



## *Sustainability Mission Statement*

*"Creating sustainable stakeholder value by integrating environmental and societal concerns into business strategies and performance."*

## SUSTAINABILITY STATEMENT



Marketplace



Environment



Workplace



Community

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# About this report

Kuala Lumpur Kepong Berhad (“KLK”) is pleased to share with you its first Sustainability Report. To compile this report, KLK has used the GRI (“G4”) reporting guidelines as it is one of the most widely accepted framework to effectively measure and quantify the environmental, social and governance costs and benefits derived from the activities of companies.

## Our reporting parameters

We have geared this report towards sharing our sustainability information with you, our valued stakeholders. You will notice that our Sustainability Report lays out our ways of working, and how they relate to our Company’s performance on an operational and business level. This report covers disclosure for KLK Group and focuses on the Plantations and Oleochemicals Divisions.

## The contents of Sustainability Report

The environmental and social performance reported in the following pages covers the period from 1<sup>st</sup> October 2015 to 30<sup>th</sup> September 2016. Our goal with this report is to inform you about our progress, development and improvements as they relate to sustainability. We would also like to bring your attention to our programmes which centre on human and environmental issues. More specifically, how we not only handle sustainability governance, sustainable product development and environmental stewardship, but also advance our people and partner with the community for development.

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# CEO Statement



Tan Sri Dato' Seri Lee Oi Hian

Chief Executive Officer

## *From the desk of CEO...*

Kuala Lumpur Kepong Berhad (KLK) has journeyed through 110 years of history and is testimony that we have been sustainable in our existence and in our business. It is a continuing challenge to further enhance and build a sustainable future to ensure the well-being and quality of life for present and future generations. To attain this, care of the environment, social justice and economic prosperity have to be simultaneously pursued.

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

We support the RSPO as a multi-stakeholder platform, and actively participate in its working committees. Besides complying with its principles and criteria for certification we use them as a guide to make decisions on our daily operations and investments. In parallel, we have pursued similar certification schemes like MSPO, ISPO, and ISCC to meet the various needs of our clientele. KLK has gone further than just compliance needed for certification by publishing its

own Sustainability Policy which demonstrate its commitment to no deforestation, no new development on peatland and no exploitation of workers. Deforestation in this context means no clearing of high carbon stock as defined by the HCS Approach. Policies will be constantly reviewed and adjusted with the requirements of the situation but always within the legal and regulatory framework.

Engaging with various stakeholders has enabled us to share our vision on sustainability and to hear and articulate differing views, leading to collaboration with each other on issues of sustainability. Engagement builds trust and mutual respect in our cooperation and interaction with various stakeholders. We are not perfect and look forward to learn more from such engagements to close whatever gaps there may be in our quest for sustainable development. It is hoped that all stakeholders will collaborate and complement each other to develop a strong but fair sustainability standard for adoption by the industry.

KLK believes in transparency, and hence the issuance of this, our first Sustainability Report based on the Global Reporting Initiative standards, to share with all, our sustainability efforts.

## OUR MISSION - STRIVE FOR EXCELLENCE

- Offering quality products and services at competitive prices.
- Being a good and responsible corporate citizen.
- Earning a fair return on investments.
- Maintaining steady dividend payments and adequate dividend cover.
- Sustaining growth through re-investment of retained profits.
- Maintaining a high standard of business ethics and practices.
- Fulfilling our social responsibilities to the community in which we operate.

## OUR VALUES



## CORPORATE PROFILE

### The start of it all

Our story begins more than 110 years ago in London, England. Striving through various global events and restructuring exercises, the Company ventured into Malaysia and KLK came into being. KLK started out as a plantation company, and till today our plantations (oil palm and rubber) remain our core business activity. Through perseverance and determination, along with various strategic acquisitions and sound management, our plantation land bank now stands close to 270,000 hectares. A land bank that reaches out across Malaysia (Peninsular and Sabah), Indonesia (Belitung Island, Sumatra, Central and East Kalimantan) and Liberia. Throughout the years, we have continued to carry out crop processing in our own mills and refineries. This allows us to maintain quality control, instil innovations in a timely way and keep an eye on employee safety and satisfaction as we combine our efforts to churn out high quality palm products, including crude palm oil, Refined Bleached Deodorised ("RBD") palm oil, stearin, palm kernel oil and cake.

### Diversification of our operations

In the 1990s we diversified our operations. We ventured into resource-based manufacturing (oleochemicals, derivatives and specialty chemicals) and the vertical integration of our upstream and downstream businesses. Under the umbrella of the KLK Group, we have been able to expand our manufacturing operations through organic growth, joint ventures and acquisitions in Malaysia, The People's Republic of China, Switzerland, Germany, The Netherlands, Belgium and Indonesia.

### Expansion through property development

The 1990s also saw us capitalising on the strategic location of our land bank in Peninsular Malaysia. We were able to do this by branching out into property development. Our latest project, the 1,000-acre Bandar Seri Coalfields township, is located in the vicinity of Sg. Buloh, Selangor and is a property we will be developing over the next 10 years. In addition, our nearby Desa Coalfields and Sierramas projects have since been completed.

### Keeping sustainability close

Sustainability is important to us at the KLK Group. We consider it our responsibility to engage our employees in sustainable activities, so that we can become stronger within our markets – together.

started in  
1906

plantations  
270,000  
hectares

manufacturing capacity  
2.4 million  
metric tonnes  
per annum

work force  
40,000  
people

## BUSINESS STRUCTURE

### Our Plantations

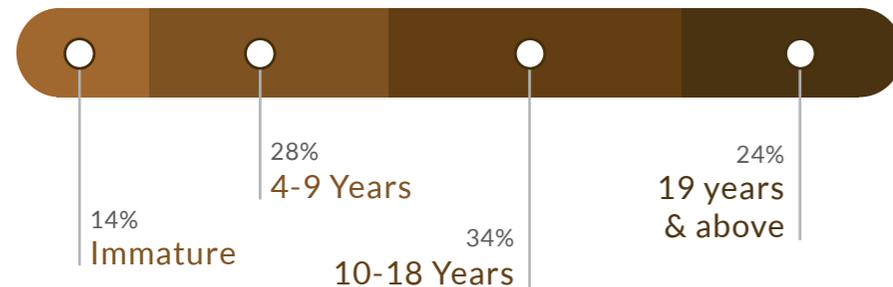
KLK is amongst the largest plantation companies in Malaysia, with a land bank close to 270,000 hectares, spread across Malaysia (Peninsular and Sabah), Indonesia (Belitung Island, Sumatra, Central and East Kalimantan) and Liberia. In terms of geographical distribution, approximately 44% of oil palm plantation area is located in Malaysia, 52% in Indonesia and 4% in Liberia. During the period under review, KLK produced approximately 3.5 million metric tonnes of Fresh Fruit Bunches (“FFB”). The current age profile of the palms is slightly skewed to the immature and young sector, due to the replanting in Malaysia and new planting in Indonesia. However, these palms will forecast well for KLK in the years ahead, when the palms reach full maturity.



### Area division of our plantations



### Age Profile of Oil Palm Trees



### Products



FFB (mt)  
**3,495,931**

### Manufacturing Excellence

Oleochemicals makes up the core business of the KLK Manufacturing Division. Our oleochemical products are of a superior quality, and are used extensively by renowned international brands in applications such as industrial lubricants, textiles, cleaning, cosmetics, pharmaceuticals, polymer, food, paint, ink, biodiesel and rubber.

Our non-oleochemical division includes the production of parquet flooring products and latex rubber gloves by our subsidiary companies, B.K.B. Hevea Products Sdn Bhd and Masif Latex Products Sdn Bhd respectively. This division specialises in OEM and private labels, and exports its products to all major world markets.

### Oleochemicals Production Volumes



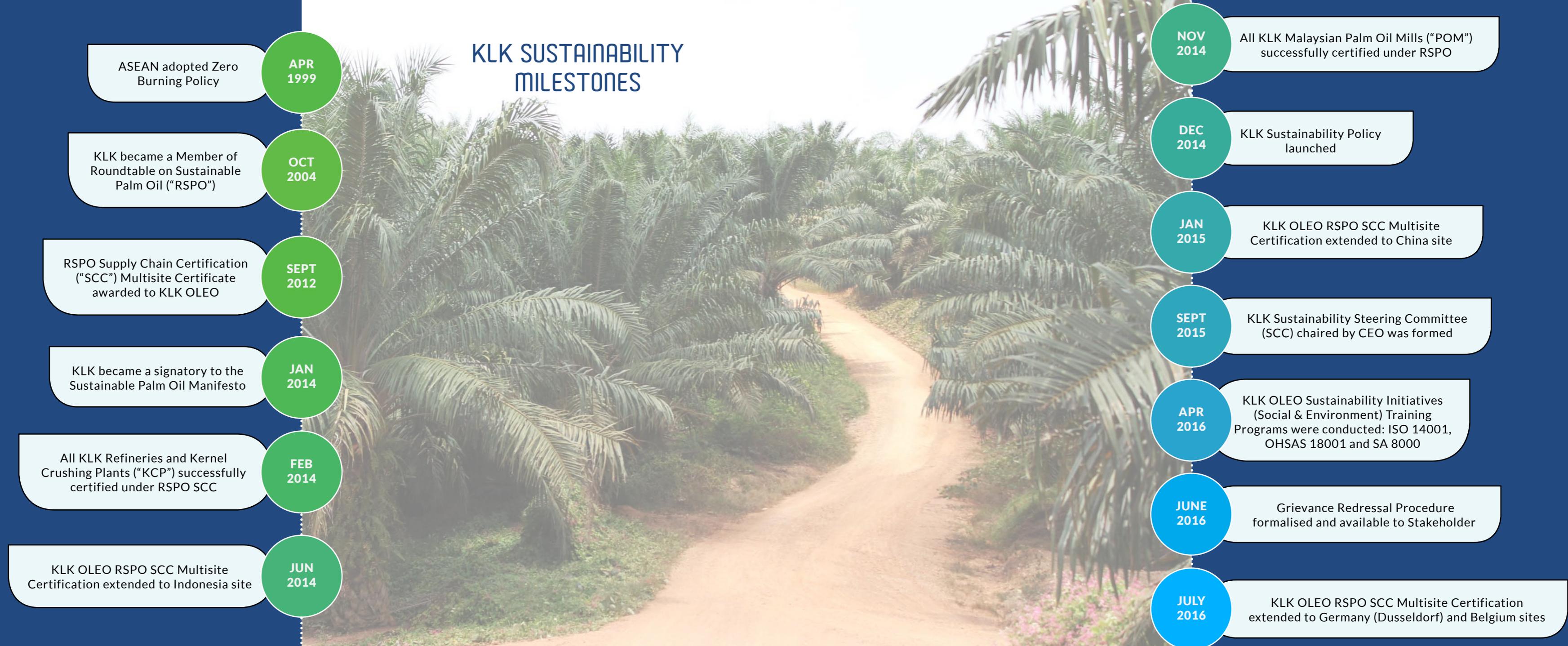
### Responsible Property Development

KLK Land Sdn Bhd (“KLK Land”) is a wholly-owned subsidiary of KLK. In the 1990s, we saw KLK Land capitalising on the strategic location of its vast land bank in Sungai Buloh. This capitalisation took place by branching into property development, with projects such as the Sierramas, Desa Coalfields and Bandar Seri Coalfields. We also have other land parcels earmarked for development, under various stages of planning and design. This includes our latest project, Iskandar Malaysia.

*More information about our plantations and oleochemical businesses are in ensuing sections of this Sustainability Report.*



# KLK SUSTAINABILITY MILESTONES





MARKETPLACE



## 1.1 Strengthening of Sustainability Governance

In order to remain in compliance with the sustainability and operational guidelines of today, we have initiated Sustainability Steering Committee. The Steering Committee is made up of Senior Management and serves to strengthen KLK's Sustainability Governance. Over the years, we have been integrating Environmental, Social and Governance ("ESG") measures into our decision-making processes and business.

### Sustainability Steering Committee ("SSC")

The SSC ensures that KLK develops its business in a sustainable way, by keeping a sharp eye on our Governance model. The SSC was formed in September 2015, which was headed by our Chief Executive Officer ("CEO").

By setting up the SSC, we have allowed for a more methodical and managed approach to the development of sustainable

### Sustainability Steering Committee



strategies and policies. This Committee helps us to guide decision-making efforts related to sustainability within the KLK Group. The SSC also has a monitoring role; to ensure that we meet both our compliance and sustainability development responsibilities at KLK.

### Sustainability Working Committee ("SWC")

The role of SWC is to support the Sustainability Steering Committee. The SWC discusses operational matters that centre around sustainability.

The SWC also recommends and, once accepted, implements solutions. These solutions are then cascaded down to the grassroots level with clear instructions to ensure proper implementation.

### Sustainability Working Committee

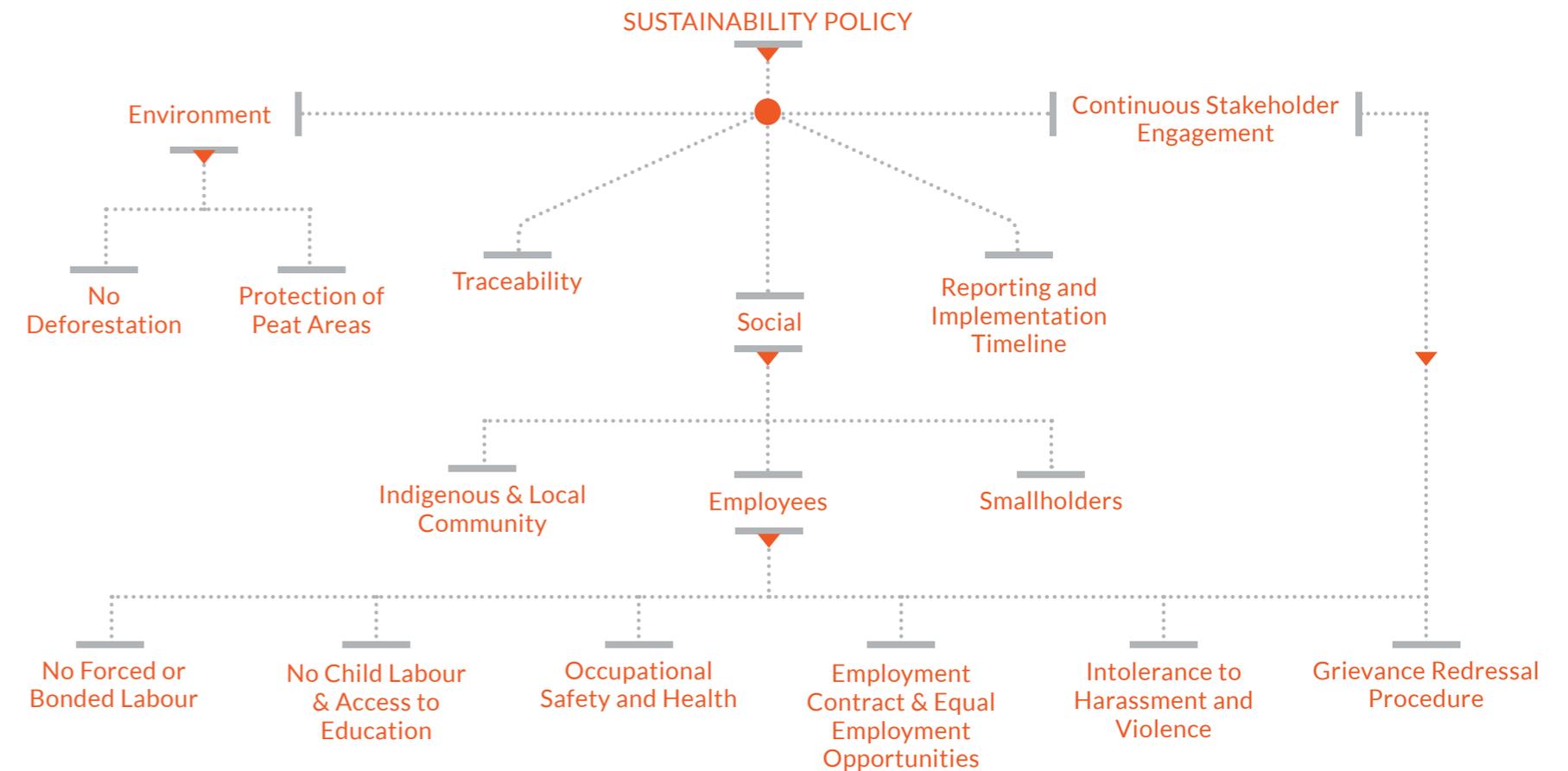


## 1.2 Sustainability Policy

KLK has a Sustainability Policy ("Policy") put into action in December 2014, which has helped us to improve our sustainability strategy. This publically available Policy helps us keep our values, sustainability pillars and commitments in check. How? By helping us to assess and improve our operations continuously. At the same time, we continue to conserve and improve the natural environments in which we work, uplifting

the socio-economic conditions of our employees and their communities. We incorporate these practices in our daily operations and in our decision-making process.

At KLK, we are committed to ensure that our palm products are produced sustainably, and that we adopt the Principles & Criteria ("P&C") set out by the Roundtable on Sustainable Palm Oil ("RSPO") as the foundation of our sustainability practices.



### 1.3 Policy Action Plan & Implementation

- Undertook a baseline assessment and analysis of responses to questionnaires sent out during the period of January – June 2015. This assessment was used to determine potential ‘gaps’ of KLK’s suppliers in complying the KLK Sustainability Policy.
- Held face-to-face engagement sessions with external suppliers, customers and Non-Government Organisations (“NGOs”) – both upstream and downstream. Continuation of Smallholder Projects, to assist them in achieving certification.
- Continuation of Smallholders Project to assist them in achieving certification.
- Undertook independent audit on labour practices in East Kalimantan.
- Applied the High Carbon Stock Approach methodology to new planting areas in Liberia (Palm Bay – Phase 1 and Butaw concession areas).
- Setup of KLK SSC and SWC.

- Preparation of Smallholders for internal and external RSPO Audit.
- Implementation of External Stakeholders Grievance Procedure.
- Consolidation of Group Level Employee Grievance Redressal Policy.
- Continuation of face-to-face engagement with external suppliers, customers and NGOs.
- Initiated field assessment on external suppliers.

JULY  
2015

DEC  
2015

JAN  
2016

SEPT  
2016

### 1.4 Stakeholders Engagement

At KLK, our commitment to continuous engagement with our stakeholders, and our respect of their rights, has led to close relationships with them. We engage regularly with internal and external stakeholder groups, to keep them updated as to the latest developments within our Company. At least once a year all our operating units hold both internal and external stakeholder meetings. These meetings allow us to communicate information on Company policies and activities and further discuss the issues that could impact stakeholders’ interests. We record these communication sessions in stakeholder meeting minutes, which are available at our mills and estates. Apart from official meetings, information is also provided to stakeholders upon request to our Management.

#### Guided engagement

Our website [www.klk.com.my](http://www.klk.com.my) is the main channel of communication for our stakeholders. Information updates include announcements, news releases, stakeholder responses and reports. All such communication is guided by our Corporate Disclosure Policy. Furthermore, we acknowledge that there are multiple communities and stakeholders that need to engage through the Free, Prior and Informed Consent (“FPIC”) process. The FPIC process is guided by recommendations from the RSPO P&C.



### STAKEHOLDER ENGAGEMENT - LIBERIA



KLK’s commitment to continuous engagement with its stakeholders and respect of their rights (through FPIC process) has brought about numerous meetings and engagements with its stakeholders.

The engagements at Palm Bay estate between its subsidiary in Liberia, Equatorial Palm Oil Plc (“EPO”) and non-consenting group among the Joghban communities and their representative, Sustainable Development Institute (“SDI”) had resulted in the signing of a Memorandum of Understanding (“MoU”) in May 2016. A joint resolution with regards to the planned development of the area was reached. Subsequently there were many participatory exercises that follow suit, which include demarcation of villages buffer zone, site verification, crop counting and land claims. Similar engagements also took place at EPO’s Butaw estate where details of the development plan were deliberated with the respective communities.

In line with KLK’s pledge to drive positive socio-economic development, EPO has collaborated with Liberia’s Ministry of Agriculture and World Bank. This has initiated the Smallholder Tree Crops Revitalisation Support Project in June 2016. The Project assisted the rehabilitation and provided necessary information required for the future replanting of smallholder’s oil palm farms. To-date a total of 54 farmers in District #4 of Grand Bassa County have been identified to participate in this project.

Stakeholder Group	How KLK engages with stakeholders	Outcomes
EMPLOYEES	<ul style="list-style-type: none"> <li>Team building, sport and social activities</li> <li>Annual training programmes</li> <li>Building different employee committees</li> </ul>	<ul style="list-style-type: none"> <li>First-aid, RSPO P&amp;C, environment, social and safety aspects training</li> <li>Employees are integrated to share their needs and desires</li> </ul>
LOCAL COMMUNITIES	<ul style="list-style-type: none"> <li>Meetings with different stakeholders</li> <li>Organise joint exercises with different stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Signed MoU with different stakeholders</li> <li>Initiated the Smallholder Tree Crops Revitalisation Support Project in collaboration with Liberia's Ministry of Agriculture and World Bank assisting oil palm smallholders</li> <li>Developed joint participatory mapping</li> <li>Conflict resolutions including land claims</li> <li>Oil palm maintenance training</li> <li>All communities agreed with the initiated village buffer zone in Liberia</li> </ul>
Liberia	→	<ul style="list-style-type: none"> <li>Training programme for smallholders supplying to Bornion Palm Oil Mill, Sabah</li> <li>Engaging and organising community projects that involve local communities such as gotong royong at village, health talks and checks for villagers and festive celebrations</li> </ul>
Other regions (Malaysia and Indonesia)	→	
GOVERNMENTS	Engage with different ministries and involve them in our projects	Compensation process and venue
MEDIA	Involve media in our local projects, invite them to our meetings	Articles published about our projects
SECRETARIAT OF CERTIFICATION BODIES RSPO, ISPO, ISCC	Regular reporting: meetings	Actively engaged as a member of the RSPO
CERTIFICATION BODIES	One-on-one meetings	Audit and provided us the certification
NGOs	Involve different NGOs in meetings and joint exercises	Collaboration with smallholders, development of programmes
SCHOOLS & UNIVERSITIES	<ul style="list-style-type: none"> <li>Provide scholarships for students</li> <li>Talks held in schools and universities</li> <li>Provide opportunities for training and internship</li> </ul>	<ul style="list-style-type: none"> <li>Opportunities for underprivileged children to study</li> <li>Awareness about oil palm development and the palm oil industry</li> <li>Create awareness about working life and expectations of graduates</li> </ul>
CONSUMERS	Invite consumers for discussions regarding social and environmental issues	Consumers are actively involved in the production and co-creation of programmes
CONSULTANCIES	Involve consultants in project development for specific fields	Successful execution and projects results
INVESTORS	One-on-one meetings for investment discussions	Business improvement and better business performances

### Smallholder project

KLK is involved in smallholders and small growers project located in Bornion Palm Oil Mill, Sabah. This project is facilitated by Wild Asia and is jointly participated by KLK and Fuji Oil Holdings, Inc. The aim of this project is to prepare the smallholders and small growers to obtain RSPO certifications. Once the certification is obtained, the Bornion Palm Oil is expected to be upgraded from Mass Balance ("MB") to Identity Preserve ("IP") under the RSPO certification for sustainable palm oil. The first batch of members consisted 51 smallholders are expected to obtain the first RSPO certificate by 2017.



Abdul Rahim | Smallholder



For the past 20 years, I have been working in planting oil palm. A lot has changed during these years. I see new trends emerging towards sustainable production with demands coming from the European market. I was glad to see that KLK supports the smallholders, provides fund and organised the first introduction meeting on WAGS (Wild Asia Group Scheme).

I was selected as Group Leader by WAGS and other smallholders in the group. My main role as a leader is to assist WAGS by organising meetings and gatherings.

I joined WAGS 2 years back and received guidance and advice on application of fertilisers and chemicals. I also learnt from other members various ways to overcome issues related to pest and diseases. In my opinion, this is a good project where everyone can share their experiences and knowledge with each other.

## 1.5 Materiality

According to the GRI, a global standard on sustainability reporting and disclosure, materiality refers to aspects that reflect an organisation's significant economic, environmental and social impact, and how a company can have a substantial influence on stakeholder assessments and decisions.

### Keeping track of materiality

Material aspects are the relevant topics that could play a role in how an organisation's economic, environmental and social impact is seen. Topics that could also reveal how the organisation influences stakeholder decision making. In other words, materiality measures when an aspect becomes important enough to be reported within GRI. We assess KLK's material issues against GRI, because it's aligned with our aim to ensure the sustainable growth of our business.

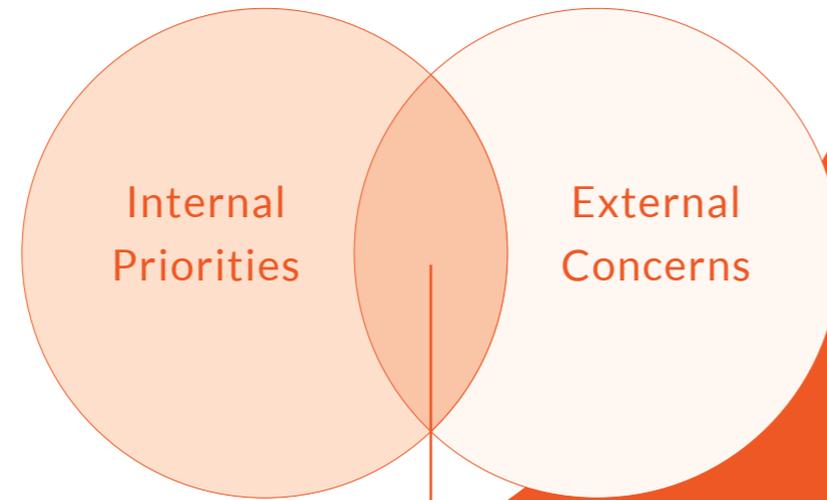
### Plotting our materiality issues

We use our Group's risk assessment to perform the materiality analysis, which gives us an insight into its impact to both our business and stakeholders. Our Materiality Matrix reflects the material issues that our business faces. We plot the economic, environmental and social issues that our stakeholders are most concerned with against the potential financial, operational and reputational impact that these issues may have on the Company.

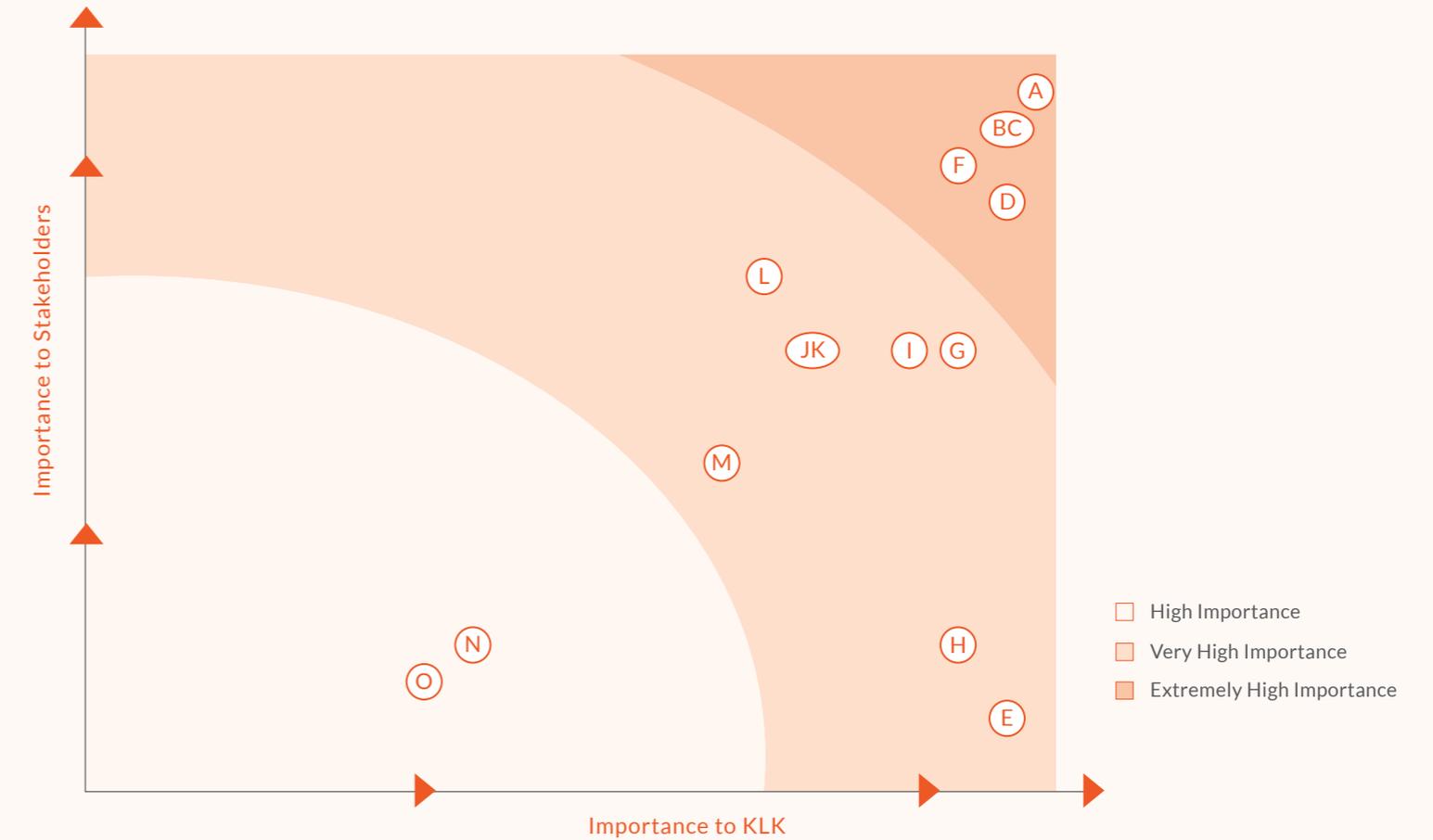
### Keeping our business in check

In today's globalised and fast-paced world, material issues are always evolving. The material issues included above reflect our business philosophy. It's through our Materiality Matrix that we are able to realign our priorities, and can identify any societal challenges that are gaining importance.

### Our Approach

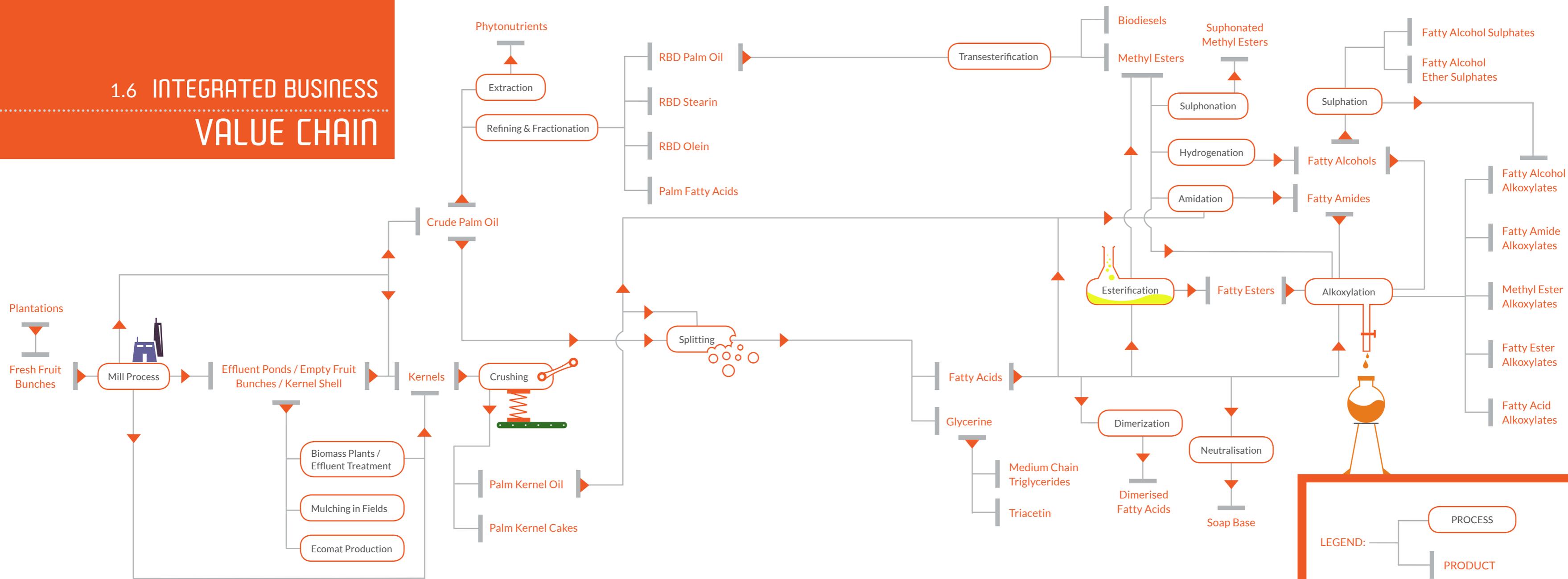


Material issues based on Groups' risk assessment that represent significant external concerns and also match with internal priorities.



- |   |  |
|---|--|
| A. Deforestation of HCS Forests and Peatlands | H. Operational & Development Cost          |
| B. Degradation of HCV and Biodiversity        | I. Health and Safety                       |
| C. Traceability                               | J. Labour Relations and Human Rights       |
| D. Legal Compliance                           | K. Sustainable Development of Smallholders |
| E. Employee Retention                         | L. Carbon Footprint                        |
| F. FPIC                                       | M. Water Footprint                         |
| G. Product Certification                      | N. Community Investment                    |
|   | O. Training and Education                  |

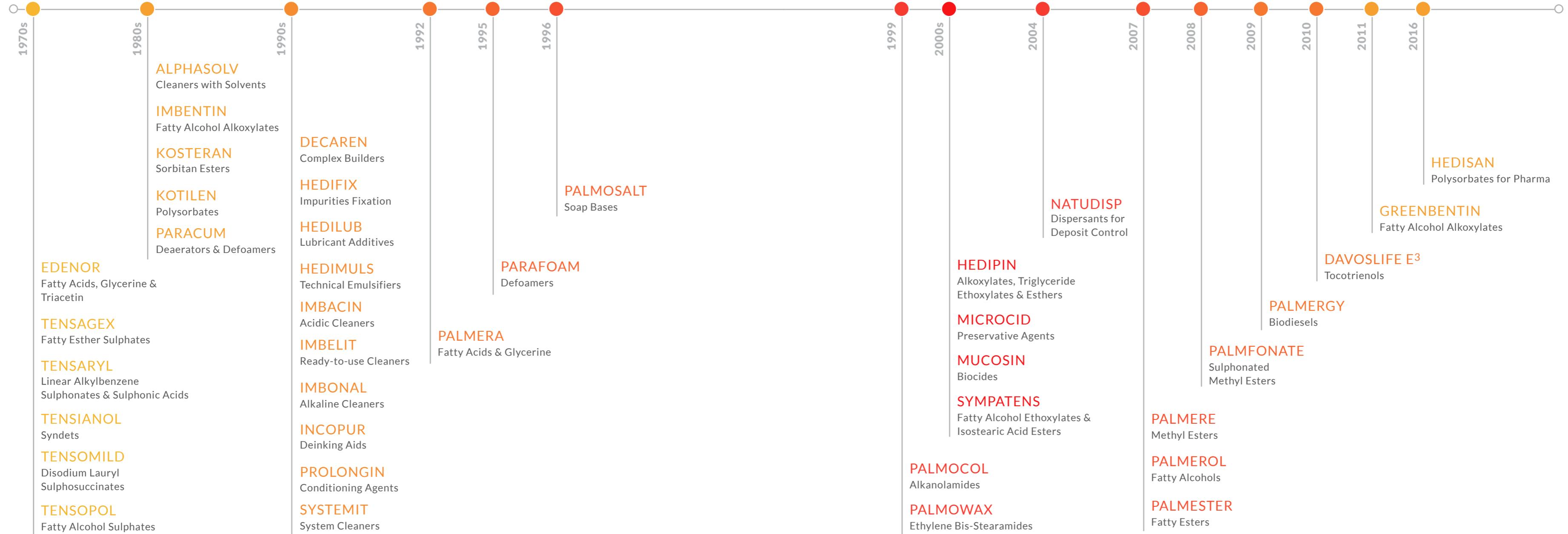
# 1.6 INTEGRATED BUSINESS VALUE CHAIN



LEGEND:

- PROCESS (represented by a rounded rectangle)
- PRODUCT (represented by a vertical bar)

## 1.7 Our Brands\*



\*Brands from KLK OLEO division



## 1.8 High Carbon Stock (“HCS”)

### Background

The instrument to address ‘No-Deforestation’ commitment has undergone several key developments. Beginning with the introduction of HCS Approach methodology in 2010 and subsequently the rolling out of The HCS Study in 2014. The latter proposed the HCS+ methodology. However, there was a call among the stakeholders of the industry soon thereafter to converge both methodologies into a single methodology to implement the ‘No-Deforestation’ commitment. While there were some preliminary discussions earlier on, it was during the time when The HCS Study was concluded in December 2015 that the discussion on possibilities of this convergence was alleviated. This then led to the formation of a joint working group with HCS Approach which KLK is member – the HCS Convergence Working Group (“HCSCWG”).

### Working towards a common goal

On 8th November 2016 after approximately a year of meetings and deliberations, the HCSCWG members came into an agreement on convergence between the HCS Approach and HCS+ methodologies - to develop a single, coherent set of rules for implementation of companies’ commitments to ‘No-Deforestation’ in their palm oil operations and supply chains. It calls for consensus on the fundamental elements of the merged methodology that protects HCS forests, HCV areas and peatlands, including forest stratification and decision-

making in ‘young regenerating forest’ within fragmented landscapes, the role of carbon and robust implementation of Free, Prior and Informed Consent (“FPIC”) and other social requirements; the intention for functional and institutional integration of HCS with existing systems<sup>1</sup>; and a roadmap for resolving outstanding issues through a collaborative process.

### An updated toolkit

The fundamental elements agreed will be incorporated into the revised HCS Approach toolkit<sup>2</sup> which is expected to be unveiled in early 2017. Members of HCSCWG are committed to further the implementation of these elements and to tackle the important remaining issues through their engagement in the HCS Approach Steering Group. In the interim - pending the release of this revised toolkit, KLK has adopted the current HCS Approach methodology.

**HCS Approach:** a methodology developed by a multi-stakeholder body called the HCS Approach Steering Group. This methodology distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values.

**HCS+:** a methodology from a study commissioned by a group of grower companies and agribusinesses. This methodology focusses on GHG emissions and the opportunities for improved livelihood by permitting some level of responsible conversion of land to oil palm plantations.

1. specifically HCV (with HCV Resource Network - <https://www.hcvnetwork.org/>) and FPIC

2. a toolkit released by the HCS Approach Steering Group to standardize the HCS Approach methodology

## 1.9 Certifications

KLK strives to implement operational and quality systems that provide high performance and contributes to positive impacts on our people and environment. Therefore, being certified by the following certification standards holds a great value to KLK.

### Roundtable on Sustainable Palm Oil (“RSPO”)

RSPO was established in 2004, to promote the production of sustainable palm oil and transform markets to make sustainable palm oil the norm. When palm oil growers gain certification by complying RSPO Principles and Criteria



Commitment to transparency



Compliance with applicable laws and regulations



Commitment to long-term economic and financial viability



Use of appropriate, best practices by growers and millers



Environmental responsibility and conservation of natural resources and biodiversity



Responsible consideration of employees, and of individuals and communities affected by growers and mills



Responsible development of new plantings



Commitment to continuous improvement in key areas of activity

(“P&C”), the global acceptance of palm oil as food, fuel and feedstock will be enhanced. The principal objective of RSPO is “to promote the growth and use of sustainable palm oil through cooperation within the supply chain and open dialogue between its stakeholders”. As a member of RSPO, we have been working actively towards achieving RSPO certification at all KLK palm oil operations. Furthermore, we believe that the integration of P&C within our operations will support our goal of sustainably producing palm products.

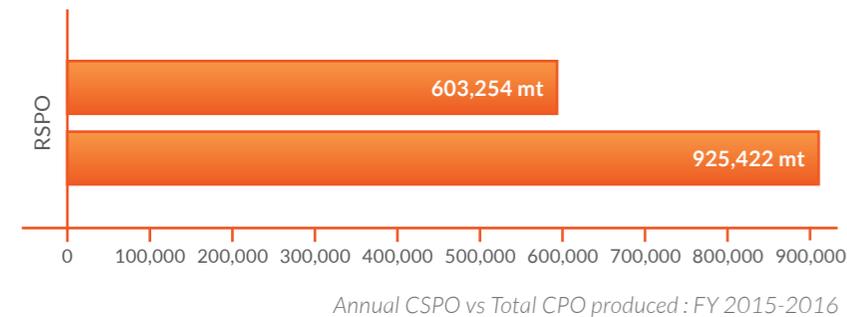
Certification and compliance to the RSPO’s P&C is independently verified by RSPO-approved certification bodies against the following 8 principles:

We are committed fully to the certification of all our operating centres, and have set a target to achieve that objective by 2017. In preparation of the certification process, we have given our employees the appropriate training and guidance.



### RSPO Supply Chain Certification (“SCC”)

Supply Chain Certification assures customers that the palm oil and palm kernel oil used in the production of our finished goods, actually comes from the claimed RSPO source. Five refineries and three kernel-crushing plants in Malaysia and Indonesia, together with our Oleochemicals Division in Malaysia, Indonesia, China and Europe, are RSPO SCC certified. With the SCC, we can satisfy the product and sustainable development needs of our customers.



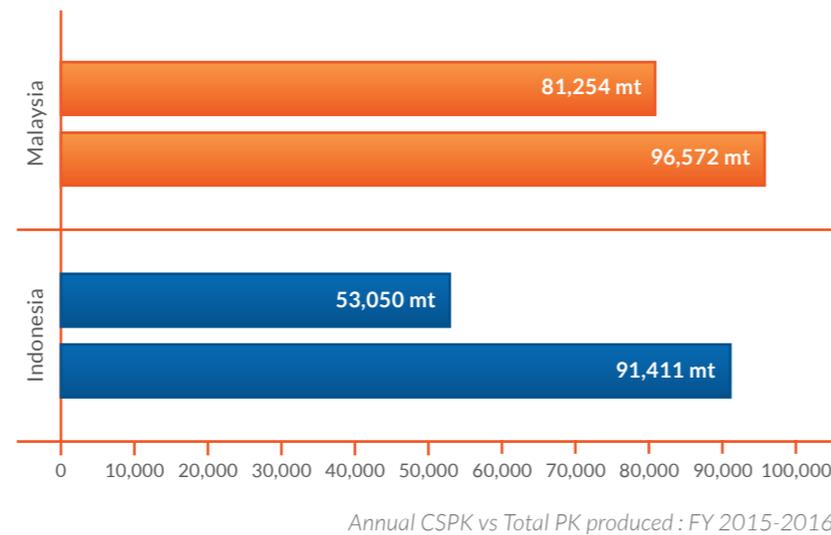
### RSPO Certified Sustainable Palm Oil (“CSPO”)

As of September 2016, 100% of KLK’s plantations in Malaysia have been certified as sustainable by the RSPO. Similarly in Indonesia, we intend to certify our existing plantation by 2017. Our current estimated annual production of RSPO Certified

Sustainable Palm Oil (“CSPO”) has reached 603,254mt, which represents approximately 65.19% of our total CPO produced.

### RSPO Certified Sustainable Palm Kernel (“CSPK”)

In Malaysia, KLK certified 81,254 metric tonnes of CSPK under the RSPO certification scheme. This accounts for 84.14% of the total PK produced in Malaysia. In Indonesia 58.03% area has been certified in the financial year 2015/2016 representing a total quantity of 53,050 metric tonnes.

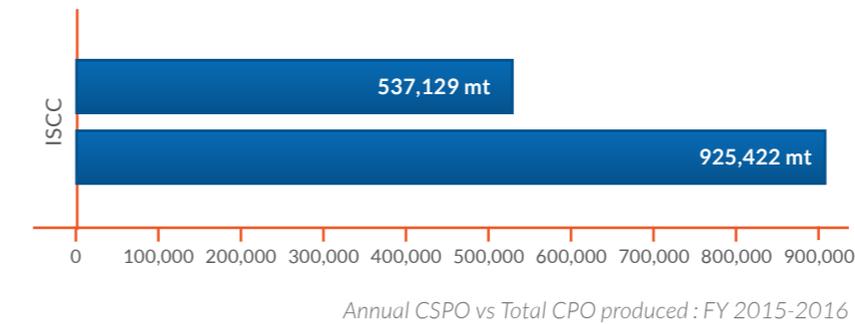


### International Sustainability and Carbon Certification (“ISCC”)

ISCC is a system for certifying the biomass and bioenergy industries. The system focuses on reducing GHG emissions, sustainable use of land, protection of natural biospheres and social sustainability. It has received official state recognition through the German government’s biomass sustainability



ordinance (BioNachV) and is recognised by the European Commission as a certification scheme compliant with the EU Renewable Energy Directive’s (“RED”) requirements. To date, we have reached a production of approximately 537,129 mt ISCC certified palm oil, representing approximately 58.04% of our total CPO produced. 15 of our POMs in Malaysia and Indonesia have received International Sustainability and Carbon Certification.



### Indonesia Sustainable Palm Oil (“ISPO”)

The Government of Indonesia established the mandatory ISPO certification scheme, to improve the sustainability and competitiveness of the Indonesian palm oil industry. This scheme also supports the Indonesian government’s objectives to reduce GHG emissions and shine the spotlight on environmental issues. Similar to the RSPO, the ISPO standards include legal, economic, environmental and social requirements, which are based largely on existing national regulations. Currently, five of KLK’s Palm Oil Mills (“POMs”) are ISPO certified.

## CERTIFICATIONS



Our manufacturing facilities are certified with various international standards. As an example, all the certification marks shown below belong to Palm-Oleo Sdn Bhd.



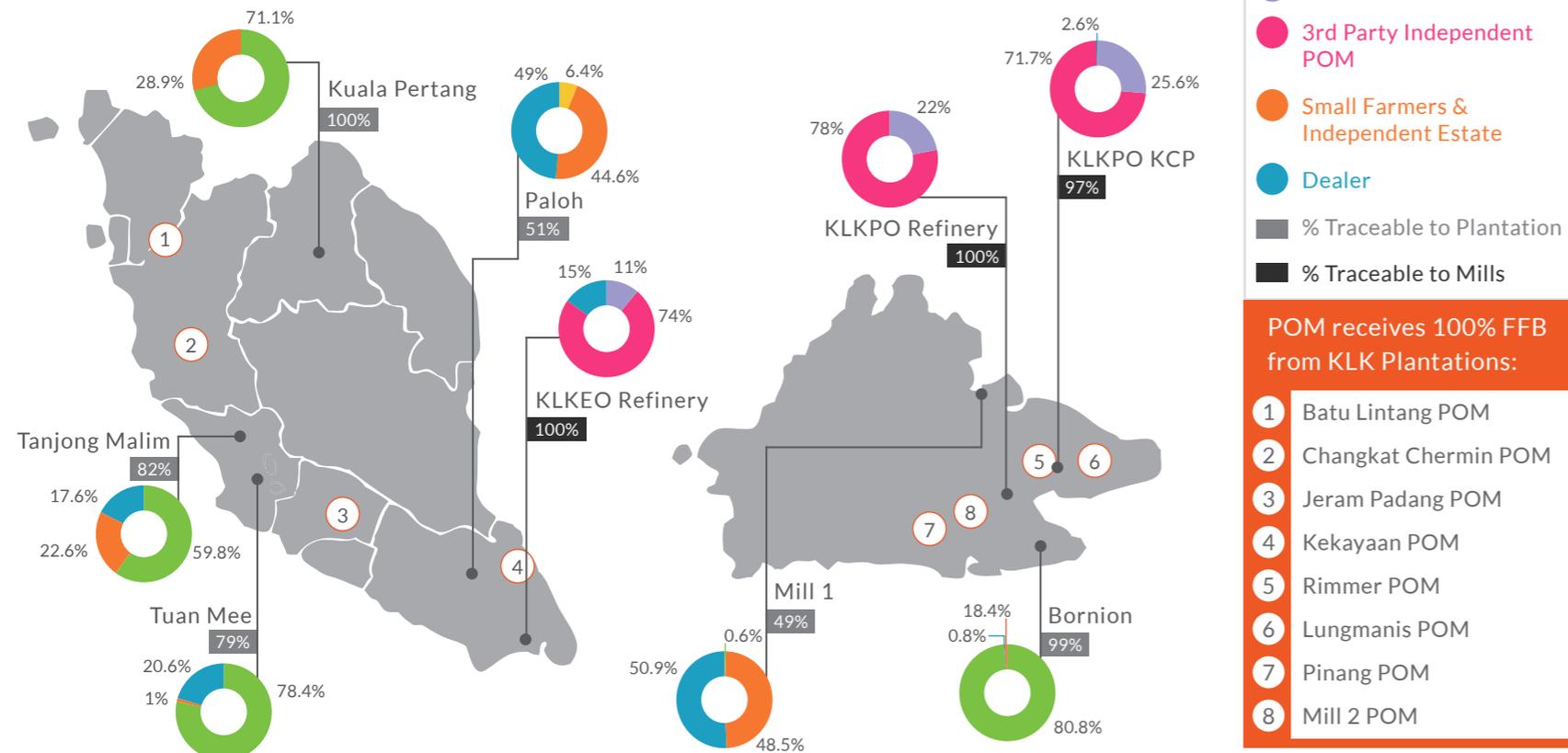
## 1.10 Traceability

Traceability is an important goal within the palm oil sector. Palm products produced at KLK are traceable right up to our respective Palm Oil Mills ("POM"), refineries and Kernel Crushing Plants ("KCP"). The next step is traceability of our third party suppliers which is challenging due to the inherent complexities within the supply chain. These suppliers include smallholders, small growers, palm oil mills, refineries and other palm products production plants. For this KLK has undertaken

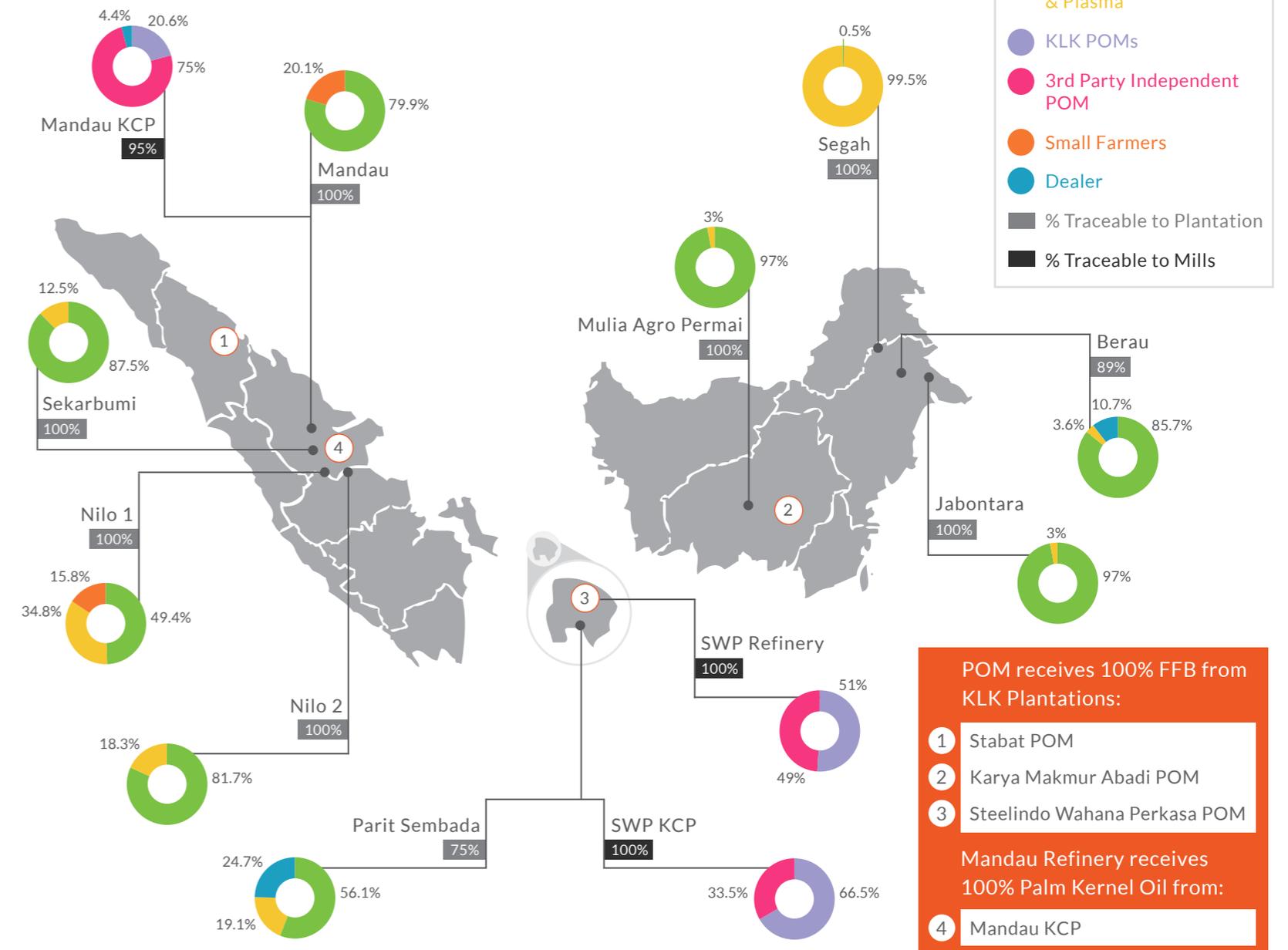
steps to understand the practices of its third party suppliers and to include them in the traceability data.

To further improve transparency towards traceable palm products, KLK has also made the Global Positioning System ("GPS") coordinates of its POMs, available in the corporate website, [www.klk.com.my](http://www.klk.com.my).

### KLK POMs, Refineries and KCPs in Malaysia - FY 2015/2016



### KLK POMs, Refineries and KCPs in Indonesia - FY 2015/2016

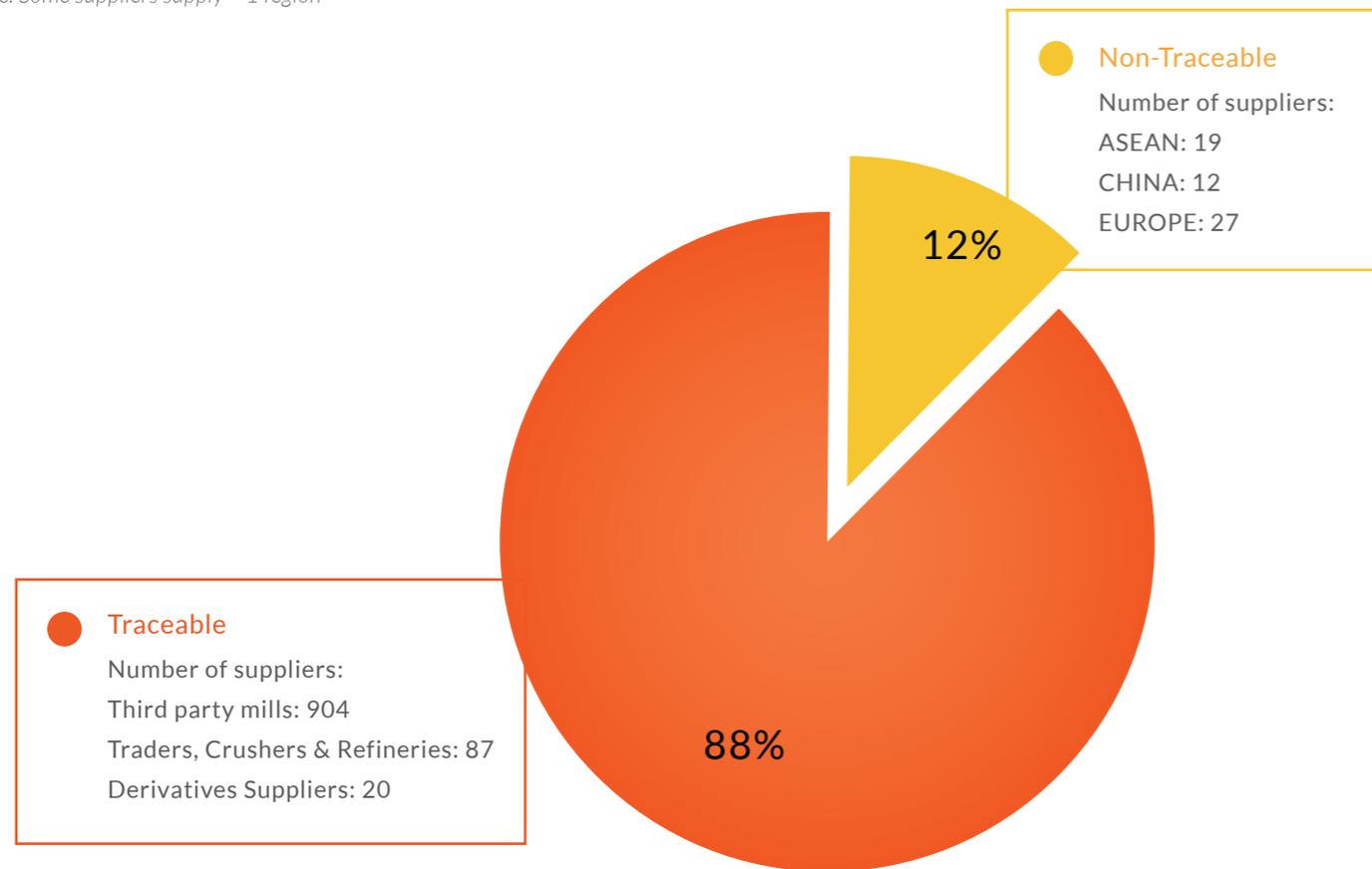


With the inherent complexity in our supply chain, traceability for our downstream business is mapped to the POM level and the data provided in this report are estimates. The percentages disclosed were tabulated based on the weighted average purchases for oils and derivatives processed in our operating

centres in China, Europe, Indonesia and Malaysia. These are derived by taking into consideration the information publicly available and those provided by our suppliers (with verification exercises still on-going).

### KLK OLEO Traceability % - FY 2015/2016

Note: Some suppliers supply > 1 region



## 1.11 Supply Chain Sustainability Risk Management

Supply chain sustainability is important for our day to day business. There is a growing need for integrating environmentally sound choices into supply-chain management. At KLK, we are striving hard to manage the sustainability risks throughout the supply chain. For this, we have developed a risk-

based sustainability sourcing framework which is presented below. We have already planned a year-long timeline to execute this framework with our tier 1 suppliers. We believe, continuous engagement with our suppliers together with cooperation and collaboration are key to successful supply-chain management..

### Risk-based sustainability sourcing framework

1. Assess current state
2. Conduct Sustainability Lab
3. Develop sustainability sourcing framework
4. Perform supplier engagement sessions
5. Execute sustainability sourcing framework
6. Review risk mitigation plan

## FROM OUR BUYER

Neste and KLK have had a long-standing relationship not only for the supply of palm products, but also in the area of sustainability.

“The companies share a belief that sustainability work does not have an end goal but is a journey which can only be travelled together with other stakeholders. This journey requires hard work, ability to adapt and change, a strong commitment throughout, and willingness to be innovative in seeking solutions without losing integrity.



When Neste first started procuring palm oil, KLK was able to fulfil our company requirements for certification, compliance, and traceability. We have since managed to identify various opportunities to work together and align our sustainability work. Today, both KLK and Neste have similar no-deforestation policies and commitments to protect and promote human rights. We hope that KLK continues to push for implementation of similar commitments in their own supply chain.

Neste and KLK have recently started working together on two sustainable development projects which aim to further improve the sustainability of palm oil production. Our joint project on



**Adrian Suharto**  
Sustainability Manager, Neste

smallholder development is aimed to help smallholders within the Kinabatangan area to implement sustainable agriculture practices with the overall aim of enabling them to get certified and integrated into Neste's supply chain. The other project focuses on methane reduction and will result in an innovative new methodology related to reducing greenhouse gas emissions during the production of palm oil.

We hope that KLK continues to be active and innovative in its work towards achieving its sustainability goals. We would like to congratulate KLK on their first sustainability report.”

## FROM OUR BUYER

Sustainable palm is a continuous journey and this is our mutual responsibility to keep it moving towards the right direction.

“As a member of the Roundtable of Sustainable Palm Oil or RSPO, ISF complies with the RSPO Supply Chain Standard which is strictly implemented into our supply chain. ISF has always placed environmental responsibility as our top priority and work closely with RSPO certified plantations such as KLK to bring our good sustainable products and services to valued customers.



With strong request from our customers especially in the European market, we continue to increase our focus on social and environmental issues and working closely with our major upstream suppliers.

KLK for many years has been supplying segregated certified sustainable palm oil, SG CSPO to ISF. Although there were



**Toru Morino**  
CEO, Intercontinental Specialty Fats (“ISF”)

some allegations pointed by NGOs in previous years, we are glad that those issues has been rectified and clarified through proper procedures without affecting the status of RSPO. We believe KLK is capable of managing the challenges and continue to improve the sustainable way.

Sustainable palm is a continuous journey and this is our mutual responsibility to keep it moving towards the right direction.”

## 1.12 Innovation

We are always striving for better ways of doing things. Improving operations efficiency, reducing carbon footprint and finding new ways to manage and reuse waste. Innovation is something we embrace at KLK and this helps us to adapt our business to the current competitive market.

### Expanding our horizons...

We are committed to explore new and innovative ways of working. Our attitude and desire for innovation helps us to come up with smart solutions. For example, Filter Belt-Press ("FBP") is an alternative method for desilting which requires a large area. The water used by FBP is recycled for cleaning purposes and the belt-press cake can also be used as an organic fertiliser in the estate. More information regarding this is provided in section 2.1.

### Whilst keeping it simple

We aim to simplify our complex sourcing methods and improve our high quality and sustainable products. To do this, we devise inventive strategies and work together as a team to bring our ideas into reality. Innovative ideas and planning combined with continuous investment and careful portfolio expansion has enabled KLK grow continuously over the years.



### INNOVATION IN MANUFACTURING

We actively seek out ways to bring innovation into our day-to-day activities at KLK. Not just to improve current performance but also to ensure continuous future improvement.

#### Revamping the boilers

Palm-Oleo Sdn Bhd, Rawang Plant is a good example. The Plant's Utility Department improved the design of their conventional boilers. Boilers are used within the Plant to produce steam for conventional usage, and would normally discharge waste flue gas into the environment at 230 degrees Celsius.

However, our Rawang Plant Utility team saw an opportunity to make the boilers more efficient. They designed the Boiler Economiser to recover the waste flue gas, by preheating the boiler feed water temperature from 102 degrees Celsius to 130 degrees Celsius. This innovation led to a 3% savings of natural gas consumption equivalent to 1,100 tonne carbon emissions per year.

## 1.13 Research & Development

At KLK, we are constantly on the move, constantly looking one step ahead. This creates an R&D culture here at KLK. Our creation of new downstream business continues to be the cornerstone of our strategy, to capitalise on the integration of value chain.

### Developing sustainable solutions

Active in Malaysia, Indonesia, China and several European

### APPLIED AGRICULTURAL RESOURCES SDN BHD ("AAR")



AAR is an associate company of KLK. It provides us technical support and advises us in agronomy and biotechnology. At the moment, AAR is one of the leading tropical plantation crop research centre in South-East Asia and specialises in agriculture.

One of the contributing reasons we have successful plantation activity is because AAR is closely involved in our palm cultivation. AAR does the research for new planting material. An area of interest for AAR is to study the involvement of insects within the plantation ecosystem. The latest number is more than 500 species of insects that have been preserved for improving biological diversity within an oil palm ecosystem.

AAR advises over 360,000 hectares of oil palm, rubber in Peninsular Malaysia, Sabah and Indonesia.

countries, our R&D arm strives to improve strategies and conduct research. They improve the current production efficiency and quality of oil palm products. Our new findings take on the form of concepts. Successful concepts will drive sustainable development and positive change for all stakeholders. It is our R&D arm that looks actively for ways to provide sustainable solutions, optimise resources, reduce energy consumption, improve transportation possibilities and minimise environmental impact.



### KLK OLEO R&D

KLK OLEO realises the need for R&D in KLK's downstream products as well. One of manufacturing's R&D front-liners is Davos Life Science ("Davos Life"). Davos Life is a world leader in high quality, high purity Palm Tocotrienols.

Davos Life conducts and supports cutting-edge research into the use of natural tocotrienols at its own in-house R&D laboratories in Singapore and Malaysia. There is a substantial scientific research that is generated from its own team of qualified scientists. Research and innovations here go on to help prevent or treat common diseases such as cancers, metabolic syndrome, cardiovascular diseases and skin care applications. Leading journals have published DavosLife's research and findings, including the International Journal of Cancer, the British Journal of Cancer, Journal of Atherosclerosis and Thrombosis and the Pigment Cell & Melanoma Research.



ENVIRONMENT



## 2.1 Management of Green House Gases (“GHG”)

The understanding and management of Green House Gas (“GHG”) is an issue we face quite often in the palm oil industry. This is an industry that has placed significant focus on GHG, due to the potential emissions from land use for new and existing plantations, processing and production facilities.

We took this information into careful consideration and focused our attention on monitoring our GHG emissions. Based on the available data, we set our sights on achieving a target of 50% decrease in GHG emissions compared to fossil fuel emissions by 2017.



### From emissions to renewable resource

To achieve less emissions, we currently have 4 operational methane capture plants. In addition, 2 methane capture plants are in the process of installation spread across Malaysia and Indonesia. Our biggest emission comes from Palm Oil Mill Effluent (“POME”), the breakdown of wastewater from the mills, which releases methane gas. With the biogas plant, it helps to trap methane gas from being released into the atmosphere. Methane gas is a potent gas which traps about 34 times as much heat as carbon dioxide. Trapping methane gas helps generate power for electricity and is an efficient way to avoid the release of methane.



### BIOGAS PLANTS - Methane Capture



#### Malaysia

The 3,000 kW Biogas Plant in Kekayaan Estate, West Malaysia is currently supplying 2,000 kW power to the Malaysian Government Grid. By mid 2017, the upcoming project is to commission 2,000 kW Biogas Plant at Jeram Padang Mill. This mill will then connect 1,000 kW power to the government grid.

#### Indonesia

In Indonesia, Berau Mill in East Kalimantan is currently supplying about 200 kW to the Indonesian Government Grid using the power generated by mill turbine. The upcoming project is to commission a biogas plant to supply power to the government grid.

### Further conversion with the filter belt-press (“FBP”)

Apart from our methane capture facilities, we are also in the process of rolling out a Group-wide programme for the installation of the filter belt-press system. This operational system removes the bottom solids from effluent ponds. As a result the formation of methane gas is avoided. The FBP system allows KLK to not only reduce and manage our palm oil waste, but also to convert our waste into organic fertiliser that is applied to our plantations. Water extracted from this system is also recycled for cleaning purpose. In Indonesia and Malaysia, we have installed 14 FBPs and 9 are in the process of installation.



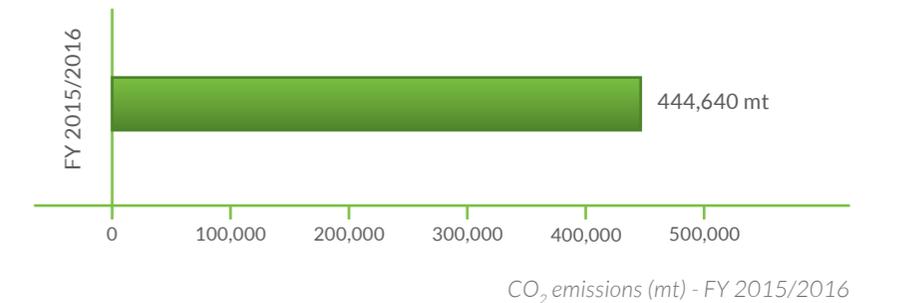
### Studying the benefits

Currently, there is no worldwide extensive research pertaining to the FBP system. Because of this, we have partnered with Neste, ISCC and IDH Sustainable Trade Initiative to further explore the benefits that could be derived from the FBP system, especially the potential effects of GHG reduction upon removal of organic matter from the POME.

### GHG management at KLK OLEO

At KLK OLEO, we strive to reduce our carbon emissions in order to lower the environmental impact. On one hand the emphasis is on increasing the efficiency of our industrial process to enhance our productivity, while on the other hand we attempt to reduce the use of resources and fossil fuels. Our manufacturing divisions closely monitor the direct carbon emissions into the atmosphere.

The following figures of direct carbon emission is from OLEO manufacturing division (excluding KLK Emmerich GmbH Dusseldorf site):



Apart from managing our direct carbon emission, we also try to reduce the ecological footprint of our customers. This is done by ensuring our products have low ecological footprint.



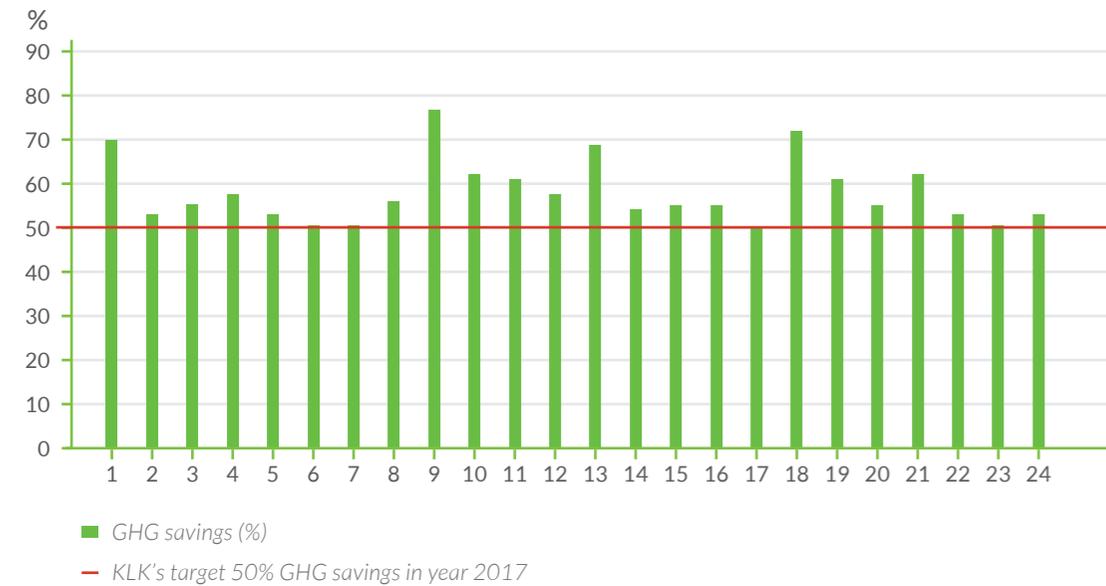
## 2.2 Reduction of GHG

As noted in our Sustainability Policy, we are committed to reduce our GHG emissions with two approaches. First, through the installation of methane capture facilities; second, by employing the use of the filter belt-press system.

### Support to reduce emissions

During the period under review, GHG emissions are scheduled to be progressively reduced on existing plantations and within operating centres. Efforts to reduce GHG emissions are also guided by national as well as international legislation, such as the European Renewable Energy Directive ("EU RED").

### GHG savings of KLK POMs



### Sticking with the plan

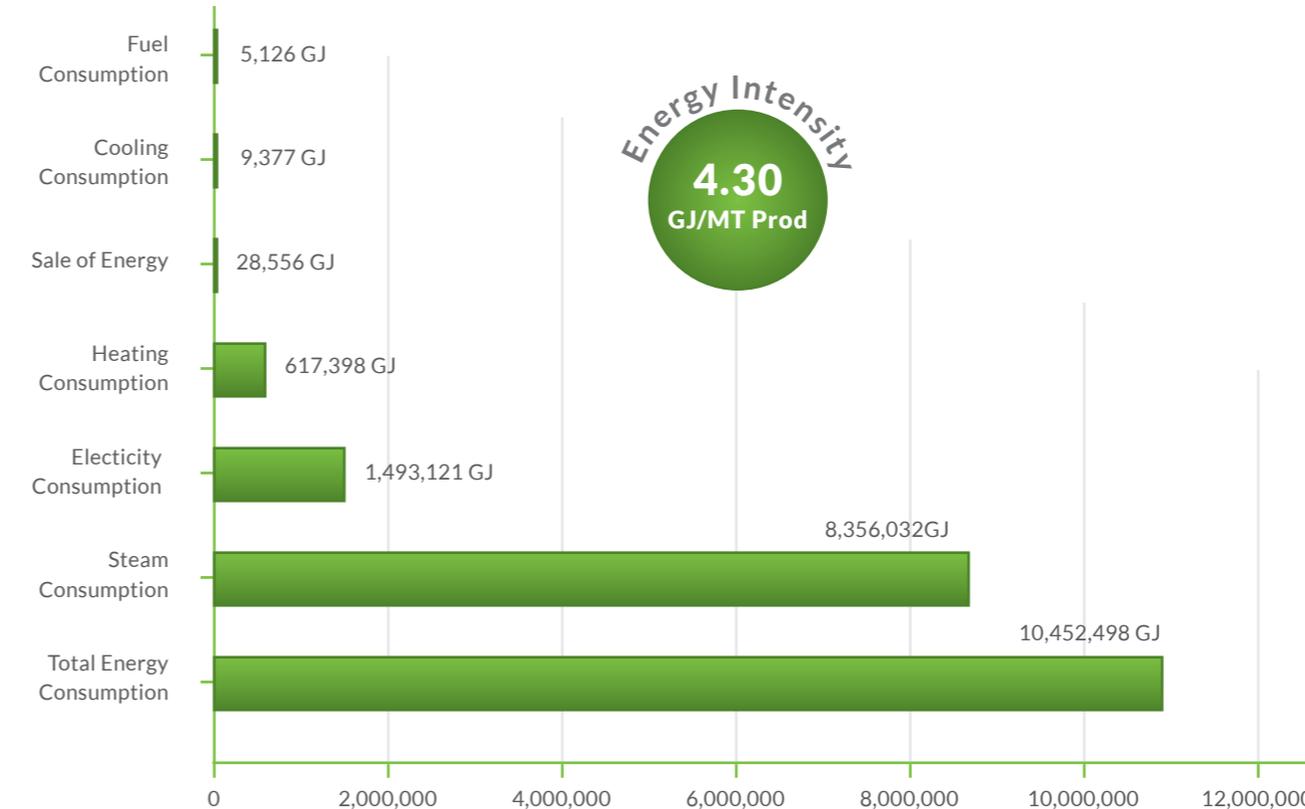
As at end of September 2016, we have achieved our GHG reduction target of 50% against fossil fuel emissions for all of our existing POMs - well ahead of the EU RED Requirement target of 2018. We will fully adopt the RSPO and ISCC P&C to minimise GHG emissions for new developments, and continue to reduce those emissions on existing plantations and operations.

- |                     |                        |
|---------------------|------------------------|
| 1. Kekayaan         | 13. SWP                |
| 2. Changkat Chermin | 14. Parit Sembada      |
| 3. Tuan Mee         | 15. Segah              |
| 4. Tanjung Malim    | 16. Berau              |
| 5. Batu Lintang     | 17. Jabontara          |
| 6. Jeram Padang     | 18. Mandau             |
| 7. Kuala Pertang    | 19. Nilo 1             |
| 8. Pinang           | 20. Nilo 2             |
| 9. Mill 2           | 21. Tapung Kanan       |
| 10. Lungmanis       | 22. Stabat             |
| 11. Rimmer          | 23. Karya Makmur Abadi |
| 12. Bornion         | 24. Mulia Agro Permai  |

## 2.3 Energy Management

One of the greatest challenges of this century is the transition towards sustainable energy management.

Also at KLK, energy-saving is one of the key elements which we take into consideration. This includes planning and operation of energy production and consumption. An effective planning of energy use directly helps in resource conservation and climate change mitigation. The graph below shows amount of energy consumed within KLK OLEO sites.



Energy Consumption within the organisation GJ Unit - FY 2015/2016



Kolb Hedingen committed itself in 2013 for the second time to a contract with the Swiss Energy Agency, for a CO2 emissions cap of 22,432 metric tonnes of CO2 equivalent until 2020. In the first contract, Kolb Hedingen was able to save 38 % of CO2. In the current contract period, several reduction projects are ongoing.

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

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

## 2.4 No Deforestation

Protecting forests is a very important responsibility we undertake at KLK. We respect the earth's flora and fauna. Furthermore, our Policy lays out our strong commitment to comply with national laws and international standards i.e. ISCC.

### Actions

We continuously put efforts to translate our Policy into actions and in order to do so we get assistance of various partners. For new development areas, we work together closely with experts and local communities to identify and map out the potential high carbon stock areas and areas of high value to the respective communities. These exercises are important in helping us remain accountable when choosing new palm oil production areas so that no deforestation occurs.



### Sensible growth

When we consider new plantations, we emphasise active involvement of local communities. We are watchful as to whether our new plantations might have a negative impact on nature, which also bring social conflict. Therefore, our No Deforestation policy ensures that we cultivate our areas in an environmentally and socially responsible way.

### Preserving the land

We are also dedicated to preserving High Conservation Value (“HCV”) areas. KLK recognises that some areas pose significant cultural or historical value, and could be considered HCV areas. These areas fall within the scope of our Policy.

## 2.5 Protecting Peatlands

Peatland is a natural area that is accumulated with partially decayed vegetation or organic matter. The structure of peat consists of decomposed plant remains. The role of peatlands is very important in the ecosystem. This is because they play a vital role in providing drinking water, biodiversity maintenance, carbon-water storage and regulation. The soil is also very fertile for agriculture practices. The peat lands in Indonesia are one of the largest in the world. Thus, their good management is vital to ensure minimum negative impacts on the ecosystem.

KLK is committed to ensure no new development in peat areas, regardless of depth. We also apply RSPO Best Management Practices to existing peatlands within our plantations. In areas that are found to be unsuitable for replanting, we will work with experts to explore ways, including environmentally friendly alternative uses or peat restoration.

## 2.6 Zero Burning Policy (“ZBP”)

We maintain a strict Zero Burning Policy, as outlined in our Sustainable Policy. This ZBP is taken into careful consideration and practised in relation to all new planting, replanting and other agronomy projects. It is our pledge to prevent land and forest fires, and not contribute to the resulting transboundary haze pollution.

### Our alternative method

Our zero burning technique is a method of land clearing. Vegetation at new development areas or old palms are felled, shredded, stacked and left to decompose naturally. This method is an alternative method and is in line with the concept of sustainable environmental practices. The technique is a better way to dispose large volumes of biomass, whilst conserving the quality of the environment.

### Promoting improved land conditions

We believe that ZBP can contribute to the efforts on controlling land and forest fires. By recycling plant biomass, this technique improves soil organic matter, moisture retention and soil fertility. This in turn reduces the overall requirement for inorganic fertilisers and decreases the risk of water pollution or surface wash of nutrients.

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

### The right training

KLK understands that the zero burning technique is more complex than just clearing by burning. That is why we provide appropriate training to all concerned within our Company.

## 2.7 Fertilisers, Herbicides and Pest Management

In order to develop and improve the quality of our plantations, we find it essential to cut back on our reliance on fertilisers, pesticides and herbicides. Additionally, KLK has banned the usage of paraquat in our Malaysian and Indonesian operations with effect from January 2017.

For the financial year 2015/2016, our fertiliser and herbicide usage was 1.14 mt/Ha and 1.11 litres/Ha respectively. This will be used as a base year to gauge future usage.

With KLK's FBP, POME is treated into organic fertiliser, which is then applied to our oil palm. Other forms of organic fertilising is the use of empty fruit bunch mulching and decanter cake.

### Non-chemical pest control

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

### Plants and owls as pest managers

Pulverising palms is not the only way to control pests. Beneficial plants such as *Antigonon leptopus*, *Turnera subulata*, *Cassia coganensis* and the use of barn owls are also integrated into our IPMS. These approaches have proven to be effective biological controls, it is a much simpler and less risky approach to pest management.



## 2.8 Biodiversity

KLK pledges to conserve biodiversity by identifying, protecting and maintaining HCV. As a member of the RSPO, we are committed to the conservation of primary forests and HCV areas within the KLK context of sustainably managed landscapes. Included are areas that contain significant concentration of biological values, areas with rare, threatened and endangered species and areas that provide nature services. Examples are watersheds, waterfalls, hot springs, natural forests and riparian boundaries.

In the context of RSPO, HCV areas also include:

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

In line with this objective, KLK also undertakes rehabilitation programmes for steep, degraded slopes by planting them with forest trees.

### PROTECTION OF WILDLIFE



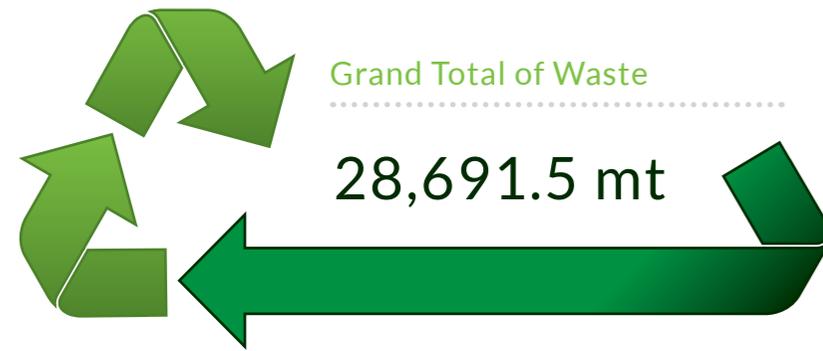
We encourage falcons to nest in some of our European sites. We recognise the significance of having the birds on site, and we consider it our responsibility to provide a suitable habitat for their return. By returning, they could reclaim ecological niches and increase biological diversity.

## 2.9 Waste Management

The palm oil industry generates large quantities of waste. It is very important to manage this waste as it leads to a direct impact on the environment. Since most of the waste is organic in origin, we find that it is rich in plant nutrients.

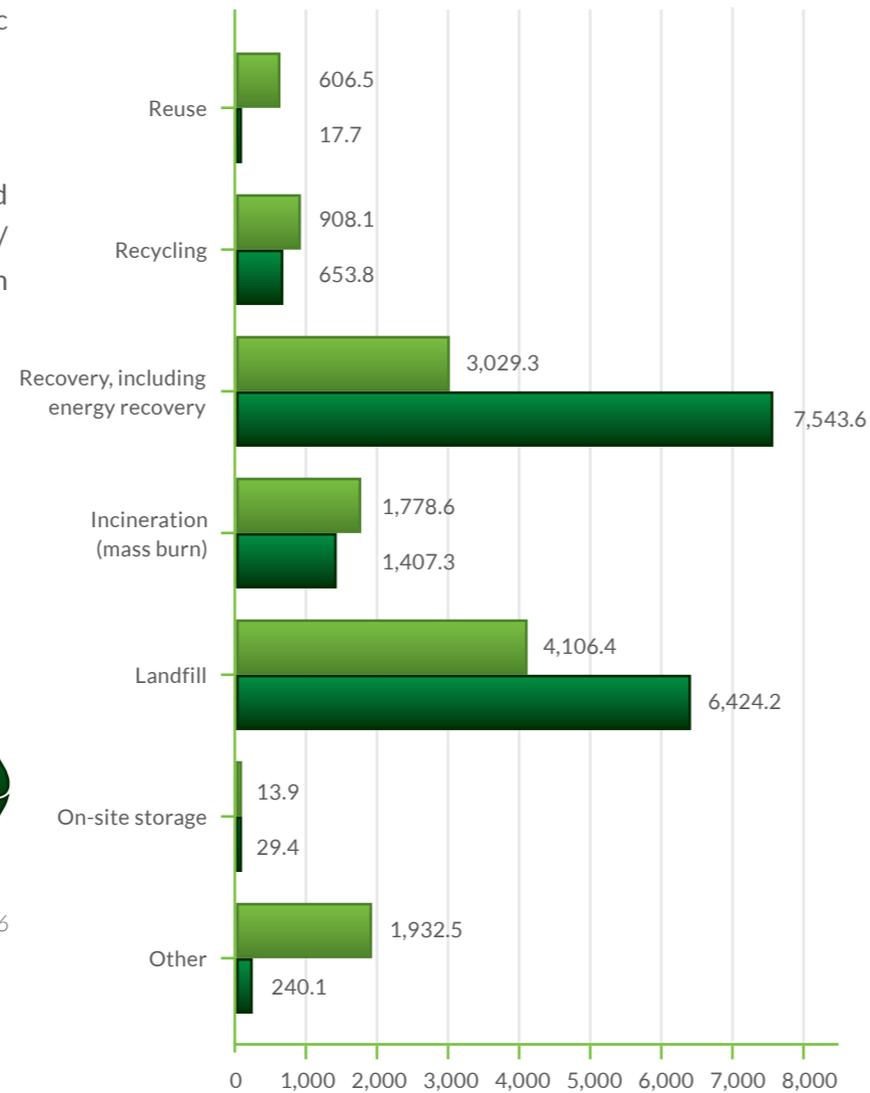
### Keeping communities and the environment safe

We strive for relevance and sustainability, and feel the need to tackle head on the challenges of proper waste disposal/management techniques in our operations. In this way we can avert harm to the environment and health of the community.



Based on recent data available at KLK OLEO - FY 2015/2016

### Non-hazardous(■) & Hazardous(■)waste by type (mt)



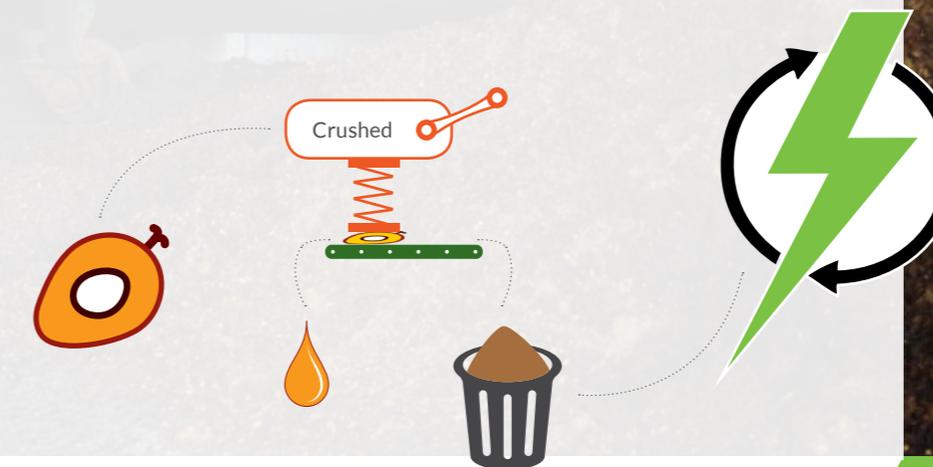
Based on recent data available at KLK OLEO - FY 2015/2016

### Responsible production

Production of primary products like CPO and Crude Palm Kernel Oil ("CPKO") generates wastes. During the oil extraction process, FFB are sterilised. Subsequently, the fruitlets are separated from the bunches for pressing, leaving behind empty fruit bunches as solid biomass. Pressing of the fruitlets produces CPO and press cake. Palm kernels are then separated from the press cake and later, transported to Kernel Crushing Plant for pressing.

### Creating renewable energy

Almost 70% of the FFB ends up as biomass after being processed. It comes in the form of empty fruit bunches, fibres and shells, as well as effluent. We have consistently put in effort to convert this biomass into useful, renewable energy.

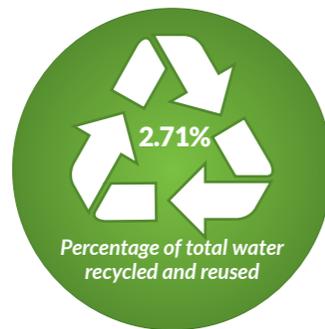


## WASTE WATER MANAGEMENT

Since the beginning, the Company has used conventional chemical and biological treatment technology for the Industrial Effluent Treatment System ("IETS"). Waste from the filter press is categorised as scheduled waste under Department of Environment ("DOE") Malaysia regulation. With new expansion, a new technology for IETS technology was selected. The technology uses double biological process where the waste is non-hazardous, purely organic and can be directly used as fertiliser ingredient mix.

### Impact Achieved

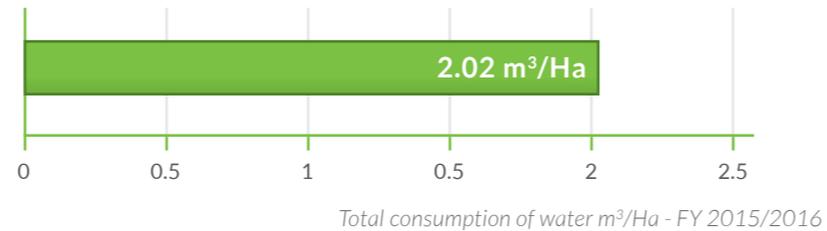
- Compact layout, thus requires less carbon footprint by about 40% saving of land space.
- Less chemical consumption since no chemical treatment is required, resulting into the saving of RM50,000 annually.
- No new hazardous sludge produced. Sludge cake waste reduction is about 80% - 90%.



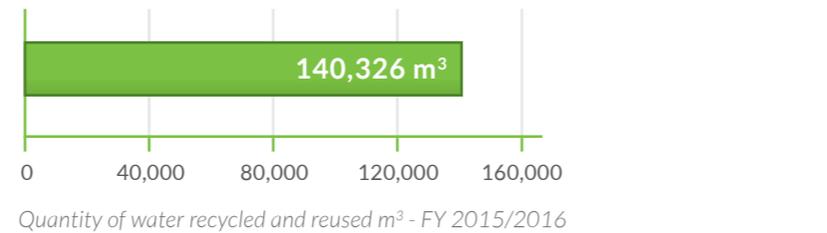
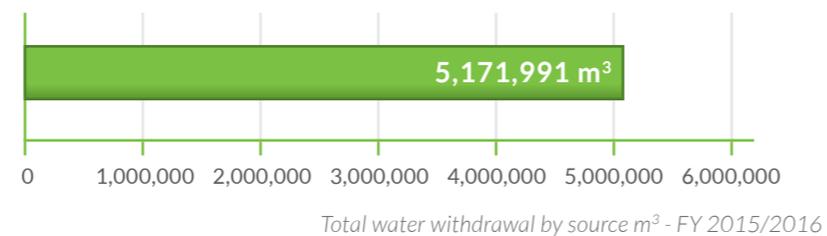
## 2.10 Water Management

Palm oil processing generates POME, which is then treated in open ponds. As a result of the anaerobic breakdown of the organic matter, methane gas is released into the atmosphere. The charts below show results of our water withdrawal, recycle and reuse at KLK OLEO and consumption of water at our plantations.

### At KLK Plantations



### At KLK OLEO



At KLK, we use methods to meet water quality standards for industrial effluent. For example, to guarantee a safe and sustainable anti-slime treatment on paper machines, KLK OLEO has applied successfully used deposit dispersants for years, which are formulations of non-ionic surfactants, together with biocides in order to reduce the overall needed amount of

biocides to treat process water. Recent development of new deposit dispersant formulations for cooling water circuits allows Kolb today to offer a sustainable approach for water treatment companies. As a result, increased reuse of process water and reduced consumption of fresh water is achieved.



Ultra Filtration & Reverse Osmosis Plant at KL-Kepong Oleomas Sdn Bhd



## REUSE OF WATER

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

Now, treated water goes into a new Ultra Filtration & Reverse Osmosis Plant with design capacity of 750 m<sup>3</sup>/day of feed. Reverse Osmosis water produced is then used as make up water for Cooling Tower ("CT101").

### Impact Achieved

- About 50% of treated water from IETS can be recycled.
- Reduced municipal water supplies by 180 m<sup>3</sup>/day or 5% of total consumption.



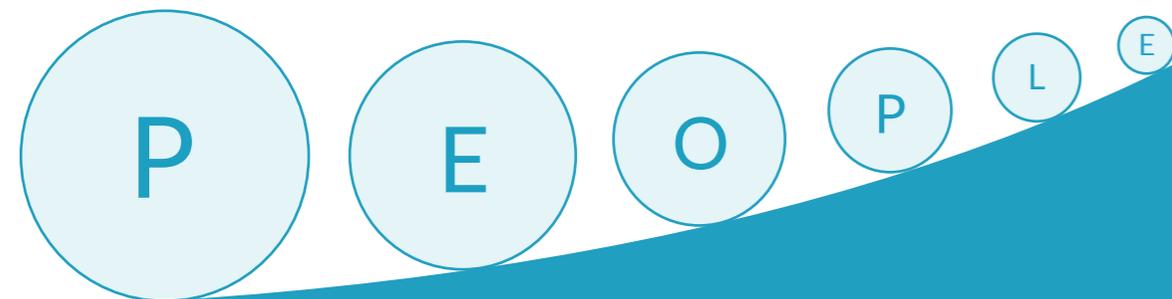
WORKPLACE



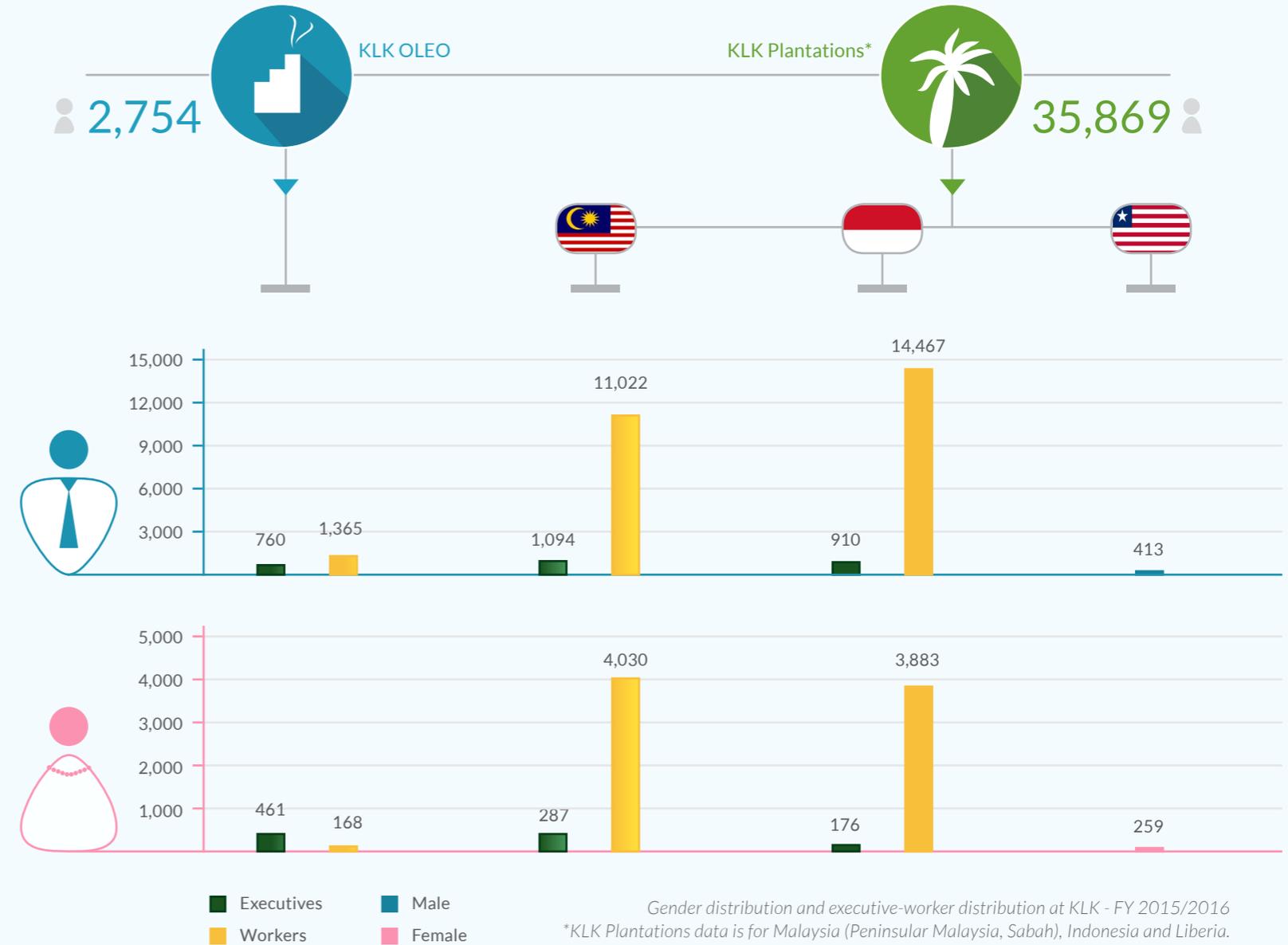
At KLK, we are proud of our highly trained and united workforce comprising of men and women of diverse races, qualifications and experience. Our people are committed to get their personal best out of every day, and they stand by the Company. In order to keep our Company running smoothly, we rely on our people and their wellbeing. We encourage our employees to lead healthy lifestyles. We also encourage our employees to participate in outdoor activities and sports. In addition to their all-round health, it is important to us that our employees work with the highest standards of Occupational Safety and Health (“OSH”) compliance. This helps them to better identify and manage safety and health risks within our Company. The holistic development of our people is important for us. We see the passion for their work, and feel proud to be able to offer them further training and career development opportunities. Whether it is team building, management training or sporting activities, at KLK we believe firmly that happy and healthy employees are productive employees. And we are pleased to help them on their way.

### 3.1 Our People

Within KLK, we fulfil staffing needs for different departments within our global operations. These include not only the management and administrative staff, but also supervisory staff and local and migrant/foreign workers. We are fortunate to have a workforce of over 40,000 employees, at locations all over the world. It is this workforce that forms the cornerstone of KLK and helps us to keep our business sustainable, fair and innovative. These are the KLK people; they strive for excellence every day, by sharing knowledge with one another, brainstorming new and more environmentally-friendly ways of working and enriching each other’s lives. We value our people, and reward their hard work with career development opportunities and further training prospects.



### Number of Employees



## 3.2 Health and Wellbeing of Employees

As a responsible employer, KLK takes the health and wellbeing of its employees seriously. We encourage our employees to adopt a healthy lifestyle by helping them engage in outdoor activities and sports. Furthermore, we have established different committees in order to improve employees conditions. Our Occupational Safety and Health (“OSH”) Department is continuously working with our employees, to improve the working conditions and decrease injury rates, lost work days or any accidents pertaining to day-to-day operational work. We always keep a sharp look out for talent and we offer a two-phased mentoring course for new plantation executives. Of course, we also understand that part of staying healthy means blowing off steam once in a while. That is why we organise recreational activities and fun team building sessions. These give our employees time, to relax and intermingle with their colleagues from other departments.



Activities for all the KLK employees to de-stress, relax and enjoy for their health and well being.



### 3.2.1 Healthy Lifestyles

Healthy lifestyles are encouraged amongst our employees through regular health discussions. Here we provide information on general health, weight control and the hazards of smoking. Furthermore, our employees and local communities are provided with medical facilities for regular and intermittent medical care. But a healthy lifestyle is not merely about prevention and healthy eating habits, it plays an important part in a healthy, balanced life. That is why we took it upon ourselves to organise three weekly, after hours sports activities for our employees and workers: yoga classes, body pump fitness and badminton. By implementing a combination of healthy diet, prevention and exercise, our employees can keep stress levels to a minimum and performance to a maximum.

### Getting out into nature

In addition to sports, we encourage our employees to participate in outdoor activities as much as possible: to go for a relaxing walk, a challenging run or a long hike. Academic studies have proven that spending time outdoors benefits physical and mental health. Exercises create endorphins in a person’s body, and these endorphins give people a sense of happiness and achievement.



### SPORTS FOR HEALTHY LIFESTYLE



During the 1990s, KLK began its sports and leisure activities initiative for the Company’s employees, mainly for those based at Head Office, Ipoh and near-by subsidiaries, by forming KELKO Club (“KELKO”). Since its inception, KELKO has been organising various activities, ranging from weekly sporting activities and tournaments to talks, seminars and trips. The club aims to help its members to achieve a well-rounded lifestyle - balancing work, health and leisure.

In 2016, KLK OLEO initiated its sports and leisure activities for the Group’s manufacturing employees. More than 50 participants have signed up for their weekly sporting activities, led by trainers from affiliate organisations.

A major joint-event between KELKO and its KLK OLEO counterpart is the KLK OLEO Cup, where soccer teams from both parties compete for the coveted trophy. The event has been held concurrently for 3 years due to immense response, the latest tournament attracting close to 300 participants.

Not only are these initiatives fun and relaxing after a challenging day of work, they also help to sustain better all-round health. They also help colleagues from various departments and operating centres intermingle and get to know one another.



### 3.2.2 Committees

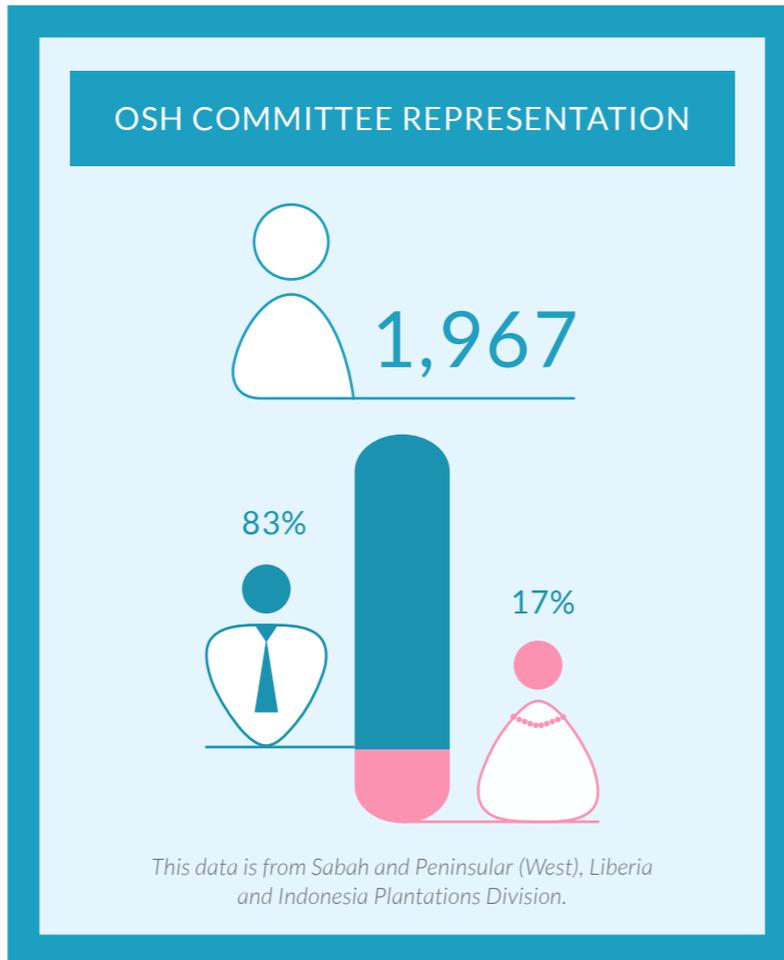
In order to disseminate information throughout the Company, we established several committees at the operating centres. These committees inform employees and organisations about the different activities on offer, and ensure that the information is spread around to employees and workers alike. The committees include the gender, environmental, occupational safety and health committees. These committees help in organising activities, resolving the issues and putting good practices in action. For example the committee specifically made for gender equality, identifies the causes of inequality and tries to solve them by organising awareness session and events.

### 3.2.3 Occupational Safety and Health (“OSH”) Compliance

Being a responsible Company that not only produces olechemicals but also uses chemicals in its daily operations, we do our utmost to conduct our business with the highest standards of safety and health protection for our employees and other stakeholders. That is why we commit ourselves to the continuous identification and mitigation of any safety risks which are associated with the Company’s activities. Our KLK OSH Departments are staffed with registered and competent employees. And, to stay updated with the latest occupational safety and health innovations and news, OSH employees attend the Conference of Occupational Safety & Health and other related conferences each year.

### Safety & Health Committee (“SHC”)

The SHC is formed in all operating centres for the Plantations Division, and well-represented by managers and employees, male and female. SHC’s functions include a meeting once every three months, accident investigation and review of incidents, risk assessment and constant review of our OSH Policy.



### OSH activities

Our Company includes a lot of people and activities. Some activities need to be monitored thoroughly, to ensure safety and compliance. It is the responsibility of OSH department to consider the related departments and work of the employees. For example, the assessment of chemical health risks; the monitoring of chemical and noise exposure by an Industrial Hygiene Technician; regular medical checkups by our Occupational Health Doctor and regular OSH training, at the Head Office and Estate level.

“ We seek to conduct our business with highest standard of safety & health protection for our employees and other stakeholders and we are committed to continuous efforts to identify and eliminate or manage safety risks associated with its activities.”

### OSH also takes on a number of operating level functions:

- Substitution ensures that more friendly forms of chemicals and spraying are used: from a higher class of chemicals (Paraquat) to lower class of chemical (basta); from the high frequency of spraying rounds (every 3 months) to less frequency (every 6 months); and from High Volume Spraying equipment (Common Knapsack Pump) to Ultra Low Volume equipment (Interpump).
- Engineering Control ensures the safety of workers with the fencing of all moving machinery parts, construction of noise reductions rooms and placement of guardrails/handrails where needed.
- Ensuring a Safe Work System is also an OSH operation level function, which includes safety briefings and toolbox meetings, risk assessment programmes, worker supervision, safe operating procedures, availability of the OSH Manual, standardisation of the OSH filing system, maintenance of the workers’ compliance and non-compliance book up to date, workplace inspections and speedy placement of safety and warning signboards.
- Along with an on-site hospital assistant, OSH also provides Personal Protective Equipments (“PPE”) equipment to workers. Every operating centre also has in place a Safety & Health Committee, Emergency Response Team and first aiders.

# Focus Areas of OSH

## Elimination

of pests by biological control an IPMS.

## Substitution

of highly-toxic chemicals by usage of less harmful alternatives. Reduction of spraying frequency and improvement in spraying efficiency with introduction of ultra low volume equipment.

## Provision of adequate PPE

to ensure sufficient protection during work.

## Engineering control

to prevent accidents from moving machinery by fencing moving parts, construction of noise reduction rooms around the mills to protect against hearing loss, alarm and warning systems in case of emergency and guard/hand rails for guidance.

## Safe work system

including all necessary procedures, systems, manuals and materials to create a high standard working environment compliant to all health and safety regulations.



Quarterly Physical Medical Check-up carried out for Chemical Sprayers by Estate Hospital Assistant.



Tractor Driver Training carried out by Estate Manager.



Fire Fighting & Fire Extinguisher Training carried out by Fire and Rescue Department of Malaysia



Women's Committee Meeting being carried out by Head Office Personal.



Made Ledra | Indonesian | 4 yrs, in KLK  
Currently works in Nursery

Throughout my time with KLK, safety has always held high priority in my work. I started off as a spraying operator on the estate for two years. Thereafter, I worked in the fertiliser section for eight months and now I'm being kept busy in the nursery.

On my very first day of work I received safety and job training. Even though it has been four years since I started working at KLK, I still receive regular training sessions. Taking necessary precautions whilst maintaining the nursery is my main focus. I like working here, and enjoy being valued by the Company and my colleagues.



### Reducing chemical exposure

Our OSH Department is in charge of spotting and managing chemical exposure risk. They keep the risk in check with a yearly monitoring programme for all employees and workers. Workers receive a safety briefing before they start working and supervision during their work. Also included is the provision and monitoring of each worker's PPE and yearly Standard Operating Procedure ("SOP") training.

### Keeping an eye on health and safety

The KLK OSH Department in plantations comprises of OSH-registered employees. These employees are central to the effectiveness of the Department's policy, and to ensure that OSH requirements are applied uniformly and consistently across all operating centres. OSH requirements are embedded in our OSH Manual and Guidelines and include all the standards, safe work procedures and standard documentation we use. To make sure everyone at KLK complies with these requirements, annual audits are conducted. In case of any discrepancies we take immediate corrective action.

### Safety & health policy control

We strive to prevent accidents, injuries and occupational illnesses through the participation of our employees and other stakeholders by:

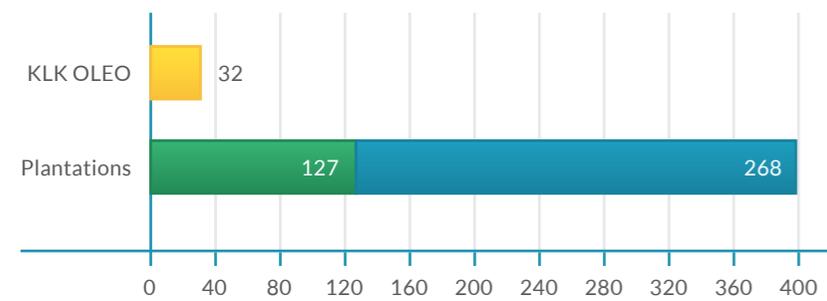


## Accident monitoring

Monitoring accidents is not just about recording injuries. Accident monitoring includes days lost due to lost time injury (“LTI”), absenteeism or an occupational disease. LTI happens when an employee or worker is injured whilst doing his or her job, hindering that person from carrying out their regular work for a period of days or weeks. Absenteeism is not coming in for work, without providing a good reason. As for occupational disease, it is when an employee or worker suffers from a chronic illness that takes place because of a specific work or occupational activity.

The relevant preventive measures are taken to continuously decrease the LTI rate and the severity rate of LTI.

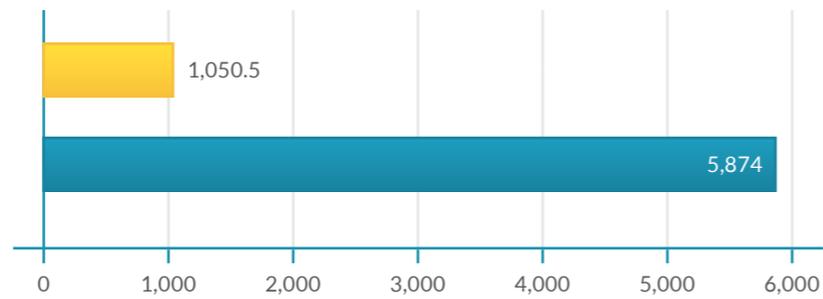
## Loss Time Injury (Number of Cases Reported)



The data for plantations is from Peninsular Malaysia.  
The data for KLK OLEO is from 14 contributing sites. - FY 2015/2016

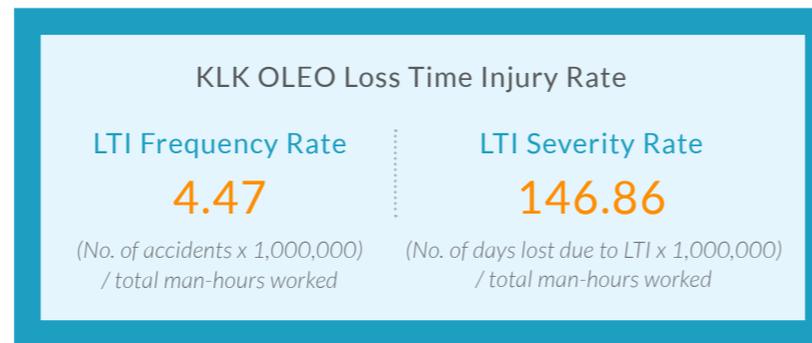
Major Injuries  
Minor Injuries

## Loss Time Injury (Number of Lost Days)

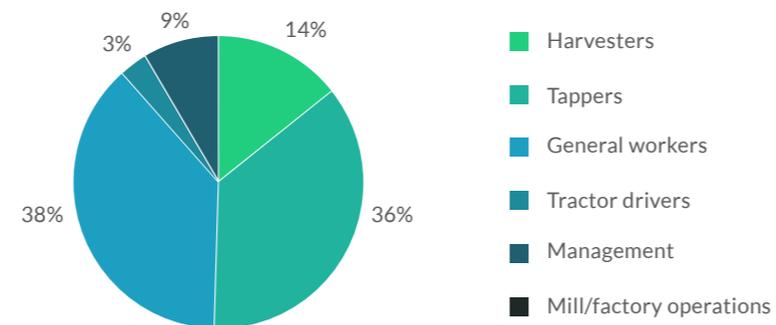


The data for plantations is from Peninsular Malaysia.  
The data for KLK OLEO is from 14 contributing sites. - FY 2015/2016

KLK OLEO  
Plantations



## Major Accidents Reported per Category



This data is from Peninsular Malaysia plantations. - FY 2015/2016

## Ensuring safety and swift response

Overseen by each operating centres’ safety and health committees and emergency response teams, on-site supervision is crucial to ensure safe working conditions for all of us at KLK. Furthermore, employees trained in first-aid and hospital assistants are present on-site for quick emergency response.



KLK employees after receiving the National OSH Excellence Awards

## 3.3 Career Development Opportunities

Bringing talented and motivated people on board, and retaining them, is important to KLK. We encourage our employees to expand their horizons. That is how we continue to grow and strengthen as a Company. To hold on to our talented employees and boost their success, we continuously offer career development opportunities. We train and educate them to ensure their career growth.

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

### 3.3.1 General training

The key to a competent and committed workforce lies in efforts to provide continuous learning and development opportunities for employees. For the Plantations Division, all newly recruited planters and engineers are required to undergo orientation and induction programmes.

For our Manufacturing side, the Supervisor Centre of Excellence programme is designed to develop the skills of our existing supervisors. Regardless of the type of training, all employees are grounded in the KLK core values of integrity, loyalty and teamwork.

### Compliance training and support

The OSH Department at our Head Office ensures that all OSH requirements are applied and taken to heart throughout the Company, across all operating centres. OSH employee training includes topics such as “Safe Operating Procedures”; laws and regulations; driving competency and road safety; first-aid; working at heights; and evacuation drill, fire fighting and prevention. We also collaborate with local fire departments in training our employees on how to handle fire emergencies.

To ensure compliance, the Company performs annual audits and if needed, take corrective measures to strengthen the weak points. Compliance is further strengthened through communication materials such as posters, books and on-site warning signs. Employees' excellent performance is rewarded by extending OSH Excellence Awards. Not only does this award boosts employee morale, it helps to minimise occupational injuries, absenteeism and promotes a safety culture amongst the workforce.



Co-operation with the fire department to enhance the training on handling fire.

### 3.3.2 Intentional Mentoring Courses

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

### Phase One

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

### Phase Two

After completing Phase One, trainees continue to the KLK Training Centre for Phase Two, to address any knowledge gaps. A wide range of topics are covered in the Phase Two modular courses, ranging from technical and administrative knowledge to soft skills and motivational talks. The week-long courses are conducted twice a year.



Intentional Mentoring Course for plantations executives.

## 3.4 Team Building Activities

Team-building is an important aspect here at KLK. Team-building activities strengthen team spirit and enable employees to be more attuned to each other. In turn, this translates to better performance and results at the workplace.

### One big family

We see all our employees as one big family. To acknowledge their contribution to the Company, we show our appreciation through various means. In addition to our sport, health and team building programmes, we also arrange company outings, religious festivals and the annual employee dinner. These gatherings give our employees the opportunity to meet colleagues from other divisions.



Team building exercise.



A fun evening at bowling.



A talent show and cultural evening.

### 3.5 Employee Engagement

Company-wide, we always have our employees' best interests at heart. We strive to engage them in activities and knowledge sharing, to keep everyone at KLK informed about the updates in the Company.

Communications through KLK Newsletters and internal email blasts to all employees within the KLK Group allow sharing of information and development within the various business divisions of the Group as we operate in a diverse environment.

#### 3.5.1 Managers' and Assistant Managers' Conferences

KLK's founding Chairman Tan Sri Lee Loy Seng started a managerial conference 42 years ago. He did so with the purpose of nurturing the KLK culture and reinforcing the Company's values, particularly teamwork.

#### Keeping our managers on point

KLK organises its Managers' and Assistant Managers' Conferences for its Plantations Division as part of its development programme. These conferences also serve as a platform to reinforce the Company's values and also for the Company to show appreciation to its employees. Participants from all operating centres are able to share technical knowledge and experience in facing different challenges on the ground as they operate in vast areas spreading across Peninsular Malaysia, Sabah, five (5) regions in Indonesia and Liberia.



#### 3.5.2 Town hall session

KLK OLEO organised a Town Hall session with the CEO and top Management which seek to achieve two main objectives: First, to allow top Management to share their targets and plans for the year, and speak on the newly launched Sustainability Policy. Second, to provide a platform for a two-way dialogue between top Management and employees. During this Town Hall session, employees were able to ask questions and share thoughts and observations with top Management.

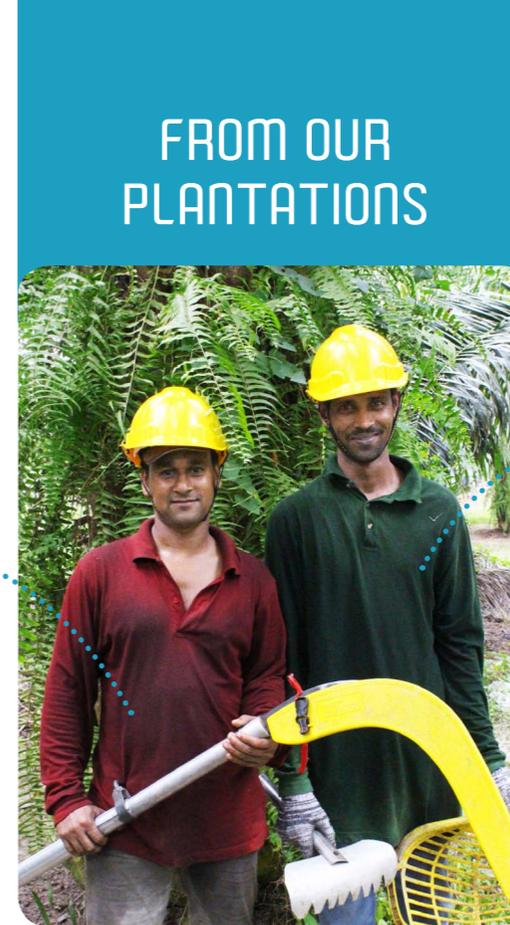


**Robiul Islam**

(Harvester)  
Age : 27 years  
Nationality: Bangladeshi  
Family lives in Bangladesh

I am happy to be working here at KLK. From the beginning, I received good training on how and when to harvest. I was also well trained on the safety procedures involved; a very important aspect of my job.

Thanks to my job with KLK, I have been able to send money to my family in Bangladesh, which helped in buying a house there. I visit my family every three to four years. Initially, it was a bit tough being away from them. Now, seeing them flourish, I am grateful that I came here to work with KLK.



**Mohd Abdul Kalam**

(Collector)  
Age : 38 years  
Nationality: Bangladeshi  
Family lives in Bangladesh

I enjoy working at KLK, and have been able to grow within my job upon joining.

I like the fact that my steady job here allows me to improve my family's life in Bangladesh. The working environment here is very pleasant, and the Company provides good facilities for me, for example, giving me regular training and my own set of PPE for my safety. KLK provides me with adequate housing, and even pays the utilities – including the costs of cable television for entertainment.

*\*at Tuan Mee Estate and Mill, Selangor, Malaysia*

## FROM OUR FACTORIES



**Selva Kumar Chinnappa**

(FFB Grader)

Age: 36

Nationality: Indian

I have been working at KLK for the last three years. Before joining KLK, I worked at many other mills, work stations and oil stations. Although these past jobs gave me great experience, they were never stable.

My job at KLK puts me in charge of quality control and I grade fresh fruit bunches. Currently supervising one junior grader, I enjoy my work at KLK and would like to continue working here. I find KLK to be an excellent employer, one who really cares about the health and wellbeing of its people.



**Ahmad Azmil**

(Lab Technician )

Age: 28

Nationality: Malaysian

I derive great satisfaction from working at KLK. Here we have good career advancement prospects, great support from the organisation and annual sessions, which help to keep me up-to-date in my field of work as well as the latest lab innovations. I hope to have a long career at KLK.

I am working in a pleasant environment, with a healthy subsidised lunch programme and plenty of fun activities organised by the Company for our entertainment. It is a complete package, in my opinion.

## FROM OUR ADMINISTRATION



**Lee Kuan Yee**

(Sustainability Manager)

Nationality: Malaysian

My career at KLK started when I became a KLK Scholarship recipient, and started an internship in the Administration Department. After the internship, I started my career path in the Sustainability Department. During the first 2 years, I was exposed to the various operations of company.

KLK has always given me the platform I needed to learn and grow. I have enjoyed being a part of the RSPO certification process. I am also proud that the whole of KLK West Malaysia was RSPO certified within two years. Now, as a Sustainability Manager, I am helping KLK in its quest to further align sustainability throughout the Company. Because only when we embrace sustainability now, the future will enjoy the results.



**Khoo Ping Khean**

(Executive Director)

Nationality: Malaysian

I started working at KLK in 1979 as a Cadet Engineer. Throughout the 80s and 90s, I was able to work at various departments within KLK.

It has been my life's work to improve safety, quality and health and security within KLK – from both an employee and a product perspective. I remain committed to the welfare and career security of my colleagues and myself, and enjoy seeing hard workers bloom in their respective career paths.

Now at Palm-Oleo Sdn Bhd, I look forward to more years of work to bring about sustainable solutions at KLK. After all, for a sustainable future, we must not be complacent; we must be open minded and receptive to changes.



COMMUNITY



A strong sense of community is important to us at KLK. That is why we strive to maintain and improve the communities in which we operate. We provide access to education for the children of our employees and workers. From operating and maintaining nurseries, kindergartens, elementary schools, to initiating after-school enrichment programmes, we also offer various scholarships and internships. We also support a Special Needs school as part of our activities. We ensure up-to-date healthcare is accessible to our employees and the communities surrounding our plantations, along with free ambulance service and medical check-ups at our health clinics. Our blood donation campaigns ensure that the local blood banks are replenished and our volunteers visit the elderly regularly in their respective communities. We sponsor a refugee programme which teaches the local language to adults who have had to flee their country and ensures their children are well looked after during classes. At KLK, we cooperate with local communities to protect HCV areas and engage them in local sustainability programmes such as placing plastic bottle recycling bins throughout our residential communities in certain regions.

## 4.1 Educational Programmes and Campaigns

One of the major causes supported by KLK is education, as it creates a sustainable future for the individual, especially children and has a long-term impact on the community at large.

### 4.1.1 Access to education

#### Humana Schools (“Humana”)

In Sabah, KLK collaborates with Humana Child Aid Society with the aim of providing basic primary education to the children of plantations workers and other underprivileged children in remote areas in Sabah that have little or no access to mainstream education. Starting with the first learning centre at KLK Mill Complex in Tawau, Sabah, it has now since grown to five (5) learning centres in various KLK’s estates in Sabah. For FY2016, total enrolment is 835 children.

In addition to providing funding for basic infrastructure, transportation is provided for the children to travel to

and from the learning centres. These educational centres are equipped with libraries, basic sciences laboratories, computer rooms, canteens, playgrounds and other amenities.

### Indonesia: Learning Centres

Partnering the Indonesia Heritage Foundation (“IHF”), KLK has developed a programme to provide kindergartens for the children of our estate workers in Indonesia and those living in the vicinity of these estates. The focus of the IHF curriculum is to instill good character and values at young age. There are currently 30 learning centres set up by KLK in our operating centres in Indonesia; 12 of which are in collaboration with IHF. In addition, we also have three (3) primary schools in our Riau operating centres. Free bus services are provided to ferry students to the learning centres.

### Liberia: Education for Children, Adult Literacy Programme

In Liberia, we have two (2) schools providing free education to the children of our workers as well as those from the surrounding villages. This is done in partnership with the Liberian Ministry of Education. In total, there are 980 students with 485 males and 495 females. Free adult literacy classes are also provided for the adults after working hours.



*Ice breaking session - students solving the puzzles*



*The students presenting their recycle project plan. Excited and proud of their ideas.*



At KLK we recognise the importance of a strong and healthy community, and we endeavour to do our part to maintain and protect those communities in which we operate.

#### 4.1.2 Programme for After Class Enrichment (“PACE”)

KLK also sponsors programmes like the PACE. PACE is a three-year programme and was set up to support academically-challenged students that come from disadvantaged families. From Form 1 to Form 3, the programme includes enriching academic modules like English and Mathematics. Employees and managers from KLK OLEO and Ernst & Young (“EY”) donate their time to mentor and train students in financial literacy, entrepreneurship, the English language and presentation skills. By the end of Form 3, the students are split up into teams to carry out a small business project. Whatever money the students earn with that project, they get to keep.

#### What students get out of it

PACE is sponsored by KLK, in cooperation with The Edge Education Foundation, EY and Taylor’s College. The first group of PACE students participated in the programme from 2013 to 2015. The objective of PACE is to give students a reason to stay in school, to help them achieve their full potential. It is important to us to break the cycle of poverty, and show the local communities in which we operate that everyone has the opportunity to succeed in life. The literacy and numerical skills students learn whilst at PACE will help them to stand out when they finish the programme, and could even help them obtain better jobs in the long run. For example, the students from the 2013-2015 group completed the PACE programme with an added sense of self, well-being and academic stability. Solid foundations for an improved future.



#### PACE GRADUATION CEREMONY

Formed in 2013 through a collaboration of The Edge Education Foundation, EY, Taylor’s College and KLK, the PACE programme has helped students break the poverty cycle through inspiring modules, learned mentors and skills development.

The three-year PACE programme took place at two Sentul schools - SMK Convent Sentul and SMK (L) Methodist Sentul from 2013 to 2015. During that time, only one student out of forty left school; the others are now well on their way to finishing Form 4, and roughly 20% of that group has moved on to a more challenging class. The students who completed the PACE programme received their Certificates of Participation at Taylor’s University Lakeside Campus. What is more, the mentors from EY & KLK OLEO also received a Certificate of Appreciation, for their volunteer work throughout the PACE programme.



### 4.1.3 Talent Development and Scholarships

Yayasan KLK, an educational foundation has been supporting needy and deserving Malaysians to continue their tertiary education with focus areas in Agricultural Sciences and Engineering. As part of the scholarship programme, Yayasan scholars are given practical training and internship to enable them to gain an insight into the business environment. Upon completion of their studies, successful scholars are given opportunities to take up employment in the Group where they will be mentored. Currently, KLK is sponsoring 36 scholarships. Similarly in Indonesia, educational aid is provided to support the learning of local students consisting of our employees' children and also those from the nearby villages.

### 4.1.4 School Contributions

As mentioned previously, KLK operates nurseries, kindergartens and elementary schools, in conjunction with renowned national entities. Not only do our educational facilities provide a proper education to our employees' children, the facilities also help to improve our employees' working environment. Parents need not worry about the welfare of their children whilst at work. We also support a Special Needs school as part of our activities, which includes, amongst others, clean-up activities and a motivational camp.

### Motivational camp for special needs children

KLK OLEO has entered into a collaboration with special needs school Pendidikan Khas Integrasi ("PPKI") of Sekolah Kebangsaan Taman Klang Jaya, Klang. We sponsored the expenses of this motivational camp and some

of our employees also volunteered. In total, 15 teachers and 30 students took part in this motivational camp contributing 320 man hours.

### Learning in lush surroundings

The PPKI motivational camp took place at Agrotek Garden Resort, Selangor. KLK OLEO volunteers helped with the camping activities, including imparting skills like leadership, communication, creative thinking and problem-solving. Together, the group enjoyed activities such as zip-lining, and trek through the jungle.

### What the students learned

Along with a lot of fun and positive reinforcement, the 30 students came away with a sense of camaraderie. With help from KLK OLEO and the PPKI volunteers, the special needs students learned more about teamwork, unleashing their creativity, leadership and confidence. The skills they have learned and the relationships they have formed will be for a lifetime.



## 4.2 Community Health and Wellbeing Campaigns

At KLK, we do our best for the welfare of the community health and well-being by encouraging people to live healthier through various weekly, monthly and yearly campaigns. We set up campaigns within the communities in which we operate to inform them about our modern medical facilities, where they can go for a free medical check-up. We do our part in raising disease awareness within and outside of our Company walls. Together with local governments and health ministries, we distribute flyers and pamphlets, to inform our employees and workers that clinics with free ambulance services are provided at our plantations. We also set up community health and well-being programmes, and encourage our employees to volunteer their time. For example, helping out during blood donation drives, engaging with the elderly and assisting refugees in learning a new language.

### 4.2.1 Medical Facilities & Disease Awareness

We understand that accidents happen, and that diseases can spread. Our employees and workers are very important to us – they are the reason we are able to continue to grow. However, we also care for their families and the local community. This is why at KLK we have initiated a number of campaigns, to inform our employees, workers and their communities about the latest healthcare or prevention programmes. For example, when healthcare specialists travel to the various estates nearby our operating centres – areas like Kalimantan Tengah, Indonesia – we raise awareness within our Company and throughout the community about the specific day and time that the specialists will be on hand

for check-ups and medical prevention questions. This way, our people are informed ahead of time about the help that is accessible to them, their families and local communities.



Free ambulance service is provided in our estates in Kalimantan Tengah, Indonesia

Similarly, in Liberia, through partnerships with the local government and the Liberian Health Ministry, clinics with free ambulance service are provided on our plantations. Because of our successful and on-going campaigns, approximately 6,000 patients can find their way to these health clinics each year. On top of that, we let the communities know each week that medical personnel are making their weekly rounds at designated locations, and that the community at large is welcome to come and receive free medical care and assistance.



Free medical check in our clinic in Liberia

## Disease prevention

Equatorial climates are ideal for setting up oil palm plantations, but these climates can also make disease prevention difficult sometimes. Take the Ebola virus, for example. A virus that spreads like wild fire throughout numerous regions, including Liberia. However, KLK's subsidiary, Equatorial Palm Oil plc ("EPO"), was at the forefront in working together with the Liberian government and health NGOs when the Ebola virus broke out. We collaborated and worked hard to set up a prevention campaign and ensured that the recommended preventive and containment measures were enforced. In the end, none of our employees or workers in our operating centres were recorded as having contracted Ebola. EPO remains ever vigilant towards such diseases.

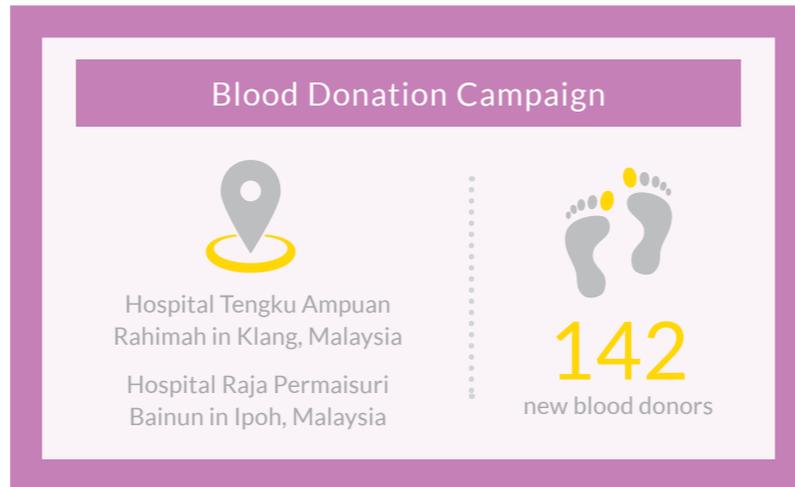
## Keeping dengue virus at bay

Dengue fever is unfortunately prevalent in tropical climates like Liberia and Indonesia. That is why we support our employees with dengue prevention campaigns. On-going campaigns which raise awareness about dengue fever, how to prevent contracting the fever or spot the first signs of illness and what to do at which stage. These campaigns are successful in helping our employees and workers on the plantations to be more vigilant. These helps to protect themselves from contracting dengue fever during working hours and at home.

## 4.2.2 Blood Donation Campaigns

Having a large enough supply of varying blood types is of the utmost importance in hospitals and clinics. Blood donation

drives help in the stocking and replenishing of life-saving blood supplies. We understand this urgency, and have set up campaigns to raise awareness about the importance of donating blood. During our most recent drive, many people from KLK and the local communities were able to donate blood to the local Hospital Tengku Ampuan Rahimah, Klang. The drive was a success, and resulted in 60 new blood donors. Most importantly, those new blood donations helped the hospital in Klang to replenish its supply and will make a difference in someone's life.



## 4.2.3 Engagement with Elderly Community Members

We value and respect the wisdom and traditions of our elderly community members. Engaging with the elderly, valuing their feedback and keeping them connected within the community is important to us at KLK. We contribute to the elderly in our communities by promoting frequent interaction. Our people organised several fun activities, including volunteer visits to the elderly at their home, lively meetings at community centres, interactive games and distribution of gifts. All of which are greatly appreciated by our valued elderly community members.



## Engagement with elderly community members



1. XiHuYuan Community in Zhangjiagang City, China
2. Rumah Sejahtera in Jelapang, Malaysia
3. Tawau Old Folks Home in Tawau, Malaysia



**73**

Elderly Participants

**72**

Employee Participants



#### 4.2.4 Refugee programme

As a proactive step towards the increased number of refugees currently taking up residence in Germany, we have set up a campaign and refugee programme near our premises in KLK Emmerich GmbH. Our people are encouraged to volunteer in various ways, such as teaching German and helping out in the daycare facility. The refugees are provided with German language training to assist integration into local society. Whilst the adult and teenaged refugee family members participate in training courses, we take care of the younger children by occupying them with activities in a warm and safe environment. Activities such as fun learning games, story times, interactive games and nutritious snacks.



Childcare for refugee children

#### 4.2.5 Other Community Initiatives

In order to improve living conditions for a deteriorating local community, we have set up a campaign to restore and clean up the Bandar Baru Kundang neighbourhood. Immediately after the team had installed the new playground equipment and replanted the garden, the local children gathered to enjoy the new and improved park. In addition, the residents benefitted from a free health and medical check-up.



### 4.3 Environmental Development

As part of our social and community outreach initiatives, we cooperate with local communities to protect HCV areas. KLK is keen on maintaining and protecting the traditional and cultural identity of each community. We help to ensure these areas continue to meet the fundamental needs of the surrounding local communities. Next to the quality of life, the community's cultural, ecological, economic and religious significances are taken into consideration.

For example, our subsidiary EPO has various formal and informal engagements with the local communities in which it operates. However, EPO will not develop in areas where the local community does not want to have oil palm development. We and, as part of KLK, EPO continue to operate under the strict principles of FPIC.

#### A clean sweep

KLK is proud to be able to work with educational institutions. One of this year's campaigns took place at the PPKI school in Klang, Selangor. The school's façade and grounds needed a facelift, and KLK OLEO was standing at the ready to help.

Our volunteers took time out to listen to what the students and school needed, and proceeded from there. Together with students and 15 teachers, more than 50 of our volunteers rolled up their sleeves and got busy: they cleaned; repaired and painted windows, walls and doors; supervised the painting of a mural; re-planted the gardens and did an outstanding job of brightening up the school and its grounds. Each volunteer spent about six hours in this school beautification project.

The result of this project was that the students began to take more pride and a sense of ownership in their school and its clean, fresh surroundings. Their hard work has motivated them to actively participate in keeping their school and its grounds clean and tidy.



#### RECYCLING PLASTIC WATER BOTTLES



KLK wants to keep its communities clean and tidy, for the community residents and those who visit. But plastic waste is an issue in countries like Indonesia. Thus, KLK is doing its part to encourage the recycling of plastic water and soda bottles within the communities it operates. Within our communities, up to 50 green recycling bins are distributed evenly throughout each housing complex, and at various locations throughout the gardens in Kalimantan Tengah operating centres.

Most residents are now familiar with the fact that plastic bottles can be melted down and reused in the form of recycled goods. Our residents getting aware that it is important for them to take part in this sustainable action, and to separate any plastic bottles from their other garbage. While the idea of recycling has not necessarily been an easy concept for every resident to grasp, we were able to set up a recycling campaign for our residents. In this campaign, we informed residents that recycling plastic bottles is a simple procedure and that we have more than enough green bins to help them complete the job in as little time and with as little effort as possible.

We are starting to see the fruits of our labours, and our residents are noticing a distinct minimisation of plastic waste within their communities.

# GRI INDEX

KLK uses the Global Reporting Initiative (“GRI”) G4 Sustainability Reporting Guidelines, combined with stakeholder feedback to help identify the indicators we publicly report. This report was prepared in accordance with the Guidelines at the Core option level. This report did not undergo external assurance.

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](http://www.globalreporting.org).

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AAR	Applied Agricultural Resources SDN BHD
CEO	Chief Executive Officer
CPKO	Crude Palm Kernel Oil
CSPK	Certified Sustainable Palm Kernel
CSPO	Certified Sustainable Palm Oil
CSR	Corporate Sustainability Report
CT101	Cooling Tower
Davos Life	Davos Life Science
DOE	Department Of Environment Malaysia
EPO	Equatorial Palm Oil Plc is a palm oil company from the United Kingdom in which KLK has a majority stake.
ESG	Environmental Social and Governance
EU RED	European Renewable Energy Directive
FBP	Filter Belt-Press
FFB	Fresh Fruit Bunches
FPIC	Free, Prior and Informed Consent is the principle that a community has the right to give or withhold its consent to proposed projects that may affect the lands they customarily, occupy or otherwise use.
GHG	Greenhouse Gas
GPS	Global Positioning System
GRI	Global Report Initiative
HCS	High Carbon Stock
HCS+	High Carbon Stock Science Study
HCSCWG	High Carbon Stock Convergence Working Group
HCV	High Conservation Value
HUMANA	Humana Child Aid Society
IDH	Initiatief Duurzame Handel (Sustainable Trade Initiative)
IETS	Industrial Effluent Treatment System
IHF	Indonesian Heritage Foundation
IMP	Intentional Mentoring Program is part of a KLK training structure for plantation staff and executives

## GLOSSARY

IP	Identity Preserved
IPMS	Integrated Pest Management System
ISCC	International Sustainability & Carbon Certification
ISPO	Indonesia Sustainable Palm Oil
KCP	Kernal Crushing Plants
KLK	Kuala Lumpur Kepong Berhad
LTI	Lost Time Injury
MB	Mass Balance
MoU	Memorandum of Understanding
MT	Metric Ton
NGO	Non Governmental Organisation
OSH	Occupational Safety and Health
P&C	Principles & Criteria
PACE	Program for After Class Enrichment is a KLK program set up to support academically weak students from disadvantages families
POM	Palm Oil Mills
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipments
PPKI	Program Pendidikan Khas Integrasi
R&D	Research & Development
RBD	Refined Bleached Deodorized
RSPO	Roundtable on Sustainable Palm Oil
SCC	Supply Chain Certification
SDI	Sustainable Development Institute
SHC	Safety & Health Committee
SOP	Standard Operating Procedure
SSC	Sustainability Steering Committee
SWC	Sustainability Working Committee
ZBP	Zero Burning Policy



ENVIRONMENT | EMPLOYEES | SUPPORTING COMMUNITY | PALM OIL | SUSTAINABILITY | OUR PEOPLE | FRUIT BUNCHES



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