers including NDPE Compliance Verification at “high risk” suppliers 	<ul style="list-style-type: none"> • September 2019 – November 2019
KLK Refineries – 100% traceable to plantations by end of 2020	
Update and publish the suppliers list quarterly	<ul style="list-style-type: none"> • Commitment remains
Continuous engagement with suppliers and update the status in Grievance list	<ul style="list-style-type: none"> • Commitment remains
Engage Daemeter on assisting KLK to achieve 100% traceability to plantations by end of 2020, which includes:	
<ul style="list-style-type: none"> • Supply Chain Analysis and Supplier Profiling • Action Plan Development • Supplier Engagement • Traceability Verification 	<ul style="list-style-type: none"> • December 2018 – November 2019

SUSTAINABILITY STATEMENT AND REPORT

MATERIALITY MATRIX

As mentioned earlier, this year’s Sustainability Report is compiled internally with guidance from the GRI Standards 2016 - Core, instead of prior years’ G4. Although the definition of Materiality defers slightly from G4, our assessment exercise remains as robust. It involves a combination of in-house risk assessment and identification of external stakeholder expectations and trends. The Senior Management reviewed the Company’s significant Economic, Environmental and Social (“EES”) impacts and its influence on the assessments and decisions of stakeholders. This year, we have identified four (4) additional material concerns, namely Ethical Practice, Grievance Redressal, Market and Commodity Prices and Evaluation of Suppliers’/Contractors’ Sustainability Commitment. The Materiality Matrix was drawn up based on this.



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.

SUSTAINABILITY STATEMENT AND REPORT





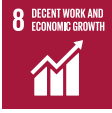


ALIGNMENT WITH THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



On 1 January 2016, the 17 SDGs of the 2030 Agenda for Sustainable Development – adopted by world leaders in September 2015 at an historic UN Summit – officially came into force. These 17 Goals seek to abolish extreme poverty, to reduce inequality and injustice and to solve the global climate crisis.

KLK advocates the comprehensive approach of the SDGs. With agriculture, specifically oil palm as our core business, our products and innovations enable us to contribute to the Goals. The table below summarises key areas in which KLK can make a difference.

KLK Focus Areas

Goal	KLK's Course of Action
 Healthcare to rural areas	Within our OCs, infrastructure and facilities such as clinics are set up giving employees and workers easier access to healthcare. Combined with higher earnings from palm oil, it also allows them access to better nutrition, leading to better well-being.
 Knowledge for all	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 to provide basic education to children who have no access to mainstream education.
 Water	KLK realises water is not an in exhaustible source. Our water management strategies center on water use optimisation and reduction in water consumption or wastages, optimisation of use with minimal impact to the environment.
 Sustainable energy	We are highly concerned with the world's depletion of non-renewable resources (oil, gas and coal). Therefore, we have in place renewable energy resources (biogas power plants, gas turbine generators, etc), efficiency initiatives which reduce energy consumption and continuous improvement of process systems for increased efficiency and sustainability.
 Labour practices	Human capital is the backbone of KLK. We offer employees jobs with fair compensation, safe working condition and social protection. We reward good performance and actively promote "lifelong learning", helping them to reach their full potential.
  Environment and Biodiversity	Commercial palm oil cultivation and care for the environment should not be viewed as opposing pursuits. They can be mutually enforcing 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 value, rare, threatened and endangered species and areas that provide ecosystem services.

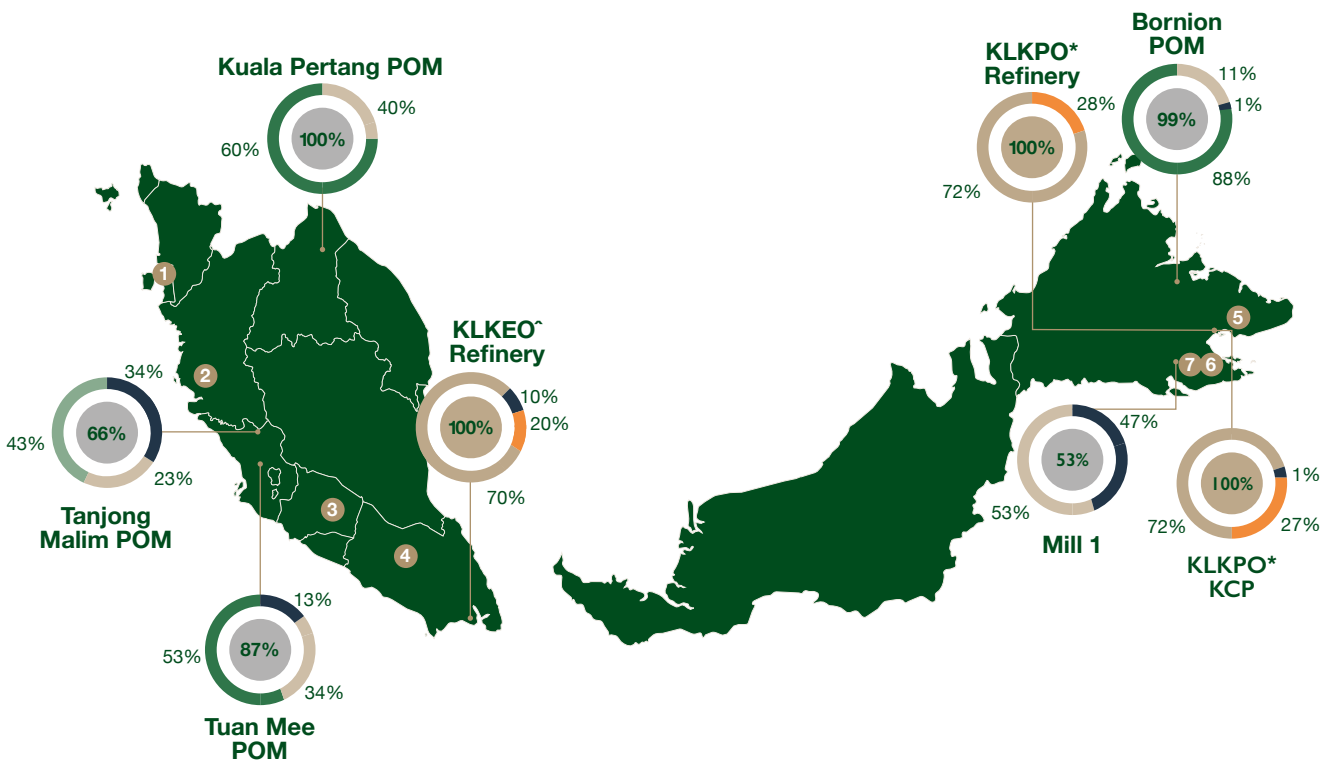
SUSTAINABILITY STATEMENT AND REPORT



TRACEABILITY

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

KLK POMs, REFINERIES AND KCPs IN MALAYSIA FY2018



- KLK Plantation
- Third Party POMs
- KLK Managed Plantations
- Small Farmers & Independent Estates
- KLK POMs
- Dealers
- % Traceable to Mills
- % Traceable to Plantations

POM RECEIVING 100% FFB FROM KLK PLANTATION:

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

^ KLKEO - KL-Kepong Edible Oils Sdn Bhd

* KLKPO - KLK Premier Oils Sdn Bhd

SUSTAINABILITY STATEMENT AND REPORT

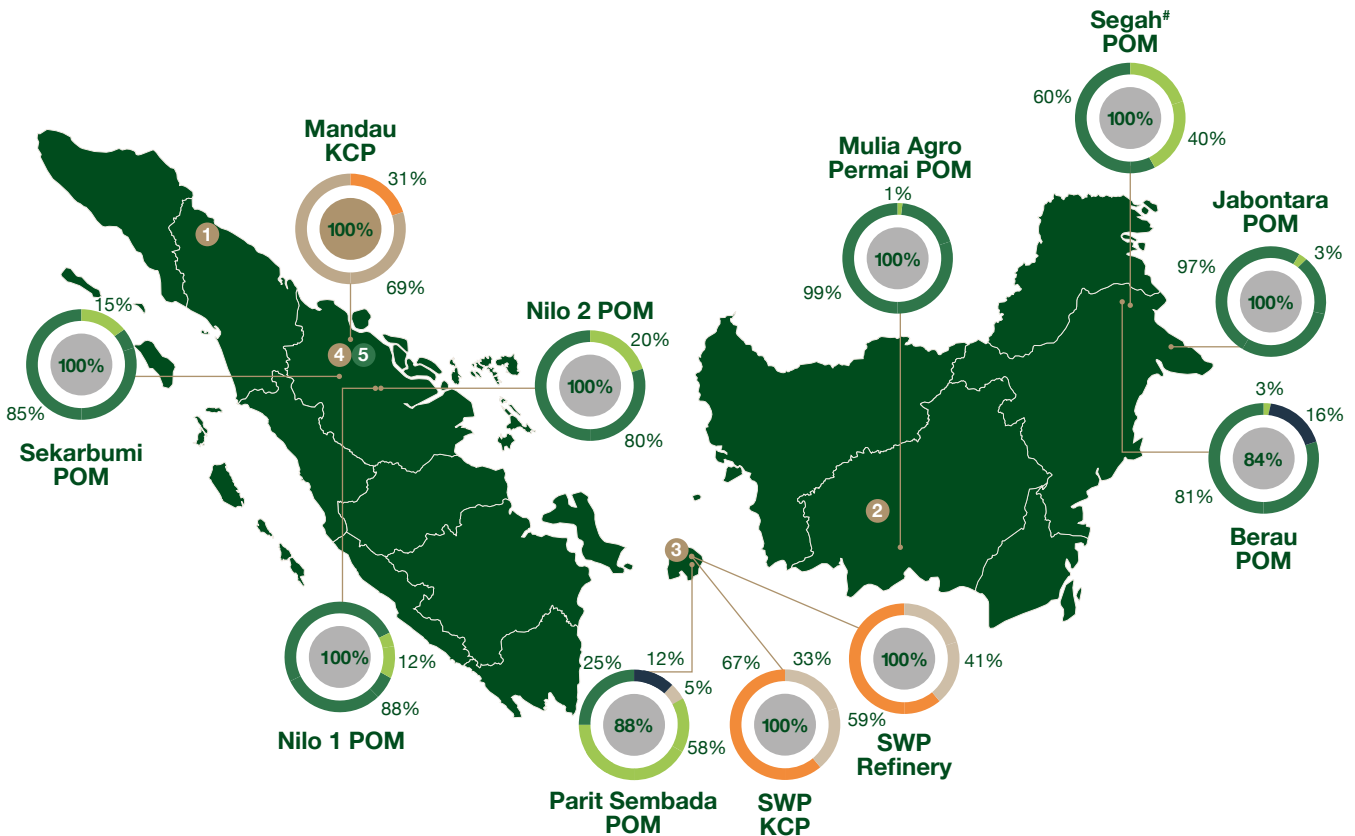
MARKETPLACE

Traceability at Plantation

The palm products produced at KLK are traceable to its respective palm oil mills (“POMs”), refineries and kernel crushing plants (“KCPs”). However, third-party suppliers which include Smallholders, Small Growers and external POMs remain a challenge. KLK has taken steps to understand the practices of its third-party suppliers and to include them in its traceability data. This is a long-term process and KLK will strive to convince its third-party suppliers, the importance of adopting traceability requirements.

We are glad to announce that KLK refineries and KCPs have achieved 100% traceability to POM level. To further improve transparency towards traceable palm products, KLK has also made available the mill suppliers list of its refineries and KCPs which include GPS coordinates in the Company's website, www.klk.com.my.

KLK POMs, REFINERIES AND KCPs IN INDONESIA FY2018



- KLK Plantation
- Third Party POMs
- KLK Managed Plantations
- Small Farmers & Independent Estates
- KLK POMs
- Dealers
- % Traceable to Mills
- % Traceable to Plantations

POM RECEIVING 100% FFB FROM KLK PLANTATION: **REFINERY RECEIVING 100% PKO FROM MANDAU KCP:**

- | | |
|---------------------------------|--------------------|
| 1. Stabat POM | 5. Mandau Refinery |
| 2. Karya Makmur Abadi POM | |
| 3. Steelindo Wahana Perkasa POM | |
| 4. Mandau POM | |

* Managed by KLK

SUSTAINABILITY STATEMENT AND REPORT

MARKETPLACE

Traceability at KLK OLEO

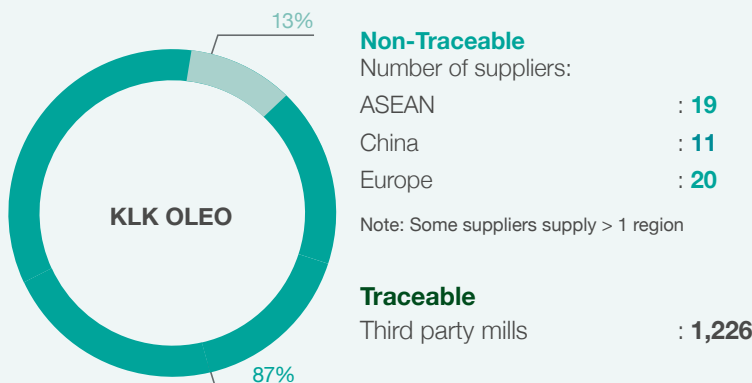
For KLK OLEO, traceability is defined as traceable to POMs level for both palm-oil-based and palm-kernel-oil-based feedstock, excluding internal transfer within KLK OLEO group of companies for the FY2018.

The percentages disclosed were tabulated based on the weighted average purchases for oils and derivatives processed in China, Europe, Indonesia and Malaysia OCs.

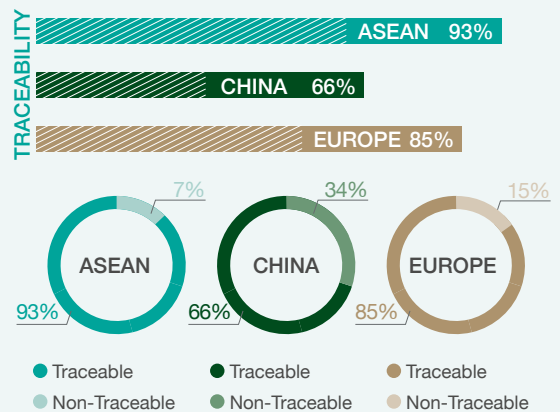
The source of information shared, non-verified, included but not limited to:

1. Supplier specific traceability disclosure: Suppliers submitted traceability information upon request for certain period*, based on cloud of POMs. Traceability percentage is calculated based on POMs information provided. Should suppliers provide statements of certain percentage traceable to POM level, this was also used to represent traceability.
2. CIF Rotterdam Traceability ("CRT") Template: Specific for Europe OCs, CRT templates were used as source of information for traceability calculation.
3. Supplier website traceability disclosure*: information from supplier dashboard traceability.
4. RSPO certified purchases: Declaration of POMs by suppliers in the RSPO PalmTrace.

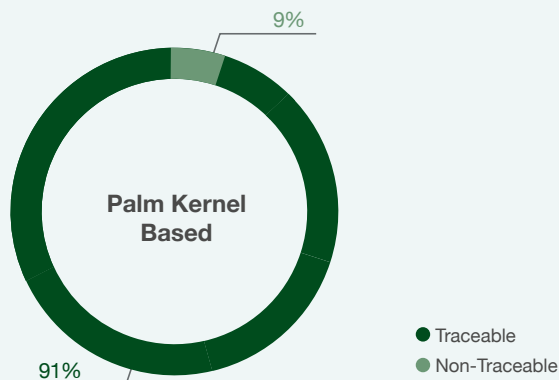
TRACEABILITY STATUS FY2018



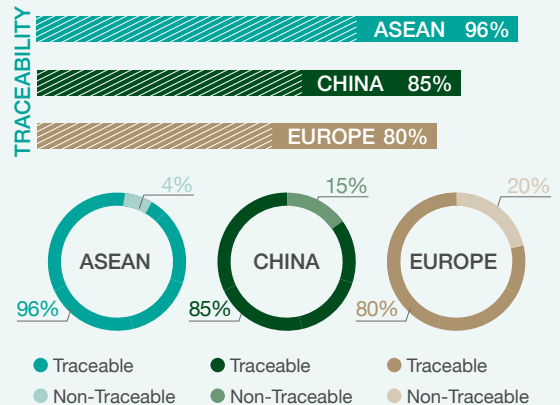
TRACEABILITY (BY REGION) FY2018



TRACEABILITY (BY FEEDSTOCK) FY2018



Palm Kernel Based (By Region)

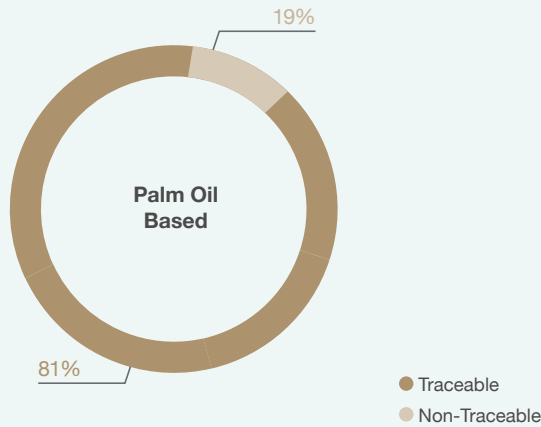


* Traceability information does not necessarily match sourcing period. Only RSPO's Segregation Supply Chain Model can provide exact matching of traceability against sourcing period.

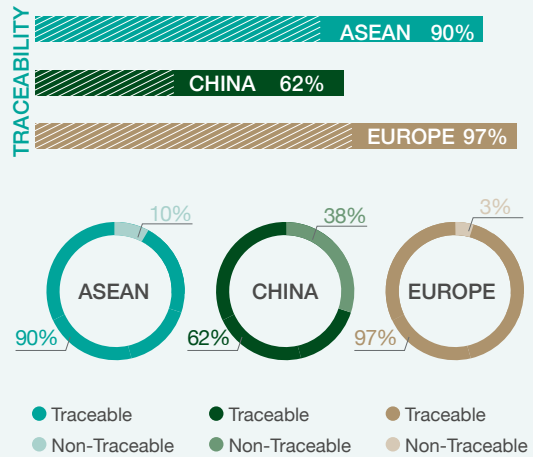
SUSTAINABILITY STATEMENT AND REPORT

MARKETPLACE

TRACEABILITY (BY FEEDSTOCK) FY2018



Palm Oil Based (By Region)



SUPPLY CHAIN SUSTAINABILITY RISK MANAGEMENT

Sustainability practices are the core values of KLK OLEO’s corporate culture. These values are incorporated into an extensive self-regulating practice which integrates the principles of sustainability into a stringent supply chain management. With the surge in world demand for environmental protection, high awareness for downstream compliance to sustainability regulations and standards is fast becoming a necessity. To achieve this, KLK OLEO established a risk-based Sustainability Sourcing Framework, with a time-bound plan:

Milestones - Third Party Supply Chain Management Programme

MILESTONE	DELIVERABLE & TIMELINE	STATUS
1. Phase 1 – Primary Assessment	August 2017 – May 2018	✓
2. Phase 1 – Secondary Assessment	April – October 2018	✓
3. Phase 1 – Tertiary Assessment (On-site audit)	August – September 2018	✓
4. Phase 2 – Primary Assessment	November 2018 onwards	★
5. Review Risk Mitigation Plan of High-Risk Suppliers	2018 – 2020	★

Legend :

- ✓ Completed
- ★ In Pipeline

- Phase 1 covers ASEAN suppliers who supplied 68% of the total third-party palm volume to KLK OLEO during FY2018.
- Phase 2 would involve the remaining active suppliers based on supply volume as priority.

SUSTAINABILITY STATEMENT AND REPORT

MARKETPLACE

STAKEHOLDERS ENGAGEMENT

With stakeholders engagement as one of KLK's cornerstones of sustainability approach, we actively meet, converse, consult and work with a broad cross-section of stakeholders to address areas of shared interests and concerns.

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 of our OCs hold both internal and external stakeholder meetings. These meetings allow us to communicate information on Company policies and activities and further discuss issues that could impact stakeholders' interests. We record these communication sessions in stakeholder meeting minutes, which are available at our OCs. Apart from official meetings, information is also provided to stakeholders upon request.

Our Company's website, www.klk.com.my is another channel to further enhance stakeholders communication. Information pertaining to the Group including announcements, news releases, stakeholders' responses, 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 an e-Grievance Redressal Procedure (<https://www.klk.com.my/corporate-sustainability/market-place/grievance/>) in place. We aim to address any grievances or complaints between the Group and other parties fairly and effectively. These channels provide a framework for non-discriminatory and fair treatment to all parties.

Stakeholder Groups and Key Engagement Conducted in FY2018

STAKEHOLDER GROUP	HOW KLK ENGAGES WITH STAKEHOLDERS	OUTCOME
Local Communities & Smallholders	<ul style="list-style-type: none"> Meetings, engagements and dialogues Joint exercises and training Community outreach activities and development programmes 	<ul style="list-style-type: none"> Amicable solutions to conflicts and grievances Enhance smallholders' agriculture practices with sustainable options and create awareness of KLK's Policy and commitment to sustainable palm oil production Development and implementation of shared initiatives Community activities such as "gotong-royong" at villages, health talks/checks and festive celebrations
NGOs	<ul style="list-style-type: none"> Formal and informal meetings, engagements and dialogues Regular correspondence Collaborations and project partnerships Policy and documentation reviews Official grievance mechanism 	<ul style="list-style-type: none"> Better understanding of their concerns and issues with the palm oil industry and KLK Enhance their understanding of KLK's Policy, sustainability practices, status, progress and initiatives Development and implementation of shared initiatives
Certification Bodies (RSPO, MSPO, ISPO, ISCC)	<ul style="list-style-type: none"> Meetings, engagements and dialogues Regular reporting and meetings OC visits and inspection Constructive partnerships 	<ul style="list-style-type: none"> Audit and certification Compliance with policies and latest changes in requirements
Government (Ministries, Agencies, Regulators, Industry Associations)	<ul style="list-style-type: none"> Meetings, engagements and dialogues Collaborations in constructive schemes OC visits and inspections 	<ul style="list-style-type: none"> Development and implementation of shared initiatives Compensation process and avenue Compliance with regulations and latest changes in laws
Investors, Bankers & Analysts	<ul style="list-style-type: none"> Formal and informal briefings and meetings AGMs Corporate website 	<ul style="list-style-type: none"> Provide insight into our sustainable business progress and performance

SUSTAINABILITY STATEMENT AND REPORT

MARKETPLACE

STAKEHOLDER GROUP	HOW KLK ENGAGES WITH STAKEHOLDERS	OUTCOME
Customers	<ul style="list-style-type: none"> • Formal and informal briefings and meetings • Site visits 	<ul style="list-style-type: none"> • Create awareness of KLK's Policy and commitment to sustainable palm oil production and their role in it
Suppliers & Contractors	<ul style="list-style-type: none"> • Formal and informal briefings and meetings • Surveys • Third-party Supply Chain Management Programme 	<ul style="list-style-type: none"> • Create awareness of KLK's Policy and commitment to sustainable palm oil production and their role in it
Employees	<ul style="list-style-type: none"> • Employee wellness activities • Intranet news updates and quarterly newsletter • Training programmes • Annual appraisals 	<ul style="list-style-type: none"> • Awareness of KLK's policies, culture and core values • Enrich inclusiveness and teamwork, creating a better work environment toward a shared goal • Improve awareness of our commitment to sustainable practices
Schools & Universities	<ul style="list-style-type: none"> • Provision of scholarships • Internship programmes • Talks and participation in roadshows 	<ul style="list-style-type: none"> • Opportunities for underprivileged students to further their studies • Exposure to work life and expectations • Awareness about palm oil industry



Engagement with students from higher learning Institution

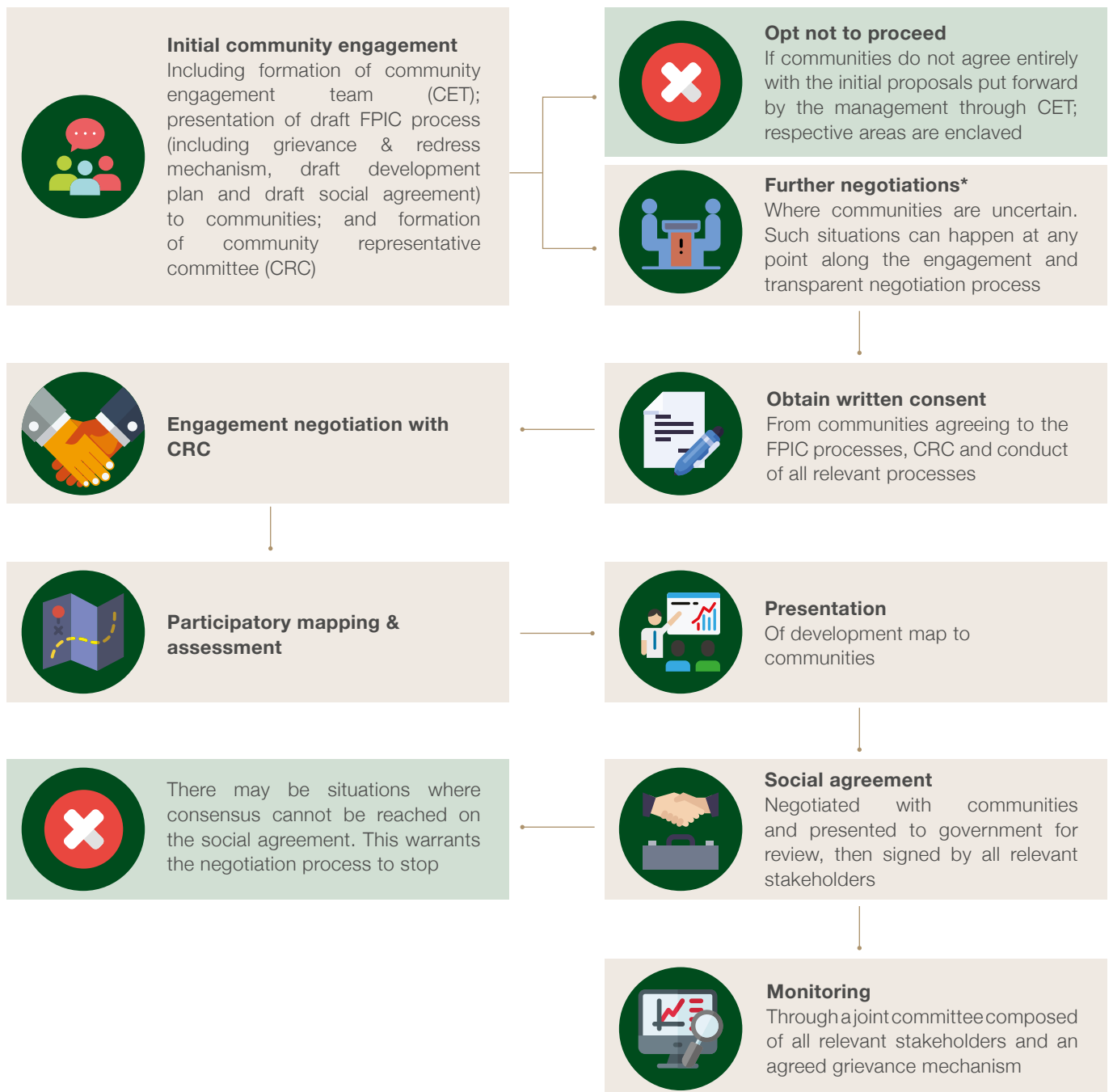
SUSTAINABILITY STATEMENT AND REPORT

MARKETPLACE

Stakeholder Engagement in Liberia

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.

Free, prior and informed consent (FPIC)



* Communities can decide not to proceed with the negotiation at any stage of this process

SUSTAINABILITY STATEMENT AND REPORT

MARKETPLACE

From the table below, it is clear FPIC is of utmost importance to KLK. We have engaged with the same communities numerous times to ensure information is clearly communicated and their grievances addressed.

MONTH	SPECIFIC STAKEHOLDER MEETING IN LIBERIA
October 2017	<ul style="list-style-type: none"> Met with Weleysama land owners to discuss on results of land survey by Ministry of Lands, Mines and Energy Conducted community engagement with Kayah clan, Rivercess to explain EPO's development plan
November 2017	<ul style="list-style-type: none"> Met with Sustainable Development Institute to propose FPIC engagement work of Palm Bay Phase 2 and to share the Human Rights Impact Assessment Executive summary Met with Sustainable Trade Initiative to share the Human Rights Impact Assessment Executive Summary Met with Bah family of Winston Farm to discuss land deed and development matters Community engagement with Kan Whea Clan
December 2017	<ul style="list-style-type: none"> Discussed expansion plans with community in Phase 2 Palm Bay, Gezee Town Conducted a meeting with communities in Palm Bay to raise awareness on FFB theft Continued engaging with Kan Whea and Gono Tarr Clans on EPO's development plan
January 2018	<ul style="list-style-type: none"> Engaged with communities at Damadama Town in Palm Bay to explain EPO's development plan Continued engaging with Gono Tarr Clan on EPO's development plan
February 2018	<ul style="list-style-type: none"> Met with Bah family and the communities of New and Mboe towns of Palm Bay to discuss their consent to develop and subsequently conduct a participatory mapping on the respective area Continued engagement with communities at Damadama Town in Palm Bay pertaining to their interest in EPO's development plan Continued engagement with Kayah Clan pertaining to their interest in EPO's development plan
March 2018	<ul style="list-style-type: none"> Crop counting exercise by New and Mboe towns together with representatives from Ministry of Agriculture (MOA) Engaged with Bloba Town to discuss expansion plan Continued engagement with Gonoh Tarr Clan pertaining to their interest in EPO's development plan
April 2018	<ul style="list-style-type: none"> Continued community engagement for the setup of a Community Representative Committee ("CRC") Discussed seasonal work prioritisation of local communities for all contract, permanent and seasonal work at Palm Bay Estate
May 2018	<ul style="list-style-type: none"> CRC setup by Palm Bay communities Discussed social agreement with Butaw's Tarsue-Karbor
June 2018	<ul style="list-style-type: none"> Continued engagements and planning of land identification exercise with Palm Bay communities Met with Bright Farm, Palm Bay to discuss options for leasing their oil palm plantation Continued discussion on social agreement with Butaw's Tarsue-Karbor
July 2018	<ul style="list-style-type: none"> Continued engagements and planning of land identification exercise with Palm Bay communities Conducted preliminary boundary survey exercise with Ministry of Lands, Mines and Energy ("MLME")
August 2018	<ul style="list-style-type: none"> Land identification for 8 Palm Bay towns/villages Met with community representatives to discuss strategy on how the community members could be empowered to be registered contractors for contract work within our plantations Visited by MOA Minister to Palm Bay site and Smallholder Tree Crop Revitalisation Support Project Liberia smallholder farmers Engaged with National Bureau of Concessions, Palm Bay and Butaw communities and EPO Met and discussed with Inclusive Development Consultancy on verification exercise
September 2018	<ul style="list-style-type: none"> Continued engagement with other villages' CRCs Resurveyed Bright Farm with MLME

SUSTAINABILITY STATEMENT AND REPORT

MARKETPLACE

SMALLHOLDERS' PROJECTS

Our engagement with stakeholders goes beyond mere dialogue, as we seek also seek to empower and enable our 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 rural folks.

Bornion Smallholders' Project

KLK's Bornion Smallholders' Project is a testament of our commitment to this cause. Together with Neste and Fuji Oil Holdings Inc. as partners, facilitated by Wild Asia, the project successfully led to the certification of 58 smallholders and small growers to date. It is now our intention to provide continuous support for them to maintain their certification via engagement sessions, considering the many challenges faced by these producers when it comes to complying with the requirements of major players in the palm oil industry.

Indonesian Plasma Scheme

Our commitment to support smallholders and small growers extends to Indonesia as well. With the above model in mind, we have kick-started our Indonesian Plasma Scheme, which is an initiative designed for the development of oil palm plantations for smallholders and small growers by large plantation companies.

KLK has a total of 13,862 ha designated for the Plasma Scheme. We actively engage with them to offer assistance in obtaining RSPO certification and have set target timelines. Our support comes in form of monetary funding, technical expertise and monitoring exercises. As for certification, we are committed to certifying them under RSPO three (3) years after the mill's certification.

CERTIFICATIONS

Certification is indispensable and central to any meaningful pursuit. It serves to provide reliable source of assurance to stakeholders that the Company's products are produced sustainably, responsibly and ethically, 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.

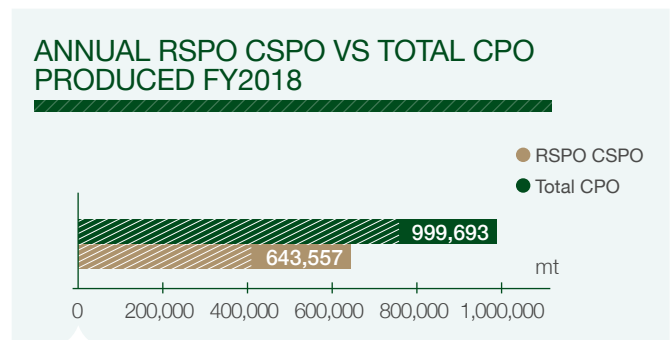
Certifications for Plantation



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 and investors as well as environmental and social non-governmental organisations. KLK is one of its pioneer members and fully committed to certify all of its OCs. KLK's Malaysian operations have been fully certified since 2014. For Indonesia, we were able to complete our audits for certification for the remaining POMs and are on target to be fully certified in FY2019.

RSPO Certified Sustainable Palm Oil ("CSPO")

Our current annual production of RSPO CSPO is 643,557mt. It represents 64% of our total CPO produced during the FY.



Certified Sustainability Palm Kernel (CSPK)

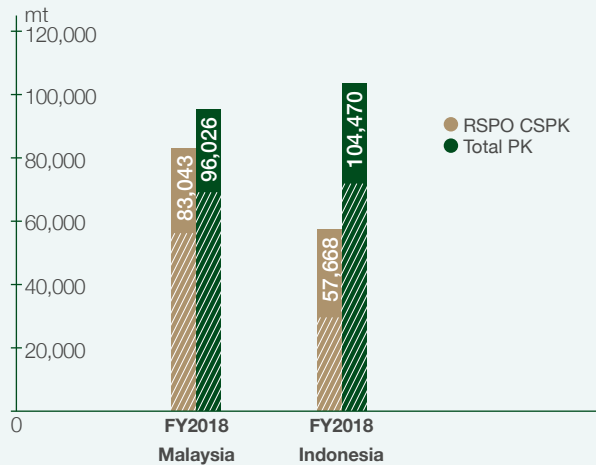
During the FY, KLK's production of CSPK reads 83,043mt under the RSPO certification scheme, which represents 86% of our total palm kernel produced.

For Indonesia, production of CSPK reads 57,668mt under the RSPO certification scheme, which represents 55% of our total palm kernel produced.

SUSTAINABILITY STATEMENT AND REPORT

MARKETPLACE

ANNUAL RSPO CSPK VS TOTAL PK PRODUCED (BY COUNTRY)



RSPO Supply Chain Certificate (“SCC”)

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.

Malaysian Standard on Sustainable Palm Oil (“MSPO”)

The MSPO Certification Scheme is the national scheme in Malaysia which covers the oil palm industry supply chain comprising plantations, independent and organised smallholders and POMs. It also includes grouping smallholders into Sustainable Palm Oil Clusters (“SPOC”). KLK’s Malaysian operations has achieved full certification at the end of 2017, a year ahead of the mandatory timeline for producers who are already RSPO-certified.

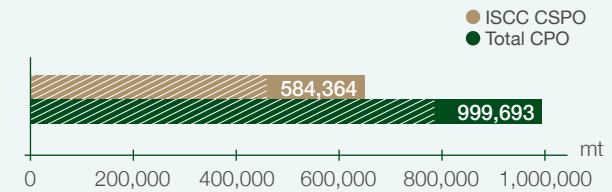
International Sustainability and Carbon Certification (“ISCC”)



ISCC is a system for certifying 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 2018, KLK reaches a production of approximately 584,364mt of ISCC certified palm oil.

Indonesia Sustainable Palm Oil (“ISPO”)

ANNUAL ISCC CSPO VS TOTAL CPO PRODUCED FY2018



The Indonesian government 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 draw attention to environmental issues. Similar to the RSPO, ISPO Standard includes legal, economic, environmental and social requirements, which are largely based on existing national requirements. Currently, seven (7) of KLK’s POMs in Indonesia are ISPO certified. We were able to complete our audits for the remaining POMs and are on target to be fully certified in FY2019.

Certifications for KLK OLEO

Many of KLK OLEO’s products and processes have been certified by various international bodies as on par with world-class standards.



SUSTAINABILITY STATEMENT AND REPORT



ENVIRONMENT

HIGH CARBON STOCK (“HCS”)

KLK’s commitment in this aspect has brought about refinement to its No Deforestation pledge in KLK’s Policy. In this revised Policy dated 30 August 2018, the HCS Approach methodology has been adopted to implement this commitment.

New developments in regions where KLK operates will undergo integrated HCV and HCSA assessments in accordance to the HCSA methodology – HCSA Toolkit version 2.0. During the financial year, this assessment was conducted at one of KLK’s concessions in Indonesia. It also included a plasma unit. As a result, areas eligible for development has been determined taking into consideration of the high carbon stock areas.

With the strengthening of its Policy, KLK is seeking to become a member of HCSA – the organisation which developed and champions the above-mentioned methodology. As at 2 October 2018, KLK is officially a HCSA Steering Group member.

PEATLAND PROTECTION

Peatland is a natural area that is accumulated with partially decayed vegetation or organic matter, vital stores of carbon. It plays an important role in providing drinking water, biodiversity management, carbon-water storage and regulation. Undoubtedly, peatland has significant functional roles in environmental conservation and the provision of eco-system services.

KLK is committed to play its part in preserving ecosystems of conservation value and ensuring no development in peat areas for its new plantation areas, regardless of depth. We apply best management practices to peatland that exists within its plantations. We also introduced additional holistic practices on peatlands protection such as periodical monitoring of water table level and evaluating peatlands planted with oil palm for its sustainability for replanting.

ZERO BURNING POLICY (“ZBP”)

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

Recognising the higher risk in our Indonesia OCs, the Haze Task Force was set up at our 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 include mapping of any high-risk zones, setting up of hotlines in each plantation, building of additional fire monitoring towers, making available more fire-fighting equipment like the Shibaura water pump, setting up of fire index signages to create awareness, daily satellite monitoring of hotspots in and outside our plantations (within the radius of three (3) km). Canal blocking has also been set up with the assistance of the local 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, assistant managers, staff, workers and members from the communities in surrounding areas also participate in training to equip them with the relevant information and knowledge in combating incidences of fire. Our fire patrol teams continue to monitor the estates and also neighbouring villages.



Ground water-table monitoring using a piezometer

SUSTAINABILITY STATEMENT AND REPORT

ENVIRONMENT

SOIL ENRICHMENT AND CHEMICAL REDUCTION

Soil Enrichment

Decomposed biomass eventually adds back the soil organic matter and reduces the use of pesticides. Recycling biomass improves soil organic matter, moisture retention and soil fertility. Agronomic benefits can be enhanced if oil palm seedlings are planted directly on residue of pulverised palm piles rather than on bare soil. Through this approach, higher levels of nitrogen, potassium, calcium and magnesium can be obtained, releasing nutrients over a longer period of time.

Minimising Usage of Agrochemicals

In order to develop and improve the quality of KLK's plantations, it is essential to cut back the reliance on fertilisers, pesticides and herbicides.

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 run-off. The fertiliser consumption for both Malaysia and Indonesia is 1.21 mt/ha.

Focusing on the use of non-chemical pest control i.e. plants, barn owls, the herbicide consumption for both Malaysia and Indonesia is 2.94 litres/ha.

We adopted a policy to stop the use of paraquat with effect from July 2011 in Malaysian operations and subsequently Indonesian and Liberian operations in January 2017, as it has been highlighted as a chemical of concern by stakeholders due to widespread misuse.

BIODIVERSITY PROTECTION

Commercial oil palm cultivation and care for the environment should not be viewed as opposing pursuits. In fact, the two can be mutually enforcing 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 value, rare, threatened and endangered species and areas that provide ecosystem 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 cooperation with local communities).

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 recognise the significance of their presence and consider 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.

Integrated Pest Management System ("IPMS")

We adopt environmentally-friendly techniques and use them to innovate IPMS. These techniques are used when we clear old palm. Shredded palm biomass spread across the field, effectively destroys the potential breeding sites of pests such as rhinoceros beetles and rodents.

Plants such as antigonon leptopus, turnera subulata and cassia cobanensis provide shelter and supplementary food such as nectar for beneficial insects. 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 more sustainable, less risky and simpler approach to pest management.

GHG MANAGEMENT

In producing sustainable palm oil, attention should duly be given to GHG emissions across all aspects of plantation development and KLK OLEO activities. 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 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.

SUSTAINABILITY STATEMENT AND REPORT

ENVIRONMENT

GHG Management at Plantation

Biogas Power Plants for Renewable Energy

Our biggest source of emissions come from POM effluent ("POME"). POME is the waste water discharge from the milling process and produces methane gas from anaerobic digestion. Methane gas is very potent as it traps about 34 times as much heat as carbon dioxide ("CO₂"). To reduce methane gas emission, KLK has six (6) operational biogas plants; 3 in Malaysia and 3 in Indonesia. These biogas plants generated 62,209,909 kWh, of which 20,388,340 kWh was sold to the national grid and 41,821,569 kWh used as green energy.

At the time of writing this report, KLK was named the winner of the National Energy Awards under the Renewable Energy Category for utilising biogas plants in its operations and contributing to the national grid.

Filter Belt-Press ("FBP")

Besides the use of methane capture facilities, KLK also installs FBPs at its POMs. The FBP system removes bottom slurry solids from effluent ponds. This reduces soluble organic matter and substantially lowers the biological nutrient loading to effluent ponds. The biomass can be used as organic fertiliser in the estates. Also, water extracted from this system is recycled for cleaning purposes. We are glad to announce five (5) more POMs have installed FBPs during the FY2018, bringing a total of 22 POMs to date.

A two-year study project was conducted in collaboration with Neste Corporation, IDH and ISCC. The objective of the study aimed to explore the benefits gained from the application of FBPs especially on the potential of GHG reduction and removal of organic matter from POME.

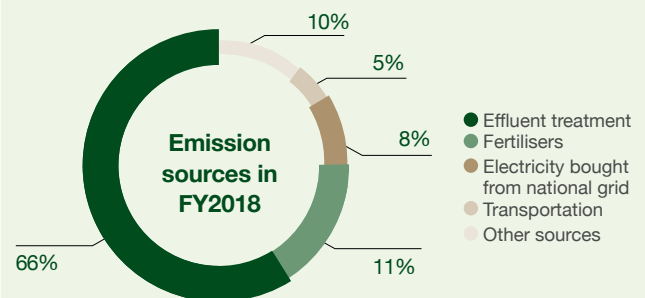
The findings of the study verified that a significant 54% of GHG emission reduction was measured in the single POME pond where the FBP was installed. The study was recently submitted to a leading journal, Springer and the calculation methodology has been accepted and included in ISCC's emission factor for GHG calculations.

As of 30 September 2018, KLK's plantations and POMs recorded an emission of 779.32 kg CO₂ eq/day mt CPO, where we achieved 62.7% GHG savings compared to fossil fuel emission. KLK will strive to achieve 65% GHG savings by 2019.

Note:

This calculation is based on EU RED II's new fossil fuel comparator of 94g CO₂ eq/MJ (previously 83.8g CO₂ eq/MJ)

KLK PLANTATION EMISSION SOURCES FY2018



Biogas power plant at an Indonesian palm oil mill

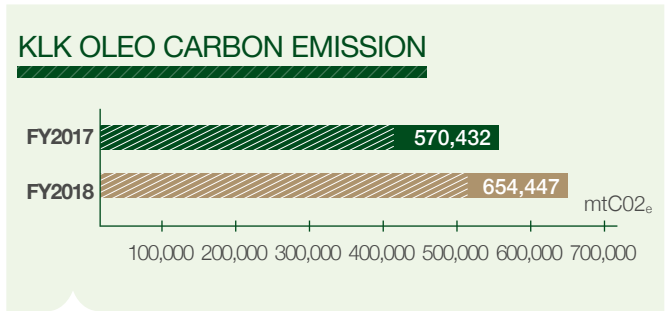
SUSTAINABILITY STATEMENT AND REPORT

ENVIRONMENT

GHG Management at KLK OLEO

KLK OLEO also strives to reduce GHG emissions to lower the negative environmental impact. It is a delicate balance between increasing the efficiency of our industrial process and attempting to reduce the use of non-renewable resources and fossil fuels.

GHG Emission Intensity



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.

Energy Management at Plantation

At our POMs, by-products such as Palm Pressed Fiber (“PPF”) and kernel shells are increasingly used as alternative energy sources. 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 for more efficient energy utilisation. Energy efficiency is also a primary consideration in designing new POMs. In 2018, we use an average of 0.39GJ/mt of CPO produced.

Energy Management at KLK OLEO

Energy management at KLK OLEO is two-pronged: efficiency initiatives which reduce energy consumption, and continuous improvement of process systems for increased efficiency and sustainability.

At our Palm-Oleo Sdn Bhd (“POR”) plant in Rawang, Malaysia, we saved:

- 272,993 kWh/year of power or 127 mt/year of CO₂ by reducing the running speed of the Thermal Oil Heater (“TOH”) pump;
- 10,569 mmBtu/year of natural gas or 628 mt/year of CO₂ by optimising the TOH to produce more fatty acids with the same amount of heat;
- 90,491 kWh/year or 42 mt/year of CO₂ by optimising operation of the blowers in the waste water treatment plant;
- 95,306 kWh/year of power or 44 mt/year of CO₂ by optimising the water flow to the Chiller Condenser; and
- 385,410 kWh/year of power or 179 mt/year of CO₂ by replacing conventional lighting with LED lighting.

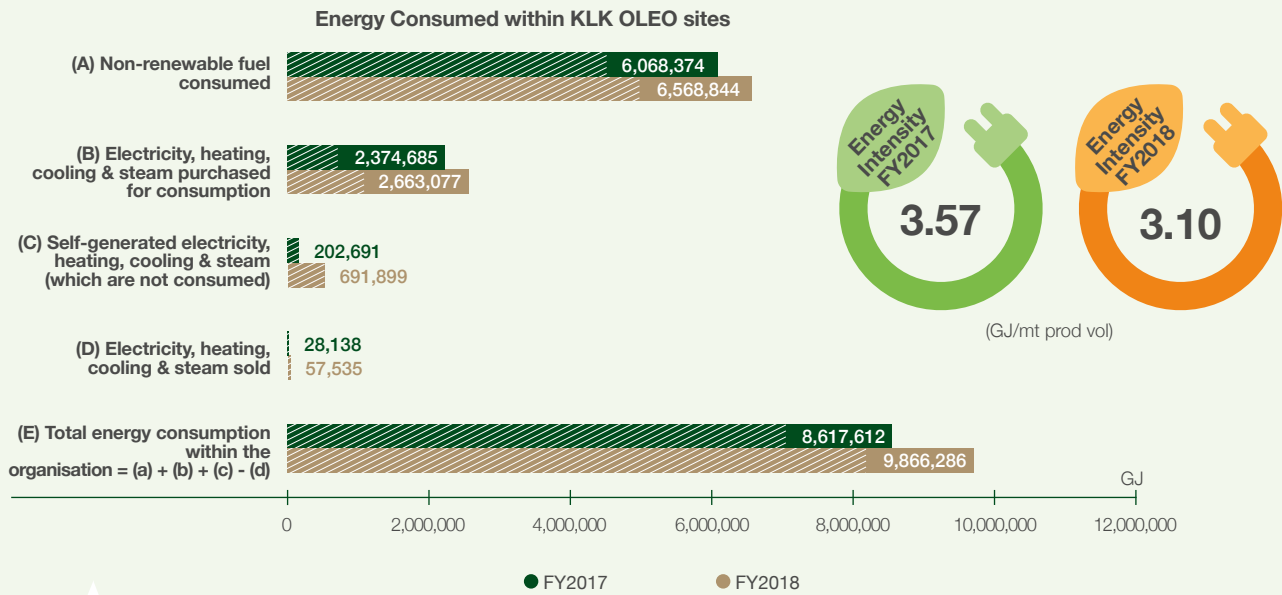
Our KLK Kolb Specialties site in Delden, Netherlands, participates in the Dutch energy covenant (2% energy savings each year in the period of 2017-2020). By replacing 4 old natural gas fired steam boilers with 2 new energy efficient natural gas fired steam boilers, we saved:

- 23,564 GJ/year of natural gas or 1,334 mt/year of CO₂; and
- less emission of NO_x which complies with the new Dutch emission directive for NO_x (<70 mgr NO_x/Nm³).

SUSTAINABILITY STATEMENT AND REPORT

ENVIRONMENT

ENERGY MANAGEMENT AT KLK OLEO



New boilers at KLK Kolb Specialties BV, Delden, Netherlands

SUSTAINABILITY STATEMENT AND REPORT

ENVIRONMENT

WASTE MANAGEMENT

Proper waste disposal has wide ranging implications on the environment and the surrounding communities' health. Eliminating waste altogether is obviously the ideal scenario. Though it is admittedly a daunting goal for the palm oil industry, KLK 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 Plantation or KLK OLEO, are, if not recycled, then required to be safely disposed of in accordance with the prevailing regulations and best practices.

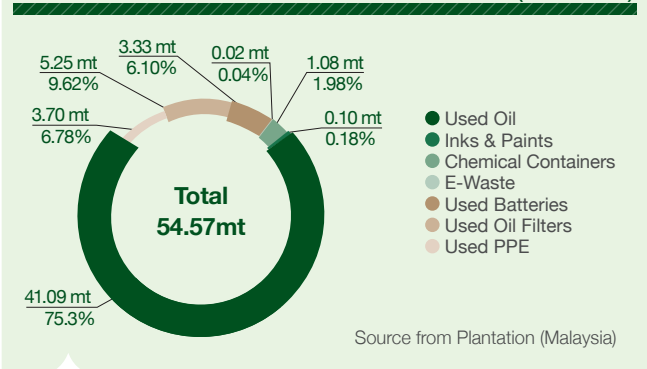
Waste Management at Plantation

Palm oil waste management is often a challenge due to the large quantity of waste generated during production. However, with our sustainable waste management system, biogas plants and FBPs, all biomass by-products are either returned to the soil as natural fertiliser or used as renewable energy source at POMs.

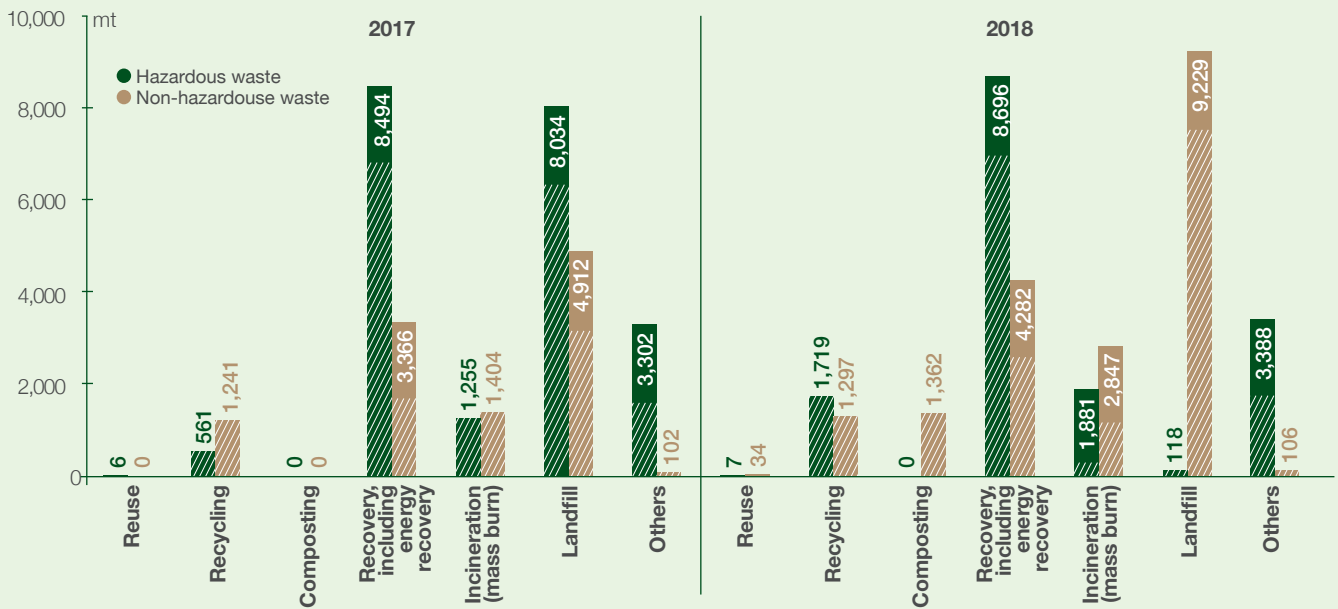
The relatively little waste generated by our OCs is collected and disposed of in accordance to prevailing regulations via licensed waste disposal contractors by the Department of Environment.

OCs' employees are well-informed in scheduled waste management via KLK's intranet.

SCHEDULED WASTE BREAKDOWN (FY2018)

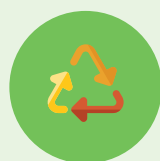


KLK OLEO NON-HAZARDOUS & HAZARDOUS WASTE BY TYPE AND DISPOSAL METHOD



WASTE MANAGEMENT AT KLK OLEO

Total Solid Waste



32,675 mt
FY2017

34,996 mt
FY2018

Solid Waste Generation Intensity



0.014
FY2017

0.011
FY2018
(mt/mt prod vol)

SUSTAINABILITY STATEMENT AND REPORT

ENVIRONMENT

WATER MANAGEMENT

Water sources are critical to the environment, human health and wildlife ecosystem. We also realise water is not an inexhaustible resource.

Our water management strategies center on water use optimisation and reduction in water consumption or wastages, taking into account the prevailing land conditions, topography and changes in the weather (impact of droughts and floods). KLK strives to ensure water resources are utilised in the most optimum way with minimal impact to the environment.

Water Management at Plantation

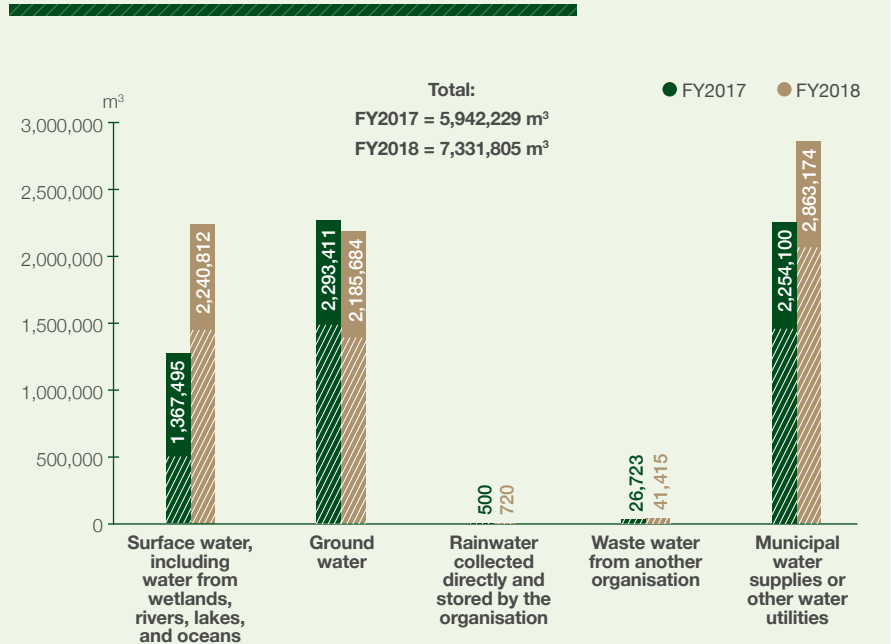
In our Plantation sector, we monitor water usage in processing FFB to reduce the generation of POME.

Riparian reserves are maintained to act as a filter to preserve the quality of water entering the waterways. Soil water retention is enhanced further by stacking oil palm fronds, applying empty fruit bunches as mulch and growing legume cover crops.

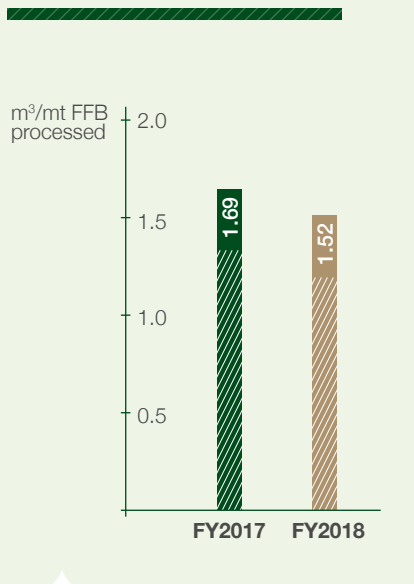
Water Management at KLK OLEO

Instead of relying solely on raw water, collected rainwater can be used for general cleaning. At our POR plant, rainwater is recovered from the boiler house roof top. We collected 720m³/year, which directly translates to 720m³/year in water savings.

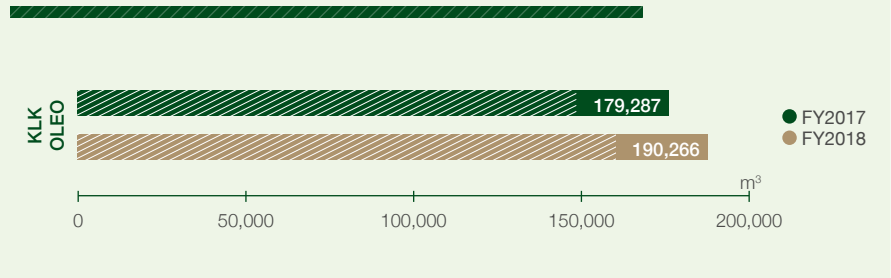
TOTAL WATER WITHDRAWAL AT KLK OLEO



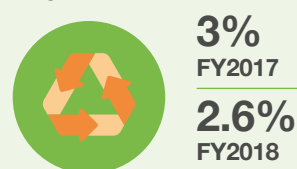
TOTAL WATER USAGE AT PLANTATION



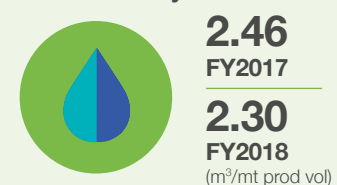
QUANTITY OF WATER RECYCLED AND REUSED



Percentage of total water recycled and reused



Water Intensity



SUSTAINABILITY STATEMENT AND REPORT



WORKPLACE

KLK believes that its employees are one of its greatest assets and employee welfare remains its top priority. We have a workforce of close to 38,000, 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

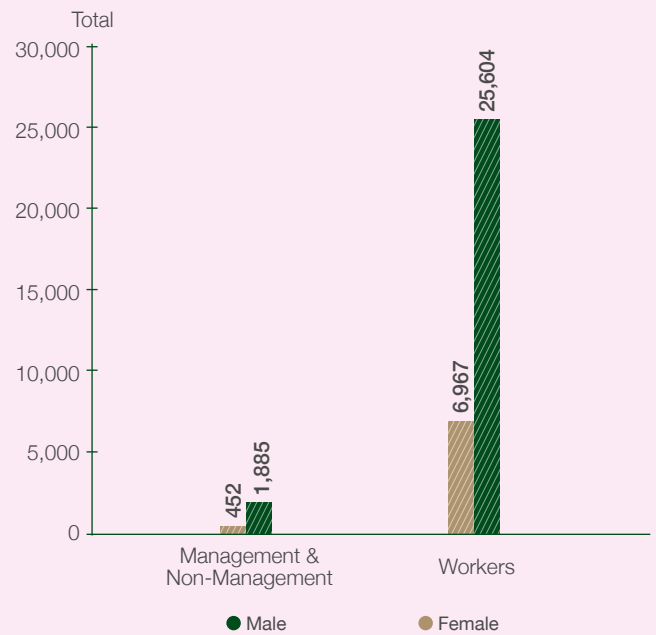
Employees and workers have the right to form and become members of labour unions recognised by KLK. Through unions, workers have the right to carry out collective bargaining as permitted under Malaysia and Indonesia laws.

For FY2018, 57% and 6% 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.

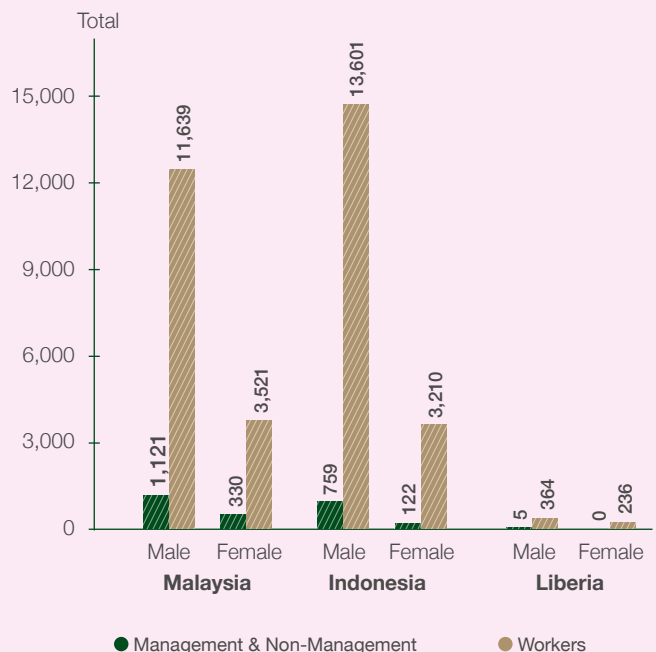


KLK PLANTATION

POSITION

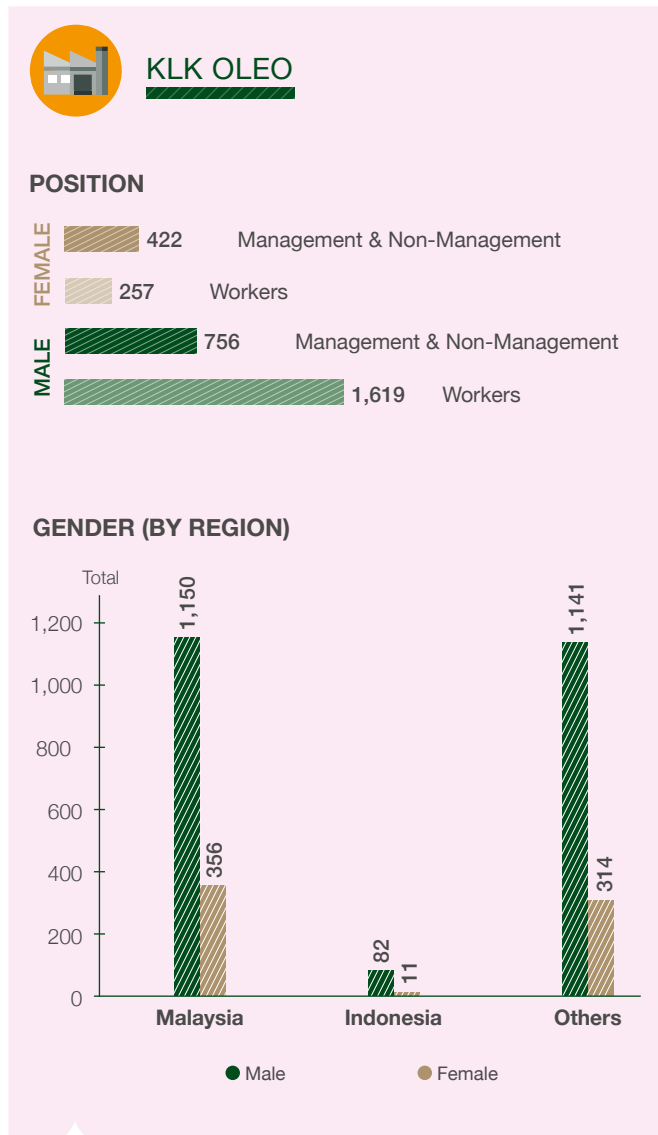


GENDER (BY REGION)



SUSTAINABILITY STATEMENT AND REPORT

WORKPLACE



CAREER DEVELOPMENT OPPORTUNITIES

We place significant importance in upgrading our people’s skills 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.

Training at Plantation

We have set up a two-phased Intentional Mentoring Programme (“IMP”) for all newly recruited staff and executives at our KLK Training Centre. The IMP lasts a minimum of nine (9) months with 11 fields modules, and covers all necessary knowledge surrounding oil palm and rubber plantation management. During the course, trainees are 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 then 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 the training programme.

Trainees 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. These week-long courses are conducted twice a year.

Apart from the IMP, selected Plantation employees participate in KLK OLEO’s training programmes which are pertinent to them. They include training sessions focusing on soft skills and emotional intelligence development to complement their occupational knowledge and skill set.

Training at KLK OLEO

Training at KLK OLEO differs from Plantation sector. This is due to the fact that most employees recruited already possess the skill set and technical knowhow required of their position.

However, success in the workplace is strongly influenced by personal attributes such as communication, teamwork, adaptability, problem solving and conflict resolution. Thus, it is important to cultivate and develop these qualities. To facilitate this, KLK OLEO organises trainings which emphasise on development of emotional intelligence and soft skills.

SUSTAINABILITY STATEMENT AND REPORT

WORKPLACE



The FISH! Philosophy Training Programme at Kolb Distribution AG, Hedingen, The Netherlands



Emergency response training with the Indonesian National Board for Disaster Management



Training for tractor drivers

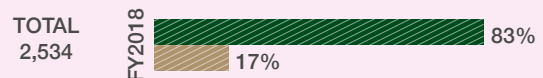
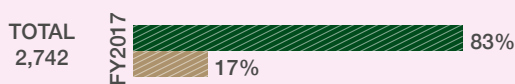
HEALTH AND WELL-BEING OF EMPLOYEES

The welfare of our people is a major priority. We are committed to providing an inclusive and conducive working and living environment for our employees. Being a responsible company, KLK conducts its business with a high standard of safety and health protection for our employees and stakeholders. Creating awareness, education and improved reporting are our key tools to achieving this goal.

Safety and Health Committee (“SHC”)

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

OSH COMMITTEE REPRESENTATIVES



● Male ● Female

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

SUSTAINABILITY STATEMENT AND REPORT

WORKPLACE

Accidents and Occupational Diseases October 2017 - September 2018

	ACCIDENTS			LOST DAYS	
	FATALITY	MAJOR	MINOR	MAJOR	MINOR
KLK Plantation					
Peninsular Malaysia	0	136	563	4,135	898
Sabah	0	2	234	63	278
Indonesia	2	25	1,964	15,663	
Liberia	0	0	180	Unavailable	
	LTI Frequency Rate	(No. of accident x 1,000,000) / total man-hour worked		5.32*	
	LTI Severity Rate	(No. of day lost due to LTI x 1,000,000) / total man-hour worked		160.64*	
KLK OLEO					
	LTI Frequency Rate	(No. of accident x 1,000,000) / total man-hour worked		4.13	
	LTI Severity Rate	(No. of day lost due to LTI x 1,000,000) / total man-hour worked		138.73	

* Source from Plantation (Peninsular Malaysia)

Safety and Health Committees

	MALE	FEMALE	TOTAL SHC
KLK Plantation			
Peninsular Malaysia	749	147	896
Sabah	300	72	372
Indonesia	878	173	1,051
Liberia	20	0	20
KLK OLEO			
	152	43	195

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

Internal and external training are conducted for all OCs, machinery (steam engines, boilers), equipment, vehicles (lorries, tractors, forklifts), agrochemical usage (PPE, chemical and fertiliser application), safety practices (confined space training) and OSH skills (CPR, first-aid, emergency response, fire-fighting).

Our target is to achieve zero fatal accidents and to reduce serious incident cases by 10% compared to the previous FYE. We have no reported cases of fatalities at our Group's estates and POMs in Malaysia for the previous FYE and have achieved zero fatal accident record in Malaysia for three (3) consecutive years.

We also strive to prevent accidents and injuries and take necessary preventive steps to reduce them. Lower accident rates bring lower staff turnover, lower absenteeism and higher productivity. 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 a system of continuous improvement, the Plantations OSH Department reviews the Lost time Injury ("LTI") on a monthly basis. The results collated will be monitored and aspects of our operations which may pose OSH impacts will be identified. Through this, we take action to improve the LTI rate and the severity rate of the LTI. Our low LTI rate is a reflection of the commitment and joint efforts between Management, Safety and Health Officers, Safety and Health Committees, workers and contractors.

Occupational Safety and Health ("OSH") Compliance at Plantation

The Plantation OSH Department at the Group's Head Office is headed by an OSH Senior Manager, working alongside a team of OSH 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. They also attend seminars and courses consistently as part of our continuous learning culture.

Compliance at KLK OLEO

Similar to our Plantation sector, KLK OLEO also provides internal and external training to enhance our employees' OSH skills and awareness, specifically tailored to downstream operations.

SUSTAINABILITY STATEMENT AND REPORT

WORKPLACE

Housing and Living Amenities

Apart from safe workplace, we provide conducive living environment with high quality housing amenities and other necessary facilities such as places of worship, clinics, kindergartens, creches, recreational and sports facilities to our employees and their families at the plantations.



Get Together Activities

A workplace that is safe and promote well-being is the key element of ensuring a healthy and sustainable workforce. Hence, we actively engage and promote sporting activities to encourage healthy lifestyle amongst our employees. Apart from improving health and wellbeing, the sports activities also serve as a platform for social interaction to foster closer relationships and build team work amongst employees.



SUSTAINABILITY STATEMENT AND REPORT



COMMUNITY

At KLK, we believe in growing our business in a sustainable and responsible manner. We strive to drive positive social change in the areas where we operate in.

INFRASTRUCTURE & AMENITIES

KLK is committed to develop a sustainable community and enriching lives by improving the infrastructures such as roads, bridges for the communities in rural areas.

Apart from the infrastructure, KLK strives to enhance access to essential primary health care for its employees on the plantations and the local community surrounding the plantation estates. In addition to the free medical services, we regularly organise disease prevention and hygiene practices awareness campaigns for the villagers near our OCs.

EDUCATION

Education is fundamental to development and growth, we at KLK believe in the power of education to transform lives of the community. In this respect, we strive to seek continuous strategic partnership to provide basic education to the children with no access to mainstream education especially those living at the plantations and the undocumented children in urban settings. Special partnerships have been forged with organisations such as Humana Child Aid Society in Sabah, the Indonesia Heritage Foundation in Indonesia and the Ministry of Education in Liberia for this specific purpose.

We are committed to assist in providing adequate infrastructure, skills and expertise that are needed to make a positive change. In FY2018, we have provided basic education to more than 10,000 students at our 77 learning centres, kindergartens and schools. We hope that with proper education, the children may achieve better prospect in life and become active participants in their society.



Provision of water pump to supply clean drinking water in Liberia



Children at one of KLK learning centres in Sabah



Measles vaccine for villagers in Liberia



Students learning music and discipline in Indonesia

SUSTAINABILITY STATEMENT AND REPORT

COMMUNITY

KLK Palm Oil Education Programme - Educating Young Minds

As a leading company in the palm oil industry, KLK believes that it is essential for the young generation to have the right knowledge of the palm oil sector and its contribution to the Malaysia economy. To fulfill the growing global needs for oils and fats sustainably and to stay at the forefront of this industry, it is important that we raise the right awareness on palm oil industry as well as to build up a more relevant talent pool for Malaysia's economy.

KLK had collaborated with Science Bridge Academy to initiate the KLK Palm Oil Education Programme aimed at creating an awareness about palm oil's attributes and career opportunities amongst young generation. To date, a total of 3,650 students from 17 schools within the proximity of KLK offices and manufacturing sites in Ipoh and Klang Valley participated in this programme. These KLK Palm Oil Education workshops comprised of a talk on the importance and uses of palm oil in our daily lives, economy development and career opportunities in the palm oil industry. The students also participated in interactive quizzes and hands-on soap making activities.



KLK Palm Oil Education Programme classroom session



Students taking part in soap making activity



KLK volunteer assists students in soap making activity



2018 Yayasan KLK Scholars

Yayasan KLK Scholarship

In line with our corporate responsibility initiatives, KLK has been providing scholarships to deserving and outstanding Malaysians to pursue full time undergraduate studies at local private and public universities through its Foundation, Yayasan KLK since 1985.

KLK is humbled by the opportunity to make a difference in the lives of young Malaysians by enabling them to pursue their academic goals and achieve their dreams. Apart from financial assistance, the scholars are also given the opportunity to gain working experience through KLK's internship programme during the course of their studies.

GLOBAL REPORTING INITIATIVE CONTENT INDEX

This report has been prepared with guidance from Bursa Malaysia Securities Berhad's Sustainability Reporting Framework and the Global Reporting Initiative ("GRI") Standards 2016 - Core option, instead of prior years' G4.

GRI is an internationally accepted framework for reporting an organisation's economic, environmental and social performance to a diverse set of stakeholders worldwide. For more information on GRI, please visit www.globalreporting.org.

GRI 101 : FOUNDATION 2016

GENERAL DISCLOSURES		PAGE NO
ORGANISATIONAL PROFILE		
102-1	Name of the organisation	Cover Page
102-2	Activities, brands, products and services	3
102-3	Location of headquarters	13
102-4	Location of operations	8
102-5	Ownership and legal form	13
102-6	Markets served	30
102-7	Scale of the organisation	1, 30, 77
102-8	Information on employees and other workers	77
102-9	Supply chain	60
102-10	Significant changes to the organisation and its supply chain	①
102-11	Precautionary Principle or approach	104
102-12	External Initiatives	64, 67, 82
102-13	Membership of associations	68
STRATEGY		
102-14	Statement from senior decision-maker	26, 30
ETHICS AND INTEGRITY		
102-16	Values, principles, standards and norms of behaviour	11
GOVERNANCE		
102-18	Governance structure	51, 87
102-19	Delegating authority	51, 87
102-20	Executive-level responsibility for economic, environmental, and social topics	18, 87
102-21	Consulting stakeholders on economic, environmental, and social topics	64
102-22	Composition of the highest governance body and its committees	14, 51
102-23	Chair of the highest governance body	14
102-24	Nominating and selecting the highest governance body	87
102-25	Conflicts of interest	87
102-26	Role of highest governance body in setting purpose, values, and strategy	87

① There were no significant changes during the reporting period regarding size, structure, ownership or supply chain.

GLOBAL REPORTING INITIATIVE CONTENT INDEX

GENERAL DISCLOSURES		PAGE NO
GOVERNANCE		
102-28	Evaluating the highest governance body's performance	87
102-29	Identifying and managing economic, environmental, and social impacts	54, 58
102-31	Review of economic, environmental, and social topics	54, 58
102-32	Highest governance body's role in sustainability reporting	51
102-33	Communicating critical concerns	64
102-35	Remuneration policies	87
102-36	Process for determining remuneration	87
STAKEHOLDER ENGAGEMENT		
102-40	List of stakeholder groups	64
102-41	Collective bargaining agreements	77
102-42	Identifying and selecting stakeholders	58, 64
102-43	Approach to stakeholder engagement	64
102-44	Key topics and concerns raised	64
REPORTING PRACTICE		
102-45	Entities included in the consolidated financial statements	113
102-46	Defining report content and topic Boundaries	58
102-47	List of material topics	58
102-48	Restatements of information	None
102-49	Changes in reporting	②
102-50	Reporting period	51
102-51	Date of most recent report	Annual Report 2017
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	64, KLK website
102-54	Claims of reporting in accordance with the GRI Standards	205
102-55	GRI content index	205
102-56	External assurance	③

② KLK Kolb Specialities BV has been partially included in the scope of this report due to its acquisition during the financial period.

③ We have opted to consider external assurance for a later reporting period. We will consult stakeholders in the future on the form of assurance they seek from us.

GLOBAL REPORTING INITIATIVE CONTENT INDEX

TOPIC-SPECIFIC STANDARDS

MATERIAL ASPECT	DMA & INDICATORS	PAGE NO
ECONOMIC PERFORMANCE		
201-1	Direct economic value generated and distributed	113
INDIRECT ECONOMY IMPACTS		
203-1	Infrastructure investments and services supported	82
203-2	Significant indirect economic impacts	82
ANTI-CORRUPTION		
205-2	Communication and training about anti-corruption policies and procedures	4
MATERIALS		
301-1	Materials used by weight and volume	70
ENERGY		
302-1	Energy consumption within the organisation	70
302-3	Energy consumption outside of the organisation	70
302-3	Energy intensity	70
302-4	Reduction of energy consumption	70
WATER		
303-1	Water withdrawal by source	70
303-3	Water recycled and reused	70
BIODIVERSITY		
304-1	Operational sites owned, leased, managed in or adjacent to, protected areas and areas of high biodiversity value outside protected areas	70
304-2	Significant impacts of activities, products and services on biodiversity	70
304-3	Habitats protected or restored	70
EMISSIONS		
305-1	Direct (Scope 1) GHG emissions	70
305-3	Other indirect (Scope 3) GHG emissions	70
305-5	Reduction of GHG emissions	70

4 KLK Website : Code of Conduct and Ethics for the Company
Code of Conduct for Employees
Code of Conduct for Directors

GLOBAL REPORTING INITIATIVE CONTENT INDEX

MATERIAL ASPECT	DMA & INDICATORS	PAGE NO
EFFLUENTS AND WASTE		
306-1	Water discharge by quality and destination	70
306-2	Waste by type and disposal method	70
306-4	Transport of hazardous waste	70
OCCUPATION HEALTH AND SAFETY		
403-1	Workers representation in formal joint management-worker health and safety committees	79
403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	80
TRAINING AND EDUCATION		
404-2	Programmes for upgrading employee skills and transition assistance programmes	78