



SUSTAINABILITY REPORT 2020



SUSTAINABILITY STATEMENT AND REPORT



Sustainability is the responsibility of every employee and each and everyone will have to understand the concepts and consciously integrate the principles, values and practise of sustainable development in their daily duties. Greater awareness and the practise of self-regulation by all will lead to the attainment of high standards of sustainability.

TAN SRI DATO' SERI LEE OI HIAN
Chief Executive Officer



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, whilst simultaneously conserving and improving the natural environment and uplifting the socio-economic conditions of employees and communities. The management of sustainable business and corporate responsibility activities are focused on four (4) core areas, namely marketplace, environment, workplace and community.

ABOUT THIS REPORT

This Sustainability Report ("SR") shares details on our sustainability journey over the past financial year 2020 ("FY2020"). Here, we present our approach to business continuity, report on our safety and health measures across our operations, and address social as well as environmental impacts and the challenges we face, including responses to the COVID-19 pandemic.

As with previous years, we have based our disclosures for this SR on Bursa Malaysia Securities Berhad's Sustainability Reporting Guide 2018 (2nd Edition) and the Global Reporting Initiative Standards – Core option.

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

Scope of Report

The environmental, social and governance ("ESG") performances in the SR cover data which have been compiled internally for the period 1 October 2019 until 30 September 2020. 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 2020.

The SR also covers KLK's commitments on responsible sourcing and traceability as well as requirements and compliance with No Deforestation, No Peat and No Exploitation ("NDPE"). The SR focuses on our Plantation segment (primarily for oil palm development) and the Oleochemical division ("KLK OLEO"), which are our largest and most established business sectors. They account for 45% and 53% of the Group's total revenue in FY2020 respectively. The SR includes data from KLK's subsidiaries, but not from associates and joint ventures.

SUSTAINABILITY STATEMENT AND REPORT

KEY HIGHLIGHTS FOR FY2020



MARKETPLACE

- Total CSPO uptake is 730,234 mt or 93% of total certified oil, where 54% is RSPO uptake and 39% is ISCC uptake
- 85% of our total Group landbank is RSPO Certified
- SPOTT score is 81, an increase of 8% and ranked 11th
- Launched Anti-Corruption Policy



ENVIRONMENT

- KLK's plantations and palm oil mills ("POMs") recorded an average emissions of 592.09 kg CO₂ eq/dry mt CPO, which is translated into 68% GHG savings compared to fossil fuel emissions, meeting the target set for the FY.
- A total of 15,429 hectares conserved for biodiversity protection



WORKPLACE

- Maintained workforce of close to 40,000 people in its Plantation and KLK OLEO business
- Women represent 21% of our Plantation and KLK OLEO business
- Business under New Normal adopted with implementation of strict standard operating procedures



COMMUNITY

- 12,579 hectares with 6,290 schemed smallholders under the Indonesian Plasma scheme
- To date, subsidised RM18.1 million in loan interest for schemed smallholders
- Provided education to 17,000 students annually through our 48 kindergartens, 10 learning centres and 23 schools



RESPONSE TO COVID-19

- KLK has incurred a total of RM6.6 million for COVID-19 related expenses including purchase of food, personal protective equipment and medical supplies



Certification Status:

RSPO

100% Malaysian POMs certified

100% Indonesian POMs certified

100% Malaysian estates certified

81% Indonesian estates certified

RSPO SCC

All refineries, KCPs and KLK OLEO facilities certified

MSPO

100% Malaysian POMs certified

MSPO SCC

All Malaysian POMs, refineries, KCPs and KLK OLEO facilities certified

ISPO

92% Indonesian POMs certified

80% Indonesian estates certified

ISCC (Certification based on commercial needs)

19 POMs certified

2 KLK OLEO facilities certified

SUSTAINABILITY STATEMENT AND REPORT

SUSTAINABILITY GOVERNANCE

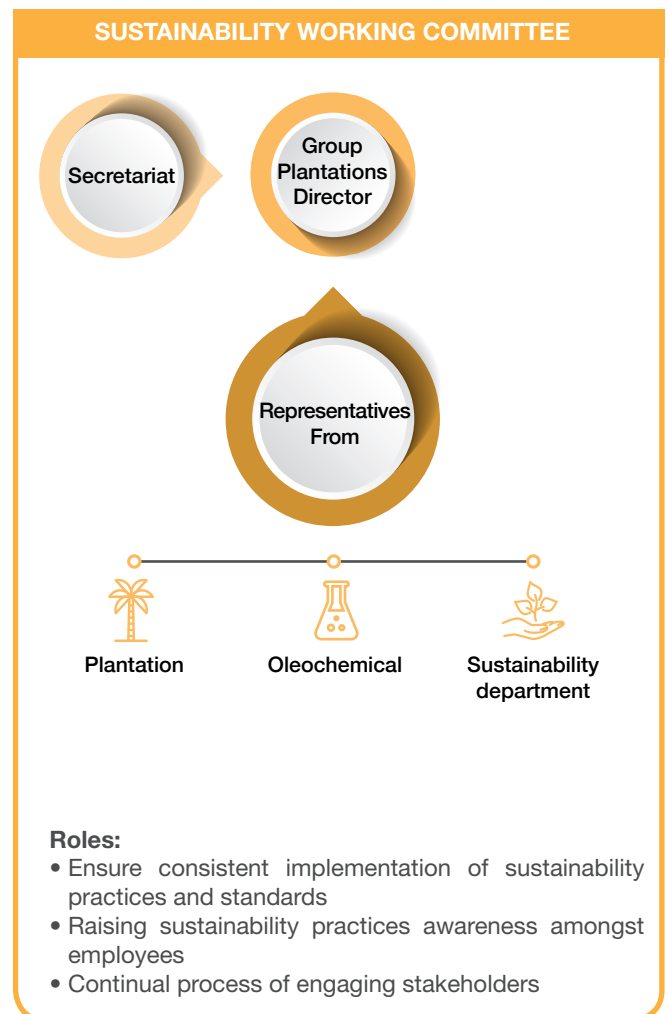
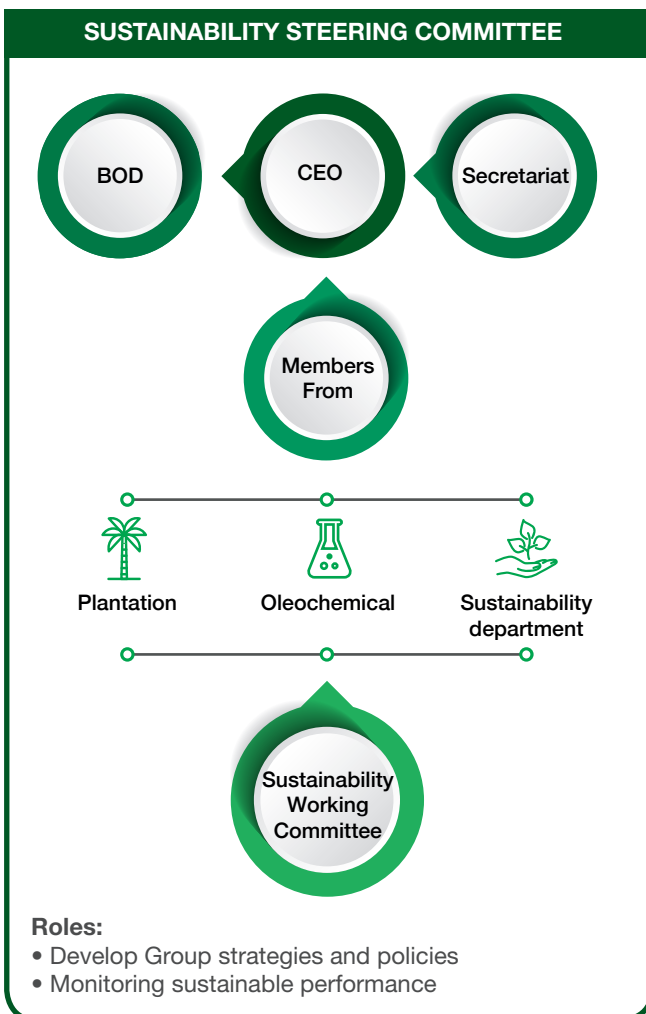
Sustainability is fundamental to how KLK conducts its business. We have a robust governance structure in place to facilitate implementation of sustainability strategies across the Group and monitor their progress.

We endeavour to realise the above mentioned by establishing a 3-tiered governance structure that captures the voice of top management and the relevant stakeholders.

The Board of Directors (“BOD”) governs and leads KLK’s overall responsibility in integrating sustainable economic, environmental and social initiatives throughout the Group’s business strategies.

The BOD is supported by the Sustainability Steering Committee (“SSC”), formed in September 2015, headed by the CEO with members comprising the Group Plantations Director, Managing Director of KLK OLEO and representatives of the Sustainability team. The CEO reports to the BOD on key issues which impact the Group’s sustainable responsibilities and commitments. The SSC’s mandate is to develop sustainable strategies and policies, and to assist the BOD’s decision-making efforts. The SSC also has a monitoring role to ensure KLK meets both its compliance and sustainable development responsibilities.

The Sustainability Working Committee (“SWC”) supports the SSC. It comprises of representatives from Plantation, KLK OLEO and the Sustainability team, and its role includes developing and driving the policies with time bound plans.



SUSTAINABILITY STATEMENT AND REPORT

MATERIALITY MATRIX

KLK's Materiality Matrix was derived based on a combination of in-house risk assessment and external stakeholders' engagement.



IDENTIFY

We assessed if our concerns disclosed in last year's Sustainability Report are still relevant and if there are any new concerns to be raised based on:

- changing global and local trends
- the directions of the palm oil industry
- regulatory changes
- media analysis
- our strategies and internal policies

In the course of the assessment, the Group has determined that the majority of material topics presented in FY2019 still remain relevant.



PRIORITISE

Engaged with internal and external stakeholders to rate the material concerns according to their importance. With stakeholder engagement as one of KLK's sustainability cornerstones, we actively met where permissible, conversed, consulted and worked with a broad cross-section of our stakeholders. This provided us with a better understanding of their concerns and perspectives.



VERIFY

The final Materiality Matrix was reviewed by the BOD to be most material to KLK.



ENVIRONMENT
A. Carbon Footprint
B. Protection of High Carbon Stock Forests
C. Management of Peatlands
D. Protection of High Conservation Value and Biodiversity
E. Legal Compliance
F. Water Footprint
MARKETPLACE
G. Ethical Practice
H. Evaluation of Suppliers'/ Contractors' Sustainability Commitment
I. Market and Commodity Prices
J. Product Certification
K. Traceability
WORKPLACE
L. Health and Safety
M. Labour Relations and Human Rights
N. Training and Education
COMMUNITY
O. Community Investment
P. Free, Prior and Informed Consent
Q. Grievance Redressal
R. Sustainable Development of Smallholders



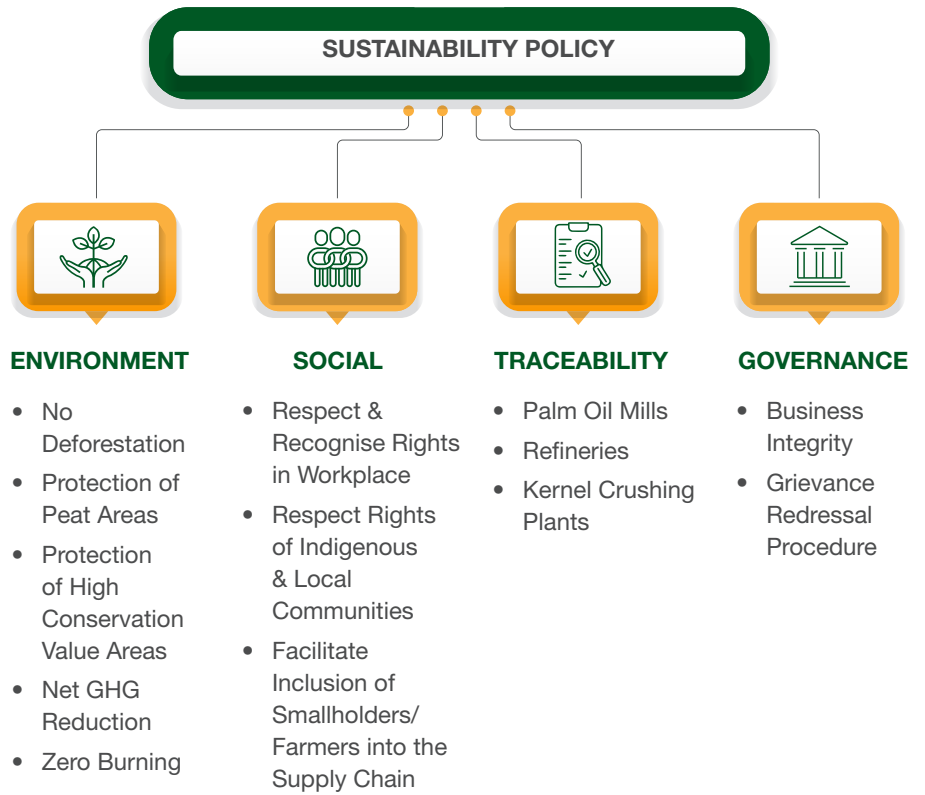
Throughout the FY under review, there were no significant changes to our business model or operating boundaries. As such, the material concerns continue to be indicative of our journey to strengthen KLK's sustainability performance. However, we have reflected the changes in significance of these concerns to KLK and our stakeholders in the Materiality Matrix.

It should be noted that material concerns 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

SUSTAINABILITY POLICY

Sustainability has been embedded as part of 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 planting and replanting. In line with this, we developed our holistic Sustainability Policy (“Policy”) in December 2014. In August 2018, the Policy was revised to incorporate constructive inputs on developments and concerns from our stakeholders. This publicly available Policy helps us keep our values, sustainability pillars and commitments in check. The Policy is available at www.klk.com.my/sustainability.



Aerial view of Lungmanis Palm Oil Mill, Sabah, Malaysia

SUSTAINABILITY STATEMENT AND REPORT

Achievements and Targets

Plantation

Policy Compliance - Internal

Action Plan	Timeline/Target	Status as of FY2020
No Deforestation, No Peatland and No Exploitation (“NDPE”) Compliance Verification <ul style="list-style-type: none"> Appoint Certification Body accredited by RSPO Quality review by High Conservation Value Resource Network (“HCVRN”)* and High Carbon Stock Approach (“HCSA”) quality panels Internal audit by KLK Sustainability Team Engagement with independent party to verify NDPE Compliance Verification 	<ul style="list-style-type: none"> Commitment remains Commitment remains <ul style="list-style-type: none"> Commitment remains January 2020 	<ul style="list-style-type: none"> Commitment remains Commitment remains <ul style="list-style-type: none"> Commitment remains KLK engaged Business for Social Responsibility (“BSR”) to conduct an independent Human Rights Assessment in August 2020. The result of the assessment will be produced in the next FY.
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 	<ul style="list-style-type: none"> Commitment remains Commitment remains
New Development Area <ul style="list-style-type: none"> Conduct integrated HCV and HCSA assessments Engagement with stakeholders including local communities during the course of preparing Integrated Conservation and Land Use Planning 	<ul style="list-style-type: none"> Commitment remains Commitment remains 	<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"> Completed in FY2019 	<ul style="list-style-type: none"> Completed in FY2019
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 (“OCs”) 	<ul style="list-style-type: none"> Completed in FY2019 	<ul style="list-style-type: none"> Completed in FY2019
Labour-related Matters A special labour task force has been set up internally to conduct the following studies: <ul style="list-style-type: none"> Due diligence on contractors and recruitment agencies Recruitment fees structure Decent living wage assessment 	<ul style="list-style-type: none"> Commitment remains Completed in FY2019 FY2020 	<ul style="list-style-type: none"> Commitment remains Completed in FY2019 Completed the Prevailing Wage Assessment, which is also a requirement under RSPO P&C 2018

* HCVRN is a member-based organisation that strives to protect High Conservation Value (“HCV”) areas

SUSTAINABILITY STATEMENT AND REPORT

KLK OLEO

Third Party Supply Chain Management Programme

Action Plan	Timeline/Target	Status as of FY2020
Supply Chain Management Programme 2019	• Completed in FY2019	• Completed in FY2019
Supply Chain Management Programme 2020	• Feb 2020 onwards	• In progress
Suppliers engagement on Supplier Code of Conduct	• FY2019	• Completed in FY2020
Review Risk Mitigation Plan of High-Risk Suppliers*	• Commitment remains	• Commitment remains

* Inclusive of review through Grievance mechanism and Supplier Non-Compliance Protocol



The above programme was extended to 95% of total 3rd party palm-related volume to KLK OLEO in FY2020.

Stakeholder Groups and Key Engagements Conducted in FY2020

Our key and relevant stakeholders are individuals or groups who have significant impact on our business or are influenced by the Group's business activities. These include government authorities and regulators, employees, local communities, smallholders, investors and shareholders, customers, non-governmental organisations, industry associations, suppliers and business partners.

KLK continues to adopt an open, timely and proactive approach in engagement with key stakeholders. Many of the engagements had also led to constructive partnerships and collaborations that address multifaceted issues involving relevant stakeholders. The Company engages with the key stakeholders through various platforms or channels. During the engagement process, information and feedback were collected to better understand and improve the management of potential risks and material issues concerning the Company's activities.

Due to the COVID-19 pandemic, most of our stakeholder engagements had to be held virtually:

Stakeholder Group	Areas of Concern/Interest	Engagement Approach	Outcome/Possible Solutions
Local Communities & Smallholders 	<ul style="list-style-type: none"> • Land matters, complaints and grievances • Supply chain concerns • Sharing of knowledge on agricultural best practices • Relationship with KLK 	<ul style="list-style-type: none"> • Meetings, engagements and dialogues • Joint exercises and training • Community outreach activities and development programmes • Email survey 	<ul style="list-style-type: none"> • Amicable solutions to conflicts and grievances • Enhance smallholders agriculture practices with sustainable options and create awareness of 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"> • Sustainability-related concerns • Challenges faced by KLK and the palm oil industry as a whole 	<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 • Email survey 	<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

SUSTAINABILITY STATEMENT AND REPORT

Stakeholder Group	Areas of Concern/Interest	Engagement Approach	Outcome/Possible Solutions
Certification Bodies (RSPO, MSPO, ISPO, ISCC) 	<ul style="list-style-type: none"> Relevant issues and updates in the industry Governance in compliance with statutes and regulations 	<ul style="list-style-type: none"> Meetings, engagements and dialogues Regular reporting and meetings OC visits and inspection Constructive partnerships Email survey 	<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"> Support for government policies and initiatives in the industry Contribution to national sustainability goals 	<ul style="list-style-type: none"> Meetings, engagements and dialogues Collaborations in constructive schemes OCs visits and inspections 	<ul style="list-style-type: none"> Development and implementation of shared initiatives Compensation process and avenue Compliance with laws and regulations and latest changes in them
Investors, Bankers & Analysts 	<ul style="list-style-type: none"> Progress and compliance to sustainability standards Clarification of media reports about KLK Maximisation of shareholder value 	<ul style="list-style-type: none"> Formal and informal briefings and meetings Annual General Meetings Corporate website Email survey 	<ul style="list-style-type: none"> Provide insight into our sustainable business progress and performance
Customers 	<ul style="list-style-type: none"> Product quality Product certification, supply chain and traceability Socio-economic concerns 	<ul style="list-style-type: none"> Formal and informal briefings and meetings Site visits Email survey 	<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"> Awareness and compliance to KLK's policies, where applicable Supplier Code of Conduct and Non-Compliance Protocol 	<ul style="list-style-type: none"> Workshops Formal and informal briefings and meetings Third-party Supply Chain Management Programme Email survey 	<ul style="list-style-type: none"> Create awareness of KLK's Policy, Supplier Code of Conduct, Non-Compliance Protocol and commitment to sustainable palm oil production and their role in it
Employees 	<ul style="list-style-type: none"> Employee development and job satisfaction Welfare and remuneration Safety and health issues and practices Sustainability practices 	<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"> Talent acquisition Clarification on misinformation concerning the industry 	<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

Note :

Unless stated, the frequency of engagement between our Group and its stakeholders can be periodic or on an as-and-when-necessary basis

SUSTAINABILITY STATEMENT AND REPORT

SUPPLIER CODE OF CONDUCT, SUPPLIER NON-COMPLIANCE PROTOCOL AND GRIEVANCE REDRESSAL POLICIES

The Policy is complemented by three (3) other policies, namely the



The SCOC was established in 2019 pursuant to the Policy. Its objective is to outline the principles that we expect our suppliers to practise across our business and the communities in which we work. It applies to all suppliers who sell goods or provide services to all the palm oil related operations of KLK, its subsidiaries, joint ventures and companies over which it has management control. The SCOC is available at <https://www.klk.com.my/governance-policies>.

The NCP states that KLK shall not knowingly source from suppliers who do not comply with its Policy and the SCOC. Should any incident be uncovered or grievance brought to our attention, be it involving our operations or any of our suppliers, directly or indirectly at the Group level, investigations will be carried out and appropriate action will be taken. The NCP is available at <https://www.klk.com.my/governance-policies>.

KLK established its Group Employee Grievance Redressal Policy ("GEGRP") and the Third-Party Grievance Procedure ("TPGP") in 2017 and 2018 respectively.



The GEGRP was fine-tuned in 2019 to make grievance-raising more accessible to all levels, from the grassroots to senior management. The procedure ensures all employees, especially workers, have an effective avenue to report on working conditions, safety and other issues that might affect them directly or indirectly.

KLK is also committed to address any grievance raised by our stakeholders relating to the implementation of its Policy within its operations and across its supply chain. The TPGP outlines a clear, transparent and impartial methodology in dealing with the grievances throughout the entire process. All issues raised are fully disclosed in our Grievance Redressal List for transparency. The list, available at <https://www.klk.com.my/sustainability/grievance>, is constantly updated to keep our stakeholders timely informed.

ALIGNMENT WITH THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The United Nations' Sustainable Development Goals ("SDG") are global goals set by the United Nations as a call to action on sustainable development. At KLK, our approach to sustainability embraces the SDGs. We are focused on the goals and targets that are most relevant to our business, where we can make the most impactful contributions. With oil palm development being our core business, our products and innovations enable us to contribute to 10 of 17 SDGs.

The management of our material matters and corporate responsibility activities are focused on our four (4) core areas, and we have aligned them with the applicable SDGs:

KLK'S CORE AREAS	UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS		
Marketplace	SDG Indicator	KLK Efforts	Details
 <ul style="list-style-type: none"> Traceability Product Certification Ethical Practice Market and Commodity Prices Evaluation of Suppliers'/ Contractors' Sustainability Commitment 	 <p>SDG 12 – Responsible Consumption and Production Ensure sustainable consumption and production patterns</p>	<p>We are able to provide tangible assurance to our buyers by way of certifications that our palm products are produced responsibly and sustainably with a good level of transparency.</p> <p>The tagline of this indicator of "Doing more and better with less" fits well with KLK's maxim in resource management. As indicated in our Environment section, we attempt our level best to achieve more by optimising the use of water and energy.</p>	<ul style="list-style-type: none"> Water Management Energy Management

SUSTAINABILITY STATEMENT AND REPORT

KLK'S CORE AREAS	UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS		
Environment	SDG Indicator	KLK Efforts	Details
 <ul style="list-style-type: none"> • Protection of High Carbon Stock Forests • Management of Peatlands • Protection of High Conservation Value and Biodiversity • Legal Compliance • Carbon Footprint • Water Footprint 	 SDG 6 – Clean Water and Sanitation Ensure availability and sustainable management of water and sanitation for all	KLK realises water is not an inexhaustible 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.	<ul style="list-style-type: none"> • Water Management
	 SDG 7 – Affordable and Clean Energy Ensure access to affordable, reliable, sustainable and modern energy for all	We have in place renewable energy resources (biogas power plants and gas turbine generators), efficiency initiatives which reduce energy consumption and continuous improvement of process systems for increased efficiency and sustainability.	<ul style="list-style-type: none"> • Zero Burning Policy & Haze Management • GHG Management
	 SDG 13 – Climate Action Take urgent action to combat climate change and its impacts	Commercial oil palm 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 HCS and HCV. This would include areas that contain significant concentration of biological value, rare, threatened and endangered species and areas that provide ecosystem services.	<ul style="list-style-type: none"> • No Deforestation • Peatland Protection • Soil Enrichment and Chemical Reduction
	 SDG 15 – Life on Land Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss	Commercial oil palm 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 HCS and HCV. This would include areas that contain significant concentration of biological value, rare, threatened and endangered species and areas that provide ecosystem services.	<ul style="list-style-type: none"> • Biodiversity
Workplace	SDG Indicator	KLK Efforts	Details
 <ul style="list-style-type: none"> • Health and Safety • Labour Relations and Human Rights • Training and Education 	 SDG 1 – No Poverty End poverty in all its forms everywhere	With the agriculture sector being the single largest employer in the world, it is our hope that by employing close to 40,000 people worldwide, we are able to alleviate poverty.	<ul style="list-style-type: none"> • Fair Employment Practices • Decent Living Wage Task Force
	 SDG 2 – Zero Hunger End hunger, achieve food security and improved nutrition and promote sustainable agriculture	With the agriculture sector being the single largest employer in the world, it is our hope that by employing close to 40,000 people worldwide, we are able to alleviate poverty.	<ul style="list-style-type: none"> • Smallholder Projects • Food and Essentials Aid Programme
	 SDG 3 – Good Health and Well-Being Ensure healthy lives and promote well-being for all at all ages	Within our OCs, infrastructure and facilities such as clinics and recreational amenities are set up. These would provide employees easier access to healthcare, better nutrition and lead to better well-being.	<ul style="list-style-type: none"> • Occupational Safety and Health • Health and Well-Being for Employees • Food and Essentials Aid Programme
	 SDG 8 – Decent Work and Economic Growth Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	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.	<ul style="list-style-type: none"> • Fair Employment Practices • Decent Living Wage Task Force
Community	SDG Indicator	KLK Efforts	Details
 <ul style="list-style-type: none"> • Community Investment • Free, Prior and Informed Consent • Grievance Redressal • Sustainable Development of Smallholders 	 SDG 4 – Quality Education Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	<p>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.</p> <p>We also provide schools and buses for the children to go to schools.</p>	<ul style="list-style-type: none"> • Empowerment through education

SUSTAINABILITY STATEMENT AND REPORT



ETHICAL BUSINESS CONDUCT AND REGULATORY COMPLIANCE

KLK is committed to implement responsible and ethical business policies and practices in compliance with relevant legal requirements and regulations. This is a shared commitment to create a corporate culture within the Company to operate the business in an ethical manner that is vital to gain confidence and build trust among stakeholders.

The Company is also committed to conduct its business in a legal and professional manner, with the highest standard of integrity and ethics. The Company practices a zero-tolerance approach against all forms of bribery and corruption, and upholds all applicable laws in relation to anti-bribery and corruption.

CERTIFICATIONS

Certification serves to provide a 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.

KLK	Status of Certification				
	Malaysia		Indonesia		Europe and China
Plantation Operations	RSPO[^]	MSPO	RSPO[^]	ISPO	RSPO[^]
Estates	100%	100%	81%*	80%*	Not applicable
Palm Oil Mills	100%	100%	100%	92%**	Not applicable
Supply Chain	RSPO SCCS⁺	MSPO SCCS[#]	RSPO SCCS⁺	ISPO	RSPO SCCS⁺
Refineries and kernel crushing plants ("KCPs")	100%	100%	100%	Not applicable	Not applicable
KLK OLEO	100%	100%	100%	Not applicable	100%

Note :

[^] Under RSPO Principle & Criteria for palm oil producers

⁺ Under RSPO Supply Chain Certification Standard

[#] Under MSPO Supply Chain Certification Standard

* KLK has a two-year roadmap to fully certify its Plantation operations and supply chain (timeline would be adjusted to include new acquisitions, where necessary).

** 11 of 12 POMs certified. Tanjung Keliling POM is targeted for certification in 2021. Its certification was delayed due to COVID-19.

Apart from the above, KLK also complies with local and internationally recognised standards through various sustainability certification as disclosed in this Report.

GROUP ANTI-CORRUPTION POLICY

As part of our ongoing commitment towards transparency and against bribery and corruption, KLK recently developed its Group Anti-Corruption Policy ("GACP") to outline the KLK Group's approach in combating bribery and corruption.

The adverse economic and social consequences of corruption and bribery are a major deterrent to development. As such, KLK is concerned about the seriousness of the problems and threats posed by corruption in undermining the Group's ethical values and in jeopardising the sustainable development of its business and rule of law.

KLK is committed to fostering an anti-corruption culture and to ensuring that its activities and transactions are open, transparent and are conducted in accordance with its policies and the laws which govern its operations in every country in which it operates.

The Group recognises that anti-corruption is not only a legal obligation but also an ethical standpoint that requires collective responsibility from all levels in the Company to foster and protect the Company's reputation. Employees, suppliers and business partners are encouraged to utilise KLK's Whistle Blowing mechanism, should there be any suspected violations of the policy.

During the FY, the Group appointed an independent external consultant to conduct an Anti-Bribery and Anti-Corruption Adequate Procedures Review ("Review"). Amongst others, the Review entails a corruption risk assessment and gap analysis, to identify gaps as well as analyse, assess and prioritise corruption risks within the Group, as well as relevant training and awareness programmes for the Directors and employees.

SUSTAINABILITY STATEMENT AND REPORT

The uptake of our certified sustainable palm oil totaled 93% in FY2020. The percentage is made up of 54% RSPO-certified and 39% ISCC-certified. This high level of uptakes is a reflection of ours as a trusted brand. We shall continue striving to meet our buyers' high expectations in producing sustainable palm products.

CERTIFICATION AT PLANTATION SEGMENT



RSPO-1106058

Roundtable on Sustainable Palm Oil ("RSPO")

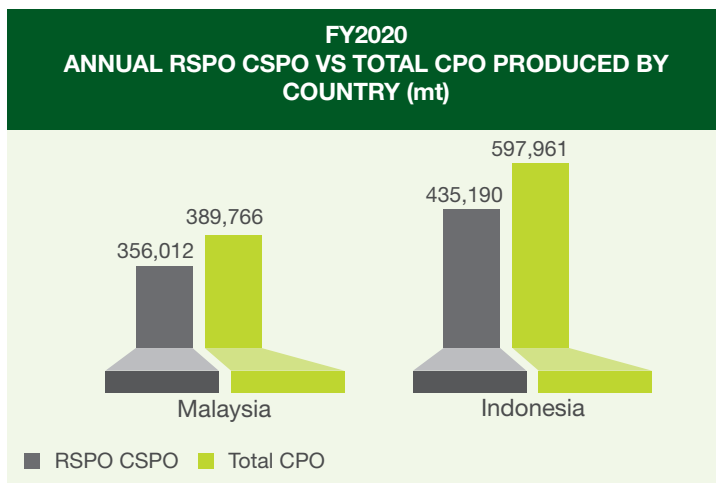
RSPO is a multi-stakeholder initiative that aims to transform the market to make sustainable palm oil the norm. Members consist of supply chain members namely producers and processors, consumer goods manufacturers, retailers, banks and investors as well as environmental and social non-governmental organisations.

The revised Principles and Criteria ("P&C") of RSPO 2018 pose even more challenges to the palm oil industry with the inclusion of NDPE policies. We had pre-empted these challenges and undertook the necessary steps to include these measures in our Policy. 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, all our 12 POMs are RSPO certified. As for our Indonesia estates, 81% is certified under the RSPO with the balance to be certified by 2022.

RSPO Certified Sustainable Palm Oil ("CSPO")

Our annual production of RSPO CSPO for Malaysia and Indonesia totalled 791,202 mt; with Malaysia accounting for 45% and 55% attributed to Indonesia.

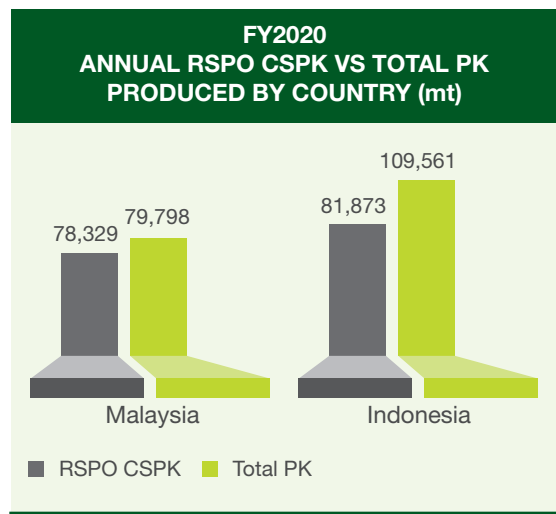
At Group level, RSPO-certified CSPO accounts for 79% of total CPO produced during FY2020.



Certified Sustainability Palm Kernel ("CSPK")

Our current annual production of RSPO CSPK for Malaysia and Indonesia is 160,202 mt, with Malaysia accounting for 49% of the total and the balance 51% for Indonesia.

At Group level, RSPO-certified CSPK accounts for 83% of total PK produced during FY2020.



MSPO/4-3-0009

Malaysian Standard on Sustainable Palm Oil ("MSPO")

The MSPO Certification Scheme covers the Malaysian oil palm industry supply chain comprising plantations, independent and organised smallholders and POMs. It also includes grouping smallholders into Sustainable Palm Oil Clusters. KLK's Malaysian operations have achieved full certification since 2017.

SUSTAINABILITY STATEMENT AND REPORT

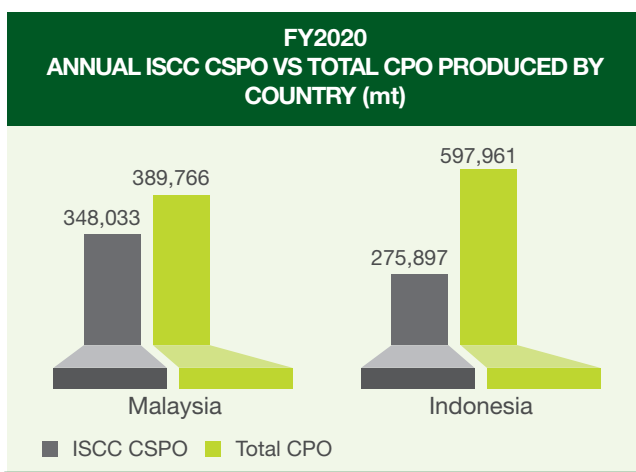


International Sustainability and Carbon Certification (“ISCC”)

ISCC is a globally applicable sustainability certification system and covers all sustainable feedstocks, including agricultural and forestry biomass, circular and bio-based materials and renewables. ISCC’s objective is contribute to the implementation of environmentally, socially and economically sustainable production and use of all kinds of biomass in global supply chains. ISCC operates different certification systems for different markets. These systems are ISCC EU, ISCC PLUS and ISCC Solid Biomass NL. 19 of our POMs and two (2) of our KLK OLEO facilities are ISCC EU certified. ISCC EU is a certification system to demonstrate compliance with the legal sustainability requirements specified in the Renewable Energy Directive (“RED”) of the European Commission and the Fuel Quality Directive (“FQD”). For KLK, certifications are carried out to meet demand of customers involved in the biodiesel sector.

As of 30 September 2020, Malaysia and Indonesia attained a production of 348,033 mt and 275,897 mt of ISCC-certified CSPO respectively.

At Group level, ISCC-certified CSPO accounts for 62% of total CPO produced during FY2020.



RECOGNITION

Zoological Society of London’s Sustainable Palm Oil Transparency Toolkit (“ZSL SPOTT”)

ZSL SPOTT assessments provide detailed snapshots of corporate transparency on sustainability issues. KLK is among the companies currently tracked on SPOTT. ZSL SPOTT assessments provide industry stakeholders with a comprehensive overview of the state of the market, as well as specific insights into the progress of individual companies. Our ranking on SPOTT this year is 11th, where our score increased 8% with enhanced disclosure in the deforestation/biodiversity and smallholders/suppliers categories.

Indonesia Sustainable Palm Oil (“ISPO”)

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 commitments to reduce GHG emissions and draw attention to environmental issues. Similar to the RSPO, ISPO Standards include legal, economic, environmental and social requirements, which are largely based on the existing national requirements. For our POMs in Indonesia, 11 out of the 12 are ISPO-certified. The remaining mill, Tanjung Keliling POM is targeted for certification by 2021. The delay was due to COVID-19 pandemic which restricted travelling. As for our estates, 80% is certified under ISPO and the balance would be certified by 2022.

Certification at KLK OLEO

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

KLK also cooperates closely with the relevant government agencies such as Department of Environment, Ministry of Human Resource including the Department of Occupational Safety and Health in compliance audits and site visits to validate the Company’s practices according to various legal requirements and standards.



SUSTAINABILITY STATEMENT AND REPORT

Sustainability & CSR Malaysia Awards

KLK was selected as a recipient of CSR Malaysia's Company of the Year Award for Sustainability & CSR Excellence (Plantation), in the Sustainability & CSR Malaysia Awards 2020. Organised by CSR Malaysia, the annually held awards initiative is a platform to celebrate outstanding achievers and inspiring corporations for their efforts to create a better Malaysia through their sustainability and corporate social responsibility endeavours.



Company of the Year Award for Sustainability & CSR Excellence (Plantation)

SMALLHOLDER PROJECTS

Our engagement with stakeholders goes beyond mere dialogue, as we also seek to empower and enable our stakeholders to fulfill their aspirations. Our Plantation segment operates mostly in the interiors, placing us at the doorsteps of often isolated communities. Too often, they simply lack the resources to produce palm oil sustainably. They have inadequate information and knowledge to effectively grow palms and sell oil, and their crop have relatively low-yields.

By having a presence in these remote localities, we are in a unique position to make a positive impact to the livelihood of rural folks.

Indonesian Plasma Scheme

Our Indonesian Plasma Scheme is an initiative for the development of oil palm plantations for smallholders and small growers.

To encourage participation in our Indonesian Plasma Scheme, KLK carries out socialisation by sharing the benefits of participating in the programme. Socialisations are currently held at our East Kalimantan's main complex. Members of the *koperasi* which manage the local community who owns plantations, also participate in the socialisation. Similar events are expected to be held in Belitung Island and Riau.



Socialisation session at P.T. Malindomas Perkebunan

We actively engage with them to offer assistance in obtaining RSPO certification and have set target timelines. Our support comes in the form of monetary funding, technical expertise and monitoring exercises. We are committed to certify these smallholders and small growers under RSPO three (3) years after the certification of the POM that they supply to.

KLK has allocated 12,579 hectares to approximately 6,290 schemed smallholders under the Plasma Scheme. This spans over the islands of Sumatra (Riau), Belitung, Central and East Kalimantan. To date, we have also subsidised RM18.1 million in loan interest for schemed smallholders under this plasma schemes.

Bornion Smallholders' Project

This project started five (5) years ago. We have successfully assisted, with the facilitation by Wild Asia, the participating smallholders and out-growers to obtain the RSPO Certification. A total of 56 smallholders and four (4) out-growers continue to uphold their certification status and stay on as members of the Wild Asia Group Scheme. The journey of certification has taught them good agronomic and management practices. They continue to receive incentives from our Bornion palm oil mill as one of the preferred smallholder suppliers of FFB. They are also rewarded with token premium from "book-and-claim". We will continue to render indirect assistance to this group of smallholders when the need arises.

SUSTAINABILITY STATEMENT AND REPORT

TRACEABILITY

It is of utmost importance to us that our company maintains a positive reputation among our customers. In our effort to mitigate impacts on food safety, we have committed to ensuring that our palm products are traceable from estates to mills and refineries, and ultimately to buyers in both local and international markets. Traceability is defined as the ability to identify and trace the origin, distribution, location and application of products and materials through the supply chains.

As part of our commitment to transparency, we update and publish suppliers' list half yearly on our website. In late 2020, we engaged Earthqualizer, a non-profit organisation, for satellite-monitoring of our supplier groups' past and current non-compliance with NDPE policy with a cut-off date of 31 December 2015. Bi-weekly supplier monitoring reports will be provided to us, which will enable us to take proactive action by engaging with the suppliers ahead of time should any non-compliance occur.

We will continue to engage with suppliers and update the status in our Grievance List if there is any non-compliance identified either by our own satellite-monitoring initiative or other stakeholders.

Traceability at Plantation Segment

As indicated in our Policy, we have a time-bound plan to achieve 100% traceability to plantations for our POMs, refineries and kernel crushing plants.

Traceability to Plantations Level for KLK POMs

During the year under review, we faced challenges in data collation relating to land ownership and licensing requirements e.g. MPOB licence from collection centres/dealers on 2nd tier suppliers, due to the COVID-19 travel restrictions.

Traceability Compliance

Action Plan	Timeline/Target	Status as of FY2020
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 	<ul style="list-style-type: none"> Completed in FY2019 Completed in FY2019 	<ul style="list-style-type: none"> Completed in FY2019 Completed in FY2019
<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"> Completed in FY2019 FY2020 	<ul style="list-style-type: none"> Completed in FY2019 Progress was delayed due to COVID-19 travel restriction
<ul style="list-style-type: none"> Conduct 2nd tier suppliers mapping and desktop analysis of 2nd tier suppliers 	<ul style="list-style-type: none"> FY2020 	<ul style="list-style-type: none"> New target FY2021
<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"> FY2020 	<ul style="list-style-type: none"> New target FY2021

SUSTAINABILITY STATEMENT AND REPORT

Traceability to Plantations Level for KLK Refineries and Kernel Crushing Plants

KLK recognises that traceability is an on-going workstream. After the completion of Phase 1 and Phase 2, KLK had reviewed and came up with the next action plan as follows:

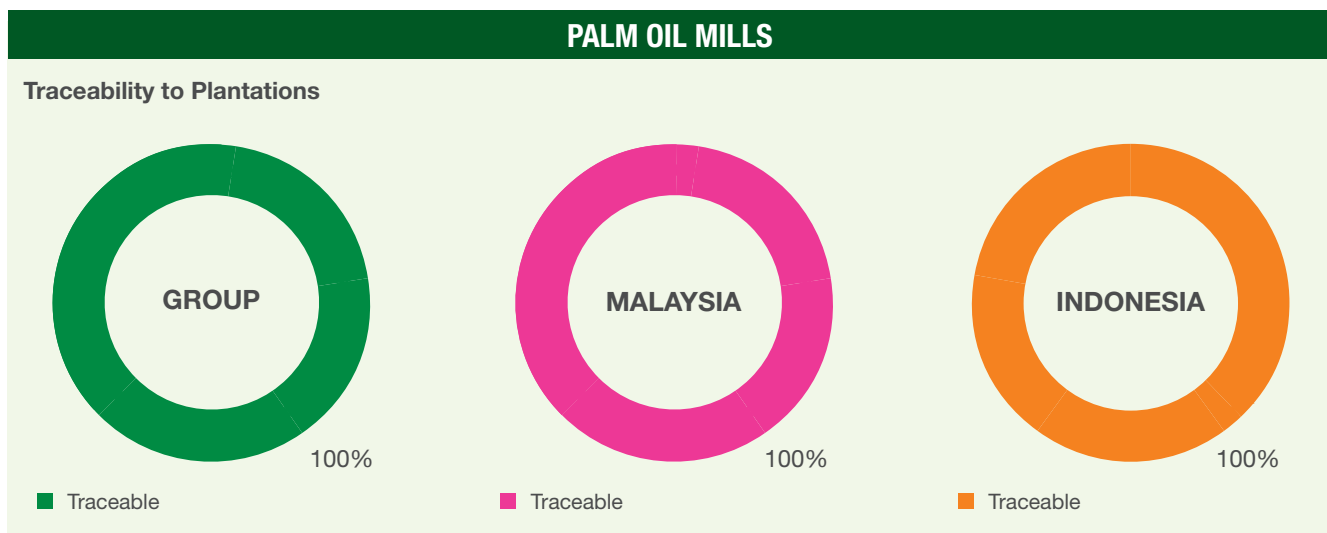
Action Plan	Timeline/Target	Status as of FY2020
KLK Supply Chain Analysis and Initial Supplier Declaration (Phase 1) <ul style="list-style-type: none"> Traceability to Mills (“TTM”) validation, Supplier Profiling & analysis on Traceability to Plantations (“TTP”) data from public sources Phase 1 Initial Data Declaration 	<ul style="list-style-type: none"> To complete in FY2019 Mar – Jun 2019 	<ul style="list-style-type: none"> Completed in FY2019 Completed in FY2020
Supplier Engagement on RCA* TTP <ul style="list-style-type: none"> Supplier Workshops individual follow up meetings Follow up Meetings and Engagement to obtain Phase 2 Data Engagement visits and on ground training via phone call due to travel restriction imposed 	<ul style="list-style-type: none"> To be held in FY2019 Starting in Sept 2019 onwards Starting in Sept 2019 onwards 	<ul style="list-style-type: none"> Done in FY2019 Completed in FY2020 Completed in FY2020
Phase 2 Data Collection <ul style="list-style-type: none"> Finalisation of templates and roll out, KLK team training on templates and TTP data review by CORE** 	<ul style="list-style-type: none"> Sept 2019 – Feb 2020 	<ul style="list-style-type: none"> Completed in FY2020
Phase 2 Data Analysis and Phase 3 Outline <ul style="list-style-type: none"> Phase 2 Data Analysis and prioritisation of high-risk areas for further intervention 	<ul style="list-style-type: none"> Mar – May 2020 	<ul style="list-style-type: none"> Completed in FY2020
Supplier Engagement <ul style="list-style-type: none"> Conduct Supplier webinars 	<ul style="list-style-type: none"> Jan – Feb 2021 	<ul style="list-style-type: none"> In the pipeline
Continuation of RCA TTP Implementation <ul style="list-style-type: none"> TTP data validation and analysis 	<ul style="list-style-type: none"> On-going with updated data to be obtained from suppliers annually 	<ul style="list-style-type: none"> In the pipeline
Develop Guidelines for reporting on Verified Deforestation Free Volumes	<ul style="list-style-type: none"> Mar 2021 	<ul style="list-style-type: none"> In the pipeline
TTP Verification <ul style="list-style-type: none"> Develop TTP verification protocol Conduct TTP verification pilots 	<ul style="list-style-type: none"> Mar 2021 Jun – Oct 2021 	<ul style="list-style-type: none"> In the pipeline In the pipeline
Self-Assessment Tool Support <ul style="list-style-type: none"> Design and implementation of integrated IRF SAT*** questionnaire 	<ul style="list-style-type: none"> Jan – Mar 2021 	<ul style="list-style-type: none"> In the pipeline

* Risk-Calibrated Approach

** Consortium of Resource Experts

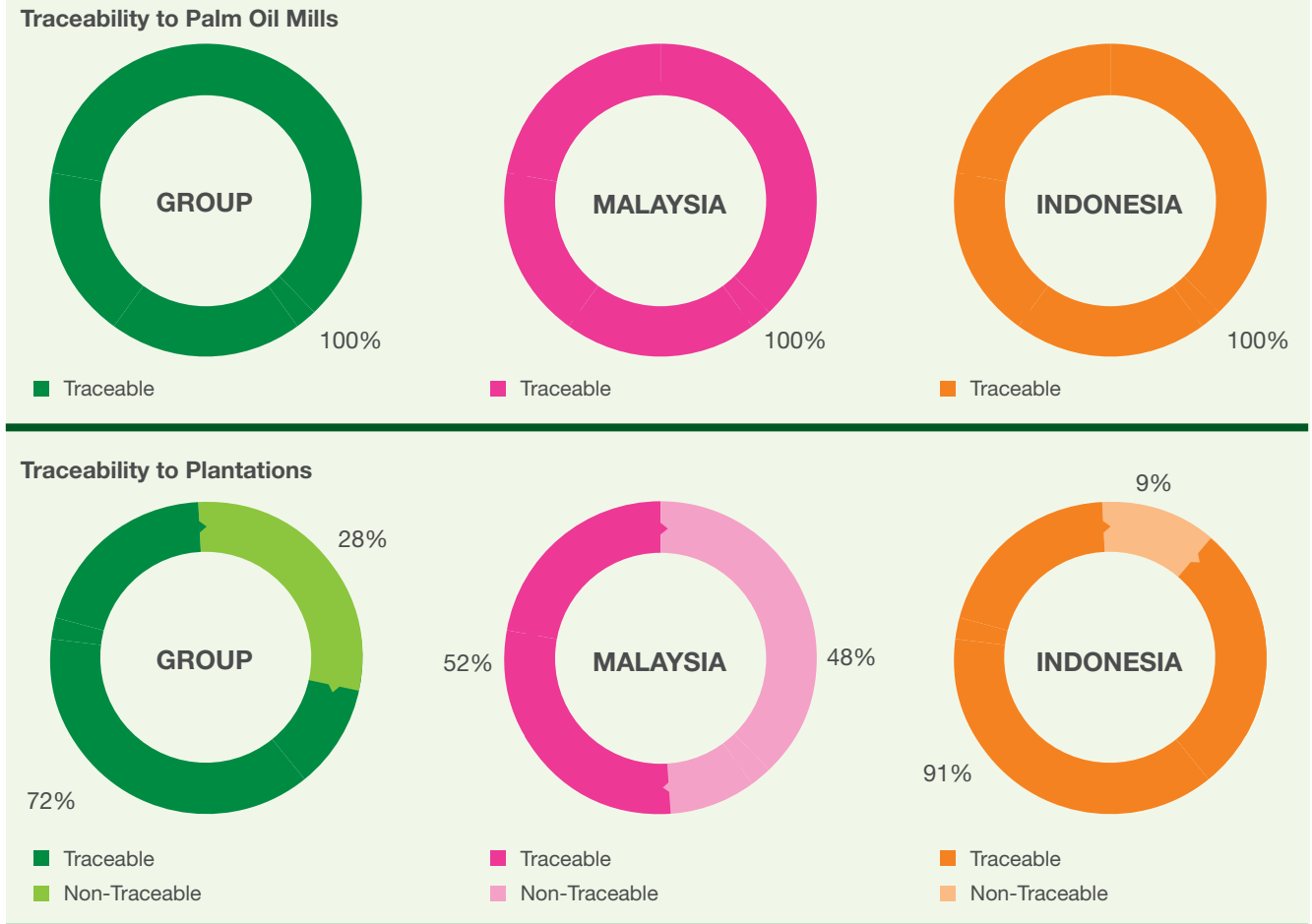
*** Implementation Reporting Framework Self-Assessment Tool

To date, our Plantation Traceability Status is as follows:



SUSTAINABILITY STATEMENT AND REPORT

REFINERIES AND KERNEL CRUSHING PLANTS



Traceability at KLK OLEO

KLK OLEO – traceable to POMs for palm oil-based and palm kernel oil-based feedstock		
Action Plan	Timeline/Target	Status as of FY2020
• Suppliers engagement for data collection	• Commitment remains	• Commitment remains

Traceability to POM Level

- For KLK OLEO, traceability is defined as traceable to POM level for both palm oil-based and palm kernel oil-based feedstock, excluding internal transfer within KLK OLEO group of companies for the FY2020.
- The percentages disclosed were tabulated based on the weighted average purchases for palm oil-related origin processed in participating operating centers in China, Europe, Indonesia and Malaysia.

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

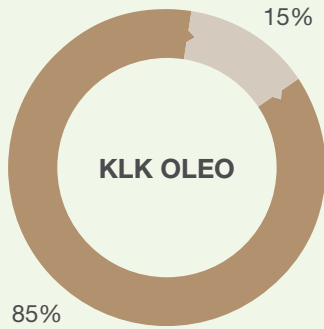
- 01 Supplier specific traceability disclosure: Suppliers submitted traceability information upon request for certain period*, based on cloud of mills. Traceability percentage is calculated based on mill information provided. Should suppliers provide statements of certain percentage traceable to POM level, this was also used to represent traceability.
- 02 Supplier website traceability disclosure*: information from supplier's dashboard traceability.
- 03 CIF Rotterdam Traceability (CRT) Template**: Specific for Europe operating centers, CRT templates were used as a source of information for traceability calculation.
- 04 RSPO certified purchases: Declaration of mills by suppliers in the RSPO PalmTrace.

* Traceability information does not necessarily match sourcing period. Only RSPO SG model can provide exact matching of traceability against sourcing period.

** Typically connects to shipments over the past 12 months.

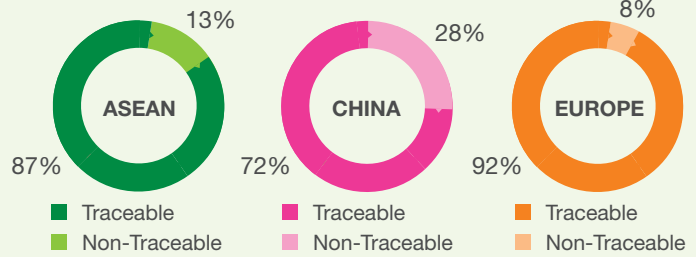
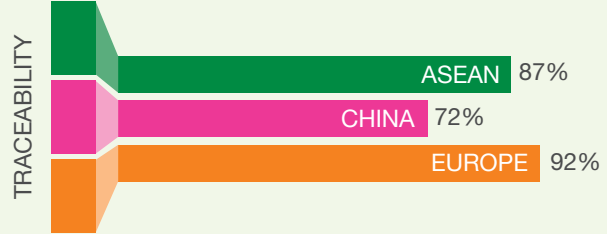
SUSTAINABILITY STATEMENT AND REPORT

TRACEABILITY STATUS FY2020



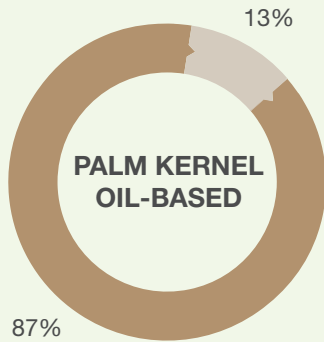
Traceable
Non-Traceable

TRACEABILITY (BY REGION) FY2020

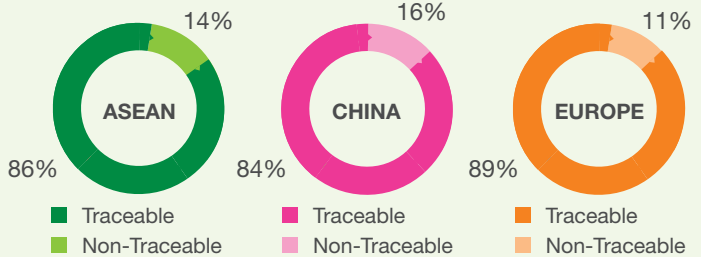


TRACEABILITY (BY FEEDSTOCK) FY2020

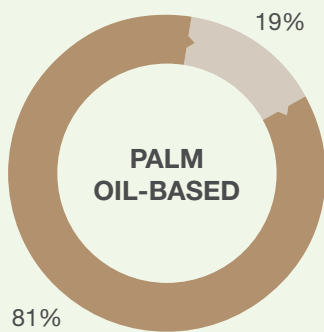
Palm Kernel Oil-Based (By Region)



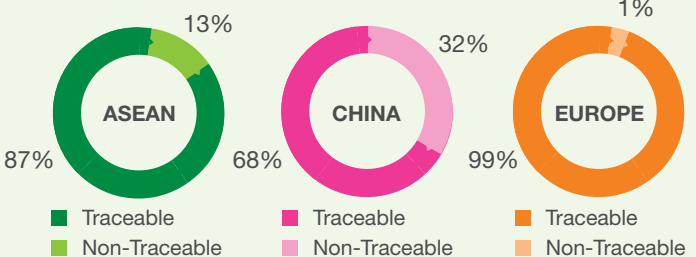
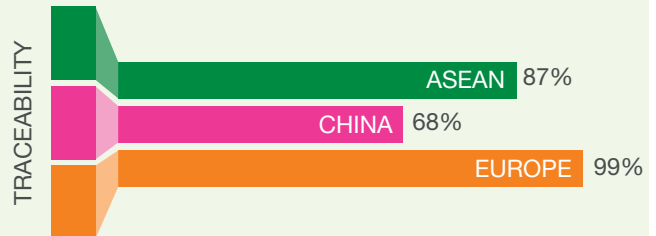
Traceable
Non-Traceable



Palm Oil-Based (By Region)



Traceable
Non-Traceable



SUSTAINABILITY STATEMENT AND REPORT



NO DEFORESTATION

Our Policy upholds KLK's No Deforestation commitment by applying the HCSA methodology for new oil palm development. New areas will undergo integrated HCV and HCS assessments to determine the eligible planting areas with priority given to low carbon stock areas which have no demonstrable HCV, and where Free, Prior and Informed Consent ("FPIC") has been obtained from rights-holders.

HIGH CARBON STOCK APPROACH ("HCSA")

KLK is a member of the HCSA. Therefore, new developments in regions where KLK operates will undergo integrated HCV and HCS assessments in accordance to the HCSA methodology – HCSA Toolkit version 2.0. Areas eligible for development will undergo evaluation, taking into consideration the high carbon stock areas. KLK is committed to restore or rehabilitate any non-compliant cleared areas. We expect our suppliers to do the same.

PEATLAND PROTECTION

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

Cultivation of oil palm on peatland comes with certain challenges, like high carbon emissions, peat soil subsidence, consequent flooding and productivity loss. The drainage required for palm cultivation causes carbon emissions and makes soil susceptible to fires and floods.

KLK is committed to play its part in preserving ecosystems of conservation value and ensuring no development in peat areas, regardless of depth. The Company applies best management practices on peatland which exists within its plantations. It also introduces additional holistic practices on peatlands protection such as periodical monitoring of water table level and evaluating peatlands planted with oil palm for its suitability for replanting and drainability requirement.

ZERO BURNING POLICY ("ZBP") & FIRE AND HAZE MANAGEMENT

KLK maintains a strict ZBP since the mid-1990s in relation to all new planting, replanting and other related development. This policy extends to all Plasma Schemes managed by KLK. We are also in full compliance with the ASEAN Policy on Zero Burning for all our plantation operations. Recognising the higher risk in our Indonesian OCs, we have equipped the estates with firefighting teams and a strict patrolling system. Fire towers have also been set up to inform ground patrol of any occurrence of fire.

KLK collaborates with the local government to provide manpower and machines to combat hotspots even if they are outside our concession areas. We also assist local authorities and communities by way of providing firefighting equipment and inviting them for annual firefighting training to enhance their level of preparedness in fire prevention activities, especially during dry spells.



Fire tower was set up to inform ground patrol of any occurrence of fire



Training on handling different types of firefighting equipment in East Kalimantan, Indonesia



Fire drill training for KLK's firefighting teams in Belitung island

SUSTAINABILITY STATEMENT AND REPORT

SOIL ENRICHMENT AND CHEMICAL REDUCTION



Soil Enrichment

Yield size and quality depends on the nutrient content of our soil. We adopt the best soil conservation practice of planting leguminous cover crops to reduce soil erosion and improve its physical and chemical composition.

We also construct earth terraces, silt pits and bunds, and maintain natural covers along palm avenues. Empty fruit bunches and oil palm trunks and fronds are mulched, composted and recycled as organic materials to maintain soil properties at an optimum level.



Minimising Usage of Agrochemicals

In our effort to uphold a sustainable planting culture, we have scaled down our reliance on fertilisers, pesticides and herbicides. In turn, with our sustainable waste management system, our wastes such as empty fruit bunches, decanter cakes and belt press cakes which are high in nutrients are returned to the soil as organic fertiliser.

In addition, identifying where and how fertiliser losses occur would enable us to minimise these losses, using 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 average fertiliser consumption for Malaysia, Indonesia and Liberia is 1.26 mt/ha.

KLK also focusses on Integrated Pest Management System which aims to reduce the usage of pesticides and herbicides. The average herbicide consumption for plantation operations is 2.57 litre/ha. We have ceased using paraquat since 2017.



Integrated Pest Management System ("IPMS")

IPMS is an effective and environmentally-friendly approach to pest management, as opposed to using 100% pesticides and herbicides.

We promote the breeding of beneficial insects and plants. Barn owls help to control rat population and minimise rodent damage, while plants such as antigonon leptopus, turnera subulate and cassia cobanensis provide shelter and supplementary food such as nectar for beneficial insects.

Shredded palm biomass spread across the field effectively destroys the potential breeding grounds of pests such as rhinoceros beetles and rodents.



Pheromone traps set up in the estate to manage the population of Rhinoceros beetles

BIODIVERSITY PROTECTION

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

KLK commits 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 as our operations are spread across the world in some of the most diverse ecosystems.

Our Group also works closely with non-governmental organisations 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. Activities such as, but not limited to, chemical application, hunting and poaching, are not allowed in these areas. We expect our suppliers to do the same.

KLK pledges to address deforestation, to set aside areas for conservation and to restoration of forest. We are also committed to the HCV and HCS approaches by planting natural vegetation and forest trees. A total of 15,429 hectares has been conserved in order to protect and enhance the biodiversity value of such areas. To date, we have planted 243,449 forest/fruit trees spread over our Malaysian and Indonesian OCs.

Our goal is to plant 1,000,000 trees so that we can make an impactful contribution to the environment.



Conservation and restoration of areas with high biological values at one of KLK plantations in Indonesia

SUSTAINABILITY STATEMENT AND REPORT

GREENHOUSE GAS (“GHG”) MANAGEMENT

KLK is committed to reduce GHG emissions across all aspects of plantation development (upstream activities) and KLK OLEO (downstream activities). The measurement of relevant GHG emissions data is important as a basis for objective evaluation of the impact of our business on the environment, which in turn provides essential guidance on effective mitigation measures to be taken.

We initiated two (2) interventions to effect reduction in GHG emissions, namely installation of biogas power plants and filter belt press systems. These are safe methods of managing waste, while promoting greater energy efficiency and providing cost savings.



Palm oil mill effluent is treated using the pond systems before being discharged into the environment

GHG Management at Plantation Segment

1 Biogas Power Plants for Renewable Energy

Methane gas generated from POM effluent (“POME”) is very potent as it traps twenty-eight (28) times more heat than carbon dioxide per molecule. However, it is also a potential as an alternative source of energy.

The measurement of relevant GHG emissions data is used as a baseline for objective evaluation of the impact of our business on the environment which in turn provides essential guidance to formulate mitigation measures for implementation.

In the last 10 years, KLK has made commendable progress in reducing GHG from POME through the integration of Biogas Capturing and Power Plant. KLK has six (6) biogas plants in operation; three (3) in Malaysia; three (3) in Indonesia plus one (1) in the pipeline. These biogas plants generated 55,819,510 kWh green energy, of which 22,732,356 kWh was sold to the national grid and 33,087,154 kWh used for own consumption. With the biogas power plants, GHG emissions of a POM and its supply bases have reduced by 60%.

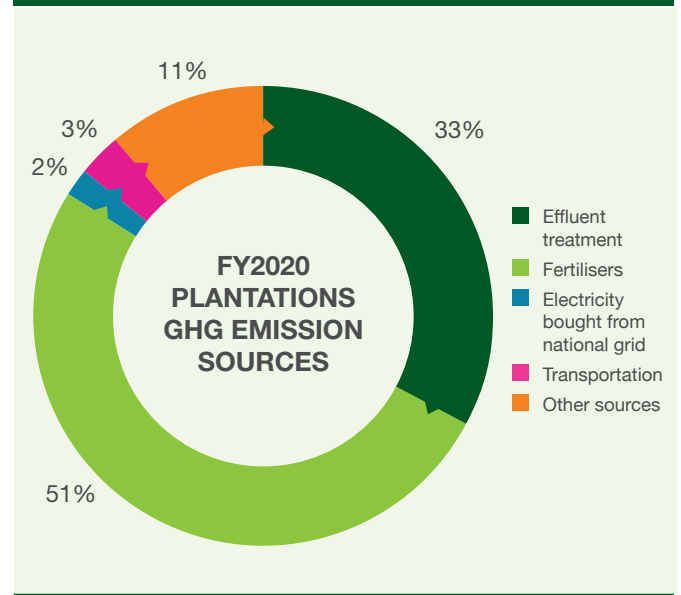
KLK strives to adopt the best technology and practices to ensure high efficiency of biogas production and power generation to play a significant role in contributing to renewable and green energy in global energy needs.

2 Filter Belt Press (“FBP”)

Apart from biogas power plants, we also installed FBPs, a mechanism capable of reducing the total GHG emissions from a POM by 20%. As of September 2020, we have installed 30 FBPs in 21 out of our 25 POMs. We installed more than one (1) FBP in five (5) of our POMs which have a bigger capacity.

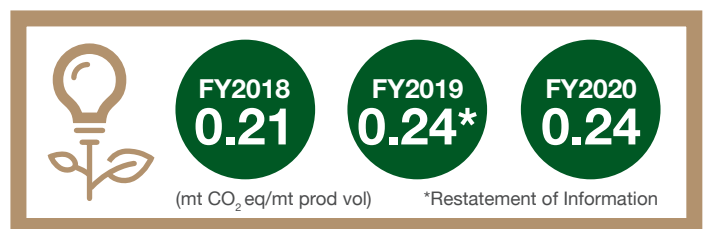
As of 30 September 2020, KLK’s plantations and POMs recorded an average emissions of 592.09 kg CO₂ eq/dry mt CPO, which translates to 68% savings compared to fossil fuel emissions. We met our stated target of the same as indicated in last year’s report. Our new target is 69% GHG savings by 2021.

PLANTATION SEGMENT GHG EMISSION SOURCES

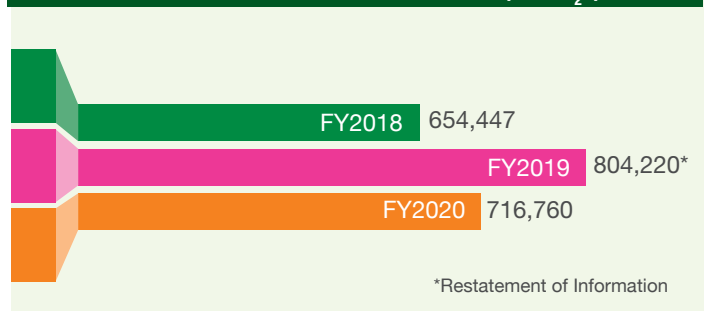


GHG Management at KLK OLEO

GHG Emissions Intensity



KLK OLEO CARBON EMISSIONS (mt CO₂e)



GHG Emissions Intensity

KLK OLEO’s GHG emissions intensity during the FY was 0.24 mt CO₂ eq/mt prod vol, same as last year. Its carbon emissions amounting to 716,760 mtCO₂e, was lower than last year. This is mainly due to reduction in energy consumption.

SUSTAINABILITY STATEMENT AND REPORT

ENERGY MANAGEMENT

KLK is mindful that while usage of non-renewable energy sources cannot be avoided altogether for now, serious efforts are being made to ensure these resources are used optimally and efficiently. We commit to sound energy management, which addresses energy conservation, green energy usage and energy efficiency.

Our operations are actively exploring energy efficient alternatives. However, this remains highly dependent on accessibility and availability of alternative solutions in the geographies we operate in.

Energy Management at Plantation Segment

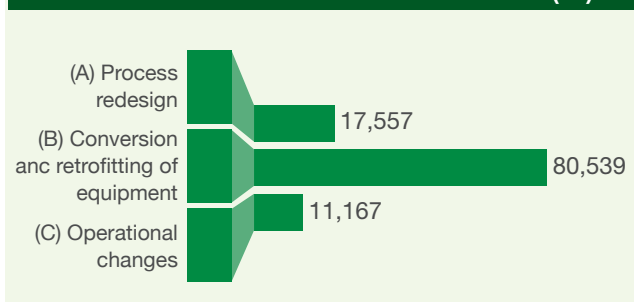
By-products produced by our POMs such as Palm Pressed Fibre ("PPF") and kernel shells are increasingly used as alternative energy sources. Using PPF as a green energy source presents multiple benefits as it helps reduce consumption of fossil fuels. Energy efficiency is also a primary consideration on designing new POMs. In FY2020, we used an average of 0.42 GJ/mt of CPO produced, which was slightly higher than last year.

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.

Energy consumption within the organisation	Unit (GJ)
(A) Non-renewable fuel consumed	7,762,822
(B) Renewable fuel consumed	0
(C) Electricity, heating, cooling & steam purchased for consumption	2,949,878
(D) Self-generated electricity, heating, cooling & steam (which are not consumed)	124,306
(E) Electricity, heating, cooling & steam sold.	29,347
(F) Total energy consumption within the organization = (a) + (b) + (c) + (d) - (e)	10,807,659

REDUCTION OF ENERGY CONSUMPTION (GJ)

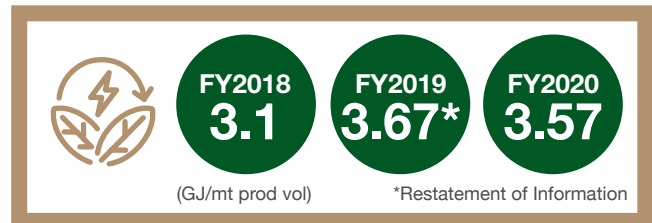


As a group, KLK OLEO achieved a total saving of 109,264 GJ through process redesign, conversion and retrofitting of equipment, and operational changes, which was much higher than last year.

Energy consumption reduction was much higher compared to the previous FY due to:

- Palm-Oleo Sdn Bhd - Installation of equipment to recover waste heat from flue gas resulting in fuel savings.
- KSP Manufacturing Sdn Bhd & Palmamide Sdn Bhd - Energy savings due to optimisation of chiller operation.
- KLK Tensachem SA – Installation of steam generator to recover heat and produce steam from reactors.

Energy Intensity



Energy intensity was reduced compared to FY2019 due to:

- KL-Kepong Oleomas Sdn Bhd - Commencement of Gas Turbine Generator, which uses waste heat from electricity generation to produce steam for the plant.
- Taiko Palm-Oleo (Zhangjiagang) Co Ltd
 - The plant can realise continuous production and reduce the number of shut downs
 - The plant controlled the consumption of natural gas, steam and electric energy when the process control index meets the production requirements

WASTE MANAGEMENT

Proper waste disposal has wide ranging implications on the environment and the surrounding communities' health. All our waste products, generated by our Plantation segment or KLK OLEO, is, if not recycled, disposed of in accordance with the prevailing regulations and best practices.

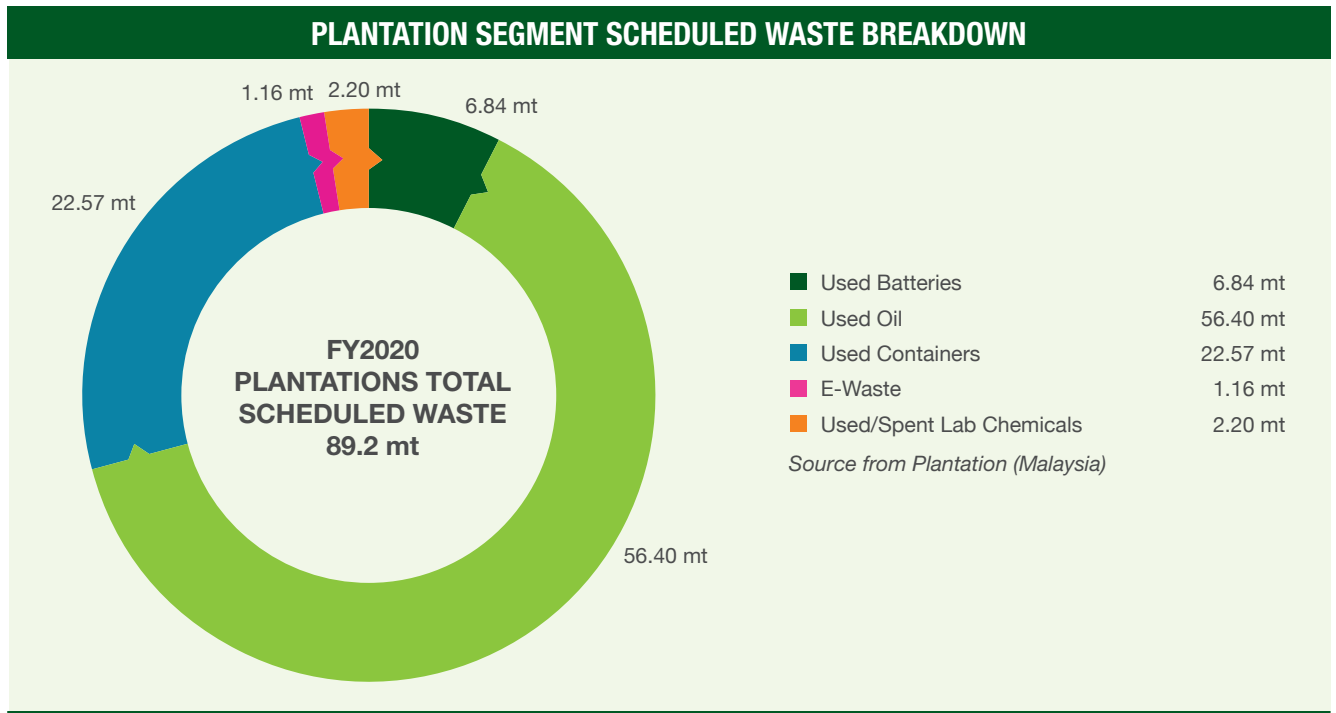
Waste Management at Plantation Segment

Palm oil waste management is a challenge due to the large quantity of waste generated during production. However, with our sustainable waste management system, 100% of by-product from POMs are returned to the soil as organic fertiliser or used as fuel in the boiler.

Other wastes generated by our OCs is collected and disposed of in accordance with prevailing regulations via licensed waste disposal contractors registered under the Department of Environment.

This FY, Malaysia's Plantation segment produced scheduled waste totaling 89.2 mt.

SUSTAINABILITY STATEMENT AND REPORT



Waste Management at KLK OLEO

Waste Diverted from Disposal by Recovery Operation	Unit (MT)		
	Onsite	Offsite	Total
Hazardous Waste			
Preparation for reuse	0	15	15
Recycling	0	1,347	1,347
Other recovery operations	0	1,218	1,218
Total			2,580
Non-hazardous Waste			
Preparation for reuse	0	1,962	1,962
Recycling	0	2,959	2,959
Other recovery operations	0	2,154	2,154
Total			7,075
Waste Prevented			
Total Waste			25

Waste Directed to Disposal by Disposal Operation	Unit (MT)		
	Onsite	Offsite	Total
Hazardous Waste			
Incineration (with energy recovery)	0	7,866	7,866
Incineration (without energy recovery)	0	441	441
Deep well injection	0	444	444
Landfilling	0	32	32
Other disposal operations	0	1,193	1,193
Total			9,976
Non-hazardous Waste			
Incineration (with energy recovery)	0	5,191	5,191
Incineration (without energy recovery)	0	642	642
Landfilling	0	10,598	10,598
Other disposal operations	0	211	211
Total			16,642

SUSTAINABILITY STATEMENT AND REPORT

Waste Management at KLK OLEO



Total Solid Waste (mt)

FY2018
34,996

FY2019
38,642

FY2020
36,272



Solid Waste Generation Intensity (mt)

FY2018
0.011

FY2019
0.011

FY2020
0.012

KLK OLEO's solid waste generation intensity during the FY was 0.012 mt/mt prod vol, higher than last year. It generated a total of 36,272 mt solid waste, which was less than last year due to reduction in production volume.

WATER MANAGEMENT

Water source is crucial to the environment, human health and wildlife ecosystem. It is vulnerable to depletion if poorly managed. We therefore strive to optimise the usage of water without jeopardising the environment.

Our water management strategies focus on water use optimisation and reduction in water consumption or wastages, taking into account the prevailing land conditions, topography and challenges in the weather (impact of droughts and floods).

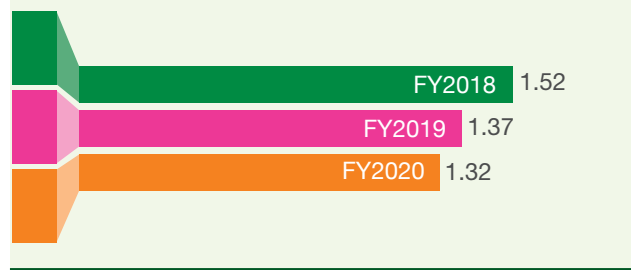
Water Management at Plantation Segment

In our Plantation segment, we monitor water usage in processing fresh fruit bunches to reduce the generation of POME.

Our OCs also monitor the Biological Oxygen Demand ("BOD") and Chemical Oxygen Demand ("COD") levels of final discharge monthly to ensure both parameters are in compliance with the countries' regulations. During the FY, both BOD and COD levels are within the parameters set by the countries' regulations in which we operate.

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.

TOTAL WATER USAGE AT PLANTATIONS (m³/mt FFB processed)



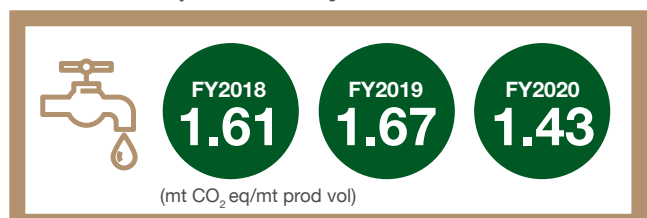
During the FY, Plantation segment's water usage was 1.32 m³/mt FFB processed.

Water Management at KLK OLEO

Total water withdrawal by source	Unit (m ³)
1. Surface water	1,419,845
• Fresh water	1,419,845
• Other water	0
2. Groundwater	2,235,339
• Fresh water	2,235,339
• Other water	0
3. Seawater	1,598,464
• Fresh water	0
• Other water	1,598,464
4. Produced water	0
• Fresh water	0
• Other water	0
5. Third-party water	2,599,119
• Fresh water	2,549,681
• Other water	49,438
Total water withdrawal	7,852,767

Total water discharged by source	Unit (m ³)
1. Surface water	1,861,841
2. Groundwater	0
3. Seawater	945,330
4. Third-party water	715,461
Total water discharged	3,522,632

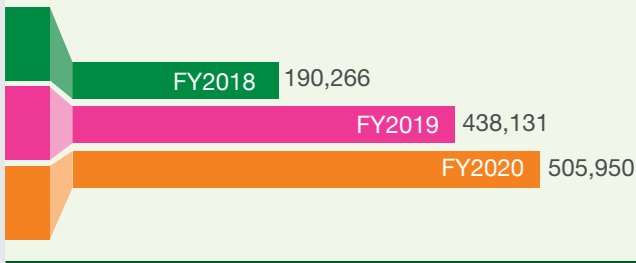
Water Consumption Intensity



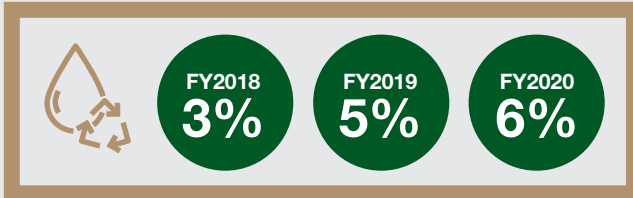
The reduction in KLK OLEO's water withdrawal (FY2019: 8,422,815 m³) is due to unscheduled stoppages at some process plants. Water consumption intensity is also lower due to water interruptions at high consumption plants.

SUSTAINABILITY STATEMENT AND REPORT

QUANTITY OF WATER RECYCLED AND REUSED (m³)



Percentage of total water recycled and reused



Total water recycled and reused was 6%, which is higher than last year. This is due to KLK Emmerich GmbH realising a project to recover energy by collecting all clean condensate to be used in the boiler house.

ZERO SINGLE USE PLASTIC CAMPAIGN

Since the COVID-19 pandemic upended life across the globe, single use plastics are making a comeback. There's been a massive surge in production of face masks, protective suits, water bottles, visors, take-away food containers, pre-packaged products and home deliveries wrapped in single use plastic bags.

During the FY, KLK has launched its Zero Single Use Plastic Campaign on avoidance of single use plastics. Additionally, to promote a good recycling habit amongst employees, our KLK operating centres are taking the effort to reduce single use plastic in the office by stopping the serving of bottled mineral water for meetings, removing disposable plastic utensils in meeting rooms, pantries and the likes.

The campaign has garnered good response from all levels of employees. We are confident these good practices will soon become a way of life.

With this campaign, we hope all of us can play a role in creating new opportunities to minimise the negative environmental impact of plastic and instead, help to conserve the nature for a better tomorrow.



Supporting the Zero Single Use Plastic campaign with the use of reusable food container



Take away lunch with tiffin carriers



Embracing plastic bag-free shopping by using reusable bag



Refusing single use plastic at workplace by bringing own water tumbler

SUSTAINABILITY STATEMENT AND REPORT

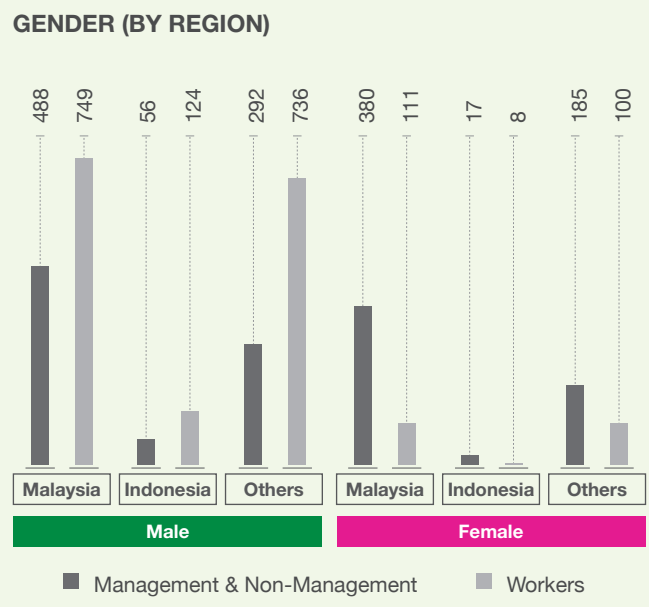
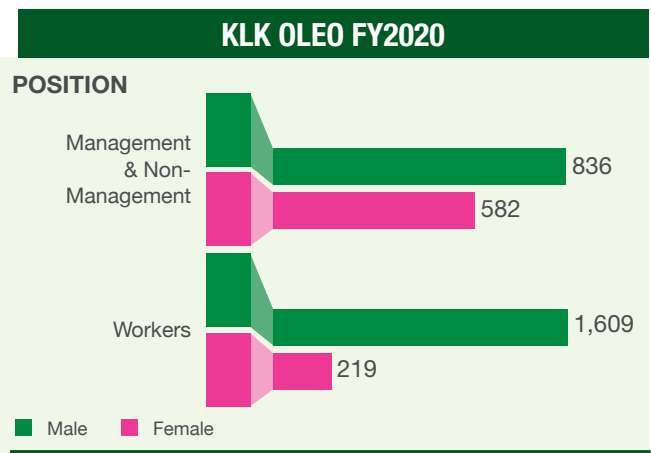
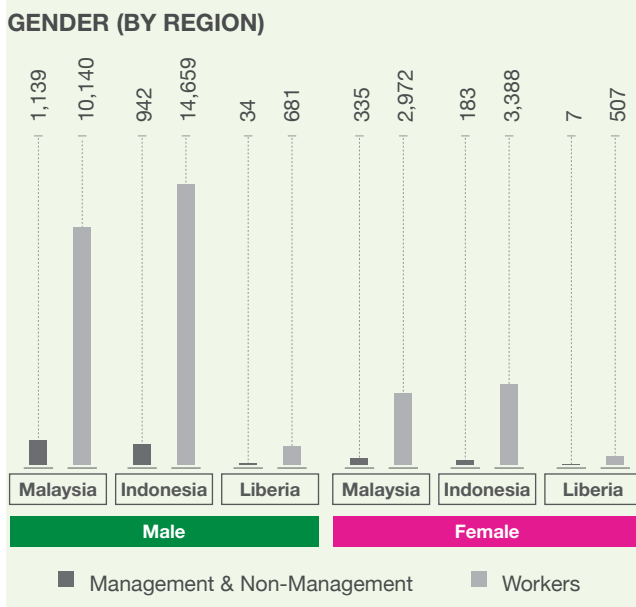
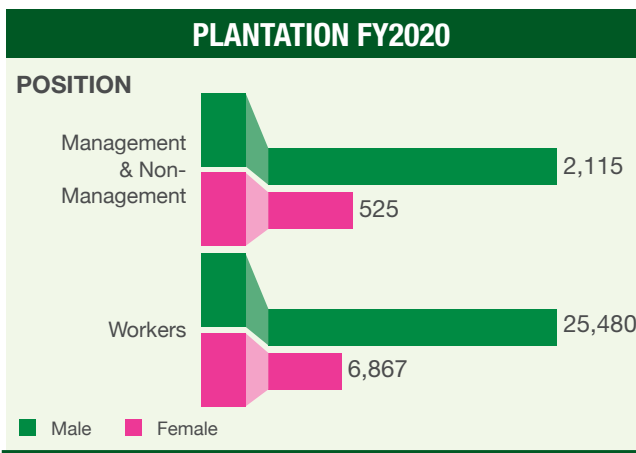


KLK has a workforce of close to 40,000 at locations all over the world. The Company regards them as one of our greatest assets. KLK values its people, and rewards their hard work with fair remuneration, career development opportunities and training.

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.

However, the palm oil industry is physically demanding. Thus, we receive less applications particularly for field work from the female gender. As part of our commitment to support women to become more involved in the industry, KLK has put in place (but not limited to) Gender Committees and provide facilities such as child care centres for babysitting so that workers can work with peace of mind. We expect our suppliers to do the same.



SUSTAINABILITY STATEMENT AND REPORT

DECENT LIVING WAGE TASK FORCE

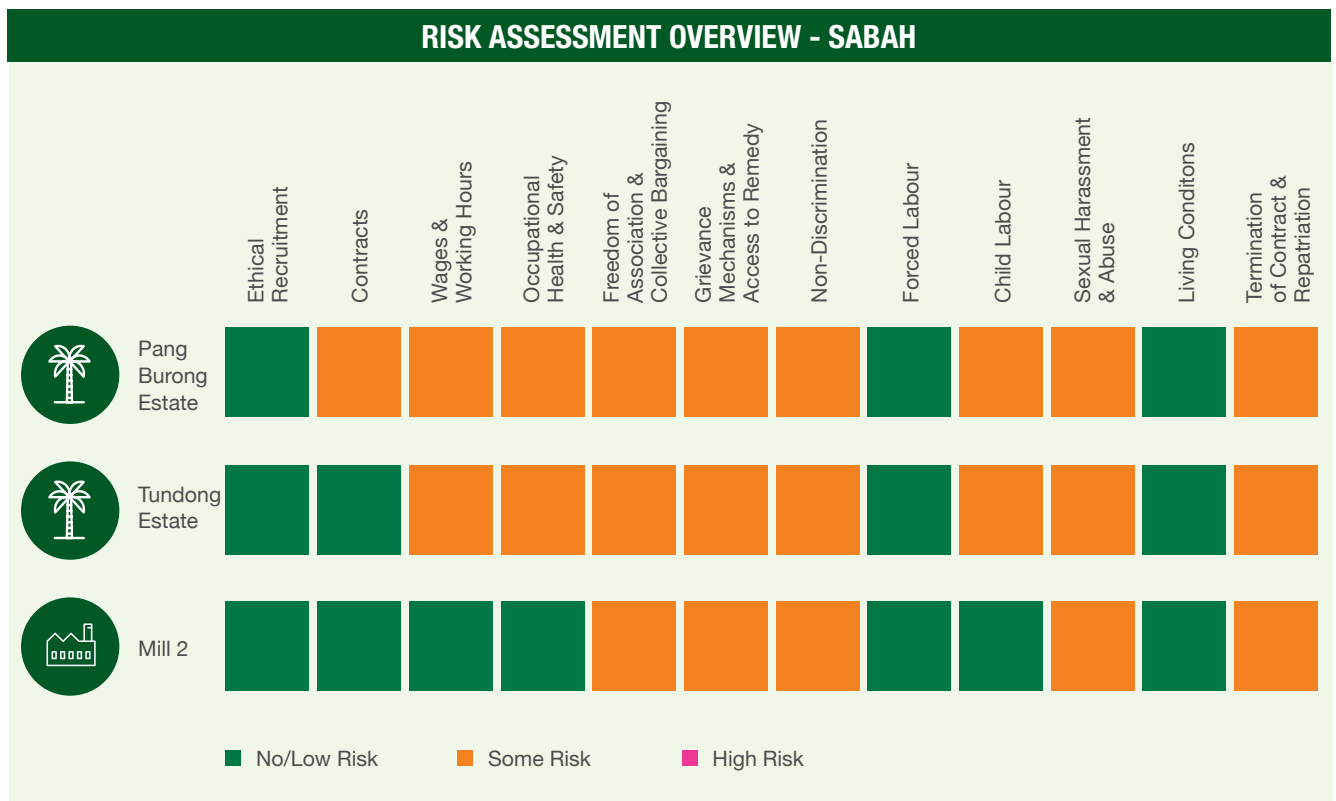
We had established a Decent Living Wage Task Force last FY comprising of Senior Management and the Sustainability team. The main objective of this task force is to discuss on the implementation of the new requirement stated in the revised RSPO P&C 2018 - Decent Living Wage. While waiting for the Living Wage benchmark to be in place, this task force has developed a template for assessment of Prevailing Wage and in-kind benefit provided to workers. Prevailing Wage represents the remuneration earned by a worker during normal working hours. KLK has completed the Prevailing Wage Assessment for all OCs during the FY.

RESPECTING HUMAN & LABOUR RIGHTS

As part of our RSPO commitments, our policies are aligned with the International Labour Organisation Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights. While legal compliance and alignment to the RSPO P&C is our first priority, we also see it as our moral obligations to create, strengthen and promote a harmonious, safe and healthy work environment and culture.

Therefore, KLK says a firm “No” to exploitation of workers and communities, forced or bonded labour and child labour. The commitment is applicable to all our operations and supply chain.

During the FY, a potential buyer of our CPO engaged BSR, a global non-profit sustainable business consultancy, to conduct a Human Rights Assessment on three (3) of our OCs in Sabah and the findings are as follows:



SUSTAINABILITY STATEMENT AND REPORT

Below are the recommendations extracted from the BSR report. The assessment of status is self-reported by KLK. The status column summarises relevant clarifications and actions taken by KLK in response to the BSR report.

Description	Status
<p>Ethical Recruitment</p> <p>Verify that workers' wages, e.g. in the amount of the annual foreign worker levy, are not being withheld to prevent abscondment.</p>	From verification, there was no withholding of wages and levy. KLK prohibits such practices.
<p>Contracts</p> <ul style="list-style-type: none"> - Ensure that all workers are provided with a signed copy of their contracts. Clarify the probation process and period to avoid precarious work situations. - Introduce a clause on the provision of free transportation to the worker's home country upon completion of the contract. 	Workers' employment contract has been revised and complied with.
<p>Communication with Workers</p> <ul style="list-style-type: none"> - An employee handbook includes operating procedures, policies and benefits should be provided and explained to all employees on their first day, as part of the new worker induction process. The handbook could be developed with a gender lens to include specific policies and benefits targeted to women (especially women workers and children). - Additional information on benefits should also be provided to workers through posters/notices/announcements in public areas to ensure uniform clarity and awareness among workers. 	Handbook is currently being revised to reflect current practices. It will be made available to workers once the revision is completed.
<p>Wages</p> <ul style="list-style-type: none"> - Verify that production targets (e.g. for sprayers and harvesters) are based on normal working hours and based on a robust time and motion/calibration study. - Verify that equipment which is necessary for workers to perform their jobs is provided to workers for free and not deducted from workers' wages. 	In compliance.
<p>Working Hours</p> <p>Consider using thumbprint scanners or other means of verification to ensure proper recording and demonstration of working hours within mandatory limits.</p>	Implemented where feasible and applicable.
<p>Occupational Health and Safety</p> <ul style="list-style-type: none"> - Consider conducting an additional medical check on sprayers and other workers exposed to chemicals (in addition to the existing annual checkup) to ensure that there are no long-term negative effects of chemical exposure to their health. - Consider the provision of: More comfortable safety goggles; breathable coveralls to combat heat stress and allow for ventilation; high visibility jackets to workers who travel to and from the plantations after hours/when it is dark. 	Appropriate actions have been taken.
<p>Freedom of Association and Collective Bargaining</p> <ul style="list-style-type: none"> - Consider assessing the awareness level of workers on these rights through a worker survey. - Consider providing basic information on collective bargaining and on unions, i.e. clear information on what they are, their purpose and explicit permission to join if they wish to. - Consider providing additional communication to workers on the role of the various committees (in particular gender and OSH committees), as well as additional capacity building/training to committee members to help ensure and strengthen the effectiveness of each committee. 	Implemented as stipulated by law.

SUSTAINABILITY STATEMENT AND REPORT

Description	Status
<p>Grievance Mechanism and Access to Remedy</p> <ul style="list-style-type: none"> - Increase worker awareness of existing channels: e.g. the hotline. - Monitor and report on receipt and resolution of grievances through the various channels, to ensure workers' awareness and trust in the available mechanisms. - Provide more information on KLK's Grievance Procedures framework to estates/mills and (if it does not exist already) consider designing an effective rights-compatible grievance procedure at the operational level (which should meet all effectiveness criteria, including: <ul style="list-style-type: none"> - Providing ease of access for complainants; publicising mechanism; communicating transparently about the process; ensuring confidentiality, especially when handling sexual harassment claims and complaints, for example. 	Appropriate actions have been taken.
<p>Non-Discrimination</p> <p>Consider taking a range of measures (for example, affirmative action and professional development support) to ensure equal representation of women in the workforce at all levels, including at senior management level.</p>	Guided by elements of fair play.
<p>Child Labour</p> <ul style="list-style-type: none"> - Adhere to RSPO Child Rights Guidance for the Palm Oil Industry (to be published in 2020); - Put policies and procedures in place to ensure the wellbeing and safety of children on oil palm plantations (including conducting a risk assessment of how children might be impacted by direct and indirect contact with adults); - Strengthen existing policies relating to child labour, including developing child labour remediation plan. - Provide childcare/day care centres/after school clubs for children of working parents during weekends and school holiday periods. Example: "Smart House" offering on-site teachers who can supervise additional homework, provision of computers, a library etc. - Provide more school bus support including additional buses for children who live in more remote locations. - Reassess and ensure that there are enough trained teachers for the Community Learning Centres, including both types of teachers: Guru Bina and Guru Pamong. 	Recommendations seriously assessed for implementation. The movement controls introduced pursuant to the COVID-19 pandemic had disrupted implementation. Will review appropriateness of implementation in due course.
<p>Sexual Harassment</p> <ul style="list-style-type: none"> - Consider expanding and clarifying the remit of the Gender Committee. - Ensure sexual harassment training is also rolled out to all workers, including all male workers and the management team. - Establish and maintain clear channels for receipt and processing of complaints beyond the Gender Committee. 	Appropriate actions have been taken.
<p>Living Conditions (Creche)</p> <p>Consider the provision of additional furniture (including cots for children to rest/sleep) and a play area with educational toys.</p>	To assess and provide if deemed proper.
<p>Termination/Contracts and Repatriation.</p> <p>Ensure all foreign workers have good and uniform awareness of KLK's repatriation policy and include this information in worker contracts and the employee handbook.</p>	Appropriate actions have been taken.

SUSTAINABILITY STATEMENT AND REPORT

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Employees 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 FY2020, 5,108 and 501 of our Peninsular Malaysia employees are members of MAPA/NUPW and MAPA/AMESU* respectively. 5,630 of our Indonesian workers are members of various unions, while 372 of our Liberian workers are members of the Libinco Agriculture Workers Union.

* MAPA is The Malaysian Agricultural Producers Association
NUPW is The National Union of Plantation Workers
AMESU is The All Malayan Estates Staff Union

GENDER COMMITTEE

We place emphasis on gender-based issues through empowerment programmes on the ground, specifically on issues relating to sexual harassment, birth rights, domestic violence, child abuse and new mothers' needs. Gender Committee meetings are held on a quarterly basis in our Malaysian OCs.

Similarly, Gender Committees have also been established at our Indonesian OCs to handle these matters. Our local employees have been empowered to take up this responsibility as they have better understanding of the local context and cultures.

CAREER DEVELOPMENT OPPORTUNITIES

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

Human Capital Development



Training at Plantation

All newly recruited staff and executives to be based at OCs go through a two-phased Intentional Mentoring Programme ("IMP") at our KLK training centre.

The IMP lasts a minimum of nine (9) months with 11 field modules, and covers the necessary knowledge and skill sets relating to oil palm and rubber plantation management. During the course, trainees are rotated through five (5) selected OCs. For the purpose of monitoring, the Estate Manager will on a quarterly basis, 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 will then attend Phase Two of the training programme in the KLK Training Centre in Ipoh to fill 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. These include training 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 segment. 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 training which emphasises development of emotional intelligence and soft skills.



Training programme at KLK OLEO

SUSTAINABILITY STATEMENT AND REPORT

HEALTH AND WELL-BEING OF EMPLOYEES

Our employees' health and safety are of paramount importance to the Company. We hold briefing sessions, training workshops to create awareness exceeding our normal expectation. During the period under review, workmen are continually reminded of their need to stay safe and the Company has rendered tangible and intangible support to help everyone tide over the new challenges and be able to adapt to the new normal way of life. In reciprocity, everyone played their roles well, especially on the part of complying with the mandatory SOPs.

The pandemic situation has triggered the shift in everyone's paradigm that work processes must be reviewed for implementation with efficiency and effectiveness. These would be reviewed to discard obsolete requirements in practice.

Safety and Health Committees

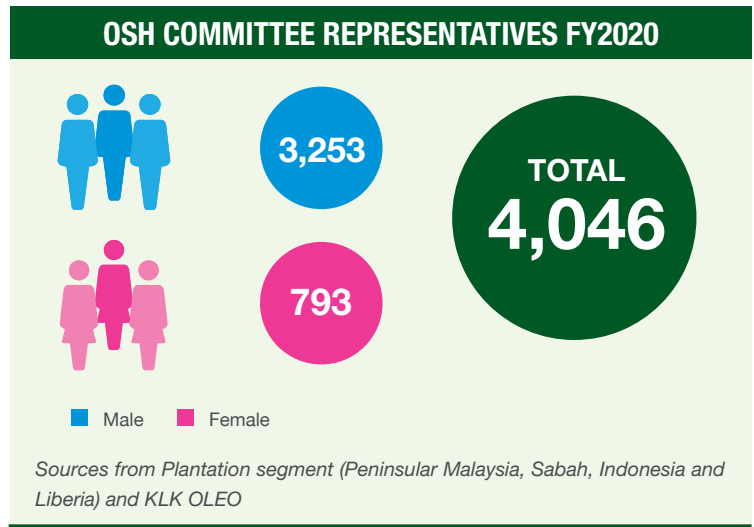
In order to effectively manage occupational risk, a Safety and Health Committee ("SHC") is set up at every operating centre. KLK currently has 4,046 SHC members at its Plantation OCs and KLK OLEO.

Occupational Safety and Health

Compliance at Plantation Segment

KLK Occupational, Safety and Health ("OSH") Management System was introduced in September 2005 through the KLK OSH Group Policy Manual. It was established based on the MS 1722:2011 – Occupational Safety and Health Management Systems and aims to fulfill the requirements of all OSH laws and regulations. The implementation of this manual was to develop a sustainable OSH culture in the organisation whereby it can contribute to the protection of employees and stakeholders from hazards through the elimination of work-related injuries, disabilities, ill health, diseases, near misses and fatalities. The manual also provides consistency in the implementation of OSH Management and creates an internal responsibility system in the management, monitoring and continual improvement of OSH matters concerning all plantation employees and stakeholders regardless of scope of work.

Risk management is carried out by:



Employees are equipped with the necessary PPE to safeguard their health and safety

SUSTAINABILITY STATEMENT AND REPORT

OSH visits are carried out twice a year, and training is provided in the form of information and instruction that will equip all workers with the skills and knowledge to perform their work in a manner that is safe and without risk to health.

	Accidents	LTI ¹ Frequency	LTI Severity
	Fatality	Rate*	Rate**
Malaysia	2	28.83	513.32
Indonesia	1	62.91	290.52

¹ LTI: Lost Time Injury

* Incidents/1 million man-hours worked

** Days lost due to LTI/1 million man-hours worked

Safety and Health Committees

	Male	Female	Total
Malaysia	1,055	226	1,281
Indonesia	1,975	516	2,491
Liberia	24	2	26

We regret to report three (3) occupational fatalities during the FY. The causes of these fatalities were work-related, two (2) involving motor vehicles and one (1) involving a POM steriliser.

All necessary steps are taken to reduce/prevent accidents and injuries. Lower accident rates result in lower staff turnover, lower absenteeism and higher productivity. Operating under a system of continuous improvement, the Plantation OSH Department reviews the LTI on a monthly

basis. The results collated will be monitored and aspects of our operations which have OSH impacts have identified. Through this, we take action to improve the LTI rate and the severity rate of the LTI. Our LTI rate is a reflection of the commitment and joint efforts between Management, Safety and Health Officers, Safety and Health Committees, workers and contractors.

Compliance at KLK OLEO

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

	Accidents	LTI Frequency	LTI Severity
	Fatality	Rate*	Rate**
Malaysia	0	2.34	56.40
Indonesia	0	0.00	0.00
Other Countries	0	4.98	75.04

* Incidents/1 million man-hours worked

** Days lost due to LTI/1 million man-hours worked

Safety and Health Committees

	Male	Female	Total
Malaysia	115	28	143
Indonesia	13	2	15
Other Countries	71	19	90

The New Normal

During the COVID-19 pandemic, we are thankful that we have a strong force of employees who came together to ensure that our operations continued with minimal disruption. KLK's reliability as a producer of sustainable palm products enabled us to play an important role as a trusted supplier of raw materials critical for many essential products during the pandemic.

Here at KLK, our employees truly are the backbone of the company. The health and well-being of our employees as well as their families remains our top priority. Since the outbreak of this pandemic, we have developed and adopted robust, localised Standard Operating Procedures ("SOPs") with additional preventive measures at all our operating centres to ensure the safety of our employees.

SUSTAINABILITY STATEMENT AND REPORT



Conduct temperature screenings for all employees

- All employees are subject to daily temperature screening. Employees with symptoms will be denied from entering the workplace and are required to undergo further health checks.



Tightening security (visitors/contractors/suppliers)

- Access to estates are only allowed for visitors with essential activities.



Hygiene Practices

- All workers are reminded to practise personal hygiene including encouraging frequent hand washing and use of hand sanitisers.



Regular sanitisation of workplaces and dwellings

- We ensure that our workplace and workers' quarters are sanitised on a regular basis.

SUSTAINABILITY STATEMENT AND REPORT



Physical distancing practices

- Efforts have been made to ensure physical distancing practices are adhered to at the workplace.



Create COVID-19 awareness and provide updates through various communication channels

- We continually provide latest information and updates via various means of communication including virtual meetings through Microsoft Teams, briefings, emails and WhatsApp messaging. The messages were translated to various relevant languages.

SUSTAINABILITY STATEMENT AND REPORT

EMPLOYEE WELFARE

Housing and Living Amenities

We recognise our responsibility to our people, thus we are committed to fulfilling the rights of workers to adequate housing.

At our plantations, we provide housing with essential living amenities such as water, electricity, kitchen with cabinet, healthcare facilities to our workers and their families. Apart from housing amenities, we strive to ensure a conducive living environment by adding other infrastructures such as sports facilities and places of worship.

We continue to keep a watchful eye on the upkeep and progressively upgrade the housing and amenities as and when the need arises.



Semi detached houses for our plantation workers at Ladang Lekir in Perak



Aerial view of workers' housing at Ladang Sri Kunak in Tawau, Sabah



Football field is made available for employees at the plantations



Mosque for Muslim workers at P.T. Malindomas Perkebunan in East Kalimantan, Indonesia

Balanced and Healthy Lifestyle

The goal of building a healthy workforce is very much dependent on the personal health of each employee. Hence, we strongly encourage healthy lifestyles amongst our employees where various sporting and leisure activities were organised for the employees to lead a balanced and healthy life. Prior to the movement controls, we were able to organise activities such as mountain hiking, go-karting, yoga, zumba, badminton and swimming classes.

Health & Wellness Week

One of our efforts to promote workplace health awareness was the organisation of a Health and Wellness Week for our employees at our headquarters in Ipoh and at our KLK OLEO manufacturing sites. This dedicated week was designed to raise health awareness with various activities such as health screening, health talks and blood donation drives.



Free blood test for employees during Employee Wellness Week



Blood donation drives were organised by KLK operating centres at various sites.

NUMBER OF EMPLOYEES

KLK HEAD OFFICE	74
KLK OLEO	217
SABAH	161
INDONESIA	120



TOTAL: 572

TOTAL BLOOD DONATED



270,660ML

Total Amount of Blood Donated: 270,660ml of blood potentially save up to 1,716 lives



Staff registered for blood donation drive at one of KLK plantations in Sabah



KLK employees participated in the first aid training

SUSTAINABILITY STATEMENT AND REPORT



KLK recognises the importance of growing our business in a sustainable and balanced manner. This is tied to our strongly held conviction that our company will be successful in the long-term by creating shared value for both our stakeholders and the society.

In line with the aspirations of the United Nations Sustainable Development Goals, the Group supports the development of local communities where we operate, in terms of enriching their lives and uplifting their socio-economic status through various initiatives.

Empowerment Through Education

We believe in the power of education to transform lives and that every child should be given the opportunity to learn. Throughout our plantations across a wide geographical area, we continue to maintain and upkeep 81 learning centres, kindergartens and schools which provide education to some 17,000 students annually.

To manage and run these education facilities, the Group has built partnerships with external stakeholders for the provision of education services.

In Sabah, we collaborate with Humana Child Aid Society to provide basic primary education to the children of our workers and other children from villages in the vicinity of our plantations.

We have also employed teachers to provide secondary education to Indonesian children aged 13-15 years at our Community Learning Centres to provide a seamless transition of their learning when they return to their homeland.

While in Indonesia, apart from providing education facilities and tools, we have an established partnership with Indonesia Heritage Foundation (“IHF”) to facilitate Early Childhood Education (*Pendidikan Anak Usai Dini – PAUD*) at learning centres near KLK plantations across Indonesia. Through the Character Based Holistic Education model created by IHF, we hope to develop societal values in children, and not focus solely on academics.

Partnering the Ministry of Education of Liberia, we provide free education to 759 children of our workers and those children from the surrounding villages.



One of KLK learning centres at Sungai Segah in East Kalimantan, Indonesia

TOTAL STUDENTS: 17,452		
<p>MALAYSIA</p> <p>17 Kindergartens 499 students</p> <p>5 Humana Learning Centres 919 students</p> <p>4 Community Learning Centres 84 students</p> <p>1,502 students</p>	<p>INDONESIA</p> <p>31 Kindergartens 5,544 students</p> <p>18 Primary Schools 7,182 students</p> <p>3 Junior High Schools 1,941 students</p> <p>2 Senior High Schools 524 students</p> <p>15,191 students</p>	<p>LIBERIA</p> <p>1 Learning Centre 759 students</p> <p>759 students</p>



Fun learning activity for children at one of KLK kindergartens



Students at Humana Learning Centre in Sabah

SUSTAINABILITY STATEMENT AND REPORT

Yayasan KLK Scholarships

At KLK, we believe in the power of education to transform lives. We are committed to help deserving young Malaysians to develop their full potential and fulfill their aspirations by providing scholarships and career opportunities for them to pursue undergraduate studies related to the Group's businesses.



Yayasan KLK supported

433
scholars
to-date

Philanthropy

As part of our continuous effort in improving the communities where we operate, we support numerous charitable initiatives in the form of grants, direct cash contributions and other gifts in kind for causes related to education, community welfare, sports and performing arts.

For one of our corporate responsibility initiatives to promote harmonious culture through sports, we supported the World rank No 7 Badminton Mixed Doubles, Chan Peng Soon and Goh Liu Ying in the hope that they will continue to bring all Malaysians together and make the country proud when chasing their 2021 Tokyo Olympics dream.



Right: Lee Jia Zhang, Executive Director of KLK with Chan Peng Soon, Goh Liu Ying and representatives of the KLK Group at the signing ceremony

Learning through Individualised Teaching ("LIT") for Underserved Community

We acknowledge that with quality education, children will be able to acquire the necessary skills and knowledge to build their character. Since 2017, we have been collaborating with the not-for-profit foundation Yayasan Generasi Gemilang ("GG") to provide value-based educational programmes to students from the B40 families in low-cost government housing projects, *Projek Perumahan Rakyat* ("PPR").

In FY2020, we continued our efforts in supporting the LIT Programme benefiting 34 students from PPR. However, since the Movement Control Order ("MCO") period began, many students from these families were unable to attend online classes due to insufficient devices and poor connectivity. KLK along with other sponsors were able to collectively provide connectivity packs to 134 families from the communities through GG, bridging the digital gap and enabling them to access education online.



Children at PPR Taman Putra Damai attending the LIT Primary Maths programme



LIT Online classes were conducted for children at PPR during MCO

SUSTAINABILITY STATEMENT AND REPORT

Knowledge Sharing Programme

KLK is committed to uplifting the well-being of the communities where we operate. As part of our efforts in improving the social inclusion of the communities surrounding our operating centres, we have initiated a knowledge sharing programme aimed at reducing poverty and vulnerability.

P.T. Steelindo Wahana Perkasa (“P.T. SWP”), our plantations located at Belitung island in Indonesia has contributed 7,400 coffee seedlings to the local farmers to help them generate a sustainable income. Today, one of the main challenges the coffee sector faces is the threat to profitability due to low productivity of smallholder farmers and coffee quality. Apart from provision of coffee seeds, we have conducted training for the farmers in order to help them increase yields through knowledge sharing.

The employment of people with special needs are facing more severe challenges due to the COVID-19 pandemic. In the hope of helping them to secure employment so that they could build self-esteem and also to promote mutual integration, 20 colleagues from Taiko Palm-Oleo (Zhangjiagang) Co. Ltd had participated in a corporate responsibility programme entitled “Building Bridge for the People with Special Needs & Road to Mutual Assistance” in collaboration with Baixing Public Welfare Volunteer Association. This programme was held at the Employment Service Centre for People With Special Needs in Zhangjiagang Free Trade Zone. Through our participation, we hope to lend KLK OLEO’s expertise and technology to provide a more effective solution for making handmade soap bars and to also improve the product quality.

We hope through the knowledge sharing programme, we can create pathways for these underserved groups to uplift their livelihoods by transforming subsistence productivity to commercial productivity in the future.



Participants of Coffee Planting Knowledge Sharing Programme



Coffee Planting on site training



Melting soap noodles at the soap making training

SUSTAINABILITY STATEMENT AND REPORT



RESPONSE TO COVID-19

COVID-19 RELATED EXPENSES: RM6.6 MILLION

KLK Food and Essentials Aid Programme

FY2020 was a difficult year as the COVID-19 pandemic has led to wide-spread disruptions of everyday life and an interruption to business across the world.

We recognise that it is a tough time for many individuals and families. Thus, in order to help alleviate the hardships brought on by the pandemic, our colleagues from the Plantation segment ensured that the much needed food supplies to all our workers at the plantations are available. All the grocery shops operating within the plantations are well stocked up. This will ensure that there is food security for our employees and their families, as they continue to contribute to the economy in a safe working environment here at KLK.



Provision of vegetables to workers at Ladang Batu Lintang during MCO



KLK ensures sufficient food supplies at sundry shops in all its operating centres



One of the workers at Ladang Kombok receiving essential food during MCO

We have – and always will – put the health, safety and well-being of our people first. As we all know, one of the cheapest, easiest, and most important ways to prevent the spread of corona virus is to wash our hands frequently with soap and water. Hence, apart from providing food for our estate workers, the KLK Group has also been providing free soaps and face masks to its employees to help prevent and inhibit the spread of the virus as much as possible.

It is with such measures that a company shows that it cares for its employees – by putting them and their families first in as many ways and means as we can.



Face masks and soaps were provided to workers at all KLK operating centres

SUSTAINABILITY STATEMENT AND REPORT

REACHING OUT TO MARGINALISED COMMUNITIES

Despite the challenging times, KLK continues to fulfil its share of social obligations and responsibility to support the livelihood of our surrounding communities. Through KLKCare, the Group has been providing much needed food and daily essentials to the needy communities during the MCO period.



KLK Food Aid programme - House of Joy in Puchong, Selangor



KLK Food Aid programme - Rumah Amal Titian Baiti Al-Jannah in Gombak, Selangor



KLK Food Aid programme - My Father's Home in Petaling Jaya, Selangor



KLK distributed food to the nearby community in Belitung, Indonesia



KLK Food Aid programme - Pusat Jagaan 1 Malaysia in Ipoh, Perak

SUSTAINABILITY STATEMENT AND REPORT

BASIC ESSENTIALS BENEFIT 7,800 STUDENTS

Ever since schools were allowed to re-open after the MCO period, all schools have been conducting sanitisation on a regular basis, which eventually increases their operating cost. Realising the challenges students and teachers may face after returning to schools, KLK has taken the initiative to reach out to 18 identified schools with a majority of students from B40 families in Negeri Sembilan, Perak and Selangor. Basic essentials such as hand sanitisers, disinfectants, reusable face masks, handwash basins and thermometers were donated to these schools to benefit about 7,800 students. We hope these essentials will keep the students and teachers better protected and safe.



KLK provided soaps to SJKT Ladang Kombok to cultivate frequent hand washing habit amongst students



Distributing food and personal hygiene items to students from B40 family at PPKI Sekolah Kebangsaan Telok Gadong in Klang, Selangor



KLK donated face masks, sanitisers and disinfectant to SJKC Gunung Hijau in Ipoh, Perak

SUPPORTING FRONTLINERS TO COMBAT THE COVID-19 PANDEMIC

Apart from providing food and daily necessities, we have not forgotten our frontliners who have worked tirelessly in their goal to combat the spread of COVID-19 as well as our frontline employees who have put in extra effort to manage the critical tasks of ensuring the supply of raw materials which are crucial for many of the essential products such as soaps, detergents and food during the pandemic.

The Group has incurred a total of RM6.6 million for COVID-19 related expenses including purchase of food, personal protective equipment (PPE), test kits, sanitisers, disinfectants and essential medical supplies to curb the spread of the virus. KLK is confident that we will emerge stronger as we continue to be vigilant on keep safe in our fight against the virus. KLK will continue to reach out to those in need.

The above outreach programmes will be part of KLK's culture and will be continued to be initiated in countries and for communities in where we operate.



Medical workers receiving PPE donated by KLK's P.T. Langkat Nusantara Kepong in North Sumatra, Indonesia



KLK Tawau operating centre donated face masks and sanitiser to Ibu Pejabat Polis Tawau, Sabah



Donation of face masks to Klinik Kesihatan Sungai Buloh, Selangor

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 - Core option.

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.

GENERAL DISCLOSURES			
DISCLOSURE		SECTION	PAGE NO.
Organisational Profile			
102-1	Name of organisation	Cover Page	Cover Page
102-2	Activities, brands, products and services	Corporate Profile	5
102-3	Location of headquarters	Corporate Information	2
102-4	Location of operations	Location of the Group's Operations	8
102-5	Ownership and legal form	Corporate Information	2
102-6	Markets served	Management Discussion & Analysis	22
102-7	Scale of the organisation	<ul style="list-style-type: none"> • Key Indicators • Management Discussion & Analysis • Workplace 	4 22 76
102-8	Information on employees and other workers	Workplace	76
102-9	Supply chain	Marketplace	61
102-10	Significant changes to the organisation and its supply chain	There were no significant changes during the reporting period regarding size, structure, ownership or supply chain	–
102-11	Precautionary Principle or approach	Statement on Risk Management & Internal Control	108
102-12	External initiatives	<ul style="list-style-type: none"> • Marketplace • Community 	61 86
102-13	Membership of associations	Marketplace	61
Strategy			
102-14	Statement from senior decision-maker	<ul style="list-style-type: none"> • Chairman's Statement • Management Discussion & Analysis 	18 22
102-15	Key impact, risks and opportunities	Materiality Matrix	54
Ethics and Integrity			
102-16	Values, principles, standards and norms of behaviour	Values	7
Governance			
102-18	Governance structure	<ul style="list-style-type: none"> • Sustainability Governance • Corporate Governance Overview Statement 	53 95
102-19	Delegating authority	<ul style="list-style-type: none"> • Sustainability Governance • Corporate Governance Overview Statement 	53 95
102-20	Executive-level responsibility for economic, environmental and social topics	<ul style="list-style-type: none"> • Profile of Key Senior Management • Corporate Governance Overview Statement 	16 95
102-21	Consulting stakeholders on economic, environmental and social topics	Marketplace	61
102-22	Composition of the highest governance body and its committees	<ul style="list-style-type: none"> • Profile of Directors • Sustainability Governance 	12 53
102-23	Chair of the highest governance body	Profile of Directors	12
102-24	Nominating and selecting the highest governance body	Corporate Governance Overview Statement	95
102-25	Conflicts of interest	Corporate Governance Overview Statement	95
102-26	Role of highest governance body in setting purpose, values and strategy	Corporate Governance Overview Statement	95

GLOBAL REPORTING INITIATIVE CONTENT INDEX

GENERAL DISCLOSURES			
DISCLOSURE		SECTION	PAGE NO.
Governance			
102-28	Evaluating the highest governance body's performance	Corporate Governance Overview Statement	95
102-29	Identifying and managing economic, environmental and social impacts	Sustainability Policy	55
102-31	Review of economic, environmental and social topics	Sustainability Policy	55
102-32	Highest governance body's role in sustainability reporting	Sustainability Governance	53
102-33	Communicating critical concerns	Marketplace	61
102-35	Remuneration policies	Corporate Governance Overview Statement	95
102-36	Process for determining remuneration	Corporate Governance Overview Statement	95
Stakeholder Engagement			
102-40	List of stakeholder groups	Marketplace	61
102-41	Collective bargaining agreements	Workplace	76
102-42	Identifying and selecting stakeholders	<ul style="list-style-type: none"> • Materiality Matrix • Marketplace 	54 61
102-43	Approach to stakeholder engagement	Marketplace	61
102-44	Key topics and concerns raised	Marketplace	61
Reporting Practice			
102-45	Entities included in the consolidated financial statements	Financial Statements	115
102-46	Defining report content and topic boundaries	Materiality Matrix	54
102-47	List of material topics	Materiality Matrix	54
102-48	Restatements of information	<ul style="list-style-type: none"> • FY2019 GHG Emission Intensity • FY2019 Carbon Emission • FY2019 Energy Intensity 	71 71 72
102-49	Changes in reporting	None	-
102-50	Reporting period	About This Report	51
102-51	Date of most recent report	Annual Report 2019	-
102-52	Reporting cycle	Annual	-
102-53	Contact point for questions regarding the report	<ul style="list-style-type: none"> • Marketplace • KLK Website 	61 www.klk.com.my
102-54	Claims of reporting in accordance with the GRI Standards	Global Reporting Initiative Content Index	218
102-55	GRI content index	Global Reporting Initiative Content Index	218
102-56	External assurance	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.	-
MATERIAL TOPICS			
DISCLOSURE		SECTION	PAGE NO.
Economic Performance			
201-1	Direct economic value generated and distributed	Financial Statements	115
Indirect Economy Impacts			
203-1	Infrastructure investments and services supported	Community	86
203-2	Significant indirect economic impacts	Community	86
Anti-Corruption			
205-2	Communication and training about anti-corruption policies and procedures	KLK Website	www.klk.com.my
Materials			
301-1	Materials used by weight and volume	Environment	69

GLOBAL REPORTING INITIATIVE CONTENT INDEX

MATERIAL TOPICS			
DISCLOSURE		SECTION	PAGE NO.
Energy			
302-1	Energy consumption within the organisation	Environment	69
302-2	Energy consumption outside of the organisation	Environment	69
302-3	Energy intensity	Environment	69
302-4	Reduction of energy consumption	Environment	69
Water and Effluents			
303-3	Water withdrawal	Environment	69
303-5	Water consumption	Environment	69
Biodiversity			
304-1	Operational sites owned, leased, managed in or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Environment	69
304-2	Significant impacts of activities, products and services on biodiversity	Environment	69
304-3	Habitats protected or restored	Environment	69
Emissions			
305-1	Direct (Scope 1) GHG emissions	Environment	69
305-3	Other indirect (Scope 3) GHG emissions	Environment	69
305-5	Reduction of GHG emissions	Environment	69
Waste			
306-3	Waste generated	Environment	69
306-4	Waste diverted from disposal	Environment	69
306-5	Wasted directed to disposal	Environment	69
Occupation Health and Safety			
403-1	Occupational health and safety management system	Workplace	76
403-2	Hazard identification, risk assessment and incident investigation	Workplace	76
403-3	Occupational health services	Workplace	76
403-5	Worker training on occupational safety and health	Workplace	76
403-9	Work-related injuries	Workplace	76
Training and Education			
404-2	Programmes for upgrading employee skills and transition assistance programmes	Workplace	76
Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	Workplace	76
Non-Discrimination			
406-1	Incidents of discrimination and corrective actions taken	No incidents during the reporting period	-
Freedom of Association and Collective Bargaining			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	No incidents during the reporting period	-
Child Labour			
408-1	Operations and suppliers at significant risk for incidents of child labour	Workplace	76
Forced or Compulsory Labour			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Workplace	76