



Kulim (Malaysia) Berhad (23370-V)



BEYOND THE BENCHMARKS

Plantation Division
Sustainability Report

2014 - 2015

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Rationale

The Kulim Group advocates looking beyond benchmarks for continuous growth and sustainability. This stance calls for the protection of the environment where it operates, support for communities within its jurisdiction and reward for stakeholders who have placed their trust in the company.

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OVERVIEW



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About This Report

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Kulim (Malaysia) Berhad's ("Kulim") Sustainability Report 2014-2015 highlights the performance of sustainability initiatives implemented by the Group's Plantation Division for the period 1 January 2014 to 31 December 2015. This is the Company's fifth Sustainability Report, and like previous reports, it is based on the Global Reporting Initiative ("GRI") guidelines, specifically GRI 4.0. Kulim is acknowledged as the first Malaysian plantation company to publish a GRI-based Sustainability Report.

This report is based on Sustainability Performance Measurements developed by the Kulim Sustainability Initiative Council in accordance with RSPO Principles & Criteria ("P&C").

1st
**MALAYSIAN
PLANTATION
COMPANY**
TO PUBLISH GRI-BASED
SUSTAINABILITY REPORT

5th 
**SUSTAINABILITY
REPORT**

WE CARE



The report evaluates the three pillars of responsible business operations – People, Planet and Profit ("3Ps") – as embodied in the Company's Sustainable Management System, the blueprint for balanced development.

Data presented in this report is on a best-effort basis, and may be subject to change. The data was collated in-house and screened by a third party consultant from PVM Communications Sdn Bhd, but it has not been subject to independent verification or assurance.



About Kulim (Malaysia) Berhad Plantation Division

Kulim (Malaysia) Berhad ("Kulim") traces its history back to 1933, with the incorporation of Kulim Rubber Plantation Ltd ("KRPL") in the United Kingdom. In 1947, KRPL began operations with 190 hectares of rubber plantations in Johor. In July 1970, KRPL changed its name to Kulim Group Ltd and listed its shares on the London Stock Exchange ("LSE"). In 1975, Kulim (Malaysia) Sdn Bhd was incorporated and the company's domicile transferred to Malaysia, where it was subsequently listed on Bursa Malaysia as Kulim (Malaysia) Berhad. In 1976, Johor Corporation (previously Johor State Economic Development Corporation) became the major shareholder of the Company.

As at 4 August 2016, with the completion of the Selective Capital Reduction and Repayment Exercise ("SCR") and the delisting of Kulim from Bursa Malaysia, the Company is now a wholly-owned subsidiary of JCorp.



The Group has built a strong and diverse portfolio anchored in three (3) main lines of business covering Plantation, Intrapreneur Ventures and Oil & Gas, whilst consolidating its Agrofoods segment. This balanced and diverse asset base means that the Group has a broad platform from which to deliver the levels of profitability and long-term value required to support growth.

Plantation has traditionally been our core business but over the years our business model has been fine-tuned to reflect a rapidly changing operating landscape. While we have divested our plantation interest in Papua New Guinea and the Solomon Islands, we continue to strengthen our position by securing new areas in Indonesia. As at 31 December 2015, the Kulim Group's direct and indirect landholding stood at approximately 92,000 hectares spread across Malaysia and Indonesia.

The Case for Sustainable Plantations

Palm oil and its derivatives are extracted from the pulp and kernel of the fruit of the oil palm that thrives in the tropics. British daily *The Guardian* (26 October 2015) cites RSPO as stating palm oil as the most widely used vegetable oil in the world, accounting for some 65% of all vegetable oil traded. Palm oil and its derivatives are increasingly sought as ingredients in food, personal care items, cosmetics, nutraceuticals and pharmaceuticals.

Although subject to price fluctuations, sometimes volatile, the long term forecast is for palm oil to continue as the golden crop of tropical economies as a result of demand generated by the rising middle class of emerging economies. Oil palm plantation agriculture thus continues to be a business with bright prospects, and this has encouraged both established plantation companies and newcomers to seek plantation lands.

Herein lies the rub. Unfortunately, the industry's bright prospects has attracted profiteers with a reckless disregard for the environment. Swathes of rainforest have been cleared for oil palm plantations, destroying the habitats of flora, fauna and eco-systems essential for clean air, clean water and other eco-services. At risk are the biodiversity of priceless rainforests, environmental stability and the sustainability of palm oil cultivation as a pillar of socio-economic development.

Campaigns for a global moratorium on the conversion of forests for oil palm cultivation have been going on since the 1990s. Often aggressive, the campaigns, mounted mainly in the West, have awakened consumer conscience to environmental degradation caused by irresponsible oil palm cultivation. Environmental activists have added pressure on big palm oil buyers such as Nestle, Kraft, Cadbury and General Mills to impose conditions on suppliers. Financial institutions such as HSBC that provide funding to major planters have also changed their lending rules, as the world moves forward towards a carbon-free green economy.

Producer nations may argue that the environmental card is being overplayed, and that the real issue here is protectionism. The popularity of palm oil is a threat to vegetable oils such as soy bean oil and corn oil, produced in temperate zones.



1990'S
Global Moratorium on the Conversion of Forest for Oil Palm Plantations



2000'S
Towards a carbon-free green economy

Sustainability is no longer a mere CSR issue but a matter of business survival and longevity - one that decides whether or not their products are accepted in the market. Unsustainable practices can seriously damage the company's brand, reputation and profitability.

Still, the customer and lender is king, and many producers are complying with the dictates of the marketplace. The growing demand for sustainability when sourcing supplies, especially among major palm oil users such as Unilever, P&G, Starbucks and Dunkin Donuts, has resulted in a demand for certified sustainable palm oil ("CSPO"). This has made the production of CSPO a critical strategy for business viability and growth.

Sustainability is no longer a mere CSR issue but a matter of business survival and longevity – one that decides whether or not products are accepted in the market. Unsustainable practices can seriously damage the company's brand, reputation and profitability.

Sustainable plantation practices stress on protecting the environment, requiring producers to take the necessary steps to avoid or contain the degradation of rainforests, biodiversity and the reduction of carbon emissions. Reputable plantation companies recognise the merits of CSPO and the need to balance their economic, social and environmental obligations.

The growing demand for sustainably produced palm oil led to the establishment of the Roundtable on Sustainable Palm Oil ("RSPO") in 2004. Currently, the non-profit organisation has 2,941 members representing seven sectors of the palm oil industry, namely, oil palm producers, processors or traders, consumer goods manufacturers, retailers, banks/investors, environmental/ nature conservation NGOs and social/developmental NGOs.

RSPO is a Non-profit Organisation comprising



2,941
Members
in 2015

- oil palm producers
- processors or traders
- consumer goods manufacturers
- retailers
- banks/investors
- environmental/ nature conservation NGOs
- social/developmental NGOs

RSPO has developed a set of environmental and social criteria that plantation companies must comply with in order for their oil to be labeled as CSPO. These criteria are designed to minimise the negative impact of oil palm cultivation on the environment and local communities.

A plantation player since 1933, Kulim became a member of the RSPO in 2004, and in 2009, the Company was recognised as one of the earliest plantation companies in Malaysia to obtain RSPO certification for all its mills and supply base.

Kulim's Sustainability Journey: Leading the Way

2004

- Becomes a RSPO member.
- Launches Sustainable Palm Oil Programme based on 8 Principles and 39 Criteria of RSPO.
- Appoints task force to implement Sustainable Palm Oil Programme.

2008

- Joins World Wildlife Fund ("WWF") Malaysia in a meeting with Greenpeace in London to seek clarification and engage in open discussion.
- Establishes Panel Aduan Wanita ("PAW"), a women's grievance panel.
- Becomes first Malaysian palm oil producer to publish the Sustainability Report for the period 2007-2008.

2007

- First Internal Social Impact Assessment ("SIA") based on RSPO Principle 6 and contains SA8000-(Auditable Certification Standard).
- Establishes Sustainable Palm Oil team and appoints Group Director for Sustainability.

2009

- Launches Kulim Wildlife Defenders to eliminate poaching in estates.
- Becomes one of the earliest Malaysian plantation companies with RSPO-certified mills and supply base.
- Launches Kulim Sustainability Handbook outlining policies and guidelines for stakeholders.

2010

- Establishes Sustainability Initiative Council to monitor performance against sustainability metrics.
- Rebranding Panel Aduan Wanita ("PAW") to Women Onwards ("WOW") that launches Jejari Bestari, an entrepreneurship programme for women in local communities.

2013

- Publishes Carbon Footprint Report 2012, the first by a plantation company in Malaysia.
- Launches 'Raja Zarith Sofiah Wildlife Defenders Challenge', a programme to increase awareness of wildlife conservation among students.

2011

Launches the Natural Corridor Initiative that links natural habitats separated by human modified landscapes.

2015

- Publishes Carbon Footprint Report 2014; targets to achieve 58% lower carbon footprint by 2020.
- Kulim's Carbon Footprint Report 2014 wins the Best Carbon Disclosure Report at Asia's Sustainability Reporting Awards ("ASRA 2015")
- Installs biogas plants in Sedenak and Pasir Panjang palm oil mills to achieve 58% carbon reduction by 2020.
- Bans use of Paraquat in all estates.
- Launches 'Saving Orangutan Saving Forest' campaign with Orangutan Land Trust ("OLT").

2014-2015 HIGHLIGHTS

Buffer Zone Set-Aside



HCV Forests



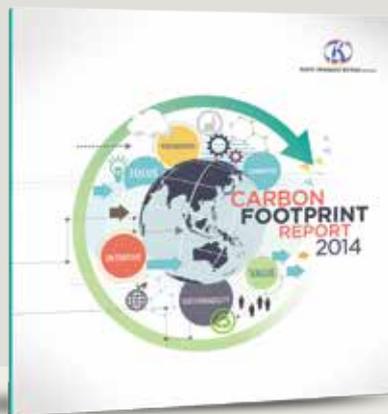
to be preserved for wildlife - full-fledged High Conservation Value ("HCV") forest and jungle patches in estates

Saving the Forest for Orangutan



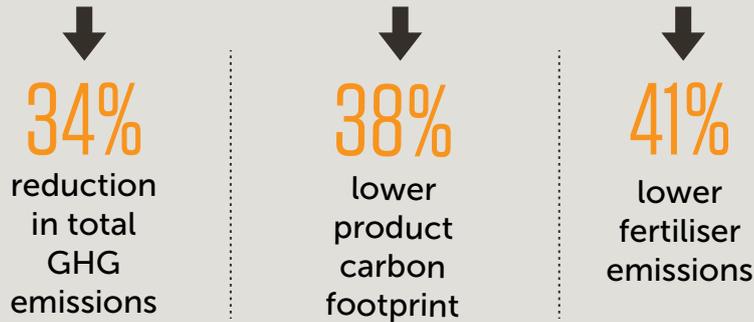
Donated
USD500,000
(approximately RM2.0 million)
to the Orangutan Land Trust for Sabangau National Park, Central Kalimantan - home to the largest orangutan population.

High Commendation for Kulim's Carbon Footprint Report 2014



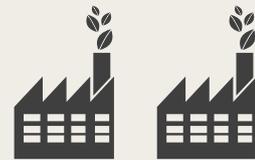
This report disclosed the impact of Kulim's operations – from land use to production – as well as detailed information of the estates and smallholders in Kulim's supply chain. For its transparency, the report was given a "High Commendation" at the Asia's Sustainability Reporting Award 2015. Kulim was also commended by RSPO for being the first Malaysian plantation company to use RSPO's PalmGHG calculator in this report.

Reduction in Carbon Footprint



Methane capture and biogas generation

2 Biogas plants commissioned



Sedenak and Pasir Panjang Palm Oil Mills

ISO 14001:2004 certification

Sedenak Estate, Sindora Estate and Sindora Palm Oil Mill ("POM") obtained this certification for environmental sustainability and operational performance.



Halal Palm Products



HALAL Certification for products from Sedenak POM*, Sindora POM, Tereh POM and Palong Cocoa POM

*POM: Palm Oil Mill



No to Paraquat!

Ends procurement of this toxic weed killer that is banned in 32 countries.



FTSE4Good

Selected for FTSE4Good Bursa Malaysia Index that measures performance by Environment, Social and Governance Standards

The Report Card 2014 - 2015

Description	Target	2014	2015	Justification
Lost Time Accident Rate ("LTAR") below 10	On-going Commitment	7.19 Achieved	6.82 Achieved	Declined due to consistent training and strict supervision in all aspects of safety & health in the workplace.
To reduce Severity Rate to below 3.5	On-going Commitment	2.44 Achieved	2.28 Achieved	Declined due to consistent training and strict supervision in all aspects of health & safety in the workplace.
Zero fatalities	On-going Commitment	2 Not Achieved	0 Achieved	Declined due to consistent training and strict supervision in all aspects of health & safety in the workplace.
Zero peat development	On-going Commitment	0 Achieved	0 Achieved	There is a management decision against planting on peat land which could cause haze during land clearing. Currently, only 1,380 hectares or 2.92% of Kulim's planted area is on peat land.
Zero development on land containing one or more High Conservation Values ("HCV")	On-going Commitment	0 Achieved	0 Achieved	Kulim is committed to protecting biodiversity and is bound by the RSPO Principles & Criteria in this regard.

Description	Target	2014	2015	Justification
Zero penalty for environment-related incidents	On-going	Achieved	<p>One case of Empty Fruit Bunches ("EFB") burning at Pasir Panjang (POM)</p> <p>Not Achieved</p>	Accidental burning due to heat build-up on EFB that was not evacuated to field during the construction of a bio-compost plant. Mill management to ensure no large stock pile of EFB at the mill area.
Carbon Report of Kulim plantations	Biennial	Achieved Published in 2013	Achieved Published in 2015	Kulim's 2014 Carbon Footprint Report was given "High Commendation" at Asia's Sustainability Reporting Award 2015. Kulim was also commended by RSPO for being the first Malaysian plantation company to use RSPO PalmGHG calculator to process data for the report.
HALAL Certification of palm products	2015	In progress	In progress	<p>Sedenak POM, Sindora POM, Tereh POM, and Palong Cocoa POM were awarded HALAL Malaysian Certification by Jabatan Kemajuan Islam Malaysia ("JAKIM"), effective 1 May 2015 – 30 April 2017.</p> <p>Certification for Pasir Panjang POM is targeted in 2017.</p>

The Report Card 2014 - 2015

Description	Target	2014	2015	Justification
2% reduction in usage of glyphosate on 1-year old palms	2020	In progress. Initiative to reduce usage of glyphosate by resorting to plastic mulching, commenced in September/October 2014.	In progress	Continuous plastic mulching programme in selected replanting areas. It is proposed that monthly records of glyphosate consumption on 1-Year after planting be put up in a blackboard database beginning January 2016.
5% reduction in Paraquat out of total herbicide usage	2020	Not Achieved	No new purchases of paraquat effective March 2015	In 2015, there was a spike in the usage of herbicides, including Paraquat due to the clearing of vast tracts for replanting and the removal of Volunteer Oil Palm Seedlings.
Reduction in water usage to 1.2 m ³ per tonne of FFB	On-going	Achieved - 1.05 m ³	Achieved - 0.98 m ³	The reduction was mainly due to the recycling of sterilizer condensate into mill operation.
International Sustainability Carbon Certification ("ISCC") for all mills	2017	In progress.	Sindora, Tereh and Sedenak POM were audited and recertified by ISCC.	Our target is to certify Palong Cocoa and Pasir Panjang POM in 2017.

Description	Target	2014	2015	Justification
Reduction CO₂ equivalent* by 90%	2017	<p>In progress. We have set a progressive CO₂e reduction target based on the commissioning of a biogas plant in each of our five mills by 2017.</p> <p>One biogas plant was commissioned and another is in progress. Three biogas plants are scheduled to be commissioned by 2017.</p>	<p>In progress. Two biogas plants were commissioned (Sedenak POM and Pasir Panjang POM). and another (Sindora POM) is in progress.</p> <p>The remaining two (Tereh POM and Palong Cocoa POM) will have biogas plants by 2017.</p>	<ul style="list-style-type: none"> The biogas plant in Pasir Panjang POM was commissioned in September 2015. Construction of the biogas plant in Sindora POM is expected to be completed by 2017. There is on-going negotiation for the installation of biogas plants at Tereh POM and Palong Cocoa POM to facilitate the export of electricity to the TNB grid.
100% of external fruits to be certified	2019	<p>In progress. We have set a progressive target to fully certify our outgrowers by 2019 and traders by 2025</p>	<p>In progress. Two outgrowers certified – Ladang Wawasan and Ladang Felda Paloh</p>	<p>Target to certify more outgrowers and traders in 2016.</p>
Achieve an average FFB yield of 30 tonnes per hectare and Palm Product Extraction Rate ("PPER") of 30%	2036	<p>In progress.</p>	<p>In progress.</p>	<p>PPER improved from 26.14% in 2014 to 26.41% in 2015. Achievement is due to continuous replanting with higher yielding materials and improvements in crop quality and oil recovery.</p>

*CO₂ equivalent: CO₂e

02

MESSAGE FROM THE
**EXECUTIVE
DIRECTOR**



Since its inception, the RSPO had made immense progress in enhancing sustainability awareness. Whilst companies may differ as to the level of compliance, by and large, sustainability forms an important consideration in the corporate vocabulary.

We are proud to be one of the first companies to be RSPO certified company-wide. Sustainability principles dictate how we conduct our businesses and the principles are diligently guarded. We continue to improve our practices in line with changes in sustainability standards. Often, we exceeded those requirements.

Our Carbon Footprint Report 2014, commended as Asia's Best Carbon Disclosure Report, highlighted our achievements of the year: a 34% reduction in total GHG*; 38.4% reduction of carbon footprint on per tonne basis; and 41% reduction in emissions from fertilisers.

It is important to us that our statements are verified. Thus the Group's business units were re-certified in 2014. In 2015, we disposed our entire stake in New Britain Palm Oil Limited to Sime Darby Plantation Sdn Bhd closing a chapter of our operations in Papua New Guinea ("PNG") and the Solomon Islands ("SI"). A new chapter was then opened with the expansion of our plantation business in Indonesia.

In 2016, the Kulim Group was privatized, and it will see us pursue a balanced business strategy of diversification. On 5 November 2015, the Board of Directors received a letter from our major shareholder, Johor Corporation ("JCorp"), requesting Kulim to undertake a Selective Capital Reduction and Repayment ("proposed SCR") exercise. The Proposed SCR will entail a capital repayment of the proposed cash amount of RM4.10 per Kulim share. On 4 August 2016, Kulim was removed from the Official List of Bursa Malaysia. The proposed SCR was deemed completed following the delisting.

*GHG: Greenhouse Gas Emissions

MESSAGE FROM THE EXECUTIVE DIRECTOR

In the RSPO context, the key challenges facing plantation players is climate change and stakeholder engagement. We know climate change is a global issue that requires collective action. On Kulim's part, the priority is to reduce our carbon footprint by targeting sources of GHG.

Our Carbon Footprint Report 2014, commended as Asia's Best Carbon Disclosure Report, highlighted our achievements of the year: a 34% reduction in total GHG emissions; 38.4% reduction of carbon footprint on per tonne basis; and 41% reduction in emissions from fertilisers.

As part of our verification process, we embarked on the International Sustainability and Carbon Certification ("ISCC") of our mills. In 2015, Sindora, Tereh and Sedenak POM were awarded the ISCC. Pasir Panjang POM is expected to be ISCC compliant in 2016.

Another strategic decision was to install biogas plants in all our five mills. The biogas plants will produce renewable energy from methane generated by the waste product Palm Oil Mill Effluent or ("POME") that has 21 times Global Warming Potential compared to other GHG.

We forecast that the biogas plants will effectively reduce the Group's overall carbon footprint by 80.5% in 2020 from the 2012 emission baseline. As at the end of 2015, we had commissioned two biogas plants, one each at Sedenak POM and Pasir Panjang POM. These two plants are expected to reduce Kulim's overall carbon footprint in 2020 by 58%. The Sindora POM is scheduled to have its biogas plant in 2017, and Tereh and Palong Cocoa POM in 2018. Besides in-house usage, we are also negotiating for the export of the renewable energy generated by our biogas plants at Tereh and Palong Cocoa POM with the aim of exporting electricity to the Tenaga Nasional Berhad ("TNB") grid.

We are also pleased to report that four of our mills were awarded the HALAL Malaysia Certificate by Jabatan Kemajuan Islam Malaysia (JAKIM) in 2015. They are Sindora, Tereh, Sedenak and Palong Cocoa POM. Pasir Panjang POM is scheduled for HALAL certification in 2017. HALAL certification is a non-RSPO requirement. Nonetheless it is significant to us since the primary use of palm oil is as an edible oil, with a variety of food applications.

We also took in 2015 the decision to totally ban the use of Paraquat. Again, this is not RSPO mandatory. The success of our Integrated Pest Management system, and ongoing research dedicated to finding alternatives, gave us the confidence to discontinue the usage of Paraquat. To further protect our waterways, larger quantities of organic fertilisers are being applied to our fields.

Some of our estates border national parks such as Endau-Rompin in Johor and Sabangau in Kalimantan. In the interest of safeguarding the biodiversity of these tropical rainforests and to reduce air and water pollution, we enlarged the buffer zone between our estates and primary forest reserves. As at end 2015, a total of 52.46 hectares were designated as buffer zones. Another 32.67 hectares of ecologically rich forests occurring within our estates are also to be preserved. In total, 85.03 hectares of our land bank will be protected as High Conservation Value ("HCV") forests.



A sum of RM17.19 million was spent on stakeholder engagement for the period 2014-2015 compared to RM14.0 million in 2012-2013. The funds were used to sponsor welfare programmes, employee volunteer projects such as Women OnWards (WOW) to develop women micro entrepreneurs, Infaq 1 Warisan tree planting campaign as well as commercial initiatives. A sum of USD500,000 was contributed to the Orangutan Land Trust ("OLT") for efforts in orangutan conservation initiatives in Kalimantan.

During this period, we are pleased to report that our outgrowers engagement is beginning to deliver the desired results. In 2015, two outgrowers, namely Ladang Wawasan and Ladang Felda Paloh, obtained their RSPO certification. Outgrowers are an important link in Kulim's supply chain, accounting for about 30% of Fresh Fruit Bunches ("FFB") processed by the Group's mills. This is an encouraging start, and Kulim plans to increase the number of certified outgrowers, and in doing so, increase its production of CSPO. As certified producers, outgrowers, in turn, can seize opportunities to penetrate new markets.



MESSAGE FROM THE EXECUTIVE DIRECTOR

The dependence on foreign labour has been a cause of concern for some years among many plantation companies in Malaysia. In Kulim, foreign labour accounts for 83% of the total plantation workforce. Frequent changes in foreign labour recruitment rules in source nations and end-user nations tend to be destabilising at best and unproductive at worst, especially since planting and harvesting still remain labour-intensive operations. Despite the relatively safer and healthier working environment, competitive wages and comfortable housing and medical benefits, Kulim continues to grapple with plantation worker shortages in Malaysia. In Indonesia, where we are starting to plant, the issue is the shortage of experienced workers.

To remain profitable, we will continue to focus on improving yields, cost optimisation and replanting that will improve the age profile of our palms in Malaysia. As at end 2015, palms at 9-18 years made up 44% of total planted area. On the field, we promote agricultural best practices with Kulim's Vision 30:30 – 30 tonnes FFB yield per hectare; 30% palm product extraction rate. In 2015, FFB yield per hectare stood at 22.50 tonnes compared with 22.34 tonnes the previous year. Oil extraction rate grew from 20.58% in 2014 to 20.86% in 2015. This is above the industry average in Peninsular Malaysia.

Kulim aspires to be a Group that is admired and respected not only for delivering superior business value but also for playing a leading role in delivering results sustainably. The Group's recognition as a constituent of the inaugural FTSE4Good Bursa Malaysia Index in 2014 is an affirmation of our commitment to sustainable practices. The Index, developed by FTSE, measures the performance of public listed companies demonstrating strong environmental, social and governance practices. We were honoured to be selected as one of 24 public listed companies in the inaugural Index in 2014.



In 2015, we made two important announcements. One was the completion of the disposal of New Britain Palm Oil Limited ("NBPOL") that contributed towards a strong financial performance amidst a gloomy business environment. The Group's Profit Before Tax ("PBT") rose 70.10% to RM162.51 million in 2015 compared to RM95.53 million in 2014. Part of the proceeds of the NBPOL sale was used as working capital as well as new ventures, especially in Indonesia. As at end 2015, Kulim has 40,645 hectares in North Barito, Central Kalimantan to be developed, following the acquisition of a 74% stake in PT Wisesa Inspirasi Nusantara ("PT WIN"). Planting of new palms is ongoing, albeit at a slower pace, with some 307 hectares planted at end 2015.



More acquisitions are the table, to boost the Group's land bank to more than 100,000 hectares. Besides replenishing the area reduction caused by the sale of NBPOL, the new acquisitions are expected to boost the Group's future earnings when a substantial area of young palms mature in the next two or three years. These new estates will contribute towards lowering the overall age profile and increase the optimum productive life span of the Group's oil palms.



The second announcement on the 4 August 2016 was the privatisation of Kulim after 40 years of being listed on Bursa Malaysia. The privatisation exercise was concluded and Kulim devolved into a private company. We are pleased that this exercise was recognised by financial analysts as being one of the best privatisation deals for outgoing shareholders. Notwithstanding our present status as a private company, we will continue producing Integrated Annual Reports and Sustainability Reports as a testimony to our commitment to sustainability and good governance.

Zulkifly Zakariah
Executive Director
Kulim (Malaysia) Berhad



03

SUSTAINABILITY
GOVERNANCE



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Our Sustainability Policy

The Kulim Group became one of the earliest plantation companies in the world to be certified as a sustainable palm oil producer when its estates and mills in Papua New Guinea (disposed in 2015) and Malaysia were awarded the RSPO certification in 2008 and early 2009 respectively.

Kulim has for decades envisioned itself as a company committed to “sustaining people, planet and profit” to ensure that present and future generations will continue to benefit from today’s actions. In our pursuit of growth and value, we embrace sustainable development as the cornerstone of all our operations in Malaysia and overseas. We define it as “encompassing social responsibility, resource stewardship, appropriate environmental control and the capacity to produce efficiently. We set out to achieve this by balancing the considerations of People, Planet and Profit in all management decisions and operations.”



Our stewardship in sustainability also resonates Islamic principles and ethics. This is a value system that advocates value creation through the sustainable use of natural resources such as land and water, and to respect the rights of flora, fauna and future generations to enjoy the bounties of Mother Nature as much as past and present generations.

Abiding by RSPO Principles & Criteria

The Roundtable on Sustainable Palm Oil (“RSPO”) is a global multi-stakeholder initiative on sustainable palm oil that was formally established under Article 60 of the Swiss Civil Code on 8 April 2004.

RSPO’s strength lies in its multi-stakeholder membership that ranges from oil palm growers, palm oil processors and traders to retailers, consumer goods manufacturers, banks/investors, environmental and social NGOs worldwide. This accords the RSPO significant credibility and acceptance in overseas markets compared to domestic palm oil certification bodies.

Oil palm producers accounted for 17% of the RSPO’s 2,941 members as at end 2015, and membership is voluntary. With the growing demand for CSPO by RSPO-accredited buyers, sustainable oil palm cultivation has become the passport to gain access to lucrative markets in the West. There is mounting pressure from Western governments and NGO’s to compel buyers to use only sustainable palm oil with the publication of scorecards that disclose their purchases.

According to the World Wildlife Foundation’s 2013 Palm Oil Buyers Scorecard, palm oil buyers have increased their use of sustainable palm oil. The scorecard assesses the amount of CSPO used by 130 major global retailers, food companies and manufacturers. The scorecard, which is made public, shows some companies making excellent progress, while others are still lagging behind.



Kulim established its sustainability credentials via RSPO certification. The Group was among the first palm oil companies to be awarded the RSPO certification in 2009, and since then all our operating units have undergone the prerequisite re-certification audits in December 2013. The certification was renewed in April 2014. As at the end of December 2015, four of our five mills had their RSPO certification renewed; the last one, Pasir Panjang POM is scheduled to be certified in 2016.



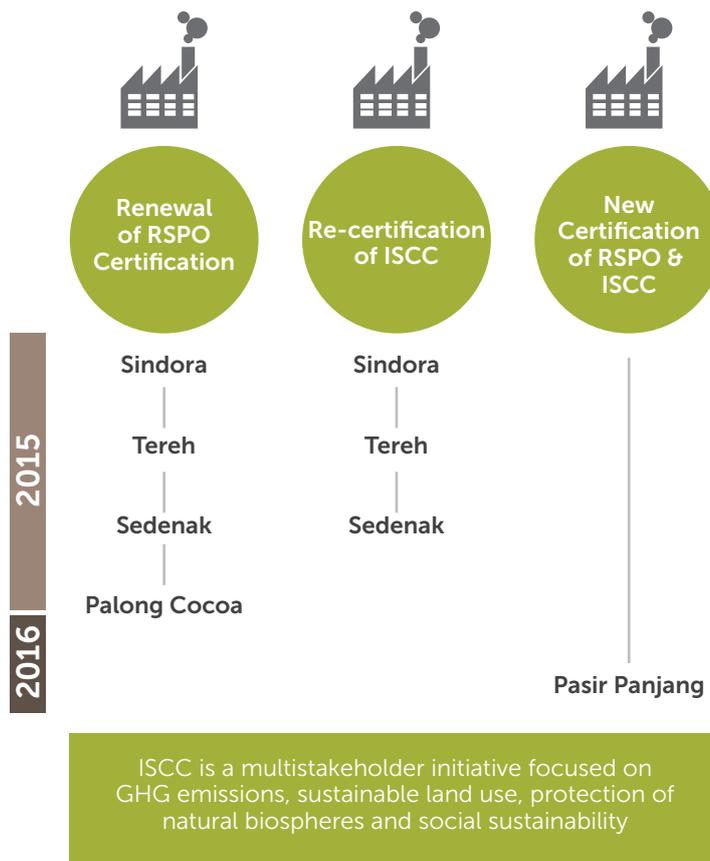
SUSTAINABILITY GOVERNANCE

One of the challenges of RSPO certification is keeping up with the frequent changes in criteria and indicators. In 2013, for example, four criteria and indicators were revised with regard to ethical conduct (1.3), forced and trafficked labour (6.12), respecting human rights (6.13) and minimising GHG emissions from new plantation developments (7.8). For Kulim, these revisions were easy to adapt to because they were Group practices before they became RSPO mandatories. But the issue is ensuring compliance by outgrowers, typically small estates with limited resources that form Kulim’s FFB supply base. To date, two outgrowers have become RSPO-certified, and Kulim is assisting others to do the same.

Falling crude oil prices and competition from non-RSPO members notwithstanding, the Kulim Group remains committed to safeguarding its RSPO credentials and CSPO market reputation. Kulim has controls in the form of policies, monitoring systems and procedures to minimise, if not prevent, the risk of RSPO non-compliance. The RSPO’s eTrace system monitors the marketing and movement of CSPO, from supply base to consumer. The authenticity of Kulim’s CSPO can be tracked via three RSPO-approved mechanisms, namely “Book and Claim”, “Identity Preserved” and “Mass Balance” that are part of the eTrace system.

RSPO recognition has given Kulim access to world markets while partaking in the collective effort to mitigate the negativity surrounding palm oil production. One of the oldest plantation companies listed on Bursa Malaysia (since 1975), we believe that our future lies in the adherence to the principles of sustainability governance.

Palm Oil Mills



BEYOND RSPO: The Continuous Quest for Sustainability

Kulim has also made strides into other frontiers to maintain its leadership in sustainable palm oil production. They are mainly market forces that dictate how oil palm is cultivated and extracted. By abiding by these standards, Kulim has become a respected palm oil producer. Whether it is RSPO, HALAL or ISCC compliances, their goals are interlocked and linked to the sustainable production of palm oil.

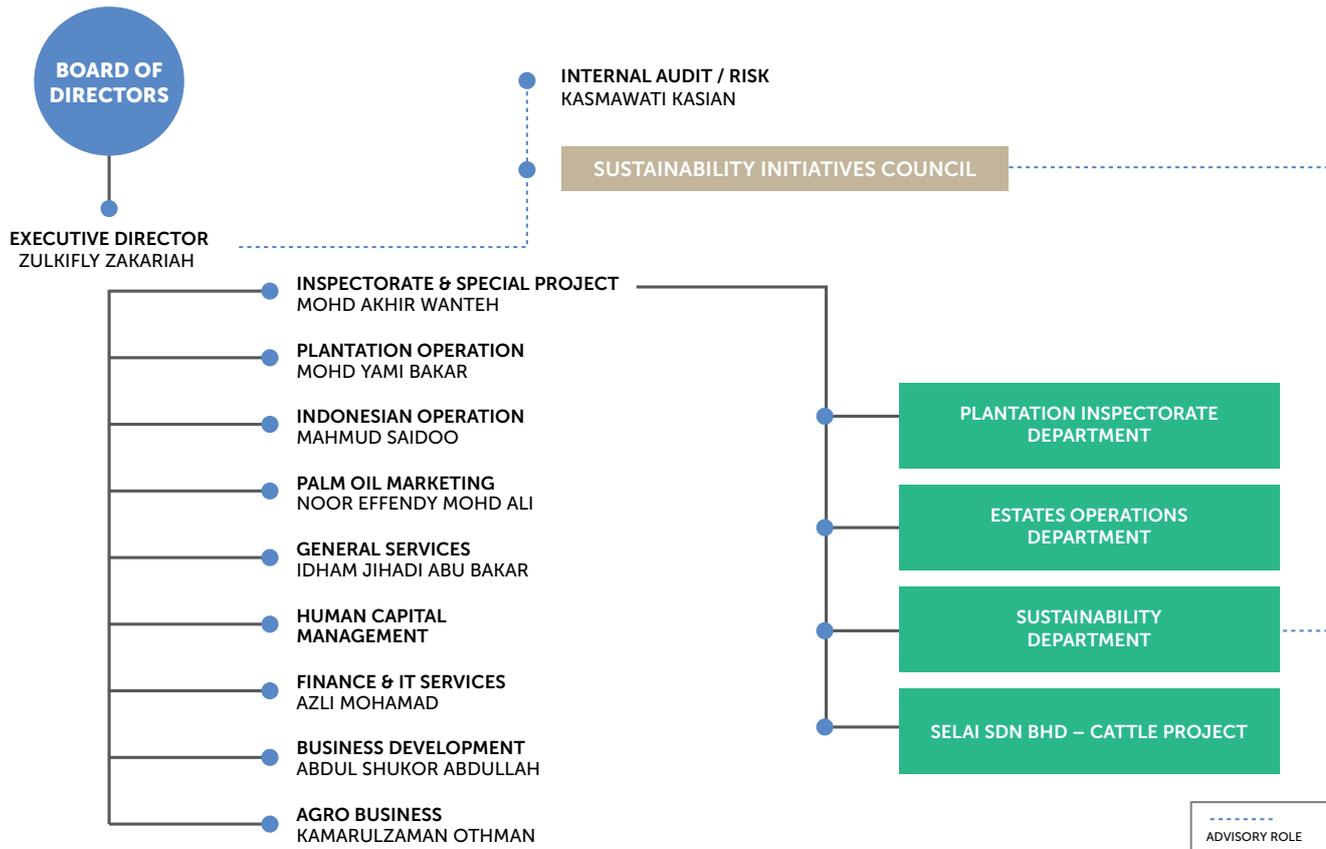
Currently, the Kulim business kit includes compliances with the following standards:



Other Fundamentals

- Kulim's Environment Policy is the cornerstone of business strategies.
- Malaysian Palm Oil Association Environmental Charter – Kulim is a signatory of the charter that outlines guiding principles that members should uphold, including benchmarking and adoption of best management practices.
- Sustainable Management System is in place to strengthen the Group's strategic approach to sustainable management by setting out Key Performance Indicators and a system of monitoring and reporting on performance.
- Best Management Practices in the Group's estates and mills.

Our Sustainability Mechanism



A comprehensive Sustainability Handbook

In 2009, the Company launched the Kulim Sustainability Handbook outlining policies, expectations and actions to be taken by stakeholders in the course of implementing strategic sustainability initiatives.

The comprehensive handbook provides guidelines on wide-ranging subjects relating to People, Planet and Profit. They include labour laws, safety & health issues, employee grievances and the creation of a safe, non-discriminatory workplace; conservation of biodiversity, pollution control, soil and waste management, identification of High Conservation Value ("HCV") areas; business ethics and fraud; Free, Prior and Informed Consent in all negotiations and interactions; sound land management systems and responsibility to local communities, among others.

A group of white birds, possibly egrets or herons, are captured in flight against a blurred background of a forest. The birds are scattered across the upper and middle portions of the page, with their wings spread, creating a sense of movement and natural beauty. The background is a soft-focus green and brown, suggesting a lush, natural environment.

Sustainability Across Borders

When expanding its plantations, Kulim follows the RSPO Procedures for New Planting. They take account of the conservation of biodiversity, protection of cultural and customary land use and the capacity of the land to sustain development.

Prior to any new planting, the Company conducts a comprehensive and independent social and environmental impact assessment. Kulim also ensures that Free, Prior and Informed Consent is obtained and fair compensation made to the affected communities.

The Company avoids development in primary forests or on land with one or more High Conservation Value ("HCV"). In the past, the Group has rejected proposals for expansion due to a potential conflict with RSPO principles and requirements. This includes plantings in recently logged and peat areas.

Following the acquisition of a 74% equity in PT Wisesa Inspirasi Nusantara ("PT WIN") concluded on 14 February 2016, Kulim is developing 40,645 hectares of its landbank in Central Kalimantan, Indonesia. The planting of new palms is presently ongoing albeit at a slower pace. As at end 2015, 307 hectares were planted according to RSPO's New Planting Procedures as well as Indonesian regulations. Pre-planting stakeholder engagement resulted in dialogues with the local Dayak community in June 2013, to explain the development and to obtain their consent to proceed. A survey was also conducted to determine HCV areas here.

Kulim is a significant supporter of the Save the Orangutan campaign in Sabangau National Park that adjoins its estates. Kulim donated USD500,000 to the Orangutan Land Trust, a NGO managing the home to one of the largest populations of Orangutan.

In July 2014, Kulim submitted pertinent documents to TUV Rheinland Indonesia, the leading provider for RSPO certification in Indonesia. The Audit Report was completed in September 2014 and published on the RSPO website for public notification.

▶ Engaging Our Stakeholders

Stakeholder engagement is at the core of all our business and sustainability strategies. Dialogues provide invaluable inputs for informed decision making. We also place a premium on strengthening our relationship with local communities where we operate.

These engagements not only help to enhance accountability, trust and transparency but also highlight potential risks and opportunities. These overtures have helped us progress towards becoming a more responsible business and corporate citizen.

Stakeholder	Focus	Method of Engagement	Outcome
Employees 	<ul style="list-style-type: none"> Talent retention Employee development 	<ul style="list-style-type: none"> Management and Employee Roundtable Conference, dialogues, surveys and workshops 	<ul style="list-style-type: none"> Conducted the Employee Climate Survey (“ECS”) that was followed by benchmarking and review of salaries, initiated career and succession. Initiated online peer and reverse performance, feedback performance appraisal and assessed competency training needs.
Workers 	<ul style="list-style-type: none"> Labour policy and workers’ lives Occupational Safety & Health 	<ul style="list-style-type: none"> Annual Social Impact Assessment (“SIA”) Enhancing skills and income generation among housewives by Women OnWards (“WOW”) 	<ul style="list-style-type: none"> Provided 82 staff families with new housing in five estates. Provided training and facilities for WOW members at Operating Units to market their products at Company events and festive seasons. Created awareness of economic and social achievements and challenges of women. Promoted entrepreneurship among WOW members Presented “Anugerah Kecemerlangan Pekerja Wanita” to honour women’s contribution to the organisation and community.

Stakeholder	Focus	Method of Engagement	Outcome
<p>Non-governmental organisations (“NGO”)</p> 	<ul style="list-style-type: none"> • Biodiversity loss • Climate change • Environmental rehabilitation • Good Agricultural Practices (“GAP”) 	<ul style="list-style-type: none"> • Partnerships, multi-stakeholder forums and joint projects • Adherence to RSPO Principle & Criteria • Charitable contributions 	<ul style="list-style-type: none"> • Implemented responsible business practices, compliance to local and international laws. • Implemented Human/Wildlife Conflict management project with Wildlife Conservation Society (“WCS”). • Embarked on Kulim Wildlife Defenders (“KWD”) monitoring and patrol under Johor Wildlife Conservation Project. • Contributed to the Orangutan Trust Fund.
<p>Investors, bankers and business partners</p> 	<ul style="list-style-type: none"> • RSPO certification • Labour policies and human rights • Grievance mechanism • Sustainability risk and opportunity • Socially-responsible landbank expansion 	<ul style="list-style-type: none"> • Meetings, road shows and group meetings • Update on RSPO initiatives 	<ul style="list-style-type: none"> • Incorporated sustainability issues into our investor relations communication strategies • Advocated sustainability ethics, values and governance

SUSTAINABILITY GOVERNANCE

Stakeholder	Focus	Method of Engagement	Outcome
Industry 	<ul style="list-style-type: none"> • Chemical usage • Water usage • Occupational Safety & Health • Climate change • Biodiversity loss • Community and workers' lives • Good Agricultural Practices 	<ul style="list-style-type: none"> • Multi-stakeholder initiatives, ad-hoc meetings with industry peers 	<ul style="list-style-type: none"> • Certified as RSPO plantation company. • Published Carbon Footprint Report. • Provided feedback to GHG Working Group 2 on usability and accuracy of PalmGHG tool.
Outgrowers and communities 	<ul style="list-style-type: none"> • Commitment to certify 100% of FFB processed at our mills by 2019 	<ul style="list-style-type: none"> • Annual SIA, ad-hoc public meetings, workshops, individual meetings • Disaster relief efforts, community outreach development programmes and humanitarian assistance 	<ul style="list-style-type: none"> • Met with FFB smallholders/suppliers with regard to RSPO certification. • Succeeded in certification of two outgrowers. • Participated in homeless aid programme "Assalamualaikum Dunia 1436H". • Outreach programme for vulnerable communities affected by environmental disasters such as floods.
Customers 	<ul style="list-style-type: none"> • Supply chain certification 	<ul style="list-style-type: none"> • Joint ventures and ad-hoc meeting • RSPO and ISCC briefing 	<ul style="list-style-type: none"> • Sold our CSPO to buyers via Identity Preserved, Mass Balance and Green Palm Book and Claim traceability mechanisms - ISCC Oil EU and ISCC Plus. • Obtained HALAL Certification for our palm products. • Awarded ISO 9001:2008 certification for quality management. • Awarded ISO 14001:2004 certification for environmental management.

Stakeholder	Focus	Method of Engagement	Outcome
<p>Government and regulators</p> 	<ul style="list-style-type: none"> Sustainability, social issues, local communities and sectoral development 	<ul style="list-style-type: none"> Regular engagement and communication Corporate Responsibility initiatives Sports and recreation activities 	<ul style="list-style-type: none"> Attended discussions/meetings with local/state governments to discuss issues relating to biodiversity/sustainability. Obtained views from participants of “Rakan Alam Sekitar” (Friends of Environment) as part of nation-building agenda.
<p>Unions</p> 	<ul style="list-style-type: none"> Labour policy, workers’ rights and quality of life 	<ul style="list-style-type: none"> Meetings and conferences 	<ul style="list-style-type: none"> Established local committee comprising elected union representatives for collective bargaining.
<p>Media</p> 	<ul style="list-style-type: none"> Sustainability, social issues, local communities and business development 	<ul style="list-style-type: none"> Press releases, regulatory announcements, shareholders’ circulars, fact sheets Press conferences Other media relations initiatives 	<ul style="list-style-type: none"> Used media to highlight the Group’s sustainability initiatives. Strengthened Kulim’s position as leading producer of CSPO.



04

THE 3Ps OF SUSTAINABILITY





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Protecting our PLANET

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Developing our PEOPLE

66

Delivering Year-on-Year PROFIT



Protecting Our Planet

Plantation companies of today are expected to take appropriate actions to mitigate the impact of their business operations on the environment. They are being held accountable for the good health of the planet that is being threatened by pollution, climate change, the loss of biodiversity and ecosystems. Markets have started to prevail themselves upon plantation companies to act against environmental degradation. Consumers now demand sustainably sourced palm oil products and services.

A conscientious corporate citizen, Kulim has made caring for the environment the cornerstone of its business policies decades ago. In striving for balance between its business objectives and environmental conservation, Kulim complies with all national environmental legislations; implements resource management and pollution control; alleviates potential environmental degradation in new developments; and communicates its Environmental Policy to all stakeholders. These are fundamental in all its business operations.

Currently, the Company's top priorities are the reduction of its carbon footprint, the responsible use of chemicals and water, and the protection of biodiversity.





REDUCING OUR CARBON FOOTPRINT

In 2009, RSPO decided that a company could only claim sustainability of its palm oil production “when explicit consideration has been given to aspects of Greenhouse Gas Emissions (“GHG”). Since then GHG emissions have received a clear position in the RSPO Principles & Criteria.”

In 2013, Kulim became the first Malaysian plantation company to publish the biennial Carbon Footprint Report using the PalmGHG Calculator Beta Version 1a Guidelines. The guidelines, developed with funding from RSPO, estimates net GHG emissions produced during palm oil production.


34%

**reduction
in total
GHG emissions**


38%

**lower product
carbon footprint**


41%

**lower fertiliser
emissions**

In November 2015, Kulim produced its second Carbon Footprint Report 2014 using the PalmGHG Calculator Beta Version 2.1.1, a new and improved version. This report highlighted a reduction in total net GHG emissions of 34% (using PalmGHG V1); 38% reduction of carbon footprint (PalmGHG V2) on per tonne basis and a 41% reduction in emissions from fertilisers.

THE 3Ps OF SUSTAINABILITY: PLANET

GHG emissions in the palm oil industry are caused by numerous factors. They occur during transportation and use of fertilisers; carbon dioxide emissions from diesel and gasoline combustion of vehicles during harvesting and collection of Fresh Fruit Bunches (“FFB”); carbon dioxide emissions by diesel-powered mill engines; and methane emissions from Palm Oil Mill Effluent (“POME”) that has 21 times Global Warming Potential compared to the other gases.



Our net GHG emissions for 2014 amounted to 220,000 tonnes CO₂e. With a total Crude Palm Oil (“CPO”) production of 257,881 tonnes and Palm Kernel (“PK”) production of 69,681 tonnes, this is equivalent to a carbon footprint of 0.71 tonne CO₂e per tonne CPO/PK if we use PalmGHG Version 1a or 1.15 tonnes CO₂e per tonnes CPO/PK using PalmGHG Version 2.1.1. These figures show the average amount of carbon dioxide produced per tonne of CPO by Kulim mills. Comparatively in 2015, our net GHG emissions amounted to 482,809 tonnes CO₂e using PalmGHG Version 2.1.1 with total CPO and PK production of 253,471 tonnes and 68,122 tonnes, respectively. This is equivalent to a carbon footprint of 1.49 tonnes CO₂e per tonne CPO/PK (excluding Pasir Panjang POM). These results have been communicated voluntarily to RSPO as part of our GHG emissions monitoring effort.

The biggest culprit in gross carbon emissions generated by Kulim is from land clearing for planting, which accounts for 66% of total emissions. However, carbon sequestration by planted oil palms offsets land clearing, and the outcome was a carbon positive estimated at 113,084 tonnes CO₂e. Only 1.8% of the land cleared consisted of peat that produced 75,395 tonnes CO₂e.

Emission Reduction by Mills

	2012	2014	2012	2014	Remarks
	MT CO ₂ e/MT CPO		MT CO ₂ e/MT PK		
Kulim Group	1.15	0.71	1.15	0.71	Decreased by 38.4%
Palong Cocoa Palm Oil Mill	1.32	0.85	1.32	0.85	Decreased by 35.6%
Sedenak Palm Oil Mill	1.51	0.71	1.51	0.71	Decreased by 53.1%
Sindora Palm Oil Mill	1.44	0.54	1.44	0.54	Decreased by 62.5%
Tereh Palm Oil Mill	0.66	0.73	0.66	0.73	Increased by 10.6%
Tunjuk Laut Palm Oil Mill	0.75	N/A	0.75	N/A	No longer under Kulim's management

Our Carbon Reduction Strategy also covers the tracking of palm kernel shells sold for fuel usage (allowing for a significant emissions credit), reduction in fertiliser usage and controlled peat land planting.

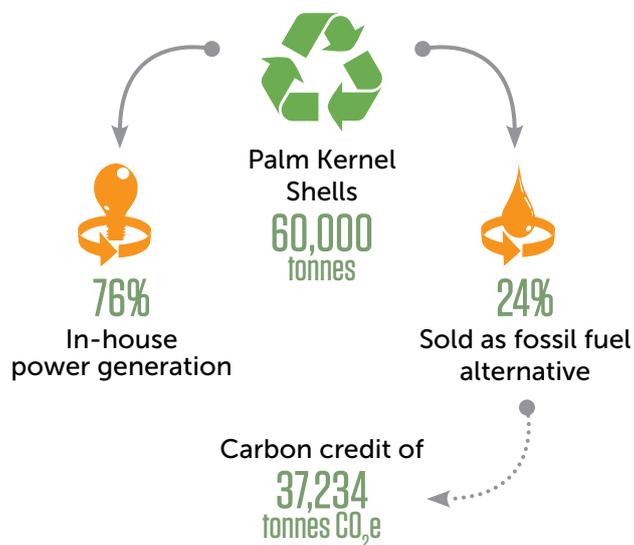
The Group's net carbon footprint emission by mill has fallen by 38% since 2012, largely due to the introduction of a tracking system that monitors palm kernel shells sold for power generation which awarded Kulim with carbon credits. Similar to 2012 and 2013, our mill operations produced about 60,000 tonnes of palm kernel shells for the period 2014-2015, and 76% of this was used for in-house power generation. This earned Kulim a potential credit of 30,000 tonnes of CO₂e. The remaining 24% was sold to third parties as a fossil fuel alternative. Our tracking and monitoring of palm kernel shells sold as alternative fuel gave us an additional carbon credit of 37,234 tonnes CO₂e in 2014 and 2015.

In addition, carbon credits were accumulated as a result of a decline in fertiliser usage, especially at Sindora POM's supply base estates that underwent a replanting programme. As a standard operating procedure, manuring was discontinued two years prior to replanting.

The cultivation of oil palm on peat is discouraged because it generates emissions from microbial decomposition of exposed organic carbon in peat as well as associated N₂O* emissions. However, there is still a significant degree of uncertainty of the various factors affecting the magnitude of these emissions. This includes drainage depth, peat subsidence and age of plantation.

* N₂O : Nitrous Oxide

** N-N₂O : Nitrous Oxide with KgN fertilizers added



It is widely acknowledged that draining and burning peat land for agricultural expansion leads to sudden spikes in GHG. Peat fires can emit up to 10 times more methane (a GHG that is 21 times more potent than carbon dioxide) than fires occurring on other types of land. Taken together, the impact of peat fires on global warming can be more than 200 times greater than fires on other lands.

Peat land accounts for 1.8% of land cleared and cultivated by the Kulim Group and its outgrowers. Still, GHG emissions is significant, contributing 97,871 tonnes CO₂e (7.64%) of total emissions in 2015.

To reduce emissions from peat, Kulim implements best management practices that comply with RSPO Principles & Criteria. We actively monitor and control water tables with a drainage depth of 60cm to limit GHG emissions. In determining GHG emissions from peat, the default emission value used is 0.91 MT CO₂ per cm per year (or 54.6 MT CO₂ per hectare per year for 60cm drainage depth) and 16 kg N-N₂O** per hectare per year as proposed by the PalmGHG calculator. During the reporting period, there was no planting on peat.

PUTTING METHANE TO GOOD USE

Methane gas produced from the anaerobic process in Palm Oil Mill Effluent ("POME") is a huge source of renewable energy that can be utilised for power generation and cogeneration. Previously, palm oil mills mitigate the harmful effects of methane on the environment by flaring it in order to reduce the amount released into the atmosphere. However, this is the least value added approach to sustainability. The harvesting of methane as renewable energy has the potential of creating a viable revenue stream for the palm oil mills, while addressing environmental and regulatory concerns.

Beginning 2014, the Government mandated new palm oil mills as well as established mills on expansion mode to install methane avoidance facilities in a bid to reduce GHG emissions and boost the industry's sustainability efforts.

Kulim has started to install biogas plants in its palm oil mills in stages, and this is expected to help reduce the Group's overall carbon footprint by 58% of the 2012 baseline emission by the year 2020. Currently, our mill operations are the second largest contributor of GHG emissions.

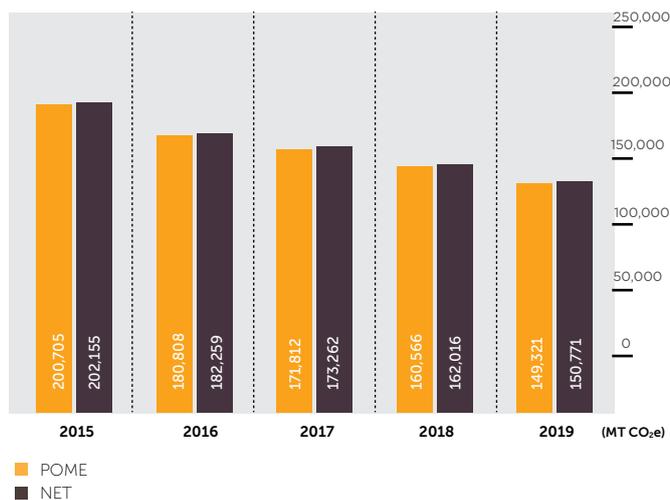
We commissioned our first methane capture and power generation plant in Sedenak POM on 8 April 2014. In 2015 it produced around 5,000 m³ of methane gas daily for power generation. Another biogas plant located at Pasir Panjang POM was commissioned in September 2015. The third biogas plant in Sindora POM, is expected to be completed in 2017. We forecast 50%-100% of methane from POME degradation to be captured eventually and channelled for power generation by these three mills. Overall, we expect them to reduce our Malaysian emissions from POME by about 32% over the next four years.

There is also an on-going negotiation with Tenaga Nasional Berhad ("TNB") with the aim of exporting renewable energy from our biogas plants.

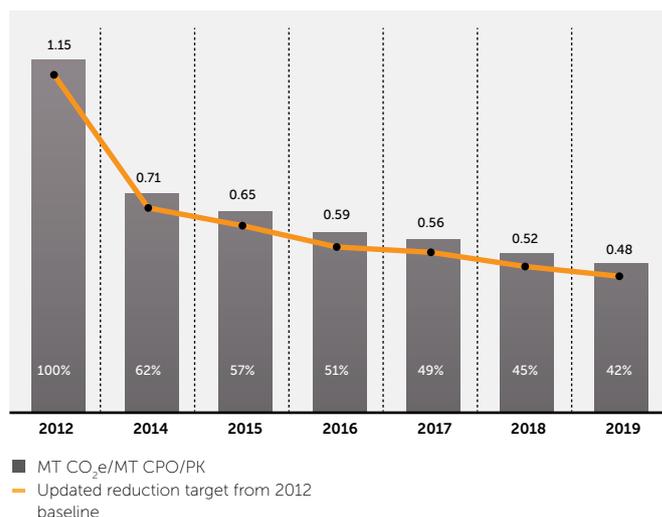
The installation of biogas facilities is also expected to pave the way for other viable downstream businesses.



Biogas Plants: Projected Reduction of Emissions 2015 - 2019



Overall: Projected Reduction of Emissions 2012 - 2019



Reduction of Chemical Fertilisers

Kulim has a long-term organic fertiliser programme to reduce the GHG emissions from the production, transportation and use of chemical fertilisers by both Kulim estates and outgrowers. The excessive use of chemical fertilisers pollutes river and underground water systems. To address this, we are currently in the midst of field data collection to find ways of optimising organic and chemical fertiliser usage without affecting FFB yields.

In addition, all our five palm oil mills have established composting projects that involve recycling nutrients from Empty Fruit Bunches (“EFB”) and POME to fertilise the fields.

GHG emissions from the use of fertilisers for planting contributed 62,369 MT CO₂e or 4.87% of total emissions in 2015 compared to 57,690 MT CO₂e or 5.29% in 2014.

This is a significant reduction from 2012 where fertiliser-related emissions was 98,000 MT CO₂e.

Of this, Kulim’s estates contributed approximately 64.8% of emissions while the remaining 35.2% was generated by outgrowers. The chemical composition of fertiliser plays a critical role in this regard and can vary widely from 44kg to 2,380kg MT CO₂e fertiliser. Nitrous oxide emissions are from the nitrogen content of fertilisers.

Organic fertilisers produced from treated and dried POME and the composting of EFB under our long-term organic fertiliser programme will help to reduce our dependency on chemical fertilisers. Both these initiatives resonate the principles of 3R – Reduce, Reuse, Recycle – that has been a longstanding part of our Environment Policy.

Outgrower Engagement

Besides the Group's estates, our palm oil mills also procure FFB from outgrowers, typically independent smallholders cultivating oil palm on less than 50 acres and larger size smallholdings that come under the ambit of organisations such as FELDA. In times of strong market demand, our palm oil mills also buy from traders, who obtain their supplies from diverse smallholders.

Since 2012, outgrowers have accounted for about 30% of FFB supply, and herein lies our RSPO challenge: tracing the origin of supply to sustainable RSPO practices.

In an effort to maintain our RSPO certification and ensure the sustainability of our supply chain, we

conducted two rounds of internal audits for our operating units and outgrowers. We have also initiated a long-term engagement process with all of our independent outgrowers and this has evolved into a full-scale programme to assist outgrowers achieve RSPO certification. For outgrowers, the cost of RSPO certification and keeping up with changes in criteria are big hurdles. Kulim does its best to guide them to adopt good agricultural practices, especially in the efficient use of fertilisers and cultivation on land near primary forests and peat land.

As of 31 December 2015, two outgrowers were RSPO-certified, and Kulim will continue to work with other outgrowers to reduce emissions generated by external suppliers.



RESPONSIBLE CHEMICAL USE

Chemical pesticides and herbicides used in agriculture tend to contaminate waterways, and to address this problem Kulim has always sought out environment-friendly alternatives.

Under the stewardship of its Agronomy Department, Kulim has adopted a more structured approach to Integrated Pest Management, the first line of defence against pests and diseases. The Integrated Pest Management system uses alternatives such as barn owls, pheromone traps, beneficial plants and microbes to fight off palm pests. In 2008, Kulim invested in cattle rearing to control the growth of unwanted ground cover.

Meanwhile, the department's R&D advisory services provide solutions to our plantations on the most effective way for weed and pest management to obtain maximum yields based on land use conditions. We are currently trialling the use of microbes such as metarhizium to infect spores, larvae and adult beetles that infest oil palm chips.

Chemical control is our last resort, used only when biological measures have failed.



Kulim bans Paraquat

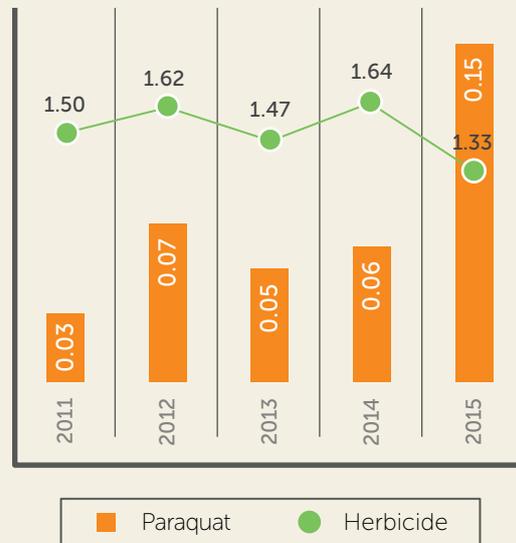
A significant development in 2015 was Kulim's decision to ban the procurement of Paraquat in March 2015. This decision reflects the concerns of stakeholders who recognise that the chemical is highly toxic and damaging to human and environmental health. To date, Kulim has not recorded any reports of Paraquat casualties.

One of the most cost-effective agricultural herbicides, Paraquat is an acutely corrosive and toxic chemical formulation that also causes severe groundwater contamination. It has been banned or disallowed in 32 countries. RSPO has not called for the outright elimination of Paraquat, but advocates the minimisation of its use. It calls upon growers to implement Integrated Pest Management techniques that combine natural pest management with restricted use of chemical pesticides.

In the meantime, the RSPO has commissioned a study on integrated weed management and alternatives to find replacements for Paraquat, and we are closely following these developments to guide us in the future.

In 2015, Kulim recorded a spike in Paraquat usage. This was old stock used for land clearing prior to replanting and the removal of Volunteer Oil Palm Seedlings. Since no new purchases were made with effect from March 2015, Paraquat usage will become non-existent in Kulim estates in the future.

USE OF HERBICIDE AND PARAQUAT (Active Ingredients in litre/hectare)



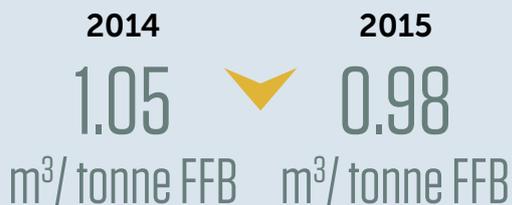


SUSTAINABLE USE OF WATER

Like many crop mills, palm oil mills consume large volumes of water during operations. For efficient water usage, each mill has a set target. In 2015, Kulim reduced water consumption at the mills to 0.98m³ per tonne of FFB compared to 1.05m³ per tonne recorded the previous year. This is significant because the tonnage of FFB processed had increased.

Our primary sources of water are rainwater and rivers that are collected and stored in reservoirs. While some is used to water seedlings in the nursery, most of our water is channeled to the mills to process FFB, power steam boilers and for domestic consumption. High rainfall in our estates in the southern part of Peninsular Malaysia has enabled us to harvest sufficient rainwater and keep water consumption in our estates within the limit prescribed by Badan Kawalselia Air Johor (“BAKAJ”), the state water regulatory authority.

Water Consumption at Palm Oil Mills



To protect our rivers and waterways, Kulim established buffer zones that exceed the regulatory limit. Vegetation alongside major water bodies in and around the estates and forest reserves are left undisturbed to prevent soil erosion and pollution from chemicals used in the estates. The estates of Tereh POM border the Sungai Tamok and the Jabatan Pengairan & Saliran (“JPS”), stipulates a buffer zone of 5-10 metres by the river bank, but Kulim has chosen to maintain a 20-metre buffer on each bank. We are also vigilant in monitoring all buffer zones to prevent encroachment by human and wildlife.

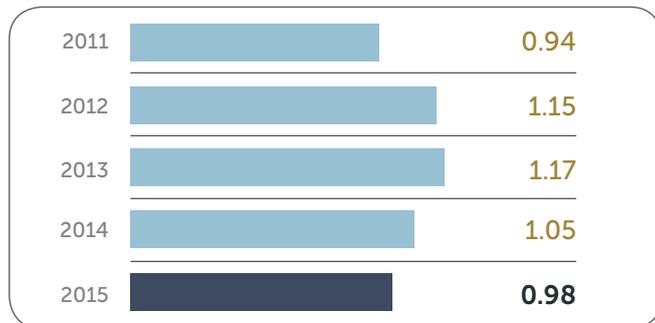
Protecting the Waterways

To prevent soil erosion and pollution of the waterways, Kulim has planted fast-growing leguminous cover crops in erosion-prone areas. Our biggest challenge is our Agrofoods business that involves the rearing of 7,452 heads of cattle. This is proving to be a double edged sword – on the one hand it is part of our Integrated Pest Management System and a revenue stream, but the down side is that it can lead to soil compaction, over-grazing and top soil erosion. We are constantly monitoring the project to ensure that our business targets are in line with good agricultural practices.

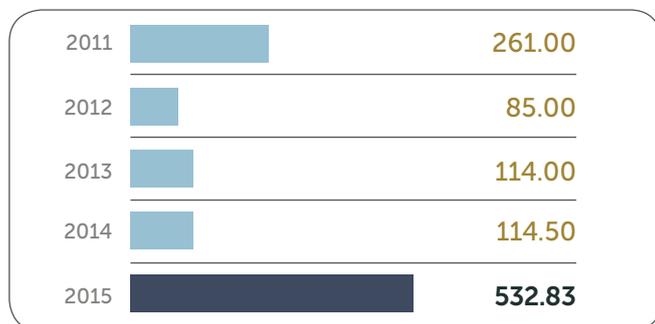
THE 3Ps OF SUSTAINABILITY: PLANET

To reduce pollution from heavy metals and wherever feasible, the Group has combined the use of both inorganic and organic fertilisers derived from Empty Fruit Bunches ("EFB") process. Our concern here is the level of Biological Oxygen Demand ("BOD") that may increase due to the use of palm effluent on land. BOD is the amount of dissolved oxygen needed by aerobic biological organisms in the oxidation of organic matter. The average BOD from our mill effluents has increased significantly, by 104% since 2011. This was caused by desiltation at one of the anaerobic ponds in Tereh POM in 2015. The desiltation, conducted with the approval of the Department of Environment, resulted in a high level of final discharge for about three months, but this was within the approved limit.

WATER CONSUMPTION BY MILL (m³/tonne)



BOD LEVEL (part per million)



PROTECTING BIODIVERSITY

It may appear to be a contradiction of terms for a practitioner of monoculture to promote biodiversity, but the fact that Kulim is committed to sustainability means that it honors the right of all life to a space to call its own. This stance is vital since many of Kulim's estates are located along the borders of Labis Forest Reserve and Endau-Rompin National Park that are home to numerous endemic and endangered tropical flora and fauna.

Kulim has launched a series of initiatives to conserve or re-create the habitats and eco-systems of flora and fauna found in its estates or along its borders. Since 2008, Kulim has progressively expanded its buffer zones and natural forest corridors; launched anti-poaching initiatives; and implemented Infaq 1 Warisan, a voluntary tree planting initiative.

As part of its business plan, Kulim abides by the Principles of Precautionary Approach and High Conservation Value ("HCV") Management prescribed by RSPO. The various definition of HCV includes conservation of endemic, rare, threatened or endangered species

Wildlife Corridor and Refuges

As at 31 December 2015, Kulim had allocated 52.46 hectares of its plantation land as buffer zones in all estates. Another 32.67 hectares were identified as jungle refuges within the estates, to be preserved as full-fledged HCV forests. These spaces are part of the Central Forest Spine, a national initiative started five years ago to link natural habitats separated by human settlements. By creating a continuous jungle corridor, wildlife are free to roam and not deprived of food, shelter and the ability to multiply in accordance with the law of the jungle.



In 2015, Kulim constructed 0.3km of natural pathways within Sungai Tawing estate, allowing elephants to gain access to their watering holes without causing damage to palm trees. This initiative also helps to manage human-elephant conflict.

Every year, staff and the local community gather for a tree planting event, rebranded as Infaq 1 Warisan. Between 2010 and 2015, more than 3,600 trees representing 30 different native species were planted.

Managing Human - Wildlife Conflict

Our plantations in Johor namely Sg Sembrong, Sg Tawing, Tereh Utara border the Endau-Rompin National Park, a part of the Central Forest Spine with significant biodiversity risk. As a result, these areas are the focus of conservation and rehabilitation efforts by the Government.

Due to the proximity of our estates to these HCV areas, we have always had our own conservation programme, with a special focus on big mammals such as tigers and elephants. Other wildlife in our conservation radar include the wild boar, pig-tail & long-tailed macaque and migratory birds that roam freely in our estates.

In the estates bordering forest reserves, human-wildlife conflicts occur, especially with elephants, wild boars and tigers. Conflicts with elephants are on the rise. In 2015, we lost 658 palms at approximately RM53,000 to the

elephants incursion at our estates. Among the measures taken to contain palm destruction include electric fencing that acts as a physical and psychological barrier with enough voltage to shock but not harm the elephants. Our efforts to establish natural pathways in the estates have not been successful either as elephants are still damaging palm trees.

We believe that to understand elephant-human conflict we need to understand elephants. It is a question of securing food supply. Food shortages in their natural habitats drive elephants to our doorstep. As a plantation, we try to address this issue and fully support the Government's Central Forest Spine initiative that envisions a dedicated wildlife jungle highway that will accommodate the needs of Malaysian flora and fauna.

Protecting Wildlife and Endangered Species

A 2008 IUCN survey to assess the state of flora and fauna in areas bordering our estates revealed that the biodiversity of wildlife on the “Red List of Threatened Species” has become even more precarious. They include the Asian elephant, tiger and Malayan tapir that are found in our estates.

To prevent any further decline in their population, Kulim works closely with the Government and NGOs to conduct Regular Rapid Biodiversity Monitoring in hotspots identified in the vicinity of our operating units and conservation areas. Hunting, fishing and removing fauna in our estates and adjacent protected areas are prohibited.

We also continue to strengthen our internal monitoring and control mechanisms to prevent poaching especially in areas bordering the Endau-Rompin National Park. The Kulim Wildlife Defenders, now a registered NGO, has joined forces with the Johor National Parks Corporation, Wildlife Department, Forestry Department and the Police Force under the Johor Wildlife Conservation Project for joint anti-poaching efforts. As of 31 December 2015, Kulim Wildlife Defenders had 48 border guards.

Kulim has collaborate with the Wildlife Conservation Society to conduct a birds and bats survey to identify areas of high interest for birds on the seasonal East Asian-Australian migratory route. The society recorded two species of migratory birds that come under the High Conservation Value category. They are the Brown-chested Jungle Flycatcher, (*Rhinomyias brunneata*) and Straw-headed Bulbul, (*Pycnonotus zeylanicus*) that are listed as Vulnerable on the IUCN Red List of Threatened Species. The HCV tool used in the survey continues to be relevant to monitor the their impact on biodiversity. Meanwhile, Kulim’s man-made reservoir in Selai Estate has become a haven for a variety of wildlife.



Raja Zarith Sofiah Wildlife Defenders Challenge

Under the patronage of the Permaisuri of Johor, the Raja Zarith Sofiah Wildlife Defenders Challenge is a 3-stage competition launched in August 2013 to increase awareness of wildlife conservation among students. The long-term objective of the biennial programme is to instil a lifelong spirit of volunteerism and love of the environment among students.

The most recent edition of the challenge was based on the theme "Symbiosis within Mangrove Forests and Eco-Development". It began in December 2015 and will continue until October 2016, and involves participants from 11 secondary schools and 13 primary schools.



Conservation Efforts in Kalimantan

With our expansion to Central Kalimantan, we have committed ourselves to the protection of the orangutan in the area. Sabangau National Park here is home to one of the largest orangutan populations in the world.

In 2015, Kulim donated USD500,000 to the Orangutan Land Trust ("OLT"), an organisation that supports the preservation, restoration and protection of forests for the survival of the orangutan. Our contribution will assist OLT to manage a sustainable orangutan conservation project that includes the development of communities, outreach and educational programmes as well as facilitate the rehabilitation of orphaned or displaced orangutan, and prepare for their return to the wild.



Developing Our People



The sustainability of a company depends on the performance of its prime asset: its People. At Kulim, this covers employees, the local community, smallholders and outgrowers. They are the key to our profitability, help to build our reputation, and determine public perceptions. Unsurprisingly, our People Policy states: *"We will treat our people with respect, dignity and fairness"*.

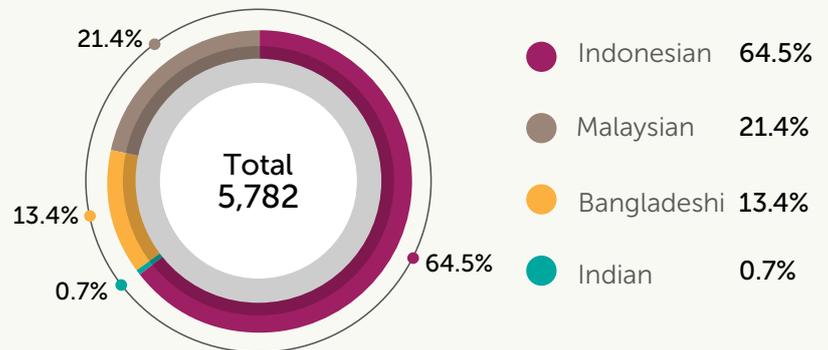


ENHANCING EMPLOYEE WELL-BEING

Our employees are our foundation. We say this because the performance of our workforce drives the Company to deliver its goals and targets, breaching barriers and continuously setting new benchmarks. Our people are also the spirit of the Company to leave a positive footprint.

At the end of 2015, Kulim had 6,979 full-time employees in Malaysia, a 4.4% increase from 2014. Of this, 5,782 or 82.85% were plantation workers, while the remaining were administrative staff (managers and office staff) who accounted for 17.15%. The majority of plantation workers was foreign labour, mainly from Indonesia, Bangladesh and India. We had a turnover rate of 27.2% in 2014 and 25.98% in 2015. This is attributed to the repatriation of 1,477 foreign workers during the 2-year period upon the completion of their contractual obligations.

PLANTATION WORKERS BY COUNTRY



THE 3Ps OF SUSTAINABILITY: PEOPLE

Kulim endeavours to attract, develop and retain qualified, creative and innovative staff by providing a safe, nurturing and rewarding workplace through our values, social responsibility, ethical business practices and business success. Our human resource policies are governed by Malaysian labour legislation and the International Labour Organisation's Declaration ("ILD") on Fundamental Principles and Rights, among others. The Company also embraces diversity and pushes forth gender equality, non-discriminatory practices for women, ethnic and religious minorities, and foreign workers. We also have guidelines on HIV/Aids management that guarantees confidentiality and employment as long as the afflicted are able to perform their work.

Kulim practises equal-pay-for-equal-work, and the salary structure of office and management staff is negotiated by the trade union. Plantation workers are paid daily, and as of 1 January 2014, we adopted the national Minimum Wages Order 2012 that raised the minimum wage to RM900 in Peninsular Malaysia and RM800 in Sabah, Sarawak and Labuan.



To promote a culture of integrity, the Group has in place a Whistleblower Policy that encourages staff to disclose illegal practices or violations of Company policies. The Group also bans the use of illegal drugs and alcohol in the workplace.

To improve management-staff engagement, Kulim conducts the Employee Climate Survey yearly. The findings provide the management with valuable insights of staff mindset and performance. The survey measures critical contributing factors for high performance and the employee value proposition. The 2015 survey revealed that our employees are generally happy with the work environment and proud to be a part of the Group.

Kulim also subscribes to the Performance Management System to measure the performance of its staff who are appraised annually. This is critical to sustain ourselves in a highly competitive business environment where the quality of our people is a key driver of success.



TRADE UNION BASED PLANTATION WORKERS AS AT 31 12 2015

UNITS	TOTAL EMPLOYEES (AMESU)*	TOTAL EMPLOYEES (NUPW)**
ULU TIRAM	5	73
BASIR ISMAIL	4	62
BUKIT LAYANG	1	0
KMF-LBI	1	0
REM / PASAK	6	77
LABIS BAHRU	3	106
SUNGAI SEMBRONG	2	58
MUTIARA	3	62
KUALA KABONG	0	3
SEPANG LOI	2	0
KPF-UTE	6	0
TEREH UTARA	7	235
TEREH SELATAN	7	114
SUNGAI TAWING	5	79
SELAI	7	6
ENGGANG	6	106
SEDENAK	5	79
RENGAM	2	76
UMAC	3	19
SINDORA	8	149
SIANG / BALAU	4	46
ASAM BUBOK	2	0
SUNGAI PAPAN	6	44
PASIR PANJANG	8	44
MUNGKA	9	0
KEMEDAK	9	0
PALONG	4	0
SEDENAK POM	18	98
SINDORA POM	13	41
TEREH POM	11	66
PASIR PANJANG POM	13	64
PALONG POM	16	20
MERSING HILL	2	0
TUNJUK LAUT	9	0
BUKIT PAYUNG	3	0
PASIR LOGOK	8	0
BUKIT KELOMPOK	3	0
TOTAL	221	1,727

Note: Besides plantations within the Group, Kulim also manages estates belonging to its parent company JCorp

*AMESU : All Malayan Estate Staff Union

**NUPW : National Union of Plantation Workers

Training and Development

Staff training and development is a vital component of Kulim's Sustainable Development Principles. Our goal is the continuous development of a pool of knowledgeable and empowered workforce. In 2015, we allocated 1.12% of the total payroll budget to training to achieve 2.51 mandays per employee. This is marginally lower than 2014 given the strategic shift in the direction of staff training and development. The current focus is on operational hands-on training, upskilling and customised programmes

There are job-specific as well as generic training programmes to bridge the skill gaps of staff. They consist of formal courses, seminars and workshops conducted by in-house experts or by external specialist consultants. Besides job related training, employees also attend training courses on human rights, anti-corruption and anti-harassment.

To strengthen our training and development capabilities, we collaborated with Pembangunan Sumber Manusia Berhad ("PSMB"), an agency under the Ministry of Human Resources. In 2015, we added 14 trainers, bringing the total of PSMB-certified internal trainers to 30. They are mainly experts in Operational Management. We also continued to collaborate with PUSPATRI (Johor Skills Development Centre) for technical courses for our employees.

Allocated

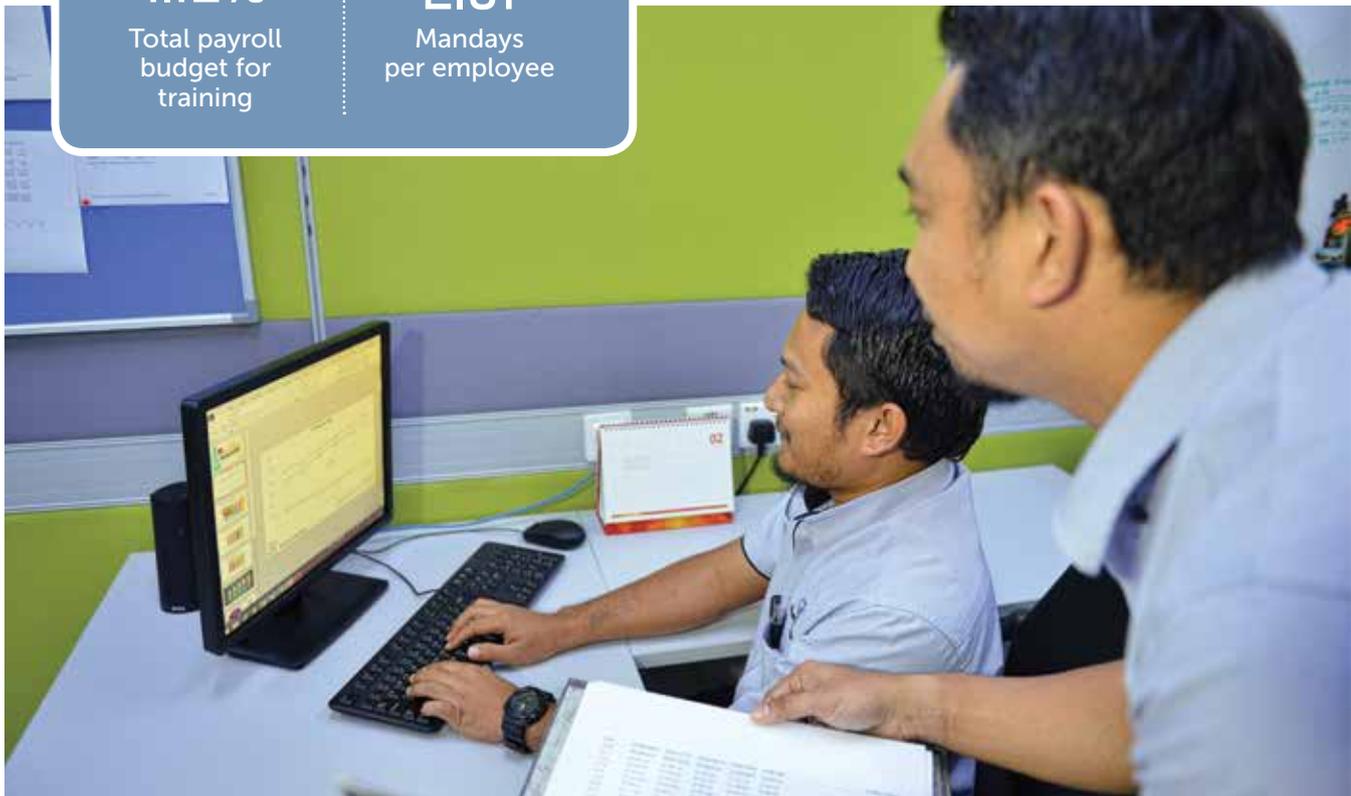
1.12%

Total payroll
budget for
training

Achieved

2.51

Mandays
per employee



Towards a More Sustainable and Inclusive Workplace

Kulim entrusts estate and mill management to ensure that sustainability initiatives mandated by the top management are effectively implemented on the ground. Managers are groomed on all aspects of sustainable management, from biodiversity protection, carbon footprint reduction to workplace health and safety. Sometimes, managers delegate the task of implementing and enforcing sustainability initiatives to officers who are well-versed in the 3Ps.

Plantation workers are directly recruited by Kulim to avoid abuses and discrimination. All plantation workers are provided with accommodation in accordance with the Labour Housing Standards Act. Typically, they live in 2- or 3-bedroom houses that meets the minimum standard of the Housing and Amenities Act 1990. There is clean piped water supply at no cost, subsidised electricity supply and clinics, as well as places of worship and recreational facilities such football fields. In 2015, 82 families shifted to new houses built in five estates.

Parents are discouraged from bringing their children to the workplace. Kulim does not employ children under the age of 16. Over the years, Kulim has assisted the Government by allocating land for schools in its estates. Now, all estates have schools and to encourage parents to send their children to school, the Company provides free transportation and free uniforms. We want children of our employees, especially of plantation workers, to complete secondary education.



THE 3Ps OF SUSTAINABILITY: PEOPLE

Developing Future Leaders

Integral to our sustainability strategy is succession planning that focuses on developing future leaders from our pool of young talent. Succession planning was a concern raised by some millennial generation employees at a staff engagement session.

Noting their concern, Kulim is collaborating with its parent company's Johor Corporation Leadership Programme ("JLP"), a 2-year leadership programme designed for participants to improve their decision-making skills and enhance their leadership attributes. Participants will be exposed to different business challenges and exchange their leadership experiences during the course. In 2015, eight employees were selected for the JLP, joining an earlier batch of five candidates.

Kulim also continued with the Strategic Enhanced Executive Development System ("SEEDS"), a management trainee programme for new graduates, that has benefitted 62 employees since its launch in 2008.

The shortage of young people wanting to work in estates is a serious industry-wide dilemma, with millennials preferring jobs in urban areas. To attract them, Kulim's estates are equipped with modern conveniences that include well-furnished homes with broadband coverage and good access roads to urban centres. Another of Kulim's staff retention strategy, especially of young staff, is to provide them opportunities for more personal and professional development.



Protecting Labour Rights

In the management of our plantation workforce, we are guided by the principle of equality, fairness and respect. Kulim labour policies are grounded on good labour practices and its commitment to protect labour rights with the implementation of non-discriminatory policies, minimum wage, overtime wages, freedom of association and the right to collective bargaining.

The National Union of Plantation Workers ("NUPW") represents 18.7% of our employees. We have an in-house committee comprising union representatives elected by members to protect worker rights during collective bargaining that also covers foreign workers. This committee also acts as a communication channel between workers and management.

The Group keeps a close watch on working conditions of both local and foreign workers to ensure that there are no abuses and no underage or bonded labour, especially among foreign workers.

18.7%

Trade Union
Members

4,545

Foreign Workers
in 2015



Equal Rights for Foreign Workers

In 2015, there were 4,545 foreign workers who accounted for 82.85% of Kulim's plantation workforce. Foreign workers are managed by the Group's Estate Plantation Operations Department that handles recruitment and permits, and ensures the Group abides by all relevant labour legislations, ILO requirements and internal SOPs.

Foreign workers are provided comfortable and sanitary accommodation, recreational facilities and clinics, just like their Malaysian counterparts. They are also free to join the union, and paid according to the minimum wage legislation enforced by the Government. Among the challenges faced in the recruitment of foreign workers are the frequent changes in Government policies, recruitment processes and levy increases.



Focus on Safety

A safe and healthy workplace is an integral part of our business objectives. In our effort to lower workplace accidents, we integrate good Occupational Safety & Health ("OSH") practices into all our daily operations. Our target is for zero accidents and zero fatalities.

OSH practices are mandatory at all our palm oil mills and estates where there is a dedicated OSH Officer to ensure the effective implementation of the Group's OSH system. Besides organising safety training, toolbox safety briefings and OSH quarterly meetings, the Officer's responsibilities include conducting investigations and reporting all accidents to the OSH Manager.

Field staff are required to attend an average of 40 hours or 5 mandays of safety training that covers the handling, application and safe disposal of chemicals. Lorry and mechanical buffalo drivers have to complete 16 hours or 2 mandays of training under supervision. It is compulsory for drivers to pass their practical examinations before they operate the vehicle independently.

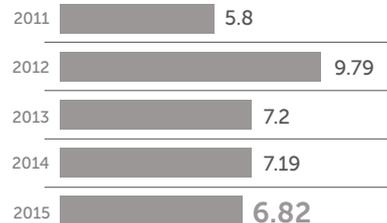
OSH also includes the provision of a clean and comfortable workplace, clinics, creches, canteen, clean toilets and comfortable worker's quarters. Additionally, we ensure a proper schedule of mosquito fogging, health surveillance, water treatment facilities and the proper disposal of all waste material.

In 2014, we recorded two work-related deaths. There was also a sudden increase in Lost Time Accident Rate to 7.19, which was still lower than our target rate of 10. The same year, the Group was also fined for non-compliance to the procedures by Department of Occupational Safety & Health Malaysia ("DOSH").

These incidents alerted us to reinvest in safety, and we are happy to report that in 2015 we achieved our goal of zero fatalities. The year also saw an improvement in the Lost Time Accident Rate that dropped to 6.82. In 2015, our injury severity rate of 2.28 is a marginal improvement, from the target of below 3.5. The increase in the number of road accidents remains a cause of concern despite road safety campaigns and stricter enforcement of traffic regulations.

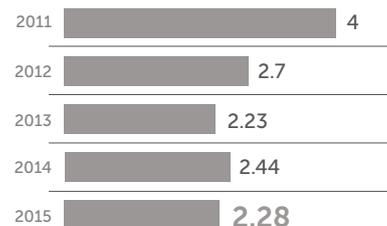
LOST TIME ACCIDENT RATE

Target below 10



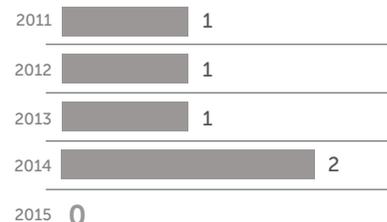
SEVERITY RATE

Target below 3.5



FATALITY RATE

Target at zero



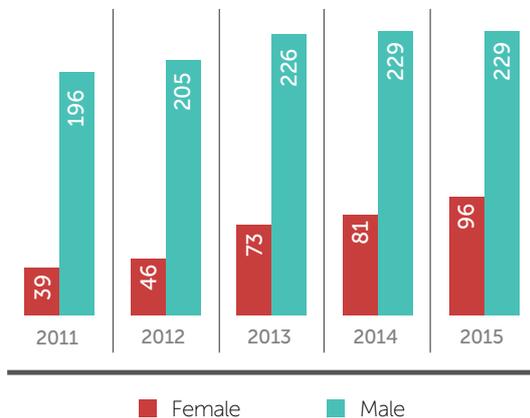
Promoting Gender Equality

Gender diversity in the workforce is more of an economic imperative than a gender issue as it involves retaining and attracting talents that are valuable to economic growth. McKinsey's *Women Matter: An Asian Perspective 2012* highlighted how the increasing participation of women in the workforce could potentially increase Malaysia's GDP by between RM6 billion to RM9 billion.

The importance of gender diversity in the workplace and measures to improve it is highlighted in the 10th and 11th Malaysia Plans. The most recent effort to promote diversity is the launch of the 30% Club in Malaysia that aims to increase the representation of women on corporate boards to 30%.

Kulim is an Equal Opportunity Employer. As at 31 December 2015, women made up 11.2% of the workforce, of which 12.31% are in the management level. The number of women in management increased by 18.5% from 2014 to 2015. In five years, the number of women in management rose by 146%.

MANAGEMENT BY GENDER



All our female employees are entitled to 60 consecutive days of paid maternity leave, in accordance with Malaysia Employment Act 1955 Part IX Maternity Protection. In 2014-2015, we recorded a 100% retention rate of staff who returned to work after their maternity leave. This bucks the national trend that shows that new mothers are most likely to leave their jobs after one year.

We have been on a continuous mission to empower our female workforce by eliminating sexual harassment and other discriminatory practices. Our target is to create a zero sexual harassment environment for women. In 2014, no sexual harassment cases were reported; but there were two in 2015. We have since accelerated efforts to create awareness among employees of what constitutes inappropriate behaviour.



Realising women's full potential

Discriminatory policies against women may hinder organisations from fully realising their human capital potential, especially that of women in the workplace. Kulim celebrates women's voices and participation in decision making and work related functions by implementing initiatives that break gender barriers.

In Kulim, capability, skills, knowledge, experience and potential are applied equally for both men and women. Generally, plantation workers and estate managers tend to be predominantly male because of the physical nature of the work. However, this gender stereotyping is being changed by women themselves, who have started to apply to work in the estates. As at end 2015, the Group employed two women veterinarians in the field, responsible for the health of cattle reared for sustainable income generation, and there were 684 women staff and workers employed in the estates.

As an organisation that aspires to be an equal opportunity employer, Kulim set up crèches and designated breastfeeding areas in offices in 2014. It is an initiative to create a helpful and enabling environment for women to thrive in their respective fields. Kulim also wanted to send out the message that being a mother should not inhibit performance. These facilities have borne good results. For the reporting period, the company recorded a 100% return-to-work of staff after their maternity leave.

To stamp out sexual harassment, the Group establishes Panel Aduan Wanita ("PAW"), a women's grievance panel in 2009. Better known as WOW, this is a channel to resolve sexual harassment complaints. We continue to make headway in reducing the number of reported cases of sexual harassment. In 2015, there were two (2) cases reported. This is a result of ongoing efforts to create awareness among employees of what constitutes inappropriate behaviour and this is reinforced from time to time. Through a concerted campaign, women are also more aware of their rights and more receptive to reporting cases of sexual harassment.

In 2010, WOW evolved into a community outreach programme. Led by the Group's female staff, WOW conducts Jejari Bistari that trains women in the local community to become micro-entrepreneurs, to improve their household income and enjoy a better quality of life. The training also focuses on building their confidence and self-esteem.

The Group also holds the view that promotion must be based on merit, not driven by quota. Company designations are not gender specific and anyone with the desired aptitude and attitude can apply for a job. The Group also appraises staff by their knowledge, productivity and efficiency, irrespective of gender.



▶ Building Better Communities

Kulim has a long standing relationship with local communities that form an important source of staff and plantation workers. Hence, it is very much in our interest to ensure their well-being. Our flagship community outreach initiative “We Care, We Share” was established in 2009, and it has five pillars: community sports, welfare, education, health and infrastructure development.

In 2015, Kulim adopted two primary schools and one secondary school under the PINTAR Foundation school adoption programme. During the year, Kulim sponsored tuition classes, daily newspapers and motivational courses under the PINTAR programme. The outcome was encouraging, with examination year students performing better than in previous years. We will continue to support PINTAR in 2016.



THE 3Ps OF SUSTAINABILITY: PEOPLE

During the reporting period, KULIM contributed to the following community activities:

No.	Programme/Institution	Objective	Contribution (RM'000)	
			2014	2015
1	Persatuan Bola Sepak Negeri Johor	To support the development of football in Malaysia	5,050	5,500
2	Tabung Tjjarah Ramadhan	To improve the quality of life of the underprivileged	100	100
3	Bistari Young Entrepreneur	To sponsor Tunas Bistari and entrepreneurship programmes	250	300
4	Mutiara Johor Corporation	To sponsor a charity concert	77	-
5	As-Sajadah Fund	To fund staff charity	204	72
6	Raja Zarith Sofiah Wildlife Defenders Challenge	To sponsor student outreach programme on conservation	570	-
7	KPJ Charity Golf Waqaf An-Nur 2014	To sponsor golf championship	100	-
8	Golf Piala Menteri Besar Johor 2014	To sponsor golf championship	49	-
9	PINTAR Foundation	To sponsor tuition and school essentials for three adopted schools	-	86
10	Masjid Sultan Iskandar Bandar Dato' Onn	To contribute to mosque development	-	4,000
11	Johor Clay Target Shooting Association ("JCTSA")	To sponsor IPSC Level IV Far East Asia Handgun Championship 2015 ("FEAHC")	-	800



Fostering Volunteerism

Kulim encourages the management and staff to volunteer for community programmes such as the cleaning of mosques, surau and schools, and wildlife conservation awareness initiatives. Since charity begins at home, we established the As-Sajadah Fund in 2009 to provide assistance to staff in need; Infaq 1 Warisan tree-planting campaign; and outreach efforts such as Tabung Tijarah Ramadhan that donates festive gifts to the needy during the holy month of Ramadhan.

- During the holy month of Ramadhan 2015, 70 members of the sport club, Kelab Sukan & Rekreasi Tiram (“KSRT”) organised and participated in “Assalamualaikum Dunia 1436H” programme by distributions food and other essentials to about 70 homeless folk in Johor Bahru.
- Every Qurban, employees pool their money to purchase cows and donate beef to less fortunate families.
- In December 2014 and January 2015, employees travelled to the flood hit states of Kelantan, Terengganu and Pahang to provide humanitarian aid.

Besides giving back to the community, these after work initiatives also enrich the spirit of volunteerism and camaraderie.

Women OnWards

Launched in 2008, Women OnWards (“WOW”) began as an in house women’s grievance panel, and has evolved into an outreach programme spearheaded by Kulim’s women employees. Funded by the Group, WOW implements initiatives and empower women in the community. In 2010, WOW launched *Jejari Bestari*, a vocational skills training programme for women in the local community. Today, there is a WOW unit in almost every operating unit, where participants are trained to become tailors, bakers and handicraft artisans.

Products by WOW participants are showcased at company events such as JCorp Carnival, Kota Tinggi Eco Boat Fishing Challenge, Kota Tinggi MTB Jamboree and Kota Tinggi Paintball Championship. In 2015, the women entrepreneurs raised RM52,000 from these events, and profits were ploughed back into their fledgling businesses.



An empowered entrepreneur speaks

"When a woman has the skills to earn a living, she becomes empowered and it improves her life as well as that of her family and community," says Masdiyanah Mohd Salim, a housewife turned entrepreneur.

The 41-year-old mother of four is a successful entrepreneur earning up to RM3,000 a month making beadcraft, thanks to WOW's Jejari Bestari Programme. "Jejari Bestari runs numerous classes such as baking, cooking, tailoring and making handicrafts. I chose to master beadcraft."

Masdiyanah's most popular products are beaded tissue box covers, bead flowers and key chains that Kulim purchases as corporate gifts while staff and the public buy them for personal use. She says the support given by the Company helped overcome her fear of becoming an entrepreneur.

The confidence gained from Jejari Bestari encouraged Masdiyanah to lead a women's group in Sedenak Estate that strives to improve the quality of life of local women. She also teaches beadcraft at the local KEMAS centre that trains women to be gainfully employed. "Many of the participants are housewives who do not have the financial means or motivation to strike out on their own. With their new skills, they can look towards becoming financially independent. This is empowering. I am speaking from personal experience here."

Masdiyanah is now expanding her designs to reach a wider customer base.



SUPPORTING SMALLHOLDERS AND OUTGROWERS

RSPO wants more smallholders to be certified to increase the number of sustainable palm oil producers. Certified smallholders have the benefit of improved market access. Between 2014 and 2015, about 30% of FFB processed by Kulim's palm oil mills were supplied by smallholders and outgrowers.

As part of our RSPO commitment and coupled with stakeholder demands for a traceable, ethical and sustainable supply chain, we have been engaging with smallholders and outgrowers since 2012 on the certification process. During our engagement, we identified challenges faced by smallholders such as land use changes and the use of bonded labour. In 2015, we achieved the certification of two outgrowers, namely Ladang Wawasan and Ladang Felda Paloh, that supply FFB to Tereh Palm Oil Mill. As a result, Tereh POM was upgraded to Identity Preserved mill that delivers 100% CSPO.

FFB Production Chain

FFB SOURCES	PALM OIL MILL					TOTAL
	TEREH MILL	SEDENAK	SINDORA	PASIR PANJANG	PALONG COCOA	
Kulim Group estates	284,991	216,417	142,786	66,838	156,832	867,866
JCorp-linked estates	-	729.20	-	122,032	-	122,761
Smallholders	-	-	-	-	-	-
Traders	-	244,079	89,275	-	27,965	361,320
Other outgrowers	30,511	16,490	11,017	-	655	58,673
TOTAL	315,502.54	477,715.91	243,079.54	188,871.68	185,452.63	1,410,622.30

Percentage of FFB from outside Kulim Group: 29.77% including Asam Bubok Estate

OUTGROWERS

Smallholders

Smallholders are farmers who grow oil palm, alongside other subsistence crops, where the family provides the majority of labour and the farm provides the principal source of income, and the planted oil palm area is less than 50 hectares.

Schemed or Associated Smallholders

They are structurally bound by contract, credit agreement or planning to a particular mill. They do not choose which crop they grow, and are supervised in their planting and crop management techniques, and are often organised, supervised or directly managed by the managers of the mill, estate or scheme to which they are structurally linked.

Independent Smallholders

Characterised by their freedom to choose how they utilise their land, type of crops they plant, and how they manage them (being self-organised, self-managed and self-financed). They are not contractually bound to any particular mill or association, and may also receive support or extension services from government agencies

▶ **Delivering Year-on-Year Profit**

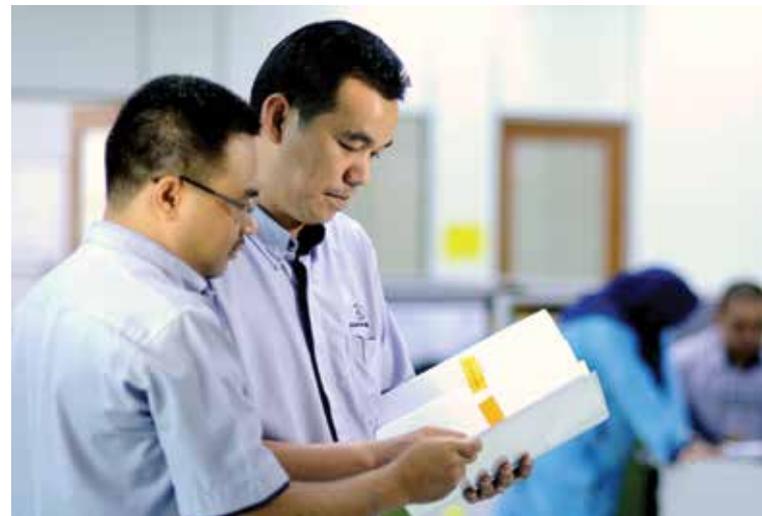


In the interest of preserving a livable future for life on earth, company profits are now being scrutinised for their impact on people and the planet. Since the 1980s, amid growing public restlessness over environmental and social abuses under the conventional economic model, world class companies developed business models that made them more accountable, transparent and responsible in their pursuit of profit. This is also due to the recognition of the fact that delivering attractive returns to shareholders is increasingly determined by socially conscious market forces, public perceptions, regulatory controls and green activism.



The Kulim Group's business strategy for sustained profitability is to focus on value creation of its traditional palm oil business while diversifying its portfolio to enhance its appeal to risk-averse investors. Today, while plantation agriculture dominates Kulim's business profile, the Group has expanded into intrapreneur and oil & gas ventures as part of balanced business strategy to minimise earning fluctuations, sustain profitability and realise long term growth. Kulim is confident of carving this new growth path given its proven ability to develop businesses, including those outside its traditional palm oil business.

The Group's pursuit of value and growth is firmly underpinned by the commitment to embrace sustainability and strong corporate governance as its overriding philosophy. Kulim's 5-Year Strategic Planning outlines five strategic thrusts to achieve this. They are productivity improvement, cost management, value unlocking, human capital development and expansion/diversification.



CORPORATE STRATEGY

KEY PROGRAMME

SEGMENT

Productivity Improvement

- Progressive replanting - optimise FFB production, towards ideal age profile
- R&D/continuous study on clonal palms and potential commercialisation/tissue culture
- Application of Good Agriculture/Manufacturing Practices and RSPO practices
- New technologies and innovative mechanisation



Cost Management

- Mill working hours/optimum throughput
- Value-added ventures - Mills downstream, biogas plants, biofertiliser
- Centralised bulk purchasing practice and longer-term partnership



Value Unlocking

- Disposal of rightly priced assets
- Listing of potential businesses/companies
- Share buy-backs
- Transforming estates into property



Human Capital Development

- Ensure adequate pool of talent
- Succession planning and career development
- Promote sense of belonging/loyalty
- Periodical Employee Climate Survey



Corporate Responsibility

- Enhanced stakeholders' engagement - internal and external
- Continuous compliance with RSPO Principles & Criteria
- Sustainable Palm Oil ("SPO") programme and realisation of benefits



Expansion/ Diversification

- Increase landbank - local and abroad
- Large scale cattle rearing, expand trading and feedlot activities
- Upstream activities of O&G business
- Increase hectareage of pineapple planting
- Downstream pineapple products



VALUE CREATED

- Year-on-year improvement in FFB yield
- Cost savings resulting from systematic work procedures
- More effective management of ever increasing foreign labour costs
- Best agriculture practices via training
- Deployment of performance measurement of each operating unit

- Cost savings resulting from systematic work procedures
- Additional revenue generated from by-products of mill processing

- Optimisation of resources
- Realisation of higher asset value
- Returns to shareholders via dividend

- Optimisation of resources
- Lower staff turnover/sustainable manpower/talent retention

- More effective management of stakeholders
- Reduce cost of damage control
- More efficient in doing business as a result of good relationship with stakeholders
- Preserved environment and save the earth

- Increase company value
- Diversified earnings base to reduce over-dependence on palm oil activities
- Embrace national food security programme

STRATEGIC THRUSTS



Plantation



Intrapreneur Ventures



Oil & Gas



Agrofoods



Property

Proposed Privatisation

In November 2015, our Board of Directors received a letter from its major shareholder, Johor Corporation ("JCorp") requesting Kulim to undertake a Selective Capital Reduction & Repayment ("SCR") exercise. On 3 May 2016, Kulim received the green light from its shareholders for privatisation and delisting from the Main Board of Bursa Malaysia Securities Berhad. On 4 August 2016, Kulim was removed from the official list of Bursa Malaysia and the proposed SCR was deemed completed following the delisting.

Minority shareholders are expected to benefit from the privatisation because of the disposal of New Britain Palm Oil Limited ("NBPOL") that was completed in 2015. This has left the Kulim Group with a smaller plantation hectareage as compared to other regional players, even though the Group has taken steps to expand its holdings in Indonesia. In the past, NBPOL is one of the key assets driving the market valuation of Kulim shares. Given the volatile market environment, privatisation is seen an opportunity for minority shareholders to cash out on their investments at an attractive premium.

Strong Financial Performance Despite Challenges

The financial years ending 31 December 2014 and 2015 were challenging ones, marked by declining CPO prices, rising operating costs, plunging crude oil prices, weakening Malaysian Ringgit, the devaluation of the Chinese yuan in August 2015 and the onslaught of haze and El Nino-induced changes in weather patterns.

World demand for CPO was a major factor affecting our performance. Despite the push for sustainability, demand for RSPO-compliant CPO declined as consumers settled for lesser quality CPO. At the same time, demand from our main traditional buyer, China declined, causing a saturation of supply in the market. With supply exceeding demand, CPO prices fell from RM2,534 per tonne in January 2014 to RM2,154 by end 2014, and continued to hover between RM2,000 and RM2,400 for most of 2015.

Against this harsh backdrop, the Kulim Group delivered a stellar performance, substantially due to the divestment of its entire stake in NBPOL at approximately RM2.75 billion. The sale to Sime Darby Plantations Sdn Bhd that represents Kulim's exit from Papua New Guinea and the Solomon Islands was completed in February 2015.

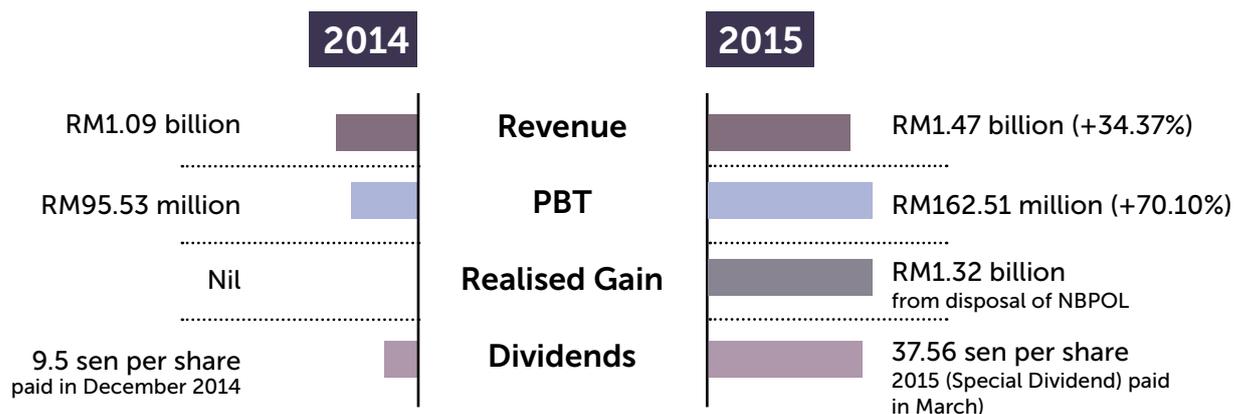
The monetisation of the long-held NBPOL asset saw a sharp rise in the Group's revenue, from RM1.09 billion in 2014 to RM1.47 billion in 2015. Profit Before Tax ("PBT") rose from RM95.53 million in 2014 to RM162.1 million in 2015, a growth of 70.10%. The divestment of NBPOL enabled Kulim to realise a gain of RM1.32 billion (net of expenses) in 2015. This has increased the Group's cash balance to RM1.53 billion at end 2015, from RM342.60 million in the previous year. Subsequently, the gross gearing of the Group improved from 0.21 times in 2014 to 0.18 times in 2015 with a significant settlement of debt. Part of the proceeds will also be used to strengthen the working capital of the Group, to support its core plantation business and new ventures locally and abroad.

Shareholders were also justly rewarded with a special dividend of 37.65 sen per ordinary share from the proceeds of the NBPOL sale, involving a total payout of about RM500 million. This represents a 296% jump in dividend per share, from the 9.5 sen per share paid in 2014.

The traditional plantation segment remained the biggest contributor to the Group's revenue during this period, accounting for 70.16% (RM777.26 million) in 2014 and 52.89% (RM767.27 million) in 2015. Operating profit, however was on the downtrend. Despite the increase in the production of FFB, revenue was

overshadowed by the lower than average CPO prices. The production of FFB increased by 5.36% to 886,172 tonnes, from 841,079 tonnes in 2014 while CPO production increased by 14.12% to 294,284 tonnes, from 257,881 tonnes in 2014. In comparison, CPO prices headed south. The Group's Malaysia operations achieved an average CPO price of RM2,191 per tonne in 2015 compared to RM2,370 per tonne in 2014. PK prices were also lower, averaging RM1,534 per tonne in 2015 compared with RM1,708 per tonne the previous year.

GROUP FINANCIAL PERFORMANCE HIGHLIGHTS



Better yields, cost optimisation and expansion

Operationally, the Group recorded higher yield levels in the oil palm estates and laudable progress in cost optimization, especially with regard to fertilisers. However, we fell short of the pace of developing our new Indonesian estates in Kalimantan. The production of FFB and CPO for 2015 improved 5.36% and 14.12% respectively. Total FFB processed also increased, by 12.60% to 1,410,658 tonnes higher while we achieved an Oil Extraction Rate ("OER") of 20.86%, a marked improvement from 20.58% in 2014. FFB yield per hectare also saw a 0.72% increase in yield per hectare to 22.50 tonnes, from 22.34 tonnes recorded the previous year.

Vision 30:30

FFB yield → **30**
tonnes
per hectare

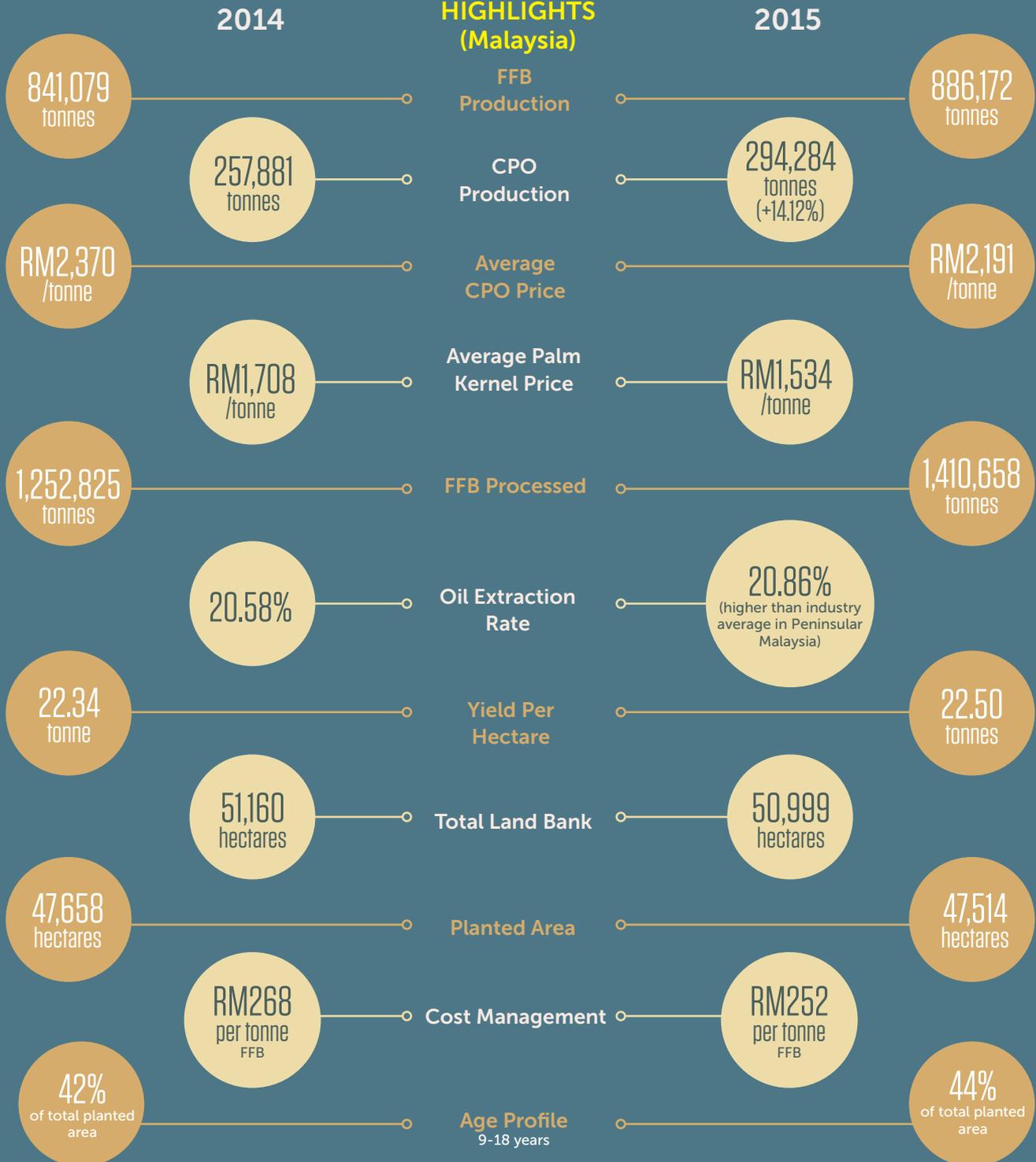
Palm product → **30%**
extraction rate

We continued to make headway with our replanting initiative to improve the age profile of our palms. Replanting of old palms with high yielding clones is undertaken on a staggered basis at approximately 3% of total planted area annually. As a result, the age profile of our palms is at its best ever. Our prime trees of between 9 and 18 years constitute about 44% of the Group's total planted area in Malaysia as at end 2015.

In Indonesia, guided by the RPSO's New Planting Procedures, the Group plans to develop 40,645 hectares of new oil palm plantations in Muara Teweh, Central Kalimantan. Having secured the necessary permit from Indonesian authorities as of year end 2015, a total of 307 hectares were planted with oil palm. We are also in the process of obtaining permits to grow oil palm on an additional 33,512 hectares.

In line with the Group's strategic goal of increasing its plantation land bank, our team visited and evaluated several plantations that were available for sale in Malaysia and Indonesia during this period. In February 2016, we entered into several agreements to purchase additional plantations in Indonesia. With a total land bank of 104,904 hectares, of which 82,785 hectares have been issued with Permit to operate (Hak Guna Usaha – HGU) and 34,382 hectares planted. The new acquisition will accord us with the critical size for efficient operations, whilst the availability of land with HGU will allow us to plant at a brisk pace in Indonesia.

OPERATIONAL HIGHLIGHTS (Malaysia)



Compliance with RSPO Principles & Criteria

Kulim has established its sustainability credentials via RSPO certification. The Group was among the first palm oil companies to be RSPO certified in 2009 and since then all our operating units have undergone the pre-requisite re-certification audits in December 2013 and the new certification was issued in April 2014. As at the end of December 2015, four of our five palm oil mills obtained RSPO certification; the last one is Pasir Panjang POM that is to be certified in 2016.

To safeguard its RSPO credentials and CSPO market reputation, the Group has controls in the form of policies, monitoring systems and procedures to minimise, if not prevent, the risk of RSPO non-compliance. The RSPO has also developed a mechanism for supply chain palm oil traceability from the plantations to the end users. Kulim's CSPO can be purchased through three mechanisms approved by the RSPO.

The "Book and Claim" option is the most simplified method for a buyer to obtain CSPO without high administrative costs and complex logistics. In the "Identity Preserved" option, CSPO from a single, identifiable source is kept separate from conventional palm oil and is tracked throughout the supply chain.

Only CPO from Tereh POM is sold under "Identity Preserved", while CPO from three other mills is sold under the "Mass Balance" mechanism, where CSPO is mixed with conventional CPO and tracked throughout the supply chain. An equivalent volume may be sold as CSPO to customers.



Towards Sustainable Palm Oil

Kulim recognises sustainability as an opportunity to change the way we do our business. Our Sustainable Palm Oil ("SPO") programme defines our ultimate objective to improve Kulim's business performance, profitability and positioning as a world leader in SPO. Our efforts with regard to sustainable development will continue to guide our business. We hope that by being mindful of our surroundings and the socioeconomic impact of our actions, we will move forward by developing business methods that are economically viable, environmentally appropriate and socially beneficial.

In a meeting held on 6 March 2016, the RSPO Board of Governors has endorsed the revision of the Malaysian National Interpretation ("MYNI") document. MYNI 2014, as it is known, is based on the RSPO P&C and supersedes MYNI 2010 that has been used for the certification of oil palm plantations and mills in Malaysia. All audits and annual surveillance audits with effect from 1 May 2015 will be based on the MYNI 2014.

Ethics and Integrity

Ethics and integrity are an integral part of the Group that is recognised as a profitable plantation company. To ensure the highest standards of ethics and integrity across the board, the Group has a Code of Ethics that defines the conduct of employees when performing their jobs. All employees are required to adhere to the Group's Code of Ethics and to submit the Ethics Declaration Form annually.

The Code of Ethics also requires employees to ensure the following:

- Maintain full and accurate company records
- Utilise company assets and property only for the benefit of the Company
- Conduct transactions with customers and suppliers purely on merit and fairness
- Engage with competitors in a fair manner and not engage in unfair or illegal practices to gain an unfair advantage
- Act to ensure a workplace environment that is free from harassment and discrimination
- Engage with all team members with respect, courtesy and fairness

The Board of Directors, our highest governance body in leading and controlling the long term performance of the Company, adheres to the Malaysian Code of Corporate Governance 2012 ("MCCG 2012") – the best practice standard for corporate governance.

The MCCG 2012 plays a key role in the Group's direction and strategy, professional standards, business performance and internal control systems. The Board recognises that good corporate governance should extend beyond mere compliance to attain the highest standards of business ethics, accountability, integrity and professionalism across all the Group's activities and conduct.

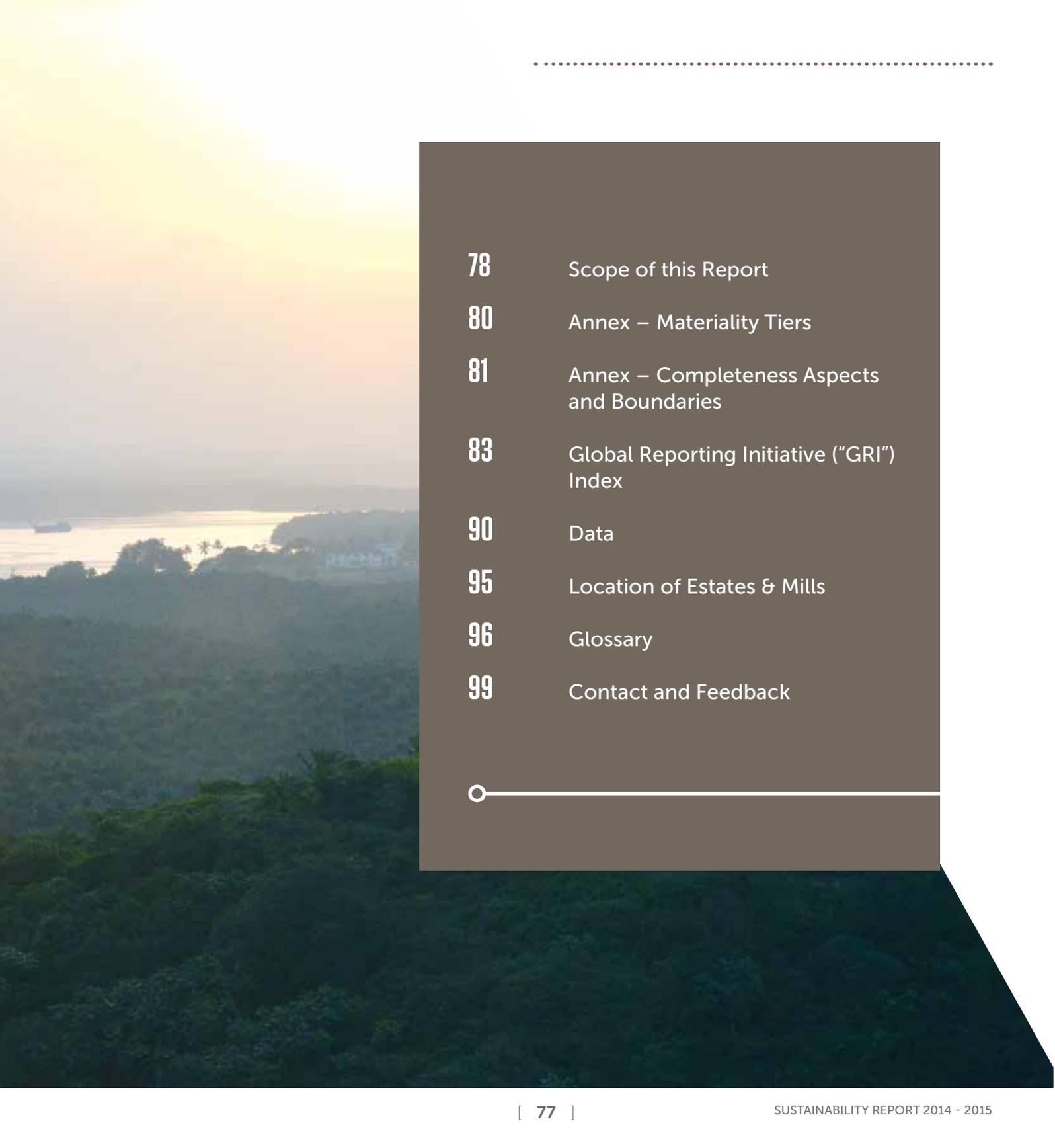
Sustainability is an integral part of the Board agenda. Board competencies, Key Performance Indicators and remuneration are linked to specific targets related to RSPO certification, as well as other environmental and social objectives.

Our whistle-blowing process, allows internal and external stakeholders to report cases involving fraud, bribery, corruption and other such incidences directly to our Internal Audit Department. The Internal Audit Department reports directly to the Board and is empowered to conduct investigations of suspected and reported incidents.





05
DISCLOSURES



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81	Annex – Completeness Aspects and Boundaries
83	Global Reporting Initiative (“GRI”) Index
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95	Location of Estates & Mills
96	Glossary
99	Contact and Feedback



Scope Of This Report

THIS IS THE FIFTH SUSTAINABILITY REPORT FOR THE PLANTATION DIVISION OF KULIM (MALAYSIA) BERHAD, COVERING THE CALENDAR YEARS 2014 AND 2015. OUR PREVIOUS REPORTS WERE PUBLISHED IN 2008, 2009, 2011 AND 2013. WE CONTINUE TO USE THE GLOBAL REPORTING INITIATIVE (“GRI”) GUIDELINES AS THE BASIS OF REPORTING, AND HAVE ADOPTED GRI 4.0 FOR THIS REPORT.

The report brings together our sustainability initiatives, including current and future directions. It is intended to be useful to all our stakeholders – our customers, employees, shareholders, communities as well as being a communication tool to various interested parties about our approach to the social, environmental and economic aspects of our business.

This report covers Kulim’s plantation operations in Malaysia and the development of Indonesia’s operations. This report does not include associate companies or joint venture enterprises. Unless otherwise stated, all data is as at 31 December 2015. We are committed to continuing our reporting journey, to publish a sustainability report biennially on a best effort basis. This report has not been subject to independent verification or assurance.

Sustainability Context

We have attempted to present our performance relative to the wider sustainability context both in Malaysia and in the region.

Stakeholder Inclusiveness and Materiality

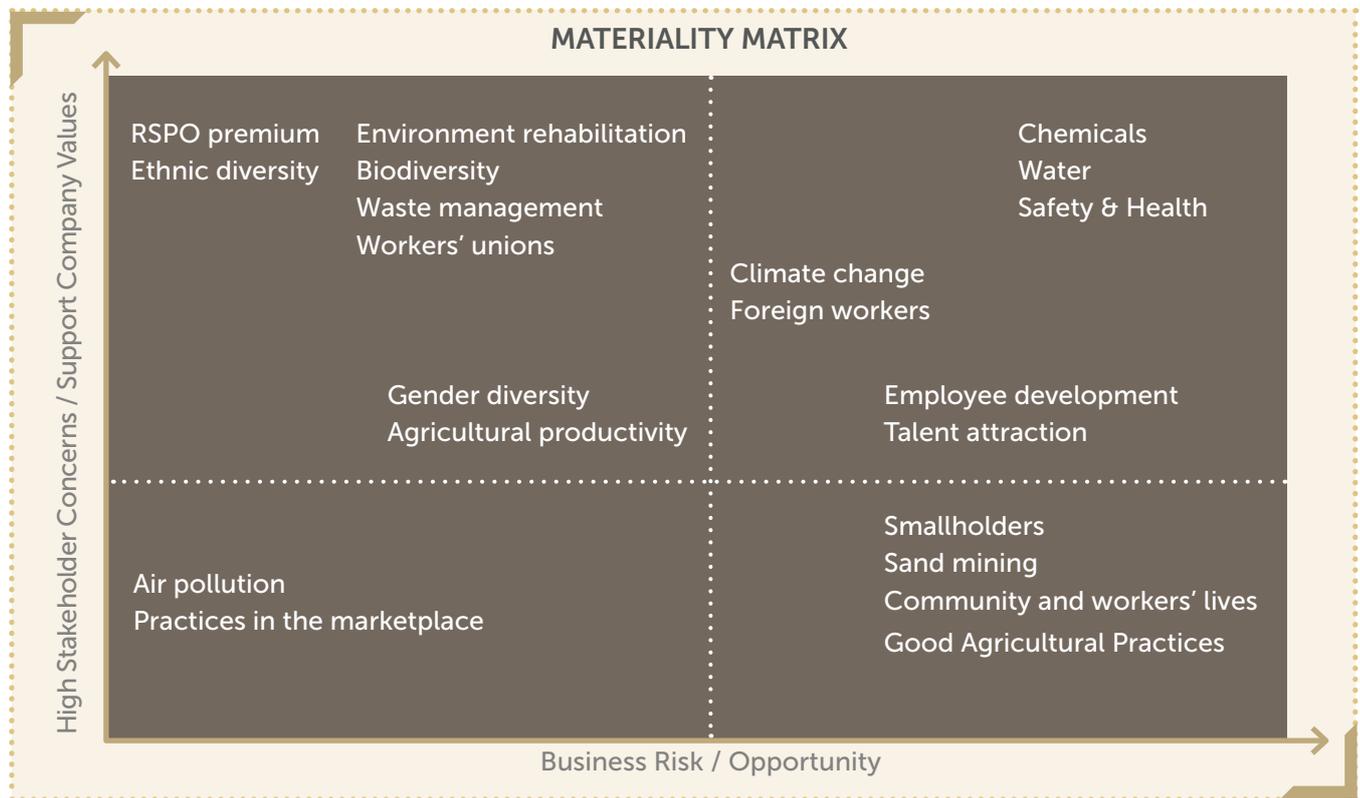
The report covers all sustainability issues deemed material by the Company. Since 2008, the Group has adopted a systematic approach in developing a materiality matrix to analyse and prioritise the topics that are important to our stakeholders.

The materiality matrix was developed through consultations with stakeholders who range from employees, business partners, investors and suppliers to the media, community, government agencies, NGOs and unions. This is done through regular and systematic forms of dialogue, such as meetings and road shows. Our ultimate aim is to build a trust-based relationship.

The matrix lays down the business, social and environmental issues that affect our business activities and can be used to guide our decisions and prioritise actions for implementation. Our materiality matrix is reviewed and adjusted annually to reflect the current realities and concerns. This will ensure its relevance in identifying and prioritising key issues and help us determine how best to allocate resources in strategic planning and programme implementation.

Like the previous reports, those issues classified to be of high impact or to be of high expectations within the Company and to stakeholders were explored in detail. Issues deemed to be of low impact but with high expectations and high impact with low expectations have also been included but with less emphasis.

Some issues, such as detailed data on our operations and business activities that are already covered in our Annual Report are not repeated at length here.



Materiality Tiers

Tiers	Topic	Significance	Sections in Report
1	Use of chemicals such as paraquat, herbicides and pesticides in our estates	Significant to Kulim and to stakeholders	Responsible Chemical Use Kulim ban Paraquat
	Amount of water used for our estates and mills Climate change: greenhouse gas emissions in the palm oil industry		Sustainable Use of Water Reducing our Carbon Footprint
	Foreign workers: working conditions and welfare in the context of the tight labour market		Enhancing Employee Well Being
	Health and safety standards in the workplace		Enhancing Employee Well Being
2	Training and development for employees	Significant to Kulim but not so significant to stakeholders	Enhancing Employee Well Being
	Talent attraction in the context of the lack of young people in the palm oil industry		Enhancing Employee Well Being
	Inclusion of smallholders into certification process		Supporting Smallholders and Outgrowers
	Welfare of local communities and workers		Building Better Communities
3	Environment rehabilitation: reversing the negative impacts on the environment	Significant to stakeholders but not so significant to Kulim	Protecting Biodiversity
	Biodiversity loss		Protecting Biodiversity
	Responsible water management		Responsible Use of Water
	Workers' unions: workers' rights to collective bargaining		Protecting Labour Rights
	Gender diversity		Promoting Gender Equality
	Agricultural productivity to maximise land use		Reduction of Chemical Fertiliser
	Ethnic diversity		Enhancing Employee Well Being
4	Good Agricultural Practices	Significant to Kulim only and not reported	Data
	Air pollution: pollutants emitted into the atmosphere by the milling activities		Reducing Carbon Footprint Data
	Practices in the marketplace		

Completeness: Aspects and Boundaries

We have identified 23 aspects as issues linked to the materiality matrix. These aspects are also linked to our commitment to the RSPO P&C and the ISCC. We have identified nine aspects that border or are outside of Kulim's boundary. Issues relating to these aspects are addressed through our various engagement with our stakeholders.

Theme	Rationale	Environment	Boundary	Key Stakeholders
Compliance	Ensuring compliance with all legal and voluntary commitments	<ul style="list-style-type: none"> • Anti-corruption • Environmental Compliance • Relevant laws and regulations 	The impact of this topic covers our internal compliance with state and national regulations, laws and international certification standards.	<ul style="list-style-type: none"> • RSPO • ISCC • Wildlife Department • Department of Environment • Department of Safety & Health
Environment	Protect, enhance, and minimise our environmental footprint on the local environment	<ul style="list-style-type: none"> • Effluent and waste • Water • Emissions • Materials • Biodiversity 	The impact of this topic covers our mills and plantations as well as the buffer zones surrounding our estates which border a national park	<ul style="list-style-type: none"> • Environmental NGOs • Wildlife Department • Department of Environment
People	Provide a safe and conducive work environment that promotes opportunities for professional and personal growth	<ul style="list-style-type: none"> • Employment • Freedom of association and collective bargaining • Equal remuneration for men and women • Training and education • Occupational safety & health • Non-discrimination • Investment in human rights • Diversity and equal opportunity • Labour practices and grievance mechanism • Market presence 	The impact of this topic involves our employees working in our operations.	<ul style="list-style-type: none"> • Employees • Unions • WOW

DISCLOSURES

Theme	Rationale	Environment	Boundary	Key Stakeholders
Foreign workers	Ensure protection of human rights and provide a decent standard of living for foreign workers	Forced or compulsory labour	The impact of this topic involves foreign workers in our estates	Representatives of foreign workers
Communities	Enhancing the lives of communities around our operations	<ul style="list-style-type: none"> • Procurement practices • Supplier environmental assessment • Indirect economic impacts 	The impact of this topic is in the communities outside our organisation.	<ul style="list-style-type: none"> • Local communities • Contractors • Places of worship • Schools
Product responsibility	Ensuring quality control and safety of our products	Consumer safety & health	The impact of this topic lies in our relationship and engagement with external stakeholders and customers.	<ul style="list-style-type: none"> • Refineries • Customers

Assurance

We have chosen to conduct an assurance on six material areas of our operations. These areas were identified and collated in-house on a best effort basis.

▶ Global Reporting Initiative Index

General Standard Disclosures		Page
G4-1	Statement from the most senior decision maker of the organisation	16 - 21
Organisational Profile		
G4-3	Name of organisation	5
G4-4	Primary brands, products and services	5
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G4-7	Nature of ownership and legal form	5
G4-8	Markets served	25 - 26
G4-9	Scale of organisation	5, 68 - 69
G4-10	Organisation's workforce	51, 90 - 91
G4-11	Total employees covered by collective bargaining agreements	53, 57
G4-12	Organisation's supply chain	65
G4-13	Significant changes during the reporting period regarding size, structure, ownership or its supply chain	5, 17, 20, 70
G4-14	Explanation of whether and how the precautionary approach or principles is addressed by the organisation	24 - 33
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives	24 - 27
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G4-17	Entities included in the organisation's consolidated financial statements or equivalent documents	67 - 70
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Organisational Profile		
G4-19	Material aspects identified in the process for defining report content	79 - 80
G4-20	Aspect boundary within the organisation	81 - 82
G4-21	Aspect boundary outside the organisation	81 - 82
G4-22	Restatements of information provided in previous reports	No
G4-23	Significant changes from previous reporting in the scope and aspect boundaries	No
G4-24	List of stakeholder groups engaged by the organisation	30 - 33
G4-25	Basis for identification and selection of stakeholders with whom to engage	30 - 33
G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	30 - 33
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	30 - 33
G4-28	Reporting period	4
G4-29	Date of most recent previous report	4
G4-30	Reporting cycle	4
G4-31	Contact point	99
G4-32	GRI Content Index	83 - 88
G4-33	External assurance	None
G4-34	Organisation's governance structure	28, 75
G4-56	Organisation's values, principles, standards and norms of behaviour	75

GRI Specific Standard Disclosure

Specific standard disclosures				
	Material aspects	DMA and Indicators	Page	Comments
ECONOMIC				
Economic performance	G4-EC1	Direct economic value generated and distributed	70 - 73, 90	
Market presence	G4-EC5	Ratios of standard entry level, wage by gender compared to local minimum wage at significant locations of operations		We do not record wages by location and gender
Indirect economic impacts	G4-EC7	Development and impact of infrastructure investment and services supported	30 - 32, 55, 61 - 64, 92	
	G4-EC8	Significant indirect impacts, including the extent of impacts	11, 92	
Procurement practices	G4-EC9	Proportion of spending on local suppliers at significant locations of operation	64 - 65	
ENVIRONMENTAL				
Materials	G4-EN1	Materials used by weight or volume	14, 41 - 46, 92	
Water	G4-EN8	Total water withdrawal by source	45 - 46, 93 - 94	Data is not broken down by source
Biodiversity	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity, value outside protected areas	10, 46 - 49	
	G4-EN12	Description of significant impact of activities, products and services on biodiversity in protected areas and areas of high biodiversity, value outside protected areas	46 - 49	
	G4-EN13	Habitats protected restored	46 - 49	

Specific standard disclosures				
	Material aspects	DMA and Indicators	Page	Comments
ENVIRONMENTAL				
Emissions	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	10 - 11, 15, 37 - 41, 93	
	G4-EN16	Energy indirect GHG emissions (Scope 2)	37 - 41, 93	
	G4-EN17	Other indirect GHG emissions (Scope 3)	37 - 41, 93	
	G4-EN18	GHG emissions intensity	37 - 41	
	G4-EN19	Reduction of GHG emissions	37 - 41	
Effluent & Waste	G4-EN24	Total nos. and volume of significant spills	94	No spills.
Compliance – environmental	G4-EN29	Monetary value of significant fines and total number of non monetary sanctions for non compliance with environmental laws and regulations	13	(1) Case for burning of EFB @ Pasir Panjang POM
Suppliers environmental assessment	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	42	This involves our work with smallholders and moving them towards RSPO certification that addresses potential negative environmental impacts in our supply chain. Currently, no supplier relationships were terminated as a result of assessment

Specific standard disclosures

	Material aspects	DMA and Indicators	Page	Comments
SOCIAL				
Labour practices and decent work				
Employment	G4-LA1	Total nos and rates of new employees hired and employee turnover by age group, gender and region	51 - 53, 90 - 91	Data is not broken down by age group
	G4-LA3	Return to work and retention rates after parental leave, by gender	59 - 60	
Occupational Safety & Health	G4-LA5	Percentage of total workforce represented in formal, joint management-worker safety & health committees that help monitor and advise on occupational health and safety programmes	58, 92	
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days and absenteeism and total nos of work-related fatalities by region and gender	12, 58, 92	Data is not broken down by gender
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	58, 92	
Training & Education	G4-LA9	Average hours of training per year, per employee, per gender, and by employee category	54 - 56, 91	Data is not broken down by gender and employee category
Diversity & Equal Opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	51, 90 - 91	Governance bodies are not broken down by gender, age group or ethnic group
Equal remuneration for women and men	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	59 - 60, 90 -91	Salary data not broken down by gender, however, employees are paid according to employee level regardless of gender
Labour practices, grievance mechanisms	G4-LA16	Nos of grievances about labour practices filed, addressed, and resolved through formal grievance mechanism	59 - 60, 63 - 64, 91	(2) Cases was reported on 2015.

Specific standard disclosures				
	Material aspects	DMA and Indicators	Page	Comments
SOCIAL				
Human Rights				
Investment in human rights training	G4-HR2	Total hours of employee training on human rights, policies or procedures concerning aspects of human rights that are relevant to operations including the percentage of employees trained	52, 57, 91	A one-hour human rights module is included as part of induction for new employees. The module covers the policies and practices of Kulim
Non discrimination	G4-HR3	Total nos of incidents of discrimination and corrective actions taken	59 - 60	
Freedom of association and collective bargaining	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk and measures taken to support these rights	53, 57	
Child labour	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	55	No operations or suppliers are at significant risk for incidences of child labour
Forced or compulsory labour	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	64	No operations or suppliers are at significant risk for incidences of forced or compulsory labour

Specific standard disclosures				
	Material aspects	DMA and Indicators	Page	Comments
SOCIAL				
Society				
Local communities	G4-SO1	Percentage of operations implemented with local community engagement, impact assessments, social impact assessments and development programmes	32, 61 - 64	Our SIAs include gender impact assessments. Results of assessments are available upon request
Anti Corruption	G4-SO1	Communications and training on anti corruption policies and procedures	52, 75	A one-hour anti-corruption module is included as part of induction for new employees. The module covers the policies and practices of Kulim
	G4-SO5	Confirmed incidents of corruption and action taken	None reported	
Compliance	G4-SO8	Monetary value of significant fines and total nos of non monetary sanctions for non compliance with laws and regulations	None reported	
	G4-SO10	Significant actual and potential negative impacts on society in the supply chain and the actions taken	64	This involves our work with smallholders and moving them towards RSPO certification that addresses potential negative social impacts in our supply chain. Currently, no supplier relationship was terminated as a result of assessment.
Product Responsibility				
Customer Safety & Health	G4-PR2	Total nos of incidents of non compliance with regulations and voluntary codes concerning the safety & health impacts of products and services during their life cycle by type of outcomes	58	In 2014, Kulim recorded two work related deaths. The company was fined for non compliance of workers safety & health procedures by the Department of Safety & Health


Data

Category	Indicator	Measurement Unit/ Breakdown	31/12/2015	31/12/2014	31/12/2013	31/12/2012	31/12/2011
Overall	Total revenue- Kulim Group	RM million	1.47 billion	1.09 billion	2,850	3,036	7,042
	Total revenue – Malaysian plantations	RM million	777.26	767.27	780	712	821
Employees	Nos of employees		6,979	6,684	7,053	6,667	5,206
	Employee turnover	Percentage	25.98	27.2	17.46	21.09	8.94
		Management & staff as percentage	4.85	13.77	9.79	9.90	5.87
		Estate workers as percentage	28.92	30.32	19.14	24.08	4.64
	Employee category	Management	325	305	299	252	235
		Non executive staff	872	862	837	826	528
		Estate workers	5,782	5,517	5,917	5,590	4,443
	Female employees		780	743	783	749	610
	Male employees		6,199	5,941	6,270	5,918	4,596
	Nos of foreign workers	Indonesian	3,730	3,585	3,879	4,201	3,268
		Indian	41	10	96	89	4
		Bangladeshi	774	710	643	156	151
		Others	0	0	0	0	3
	Male non executive staff		673	684	651	632	339
	Female non executive staff		199	178	186	194	189
Female workers		485	484	524	509	382	

Category	Indicator	Measurement Unit/ Breakdown	31/12/2015	31/12/2014	31/12/2013	31/12/2012	31/12/2011	
Employees	Female management		96	81	73	46	39	
	Male management		229	229	226	205	196	
	Ethnic breakdown	Bumiputra		1,165	1,138	1,105	1,039	728
		Chinese		1	2	2	5	4
		Indian		31	31	28	33	31
		Other non Malaysians		0	1	1	Nil	Nil
Training	Nos of employees with formal qualifications funded by Kulim		10	0	0	11	11	
	Total training cost as per centage of payroll	Percentage	1.12	2.32	1.99	2.44	5.81	
Labour Standards	Minimum starting wage	RM per month	900	900	900	850	850	
	Nos of employees who are members of a trade union	Head count	1,727	1,277	1,322	1,530	1,334	
	Nos of women who left on maternity leave	Head count	26	23	12	14	17	
	Percentage who returned after maternity leave	Per cent	100%	100%	100	100	100	
	Reported sexual harassment cases	Cases	2	0	1	Nil	2	

DISCLOSURES

Category	Indicator	Measurement Unit/ Breakdown	31/12/2015	31/12/2014	31/12/2013	31/12/2012	31/12/2011
Community and Housing	Breakdown of charitable contributions (RM)	Sports	5,845,938	5,158,000	3,724,691	8,771,900	6,480,00
		Culture/religion	409,564	535,000	27,200	13,000	5,500
		Community health	2,313,000	102,000	110,000	290,105	22,500
		Children and education	389,116	643,251	213,850	169,800	167,500
		Charity (basic needs)	2,801,362	239,152	562,481	217,300	56,100
	Nos of employees and dependants housed	Employees	9,786	9,270	9,624	4,504	4,434
	Square metres per inhabitant		9.60	9.60	9.60	9.60	9.60
Safety & Health	Fatalities	Incidents	0	2	1	1	1
	Lost Time Accident rate	Incidents per 200,000 working hours	6.82	7.19	7.20	9.79	5.80
	Severity rate	Average nos of lost time per accident	2.28	2.44	2.23	2.70	4.00
	Major accident	Reported incidents	37	29	40	33	54
	Minor accident	Reported incidents	436	558	252	310	507
	Occupational disease	Reported incidents	40	19	49	38	93
Agricultural Production	Herbicide usage per hectare	Active ingredients per hectare (litres)	1.3264	1.64	1.47	1.62	1.50
	Paraquat usage per hectare	Active ingredients per hectare (litres)	0.1518	0.06	0.05	0.07	0.03
	Yield per hectare	Tonnes	22.5	22.34	22.11	20.34	21.89
	OER	Percentage	20.86	20.58	20.22	20.29	20.20
	Total titled land	Hectares (Malaysia)	50,999.00	51,160.00	51,160	49,551	43,890
	Total hectares of planted oil palm	Hectares (Malaysia)	47,010.06	47,122.53	47,107	45,592	43,890
	Peat developed	Hectares (Malaysia)	1,380	1,380	1,380	1,380	1,380

Category	Indicator	Measurement Unit/ Breakdown	31/12/2015	31/12/2014	31/12/2013	31/12/2012	31/12/2011
Environment	CO ₂ eq mt equivalents (mill only)	CO ₂ eq mt	243,274.83	221,933.28	262,078	184,911	168,571
		CO ₂ eq mt FFB	0.17	0.18	0.21	0.18	0.18
		Methane from POME	240,557.88	220,126.21	260,150	182,732	166,545
		Emission from diesel	2,716.95	1,807.07	1,928	2,179	2,027
	BOD level	PPM	532.83	114.50	114	85	261
	Total fertiliser usage	Tonnes	51,210.02	52,492.89	49,555	40,202	41,315
	Total chemicals	Tonnes	236.05	185.12	217	204	130
	Total FFB processed	Tonnes	1,410,658.00	1,252,825.54	1,259,858	1,021,691	919,307
	Total effluents	Tonnes	960,356.89	878,789.45	1,038,572	759,749	664,881
	Total boiler ash	Tonnes	7,053.29	6,264.13	6,299	5,108	4,597
	Total production	CPO (tonnes)	294,255.03	257,881.23	254,735	207,265	185,666
		PK (tonnes)	78,289.75	69,680.55	70,891	58,773	53,678
		Fibre (tonnes)	203,244.72	175,383.66	177,498	142,190	128,837
		EFB (tonnes)	280,185.36	246,169.98	247,567	200,822	182,467
		Acid oil (tonnes)	94.04	145.88	388	60	26
	Total water usage (mill only)	Tonnes	1,247,802	1,309,204	1,471,627	1,174,732	864,050
	Total water usage (mill only)	Per tonne FFB (tonnes)	0.98	1.05	1.17	1.15	0.94
	Total diesel usage (all uses)	Litres	1,016,824.16	676,298.04	721,522	823,037	758,411
	Diesel use per tonne of FFB	Per tonne FFB (litres)	0.72	0.54	0.57	0.81	0.82
	Total nos and volume of significant spills		Nil	Nil	Nil	Nil	Nil

DISCLOSURES

Category	Indicator	Measurement Unit/ Breakdown	31/12/2015	31/12/2014	31/12/2013	31/12/2012	31/12/2011
Suppliers	Kulim estate FFB	Tonnes	867,866.60	814,843.31	765,665	570,989	554,156
	JCorp linked FFB	Tonnes	122,761.44	30,413.81	78	34,309	Nil
	FFB traders	Tonnes	361,320.12	346,141.26	433,073	367,133	305,672
	Smallholders FFB						
	- controlled	Tonnes	5,000.60	4,234.85	4,051	3,436	6,031
	- external FFB	Tonnes	53,673.04	57,192.31	56,991	45,825	53,449

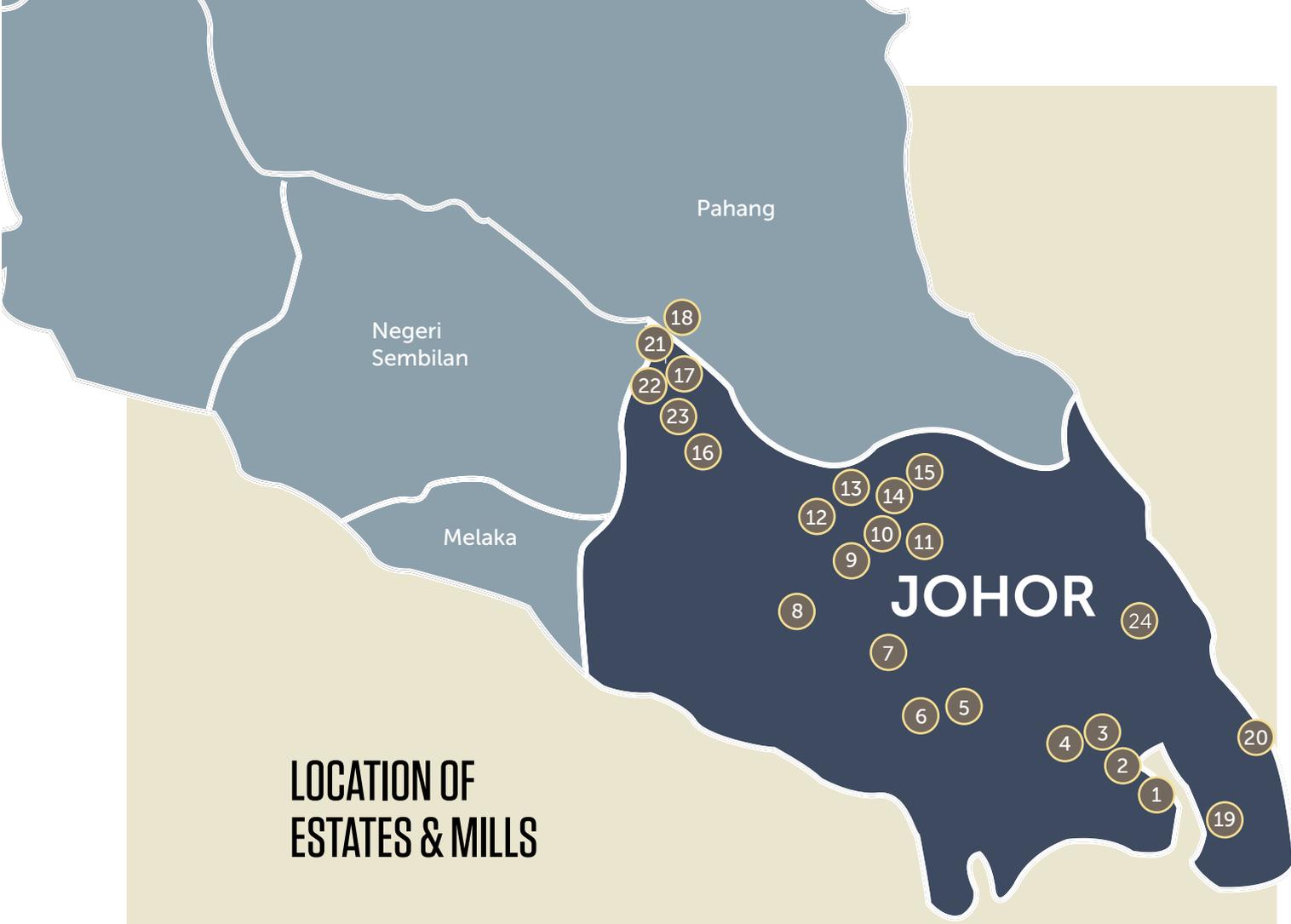
Notes to Data

CO₂ eq mt equivalent: For a complete breakdown of our GHG emissions, please refer to our Carbon Footprint Report 2014.

Oil Extraction Rate (OER): The total amount of crude palm oil produced divided by the total amount of fresh fruit bunches (FFB) used, giving a ratio scale.

Lost Time in Accident rate: Shows how many employees per 100 employees have been injured or suffered an accident that has to be recorded. The number of recordable cases is multiplied by 20,000, and then divided by the total number of labour hours by the company.

Total payroll: Comprises basic salary and allowances extracted from the HR Management System. It includes training cost paid to AKLI Resources Sdn Bhd, a subsidiary of the Kulim Group for carrying out staff training.



LOCATION OF ESTATES & MILLS

ESTATES AND MILLS:

- | | |
|--------------------------------------|--|
| 1. Bukit Layang Estate | 13. Sungai Tawing Estate |
| 2. Basir Ismail Estate | 14. Selai Estate |
| 3. REM Estate | 15. Sungai Semborong Estate |
| 4. Ulu Tiram Estate | 16. Labis Bahru Estate |
| 5. Sedenak Estate and Sedenak POM | 17. Sepang Loi Estate |
| 6. Kuala Kabung Estate | 18. UMAC Estate |
| 7. Rengam Estate | 19. Sungai Papan Estate |
| 8. Sindora Estate and Sindora POM | 20. Siang Estate |
| 9. Tereh Selatan Estate | 21. Palong Estate |
| 10. Enggang Estate | 22. Kemedak Estate and Palong Cocoa Mill |
| 11. Mutiara Estate | 23. Mungka Estate |
| 12. Tereh Utara Estate and Tereh POM | 24. Pasir Panjang Estate and Pasir Panjang POM |

Glossary

Biodiversity

The diversity (number and variety of species) of plant and animal life within a region.

Biofuels

Biofuels are fuels that are derived from biomass (recently living organisms such as wood or vegetable oil) or their metabolic by-products, such as manure from cows. They are a renewable energy source, unlike other natural resources such as petroleum or coal.

Biological Oxygen Demand (“BOD”)

The amount of oxygen used when organic matter undergoes decomposition by micro organisms. Testing for BOD is done to assess the amount of organic matter in water.

CO₂e Equivalent

Carbon Dioxide Equivalents (“CO₂e”) provide a universal standard of measurement against which the impacts of releasing (or avoiding the release of) different GHG can be evaluated.

Effluent

Water discharged from one source into a separate body of water, such as mill process water.

Extraction Rate

The amount of oil extracted from oil palm fruit at a mill. Oil is extracted from the flesh, Crude Palm Oil (“CPO”) or from the nut, Palm Kernel Oil (“PKO”).

Fresh Fruit Bunches (“FFB”)

Fruit bunches harvested from the oil palm, with each bunch weighing 5kg to 50kg and may contain 1,500 or more individual fruits.

Global Reporting Initiative (“GRI”)

A multi-stakeholder standard for sustainability reporting, providing guidance on determining report content and indicators.

Halal

Any object or action which is permissible to be used or engaged in according to Islamic laws. The term covers and designates not only food and drink but also all matters of daily life.

High Conservation Values

The concept of High Conservation Value Forests (“HCVF”) was first developed by the Forest Stewardship Council (“FSC”) in 1999 as its 9th principle. The FSC defined HCVF as forests of outstanding and critical importance due to their environmental, socio-economic, cultural, biodiversity and landscape value.

International Labour Organisation (“ILO”)

A tripartite world body representative of labour, management and government that is an agency of the United Nations. It disseminates labour information and sets minimum international labour standards called “conventions”, offered to member nations for adoption.

Independent Director

According to Bursa Malaysia, an independent director means a director who is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interests of an applicant or a listed issuer.

Integrated Pest Management (“IPM”)

A pest control strategy that uses an array of complementary methods: mechanical devices, physical devices, genetic, biological, legal, cultural management and chemical management. These methods are done in three (3) stages: prevention, observation, and intervention. It is an ecological approach with a main goal of significantly reducing or eliminating the use of pesticides.

International Sustainability & Carbon Certification (“ISCC”)

An internationally oriented, practical and transparent system for the certification of biomass and bioenergy.

IUCN Red List

The International Union for Conservation of Nature and Natural Resources (also known as The World Conservation Union) is an organisation based in Switzerland which is involved in the preservation of natural resources. It publishes the Red Data Book, that lists the endangered species in every nation.

Non-Executive Director

A director who does not currently hold any other employment with the company. Unlike an Independent Director, a non-executive director can have significant financial interests or close personal ties to the company.

Non-Governmental Organisation (“NGO”)

In this report, used to refer to grass-roots and campaigning organisations focusing on environmental or social issues.

DISCLOSURES

Palm Oil Mill Effluent (“POME”)

By-product of processed FFB.

PEAT

Is an accumulation of partially decayed vegetation matter. Peat forms in wetlands or peat lands, variously called bogs, moors, muskegs, pocosins, mires and peat swamp forests.

Roundtable on Sustainable Palm Oil (“RSPO”)

A multi-stakeholder organisation based in Kuala Lumpur, Malaysia. The organisation has developed a certification scheme for sustainable palm oil.

Social Impact Assessment (“SIA”)

Includes the processes of analysing, monitoring and managing the intended and unintended social consequences, both positive and negative, of planned interventions (policies, programme, plans, projects) and any social change processes invoked by those interventions. Its primary purpose is to bring about a more sustainable and equitable biophysical and human environment.

Stakeholders

Any group or individual who is affected by or can affect the company’s operations.

Sustainability

A term expressing a long-term balance between social, economic and environmental objectives. Often linked to Sustainable Development which is defined as “Development that meets the need of current generations without compromising the needs of future generations”.

► Contact and Feedback

We welcome feedback and questions.
Please contact:

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